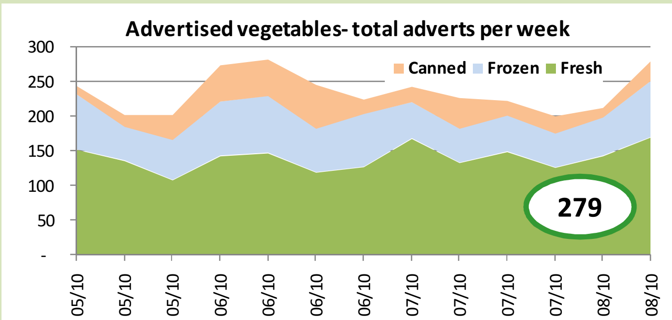
VEGINSIGHTS

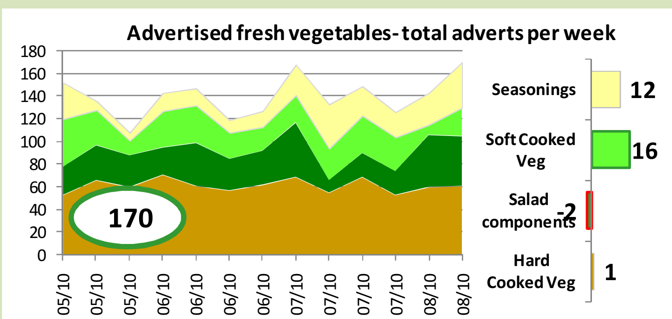
Weekly vegetable market insights - A VIDP initiative

18 Aug 2010

Vegetable retail promotional activity



This week the overall exposure of vegetables increased by 32% in advertisements by the major retailers, with increase in all three product types, with fresh scoring the most added space, just ahead in number from frozen as cooking (rather than salads) stayed in demand. The protracted cold conditions in southern Australia kept soft cooked veg in focus, gaining an increase in coverage as total fresh adverts increased by almost 20% in number. Seasonings also received a stronger push.



Compelling new tools for engaging customers

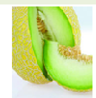
Recent research from The Seed has revealed how technology – food-based phone apps, food bloggers, interactive restaurants, and social network tools – have positively affected consumers' engagement with food. The study shows 7 in 10 Australians think food is important in bringing family and friends together, 82% feel food brings them pleasure, 80% believe good food helps them maintain their health, 75% rate the importance of food safety, and over 72% of them want to broaden their horizons and experience different cuisines.

Technology is influencing consumer choices in buying and preparing food. As they become more tech-savvy, it is imperative for food marketers to harness trends to better relate to and influence choices.

Headlines

- **Shoppers seek product innovation**
- **New food rules to engage consumers**
- **Dining out market boosted by optimism**
- **Wholesale veg price up at $1.95/kg**

Shoppers seeking product innovation



According to research from IGD in the UK, post-recession shoppers searching for innovation rank the top five features encouraging them to buy a new product as health benefits (27%), better quality (23%), offers better performance (21%), interesting flavour/smell or recipe (19%) or if it "makes life easier" (18%). Fruit & vegetables were ranked the third of all categories with 18% of shoppers recognising innovation in the segment. 48% of shoppers found new products through a combination of in-store merchandising and promotional advertising.

This finding points to important lessons as to what features are most important, and the role of promotional activity in bringing new lines to the attention of shoppers .

Dining out market boosted by optimism

Rising costs of living have in the past 2 years forced consumers to cut back on spending, which has taken a toll on retailers, but surprisingly not on restaurateurs. Latest credit card data reveals that the dining out market is experiencing a boom with restaurants across the country reporting rising and record bookings and diners waiting for at least 2 months to secure a Friday or Saturday night booking at leading outlets. Restaurants in all major cities are reported busier, and recent research for American Express found a 20% rise in people dining at weekends compared to a year ago. This is at odds with a general decline in retail sales with retailers cutting profit forecasts as they slash prices. Optimism and greater food enthusiasm among diners, a result of the influence of *MasterChef,* continues to loosen the purse strings as more Australians opt for dining out.

As the economy continues recovery, retailers will need innovative ways to entice consumers to stay with scratch cooking or premium quick meals to retain some of the increased levels of spending.

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 ℃	6-19	7-22	9-32	5-16	6-17	5-30	7-23	8-23	10-27	4-15	7-16	6-27	3-14	3-21	9-21
Rainfall															
Rainfall (mm)	16.8	7.6	0.2	11.2	23.6	0.8	0.0	81.0	0.0	17.2	17.6	1.8	0.0	41.4	47.0

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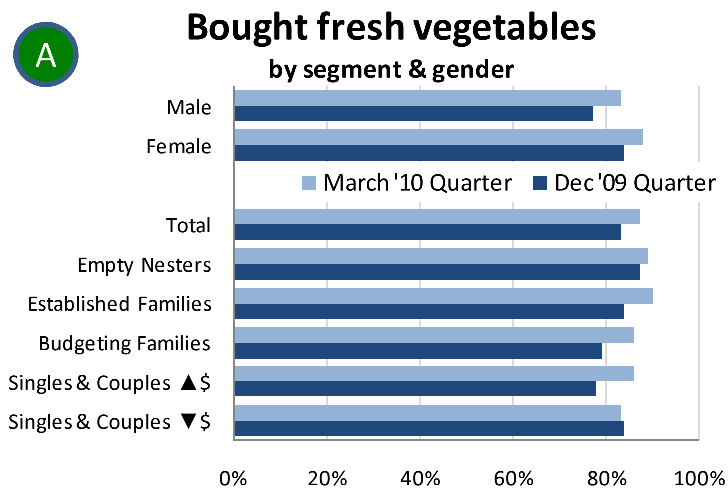
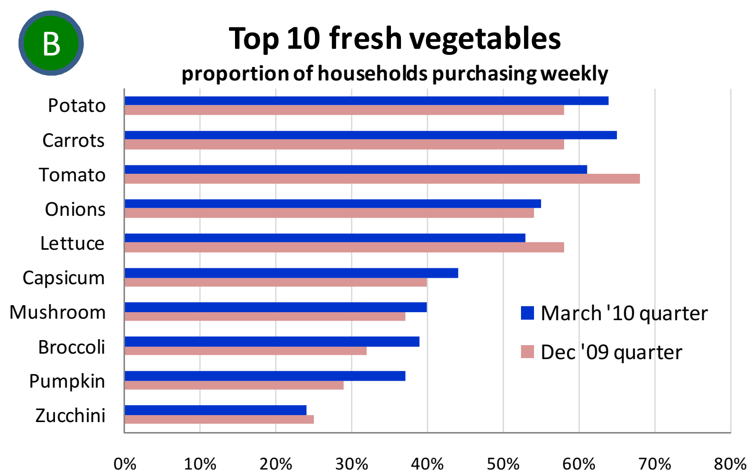
Fresh vegetable buying patterns

The Mealpulse panel tracks consumer responses on vegetable buying. This information is combined with other data to estimate market size and shares. The two charts and commentary below track changes between December & March quarters providing a profile of the most popular vegetables purchased and how purchasing can vary depending on gender and household type.





Household buying patterns

Chart A shows the proportion of households purchasing fresh veg compared to the previous quarter. The number of households purchasing fresh veg increased from 83% to 87% during this period, as fresh vegetables gained some share from canned vegetables. As a result, the higher per kg value of fresh veg contributed to a higher sales value for the March quarter.

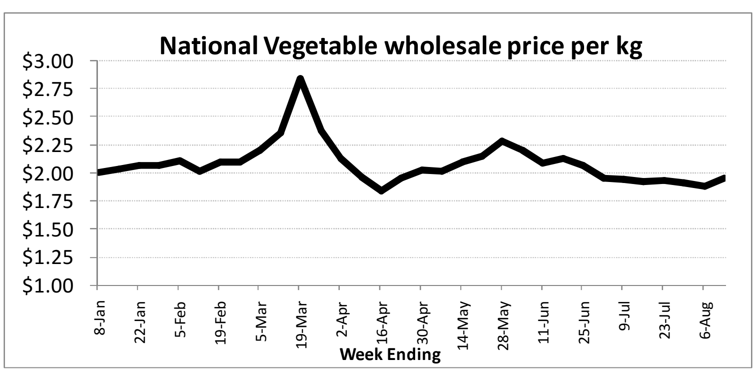
Overall sales were higher due to higher volumes rather than an overall lift in unit prices of fresh veg. The value of overall sales was also adversely affected by consumers being more responsive to retailer "specials" - more sales in lower value promotional lines, reducing average weekly retail spend.

More fresh vegetables were purchased by all household segments except Singles & Couples with low income. The largest increase was with Singles & Couples with higher income, influenced by the demand for vegetable products that suited scratch preparation for home entertainment.

Most popular vegetable

Chart B profiles the 10 most commonly purchased fresh vegetables, which was topped by carrots, followed by potatoes and tomatoes, which moved from the first to the third place as seasons changed to support more cooked meals.

The balance of the top ten products that include mushroom, pumpkin, broccoli, and zucchini are purchased by less than 40% of households, but reflect higher purchasing for similar reasons as above.



The wholesale vegetable price per kg

recovered by almost 4% this week, up 7 cents on average over the previous week at **$1.95 per kg**. While hard and soft cooked veg were in total steady, salad items showed the strongest lift of 14c/kg as spring demand began to change the demand mix across vegetables, with gains in salad mix and capsicum. Changes within soft cooked veg were mixed, while chillies had 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.