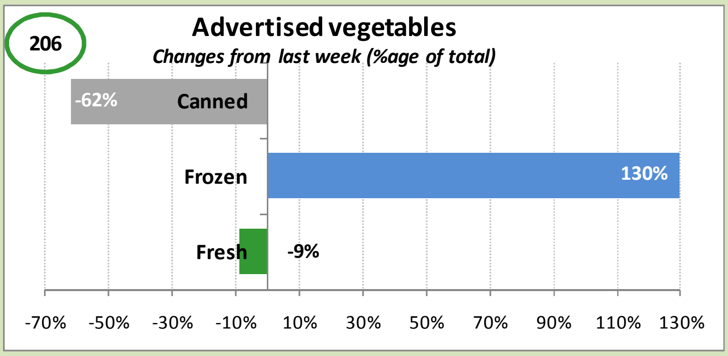
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative



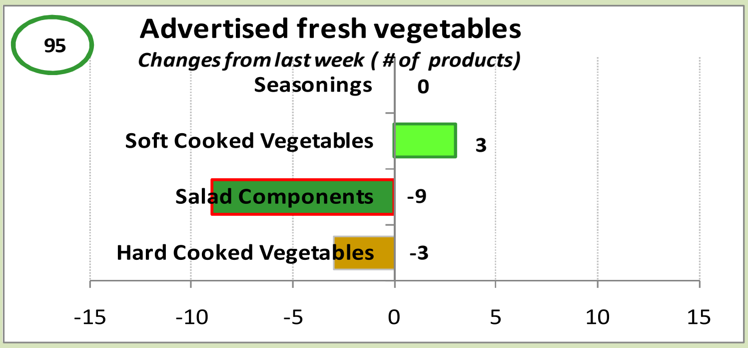
21 Apr 2010

Vegetable retail promotional activity



This week the exposure of vegetables decreased by 20% to have 206 vegetable products advertised by the major retailers. This was driven by major increases in frozen to 62 lines and decreases in canned and fresh.

The number of fresh products advertised decreased by 9% to 95. There were minor changes in the number of lines per category with the most significant a 9 line decrease in salad components.



Headlines

- US discounter Costco in Sydney
- "Melons in handbag" success continues
- Stalled airports block fresh food supply
- Veg market shares & values

US discount retail giant Costco to build its $58 million warehouse in the Auburn suburb of Sydney. The 3-storey development, which had 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 annual sales, which is the equivalent of the sales generated by approximately 3 full-service supermarkets.

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.

Stalled airports across Europe block fresh food supply as planes remain grounded by volcanic ash clouds, leaving tonnes of fresh food from Southern hemisphere producers sitting on tarmacs and losing their value. In most instances, this has left European markets undersupplied and it is expected that supply and demand will take several weeks to revert back to normal patterns.

The global market turmoil for certain fresh foods may cause some additional products to flow into the Australian market while European markets settle down.

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 UK at €1.99 per pack.

This packaging initiative shows how products can be enhanced to target specific segments of the market.

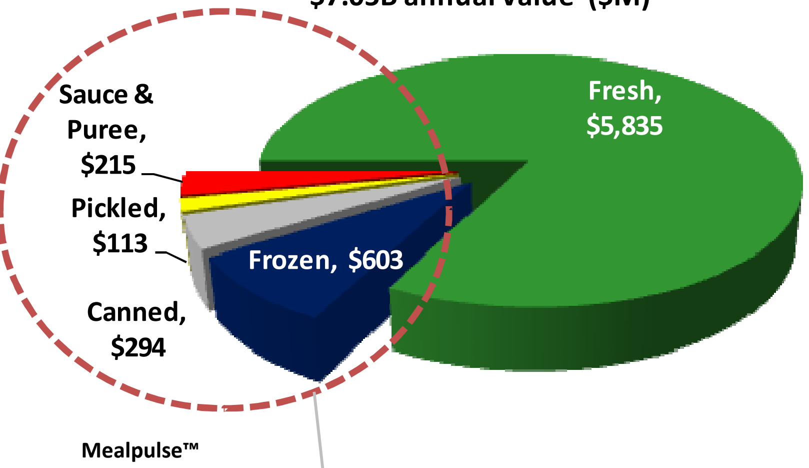
Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Period	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr
Highs & Lows ℃	15-29	12-25	14-29	12-27	11-28	7-29	18-31	16-28	16-31	15-32	7-29	11-29	12-28	11-27	11-34
Rainfall															
Rainfall (mm)	9.4	0.6	48.4	10.0	1.0	1.2	0.0	3.2	60.8	39.2	0.6	0.2	0.2	24.8	4.8

Vegetable Market Settings

The Mealpulse panel collects and analyses consumer responses on vegetable buying. This information is then combined with the data from other vegetable stakeholders to enable mapping and profiling market size and shares. The two charts and commentary below provide a profile of the total retail vegetable market annual value and a break up of the processed vegetable sales contribution.

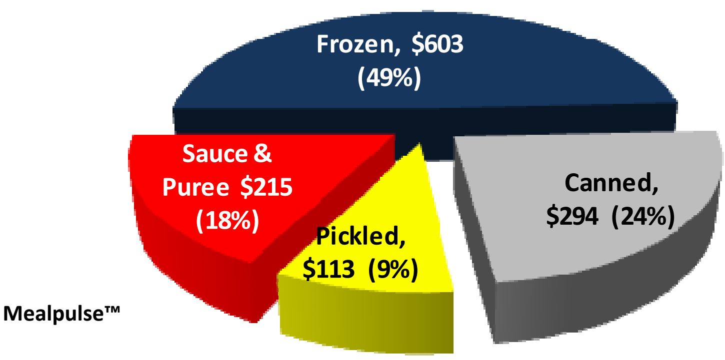
A Total vegetable retail market value

$7.05B annual value ($M)



B Processed vegetables retail market value

$ 1.22B annual value ($ M)



Market size & contributions

Chart A profiles the annual value of domestic retail sales of vegetables, which is $7.05 billion, made up of $5.83 billion in fresh product sales and $1.22 billion in processed vegetable product sales. Fresh vegetables are 83% and processed vegetable are 17% of this total retail market value.

Chart B profiles the contributions to the annual value of the processed vegetable products, where frozen vegetables lead, generating $603 million in sales and constituting 49% of the total.

It is also relevant to assess the value per kg of these various products, which reflect the value that has been added in to each product form.

Product form	Price per kg (Year to June 2009)
• Fresh	$ 3.54
• Frozen	$ 4.11
• Canned	$ 2.95
• Pickled	$ 7.00
• Sauce & puree	$ 10.07

It seems appropriate that the more processed forms of “Pickled” and “Sauce & Puree”, which are sold in smaller portions, are achieving a higher price per kg. However, the lowest prices of $2.95 per kg price for the “Canned” form does not reflect the processing involved. This comparatively low value per kg could have been influenced by the expansion of lower priced retailer private label to nearly 40% of the canned vegetable retail sales. This lower value product that has been welcomed by consumers has potentially eroded some category value for vegetables sold in this form.

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.