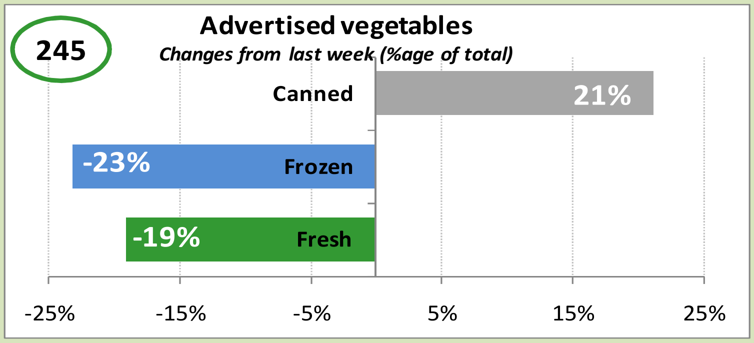
VEGINSIGHTS

Weekly vegetable market insights - A VIDP initiative

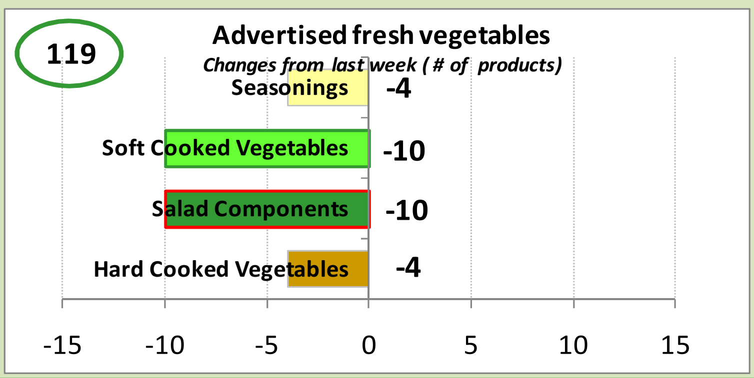
1 July 2010

Vegetable retail promotional activity



This week the exposure of vegetables decreased by 13% with 245 vegetable products advertised by the major retailers. This was driven by minor increases in Canned 21% but greater decreases Frozen at 23% and Fresh at 19%.

The number of fresh products advertised decreased by 19% to 119. The most significant changes in the number of lines per category were Salad Components and Soft Cooked Veg which both decreased by 10.



Headlines

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- **MasterChef lifts featured product sales**
- **Ethics will influence consumer choice**
- **Sustainability may lift veg consumption**
- **Veg wholesale prices lower by 1.9%**

MasterChef provides a new promotional platform as Coles supermarkets – one of the major sponsors of the show – have advised that sales of its ingredients and kitchen equipment have increased dramatically after being featured on the popular show. While there was a 30% lift in the meat featured on Masterchef, a greater increase in sales was also seen in other featured products, including exotic ingredients like spices and speciality meats. However, Coles also credits its tie-in marketing "Feed your family for under $10" campaign with Chef Curtis Stone, cross-promoted on the MasterChef website, to have helped in lifting its sales. This is a different promotional mechanism where messages to consumers about how to use food products are being welcomed and reflected in shopping patterns. The brand has been carried into print media and is already been aligned with some products. This approach provides an effective tactical alternative to the weekly retail product and price promotional activity that dominates the content of messages to consumers. With the Masterchef audience profile indicating that about 70% of Australians credit the show with making them more interested, experimental and enthusiastic about food, this show has proved that food product sales can be increased by more than just price reductions and large retail store displays.
Clearly consumers are welcoming learning about food and are allowing those lessons to shape their shopping preferences.

The direct impact of MasterChef on product sales has provided a healthy alternative to the weekly product and price promotions driven by the retailers.

Ethics can drive consumers in the grocery markets of UK, France, Germany, and Spain, with 30% of shoppers stating that ethical values are one of the reasons to try something new for the first time. There are clear indications that shoppers are including ethical judgements more in their shopping decisions, but they don't want to pay a lot more – they want value for their 'values'. This resistance to stronger pricing is an expected and typical market development as the demand for food, with the likes of free range, organic, and fair trade attributes, expands into the mainstream.

As the demand for ethical food benefits becomes more mainstream, shoppers are less inclined to pay a premium.

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 ℃	7-19	7-18	9-20	4-17	4-18	5-18	9-22	10-22	11-23	2-17	3-18	5-19	7-20	0.6-20	8-20
Rainfall															
Rainfall (mm)	0.6	18.4	43.8	4.2	20.4	2.8	0.0	5.0	71.0	9.6	10.8	4.8	28.0	23.4	49.0

Sustainability

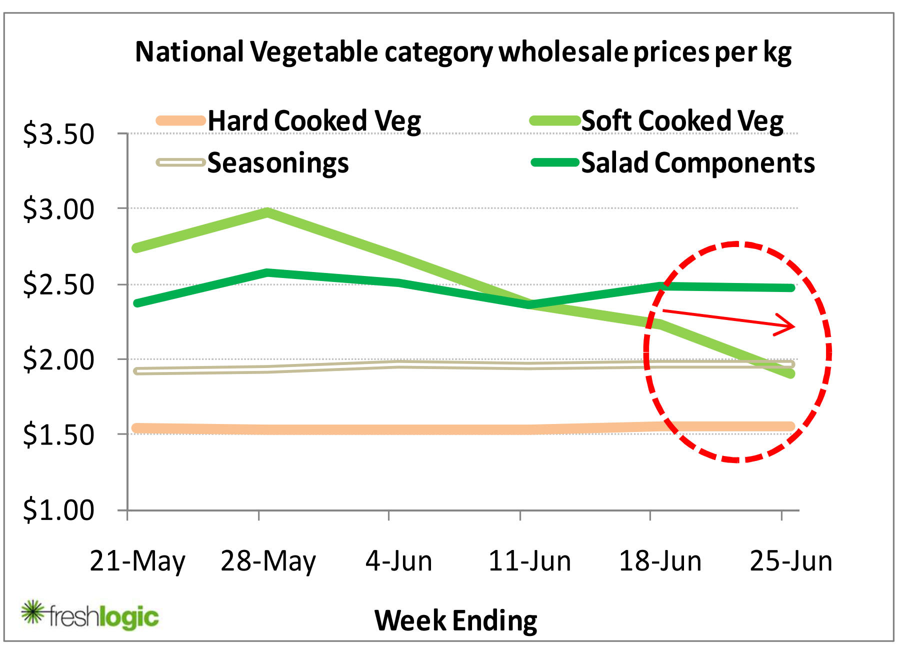
Consumer awareness and willingness to act on sustainability issues continues to strengthen towards a mainstream demand. While vegetables currently enjoy some breathing space afforded by the HALO of being a “natural healthy food” the focus on other food supply chains will eventually flow onto reviewing how vegetables work. This week, a review in UK has signalled how this attention may impact when it does arrive.

As the sustainability argument gains consumer attraction, the use of energy and carbon emissions are typically the central issues. As these discussions move closer to horticultural production, the issue of transporting products long distances to market often surfaces. However, when the products involved in the long transport routes to market are profiled, it is clear that Fruit is more exposed than Vegetables. Fruit is grown in more defined seasonal windows, can be stored for longer periods and transported longer distances without deterioration. Vegetables, particularly the softer leafy types and salad components, which contribute to over 60% of vegetable sales, are more typically produced locally and therefore less inclined to be involved in long transport.

Zerocarbonbritain2030, which was published by the Centre for Alternative Technology last week, suggested that the UK could cut greenhouse gas emissions to zero by 2030, but massive changes in diet would be needed, involving increased horticultural production in the UK and a possible reduction in fresh produce imports.

If fruit and vegetables are assessed on their energy use and carbon footprint, vegetables are more likely to come out favourably and this has potential to bring a positive focus on vegetables. While complete changes to diet are highly unlikely to be forced onto consumers as long as alternatives are available, some level of influence is possible. This invites the question as to whether consumers will eat more vegetables as an alternative to fruits. In many instances this will not happen as the consumption occasions are quite different. However, in salads, where many fruits are now common ingredients, and as more vegetable products evolve into snacking alternatives, like cherry tomatoes and carrot sticks, there is potential for vegetables to increase share.

When the sustainability concerns reach horticultural production, it is likely to create more disadvantages for fruit and could move some consumption toward vegetables.



The wholesale vegetable price per kg decreased last week by 1.9% to **$2.07 per kg**. This was driven by a 14.9% decrease in soft cooked veg. All other categories had minor declines of less than 1%. This is the fourth week of decline in soft cooked vegetable prices and broccoli, cauliflower, sweet corn and peas have all declined in each of the past four weeks.

Other significant decreases included beans, tomatoes and garlic.

All indications are that supply is steady with no gaps forecast for the next 3-4 weeks.

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.