

# VEGINSIGHTS

A VIDP initiative

## Highlights

- Wholesale vegetable prices hold gains of the last 2 months
- Coles' sales gains raise the competitive bar
- Retailers advertise more vegetables than last year
- Consumers more positive
- Focus: the Broccoli category with a retail value of \$200m+

## Vegetable market

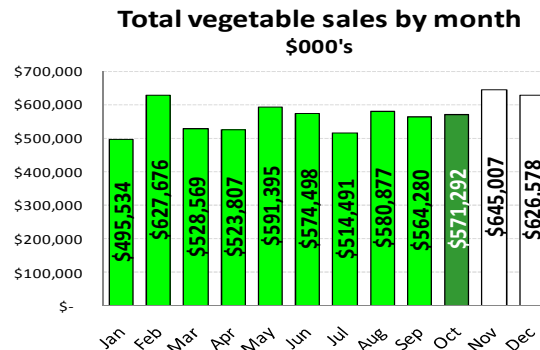
Wholesale prices of vegetables were steady in October, starting the month at \$2.29 per kg, peaking at \$2.37 per kg and finishing at **\$2.31 per kg**. This amounted to a 0.9% increase but held the 10.7% wholesale price increase of September.

Seasonings category made the strongest contribution and this was driven by a 61% increase in garlic and increases of 12% in both onions and chillies. Hard cooked and soft cooked veg lifted 4.1% and 7.8%, respectively, and salad components declined by 4.7%.

The most significant moves in product wholesale prices were increases of 94% in broccoli, of 61% in garlic and of 47% in beans. Decreases were led by cucumbers at 53%, zucchini at 47% and ginger at 18%.

### Veg market value forecast

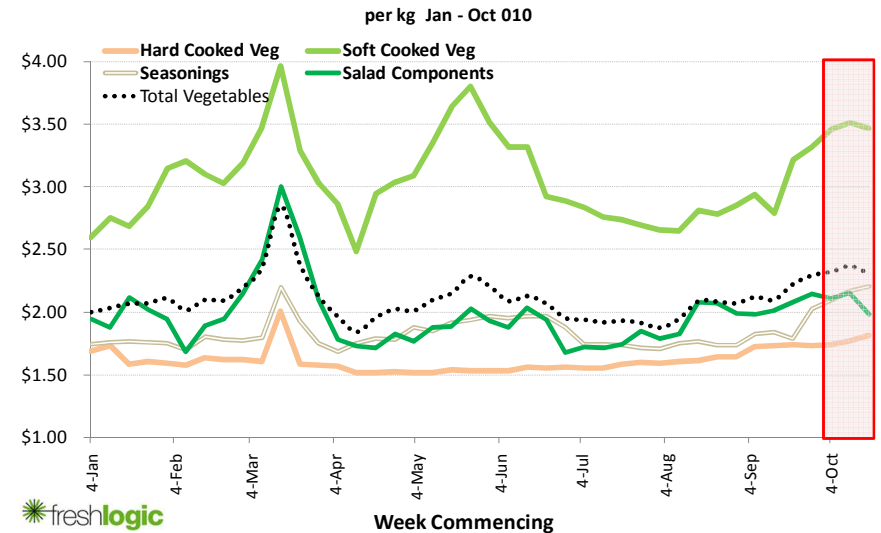
**to grow** – the total sales of vegetables is projected to improve over the next few months as the wholesale price continues to firm with shorter seasonal supply from Qld and demand shifts towards



monthly vegetable market insights

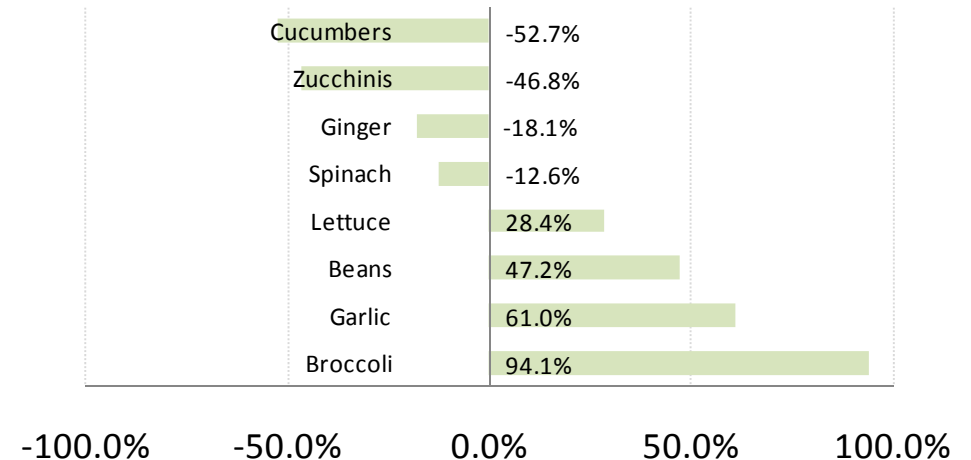
October 2010

### National Vegetable category wholesale price



salad components and soft cooked vegetable and away from the lower value hard

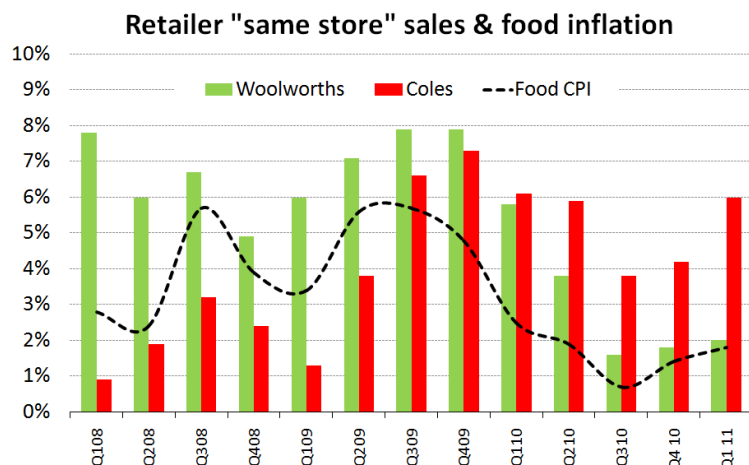
### Wholesale price big moves in October



cooked vegetable products.

## The Australian food market

**Coles takes share from Woolworths and others** – Published first quarter sales results from major grocery retailers show that we are now in a period with Coles firmly in the ascendancy. Coles’ same-store sales – sales from



stores which have been open for more than a year considered to overcome the distortion of new store openings - was more than 3 times that of its larger rival in the September quarter. Woolworths also suffered from a low impact of its new stores which has been a worrying trend of the past year.

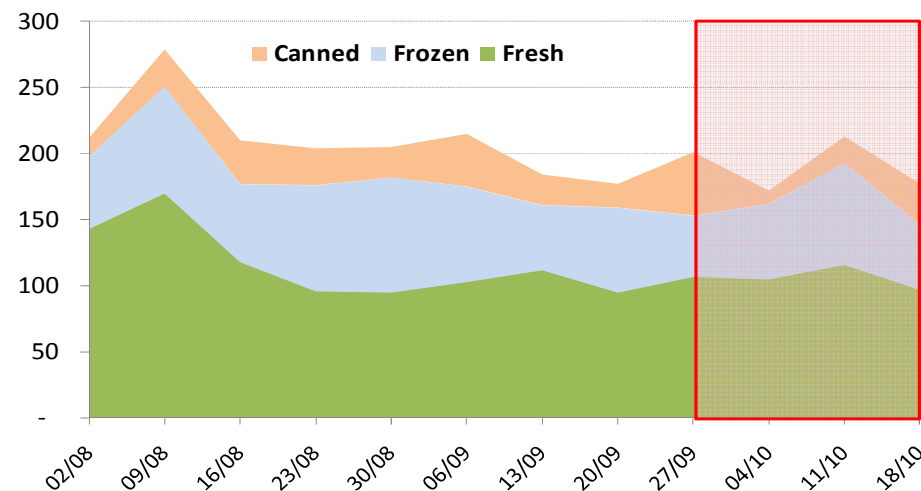
The aggregate sales increase of the two major chains in the quarter was 4.2%, which suggests that they are taking share away from other grocery and specialist outlets, as the ABS is expected to show that the total retail food sales (excluding eating out) increased less than 3% in the quarter. These numbers confirm that Coles is clearly gaining share of the total grocery sales.

**Franklin’s sale more challenging** - Figures released by South African retailer Pick n Pay showed its NSW-based supermarket chain (with 70 stores), Franklins, lost \$11.3 million in the six months ending August, compared with a previous profit of \$1.8 million, after sales fell 3.5%. This decline has occurred while potential buyers for this business are dealing with regulatory approval.

## Retailer activity

**Promotional activity in the month of October** – The activity reflects patterns of weekly highs and lows, with variations of 25 to 30 lines a week. Over the last four weeks, the exposure of fresh products was consistent at an average of 106 products per week.

### Advertised vegetables- total adverts per week



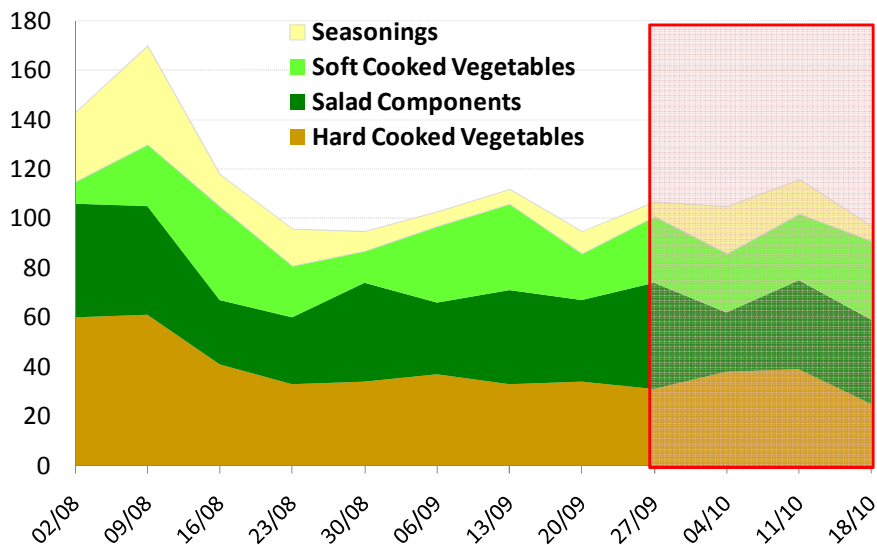
However, the quantity of the canned and frozen vegetable products advertised was more varied and effectively, the driver of variations in the total vegetables exposure. Over the last 4 weeks, canned vegetables ranged from 10 to 48 lines per week and frozen ranged from 46 to 77 per week. The activity is heavily influenced by brand owners of canned and frozen products, promoting their “range” of products when they engage in promotional activity and this tends to drive the peaks and troughs in exposure.

The promotional exposure patterns by vegetable type for the month remained quite different to their contributions to the retail market value of the total vegetables. Fresh vegetables made up 87% share of the retail market value of \$6.9 billion but only enjoyed 56% of the retail promotional exposure. Conversely,

frozen vegetables contributed 9% share and enjoyed 30% exposure and canned contributed 4% share and enjoyed 14% of the exposure.

The exposure for fresh vegetables was very similar to the pattern of September, with a shift away from hard cooked veg and seasonings towards soft coked veg and salad components at the end of the period. This is an expected change as the winter cooking preparation patterns shift to preferences for salads.

**Advertised fresh vegetables - total adverts per week**



In the four weeks ending the week commencing 18 October, 763 vegetable products were involved in promotional activity and this was 11% higher than the 686 vegetable products involved in like promotional activity in the same period last year. This increase needs to be viewed in the context of the retailers having reduced the quantity of lines they are advertising, therefore indicating that they view vegetable promotional activity as a priority.

**Local supply gaining traction** – Queensland State Govt has launched a new initiative in conjunction with Woolworths to support the primary producers in North Queensland. As a part of the initiative, Woolworths has introduced “Nth Qld Grown” labelling in its North



Queensland supermarkets so that customers can easily identify locally grown produce.

This move has been driven by feedback from shoppers seeking more information about locally grown fresh food so that they can choose to support the local agricultural industry when they shop. Depending on seasonality, local produce such as bananas, potatoes, pumpkins, fancy leaf lettuce, green beans, fresh herbs, corn, paw paws, papayas, and honeydew melon would be available to customers in the supermarkets across North Queensland.

→ **What it means?** *The consumer demand for ranging and clear in-store signage for locally produced products must be commercially beneficial if it is being adopted by major retailers.*

**Wal-Mart focuses on smaller stores –**

Wal-Mart has revealed plans to open smaller stores in the US, targeting urban markets and smaller towns. The move is part of the retailer’s strategy to move to a “three-format portfolio” in the US with small stores of less than 30,000 feet that will fill in gaps in existing markets. Further, the retailer also plans to open 30-40 small- and medium-format stores in its 2012 financial year, with its food-oriented Neighbourhood Markets making up the bulk of the medium-format stores, while the company will pilot some smaller stores.

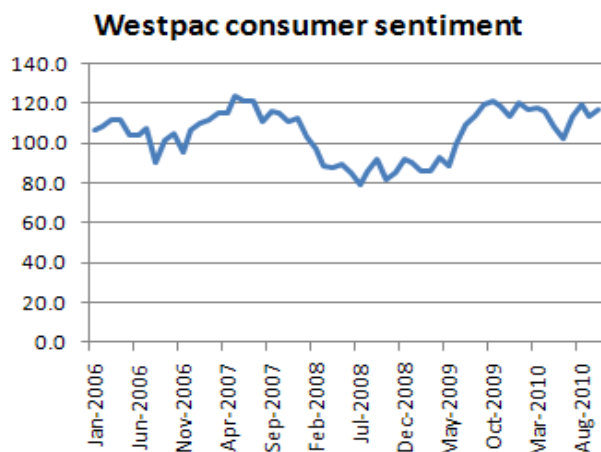


→ **What it means?** *Smaller store formats with a neighbourhood flavour reflect a strategy to increase connection with local customers.*

## The consumer

### Consumer sentiment rises on a rate pause

– Consumer confidence has recovered following last month’s fall on the back of an unexpected pause in the policy tightening by the Reserve Bank of Australia (RBA), a strong Australian dollar, and improving employment conditions. The Westpac-Melbourne Institute of Consumer Sentiment for October rose 3.3% to 117, compared to 113.2 in September, and 2.5% above its 2010 average and 15% above its March-to-May low this year. This shows that 63.5% of shoppers agree that now is a good time to buy a household item, up 9.9% to its highest level in 5 years.



→ **What it means?** Consumers are informed and are quick to let that knowledge affect their confidence and guide their spending.

### Supermarkets lift share of fresh vegetable sales

– The analysis of Mealpulse panel responses for the 2<sup>nd</sup> quarter of 2010 confirms that the major supermarkets have won the fresh vegetable market share from greengrocers and markets. These changes have been reflected in the retail outlets that consumers have patronised for primary vegetable shopping trips and the extent to which those consumers shopping in supermarkets have also purchased fresh vegetables elsewhere. The extent of share capture equates to 1-1.25% of the market value for fresh vegetables, which equates national weekly sales of \$1.14-\$1.41m. This share increase comes after



## What’s in the October shopping basket?

These findings are drawn from our processing of the actual dockets for consumers in the Mealpulse panel and aligned with the preference and behaviour expressed in the Mealpulse survey.

### Key findings from the October study of the shopping basket:

- 87% of households purchased fresh vegetables on a weekly basis.
- Demand shifted towards salad components and away from hard cooked vegetables. This seasonal demand shift was uniform across consumers, including those with preferences for convenience food and those with preferences for healthy considerations in their diet.
- The reduction in the demand for hard cooked vegetables varied by product. Parsnip, pumpkin and turnip all reflected sharp declines but carrot and potato did not decline to the same extent. This is attributed to the more diverse use profile for potatoes and carrots that leads these products to be included in the summer menus. It also invites some market development for parsnip, pumpkins and turnips, which enjoy strong association with winter cooked vegetables but have more limited use in summer.
- The shoppers with preferences for “convenience” increased their shopping trips and their patronage of the greengrocer in the period. This change also led to a smaller reduction in their trips to supermarkets.
- Vegetable shopping by males declined and by females increased in this period. The males who shopped bought significantly less onions and garlic than the previous month.

substantial investments by the major supermarkets in their retail stores and a sharper focus on vegetables in retail promotional activity.

This shows that the greengrocer is under some pressure as supermarkets are winning support from consumers with investments in their stores and adjusted promotional priorities.

**Health & Convenience on shopping lists** – Latest Rabobank Market Update on EU fresh-cut fruits & vegetables (F&V) reveals that sales of pre-packed F&V have continued to grow across the EU despite the recession. Rabobank states that consumers have not turned away from the fresh-cut F&V despite the broad availability of often cheaper substitutes, proving that they still want healthy and time-saving solutions and estimates that the growth in prepared product in the F&V sector will continue at 4% a year.



→ **What it means?** *The demand for convenience is proving to be stronger than the desire to reduce household expenditure.*

**Domino's slashes the fat in its pizza** – Fast food chain Domino's Pizza is set to introduce a new full taste mozzarella cheese, which has 14% less fat across its menu, commencing 1 January 2011. Its new mozzarella cheese has been sourced from the San Joaquin Valley, south of the Napa Valley in California, and is made from the highest quality Grade A milk. This move towards changing cheese supplier, which was driven by customers' demand for healthier options, would help Domino's to provide less fat and healthier products at affordable prices for customers across its 438 Australian stores.



→ **What it means?** *When a leading pizza retailer offers reduced fat cheese in its products, it confirms that healthy food is a mainstream priority.*

**EU questions consumer use of nutrition labels** – UK shoppers understand nutrition labels on food products but may not be motivated enough to use them to buy healthier products, an EU study



has claimed. A survey conducted by Aarhus University in Denmark and the European Food Information Council showed that more than eight in ten UK consumers could understand GDA and traffic-light labels, as well as a hybrid of both systems. However, the study claimed that just 27% of shoppers used the information on the labels when buying food.

→ **What it means?** *While there is a high level of awareness and likely demand for the nutritional content of food in this developed market, only over a quarter of consumers are actually using the information.*

**Fruit & vegetables “most wasted” food** – According to a new study conducted by the UK's ([www.MyVoucherCodes.co.uk](http://www.MyVoucherCodes.co.uk)) fruit & vegetables (F&V) are the most commonly-wasted items, with one in three consumers (35%) admitting to regularly throwing uneaten items each week. About 1,390 people aged 18 and over were asked the question, “which grocery items do you regularly throw away, uneaten, once each week?” and asked them to choose from a multiple list of items. F&V topped the list of most commonly-wasted grocery items, followed by ready meals, bread, dairy produce, and meat.

The wastage in F&V appears to be driven by low levels of product knowledge at home as well as unfulfilled healthy intentions of consumers (about 51%) who buy too much with the intention of being healthy and others (26%) who forget about the F&V they buy, causing them to spoil. This level of waste is highly likely to be frustrating consumers, especially given the increasing value sensitivity.

This raises the question that if consumers learn and figure out how to look after F&V, do they need to buy 35% less F&V product.

→ **What it means?** *Clearly the value that consumers can enjoy from the fruit & veg they purchase can be improved if their skills to plan menus and look after the products can be improved.*

## Innovation from the world

**Apio, Monsanto launch Beneforte better broccoli** – Beneforte broccoli, a new product from Apio, Inc. and a result of more than 10 years of plant breeding, naturally boosts the body's antioxidant

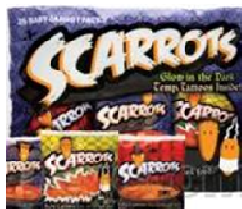


levels at least two times more compared to other leading broccoli varieties. Each serving of Beneforte broccoli naturally contains two to three times the phytonutrient glucoraphanin, a compound that is naturally present in broccoli, cauliflower, Brussels sprouts and kale and boosts the body's antioxidant enzyme levels which help in maintaining the antioxidant activity of vitamins A,C, and E in the body. Apio intends to introduce Beneforte broccoli with select retail chains in the US in 2011.

→ **What it means?** *Enhancing the nutrition levels can only strengthen the product's appeal to consumers.*

**“Scarrots” now available nationwide** – The “Eat ‘Em Like Junk Food”

campaign launched in September this year in the US, which aimed to convince kids to eat baby carrots by packaging carrots in Doritos-like bags, selling through school vending machines, offering phone apps using the sound of people eating carrots, has gone live this month. It has launched Scarrots, a kind of Halloween treat, whose packing mirrors Trick-or-Treat packs, offered in a master bag containing 25 single-serve 1.7 oz bags in 3 unique designs. Each bag also includes a sealed pouch containing 25 temporary glow-in-the-dark tattoos of masquerading baby carrot characters.



→ **What it means?** *Adopting the marketing tactics of other snack foods, with repackaging and in pack prizes, is designed to appeal to children.*

**New phone applications well-suited to**

**foodservice channels - Cheap Eats 2010 iPhone app** is a new food app that is filled with insider's tips to help people eat cheaply and well in Melbourne by offering a choice from a variety of eateries with around 58 cuisines represented. It includes all the information and reviews printed in the **Cheap Eats book guide**, enhancing the usability of the guide by providing its information simply and accessibly with some new features. Consumers can read 560 reviews and ratings from the book under **“Comprehensive Guide”**, use the **“Find a Restaurant”** to scroll through the restaurant



listings, see the closest Cheap Eat on a map through the **“Food Around Me”** option, filter by price, restaurant rating, facilities, and opening hours, visit the restaurants' websites, and even make reservations by press to dial the phone number at the top of the screen.

**itakeaway** is a new Australian-owned & operated phone app and the first of its kind. It has the capability to combine multiple takeaway food providers and enable easy consumer selection, with a system that manages the order placement through to the retailer involved. Consumers can search for food by category, use menus, access “daily specials” and place orders in advance to eliminate queuing. It simplifies the business investment for smaller enterprises as they do not have to invest in their website, iPhone, or iPad design with all the functionality provided through an interactive website. More than 300 restaurants have already signed up for this new itakeaway app.



→ **What it means?** *This approach profiles how small food enterprises can harness new technologies without owning the system.*

*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: Broccoli

### Broccoli category – key facts

- Production volume 65,000 t with over 70% of production in Vic & Qld and local supply options in all states
- Retail market volumes 45,000 t
- Food service volume 6,500 t

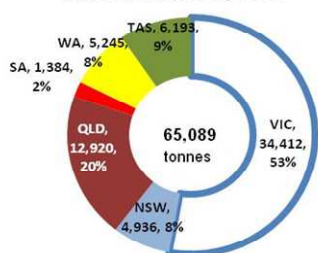


### Retail market overview

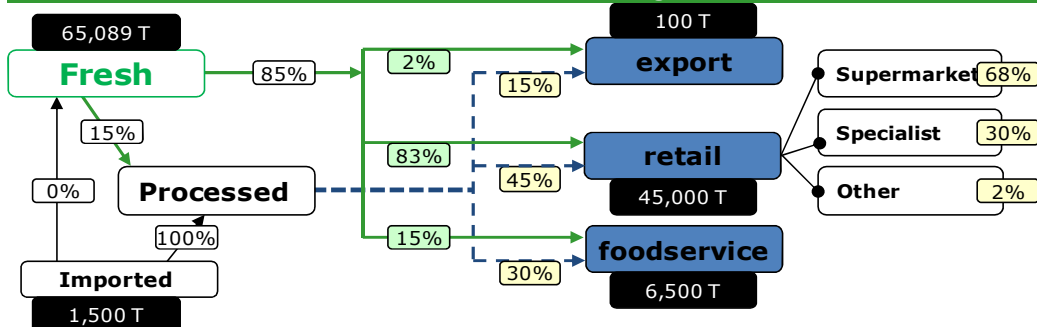
- Broccoli is a leading product in the soft cooked vegetable category with a retail market value of \$200m+ and contributes 3.5% to 4.0% of fresh vegetable retail sales.
- Ranks between 5 & 7<sup>th</sup> in vegetables purchased weekly by all households.
- Regularly featured in retail promotional activity and therefore present consumers with a range of values. Predominantly sold in a loose self select form at an average qty of 462gms
- Enjoys a demand peak in the cooler winter months and is prepared by steaming, boiling and inclusion in stir-fry.
- Is highly “heat stress” sensitive and is often transported in EPS (polystyrene) containers with ice

### Production

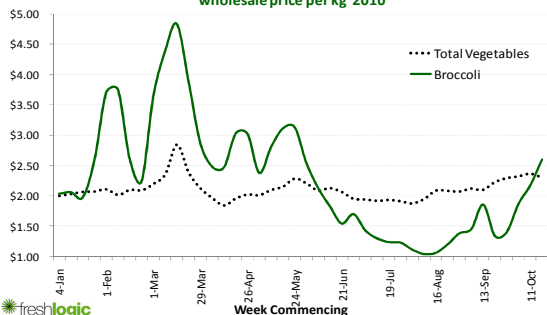
#### Annual tonnes by state



### Volumes and shares through the chain



### Total Vegetable & Broccoli category wholesale price per kg 2010



### UK & US retail Broccoli range comparison -

There are four common product types that include Broccolini, Crown, Florets and Stemmed. On the basis of this product type and product portion size Broccolini earns the highest price in \$/kg followed by Florets, Crown and Stemmed.

Using a base benchmark of standard loose stemmed Broccoli, the relative premiums for the product types across all three markets are as follows:

- Broccolini: 296-416%
- Florets: 216-235%
- Crown: 71-184%
- Organic: 98-115%

The portion size options have three distinctive groups: 100-200 grams, 300-400 grams and 1 kg quantities.