

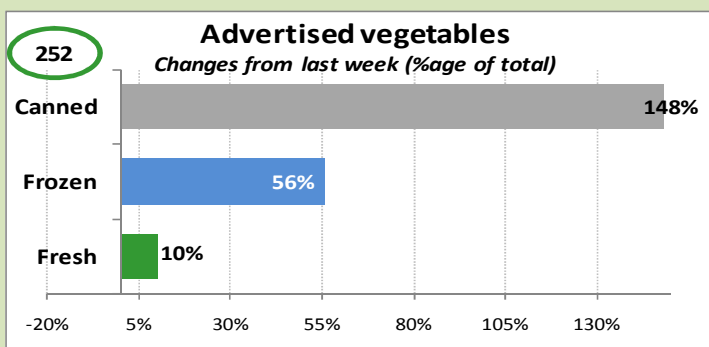
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative



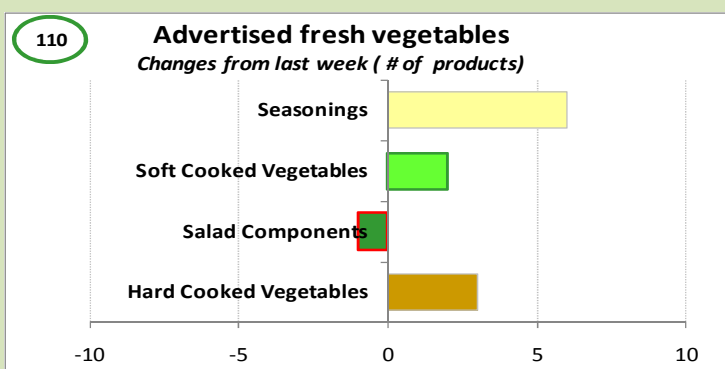
19 Jan 2010

Vegetable retail promotional activity

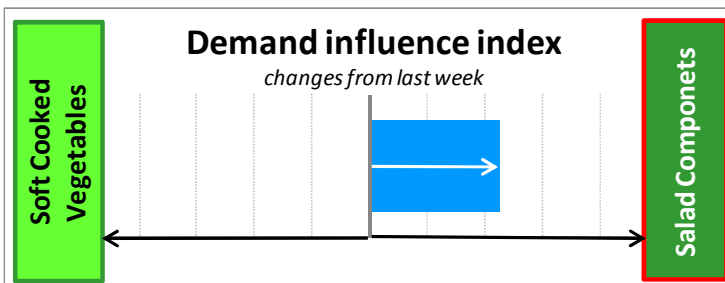


252 vegetable products were advertised by the major retailers,. This was a lift from last week and was due to a large increase in the volume of canned vegetables on promotion.

Within the 110 fresh products advertised, Seasonings enjoyed an increase as did Soft Cooked Vegetables and Hard Cooked Vegetables. Less Salad lines were advertised.



In the past week the factors that influence demand shifted further towards salad components. This was impacted continued warm weather and changes in retailer promotion activity that eased the exposure of salad lines.



Take note: This index is an indicator of the sum impact of the factors that affect demand for Soft Cooked Vegetables or Salad components. These two categories of vegetables make up over 63% of the total market vegetable sales and are highly exposed to consumer switching in response to changing demand influences.

Headlines

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- Salads advertised eases
- Choice call for packaging phase out
- Aldi sues Coles over who is cheaper
- Don't force children to eat vegetables
- Thrift legacy for UK catering sector
- Woollies to accept damaged product
- Explanation of terms and analysis

Choice calls for phase out of certain plastic food packaging

including the use of certain plastics in baby products and food packaging. They have advised consumers to avoid PVC cling wrap, used for wrapping fresh meat and produce, and to consider cutting down on certain canned foods. Choice contends that, although the risk is low, there's growing evidence that food can be contaminated by the use of certain types of plastics and cans and says consumers should be aware there are alternatives available. Given the high proportion of vegetables in this domestic market that is locked into a selling system of prepacked and film wrapped product through self serve retail fixtures, this message to consumers is challenging at the least.



Some new terms and analysis are used in veginsights and that allows us to efficiently convey weekly news and insights. A fuller description of these terms and the basis for calculating indexes and charts can be viewed on page 3 of this weeks veginsights.

State capital market weather profile below shows the weather conditions in the state capital cities. Changes in weather are known to have a direct impact on the demand for different vegetable products.

Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Period	Last w k	This w k	Last yr	Last w k	This w k	Last yr	Last w k	This w k	Last yr	Last w k	This w k	Last yr	Last w k	This w k	Last yr
Highs & Lows °C	18-32	19-30	19-31	13-39	16-44	15-39	21-30	21-31	21-31	14-41	14-43	14-35	16-37	14-37	16-41
Rianfall															
Rainfall (mm)	8.6	13.0	24.8	0.0	0.2	0.0	0.6	0.0	11.2	0.0	5.2	0.2	0.0	0.0	0.0

Shopper behaviour

The Mealpulse panel, which tracks vegetable consumption data has defined five different household segments. Each week we will profile one segment. This week's profile is the **Established Families segment**



Established families segment profile

- Households of single or couples with children and above average income,
- At least 1 adult eats out regularly and some households in this segment, particularly those who travel with their work, are spending more on eating out of home than food prepared at home.
- Makes up 19% of Australian Households and contributes 27% share of food market.
- Is the largest of the five Mealpulse segments in terms of food market spend
- 58-61% of total food spend for this segment is on food prepared and eaten at home.
- This segment were the first to move to economise on food expenditure by reducing spending on eating out when the first signs of economic downturn appeared 18 months ago.

Thrift shift hits catering sector as the recession in UK seem set to leave a legacy of improved resource efficiency in the hotel and catering sector as UK businesses adopt an increasingly 'thrifty' mindset, according to a new report. The *Business Thrift Shift Report*, drawn up by sustainability firm Envirowise, encompasses responses from more than 500 UK companies and reveals that almost three-quarters (73 per cent) of businesses surveyed have developed a more detailed knowledge of their spending and resource use as a result of the recession. This includes everything from investment in raw materials, transport and energy, to staffing, equipment and professional services. Similar patterns are evident in the Australian market.

Retailers in court over advert claims - As a reminder of the bitterness of the rivalry between grocers on who is seen to be cheapest, supermarket chain Aldi is suing Coles in the Federal Court for misleading and deceptive conduct regarding a number of Christmas advertisements it broadcast during December. According to papers filed in the Federal Court, Aldi is suing Coles over the advertisements which promised a "lowest price guarantee" when in fact Aldi had the cheaper prices. Coles broadcast a number of advertisements in which it stated 12 Christmas-related products were cheaper at their stores than any rival supermarket. The chain is requesting the Federal Court make an injunction to stop Coles from representing its products were made available at cheaper prices when, "at the time the representation is made another retail store in the location concerning which the representation was made offers the same or lower prices for directly competitive grocery products".

Don't make children eat food they hate as it could lead to long term aversion to that food according to research released this week. The findings go on to suggest parents should introduce new foods to their children occasionally and ask them to try the new taste, but they should not force the children to finish something that they don't like. In that case, a parent is instilling a lifelong hatred of certain foods. Many adults struggle to eat food they were forced to eat as children and unfortunately that commonly includes some vegetables. Eating should be pleasurable, not painful. Rarely do adults eat foods they find distasteful.

Woolworths to accept damaged fruit and vegetables from suppliers after this week's heat wave in Australia's south east. The retailer is expecting shortages of lettuces, brassicas and grapes after temperatures soared above 40 degrees in Victoria and South Australia. Woolworths Pat McEntee says the supermarket has relaxed its quality requirements on heat damaged produce.

"Consumers might see in some of the products such as lettuce and brassica vegetables some browning or some marking that you might not commonly find"

Veginsights is a weekly market insights newsletter for the vegetable industry, produced as part of the Consumers & Markets sub-program of the Vegetable Industry Development Program. It intends to provide participants in the industry with insights into the trading dynamics and influences in the past week.

It includes coverage of:

- Retailer vegetable promotional activity
- Demand influence between salad components and soft-cooked vegetables
- Shopper behaviour patterns and insights
- Capital city market weather profiles
- News and other insights relevant to vegetables from global news sources

The structure of the analysis provided in the newsletter is based on:

Our **product category** structure

Hard-cooked vegetables

eg. potatoes, pumpkins, carrots

Soft-cooked vegetables

eg. broccoli, beans, cabbage, cauliflower, mushrooms, zucchini

Salad components

eg. tomatoes, lettuce, capsicum, celery, cucumber

Seasonings

eg. garlic, onion, chilli, herbs, ginger

Our **distribution channel** structure

Retail

Grocery - supermarkets

Specialists - fruiterers

C-stores - convenience stores

Foodservice

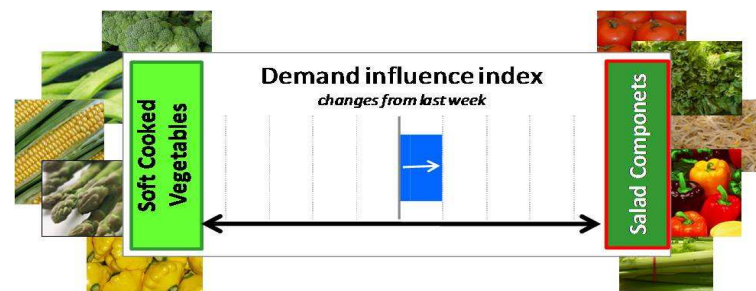
Takeaway

Dining out

Event/leisure

Institutional

The Demand Influence Index provides a regular barometer of the factors influencing the vegetable category. This index has been created to profile the weekly status of factors that influence whether consumers buy Soft-Cooked Vegetables or Salads. These two groups of products make up more than 60% of fresh vegetables sales, and the switching between these groups is a major driver of the movements in wholesale market prices.



The influences include weather, the intensity of promotional activity, availability of supply, and the availability and value of fruit products that are suitable for salads.



Why profile retail promotional activity?

Because the fresh food promotional activity of major grocery retailers is one of the largest and most influential variables affecting weekly vegetables sales and prices.

This activity is driven by a number of factors from week to week, and can significantly influence the shifts in demand between alternative vegetable products. In some weeks it can sift the sales towards selected products and increase volumes by 200-300% on a normal week sales.

Veginsights profiles two sets of changes which are extracted from our Adwatch analysis from week to week:

- the percentage changes in the promotional advertising activity of **all vegetables** - between fresh vegetables, canned and frozen products
- the weekly changes in the number of lines of vegetables promoted **between the sub-categories** within the fresh vegetables category