

VEGINSIGHTS

A VIDP initiative

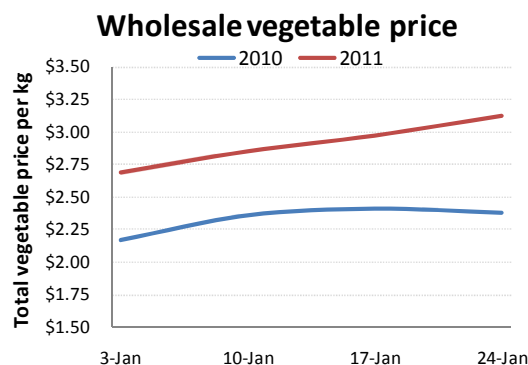
Highlights

- Wholesale vegetable prices – the weather impact
- Consumer sentiment sinks on Queensland floods
- Carrots make you more attractive
- Category Focus: Capsicums with a retail value of \$251M

Vegetable market

Wholesale vegetable prices – Adverse weather and flow on supply disruptions and have affected availability and prices over many vegetables products. Production in Qld was compromised and the Rocklea market in Brisbane was closed for several days in early January. This was followed by more rain and flooding arriving in Vic, who at this time of year is at a peak of seasonally supply, the supply disruption compounded.

Given availability of historical data a clearer profile of price impact can be provided with an analysis of the gap between Jan 2010 and Jan 2011. This is profiled in the adjacent chart and shows the total vegetable price per kg increase on last year is **24.8%** for the first four weeks 2011.



There are varying impacts across the categories of product with Soft cooked vegetables, Salad components and Seasonings all increased by 25-30% in January over the previous year. The increase in hard cooked veg was lower at 8%. At a product level the most significant increases were with Cauliflower, Zucchini, Broccoli, Pumpkin, Tomato,

monthly vegetable market insights

January 2011

Lettuce, Capsicum, Ginger and Onions. The large majority of products increased but Carrots, Potatoes and Radish sold at the similar prices to those achieved in Jan 2010. There were no reported wholesale price decreases over January.

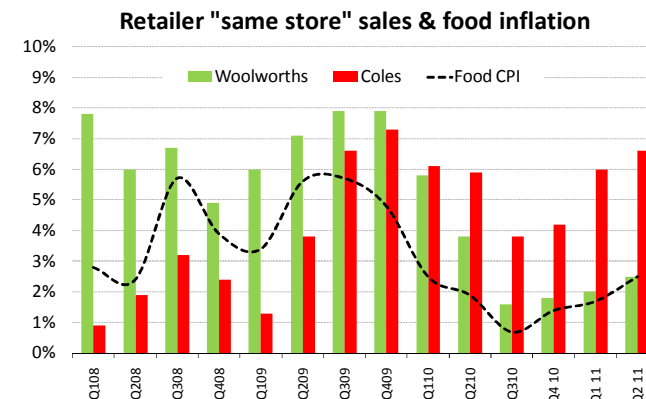
The weighted total vegetable price per kg started the month at \$2.38 and firmed to \$3.12 in the last week. This closing price was .74c per kg or 31% higher than the same week in the previous year.

The Australian food market

Retail competitive intensity increases

– In the first weeks of the New Year the level of intensity of between the major food retailers has lifted. This activity has been fuelled by food deflation eroding sales value growth combined with the competing

retailers striving to win the support from the value seeking consumer. It has led to the high volume staple food items being offered at prices lower than last year and sparked concerns about the flow on impact on supporting supply chains. In each instance the competing pressure has led to price matching between the major supermarkets, indicating the level of intensity has a momentum of its own. Recent sales results released by the two largest supermarkets, which show Coles continuing to gain more ground on Woolworths, provide indications that this level of competitive pressure is unlikely to ease quickly. This downward pressure on the retail price of key food staples seems to be moving in the opposite direction to expected food cost pressures due to the likes of recent floods and pressures from global commodity markets.



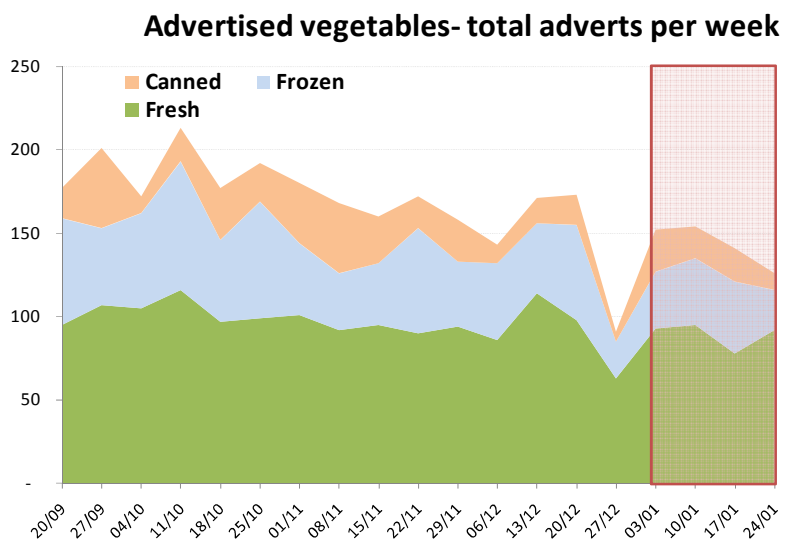
→ **What it means?** The market seems headed for a new level of competitive intensity that has brought sharp pressure on key staples and potentially elevate the value of products that are not caught in this spiral.

IGA climbs the customer satisfaction ladder – As per the latest Roy Morgan Supermarket Customer Satisfaction figures, customer satisfaction among IGA shopper has grown by a full percentage point, bringing the independent retail group into second place behind consistent fore-runner Aldi. Among Aldi customers, 90.5% were satisfied, followed by IGA (89.5%), Woolworths (87.5%) and then Coles (85.5%) for the 6 month’s average to October 2010. IGA had fallen into last place last year with satisfaction at 84%, but it has reversed the downward turn and is now at its highest for the chain since 2007.

→ **What it means?** Successfully appealing to consumer demand for localised offers has even strong appeal as the competitive tension remains high. Locally grown fresh vegetable products support this approach.

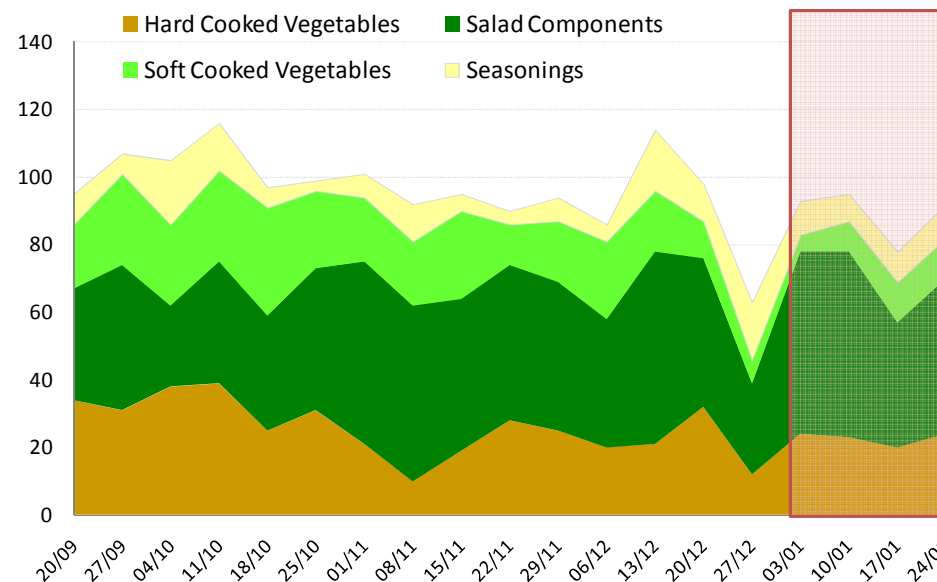
Retailer activity

Promotional activity in the month of January – The activity reflects a pattern of restored exposure for vegetables that was halted by the supply uncertainty in the week commencing 17th Jan.



Over the last four weeks, the exposure of fresh products was reduced from an average of 143 products per week

Advertised fresh vegetables- total adverts per week



The changes in exposure has been driven the reduced exposure of fresh vegetable products in the third week, when total fresh product adverts reduced.

The volume of canned and frozen product adverts was consistent in the first three weeks then declined in the last week and fresh volumes lifted.

The exposure for fresh vegetables reflected consistent levels of exposure for hard cooked veg but the other three categories declining sharply in week 3 and then lifting back to week 1 & 2 levels in week 4.

Wal-Mart unveils major health initiative

– Wal-Mart has announced that it will be reformulating thousands of its packaged food products by 2015, building on the success of the First Lady’s “Let’s Move” campaign that called on US food manufacturers to curb the marketing of unhealthy foods to children. The reformulation includes three components: reducing sodium by 25% in a broad range of grocery items, including grain products, luncheon meats, salad dressings,



and frozen entrees; lowering added sugars by 10% in dairy items, sauces and fruit drinks; and removing all remaining industrially produced trans fat in all packaged food products.

In addition, Wal-Mart will also be developing a front-of-package seal to help customers identify healthier food, which will be added to its private-label food products that meet certain criteria later this year.

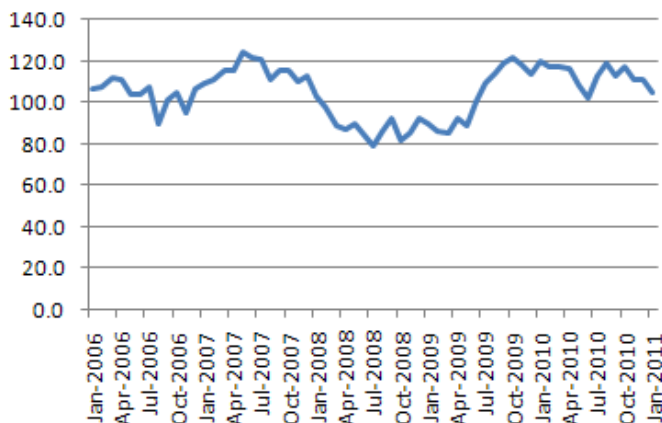
→ **What it means?** Mainstream retailers are moving to meet and exploit demand for healthier lifestyle through the food they offer.

The consumer

Queensland floods sink consumer confidence – The Westpac-Melbourne Institute of Consumer Sentiment fell by 5.7% in January to 104.4, the lowest since June, from 111.0 in December last year. The index is now down 12.9% from a year ago and is 8% below its average in 2010. Excluding Queensland, the national index still fell, by 3.2%.

The outlook for economic conditions over the next 12 months collapsed by 15.7% (12% ex-Qld), whereas the 5-year outlook was up by 0.2% (2.8% ex-Qld). The one-year outlook for family finances was down by 5.6% (2.3% ex-Qld). News on the other factors

Westpac consumer sentiment



which usually dominate confidence such as interest rates, job prospects, and international economic conditions were comparatively stable since the previous survey.

→ **What it means?** The widespread concern among consumers about the damaging impact of floods on the economy could translate into a further tightening of purse strings with consumers spending only on staples and less on discretionary items.

Carrots make you more attractive – Eating carrots and plums could improve skin colour, making people look more attractive and healthy, according to British scientists at St Andrews and Bristol Universities. Researchers studied the relationship between skin colour and attractiveness and found that people with a yellow hue were perceived as particularly healthy and attractive. They also established for the first time that yellow pigments or carotenoids, from certain fruit and vegetables, played a key role in producing the yellowness in skin in just over two months of increased consumption to produce visible results. As part of the study, 40 volunteers rated 51 Scottish Caucasian faces for healthiness and attractiveness.



→ **What it means?** Establishing credentials of a vegetable product in enhancing physical attractiveness introduces another product attribute. .

Health benefits of coloured potatoes – In the first known study of its kind, US researchers have documented that consumption of both yellow and purple potatoes decreased oxidative damage and inflammation in participants compared to those who consumed white potatoes. The study involved males under 40 years of age from Washington State University and the surrounding area.

Further, research from Cornell has found that just ordinary white fleshed potatoes are the third largest source of antioxidants in the American diet after apples and oranges. In addition, the purple potatoes not only have antioxidant levels at par with



kale, spinach, and Brussels sprouts, but they also retained 75% of their antioxidant qualities after cooking. The colourful potatoes prove to contain more than four times the antioxidant levels and still are a good source of complex carbohydrates, potassium, vitamin C, folic acid, and iron.

→ **What it means?** *Changing consumers' perceptions about the nutritional value of this staple product has scope to increase its consumption*

Yorkshire pea brand

launched – A pea growing co-operative – Swaythroe Growers – is launching the first fully farmer-owned brand of regional Yorkshire Peas, aimed at supermarkets and independent

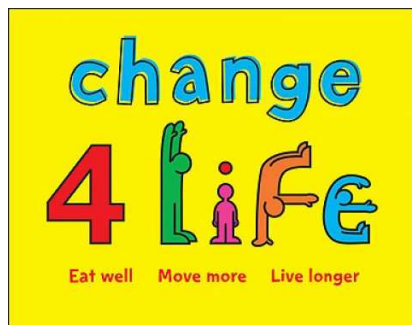


retailers. The co-operative of 40 Yorkshire pea growers wants to move away from commodity farming into something that it has more control over. The peas are all grown by family farms based on the Yorkshire Wolds and then frozen locally at a facility owned by one of the growers. It aims to change the perception of consumers who don't always consider that the frozen vegetables offered in the supermarkets are not British grown and to give consumers a choice to support the British Farming industry.

→ **What it means?** *Collaboration between these smaller growers has provided the scale and momentum to invest in branding and marketing their product.*

Britain unveils industry-backed healthy-eating plan – The British

Government has announced a \$390 million industry-financed plan to promote good eating under which millions of people will receive 50 pounds worth of vouchers offering discounts on healthy foods, including low-fat yoghurts, wholegrain rice, frozen vegetables, fruit and alcohol-free lager. These vouchers will offer discounts on products from food companies such as Kellogg, Nestle, Unilever, Mars, baker



Warburtons and frozen food brand Bird's Eye as well as some Asda own-brand goods and trainers from sportswear retailer JJB Sports.

The government is promoting the scheme as part of its Change4Life programme aimed at combating Britain's high obesity rate by encouraging people to eat healthier foods and exercise more.

→ **What it means?** *The British Government is prepared to invest to provide incentives and support to lead consumers towards a healthier lifestyle instead of just seeking to educate them to do so.*

Red tractor awareness increases –

The Red Tractor logo awareness among UK customers has strengthened, as found at this year's BBC Good Food Show where people were quizzed when they visited the Red Tractor stand, watched TV chef cook, and sampled British produce.



While more than 90% of consumers stated that they will look for the Red Tractor logo when they go shopping, a record 80% of consumers said that they had already heard of the Red Tractor logo and over half of all those questioned recognised that the logo exceeded legal requirements of animal welfare and environmental protection. More than 85% of those questioned already associated the mark with traceability and a guarantee of farm of origin.

→ **What it means?** *This uncluttered and clear program has created a brand that has built credibility with consumers.*

More veggies will fill school lunches – Iowa school children in the US

would soon be eating more veggies and lower-sodium foods under new nutrition standards proposed by the US Agriculture Department. The USDA standards – expected to take effect in 2012 – aim to double the required serving of fruits and vegetables daily. Schools also would be required to serve dark green and orange vegetables such as spinach and carrots and limit the amount of potatoes and

other starchy vegetables. Half of all breads and other grains would have to be whole grains.

Schools would have to cut the sodium content of meals by more than half over 10 years to combat cardiovascular disease. Also included in the standards are the first calorie limits for meals. Maximum calorie counts for school lunches would range from 650 to 850 daily, depending on students' age.



→ **What it means?** *That effort to establish better eating habits among children has gone onto a national platform, and beyond being a parental or community concern.*

Innovation from the world

Potatoes get low – Coles Carisma is now offering the first potato in Australia to carry the official low glycaemic index (GI) certification symbol, which helps avoid causing a rapid rise in blood sugar levels. Naturally grown and produced in Australia, the Coles Carisma has a creamy taste with a GI of 55 which is about 30% lower than other potatoes. Carisma potatoes are very versatile and can be cooked in a number of ways including boiling or frying, and even be roasted or mashed.



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

Packaging that knows when food is going off

– British researchers are now in the process of developing a packaging that will alert customers to food which is starting to perish. The project aims to improve food safety and cut unnecessary food wastage by developing a new type of indicator, made of “intelligent plastics” which give a warning by changing colour of when food is about to lose its freshness because it had broken or damaged packaging, has exceeded its “best before” data or has been poorly refrigerated. The indicator is to be used as part of a form of food packaging known as modified atmosphere packaging, which keeps food in specially created conditions that prolong its shelf life.



An estimated 8.3 million tonnes of household food – most of which could have been eaten – is wasted in the UK each year. The project has received £325,000 in support for its development.

→ **What it means?** *A clever innovation that could bring clarity to “best before” or “sell-by” dates, and also give a clear and unambiguous sign of food that is perishing, leading to healthier food intake.*

New blend salad greens with added longevity

– A new salad blend – Heritage Blend - offering a distinctive alternative to the traditional Spring Mix salad has been launched by River Ranch Fresh Foods – a leading processor of value added salads and fresh-cut produce in North America. Heritage Blend is a specially formulated variety of petite red and green lettuces with compact leaves in different shapes, textures and colours. It provides 25% more volume on the plate and 3-4 additional days of shelf life than the traditional Spring Mix.



River Ranch spent over two years developing the ideal balance of flavour, colour, texture, and nutritional value by partnering with an international seed company.

Heritage Blend is being shipped in 1 lb foodservice bag and will be available late January under the River Ranch and private brands.

→ **What it means?** A new taste and health-enriched fresh product that suits lifestyle trends by lending more convenience and cutting waste levels.

Ultraviolet light boosts carrots' antioxidant value – Preliminary

studies conducted by research food technologists at the US Department of Agriculture (USDA) has revealed that exposing sliced carrots to UV-B – one of the three kinds of ultraviolet light in sunshine – can boost the antioxidant activity of the carrots. The carrot investigation suggests that a moderate, 14-second dose of UV-B can increase fresh, sliced carrots' antioxidant capacity by about 3-fold. The dose is energy-efficient and does not significantly heat or dry the carrots. Lifting the antioxidant content of carrots may reduce risk of cancer and cardiovascular diseases.



→ **What it means?** Innovation that could give consumers a further incentive to eat this fresh product by safely increasing its nutritional value.

iPads on restaurant menu – Since April last year, when Apple debuted the

tablet iPad, the device is now in use as a full menu at upscale restaurants, hamburger eateries, and quick-service chains as well in the US. For example, the upscale eatery – Chicago Cut - on the northern bank of the Chicago River has invested in 40 iPads at about \$US700 each for wine selection. It has also partnered with a technology firm to create a custom app that looks like a virtual wine cellar. It lists the restaurants more than 750 wines, includes photos on wooden shelves and allows for searches based on variety, price, or region of origin.



However, the trend can be seen in even not to upscale restaurants, including in Australia, where restaurants have kitted each waitress with an iPad for taking orders at tables and then transmitting the details wirelessly to the kitchen. US restaurateurs hold that the trend is only just beginning.

→ **What it means?** As technology becomes increasingly important to restaurants for communicating with the tech-savvy, trendy generation, tabletop ordering devices only stand to multiply.

FRUIT LOGISTICA
Innovation Award 2011

The Fruit Logistica conference is recognised as one of the leading global events to showcase new products and

their innovation award is deemed a reflection of the leading edge for fresh vegetables and fruit. The 10 finalists for the show to be held in the 2nd week of February in Berlin are:



Almond Mushroom – a new mushroom variety with a distinctive almond/aniseed aroma which until now has only generally been available in dried form. It contains unusually high levels of natural antioxidants, minerals, essential amino acids, vitamins and fibres, and is low in calories.



Angelle: new variety of mini plum tomato with a date-like shape that has been innovated by Syngenta to be eaten as a snack, after the product's market potential was confirmed by consumer research in many countries and in tests by retailers such as Marks & Spencer.



BIOX-M - is a natural sprout inhibitor for potatoes which can also be used to combat and treat existing sprouts on potatoes, leaving no synthetic residues, and also protect against principal tuber diseases.

Jamie Oliver Grow Your Own Products: The Jamie Oliver Grow Your Own series is a range of simple "grow your own" products in a packaging,



containing a growing kit with seeds, growing material and pots, as well as tips and recipes from Jamie Oliver. The range includes herbs, cress, and brown mushrooms, which are selected, tested and approved by Jamie Oliver with his unique recipes for the series. All product packaging contains a QR code for smartphone scanning with a link to jamieoliver.com for further recipes, podcast downloads etc.



Limeburst Fingerlines: are an unusual variety of Australian citrus, the size and shape of a finger (10cm-17cm in length), which retain their juice in caviar-like vesicles. Targeted chiefly at the high end restaurant and food service sector, they are now available in four different varieties – Limeburst Green, Limeburst Burgundy, Limeburst Pink and Limeburst Black, with fruit caviar which is opaque, deep red, pink and bright green, respectively.



Resealable Freshness Salad Bag: is a new reclosable plastic bag specially developed with a zip-type fastener for fresh-cut salads to provide a guaranteed shelf life after opening, thus improving convenience and freshness while reducing waste. Baby leaf products available in the new resealable bag include lambs lettuce, baby spinach, and rocket as well as duo and multiple mixes.



Rockit: is a new apple variety with small size (57mm-63mm) and sweet balanced taste, which has been positioned a healthy, convenient premium value snack product in a special plastic tube packaging containing five apples. Alternatives available next season will include smaller tubes of three and four apples, as well as a larger tube of six apples, and will be targeted at specific market segments, such as children’s snacks and convenience stores.



StoreNSure Pear: is a genetically based testing method which can predict whether a batch of pears is likely to lose its firmness or develop internal browning or cavity during long term storage.



Sweet Resistant: is a series of five specially developed, patented new apple varieties which are sweet-tasting but at the same time resistant to scab. These apples will be distributed and managed in a club program.



Sweet Sensation: is a new club variety red-skin pear that is very sweet and can be eaten peeled or unpeeled like an apple. This premium pear had been specially developed to stimulate pear

consumption among young adults and is now very popular with the target market.

More about on these finalists can be viewed [here](#) or at www.fruitlogistica.com

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.

Category in profile: Capsicum

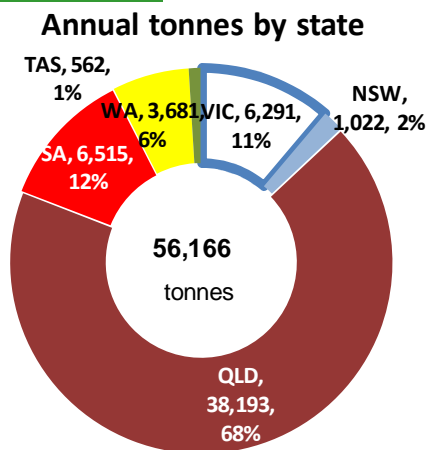
- Capsicums are the 8th most frequently purchased vegetable by households weekly and with that are a product that has earned a place in a range of meals prepared at home over the year.
- Production of capsicums reflects a similar profile to tomatoes, with increasing proportions of production being delivered from more intensive operations under controlled environment. An estimated 56,166 tonnes were produced in the 2010 calendar year.
- Capsicums are a higher value product that are purchased by consumers for an average of \$6.55 per kg, which is substantially above the average retail price for all vegetables of \$3.50 per kg. Not surprising the household penetration of capsicums is higher where there is higher discretionary dollars.



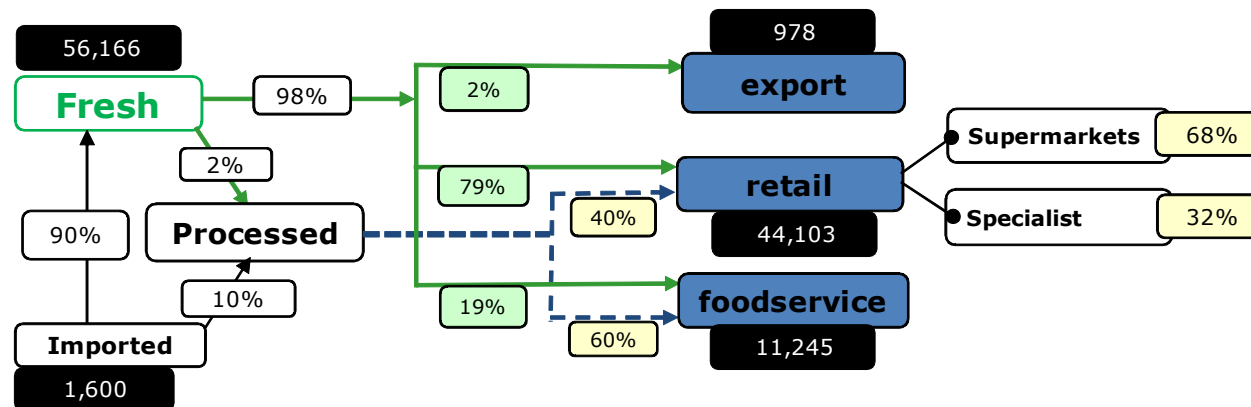
Key Facts

- In 2009/10 capsicum production is estimated at 56,166 tonnes
- Retail channel buys 44,103 T
- Foodservice channel buys 11,245 T
- The current domestic retail market value of fresh capsicums purchased by consumers is \$251,939m

Production



Volumes and shares through the chain



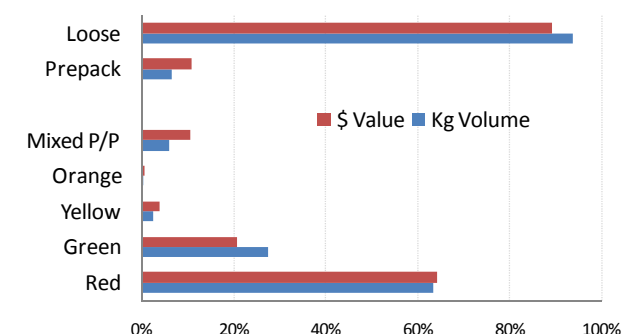
Growth drivers

- The increasing output from controlled environment production has provided a more consistent supply. This has translated into a more stable price, which is an improved platform for new products. These producers who typically bring product management expertise are targeting a 200gm fruit and marketing a mix of colours.
- There are indications that capsicums are used in some menus for the "colour" they bring to a dish, in addition to the taste, textural and nutritional benefits they provide.
- A three pack traffic lights pre-pack has been launched into the local market and has captured 5-6% of retail capsicum sales value. In doing so has increased the average retail price per kg.

- Sales are dominated by red capsicums at 64%, followed by green 27%, yellow 3% and a mixed pre-pack 6%.
- Green capsicums are a lower value product.
- While a low 6% of the capsicums are sold in pre-packed form, these sales generate a higher dollar value contribution than sales in the loose form.

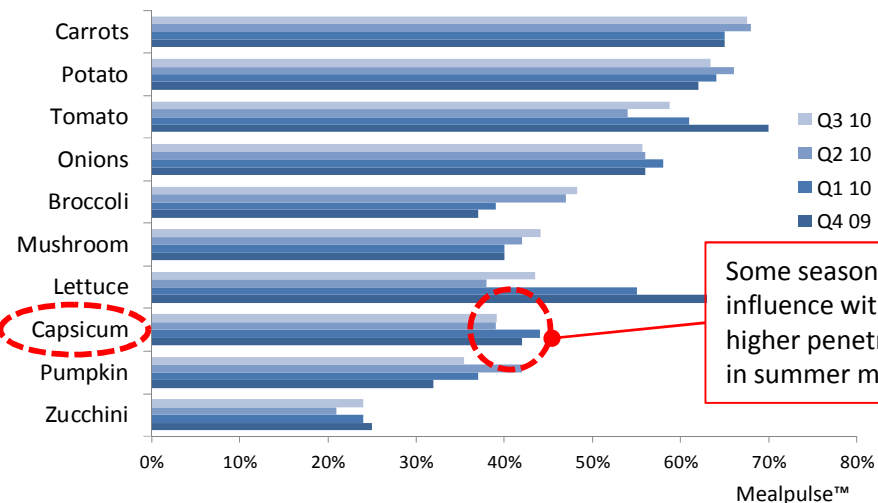
Retail fresh capsicum sales

Capsicum sales contribution- by type & form



Consumer Penetration

Top 10 fresh vegetables
proportion of households purchasing weekly



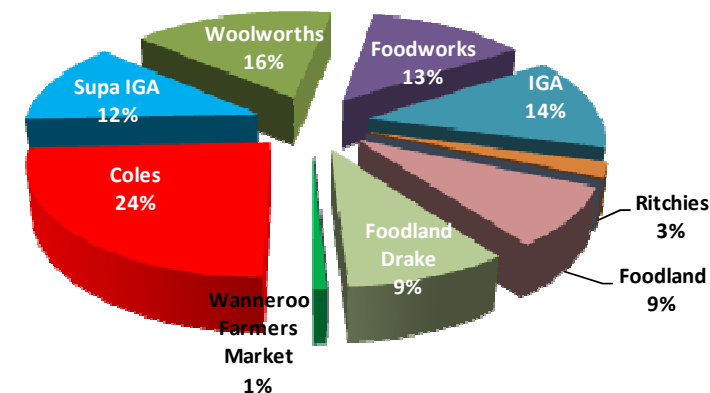
Some seasonal influence with higher penetration in summer months

- Capsicums are the 8th most frequently purchased fresh vegetable based on weekly purchase patterns. When compared to the top 10 vegetables featured, capsicums display some seasonal influence, with higher frequency in the warmer summer weather.
- However, given the penetration variations are in a narrow range of 39% to 44%, it indicates the capsicums enjoy a similar level of use in winter and summer meals.
- Capsicum purchasing varies by household type and this aligns with the available discretionary dollars. The penetration of Singles & couples with higher income and Established families is 47.5%, while the capsicum penetration of the other three household segments of Singles & couple with lower income, Budgeting families and MT nesters is 34.5 %.

- For the year 2010 65% of the retail promotional activity was in autumn and winter and 35% in spring and summer.
- There was a total of 142 adverts and some level of retail promotion activity in 41 of the 52 weeks in calendar 2010.
- Coles advertised a total of 16wks of the year, while IGA advertised in 11wks and WW 10 wks.
- SA had the highest number of state based retail adverts with 42(30%) while TAS had the lowest with 9 (6%).
- The level of promotional activity is more active in the winter months yet household penetration is higher in summer months. (see adjacent Top 10 chart)

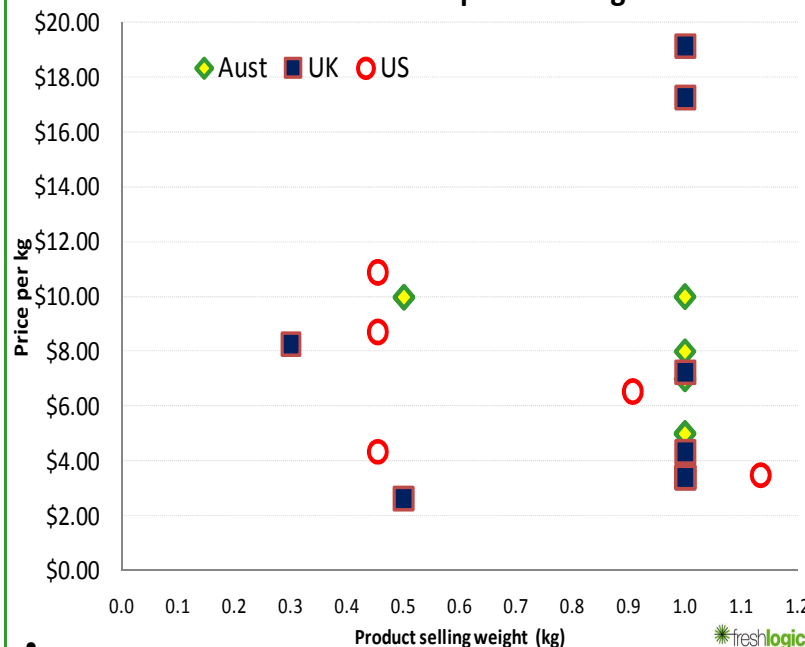
Promotional Activity- 2010

Capsicum activity - Adverts by retailer



UK -US -Aust retail range profile

UK-US-Aust Retail Fresh Capsicum Range Profile



- **This analysis** has drawn on data gathered from Aust, retail and UK & US on line sites. It is considered representative of the retail ranges in each market.
- All markets offer loose product that is sold by the kg, or by the lbs in the US.
- The UK & US ranges offer smaller packs sized of smaller sized capsicum.
- The UK market has more higher value specialty products ranged.
- The Aust range is close to the value of like product in UK & US and is offering less smaller sized products that in UK.

What quantity do consumers buy

- Based on the analysis of retail *Docket data*, provided as part of the Mealpulse™ panel, the average quantity of capsicums Australian consumers select from loose retail displays is **292 gms.**

*A description of these household segments can be viewed at www.ausveg.com.au