

VEGINSIGHTS

A VIDP initiative



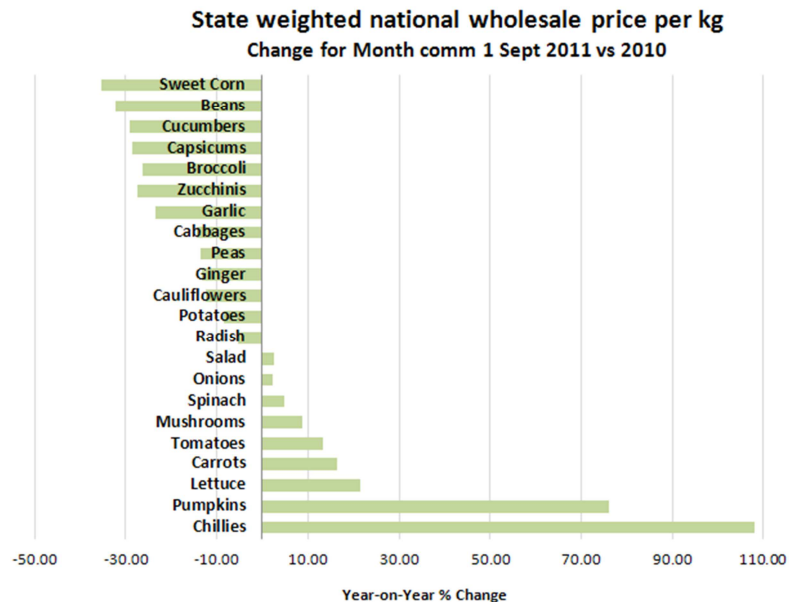
monthly vegetable market insights – September 2011

Highlights

- New Australian online grocery offer commences
- UK school kids to cook their own
- Edible stickers inspire children to play with food
- New rooftop farm for grocers
- Edible films made from carrot
- Brussels sprouts profile with a retail value of \$17m pa

Vegetable market

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



The status of these increases reflects that the flushes of product that were held up in cooler weather are now available. With milder weather upon us, albeit with some heavy rainfall later in the month, it is expected that the pressure of supply shortages will pass and price levels will settle at current levels. There has been some compensation with warmer temperatures in some states strengthening demand for the core salad lines.

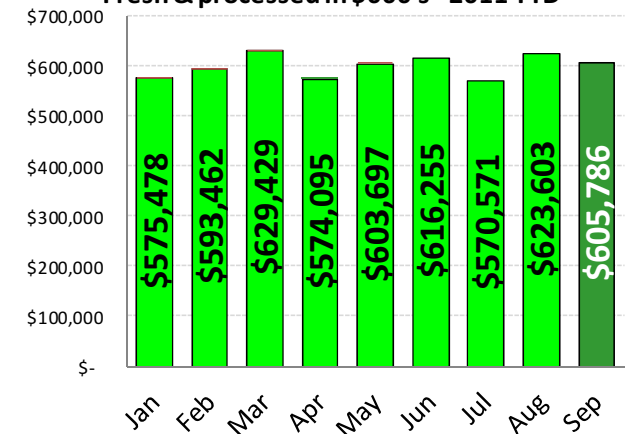
The impacts across the products varied. Hard cooked vegetables increased compared to September 2010. In contrast, soft cooked vegetables, salad components, and seasonings decreased compared to the same month last year. At the product level, the most significant changes were with chillies, pumpkins, lettuce, carrots, and tomatoes, which increased over the same month last year, and sweet corn and beans which decreased over the same month last year.

The weighted total vegetable wholesale price for the week ending 30 September was \$2.56 per kg.

The total retail sales of fresh and processed vegetables in Sept 2011 are estimated at \$605.8m, as profiled in the adjacent chart. These sales are \$34.3 or 6.0% higher than August 2010 but lower than the preceding month of August 2011.

The major impact on sales growth was the easing fresh vegetable wholesale prices.

Total vegetable retail sales by month
Fresh & processed in \$000's - 2011 YTD



The Australian food market

Smartphone may shift retail boundaries – The popularity of smartphone shopping is changing retail boundaries, with major retailers – Coles and Woolworths – and QSR’s such as Domino’s launching new smartphone applications in the past month.

A global study of more than 30,000 smartphone users in 30 countries, including Australia, conducted by Google, showed that Australia has the highest smartphone penetration in the world, with 37% of Australians owning a smartphone.

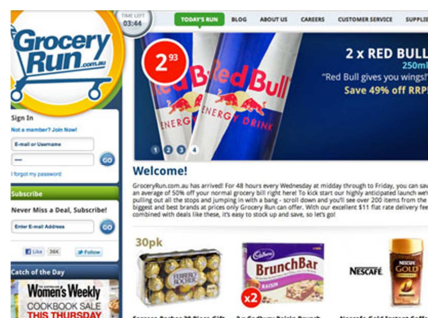
Smartphone users also have an average of 25 apps, with 8 of those being paid apps and therefore creating an income stream for app and developers and telecom service providers.

The study also claimed that 50% of Australians will have a smartphone by the end of 2011. This will place the equivalent to mobile cash registers in the hands and highly likely to have a positive impact on online retail sales.

→ **What it means?** *That the technology infrastructure that enables online retailing to provide an alternative to those running networks of stores has enjoyed yet another enabling boost.*

New online grocery offer launched – Australia’s online department store CatchoftheDay has launched a new online grocery store Groceryrun.com.au this month, as it aims to compete with the major supermarkets. CatchOfTheDay started in October 2006 with 5 employees and a 200m2 warehouse and has since expanded to 65 full time members, and a 4600m2 Moorabbin based distribution centre.

The website offer will open for Wednesday and Thursday every week, offering discounts up to 50% on 200 major non-perishable brand goods, including cleaning, health, beauty, and pharmaceutical items, with prices of some products slashed up to



80% off the recommended retail price.

The website offer will open on Wednesday and Thursday every week, and it is claimed will offer non-perishable branded goods, including cleaning, health, beauty, and pharmaceutical items. The goods can be delivered across Australia for a flat \$11 shipping fee.

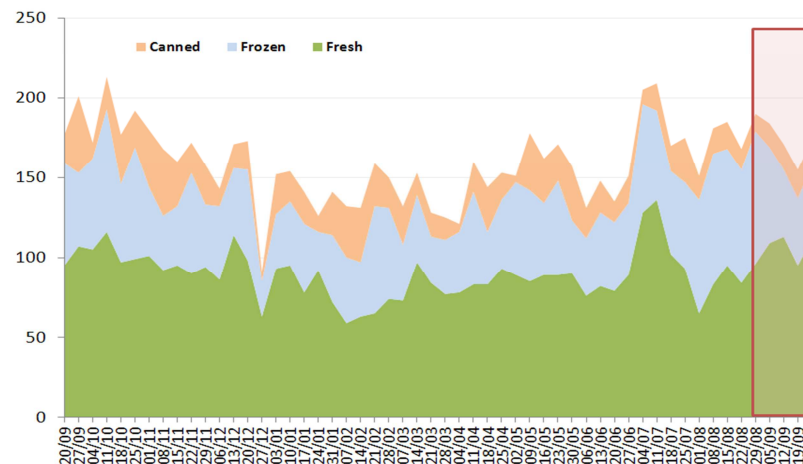
The “2 days per week” time of the offer has been influenced a 12-month trial operated with CatchoftheDay.com.au, where a 2-day monthly shopping event generated strong consumer interest and sales.

→ **What it means?** *This new offer enjoys can lever off the consumers drive for greater value improving technology. In doing it will further increase the competition in the retail food market further.*

Retailer activity

Promotional activity in the month of September – The retail promotional activity reflects a pattern of increasing exposure for vegetables, reversing the decreasing trend seen in August this year. Over the month, the

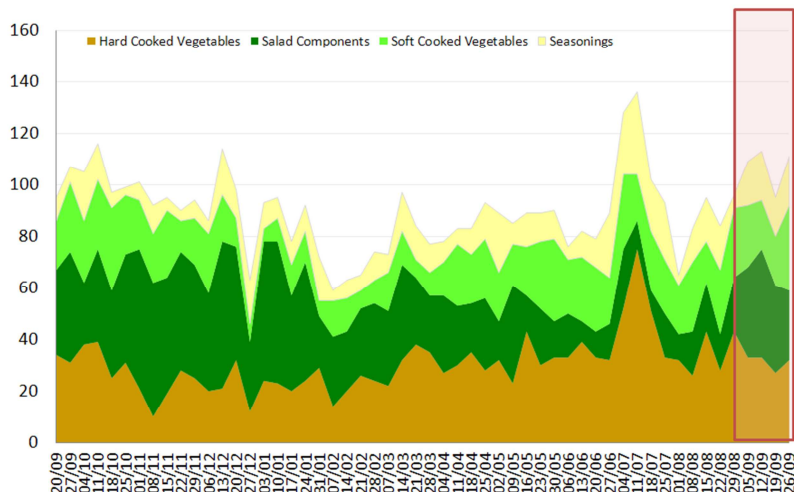
Advertised vegetables- total adverts per week



exposure of the total vegetable products increased to an average of **175 products per week, up from 171 in August.**

The increase in exposure has been driven by a strong increase in fresh vegetables advertised, offset by a decrease in frozen vegetables advertised. At the same time, there has been no change in the level of exposure for canned vegetables

Advertised fresh vegetables- total adverts per week



advertised this month.

Within the fresh vegetables, the level of exposure increased for all fresh products, including hard cooked vegetables, soft cooked vegetables, salad components, and seasonings in September.

Sainsbury's rebrands – UK supermarket Sainsbury's has unveiled a new slogan, "Live Well for Less", as part of its plans to refresh its brand. Sainsbury's has also revealed the new look for its core-own brand products, "By Sainsbury's", which represents more than 6,000 lines. The supermarket has also announced that it will roll out its Click & Collect service to 800 stores by Christmas this year.



The retailer's initiatives follow rival Asda's move last year to relaunch its own-label food and drink range to "Chosen By You," which included 3,500 products.

→ **What it means?** That in the UK market condition that are extremely competitive the major retailers are investing in their brands.

ALDI (US) partners with MyPlate campaign – ALDI has partnered with US Department of Agriculture to launch a campaign that aligns with USDA nutrition messages and MyPlate icon to encourage consumers to fill half their plate with fruits and vegetables.



The ALDI MyPlate campaign will offer produce at significantly low prices compared to other retailers. In addition, it will also offer "Picks of the Week", which will provide greater savings on featured fruits and vegetables. The ALDI website will also include recipes and nutrition tips created by a registered dietician.

→ **What it means?** That this discount retailer has moved to support for the USDA campaign with providing better prices. It is yet to be seen if this will set market precedents and or affect the involvement of other retailers?

The consumer

School kids to cook their own – A new classroom project – "Cook Your Own Potatoes" – will be launched by the UK Potato Council, in a bid to establish positive cooking and eating habits among secondary school children.



Following from the increasingly popular "Grown Your Own Potatoes" scheme in primary schools, this new educational project will help 11-14 year olds learn about different potato varieties, uses, and tastes, as well as provide them with nutritional information in a bid to establish positive cooking and eating habits among them. Research has revealed that only one in five secondary school pupils know that potatoes are fat free, while 12% believe that they are high in fat.

The project will be launched nationally in conjunction with Potato Week (1-7 October) and provide food technology teachers with a dedicated website to access the material needed to deliver engaging and factual lessons, including lesson plans, skills, recipe videos, work sheets, and fact sheets.

→ **What it means?** *A logical extension to the campaign that stimulated interest from school children to grow their own potatoes.*

Edible stickers inspire kids to play with food

– New flavoured edible stickers – My Fruity Faces – have been launched in the US, to allow children show their creative flair and have fun with their food. The launch is based on research which showed that 85% of parents believed their children would eat more fruits and vegetables if they could play with them. These stickers can be used by parents and children to paste directly onto fruits and vegetables to make faces and designs.



With a natural fruit flavour, the stickers are available in four different varieties – Buddy Bites, Monster Munches, Playful Pets, and Groovy Girls. My Fruity Faces are priced at US\$5.95 for 30 or US\$20.95 for 120 stickers.

→ **What it means?** *An innovative way of getting more vegetables to children by making eating them part of a fun and engaging activity.*

UK Government dumps “sell-by” dates – The UK government has urged food manufacturers to abolish “confusing” “sell-by” dates on food packaging to reduce the waste of 5 million tonnes of edible food discarded by UK households, equivalent to £680 for households with children, and to save shoppers money.

The government has also recommended firms to include only “use-by” or “best-buy” before dates and remove “sell-by” and “display-until” labels relating to stock control. Its recommendations are supported by the Food Standards Agency (FSA).



→ **What it means?** *An important initiative by the UK Government to streamline the myriad of confusing labels and to help consumers manage waste levels in households. The impact on retail sales is yet to be determined.*

Innovation from the world

Rooftop farm for grocers – US-based Bright Farms has entered into a deal with 10 supermarket chains to build and operate hydroponic greenhouses on their rooftops and supply the chains with the required home-grown fruits and vegetables to offer on their shelves.



Supermarkets only need to sign a long-term contract of 10 years, agreeing to purchase the farm’s resulting produce, without paying anything toward the US\$1.5-\$2 million required to build one greenhouse.

Each one-acre greenhouse is expected to grow an estimated 500,000 pounds of produce each year and generate US\$1-\$1.5 million in revenue per year. The greenhouse aims to produce fresher fruit and vegetables, ensure produce is not expensive and reduce carbon footprint. The first of the greenhouses is expected to open in 2012.

→ **What it means?** *Can’t get more “locally grown” than on the roof. It will be interesting to assess the quality of the product than can be produced and the long term support it earns from consumers.*

Edible carrot films – New research from China shows that barrier properties exhibited by carrot-based edible films demonstrate their potential to be used as packaging across a variety of food types.

The composite edible film made from carrot puree had intermediate water barrier properties compared to other edible films; however, they also had good oxygen barriers and hence could be suitable as edible packaging for some foods to prevent oxidation reactions and prolonging their shelf life, or applied as a wrap on food products to provide additional nutrition.



The film also is also highly convenient use for consumers and has clear scope to reduce food packaging waste.

→ **What it means?** *A packaging innovation that provides nutrition, convenience and reduces waste, that is produced from carrot puree has such strong appeal is almost too good to believe.*

New Radicchio variety launched – A new variety of radicchio – the Verona variety – has been launched by Royal Rose, a grower in the US. It takes its name from the Italian region from which it originates.



Highly suitable to modern cuisine, this variety has a delicate flavour and sturdy leaves and has been used by chefs in presentation and as a wrap.

The new variety will be available until December this year.

→ **What it means?** *A new product variety that has potential to expand the appeal of this unique tasting vegetable.*

PowerMeals to make healthier eating easier

– A new range of a complete single-serve and ready-to-eat meals, PowerMeal salads, have been launched by US Earthbound Farm, to make it easier for consumers to eat healthy. Each salad contains individually wrapped ingredients, including fresh organic greens, seeds, fruits, and whole grains.



These salad packs will be promoted with a Facebook game until December this year, where consumers can play for weekly prizes, as well as a grand prize.

→ **What it means?** *A new product read-to-eat product convenience is using social media as part of its launch platform.*

New line of vegetable snacks – An innovative line of vegetable snacks – Boulder Canyon’s Garden Select Vegetable Crisps – was introduced at the Natural Products Expo East in the US this month.

The crisps offer a blend of 12 vegetables, with each serving containing a ¾ serving of real vegetables, including carrots, celery, cabbage, tomatoes, green bell peppers, red bell peppers, broccoli, and kale among others.



Garden Select Vegetable Crisps will be available in Hearty Cheddar, Red Ripe Tomato, and Sour Cream & Chive flavours. Available at selected retailers later this year, the Crisps will be priced at US\$2.99-\$3.49 per bag.

→ **What it means?** *An innovation that takes “vegie” into the snacking meal occasion.*

Purple mangetout now in stores – After a decade in development, the first purple mangetout – Shiraz - has been formally launched into UK supermarkets, in response to consumer demand for unique products. Mangetout, which is French for “eat all” are an edible pod pea similar to what we known as a snap or snow pea. All these products are harvested and eaten when immature when the pod is more palatable.



Shiraz has a unique distinctive flavour to match its distinctive purple colour and can be eaten raw, as well as used as a stir-fry vegetable.

It was first trialled by Marks & Spencer in single product bags in July.

→ **What it means?** *A new product that seeks to win appeal based on unique colour and taste attributes.*

This 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: Brussel Sprouts

- Brussel sprouts were the **18th** most frequently purchased vegetable by households (weekly) in the **June** quarter 2011.
- Brussel sprouts are a relatively high value product that is purchased by consumers for an average of **\$6.20/kg**, which is higher than the average retail price of **\$3.50/kg** for all vegetables.
- Australian consumers are purchasing **298 grams** of brussel sprouts per shopping trip, with an average spend of **\$1.85**.

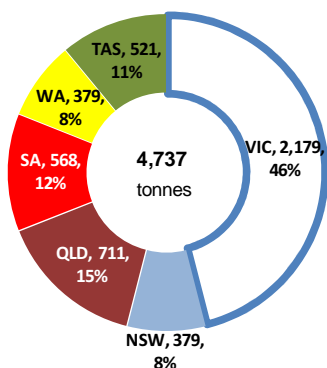


Key Facts

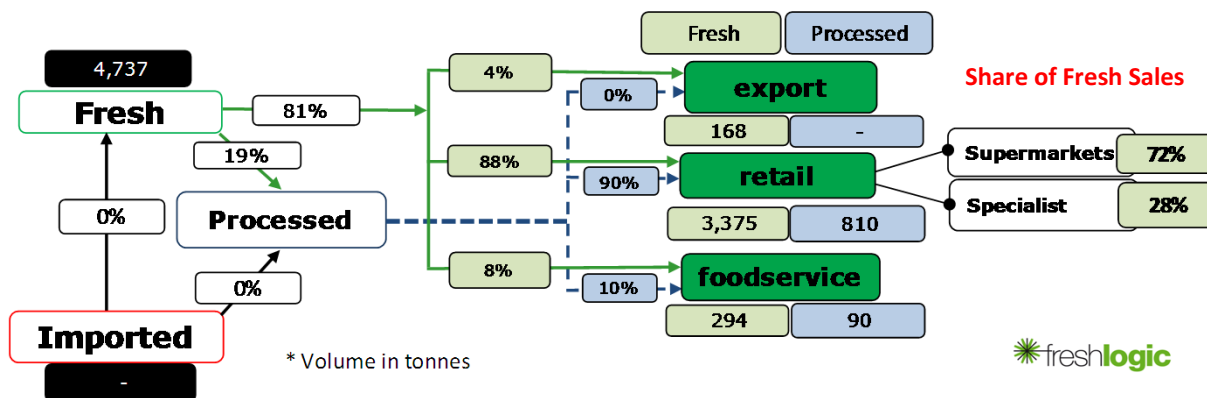
- Brussel sprout production was 4,737 t in 2009/10.
- The retail channel buys 4,185 t.
- The foodservice channel buys 384 t.
- The current domestic retail market value of fresh brussel sprouts purchased by consumers is **\$23 m**.

Production

Annual tonnes by state

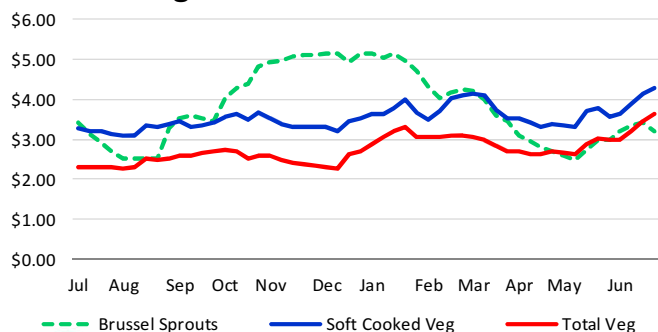


Volumes and shares through the chain



Wholesale Pricing 2010

Average Wholesale Prices 2010-11

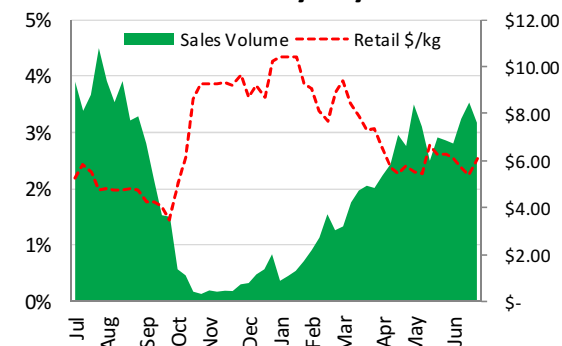


- In 2010-11, the wholesale price ranged from \$2.49/kg (May) to \$5.15/kg (Dec).
- The average wholesale price of brussel sprouts was \$3.79/kg, higher than total soft cooked vegetables (\$3.54/kg) and total vegetables (\$2.74/kg).

- Fresh retail sales are dominated by loose self-select product, with pre-packed product generated 1% of the retail sales volume and value.
- The average price for loose sold product was \$6.66/kg and \$8.85/kg for pre-packed product, a 33% premium.
- Retail sales of brussel sprouts are very seasonal, with 70% of sales volume occurring from April through to September.

Retail fresh sales

Retail activity- by month



Consumer Penetration

Mealpulse™

Household Segments	Average Purchased Quantity (kg)	Purchase Weekly
Singles & Couples with lower income	0.412	4%-15%
Singles & Couples with higher income	0.216	2%-14%
Budgeting families	0.257	3%-7%
Established families	0.189	3%-11%
Empty Nesters	0.359	2%-18%

In the June quarter 2011, brussel sprouts were the 18th most frequently purchased fresh vegetable based on a weekly basis. Over the last the last four calendar quarters brussel sprouts weekly purchases ranged from (3%-11%), with greater penetration through cooler months.

- The highest average weekly purchase penetration by segment was with Empty Nester (9%), followed by Singles and Couples with lower income averaging 8% weekly purchase frequency.
- Budgeting Families had the lowest average weekly purchase frequency with 5%.

Consumption Profile



Traditionally brussel sprouts were boiled and steamed, with the majority being consumed as a standalone side dish.

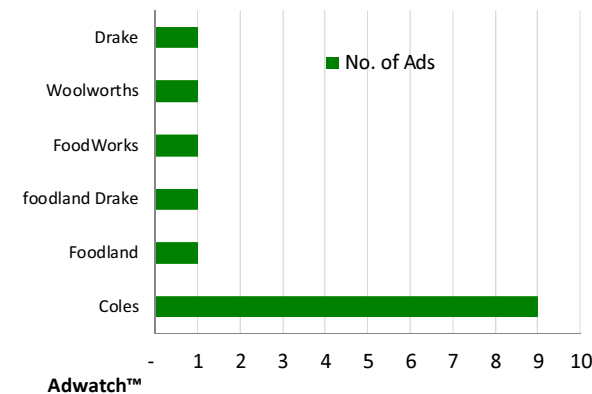
- In recent times brussel sprouts have been adapted to warm salads and stir-fry's, allowing it to transition away from a solitary side dish generally consumed in cooler months.
- This movement away from traditional preparation styles, underlines a change in attitude of consumers towards brussel sprouts and potentially improve the seasonal demand for the category.

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



Promotional Activity- 2010

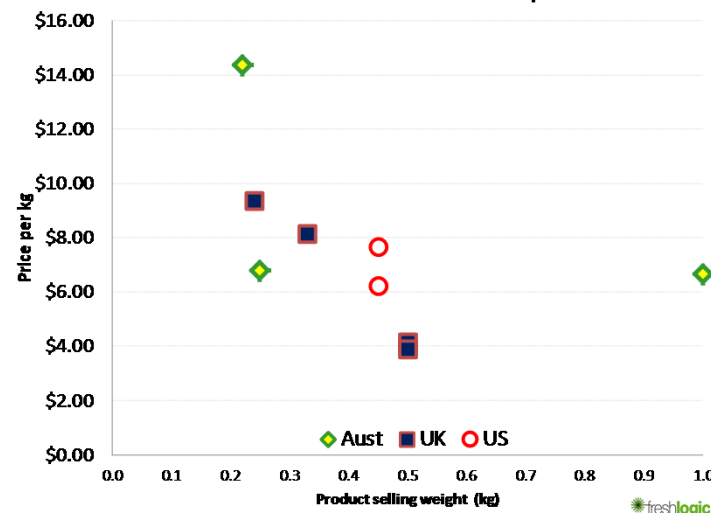
Brussel Sprout Promotional Activity- Adverts by Retailer



- Over 2010, 100% of the retail promotional activity was in autumn and winter.
- There was a total of 14 adverts, and some level of retail promotion activity in 8 of the 52 weeks in the 2010 calendar year.
- Coles advertised in 5 weeks of the year, while the all other retailers had only ad for the year.
- South Australia had the highest number of state-based retail adverts with 6 (43%), while WA and QLD had the lowest with 1 ad each.

UK -US -AUST retail range profile

UK-US-Aust Retail Fresh Brussel Sprouts 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.
- Within the Aust offer, pre-packed product was sold by the each and loose product was sold by the kg.
- All UK products were in pre-pack form sold by the each, while the US offered loose product sold by the lbs.

What quantity do consumers buy

- Based on the analysis of retail Docket data, provided as part of the Mealpulse™ panel, the average quantity of brussel sprouts Australian consumers select is **298 grams**.

