POTATO COUNCIL

AHDB Agriculture & Horticulture DEVELOPMENT BOARD

Potato Retail Report

December 2014

Market Summary

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

52 w/e 9 November 2014				
Produce Type	**Value (£000s)**	**% Chg YOY**	**Volume (Tonnes)**	**% Chg YOY**
Total Fresh	1,197,503	-11.4	1,429,797	-3.8
Loose	196,679	-12.4	127,836	-4.7
Pre-pack	1,000,823	-11.2	1,301,961	-3.7
Total Organic	11,297	-10.7	10,332	-3.0
Total Frozen	733,353	3.3	498,205	1.7
Frozen Chips	452,374	1.9	336,117	1.4
Frozen Potato Products	280,979	5.5	162,088	2.2
Chilled Potatoes	212,644	6.4	56,593	3.9
Canned Potatoes	10,545	0.9	18,341	1.1
Crisps	927,597	-1.0	134,992	0.3
Savoury snacks	940,274	3.9	127,344	4.7
Recon. & Conv.	27,039	0.3	13,186	0.5
Total Reported	**4,048,955**	**-2.2**	**2,278,458**	**-1.7**

12 w/e 9 November 2014				
Produce Type	**Value (£000s)**	**% Chg YOY**	**Volume (Tonnes)**	**% Chg YOY**
Total Fresh	244,218	-19.3	323,619	0.1
Loose	37,190	-26.4	27,282	-9.6
Pre-pack	207,028	-17.8	296,337	1.1
Total Organic	2,343	-15.6	2,272	-9.1
Total Frozen	162,864	-3.5	113,047	0.5
Frozen Chips	101,348	-3.3	76,972	2.0
Frozen Potato Products	61,516	-3.7	36,075	-2.7
Chilled Potatoes	49,725	12.8	13,475	11.9
Canned Potatoes	2,280	-3.7	3,818	-10.1
Crisps	212,717	-1.3	30,965	0.7
Savoury snacks	208,375	1.6	28,011	3.0
Recon. & Conv.	6,268	0.6	3,322	11.2
Total Reported	**886,446**	**-6.2**	**516,256**	**0.6**

GROCERY TRENDS - Kantar figures for the 12 w/e 9 Nov 14 show that for the first time since Kantar Worldpanel records began in 1994 the British grocery market has fallen into decline, with sales down 0.2% compared with this time last year. The fight for a bigger share of sales has ignited a price war which means an average basket of everyday goods such as milk, bread and vegetables now costs 0.4% less than it did this time last year.

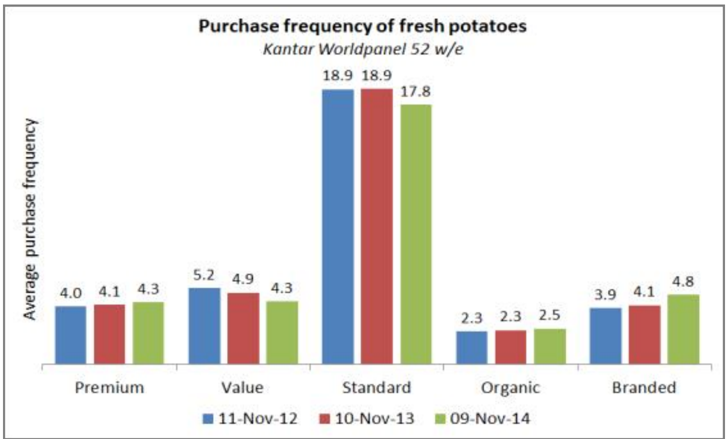
Fresh Potatoes

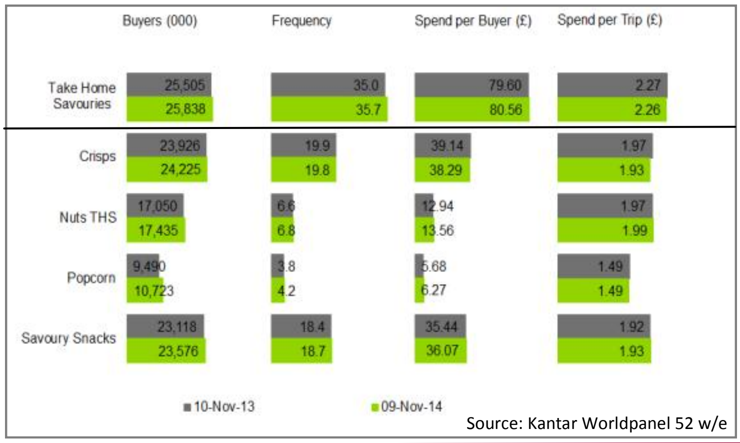
Potato volume sales continue to remain stable in the second half of 2014. Prices have continued to fall sharply, but in the 12 w/e 9 Nov 2014 are still 29% higher than pre-October 2012 levels. However, in the 52-week period ending 9 Nov 2014, individual shoppers are buying fewer potatoes than in the same period last year (-4.4%). Shoppers have been buying potatoes less frequently over the period 2012-2014. This is seen across all socio-economic and life-stage groups, suggesting that a wider habitual pattern exists. Sales of organic potatoes have countered volume growth in other categories as buyers continue to exit the category, (down from 3.5m in the year ending November 2012 to 2.2m in the latest 52-week period).

Other Potato Categories

In the 12 w/e 9 Nov 2014, total sales of other potato categories by value were static with several categories in decline. Chilled potatoes stood out as the strong exception with a 12.8% sales increase in value terms and an 11.9% sales increase in volume. Buyers to this category were up +7.4% on the same period last year, with volumes per buyer also up 3.2%.

The Take Home Savouries Category (nuts, crisps, popcorn and savoury snacks) is static in value terms. Crisps, accounting for 45.6% of category value sales, saw purchase frequency increase in the latest 12 weeks. Popcorn value sales are up 24.7% from new buyers and increased volume.





Source: Kantar Worldpanel 52 w/e

Variety

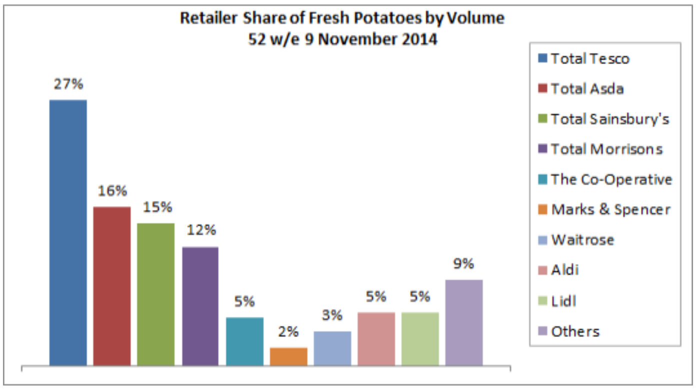
Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 9 November 2014	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**	**Actual**	**% Chg**
Value (£000's)	36,872	6.1	9,284	-7.4	16,077	-19.0	4,880	-24.1	136,719	-22.4	7,595	-28.2
Volume (Tonnes)	52,980	40.8	14,888	32.4	20,823	-3.0	7,013	3.6	190,245	-4.9	16,501	-23.8

Sales of Medium Standard Plus varieties (Maris Piper, King Edward and Desiree) are in YOY growth (+15.1% in 52 w/e 9 Nov) in volume terms and now account for 20% of fresh volumes sold. In the 12 w/e 9 Nov 2014, there has been a 23.5% increase in buyers of Medium Standard Plus varieties overall, with volume per customer up 8.2%. Retailers are using these varieties as a strategic promotional tool in the price war with Discounters. In the latest 12 weeks, Lidl sold 99.3% of King Edward potatoes on promotion and Morrisons and Asda increased sales of Maris Piper potatoes by 106.0% and 79.7% respectively by attracting new buyers through strong price discounting. Sales of white potatoes continue in decline and these potatoes have been less promoted recently than other varieties. Kantar data over a five year period shows an increasing proportion of whites being sold in smaller pack sizes.

Retailer Performance - Fresh Potatoes

52 w/e 9 November 2014				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	317,886	-14.1%	388,024	-10.4%
Asda	185,985	-11.8%	232,215	-5.2%
Sainsbury's	189,244	-11.1%	208,456	-6.3%
Morrisons	132,324	-20.1%	173,906	-0.5%
The Co-operative	68,565	-21.4%	70,599	-16.9%
Marks & Spencer	32,580	-5.7%	26,076	-2.7%
Waitrose	57,361	-4.7%	49,671	1.8%
Aldi	57,817	12.6%	77,208	23.9%
Lidl	50,760	7.0%	78,371	7.9%
Others	104,942	-5.6%	125,227	8.3%

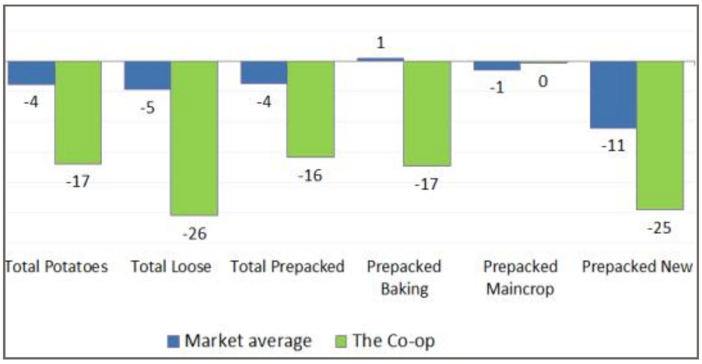
Retailers have used fresh potatoes as a strategic promotional tool in the price war with Discounters. In the 12 w/e 9 Nov 2014, Tesco sold 67.0% of its fresh potatoes on promotion. Asda had 52.0% and the Co-op, 49.3%. Despite this, shoppers did not buy more potatoes and the multiple retailers have continued to lose volume sales with lower prices reflected in the steep declines in value sales. Meanwhile the Discounters, Aldi and Lidl, have continued to maintain the price gap between themselves and the big multiples. Discounters have seen volume sales grow at the expense of some value growth. The Co-op, stuck between the promotional clout of the Big 4 multiples and the aggressive pricing of the Discounters, has seen sales decline the most.



The co-operative

Focus on The Co-operative

Co-operative YOY % change in volume sales - 52 w/e 9-November-14 (Kantar Worldpanel)



The Co-operative has lost market share of fresh potatoes in the last two years. In the 52 w/e to 9 Nov 14, the retailer had a 4.9% share of this category, being overtaken in volume sales by both Aldi and Lidl. In 2012, the Co-operative had a 6.3% share of fresh potatoes by volume.

The Co-operative overtrades on fresh potatoes compared to its total grocery market share. However, over the last two years the retailer has been losing buyers and this has had an impact on its sale of fresh potatoes. The Co-operative has seen a steep decline in the sale of loose, pre-pack baking and pre-pack new potatoes in the 52 weeks ending 9 November 2014. However, the retailer has outperformed the market in sales of pre-pack maincrop potatoes, with a 3.5% increase in customers buying this type. Despite its strong organic credentials, the Co-operative has strongly underperformed against the total market with sales by volume declining -40.8% in the 52 w/e 9 Nov 2014.

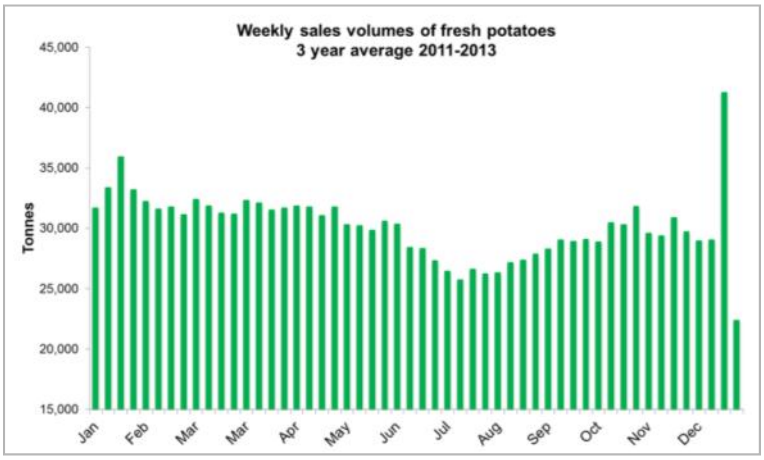
Despite selling off its farms, according to IGD, the Co-operative is planning to increase the percentage of Co-operative grown UK fresh food from 6.5% currently to 25% in 2015. The retailer plans to double its small store format and is investing in its own label brands. It is rebranding its standard own label tier as 'Loved by Us' aimed at the younger shopper. It is also trialling click and collect on a small scale.

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 potato sales at Christmas

Over the festive period, fresh potato sales rise as much of the nation prepares for Christmas dinner. In the average of the past three years, fresh potato retail volumes rose by 37% (or 11,000 tonnes) in the Christmas week, when compared with the average weekly volumes for the rest of the year. King Edward potatoes, traditionally associated with the Christmas period, have previously seen weekly volumes rise from around 1,000 tonnes for the rest of the year, to 5,000 tonnes in the Christmas week.

According to research by YouGov, a total of 95 per cent of all Christmas meals will feature roast potatoes. More than a third of the 18-24 age bracket will eat more than five roasties. As with fresh, frozen roast potatoes also experience a large uplift in volumes in the Christmas week, with around 2,200 tonnes purchased in the previous three-year period - 53% higher than the week before.



Source: Kantar Worldpanel

What's been in the news

According to 'The Grocer', Scottish brand Hectares Lightly Salted, Piri Piri and Sea Salt & Black Pepper sweet potato crisps are to be sold in 35g individual packets and 100g sharing bags in Tesco Extras across Scotland. Hectares also has a contract to supply BP filling stations across the UK. Scottish distiller Arbikie has launched its first potato vodka called 'Arbikie Vodka' made from Scottish water and a blend of three potato varieties.

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