

VEGINSIGHTS

A VIDP initiative

Highlights

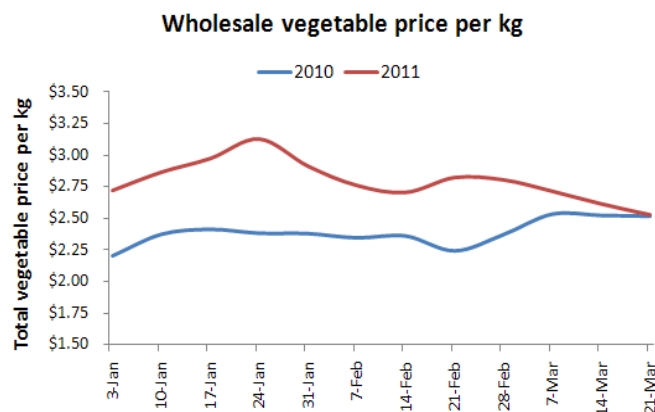
- Wholesale vegetable prices up 17.3% on last year
- Consumer sentiment falls further than expected
- Disney launches Mickey Mouse-inspired F&V products
- Category focus: Pumpkins

Vegetable market

Wholesale vegetable prices – Given the availability of historical data, a clearer profile of wholesale price impact can be provided with an analysis of the gap between Jan-March 2010 and Jan-March 2011. This is profiled in the chart below and shows the total vegetable price per kg increased on last year by an average of **17.3%** for the first twelve weeks in 2011. This increase appears to have peaked in the week commencing 24 Jan and has been declining since.

There are varying impacts across the product categories, with seasonings, salad components, and soft cooked vegetables having increased by an average of 16-20% in Jan-March

over the same period last year. In comparison, the increase in the hard cooked vegetables over the previous year was lower at 9%. At a product level, the most significant increases were with pumpkins, peas,



monthly vegetable market insights

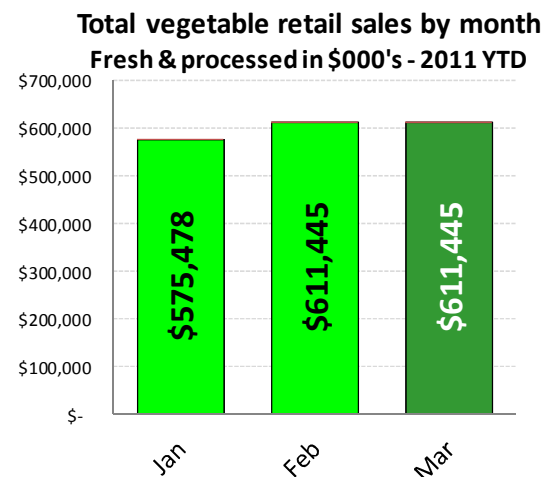
March 2011

sweet corn, zucchinis, cauliflower, and tomatoes.

The weighted total vegetable price per kg for the week ending 21 March was \$2.53. This closing price was 0.01c per kg or 0.3% higher than the same week in the previous year.

The total retail sales of fresh and processed vegetables in March are estimated at \$611m. This sales level is 4.4% stronger than March 2010 with the majority of the increase being attributed to higher wholesale prices for fresh vegetables.

January and February total vegetable sales were also higher than 2010 by 11% and 7.5% respectively, due to higher wholesale prices for fresh vegetables.



The Australian food market

Retail sales sluggish in January –

Australian retail sales were stronger than expected in January, helped by a rise in food sales and a recovery in department store sales. However, economists said that the data was not as firm as it first appeared with discretionary spending at its weakest level in two years. Retail sales rose a higher-than-expected 0.4% to a seasonally adjusted



\$20.44b in January from \$20.37b in December, as per the Australian Bureau of Statistics, while the economists' forecasts had centred on a 0.3% rise for the month.

Food rose 2.5% and department stores 2.3% in the month of January. One of the strongest categories was specialised food retailing (up 7.4%), while sales at supermarkets and grocery stores rose 2.6%. Westpac's economists state that the 2.5% overall monthly rise in food retailing is the strongest in the last 12 years.

In contrast to food, household goods retailing (-4.6%), clothing, footwear, and personal accessories (-2.5%), and restaurants and takeaways (-0.03%) took a hit. Discretionary spending slumped 1.8%, which is the largest decline in two years.

→ **What it means?** As cautious consumers save their discretionary dollars for staples and less expensive food choices, food retailers may enjoy more patronage than other retailers and foodservice channels.

Retailer activity

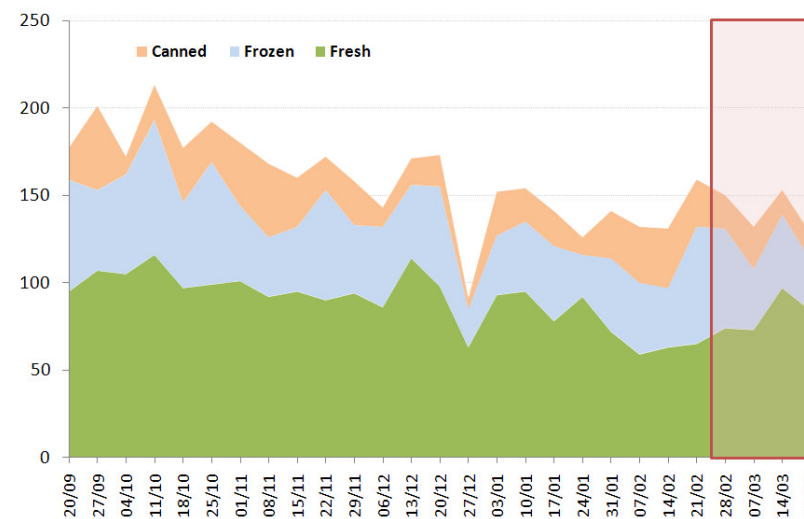
Promotional activity in the month of March – The retail promotional activity reflects a pattern of increasing exposure for vegetables. All indications are that this increase has flowed from more settled supply.

Over the last four weeks, the exposure of total vegetable products increased to an average of 141 products per week up from 133 in February. The increase in exposure has been driven by the increases in the number of fresh vegetable products advertised. The exposure of canned products decreased over the period.

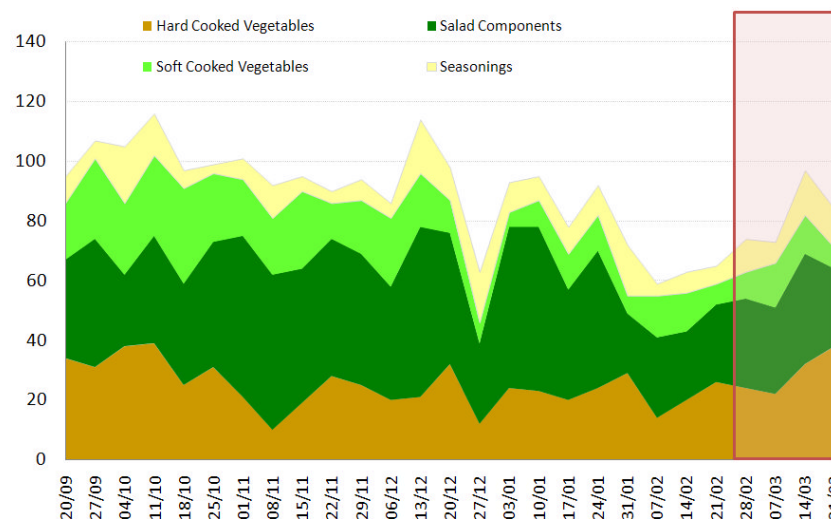
Within the fresh vegetables there were increases in exposure for hard cooked vegetables and for salad components. Seasonings exposure lifted in the week commencing 14 March.

Soft cooked vegetable was the only category to lift its level of exposure in the week commencing 7th March, when the level of exposure for other categories declined.

Advertised vegetables- total adverts per week



Advertised fresh vegetables- total adverts per week



UK retailers on-board with government health plan – The UK Department of Health has announced that about 170 companies, including a number of leading UK supermarkets and food manufacturers – Asda, The Co-operative Group, Morrisons, Marks and Spencers, Sainsbury's, Tesco, and Waitrose – have signed up to a broad range of measures or pledges designed to help people be more healthy, as part of the coalition government's Public Health Responsibility Deal.

Supermarkets and food manufacturers have pledged to include calories on menus, reduce salt in food so that people eat 1g less per day by the end of 2012, and remove artificial trans-fat by the end of this year. Furthermore, the food retailers have also committed to achieve clear unit labelling on more than 80% of alcohol by 2012, increase physical activity through the workplace and improve in workplace health.

→ **What it means?** A national collaboration among retailers, government, and food manufacturers to support consumers to make healthier choices. This could set a precedent for Australian government as it does reference the UK for direction in food policy.

UK: Tesco Direct eyes click-and-collect – Tesco is considering a plan to allow customers to pick up their internet orders from its vast network of convenience stores. This strategy would see the supermarket giant drop off orders from its non-grocery site Tesco Direct to about 1,400 Express and Metro stores through its existing delivery network, which could effectively cut out the need for the chain to rely on Royal Mail and significantly reduce the cost of delivery.

Several other retailers have also encroached on this territory, traditionally seen as the preserve of catalogue retailer Argos. While Marks & Spencer operates a collect service called Shop Your Way, John Lewis last year began allowing shoppers to pick up orders from its sister chain Waitrose.



→ **What it means?** These new solutions to solve the challenging delivery requirements of internet food shopping indicate the growth potential that some see in this channel.

Wal-Mart eyes small stores to boost US sales – The world's largest retailer, Wal-Mart, is planning to add "hundreds" of smaller-format stores over the next three years, as it looks to jump-start sales in the US.

Previously, the retailer had said that it planned to open 30 to 40 smaller units this year in rural and urban areas and that there were thousands of potential sites in the US. However, the recent tepid US sales growth has increased the urgency of Wal-Mart to explore new store formats in new locations, including university campuses. In Arkansas, Wal-Mart will start building its first three Express stores, a format less than a tenth the size of an average supercentre. The new stores will include mid-sized Neighbourhood Market locations of 30,000 to 60,000 sq ft, but the rest will be smaller.

This decision follows its seventh quarterly decline in sales in the US in its key final quarter despite sharp discounts to lure holiday shoppers.

→ **What it means?** As demographics and lifestyle trends impact how consumers manage their food, mainstream retailers are responding with store formats and shopping experiences to increase connection with local customers.

Online sales to double in 5 years – Online sales in the UK will continue to grow at a faster rate than any other sector in the grocery market, with growth of 21.4% in 2010 to £4.8b, and expected to double by 2015 with sales set to reach £9.9b. Further, the online grocery market, which accounted for 3.2% of the total grocery spend in the UK last year, is projected to increase to 5.4% by 2015, with about 13% of shoppers expecting to use online grocery shopping more in the next year, rising to 24% of 18-34 year olds.



According to market research IGD's latest online grocery retailing report, one in four food and grocery manufacturers is considering creating its own e-store, with 43% of

manufacturers anticipating that more than 10% of their total revenue to come from the online sales by 2015, which is more than double the number (18%) currently generating this revenue level.

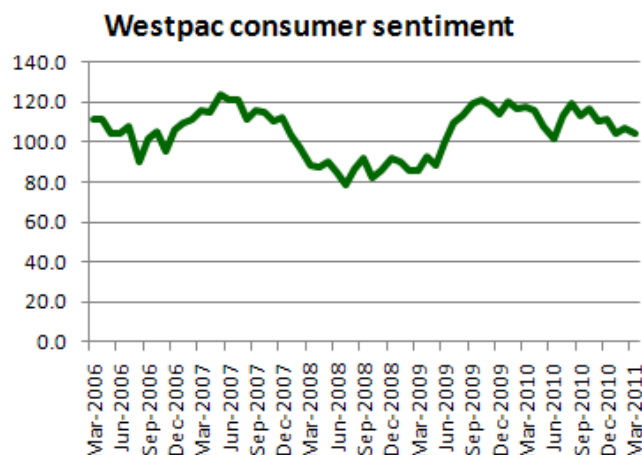
Vying to capture this online trend and compete with the Internet food offer of its rivals, Morrisons – which was the only one of the main UK supermarket chains, including Tesco, Sainsburys, and Asda, yet to build an online presence – has revealed plans to launch an online grocery operation, break into the convenience market and increase shop openings. Morrisons has paid £32m for a 10% stake in FreshDirect, a profitable New-York-based online grocer, to gain expertise ahead of launching in London and South-east in 2013.

→ **What it means?** The market momentum with internet food sales in UK has created costs for not being involved. This raises questions when and if this demand will reach Australia.

The consumer

Consumer sentiment falls further than expected – The Westpac-Melbourne Institute of Consumer Sentiment index fell by 2.4% to 104.1 in March from 106.6 in February, as Federal Budget concerns, rising petrol prices, and the carbon tax proposals hit confidence, making it the lowest index reading since June 2010.

The largest fall came in the index measuring family finances over the next 12 months, which slid 6.8%, and the index measuring responses on “whether now is a good or bad time to purchase a major household item” fell 4.8%.



Westpac said that the result was weaker than expected. Consumers have shown an inclination to save more and spend less since the shock of the global financial crisis, leading to surprisingly soft retail sales. Higher mortgage rates have also curbed the spending power despite strong growth in incomes and low unemployment levels. However, while overall confidence index was down 11.3% on March last year, the number of optimists still outweighed the number of pessimists, with the index measuring expected economic conditions over the next 12 months rising 5.7%.

→ **What it means?** With consumer concern about rising costs of living and family finance settling into a pattern, it will take more to reignite them back into a more free spending mode.

Government launches healthy lifestyle campaign

– The Commonwealth Government recently launched its “Swap it don’t stop it” campaign, in a bid to help people have healthier lifestyle choices. The campaign features Eric – an animated but overweight blue ribbon character – and echoes the popular “Life: Be In It” campaign of the 1980s, which featured Norm, a similarly likeable but overweight cartoon character.



Particularly directed at men and women aged 25-50 with children, this campaign will be on television, in print, and on radio, with Eric urging Australians to make healthier and simpler lifestyle changes – to swap big for small portions (portion control), swap often for sometimes (occasional treats), swap fried for fresh (nutritional quality), and swap sitting for moving (physical activity).

→ **What it means?** A national scale campaign that at the core promotes the nutritional advantages of fresh food can only help vegetable consumption.

Trading down still a challenge for the UK restaurant industry

– According to market research group NPD’s Crest Barometer, the UK restaurant market grew by 1.4% in the last quarter of 2010. However, this was largely boosted by more fast food spend, while traditional restaurants continued losing share.

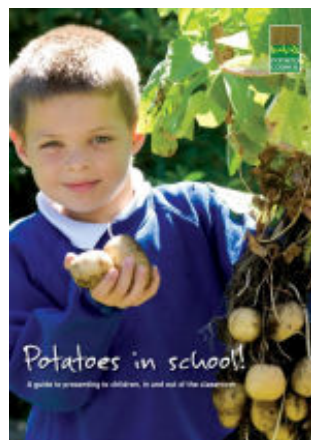
Quick service restaurant sector continued to grow, primarily boosted by fast food and coffee shop sales, where traffic increased by 8% during the year. Value for money continues to be a priority with consumers, with people still careful where they spend and still expecting discounts. Traditional full-service restaurants, which typically have the highest spend per person, declined by 5% during the fourth quarter of last year.



→ **What it means?** *The traditional restaurants in the UK have a major challenge in front of them to lure value-conscious consumers back from fast-food outlets in these market conditions.*

UK Potato Council campaign “flourishing” – Grow Your Own

Potatoes campaign – an educational project for primary school children - run by the UK Potato Council continues to expand, with 13,000 schools registered for 2011, accounting for 60% of all primary schools in the UK participating in the program. Industry involvement has also increased with more growers lined up to help local schools with planting this month and harvesting (on 21 June) along with a number of suppliers having provided seed potatoes for school growing kits.



Each kit contains two varieties of seed potatoes for schools to grow and includes ‘Rocket’, which is the potato seed variety with which schools can enter the nationwide competition to win an interactive whiteboard.

Since its launch in 2009, more than one million children have participated in the project and built up knowledge of where potatoes come from and why they are a staple part of diets. A range of materials and advice is also available at www.potatoesforschools.org.uk, which can be used to help schools care for their plants over the next three months.

→ **What it means?** *That making edible gardening a fun, engaging, and rewarding activity for primary school students has clearly helped in advancing their basic knowledge and building an affinity for potatoes.*

US: Potato Industry launches website to tell ASDA to keep potatoes in schools – The Potato Industry has launched a new website

www.PotatoesInSchools.com to inform school foodservice providers, nutrition opinion leaders, consumers, and potato industry stakeholders of the issues surrounding the proposed changes to the School Breakfast Program run by the United States Department of Agriculture (USDA), which significantly limits the amount of starchy vegetables in school meal plans. The website is designed to be the key information resource supporting the potato industry’s position that there is no need to, or value in, limiting starchy vegetables, including potatoes, in school lunches and school breakfast programs. The website offers nutritional information, innovations in product offering and preparation, recent survey results from school foodservice providers, and a model alternate school menu that includes potatoes.



→ **What it means?** *An important move by the potato industry to defend their role in schools by highlighting its nutritional importance and role in children’s diets and offering alternative preparation and menu plans for children.*

Consumers grow their own to save money – A new survey

commissioned by the NFU’s Countryside magazine on how people are trying to deal with rising fuel costs and higher household bills found that more people have started producing their own food in the last three years in a bid to save money and eat better. The poll conducted on 3700 people in the UK showed that 26% produced their own food, with vegetables the most popular (82%) followed by herbs (52%) and even milk and meat (both 25%).



→ **What it means?** *That rising costs have spurred the increase in families getting back to the basics of edible gardening. This could lead to a revival of culinary skills and healthier food choices among the next generation.*

Innovation from the world

Disney launches fruit and veg

products – Disney Consumer Products has revealed a strategy to launch healthier, family-friendly fresh fruit and vegetable options, making Disney-branded produce more widely available and offering more product variety. Revamped products would include sliced apples and Foodles (sold in packaging the shape of Mickey Mouse, with apples, table grapes, cheese, pretzels and other products). Other items include teriyaki sugar snap peas, honey orange carrot coins, cheesy broccoli bites, and miniature apples, plums, peaches, pears, and oranges.



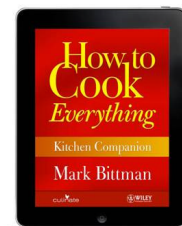
As part of its ongoing social responsibility campaign effort to promote healthier lifestyles and nutrition for kids and families, Disney launched in September 2010 the *Magic of Healthy Living* – a nationwide multimedia initiative targeting parents with young children.



→ **What it means?** It is a strong signal that the marketing stakeholders of the Disney brand have determined there are advantages in aligning with the positive attributes of fresh fruit and vegetables.

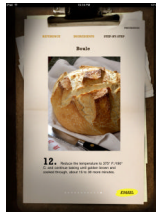
Apple in the kitchen – Since April last year, when Apple launched the tablet iPad, the device has been in use at upscale restaurants, hamburger eateries, and quick-service chains. Now with three apps that turn the Apple iPad into a kitchen tool and a source of culinary knowledge, the Apple has found its way into the family kitchen.

- **How to Cook Everything** – New York Time food columnist Mark Bittman’s iPad version of “How to Cook Everything” comes at a bargain price of \$US10 and features more than 2000 recipes from his acclaimed cookbook (\$35). This app takes the same “simple-is-better” approach and yet goes further –



recipes can be instantly exported to a shopping list, a favourites’ list can be built that is always accessible and editable at the bottom of the page, a built-in social networking functionality for Twitter and Facebook for sharing, and on-screen timer that can be set on a “constant on” mode that prevents the screen from dimming.

- **Bread Baking Basics** – Available at \$US1.99, this app provides users with an outline for making different types of bread without going into the infinite ways it can be customised. A step-by-step pictorial walks users through the process from measuring to the finished loaf. The app is a giant, illustrated calculator.
- **Epicurious** – A free app that not only allows the user to build shopping lists, organise ingredients, and share via email, twitter, Facebook, and more, it also helps to build a complete recipe box. It offers a base of more than 30,000 recipes – an unmatched catalogue of recipes augmented by a virtual test kitchen of thousands of cooks.



→ **What it means?** The new communications technology has reached the kitchen and not only is it providing a wealth of information it is also providing a way to have conversations with today’s tech-savvy younger generation.

New Hawaiian purple sweet potatoes –

US Christopher Ranch has introduced a new product Hawaiian Purple Sweet Potatoes, a member of the morning glory family and called “uala” in Hawaii. Native to the Japanese island of Okinawa and brought to Hawaii a couple of centuries ago, these sweet potatoes are low in calories and high in fibre and antioxidants. A one cup serving of these sweet potatoes has only 115 calories but 4 grams of dietary fibre.



The natural sweetness of Hawaiian Purple Potatoes makes them perfect ingredient for all types of dishes – baked, boiled, fried, roasted, or micro-waved to be used in entrees, side dishes, or desserts.

→ **What it means?** A new product derived from a long distant import that integrates the essential attributes of taste, nutrition and versatility.

Radicchio Castelfranco, the white lettuce

– The Italian Castelfranco lettuce is a cross between red-leafed chicory and andive. The leaves of the lettuce have a creamy colour with a hue from wine-red to purple. Its crunchy rosette has a pleasant tangy sweet flavour, which is milder than the red radicchio, with only a hint of bitter taste, complementing other lettuces, and can be used to add flavour and colour to salads.



→ **What it means?** An innovative product that seeks to appeal based on unique taste and colour attributes.

Earthbound farm showcases

Lifestyle Salad Kits – US

Earthbound Farm has introduced a new line of all-organic Lifestyle Salad Kits – Whole Power, Fresh Balance, and Mighty Energy – which contains one cup of certified organic vegetables and generous portions of organic whole grains and fibre-rich plant-based protein. With less than 410 calories, these ready-to-eat Lifestyle Salad Kits provide flavourful organic options for time-starved consumers to conveniently increase their daily intake of vegetables, anti-oxidant vitamin A, and fibre (Whole Power provides 7 grams of fibre, while Fresh Balance and Mighty Energy offer 6 gm each).



These kits contain individually packed ingredients in easy-to-open pouches that minimise preparation time and maximise freshness while enabling individuals to add the amount of dressings and topping they prefer. Lifestyle Salad Kits are available at Whole Foods Markets nationally and priced at \$5.99 each.

→ **What it means?** A new product that has combined the attributes of organic production, nutritional portions and ready to eat product convenience.

Open Table launches iPhone

App – Open Table – which provides solutions to restaurants and free, real-time online restaurant reservations at more than 11,000 restaurants worldwide – has launched an application for the iPhone in a bid to cater for the growing number of Smartphone users and help restaurants reach more customers.



Open Table's app allows diners to book from anywhere in the world, with its restaurant reservation system's new "app" allows users to see detailed profiles of restaurants as well as search for and book restaurants, which can be viewed on maps with details of location. Users can invite friends to join them and collect Open Table points via the app.

→ **What it means?** An approach that helps foodservice channels to harness the new technologies and reach the tech-savvy users without owning the system.

This report has been produced by Freshlogic as part of project funded by HAL using 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: Pumpkin

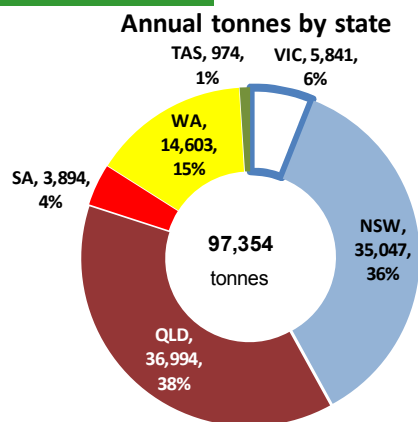


Key Facts

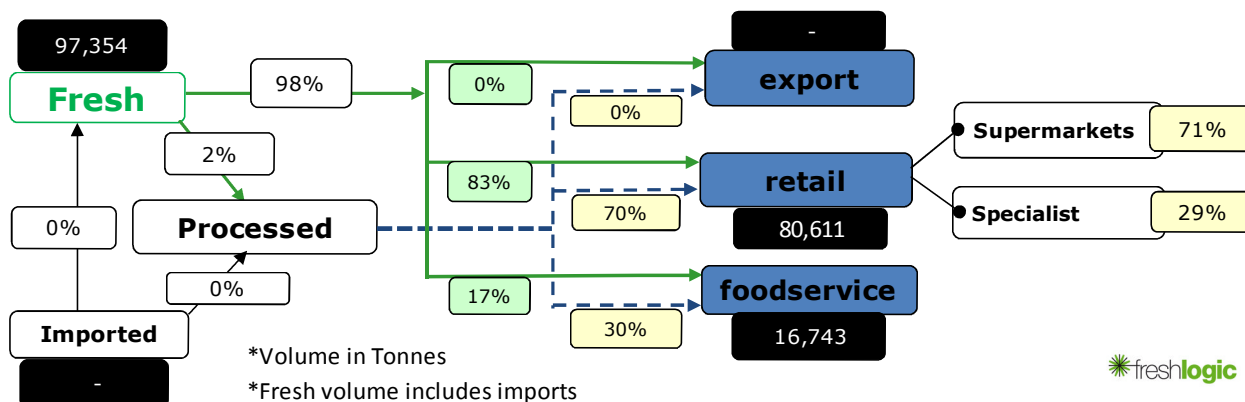
- Pumpkin production was 97,354 tonnes in 2009/10
- The retail channel buys 80,611t
- The foodservice channel buys 16,743t
- The current domestic retail market value of fresh pumpkins purchased by consumers is \$162.3m

- Pumpkins were the 10th most frequently purchased vegetable by households (weekly) in the December quarter 2010, with clear signals of increased penetration during the cooler months
- Approximately three quarters of Australia's domestic production is grown in NSW and QLD
- Pumpkins are a relatively low value product that are purchased by consumers for an average of **\$2.20/kg**, which is markedly lower the average retail price of **\$3.50/kg** for all vegetables
- Consumers purchased an average quantity of **963 grams** per shopping trip
- Pumpkin production volumes can vary significantly from year-to-year, as pumpkins are vulnerable to climatic conditions particularly frost and extreme heat

Production



Volumes and shares through the chain



A cut above the rest

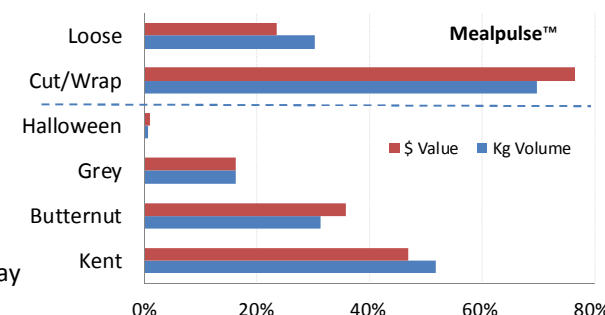
Pumpkin Type	Whole Avg. \$/kg	Cut/Wrap Avg. \$/kg	Premium Received	Cut product sales share
Grey	\$1.68	\$2.24	34%	76%
Butternut	\$1.75	\$2.72	55%	67%
Kent	\$1.46	\$2.11	44%	70%

Over the three types, the average price for a whole pumpkin is \$1.63/kg compared to \$2.36/kg for a cut product, offering an average premium of 45%

- Pumpkin sales are dominated by Kent (52%), followed by Butternut (31%) and Grey (16%)
- The average sales value is led by Butternut at \$2.40/kg, followed by Grey at \$2.11, and Kent at \$1.92
- The pumpkin category is heavily influenced by cut/wrap sales which account for 70% of the sales volume and 76% of the value
- Halloween sales, while small, are generated over a short period and may offer opportunities for future growth

Retail fresh capsicum sales

Pumpkin Sales Contribution- By Variety & Pack Type



* Prices based on 2010 data

Consumer Penetration

Segment	Average Purchased Quantity (kg)	Penetration by Segment
Singles & Couples with lower income	0.964	27% - 38%
Singles & Couples with higher income	0.899	21% - 39%
Budgeting families	0.904	30% - 43%
Established families	1.141	11% - 40%
Empty Nesters	0.955	20% - 49%

Mealpulse™

- In the 4th quarter 2010, pumpkins were the 10th most frequently purchased fresh vegetable based on weekly purchase patterns. Pumpkins display a seasonal influence, with higher purchasing frequency in the cooler winter weather. In the 2nd quarter it was the 7th most frequently purchased.
- Pumpkins are more frequently purchased in cooler climates. VIC/TAS had the highest average weekly penetration (47%) over the 2nd quarter 2010 compared to the all states average (40%)
- The highest average penetration by segment was Empty Nesters (42%), followed by Budgeting Families (35%), potentially reflecting the demand for value

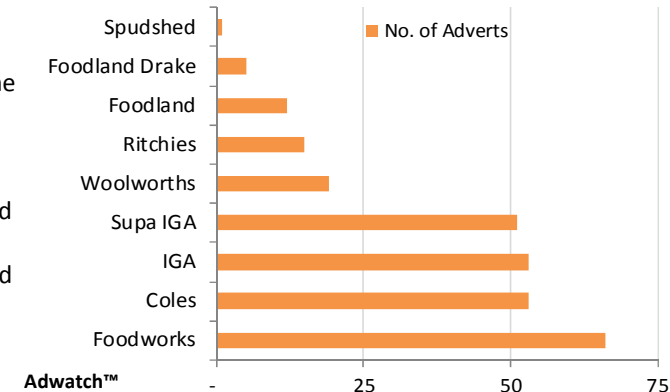
What quantity do consumers buy

- Based on the analysis of [retail Docket data](#), provided as part of the Mealpulse™ panel, the average quantity of pumpkins Australian consumers select is **963 grams**

Promotional Activity- 2010

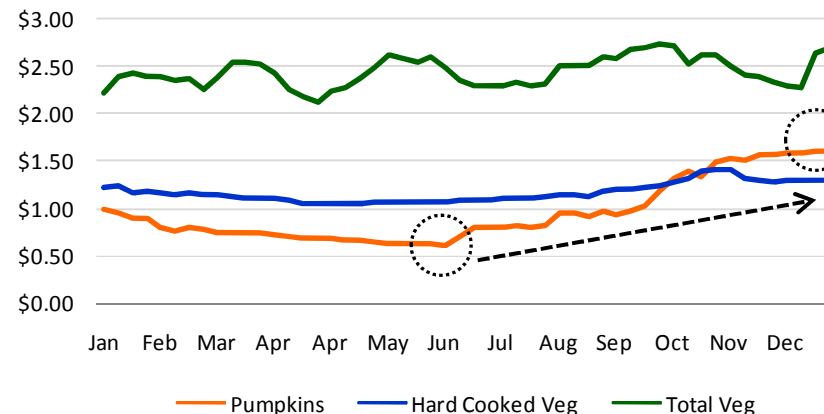
Pumpkin Activity- Adverts by Retailer

- Over 2010, 80% of the retail promotional activity was in autumn and winter, and 20% in spring and summer
- There was a total of 275 adverts, and some level of retail promotion activity in 41 of the 52 weeks in the 2010 calendar year
- IGA advertised in 29 weeks of the year, while Supa IGA advertised in 27 weeks and Coles in 24 weeks
- VIC had the highest number of state-based retail adverts with 165 (20%), while TAS had the lowest with 83 (10%)



Wholesale Pricing 2010

Average Wholesale Prices 2010



- In 2010 the wholesale price ranged from a low of \$0.60/kg (June) to a high of \$1.60/kg (December)
- The average wholesale price was \$0.95/kg, lower than total Hard cooked veg (\$1.17/kg) and total veg (\$2.43/kg)
- The wholesale price tends to firm over the year

Retail Range

- Pumpkins are available in a whole and cut form, and sold at retail on a per kg basis.