# VEGINSIGHTS

*A VIDP initiative*

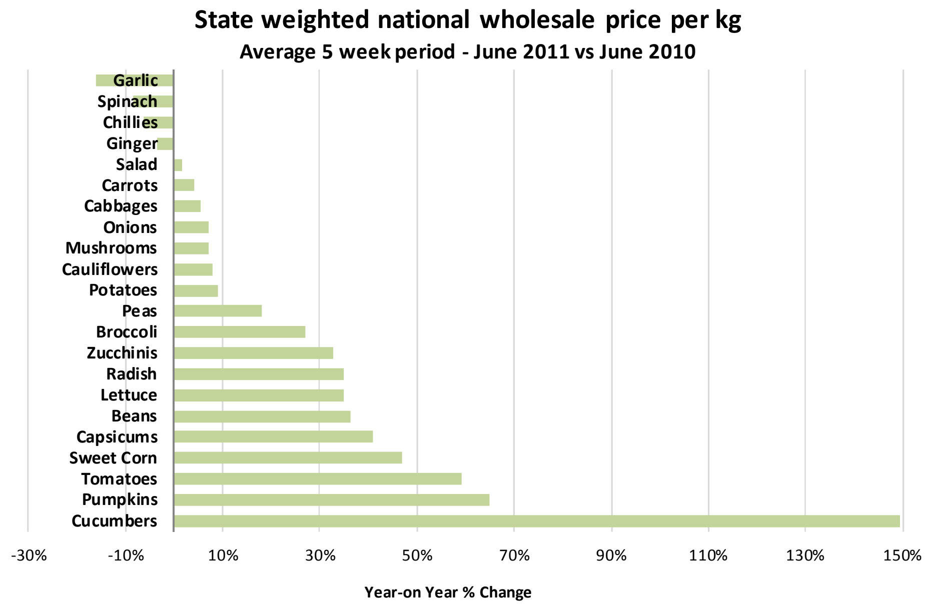
*monthly vegetable market insights – June 2011*

## Highlights

- **Spending in café & restaurants stay below food retail**
- **Aussies restaurants taken to task**
- **Breadless salad wrap at Waitrose**
- **M&S launches Super Sweetini tomato**
- **Category focus: Cauliflower with a retail value of $95m**

## Vegetable market

**Wholesale vegetable prices** – The wholesale price difference between June 2010 and June 2011 for major the vegetables is profiled in the chart below.

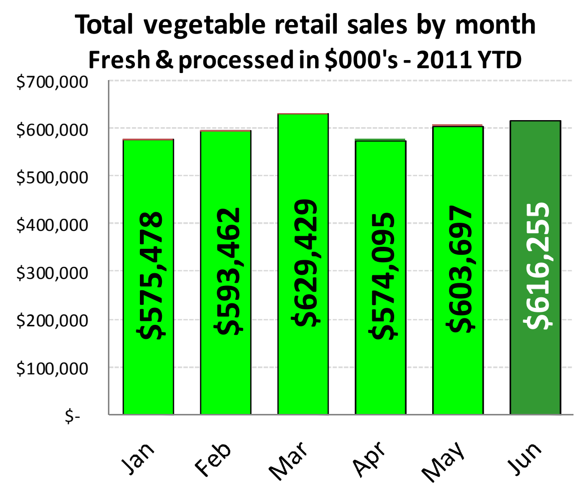



These increased are primarily due to a cooler weather in June, which has slowed growth and shortened supply on several products

The impacts across the products varied, with the softer lines in salad components increasing more than the soft cooked vegetables, and hard cooked vegetables. In contrast, seasonings decreased over June 2010. At the product level, the most significant changes were with cucumbers, pumpkins, tomatoes, sweet corn, capsicums, and beans which increased over the same month last year, and garlic and spinach which decreased over the same month last year.

The weighted total vegetable wholesale price for the week ending 1 July was $3.59 per kg.

The total retail sales of fresh and processed vegetables in June 2011 are estimated at $616.2m and are profiled in the adjacent chart. These sales build on the growth achieved in May 2011 and are 8.8% stronger than June 2010.




Stronger wholesale prices combined with more aggressive retail promotional activity fresh vegetables continue as the major drivers of sales growth.

# The Australian food market

**Retail sales improve in April –** Retail sales data released by the Australian Bureau of Statistics (ABS) showed that Australian retail spending improved in April 2011, up 1.1% from a year earlier, after a drop of 0.3% in March 2011. In trend terms, retail sales rose 2.7% compared with April 2010. Data on food sales shows that food retailing (mostly grocery) recorded the largest increase at 0.5%. The growth in money spent on eating out at cafes and restaurants continued to stay below that of food retailing at 0.2%. However, the optimism that flowed from these increases has been dampened by reports of flat retail sales in late June.

→ ***What it means?*** *Higher sales for food retail over foodservice channels are likely to continue, as cautious consumers save their discretionary dollars.*

**Woolworths makes it easier to track nutrition –** Woolworths has announced plans to include Daily Intake Guide (DIG) front-of-pack nutritional labels to all its private label foods within the next 12 months.


The move has been welcomed by the Australian Food and Grocery Council, which has supported the use of DIG labelling over the other front-of-pack nutritional labelling styles, such as the traffic lights label.

DIG front-of-pack labels offer an easy-to-follow tool that gives consumers information to formulate a daily eating plan according to their individual needs and activity levels. The thumbnails outline the amount of energy, fat, saturated fat, sugar, and salt in a standard portion of the food and how that translates to average daily intake.

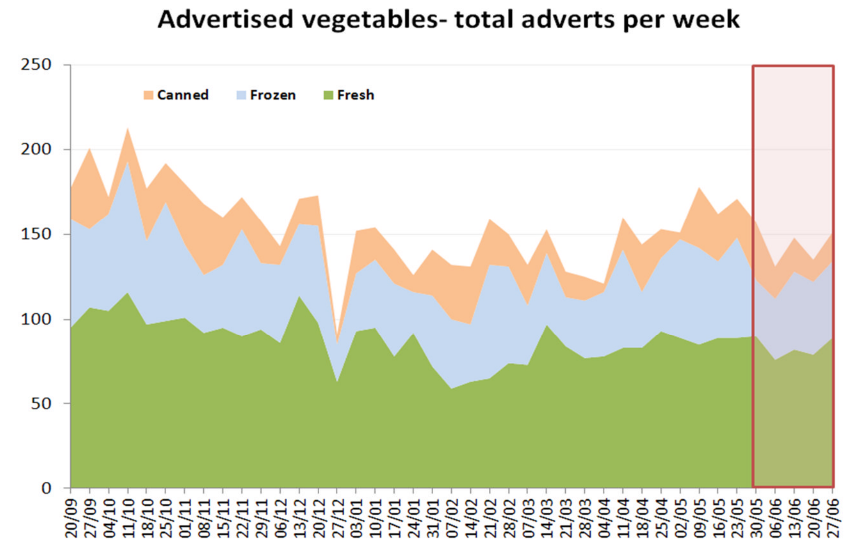
→ ***What it means?*** *A mainstream retailer is taking significant steps to meet the demand for health information on food products by making it available at the point of purchase.*

**Retail price intensity draws in fruit & vegetables –** The price led competition between the major retail supermarkets, which to date has seen lower prices for staple items like milk, poultry and bread has now extended to include fruit and vegetables. Woolworths has announced in the first week of July that they will adopt a 12-month price freeze on red delicious apples $2.98/kg, Truss Tomatoes $4.98/kg, Carrots (1kg bag) $1.45, Onions (1kg bag) $1.88 and 4 kg Brushed Potatoes $4.98. As yet this has not drawn a direct published response from the other major retailers.

→ ***What it means?*** *To date the seasonal price variations of fruit & vegetables has kept retailers away from long-term price promise. However, but this move by Woolworths may change that and in doing so alter the promotional and pricing dynamics for the category.*

# Retailer activity

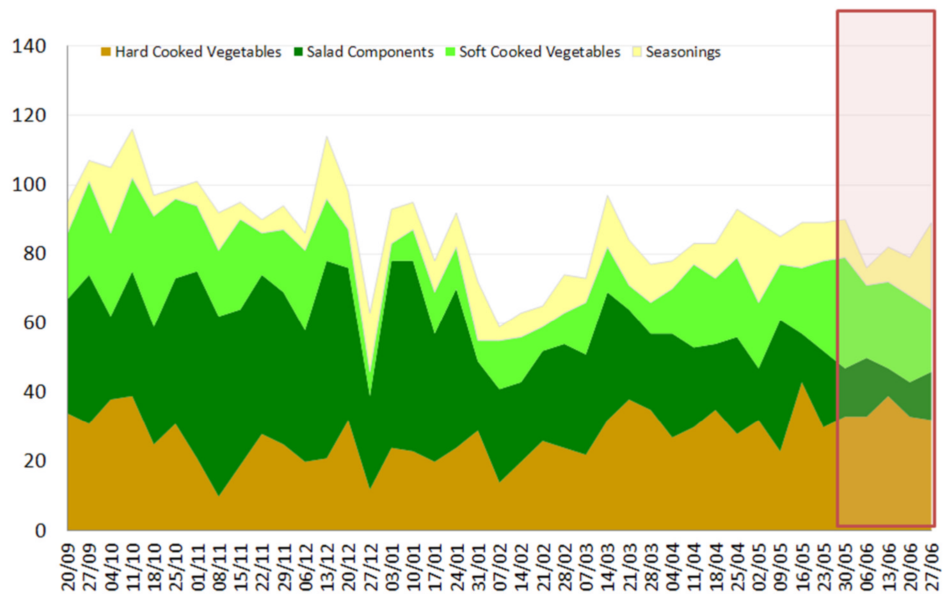
**Promotional activity in the month of June –** The retail promotional activity reflects a pattern of decreasing exposure for vegetables, reversing the trend of increasing exposure which was seen in the last two months of March and April this year.



Over the last five weeks, the exposure of the total vegetable products decreased to an average of **144 products per week down from 166 in May**. The fall in exposure has been driven by a strong decrease in frozen products advertised and smaller decreases in fresh and canned products.

Within the fresh vegetables, the level of exposure increased for hard cooked vegetables and soft cooked vegetables in June. This was offset by a decrease in the level of exposure for salad components and seasonings over the five-week period. This shift in the levels of exposure for vegetable products is considered normal, as cooler weather patterns set in, leading to an increased preference of consumers for cooked vegetable products over salad components.

**Advertised fresh vegetables- total adverts per week**




## UK food inflation at 2-year high –

According to the British Retail Consortium (BRC), food inflation hit a 23-month high of 4.9% in May, up from 4.7% in April, driven by the recent dry weather in parts of the UK which has lifted the prices of fresh food. The retail association said that the May data marked almost a year of rapidly rising commodity costs. The BRC has warned that commodities are set to continue to put pressure on food inflation in the near term.

However, with inflation and other rising household bills weighing heavily on the minds of shoppers, UK retailers are seeking to entice offering more promotions and deeper price cuts.

→ ***What it means?*** *Higher input costs and lower consumer sentiment have intensified competition and led to more price-based promotional activity to capture market share. However, it is not clear if the sum effect of the activity is fuelling or appeasing the low consumer sentiment*

## US private label sales up –

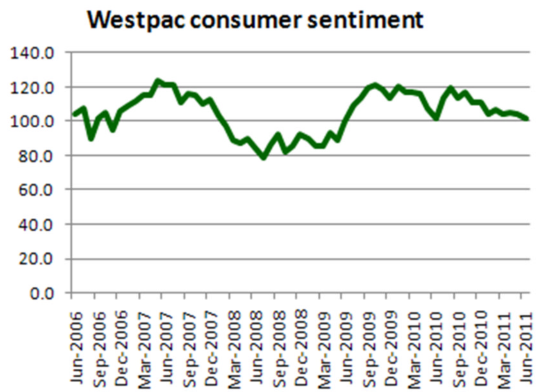
A new market survey (AlixPartners) shows that almost 45% of US consumers are purchasing more private-label products than before the onset of the economic crisis. Consumer consideration of private-label products was found to be significant across all major food categories including dairy, frozen foods, fresh produce, flour, ambient products, and refrigerated meat.


Components such as price and quality remain the most influential considerations driving consumers' choice for private-label items, with more than 60% of respondents stating that price is the most important factor. Consumers estimate that private-label generates an average of 20% cost savings across food categories.

→ ***What it means?*** *That the US recession has led consumers to seek greater value and this demand has been met by retail private label products. All indications are that these products continue to enjoy strong support patronage in the current conditions.*

# The consumer

**Consumer sentiment falls to 2-year low –** The Westpac-Melbourne Institute of Consumer Sentiment slipped 2.6% in June to 101.2, the lowest level recorded in two years. Westpac states that this fall was largely driven by concerns over job prospects, taxes, and the economic outlook. The component of the sentiment index reflecting economic conditions for the next 12 months decreased the most. The index of conditions for the next five years dropped 3.7%, while that for family finances eased by 2% compared to a year ago.




→ ***What it means?*** *Consumer concerns for personal finances and rising costs of living have settled into a pattern.*

**Aussie restaurants taken to task –** According to the inaugural Food Solutions World Menu Report, more than 70% of Australians want more information about the nutritional content of their meals when they eat out and will choose to eat at food operators who are more transparent about the ingredients. The report also revealed that when dining out of home, Australians are the most interested in knowing the fat (64%) and sugar (49%) content of their meals. They are also the most concerned about the cleanliness of the kitchen, the ingredients used in the meal, and how it was cooked.

The findings of the report have been drawn from a global survey results which was conducted across Australia, the US, the UK, China, Germany, Russia, Brazil, New Zealand, and Turkey.

→ ***What it means?*** *As the demand for healthy food and menu transparency becomes mainstream priority, foodservice channels will need to respond to this and when they do, they will need information from their suppliers.*

**Morrisons sees changing shopper trends –** A market research study conducted by UK retailer Morrisons reveals that shoppers are shifting away from big weekly shops and instead opting for one-bulk buy, timed around pay day, with the final weekend of the month seeing a 52% uplift in bulk-buy shopping for household essentials. However, this month-end bulk buy is supplemented with quick trips through the week during the rest of the month, with 35% making mini top-up shopping trips for fresh foods such as fruit and vegetables during the month. In response, Morrisons has striven to maintain key product supplies for the month-end period and offers the very best deals during this time.

→ ***What it means?*** *Study shows how UK market conditions have altered shopper habit and how this retailer has adjusted their promotional activity to align with these changes.*

**Red Tractor launches online service –** Red Tractor Assurance Fresh Produce has launched a new website for its growers, giving them free online access to the latest information on approved plant protection products. The new service also allows members tailored access to the Liaison, Fera's premier online approval pesticide database. The service, which is only accessible through paid subscription, includes all the latest information on approved pesticides from Defra. A user friendly manual is also available on the website for growers who may be unfamiliar with how to use the Liaison system.

→ ***What it means?*** *An important collaboration that at its core seeks to further lift the quality of their fresh produce by providing easily accessible essential information to its farmers.*

**Easy to understand healthy eating graphic –** The US government has introduced a new plate symbol half-filled with fruits and vegetables to urge better eating habits, replacing its two-decade old "pyramid" model to promote healthy eating. The plate icon is sectioned into four parts, with fruits and vegetables making up one half and grains and proteins filling the other half. A dairy drink is included alongside.


The graphic replaces the food pyramid, released in 1992, which showed that fats and oils were located at the upper tip and should be used sparingly, while whole grains made up the base of the diet with six to 11 servings daily. The pyramid design was modified in 2005 to include slices of colour and a figure climbing stairs to suggest the importance of exercise.

→ ***What it means?*** *A more modern and easier-to-understand graphic in the form of a circular plate that places fruits and vegetables over half of the plate can only help promote consumption.*

# Innovation from the world

**AFGC launches food labelling smartphone** – The Australian Food and Grocery Council together with not-for-profit barcode standards body GS1 Australia have launched a new smartphone app GS1 GoScan, which will allow extended labelling of products via barcode scanning by consumers. GoScan has the capacity to list accurately a large amount of "real time" product data to consumers, including ingredients, nutritional content, RDI information, dietary statuses such as Kosher/Halal/Organic, country of origin, the presence of allergens and other health-related issues, and product descriptions and images.

→ ***What it means?*** *A national-scale collaboration that responds to consumers' demand for detailed nutritional information in the form of technology that is preferred by a wider demographic.*

**Supermarket to sell a trio of sea vegetables** – Waitrose will be offering three different sea vegetables, including Samphire, Sea Aster, and Okahijiki, at its fresh fish counters this month, following a surge in demand linked to the foraging trend. Samphire and Sea aster grow around the British coasts, estuaries, and marshlands. They have a mild delicate flavour and take only few minutes to steam cook or sautee and are usually served with fish, seafood, or lamb. Okahijiki, originally from Japan, has a fresh, light taste and is already being served on the continent.


→ ***What it means?*** *A retailer ranging a specialty product with local links to differentiate their retail range from other competitors.*

**Waitrose launches breadless salad wrap** – Waitrose has become the first UK supermarket to launch sandwiches (wraps and boats) held together with Cos and Romaine lettuce leaves instead of bread to create a lunch option that is easier to eat on the go than salad. The Cos lettuce wraps come in two flavours – Greek feta cheese and spiced chicken and mango with extra fillings such as cucumber, red onion, and red peppers and a separate dressing to keep the lettuce as crisp as possible. The Romaine lettuce leaf boats come with sweet chilli chicken and rice noodles as well as oriental king pawns and rice noodles. The Cos lettuce wrap and Romaine lettuce leaf boats are priced at £2.50 and £3.50.

The lines form part of the new "Good to Go" range, which reflects the chain's plans to open 300 convenience branches over the next decade as it makes a bid to double its share of the convenience market.

→ ***What it means?*** *If lettuce leaves can capture some of the role that bread dominates on the outside of a sandwich, with mainstream consumers, it opens up a huge opportunity to increase lettuce consumption.*

**Super Sweetini tomato at M&S** – Marks & Spencer (M&S) has launched a new, sweet Umami tomato variety called Super Sweetini, after many years of testing and screening from about hundreds of varieties of tomatoes.

Super Sweetini has one of the highest levels of glutamic acid - also known as umami - which gives the variety its flavour and also higher sugar levels than a standard tomato of that size. Its levels of Lycopene, an antioxidant naturally present in tomatoes, have been recorded to be higher than any other tomato M&S sells. M&S hopes to sell more than 4,500 tonnes of tomatoes in the next few months. Super Sweetini is priced at £2.29 for 220g.

→ ***What it means?*** *An innovative variety development of a popular vegetable product by a mainstream retailer proves that customers are willing to pay a price premium for new products with unique attributes.*

**US Freshway Foods launches convenience snack line** – Freshway Foods (a producer, processor, and distributor of fresh produce in the US) has launched a new portion-size fruit and vegetable low-calorie snack line called "Snack Takes", which targets consumers of all ages.


The range comes in 4 fruit and vegetable blends and each has a unique dip for added flavour and fun for children: 4-ounce trays of celery and carrots with ranch dip; sliced apples and grapes with caramel dip; sliced apples with caramel dip; and 4.5-ounce trays of whole strawberries with chocolate dip.

→ ***What it means?*** *How a vegetable snack product can increase its versatility and appeal to different demographic segments by being offered in portion-control sizes with added attributes of convenience, added taste, and health.*

**Black garlic earns supermarket listing** – Black garlic, which was formerly available only via mail order or in few select shops, will now be available in the mainstream retail markets of Tesco and Waitrose. The new listings follow the success the brand has seen since launching in the UK in 2009 and prove the rising popularity of this new garlic variety. Produced by fermenting normal garlic, black garlic tastes much sweeter than traditional garlic, has hints of balsamic and molasses flavours, and can be eaten raw as it does not leave any smell or give bad breath. It also has twice the amount of anti-oxidants, twice the amount of shelf life, and is low in fat compared to the normal, pale variety.

Black garlic is available in a one-bulb bag, 50g of peeled cloves in a pot, and in paste form as well, making it a versatile ingredient for cooking. Black garlic is priced from £1.49.

→ ***What it means?*** *After a launch via mail order this product has won enough support for mainstream retail ranging, which shows there are several pathways to get to market.*

**Waitrose launches new fiery salad** – Waitrose has launched a new Hot and Fiery Salad which combines the inferno rocket and nasturtium leaves that are exclusive to the supermarket. The salad range is part of a new range of "Menu From Waitrose" salads grown in Lincolnshire for the supermarket, including Hot and Fiery Salad, Rustic Country Salad, Inferno Rocket Salad, Bistro Salad and English Garden Salad, and will be available only over the summer. Priced at £1.49 per bag, it will be sold in 180 Waitrose branches.


→ ***What it means?*** *Sound response to the demand for a growing variety of hot types of food in the UK that could earn a good price premium on account of its limited offer period.*

*The report has been produced by Freshlogic as part of the National Vegetable Levy and matched funds from the Australian Government. It forms a part of the VIDP and aims to inform vegetable producers and supply chain stakeholders on market influences and developments in the past week. We recommend that those seeking to act on the basis of this information first obtain independent professional advice.*

# Category in profile: Cauliflower

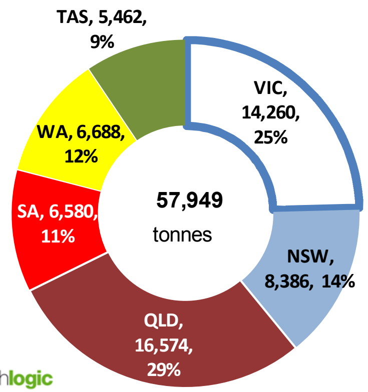
- Cauliflower was the **15th** most frequently purchased vegetable by households (weekly) in the March quarter 2011, with clear indications penetration is higher during the cooler months.
- Cauliflower is a relatively low value product that is purchased by consumers for an average of **$2.62/kg**, which is markedly lower than the average retail price of **$3.50/kg** for all vegetables.
- Australian consumers are purchasing 853 grams of cauliflower per shopping trip, which is high in comparison to other soft cooked vegetables.

## Key Facts

- Cauliflower production was 57,949 tonnes in 2009/10.
- The retail channel buys 45,393t
- The foodservice channel buys 12,186t
- The current domestic retail market value of fresh cauliflower purchased by consumers is $95m.

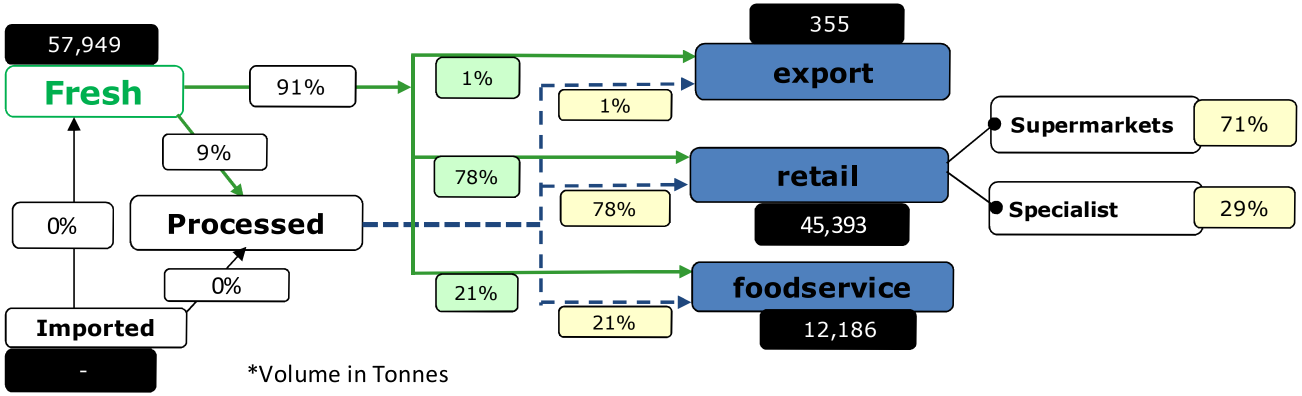
## Production

**Annual tonnes by state**

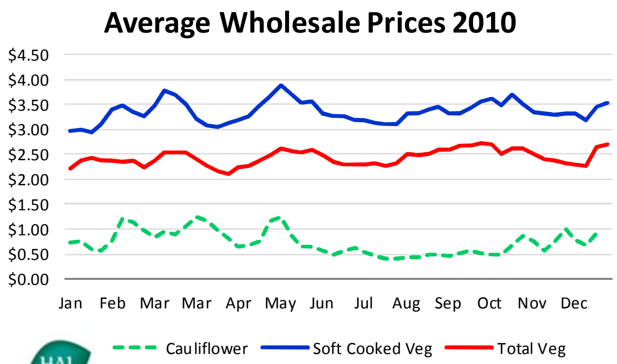



freshlogic

## Volumes and shares through the chain



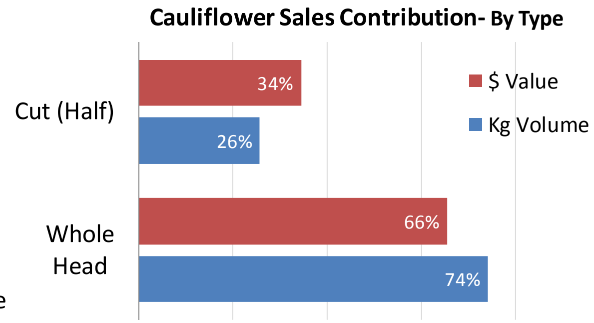

## Wholesale Pricing 2010




- In 2010, the wholesale price ranged from $0.40/kg (August) to $1.31/kg (December).
- The average wholesale price was $0.74/kg, lower than total Soft cooked veg ($3.35/kg) and total veg ($2.43/kg).

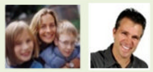
## Retail fresh sales

- Retail sale volumes are dominated by whole head cauliflower with 74%, while cut product generates 26% of sales.
- The average sales value is led by cut product at $3.88/kg, a significant premium over whole which averages $2.57/kg.
- The cauliflower category is driven by loose sales, which account for 99% of the volume and 98% of the value.



## Consumer Penetration

Mealpulse™

| Household Segments | | Average Purchased Quantity (kg) | Purchase Weekly |
|---|---|---|---|
| Singles & Couples with lower income |  | 0.845 | 16%-37% |
| Singles & Couples with higher income |  | 0.786 | 13%-32% |
| Budgeting families |  | 0.835 | 13%-31% |
| Established families |  | 0.802 | 20%-41% |
| Empty Nesters |  | 0.968 | 16%-49% |

- In the March quarter 2011, cauliflower was the **15th** most frequently purchased fresh vegetable based on weekly purchase patterns, with 16% weekly purchase frequency. Cauliflower displays strong seasonal influences, with higher purchasing frequency in the cooler winter weather. In the September quarter 2010 it was the **9th** most frequently purchased fresh vegetable, with 38% weekly purchase frequency.
- The highest average penetration by segment was with Empty Nesters (33%), followed by Established Families with an average of 29% weekly purchase frequency.
- Singles and Couples with high income and Budgeting Families had the lowest average weekly purchase frequency with 23%, but displayed the most consistent purchasing pattern over the last four quarters.

Purchase quantities averages have assumed average weight of 1kg for a whole cauliflower and therefore 500g for a half.

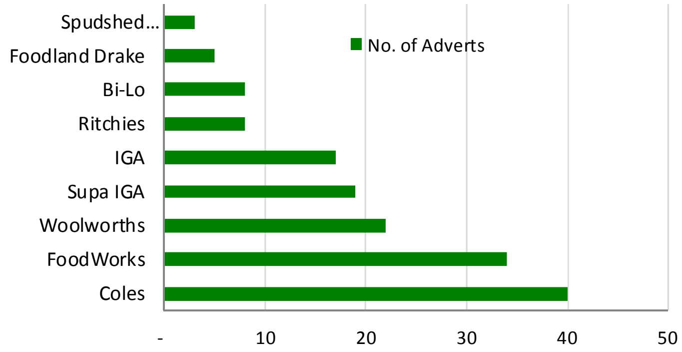
## What quantity do consumers buy

- Based on the analysis of retail *Docket data*, provided as part of the Mealpulse™ panel, the average quantity of cauliflower Australian consumers select is **853 grams.**

## Promotional Activity- 2010

- Over 2010, 79% of the retail promotional activity was in autumn and winter, and 21% in spring and summer.
- There was a total of 159 adverts, and some level of retail promotion activity in 36 of the 52 weeks in the 2010 calendar year.
- Coles advertised in 28 weeks of the year, while Woolworths advertised in 17 weeks and Supa IGA in 14 weeks.
- VIC had the highest number of state-based retail adverts with 47 (30%), while WA had the lowest with 10 (6%).

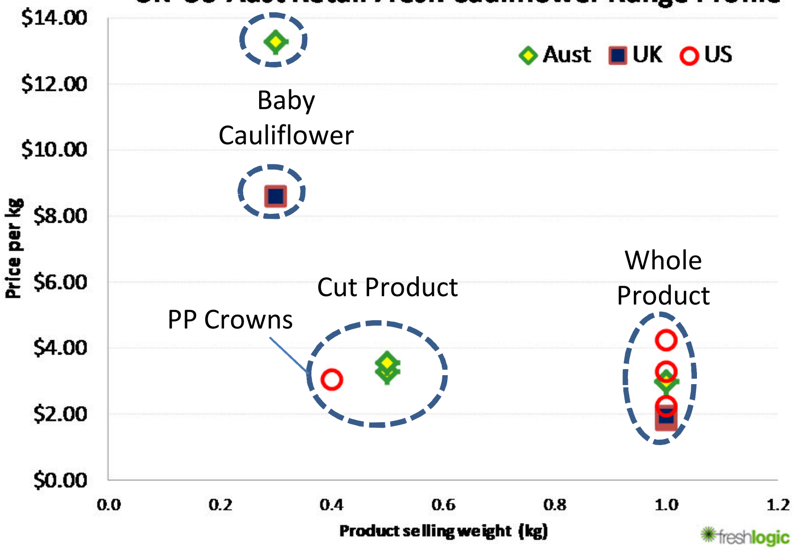
**Cauliflower activity- Adverts by Retailer**




Adwatch™

## UK -US -AUST retail range profile

**UK-US-Aust Retail Fresh Cauliflower Range Profile**




- **This analysis** has drawn on data gathered from Australia retail and UK and US online sites. It is considered representative of the retail ranges in each market.
- All product across the three markets were sold by the each.
- Cut product generates a slight premium in all three markets.
- Baby product was available in Australian and UK markets, while the US offered pre-packed crowns.