

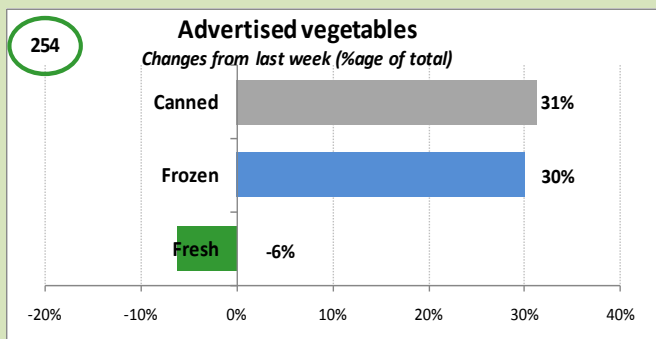
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative



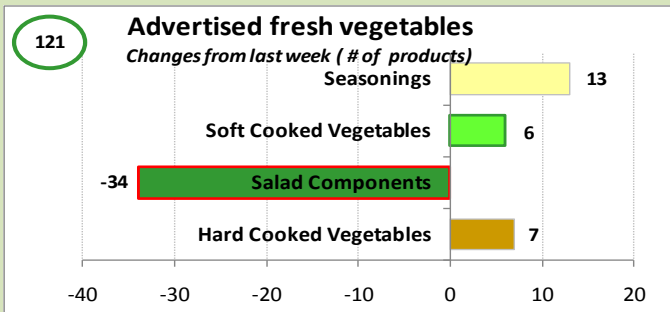
16 Mar 2010

Vegetable retail promotional activity



This week the exposure of vegetables increased by 10% with 254 vegetable products advertised by the major retailers. This was driven by major increases in canned and frozen products and decreases in fresh.

The number of fresh products advertised declined by 6% to 121. The most significant changes were in Salad Components, which decreased by 33 lines, with this change driven by cooler weather.



Headlines

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- New Australian-grown logo launched
- Fruit & Veg exports shunted aside
- Market volumes by product form
- Vegetables and inflation

A new Australian-grown logo will be launched by Simplot Australia, in association with



Tasmanian vegetable growers, and aligned with a new Australian-grown logo and national advertising campaign for Birds Eye vegetable products. Mr Terry O'Brien, Managing Director of Simplot, said "The big challenge for the Tasmanian vegetable industry is to educate consumers on the superior quality of our vegetables that also meet high Australian labour and growing requirements." Mr O'Brien, said that a survey undertaken last month clearly shows that Australian consumers want to support Australian farmers.

"According to the results, nine in ten Australians say they prefer to buy frozen vegetables that come from Australia," Mr O'Brien said. "The survey also revealed that, overwhelmingly, the most important reason why Australian's want to buy locally grown vegetables is to support Australian farmers."

The new logo will appear from mid-March on Birds Eye's most popular frozen vegetable products. If the new symbol resonates with consumers, Birds Eye plans to roll it out across the majority of its completely Australian-grown products.

This initiative provides a product offer to meet a demand for locally grown product. This will help determine whether those who say they prefer to buy locally produced vegetables actually do so.

Australian fruit & vegetable exports taking second place

as preferences are given to higher value seafood. Exporters say they were unable to fly shipments to Hong Kong ahead of the Chinese New Year, because airlines had cancelled flights, double booked, or shunted their orders aside in favour of seafood. Cathay Pacific spokesman David Bell reportedly said it was "just one of those things that couldn't be helped".



Vegetable exports at \$4-\$5 per kg will always be challenged to compete for airfreight space.

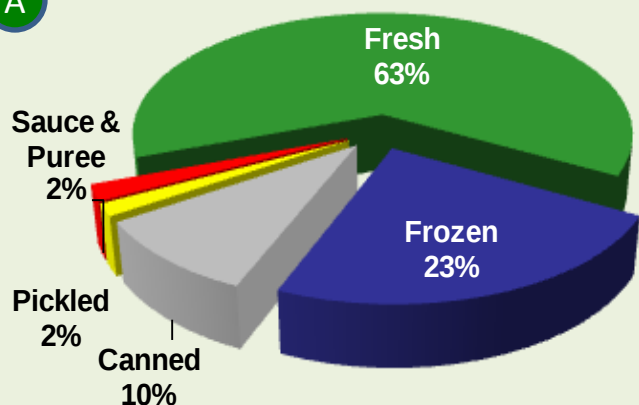
State capital market weather profile below shows the weather conditions in the state capital cities. Changes in weather are known to have a direct impact on the demand for different vegetable products.

Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
	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	17-27	16-30	18-27	14-27	11-28	10-29	21-29	18-33	19-30	13-34	12-32	15-33	13-39	18-41	14-37
Highs & Lows °C															
Rainfall															
Rainfall (mm)	27.4	6.0	38.6	39.0	30.8	6.1	143.6	3.0	22.4	8.0	2.0	0.2	0.0	0.0	0.0

Vegetable category sales last Qtr of 2010 – Market settings

The analysis of the vegetable market in Qtr 4 includes some market settings which frame how the market works. The two charts and commentary below provide a snapshot of two settings that address domestic market volume by product form and the way vegetables impact food inflation.

Domestic Market Volumes by product form



Vegetables flow into the domestic market

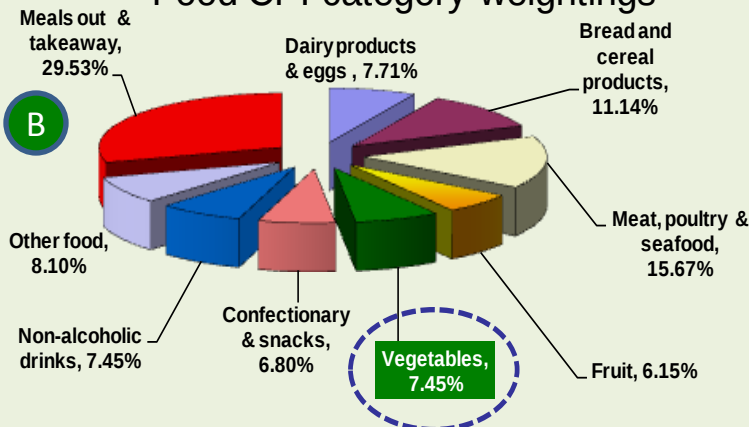
in fresh, fresh cut, canned and frozen forms. The relative contributions of these different forms from locally produced and imported sources is profiled in Chart A.

The fresh product is the dominant form at 63% dominates followed by frozen at 23%.

Some other findings from this analysis include:

- Food service channels buy substantially more frozen than fresh vegetables.
- Pickled vegetables are the highest value at \$6.80 per kg. Frozen vegetables were sold at \$4.11 per kg in 2009 and that was made up of frozen potatoes at \$3.60 per kg and mixed vegetables at \$4.43 per kg.

Food CPI category weightings



Vegetable prices have an impact on food inflation

despite their comparatively low contribution to total food CPI, as per chart B, fruit and vegetables have a high profile in their impact on the cost of food. Fruit is currently weighted by the ABS with a contribution of 6.15% and **vegetables 7.45%**. These weightings reflect the proportion of household food spend on food prepared at home and given extend to an average weekly household spend on fruit & vegetables in the region of \$30 per week.

However, because the price of fruit & vegetables varies more than other foods it can impact total food inflation. This occurs frequently and it is common for the status of vegetable prices to be mentioned whenever food CPI is announced. This has linked vegetables to “price” and doesn’t help when attempting to have consumers embrace the wider range of values that vegetables can provide.