

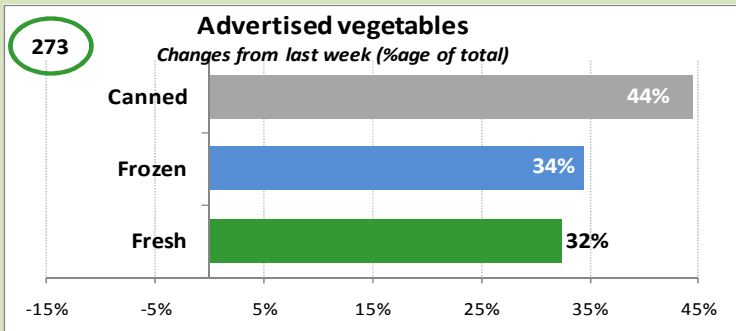
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative



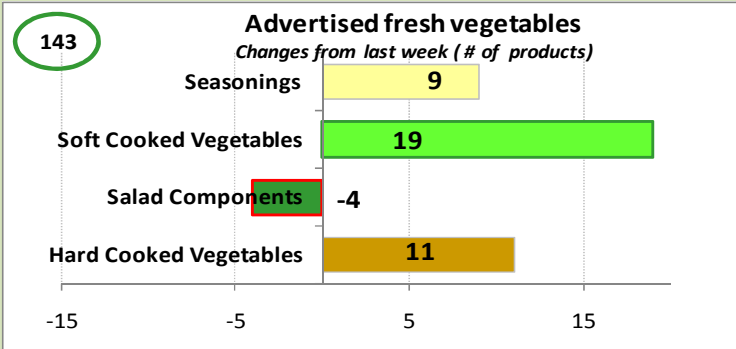
16 June 2010

Vegetable retail promotional activity



This week the exposure of vegetables increased by 35% with 202 vegetable products advertised by the major retailers. This was driven by increases in Canned at 44%, Frozen at 34%, and Fresh at 32%.

The number of fresh products advertised increased by 32% to 143. There were increases in the number of lines per category with the most significant being Soft Cooked Vegetables at 19, Hard cooked vegetables at 11 and Seasonings at 9.



Aldi takes the lead on carbon footprint labels

by entering into an agreement with Planet Ark to use their endorsement on labels on 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 all aspects of a product. This move from the discounter in the food market is likely to prompt a response from the full service food retailers.



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.

Headlines

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- Novel QA tests for new melon
- New salad pack extends shelf life
- Aldi leads on carbon footprint labels
- Retailers views on consumer confidence
- Veg wholesale price decline by 5.3%

New level 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.



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 bag 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.

Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Period	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr
Highs & Lows °C	9-20	6-18	6-20	6-19	8-16	5-15	10-25	9-24	5-23	5-18	4-16	3-16	5-21	3-25	4-23
Rainfall															
Rainfall (mm)	119.8	4.6	0.2	14.8	12.4	18.2	0.4	0.0	1.4	2.2	9.6	29.4	0.0	0	12.2

Shopper behaviour

There are indications that consumer confidence has been impacted by the likes of the conditions in global financial markets and changes in exchange rate. This has led to views that households have tightened their expenditure and this week we assess some of the retailers' views.

Last week's comments from the major Australian retailers, who are closest to the consumers, indicate that consumers have:

- Recalibrated their values over the last few years after realising that the world may change.
- Become more financially conservative, reducing debt and thinking carefully about how and where they spend their money. This is reflected in higher saving levels and lower retail sector growth.
- Started to reconsider what they think is more important: in food, they are buying products that are better for them, with attributes like free range, gluten free and organic.
- Set out to stretch their dollar further, after five consecutive interest rate rises, and are seeking greater value. In food, this is reflected in the demand for cheaper private label groceries and limiting expenditure in food service to eat more meals at home.

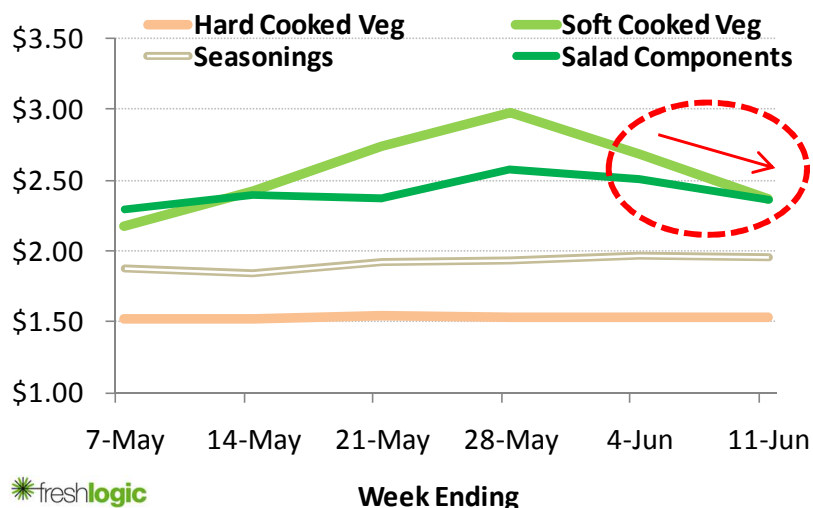


Consumer confidence is also dampened by the uncertainty of the pending election later this year and the retailers believe that once the election has passed consumer spending patterns are likely to settle.

Retail vegetable sales last week were down by 7-10% on last year but industry stakeholders need to consider the impact of wholesale prices on sales. This market is essentially a cost plus and therefore when wholesale prices are low the value of retail sales follow. In the last two weeks, the market price has declined and the fruit prices are lower compared to the same time last year.

Consumers have changed some shopping behaviours, which may have flowed on to reduce sales but this has also created some opportunities with ethical foods and more cooking at home. The impact of lower wholesale prices needs to be considered as it has a direct impact in devaluing sales and is not related to changes in consumer behaviour.

National Vegetable category wholesale prices per kg



The wholesale vegetable price per kg

declined further last week by 5.3% to **\$2.09 per kg**. This was driven by declines of 11.8% in soft cooked veg and 5.5% in salad components categories for the second consecutive week. Seasonings declined by a minor 0.5% and hard cooked vegetables matched the previous week.

Cauliflower, capsicums, peas and broccoli were the most significant declines from the previous week. Cucumbers, garlic and chillies firmed as demand for salads eased with cooler weather.