

Insights from Asia Fruit Logistica and vegetable market trends for Q3 11

Veginsights

• The market – Q3 11

A profile of the three-month period ending 30 Sept 2011

Nov 2011

Prepared by Freshlogic as part of the Vegetable Industry Development Program



Content Overview

This version of Veginsights – The Market addresses Q3 2011, and draws comparisons to the previous quarter (Q2 2011) and the same quarter in the previous year (Q3 2010), with profiles of the key trend indicators.

This version also includes a set of insights drawn from involvement and attendance at the Asia Fruit Logistics conference in Hong Kong in September 2011. The event provided exposure to the high growth markets of China and SE Asia and the insights are centred on servicing these markets.

A support document ‘Veginsights – Market Settings and Methodology’ is also available, which outlines the vegetable market settings and the methodology used in preparing this report.

Data sources

The analysis in these documents draws on purpose-built vegetable market models and detailed vegetable consumption data gathered by the **Mealpulse™** food panel. These sources are combined to define and track market volumes and values and derive insights of commercial relevance to vegetable producers.

Quarterly Report - Q3 2011

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Support document - Vegetable market settings and methodology

Click [here](#) to access

Overview

This is the eighth quarterly 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 indicates how they may have altered in this third calendar quarter of 2011, and makes comparisons with both the previous quarter and the third quarter of 2010. It values the annual retail market for all forms of vegetables at \$7.3 billion and profiles the market for the three-month period ending 30 September 2011 for fresh vegetables.

The report also highlights the status and dynamics of the developing China and SE Asian markets.

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. The information compiled in the report can be used by the target audiences to:

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

Selected key findings

SE Asian and China Markets – Asia Fruit Logistica

- As a result of the scale of growth in China and Australia's proximity to it, growers should understand the opportunities in these markets.
- SE Asian retailers with a range of different store sizes and formats present opportunities to distribute a wider range of product forms and sizes.
- The network growth plans of the retailers in SE Asian markets need to be defined to ensure that future supply requirements can be accommodated.
- Improvements in market access and airfreight capacities may have made servicing some parts of these markets more viable.
- Competition in the SE Asian markets will increase, as local production increases to supply more of the requirement of local retailers.

Australian Market – Veginsights Tracking Indicators

- Higher wholesale prices and increased household spend have flowed through to generate increased sales at this time.
- The retail channel remains very competitive and is reflected in the level of promotional activity over the quarter.
- Market demand has clearly moved to favour salads.
- The increase in household penetration follows on from lower levels in winter, and reflects seasonal growth in demand for salad components.
- Vegetable products need to suit being purchased on frequent and smaller shopping trips.
- If the reasons why 20% of households buy less vegetable can be understood and their negative impact reduced, this action could increase vegetable sales.

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 and aims to inform vegetable producers and supply chain stakeholders on market influences and developments in the past quarter. We recommend that those seeking to act on the basis of this information first obtain independent professional advice.

1.0 Key findings and implications – Q3 11

Q3

Findings

Implications for vegetable producers and marketers

SE Asian and China Markets – Asia Fruit Logistica

1. All indications point to strong food market growth in China for at least the near term and servicing this market is now a priority focus for the leading global food producers.
2. There are clear opportunities to service the increasing volume demands of the expanding supermarket networks that are taking market share from the wet markets.
3. The pace of development and the population density of the China and SE Asian metropolitan markets has led retailers to expand with a range of format sizes that service different customer segments.
4. Foodservice channels in these markets are also highly likely to enjoy growth in these conditions.
5. The levels of growth expected in these markets needs to be understood when selecting distribution channels and establishing trading relationships.
6. Trade buyers in these markets are unlikely to warm to product offers that are available subject to local Australian market returns.
7. A number of enabling factors, including market access and airfreight capacity, are changing and their impacts need to be understood.

- Given the scale of growth and Australia's proximity to the high growth market in China, growers should at least understand the opportunities in these markets.
- The volume requirements of supermarket retailers in these markets could increase by several multiples in 2-3 years given how fast some are expanding.
- Retailers with a range of different store sizes and formats present opportunities to distribute a wider range of product forms and sizes.
- Suppliers into these markets need to ensure that the intermediaries they work with have some exposure to foodservice channels.
- The network growth plans of the retailers in these markets needs to be defined to ensure that future supply requirements can be accommodated.
- The production cost base and/or prevailing returns in Australian markets are not the basis to earn the prices Australian producers want. Other reasons to earn these prices need to be found and developed into the selling propositions for these products.
- Improvements in market access and airfreight capacities may have made servicing some parts of these markets and segments within these markets more viable.

1.0 Key findings and implications – Q3 11 (continued)

Q3

Findings

8. Local supply in the region is being developed and local output volumes are likely to increase.
9. Plant breeder rights are a key consideration in most trading discussions.
10. Most trade show interaction was centred on sourcing the volumes required to service the growth.

Implications for vegetable producers and marketers

- Local production in these regions will increase to supply more of the requirements of local retailers. Therefore the level of competition in these markets is set to increase.
- This focus brings input providers of plant material into trading and market development discussions, which can be advantageous to all involved but needs to be understood by producers.
- The high volume nature of current demand is consuming trading activity. While there are encouraging signals about market volume potential, the potential for new innovative products should also be considered.

Australian Market – Veginsights Tracking Indicators

11. Household spend on fruit and vegetables lifted in an expected seasonal pattern and spend on take home food may have peaked.
12. In Q3 11 retail sales of all vegetables increased by \$100 million or 6% compared to the Q3 10 period, twelve months prior.
13. The ABS total annual food inflation lifted from 6.1% in Q2 11, to 6.4% in Q3 11, which was largely influenced by price rises for fruit.
14. While variations occurred across products, in general, vegetable wholesale prices eased over the quarter, but were higher compared to the same quarter in the previous year.
15. The number of vegetables products advertised increased by 7% compared to the previous quarter, reflecting the competitive intensity within the retail channel.

- Higher wholesale prices and increased household spend have flowed through to generate increased sales at this time.
- While wholesale vegetable prices eased slightly over the quarter, prices remain higher than they were at this time last year, and product pricing remains a key focus of both consumers and media.
- The retail channel remains very competitive and this is reflected in the level of promotional activity over the quarter.

1.0 Key findings and implications – Q3 11 (continued)

Q3

Findings

16. The changes in the type of fresh vegetable product advertised in Q3 11 reflect an expected shift towards salad components over the latter half of the quarter.
17. Over the quarter, the use of salad preparation increased, while the use of cooking eased, in line with seasonal patterns.
18. Over the quarter, 85% of households reported purchasing fresh vegetables on a weekly basis.
19. Salad components returned to the most frequently purchased vegetables. Households are undertaking supermarket shopping often and spending an average of \$48 on each trip.
20. Seasonality and promotions were the main reasons households purchased 'more' vegetables over the quarter. Purchase patterns show that 20% of consumers can be influenced to buy less vegetables.

Implications for vegetable producers and marketers

- Market demand has clearly moved to favour salads.
- The increase in household penetration follows on from lower levels in winter, and reflects the seasonal lift in demand for salad components.
- Vegetable products need to suit being purchased on frequent and smaller shopping trips.
- There are several indications that aligning promotional activity with known seasonal demand patterns is effective and potentially likely to generate incremental growth.
- If the reasons why 20% of households buy less vegetable can be understood and their negative impact reduced, this action could increase vegetable sales.

2.0 In Focus: Asia Fruit Logistica – Hong Kong September 2011

This section provides insights from the Asia Fruit Logistica trade show that was held in Hong Kong in September this year. These insights are have been compiled based on what was observed through:

- The Asia Fruit Logistics trade show - the Asian fruit congress that runs in conjunction with the trade show
- An assessment of Hong Kong food retail
- A brief visit to Shenzhen on mainland China.

The scope of these insights is centred on the market conditions and export potential of the rapidly developing markets in China and SE Asia.

The expansion of the middle class in China and SE Asia is defined by some observers as one of the greatest mobilisations of wealth on record. This growth is what is driving the interest in these markets from most major world exporters.

Another encouraging feature of these markets is their comparatively high consumption of vegetables by the consumers they service.

The findings are summarised on pages 8-12 and a number of conclusions are drawn and collated on page 4-5, where each conclusion is then extended into implications for vegetable producers and marketers.

2.1 Insights from Asia Fruit Logistica – Hong Kong

This is a summary of key insights gleaned from attending the Hong Kong Fruit Logistica in early September 2011. The focus of this convention was on the status and development changes within the fresh fruit and vegetable industry in Asia, particularly China and SE Asia. These insights have been compiled to convey the status and scale of development in these markets so that export opportunities can be understood.

Insights

- The increasing size of the middle class is the growth engine for the region, especially in China. All indications are that this growth will continue as more of the population moves from agriculture, to work and live in urban environments. This means more households with higher available income and more people in housing that is in closer proximity to organised retailing. Some of the indicators that signal this growth include:
 - China's economic transformation since the late 1970s has produced what is now seen as the greatest and most rapid mobilisation of wealth on record. The poverty rate has plunged from 53% in 1981 to just 2.5%, according to World Bank data.
 - The middle class in China is reported to have increased from about 200m to 500m over the last 6 years.
 - The IMF has China's economy growing at 9.5% this year, and a forecasted 9% next year. Forecasts for the region as a whole have been scaled back since the start of the year. Still, developing Asia's expected growth rate of about 8% this year and next year, far exceeds the 1.6% and 1.9% slated for advanced economies.
 - Wages in China are forecast to rise at about 15%-17% in nominal terms. By comparison, the US's annual rate is in the low single digits. China's retail sales grew an enviable 18% in Chinese Yuan last year and almost 15% when measured in US dollars.
- The global focus is on the growth regions of Asia. The development of these markets, and the contrasting flat market conditions in the US and Europe, means there is a keen level of competition to supply the growth markets in Asia.
- The shift in food sales away from wet markets to organised retail (supermarkets) is continuing at an estimated 1-2% market share per year. It is the younger shoppers who prefer to shop in air conditioning and the older lower income shoppers who frequent the wet markets. Indications are that the price sensitive shoppers see the air conditioned stores as being a cue for higher prices compared to the wet markets.



1. All indications point to strong food market growth in China for at least the near term and servicing this market is now a priority focus for the leading global food producers.

2.1 Insights from Asia Fruit Logistica – Hong Kong

- There are some familiar global retail brands in the major cities in this region and with that, some familiar retail processes. However, there are indications that the locally owned and operated supermarkets operating away from the major cities offer the most attractive growth opportunities for those seeking to build their sales into the region.
- The eating quality of fruit and vegetable products provided by the supermarkets is set by the standard delivered in the wet markets. Not unlike the fruiterer and greengrocers in other developed markets, who despite operating in less than optimum conditions, are still viewed by consumers as delivering the optimum eating quality.
- SE Asian shoppers in general welcome brands and it is significant that other Southern hemisphere exporters into Asia have developed and now support market specific brands. Importantly supplier brands are welcomed by the retailer, which allows a platform for product differentiation to be established.
- Late-mover advantages are being captured by the retailers expanding into these markets as they are able to apply the latest marketing and operating systems that in some instances are actually being back-filled in other developed markets. An example of this is a Thailand based retailer who has more than 80% of customers involved in their loyalty card scheme. This has enabled tailored offers to be put to known consumers of these products with strong success. Before approaching these retailers as a potential supplier, it is important to understand the status of these practices and other retail processes, as they could well be more advanced than retailers in other markets.
- Food safety is a major issue with consumers and has been elevated by recent incidents, not the least of which involved the highly sensitive issue of problems with of baby food. As is the case in all markets this has left consumer awareness at high levels and in Asia it has resulted in some permanent changes in how parents buy food for their young children. While all of the new supermarkets are required to have food safety systems, this higher awareness provides more scope for exporters to gain acknowledgment for what local consumers may already see as a benefits of imported products.



2. There are clear opportunities to service the increasing volume demands of the expanding supermarket networks that are taking share from the wet markets.

2.1 Insights from Asia Fruit Logistica – Hong Kong

- There is merit in being informed on the market structure in order to guide early market entry and avoid making moves that require trading relationships to be altered some months later. Many retailers in these markets are operating a range of store formats and while they are rapidly expanding store numbers, there are wide extremes in the style of offer and productivity of the different formats. This mixture of formats is driven by concentrated urban populations that have led to some store formats, like those in railway stations, being as small as 50 square metres of retail selling space. This type of format is a very different servicing proposition to a 3,000 square metre full service supermarket.
- Smaller stores require more frequent but smaller orders and move less stock in total than larger stores. However, these same stores can service customers who are buying smaller portions and prepared to pay for that convenience. Therefore, the complementary mixture of formats operated by retailers should not be overlooked. A range of retail formats can provide the means to reach varying consumer segments and with that a means to distribute varying products forms and at times, grades and sizes.
- The value and extent of eating out should not be ignored in these markets, especially as many younger consumers are enjoying new levels of available discretionary dollars, are eating out more often, and are able to do so for good value. This means it is worthwhile to develop a sound understanding of how the foodservice channels are served and seeking to set up at least some exposure to what could be a high growth channel.



3. The pace of development and the population density of the China and SE Asian metropolitan markets has led retailers to expand with a range of format sizes that service different customer segments.

4. Foodservice channels in these markets are also highly likely to enjoy growth in these conditions.

2.1 Insights from Asia Fruit Logistica – Hong Kong

- Export marketers would do well to understand the forecasted growth of these markets and the volumes that could be required in 3-5 years. In short, this high growth situation invites a level of development investment to first understand, then service and build trading relationships with intermediaries and expanding retailers. Given the forecasted increases in local production for many fruit crops, it is important to take advantage of opportunities to secure a share in high growth markets.
- Exploring these markets with a view that is anchored around last week's local market price or leading negotiations with the need for prices to pay for local labour, will need a lot of luck to succeed. It is far more likely that this tired approach will be rapidly defeated by the long term perspective of other southern competitors. Labour costs and local market prices are issues to be managed, but they are highly unlikely to be the basis to win market share in these growing markets.
- Airfreight export capacity can now lever off 400 flights a week from Australia. This has been supported by the airlines and freight forwarders investing in airport handling infrastructure, which includes cool rooms and the capacity to hold containers at prescribed temperatures. It should be remembered that this expanded number of flights will also increase capacity to bring product into Australia.
- The improved market access for some products allows new distribution options to be explored. This is viewed as a chance to build optimum supply chains and potential relationships with those further down the supply chain.



5. The levels of growth expected in these markets needs to be understood when selecting distribution channels and establishing trading relationships.

6. Trade buyers in these markets are unlikely to warm to product offers that are available subject to local Australian market returns.

7. A number of enabling factors, including market access and airfreight capacity, are changing and their impacts need to be understood.

2.1 Insights from Asia Fruit Logistica – Hong Kong

- Local supply is being considered by the retailers in these SE Asian markets. This is driven by a desire to appeal to customers by offering a range of local fruit and vegetables, which is the same driver that supports similar initiatives in other developed markets. It will include drawing on clusters of local supply, because it is both good for winning support from consumers and harnessing the benefits of improving local growing standards. It is also clear there is a lot of work being done at the local grower level by some of the major retailers, which is yet to come to fruition and when it does it will provide more competition for imported product.
- Organics assessed by some in retail as being in baby shoes and while possibly not being fully understood, it is seen by consumers as healthy. Retailers in these markets are dealing with the core issue of determining whether to group organic products together or locate them adjacent to the conventional products.
- The control of plant breeder rights were in strong focus, as it was at the Berlin Fruit Logistica in February 2011, and remains an issue that is likely to define not only the production platforms, but increasingly the market pathways for many new products. This elevates the requirement for sound planning before planting.
- The focus of this Asia Fruit Logistica event was on 'trading' with the volume growth of the China market clearly evident. The trading discussions understood the optimum windows from each supply region and discussions appeared to move into volume availability and transport time frames. The Berlin Fruit Logistica in February 2011 had a similar trading focus, but also had a stronger focus on innovation and new products. New and interesting products on offer at the Hong Kong based Logistica were limited and included smaller portion sizes and products in multiple forms.



Tibetan Organic Trademark



8. Local supply in the region is being developed and local output volumes are likely to increase.
9. Plant breeder rights are a key consideration in most trading discussions.
10. Most trade show interaction was centred on sourcing the volumes required to service the growth.

3.0 Vegetable Market Trends

The section reviews market performance for the third quarter of 2011

This section includes consideration of the following:

- Household spend on fruit and vegetables
- Market size and contribution
- Food and vegetable inflation
- Wholesale vegetable market price trends
- Vegetable retail promotional activity
- Vegetables purchased and preparation method
- Fresh vegetable buying patterns
- Most popular purchased vegetables, and shopping trip patterns
- Vegetable buying trends and reasons for buying

3.1 Household spend on fruit and vegetables

Household spend on fruit and vegetables

- In Q3 11, the average household weekly expenditure on fresh fruit and vegetables **was \$29.75 per household** (compared to \$28.10 in the previous quarter).
- As profiled in Figure 1, the range of spend per household varies substantially from <\$5 to >\$50 per week.
- In Q3 11, 2.7% of households moved out of the two lower spend categories, into the higher spend categories. In all, 43.6% of households spent less than \$20 per week on fruit and vegetables, while 56.4% of households spent \$20 or more per week on fruit and vegetables.
- This shift in spending is assessed as an influence of the seasonal change to warmer weather. This typically stimulates more outdoor activity and from that a lift in health and well being. This flows through to a positive influence on the purchase of fruit and vegetables.
- Figure 2 indicates that expenditure on take home food, that being food purchased at retail to be prepared at home, has consolidated at 77%, compared the previous quarter of 78% of total household food spend.
- This provides indications that households are content with the value and savings they have captured and/or that they wish to maintain some level of eating out.
- It should be noted that the shift from “eating out” to “take home” food has moved a substantial 13% since March 2008.

11. Household spend on fruit and vegetables lifted in an expected seasonal pattern and spend on take home food may have peaked.

Figure 1

Fruit & Veg weekly spend range

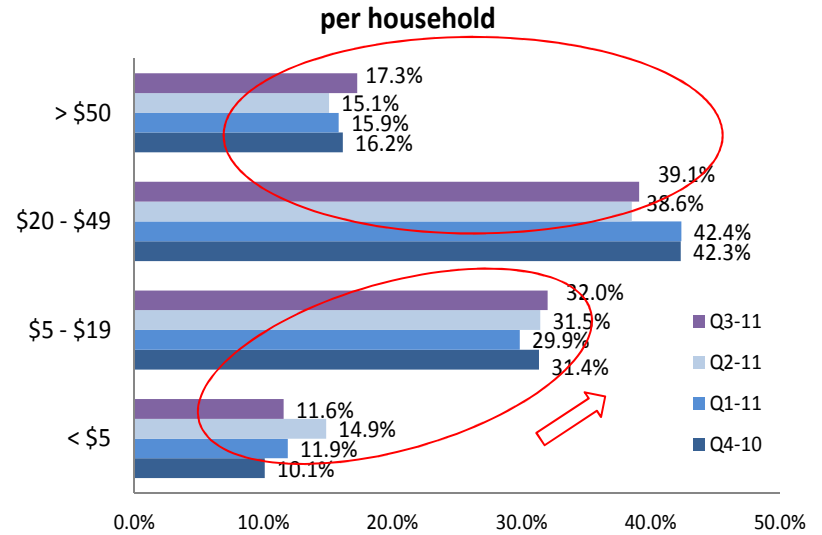
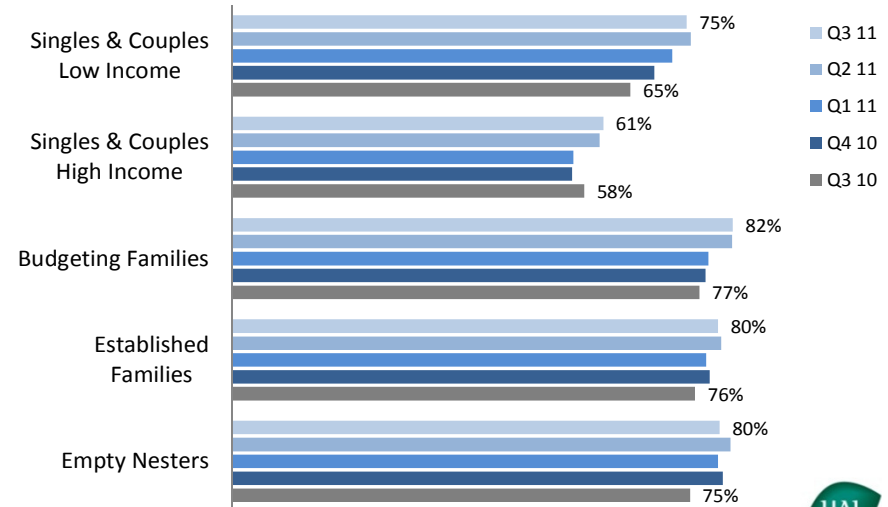


Figure 2

Spend on take home food

as proportion of total weekly food spend



3.2 Market size and contribution

Total vegetable sales

- Total retail vegetable sales in Q3 11 for all fresh, frozen and canned vegetables were \$1.781 billion, as profiled in Figure 3.
- This sales level was a decrease of \$12.3 million or 0.7% on the previous quarter, which is attributed to the more stable supply and consolidating wholesale prices compared to the last calendar quarter.
- These sales were \$100 million or 6.0% higher than the same quarter in 2010.
- In addition to retail sales, it is estimated that 62,000 tonnes of fresh vegetables were sold to the foodservice sector in Q3 11.



Fresh vegetable category sales contribution

- The quarterly category level contribution profiled in Figure 4 reflects a continuance of the winter mix of vegetables with a small shift towards salads as some parts of Australian move into the warmer temperatures of spring.
- This shift led is reflected in a transfer of 1% of sales contribution towards salad components and a corresponding decrease of 1% hard coked vegetables, compared to last quarter.

12. In Q3 11 retail sales of all vegetables increased by \$100 million or 6% compared to the Q3 10 period, twelve months prior.

Figure 3

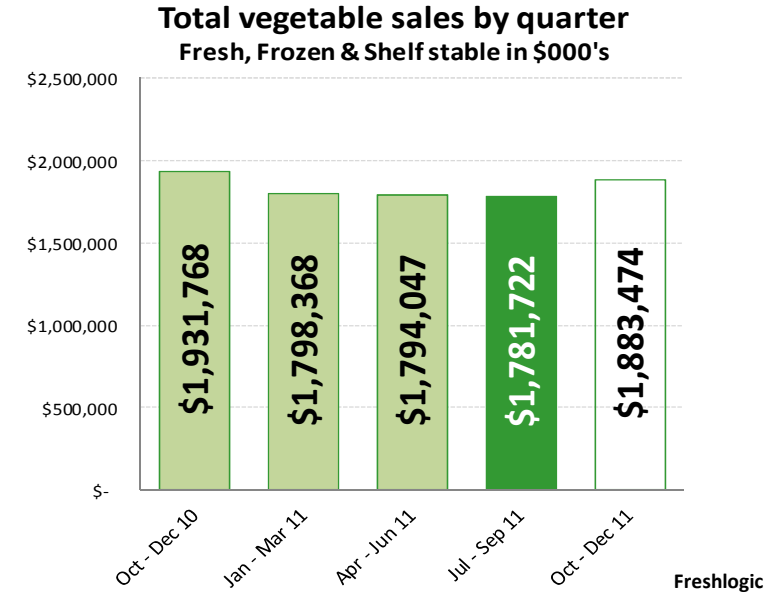
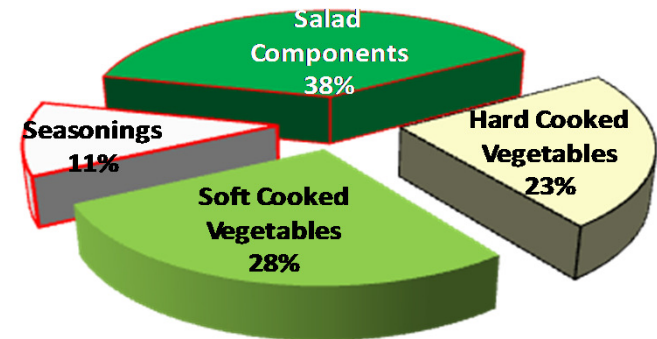


Figure 4

Fresh vegetable sales contribution by category Q3 -11



3.3 Food and vegetable inflation

Food inflation

- Food inflation, as reported by the ABS, was 6.4% compared to the same quarter in the previous year.
- This compares to 6.1% reported in the previous quarter, and 1.7% at the same time last year (see Figure 5).
- This relatively high food inflation figure was driven by fruit prices, which increased 65.8% compared to the same quarter in the previous year, contributing 4.0% toward total food inflation (6.4%). The ABS cites the main influence on the fruit category to be the shortage in bananas as a result of Cyclone Yasi in February 2011.
- Vegetable prices were reported to have increased 13.1% on the same quarter last year, contributing 1.0% towards total food inflation (6.4%). The current vegetable inflation is higher than in the previous quarter.



13. The ABS total annual food inflation lifted from 6.1% in Q2 11, to 6.4% in Q3 11, which was largely influenced by price rises for fruit.

Figure 5

Food category percentage contribution to total Food CPI ABS

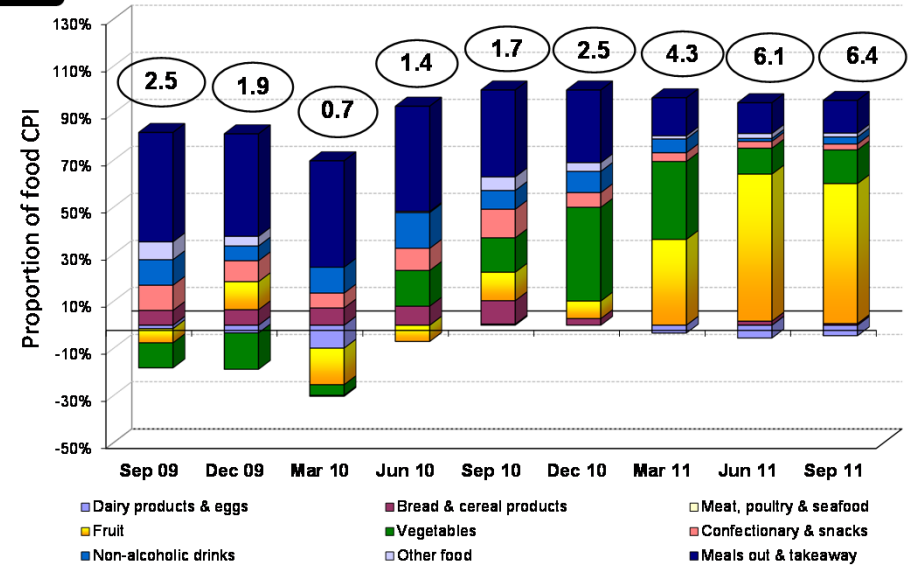
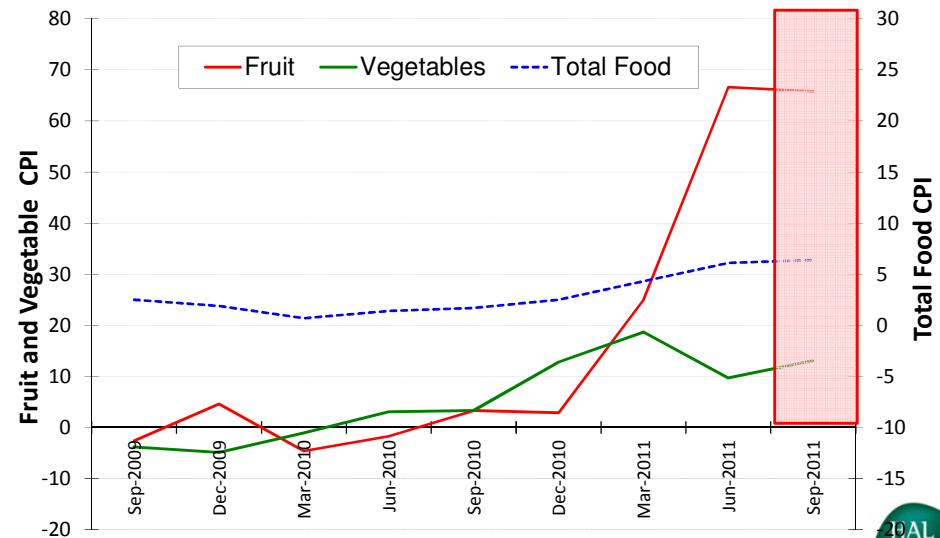


Figure 6

Total Food CPI, Fruit and Vegetable CPI

Percentage change on same quarter in previous year Sept 2009 to Sept 2011



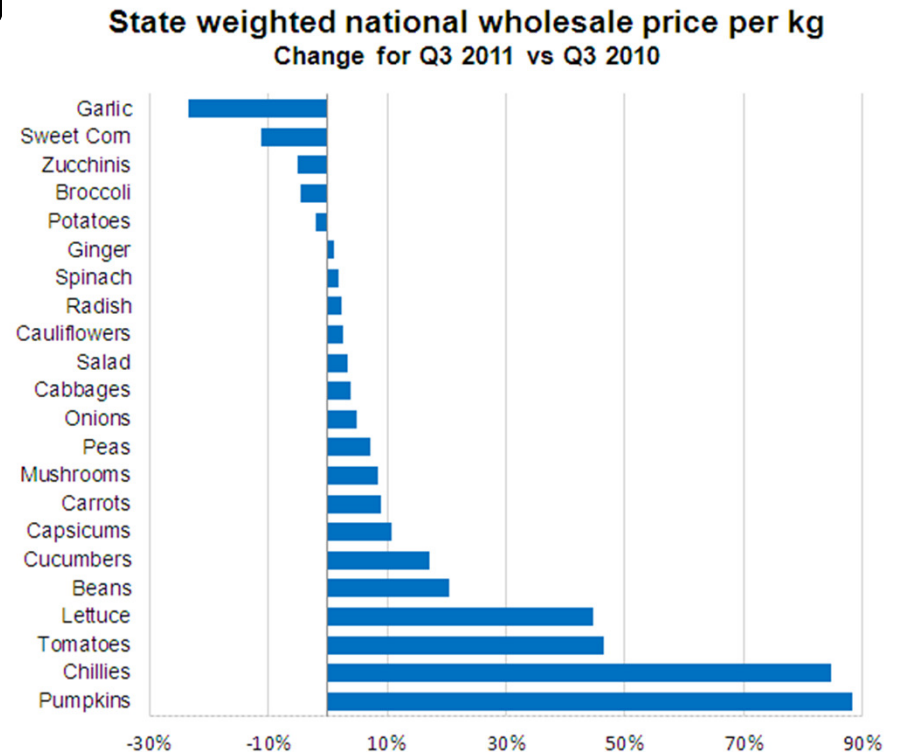
3.4 Wholesale vegetable market price trends

Wholesale prices

- The wholesale vegetable price trends (per kg) are based on a model that weights the range of vegetable products from the five main wholesale markets.
- The trend for Q3 11, which ran from the week commencing 4 July to 26 September 2011, reflects a slight easing in prices over the quarter.
- However, compared to the same quarter in the previous year, prices have firmed (see Figure 7). Pumpkins, chillies, tomatoes and lettuce were among the products to experience the highest change in prices compared to Q3 in the previous year, while garlic and sweet corn were among the products to experience a decline in prices.
- The sizeable annual change in prices for some products has been influenced by higher prices this year, and lower prices last year.
- Over Q3 11, there were no major holidays affecting demand, however this quarter did include Father's Day.



Figure 7



14. While variations occurred across products, in general, wholesale prices eased over the quarter, but were higher compared to the same quarter in the previous year.

3.5 Vegetable retail promotional activity

Retail promotional activity

- The promotional activity by retailers that featured vegetables increased by 7% to 2,400 products for Q3 11, compared to the previous quarter. Advertising fluctuated over the first half of the quarter, before stabilising in the latter half of the quarter.
- On average, 185 vegetable products were advertised in the five main states each week in Q3 11, compared to 173 lines per week in the previous quarter.
- The increase in promotional activity was driven by adverts for fresh vegetables, which increased 21% compared to the previous quarter, while adverts for frozen vegetables (-10%) and canned vegetables (-11%) declined.
- The increase in promotional activity during the quarter reflects the level of competitive intensity within the retail channel, and the role of fresh produce in that competition.
- The current level of promotional activity is 24% lower than during the same quarter in the previous year. This is true for fresh, frozen and canned vegetables.
- Over Q3 11, frozen vegetables accounted for 27% of total vegetable adverts, followed by hard cooked vegetables (23%), soft cooked vegetables (15%) and salad components (14%).

15. The number of vegetables products advertised increased by 7% over the quarter, reflecting the competitive intensity within the retail channel.

Figure 8

Type of advert July - September 2011

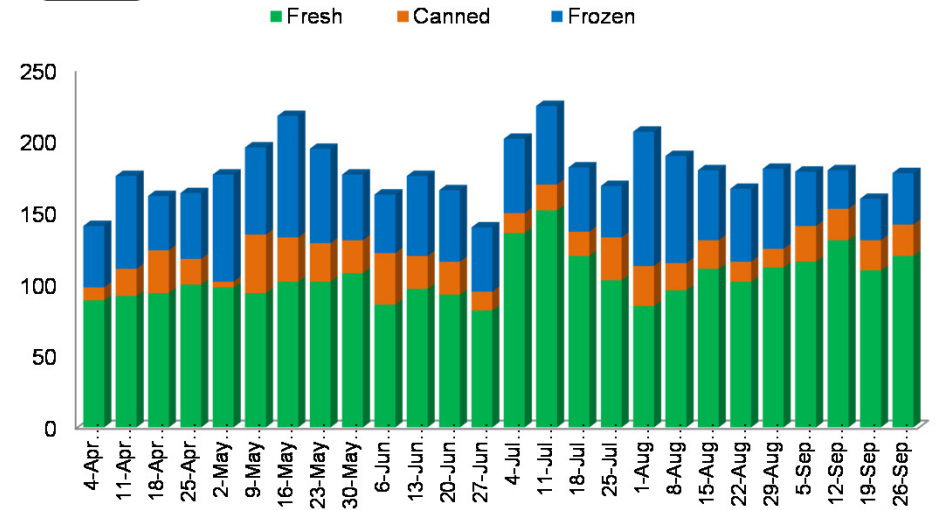
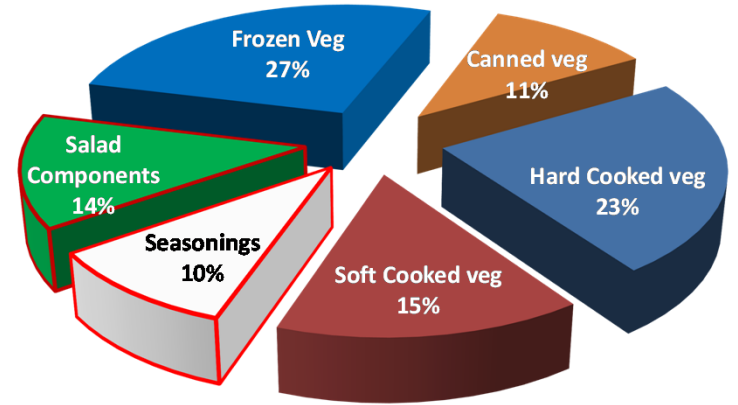


Figure 9

Advertised vegetable products
2,234 adverts by category - Q3-11



3.5 Vegetable retail promotional activity (continued)

Q3

Figure 10 Number of Advertised Fresh Vegetable Products July - September 2011

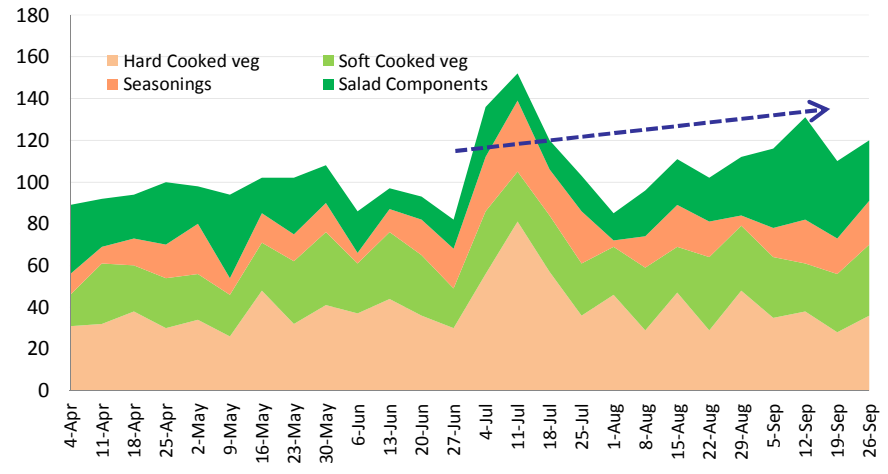
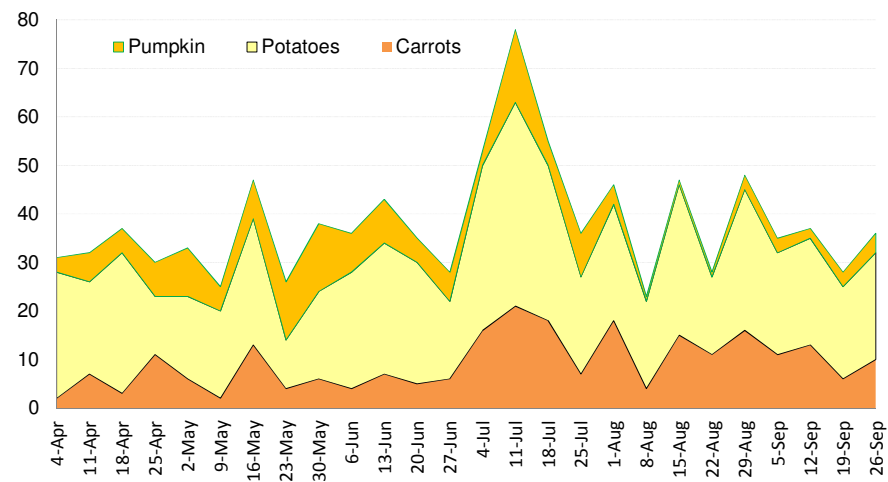


Figure 11 Number of Advertised Hard Cooked Veg July - September 2011



Trends:
Q2 10 and Q3 11

- The type of product advertised in Q3 11 reflects a shift towards salad components in the later part of the quarter, while still maintaining a focus on key soft and hard cooked vegetables.
- At a product level, this was most evident in the increase in tomatoes, cucumbers, lettuce, together with carrots, and sweet corn.

Figure 12 Number of Advertised Soft Cooked Veg July - September 2011

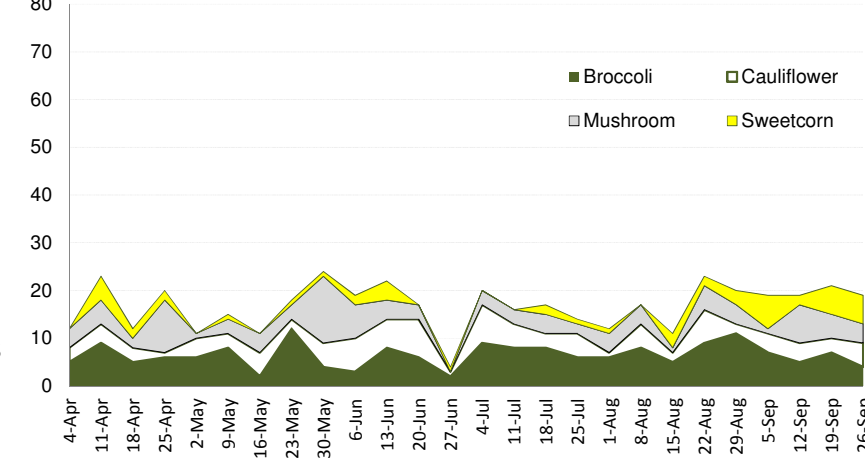
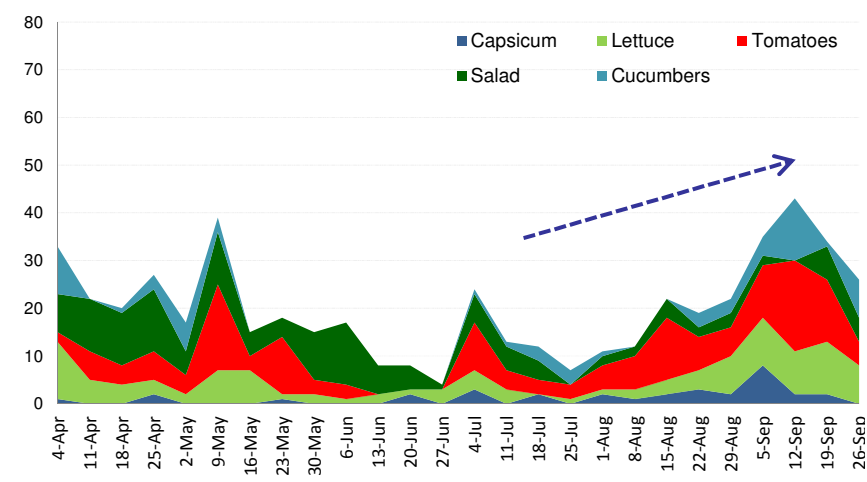


Figure 13 Number of Advertised Salad Components July - September 2011



16. The changes in the type of fresh vegetable product advertised in Q3 2011 reflect an expected shift towards salad components over the latter half of the quarter.

3.6 Vegetables purchased and preparation method

Participation by vegetable form

- Figure 14 profiles the proportion of households that purchased vegetables in frozen, canned and fresh forms in Q2 11 and Q3 11.
- Compared to the previous quarter, there was little change in the proportion of households purchasing frozen and canned products, while purchasing of fresh products increased.
- Compared to the same time last year, slightly more households purchased frozen products. In contrast, the proportion of households who purchased canned and fresh products remained largely consistent.

Vegetable preparation

- Cooking, which includes steaming, boiling, roasting and stir frying, remains the dominant method of preparation, with 92% of households using this method in Q3 11. Cooking has become less popular over the quarter, in light of warmer weather.
- The use of salads increased to 52%, compared to the previous quarter when 44% of households used this method.
- The proportion of households who reported eating vegetables raw (37%), remained largely unchanged compared to the previous quarter.
- These changes reflect seasonal demand shifts and the transition towards salads in warmer months.

17. Over the quarter, the use of salad preparation increased, while the use of cooking eased, in line with seasonal patterns.

Figure 14

Type of vegetables purchased by household

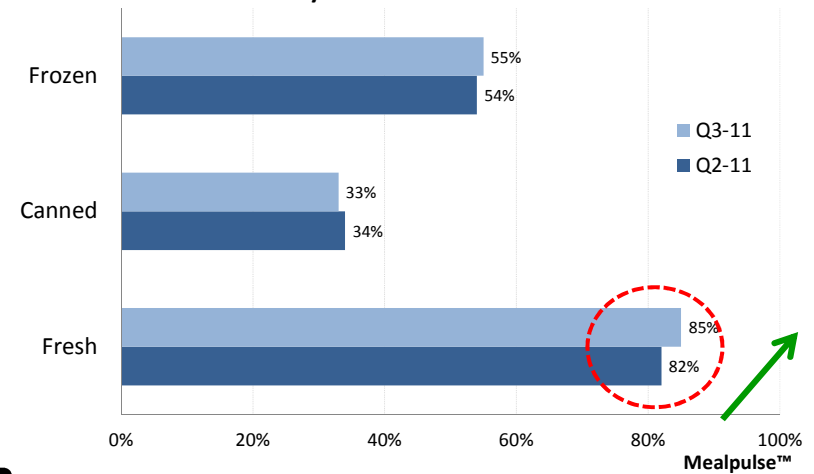
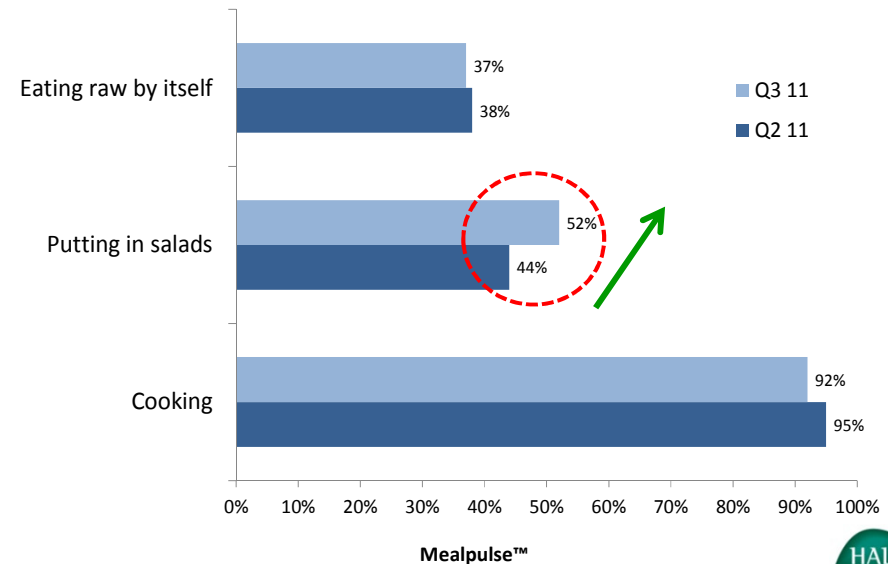


Figure 15

Method of vegetable preparation



3.7 Fresh vegetable buying patterns

Fresh vegetables purchased

- Figure 16 profiles changes in the level of weekly fresh vegetable purchases by gender and household segment, in Q3 11 and Q2 11.
- In Q3 11, the total weekly household penetration increased to 85%, up from 82% in the previous quarter.
- Empty Nesters, Budgeting Families and Low Income Singles and Couples reported only minor changes from the previous quarter, while Established Families reported a larger increase, up 7% to 90%.
- Note that this measure identifies the proportion of households who purchase any fresh vegetables weekly. It does not consider whether these households are buying more or less vegetables. This is covered in Section 3.9.
- Compared to the same quarter in the previous year, total weekly household penetration decreased by 1%, from 86% to 85%.

Fresh vegetables purchased - state-based variations

- Figure 17 profiles the variations in household weekly penetration for fresh vegetable purchasing by state, between Q3 11 and Q2 11.
- Compared to the previous quarter, WA and SA/NT reported a decrease, while NSW/ACT, Vic/Tas and Qld reported an increase.
- Compared to the same time last year, Qld reported an increase (+2%), while WA (-4%) and SA/NT (-4%) reported a decrease.

18. Over the quarter, 85% of households reported purchasing fresh vegetables on a weekly basis.

Figure 16

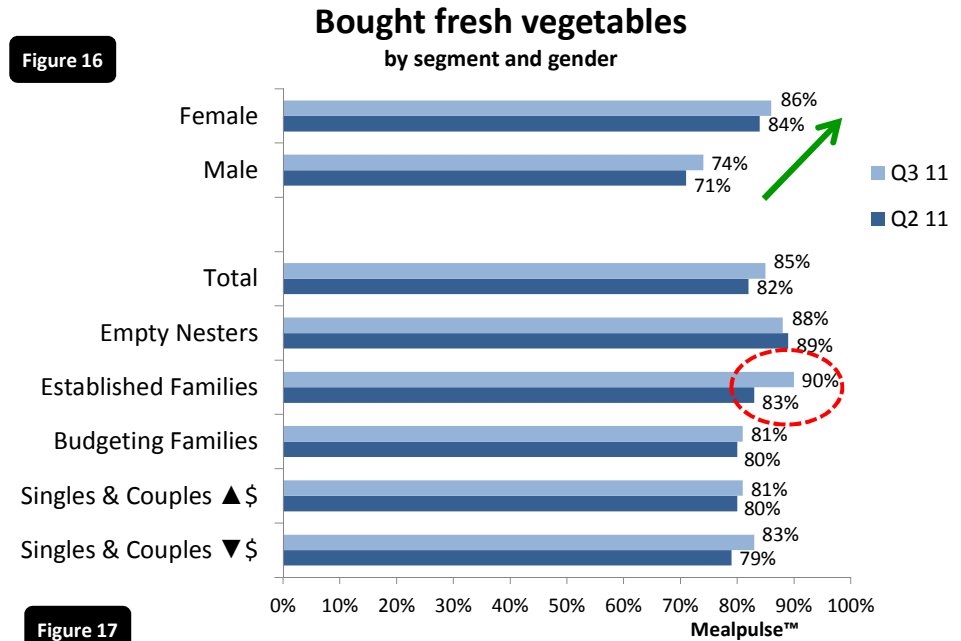
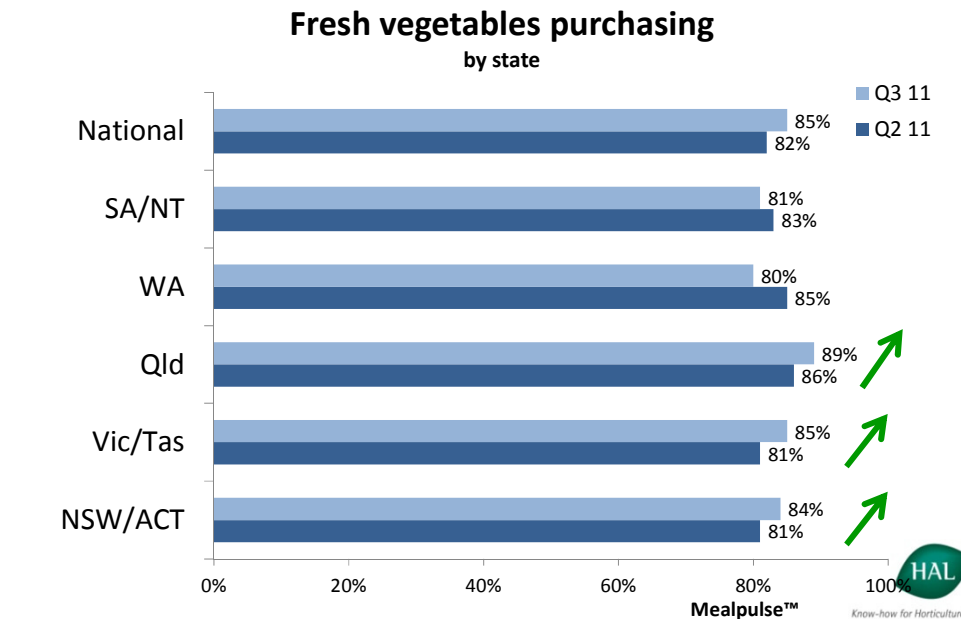


Figure 17



3.8 Most popular purchased vegetables and shopping trip patterns

Most popular vegetable purchased weekly

- Figure 18 profiles the 10 most commonly purchased fresh vegetables in Q3 11, and the respective levels in the previous quarter (Q2 11).
- In Q3 11 carrots remained the most popular vegetable, purchased by 65% of households weekly, followed by potatoes and tomatoes both purchased by 58% of households weekly.
- The higher ranking of tomatoes and lettuce is reflective of the warmer weather.
- The continued popularity of carrots reflects their versatility and most likely the consistent pricing that carrots provide, as well as the relative affordability, compared to other vegetables, that they offer.

Shopping trip patterns

- Households are shopping 2-4 times a week to purchase the food ingredients they prepare into meals at home.
- The quantity of products purchased is influenced by the time of day the shop is undertaken, as is profiled in analysis on Docketdata in Figure 19. More of the larger shopping trips happen between 9am and 2pm, which is likely to be influenced by shoppers being free from the demands of children at that time.
- The average number of items purchased by hour, ranges from 9 to 15 and the value for item ranges from \$3.78 to \$4.15. This extends to an average shopping trip spend of \$36 to \$59 over the trading hours listed in Figure 19.
- These patterns confirm the high frequency of shopping trips required to meet weekly needs and signal when shoppers are likely to buy more products. The implications for vegetable growers and marketers are to organise product offers to accommodate these shopping patterns.

19. Salad components returned to the most frequently purchased vegetables. Households are shopping at the supermarket often and spending an average of \$48 on each trip.

Figure 18

Top 10 fresh vegetables
proportion of households purchasing weekly

Mealpulse™

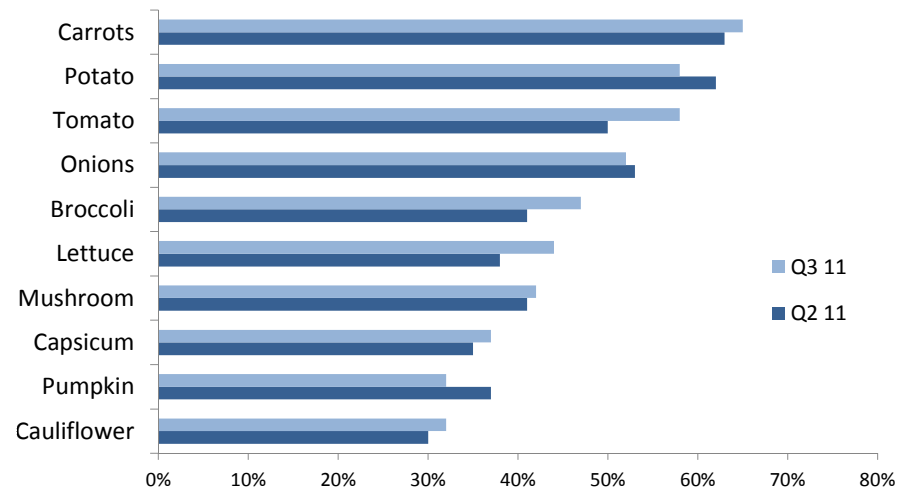
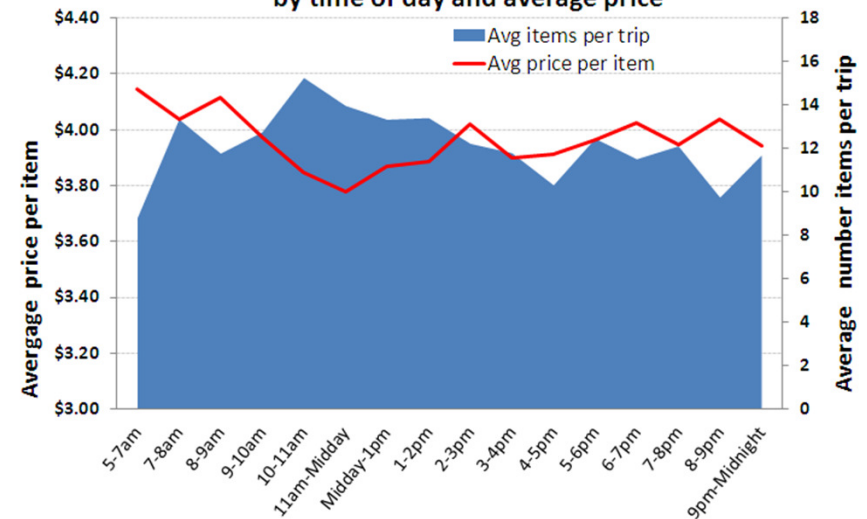


Figure 19

Items per shopping trip
by time of day and average price



3.9 Vegetable buying trends and reason for buying

Vegetable buying trend

- This section profiles whether those who do purchase vegetables on a weekly basis, purchased 'more' or 'less' than they did in the previous quarter.
- Overall, 72% of households were consistent in their purchasing habits, having reported purchasing the 'same' amount of vegetables this quarter as they did in the previous quarter.
- The remaining 28% of households altered purchasing levels, with 17% purchasing less and 11% purchasing more vegetables.
- The changes in vegetable buying over the last 4 quarters reflects common patterns as profiled in Figure 20. Over the period, 70% of households continue to buy the same quantity, and of the 30% that change, 20% buy less and 10% buy more. This profiles a consumer base where 80% are consistently buying similar or more vegetables. The exposure in terms of an adverse impact on sales and consumption is with 20% who are likely to buy less.

Vegetable buying trend reasons

- Figure 21 profiles reasons why households purchased more, less or the same quantity of vegetables as they did in the previous quarter.
- Of the 28% of households who purchased more, 59% reported that being 'in season/ looked good' supported their decision, while 50% were encouraged by the fact it was 'on special'.
- Of the 17% of households who purchased less, 28% reported that they did so because it was 'too dear', which is notably lower than in the previous quarter when 40% reported this as an influence and is a reflection of easing wholesales prices over the period.

20. Seasonality and promotions were the main reasons households purchased 'more' vegetables over the quarter. Purchase patterns show that 20% of consumers can be influenced to buy less vegetables.

Figure 20

Changes in vegetable buying over last 4 quarters

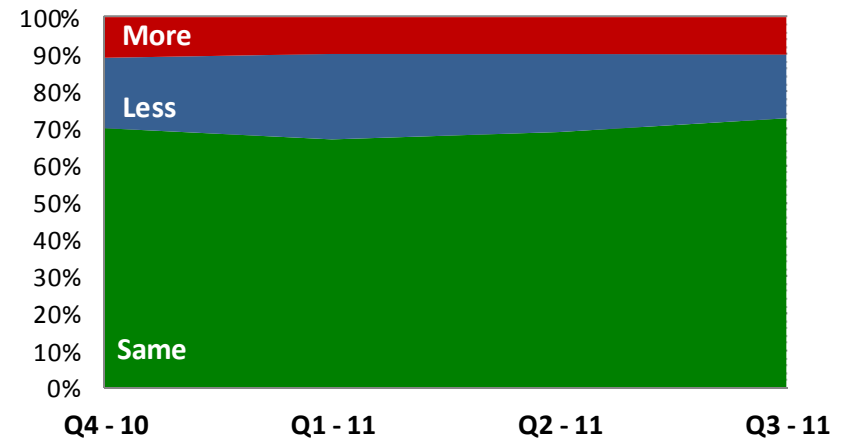
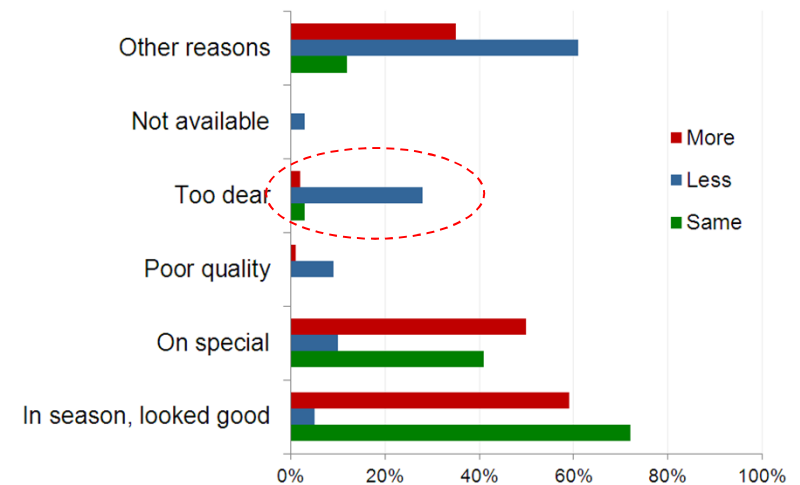







Figure 21

Vegetables buying trend reasons Q3-11



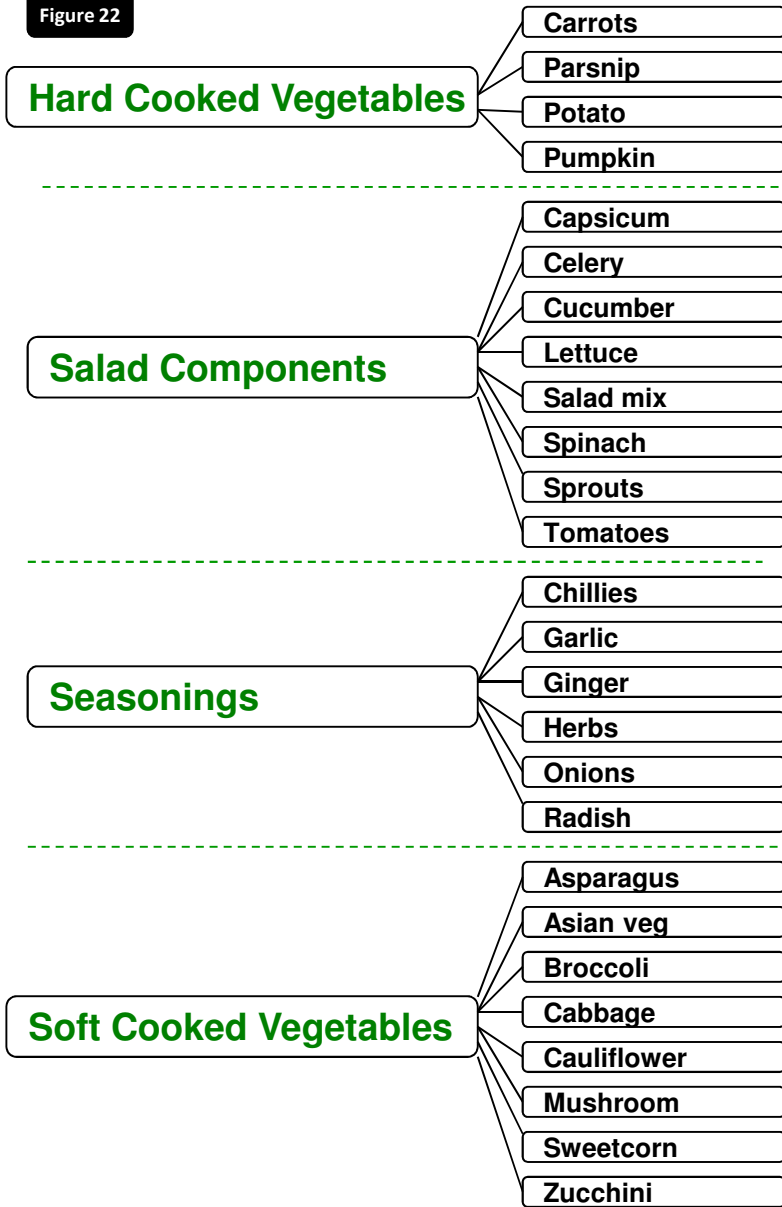
4.0 Summary - Household segments and key characteristics

This table provides a reference, summarising household segments and their key characteristics.

Household Segment	Description	Fresh Vegetable Weekly Household Penetration Q4-10 to Q3-11	Key Characteristics (incl. shopping habits, food spend, retailer patronage, price sensitivity)
	Singles & couples with lower income (S&C▼\$)	<ul style="list-style-type: none"> • 78%-86% 	<ul style="list-style-type: none"> • Does not plan much shopping. Shops on convenience and price. • Chooses greengrocer if price is okay. Is constrained by budget. • Often has a busy, active lifestyle. • Health considerations have some impact on food purchases. • 69-75% of total food \$ spent on food at home. (Q4-10 to Q3-11)
	Singles & couples with higher income (S&C▲\$)	<ul style="list-style-type: none"> • 70%-81% 	<ul style="list-style-type: none"> • Does not plan shopping. Likes farmers' markets and ethical foods. • Uses greengrocer when has time. • Driven by lifestyle demands on time and is a frequent top up shopper. • Health influences diet, but taste remains important. • Will buy convenience ready meals. • 56-61% of total food \$ spent on food at home.
	Budgeting families	<ul style="list-style-type: none"> • 80%-86% 	<ul style="list-style-type: none"> • Plans some shopping to manage budget. Top up shops 2-3 times a week. • Likes greengrocer. Often has an active lifestyle. • Conscious of the food budget. Some health factors influence diet. • 78-82% of total food \$ spent on food at home.
	Established families	<ul style="list-style-type: none"> • 83%-90% 	<ul style="list-style-type: none"> • Plans some shopping but mostly top up shops. • Understands and seeks ethical foods. • Patronises 1-2 supermarkets. Likes markets and greengrocer. • Will buy for taste. • 78-80% of total food \$ spent on food at home.
	Empty nesters	<ul style="list-style-type: none"> • 88%-90% 	<ul style="list-style-type: none"> • Plans shopping. Seeks out and buys specials. Patronises 2-3 supermarkets. • Uses greengrocer on the basis of value. • Often sensitive to food prices and budgets. • Is influenced by health considerations and ethical foods. • Will buy for convenience. • 80-81% of total food \$ spent on food at home.

5.0 Fresh vegetable categories

Figure 22



Vegetable category structure

Based on like or complementary products, the vegetable types are grouped into categories listed in Figure 22, which enables a summary level analysis of all the vegetables.

The categorisation rationale is driven by the inclusions of like product that consumers will trade off and products that are consumed together.