VEGINSIGHTS

monthly vegetable market insights – February 2012

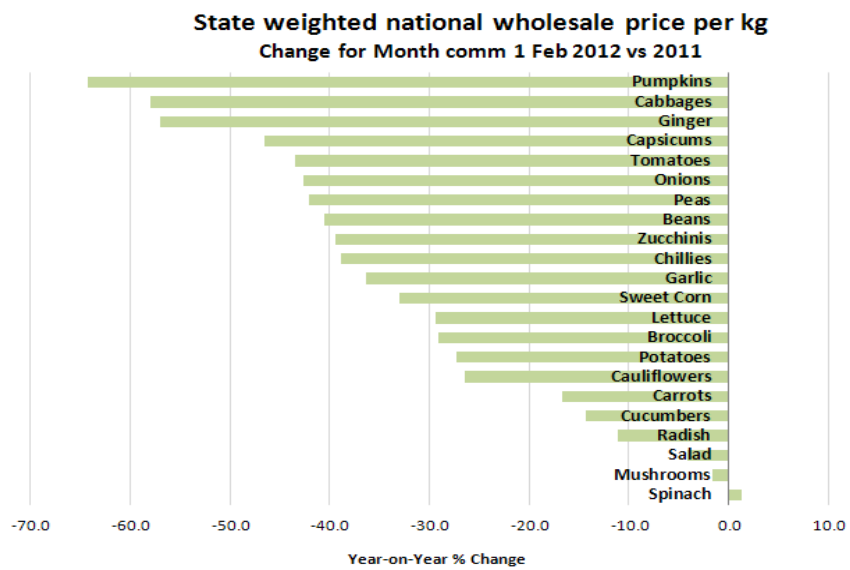
A VIDP initiative

Highlights

- **Lower wholesale value impact sales value**
- **Virtual retail store in railway station**
- **Convenience the central theme in Logistica Innovations**
- **Salad hits the market in a pot**
- **New celery products about colour, texture, and taste**
- **Cucumber profile with a retail value of $171m**

Vegetable market

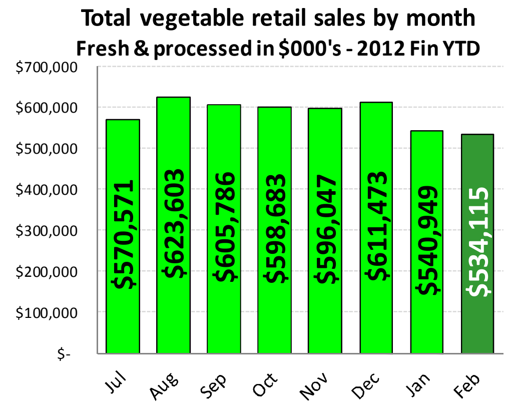
Wholesale vegetable prices – The wholesale price difference between Feb 2012 and Feb 2011 for the major vegetables is profiled in the chart below.



All products are in full supply and wholesale price levels have settled. Wet weather and floods in NSW and Qld has impacted some growing regions but the greatest impact is on transport access.

Wholesale prices for all vegetable categories decreased this month compared to February 2011. The impacts across the products varied, with seasonings and hard cooked vegetables decreasing more than salad components and soft cooked vegetables. At the product level, the most significant changes were with pumpkins, cabbages, ginger, capsicums, tomatoes, and onions which decreased over the same month last year. In contrast, spinach was the only product to increase over the same month last year.

The weighted total vegetable wholesale price for the week commencing 27 February 2012 was $2.42 per kg.



The total retail sales of fresh and processed vegetables in February 2012 are estimated at $534.1m, as profiled in the adjacent chart. These sales are 10.0% lower than January 2011. They are also lower than the preceding month of January.

The major driver of the sales value decline was the lower wholesale fresh prices, as is reflected in the adjacent wholesale price comparison chart.

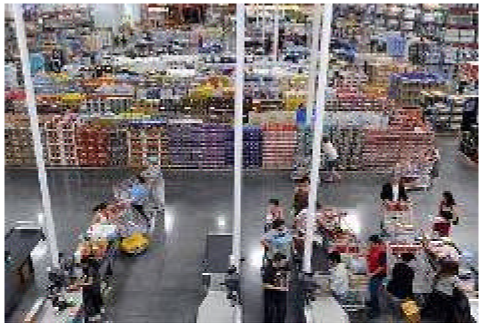
While the value of vegetables is lower than last year, there is every indication that consumers are taking advantage of this value to purchase larger quantities.

The Australian food market

Virtual retail store trial – Woolworths has set up a trial virtual retail aisle in the busiest commuter zones – Melbourne's Finders Street Station and Sydney's Town Hall – to capture the growth in online purchases on smartphones. The trend mirrors similar virtual shopping walls and billboards erected in the US, Europe, and Asia - in mid-2011, Tesco opened a virtual supermarket in a South Korean railway station.

The launch is coupled with the release of an updated smartphone app which allows shoppers to choose and buy from any of 120 popular products. Commuters can use their smartphones to scan barcodes next to the pictures on the wall, using the retailer's online shopping app. Once an item is added to the virtual shopping list, the customer can pay for their order and have their groceries delivered to their home or picked up from a store. Woolworths states it has had 1.5 million app downloads.

→ ***What it means?*** *A major supermarket has stepped up its online strategy in what appears to be an effort to learn more before this channel is generating substantial volumes.*



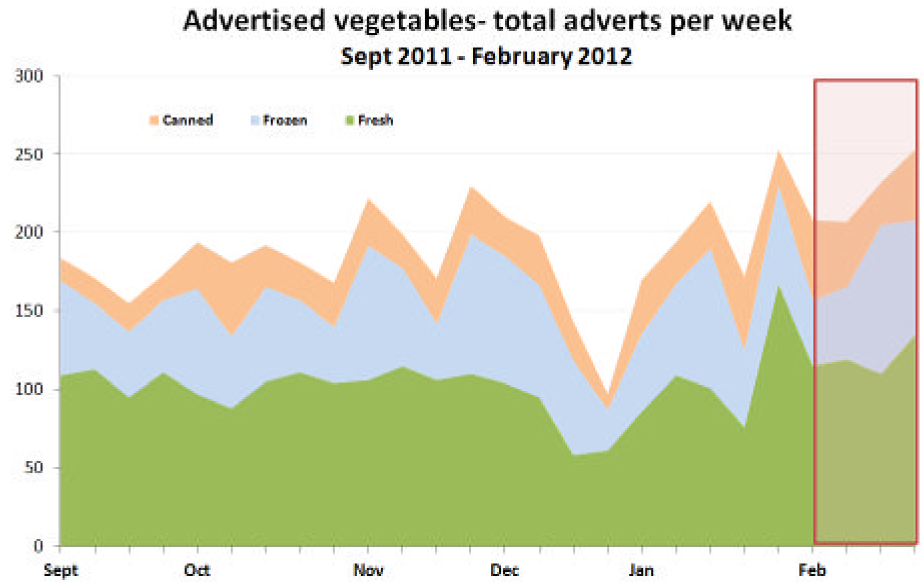
Bulk retailer gets a bigger budget – Costco will invest $140 million to continue its expansion across Australia, planning new stores for outer eastern suburbs of Melbourne, Sydney, and Brisbane. The Australian CEO Patrick Noone told media that the company was given $100 million in 2011 from its US parent for start-up costs – which will include losses on the existing stores – and an additional $40 million to fuel its expansion.

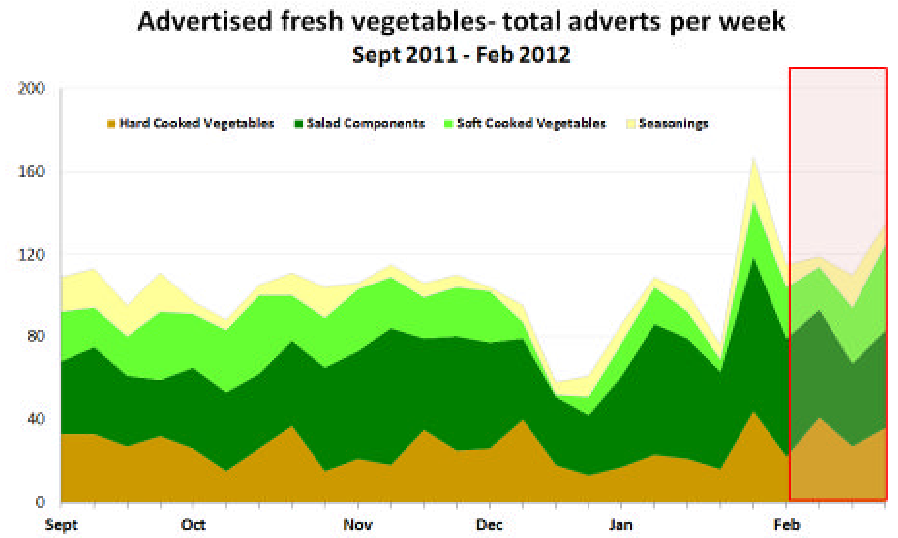
The company plans to add at least two stores in 2013, expanding the network to five stores in Australia, all located on the east coast. While the expansion has not been rapid, these stores are high volume units with each store generating the sales levels equivalent to 4-5 full service supermarkets.

→ ***What it means?*** *While the expansion of this retailer is steady, it contributes to the growth and market share pressure on other food retailers.*

Retailer activity

Promotional activity in the month of February – The retail promotional activity reflects a pattern of an increasing exposure for vegetables, continuing the increasing trend seen in January 2011. Over the month, the exposure of the total vegetable products increased to an average of **225 products per week, up from 202 products in January**. The increase has been driven by an increase in exposure for all three categories of vegetable products this month.





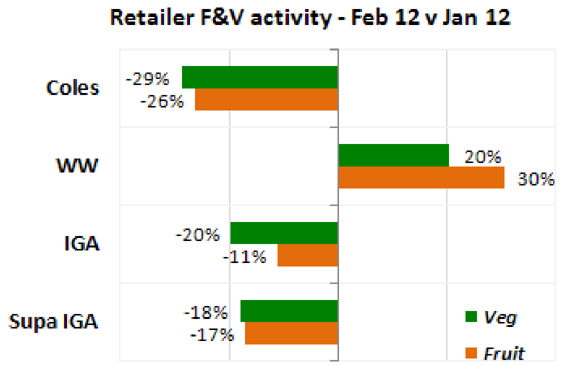
Within the fresh vegetables, there was a sizeable increase in the number of soft cooked vegetables advertised, together with a small increase in the number of hard cooked vegetables and seasonings in February. This was partly offset by a decrease in the number of salad components advertised this month.

With the exception of Woolworths, the promotional activity among the majority of the top retailers reflects a decreasing trend in Fruit and Vegetables (F&V) exposure compared to January 2012.

This reverses the increasing trend seen in January 2012, which was particularly spurred by Coles' announcement on 30 January to cut the price of fresh produce by half, which was immediately matched and further undercut by Woolworths on some lines, for a limited period.

However, compared to the same month last year, the vegetable promotional activity this month increased notably at Woolworths (up 193%) and Coles (up 98%). In comparison, the vegetable promotional activity at Supa IGA increase by 5% and IGA by 1%.

Fruit	Feb-12	on prior month
Coles	216	↓
WW	240	↑
IGA	80	↓
Supa IGA	97	↓
Vegetables	Feb-12	on prior month
Coles	230	↓
WW	284	↑
IGA	102	↓
Supa IGA	154	↓



Walmart to label healthier foods – Against a background of evolving solutions to deal with nutrition claims in the food market, US retailer Walmart has launched the 'Great for You' nutrition icon.

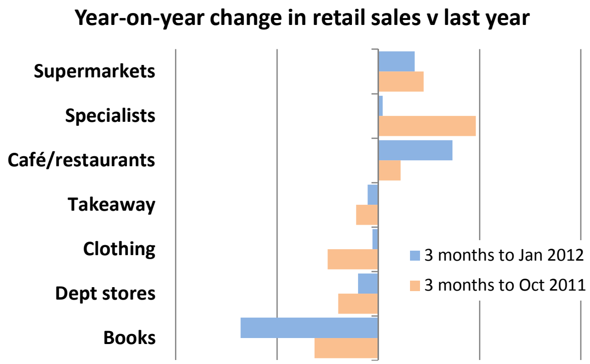
This nutrition label will initially feature on some of its private-label foods, including selected Great Value and Marketside lines, together with fresh fruits and vegetables from April this year, in an attempt to help US consumers identify healthier food. The retailer states that it will track how many of these items make it to the checkout to track 'behaviour shift' among consumers. The products featuring the logo must meet certain criteria – including limited amounts of fat, trans fat, saturated fat, sodium, and added sugar.

Although it is not the first retailer to try to promote healthy foods, but as the largest US grocery chain store and one that caters in particular to budget-conscious consumers, it plays an influential role in shaping the diets of US families.

→ ***What it means?*** *This is a large-scale retailer trying to find the balance between consumers' interest in healthy food choices and the need to provide clear information. Among other things, this will make it more difficult to get common system in place across the food market.*

The consumer

Is consumer sentiment turning? – In February 2012, the Westpac-Melbourne Institute Index of Consumer Sentiment rose for the second month in a row to 4.2% to 101.8 from 97.1 points in January 2012. When compared with the present ABS retail figures, it seems that confidence is seeping back into spending, with more spent on dining out. Changes in consumer sentiment are typically reflected in growth in retail sales. This turn in confidence follows months of steady interest rates - rate cuts from the central bank give a significant boost to the consumer sentiment, given that more than 90% of the Australia's mortgages are set at a variable rate.



Segmentation across consumers in the food market is becoming more apparent in buyer behaviour. The market is still dominated by value-seekers, but more are prepared to make selective trade-offs and buy higher value products.

→ ***What it means?*** *While more consumers remain locked into a focused view on the 'best value for money', it appears some can still be convinced to trade up to higher price product options.*

The new image of Spanish vegetables

– A new €3 million advertising campaign on the security and quality of the vegetables from Murcia has been started by exporters from Murcia, Spain, to repair the damage caused to the sector by the E. coli crisis last year and to assure the quality of their vegetables with credentials among consumers. The promotion is supported by a celebrity endorsement – actress Esther Schweins – portraying the image of a young mother worried about the security of the food she uses in the kitchen.

The three-year campaign with its message 'We care, you enjoy' – which will run in Germany, Austria, and the UK – will promote fresh produce including lettuce, broccoli, tomato, cucumber, and pepper and feature at supermarkets, market trials, television, press, and international fairs, targeting up to 650 million people.

→ ***What it means?*** *A large-scale million dollar collaboration that at its core attempts to regain the confidence of the consumers. Also indicates the scale of reinvestment required to remedy any alleged or actual confidence breakdown in the food industry.*

Innovation from the world

The Berlin Fruit Logistica conference is recognised as one of the leading global events to showcase new products and services. Their **Innovation Award** is deemed a reflection of the leading edge for fresh fruit and vegetables.

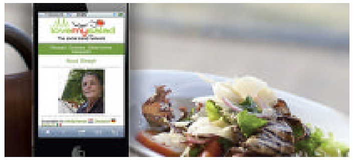
FRUIT LOGISTICA Innovation Award 2012

The winners:

Angello™ Sweet & Seedless Pepper (Syngenta Seeds) – is the world's first seedless red baby pepper, conical in shape, 5-10 cm in length, and sweeter and crunchier in taste, with a brix sugar level (commonly used to measure sweetness in fruit and vegetables) 25% higher than conventional, seeded peppers. It is marketed in convenience snack packing, though the peppers can be used for cooking, as well as picnics, snacking, and children's lunch boxes.

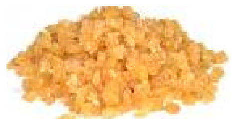
A product of a 15-year natural breeding program by M&S, supplier Melrow Salads, and vegetable seed developer Syngenta, Angello was developed after research showed the process of removing seeds from traditional peppers had hit the product's appeal among consumers. Angello is grown in southern Spain, Israel, and the Netherlands to ensure a year-round supply.

Achacha – now commercially grown in Australia - with origins in the Bolivian Amazon basin - the Achacha is a bright orange fruit with a thick skin and the form and size of an egg. Its soft white flesh has a sweet and tangy flavour, which can be added to salads or used in cocktails and ice creams. It claims to be high in anti-oxidants and other nutrients.



Lovemysalad.com (Rijk Zwaan) – aimed at salad enthusiasts, Lovemysalad.com is an interactive website and social network forum that seeks to stimulate and increase the consumption of vegetables and fresh salads. The website is one of the first to target fresh produce consumers and professionals and offers an opportunity to share recipes and ideas. The site features a recipe page and 'Salpedia' – an in-depth educational page with information on every salad vegetables, as well as tips on selection, preparation, serving, and storage.

The other finalists:



Dried Candied Cido (SIA Amberbloom, Latvia) – produced from a special variety of the Chaenomeles japonica, dried candied cido is also known as Japanese quince or Nordic lemon, and is especially popular in Latvia. It has a unique sweet-sour flavour and can be used as a snack, as well as an ingredient in cakes, yoghurts, ice cream, muesli, fruit and nut mixes, teas, and confectionary. Available as cut, diced, or grated fruit pieces in different grades and sizes.

Pattruss Z (Pattruss, Inc., Japan) – is a plastic bag with a triangular shape to save space during transportation and a reclosable zipper seal to protect the contents and maintain freshness. The film material is strong enough for the bag to be opened and closed multiple times. The bag is available in different sizes subject to order and is fully customisable.

Purple Sprouting Broccoli (**Bejo Zaden B.V., Netherlands**) – a new broccoli variety (10-15 cm in length) with small, dark purple shoots or flower head that grow next to the main stem and has already found success in the UK. Purple sprouting broccoli combines a distinct broccoli flavour with a delicate aparagus taste and claims to have higher nutritional values than traditional broccoli. A range of varieties are presently available for summer, autumn, and winter cultivation and for different growing conditions.

Rio Fresh 100% Pineapple with Pineapple Pieces (**McCarter a.s., Slovak Republic**) – is a freshly-squeezed pineapple juice that contains small pineapple pieces to differentiate the product and is marketed both as a juice as well as a healthy fruit snack. Rio Fresh 100% Pineapple juice is sold in 450 ml PET bottles with full sleeve labelling and has a shelf-life of up to four months when stored in a cool place.

Roasted sweet potatoes (Campo Rico Export, S.L., Spain) – these ready-to-eat convenience products are vacuum packed on a transparent plastic tray inside a plastic bag, with one whole sweet potato (600-800 g) supplied in each package. The product does not include any preservative or chemical additives and has a product shelf-life of four months without the need for cold storage.

Sungreen green cherry tomato (Tokita Seed Company Ltd., Japan) – Weighing an average 20 g, Sungreen is a new green cherry tomato, with the skin turning from deep to light green when ripe and flesh that is relatively thick and very crisp. The average brix level of the ripened fruit is 8 degrees (representing the highest brix level for green tomatoes) and its flavour is a good balance between sweet and sour with a citrus hint. Sungreen was developed over a perid of five years using conventional breeding methods and was trialled by growers in different regions of Japan and other countries.

Yonanas healthy frozen treat maker (**Healthy Foods, LLC, USA**) – this new kitchen appliance creates a frozen dessert that looks and tastes like soft ice cream but is healthy and can be made from any available fruit.

More on these winners and finalists can be viewed at ***http://www.fruitlogistica.de/en/ExhibitorService/FLIAAward/***

→ ***What it means?*** *Product convenience in terms of ease use was the most common driver of many of these new products.*

Sweet move for celery – A new innovative sweeter and less stringy celery – **Celericious** – than the normal variety has been launched by UK producer G's Fresh to go on sale in UK supermarkets this summer.

This move mirrors the latest celery innovations by US Duda Farm Fresh Foods in January this year who was granted seven new patents for its celery varieties. The patents cover both **Duda Farm's 'Sweet Sensations' and 'Celery Sensations' varieties.** Three of the new varieties are specialized Celery Sensations, developed with a special hollow stem to create quality and celery straws. The Sweet Sensations focus on improving the sweetness in flavour and would be marketed as fresh-cut celery sticks for snacking occasions. The innovative products target the three most important celery attributes to consumers: colour, texture, and flavour.

→ ***What it means?*** *A new innovation that hopes to bring new consumers into the celery category by improving its taste attributes.*

Lime leaves hit the mainstream market – Fresh UK-grown Kaffir Lime Leaves – a Thai herb – were stocked for the very first time at a mainstream retailer Sainsbury's in the UK this month. The leaves – which cannot be imported into the EU and are often difficult to find – are now grown exclusively in a small nursery in Essex, ensuring a year-long supply. Previously sold only by independent ethnic outlets, the lime leaves are traditionally used in Thai and Indonesian dishes, though lately they have gained popularity for use in garnishing and cocktails. The leaves are priced at £1.49 and are available in a pack of four double lime leaves in 35 stores, especially selected according to customer profile.

→ ***What it means?*** *A move by this retailer to cater for the ethnic diversity in targeted store catchments and also at the same time, keep food shopping interesting for all shoppers.*

Salad hits the market in a pot – The Salanova lettuce will soon be available in a pot, with a special packaging concept 'Salafesh' - 'your own garden in the kitchen', at several European retailers this spring. With its numerous, smaller leaves and compact size, the Salanova can be conveniently potted and placed in the kitchen and is therefore deemed perfect for this concept. The packaging has a QR code that consumers can scan with a smartphone and will be directed to www.lovemysalad.com – where they can find and share recipes and ideas. The concept has been developed by Dutch potted plant grower Bunnik Plants with Rijk Zwaan and was presented at the largest ornamental and flower exhibition in Europe, the IPM Essen in Germany.

→ ***What it means?*** *A packaging innovation that provides garden freshness on the kitchen bench and comes with a link to a source or recipes.*

Fresh produce offers promotional opportunities – With Easter few weeks away, speciality fresh produce French beans and white asparagus are being promoted as a holiday tradition in households and restaurants.

US-based distributor of specialty fruits and vegetables Southern Selects is offering promotional opportunities for retailers and foodservice distributors on its specialty French beans and white asparagus products. The specialty French beans are offered in gourmet presentation, trimmed on the stem end for convenience, and can be packaged to suit different requirements, from an eight-ounce microwave bag and one-pound microwave bags to two-pound value pack bags. The specialty white asparagus with its mild flavour and versatility is easy to prepare and is wrapped with transparent packaging that features preparation information and recipes. Southern Selects white asparagus is offered in an eleven by one pound asparagus box.

→ ***What it means?*** *How a perishable product can increase its versatility and appeal to different sectors of the market by association with to a special occasion.*

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.

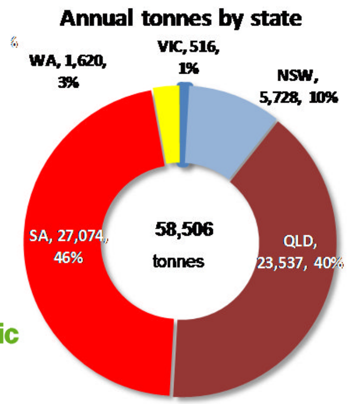
Category in profile: Cucumber

- Cucumber was the 6th most frequently purchased vegetable by households (weekly) in the December quarter 2011.
- Over the last four quarters (Mar 11-Dec 11), cucumber had an average weekly penetration of **34%** across all households.
- Cucumber is a high value product that is purchased by consumers for an average of **$4.32** per kg, which is significantly higher than the average retail price of **$3.50** per kg for all vegetables.

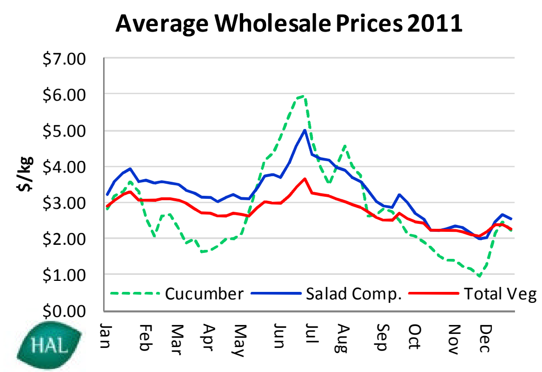
Key Facts

- Cucumber production was 58,506 tonnes in 2010/11.
- The retail channel buys 51,793 tonnes.
- The foodservice channel buys 15,587 tonnes.
- The current domestic retail market value of fresh cucumber purchased by consumers is $171 million.

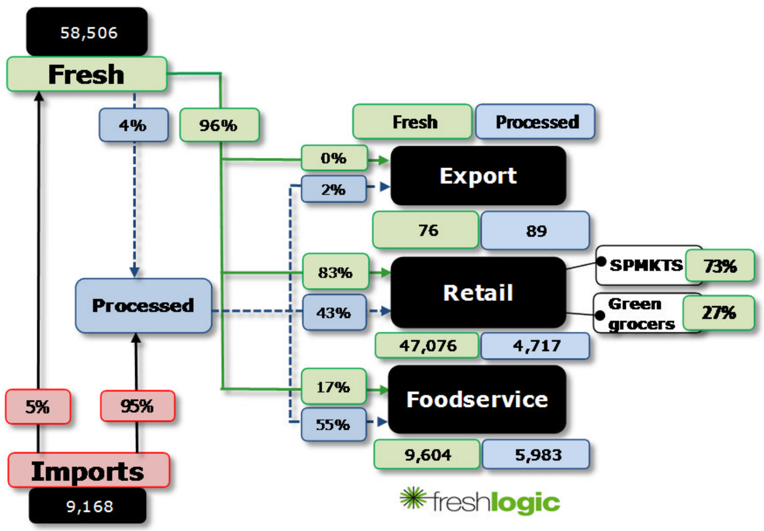
State Production



Wholesale Price

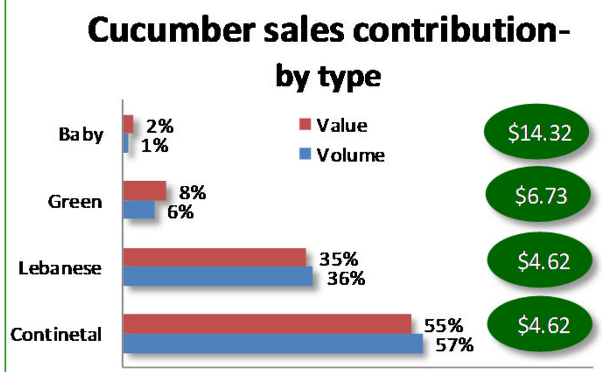


Volumes and shares through the chain



- The fresh domestic market is supplied with 56,256 tonnes of locally produced cucumber and a further 500 tonnes of imported fresh product. A further 76 tonnes of fresh cucumbers are exported.
- The processed domestic market is supplied with 10,700 tonnes of cucumber, of which 8,668 tonnes (79%) is sourced from imported product, with 72% of processed imports coming from India. A further 89 tonnes of process cucumbers are exported.

Fresh retail sales



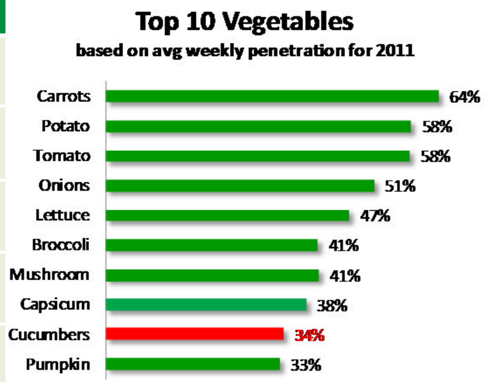
- All figures presented are for the year ending June 2011.
- The current retail market sells **39,685 tonnes** of fresh cucumber, worth a total value of **$171 million**.
- The overall average price paid for cucumber was **$4.32** per kg.
- Cucumber naming conventions are a mixture of colours and Mediterranean cuisines, but remain consistent across all Australian retailers. The main names are: Continental (large), Green (medium), Lebanese (small), Apple (round-small/med), and White (large).

HAL Horticulture Australia

AUSVEG

Consumer Penetration

Household Segments		Average Purchased Quantity (kg)	Purchase Weekly
Singles & Couples with lower income		0.332	19%-33%
Singles & Couples with higher income		0.357	28%-47%
Budgeting families		0.426	27%-44%
Established families		0.484	33%-49%
Empty Nesters		0.407	21%-49%



- **For the year ending December 2011**, the average purchase quantity across all household was **417 g** of cucumber.
- **In the December quarter 2011**, cucumber was the **6th** most frequently purchased fresh vegetable based on weekly purchase patterns and regularly feature in the top 11 vegetables over the last four quarters. Cucumber has generated an average weekly penetration of **34%** over the last four quarters (Mar 11-Dec 11).

Mealpulse™

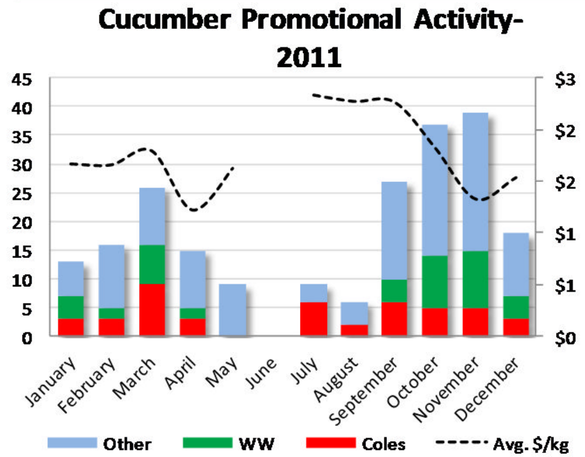
Consumption Profile

- Cucumbers are generally consumed raw, as a component within a salad or as an on-the-go snack.
- Cucumbers are also used to make yoghurt-based dips such as Tzatziki and often accompany spicy curries as a palate cleanser.
- This limited number of meal uses beyond salads contributes to a seasonal consumption profile.

Cucumbers 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	✓

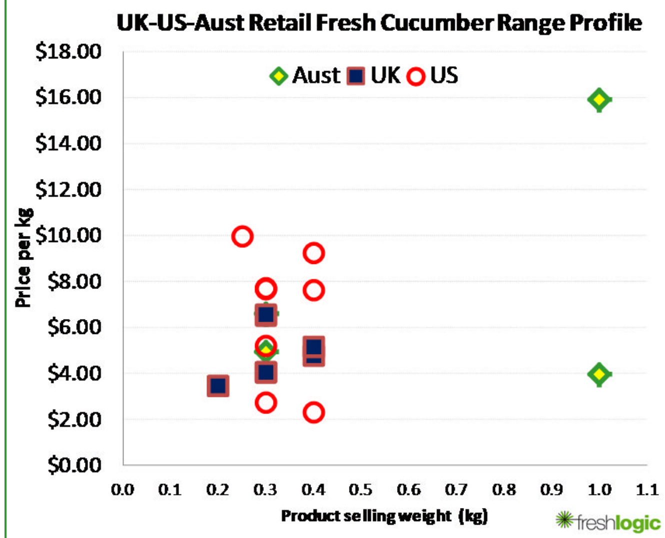
- For the year ending June 2011, there were a total of **219** adverts and some level of retail promotional activity in **42** of the 52 weeks. This generates an average number of **18.3** promotional adverts per month.
- **Continental cucumbers** generated the largest share of total cucumber adverts for the year ending December 2011, with 68%. Over the period, the advertised price ranged from **$0.69 to $5.00 per kg** and averaged **$1.71 per kg.**

Promotional Activity- 2010/11



Adwatch™

UK -US -AUST retail range profile



- This analysis has drawn on data gathered from Australian retail and the UK and US online sites. It is considered representative of the retail ranges in each market at the current point in time.
- The Australian market is unique in that in refers to the name of the cucumber, whereas in the other markets, the name reflects the size of the product e.g. large cucumber.

- The UK market offers a number of pre-packed portioned products (cut), while the US and Australia focus on loose whole product.
- The majority of product retailed in these markets is sold loose and by the each, with the exception of Lebanese cucumbers in Australia where they are sold by the each as well as by the kg.

HAL Horticulture Australia

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