

VEGINSIGHTS

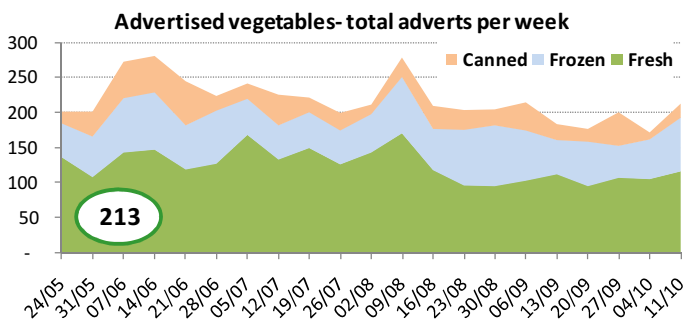
Weekly vegetable market insights - A VIDP initiative



20 Oct 2010

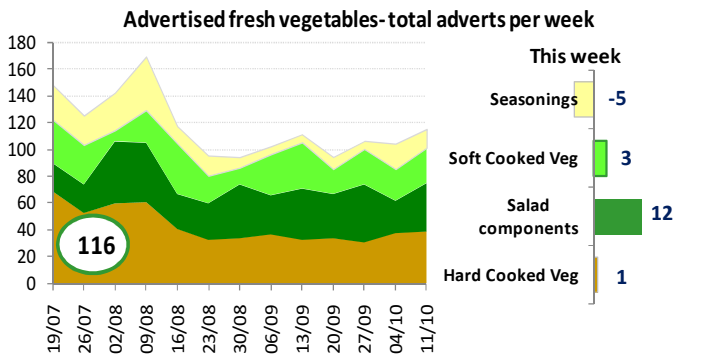
Page 1

Vegetable retail promotional activity



The overall exposure of vegetables in retail promotional advertisements **increased by 24%** from last week's volume to a total of 213 lines. This increase was driven by increases in the number of frozen and fresh lines advertised.

The volume of **fresh veg adverts** increased by 10% to 116 lines, with the major change being increased exposure for salad components.



New red Brussels sprout variety

A new variety of red Brussels sprouts is set to grace Christmas dinner tables for the first time this year. UK retailer Asda hopes that the sprouts will appeal to children and adults who would not normally touch the vegetable. The sprouts are aimed at the UK winter and are said to have a milder, sweeter flavour than the green variety. While these new taste attributes may win new consumers, it is not the first red sprout that has been grown commercially. However, it is the first time that red sprouts are being promoted as a complement to the festive season.



Some lateral thinking about the broader attributes of a vegetable can provide the basis to attract new consumers.

Headlines

- Chiquita launches new salad wash
- New red Brussels sprout
- Veg linked to better memory
- What does veg have to do with inflation?
- Veg wholesale up to \$2.37 per kg

New salad wash from Chiquita

Chiquita announced on Friday that it is has come up with a new wash on its bagged salads that it says better kills bacteria and doesn't use chlorine. The new wash solution, FreshRinse, which kills bacteria both on the greens and in the wash water, is made with peroxyacetic acid, an organic peroxide, and lactic acid. The company says it is applying for a patent and will share the rinse with its competitors through a licensing arrangement. After several major recalls in recent years linked to outbreaks of salmonella, E. coli and other bacteria, the industry had been searching for a better way to wash the lettuce, spinach and other greens it bags. However, some food safety experts are waiting for the rigor of the peer review process before endorsing FreshRinse.



Developing a new washing process has potentially made a new commercial product that can be licensed to others.

Compound in celery, peppers reduces age-related memory deficits

A diet rich in the plant compound luteolin reduces age-related inflammation in the brain and related memory deficits by directly inhibiting the release of inflammatory molecules, reports the Journal of Nutrition. Luteolin is found in many plants, including carrots, peppers, celery, olive, peppermint, rosemary and chamomile. This is a power benefit with strong relevance for an ageing population, but more importantly, it is the type of specific health benefit that can be effectively communicated to consumers.

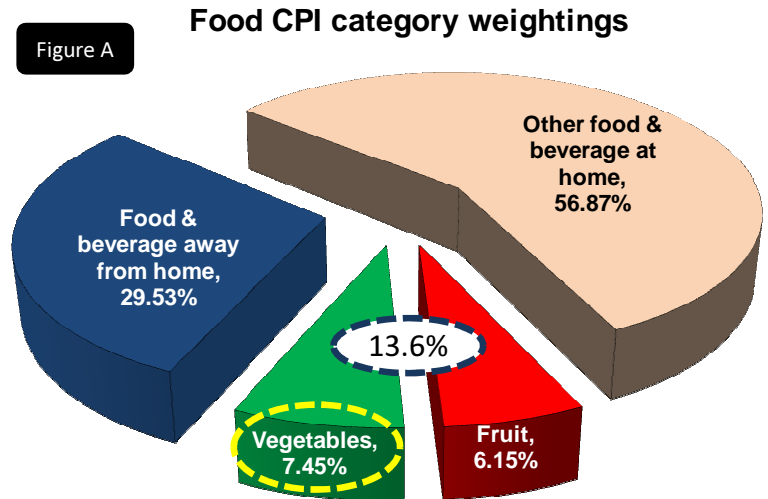
Most, if not all, consumers accept that eating more vegetables is healthy, but it takes specific benefits like these to change consumption behaviour.

Weather Period	Sydney			Melbourne			Brisbane			Adelaide			Perth		
Highs & Lows °C	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 °C	14-23	10-29	12-23	8-24	5-25	8-23	16-30	10-26	12-35	6-21	8-30	9-27	8-31	6-27	9-37
Rainfall															
Rainfall (mm)	14.6	5.4	2.2	18.6	48.4	13.2	89.6	142.6	13.2	0.0	14.2	18.4	5.0	1	3.6

What do fresh vegetables have to do with inflation?

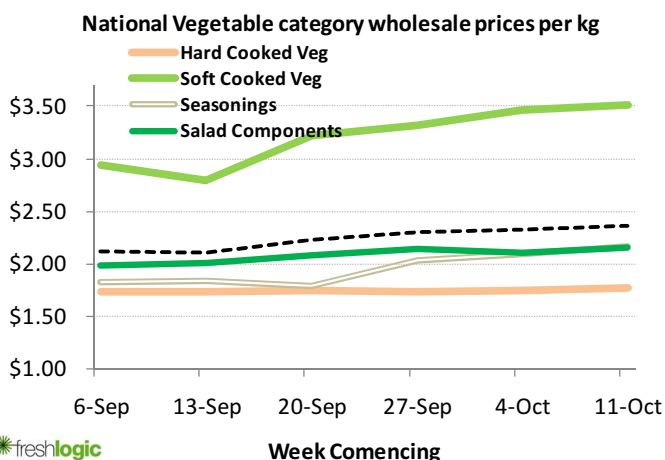
Fresh vegetables are only a small portion of the food that Australian consumers buy, yet when food inflation is mentioned, the price of vegetables is always mentioned. This analysis explores why there is a linkage and how it is driven by how the vegetable industry manages supply and demand.

- **Vegetables make up 7.45%** of the household food expenditure and when combined with fruit, only contribute a total of 13.6%. These proportions or weightings, as shown at a summary level in Figure A, are the basis for calculating the food consumer price inflation (CPI).
- However, despite this relatively small contribution, fruit and vegetables often have a large impact on the total food inflation. This is because the price changes in fruit and vegetables often dwarf the price changes in other foods.



- **Fruit & vegetable prices move in greater** increments than most other foods and therefore make a greater contribution to food inflation. This creates a flow-on impact where fruit and vegetables are associated with the highs and lows of inflation.
- Vegetable price volatility is driven by fluctuations in supply aligning with demand. Most of the sharp increases are due to regions being compromised by weather and the decreases are now typically associated with good growing conditions, where the improvement in production inputs and processes has led to higher yields.
- Given that in this market we sell the large majority of fresh product we produce, supply variations are always going to impact domestic market prices. Furthermore, there is every indication that these patterns will continue.
- Some would argue that the price variations provide a basis to attract consumers to vegetables but other food marketers argue that a consistent price will allow marketers to sell other product benefits to consumers.

Fresh vegetables appear to be making a disproportionate contribution to food inflation. This is driven primarily by supply volatility and the flow-on impact on price. These are the conditions and the impacts are unlikely to change. As a result, many vegetables are locked into commodity trading conditions where gaining acknowledgement for other product benefits is more difficult than if they were sold on a more stable price basis.



The wholesale vegetable price increased for the 10th consecutive week by 1.9% or 5c per kg over last week to **\$2.37 per kg**.

This was influenced by increases of 1.3-1.5% in the three larger categories and a larger increase in seasonings by 3.8%.

These increases were driven by product level changes that saw increases in tomato, cucumber, broccoli, and sweet corn and decreases in lettuce, cucumbers, peas and cauliflower.

These changes were impacted by the expected shorter supply from mid- and far-north QLD.