VEGINSIGHTS

monthly vegetable market insights – May 2012

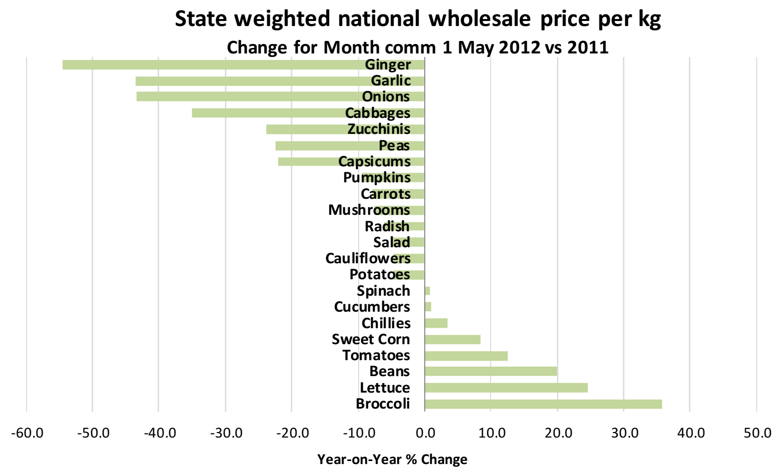
A VIDP initiative

Highlights

- **Wholesale values firm for more high volume vegetables**
- **Retailers to roll out varying store formats**
- **Virtual gardening: grow vegetables the new way**
- **Barely a fifth of Britons eat 5 A DAY**
- **Shadow-activated 3D QR codes boost sales**
- **Cauliflower profile with a retail value of $101m**

Vegetable market

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

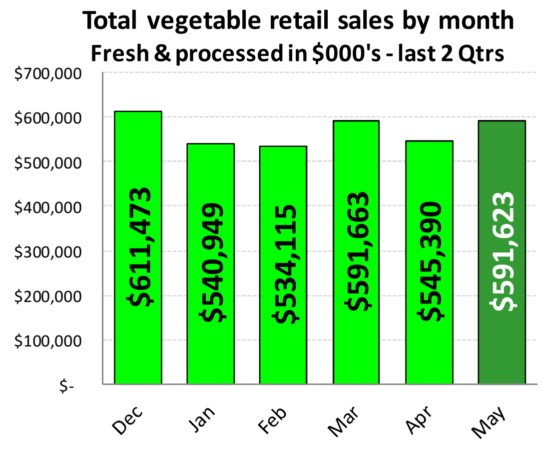


Supply stabilised for more of the high volume vegetable products and this flowed onto a positive impact on wholesale price levels.

The weighted national wholesale price for all vegetables was 4.4% lower when compared to May 2011. The impacts across the products varied, with seasonings still well below last years while hard cooked vegetables values firmed. Salad components also increased and soft cooked vegetables showed a small decline compared to May 2011.

At the product level, the most significant changes from last month were reflected in improving prices for tomatoes and potatoes, while the major seasoning lines of garlic ginger and onions remained in full supply at lower prices than last year. Lettuce and broccoli remained strong and bean prices increased over the same month last year.

The weighted total vegetable wholesale price for the week commencing 22 May 2012 was $2.75 per kg.



The total retail sales of fresh and processed vegetables in May 2012 are estimated at $591.6m, as profiled in the adjacent chart. These sales are lower 2.0% lower than in May 2011.

The improving wholesale prices eased the downward pressure on sales values that has been apparent since the start of 2012. The product level status of wholesale values compared with last year is profiled in the adjacent chart.

The Australian food market

Coles' enlarges smaller stores… Coles has outlined plans to increase the size of its supermarkets, as it continues its battle with Woolworths. It aims to increase its floor space by 2% each year, providing more room for groceries and fresh food, as well as new categories such as its clothing brand Mix, which it launched in October last year.

The company has been replacing stores with an average size of 1,700 sq m with 2,700 sq m stores, which is about 40% larger than the ones being closed. Coles expects to open 19 new bigger stores, close 11 stores, and extend another 10 stores in 2012. Up to 400 stores are also set to be refurbished.

… While Walmart eyes smaller stores – Walmart, best known for its large supercentres, is set to roll out more 'convenience' format – 'Walmart Express' – stores throughout the US, in a bid to solve shoppers' convenience gap and fight off competition from rapidly expanding dollar-store chains. The strategic expansion is based on the success of its trial 10 Walmart Express stores, launched last year, which served as testers in markets such as Chicago and rural spots in North Carolina.

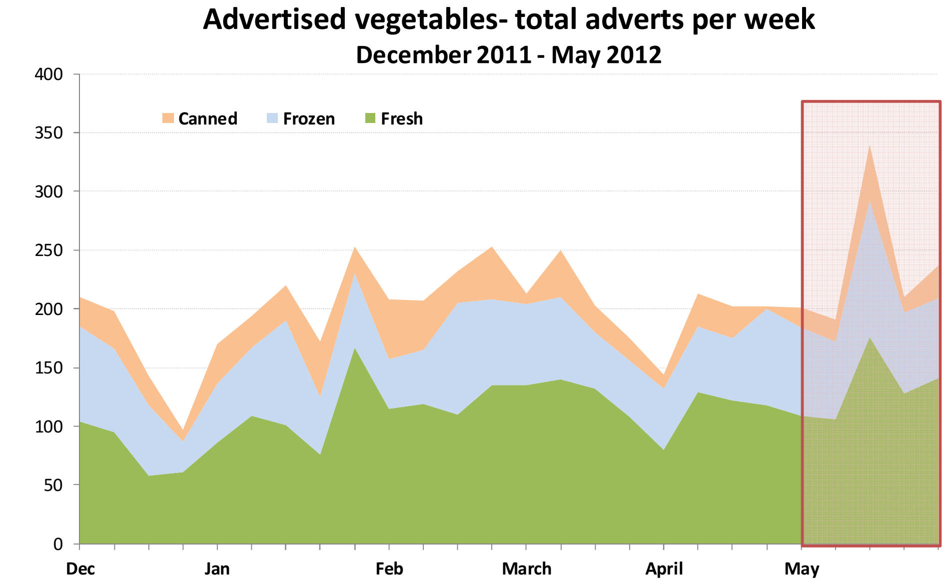
Walmart Express stores range from 1,100 to 1,400 sq m, significantly smaller than the 624 Walmart Discount stores (which average 10,000 sq m) and are designed as a hybrid between food, pharmacy, and convenience. Walmart also plans to open 80 more 3,700 sq m, midsized-format Neighbourhood Markets in 2013. The company said that smaller stores offer customers flexibility, particularly to those who live in areas that lack larger stores.

→ ***What it means?*** *As the larger retailers look to tailor their store networks to attract customers and maximise performance, it is apparent that one solution does not apply in all situations.*

Retailer activity

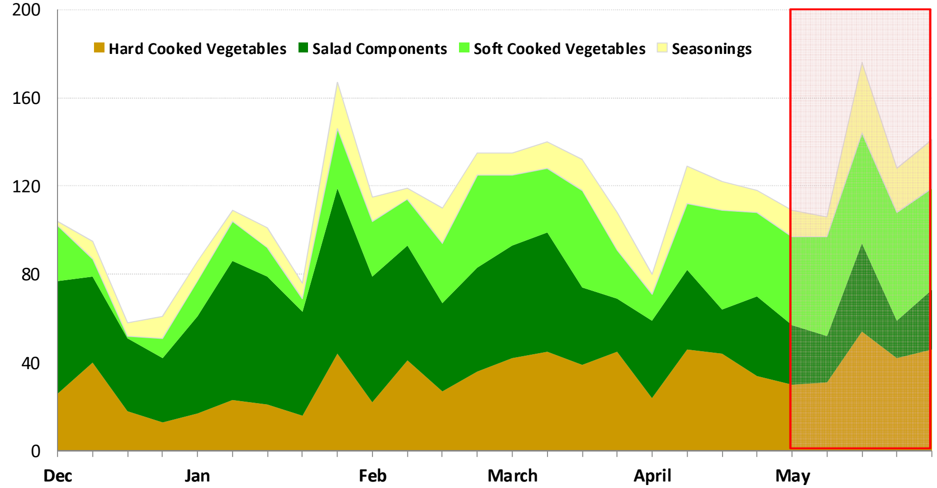
Promotional activity in the month of May – The retail promotional activity reflects a pattern of increasing exposure for vegetables, marked by a sharp increase in the third week of the month.

Over the month, the exposure of the total vegetable products increased to an average of **236 products per week, up from 190 products in April 2012**. The increase has been driven by more exposure for frozen and fresh vegetable products this month.



Within the fresh vegetables, there was a decrease across all fresh vegetable categories – salad components, hard cooked vegetables, soft cooked vegetables and seasonings – advertised in May 2012.

Advertised fresh vegetables- total adverts per week
December 2011 - May 2012



The promotional activity among the majority of the top retailers in May 2012 reflects an increasing trend in Fruit and Vegetables (F&V) exposure compared to April 2012. This is attributed to higher levels of competitive intensity and the value spotlight being focused on F&V.

The consumer

A new way to grow vegetables and herbs

– A new scheme 'i-Grow' – which has been developed by UK Abbey Parks Farm - offers people the opportunity to rent a patch of land on the farm and grow their own produce through a website.

The virtual gardeners can choose the vegetables and herbs they want grown on it, as well as receive updates and photos on their patch's progress as farm workers tend the growing plants. The produce, once ready, is delivered to their door. Those who live nearby the farm can also collect their own produce during the harvest season. The scheme is aimed at 'city-based gardeners' who do not have enough time or land to grow their own food. For more information, click http://abbeyparks.co.uk/allotments/

→ ***What it means?*** *An innovative scheme that caters for the lift in demand for home-grown food by helping urban dwellers to grow their own fresh produce with the click of a mouse.*

Farm to School program tops $1m in sales – For the first time in its 15-year history, the North Carolina Department Farm to School Program posted more than $1.2 million in sales of fresh fruits and vegetables during the 2011-12 school year. Under the program, schools across the state can order North Carolina produce, which is coordinated and transported to schools by the NCDA&CS Food Distribution and Marketing divisions. Farm-fresh produce offered in schools includes apples, blueberries, broccoli crowns, cabbage, melons, cucumbers, peaches, lettuce, sweet corn, sweet potatoes, tomatoes, watermelons, and zucchini.

During the 2011-12 school year, approximately 1,600 schools participated in the Farm to School Program, ordering more than 1.5 million pounds of fresh produce. The program helped feed more than 1 million students this year, up substantially from 100,000 during the 2010-11 school year.

→ ***What it means?*** *A successful collaborative effort to get fresh produce to children by making fruit and vegetables part of school meals. This can only provide a positive influence on the future diet of these young consumers.*

US poll finds support for 'local' despite higher cost – New market research commissioned by the US WK Kellogg Foundation and conducted on 800 adults using mobile or landline phones from 18-22 April 2012 found that:

- More than 80% of respondents strongly or partly agreed that Washington DC should shift its support toward smaller, local fruit and vegetable farmers and away from large businesses.
- About 90% strongly or partly agreed that they would pay more for produce if that money stayed in the community.
- 88% of respondents stated that they are willing to pay $1.50 more for produce each month to ensure fair wages are paid to those picking fruits and vegetables.

→ ***What it means?*** *These findings provide another indication of the demand support locally grown fresh produce.*

Barely a fifth of Britons eat 5 A DAY –

Latest research by the World Cancer Research Fund (WCRF) shows that only 22% of 2000 adults surveyed in the UK are eating the recommended five portions of fruit and vegetables. Those living in the north struggled more with 18% meeting the quota of five portions compared to 26% in southern England.

Income also had a large impact with 17% of people in low-earning households eating five a day, compared to 27% of high-earners. The Department of Health first encouraged people to hit the healthy eating target in 2003. This year, the WCRF is encouraging people to eat 'just one more' portion of fruit or vegetables in a bid to boost consumption levels.

→ ***What it means?*** *Despite the widespread consumer awareness about the significance of eating 5 A DAY, clearly there still exist barriers to incorporating fresh produce into daily diets. Perhaps smaller stepping stones are required.*

Innovation from the world

Shadow-activated QR codes boost sales – A new shadow-activated, three-dimensional QR code is the latest creative promotional tool to combat the periodic lulls in business and step-up consumer activism.

Recently, retailer EMart strategically placed 3D QR code sculptures - as part of its new 'Sunny Sale' promotional campaign - throughout Seoul, Korea. These codes depend upon the right combination of shadow and sunlight to be complete and are scannable only for an hour - between noon and 1 pm each day – to offer shopper discounts during lunchtime, the slowest business hours for the retailer.

Successfully scanning a code takes consumers to a dedicated home page with special offers including a US$12 coupon. Purchases can then be made via smartphone for delivery direct to the consumer's door. As a result of its creative promotion, EMart reportedly enjoyed membership increases, together with an increase in sales during lunch hours.

→ ***What it means?*** *A creative take on mobile commerce to align with the increasing number of consumers who use this medium.*

Innovative iphone app wins dieticians' award – An innovative iphone app has helped two Sydney-based dieticians win the Dieticians Association of Australia President's Award for Innovation.

After several years of research and planning, the 'Food?Sick' app was launched in August 2011 to help people with food intolerances, or those suspecting they may have an intolerance, track symptoms and food intake. It helps users to identify patterns in symptoms that they experience after eating foods, which in turn, helps identify which foods trigger the symptoms. Food intolerances may trigger headaches, bloating, rashes, and behavioural symptoms in susceptible individuals. Using this app, users can:

- Record everything they eat and drink and rate their symptoms from scrollable lists using a five-point scale.
- Take photos of food and symptoms.
- Add own foods, medications, and symptoms to the lists.
- View food and symptoms over a day at a time, or history of symptoms over a month.
- Record details for more than one person.

- Email report to their dietician as spreadsheet or PDF.

Food?Sick is available at the App store for $2.99.

→ ***What it means?*** *A novel use of the interactivity and flexible nature of the digital media as a food diary to help people with food intolerances.*

Food labelling invention tracks 'use within' dates on food products – A new 'smart food label' – 'UWI Label' - developed by European scientists could have far-reaching applications in the foodservice industry with its ability to reduce waste, aid food safety and also save money for consumers.

The label is a flexible smart label with an embedded chemical-based time indicator strip which reacts as soon as a food jar or packaging is opened and then displays the elapsed time, as well as a visual warning when the product is no longer safe to consume. For example, the indicator panels on the label progressively turn green to show the elapsed time from the opening of a product and a red panel alerts consumers when the 'use within' period has expired. Time ranges on the UWI label can be set as hours, days, weeks, months up to a six-month total and this desired time period is pre-set at the point of production or manufacture. The label is scheduled to go into mass production before the end of 2012.

→ ***What it means?*** *A unique food labelling invention that might prove to be a game changer by taking the guesswork out of use-by labels, and in turn, significantly reduce food wastage levels at home.*

New baseball lettuce packaging unveiled – A new promotional Baseball Iceberg Lettuce packaging has been launched by US Tanimura & Antle in the US, in a bid to effectively differentiate the popular iceberg lettuce on the shelf in the upcoming baseball, as well as salad season.

The new packaging includes the traditional red baseball stitching and a baseball card-style recipe for an easy-prep wedge salad. The package also co-promotes the company's Artisan Sweet Italian Red Onions, featuring the recipe ingredients on the package. The idea was drawn from the company's experience in 2007, when similar packaging boosted sales for two weeks leading up to Father's Day.

This seasonal packaging will be available to retailers through October this year.

→ ***What it means?*** *A clever packaging innovation that bundles together distinct design and co-promotion tactics to generate sales momentum during the key summer salad season..*

New watermelons earn their stripes – New watermelons – Bengala F1, Style F1, and Ivona F1 – were recently unveiled by Spanish seed breeder Nunhems.

Bengala F1 is an early, white seedless watermelon with good Brix levels that is ready for harvest a week earlier than other varieties, theoretically more profitable melon for growers. The majority of the sizes are 4s and 5s, which is expected to help in cut handling and packing time. The stripes on its thin skin are very well defined and stand out against their background, while its flesh is an intense red and has a crunchy texture.

Style F1 and Ivona F1 are dark seedless varieties similar to Bengala in terms of their flesh colour and homogeneity of their sizing. However, while Style F1 has the same sizing as Bengala F1, Ivona packs out in 2s and 3s. Both have consistent post-harvest performance.

→ ***What it means?*** *Unique varieties that seek to benefit both producers and consumers with their early season availability and consistent yield.*

New filter is good for cabbages – An innovative filtration machine, Fresh Pod EC 3+, has been launched which claims to extend the British cabbage season by up to eight weeks.

The Fresh Pod EC 3+ unit works with existing air circulation systems to remove the ethylene gas from the air, a compound naturally given off by cabbages which accelerates the ripening process. The filtration system also claims to eradicate invisible airborne spores and moulds that contribute to increased wastage.

→ ***What it means?*** *This innovation extends the supply window for locally grown cabbages and provides greater control over the supply chain.*

New artichoke varieties in the US – Three new red artichoke varieties – Sangria, Fiore Viola, and Fiesole – developed by the US Baroda Farms in collaboration with French and Italian breeders were rolled out at Ralph's Grocery Co. (a Kroger subsidiary) and Maria's Italian Kitchen restaurants (25 April-6 May) by specialty producer Frieda's Inc in the US.

The Sangria artichoke has a deep burgundy colour, pointed shape, and thick leaves with an earthy flavour. The Fiore Viola artichoke has a deep purple colour, round shape and very thick leaves with a sweeter flavour. The Fiesole is a baby artichoke that does not have an inner choke and is almost completely edible.

During the two-week retail and foodservice promotion in Southern California, in which the varieties were promoted with 'locally grown' signage, the two larger varieties – Sangria and Fiore Viola – were retailed for two at $5, while one-pound of Fiesole was priced at $3.99 at Ralph's Grocery. The three varieties are projected to be available in August 2012.

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

New colours and uses for carrots – A colourful assortment of carrots have been developed by Italian Bejo, one of the leading companies in breeding, production, processing, and distribution of vegetable seeds. The new varieties include purple, yellow, and white carrots, with a plurality of uses.

- **Purple carrots** owe their colour to the high anthocyanin content, which stimulates immune defence, preventing cancer and cardiovascular diseases. They have uniform roots, mild flavour, and intense purple interior.
- **Yellow carrots** contain high levels of lutein, which protects eye retina against effects of white light. It also prevents the development of cancer and cardiovascular diseases. Usually have a sweet flavour and ideal for specialty market. Yellow carrots preserve their colour when cooked.
- **White carrots** are good for digestion. They are very sweet and crisp, and considered ideal for the specialty market.

→ ***What it means?*** *Promotion of the colourful assortment of carrots correlated with their health benefits – at their core – seek to increase consumption of this highly popular fresh product.*

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

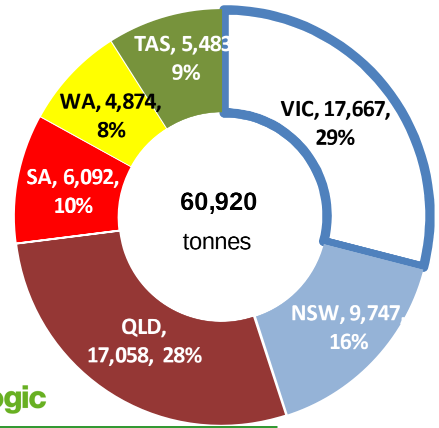
- Cauliflower was the 13th most frequently purchased vegetable by households (weekly) in the December quarter 2011.
- Over the last 4 quarters (Mar 11 – Dec 11) cauliflower had an average weekly penetration of **25%** across all households.
- Cauliflower is a low value product that is purchased by consumers for an average of **$2.51** per kg, which is lower than the average retail price of **$3.50** per kg for all vegetables.

Key Facts

- Cauliflower production was 60,920 t in 2011.
- The retail channel buys 51,386 t.
- The foodservice channel buys 9,360 t.
- The current domestic retail market value of fresh cauliflower purchased by consumers is $101 million.

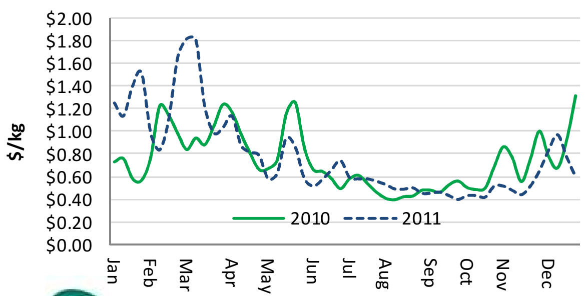
State Production

Annual tonnes by state

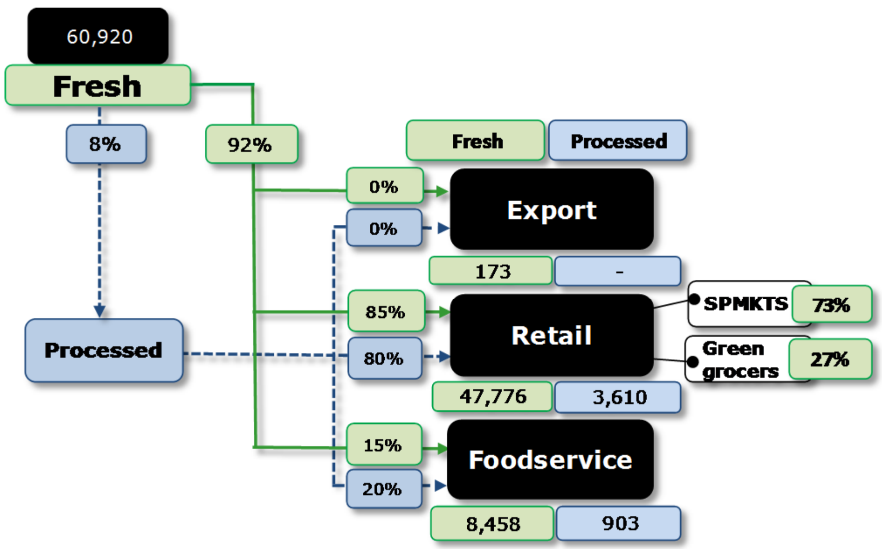


Wholesale Price

Average Cauliflower Wholesale Price



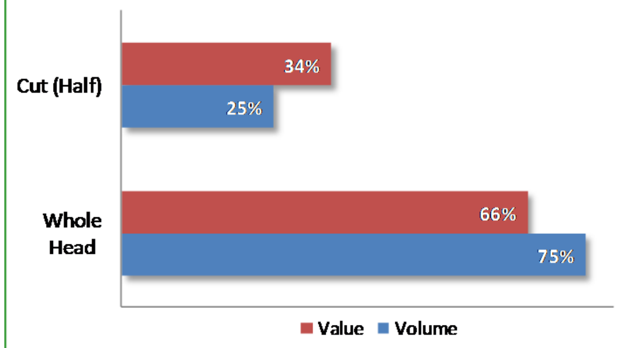
Volumes and Shares through the Chain



- The fresh domestic market is supplied with 56,407 tonnes of cauliflower.
- The processed market is supplied with 4,513 tonnes of locally produced product .
- Imports of fresh cauliflower are negligible.

Fresh Retail Sales

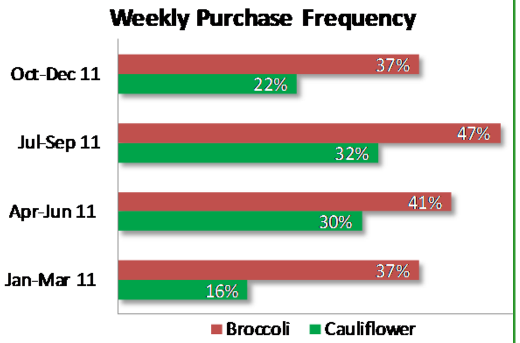
Cauliflower retail sales contribution



- All figures presented are for the year ending December 2011.
- The current retail market sells **40,276 tonnes** of fresh cauliflower's, worth a total value of **$101 million**.
- The average retail price paid for cauliflower was **$2.51** per kg.
- Cauliflowers are sold in whole and half forms, with both selling on 'per each' basis.

Consumer Penetration

Household Segments		Average Purchased Quantity (kg)	Purchase Weekly
Singles & Couples with lower income		0.888	24%
Singles & Couples with higher income		1.006	24%
Budgeting families		1.103	23%
Established families		0.841	24%
Empty Nesters		1.174	30%



- In the December quarter 2011, cauliflower's were the 11th 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 cauliflower Australian consumers selected was **1.005 grams**.

Mealpulse™

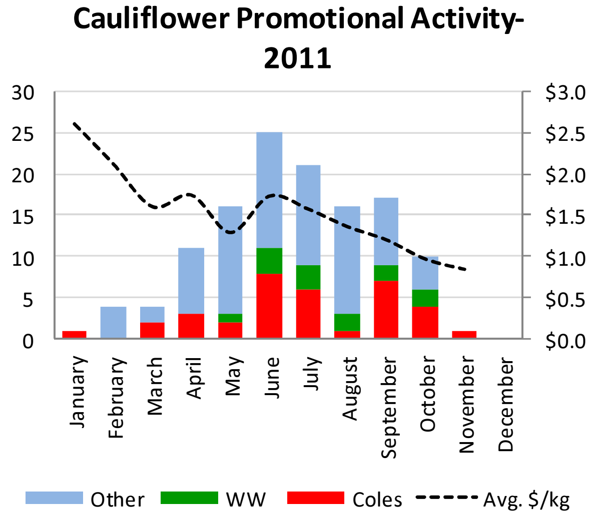
Consumption Profile

- Cauliflower is largely consumed as a side dish, with the most common preparation methods including boiling, steaming, or baking.
- The use of cauliflowers in stir fries and curries has helped maintain consumption during the warmer months of the year.

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

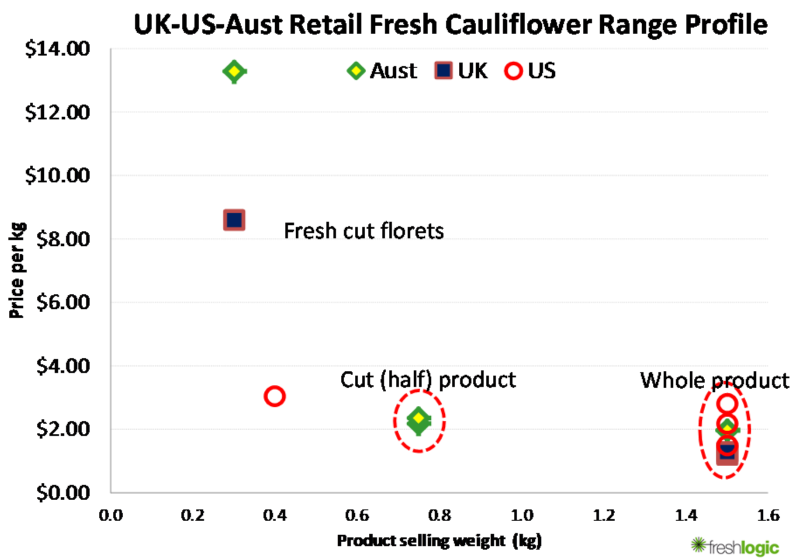
Promotional Activity- 2011

- This graph details the number of promotional adverts by retailer for each month.
- For the year ending December 2011, there were a total of 126 adverts and some level of retail promotion activity in 38 of the 52 weeks. This generates an average of 10.5 promotional adverts per month.
- For the year ending December 2010, there were a total of 146 adverts and some level of retail promotion activity in 37 of the 52 weeks. This generates an average of 12.2 promotional adverts per month.



Adwatch™

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.
- All products across the three markets were sold by the each.
- Cut product generated a slight premium in all three markets.
- Baby product was available in the Australian and UK markets, while pre-packed crowns were offered in the US market.