Veginsights

The market – Q2 10

Confirming the vegetable market settings and a profile of the three-month period ending 30 June 2010

Prepared by Fresh**logic** **as part of the Vegetable Industry Development Program**

Warm winter vegetables

HAL

Know-how for Horticulture™

Contents

HAL Know-how for Horticulture™

1.0 Executive summary

Overview

This is the third Veginsights – The Market developed under the Consumers and Markets sub-program of the Vegetable Industry Development Program. It provides market definition, quantification, and insights into the vegetable market and consumer behaviour.

It has been produced for Australian vegetable producers and the service providers who operate in supply chains that support vegetable producers.

This report confirms the settings for the market and consumer analysis and how they may have altered in the second calendar quarter of 2010. It quantifies the annual market size in values of all forms of retail vegetables at $7.05 billion and profiles the market for the three-month period ending 30 June 2010 for fresh vegetables.

The report includes outputs and analysis from a market model, which consolidates and reconciles vegetable production output through to household consumption.

This report also aims to profile vegetable consumer-buyer behaviour and vegetable market performance. This information compiled in the report can be used by the target audiences to:

- Access market, channel, and category performances
- Guide production forecasting
- Guide business planning
- Enable and guide new product development decisions

This report first identifies and then extends key findings to implications for those who are developing capabilities to use market information in their vegetable business operations.

Selected key findings – Q2 10

- This second quarter of the year commences with the end of the Easter break and the start of the second school term.
- Consumption patterns are influenced by the cooler weather and winding down of outdoor dining. This leads to more indoor dining and with that higher consumption of cooked vegetables.
- The Supermarkets continued to gain fresh vegetable market share from the greengrocers by continually investing in store refurbishments.
- Consumer sentiment declined as interest rates lifted and it appears that many consumers are now waiting to confirm that the better economic conditions are here to stay. Under this influence, sensitivity to the cost of food has continued.
- Retail promotional activity for vegetables lifted 12% on the previous quarter to an average of 255 products per week. This was driven by increases in canned and fresh vegetables.
- Vegetable preparation methods shifted away from salads towards cooking.
- The weighted weekly wholesale total vegetable price per kg declined on the previous quarter by 10c per kg or 4.6%, as demand shifted towards cooked vegetables.
- Under the influence of lower wholesale prices, there was a shift in the vegetables purchased to soft cooked, with hard cooked gaining more promotional activity. The average weekly household expenditure on vegetables, remained constant, with a decline of only 26c.
- Growth in the total retail food was flat during the period with low food inflation, while vegetable retail prices increased on the previous quarter.

Please contact Martin Kneebone at martin@freshlogic.com.au with any queries regarding the report's content.

This project has been funded by HAL using the National Vegetable Levy and matched funds from the Australian Government. It forms part of the VIDP & aims to inform vegetable producers & supply chain stakeholders on market influences & developments in the past quarter. We recommend that those seeking to act on the basis of this information first obtain independent professional advice.

2.0 Key findings & implications

Findings	Implications
1. Consumer confidence has declined as interest rates have increased.	•Consumer confidence has displayed a high sensitivity to rising interest rates. Given the forecast for more rises the market consumer confidence is likely to remain fragile in the near term.
2. Total food inflation lifted to 1.4% on the back of price rises for food eaten away from home. Despite a rise in vegetables prices by 3.3%, the total retail food prices remained close to deflation levels.	• Low food price inflation continues to ease the pressure on Australian household incomes, but has also creates more competitive intensity in the retail channel as sales growth is now more elusive.
3. Market share moved back to eating out and a decline in the total food spend was driven by those with lower household income.	• A small increase in spend on food eaten out of home is an indication of the strength of today's lifestyle demands that can generate this increase at a time when consumer confidence is fragile.
4. The high frequency of shopping trips for fresh vegetables presents an opportunity to engage with consumers, stimulate impulse sales, launch new products and in general influence their food buying behaviour.	• The frequency of vegetable shopping trips and the level of contact that provides with consumers is an opportunity.
5. Retail sales of vegetables decreased by $22.9m or 1.4% on the previous quarter, due mainly to changes in product mix sold in the period.	•The winter demand drift to lower value vegetables , particularly hard cooked veg, contributed to the lower level of sales.
6. Wholesale vegetable prices for the quarter showed the effect of the changes in demand with prices declining for core salad lines but stabilised prices for those products that also suit cooking preparation.	• Wholesale prices were flat and at a products level reflected the demand patterns towards cooked vegetables.
7. The number of vegetables products advertised increased by 12% to an average of 255 products per week at category average prices between $1.98 and $6.90 per kg. Canned and fresh vegetables enjoyed increases in promotional exposure.	• There was an increased level of retail promotional this potentially magnified the impact of drifting sales to lower value vegetable products.
8. The changes in the type of fresh vegetable product advertised in Q2 2010 were significant and would have impacted the value offered to consumers on the products involved.	

2.0 Key findings & implications

Findings	Implications
9. Similar proportions of households continued to purchase fresh and frozen vegetables but the purchasing of canned vegetables continued to decline. Household expenditure on all vegetables declined by 1.4%.	•The household vegetable consumption patterns, for the various segments, in the quarter were similar in that they reflected increases in vegetables that required cooking and decreases in vegetables that suited salads. The only exception was with the older more knowledgeable segment who increased their vegetable purchases.
10. The proportion of households buying fresh vegetables nationally declined 1%, but there were increases in penetration into the Empty Nester household segment and in WA.	
11. The most frequently purchased vegetables reflected a demand shift towards cooked products.	
12. All the major supermarkets increased or held their share of shopping trips as consumers reduced visits to greengrocers and markets for the second consecutive quarter.	• Supermarkets continued to capture market share from greengrocers. This has potential to increase the competitive intensity in the retail channel.
13. The expected shifts in winter demand patterns led to a sharp decline in salad preparation and increased cooking. These changes varied slightly across the household segments.	• Winter consumption patterns have a clear and strong impact on the mix of vegetable products sold during the quarter. This invites questions as to whether the production output, wholesale values , retail ranging and retail promotional activity are aligned to capture the strength of this demand.
14. The majority of consumers are buying the same quantity of vegetables and the influences on buying more vegetables continued to be dominated by appearance and promotional activity.	
15. There are encouraging signs that the next generation is thirsty for more knowledge about food. This may be triggered by a natural inclination to learn and is likely to have been aided by a wealth of health and nutrition messages. Regardless of the drivers, it will lead to a group of more informed food buyers and with that an opportunity to convey and gain acknowledgement for different food attributes	•This thirst for knowledge about food production and preparation from younger consumers and home owners is an appealing market development. It signals more scope for vegetable producers and marketers to sell a wider range of product benefits.

3.0 Vegetable Market Settings, News & Events

This section outlines the different factors that frame how the vegetable market works:

- Vegetable market settings
- News & Events

3.0 Vegetable market settings - Overview

Introduction

This review of the Australian domestic vegetable market assumes the same frameworks settings provided in Veginsights – The Market Q4 09, which covered the three-month period ending 31 Dec 2009. These settings are headlined over the next 2 pages.

Vegetable supply

The vegetable market is supplied annually with 3.2 billion tonnes of locally produced product plus net imports of 280,000 tonnes. About 70% of the locally produced product is distributed in a fresh form, 30% is processed and export volumes are minimal. Australian producers are therefore largely dependent on the domestic market. The retail channel provides the highest volumes, with 71% of fresh and 32% of processed volumes. It is also significant that the Foodservice channel distributes 65% of the processed volume.

Pathways to market

Vegetables flow into the domestic market in fresh, fresh cut, canned, and frozen forms. There are many pathways for fresh and frozen products and a limited range of options for the highly perishable fresh cut product. The larger stakeholders have built supply chains around the shortest paths to market; it also shows that a range of middle market traders and distributors exist between producers and processors and the last point in the supply chain that deals with consumers.

Vegetable product range

Based on like or complimentary products, the vegetable types are grouped into categories, which enable a summary-level analysis of all the vegetable categories. They are:

Hard cooked vegetables include a range of vegetables that consumers will trade off within the category. Similarly, Seasonings are products that consumers will use as alternatives within the category. However, the buying behaviour with Salad components and Soft cooked vegetables reflects a high level of transfer and trade off between the two categories. The annual volume contribution of these categories is Hard cooked (31%), Soft cooked (18%), Seasonings (8%), and Salad components (34%).

Market size

The annual value of the domestic retail sales of vegetables is $7.05 billion, made up of $5.83 billion in fresh product sales and $1.22 billion in processed vegetable product sales. Processed vegetable are 17% of this total retail market.

The three larger eastern states distribute 79% of the national fresh vegetable volume, which largely reflects the national population density with a bias towards salad preference in warmer climates.

In Q2 2010, **$1.629 billion** has been generated in the total vegetable retail sales.

Distribution channels and market share

The definition of distribution channels used in this report recognises the distinctions between the retail and foodservice segments that distribute vegetables into the domestic market. The retail channel dominates the distribution of fresh vegetables with 82% volume share. The foodservice channels distribute 18% of the fresh vegetables into the local market.

The value per kg of the vegetable categories is a driver of their sales contribution. Hard cooked vegetables and melons are high volume/lower value categories. They contribute to 40.48% retail volume but only generate 25.25% of the dollar value. The other three categories contribute more value than volume and are led by Salad components with 33.07% of the volume and 39.68% of the value. These details are profiled in the table below.

	Contribution		
Category	$ Value	Kg Vol	$per kg
Hard Cooked Vegetables	20.67%	31.51%	$ 2.25
Soft Cooked Vegetables	24.80%	18.06%	$ 4.71
Seasonings	10.27%	8.40%	$ 4.20
Salad Components	39.68%	33.07%	$ 4.12
Melons	4.58%	8.97%	$ 1.75

The eastern states have a greater share of the annual retail fresh vegetable market, with NSW leading ($1,987 million), followed by Victoria and Qld with $1,447 million and $1.176 million, respectively.

Two types of retail channels distribute fresh vegetables to the consumers: supermarkets, with a national share of 63.2% or $3.65 billion, and “specialists” with 36.2% or $2.15 billion. The supermarket category is dominated by Woolworths, Coles, and Supa-IGA who operate over 1,900 full-service supermarkets.

Foodservice channels buy more frozen than fresh vegetables because product in frozen form can be stored and used as required with minimal waste risk and acceptable quality. There are 4 types of Foodservice channels: Dining Out, Takeaway, Leisure & Events and Institutions with a total of 67,000 outlets.

Price of vegetables and inflation

The patterns of vegetable price volatility has created a perception that vegetables make a larger contribution to food CPI than the 7.45% sales contribution they represent. This volatility has meant vegetables are often the focus on commentary on and around discussions about food price inflation, and this profile has left consumers with a strong price focus regarding vegetables. This creates difficulties when seeking to add value as the price base is volatile. The flow-on variable incomes for vegetable producers also makes it difficult to assess their investment options.

Retail promotional activity

The promotional activity by retailers represents the largest volume of tactical messages that consumers receive about vegetables. It conveys the value of selected products and can shift consumers’ buying preferences between like products. Due to these strong influences, this activity is monitored as part of this analysis.

3.1 News & events for the quarter

Regulatory changes and influences		Implications
New Fed Govt funding worth $900,000 to make foods healthier in 3 years has been welcomed by the Australian Food and Grocery Council. This reform aims to reduce salt and fat and increase fibre in Australian food. It requires leading food manufacturers to work together to improve the diets and health of Australians as part of an industry, retailer, and government partnership. Under the dialogue, the govt has decided to conduct research and modelling to establish food reformation targets and clearly identify categories for reformation. It has been agreed that companies such as Kellogg's, Sanitarium, Cereal Partners Worldwide, Woolworths, Coles, and Aldi will reduce the sodium content of ready-to-eat breakfast cereals exceeding 400 milligrams of sodium per 100 grams and other products by 15% over the next 4 years.	AUSTRALIAN FOOD AND GROCERY COUNCIL	• This move injects funding into a collaborative approach to reducing salt intake in several foods and improving Australians' health. It invites questions as to why a similar level of funding and collaboration isn't in place to stimulate vegetable consumption.
Obama's anti-obesity campaign drives US food manufacturers to cut 1.5 trillion calories from food products by 2015. This action is in response to the US president's anti-obesity campaign, which promotes the advantages of exercise and healthy eating and diet among children. Sixteen corporations, who account for about 25% of the American food supply chain, have agreed to formulate their food in different ways, such as addressing the fat and sugar content, introducing low-calorie options and reducing the portion sizes of the present single-serve products.		• This collaborative approach is causing some serious change that will have a positive impact the problem of childhood obesity in the US.
Young women the target of €500,000 mushroom campaign, organised by the UK Mushroom Bureau. The development and marketing specialist with the board's horticulture division, Michal Slawski, said that women aged between 25 and 34 were the main targets of the promotion. Research shows they "are currently not consuming as many mushrooms as older age groups". The campaign concentrates on magazines like *Hello, Take a Break,* and *Good Food* and Internet sites like JamieOliver.com and iVillage.co.uk.		• This campaign targets the identified demographic segment found to be consuming less mushrooms via the media that will reach them.
Govt supported kitchen garden school programs, like the Stephanie Alexander Kitchen Garden Program, are helping primary-school aged children to increase their food literacy by teaching them to grow and cook vegetables, herbs and fruits. When comparing participating schools with non-participating ones, researchers found children in the former schools showed an increased willingness to try new foods and enjoyed cooking classes, which also flowed into the home environment. Children are also more skilled in using knives competently in kitchens, which reflects a building of trust among them.		• These programs demonstrate how involving children in the basics of edible gardening and kitchen classes can positively impact their skills and dietary habits.

3.1 News & events in the quarter (continued)

Regulatory changes & influences		**Implications**
UK radish marketing support works. In 2009, introduction of a range of new varieties, such as purple radish and Summer Blush, and support from celebrity chefs who included radish in their recipes, helped boost radish sales by 9.6% to £21.5 million with an increase in volumes by 8.4% to 12,209t. This year, UK radish will be supported further through a new website, which is aimed at increasing consumers' awareness and promoting new recipes to help them enjoy the vegetable in different ways. For more information, see www.loveradish.co.uk		• This indicates that even specialist products like radish can effectively influence consumers with a mix of celebrity endorsement and internet technology.
Calorie, transfat, saturated fat, and salt content levels could be included in the menus of fast-food chains, under the NSW govt proposal to counter obesity. This information, at the point-of-sale, targets the 2.6 million Australians who eat at a large fast-food chain everyday. Time-poor consumers select fast-food as it suits their busy lifestyles and helps them to capture more value, eg "supersize" meals, at lower cost. Information on food content is important to these consumers, pressed for time and placing it on the menu increases the chance of it being read and comprehended.		•This initiative could lead to information overload and might not be welcomed by or acted upon by time-poor consumers.
UK peas & beans have enjoyed marketing support for a 4th year with the Taste of Summer campaign set to educate customers about the vegetables. The objectives were to lift interest and promote new ways that people can enjoy these vegetables. In 2009, a period of economic uncertainty, the campaign successfully reached 37 million people and led to 60% increase in the sales of runner beans and about 40% of consumers visited the campaign's recipe section on its website.		• Regular investment in marketing the basics of vegetable consumption has clearly worked for UK peas & beans.
New products		**Implications**
Two melons in a handbag by Solfruit was introduced in order to make their melons appeal to different segments of the market, such as smaller households who need smaller quantities. The unique and attractive 2-melon packaging of the size 7 Galia melons provides an opportunity to communicate branding and other products and is available at the top-end supermarkets in the UK at €1.99 per pack.		• This pricing initiative shows how products can be enhanced to target specific segments of the market.

New products		Implications
Colourful organic onions from US farms. US Utah onions will offer a range of coloured and sweet organic onions, which have been certified under the USDA National Organic Program (NOP) guidelines. Packaged in Prosser, Washington, at Hartley's Produce, the range will include red, white, and sweet onions in different sizes and will establish the company's position as a full-service onion provider.		• An innovative product combining colour and organic certification.
Consumer research has guided healthy and convenient celery products. Duda Farm Fresh Foods has revealed that its ongoing consumer research helps it to develop innovative products and varieties as well as new packaging and merchandising. Two types of celery consumers exist – those using it as a snack and others using it as an ingredient; the former help in growing the value-added segment as celery sticks and organic celery gains popularity. This research has been used as a guide to develop over 1,200 new celery lines with improved quality, texture, and flavour.		• This shows how consumer research helps to identify needs and service different segments of consumers.
Good Natured (GN) aubergines launched by Angus Soft Fruits in the UK is the second GN product launched in 2010 and it adds to a range that includes tomatoes, living herbs, peppers, cucumbers, and potatoes. These products are grown with production systems that minimise pesticide use and the GN program is looming as an effective way to communicate these sensitive but credible claims to consumers. There are indications that the GN program has the potential to do for fruit and vegetables what "free range" did for meat and poultry.		• "Good Natured" may have the potential to clearly signal ethical production system benefits to consumers.
Smaller portion sizes are a feature of many new products, as innovators target snacking consumption. NatureSweet in the US has developed bite-sized yellow tomatoes, packed with vitamins, nutrients, and intense taste, but low in sodium and packaged in resealable containers to retain their freshness and longevity. These tomatoes are promoted as a savoury snack enjoyed on the run. NZ's Plant & Food Research has produced a bite-sized red apple variety called *Rockit* that is "about the size of 1.5 golf balls," and is designed to compete with snack items such as chocolate. Both these new products reflect smaller bite-sized quantities of food and typically capture unit price premiums over larger quantities.		• Demand for snacks on the go is being met with smaller sized vegetables and fruit.

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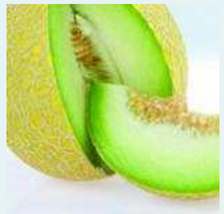
3.1 News & Events in the quarter (continued)

New products		Implications
Lost potatoes come alive with branding. The Cypriot potatoes – once prominent in the 1990s - will be reintroduced as **Cyprus Gold** by Produce World Group member Solanum Ltd in Waitrose branches and online through Ocado by August this year. Suitable for baking or roasting, they will be available in 2 kg bags and priced at £2.69 for a new generation of UK consumers who want to be more aware about the origin of their fresh potatoes.		• This is an example of how a category leading product has been reinvigorated through a relaunch that responds to consumer demand and involves some product branding.
New salad pack balances convenience and wastage. UK Waitrose has launched Natures Way Foods' Lasting Leaf salad range, which have been treated with a blanching process to stay fresh for 2 more days than a standard pack of salad. It is available in a 300g of iceberg lettuce and a 250g bag of sweet & crunchy lettuce. Consumer research indicates this product will meet the demands of consumers who make one shopping trip to the market in a week or those who live alone and cannot consume a salad bag before its expiry date.		• A good example of a new product development that has moved to include a complimentary feature.
New levels of QA testing will be adopted for the launch of Yellow Moon melons with the introduction of **blind taste testing** to ensure the high standards for taste and texture are maintained. These melons are grown by selected producers and will be supported by teams from the seed supplier Nunhems to help monitor the growing process. This melon has been bred over many years to attain a uniform size, colour, and taste and is supported by an association of 14 traders in southern Spain who coordinate to offer a continuous supply.		• This is a highly organised supply chain and it is significant that the tighter conditions are being driven by the developer and owner of the seed material.
Retail & food service channels		**Implications**
Woolworths expands its online price check website, bringing the total to more than 7,000 products. Greg Foran, director of Woolworths' supermarkets, said that research revealed "an average of 1,200 customers a day are checking prices online." They have now included meat on the site, as consumers believe that meat is an important staple that is often the centre of the meal. For more information on price check, go to www.woolworths.com.au.		• This move increases the visibility of fresh vegetable retail prices.
US discount retail giant Costco will build a $58 million warehouse in the Sydney suburb of Auburn. The 3-storey development, which has drawn objections from the local retailers, will spread over an area of more than 13,700 square metres, create 130 construction jobs, and 300 ongoing jobs once completed. Open 12 hours a day, this format that provides a diverse array of food and general merchandise is expected to generate $90 million in annual sales, which is equivalent to the sales generated by approximately 3 full-service supermarkets.	COSTCO .COM.AU	•With Costco offering a comprehensive range of products and items at discounted prices, it will provide competition to supermarkets and other retail stores in close proximity.

3.1 News & events in the quarter (continued)

Retail & food service channels		Implications
Coles increases its Fairtrade commitment by expanding their Fairtrade Certified product range. Coles launched eight new high-quality Fairtrade Certified tea and coffee housebrand products in stores this June. The new lines confirm that this retailer's range of Fairtrade Certified products is the largest among all Australian supermarket chains, with 40 house brand and proprietary Fair Trade products on its shelf.	FAIRTRADE	•The growth achieved by this premium food retailer in tough market conditions suggest that some consumers are still willing to pay for quality product and service.
Tesco plans doubling its exports of Thai fresh produce to its worldwide networks in the next 5 years. This expansion program takes into account new opportunities from its store opening programmes in China, Korea, Japan, and Malaysia. The company has assessed the Thai food supply chain and appears to be comfortable with what can be delivered. This move will provide a significant boost for the Thai food sector and economy and is a welcome development given declining export s due to recent economic and political problems.		•This is an example of a new level of export competition in the region when a global retailer forms a relationship with the production resources in one country.
Aldi takes the lead on carbon footprint labels by entering into an agreement with Planet Ark to use their endorsement on labels of olive oil from late 2010. The labels – already in 19 countries and on products that are generating $4.5b sales annually will provide signals to increasingly sensitive consumers about the total carbon footprint of a product. This move from a discounter in the food market is likely to prompt a response from the full service food retailers as well.	reducing with the Carbon Trust CO2 carbon-label.com partnering with PLANET ARK	• It appears that the signals about carbon use could be led by those who own and are building consumer brands, rather than those who are producing the ingredients.
UK restaurants bring back diners using innovative ways, such as "meal deal" offers, exotic-sounding dishes, familiar retail brands, and labelling more dishes with health claims and details of food provenance. Variations such as "Italian car owners eat for free on Thursdays" at Revolution and "all you can eat" for £7.75 at Table-Table are stimulating sales. Brands are also being monitored on menus with operators seeking to sell familiar products to consumers. Terms such as "farm assured" and "locally grown" and health claims such as "nutritional balance" and 5 A DAY are increasingly being used. Chef & Brewer's menu now has a "superfood salad" showing the healthy nature of its meals.		• Under pressure, the UK foodservice channels are using innovative ways to bring back diners.

4.0 Total Food Market: Conditions and Trends

This section profiles the status of key factors that indicate the food market conditions and food consumer trends:

- The economic climate – Consumer sentiment
- Food and vegetable inflation
- Household food spending
- Shopping trips & take home food spend

Consumer sentiment

Conditions have impacted

- As market conditions changed, Australian consumers confidence levels declined from the previous quarter but remained above the same quarter in the 2009.

Sentiment indices

- The Westpac-Melbourne Institute is the most widely regarded barometer of consumer sentiment and the patterns are profiled in Figure 1. This gauge reflects a sharp decline in sentiment that is mirrored by the increase in interest rates. The decline was minimal in April but increased to 7.0% in May and to 5.7% in June.

Interest rates

- The Reserve Bank (RBA) lifted its interest rates twice in the period between April and May and this marked the 6th & 7th rate increase since March 2009. It raised the RBA assessed variable interest rate to 7.4%. This series of rate rises were widely seen as having arrested the residential housing price bubble and led to declines in the applications for new and existing home finance.

Unemployment

- Unemployment levels declined further to 5.14% as profiled in Figure 2, which reduced the press commentary focus on employment as an economic and community problem that needed to be addressed. The commentary on unemployment was dominated by favourable comparisons to levels in other EOCD countries.

1. Consumer confidence has declined as interest rates have increased.

Figure 1

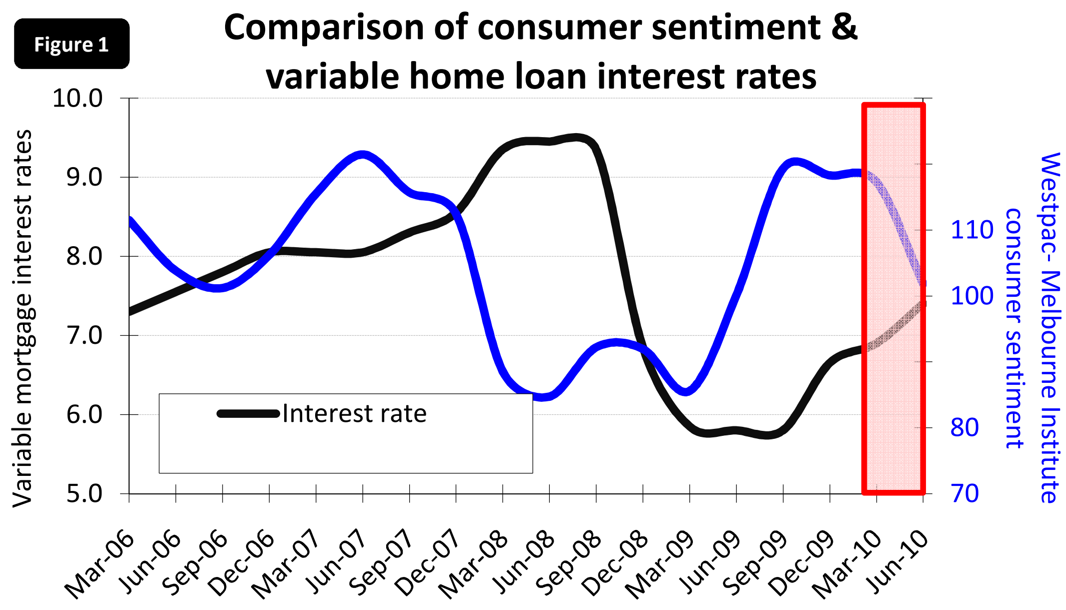
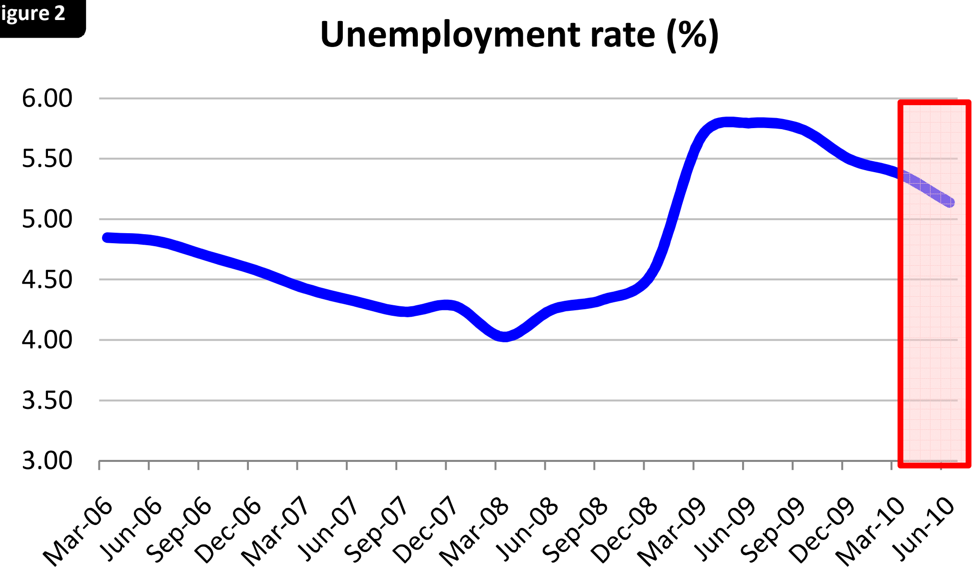


Figure 2



Food inflation

- The fruit and vegetable price impact on the overall food inflation was reduced in Q2 2010, as reflected in Figure 3. Q2 10 saw a food inflation level of 1.4%, which completed the lowest four consecutive quarters of food inflation since the year ending June 05.

- The total food inflation was again heavily influenced by meals out & takeaway which increased by 2.3% and contributed 50% to the overall food inflation. The pattern of increase in "eating out expenditure" for all occasions continues to be driven by price increases, as is evidenced by higher inflation contribution from the expenditure as profiled in Figure 3. These findings are supported the retail food market commentary that retail food prices are close to deflation levels.

- As is reflected in Figure 4, vegetable prices increased on the same quarter in the previous year for Q2 10 by 3.3%. This is an increase from the -1.1% in Q1 10 and the third consecutive quarterly increase.

- Fruit prices improved to -1.7% in Q2 10, but are unlikely to have impacted the demand of vegetables as most of the summerfruit and other like products that can be used in fresh salads have ended their seasons.

Figure 3

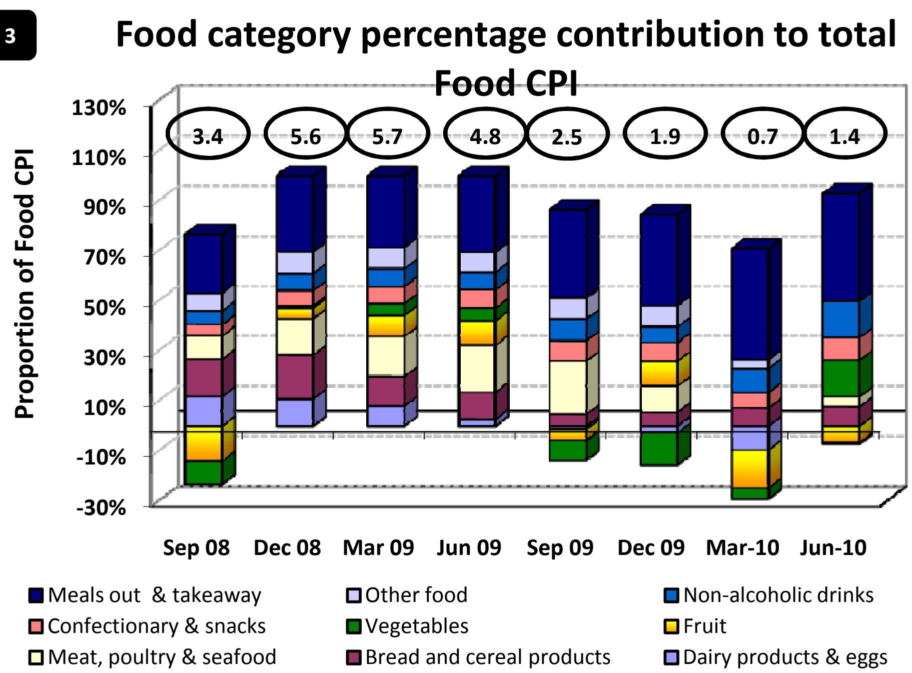
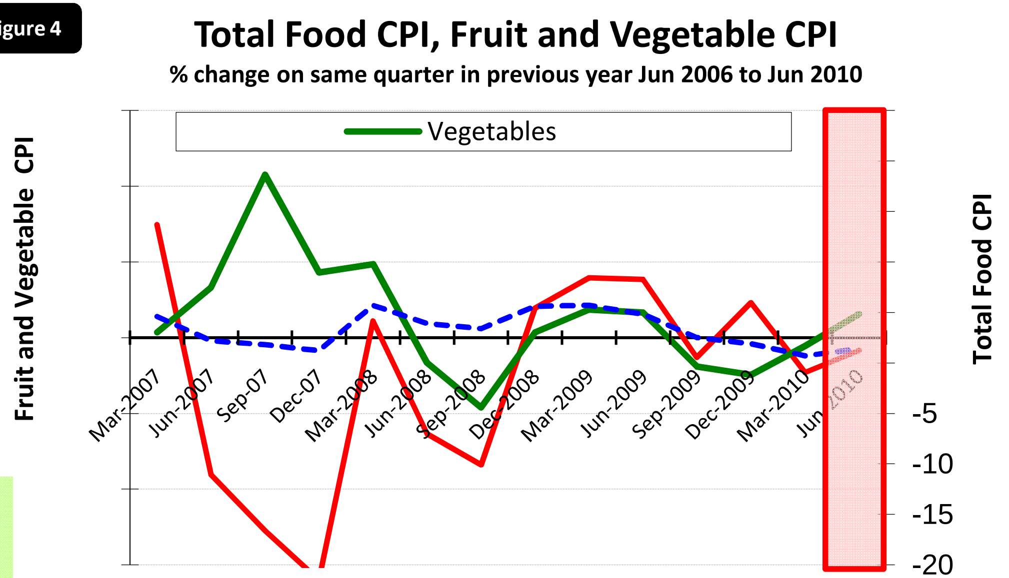


Figure 4



2. Total food inflation lifted to 1.4% on the back of prices rises for food eaten away from home. Despite a rise in vegetables prices of 3.3%, the total retail food prices are close to deflation levels.

4.3 Household food spending

Food spend

- Supermarkets share declined to 60.2% of the total food spend (see Figure 5), as total spend declined and the value of food expenditure eating out took 1.4% share from food prepared at home.
- The specialist food stores, which are the retailers of fresh food (such as Fruiterers, Butchers, Bakers, and Delis) picked up 0.7% share of the total household food spend in this quarter to recapture some of the 1.1% they lost in the last quarter.
- The food eaten away from home which is segmented into the meal occasions increased to 27.8% of the total household food spend in this quarter. This was an increase in the dollar value of the previous quarter by 3.5% per household and was driven by a 4.3% increase in Dinner expenditure and minor increases in other meal occasions.
- This share increase for eating out indicates the strength of the lifestyle demand for food in the channel, especially given consumer sentiment was in decline.

Household segment variations in food spend

- The average weekly household food spend for Q2 10 decreased on the previous quarter by 1.2% to $218 dollars per household. The weekly spend per segment ranged from $176 for singles and couples with higher income to $284 for Established families, as profiled in Figure 6. There were marked variations in food spend changes by household segment that mirror the level of household income. Singles & couples with higher income and Established families increased their food spend by 5.2% and 1.9%, while all other segments reduced their expenditure by 3.9% to 4.7%.

Figure 5

1 b

Food Spend per Week - Average in Q2 -10

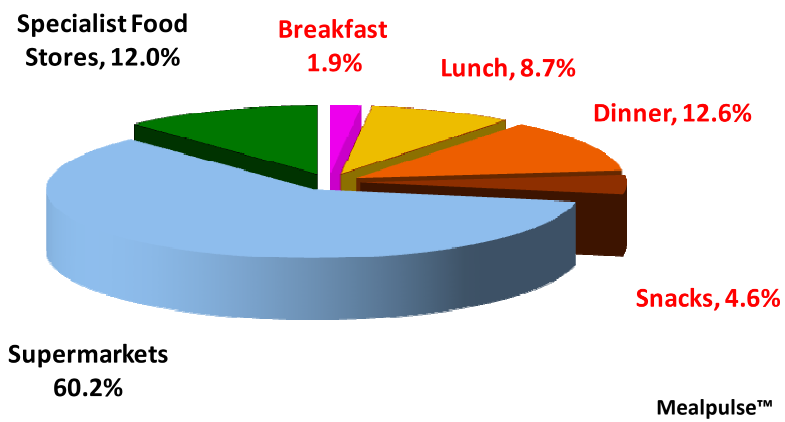
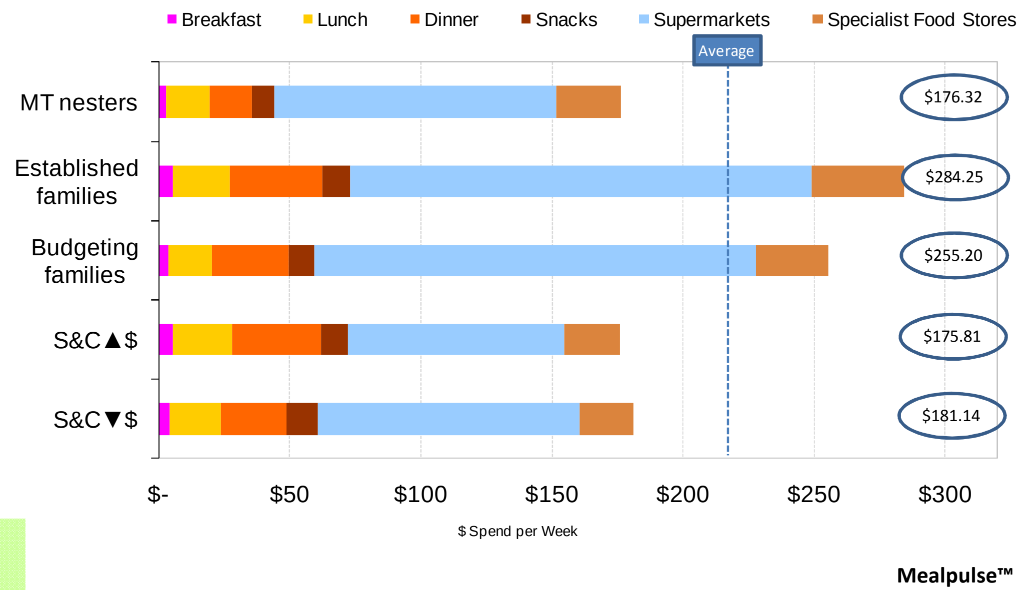


Figure 6

1 c

Total Home Food Spend - Weekly average for Q2 -10



3. Market share moved back to eating out and a decline in the total food spend was driven by those with lower household income.

4.4 Shopping trips & take home food spend

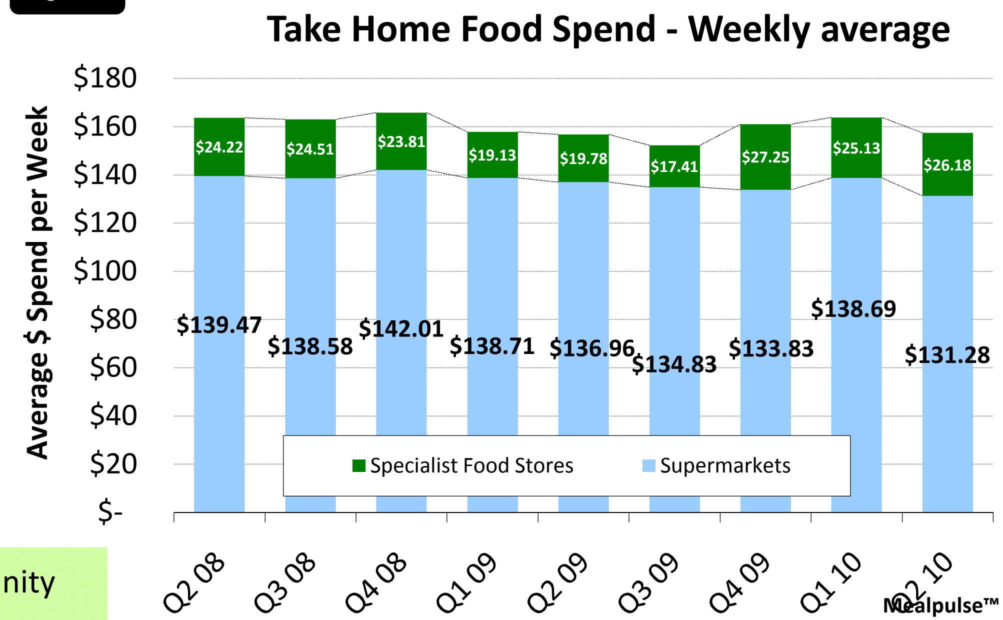
Shopping trips for fresh vegetables

- The average Australian household is making 2.4 shopping trips a week to the supermarkets and at the same time, also 1.4 trips to specialists like Bakeries, Butchers, Greengrocers and Delicatessens.
- The incidence of buying fresh vegetables is provided by Mealpulse™ panel responses and when aligned with the data extracted from their retail receipts and reconciled with the total retail market values, the number of fresh vegetable shopping trips is confirmed.
- This equates to **65 trips per annum** per average household or 5 trips every 4 weeks. As this is a household average figure, it should be understood that the extremes in fresh vegetable shopping frequency shows that some households are shopping every 1-2 days, while others as infrequently as every 3-4 weeks.
- Fresh fruit and vegetables follow milk and bread as the most frequently purchased food items.

Take home food spend (food prepared at home)

- The average weekly household spend on food at home decreased by 3.7% to $157, with supermarkets capturing $131 and in the process losing 1.3% share to the specialists who captured $26 per household per week. This expenditure for the last 9 quarters is profiled in Figure 8.
- The current climate of deflation and aggressive promotional pricing in retail food is assessed as having a greater impact on the sales value of food purchased through the major supermarkets than the specialists. Therefore, some of this apparent share loss is likely to be a reflection of the lower value of food product sold through supermarkets.

Figure 8



4. The high frequency of shopping trips for fresh vegetables presents an opportunity to engage with consumers, stimulate impulse sales, launch new products and in general influence their buying behaviour.

5.0 Vegetable Market – Q2 2010 Profile

The section reviews market performance for the second quarter of 2010

- Market size & contribution
- Wholesale vegetable market price trends
- Wholesale vegetable market price trends – category specific
- Vegetable retail promotional activity
- Vegetables purchased and weekly spend
- Fresh vegetable buying patterns
- Most popular purchased vegetables
- Retailer used
- Vegetable preparation
- Vegetable buying trends & reasons for buying

Total vegetable sales

- The total retail vegetable sales in Q2 10 for all vegetables in fresh, frozen and canned forms amounted to $1.628 billion, as profiled in Figure 9.
- This was an decrease of S22.9m or 1.4% on the previous quarter.
- It is estimated that a further 85,000 tonnes of fresh vegetables were sold to the food service sector in Q2 10. This was lower than previous quarter's volume into this channel caused by the expected patterns of lower activity in this second quarter of the year.
- The value of fresh retail vegetables sales is driven by the wholesale price and the mixture of products sold. In this quarter, the wholesale price was lower and the mixture of products shifted away from salads to soft and hard cooked vegetables.
- The category level contribution detail is profiled in Figure 10, with the contribution from salad components decreased by 9.6% and a 4.7% increase from soft cooked vegetables and 4.5% from hard cooked vegetables in Q2 10.

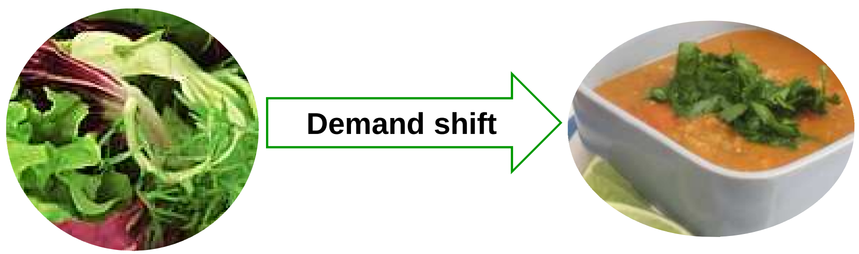


Figure 9

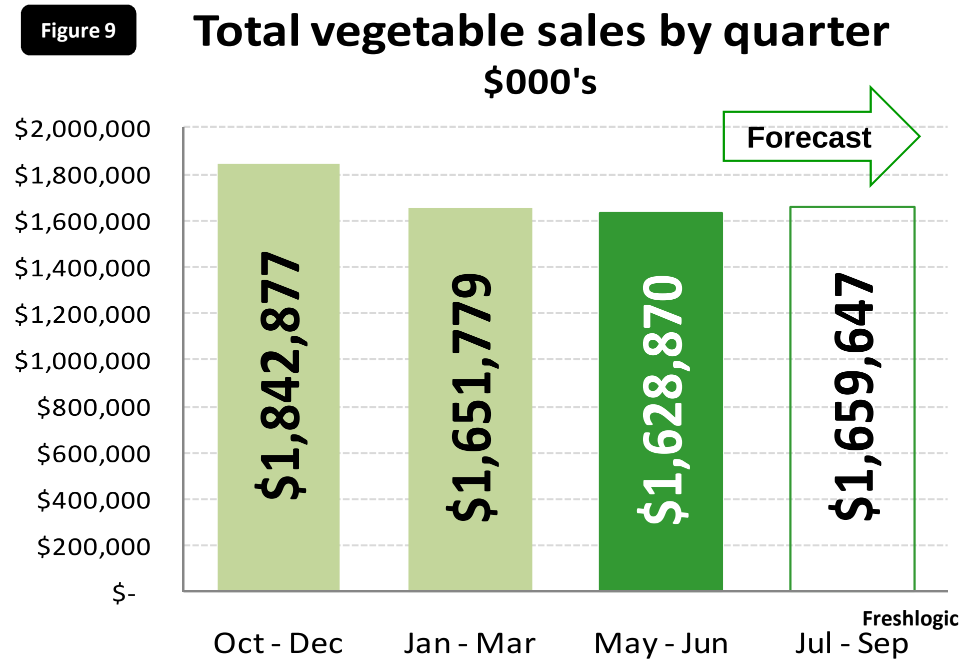
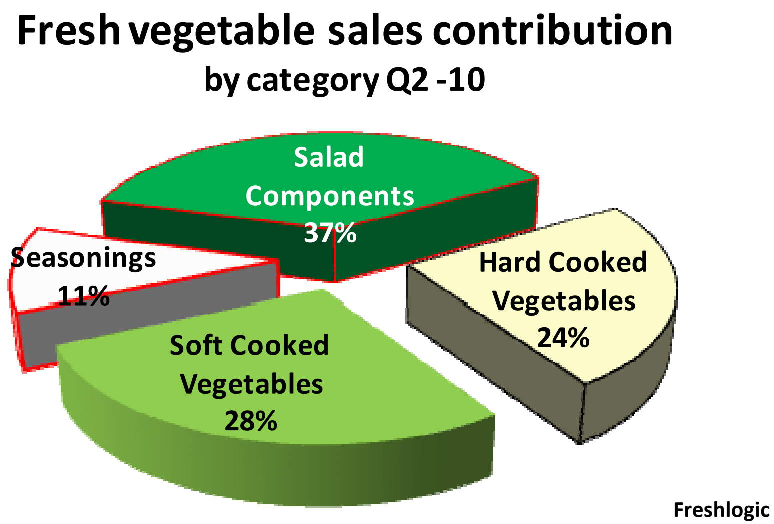


Figure 10



5. Retail sales of vegetables decreased by $22.9m or 1.4% on the previous quarter, due mainly to changes in product mix sold in the period.

5.2 Wholesale vegetable market price trends

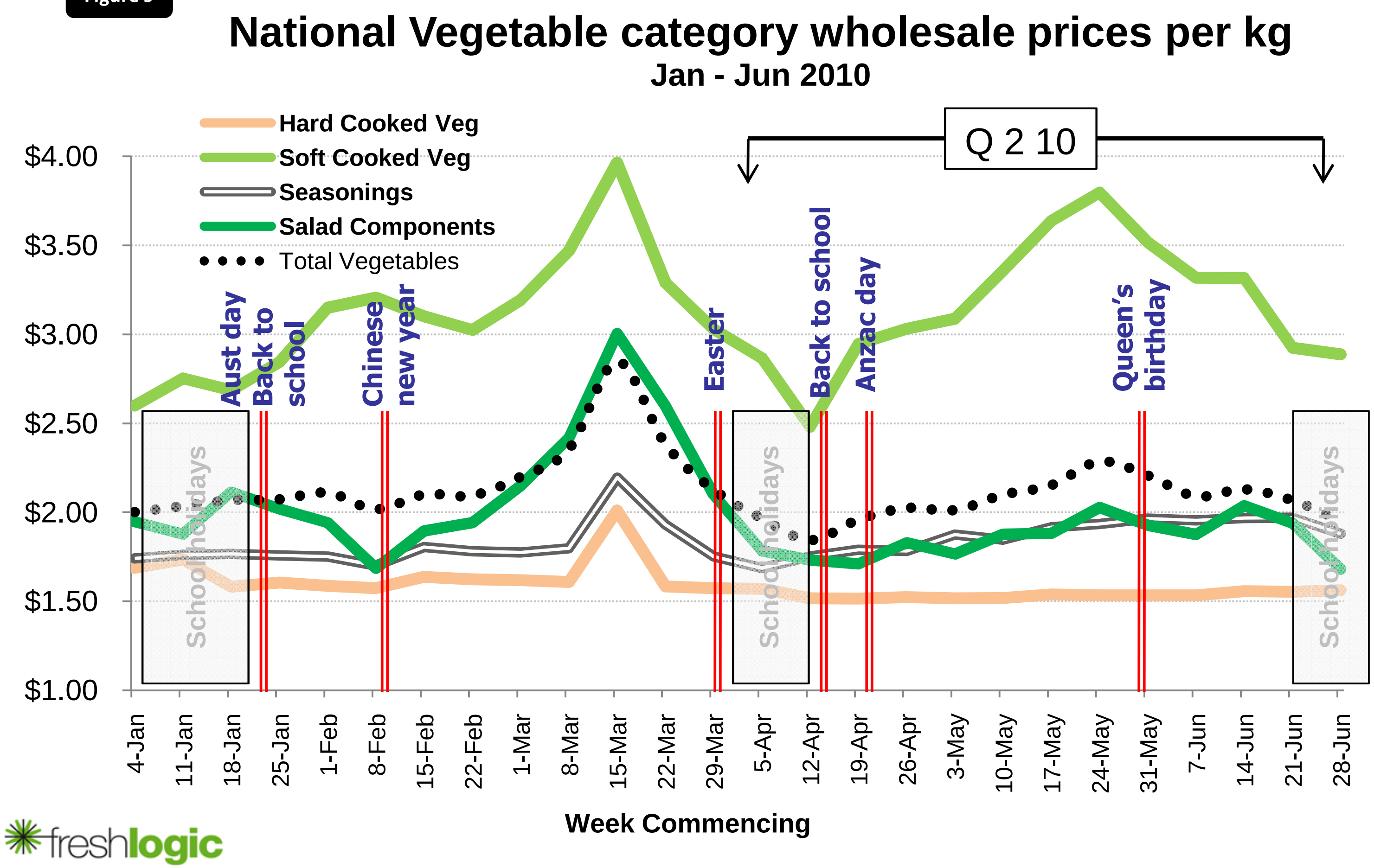
Wholesale prices

As profiled in Figure 9, the wholesale vegetable prices per kg are modelled on the vegetable wholesale market prices for a full range of high volume products from the five main markets.

The trends for Q2 10, which ran from weeks commencing 5 April to 28 June, shows a mild increase in prices to a high of $2.29 per kg in late May and then a decline until the end of the quarter to finish at $1.95 per kg and 0.6% under the starting level of $1.97 per kg.

The average weekly total vegetable price was $2.06 per kg for Q2 10, which was 10c or 4.6% lower than the previous Q1 10.

Figure 9



The events over the period that impacted demand were Easter, start and end of the first-term school holidays, Anzac Day, Queens Birthday weekend and the start of the second-term school break in late June. Figure 9 also profiles how Soft Cooked Veg, which includes mushrooms, broccoli and cauliflower, was the major driver of price volatility during Q2 10. Salad Components, which includes tomato, lettuce and salad mix, was more consistent than the previous quarter. The wholesale prices of the main products in Soft cooked vegetables and Salad components are profiled on page 22.
Hard Cooked Vegetables, which includes potatoes and pumpkin, were sold in a stable and narrow range $1.54-1.57 per kg during the period. Seasonings, which includes chilli, garlic and onions, increased during the period from $1.69 to $1.88 per kg. The products included in each category are profiled in Appendix C on page 37.

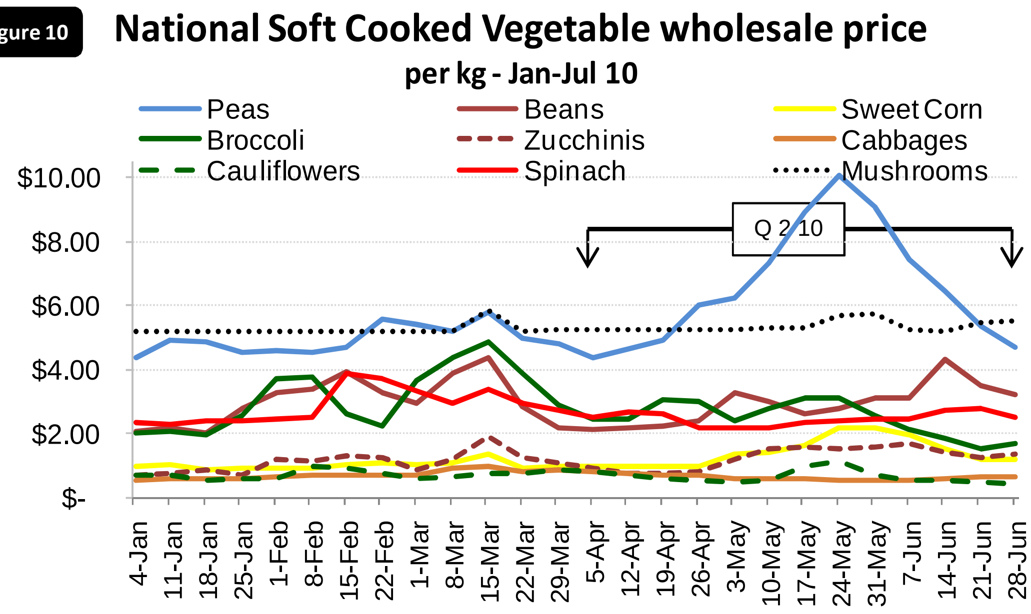
5.3 Wholesale vegetable market price trends - category specific

Soft cooked vegetables

The wholesale prices per kg for the highest volume products in Soft Cooked Vegetables (SCV) are profiled Figure 10. The price per kg patterns over Q2 10 for the total SCV category and the main products were:

- The total SCV category started the period at $2.87 and lifted to a high of $3.85 before declining to close to $2.89 at the end of the quarter.
- The two highest priced products showed very different patterns with peas selling from $4.37 to $10.07 and mushrooms continuing the narrow range of the first quarter and selling from $5.23 to $5.74.
- Broccoli, beans and spinach, which sold for an average price of $2.61 continued to impact volatility with prices that ranged from $1.54 to as high as $4.29.
- The other 4 products, sweet corn, cabbage, cauliflower and zucchini, firmed in prices in the middle of this quarter but decreased back to the starting price of an average 89c at the end of the quarter.

Figure 10

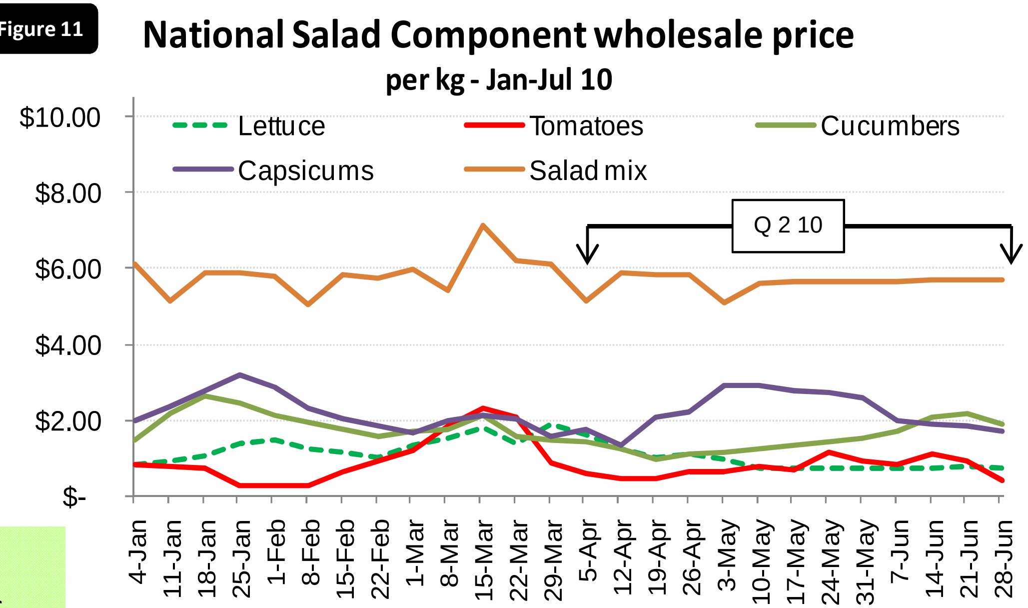


Salad components

The wholesale prices per kg for the highest volume products in Salad Components (SC) are profiled in Figure 11, with the added value salad mix at a different level to all other products. The price per kg patterns over Q2 10 for the total CS category and the main products were:

- Salad mix prices settled into a narrow range of $5.09-$5.71.
- The other four major lines profiled are capsicum, tomatoes, cucumbers and lettuce, which were sold in a lower but wider value range of $0.42-$2.91. Capsicums and cucumbers firmed over the quarter but the core Salad Components of lettuce and tomato declined.

Figure 11



6. Wholesale vegetable prices for the quarter showed the effect of changes in demand with prices declining for core salad lines but stabilised for those products that are also suit cooking preparation.

5.4 Vegetable retail promotional activity

Retail promotional activity

- The volume of retail promotional activity featuring vegetables increased on the previous quarter to have 3,316 vegetable product advertised.
- On an average, 255 vegetable products were advertised in the five main states each week in Q2 10. This was an increase of 12% on the same measure for previous quarter. The majority of the increase was in canned and fresh product with increases of 203 (44%) and 163 (11%), respectively. Frozen products exposure matched the last quarter but lost share.
- The pattern of adverts as profiled in Figure 12 shows the impact of school holidays with the lift in activity in early April as students return to school and the decline in mid June as school holidays commence.

Promotional Pricing

- The number of adverts is profiled by grouping canned and frozen products together and dividing fresh into four product categories. The fresh product groupings are explained in Appendix C on page 37.
- In Q2 10, the promotional price averaged $4.41 and the average category prices per kg ranged from a low of $1.98 to a high of $6.90 per kg. For these categories , the average price per kg category in the quarter and the increase, indicated in brackets, are provided below:
  - Hard cooked veg at $1.98 (4%), followed by canned at $3.81 (128%), frozen at $4.06 (42%), Soft cooked veg at $4.31(49%), Salad components at $5.42 (110%) and Seasonings at $6.90 (176%).
- Due to a combination of prices increase and the mixture of products advertised, the promotional product sales contributed to the sales growth for the quarter.

7. The number of vegetables products advertised increased by 12% to an average of 255 products per week at category average prices between $1.98 and $6.90 per kg. Canned and fresh vegetables enjoyed increases in promotional exposure.

Figure 12

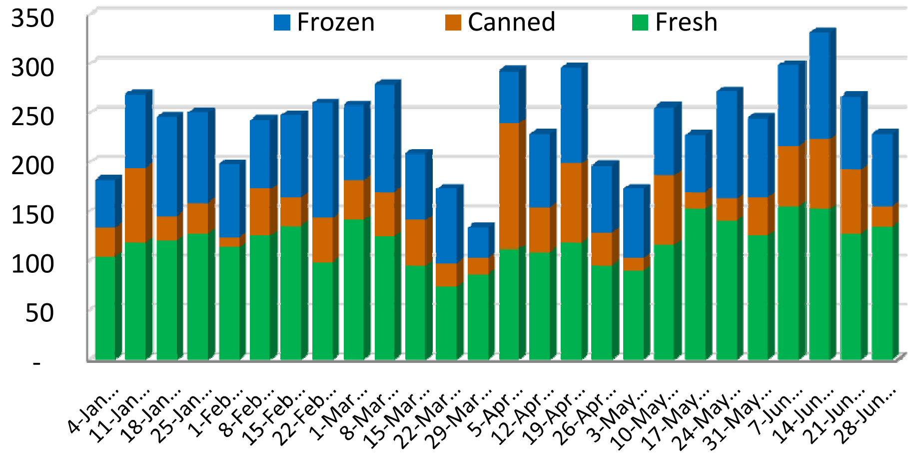


Figure 13

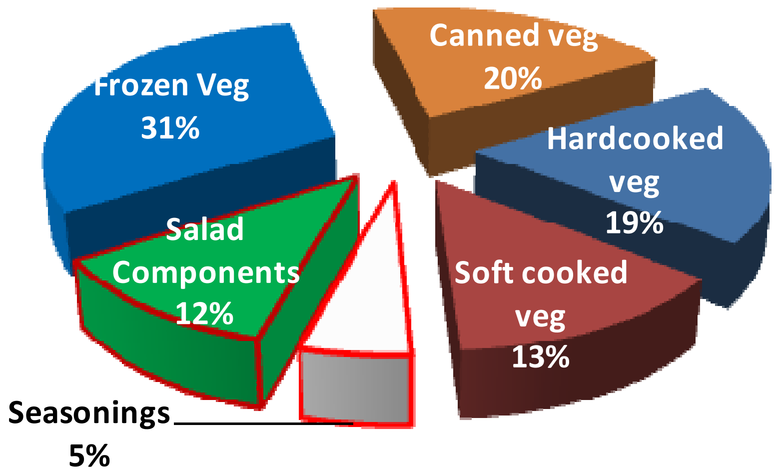


Figure 14

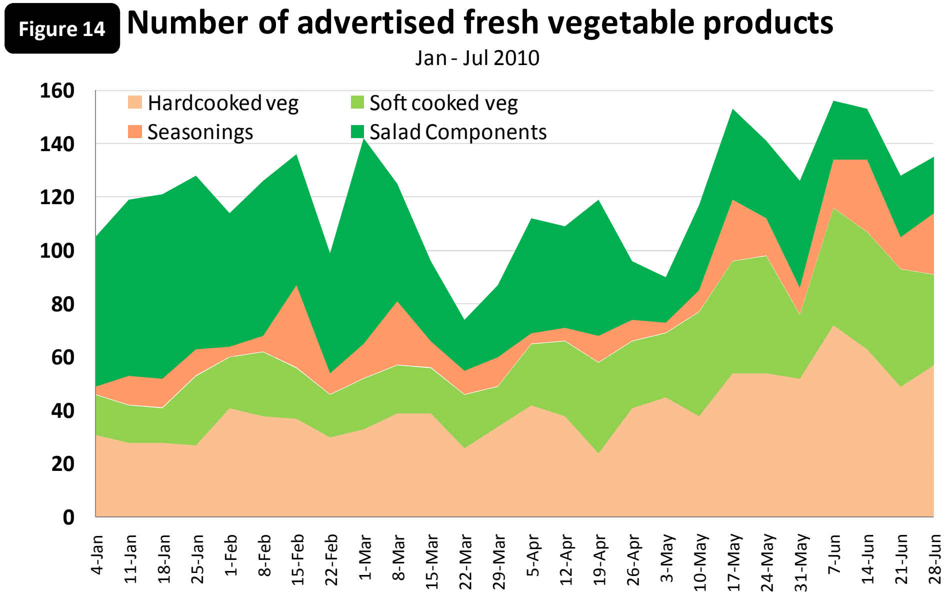
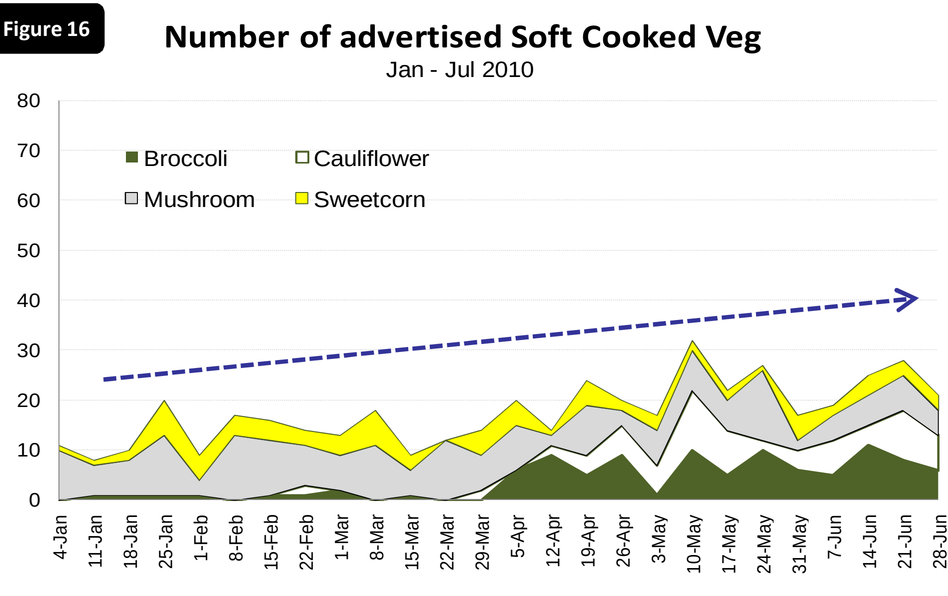


Figure 16



Trends: Q1 & Q2 10

The type of product advertised in Q2 10 reflects a clear shift away from salad lines to cooked vegetables.

At a product level this was most evident in increases in potato and pumpkin and decreases in the primary salad lines of tomato, lettuce and salad mix.

These changes in the mix of fresh vegetable products advertised reflect changes in demand and supply.

Figure 15

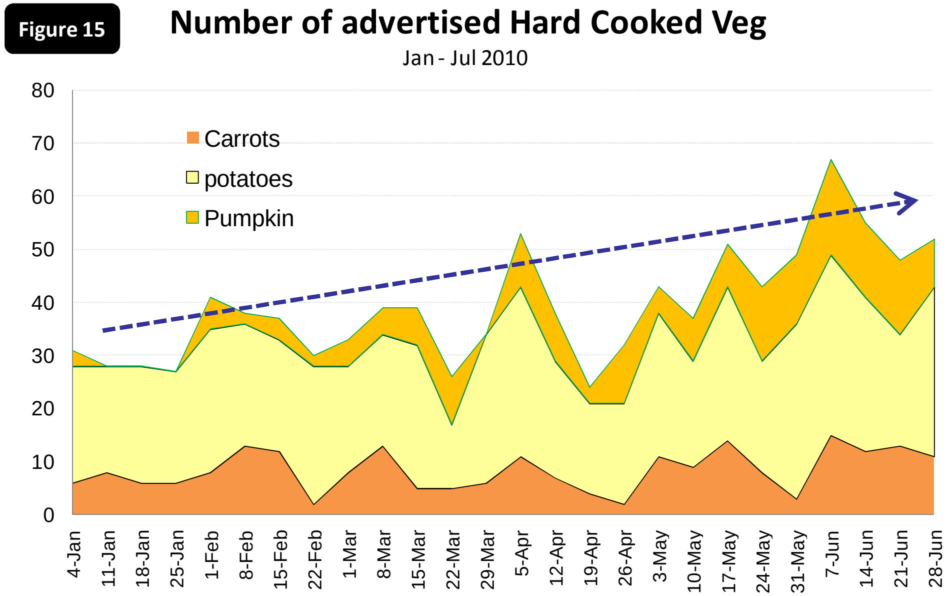
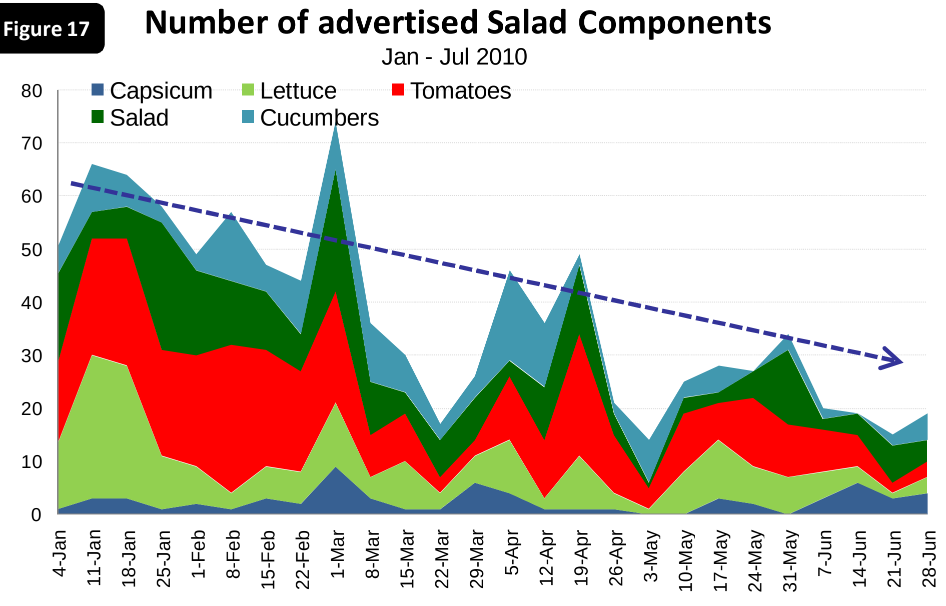


Figure 17



8. The changes in the type of fresh vegetable product advertised in Q2 were significant and would have impacted the value offered to consumers on the products involved.

5.5 Vegetables purchased & weekly spend

Participation by vegetable form

- Figure 18 profiles the proportion of households that purchased vegetable in frozen, canned and fresh forms over the last three quarters. Clearly, there are many households that buy vegetables in each form.
- In Q2 10, the proportion of households that purchased canned vegetables declined by a further 3% to 37% and fresh vegetables declined by 1% to 86%, while frozen maintained the level of the previous quarter at 47%.

Weekly vegetable expenditure

- The total household spend on vegetables by the households that purchased vegetables decreased by 1.4% or 26c per week on the previous quarter to $18.58 per week.
- When this expenditure is assessed in household segments as profiled in Figure 19, the range spans from Empty Nesters at $12.99 to Established Families at $24.04 per week.
- The Singles & Couples with higher income had the largest change as their expenditure on vegetables declined by $2.20 per week. The reduction reconciles with higher levels of eating out by this segment during this period. The only household segment to lift expenditure on vegetables during this quarter was the Singles & Couples with lower income with an increase of 79c to $15.40 per household per week.
- The high volume family segments maintained their expenditure at very similar levels to the previous quarter.

Figure 18

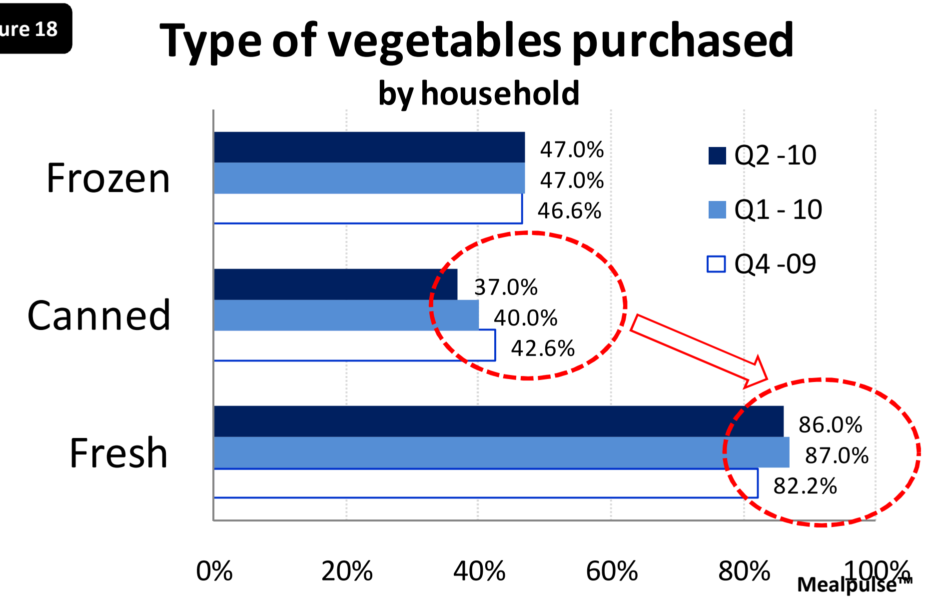
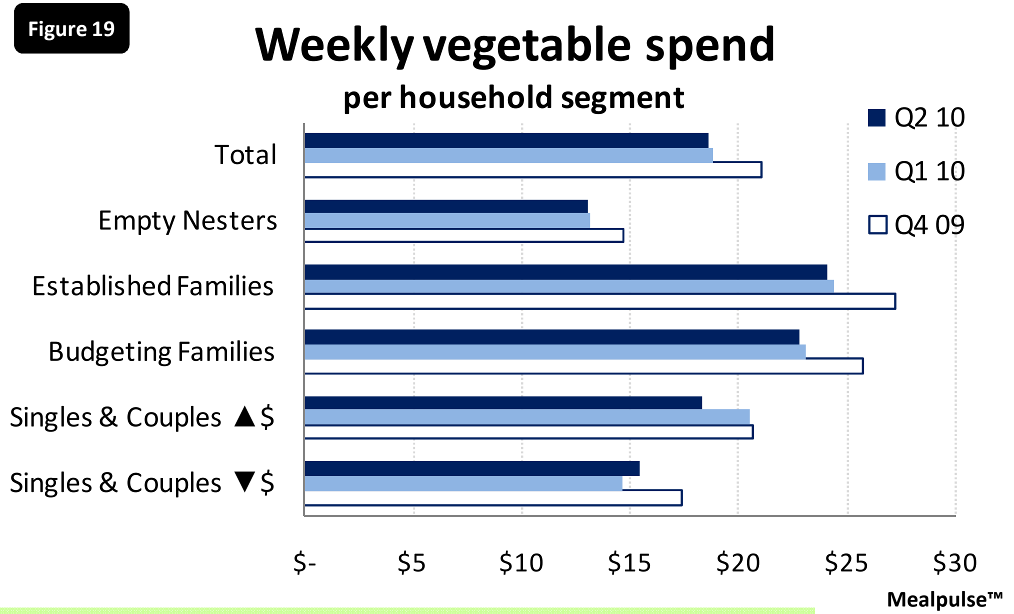


Figure 19



9. Similar proportions of households continued to purchase fresh and frozen vegetables but the purchasing of canned vegetables continued to decline. Household expenditure on all vegetables declined by 1.4%.

5.6 Fresh vegetable buying patterns

Fresh vegetables purchased

- Figure 20 profiles the proportion of households and household segments that have purchased fresh vegetables weekly for the last three quarters. In Q2 10, the fresh vegetable household penetration declined slightly from 87% to 86% during this period.
- Empty nesters was the only household segment where the penetration of fresh vegetables increased. This is attributed to the greater knowledge of food preparation methods that is held by this segment and the higher proportion of meals they eat and prepare at home. See household segment profile in Appendix B on page 36.

State-based variations

- Figure 21 profiles the variations in fresh vegetable household penetration by state for the last three quarters.
- The larger south-eastern states of NSW/ACT and VIC/Tas reflected the national trend of a 1-2% decline.
- Qld and SA/NT maintained their respective 86% and 88% levels of penetration.
- In WA, household penetration for fresh vegetable purchasing weekly lifted to 90%.

Figure 20

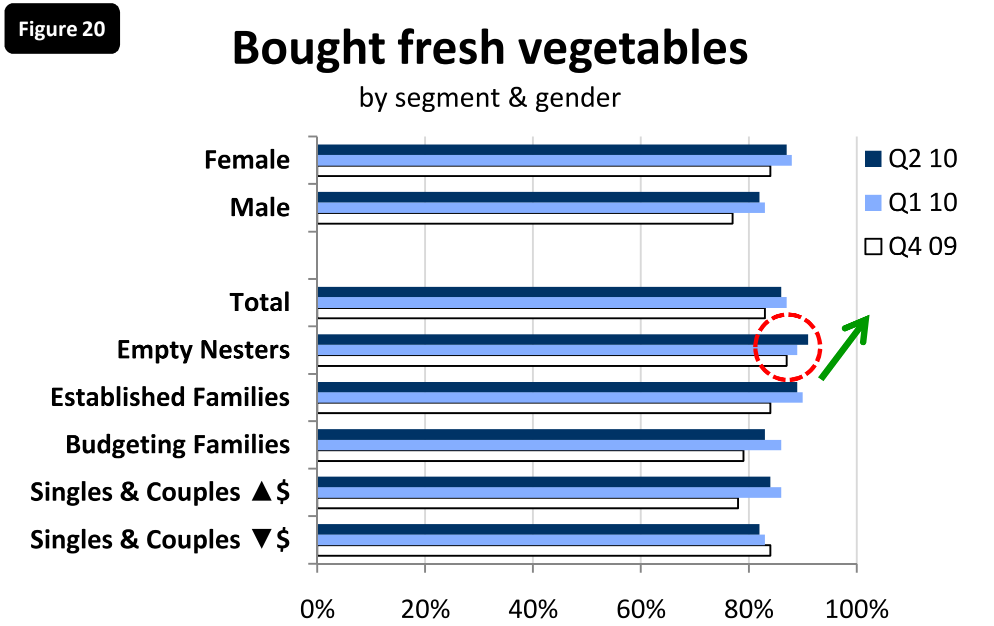
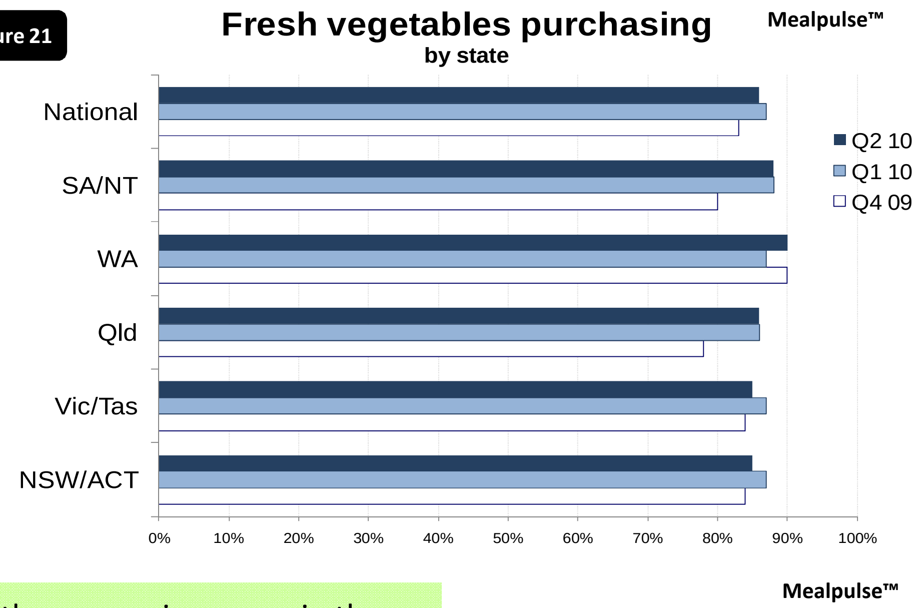


Figure 21

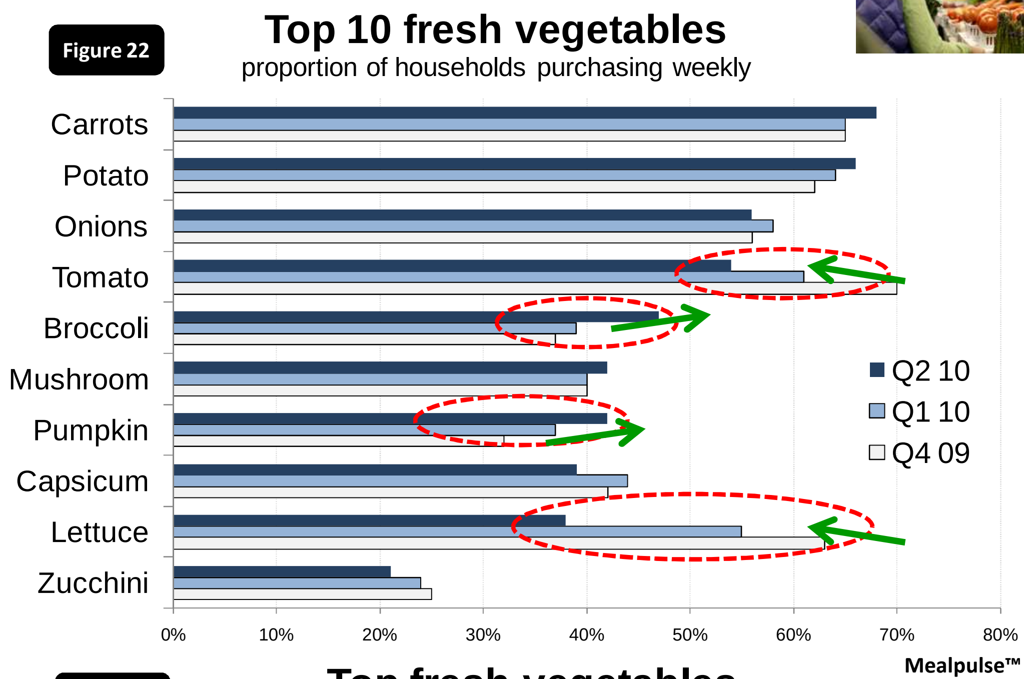


10. The proportion of households buying fresh vegetables nationally declined 1%, but there were increases in the penetration into the Empty Nester household segment and in WA.

Most popular vegetable purchased weekly

- Figure 22 profiles the 10 most commonly purchased fresh vegetables every week for the last two quarters. In Q2 10, this was topped by carrots and potatoes, followed by onions and tomatoes, which moved from the third to fourth place. Only the top two products were purchased by over 60% of households weekly.
- The top four vegetables – carrots, potatoes, onions and tomato – were purchased by more than 50% of households.
- In general, the changes continued to reflect the vegetable preparation trends with a sharp decline in products that are used in salads like tomatoes and lettuce. This has coincided with increases for products that are cooked including Hard cooked vegetables like potato, carrots, pumpkin and Soft cooked vegetables like mushroom and broccoli.

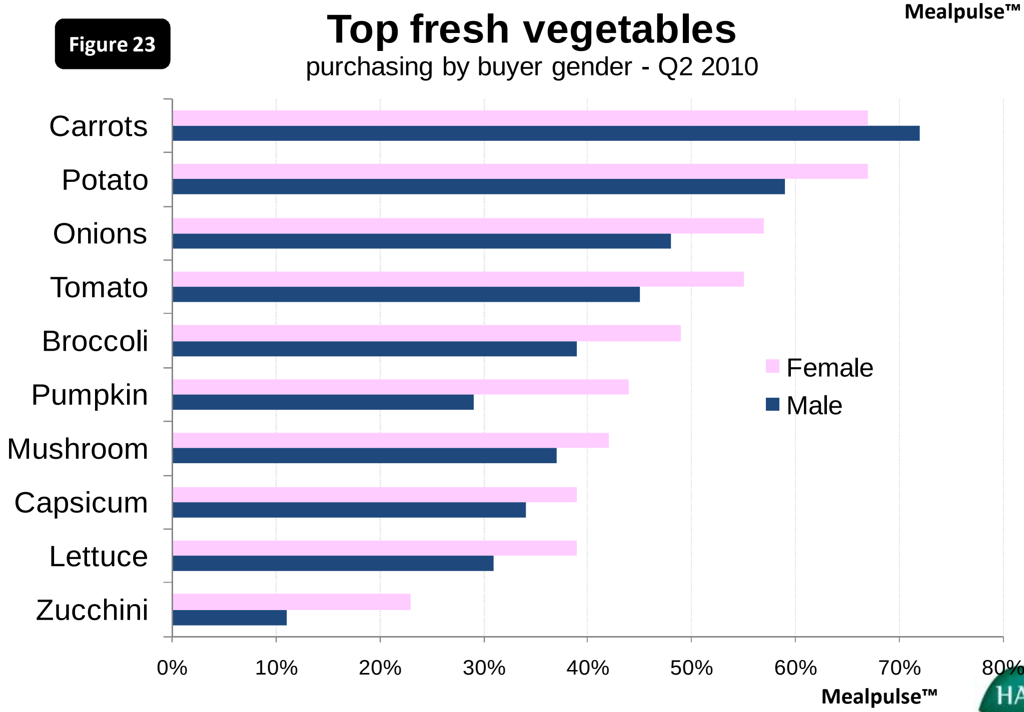
Figure 22



Vegetable purchasing by gender this quarter

- Figure 23 profiles the top vegetables and shows whether they were purchased by males or females.
- It is evident that the most frequently purchased vegetable, carrots, was purchased by more males than females, while all other products in the 10 most frequently purchased vegetables were purchased by more females than males.
- The seasoning lines of garlic and chilli, which are purchased by 19% and 7% of households on a weekly basis respectively, are purchased by more males than females.

Figure 23



11. The most frequently purchased vegetables reflected a demand shift towards cooked products.

5.8 Retailer used

Retailer used

- Consumers buy their fresh vegetables predominantly from either supermarket, greengrocer or markets. This data reflect "where" consumers shop for their vegetables and this level of patronage does not necessarily reflect the relative expenditure in each type of retail outlet.
- Figure 24 shows the changes in the type of retailer patronised compared to the last quarter. Although greengrocers and markets have lost share, supermarkets have not picked up this share, which indicates that consumers have consolidated their shopping trips. While these changes are the sum of the market, they are varied at the household segment level.
- Greengrocers have either lost participation from the three segments or held share with the other two, as profiled in Figure 21. On the other hand, supermarkets have increased share with the three segments but importantly lost share with the Established families.
- Markets lost share with all segments except Established families.

Specialist use by main supermarket shoppers

- Figure 25 profiles the proportion of supermarket shoppers who also buy vegetables at a market or greengrocer. It reflects the percentage of their customers who are buying vegetables at retailers.
- In this quarter, IGA, Coles and Woolworths have improved their capture of vegetable spend as all their customers have reduced their patronage of other vegetable retailers. Aldi maintained the level of the previous quarter. This again provides another solid indication that the supermarkets have picked up market share in fresh vegetables.

Figure 24

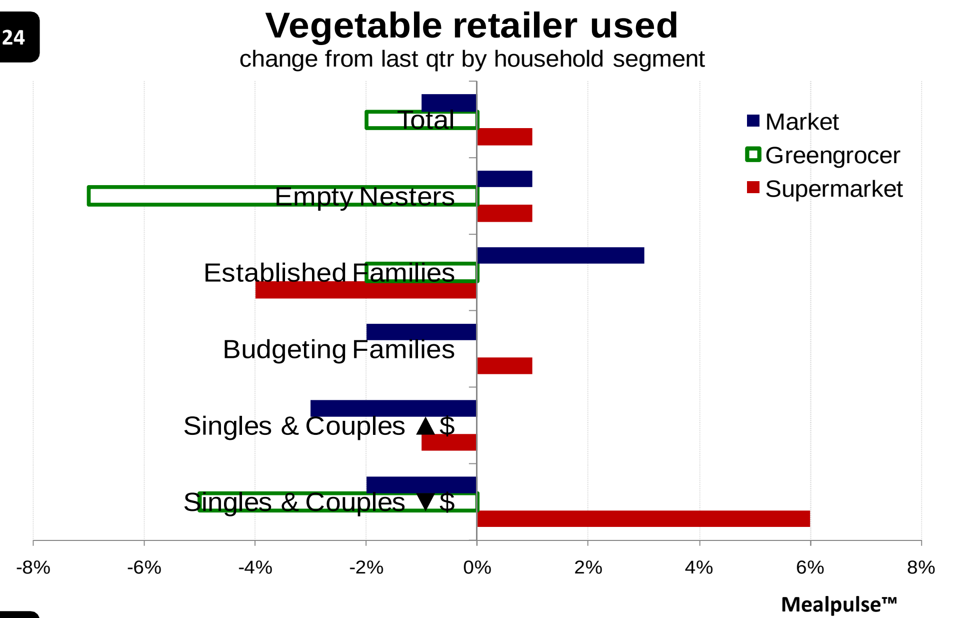
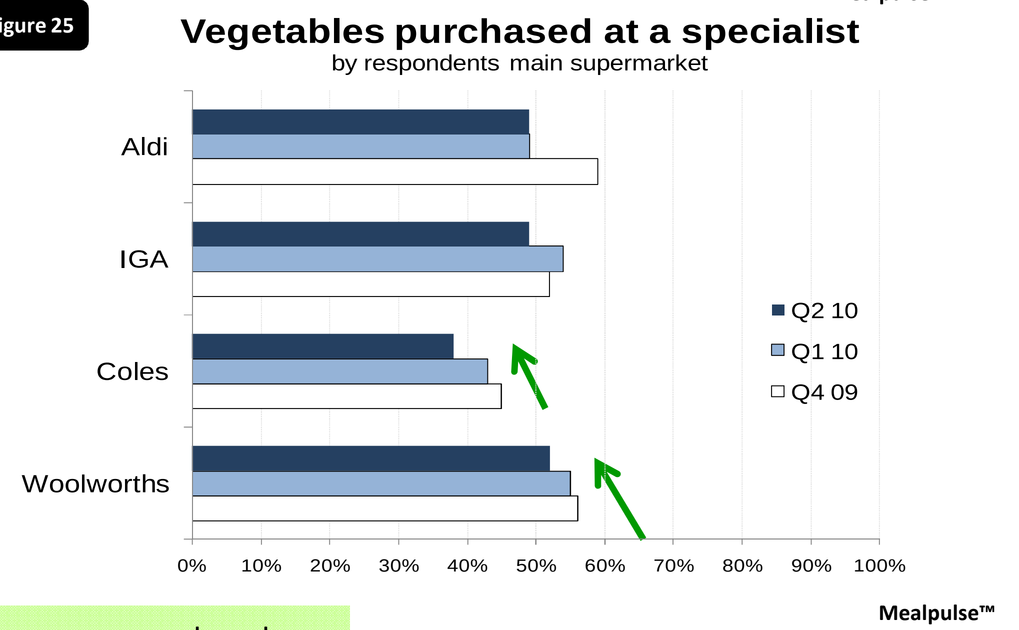


Figure 25



12. All the major supermarkets increased or held their share of shopping trips as consumers reduced visits to greengrocers and markets for the second consecutive quarter.

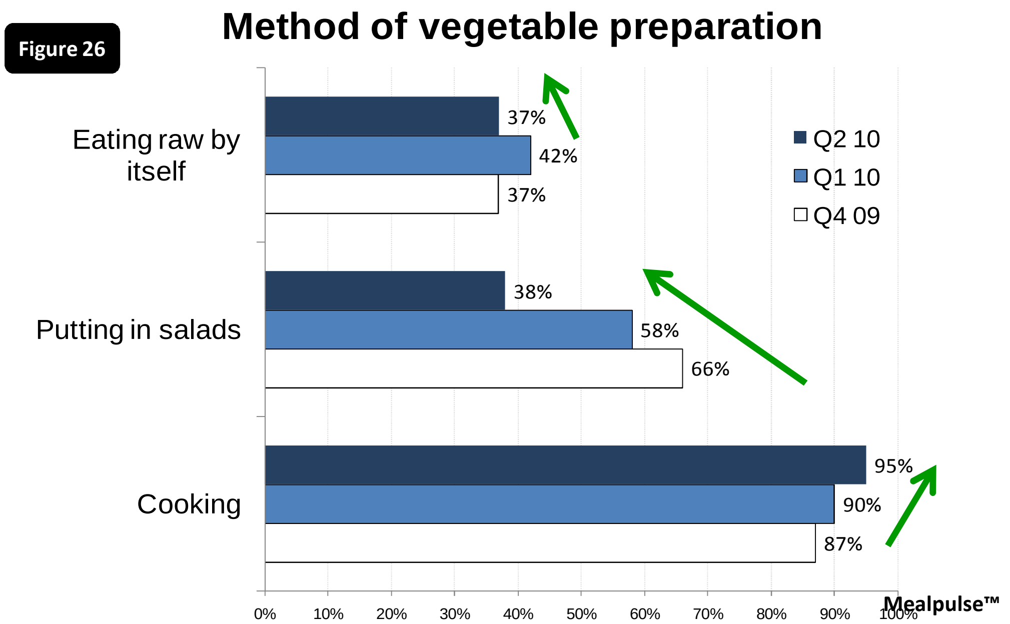
Vegetable preparation

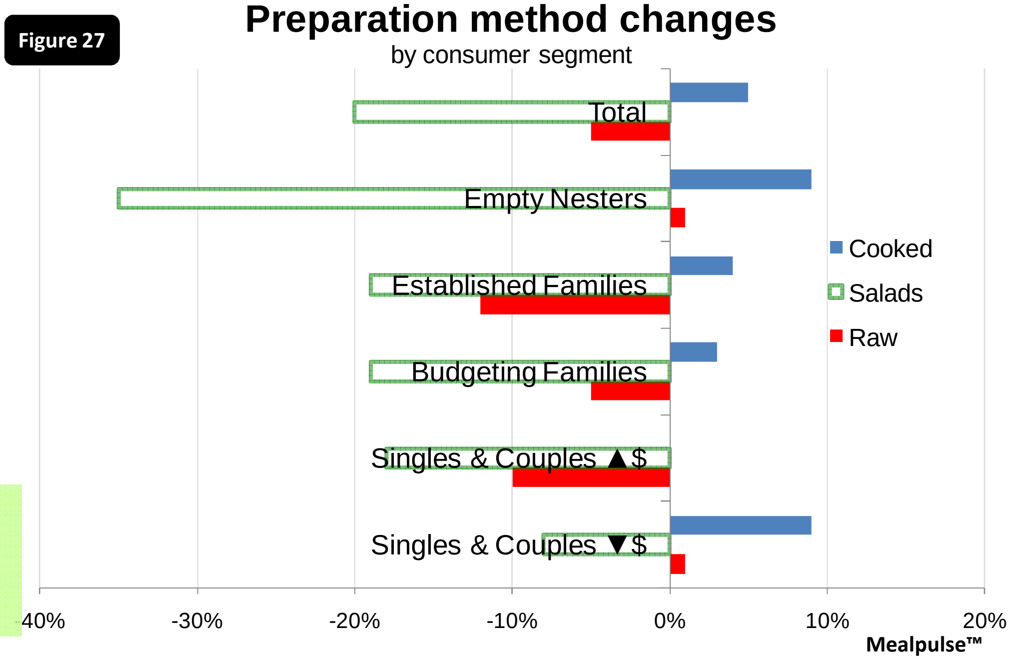
- Figure 26 profiles how cooking, which includes steaming, boiling, roasting & stir-frying remained the dominant method of preparation, increasing a further 5%, with 93% of households using this method in this quarter.
- The use of salads declined by 20% to 38% of households during the quarter.
- Eating raw vegetable declined 5% to 37% of households during the quarter.
- These changes can be expected due to the influence of seasonal demand shifts and increased tendency to stay indoors and eat cooked foods in the cooler winter months.

Household segment variations in vegetable preparation

- Figure 27 profiles the changes in preparation methods from the last quarter. The two family segments and Singles & couples with higher income reduced their use of salads by 18-19%. However, Singles & couples with lower income only reduced their salad use by 8% and Empty Nesters, who are expected to be more sensitive to the cooler weather, reduced salad use by 35%.
- All segments increased the use of cooking except Singles & couples with higher income. This is likely to have been influenced by this segment eating out more during this quarter.

13. As expected winter shifts in seasonal demand patterns led to a sharp decline in preparing salads and increased cooking. These changes varied slightly across the household segments.





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5.10 Vegetable buying trends & reason for buying

Vegetable buying trend

- Figure 28 profiles that 75% of households purchased the same quantity of vegetables in the period, which was an increase from 72% buying the same in the last quarter.
- Of those who altered their buying of vegetables the level of change was very similar to the previous quarter, with 14% purchased less and 12% purchased more vegetables.
- This inclination towards more stable consumption patterns flows from a period of more even wholesale values combined with the household food planning and shopping patterns, caused by a higher proportion of winter meals being prepared at home.

Reasons for buying

- Figures 29 profiles the relative impact of the reasons for buying more vegetables in this quarter.
- The dominant reasons for all household segments were “in season looking good” at 53%, “on special” at 45%, and other reasons at 33%.
- The dominant stand-alone reasons for buying the same quantity were “in season and looked good” at 52%, “other reasons”* 34% and “on special “at “25%”. *Includes a diverse range of supply, use and convenience factors.

14. The majority of consumers are buying the same quantity of vegetables and appearance and promotional activity continue to influence increases in purchases.

Figure 28

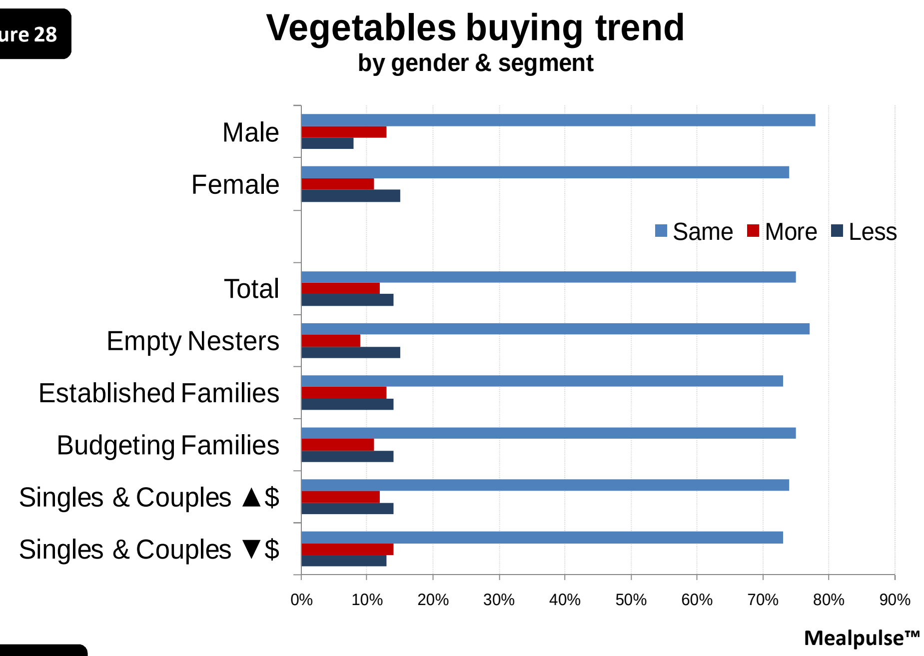
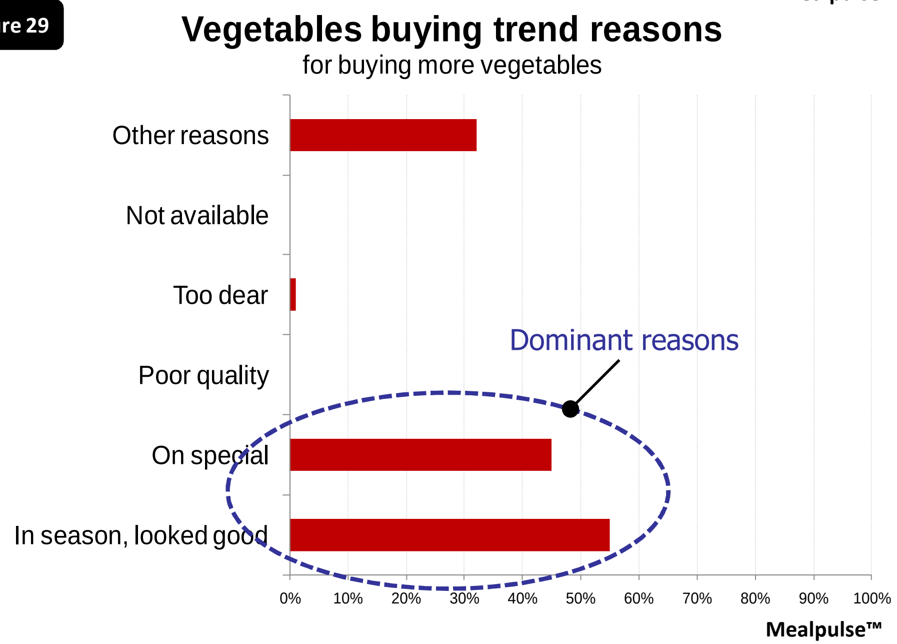


Figure 29



6.0 Vegetable Market Insights

This section includes a selection of the relevant market insights deduced from events or observations of the last quarter.

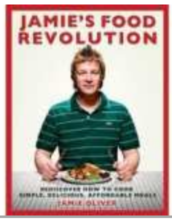
- Food and the next generation

Food and the next generation - The essential skills and joy of cooking fresh produce that used to be passed down from one generation to the other has been diluted by the time consumed in our household structures and increasingly fast-paced lives. With smaller households, many now containing only one adult and a wealth of leisure options, the opportunities to transfer these skills have been reduced. However, there appears to be a level of natural and instinctive demand for this knowledge. This underlying demand for cooking knowledge and skills, combined higher awareness of health and nutrition has created a climate where consumers are more receptive to initiatives that convey how to produce and prepare foods.

New initiatives are teaching children how to grow and cook their own food and instilling in them a love for healthy food by making the process fun and pleasurable. All indications point to a turnaround in how food will be seen buy the younger generation.

Food programs – involving edible gardening and scratch cooking – help children to re-establish the intrinsic link between food they see in bottles, packets and jars with the fresh produce that is harvested in the gardens and fields and food served on the table. These positive food experiences culminate in healthy eating habits.

Some prominent platforms

Platform		Program	Key highlights
Edible gardening		Stephanie Alexander Kitchen Garden Program	Implemented in 138 schools across Australia . In each of these schools, participating children receive a single session in the garden each week and a double session in the kitchen, cooking with their grown produce
	McCain SCHOOL Veggie PATCHES	McCain's School Veggie Patches	Has more than 1,700 registered primary schools; endorsed by celebrity chef Peter Evans
		Potato Council Grow Your Own Potatoes (GYOP) project	Half a million pupils from about 14,500 UK schools have taken part in growing their own potatoes
Scratch Cooking	MasterChef AUSTRALIA	Junior MasterChef	Aired on Ten in September this year, *Junior MasterChef* tailored to the same pattern of its adult version, involved 50 children aged between 8 and 12 who battled against each other to showcase their cooking prowess and be crowned the best junior chef in Australia
		Jamie Oliver's Food Revolution	UK celebrity chef Jamie Oliver's program that was aired between March and April 2010 used a grassroots campaign to curb obesity in the US. The program focused on imbibing healthy food habits by introducing healthier lunch boxes to children of schools in Huntington, West Virginia, statistically one of the unhealthiest cities in the country

6.1 Food and the next generation (continued)

Program dynamics:

Edible gardening and growing programs – Edible gardening programs use vegetable gardening as an effective vehicle to encourage children to make good food choices for the present and future.

- Nurtures children's curiosity by augmenting classroom studies with experiential learning
- Builds familiarity with fresh produce and seasonality of the produce
- Stimulates social interaction and discussion and facilitates cultural exchange of produce types
- Develops new skills and traits of trust, responsibility, self-esteem, and confidence in children
- Enhances children's understanding of how the whole of eco-system works

Scratch-preparation cooking programs – The programs touch children by allowing them to realise and appreciate the benefits of fresh produce and learn new ways to prepare vegetables that is exciting, challenging, and different.

- Builds support for a sustainable movement that educates children about the food they eat. Many children have lost the link between fresh and processed food
- Educates children and equips them with tools to positively impact their cooking skills and dietary habits towards preparing nutritious meals from scratch using fresh produce
- Creates enthusiasm amongst children for food preparation, motivating them to be more adventurous and experimental in trying different types of food

Possible future impacts

- **Gardening as a learning environment**: Children are learning where vegetables come from, how they grow, and what they look like
- Growing vegetables has shown to **positively impact children's perceptions about vegetables,** by making them more enthusiastic to eat more fresh vegetables that they produce
- There has been a **flow on, with children willing to try new foods and enjoy cooking classes into the home environment**, making parents responsible for the choices they make towards fresh vegetables
- Cooking classes in schools **enhance the motor skills of children** such as using knives competently in kitchen, which also reflects a building of trust among them. Reading, following recipes, measuring and combining ingredients of recipes also improves science, reading, comprehension, and scratch cooking skills.
- New food shows like **Junior MasterChef motivate children to gain cooking skills** and make the **concept of scratch cooking both fun-filled and enjoyable.**

With the food programs endorsed by popular celebrities and chefs and welcomed by Australian schools gaining momentum, food education for children will continue to expand with a corresponding favourable shift in the attitudes of children towards the growing, cooking and eating of fresh vegetables.

15. There are encouraging signs that the next generation is thirsty for more knowledge about food. This may be triggered by a natural inclination to learn and is likely to have been aided by a wealth of health and nutrition messages. Regardless of the drivers, it will lead to a group of more informed food buyers and with that an opportunity to convey and gain acknowledgement for different food attributes.

7.0 Appendices

This section includes all appendices for further clarification.

- Methodology & data sharing program
- Mealpulse household segments
- Vegetable category structure
- Domestic market distribution channels

Appendix A - Methodology & data sharing

Methodology

In order to enable this level of analysis, the methodology has centred on the design and building of a vegetable market model; this model has consolidated all available data including:

- Production and import export data
- ABS household expenditure data
- Distribution channel data from selected vegetable enterprises
- Vegetable wholesale market data
- Retail sales data
- All available vegetable market and consumption data
- Partner consumer research on vegetables

The model is then combined with a set of responses from vegetable specific questions, which are captured in the Mealpulse™[1] consumer panel. This combination brings together the definitions of annual market volumes and values with the likes of buyer preferences, household expenditure, and retailer patronage. This scope requires the capture of production and import volumes and the tracking of sales of vegetable products in all forms through all channels. As a result, the capacity of the profiling and analysis has been elevated to a new level of detail for the vegetable sector.

An initial output from the model includes the annual market values and volumes used in this report and detailed on pages 16-18.

A key feature of the model design has been a requirement to reconcile vegetable volumes and values through the supply chain from production to the household. This reconciling feature ensures that all outputs are based on full market profiles.

Target uses

This report aims to profile vegetable consumer-buyer behaviour and vegetable market performance. The information compiled in the report can be used to:

- Assess market, channel, and category performances
- Guide production forecasting
- Guide business planning
- Enable and guide new product development decisions

Due to the current low level of information available to the vegetable industry, some readers may benefit from the guidance on how to use market information. Therefore, conclusions and implications have been designed in this report for those who are developing capabilities to use market information in their business operations.

Data sharing

The development of the vegetable market model, which provides information for this report, offers the opportunity for industry stakeholders to participate in a data sharing program. Those who contribute data to the model will have priority access to the market reports.

For more information about this opportunity, please contact Martin Kneebone at martin@freshlogic.com.au. Queries regarding the report's content are welcome at the same contact details.

1 http://www.freshlogic.com.au/Services/Mealpulse/tabid/141/Default.aspx

Household demographics

- The nature of households has diversified in the past 20 years with gradual changes in family structures, the values of the younger generations, deteriorating housing affordability, and more flexible careers and working practices.
- Freshlogic's analysis of trends is based on 5 demographic segments, as summarised in Figure 24. These segments capture the diversity of incomes and household structures. Each segment contains similar numbers of households. The relative affluence and family size of each segment drives their overall share of food spend.
- This segmentation has been developed from the Mealpulse™ consumer food panel in order to enable the extension of panel results to the national population. This panel is the mechanism used to collect vegetable consumption data for this report.
- The affordability and attitudes of each segment towards eating meals out vary, as does the frequency with which they do so.
- The variations range from the Empty Nesters who are spending 26%-28% of their food dollar on food eaten away from home to the Singles & Couples with higher income who are spending 37%-41% on food eaten away from home.

Figure 24

Take Home food as defined in Figure 6 on page 17

Mealpulse™ Household segments

Segment		Description	% of food spend is take home
Singles & Couples with lower income		No children, lower income, eating out restricted by income	63-64
Singles & Couples with higher income		No children, higher income and available discretionary dollars, eats out often	59-63
Budgeting families		Single and dual parent families with children, financially stretched and time pressured	72-74
Established families		Single or couples with children and above average income, at least 1 adult eats out regularly	70-73
MT Nesters		60 years plus, no children permanently at home; generally have income to eat out often but prepare and eat most meals at home.	71-74

Figure 25

Segments as a % of national households

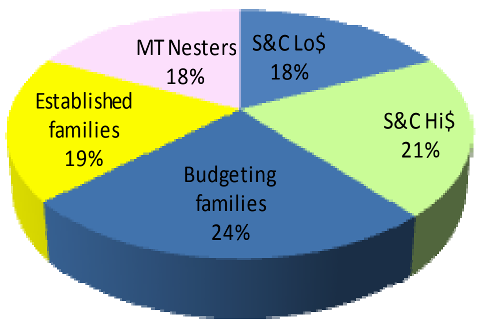
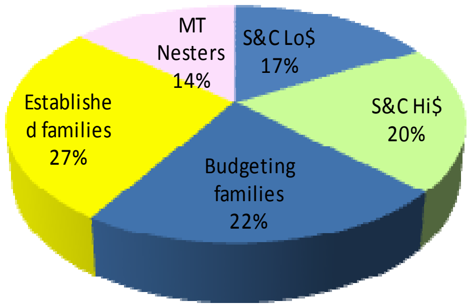


Figure 26

Segments as a % of food market spending



Appendix C - Vegetable category structure

- **Hard Cooked Vegetables**
  - Carrots
  - Parsnip
  - Potato
  - Pumpkin
- **Salad Components**
  - Capsicum
  - Celery
  - Cucumber
  - Lettuce
  - Salad mix
  - Spinach
  - Sprouts
  - Tomatoes
- **Seasonings**
  - Chillies
  - Garlic
  - Ginger
  - Herbs
  - Onions
  - Radish
- **Soft Cooked Vegetables**
  - Asparagus
  - Asian veg
  - Broccoli
  - Cabbage
  - Cauliflower
  - Mushroom
  - Sweetcorn
  - Zucchini

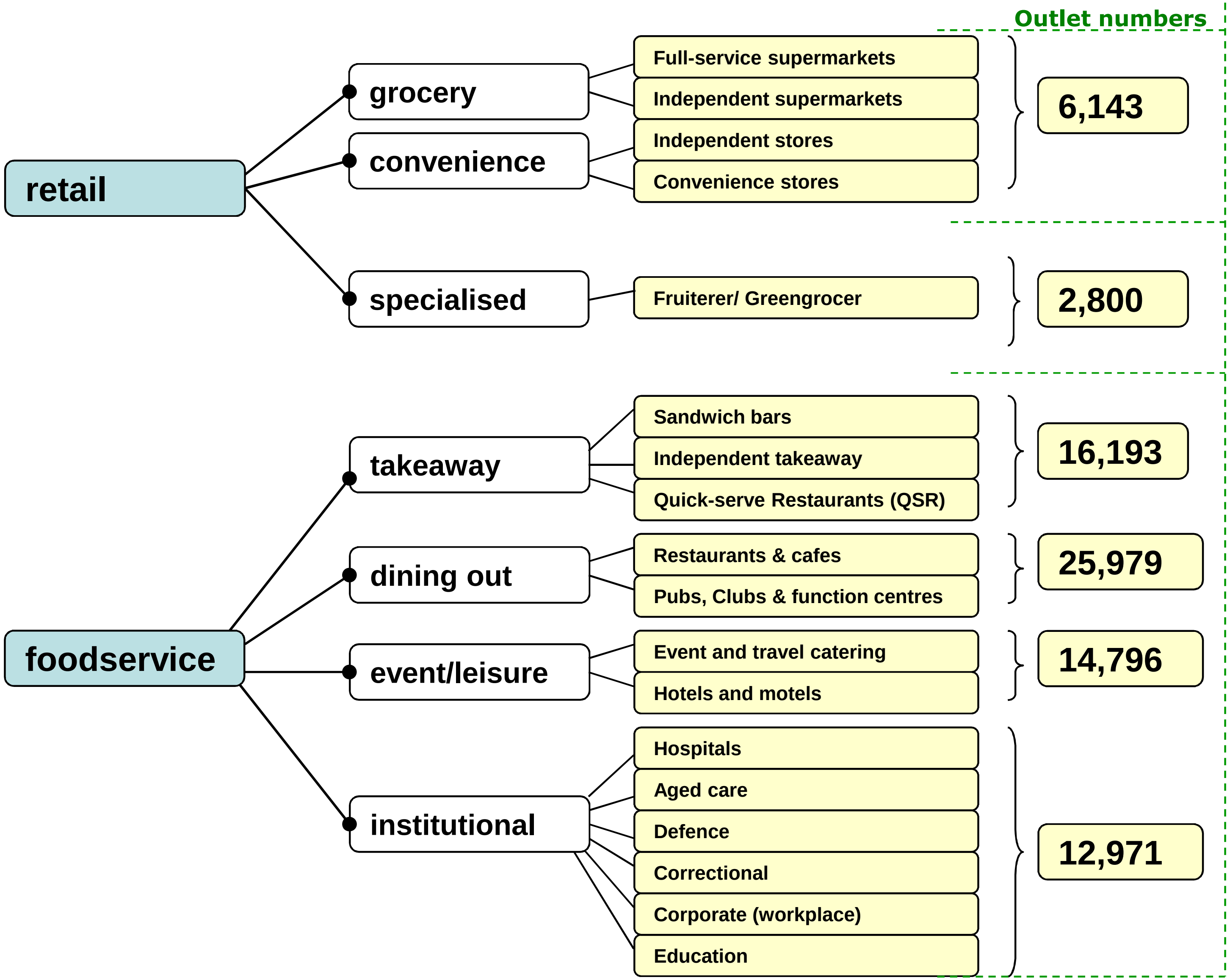
Vegetable range

Based on like or complimentary products, the vegetable types are grouped into categories listed in the adjacent figure, which enable a summary-level analysis of all the vegetable categories.

Hard cooked vegetables include a range of vegetables that consumers will trade off within the category. Similarly, Seasonings are products that consumers will use as alternatives within the category.

However, the buying behaviour with Salad components and Soft cooked vegetables reflects a high level of transfer and trade off between the two categories. Given these two categories make up over 50% of the retail market volumes, this dynamic drives a high level of demand and price volatility in fresh vegetables.

Appendix D - Domestic market distribution channels



Distribution Channels

The definition of distribution channels used in this report recognises the distinctions between the retail and foodservice segments that distribute vegetables into the domestic market.

The adjacent figure profiles these channels and their sub-channels including the number of outlets they contain.