VEGINSIGHTS

A VIDP initiative

monthly vegetable market insights – March 2012

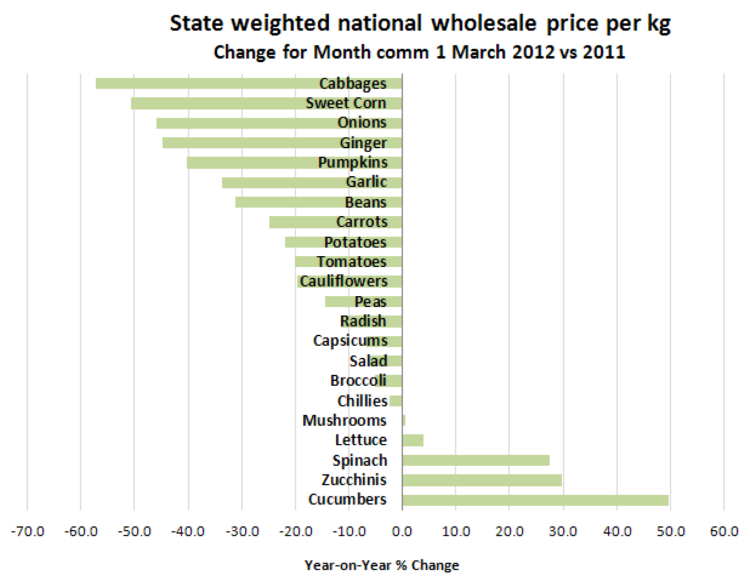
The majority of products are in good supply and wholesale price levels have settled. The impact of wet and cooler weather has shortened supply of some softer lines but many high volume lines remain in flush.

Highlights

- **Lower wholesale values continue to slow sales value**
- **Shopping malls the future of foodservice**
- **Baby root vegetables in the spotlight**
- **Self-service parcel delivery the next big thing**
- **Could new scanner make barcodes obsolete?**
- **Sweetpotato profile with a retail value of $152m**

Vegetable market

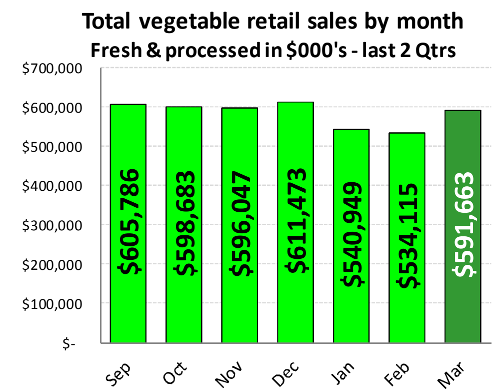
Wholesale vegetable prices – The wholesale price difference between March 2012 and March 2011 for the major vegetables is profiled in the chart below.



Wholesale prices for all vegetable categories were 11.1% lower compared to March 2011. The impacts across the products varied, with seasonings and hard cooked vegetables decreasing more than salad components and soft cooked vegetables. At the product level, the most significant changes were with cabbages, sweet corn, onions, ginger, and pumpkins which decreased over the same month last year. In contrast, cucumber, zucchinis, spinach, lettuce, and mushroom increased over the same month last year.

The weighted total vegetable wholesale price for the week commencing 26 March 2012 was $2.62 per kg.

The total retail sales of fresh and processed vegetables in March 2012 are estimated at $591.6m, as profiled in the adjacent chart. These sales are higher than February but 6.0% lower than the preceding month of January.



The lower wholesale prices continue to cause overall lower sales values as they have since the start of the year. The product level status of wholesale values compared with last year is profiled in the adjacent chart.

While the value of vegetables is lower than last year, it has steadily firmed as the 2012 year has progressed.

The Australian food market

Domino's lets Facebook users create 'social pizza' – Multinational pizza chain Domino's created the 'world's first social media pizza' application on Facebook, part its new social media campaign (ran from 19-25 March) in Australia. The 'Social Media' app allows its 480,000 Australian 'fans' to log in and vote for their favourite crust, sauce, and ingredients to build a custom-made pizza for Domino's Menu. The most popular selection each day will be added to the pizza, with the final product to feature on the menu.

The application, which aims to connect Domino's with its online community, will also give fans the chance to win $1,000 by naming the new pizza.

→ ***What it means?*** *An example of how the interactivity of the social media is being harnessed to strengthen customer relationships and lift sales.*

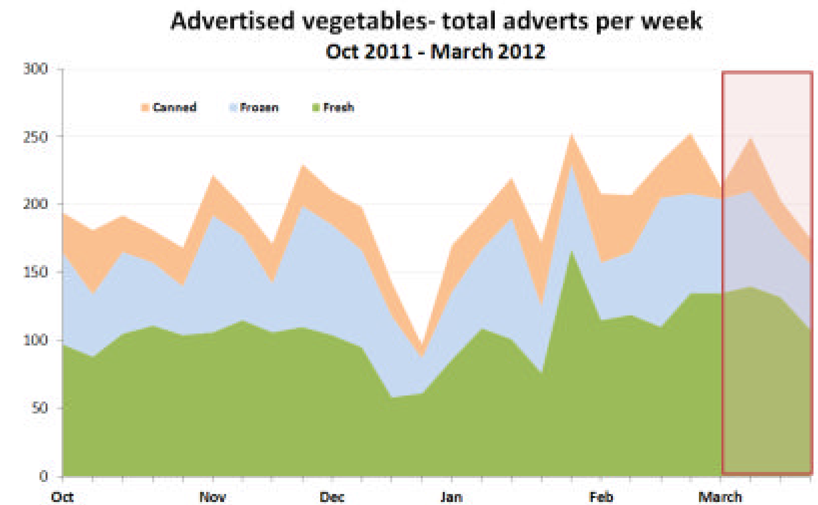
Hungry Jack's Scoopon deal set new records – Hungry Jack's-Scoopon exclusive deal of '$2 Whopper and fries meal' on the Scoopon website set new records in daily deal sales, with the sale of 670,000 deal vouchers since its launch last month. Under the partnership, Scoopon promoted the national discounted meal deal to its 2 million national subscribers. It claims that a total of 90,000 vouchers were sold in the first two hours of the launch, exceeding all Australian group buying records.

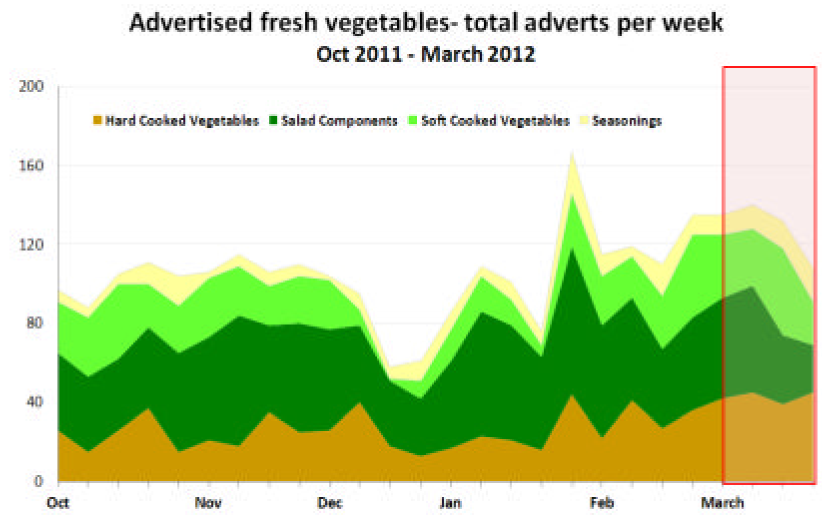
The partnership helps Hungry Jack's to become more 'social', connecting them to Scoopon's significant subscriber base of highly engaged and social media savvy members. Over 2011, the fast food chain had been active in the online space, running special vouchering promotions to its 19,000+ Facebook fans. The Scoopon Hungry Jack's meal deal will be available nationally (via the Scoopon website) from 300+ Hungry Jack's outlets across the country up to 8 May 2012.

→ ***What it means?*** *How the food chain has captured the opportunity to reach wider potential customers in an efficient manner. This presents a new fast response promotional mechanism to reach more consumers and potentially bring traffic back in store.*

Retailer activity

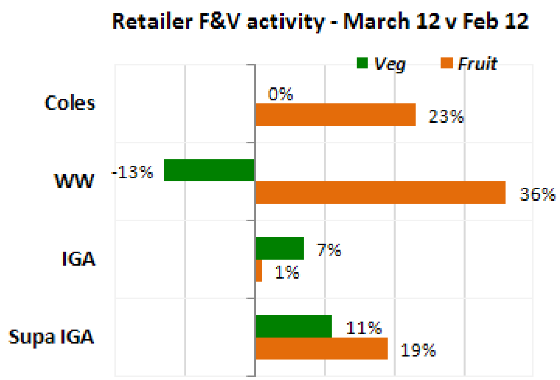
Promotional activity in the month of March – The retail promotional activity reflects a pattern of a decreasing exposure for vegetables, reversing the increasing trend seen in February and January 2012. Over the month, the exposure of the total vegetable products decreased to an average of **210 products per week, down from 225 products in February**. The decrease has been driven by a decline in exposure for canned and frozen vegetable products this month. This was partly offset by small increase in exposure for fresh vegetables advertised this month.





Within the fresh vegetables, there was an increase in the number of soft cooked vegetables, hard cooked vegetables, and seasonings advertised in March. This was partly offset by a decrease in the number of salad components advertised this month.

Fruit	Mar-12	on prior month
Coles	265	↑
WW	327	↑
IGA	81	↑
Supa IGA	115	↑
Vegetables	**Mar-12**	**on prior month**
Coles	230	
WW	247	↓
IGA	109	↑
Supa IGA	171	↑

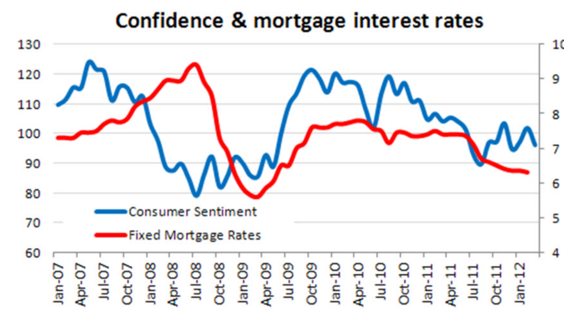


The promotional activity among the majority of the top retailers in March 2012 reflects an increasing trend in Fruit and Vegetables (F&V) exposure compared to January 2012, reversing the decreasing trend seen in February 2012.

Compared to the same month last year, the vegetable promotional activity this month increased notably at Woolworths (up 178%), Coles (up 56%), and Supa IGA (54%). In comparison, the vegetable promotional activity increased at IGA by 2% compared to March 2011.

The consumer

Consumer sentiment slumps on higher mortgage rates – A notable drop in Australian consumer sentiment – likely due to rising mortgage interest rates, higher petrol prices, and concerns about the economy and employment – saw the Westpac-Melbourne Institute index of consumer sentiment lose five points to 96.1 in March. That compares with 104.1 points in March last year.



Even though the Reserve Bank of Australia held its cash rate steady at March and February reviews, Australian banks have been raising floating mortgage rates in response to rising funding costs. Recent economic data showing weak GDP growth and rising unemployment are likely to have increased consumers' concerns.

→ ***What it means?*** *Higher sales for food retail over dining out are likely to continue as value-conscious consumers are likely to save their discretionary dollars in these market conditions.*

Shopping malls the future of foodservice – Foodservice market analyst Horizons states that operators of restaurants, cafes, and quick service chains are increasingly looking to shopping malls as must-have locations as UK's

shopping malls become showcases for established eating out concepts as well as the market's emerging brands.

Its latest 'Ones to Watch' survey – which tracks the emergence of new and expanding outlets – reveals that lesser-known restaurant brands are regularly appearing in shopping malls alongside more established ones, as operators are attracted by the high volume of customers in malls, seven-day week opening and long opening hours.

It notes that London's new Westfield Stratford city mall – UK's third largest mall – has 70 places to eat and drink.

Malls are also increasingly providing family-based leisure facilities, offering foodservice outlets more opportunity to sell food and drink. Foodservice areas in malls vary not only in location – including both indoor and outdoor opportunities, but in type. They typically include food courts, kiosk-style dining outlets, food markets, and fast-casual dining and bar concepts aimed at the evening traffic.

→ ***What it means?*** *With casual dining now becoming an increasingly integral part of the shopping experience, the foodservice channel is taking a far more sophisticated approach in targeting their local customers. This is a welcome development for mall owners who have many retail tenants under pressure from the drift towards online sales.*

Solving equation to increase fresh produce consumption – Latest consumption survey conducted by European fresh F&V association Freshfel reveals a significant downward trend of fresh produce consumption patterns across nearly all of the Europe in the last 10 years (down by 100 g, the equivalent to a full portion per day).

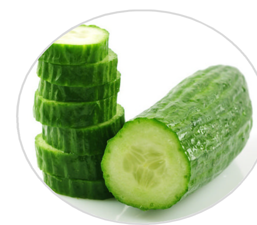
Freshfel pins the following factors negatively impacting consumption:

- Misperception of the reality – the recurring issue of high fresh produce prices for consumers is a misperception of the reality, as fresh F&V are one of the cheapest food categories available. Prices for the recommended '5-a-day' range between €1 and €2, depending on the category chosen.
- Increasing competition for the consumer's 'stomach share' from ready-to-eat/convenience products, lesser at-home-cooking, and more out of home consumption. Here, the consumer is not aware that these alternative servings might not have the same nutritional value as fresh produce.
- Lack of penetration of fresh produce into the foodservice sector is also of concern.
- Lack of a unified and uniform message to consumers – caused by all the different 5 A DAY messages in Europe which hampers the efficiency of clear communication.
- No messages that highlight the pleasure and benefits of consuming fresh produce.

In order to address these problems, Freshfel plans to broaden support for its Enjoy Fresh project (www.enjoyfresh.eu) – a collective communication platform to provide consumers with clear and simple positive messages about fresh produce consumption benefits.

'Enjoy Fresh' provides information on F&V production, quality, sustainability, fresh facts, nutrition and health, and recipes on how to enjoy fresh produce.

→ ***What it means?*** *A collaboration that coordinates the many efforts taken across Europe to promote the consumption of fresh fruit and vegetables. This could only help in increasing fresh fruit and vegetable consumption.*



Local trend boosts UK cucumbers – High fuel prices, together with a notable emphasis on 'Local English' this year has strengthened the demand for UK cucumbers.

The UK Fresh Produce Journal reports that the E. coli problem last year has heightened concerns among consumers who now feel safer eating UK produce. Furthermore, the cold snap this year has pushed energy prices very high (up 15%) which will make imported cucumbers more expensive, and in turn, increase the sales of locally grown cucumbers. Currently, large cucumbers are priced around £0.80 (€0.95) and small cucumbers are selling at £0.60-0.63 (€0.71-0.75).

→ ***What it means?*** *How a confidence breakdown for a group of suppliers can quickly translate into positive implications for other UK local farmers.*

Innovation from the world

Self-service parcel delivery the next big thing - A new parcel terminal system out of a smart locking technology, which can be remotely accessed, has been developed by Australian company Telezygology (TZ) Inc.

The technology is already being used for securing computer data centres across the world, but suits parcel terminals as well, since it is easily networked. The terminals comprise a bank of lockers into which parcels can be securely stowed by mail carriers. On delivery, PIN codes are sent via email or text messages to consumer recipients who can visit the terminals, type their personal code into a central touchscreen control unit that then opens the relevant locker for them to pick up their package. Customers can also use a fingerprint scanner, or even a face scanner to open these lockers. The TZ locking technology helps to keep the opening mechanism for the lockers very small compared to conventional systems, thereby giving more space for parcels and other additional functions like temperature or humidity control systems.

TZI tested this parcel terminal technology with Australian Post on a four-month trial over the recent Christmas period. As part of the trial, state-run postal service looked at three installations, each comprising a bank of 52 lockers, witin Sydney, Melbourne, and Brisbane.

Encouraged by the successful parcel locker trials, Australia Post is set to open 30 'Superstores' – including free 'digital mailboxes' across Australia to help meet growing demand for parcel services from the online shopping boom.

The superstores are in direct response to the 10 million Australians now shopping online, which resulted in Australia Post delivering an additional 3 million parcels during Christmas last year.

The new superstores will have a 24-hour zone with vending machines, parcel lockers, and self-service terminals, as well as a Harvey World Travel store, an American Express currency exchange outlet, and a concierge to help customers. The 24/7 zone will give customers access to post and collect parcels, pay for postage, purchase stamps and packaging products, pay bills, and use an Australia Post ATM. Bridging the gap between physical and online shopping, the superstore will have Apple Macs, iPads, and digital screens to allow customers to shop or research online, arrange their parcel delivery electronically, and navigate key products and services.

→ ***What it means?*** *Digital mailboxes in the form of self-service parcel delivery could be used to solve the challenging delivery of internet food shopping and ensure pick-up is time-flexible, efficient, and convenient. If these facilities expand to offer refrigerated letterboxes they could be a* ***game changer*** *that elevates online food sales to another level.*

No more barcodes – A new food recognition technology – Object Recognition Scanner – has been developed by Japanese company Toshiba that reads items without the use of barcodes.

The scanner utilises pattern recognition technology, with a camera that scans items based on their appearance. It interprets a 'visual noise' and filters out background 'noise' in its picture so that it sees only objects held close to its lens against a neutral black background. The scanner can recognise different varieties of fruit and vegetables – their shape, surface pattern, and colouration – and is even nuanced enough to differentiate between two types of apples. In addition, it can also be used to scan packaged products and coupons.

Barcodes can sometimes fail to register with scanners in supermarkets, leading to longer waiting times for customers and requiring checkout assistants to enter the code by hand.

Toshiba is currently in the process of creating a database of fresh produce and typical supermarket items, which is scheduled to be ready by the end of the year. In addition, it is refining the scanner to quickly and easily 'read' objects from a wide range of distances.

→ ***What it means?*** *An advanced technological innovation to recognise and scan fruit and vegetable varieties making staff- and self-checkout time efficient and error-free.*

World's top five hottest chillies – A list of the top five chillies in the world has been compiled based on the Scoville scale (SHU) which measures the amount of capsaicin they contain.

1. *World Trinidad scorpion butch* – from seeds originating in Thailand, a NSW grower produced this hottest chilli in Australia. It has a SHU of 1,463,700, more than 200 times hotter than a jalapeno chilli, and is used for making hot sauces.
2. *Naga Jokia* – also known as ghost pepper, this variety comes from India. It is small and crinkled, but has the SHU of 855,000 to 1,041,427, containing the purest form of capsaicin.
3. *Red Savina* – small, red, and crinkled, this chilli was regarded as the hottest chilli in the world at SHU of 350,000 to 577,000 until the Ghost pepper came along.
4. *Scotch Bonnet Pepper* – originating from Caribbean, this chilli looks like a full-bodied capsicum but has a SHU of 250,000. It is usually found in dishes from that region.
5. *Penguin Pepper* – this tiny flower bud-like chilli is also known as the Bird Pepper. It stands at 100,000-140,000 SHU and comes from the Great basin of Mexico.

→ ***What it means?*** *New products that have captured worldwide attention due to their unique taste properties.*

Baby root vegetables in the spotlight – New baby root vegetables from US Babe Farms, a baby vegetable specialist, have been launched by VegiWorks (US produce delivery service) showcasing the versatility and uniqueness of the produce.

- Celery root – has a bulbous, tangled exterior but an ivory interior. It can be used as a raw garnish, mashing it with or without potatoes, adding it to soups, or serving it roasted, braised, or fried.
- Parsley root – has a pale white appearance similar to a parsnip, but has a nuttier, sweeter flavour. It can be used as an ingredient for soups and stews and can also be pureed or roasted alone or with other root vegetables.

- A range of colourful baby carrots – six unique varieties are available including red, purple, orange, round (also known as French or Thumbelina), white, and yellow. This assortment of carrots can be added in salads, sautéed, roasted, or steamed and served as a side dish.

→ ***What it means?*** *The versatility of the colourful assortment of baby root vegetables being promoted - at its core - aims to increase consumption by keeping vegetables interesting for consumers.*

New 'chocolate tomato' on the horizon – A new special 'Chocolate Tomato' – Sacher F1 – has been developed by Italian R&D seed company Suntime. A result of cross-fertilisation, the brownish red tomato has long shelf-life and a high presence of lycopene and chlorophyll. The new tomato will be marketed as a niche product in the markets of northern Europe.

→ ***What it means?*** *Another innovative variety of a popular vegetable product that blends convenience and unique colour and is marketed as a niche product to gain popularity in targeted markets.*

New dark garlic launched in Spain – A new black garlic – 'Black Allium' – has been produced in Spain for the first time (originally from Asia) after a year of research by two Spanish companies – Innofood by Neuron and J R Suárez Monedero SL. The development process, which commenced with the purple garlic, excluded the use of additives, ingredients, or alterations other than a combination of process time, temperature, and humidity.

Black garlic has unique taste (with liquorish hints in its taste), texture, colour, and smell, as well as nutritional characteristics that are very different from the white garlic. It can be eaten raw like an aperitif and/or used as a condiment. Black Allium was presented at the exhibition Alimentaria 2012, that took place in Barcelona during March 26-29.

→ ***What it means?*** *That a product with local links is now being produced and expects to win appeal on its attributes of unique taste, versatility, and colour.*

Purple LED lights for green future – A new method to grow plants indoors with fewer fertilisers and 90% less water than currently used, under a purple/pink light (made of red and blue LED lights) has been invented by PlantLab, a Dutch company.

Computers constantly monitor to determine the exact amount, cycle, and colour spectrum of light that is optimal for the plant, as well as water, so that no resource is wasted and the plants are neither undernourished nor overexposed. This method also aims to reduce the dependency on extreme weather conditions, in turn, stabilising supply volumes and prices. The crops can even be grown easily in diverse location including high-rise style buildings in the city.

→ ***What it means?*** *A useful innovation that addresses issues of production efficiency and freshness and flows onto supply stability. This may also offer scope to locate production closer to markets as this system also reduces the requirement for natural light.*

New TV campaign for bagged salads – A new £3 million TV ad campaign has been launched by bagged-salad company Florette in the UK. The advertisement aims to connect with how consumers feel, tying with the overall message of 'feel good' (running through its 2012 marketing), and replaces its previous 'drive-thru' campaign that focused on the freshness of the product.

The 40-second ad – which showed a couple in the kitchen enjoying themselves while preparing food – was launched on 4 April on primetime TV for a five-week trial period, and is expected to reach 83% of the ABC1 women in the 35+ age range. A 10-second cut-down of the ad, together with two other 10-second slots focusing on Sweet & Crispy and Duos, respectively, will be launched.

Eleven-year-old Florette in the past five years has managed to increase turnover by £20m, with its Florette Crispy being UK's top-selling bagged salad.

→ ***What it means?*** *That this major investment promotional activity works primarily because it has been well-designed and targeted.*

Pre-pack salads add to convenience – Two new washed, ready-to-eat vegetables - Brussels sprouts and new blend for Rainbow Salad - have been launched by US Mann Packing Company. The Brussels sprouts are trimmed, washed, and packaged in a microwave steamable 12-ounce bag, while the Rainbow Salad contains a mix of four vegetables - mini-broccoli florettes and shredded carrots, cabbage, and cauliflower in a 12-ounce bag, considered ideal for salads, wraps, and sandwiches.

→ ***What it means?*** *That consumer lifestyle and attitudes towards quality convenience foods looks set to support the growth of this category, leading to innovations in flavour, variety, and convenience.*

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: Sweetpotato

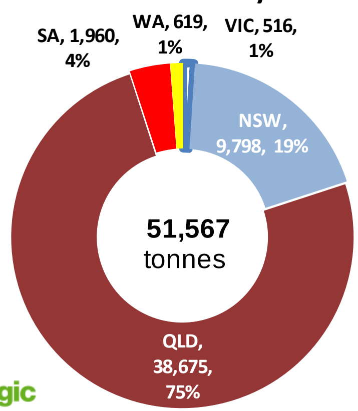
- Sweetpotato was the 13th most frequently purchased vegetable by households (weekly) in the December quarter 2011.
- Over the last 4 quarters (Mar 11 – Dec 11) sweetpotato had an average weekly penetration of **28%** across all households.
- Sweetpotato is a high value product that is purchased by consumers for an average of **$4.09** per kg, which is higher than the average retail price of **$3.50** per kg for all vegetables.

Key Facts

- Sweetpotato production was 51,567 t in 2010/11.
- The retail channel buys 41,487 t.
- The foodservice channel buys 10,001 t.
- The current domestic retail market value of fresh sweetpotato purchased by consumers is $152 million.

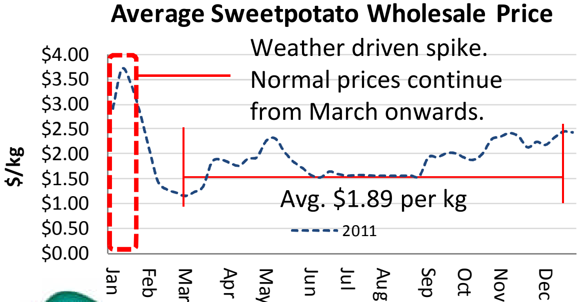
State Production

Annual tonnes by state

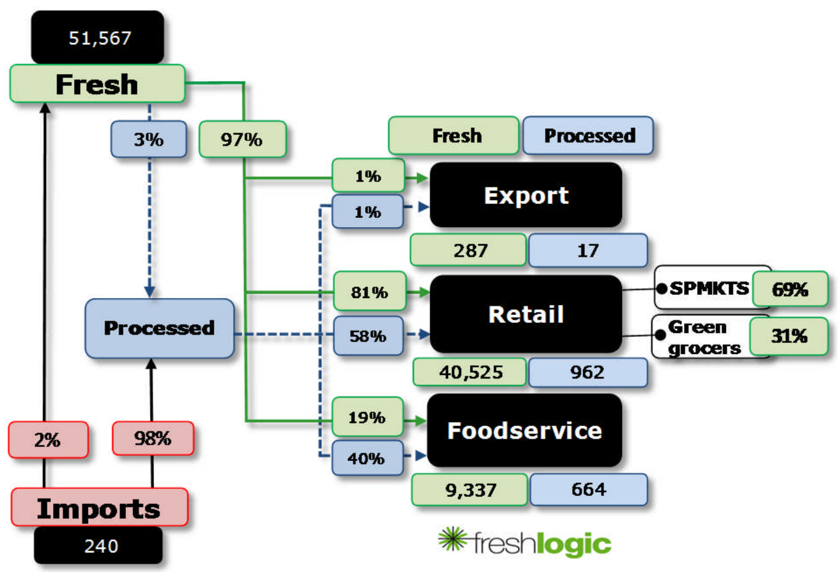


Wholesale Price

Average Sweetpotato Wholesale Price



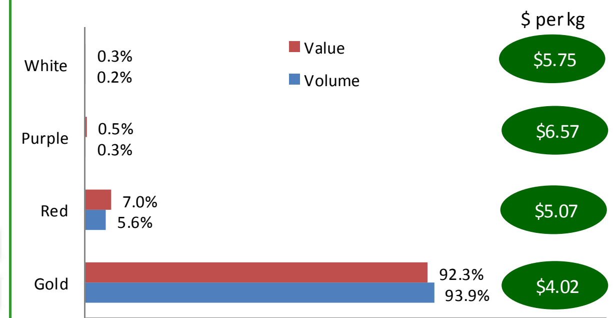
Volumes and Shares through the Chain



- The fresh domestic market is supplied with 50,144 tonnes of sweetpotato, of this 287 tonnes is exported.
- The processed market is supplied with 1,423 tonnes of locally produced product and a further 236 tonnes of imported product.
- Of the 9,337 tonnes of fresh product sold through the foodservice channel, around 2,500 tonnes was fresh processed product.

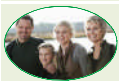
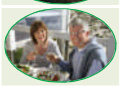
Fresh Retail Sales

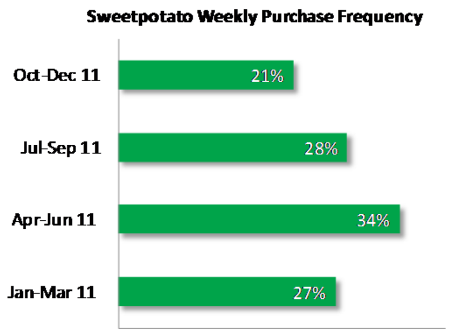
Retail Sales Contribution- by type



- All figures presented are for the year ending June 2011.
- The current retail market sells **37,050 tonnes** of fresh sweetpotato's, worth a total value of **$152 million**.
- The average retail price paid for sweetpotato was **$4.09** per kg.
- In comparison, the standard potato generated an average retail price of **$2.40** per kg.
- Pre packed product generates 17% of the volume and 14% of the value.

Consumer Penetration

Household Segments		Average Purchased Quantity (kg)	Purchase Weekly
Singles & Couples with lower income		0.641	28%
Singles & Couples with higher income		0.622	31%
Budgeting families		0.595	26%
Established families		0.727	28%
Empty Nesters		0.595	26%



- In the December quarter 2011, sweetpotato's were the 13th most frequently purchased fresh vegetable based on weekly purchase patterns and regularly feature in the top 13 vegetable products.
- Based on the analysis of retail Docket data for the year ending December 2011, provided as part of the Mealpulse™ panel, the average quantity of sweetpotato Australian consumers selected was **635 grams**.

Mealpulse™

Consumption Profile

- Users of sweetpotato are now beginning to understand the versatility of the product by incorporating new meal time uses.
- New uses include cooked salads, sandwich filling, stir fry's and french fries.
- This has allowed sweetpotato to spread it's seasonal appeal and generate greater purchase frequency during warmer months of the year.
- The wide breadth of uses for sweetpotato will only aid future development of the category.

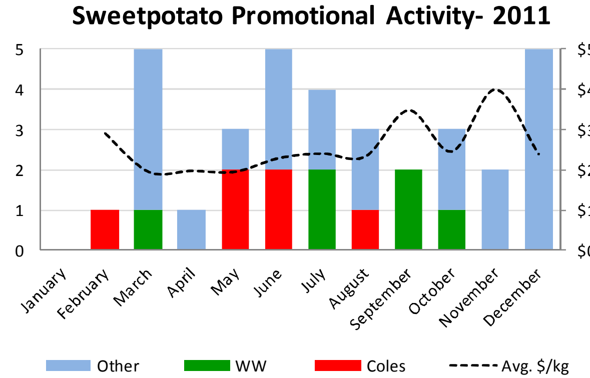


Sweetpotato consumption profile			
	Cooked	Boiled, M-W, Steamed	✓
	Cooked	Deep fried	✓
	Cooked	Mashed	✓
	Cooked	Roasted	✓
	Cooked	Baked/Grilled	✓
	Cooked	Salad - cooked	✓
	Cooked	Soup/Sauce	✓
	Cooked	Stir fry	✓
	Raw	Juiced	
	Raw	Salad - fresh	
	Raw	Sandwich/burger/wrap	✓
	Raw	Snack	

Promotional Activity- 2011

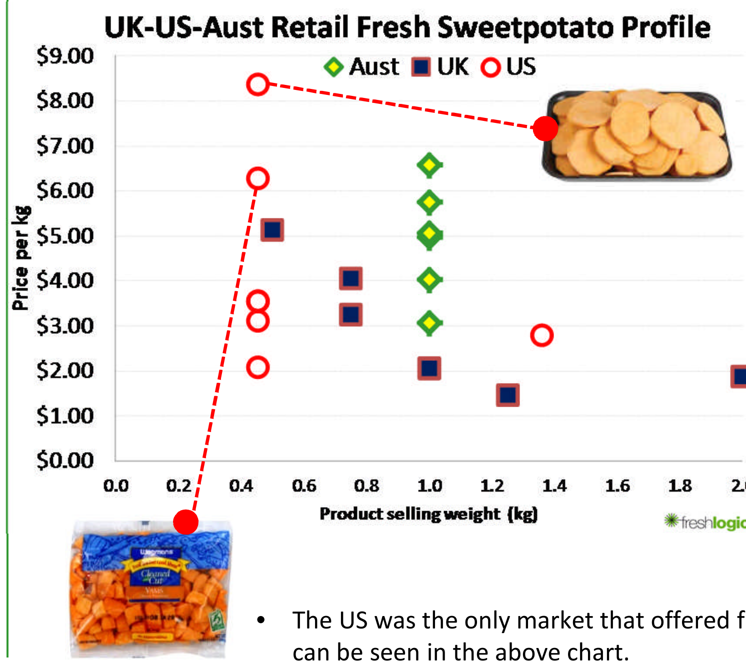
- This graph details the number of promotional adverts by retailer for each month.
- For the year ending December 2011, there were a total of **34** adverts and some level of retail promotion activity in **21** of the 52 weeks. This generates an average of **2.8** promotional adverts per month.
- Sweetpotato received relatively strong support from independent retailers, generating 65% of the promotional activity for the period.

Adwatch™



- In 2011, frozen sweetpotato's generated 18 promotional adverts. Frozen product has also enjoyed strong media exposure during 2011, this has potentially spilt over and reinforced demand in the fresh category.

UK-US-AUST Retail Range Profile



- **This analysis** has drawn on data gathered from Australia retail and UK and US online sites. It is considered representative of the current retail ranges in each market.
- Sweetpotato's are also referred to as **Yam** in the US and sometimes **Kumara** in Australia.
- The majority of the Australian range is loose sold product.
- UK had a number of pre packed options, this include 500g, 750g and 2kg.
- The US was the only market that offered fresh processed product , as can be seen in the above chart.