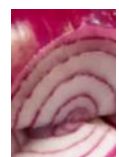


VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative



AUSVEG

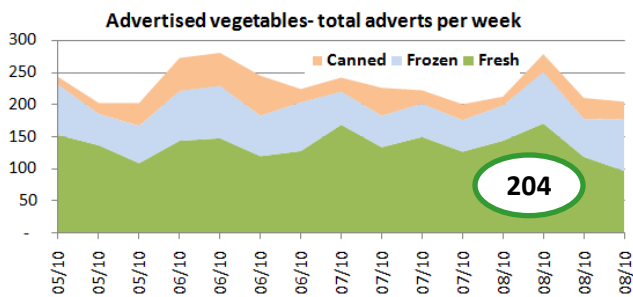
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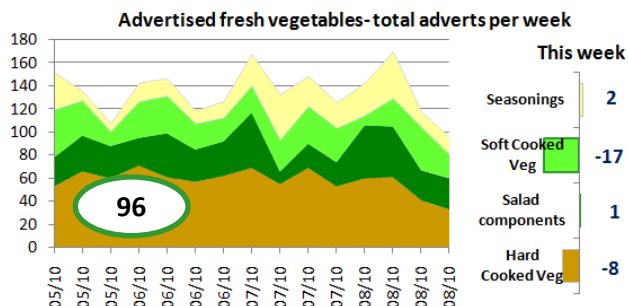
1 Sept 2010

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Vegetable retail promotional activity



A slight fall in the overall volume of retailer promotions of vegetables this week, but a big change in the mix, with a further cut of 18% in fresh veg ads to give the lowest exposure since early May. There was a lift by more than a third in the volumes of frozen veg lines. In fresh categories, ad numbers for soft cooked veg were again pruned down to just 22% of placements but without any lift in salad components.



Carrot producers go after kids' snack food market



A new campaign in the US aims to convince kids to eat baby carrots as they head back to school. US baby carrot growers have created the industry's first-ever marketing campaign to go head-to-head with junk food and salty-snack rivals. The marketing will involve packaging carrots in Doritos-like bags, selling through school vending machines, using catchy slogans on billboards, offering phone apps using the sound of people eating carrots in real time and airing TV spots that tout baby carrots as extreme and futuristic.

Adopting the tricks of junk food marketing to have the maximum impact on kids by repackaging vegetables to capture their attention has relevance in this market.

Headlines

- MasterChef will create veg opportunities
- Wholesale veg prices steady
- Insights on grocery retailers

MasterChef will create veg opportunities

After the strong ratings and advertising successes of the 2nd season of *MasterChef*, Network Ten decided to bring forward the timing of the series featuring the talents of a crop of 8-12 year olds in the kitchen. The record-breaking experience of the two series of *MasterChef*, in which the final of the 2nd series pulled an average TV audience of close to 5.7 million, promises to extend its reach with the focus on kids in the kitchen.



MasterChef AUSTRALIA



The series has touched new segments of the consuming public and has helped increase and sustain levels of home-cooking at a time when the sentiment towards saving money by eating at home was the strongest in several years. This positive sentiment has driven young singles and couples to buy more veg as part of a shift to home-entertainment. Preparation from scratch has been elevated from a chore to a new level of home entertainment in that segment.

The series has provided high profile for sponsoring brands and products that were featured in the program – especially in the 2nd series when the use of endorsements was greatly expanded on air and was widely used in product and in-store branding. All indications are that sponsors have enjoyed favourable returns on investment, and are lining up for more. The new program focus will again draw a large audience.

The producers say this presents a great opportunity to “promote the advantages of good food and produce”. The Junior *MasterChef* series provides an unparalleled opportunity to reach new younger audiences and affect long-term vegetable consumption.

The Vegetable industry can take advantage of this strong opportunity to capitalise on making vegetables interesting for kids and to ride on the profile that will be given to local fresh food.

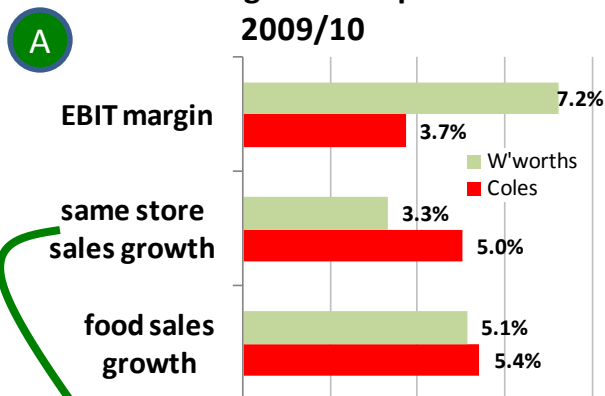
Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr
Period Highs & Lows °C	7-22	6-25	8-26	6-17	5-17	8-23	8-23	7-29	14-32	7-16	4-20	7-22	3-21	3-19	10-20
Rainfall															
Rainfall (mm)	7.6	2.6	0.0	23.6	9.2	29.8	81.0	13.2	0.2	17.6	27.6	6.6	41.4	13.4	50.6

Australian grocers release 2009/10 results

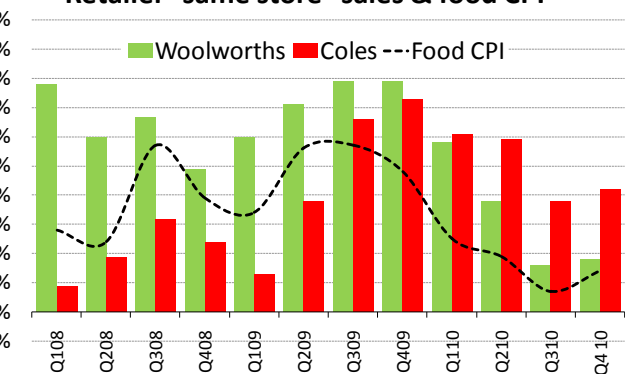
Major grocery chains represent just under half of the fresh fruit & vegetables market.

Major grocers are a crucial channel to the consumer in the domestic fresh food market. In the past 2 weeks, both major retailers Woolworths and Wesfarmers (the parent of Coles) have released full-year financial results which give some insight into how they are trading and what can be expected from the big two in 2010/11.

How the big two compared in 2009/10



Retailer "same store" sales & food CPI



Coles catching... but the gap remains large

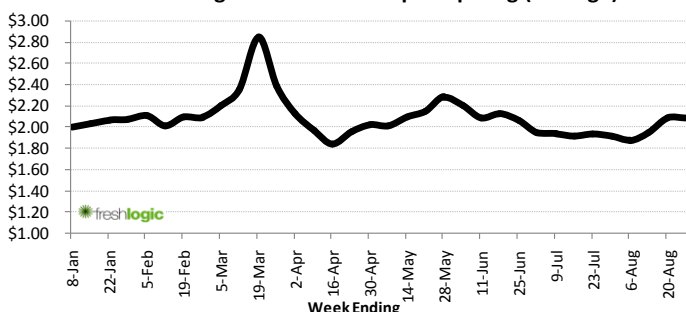
Published results from major retailers show that both have improved profitability and sales volumes, and hence overall share of the grocery market. Woolworths food and liquor supermarket division booked a 5.1% lift in sales which the company said was attributed to its fresh food successes and growth in its private-label or "exclusive brand" goods. Coles had a similar total sales result but led in a key measure of underlying sales strength – "same store" sales which refers to stores open for more than a year and removes the distortions from new store openings.

But as Chart A shows, there is increasing daylight between the big two in profitability of the food business, with Woolworths earning a 7.2% margin for the division, a gain of 0.5% on the prior year, as Coles clambered to just 3.7%. This will increase attention given to Woolworths as one of the most profitable grocery retailers on the globe, while big European and American grocers are still coping with recession. On other counts – supply chain costs, store refurbishment and use of loyalty programs – Woolworths sets the pace.

Looking ahead?

The big question about what lies ahead in 2010/11 revolves around the intensity of competition, and the role that promotional discounts will play. Woolworths won't be content to see same-store sales tracking this low for very long, and has margin to play with if it intends to ramp up discounting. Both chains will add 2-3% store area but building new stores and refreshing existing stores will hopefully add positively to sales. However store expansions by Aldi and Costco next year will continue to place pressure on Woolworths.

National Vegetable wholesale price per kg (average)



The wholesale vegetable price per kg was

steady this week – just 1c/kg lower than the prior week at **\$2.08 per kg**, after a couple of weeks of healthy increases. There was little change at a category level as changes within salad components (rises for cucumbers but falls in salad mix and capsicum) and soft cooked veg (falls in beans, corn and zucchini, but gains in broccoli and spinach) were offsetting in overall terms. Chillies posted the biggest fall in the seasonings category.