

VEGINSIGHTS

A VIDP initiative

Highlights

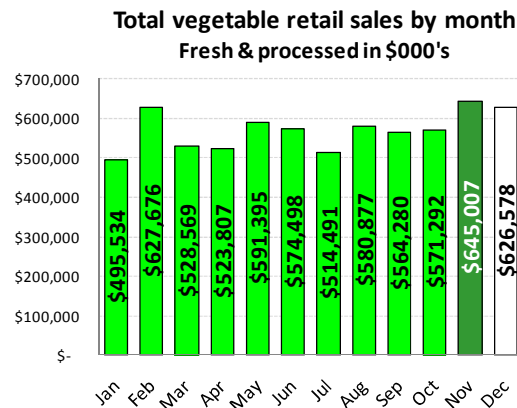
- Wholesale vegetable prices ease back to Sept levels
- Consumers' confidence reflects interest rates
- Fast-food chains face the pressure
- Focus: The Carrot category with a retail value of \$243m

Vegetable market

Wholesale prices of vegetables declined in November, starting the month at \$2.40 per kg, peaking at \$2.48 per kg and finishing at **\$2.24 per kg**. This amounted to a 7.2% decrease and a closing price that was the same as at the end of September. Hard cooked and soft cooked veg led the downward trend with both categories decreasing by 10%. Seasonings decreased by 7% and salad components decreased by 3%.

The most significant moves in product wholesale prices were decreases of 87% in beans, 55% in broccoli, 45% in lettuce and 44% in garlic. Increases were led by sweetcorn at 29%, ginger at 26%, tomatoes at 16% and spinach at 14%.

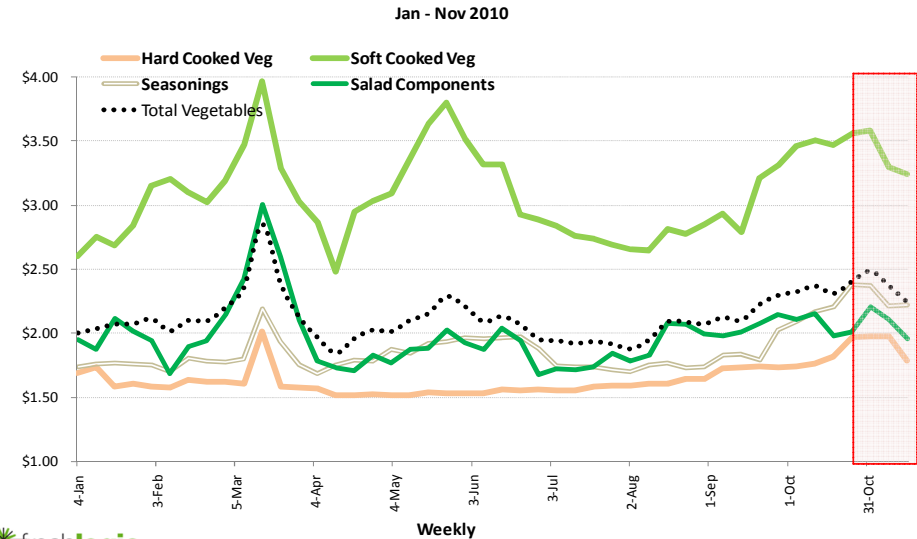
Vegetable sales for the month totalled \$645m and reflected the sales lift delivered from summer demand shifting away from lower value hard cooked vegetables towards the higher value soft cooked veg and salad components.



monthly vegetable market insights

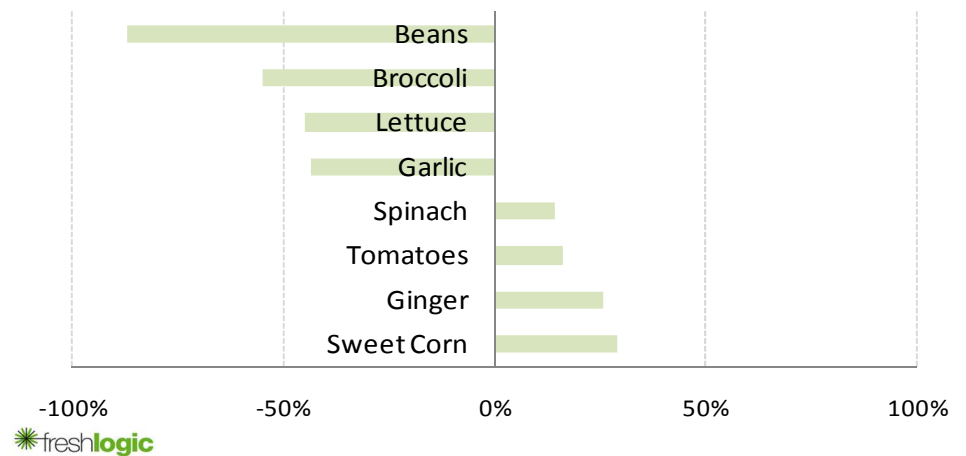
November 2010

National Vegetable category wholesale prices per kg



freshlogic

Wholesale price big moves in November



The Australian food market

Contactless payments increase

convenience – 7-Eleven has teamed up with MasterCard to offer its customers a new contactless card MasterCard® PayPass™, a faster way to pay at their 700+ stores and reduce queuing at the checkout. The PayPass card speeds up transactions at the checkout because for transactions of less than \$100, there is no need for customers to sign or enter their PIN. Customers can simply “tap” their MasterCard PayPass enabled card against a MasterCard PayPass reader until they hear the beep.



→ **What it means?** *This potentially shortens the time consumers will need to wait in queues and therefore is an attractive feature for retailers, like 7-11, who are competing on the basis of providing convenience.*

Retail sales edge up, so does inflation – Australia’s retail sales in September were weaker than forecasted by economists as higher interest rates curbed consumer spending.

Sales increased 0.3% from August but fell short of the 0.7% improvement shown in July. Discretionary spending was particularly soft with subdued consumers. Spending at cafes and restaurants declined 0.4%, the first drop since April, while spending on clothing and footwear increased 2.5%. Over the three months to September, retail sales rose by 0.7% to \$60,156 billion in seasonally adjusted terms, following a 1% rise in the previous quarter.

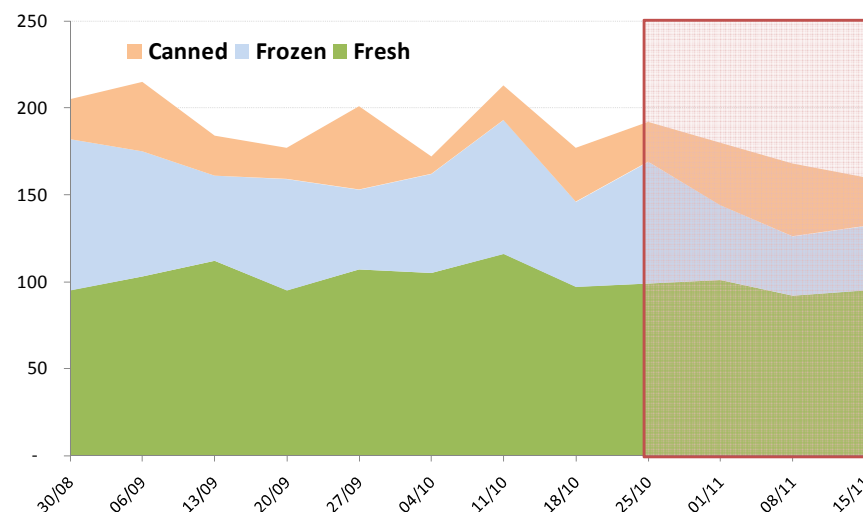
The Australian Bureau of Statistics (ABS) consumer price index (CPI) for the September quarter put the underlying rate of inflation at 2.4% year on year, while the headline rate was at 2.8%. The TD Securities Melbourne Institute of Monthly Inflation Gauge rose by 0.3% in October, following a 0.1% rise in Sept and 0.2% rise in August. Contributing most to the overall change in Oct were price rises in automotive fuel, fruit and vegetables and insurance services.

→ **What it means?** *Total food sales growth looks set to be elusive for at least the rest of the calendar year with minimal inflation.*

Retailer activity

Promotional activity in the month of November – The activity reflects a pattern of decreasing exposure for vegetables. Over the last four weeks, the exposure of fresh products was reduced from an average of 175 products per week which was 9% lower than the previous 4 weeks.

Advertised vegetables- total adverts per week



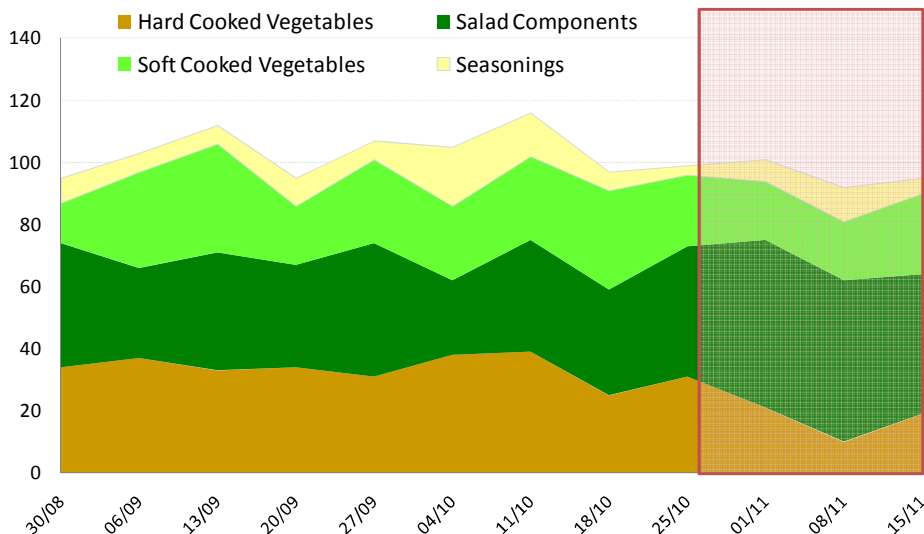
The changes in exposure driven by declines of 9% in fresh vegetable adverts, greater declines of 20% in frozen vegetable, with canned vegetables providing some compensation by an increase of 15%.

This reduced exposure is typical of this time of the year, as the festive season products take more exposure in the retailer promotional activity.

In similar patterns to October, the exposure by product type continues to be quite different to the sales value by product type. Fresh vegetables enjoyed 55% of the

retail promotional exposure, frozen vegetables 26% and canned 16%. The contribution to retail sales by fresh is 87%, frozen 9% and canned 4%.

Advertised fresh vegetables- total adverts per week



The exposure for fresh vegetables changed significantly and centred on greater exposure for salad components and decreased exposure for hard cooked veg. These changes mirrored each other with a 40% increase in salad components and a 40% decrease in hard cooked veg. This reflects an expected change in demand as daylight saving impacted home cooking patterns and shifted preferences towards salads.

Sainsbury’s launches “perfect Christmas” campaign - UK retailer

Sainsbury’s has launched a 60-second “perfect Christmas” advert featuring celebrity chef Jamie Oliver, which aims to highlight the fact that Sainsbury’s has everything viewers need for the perfect Christmas. The retailer also seeks to air a series of shorter adverts focusing on Christmas products. The campaign will



include a competition for consumers to win things that they might need for their Christmas, including snow, decorations, a choir, fireworks and hampers of food. More information can be found at <http://www.sainsburys.co.uk/perfectchristmas>.

This move comes as the UK consumers are displaying greater pessimism about their future household income with their confidence falling to a 19-month low in October 2010.

→ **What it means?** This level of activity reflects the need for this market to invest in boosting consumer confidence to stimulate food spending during the festive season.

Leading food retailers commit to reducing packaging waste – A group of 33

leading food and grocery companies, including ASDA, Sainsbury’s, WM Morrison, Kraft and Unilever UK, have signed up to a programme that



commits them to reducing packaging waste in their supply chains by 75,000 tonnes by 2012. Under the scheme, they will also attempt to divert a further 150,000 tonnes of waste from disposal, mainly from landfill and sewerage, to more productive outputs such as anaerobic digestion. IGD consumer research has shown that nearly a third of UK shoppers want food and grocery retailers and manufacturers

to focus on reducing waste.

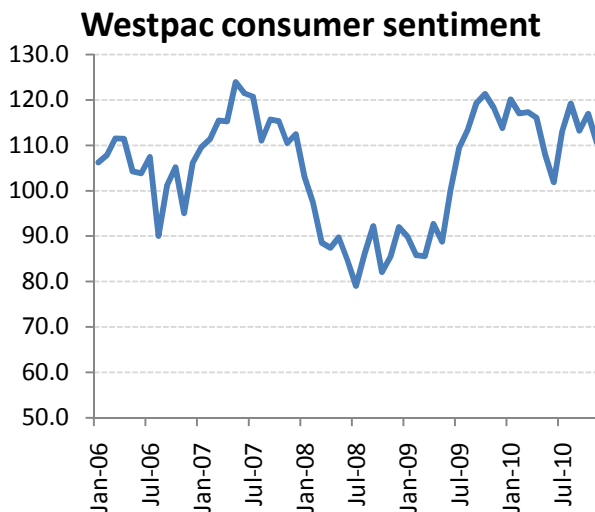
→ **What it means?** The combination of several larger retailers and suppliers behind a waste initiative harnesses a combination of supply chain and consumer brand weight into a compelling momentum.

The consumer

Consumer sentiment slides, responds to interest hike – The

Westpac-Melbourne Institute consumer sentiment index dropped 5.3% in November to 110.7, in the wake of the latest interest rate rise of 0.25% which sent mortgage payments higher.

A gauge of family finances dropped 10.2%, the biggest decline among five components in the sentiment index. During the 2005 to 2008 period, average mortgage rates rose 8 times to 9.6% from 7.05%, triggering an average monthly fall of 9.3% in the consumer index. The recent fall of 5.3% from 117 in October to 110.7 this month is thought to be a “surprisingly resilient result” and not as severe as feared. However, Westpac Chief economist Evans states that the decline in the confidence about a family’s finances from a year earlier was “disturbing” and that responses to questions about spending plans over the next two months “underscore the cautious consumer mood”. In turn, retailers are bracing for a quiet Christmas with a revival in consumer confidence halted by the interest rate rise.



→ **What it means?** The links between increase in interest rates and falls in consumer confidence are becoming stronger. However, as consumers conserve spending on big ticket items, they may treat themselves to small food extras.

Vegetables containing Vitamin B can slash risk of mouth cancer – Women who consume high volumes of folic acid found in Vitamin B from vegetables and some fruits are less likely to suffer from mouth cancer, as found by researchers from the Columbia University Medical Centre and Harvard School of Public Health. Researchers observed and followed about 87,000 nurses for 30 years from 1976 and found that women who drank a high volume of alcohol and had a low folic acid intake



were three times more likely to develop mouth cancer than those who drank high level of alcohol but had high volumes of folic acid in their diet. This new research could offer a method to reduce the incidence of mouth cancer by looking at the folic acid intake and increasing F&V containing folic acid in the diet. Vegetables that have high folic acid content include lettuce, asparagus, and spinach.

→ **What it means?** This is an example of establishing direct connection between specific health benefits and a vegetable product. All indications are that this type of connection is required to go beyond the “vegetable health benefit halo” that most consumers accept and drive changes in buyer behaviour.

Kitchen garden program to keep sprouting young chefs

– The successful Stephanie Alexander Kitchen Garden Program has been given an expansion by the Victorian Government to boost the number of schools funded under the “Go for your life” Kitchen Garden Project with Stephanie Alexander. The additional funding of \$1.1 million by the government will provide 14 Victorian schools with grants up to \$62,500 each to contribute to the costs of building a kitchen and a garden and employing specialist staff.



The Stephanie Alexander Kitchen Garden Program has helped primary-school aged children to increase their food literacy by teaching them to grow and cook vegetables, herbs and fruits. When comparing participating schools with non-participating ones, researchers have also found that children in the former schools showed an increased willingness to try new foods and enjoyed cooking classes, which also flowed into the home environment. Children were also skilled in using knives competently in kitchens, which reflects a building of trust among them.

→ **What it means?** Additional govt funding for this type of initiative points to its effectiveness or at least its broad political and, therefore, community appeal.

TV competition launched to get UK public eating more potatoes

- The Potato Council has launched a new campaign “The Many Faces of Potatoes” to boost Britain’s potato industry by promoting fresh potatoes across the UK, France, and Belgium. Research revealed that there has been a steady decline in potato consumption, particularly among younger generation as they lack understanding about the benefits and versatility of potatoes and would like more recipe inspiration.



The campaign seeks to remove these misconceptions and show that potatoes can be a suitable alternative to rice and pasta. As part of this campaign, the council has launched a Master Spud competition with a mix of celebrity chef endorsement and media campaign fronting the search in which consumers will get the chance to star in a one-off TV advertisement to run in June 2011. Consumers can enter their recipe idea or upload a demonstration at the dedicated interactive campaign website www.manyfacesofpotatoes.co.uk by March next year, which will also act as a community for potato fans to share recipes, advice and stories and a hub of information about the industry.

→ **What it means?** *A mix of celebrity endorsement and new interactive media is viewed as more likely to effectively reach the younger generation.*

NSW puts kilojoules on the menu

- NSW Govt has announced that by Jan 2011, businesses such as major fast food, bakery, coffee and doughnut chains, with more than twenty or more stores in NSW or 50 or more stores across Australia, will be required to “clearly and legibly” display the kilojoule content on their menu board and feature the average adult daily energy intake of 8700 kilojoules.



The kilojoule content must be adjacent to the price of the product and be at least the same size as the price of the product. The NSW Govt has also committed \$1.5m to an evaluation of the initiative and supporting education materials to help consumers understand the kilojoule labelling and energy consumption. This

move follows a similar decision to put nutritional information on Victorian menus by 2012.

→ **What it means?** *While there is a clear rationale for informing consumers on the nutritional content of food, it remains to be seen if such detailed information can get through in today’s communication landscape.*

ACCC fines weekend-surcharge restaurants

- Two NSW restaurants have been ordered to pay a penalty of \$13,200 each after the Australian Competition and Consumer Commission (ACCC) took action against them for misleading customers as to the price of meals in their menus on Sundays and public holidays. This is the first time that the court has ordered civil penalties, which began operation in April 2010, and follows the ACCC’s first use of infringement Notices under new provisions of the Australian Consumer Law.



Calls for national fast-food nutrition plan

- The Queensland Govt has tabled an agenda paper at a Ministerial Meeting in Adelaide, calling for a nationally consistent plan for reducing intakes of energy, saturated fat, sugar and salt from fast food. The paper spelled out a number of options, including regulating the energy, saturated fat, salt and sugar content of fast food, implementing mandatory nutrition information panels on fast food packaging and the development of a nationally consistent approach to require fast food outlets across Australia to provide energy and nutrient information on their menu boards.

→ **What it means?** *The food service channel continues to receive significant help from the regulators.*

US front-of-labelling plans – US food

manufacturers, retailers and wholesalers have announced plans for a new front-of-pack labels that will prominently feature frequently sought information like calories and nutritional information that consumers may want to control rather repeating all nutritional information provided in the side labels on a product. These labels will focus on the contents per serving as well, which is being considered as being more consumer friendly than some of the Nutrition Facts labels.



This move was urged by a recent report of the National Academies of Sciences' Institute of Medicine that concluded that front labelling "would be useful" and that the variation in symbols and ratings system used currently "may confuse consumers". The labels are expected to appear on products "early next year".

→ **What it means?** *A significant move by the food industry that could streamline the conflicting and often confusing myriad of labelling systems at work and make it easier for consumers to understand and spot the healthiest foods.*

Food items may get water ratings – Supermarket food items may soon be rated according to the amount of water used to produce them. At the recently held Australian Society of Agronomy conference, a NZ Institute of Plant and Food Research scientist has urged for a system of "water footprint labels" for food products, somewhat similar to the energy star rating for household electrical appliances. He stated that this was designed to encourage more efficient use in the production of food on farms and would increase consumer awareness and encourage the purchase leading to ultimately production of more water-efficient products.

→ **What it means?** *Another addition to the string of labelling systems that raises the question of if this would result in adding another layer of complexity and confusion in consumer buying choices.*

Innovation from the world

Australian iPhone barcode shopping list app – Scan2List has recently launched a

free Australian iPhone app into the market that allows customers to quickly and easily create shopping lists simply by scanning the barcodes of items in their pantry or manually adding them to a list. The list can then be saved for future use and be synchronised with other Scan2List App users in the household. When at the shops, a list can be organised into aisles that match the layout of the store and items can be checked off as they are added to the trolley. More info at www.scan2list.com.au



The Scan2List application that works for multiple stores uses Australian units of measure, Australian Naming, and recognises Australian barcodes from an ever-growing list of items stored on the Scan2List database.

Dole Fresh Vegetables launches "Mix it Up!" iPhone App – Dole Fresh Vegetables has

launched a new free iPhone App "Mix It Up!" that is dedicated to consumer-friendly salad shopping and menu development. Inspired by the on-pack DOLE salad guide, the salad search options offers both sliding taste and texture scales and a unique "shake" feature that creates less-structured suggestions for salad lovers. Recipes can be searched by either blend or ingredient to create a personalised hand-held shopping list of DOLE and other fresh ingredients.



→ **What it means?** *Apps well-suited to add convenience and healthy eating tips for today's time poor consumers.*

New “purple” sweet potatoes hits UK shelves – Tesco has recently begun the sale of a new purple sweet potato The Purple Mountain with a grey skin and intensely purple flesh. Tesco holds that these new potatoes sourced from the US and China would add colour to dinner plates and would appeal to customers who are seeking new vegetable varieties. Customers also recognise the added health benefits of purple vegetables, which are naturally higher in beneficial antioxidants. Purple Mountain potatoes feature in Tesco’s finest range and are being retailed at £1.99 for a 500g pack.



→ **What it means?** A new product that is branded and packaged in a convenient pack size to capture a price premium.

World’s first commercial-scale rooftop greenhouse – Lula Farms is constructing world’s first commercial-scale rooftop greenhouse in Montreal, Canada, where it plans to grow about two dozen different vegetable crops to offer customers locally grown produce year round. The growing operation will be hydroponic, with some plants grown directly in the water, others in an inert medium such as gravel or coconut husk, and will be irrigated with the nutrient solutions.



Planned and developed by consulting architects, engineers, plant scientists, nutritionists and greenhouse operators over a period of four years, the greenhouse will have its first crops seeded in January 2011 with harvesting to begin a few weeks later. Potatoes, onions, carrots, berries, bok choy, and tomatoes are some of the vegetables that will be grown on the rooftop.

→ **What it means?** Another example of how the high visibility of urban agriculture has potential to influence consumers to connect with fresh vegetable products.

24-hour vegetables in France –

An entrepreneur has developed a new retail system that provides vegetables at all hours. It has installed a vegetable slot machine from which the consumer can buy directly. The slot machine has a number of small lockers, with each locker containing potatoes, cucumbers, lettuce, radishes, carrots and onions. This system is considered to be an appealing option for the time-poor consumer.



→ **What it means?** More ways to get fresh vegetables to consumers are being explored with every indication that some consumer segments will welcome and support new options.

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: Carrots

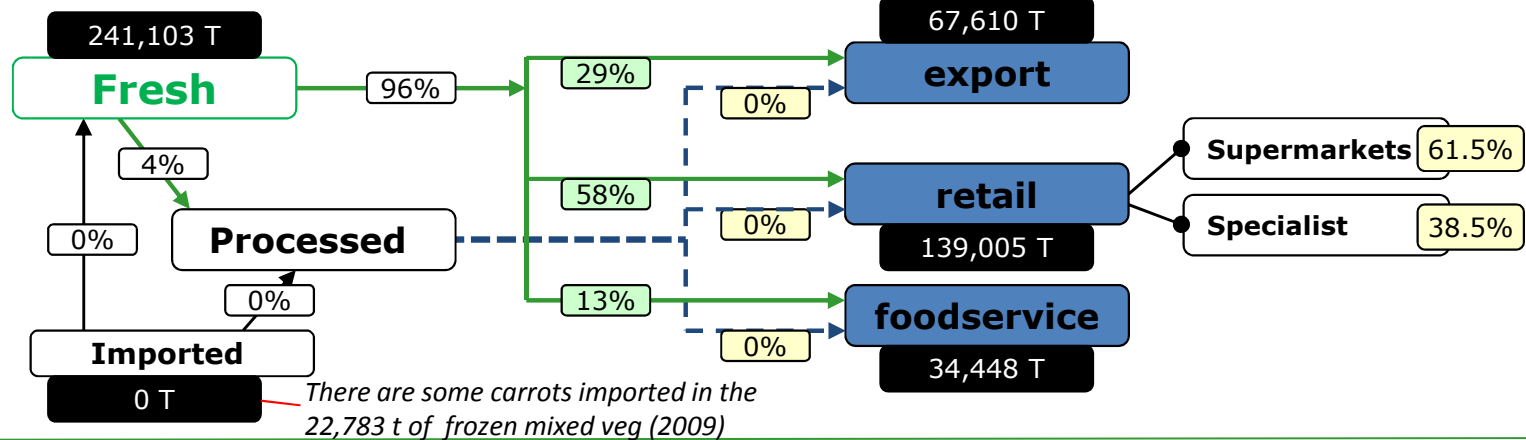
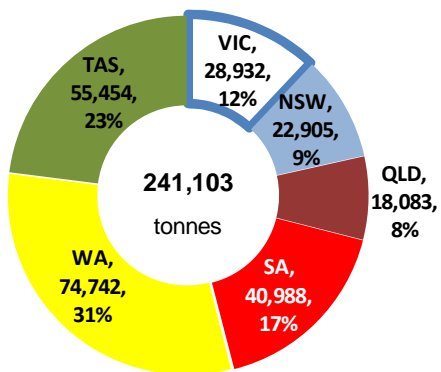
- In 2008/09 Australian carrot production was 241,103 tonnes, with WA the leading producer. The current domestic market retail value of the carrot category is \$243 M.
- The average purchased quantity at retail of fresh loose carrots is 705g. Carrots are viewed by consumers as a versatile and good value vegetable that has a role on domestic menus over all 12 months of the year.
- Carrots are by far the leading export vegetable. Export values rose by 20.5% in 2009 to \$46.1 mill after being relatively stable over the preceding 5 yrs, but were still 6.6% below their peak level of \$49.4 mill in 2002.



- Key facts**
- No. 1 fresh vegetable by purchased by households on a weekly basis.
 - Production volume 241,103 t with over 50% of production in WA & Tas.
 - Retail market volumes 139,005 t
 - Food service volume 34,448 t
 - Largest export vegetable at 67,610 t

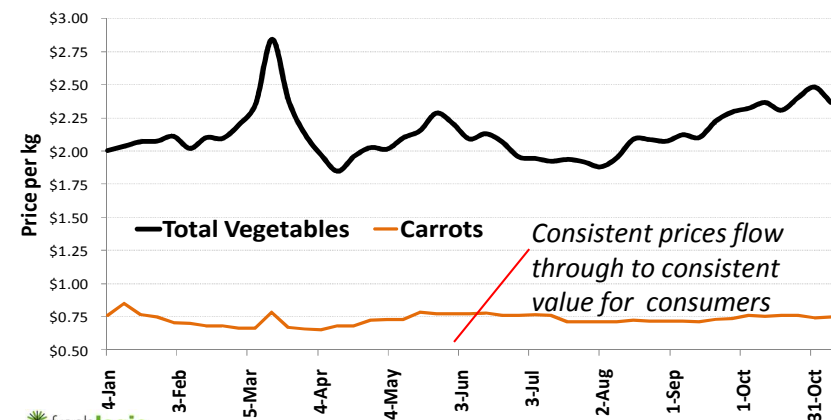
Production

Annual tonnes by state

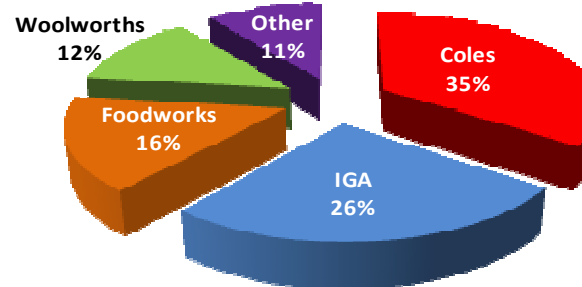


Volumes and shares through the chain

National Vegetable wholesale prices per kg



Retail Share- Total Number of Carrot Adverts

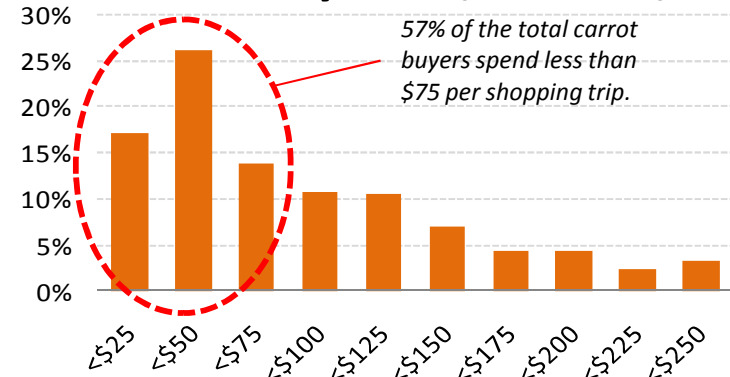


Carrot retail promotional Activity- 44 weeks Jan to Nov 2010 - Over this period there were 401 adverts for fresh carrots.

- Coles placed 35% of the carrot adverts while Woolworths, with more market share only placed 12%.
- The highest state promotional frequency was in WA with carrots advertised in 38 out of 44 weeks. While, Tasmania had the lowest frequency with 29 weeks. Carrots were featured more in the winter months in all states.
- Tasmania had the highest maximum advertised price of \$2.99/kg, as well as the highest minimum price of \$0.40/kg.

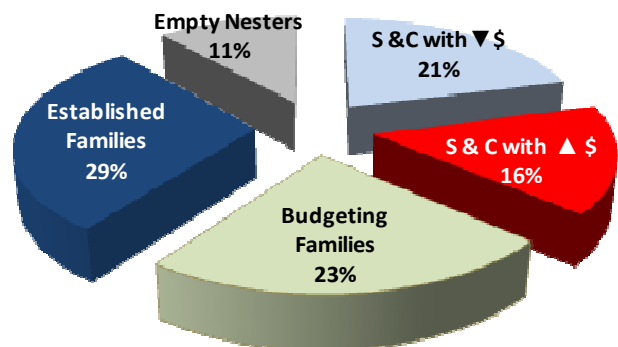
Carrot Buyer Profile

Carrot buyers - \$ per food trip



- Consumers are buying an average of 705 grams of carrots when they select from a display of loose product. This is a clear indication of the quantity they require.
- Carrots are purchased on most types of shopping trips but there is a higher incidence of purchase on smaller top up shops (<\$75). This could indicate consumers are comfortable buying carrots on impulse as these trips are typically unplanned.
- Established families buy carrots more frequently than other households and the two family segments make up 52% of the carrot buyers.

Carrot buyers - by household segment *



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

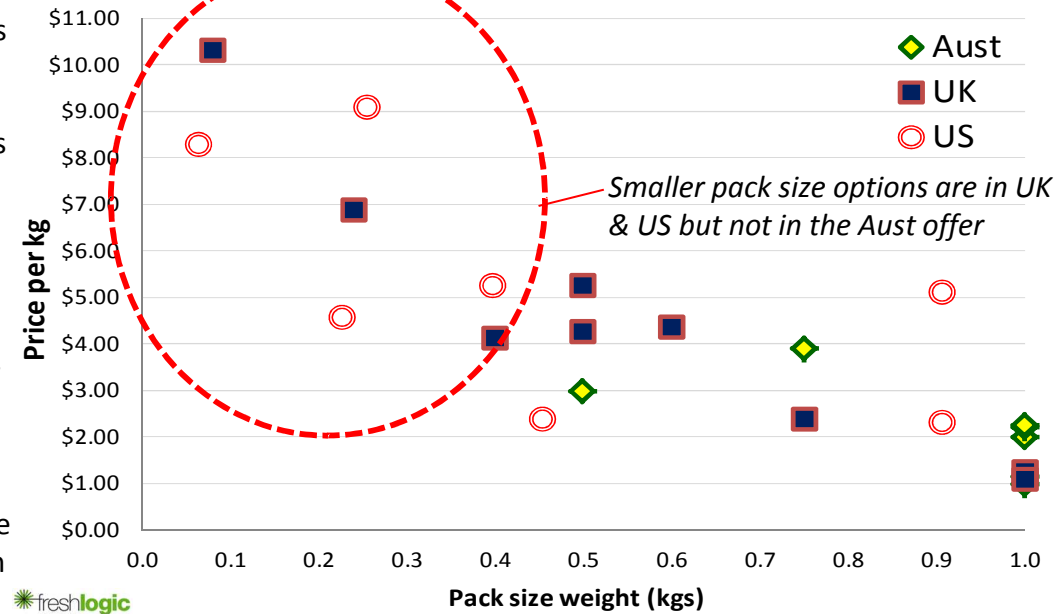
This analysis has drawn on data gathered from Aust, UK & US retail and online and offers.

- The Aust retail range carrot is limited to loose and three pack sizes of 500g, 750g & 1kg. The UK & US retail ranges include smaller (milled) product as well as the larger sizes as per Aust.
- The relative value of the ranges in each market follows a common pattern of a higher price for smaller pack sizes.
- Given the absence of smaller pack sizes in the Aust market it appears this additional value per kg is not being captured in this market

- The focus of the analysis was on the mainstream consumer offer and this approach eliminated the extremes of organic products in smaller pack sizes in UK & US and the larger 3 & 5 kg juicing carrots packs in the Aust market.
- The key learnings from this analysis are in the variations in product ranges between these markets. When these variations are combined with the know behaviour of Aust consumers buying an average of 705 grams of carrots, when selecting the quantity they want, it invites exploring the option of smaller pack sizes in this market.

UK-US-Aust Retail Range Analysis

UK-US-Aust Retail Carrot range profile



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- In the June quarter of 2010 carrots were the most frequently purchased vegetable on a weekly basis.
- This peak in demand for carrots coincided with the winter months. However, the same demand measure in the summer months kept carrots ranking in the top three vegetable products. This is attributed to the diverse array of raw and cooked home menu options that carrots provide. These include roast vegetable, soup, snack and inclusion in fresh salads.

Top 10 fresh vegetables

proportion of households purchasing weekly

