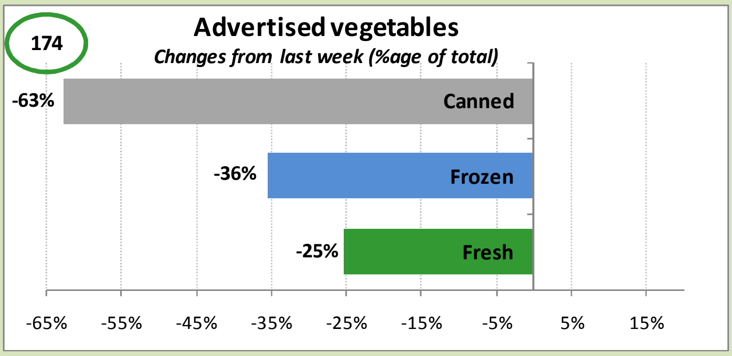
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative

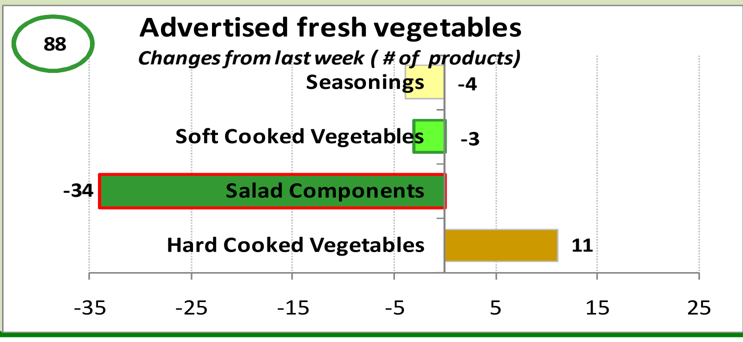


05 May 2010

Vegetable retail promotional activity



This week the exposure of vegetables decreased substantially by 37% to have 174 vegetable products advertised by the major retailers. This was driven by decreases in all product forms and led by Canned at -63%, Frozen -36% and Fresh - 25%. The number of fresh products advertised decreased by 25% to 88. There were changes in the number of lines per category with the most significant being the 34 line decrease in Salad Components, which is an expected reduction in cooler weather.



Headlines

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- UK restaurants bring back diners
- Burn calories by eating chillies
- Consumer research leads to innovations
- Woolworths & Coles sales vs. inflation

UK restaurants bring back diners using innovative ways, such as "meal deal" offers , exotic-sounding dishes, familiar retail brands, and labelling more dishes with heath claims and details of food provenance. Variations such as "Italian car owners eat for free on Thursdays" at Revolution and "all you can eat" for £7.75 at Table -Table are stimulating sales. Brands are also being mentioned on menus with operators seeking to sell familiar products to consumers. Terms such as "farm assured" and "locally grown" and health claims such as "nutritional balance" and 5 A DAY are increasingly being used. Chef & Brewer's menu now has a "superfood salad" showing the healthy nature of its meals.

Under pressure, the UK foodservice channels are using innovative ways to bring back diners.

Consumer research helps innovating healthy and convenient celery products. Duda Farm Fresh Foods has revealed that its ongoing consumer research helps it to develop innovative products and varieties as well as new packaging and merchandising. Two types of celery consumers exist – those using it as a snack and others using it as an ingredient; the former help in growing the value-added segment as celery sticks and organic celery gains popularity. This research has been used as a guide to develop over 1,200 new celery lines with improved quality, texture, and flavour.

This shows how consumer research helps to identify needs and service different segments of consumers.

Chillies may help burn calories, as per the Center for Human Nutrition at UCLA. Researchers hold that capsaicin, the ingredient imparting the spicy taste in chillies, causes an increase in the body temperature that makes the body to burn more calories and assist in weight loss. They conducted a study by using a milder-tasting dihydrocapsiate or DCT. Thirty-four participants were put on a low-calorie diet for 28 days and then given a high-dose DCT pill, low-dose DCT pill, or no pill with a meal. The energy expenditure measured after the mean revealed that the participants who had taken the high-dose DCT pills burned almost as twice as much energy as the ones who had not taken a DCT pill.

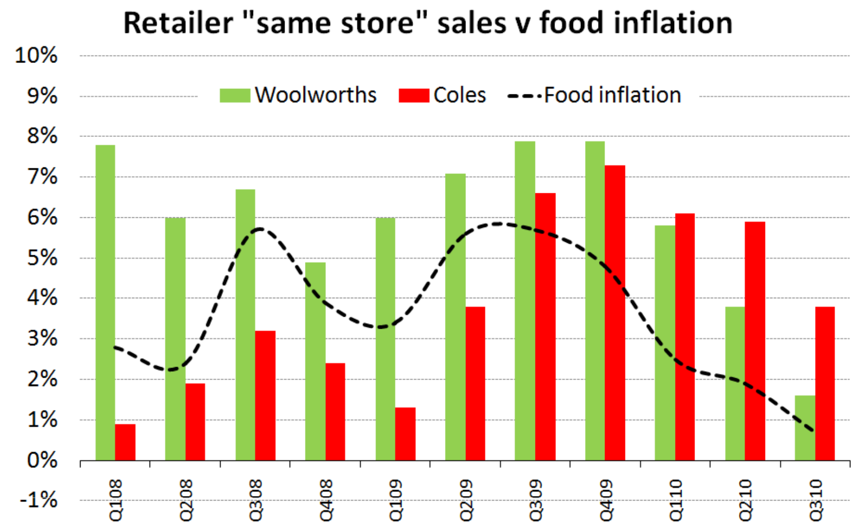
This study discovers the fat oxidation property of chillies, which can be used to assist weight loss.

Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Period	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr
Highs & Lows ℃	17-31	12-26	10-22	12-30	8-21	3-19	18-29	13-29	12-29	14-30	9-25	8-20	8-28	8-29	10-28
Rainfall															
Rainfall (mm)	8.8	2.2	11.8	5.6	3.0	12.6	31.8	0.6	0.0	5.0	2.8	36.6	0.0	0	0.0

Vegetable Market Performance

The Mealpulse panel collects and analyses consumer responses on vegetable buying and the market performance of the distribution channels. The two charts and commentary below provide a snapshot of the sales trends of the two largest supermarket retailers based on the announcement made over the past two weeks. Also profiled is the proportion of supermarket shoppers who buy vegetables at a greengrocer or fruiterer as well.

A



Woolworths' sales – Woolworths has recorded a 4.7% improvement in its third quarter financial year sales, including petrol sales, but has lowered its full-year sales forecast due to inflationary pressures. Same-store Australian food and liquor sales **were only up 1.6%** - well below the growth rates of recent quarters, as second-quarter sales rose 3.8% and the first quarter sales were up 5.8% as per Chart A, which reflects that Coles has enjoying stronger growth than Woolworths in the last quarter. The same store sales figure is viewed as a reflection of core business growth as it compares annual growth for stores that have been open for a full 12-month period.

Sales for the overall supermarket division increased 4.6% to $11.2 billion for the quarter. Woolworths has taken a dimmer view of prospect for the rest of the year. Given the greater than anticipated impact on sales of low food and liquor inflation and the cycling of stimulus effects, it sees the second half of the year to continue to be impacted by low price inflation. "Discretionary spending levels will continue to be influenced by macro economic factors such as interest rates, petrol prices, confidence around employment and consumer attitudes to spending," Woolworths said.

B

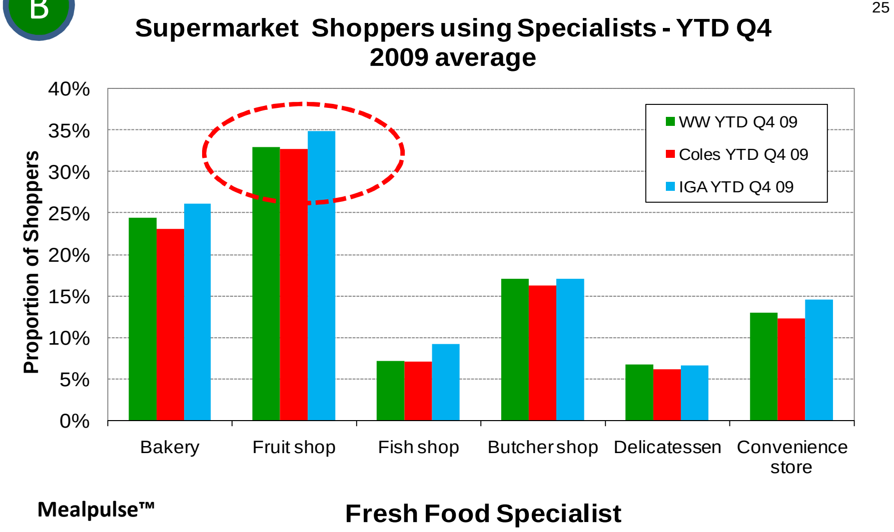


Chart B profiles the proportion of supermarket shoppers that also buy vegetables at a greengrocer/fruiterer in a normal weeks shopping in Q4 09. This equates to 32 -35% of shoppers for Woolworths, Coles, and IGA.

This expenditure is constantly targeted by the supermarkets. However, in recent years they have been unable to make significant inroads, which indicates that consumers are willing to trade off convenience for what they find at the greengrocer/fruiterer.

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.