# Potato Retail Report

October 2014

## Market Summary

(*These figures are retail purchases taken back into the home)

| 52 w/e 14 September 2014 | | | | |
|---|---|---|---|---|
| Produce Type | Value (£000s) | % Chg YOY | Volume (Tonnes) | % Chg YOY |
| Total Fresh | 1,235,655 | -7.2 | 1,431,245 | -5.3 |
| Loose | 205,087 | -7.3 | 129,425 | -3.5 |
| Pre-pack | 1,030,568 | -7.1 | 1,301,820 | -5.4 |
| Total Organic | 11,657 | -7.3 | 10,605 | -0.3 |
| Total Frozen | 739,012 | 5.7 | 498,998 | 1.3 |
| Frozen Chips | 456,352 | 4.9 | 336785 | 1.4 |
| Frozen Potato Products | 282,660 | 6.9 | 162,213 | 1.3 |
| Chilled Potatoes | 208,839 | 3.8 | 55,453 | 0.4 |
| Canned Potatoes | 10,610 | 0.9 | 18,544 | 3.9 |
| Crisps | 933,602 | -0.1 | 135,446 | 0.5 |
| Snacks | 936,155 | 4.4 | 126,429 | 4.4 |
| Recon. & Conv. | 27,067 | -0.2 | 12,953 | -2.0 |

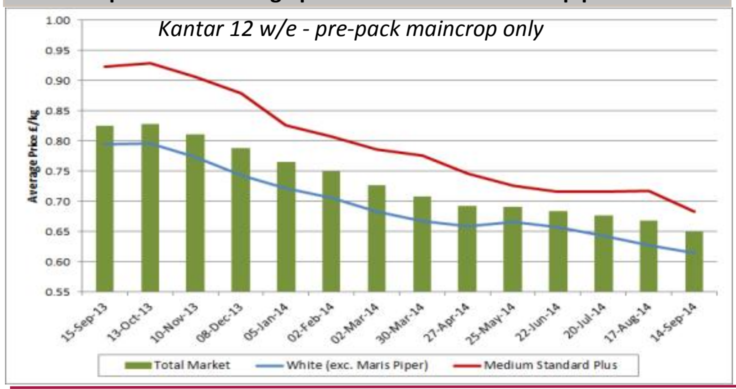
| 12 w/e 14 September 2014 | | | | |
|---|---|---|---|---|
| Produce Type | Value (£000s) | % Chg YOY | Volume (Tonnes) | % Chg YOY |
| Total Fresh | 249,823 | -16.1 | 300,403 | 0.9 |
| Loose | 44,830 | -18.2 | 28,096 | -3.7 |
| Pre-pack | 204,993 | -15.6 | 272,307 | 1.4 |
| Total Organic | 2,394 | -21.1 | 2,179 | -6.6 |
| Total Frozen | 152,174 | 2.8 | 105,341 | 5.5 |
| Frozen Chips | 96,303 | 1.8 | 72,954 | 7.0 |
| Frozen Potato Products | 55,870 | 4.8 | 32,388 | 2.1 |
| Chilled Potatoes | 44,324 | 13.2 | 11,559 | 9.1 |
| Canned Potatoes | 2,384 | -4.4 | 3,956 | -10.5 |
| Crisps | 212,132 | 0.2 | 30,717 | 2.8 |
| Snacks | 208,648 | 1.4 | 27,810 | 3.3 |
| Recon. & Conv. | 5,404 | 3.2 | 2,658 | 7.5 |

**GROCERY TRENDS—**Latest figures from Kantar Worldpanel, for the 12 w/e 14 September 2014, show grocery price inflation has disappeared, falling for the twelfth consecutive period to 0.0% . This reflects the impact of Aldi and Lidl and the market's competitive response, as well as ongoing deflation in staple groceries such as vegetables, milk and bread.
Asda is the only one of the 'Big 4 Multiples' to show growth in this period. Shoppers continue to have a strong appetite for Discounters with Aldi and Lidl continuing to post strong sales growth. Meanwhile, Waitrose saw faster sales growth than in previous months and regained market share.

**Fresh**

Sales of fresh potatoes by volume have stabilised in the latest 12-week period. Falling prices are likely to have contributed to this turnaround. Prices for Medium Standard Plus varieties (Maris Piper, King Edward, Desiree) have been steadily falling over the past 12 months, and are now 68p/kg (see graph below). They are also trending closer to maincrop standard whites in terms of price. Potato Council consumer research (June 2014) identified that a high proportion of consumers are willing to pay more for Maris Piper, King Edward and Desiree potatoes. Sales of these varieties have strongly increased at much lower average prices than twelve months ago, contributing to the sharp decline in sales value in the latest 12-week period. Prices for these potatoes have been influenced by individual supermarket strategies which have seen huge promotional discounts applied to certain varieties.

**Comparison of average price movement - maincrop potatoes**




Maris Piper is currently being sold at the lowest average price point for Medium Standard Plus varieties. Good yields and additional planting have resulted in an increase in supply of Maris Piper potatoes over the previous year. In the 12 w/e 14 Sept, the proportion of these potatoes sold on promotion increased tenfold to 71% compared to just 7% in 2013. The majority of promotions were temporary price reductions, but there has been an increase in volume driving 'x for y' deals.

**Frozen**

Sales by volume of frozen chips have shown stronger growth than other frozen potato products (+7.0%) in the latest 12-week period. Buyers are shopping more frequently, pushing up overall volumes purchased. With prices up +2.7%, individual buyer purchases of other frozen potato products have fallen compared to the same period last year.

**Chilled**

Chilled potatoes showed the strongest category growth in both value and volume terms in the latest 12-week period with purchase frequency up 10.2%. However, 52-week sales by volume are flat.

**Crisps and Savoury Snacks**

Sales of savoury snacks by volume have slowed in the latest 12-week period with market value impacted by a -1.8% fall in average prices. Sales of crisps by volume have strengthened in the latest 12-week period, while average prices have declined -2.5%.

## Variety

| Pre-pack | Maris Piper | | King Edward | | Reds (Inc. Desiree) | | Desiree | | Whites (Exc. Maris Piper) | | Economy (Exc. Maris Piper) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 12 w/e 14 Sept 2014 | Actual | % Chg | Actual | % Chg | Actual | % Chg | Actual | % Chg | Actual | % Chg | Actual | % Chg |
| Value (£000's) | 31,148 | 9.8 | 6,152 | -10.2 | 13,138 | -8.9 | 4,254 | -10.0 | 148,312 | -18.9 | 5,686 | -39.6 |
| Volume (Tonnes) | 45,460 | 51.0 | 8,815 | 19.5 | 16,978 | 13.0 | 5,887 | 22.3 | 187,814 | -3.9 | 12,213 | -36.2 |

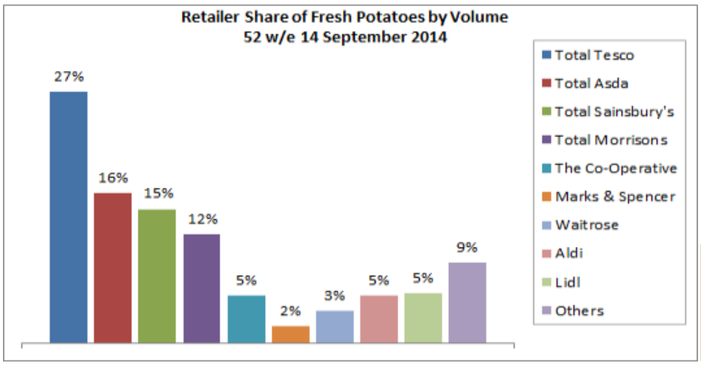
In the latest 12-week period, sales by volume of pre-packed Medium Standard Plus potatoes (Maris Piper, Desiree and King Edward) increased 40.8% over the same period last year. This is largely as a result of a significant increase in Maris Piper sales by volume (+51.0%). Priced 27.3% lower than the same period last year, Maris Piper potatoes have seen a 42.0% increase in buyer numbers.
Volume declines for White potatoes are due to buyers purchasing less (-3.3%) rather than a lower number of buyers compared to the same period last year. Economy potatoes continue in a long-term decline with the number of buyers down - 45.5% although volume purchases per buyer in the last 12-weeks increased by 17.1% compared to the same period last year. Average prices across all varieties are significantly lower than the same period 2013.

# Retailer Performance - Fresh Potatoes

| 52 w/e 14 September 2014 | | | | |
|---|---|---|---|---|
| Retailer | Value (£000s) | % Chg YOY | Volume (Tonnes) | % Chg YOY |
| Tesco | 327,636 | -10.5% | 391,502 | -11.6% |
| Asda | 191,439 | -8.1% | 233,724 | -7.0% |
| Sainsbury's | 195,178 | -7.2% | 209,032 | -8.0% |
| Morrisons | 137,671 | -16.6% | 169,815 | -5.0% |
| The Co-operative | 72,944 | -16.4% | 73,691 | -15.4% |
| Marks & Spencer | 32,639 | -5.8% | 25,803 | -6.0% |
| Waitrose | 58,820 | 0.0% | 49,757 | 0.6% |
| Aldi | 59,409 | 26.1% | 74,370 | 20.1% |
| Lidl | 51,490 | 14.3% | 78,188 | 10.5% |
| Others | 108,393 | 0.3% | 125,321 | 10.1% |

The top 5 multiple retailers accounted for 75% of fresh potato volume sales in the 52 w/e 14-Sept-14 — compared to 79% in this period in 2013. In the latest 52-week period, volume sales through the big 5 multiples were -9.2% (109,444 tonnes) lower than the same period last year. In the latest 12 weeks, the top 5 multiple retailers sold 48% of potatoes by volume on temporary price reductions and average prices were -16.8% lower than the same period last year.

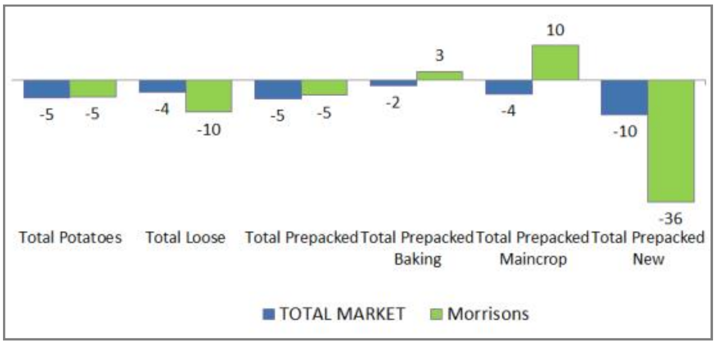
Despite the heavy discounting by the multiple retailers in the latest 12-week period, volumes sold through discounters, Aldi and Lidl, increased by 17.6% compared to the same period last year. The Discounters had also lowered prices and were selling fresh potatoes on average 17.0% (14p/kg) cheaper than the big 5 multiples.




MORRISONS

# Focus on Morrisons

Morrisons year-on-year % change in volume sales - 52 w/e 17-Sept-14 (Kantar Worldpanel)



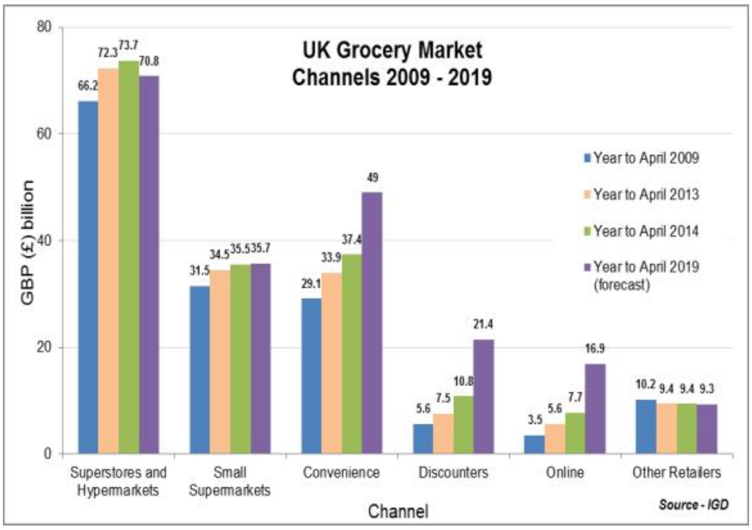

Morrisons' core values are 'value, fresh and service'. The retailer has been lowering prices on a permanent basis across many branded and own-label products. In a bid to stall declining sales, the retailer has launched a new loyalty card to price match discounters Aldi and Lidl. While convenience is still a relatively new business for Morrisons, it is strongly focused on developing its presence. With 100 convenience stores in 2014, the retailer plans to open an extra 100 'M Local' stores each year going forward. Value plays a key role in its convenience stores which Morrisons has rebranded Morrisons M local to emphasise the link between its convenience chain and core business. Morrisons is also focused on building its online grocery presence with a target to offer 50% of UK consumers this service by the end of 2014.

Although Morrisons dedicates 50% of its store space to fresh and chilled, it does not overtrade in fresh potatoes (currently 11.1% by value and 11.9% by volume). In the 52 w/e 14 September 2014, Morrisons has seen its volume sales of fresh potatoes decline at a similar rate to the total market. However, Morrisons strongly outperformed the market in volume sales of pre-packed baking and maincrop potatoes, with both these categories in growth. A year-on-year decline of -35.9% in volume sales of new potatoes negated the stronger performance in these categories.

**In order to provide more insight, the PCL Retail Report will focus on one individual retailer at a time. Each of the main nine retailers will be featured in rotation throughout the calendar year.**

**Focus on Evolving Consumer Shopping Trends:**

A brief look back over the past 40 years demonstrates that the UK grocery market is continually evolving, with long-term structural change being driven by ever changing shopper needs. In the 1970s there was a seismic shift to the 'out-of-town' grocery shopping format which we consider to be the norm today. In the 1990s, grocery shopping evolved into a weekend leisure activity, thanks to a rapid rise in multiple car ownership and women in the workplace. Facilitated by a rapid rise in fridge freezer ownership, the weekly bulk grocery shop became the norm. Retailers with larger super-stores and hypermarkets rapidly increased market share as a result. More recently, the one-stop, big out of town shop has started to fall out of favour, with shoppers instead making smaller, more frequent 'top-up' shops at convenience stores. IGD expects this trend , together with internet grocery shopping, to accelerate in the future. The "big four" - Tesco, Asda, Sainsbury's and Morrisons - are under unprecedented pressure from changes to consumer behaviour, the rise of the internet, and the popularity of the discounters.




**What's been in the news**

The Savoury Snack market keeps expanding as new products hit the market place. Burtons claim to have added £8m to the Savoury Snack category with 'Fish and Chips' and 'Cathedral City' baked bites which they launched into the Savoury Snack market earlier this year. Meanwhile, Kettle Chips has recently launched a new range of festive flavours in time for the Christmas market—Cheshire Cheese, Red Wine & Cranberry.