

VEGINSIGHTS

A VIDP initiative

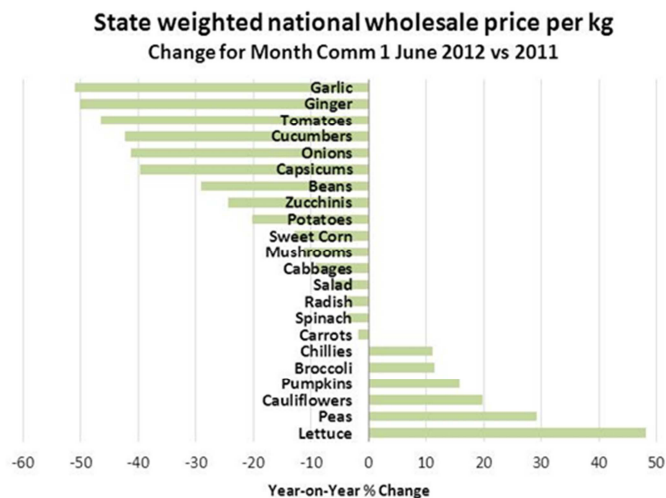


Highlights

- New food packaging that is flavoured and edible
- Wholesale values decline to impact sales values
- Australians using more technology for shopping
- The farm door gets closer with Farmhouse Direct
- Vegetables grown inside new pizza store
- More initiatives to attract children to fresh vegetables
- Carrot profile with a retail value of \$206M

Vegetable market

Wholesale vegetable prices – The wholesale price difference between June 2012 and June 2011 for the major vegetables is profiled in the chart below.



monthly vegetable market insights – June 2012

The majority of products are in good supply and wholesale price levels remain low. The impact of winter weather has shortened supply of some brassicas, pumpkin and lettuce, but most high volume products remain at lower prices than last year.

Wholesale prices for all vegetable categories were 20% lower compared to June 2011. The impacts across the products varied, with seasonings and salad components decreasing notably compared to hard cooked vegetables. In contrast, soft cooked vegetables reported an increase compared to June 2011.

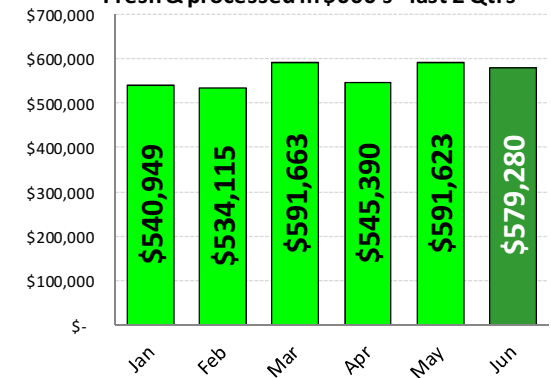


At the product level, the most significant changes were with garlic, ginger, tomatoes, cucumbers and onions which decreased over the same month last year. In contrast lettuce, peas, cauliflowers and pumpkin increased over the same month last year.

The weighted total vegetable wholesale price for the week commencing 25 June 2012 was \$2.69 per kg.

The total retail sales of fresh and processed vegetables in June 2012 are estimated at \$579.3 m, as profiled in the adjacent chart. These sales are lower 6.0% than in June 2011.

Total vegetable retail sales by month
Fresh & processed in \$000's - last 2 Qtrs



The Australian food market

Woolworths seek to boost fresh food sales –

Woolworths has disclosed plans to boost its market share of fresh food to 36% from the current 28%. As part of this strategy, Woolworths will refurbish 170 stores across the nation in 2013, including in-store bakeries, sushi counters, cutting stations for fruit and vegetables, and meat counters.



In addition, the supermarket will also launch a TV advertisement that shows the journey of fresh food from the farmers through to the supermarket's staff. The ad will feature varied suppliers and staff such as a potato farmers, fruit picker, trucker, butcher, fishmonger, and store manager. Woolworths also recently updated its advertising slogan to 'Australia's fresh food people' to remind consumers the source of its fresh food items on the shelves.

→ **What it means?** That the food retail channel in Australia is set to remain competitive as the largest retailer sets out to assert their substantial influence.

Australians turn to technology to shop – A new survey has revealed a shift in the shopping habits of Australians, causing retailers to consider their business strategies.

A survey conducted by the Australian National Retailers Association (ANRA) on 1,000 people from across the country showed that 38% of Australians used a phone or iPad to compare prices in the last six months, up from 27% last year. Men (44%) were also more likely to use technology to compare prices than women (38%). Nearly 21.6% of Australians had also used a phone app as a shopping aid and the number increased to 41% for those aged 18-24. The survey also found that 80% of those who comparison shopped on a smart phone or iPad while in-store chose to buy from another retailer.



→ **What it means?** That Australians – as value-conscious and techsavvy consumers – are embracing these technology aids to guide where they shop.

Retailer activity

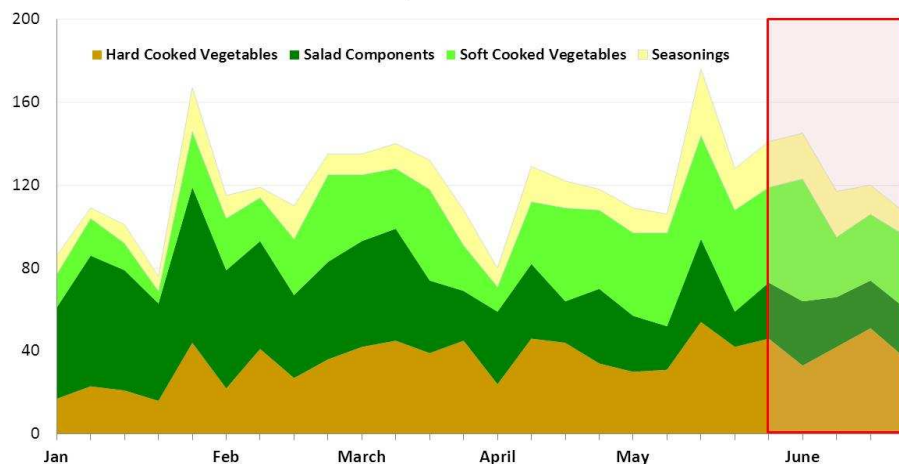
Promotional activity in the month of June – The retail promotional activity reflects decreasing exposure for vegetables, reversing the increase enjoyed in May 2012.

Over the month, the exposure of the total vegetable products decreased to an average of **190 products per week, down from 210 products in May 2012**. The decrease has been driven by a decline in exposure for frozen and fresh vegetable products this month. This was partly offset by small increase in exposure for canned vegetables advertised this month.

Advertised vegetables- total adverts per week
January 2012 - June 2012



Advertised fresh vegetables- total adverts per week
January 2012 - June 2012



Within the fresh vegetables, there was a decrease across all fresh vegetable categories – salad components, hard cooked vegetables, soft cooked vegetables, and seasonings – advertised in June 2012.

Retailer F&V Activity - June 12 v May 12

■ Veg ■ Fruit



The promotional activity among the majority of the top retailers in June 2012 reflects a less Fruit and Vegetables (F&V) exposure compared to May 2012, reversing the peak of the previous month. When compared to the same month

last year, there was also less vegetable promotional activity, notably at Woolworths (-39%) and Coles (-25%).

The consumer

Aussies dining habits revealed – The Dimmi Australian Dining Index drawn from 300,000 diners and 2,000 restaurants reveals a clear shift in the Australian dining scene, with service and value for money playing a key role in dining out.

Results show a drop in dining out at the high end over the past year. Only 16% of diners now spend more than \$90 per head, compared with 20% a year ago. Across the states, most diners spend an average of \$60 per person, with ACT (\$83) at the top of the scale and Queensland at the other end at \$56 per person. Diners in Victoria spend an average of \$59 per person. Analysis also shows that more people head online before eating out, with a 67% annual increase in online restaurant reservations.



→ **What it means?** Top tier restaurants have a challenge in front of them to lure value-conscious consumers in these market conditions.

New salad campaign targets school children – A new three-year campaign – The Salad Days: Make More of Salad Campaign – has been launched by the British Leafy Salads Association (BLSA) – co-funded with about €140,000 from the EU – to promote the health benefits of leafy salads. The campaign will combine recipes and flavour guides with tips from dietician Sian Porter and includes the launch of a website www.makemoreofsalad.com and an education initiative.

The education scheme will target primary school children aged 7-11, offering schools nationwide with kits designed in conjunction with the British Nutrition Foundation to help pupils grow their own salad leaves. BLSA plans to get 6,000 children growing leafy salads in the new school term starting September 2012.



The move follows BLSA research which claims that leafy salads only represent 5% of UK's total fresh vegetable intake.

Meanwhile, boost for US school salad scheme – More than 15 salad bars will be built in schools in the Washington DC area, after \$43,000 was donated to the Grower-Shipper Association of Central California and United Fresh's Salad for school campaigns.

The United Fresh's 'Let's Move Salad Bars to Schools' campaign – developed to raise the visibility of salad bars as an effective strategy for increasing children's fresh produce consumption at school – has already set up 1,600 salad bars in schools throughout the US. The Grower-Shipper Association Foundation's 'More Produce in Schools' program is a new initiative focused on finding solutions to the national obesity issue by bringing more produce into schools in targeted areas.



→ **What it means?** Successful integrated efforts to get fresh produce to children by reinforcing positive messages. The common themes in these initiatives are making fruit and vegetables part of school meals and encouraging kids to do a little bit of gardening themselves.

Innovation from the world

Australia Post to offer fresh food deliveries... – Australia Post will be competing with other online grocery shopping and delivery services through Farmhouse Direct to be launched in late 2012.

Farmhouse Direct, an initiative developed by Australia Post and supported by Victoria Farmers' Market Association (VFMA), is an online farmer's market, set up specifically to give farmers and producers another direct channel to market. This new service intends to let consumers purchase products at any time and have them delivered to their home. The Farmhouse Direct website will list the products of participating



sellers, enabling consumers buy directly from producers. Australia Post believes that this service will benefit producers as well, by shortening their supply chain and reaching a wider market.

The focus of Farmhouse Direct will be on 'hard-to-find specialty products' and will create opportunities to contact producers directly – an important point of difference between this new service. For more information, see <http://www.farmhousedirect.com.au>.

... Meanwhile online distribution networks opens for convenience stores – An Australian delivery service – ParcelPoint – has established a way for online consumers

to receive their parcels at the local convenience store, instead of collecting them from an Australian Post outlet. Under this service, consumers are notified by sms when their parcels are delivered to to a local convenience store or grocery and are able to collect it when convenient.



The stores involved are selected for their accessibility, with many open seven days and after-hours. The delivered product is not necessarily connected with the stores' own products. Retailers involved in ParcelPoint receive direct commission on every parcel handled, increased foot-traffic, and access to new local customers. ParcelPoint is actively developing partnerships with online retailers and parcel carriers as both groups can benefit significantly from promoting a convenient, more efficient delivery option.

→ **What it means?** More initiatives to service the online shopper indicates the growth potential that some see in this channel.

Vegetables to grow in newly designed pizza store – A hut-like mobile greenhouse has been

developed by Architect office Bloot in Netherlands, in which pizzas can be made. The construction is being used as a greenhouse in its original state. When the greenhouse is lifted up, a new space is created – a wooden pizza bar appears, with an 'ingredient garden'



joined to it. Visitors can take ingredients for their pizza from these vegetables, including herbs, courgette plants, and tomato plants.

The greenhouse is made up of transparent corrugated sheets. The ingredient garden and the bar are built from reclaimed wood and the pizza oven is made of old bricks, chicken wire, and clay. Rainwater is caught to water the plants. The temporary building will be realised in Hoofddorp in Netherlands.

→ **What it means?** Another take on urban farming by bringing garden freshness into the foodservice delivery.

Edible food packaging unveiled – An innovative edible packaging – WikiCells - has been developed in an effort to reduce plastic and paper waste. Produced by French-based researchers, the Wikicells edible food packaging takes its cue from the natural packaging that encases oranges, apples, potatoes, and other types of fruits and vegetables – a model of how nature wraps foods.

The packaging is made using a mixture of algae and calcium that is then flavoured to either mimic or complement the flavour of the food and drink contained inside. Thus, the edible packaging can be made up of small particles of chocolate, dried fruit, nuts, and seeds which are used to create a nutritious gelatinous skin that protects food products such as yoghurt, ice cream, juice, or pudding. In case the consumer does not want to eat the packaging, Wikicell can be thrown away like an orange peel, as it is biodegradable.

To date, the scientist, together with his collaborators, have experimented with a gazpacho-stuffed tomato membrane, a wine-filled grape like shell, and an orange-laden orb that tastes like an orange. The packaging that houses liquid can be used with a straw – just like a conventional juice carton. Wikicells Designs, the company developing and commercialising the packaging, plans to market Wiki ice-cream packaged in edible shells this year in Paris.



→ **What it means?** A unique packaging innovation that provides convenience, nutrition, taste, and reduces waste is almost too good to be true.

Unique website for kids on fresh fruit and vegetables – A new website – www.kidsenjoyfresh.com – has been launched by Freshfel Europe to highlight the benefits and enjoyment of fresh produce consumption to children, parents, and teachers.

The website provides a wide range of entertaining and educational games and activities for children, trying to stir up their curiosity to explore fresh fruits and vegetables. The website offers parents first-hand suggestions on how to encourage fruits and vegetables in a child's diet, as well as how to 'Enjoy Fresh' tips for storage and handling and an exhaustive recipe list. Freshfel plans that all sections of the website would be regularly reviewed with new content and features over time.



→ **What it means?** A unique online platform that engages directly with the youngest consumers to help them get in touch with fresh produce in an accessible format and make fresh produce consumption a fun activity.

Cool Cuts targets school children – A new line of innovative Disney-themed Mini-Meal and Salads specifically for kids aged 6-12 has been developed by US Ready Pac Foods in conjunction with Disney Consumer Products.



In addition, a Disney character – Pixar's Cars, Disney Princess, Mickey Mouse and friends, and Phineas and Ferb - has been matched to each item based on the character's personality and includes a 'fun factor' that matches the Disney character on the label such as a sticker or temporary tattoo inside.

Compared with other similarly targeted kids' products in the market, the line claims to have up to 4 times fewer calories and 12 times fat less fat per serving. The mini-meals will be available in four flavours suited to the younger palette and preferences in a portion-controlled format. The packaging is suitable for lunchboxes and backpacks, offering durability and portability. Disney-themed Cool Cuts line is marketed under the popular Ready Pac Cool Cuts brand and is expected to hit stores where fresh produce is sold in August 2012.

→ **What it means?** A clever innovative line that hopes to win appeal among children. It is also a strong signal that the marketing stakeholders of the Disney brand have determined that there are advantages in aligning with the positive attributes of fresh fruit and vegetables.

Thai basil makes retailer debut – Fresh-cut Thai basil leaves hit Waitrose's shelves this month, in response to growing customer demand for the herb. Thai basil will be grown locally by Surrey grower and supplier R&G Fresh Herbs, which claims to be the first in the UK to have commercial quantities available and Waitrose to be the first supermarket to offer the herb nationwide.

Cut from mature plants, Thai basil is smaller and more pungent than regular basil and has a spicy flavour – a mainstay of Thai and other South-East Asian cuisine. It is also a significant part of UK's retail and foodservice offering.

→ **What it means?** That a specialty product with local links is now being offered by this retailer in a move to cater for the ethnic diversity in store catchments.

Mary's Harvest Fresh Foods – US Northwest Produce Family company will launch Mary's Harvest Fresh Foods, a fresh food processing service, in mid-July this year.

The 45,000-square-foot facility will operate a 2,000 square metre fruit and vegetable processing room, together with hot and cold kitchens. The combined product line will offer approximately 1,350 separate SKUs. Mary's Harvest Fresh Foods will offer a wide range of meals, from grab and go, soups, home



meal replacement, protein salads, party trays to any variation of cut and processed fruit and vegetables. The company states that there is a demand within its current retail and foodservice customer base that Mary's Harvest Fresh Foods will serve effectively.

→ **What it means?** That this fresh produce company has identified and expanded to cater for demand it sees in within the local foodservice sector. Indicating that even in tight time there is demand for products that save time.

New sweetpotato fries in the market – A new range of premium sweetpotato fries have been launched by potato producer Aviko in the UK to help foodservice industry cater to the growing demand for sweetpotato fries. Sweetpotatoes contain twice as much as fibre as regular potatoes and are also high in potassium, which plays an important role in lowering blood pressure.

The launch follows the company's survey that showed 74% of respondents would order sweetpotato fries if they were on a menu, with a further 76% claiming they would be perfect for kids' menus. Health was also a key factor, with 68% of respondents preferring sweetpotato fries as they could see them as a healthier option to regular fries. Aviko's sweetpotato fries are supplied frozen and are available to all foodservice outlets.



→ **What it means?** Sound market research can be used to identify consumers' needs and justify new products.

Walla Walla sweet onions to hit US stores – Walla Walla certified sweet onions will be soon launched at local grocery stores in the US. The popularity of these Walla Walla Certified Sweet Onions has increased significantly in recent years because of their versatility and unique flavour.

Walla Walla sweet onions are mild – without the tears and heat associated with hybrid onions - and crisp and enhance a range of dishes including salsa, salads, and sandwiches. They can also be grilled or sautéed and used as appetisers or toppings. In addition, they are fat free, cholesterol free, low in



sodium, and a good source of dietary fibre.

Prior to their launch, Walla Walla Certified Sweet Onions are being marketed by US Keystone Fruit Marketing Company as part of the 'Make Taste Interesting' campaign, which will highlight favourite summertime foods.

→ **What it means?** *A new product that has combined the three attributes of taste, versatility, and health to win consumers' appeal.*

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

Category in profile: Carrot

- Carrot was the most frequently purchased vegetable by households (weekly) in the June quarter 2012.
- Over the last 4 quarter (Sept 11 – June 12) carrot had an average weekly penetration of **64%** across all households.
- Carrot is a low value product that is purchased by consumers for an average of **\$1.64** per kg, which is significantly lower than the average retail price of **\$3.50** per kg for all vegetables.

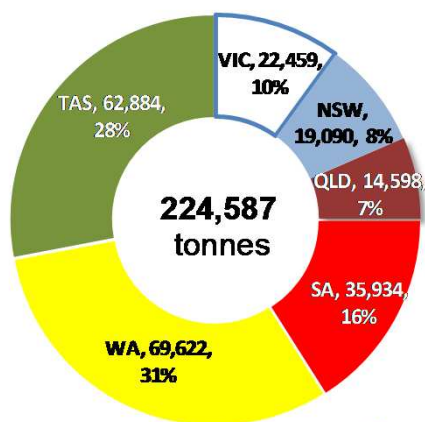


Key Facts

- Carrot production was 236,668 t in 2011/12.
- The retail channel buys 139,965 t.
- The foodservice channel buys 41,533 t.
- The current domestic retail market value of fresh carrot purchased by consumers is \$206 million.

State Production

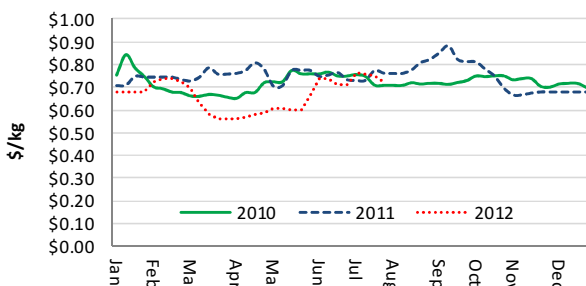
Annual tonnes by state



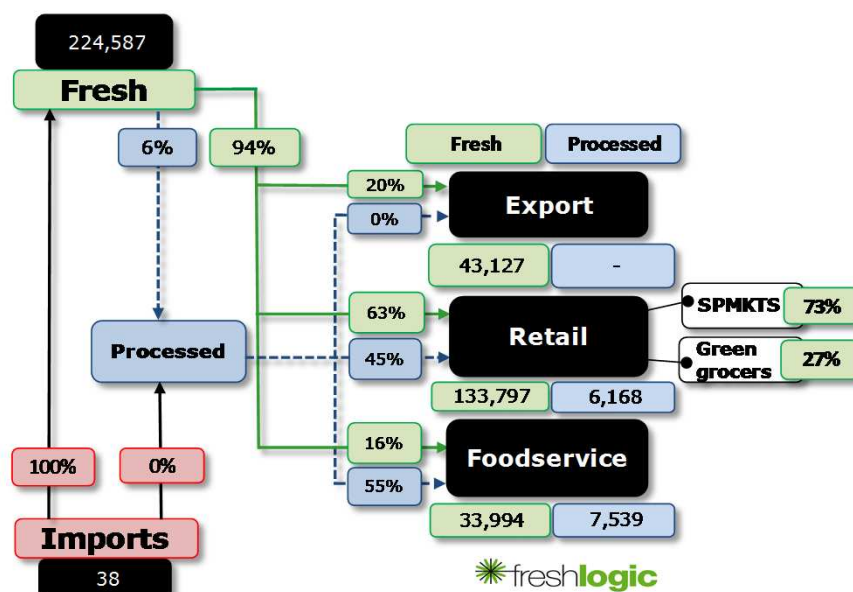


Wholesale Price

Average Carrot Wholesale Price



Volumes and shares through the chain

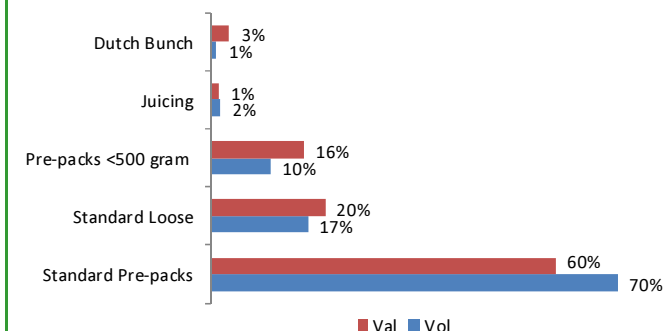




- The fresh carrot market is supplied with 210,918 tonnes of locally produced product, of which 43,127 tonnes were exported.
- The processed domestic market is supplied with 13,707 tonnes of locally produced carrots.
- Exports play a substantial role in the fresh market, with 20% of the fresh volume flowing through this channel.

Fresh retail sales

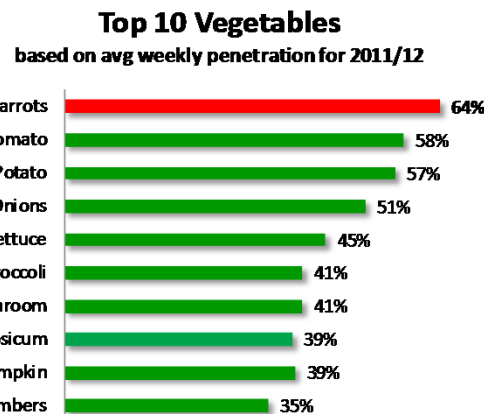
Retail Sales Contribution- by type



- All figures presented are for the year ending June 2012.
- The current retail market sells **125,668 tonnes** of fresh carrot, worth a total value of **\$206 million**.
- The overall average price paid for carrots was **\$1.64** per kg.
- Overall loose sold product generates an average premium of **26%** over pre-packed product.
- Pre-packs under 500 grams includes products such as baby and Chantenay varieties.

Consumer Penetration

Household Segments	Average Purchased Quantity (kg)	Purchase Weekly
Singles & Couples with lower income	0.783	63%
Singles & Couples with higher income	0.819	62%
Budgeting families	0.942	65%
Established families	0.935	67%
Empty Nesters	0.915	63%
All Households	0.894	64%



In the June quarter 2012, carrots were the most frequently purchased fresh vegetable based on weekly purchase patterns and regularly feature in the top 2 vegetable products. Carrots have generated an average weekly penetration of 64% over the last 4 quarters, in comparison to potatoes which generated 57%.

Mealpulse™

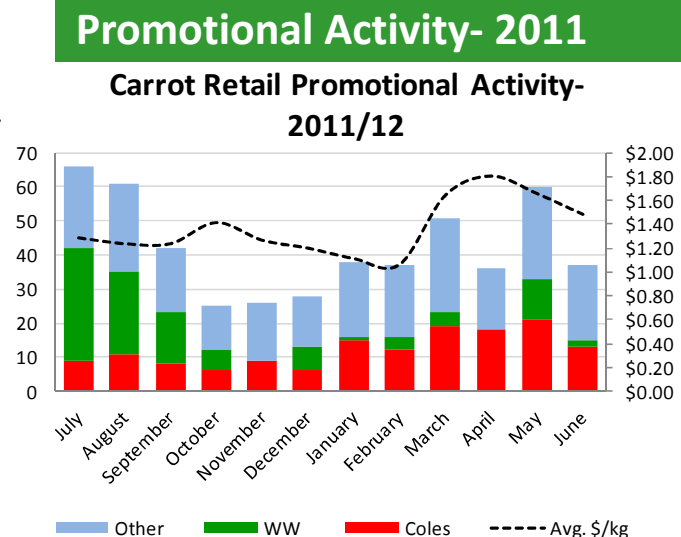
Consumption Profile

Carrots offer one of the most versatile ranges of uses among all of the vegetable categories. They are involved in most if not all cooked and raw consumption occasions. This has been a strong driving force behind the categories ability to consistently generate 60%+ weekly household penetration across all seasons.

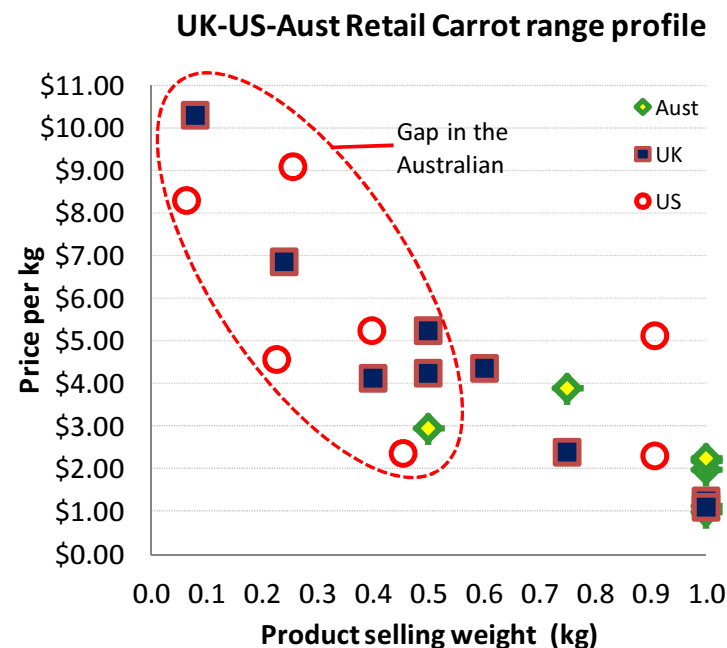
Carrots consumption profile	Cooked	Boiled, M-W, Steamed	✓
		Deep fried	
		Mashed	✓
		Roasted	✓
		Baked/Grilled	✓
		Salad - cooked	✓
		Soup/Sauce	✓
		Stir fry	✓
	Raw	Juiced	✓
		Salad - fresh	✓
		Sandwich/burger/wrap	✓
		Snack	✓



- This graph details the number of promotional adverts by retailer for each month.
- For the year ending June 2012, there were a total of 507 adverts for carrot and some level of retail promotion activity in all of the 52 weeks. This generates an average of 42.25 promotional adverts per month.
- The large majority of retail promotional activity is generated by the 1kg pre-packs.



UK -US -AUST retail range profile



- This analysis has drawn on data gathered from Australian, UK and US retail and online offers.
- While the Australian market has some smaller pack sizes, there is fewer retail products aimed at servicing snacking occasions. These products include carrot sticks and batons.
- Considering the lack of smaller pack sizes in the Australian market, it appears that there are some opportunities available to capture additional value per kg.