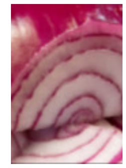
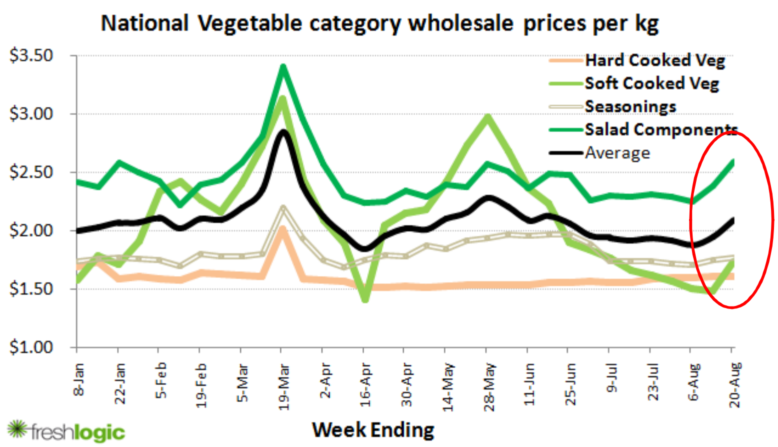
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative

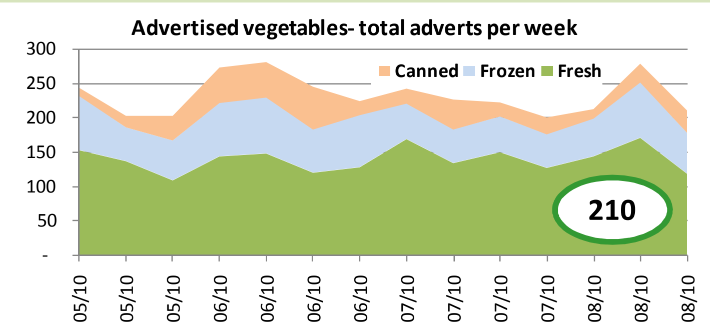




25 Aug 2010

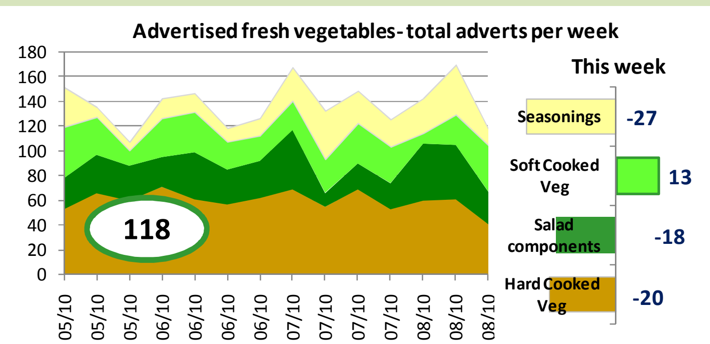
Vegetable wholesale prices



Vegetable retail promotional activity



A sharp drop in the overall intensity of retailer promotions of vegetables this week, with fresh veg ads down by almost a third in volume (the lowest exposure since late May), while there was a slight lift in the promotion of canned lines. At a category level, the build-up of salad components was reversed, with emphasis on soft-cooked veg, which had its highest % share of fresh veg ads for the entire calendar year.



Headlines

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- **Wholesale veg price up 7% to $2.09/kg**
- **Better climate for retail price rises**
- **New effort to tackle health issues**
- **Insights on consumer spending patterns**

Wholesale prices continue to rise

Wholesale prices of vegetables posted another healthy increase this week, this time up 14c/kg or 7% on the prior week to **$2.09 per kg** as warmer spring weather built stronger demand for salads components. Salad components made the strongest contribution to the overall increase with the best movers capsicums, cucumbers and tomatoes. Beans and sweet corn recorded large increases in soft-cooked veg to offset weaker prices in spinach.

Better climate for price rises

Leading indicators of consumer sentiment leapt this month to one of the highest levels in the past 10 years showing the confidence to spend improving. This comes as cost pressures build across food supply chains with rises in energy and transport costs, as well as rises in dairy and grain commodities. At the same time, the dining out sector reports much stronger business compared to this time last year, showing discretionary spending is healthy in that segment.

While the economic recovery may be patchy, it is apparent that consumers are applying more discretionary spending, easing pressures within fresh vegetable categories on trading down to the lowest-priced product.

Forum to tackle health issues

Australia's peak food and grocery manufacturing organisation (AFGC) and major fast-food restaurants have formed an alliance to address important health, nutrition, and chronic disease issues. The new fast-food forum will enable fast-food players to work with governments and offer better information to consumers for "more informed purchase decisions". The forum includes four foundation members, including McDonald's, Hungry Jack's, Yum! (KFC & Pizza Hut) and QSR Holdings (Red Rooster & Oporto).

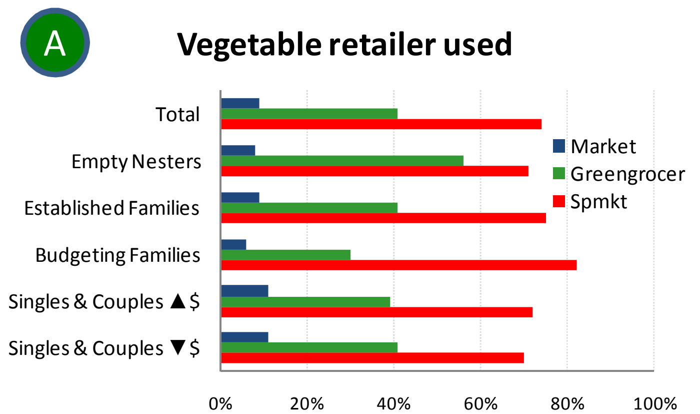
This initiative comes against a background of increased community focus on healthy eating and opens a door for greater influence of choices available in fast food meals including more fresh vegetables on the menu.

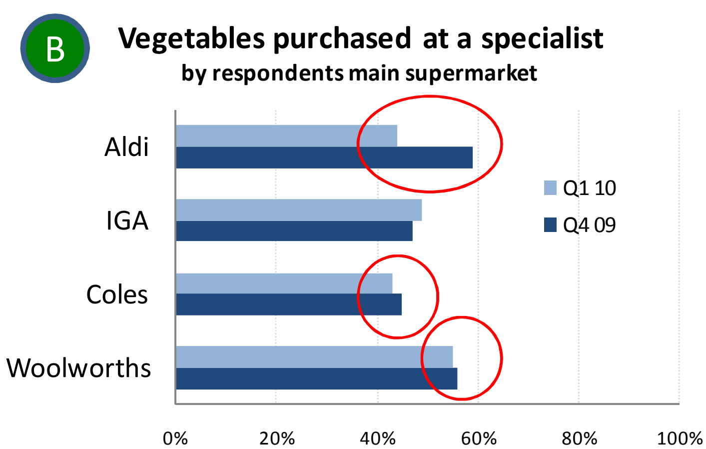
Weather	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Period	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr	Last wk	This wk	Last yr
Highs & Lows ℃	7-22	6-25	8-26	6-17	5-17	8-23	8-23	7-29	14-32	7-16	4-20	7-22	3-21	3-19	10-20
Rainfall															
Rainfall (mm)	7.6	2.6	0.0	23.6	9.2	29.8	81.0	13.2	0.2	17.6	27.6	6.6	41.4	13.4	50.6

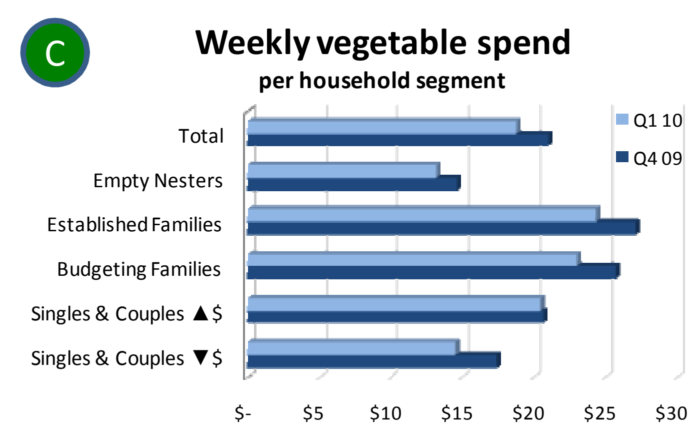
Fresh vegetable buying patterns

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 choice of retailer where vegetables are purchased and how purchasing can vary depending on the household type.







Choice of retailer

Consumers buy their fresh vegetables predominantly from either supermarket, greengrocer/fruiterer, markets or direct home delivery.

This reflects where consumers shop for their vegetables. The level of patronage, however, does not necessarily reflect the relative amount of expenditure at each type of retail outlet.

Chart A shows that 74% of households purchased vegetables from supermarkets and 50% of household segments used greengrocers or markets. The family segments, the high volume buyers of vegetables, were the heaviest users of supermarkets at 82% & 75%, respectively. Empty Nesters were the heaviest users of outlets other than supermarkets, with 64% using greengrocers or markets.

Use of specialists

Chart B shows the changes between the end of 2009 and the first quarter of 2010 in the proportion of supermarket shoppers who also bought vegetables at a market or greengrocer.

In the first quarter of 2010, Aldi, Coles and Woolworths improved their share of spending on vegetables, as their customers reduced their use of other vegetable retailers. Aldi showed strongest improvement as the proportion of its customers who purchase vegetables elsewhere fell from 59% to 44%. Fresh Markets, included in specialists, have lost share of spend from all supermarket shoppers.

Spending lowered

Major retailers maintained promotional pressure during the first quarter but the depth of the discounting and the lingering uncertainty in the minds of shoppers saw greater caution and a retreat to the supermarket. Our analysis of the shopper behaviour shows that major grocers had convinced the consumer that they are a cheaper place to shop when times are harder, and major grocers continued to play on these themes with the promotion of value meals. Chart C shows this in average weekly spending on vegetables which fell on average and for all but one consumer segment (well-heeled singles and couples) in the March quarter compared to the end of 2009.

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.