Marketing Plan for Lone Star Olive Ranch

Madisonville FFA
Texas – TX0498
2016

I. Description of Lone Star Olive Ranch

Lone Star Olive Ranch is a family-owned business located in Madisonville, Texas. Owners Christine McCabe and Cathy Bernell began investigating growing olives because they wanted to diversify their cattle operation. After two years of research, the partners planted 2,016 olive trees in March 2009 on their 80 acre ranch. The trees yielded their first small harvest in the fall of 2012. As the trees continue to mature, Lone Star has seen a continuous increase in the quantity they produce. Madisonville FFA Marketing was approached by Lone Star Olive Ranch to investigate the best marketing channels for this fledgling company with increasing product production.

II. Market Analysis

A. Industry Trends

The olive tree is native to the Mediterranean and this region still yields 90% of the global olive oil supply. Top producing countries include Spain, Italy, and Greece[1]. Olives were brought to California in the early 1700's by Spanish monks and California continues to produce more domestically grown olive oil than any other state (3.5 million gallons in 2014)[2]. Even though Extension Service scientist Earnest Mortensen experimentally grew olives successfully in the Carrizo Springs area of Texas in the 1930's, olives did not receive wide acceptance as a viable Texas crop until a resurgence of interest took place in the late 1990's. The Texas Olive Oil Council was formed in 1994 by farmers seeking to promote the new industry. The Texas AgriLife Extension service estimates the total number of Texas acres in olive production to be 2,000 currently[3]. While on the rise, the Texas olive oil industry is in its infancy, producing less than 15,000 gallons of oil per year[2].

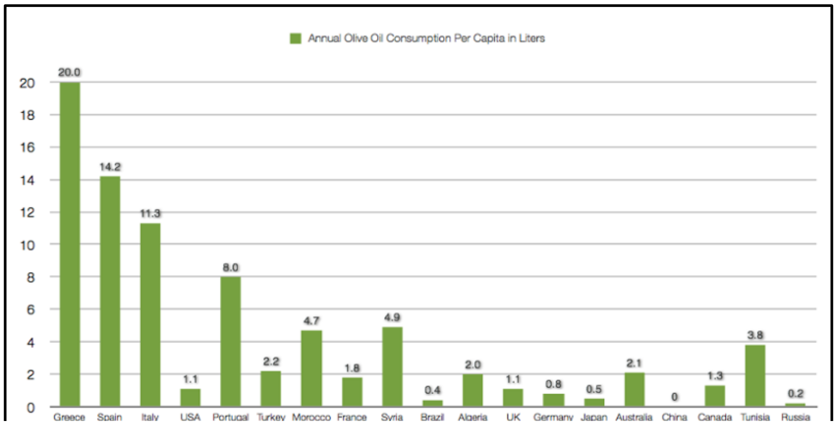
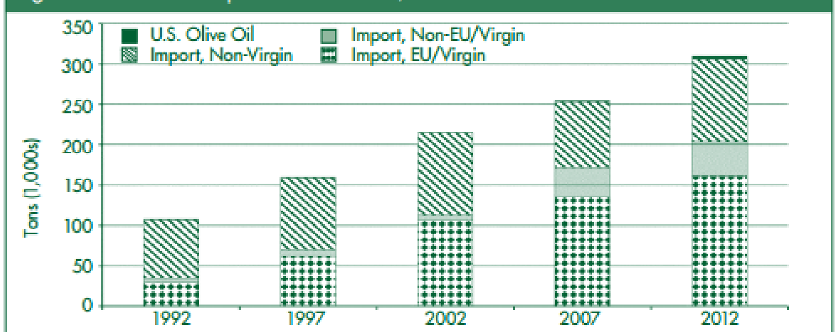


Figure 1. U.S. Consumption of Olive Oils, 1000 Tons



Source: International Trade Commission and USDA-Foreign Market Service PSD online.

When evaluated on a per capita basis, Americans don't indulge in as much olive oil as Europeans. On average, Americans consume 1.1 liters per person every year. Because the U.S. has a large consumer base however, total consumption in comparison to smaller countries is relatively high[4]. United States consumers buy 80 million gallons of olive oil annually, making this the largest market outside of the European community[5]. The U.S. uses 10% of the world's production each year[6]. Even with Greece's high consumption rate, because their country is so small, they use only 7%[4].

Even though the U.S. is among the world's largest markets for olive oil, it produces just a fraction of its own consumption. About 98 percent of the olive oil used in the U.S. is imported, primarily from Italy and Spain[6].

Industry studies do show however, that consumption of olive oil worldwide is on the rise, growing about 20 percent per year. The United States consumed 339,512 tons of olive oil in 2014, a 250 percent increase in 25 years[7]. The United States imported $1.1 billion worth of olive oil, up from around $400 million in 2000[2]. Findings from the North American Olive Oil Association show that olive oil is in 50% of the homes in the U.S.; up from 30% five years ago[4].

B. Status in the Current Market & Competitor Evaluation

Lone Star Olive Ranch is one of an estimated fifty olive orchards across Texas. The majority are located in the Texas Hill Country, near Austin and San Antonio[8]. While more plantings are being installed yearly, Lone Star Olive Ranch is a pioneer company in a new industry for Texas. Most of the growers are in the start-up phase but will be selling oil within the next five years. Only a handful are currently commercially distributing their products. Growers who are actively selling Texas produced olive oil are listed and summarized in the chart on the following page. A detailed SWOT analysis of each of these competitors may be accessed at https://goo.gl/fFd1XO.

Of these Texas competitors, Texas Olive Ranch is the largest, producing over 300 tons of olives and 55% of the Texas olive oil crop last year. This is the only Texas orchard that currently utilizes mechanical harvesting (allowing for lower harvest costs per ton) and is the only Texas grower to have a contract with a major grocery store chain (HEB Grocery). Bella Vista Ranch was the first to begin selling oil (2001). Lone Star Olive Ranch in comparison has been selling products since 2012 and harvested six tons of olives last year. As the trees have reached maturity, the amount of production has increased. Lone Star's trees are now seven years old, the age olive trees are considered to reach full production. Projections are for the 2016 crop to be at least double last year's harvest. While this added production has been long anticipated, the company is facing the reality of disseminating increasing inventory. So far, the owners have only sold their products on-site and through online orders, relying on word of mouth advertising. The time has come for Lone Star Olive Ranch to extend its marketing reach.

Another factor we need to look at in comparing Lone Star to other growers is that Lone Star offers less product diversity than many competitors. Most of the other Texas growers have a larger line of flavored oils and oil based cosmetic products. Some have on-site

1. http://www.oliveoilquotation.com/default.aspx?MainId=1&SubId=2
2. http://www.bloomberg.com/news/articles/2014-12-29/texans-discover-oil-growing-on-olive-trees-as-crude-drop-deepens
3. http://today.agrilife.org/2014/09/08/texas-producers-find-new-oil-fields-olive-groves/
4. http://www.centrafoods.com/blog/who-in-the-world-consumes-the-most-olive-oil
5. http://www.aoopa.org/U.S.OliveOilProductionFacts-i-17-2.html
6. http://giannini.ucop.edu/media/are-update/files/articles/V16N4_3.pdf
7. http://www.oliveoiltimes.com/olive-oil-business/world-olive-oil-consumption-increased-by-73-percent-over-a-generation/50731
8. http://aggie-horticulture.tamu.edu/fruit-nut/files/2010/10/olives.pdf

gift shops and guest houses, and host tasting events at the orchard, catering to a growing trend for agri-tourism in the Texas Hill Country. Lone Star has chosen a different focus, offering services that many competitors do not. Lone Star maintains a nursery, selling olive trees and providing custom orchard installation and consultation services to new growers. Only three competitors, marked with asterisks, offer similar selections. Lone Star owns a mobile olive press, the first in the state and one of only two in the nation. The machine can mill two tons per hour on location, a benefit no other Texas company can provide. This diversity of services presents some challenges but also creates a unique marketing mix that can appeal to specific clients.

Commercial Olive Oil Producers in Texas (listed by number of trees)				
Name	**Location**	**Trees**	**Products**	**Description (Strengths / Weaknesses)**
*Texas Olive Ranch	Carrizo Springs	116,000	10	Mechanical Harvest, Consulting & Installation, Largest
Southeast Texas Olive	Devers	34,000	1	Near Houston, In Local Stores, Organic, Trees Young
Central Texas Olive Ranch	Walburg	23,000	4	Only Arbosana trees, Converting to Machine Harvest
*Sandy Oaks Olive Orchard	Elmendorf	11,000	66	Nursery, Consulting, Event Venue, Lots of Products
Farrell's Olive Orchard	Artesia Wells	2,300	1	Presses @ Tx. Olive Ranch , Sells @ Festivals
Lone Star Olive Ranch	**Madisonville**	**2,016**	**4**	**Mobile Press, Instillation, Nursery, Consulting**
Welcome Olive Orchard	Brenham	2,000	1	First Oil Sale 2015, Small but Growing Company
Bella Vista Ranch	Wimberley	1,200	33	Venue, Tours and Tasting, Lots of Products
Texas Hill Country Olive Co.	Dripping Springs	1,150	32	Most Awards, Tasting Room, Organic Certified
*Charta Olive Farm	Columbus	600	1	Nursery and Installation Focus, Large tree Selection
Medina Valley Olive Orchard	San Antonio	110	1	First Oil Sales in 2014, Getting Started
Rosemaryinus Ranch Olive Oil	Beeville	65	1	Started in 2007, First Sales 2012, Small Sideline Project
Heart of Texas Olive Oil Co.	Georgetown	0	30	Press On-site, Store, and Tasting Bar. Buys Olives.

While these Texas companies battle for their market share, we must remember that the larger scale competition for all Texas producers is not found in neighboring farms. The bigger challenge is to compete with well-established import products. A listing of many of these competitors may be accessed by using the professional association directory of The Olive Oil Source[9]. The "David vs. Goliath" reality is that consumers traditionally purchase cheaper imported brands and must be convinced to change their habits for the Texas olive industry to thrive.

C. Buyer Profile

Our client survey showed that Lone Star olive oil is typically purchased by higher income individuals, with annual household revenue above $100,000 per year. Their motivation for purchasing Texas olive oil versus less expensive imports is based on having a fresher and therefore higher quality product. We also found that buyers of Texas oil usually have a desire to utilize locally grown foods and prefer supporting Texas ag producers. Trust in the integrity of labeling was also a factor. Olive oil was often chosen because it was viewed as a healthier alternative to other oils. Lone Star's 2015 customers were 92.1% from Texas and 79% of purchases were made by females. The pattern by age was heavy on the middle age ranges with clients primarily falling between 40 and 60 years of age. Customers were primarily Caucasian (92%) followed by Asian (6%), and Hispanic (2%). We found it interesting that despite the area population demographic of 22% African-American; there were no African-American clients in 2015. We attribute this to comparative lower income jobs held by this population segment statewide[10], placing fewer African Americans in the income bracket most likely to use this product. We also feel that cultural dietary customs come into play as most African American households typically utilize vegetable or peanut oils in food preparation.

D. SWOT Analysis of Lone Star Olive Ranch (includes some comparisons to competitors)

Lone Star Olive Ranch has several distinct advantages. **Strengths** include:

- Lone Star is the only company in the state that owns a mobile olive press. This allows them the ability to provide customer oil extraction on-site, maximizing oil quality from fresh picked fruit. This is a service competitors are not equipped to handle.
- The ranch has an established orchard of over 2,000 trees that are entering prime production. Three-quarters of Texas orchards are still in the start-up phase, waiting for their first crop or producing at very low levels.
- The owners own the 80 acres that comprise the ranch. Many competitors are still paying for their property.
- The owners' experience and training ranks them among the most knowledgeable in the field in Texas.
- Lone Star hand-harvests olives, resulting in crop losses of only 4% compared to 20% with mechanical harvesting.
- The company has excellent customer satisfaction ratings and its products score well in quality evaluations.
- Lone Star Olive Ranch is a member of the state's Go Texan promotion program and has received Go Texan grant money.
- The owners diversify income by selling oil, trees from their nursery, and providing custom orchard installation.
- With a nursery on-site, Lone Star can produce their own trees at lower cost than buying from other sources.
- The co-owners have compatible strengths allowing them to divide duties and apply their specific talents to build the company.

However, there are challenges to be overcome. An honest assessment of Lone Star's **weaknesses** reveals:

- Hand-harvesting is a labor intensive process. Lone Star incurs significant costs hiring and supervising workers during harvest season.
- Lone Star does not have enough trees to compete in high volume markets.
- The olive industry is new in Texas. Lone Star does not have the luxury of piggybacking on the experience of others. Ms. McCabe and Mrs. Bernell are constantly testing different methods and varieties, learning by trial and error.
- Lone Star's diversity of services requires the owners' attention on many fronts. They must balance caring for their own orchard while maintaining the nursery and doing custom installation and harvest work off-site.
- The company has recently taken on an additional $130,000 debt load with the purchase of a mobile olive press.
- By helping new growers buy and install trees, the owners are creating future competition for themselves.
- To date, Lone Star has only utilized two marketing channels. Growing the company will require finding new means of selling products.

9. https://www.oliveoilsource.com/professional-association-directory
10. http://www.utexas.edu/cola/iupra/_files/Income%20and%20Poverty%20Brief_7.1.13.pdf

Based on our analysis, Lone Star Olive Ranch does have several outstanding **opportunities**. These are:

- Lone Star is located between Dallas and Houston, two of the largest consumer marketplaces in Texas.
- Consumers perceive olive oil as healthier than substitutes and the use of olive oil in the United States is on the rise.
- The owners qualify for several agricultural grants as young, female farmers. They also qualify for Texas crop promotional programs.
- There is a growing interest in buying locally grown food with a more direct path from producer to consumer.
- The fresher the olive oil, the higher the quality. Domestic oils are almost always superior in quality to foreign competitors.
- Olive trees are very particular and will only grow in certain regions with proper temperature and soil requirements. This limits areas in the United States that can successfully produce similar products, reducing the potential for domestic competitors.
- Olive trees have amazing longevity. If they are well cared for, they can produce for hundreds of years.
- There is much interest in growing olives. The popularity has led to growing opportunities for nursery sales, installation contracts, and custom pressing services. Pressing on location allows Lone Star's clients to minimize losses to harvest volume and quality.
- In the event of natural disasters, government assistance programs can help recover lost inventory and revenue.

In conjunction with the previously listed shortcomings, we have also identified the following **threats**.

- There is much competition from well-established foreign sources. Despite the transport costs, most imported products can be sold at a lower price because they are produced in bulk.
- Foreign products do not have to meet the same standards to be labeled as extra virgin as domestically produced products. Some imported oils are labeled as pure olive oil but are in reality, oil blends. A legislative attempt to provide equity did not pass Congress in 2015.
- Some domestic competitors have a more extensive product line and can produce in larger quantities than Lone Star, resulting in higher production efficiency.
- Olive oil is expensive when compared to vegetable oils. Eighty to one hundred pounds of olives are required to make just one gallon of oil. On a cost comparison basis, vegetable oils will always be cheaper.
- Day labor is required in large quantities during harvest season. Finding adequate labor during peak seasons is sometimes difficult.
- The owners have only seven years of experience. This pales in comparison to foreign growers who have been producing olives for many generations.
- Go Texan grant funds were cut during the last legislative session. No grants are being awarded until new legislative action is taken.
- Olive production can fluctuate widely due to growing conditions. Texas does have freezes, thunderstorms, wind storms, and extended periods of rain. If timed incorrectly, these can prevent the olives from setting fruit or can damage trees. The owners have chosen not to purchase crop insurance because of the high cost.

E. Primary Research

Our team conducted two separate surveys while developing this marketing plan. To collect demographic and preference information on current clients, we sent satisfaction surveys to each client who ordered online from Lone Star in 2015. Client e-mail addresses were obtained from company records. We would have liked to have surveyed customers who bought on-site but no contact information was maintained for these customers. A satisfaction survey was e-mailed to each client in January 2016 with two follow up invitations sent to non-respondents. A total of eighty four surveys were sent and thirty eight surveys were returned. Questions are shown below in black and responses in red.

Customer Satisfaction Survey Answers

1. Male (8 individuals or 21%) / Female (30 individuals or 79%)
   Age: under 40 (2 or 5.2%) 40-45 (6 or 15.7%) 46-50 (9 or 23.6%) 51-55 (10 or 26.3%) 56-60 (9 or 23.6%) 61-65 (2 or 5.2%)
   Ethnicity: Caucasian (34 or 89.4%) Asian (3 or 7.9%) Hispanic (1 or 2.6%)
2. Annual Income of Household < $40,000 (0 or 0%) 40-60,000 (2 or 5.2%) 61-80,000 (3 or7.9%) 81-100,000 (6 or 15.7%)
   100-120,000 (15 or 39.5%) 121-140,000 (12 or 31.6%) >140,000 (0 or 0%)
3. Where do you live? (In Texas 35 or 92.1% vs. Other States 3 or 7.9%)
4. How did you find out about Lone Star Olive Ranch? (Friend/Family – 23 or 60.5%) (Drove by - 5 or 13.15%) (Internet Search- 6 or 15.7%) (Texas Olive Oil Council Website - 4 or 10.53%)
5. With 1 being worst and 10 highest, how would you rate the quality of products you received from Lone Star Olive Ranch?
   (10 – 22 or 57.89%) (9 - 11 or 26.3%) (8 - 5 or 13.51%)
6. With 1 being worst and 10 highest, how would you rate your experience with Lone Star Olive Ranch?
   (10 – 23 or 60.53%) (9 - 10 or 28.94%) (8 - 4 or 10.53%) (7 - 1 or 2.63%)
7. Why did you choose Lone Star Olive Oil over other alternatives?
   (Grown in Texas/Local – 16 or 42.11%) (High Quality/Fresh – 11 or 28.94%) (Great Taste – 4 or 10.52 %) (Know/Trust Owners – 7 or 18.42%)
8. Do you have suggestions for improvement?
   (More flavor options – 5 or 13.15%) (Get the product into stores – 15 or 39.47%) (None – 18 or 47.37%)

Potential Customer Survey

1. Do you cook with olive oil? Yes (236) / No (106. These did not continue survey)
2. What do you consider as advantages of olive oil vs. other alternatives? (Healty-93 or 39.4) (Fresh-76 or 32.2%) (Tastes Better-67 or 28.4%)
3. Gender Male (94 or 39.83%) / Female (142 or 60.17%) Age: 20-25(4 or 1.69%) 25-30(18 or 7.63%) 30-35(24 or 10.17%) 35-40(45 or 19.07%) 40-45(42 or 17.79%) 45-50(39 or 16.53%) 55-60(33 or 13.98%) 65+(31 or 13.14%)
4. Annual Income in Household < $40,000 (3 or 1.27%) 40-60,000 (9 or3.81%) 61-80,000 (32 or13.56%) 81-100,000 (58 or 24.58%)
   101-120,000 (64 or 27.12%) 121-140,000 (47 or 19.92%) >140,000 (23 or 9.75%)
5. Which of these is the most important in olive oil. Quality/Freshness (70 or 29.66%) Locally Grown (55 or 23.3%) Flavor Options (6 or 2.54%)
   Excellent Flavor (62 or 26.27%) Accurate Labeling (43 or 18.22%) Organic (0 or 0%)
6. If you were buying an 8.5 fl. oz. bottle of high quality extra virgin olive oil, what price range would you expect?
   $5-10 (36 or 15.25%) $10-15(91 or 38.56%) $15-20(88 or 37.29%) $20-25(21 or 8.9%) $25-30(0 or 0%) $30+(0 or 0%)
7. Where would you most likely buy olive oil? (Grocery Store-139 or 58.9%) (Online - 57 or 24.15%) (Food Show / Event - 40 or 16.95%)
8. What oil flavors could be offered that would be attractive to you? (Jalapeno - 40 or 16.9%) (Roasted Garlic - 32 or 13.56%) (Lemon - 27 or 11.44%) (Oregano – 17 or 7.2%) (Rosemary - 14 or 5.93%) (Peppercorn - 10 or 4.24%) (Basil - 8 or 3.39%) (Don't Know-88 or 37.29%)

To help Lone Star look to the future and to determine the needs and wants of potential customers, we conducted oral surveys during the "Houston Press Menu of Menus Extravaganza" and at the "Taste of Aggieland Epicurean Extravaganza". Feedback was exchanged for free product samples. In our survey, an oral screening question determined if the participant continued with the entire survey. Using this method, 342 were screened and complete documents were collected from 236 individuals. Survey questions and answers may be viewed on the preceding page. Finally, we visited via video call with Wendy Womack, Texas Department of Agriculture's Go Texan Food Marketing Coordinator. Her experience in marketing Texas agricultural products was very insightful. We also met with two focus groups of officers in large corporations. Obtaining this data was essential to developing this plan.

Focus Groups of Large Corporation Owners / Managers	
Joseph Frederick – Frederick Intermodal	Michael Ghormley – Anadarko
Alex Ewig – Martek	Jake Paine – LaQuinta
James Frederick – National Drayage Services	Larry Gach – Ford Motor Company

III. Business Proposition

A. Mission Statement and Key Planning Assumptions

With a clear understanding of the current situation for Lone Star Olive Ranch, trends in the industry, and gathered insight from existing and potential customers, we are ready to look to the future. This future includes opening new channels for introducing customers to Lone Star Olive Oil. Word of mouth referrals, interest in a new Texas product, and online orders were enough to sustain positive growth during the first four years of production. As harvests have increased however, Lone Star has been left with more unsold inventory each year. All of the work put into building the orchard will be pointless if the owners remain passive in their approach to marketing. To help the company make a mental shift, realizing marketing is not an incidental inconvenience but essential to the company's financial survival, we suggest an in-house marketing mission statement of "Olive It". This will remind owners that attention to selling the product is as important as producing it and that the job of marketing continues until the every last unit is sold.

As we outline the best growth plan for this company, we must emphasize that all strategies are based on some important key assumptions. If the owners are not fully committed on these points, this marketing plan will prove ineffective.

- This plan is designed to be implemented for 12 months, beginning January 1, 2017 and ending December 31, 2017. All projections and budgets are based on the assumption that the plan will be followed for the specified time period.
- This plan assumes superior orchard yield with a projected harvest of 12.6 tons of olives in 2016. In the event of crop damage or poor oil production, marketing actions will need to be scaled back proportionally.
- Implementing this marketing plan will require increased travel. The owners must be willing to spend more time on the road or add employees to cover this requirement.
- This growth plan will require Lone Star to spend more financial resources and man-hours on company promotion than in the past. Ms. McCabe and Mrs. Bernell will need to establish new relationships in unfamiliar markets. Executing these strategies will require money and effort in the short term but will yield positive results overall.

B. Measurable Goals

With these key assumptions in place to guide all proposed actions, we are pleased to introduce the following goals.

Short-term goals to be completed by December 31, 2017

- Sell out of the previous year's product by end of the following year.
  (Based on the Year 2016 harvest projections stated above, this will require 4,235 bottles to be sold in 2017.)
- Increase the number of bottles sold to an average of 353 per month.
  (Average per month in 2015 was 136 bottles. Increasing sales volume 2.5 times will be challenging but is required to match increasing production.)
- Obtain at least 3,900 unit sales in the new markets opened through this plan.

Long-term goals to be considered within the next five years

- Increase the product selection, adding more flavored oils.
- Develop a partnership with the Houston Chapter of the American Heart Association to hold a charity event at the ranch.
- Obtain a travel trailer to reduce hotel costs.

C. Target Market

Correctly identifying population segments that have the best potential for becoming new customers is vital to meeting these goals. The objective is to use marketing resources to specifically reach those who are most likely to respond, maximizing the return on investment.

Our research has pointed away from placing emphasis on the marketing methods used in the past. In saying this we are not suggesting that Lone Star completely abandon online sales or or refuse loyal customers from buying directly from the ranch. Our findings however show several inherent problems with these tactics. First, Lone Star Olive Ranch is located off of Farm to Market Road 2289, hardly a high traffic location. Expecting high volume on-site sales in a rural area is not realistic. Lone Star does have a very attractive website, funded through a Go Texan grant, which does create a favorable feeling about the product. An October 2008 survey conducted by Google and Unity Marketing, found that wealthy online shoppers spent more per year on luxury goods: $114,632, compared with $23,000 for wealthy in-store shoppers[11]. The problem is that very few people will type a search term specific enough to find Lone Star's website unless they are already familiar with the company or specifically looking for Texas grown oil. The website is most useful for individuals who find out about the company through another means, then gain information and make purchases online. Our research does show however, many other marketing options at the owners' disposal which will be extremely effective in expanding the customer base of Lone Star Olive Ranch.

One of the most important objectives to bear in mind when selling high-end products is that the customer has to be convinced the benefit is worth the extra cost. In the case of a food item such as olive oil, tasting is believing. Putting the product in the hands of individuals with high potential to become customers is key. In this way, the quality of the product will make the sale.

11. http://www.forbes.com/2009/04/16/luxury-strategy-marketing-opinions-book-review-vuitton-hermes-fendi.html

The risk in direct marketing is a potential for high labor cost. For this reason, target groups must be choosen very carefully. Great care has been taken in this plan to focus these expanding marketing efforts on discerning, middle-aged, upper income, health minded audiences and to promote this product as the top of the line, quality Texas oil it truly is.

IV. Strategies and Action Plan

A. Product

Lone Star Olive Ranch produces extra virgin olive oil as certified by independent tester, R.L. Food, in Oklahoma. The designation of extra virgin requires the acidity of the oil to be less than .8 percent, with negligible impurities. Extra virgin oil is known to have the highest health benefits and is considered to be the premier product of the olive oil world. Unfortunately for domestic growers, imported oils are certified and labeled in their country of origin. Very few foreign countries have standards in place that match the strictness of thresholds in the United States. Therefore, some imported products labeled as extra virgin typically would not have met that standard if they had been certified in the United States. Some importers mix olive oil with cheaper safflower or canola oil. An attempt to require imported olive oil to be recertified before being sold in America failed to pass Congress in 2015. While olive grower associations will continue to lobby for this action, domestic growers must deal with this discrepancy at present.

Lone Star Olive Ranch sells four extra virgin olive oil products, all produced from Arbequina olives. Options include regular, garlic infused, lemon infused, and jalapeno. Texas Olive Ranch, by comparison, has eight flavor varieties and offers blends from other varieties of olives. Other competitors sell up to eleven flavors and a variety of olive oil based skin care products and balsamic vinegars. Our marketing firm investigated expanding Lone Star's product line. Our conclusion, based on our survey results, is that while flavor infused oils do sell well in the United States, the most popular selections are the flavors Lone Star already sells. The time required for research and development would be better used currently to find new ways to sell ever increasing inventory of the existing products. Mrs. Bernell will of course, continue to experiment with various flavor combinations, but getting adding new products is a long-term goal and not an immediate priority at this time.

Our marketing team also looked very closely at the owners' business decision to sell custom orchard installation services and oil milling to other growers. At first glance, this seems to be a counter-productive means of aiding future competitors. Upon further evaluation however, the wisdom of providing these services is evident. Many small growers are entering this business. Most will have a difficult time justifying buying oil extracting equipment. Custom milling allows small growers to avoid the high cost of buying an oil press. This is the perfect opportunity for Lone Star to cash in on the excitement to grow olives, providing needed expertise and custom work for those entering the industry. The new growers will technically be competitors, but with the United States producing less than 2% of the olive oil it uses and Texas producing less than 1%, domestic competition is not severe. In fact, a "strength in numbers" approach could help domestic olive oil producers better communicate the merits of American produced oil. The benefits of offering custom work far outweigh the negatives. This is an excellent way to utilize the company's existing strengths and assets.

B. Price

Lone Star Olive Ranch olive oil is sold in 8.5 fluid ounce (250 ml) bottles. This size is typical in the market although three Texas growers do offer 375 ml and 500 ml size options. While the larger size bottles are tempting to move more product per sale, our team believes the smaller size helps ensure the reputation and long-term quality of Lone Star Olive Oil. The longer olive oil sits, the poorer the taste. Once the bottle seal is broken, the oil has an optimum shelf life of two to three months. The quantity discount price structure Lone Star currently has in place is a more sensible approach. This still provides an incentive for purchasing more products, rewarding high volume users, but preserves the quality and positive reputation of the product.

Lone Star Olive Ranch Olive Oil Prices (250 ml bottle)

Item	1 bottle	3 - 5	6 - 11	12 or more
Extra Virgin Olive Oil	$15.95	$14.35	$13.50	$12.75
Extra Virgin Olive Oil – Flavors	$17.95	$16.15	$15.25	$14.50

Our survey results indicate this pricing level is suitable for current market conditions. Lone Star's investment in high quality, extra virgin oil demands a premium price. The company should not try to compete with imported oils ($9 to $13 per 250 ml bottle) or with high volume domestic growers. Breakeven costs per bottle including oil, the bottle itself, and labeling is approximately $7, fluctuating with growing conditions. Owners should maintain at least a 75% mark-up at retail and should never allow price to cheapen the product's image.

Competitor Pricing (250 ml bottle) Arbequina (regular flavor)

Texas Olive Ranch	$14.00	Sandy Oaks Olive Orchard	$18.00
Central Texas Olive Ranch	$14.95	Farrell's Olive Orchard	$19.99
Southeast Texas Olive	$15.00	Charta Olive Farm	$21.95
Heart of Texas (375 ml)	$16.00	Bella Vista Ranch	$22.95
Texas Hill Country Olive Co.	$17.99	Medina Valley & Rosemaryinus	$23.99

We also concluded that Lone Star's price rate for custom installation, consultation, and milling is appropriate. Setting the installation price too high could cause growers, who are already facing a large investment in land and trees, to shy away, opting for trial and error on their own. On the other hand, the expertise purchased can save a new grower time and money from mistakes. The rates are comparable with similar professional services in other industries. Constant monitoring of the breakeven price will be the basis for wise pricing decisions as input costs vary.

Price Comparison for Custom Service (nursery stock = price per tree)

Company	Nursery Stock	Installation	Consultation	Milling
Lone Star Olive Ranch	$14 to $240	$90 / hour	$45 / hour	$450 / ton
Texas Olive Ranch	$14 to $200	$100/ hour	$50 / hour	$425 / ton
Charta Olive Farm	$25 to $40 per tree installed		$42 / hour	N/A
Sandy Oaks	$12 to $240	N/A	$45 / hour	N/A

C. Place

Lone Star's location, the size and economic profile of the closest markets, and the concentration of Texas growers near San Antonio and Austin, make the geographic focus of this marketing plan an easy decision. Lone Star should focus on markets along the I-45 corridor, from Dallas to Houston. Populations of major cities in this area are 12.9 million, with 20% falling in the target income bracket. An estimated 749 thousand gallons of olive oil is consumed annually by this specific high income group, providing plenty of potential customers to meet the goal of selling the 281 gallons of expected 2016 production from Lone Star Ranch. Remember, the object is not to grow the company as fast as possible but to generate enough sales to clear the inventory each year. There is no reason to overextend the company when so many potential contracts exist close to home. At the conclusion of this plan, the geographic focus can be reevaluated and adjusted if needed.

A larger geographic area will need to be considered for the mobile mill. Fortunately for the owners, olive orchards have earlier harvest dates in the Southern part of the state. The owners' goal will be to secure contracts in a progressive wave, working north, remembering to schedule their own ranch as a client during the projected harvest window for Lone Star. The owners should continue to bid for custom work with olive growing cooperatives in California. Traveling out of state will only be justified if a group of contracts can be secured. A threshold of a combined 200 tons should be the minimim requirement for any out of state contract. Harvest times in Nothern California are generally later than Texas, but the timing of contracts should of course be considered in the bid process as well.

When the volume of contracts and related travel distances warrant, the company should consider purchasing a travel trailer. This action is not feasible at this point, because the milling business is just getting established, but should be kept in mind as nights on location increase.

D. Position

One of the best marketing strategies Lone Star can engage in is to capitalize on their unique marketing position as a mobile custom oil processor. Lone Star has a huge strategic advantage as the first to offer this service in Texas. The machine is one of only two that currently exist in America. Acting quickly to develop partnerships with new growers will pay great dividends. Farmers show great loyalty when they are satisfied. Lone Star's efforts to establish trusting relationships now will make it difficult for anyone to compete with this service later on.

Lone Star already has a working partnership with seven surrounding orchard owners who hired them for installation. Constant communication with the Texas Olive Oil Council will allow Lone Star to stay aware of new growers entering the industry. Selling nursery stock will also help Lone Star establish positive contact with new farmers. Finally, Lone Star's test plots allow them to speak from personal experience when consulting, helping earn trust within the industry. Lone Star is poised to establish dominance in consulting East Texas' new growers, a key marketing position.

Even though the Go Texan program has a current freeze on funding, remaining a member of the Go Texan initiative is important. The right to use the Go Texan logo on the label is valuable. Many Texans are loyal to native grown products and the Go Texan seal has become a well-recognized symbol denoting Texas produced items. Hopefully, Lone Star will receive future grants when funding for the program is restored.

E. Promotion

As we transition to describing specific promotional strategies for reaching marketing goals, we should take a moment to point out some marketing possibilities we investigated but dismissed. First, this plan does not utilize radio, television, or newspaper media. These would not be a wise use of resources as marketing to the specific target group will yield better results. We also investigated putting Lone Star Olive Oil into a high-end grocery store, such as Whole Foods. Unfortunately, Lone Star does not produce in volumes sufficient to supply a large store chain or restaurant and cannot guarantee inventory year round. In the case of Lone Star Olive Ranch, we are looking for the flexibility to adjust for busy periods at the ranch and changes in inventory levels. Our research clearly showed the value of getting the product into the hands of potential customers. For example, product samples used during our surveys led to multiple sales on the spot. With these considerations in mind, we recommend the following as excellent marketing options for Lone Star Olive Ranch.

1. Place the product in select health food stores

Suggested Food Stores			Customers
Natural Grocers (3 Stores)	Dallas, TX	214-987-0000	41,000 / mo.
Cox Farm Market	Dallas, TX	214-748-8851	6,400 / mo.
Northlake Health Food	Dallas, TX	214-341-8804	6,300 / mo.
Harvest Farm to Market	Houston, TX	281-957-7000	7,900 / mo.
Central City Co-op	Houston, TX	713-807-0101	7,400 / mo.
Nature's Market	Houston, TX	713-520-0876	5,700 / mo.
Sandy's Market	Houston, TX	281-870-9999	4,500 / mo.

Even though Lone Star does not have the ability to meet contract requirements of larger grocery operations, smaller, locally owned health food stores provide an alternative means of getting the product before target customers on a smaller scale. According to the recent study published in the New England Journal of Medicine, consuming more than four tablespoons a day can significantly lower the risk of having a heart attack or stroke, lower cholesterol, and control insulin levels in the body[12]. Our team considered average customers per month, autonomy of owners, and travel time for customers and delivery drivers to formulate this list of outstanding vendor options. All of these have the flexibility to work with Lone Star's changing inventory levels while providing good exposure to health conscious customers.

2. Attend wine tasting events and gourmet food shows

Suggested Wine Tasting / Food Events		Avg. Attendance	
Harvest Festival	Bryan, TX	Summer	5,700
Texas Reds Steak & Grape	Bryan, TX	Fall	4,200
Savor Dallas	Dallas, TX	Spring	9,500
WineTastic Holiday	Dallas, TX	Winter	6,100
Houston Press Menu of Menus	Houston, TX	Spring	11,000
Texas Wine Festival	Tomball, TX	Summer	8,800
Texas Mushroom Festival	Madisonville, TX	Fall	3,400

Combining olive oil tasting with wine tasting is a common practice in the Hill County, where many orchards sell these products together in agri-tourism packages. While on-site tours are less feasible due to the location of Lone Star, the combination of wine and gourmet food is an excellent fit. Hiring a chef to perform culinary demonstrations using Lone Star olive oil will allow superior exposure at these events. We recommend piloting this strategy by starting with festivals close to home. The chart depicts our top choices based on prestige, travel distance, timing in relation to harvest schedules, and typical attendance. We also strongly suggest Lone Star partner with Messina Hof winery in Bryan. Messina Hof hosts weekly open house events at their tasting room and their gift shop is open daily in a higher traffic area than Lone Star Olive Ranch. A contract to have Lone Star oil in this store will put the product in a geographically close, established high-end market.

3. Corporate gifts

Many large corporations purchase thank you gifts for clients and employees. Lone Star's products are tailor made for companies wanting gifts that are prestigious while being 100% percent Texan. Fortunately for Lone Star Olive Ranch, many of these companies have corporate offices in The Woodlands, a short 60 minute drive from Madisonville and peak season for corporate gifts is December, the exact time

12. http://www.cnn.com/2013/02/26/health/five-things-olive-oil/

harvest is concluding and inventory is high. Based on the insight of our focus groups, we recommend reaching out to these corporate decision makers with personal sales calls. The Woodlands is an excellent test market for this, with thirty corporate offices of companies who meet the target profile located within a five mile radius. By setting appointments in advance, Lone Star should be able to schedule multiple appointments, meeting with three to five CEO's in a day. Gift packaging, with the option of a personalized message, will need to be developed. The gift package should also be added as a selection on Lone Star's website.

4. Social Media

Upon first analysis, our team was not in favor of using social media in this plan. We felt electronic means would not persuade users to purchase a food product, especially a high-end product where the buyer must be convinced of the quality of the purchase. However, an accidental discovery has shown a means of using social media that is effective. When Mrs. Bernell posted a story about her kids planting an experimental French olive variety on her personal Facebook page, hits on Lone Star's website increased and online orders spiked. Four weeks later, another post initiated the same result. People are genuinely interested in this product new to Texas. Personal posts on Twitter, Facebook, and Instagram are low cost means of exposure that will pay for themselves if they lead to an additional ten unit sales per month.

5. Networking

Friendly relations with other olive growers as well as surrounding universities, extension agents, the Texas Department of Agriculture, and the Texas Olive Oil Council are an important means of receiving referrals for custom work. New growers will be looking for assistance and tree stock as they enter the industry. Lone Star is one of few who specialize in these services. Many land owners in the Madisonville area are absentee; they work in Houston but keep rural property as a weekend home. Having a crop qualifies the land for much lower property tax rates. Lone Star can install and care for these orchards, even when the owner is not present. Custom contracts offer a diverse means of earning revenue but will need to be selected carefully so they do not interfere with the daily operation of the orchard.

V. Projected Budget

Increased labor costs and sharing the return on sales with marketing partners (selling at wholesale vs. retail price) will be the primary costs associated with this plan. Our budget also accounts for fuel, hotel, and related travel expenses. Specific details on each line item of the budget may be viewed at http://goo.gl/EnbR8b. Increasing marketing expenditures may feel unnerving to owners not accustomed to active product promotion. The price of doing nothing however, is much higher as each unsold bottle represents zero return on land, labor, and capital investment. Costs of implementing the strategies in this plan and expected returns are outlined in the pro forma income statement below.

PROMO #	EXPENSE ITEMS	TOTAL
1	Labor Negotiating Store Contracts	$1,260
1	Travel Time, Fuel, Hotel	$3,870
1	Product Deliveries	$3,252
2	Festival Booth Rental Fees	$4,200
2	Labor, Fuel to Food Shows	$3,360
2	Hire Chef	$3,430
2	Food for Demonstrations, Booth Signs	$5,700
2	Labor, Fuel, Delivery – Messina Hof	$573
3	Labor Negotiating Gift Contracts	$360
3	Travel Time, Fuel, Product Deliveries	$630
3	Gift Packaging, Cost of Samples	$1,485
1-3	Opportunity Costs selling Wholesale	$12,480
4	Labor Writing Posts & Website Fees	$1,810
5	Networking Labor	$2,520
5	Travel & Labor Installation	$3,810
5	Nursery Stock used in Installations	$18,000
5	Travel and Labor Consulting	$3,132
5	Travel, Labor, Hotel Custom Oil Milling	$6,270
	TOTAL	**$76,142**

PROMO #	INCOME IN 2017	TOTAL
1	Avg. 16 Bottles Sold / Store (9) / Month (12) 1728 Bottles @ $11 Wholesale Price	$19,008
2	192 Bottles / Show x 7 Shows 1344 Bottles @ $16 Retail Price	$21,504
2	Avg. 10 Bottles / Month sold @ Messina Hof 120 Bottles @$11 Wholesale Price	$1,320
3	600 Bottles @ $13 Wholesale Price ($11 for Oil and $2 for Gift Box)	$7,800
4	18 Bottles / Month 216 Bottles @ $16 Retail Price	$3,456
5	3 New Installations – Labor ($90/Hour)	$5,400
5	3 New Installations – Trees ($9 / Tree x 3000)	$27,000
5	85 Hours Consultation / Orchard Care Contracts @ $45 / Hour	$3,825
5	40 Tons Custom Milling @ $450 / Ton	$18,000
	TOTAL	**$107,313**

The net gain on marketing expenses equals $31,171. This represents a return of $1.41 for every dollar invested.

VI. Evaluation

The most effective use of this plan will be accomplished through regular assessments of progress. At the end of the harvest season, sales goals should be set for each month, evenly dividing the units sold. Tracking sales each month will serve as a benchmark to see if inventory is moving in a consistent manner. Projections for 2017 are to sell 353 bottles per month but, as mentioned previously, marketing decisions must be adjusted based on actual inventory. It is senseless to spend money marketing if inventory levels are too low to fill orders.

The success of each individual strategy will be determined by the number of units sold through each marketing channel. One of the greatest features of this marketing plan is that it is built for flexibility. If the sales volume of a particular strategy is yielding a negative return on the investment after six months it should be suspended. Marketing showing a positive return should be continued or expanded.

If oil sales fall short of goals, an excellent contingency plan lies in the selling of olive pulp. Recent research by Sam Houston State University has shown olive pulp to be a highly nutritious feed supplement for goats. Studies are ongoing, resulting in new demand for something previously considered processing waste. This emerging market for pulp can definitely help Lone Star enhance revenue.

Lone Star Olive Ranch should continue to seek customer feedback. We recommend using the survey techniques our marketing team incorporated in developing this plan. Our consultants will be happy to complete ongoing studies, making sure marketing efforts align with consumer preferences and that Lone Star is gaining the best possible results. We compliment Lone Star Olive Ranch on recognizing the need for effective marketing and hope you will utilize Madisonville FFA Marketing in the future as your business grows and prospers.