

Marketing Plan for DJ&W Farm Raised Shrimp Co.

Creating Business Opportunities 2005
North Carolina State University
Final Project Report



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Introduction

Marketing Team #8 is pleased to be part of the first Creating Business Opportunities program, hosted by North Carolina State University through a grant provided by the Golden Leaf Foundation.

Why market DJ& W Farm Raised Shrimp Co's. product to the area seafood consumers? The facts are evident. A superior product is in demand and customers are willing to travel to rural production sites to make their purchase. With product selling out within weeks of harvest during each of the past three seasons, DJ& W Freshwater Shrimp is well positioned to make the most of this leadership position as it expands into larger markets.

Market Analysis

Industry Trends

- Currently, over 25% of all seafood consumed in the U.S. is marine shrimp.
- From 1980 to 2000 net marine shrimp imports increased threefold to 1.2 billion pounds.
- Since 1995, world production of prawn increased 5 fold to 225 million pounds
- 95% is produced in Asia.
- At industry peaks U.S. growers provided no more .2% of world annual production (about 400,000 pounds prawn).
- By 1998, the U.S. had 42 prawn farms covering 75 water acres.
- By 2002, the U.S. industry had 460 producers with 1,100 water acres.
- North Carolina has 2 prawn producers and annual production at 3000 lbs.

Customer profile and behavior

- Repeated success marketing prawn to Caucasian, and Asian and Latino ethnic communities across broad socio-economic lines.
- Customers both rural and metropolitan.
- Hanson et. al. indicated that consumers who are non-Catholic, from a higher income category, and of Asian ethnicity are the most consistent prawn purchasers.
- Females are more likely to purchase prawn than males.
- According to Hanson, et. al. less than 10% of respondents purchased shellfish at seafood markets.

Competitor's strengths and weaknesses:

- Imported prawn is packaged IQF (individually quick frozen) tail product sold in supermarkets for \$8.50 per pound
- This corresponds to DJ&W's sales of live/fresh whole-on-ice prawns for \$8 per pound (50% of a whole prawn is tail, by weight).
- Originating from India and Bangladesh, current production is approximately 20 million pounds annually.
- Tropical countries produce 2 crops/year where U.S. farmers are limited to one annual crop.

DJ&W Strengths and Weaknesses:

- DJ&W is well positioned in the marketplace.
- It can successfully transport to a 60 mile farm radius reaching an estimated potential 1 million consumers.
- Guaranteed freshness, cleanness of taste, low iodine content, locally produced uniqueness of product, high quality texture and flavor.
- DJ&W assures a sustainable, chemical free product, produced in an all natural environment.
- DJ&W's greatest weakness limited only to product availability. Previous production has sold out within six weeks of harvest

Primary marketing research results:

- Articles appearing in local and regional popular press have stimulated many inquiries about the farm.
- A web site has also been developed by DJ&W to increase there business presence.
- Current efforts to market the farm through agri-tourism venues (lists, state web sites, etc.) are underway.
- A marketing/promotional brochure has been developed.
- Local signage that indicates time and place of sale has been used successfully to advertise pond-side sales.
- N.C. State Extension has also assisted with promotional efforts via public access television interviews and local newspapers.
- Previous marketing and advertising efforts have attracted over 100 people to attend each harvests and resultant pond-side sales

Secondary marketing research results:

- From part B above, the study by Hanson, et. al. further supports DJ&W's efforts in targeting upper income and Asian ethnic populations in the metropolitan Raleigh and Wilmington areas. These markets have proven to be valuable product outlets

II. Business Proposition

Key Planning Assumptions

- DJ&W Freshwater Prawn Farm wants to position itself as the N.C. leader in prawn production.
- They are the larger of two prawn farms in the state. 6 other farmers have expressed serious interest to enter the industry in the coming year.
- Plans are being developed to add an additional 10 ponds (20 acres), to meet market demands. Additional ponds are to be available for stocking next summer.
- DJ&W successfully grew post larval prawn (pl's) this spring in the first NC prawn nursery.

-DJ&W will expand their nursery to meet their own increased need as well as to provide juveniles to farmers entering the area industry.

Sales, Profit, Communication, Customer Awareness Goals

- Approximately 1/3 of the sales will occur “pond-side”, during the time of harvest.
- These sales will occur on Saturdays, during the latter part of September through the middle of October, depending on temperature.
- Each pond is harvested completely, one at a time. DJ&W will conduct each harvest during successive Saturdays in September and October. Production of 800-1000 lbs per acre is expected, giving 4800-6000 lbs of whole prawn to sell.
- Product not sold during the “pond-side” sales will be packaged and frozen for sales later in the fall. During the past two seasons, all product was sold by December.
- All profits derived from this year’s harvests will be put back into the business for the next phase of expansion.
- Harvest dates will be announced in early September to local consumers by word of mouth. Popular press will be used in conjunction with area Extension personnel and other public sector institutions (agri-tourism, Chamber of Commerce, etc.) at that time, to assist in advertising the availability of product at the farm.
- Signage will be placed in at least 10 high traffic locations a week before each harvest date.
- DJ&W will target consumers from a 100 mile radius, with a focus on those in the Wayne Co., Johnston Co., and Research Triangle (RTP) area.
- Commercial markets previously developed in the RTP area will be advised of sale dates prior to harvests.

Targeted Market Segment

- Experience indicates strong product acceptance among and between a broad range of socio-economic groups within and outside the immediate local area
- Research from Hanson, et. al. (in press) indicates non-Catholic, upper-middleclass Asian women to be the most likely purchasers of prawn.
- Ethnic Asian markets and distributors will be contacted from the middle of August through the end of Fall harvest season.
- Other high end markets have been developed throughout the year and will be re-contacted 2-3 weeks prior to harvest

III. Strategies and Action Plan

Product Attributes

- The Giant Malaysian Prawn is exotic looking
- Expectations are for over 80% of the product to be considered either “large” (12-14 per pound, whole) or “Jumbo” (8-10 per pound, whole) in size.
- The tail meat has a firm texture, similar to that of lobster.

- The flavor of prawn is sweet, having a mix of other flavors similar to crab, lobster, marine shrimp, and crawfish.
- Freshwater prawn has little to no iodine content which marine shrimp have. In some cases, people with allergic reactions to marine shellfish may be able to consume prawn with no ill effect.
- Research at Mississippi State University indicates that prawn will retain a fresh flavor after over 6 months in frozen storage (DeSilva, MS State).

Pricing

- At harvest, prawn will be sold pond-side, whole on ice or live at \$8.00 per pound, mixed size. This corresponds to current national pricing trends.
- Customers wanting a “tails only” product will be charged \$17.00 a pound (50% of the whole prawn is waste, plus a \$1 charge for processing)

Marketing Channels

- Contacts have been made with both local consumers and metropolitan (RTP) wholesalers/retailers
- Except for orders larger than 50lbs, both fresh and frozen product will be purchased at the farm. DJ&W will deliver large orders within a 50 mile radius.

Promotion (activities, methods, investment)

- Popular press and other media will develop stories about the farm and its unique product throughout the harvest season.
- Media coverage will reach local, area and regional markets with assistance from NC Extension
- Investment will be less than \$500

Positioning Statement (what do we want the customer to think)

- “Locally raised freshwater prawn are a nutritious, sustainably produced, and environmentally friendly, fresh alternative to marine shrimp; easy to prepare and uniquely delicious.”

Predict Customers reaction

- Over 95% of customer comments have been very positive.
- Many customers return for additional purchases
- Five-star chefs from RTP area stated: “this is the BEST SHRIMP I’VE EVER TASTED”, “It has the texture of lobster”, “It tastes sweeter than marine shrimp”, “I prefer this over marine shrimp any day”.
- San Francisco based TV cook, Shirley Wong-Torrez, the “Wok Wiz” stated , “this prawn is superb for Chinese cooking, it makes the best ‘shrimp’ broth I’ve ever used”.
- Expectations for customer reaction this year should reflect the positive responses found during the past two seasons.

IV. Projected Budget

Marketing Strategy Costs

- Assistance by N.C. State Extension, popular press articles reached a broad local and regional audience. Many contact call have been generated
- Numerous southeast papers picked up a News and Observer front page article featuring the farm. Following their publication numerous inquiries were made with to DJ&W.
- Signage and brochures have been developed in-house at a nominal cost not exceeding \$500.
- A web page has been developed at a nominal cost of under \$300.
- Remaining marketing efforts have targeted personal family contacts and area retail and wholesale companies.
- Other area and regional markets have developed as a result of contacts made from visits to the facility.
- Free public web pages currently featuring DJ&W Freshwater Shrimp Farm include: the NCDA Goodness Grows in NC, their SE District agritourism site, and the main NCDA site.

IVa. Financials

3 year pro forma (revenues, costs of starting and operating, and marketing)

Estimated Investment Costs:

Pond Construction	6,750
Well water supply,	3,000
Production equipment (tractor, feeders, aerators, etc.)	<u>39,000</u>
Total	48,750

Estimated Yearly Operational Costs

-Gross Receipts	40,800
-Estimated Production Costs (feed, chemicals, fuel, labor, marketing, harvesting, utilities, 6 mo. interest on operating funds, pl's)	<u>10,985</u>
Total Costs	\$10,985
Total Returns	\$29,815

Three year projection

Year	Expense	Income	Net cash flow for year	Cumulative Balance
Initial Expense	\$ 48,750.00		\$ (48,750.00)	\$ (48,750.00)
Year 1	\$ 10,985	\$ 40,800	\$ 29,815	\$ (18,935)
Year 2	\$ 10,985	\$ 40,800	\$ 29,815	\$ 10,881
Year 3	\$ 10,985	\$ 40,800	\$ 29,815	\$ 40,696

20% - Modified Internal Rate of Return (does not take into account positive bank balances)

V. Evaluation- Measures of Market Plan Success

- Maintaining a wholesale price of \$8.00 per pound F.O.B, the farm
- product is sold out within 6 months post-harvest
- When annual receipts, both variable and construction, are found in line with the pro forma.
- If market demand continues to increase with facility expansion
- Increased importation of foreign prawn product will indicate greater consumer acceptance as a viable seafood, reflecting the thoughts presented in this market plan.
- USDA aquaculture reports will be used to analyze trends in domestic prawn production and consumption.
- Growth in domestic production will indicate positive industry growth, an indication of consumer demand.

Contingencies

- NC Extension and NCDA Seafood Marketing will be undertaken to identify alternative market strategies as needed
- Communication with producers and allied industry representatives will be made to enhance the current market efforts.
- DJ&W will continue with state and national aquaculture (prawn) associations to keep abreast of current trends.
- Contacts within the area seafood industry will be developed to enhance current marketing efforts
- All partners of the corporation will receive some marketing training in the event the current marketing leadership leaves the business.

VI. Legal and Regulatory Issues

- Zoning regulations do not apply for farming operations in Johnston County unless wetlands are involved. This site does not involve wetlands.
- Permits and licenses to be secured include well permits for use in drinking and processing. Since the operation is short seasonal, Porta-Johns can be utilized.
- The Johnston County Tax office would be involved to prove present use tax valuation. This has already been done.
 - Composting of processing waste (heads and claws) will be done on the farm. Cooperative Extension and NCDA will offer information and assistance in this area.
- The farm has a current, mandatory aquaculture license
 - Sales tax collection and payments would be required for any retail sales from the operation. Present plans call for all wholesale sales, so sales tax will not be collected.
- The NCDA has determined farm prawn operations will be treated as roadside shrimp dealers and no license or processing requirements are mandated. - Johnston County Business License will be required and is obtainable from the Economic Development Commission.
- Liability insurance is in effect for the farm and the company is planning to increase coverage with the expansion.
- The NC Department of Labor is involved with migrant housing issues since the farm utilizes migrant labor and provides the housing for the workers. Annual pre-housing inspections and follow-up inspections are performed.
- If the farm expands to the point of interstate shipping of live prawns, a transportation license would be required.
 - Payroll and income taxes are to be treated as regular farm operational taxes.
- DJ&W Freshwater Shrimp Farm is in the process of filing papers of incorporation to protect the investment of the principle shareholders. It is believed, also, that this step will improve the overall efficiency of the business operation.