VEGINSIGHTS

monthly vegetable market insights – October 2011

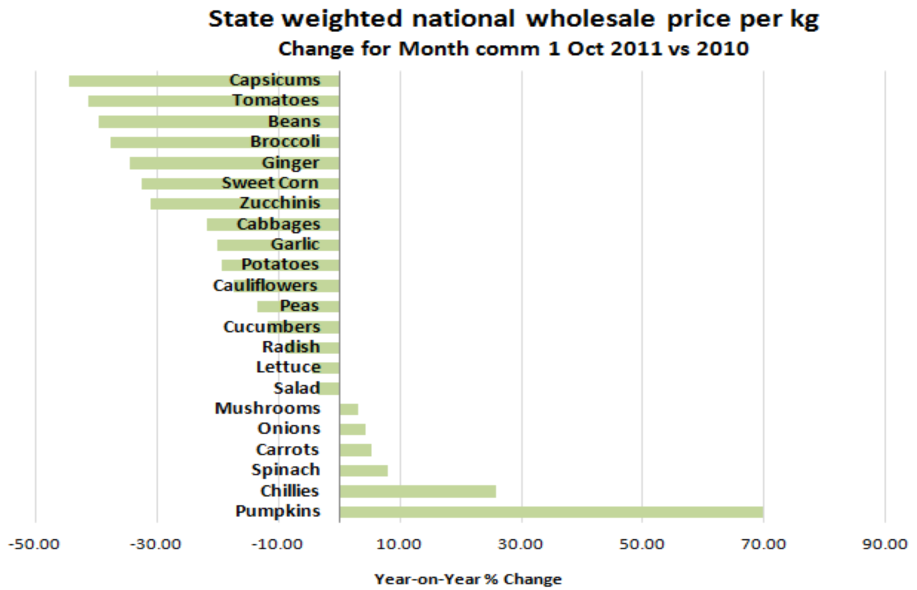
A VIDP initiative

Highlights

- **Retail in Australia entering new era**
- **Lack of convenience - a barrier to healthy eating**
- **Super sweet Roman onion set for UK debut**
- **New product adds punch to potatoes**
- **Eggplant profile with a retail value of $29m pa**

Vegetable market

Wholesale vegetable prices – The wholesale price difference between Oct 2010 and Oct 2011 for the major vegetables is profiled in the chart below.

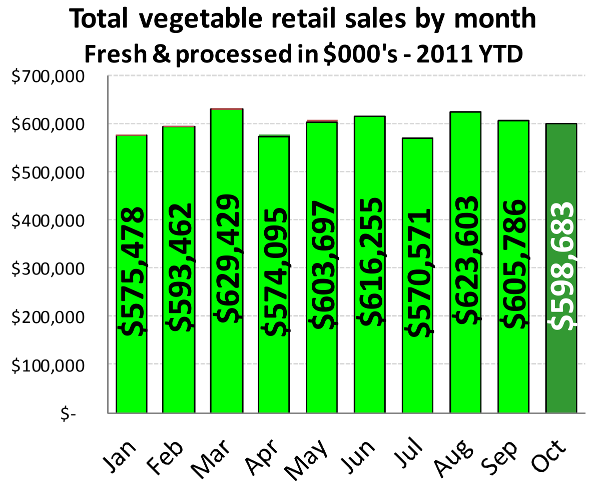


The pressure of supply shortages has passed and price levels appear set to settle at current levels. The warmer temperatures in some states have firmed demand but all the main salad lines are in good supply.

Wholesale prices for all vegetable categories decreased this month compared to October 2010. At the product level, the most significant changes were with pumpkins and chillies which increased over the same month last year, and capsicum, tomatoes, beans, broccoli, and ginger which decreased over the same month last year.

The weighted total vegetable wholesale price for the week ending 28 October was $2.23 per kg.

The total retail sales of fresh and processed vegetables in Oct 2011 are estimated at $598.6m, as profiled in the adjacent chart. These sales are $14.9 or 2.5% lower than Oct 2011 and lower than the preceding month of Sept 2011.



The major impact on sales growth was the easing of fresh vegetable wholesale prices.

The Australian food market

A new era for retail in Australia – New research coordinated by the Australian Centre for Retail Studies has claimed that the Australian retail industry is undergoing "substantial change".

The report titled "Secure Insight: Changing the Way we Pay" reveals online shopping will increase by 12.2% throughout 2012 in Australia. The report also states that the emerging digital and mobile channels of smartphones have brought significant opportunities for local Australian merchants to compete in the online market and increase engagement with their customers. The QR codes have allowed traditional media to become a virtual store, allowing growers or producers to interact with consumers in new ways, while at the same time, enabling consumers to personalise their shopping experiences.

→ ***What it means?*** *That the smartphone and new means of transacting retail sales has introduced new scope for producers and supplies to communicate with the consumers of their products.*

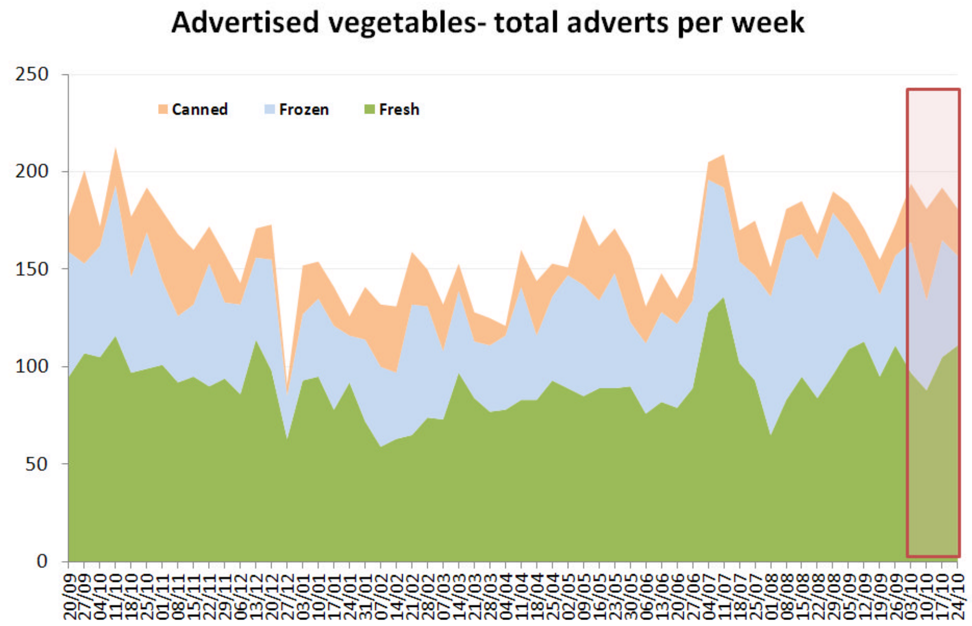
Woolworths well behind Coles in first quarter – Woolworths missed forecasts with its slowest quarterly sales growth in over a year, and was beaten by Coles on same-store sales growth for the 10th straight quarter.

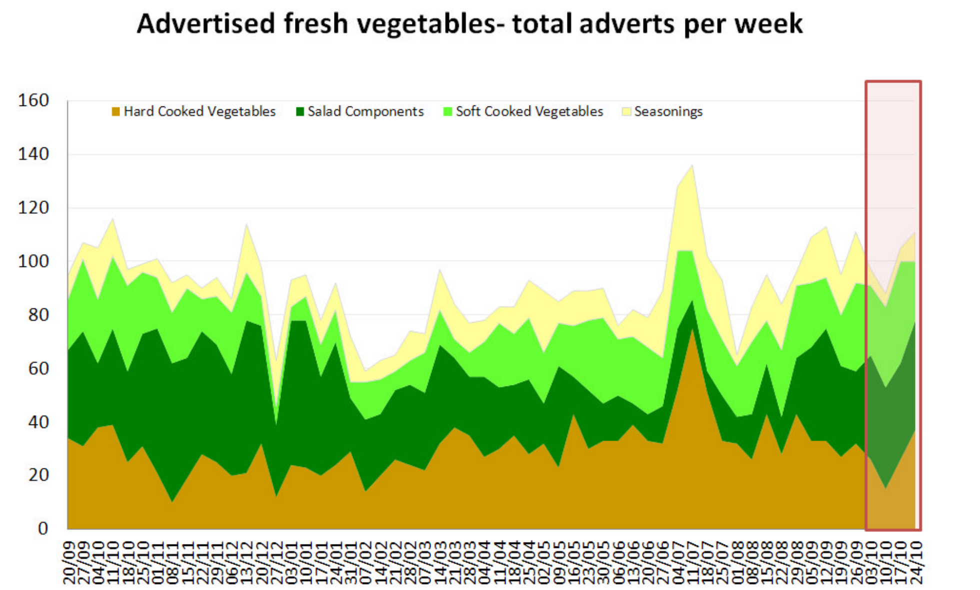
The key Australian food and liquor division of Woolworths reported sales of $9.7 billion, up 4.4% for the three months to September, as sales were hit by tightened consumer spending and higher savings, petrol, and other fixed household costs. The group reported same store sales of just 1.9%, less than half of the 5.2% comparable number reported last week by Coles across the same period. The difference between the two was also underlined by comparable fuel sales, with Coles up 5.2% in the quarter, against 0.1% for Woolworths.

→ ***What it means?*** *Competition between the two major supermarket chains looks set to continue.*

Retailer activity

Promotional activity in the month of October – The retail promotional activity reflects a pattern of increasing exposure for vegetables, continuing the increasing trend seen in September this year. Over the month, the exposure of the total vegetable products increased to an average of **187 products per week, up from 175 in September**.





The increase in exposure has been driven by an increase in canned vegetables advertised, offset by a decrease in fresh vegetables advertised. At the same time, there has been no change in the level of exposure for frozen vegetables advertised this month.

Within the fresh vegetables, the level of exposure decreased for hard cooked vegetables and seasonings advertised in October. This was partly compensated by an increase in exposure for salad components and soft cooked vegetables advertised in the month.

The consumer

F&V diet can help lower genetic heart disease – A new study conducted at Canadian universities has revealed that a diet rich in fruit and raw vegetables could alter a gene that increases risks of heart diseases.

The study analysed more than 27,000 individuals from five ethnicities – European, South Asian, Chinese, Latin America, and Arab - and the effect their diets had on the gene responsible for causing cancer. Results showed that the individuals with the high-risk cancer causing gene who consumed a diet mainly of raw vegetables, fruit and berries weakened the effect of the gene, decreasing the risks of heart diseases.

→ ***What it means?*** *Yet another study confirms the health credentials of fresh fruit and vegetables.*

Lack of convenience hinders healthy eating – A recent survey of 2,500 Australians by kitchenware Tefal revealed that almost half of Australians (45%) are failing to meet the recommended daily intake of vegetables due to "lack of convenience and culinary skills". Of those surveyed, 39% stated that preparing and cooking vegetables was not convenient as part of their busy lifestyles and 37% stated that they avoided vegetables as they were not confident about how to prepare and cook them. Another 15% claimed that they were unaware that they should be consuming five portions of vegetables a day to maintain a healthy lifestyle.

→ ***What it means?*** *Convenience and food preparation skills remain as barriers to increase vegetable consumption.*

Colour coding for potatoes – The UK Potato Council has released a new report – Potatoes: A Fresh Outlook – that would introduce colour coding and clear messages to promote potatoes in the major retailers. Based on the findings of a year-long consumer research, the report states that 8 out of 10 shoppers agree that they need more information about the different potato varieties and would welcome clear on-pack information about what potatoes are best used for. Survey revealed that nearly half of shoppers think that baking, new, and white are varieties of potatoes and many link the potato size to its use, such as small for boiling, medium for multi-purpose use, and large for baking.

The UK fresh potato market is worth £1 billion, with a value growth of 1.5% and household penetration at 96%.

→ ***What it means?*** *There is no substitute for clear and simple communication to consumers regarding selecting and preparing vegetables.*

Fast food chains introduce details to menus – Ahead of a February 2012 deadline when fast food chains in NSW must start displaying the kilojoule counts in their meals, Hungry Jack's and Domino's Pizza have become the first fast food chains to display the kilojoule content of items on their restaurant menus across Australia. Hungry Jack's menus will also display the average adult daily energy intake of 8,700 kilojoules, to help customers determine how much of this will be consumed by their choice from the menu. It has also improved the nutritional content of its menu by reducing saturated fat, sodium, and sugar levels. Following its footsteps closely, Domino's Pizza was quick to commence displaying kilojoules counts on its menu boards, online ordering sites, and mobile devices, as well.

→ ***What it means?*** *As the demand for healthy food and menu transparency gets a "regulatory nudge" quick service restaurants have responded early. It is hoped that this level of information will be welcomed and used by consumers.*

Innovation from the world

New Peel/Reseal Apio Squash Package by *Apio & ClearLam Packaging:* This new packaging features a platter that is compartmentalised through removable dividers and the lid provides versatility in product quantity and placement. Hermetic sealing and modified atmospheric used in the manufacturing process also help in extending the shelf life of produce from 16 to 18 days. In addition, a film seal prevents contamination, provides atmosphere control, and offers a tamper-resistant solution to retailers. Due to its design flexibility, it can be used for meats, cheeses, and a variety of other snacking items, together with fresh cut vegetables and fruits.

→ ***What it means?*** *A packaging innovation that allows fresh foods to be prepared and then held safely in one container. As well as convenience, this innovation provides value by saving on home waste.*

Live Gourmet Living Lettuce Squircle Clamshell & Shipping Container by *Hollandia Produce*: A new redesigned clamshell that incorporates features of both a square and a circle to reshape and optimise the space utilised to package the lettuce, eliminating unused space and allowing for a 20% increase in units per pallet. In addition, the new design reduces the amount of plastic used, resulting in a 15% saving per clamshell.

The shipping container features a colourful and communicative label, which acts as a tamper evident seal, as well as offers distinctiveness to the packaging. It also enables automated packaging system and reduces the total annual cardboard used to package the product by 40%.

→ ***What it means?*** *Another packaging innovation that offers combinations of improved physical protection, better food safety, and less cardboard.*

Season & Steam Microwavable Artichoke Pack by *Ocean Mist Farms:* The new Season & Steam Microwavable Artichoke bag features two fresh globe artichokes that are cleaned, trimmed, and ready to cook. The innovative packaging gives users the option to open the bag, pre-season the artichokes to their preference, reseal the package, and steam by microwave – all within the same bag. Its launch follows consumer research which revealed that many shoppers viewed the prepping of artichokes as the major barrier to purchase.

→ ***What it means?*** *This innovative addressed a major purchase barrier by making it easy for first time buyers of artichokes to prepare the product.*

Coolstix 'n Dip by Eat Well Tasmania – A new healthy snacking option – CoolStix™ - was launched by Eat Well Tasmania this month for vending machines, schools, and hospitals, together with other places in Australia. The snack pack contains more than $1^{1/2}$ serves of seasonal Tassie vegie sticks, including carrot, celery, and raw swede, as well as a 60 g pack of Hommus. However, as of now, the product will be available for schools as part of Healthy Fruit and Veg week in November this year.

→ ***What it means?*** *An innovative handy snack pack that enables distribution through more channels of a product in a ready-to-consume form.*

Super sweet Roman onion set for UK debut – A super sweet onion - the Sweet Cevenne onion, which is also known as the Oakley Onion, is now being grown exclusively in the UK for the first time by George Thompson Ltd, as part of a push on UK innovation. The premium onion is a labour-intensive vegetable harvested, turned twice and packed by hand due to its delicate nature. Originating from south central France, the Cevenne onions have a thin pearly skin and sweet and mild flavour, suitable for both eating raw in salads and for use in cooking. A total of five tonnes of the trial onion is expected to be produced this year and targeted at high-end chefs, foodservice businesses, and the wholesale trade.

→ ***What it means?*** *That a far-ranging specialty product with local links is being produced and is expected to win appeal on basis of its diverse use, unique taste, and now also its local origin.*

New product adds punch to potatoes – An innovative pickled product – TaterPiks – made with organic Klamath Pearl potatoes has been launched by Baley-Trotman Farms in the US. The potatoes are grown by Klamath Basin Fresh Direct and are combined with flavours to create a distinctive product. The product has been introduced as a garnish, though it is much more versatile and can be used in salads, appetizers, and other dishes. TaterPiks is currently available only in Oregon, the US, with distribution along the West Coast of the country underway.

→ ***What it means?*** *A clever gourmet pickled potato product showcases the versatility of potatoes. Yet another option to increase interest and consumption of this staple product.*

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.

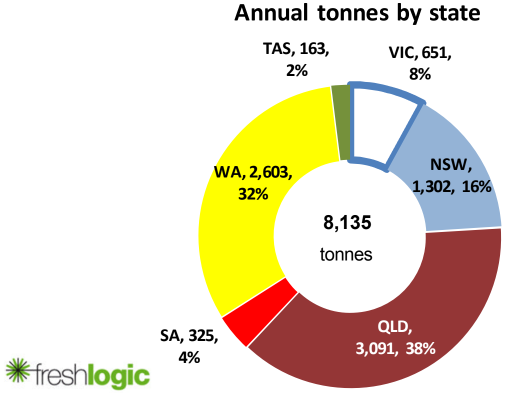
Category in profile: Eggplant

- Eggplants were the **24th** most frequently purchased vegetable by households (weekly) in the **September** quarter 2011.
- Eggplants are a relatively high value product that is purchased by consumers for an average of **$5.33/kg**, which is higher than the average retail price of **$3.50/kg** for all vegetables.

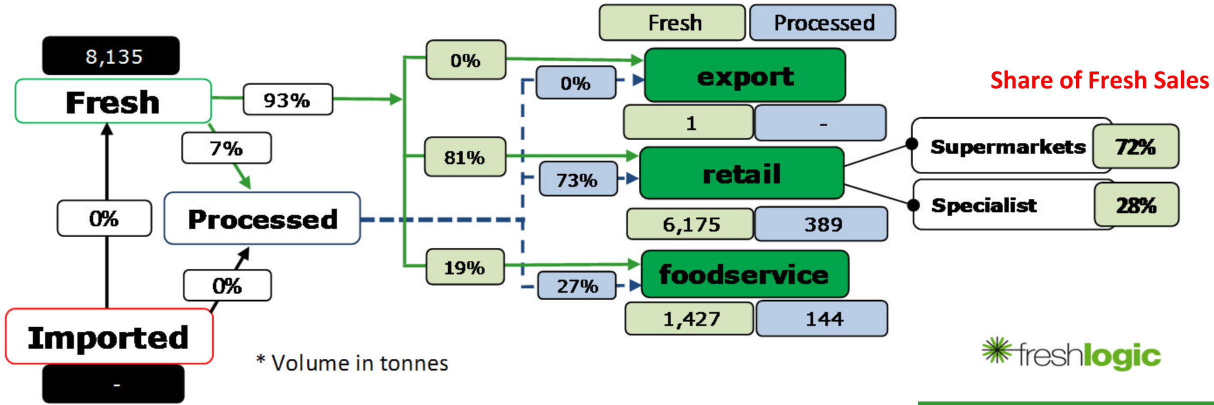
Key Facts

- Eggplant production was 8,134 t in 2010/11.
- The retail channel buys 6,562 t.
- The foodservice channel buys 1,571 t.
- The current domestic retail market value of fresh eggplants purchased by consumers is $29 m.

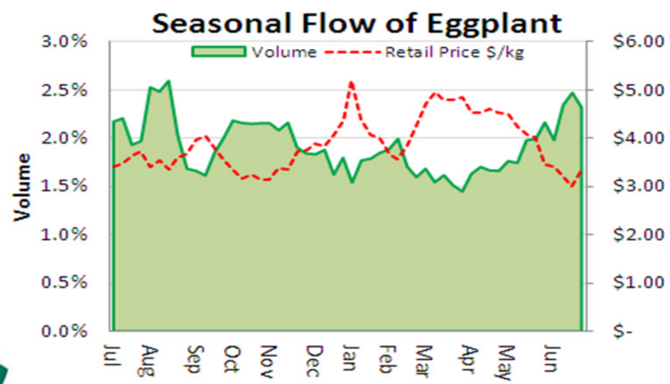
Production



Volumes and shares through the chain

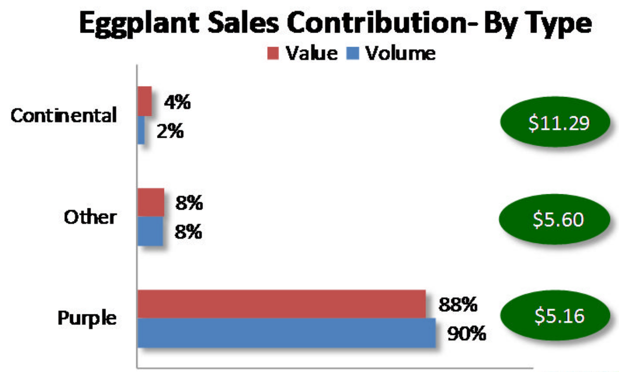


Seasonal Profile



Retail fresh sales

- Fresh retail sales are dominated by loose self-select product, with pre-packed product generating 1% of the retail sales volume and 2% of the value.
- The average price for loose sold product was $5.24/kg and $16.76/kg for pre-packed product.
- Retail sales of eggplant are consistent throughout the year.



Consumer Penetration

House hold Segments		Purchase Weekly
Singles & Couples with lower income		3%-4%
Singles & Couples with higher income		4%-10%
Budgeting families		4%-6%
Established families		1%-8%
Empty Nesters		3%-5%

Mealpulse™

- In the September quarter 2011, eggplants were the 24th most frequently purchased fresh vegetable based on a weekly purchase patterns. Over the last four calendar quarters eggplants weekly purchases ranged from (4-5%), with greater penetration through cooler months.
- The highest average weekly purchase penetration by segment was Singles and Couples with higher income and Established Families (6%).
- Singles and Couples with lower income and Empty Nesters had the lowest average weekly purchase frequency with 4%.

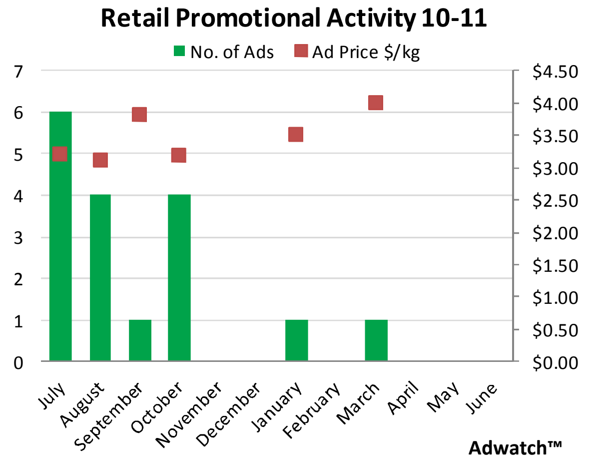
Consumption Profile

- Eggplant has strong links Mediterranean cuisines. It can be consumed hot or cold and can be enjoyed marinated, stuffed, roasted, grilled, fried, in a casserole, and stews.
- The use of eggplant has become more mainstream, this has been evident with its use as a pizza topping.
- Eggplant is often adapted to meals in place of protein, such as lasagna and parmigiana.

Eggplant 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	

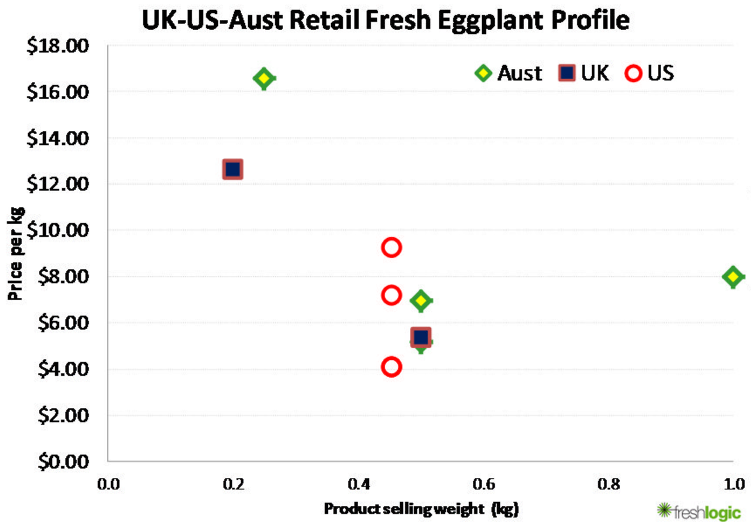
Promotional Activity- 2010/11

- There was a total of 17 adverts, and some level of retail promotion activity in 8 of the 52 weeks in the 2010 -11.
- Coles advertised in 10 weeks of the year, while Woolworths had only ad for the year.
- Queensland had the highest number of state-based retail adverts with 5 (29%), while NSW had the lowest with 2 adverts over the year.



Adwatch™

UK -US -AUST retail range profile



- **This analysis** has drawn on data gathered from Australia retail and UK and US online sites. It is considered representative of the current retail ranges in each market.
- Eggplant is also referred to as **Aubergine** in the UK.
- Within the Aust offer, pre-packed product was sold by the each and loose product was sold by the kg and by the each.
- US sells all loose product by the lb and the UK sold all loose product by the each.

HAL Horticulture Australia

AUSVEG