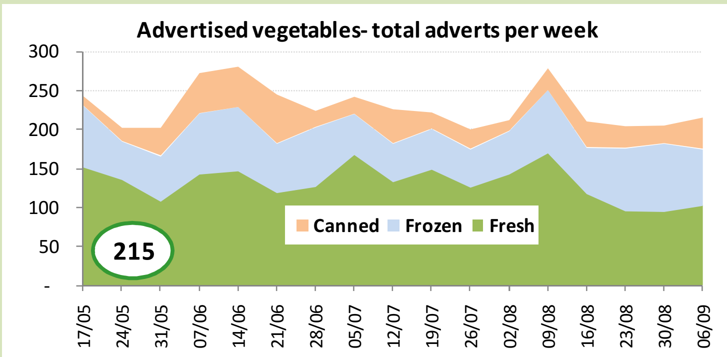
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative



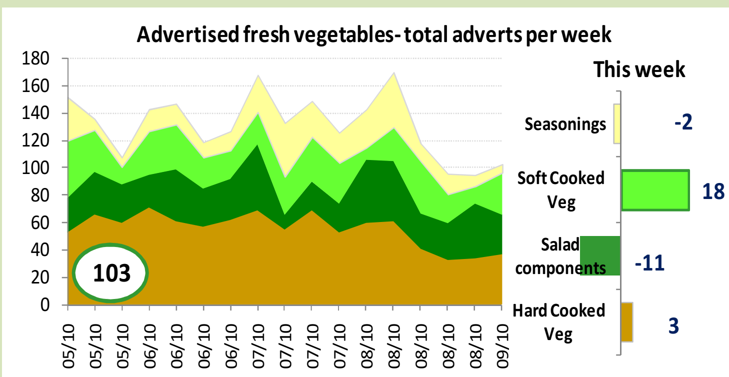
16 Sept 2010

Vegetable retail promotional activity



The overall exposure of vegetables in retail promotional advertisements increased by 10 lines to 215 lines. The mix was steered away from frozen lines and saw an increase in fresh and canned.

The volume of **fresh veg adverts** increased on the previous week by 8 lines to 103. The most significant changes on the previous week were increases in soft cooked vegetables and declines in salad components.



Headlines

- **Consumer spending easing**
- **Vegetable shortage in Fiji**
- **Wholesale prices lift to $2.12 per kg**
- **Supermarkets adopt the new fresh look**

Signals that consumer spending easing up

In July, Australian consumers increased their credit card use by 3% on July in the previous year. They were also more carefree about letting debts run, owing $47.8b on credit cards in July, up 6.5% from a year earlier, and having borrowed $847m to buy cars in July, up 16% on the previous year.

These are subtle indicators that consumers are being less conscious in their spending despite the 1.5% increase in interest rates since Oct 2009.

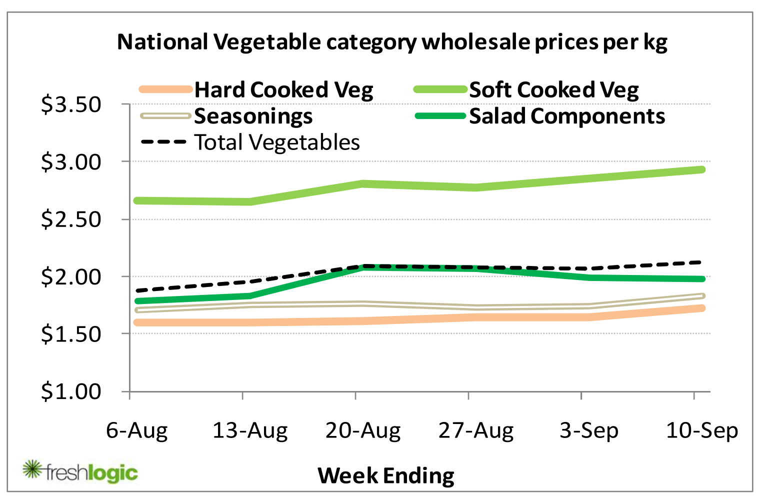
Vegetable shortage in Fiji

Adverse weather and drought conditions in the Pacific Islands have flowed on to impact local supply and led to a looming vegetable shortage, the Fiji Ministry of Agriculture warns. The crop shortage is expected to be felt greatly by November and December. There are just under one million people in Fiji and the economy is heavily dependent on tourism.

The shortage of local supply in Fiji may create short-term export opportunities for Australian vegetables to support both their local population and tourist trade.

Wholesale prices lift

Wholesale prices of vegetables increased this week by 2.3% or 5c/kg on the prior week to **<u>$2.12 per kg</u>**.
All categories increased except salad components, which declined with the weaker prices for lettuce, salad mix and tomatoes being offset somewhat by gains in cucumber and capsicum. Seasonings lifted and ginger and onions firmed. Soft-cooked veg prices were generally firmer, with significant increases in beans and zucchinis with sweet corn the only line declining. Hard-cooked vegetables firmed due to stronger pumpkin prices.



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	10-26	8-24	9-28	6-19	5-18	8-30	11-28	12-26	10-27	9-20	4-20	5-31	4-20	4-28	6-20
Rainfall															
Rainfall (mm)	12	3.2	5.6	23.6	15.4	6.4	3.4	30.0	15.2	46.4	14.4	2.4	21.0	30.6	33.0

Supermarkets refresh store formats

Why do supermarkets want to look like greengrocers and fresh food markets?

New stores and refurbishment programs for the major supermarket operators are bringing a marketplace look to their stores. We analyse why the supermarkets have once again moved to replicate aspects of a competing channel and identify some of the reasons and insights that underlie this direction. These design directions have led to more open selling areas, wooden retail fixture displays, market style ticketing, ice displays and restocking procedures that bring more staff on the shop floor and into contact with customers. Improved display functionality is combined with many visual cues that are synonymous with greengrocers and fresh markets.

The apparent reasons for this design direction include:

- **The substantial sales opportunity** for the supermarkets is framed by approximately 30% of the weekly supermarket shoppers who also purchase fruit & vegetables in other retail outlets in that same week. This equates to $700m in annual fruit & vegetable sales value and is a major driver of the supermarkets targeting the fruit & vegetable category. Incremental sales can also be gained by **capturing more shopping trips** as fruit & vegetables are among the most frequently purchased food items. If shopper confidence can be won with fruit & vegetables, then shoppers can be drawn back to the store for more of the typical 2-4 household shopping trips per week.

- **Improving the perception of product quality**, which is the key to attracting the shoppers who are not purchasing. The **Mealpulse™ panel** responses indicate that higher product quality is the dominant reason why supermarket shoppers also buy from greengrocers. This has influenced the supermarkets to emulate the store environment of the greengrocer to convey some of these quality enhancing signals.

- **The impact on store fresh food credibility** that a strong fruit & vegetables retail offer can provide. This is why the fruit & vegetables, which are the only fresh food that can be handled and selected by shoppers in a raw form, are located at the front of the store. An effective fruit & vegetable offer translates into higher sales in other fresh food categories, and conversely a poor offer can erode confidence and limit other fresh food sales.

- **Accepting that the plastic crates (RPCs) don't enhance presentation** and moving away this form of presentation. Some would agree that these systems have provided some handling advantages and most would agree they distinguished the supermarket as not being a greengrocer or a fresh market.

Fresh Markets

Supermarket

The strength of the greengrocer and fresh market advantages are confirmed when the supermarkets move to replicate their in-store environments to win support from existing customers. This is not the first attempt at this type of store design-led approach and as previously, it is expected it will work and capture more share of the $5.8b fresh vegetable market for the supermarkets. A compounding pressure is that both major supermarkets are moving at the same time.

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