Potato Retail Report

August 2014

Market Summary

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

52 w/e 20 July 2014				
Produce Type	**Value (£000s)**	**% Chg YOY**	**Volume (Tonnes)**	**% Chg YOY**
Total Fresh	1,271,110	-1.9	1,432,328	-6.8
Loose	211,779	-2.4	130,583	-3.4
Pre-pack	1,059,331	-1.7	1,301,745	-7.1
Total Organic	11,992	-4.6	10,699	-3.0
Total Frozen	738,497	7.1	496,244	0.4
Frozen Chips	456,151	6.2	333,505	-0.6
Frozen Potato Products	282,346	8.6	162,739	2.6
Chilled Potatoes	204,761	0.9	54,590	-2.5
Canned Potatoes	10,681	2.2	18,913	8.8
Crisps	929,838	-0.5	134,343	-0.9
Snacks	938,540	6.3	126,789	5.8
Recon. & Conv.	27,012	0.7	12,832	-1.6

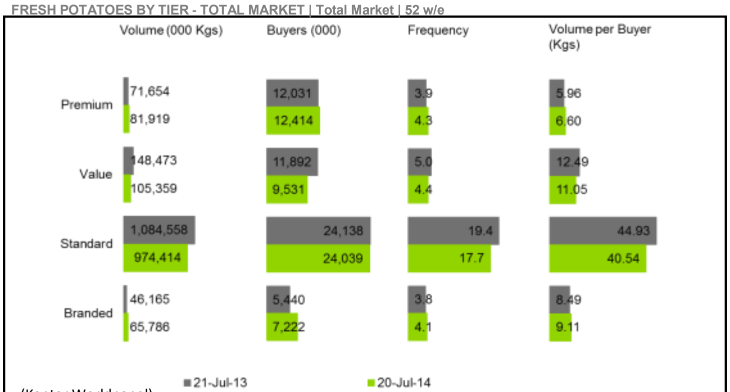
12 w/e 20 July 2014				
Produce Type	**Value (£000s)**	**% Chg YOY**	**Volume (Tonnes)**	**% Chg YOY**
Total Fresh	287,513	-12.3	321,055	-2.7
Loose	52,940	-15.2	31,373	-4.2
Pre-pack	234,573	-11.6	289,682	-2.5
Total Organic	2,432	-35.0	2,153	-27.1
Total Frozen	160,293	4.0	109,537	4.2
Frozen Chips	100,399	2.2	75,138	4.3
Frozen Potato Products	59,895	7.3	34,398	4.0
Chilled Potatoes	44,755	-1.5	11,796	-5.5
Canned Potatoes	2,469	0.6	4,303	-2.0
Crisps	212,919	-2.0	30,892	-0.6
Snacks	215,332	5.3	29,175	8.0
Recon. & Conv.	5,451	-0.9	2,502	0.4

GROCERY TRENDS - latest figures from Kantar Worldpanel, for the 12 w/e 20 July 2014, show that grocery price inflation has fallen for the tenth successive period and now stands at 0.4%. Competitive pricing among the big grocers and deflation in the price of staple items such as vegetables, has driven inflation to the lowest level since at least October 2006. Aldi grew by 32% to a market share to 4.8%; which means it has nearly caught up with Waitrose on 4.9%. Similarly, Lidl saw sales growth of nearly 20% which means it now accounts for a record 3.6% of the grocery market.

Fresh

Latest 12-week data shows that the decline in volume sales compared to the same period last year has eased. With 40% of fresh potatoes sold on promotion in this period, compared to 14% in the same period last year, average prices were down -9.9% and sales by value saw a -12.3% decline. 52-week sales by value saw YOY decline for the first time since early 2012. Within the total market, increased choice has brought more buyers to the premium / branded potato category in the last 52-weeks, with volume per household and trip frequency also increasing. Meanwhile, there has been a large exodus of buyers (-2.4m) from the value potato category since last year, possibly linked to a reduction in the number of value lines in some of the major multiples. Buyers are also purchasing less in volume terms. There has been little change in the number of households buying standard potatoes over the last 12 months. Households bought significantly less (-4.4kg), with these potatoes being bought less frequently.

FRESH POTATOES BY TIER - TOTAL MARKET | Total Market | 52 w/e



(Kantar Worldpanel)

Frozen

Chips and other frozen potato products performed well in both value and volume terms in the latest 12-week period. Compared to the same period last year, an increase in volumes purchased helped to offset price deflation. Price inflation together with increased volume sales has resulted in strong growth in sales value for other frozen potato products ,

Chilled

Overall market value in the latest 12-week period for chilled potatoes has fallen despite strong price inflation (+4.3%), due to a decline in volume sales compared to the same period last year. Fewer households bought chilled potatoes in this period and volumes per household also declined.

Canned Potatoes

Despite strong annual volume growth, canned potatoes saw a -2.0% decline in sales by volume in the 12 w/e 20 July 2014. Offset by price inflation, market value during this period held, although households are each purchasing less canned potatoes compared to this period last year.

Crisps and Savoury Snacks

In the latest 12-weeks, crisp sales by volume held, while sales by value declined against the same period last year due to price deflation. Sales by volume of savoury snacks strengthened again (+8.0%). While the average price for savoury snacks fell (-2.5%), sales by value for savoury snacks increased due to slightly more households purchasing more in volume.

Variety

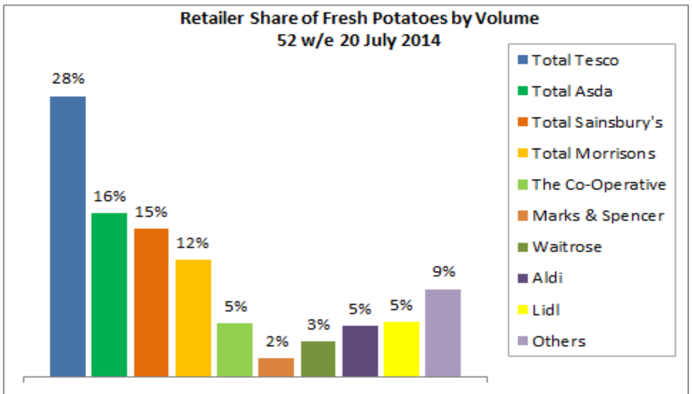
Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 20 July 2014	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**
Value (£000's)	29,858	0.6	6,806	1.1	14,171	2.2	5,503	12.7	175,603	-13.3	7,417	-33.9
Volume (Tonnes)	40,566	22.2	9,070	24.7	18,792	33.8	8,456	65.5	204,204	-6.5	15,696	-30.7

Volume sales of pre-packed Medium Standard Plus potatoes (Maris Piper, Desiree and King Edward) continue to accelerate, increasing 26.2% in volume in the latest 12-week period due to a 19.3% increase in buyers. Desiree potatoes showed the strongest increase in volume sales over the period, up 65.5% on the same period last year, with buyer numbers up 72.5% on the same period last year. Sales of Economy potatoes are down by -33.9% by value and -30.7% by volume compared to the same 12-week period last year. Although buyers of Economy potatoes are down by -37.3%, the volume of Economy potatoes purchased per individual buyer has increased by 10.5%, with volumes purchased each trip up by 23.3% over the same period last year. Despite downward price pressure on White potatoes (-7.3%), the volume of White potatoes purchased per individual buyer is - 6.1% lower.

Retailer Performance - Fresh Potatoes

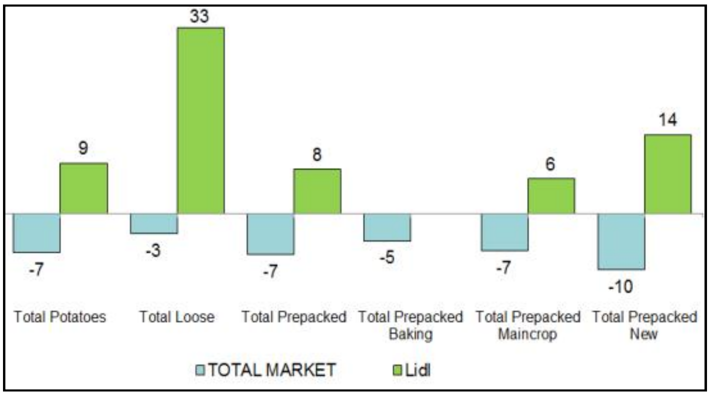
52 w/e 20 July2014				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	338,339	-5.7%	398,532	-12.6%
Asda	196,923	-2.3%	232,684	-9.2%
Sainsbury's	199,625	-2.7%	209,624	-8.9%
Morrisons	143,848	-11.4%	165,814	-9.4%
The Co-operative	76,253	-11.2%	75,747	-14.2%
Marks & Spencer	33,622	1.8%	26,249	-1.6%
Waitrose	59,770	4.4%	49,611	-0.3%
Aldi	60,813	42.4%	72,597	16.8%
Lidl	51,238	17.3%	77,064	8.8%
Others	110,639	5.7%	124,360	9.6%

The top 4 multiple retailers accounted for 70% of fresh potato sales by volume in the 52 w/e 20 July 2014 - compared to 73% in the same period 2013. This is largely due to the sales growth of discounters (+12.5%) as well as freezer centres and bargain stores which have grown sales of fresh potatoes rapidly from a small or virtually non-existent base in the year ending July 2013. Tesco and the Co-operative have seen the highest impact on percentage volume sales. Morrisons has also suffered the most in terms of percentage change in value sales along with The Co-operative. Meanwhile, Aldi (+42.4%) and Lidl (+17.3%) continue to add value to their fresh potato offering YOY. Aldi has enhanced its sales value through strong price inflation.



Focus on Lidl

Lidl year-on-year % change in volume sales - 52 w/e 20 July 2014 (Kantar Worldpanel)



Lidl is a high growth retailer and has long-term plans to open 1,500 stores in the UK. It is currently forecast to have 672 stores by the end of 2014 (44% of its goal). Some of Lidl's new stores are located in residential areas and high streets with limited or even no parking space in order to adapt its store concept to the convenience trend.

IGD retail analysis (August 2014) identifies that Lidl has evolved from its somewhat limited range to become much more flexible listing more brands. Lidl has been expanding its in-store fruit and vegetable section, now offering products in various sizes and packaging. A winner of the "Own Brand Range of the Year", Lidl's top tier Deluxe range comprises over 200 lines and has been a growing focus in recent communication. Lidl recently appealed to shoppers growing interest in ethnic meals with its promotion of Asian Week. Lidl effectively uses social media (Facebook and Twitter) to engage customers as well as using apps to allow customers to find stores, browse products and see its offers.

Lidl overtrades on fresh potatoes overall, accounting for 5.4% against a total grocery market share of 3.6% of volume sales according to Kantar. Where the total market has seen decline across all categories, Lidl has grown its sales. In particular, Lidl has grown sales of Jersey and branded potatoes as well as expanding its choice of maincrop varieties.

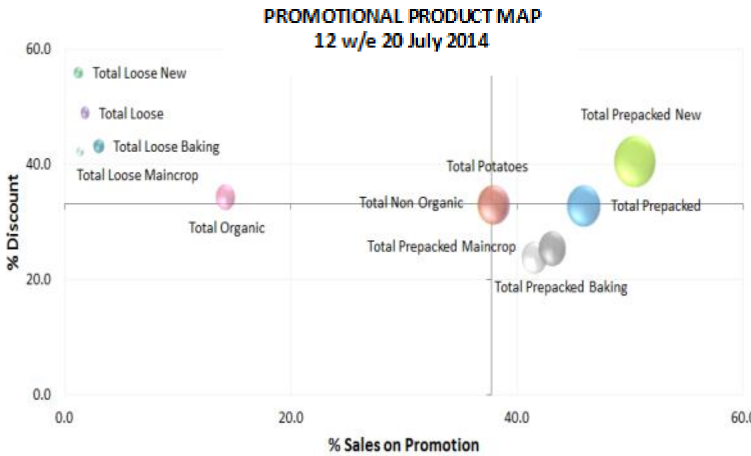
In order to provide more insight, the PCL Retail Report will focus on one individual retailer at a time. Each of the main nine retailers will be featured in rotation throughout the calendar year.

Focus on promotional activity for fresh potatoes:

According to data collected by Kantar Worldpanel:

- 40% of fresh potatoes were sold on promotion in the latest 12-week period compared to 14% in this period last year.
- The majority of promotions (88% of promotion by volume) were based around total price reduction. Y for £X deals were 10% of promoted volume compared to 26% last year.
- Across the main retailers, Tesco and Lidl gave away the most proportionate to sales. While Tesco saw volume sales fall in this period across every fresh category compared to last year, Lidl saw volume growth across each fresh category.
- Pre-pack new potatoes were strongly promoted in the latest 12-weeks. 46% of pre-pack new potatoes were on price reduction promotion with a 40% average level of discount. Lidl had 82% of pre-pack new potatoes on promotion in the latest 12-weeks, offering an average discount level of 43%.

Kantar Worldpanel



What's been in the news

Wellcome Trust, a charity that chiefly funds biomedical research, has bought The Co-operative Farms as a going concern. This makes it the largest lowland farmer as it takes over 16,000ha, approximately 250 staff and all equipment, tenancies and contract farming agreements from The Co-operative.