

PROPOSED AMENDMENT TO CFR PART §959
Justification of Proposal: Paid Advertisements

Proposed Language:

Revise § 959.48 to read as follows:

The committee, with approval of the Secretary, may establish or provide for the establishment of production research, marketing research, development projects, and marketing promotion, including paid advertising, designed to assist, improve, or promote the marketing, distribution, consumption, or efficient production of onions.

1. What is the purpose of the proposal?

To expand the reach of the South Texas Onion Committee when performing marketing efforts, especially those which seek to increase consumer recognition of Texas onions – such as the brand “Texas 1015 Sweet Onions.” Expanding the reach of STOC means that FMO #959 must include new language which permits the committee to perform activities such as: paid advertising, paid placements, paid content development, paid social media influencers, and so on.

While current efforts have allowed for some market development, the limitations of the order’s current language has been a challenge in achieving all that the STOC members wish to do when it comes to marketing for Texas onions. This proposal seeks to open the abilities and options of the committee where marketing Texas onions is concerned.

2. What problem is the proposal designated to address? Explain/Quantify.

In the face of the growing popularity and successful marketing campaigns conducted by other onion-groups for the last 20+ years, the Texas onion has continued to lose market share and presence in the domestic market. Many sales agents handling Texas onions report that it is common for grocery store buyers to stop purchasing Texas onions in the middle of the season (~middle/late April) in favor of varieties with more consumer recognition. This impacts the average return to Texas growers since during many seasons the prices paid by retailers is \$1-\$3 more per 50lbs equivalent than then the prices paid by wholesale or foodservice users (due to the higher quality of the final product). But to reach more retailers, the product must be desired directly by consumers – this is where paid advertising and promotional marketing become key.

Further, the retail grocery space has become dominated in the last 5 years by brands with a presence on social media platforms – Twitter, Facebook, Instagram, Snapchat, TikTok, Pinterest, etc. – and even maintaining relevance in those arenas has become a more engaging activity than in previous marketing efforts. As such, all of these activities require an expenditure of either funds or personnel hours (which in turn costs money), and these are just examples of staying apprised and relevant on the marketing front.

Currently, the FMO 959 does not have authority to pay for advertisements or similar marketing activities. This severely hampers the abilities of the STOC to reach various audiences, whether it be local, state, national, international consumers and/or commercial buyers. By limiting these efforts, it makes the efforts by STOC to grow the market share of Texas onions incredibly difficult.

In 2007, an attempt to adjust FMO 959 for this purpose failed. The STOC members present at that time stated that the Committee did not have money at the time and back-to-back season failures had reduced funds significantly. Now, the Committee has funds and the opinion during 2018, 2019, 2022, 2023 and 2024 STOC meetings show minutes in the meeting where the Committee has emphasized the necessity for doing more marketing which is to include paid advertising such as necessary placements, outside influencers, and paid-for store promotions including POS (point-of-sale) promotions such as crossovers with commodities like Texas beef.

Additional comments from the most recent meetings brought forth comments from committee members such as: “Industry has more of an overall interest in marketing and the advantages that can be gained [as opposed to in 2007]” and “More competition in the marketplace has made it necessary to distinguish Texas onions more prominently.”

3. What are the current requirements or industry practices relative to the proposal?

At this time, the marketing order does allow for certain contributions to research efforts. Also, the order allows for research on marketing (such as paying for studies on consumer demographics), but unfortunately does allow for much in the way of direct promotional efforts.

It is a common practice for organizations throughout the fresh produce industry to pay for advertisements, both in the space of advertising to consumers directly as well as advertising in B2B (business to business) scenarios. Marketing efforts should cover a variety of approaches and placements in order to reach the intended audience several times at key places – thus influence their final shopping decisions.

Further, it is common within existing agriculture check-off programs to allow for paid advertisements. National campaigns such as: Avocados from Mexico’s commercial campaign during Super Bowl, “Got Milk?” campaign by U.S. Dairy, and the dancing raisins for the California Raisin Advisory Board.

These placements may require initial investments by the stakeholders. After all, new approaches to reaching consumers and the ever-constant need to be “present” is how any commodity – agricultural or not – reaches consumers. Consumer preferences are always changing, the media landscape has evolved dramatically over the last decade, and the introduction of more foreign-grown fresh produce items into the American marketplace has only further solidified the need for programs such as the STOC to take more aggressive efforts to establish brand recognition for Texas onions, and do as much as possible to get the best price on those onions back to the growers.

4. What are the expected impacts on producers, handlers, and consumers?

For Producers and Handlers, the expected impact is to significantly increase sales (aka demand) and therefore profitability. By building an audience of both consumers and commercial buyers, the industry stands to gain market share in a time when Texas onions is competing against onions from Georgia, Florida, Washington, Idaho, Oregon, and international producers such as Mexico. In order to differentiate our product in a crowded field, the Texas onion industry must be able to highlight the features that make the Texas onion so great. And once those features are identified, the promotion needs to be done so in a way that reaches consumers/buyers and builds awareness. While unpaid methods are possible, they are nowhere as effective and thus the ROI is significantly less.

For consumers, the impact is an increased awareness of the Texas onion industry including: flavor profile, usage, seasonality, possible purchase locations, and of course the benefits of Texas onions. This advertisement could also reference recipes, which expands the cooking repertoire of consumers and leads to additional ingredient purchases (which is a win for consumers and stores alike).

5. How would the proposal tend to improve returns to producers? Quantify.

By using paid advertising, the returns to producers would be increased through the increased demand from consumers. This success is already evident in other onion varieties, such as the Vidalia Sweet, which invested millions of dollars in paid advertising and has emerged as the leader in the onion category and demands the top of the market during their season. STOC might someday aspire to be in a similar position, but for now this change provides the opportunity to bring Texas onions more front of mind in consumers and buyers, and therefore better recognition at stores resulting in more frequent and higher sales.

For example, marketing builds product awareness and would make Texas onions more desirable from a consumer & purchaser awareness point-of-view. Constantly updating the marketing campaign, similar to California Milk, ensures the product resonates with the tastes and generational-preferences of the constantly changing ‘American consumer.’ Increasing the sale of onions would result in an increase in returns to the producer.

For example, during the 2018-19 season, the Texas International Produce Association (TIPA) took on a project that used less than \$70,000 in grant funds for advertisements promoting Texas. Including the development of a website, the advertisements ran for six months on six different platforms (The SNACK, AndNowUKnow, The Produce News, Produce Business, Onion Insider, and The Packer). The results were:

- 2 unique full-page ads and 4 smaller variational advertisements promoting Texas onions
- 1 unique recipe and full-page advertisement for “Texas onion quiche”
- 9 articles/stories featuring Texas onions across 6 publications
- 75 digital or print ads in 4 different marketing channels promoting Texas onions across 7 months (starting October 2019 through April 2020)
- 461,908 digital impressions from e-mail advertisements, resulting in 1532 click throughs
- Over 1400 site visits to the www.tx1015.com promotional website from Jan 1 2020 to June 1 2020, with 1230 unique visits and 732 different IP address visits (signifying approximately 500 return visits to the website on a different day)
- 3 marketing channels alone provided visibility to 20,500 print subscribers and nearly 140,000 digital subscribers

Furthermore, since marketing efforts began with TIPA to improve the Texas onion market conditions, prices have increased significantly. The 2016/2017 crop saw Yellows and Sweets average \$9.60 and \$15.22 respectively; 2017/2018 was \$8 and \$14.69. Fast-forward to 21/22, the industry enjoyed \$17.95 and \$26.77 while the 22/23 season saw \$12.94 and \$20.15. Imagine that impact to the industry’s ROI under the direct guidance of the STOC, and without the limitations of a grant.

However, the onion producers and handlers of South Texas would like to see the control and influence of the grant come under their control. This is important as the industry felt that their input could better direct the marketing campaigns for their onions, including how/where/when deployments that capitalize on the timing of the season have the best impact for the industry.

6. What are the expected effects on small businesses?

By allowing the STOC to participate in paid advertising, it benefits the small businesses. Often these small businesses/ producers have no budget for marketing. Paid advertising of all Texas onions is a “rising tide” effect on the industry in which “all ships rise too” – ie. small businesses. This proposal would be a benefit to small businesses.

7. Would the proposal increase or decrease costs to producers, handlers, committee and/or USDA? Explain/Quantify.

This has already put a cost on the industry by increasing the assessment rate.

The committee is also requesting to accept state grants that could be spent on these projects.

Further, the request is to use funds as effectively as possible to achieve more desirable ROIs for industry. Consider the success of such commodity marketing efforts, such as the Idaho Potato Commission. IPC recently choose to spend \$15.5 million on marketing, primarily focusing on the Big Idaho Potato Truck. The waiting list is little over 2 years for the truck to make an appearance, and people line up to take pictures with the truck. This not only builds an online presence as a result, but it further develops brand recognition and creates a sense of awe, wonderment and importance give the long wait time for the truck to make an appearance.

8. How would the proposal be implemented?

The proposal would be implemented following the effective date . The STOC has been working to build up reserves, so that they can begin marketing when this amendment becomes effective. Further, both the Committee the marketing subcommittee have been meeting to discuss plans which can be deployed under existing guidelines as well

as plans which they would like to see implemented should the proposal be approved.

Essentially, as soon as possible the Committee would like to move forward with using paid advertising .. At this time, the STOC would – for example - seek contracts with various entities for the coming season in which negotiations would begin for various paid advertisements. Once contacts are negotiated, the paid advertisement clause would begin and STOC would pursue the best suited opportunities to expand the market and demand for Texas onions.

Access to additional marketing tools such, as paid advertisements or paid content development, would allow STOC to utilize a more diverse array of tools such as: direct-to-consumer social media marketing, targeted advertising like geofencing of Facebook ads, and the ability to participate in grocery store specific promotions of the South Texas Onion Committee. As a marketing order, STOC members believe the committee needs additional tools to reach consumers.

For example, new projects could include the rebranding of the TX1015 website, advertisements throughout industry publications (targeting large, commercial buyers), geo-fenced ads on Facebook and Google, retailer specific ads through 3rd-party opportunities, original video content for TikTok or Reels via online influencers, original video recipes from online personalities, to as basic as the development of a coloring book and other educational materials targeted at 6 to 16 year olds in the Southwestern United States (the most prevalent location currently for Texas onions to be found in stores).

9. How would compliance with the proposal be affected? Explain/Quantify.

Compliance would not be impacted. Oversight and accounting protocols are already in place for the Committee, with monthly financial reviews done by the Office Manager of the management firm. All checks require 2 signatures from the executive committee and all activities (financial and otherwise) are audited bi-annually by USDA. Further, an annual financial audit by a Yellow-book authorized firm is conducted that would also identify irregularities. The audit findings and summary are presented to the entire industry, and the Committee must vote to accept these findings annually as well.

USDA would also provide oversight of marketing communications ensuring that they are consistent with marketing communication guidelines. Contracts for these activities would be reviewed by USDA prior to any movement in this space.

**Sample Language for adding "Paid Advertising" to
existing Federal Marketing Orders**