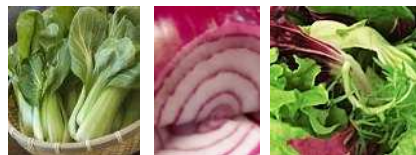


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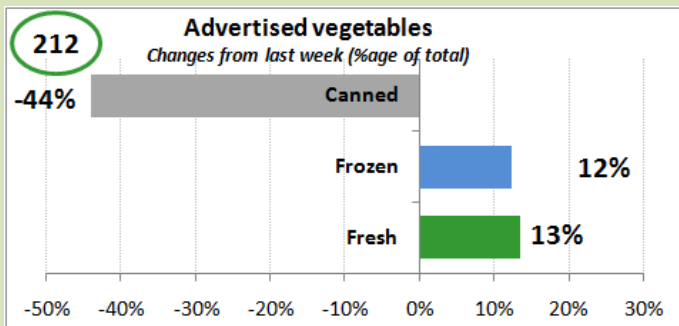
Weekly vegetable market insights - A VIDP initiative



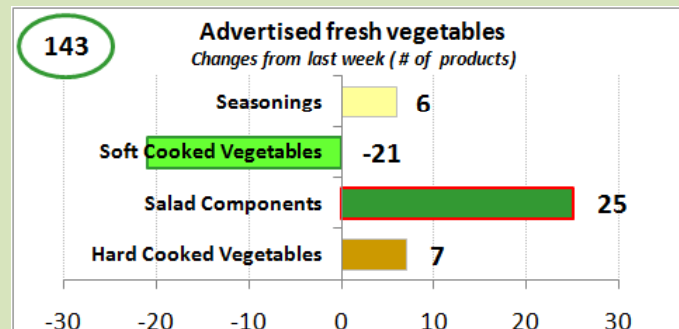
11 Aug 2010

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Vegetable retail promotional activity



This week the exposure of vegetables increased by 6% in **veg advertisements** by major retailers. Canned lines were at the lowest level of promotion since May, just 7% of adverts, with the focus on fresh growing as spring nears. The swing towards salads was a big factor in **fresh adverts**, as the total fresh adverts also increased by 6%. Salad items were run in 32% of all fresh adverts, while soft cooked veg fell away to 6%.



Small households targeted with new miniature lettuce.

British retailer Marks & Spencers has launched a new baby Iceberg lettuce aimed at one-person households, adding to the retailer's existing miniature line of tiny pears and baby lemons introduced last year. Fully-grown baby Icebergs are 75% smaller than normal Iceberg lettuces, are ideal to balance wastage and convenience. The miniature lettuce is priced at 75p each, while the full-size product is currently priced at 85p, starkly illustrating the value difference between the specialised and conventional "commodity" lines.



New product innovation that starts at the farm can win ground by targeting specific segments of the market.

Headlines

- Novel collaboration plans expansion
- It remains a tough grocery market
- Blood pressure linked to chilli peppers
- Singles targeted by miniature lettuce

From My Farm (FMF) plans expansion.

FMF is offering UK supermarkets and specialist retailers a "one-stop-shop" buying solution for fresh regionally sourced produce. It is launching a campaign to support its expansion plans and raise its profile in a bid to position itself as a nationally-recognised brand by June 2011. Launched in 2008, the FMF Brand is a supplier concept that divides the UK into regions from where FMF identifies and works with growers. It collates orders, liaises with growers and delivers to the nearest regional distribution centre or sometimes, direct to store. This not only offers supermarket chains the convenience of a one-stop-shop buying solution for perishable, regional, fresh produce but also provides growers with the opportunity to supply in bulk in their regions when they would otherwise not have the volume of scale to do so.



A collaboration that responds to consumers' demands for local produce and offers growers a premium outlet for their produce.

Blood pressure linked to chilli peppers.

According to a new research published in *Cell Metabolism*, eating chilli pepper could lower blood pressure. The research found that capsaicin, the active ingredient that gives peppers their heat, also causes blood vessels to relax, creating a calming effect. This study isn't the first to prove a link between this ingredient and blood pressure, but went into new territory with its long term benefits.



Exploiting a novel health benefit for this product group could lift appeal, consumption....and unit value.

Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
	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
Period Highs & Lows °C	9-21	6-19	8-23	4-18	5-16	4-19	13-27	7-23	9-24	5-19	4-15	3-23	4-19	3-24	4-21
Rainfall															
Rainfall (mm)	55.2	16.8	0.0	3.9	11.2	9.8	15.4	0.0	0.0	24.2	17.2	2.8	33.6	0	7.8

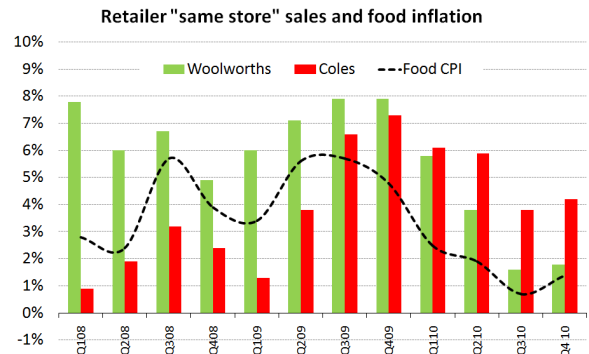
The Australian grocery market remains a tight battleground

Recent retail sales numbers show the competitive tension between major chain retailers has rarely been stronger. With the continued focus by large retailers on keeping their tills ticking over using price as the major weapon, the food market is growing in complexity and diversity as the economy improves.

Big players slug it out... Recent results from major supermarkets and independent chains, alongside economic data released in the past couple of weeks, shows that competitive tension has rarely been stronger between the big two players. However the continuing strong focus on price doesn't mean they are getting their own way with shoppers.

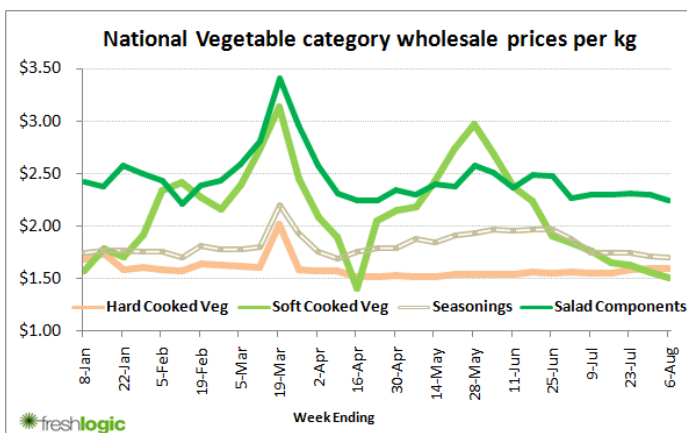
Food sales growth for the major chains combined shows they are increasing market share mostly by adding new stores. "Same-store" sales are a good indicator of changes in market share, tracking sales for all stores that have been open for more than a year, as a measure of the ability to retain business over time. Coles has taken back some of the ground that was lost to its larger rival while it swallowed directional, ownership and management challenges. Same store sales for the June quarter of 2010 show Coles continuing to grow its underlying business at a faster rate than Woolworths. This is a reversal of the form seen over the past couple of years - Coles looks to be regrouping but is coming off a lower base. Coles has a lot of catching up to do in the "productivity" of sales and business margins, where it has probably made little actual headway.

Low inflation prevails – deflation for several fresh food categories – but that story is changing. Vegetables recorded positive retail price inflation in the June quarter and in other areas cost pressures are rising, while shoppers have a little more optimism about spending. Eating out is recovering, but cooking at home has new momentum. Once we get past the election, certainty and willingness to spend bravely may improve.



...but others are doing OK too. It is the business at the margins that seems to matter most in food retail. Independents continue to gain muscle and Metcash will grow its fresh food distribution network with addition of Franklins stores and a possible growth as a result of problems faced by Foodworks. As always, greengrocers offering convenience, quality and personal service, which remain highly valued by shoppers, will retain a key position.

Aldi continues to build scale in its network and is now much more than a nuisance to the big players. While household spending remains cautious, Aldi increasingly sets prices across several price-sensitive categories.



The wholesale vegetable price per kg

continued to track lower this week, down \$0.03 on the previous week at **\$1.88 per kg**, which puts the indicator down 18% since the end of May, and at the lowest level in 2010. While hard cooked veg held its value, all other categories fell to some extent, with soft cooked veg losing most ground. The most significant product level declines occurred in beans, lettuce and zucchini, while sweet corn posted the best increase.

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.