Potato Retail Report

February 2015

Market Summary

(*'Total Reported' includes all categories listed but does not include potatoes used in other products such as ready meals)

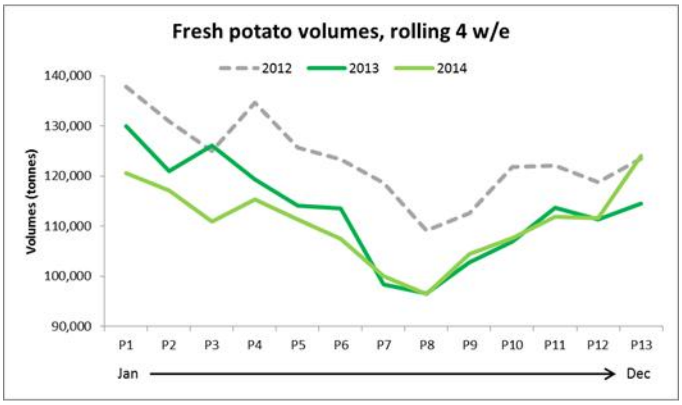
52 w/e 4 January 2015				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	1,159,781	**-14.0**	1,438,928	**-2.0**
Loose	189,073	**-15.6**	126,678	**-4.8**
Pre-pack	970,708	**-13.7**	1,312,249	**-1.7**
Total Organic	10,749	**-17.1**	10,044	**-7.9**
Total Frozen	728,496	**1.1**	496,590	**1.4**
Frozen Chips	449,879	**0.1**	335,570	**1.7**
Frozen Potato Products	278,617	**2.8**	161,020	**0.6**
Chilled Potatoes	215,349	**6.5**	58,025	**5.6**
Canned Potatoes	10,434	**-0.1**	17,792	**-4.0**
Crisps	924,789	**-1.5**	134,704	**0.1**
Savoury snacks	944,518	**3.5**	128,245	**4.1**
Recon. & Conv.	26,791	**-0.6**	13,163	**1.0**
Total Reported*	**4,010,157**	**-3.6**	**2,287,445**	**-0.7**

12 w/e 4 January 2015				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	239,938	**-19.0**	347,545	**2.4**
Loose	34,219	**-25.4**	27,189	**-6.1**
Pre-pack	205,719	**-17.9**	320,357	**3.2**
Total Organic	2,225	**-25.5**	2,273	**-17.4**
Total Frozen	172,095	**-4.4**	117,309	**-1.9**
Frozen Chips	103,345	**-4.4**	77,064	**-1.3**
Frozen Potato Products	68,749	**-4.4**	40,246	**-3.0**
Chilled Potatoes	57,548	**11.6**	15,686	**16.2**
Canned Potatoes	2,275	**-5.2**	3,596	**-16.5**
Crisps	216,129	**-2.9**	31,314	**-2.1**
Savoury snacks	253,593	**3.3**	36,235	**4.6**
Recon. & Conv.	6,436	**-2.6**	3,253	**1.9**
Total Reported*	**948,013**	**-5.7**	**554,939**	**1.5**

GROCERY TRENDS - Cheaper grocery prices compared to last year encouraged shoppers to buy a little bit more this Christmas, according to Kantar Worldpanel. Latest grocery share figures, for the 12 weeks ending 4 January 2015, show that sales growth for total grocery reached 0.6%. This is in contrast to previous 12-week periods, where the value of total grocery lay in negative territory. Like-for-like prices are 0.9% lower due to reduced commodity costs and the ongoing retail price war.

Fresh Potatoes

For fresh potatoes, average price continues to decline. Large price reductions in the months before Christmas led to the average price for total fresh falling to **£0.69/kg** in the 12 weeks ending 4 January 2015. Over this period, these lower prices were the driver of overall value decline in this market, as **volumes rose 2.4% year-on-year** due to shoppers purchasing more on each trip. It was the 4-week (festive) period which really drove volumes, with 124,000 tonnes sold, 8.3% higher than in 2014 and almost **identical to the same 4-week period two years earlier** (see graph below left). This similarity is despite a large difference in promotional activity between these two periods; in the 4 w/e 6 January 13, 14% of potatoes were sold on promotion, compared with 51% in the 4 w/e 4 January 15. These promotions were mostly in the form of temporary price reductions.



Frozen Potatoes

Frozen potatoes experienced **negative YOY sales** during the latest 12-week period. For chips, this is primarily due to reduced volumes purchased each trip, with the 3.2% reduction in average price causing expenditure to decline further. For other frozen potato products, trip volume remains similar to last year and it is purchase frequency which prohibited sales growth in this 12-week period.

Other Potato Categories

While lower average prices have affected the value of many potato products, as well as wider grocery, a significant increase (16.2%) in the volume of chilled potatoes helped the **value of this segment increase by 11.6%** in the 12 weeks ending 4 Jan 15. This exceeds the overall performance of total chilled main meal accompaniments, which are up 9.5% by value and 11.0% by volume. The volume growth for chilled potatoes was mainly due to increased household penetration, which was up 2.5 percentage points year-on-year, with **almost every retailer seeing an increase in volumes** compared to last year. Chilled potato products are £2.20/kg more expensive than frozen but, with lower prices across total grocery, shoppers are reported to have traded up over recent months.

Package type

Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 4 January 2015	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000s)	37,216	**-5.2**	13,578	**-2.4**	20,730	**-7.4**	5,573	**-18.3**	125,911	**-23.4**	7,813	**-21.1**
Volume (Tonnes)	54,168	**17.4**	22,431	**23.5**	28,705	**19.6**	8,446	**13.6**	196,922	**-1.9**	17,288	**-15.7**

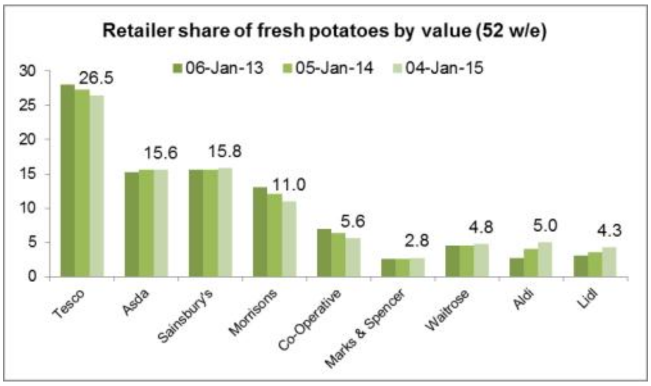
The volume and value sales decline of Economy potatoes has slowed in the latest 12-week period. While expenditure on all pack types was lower than last year, volume performance varies. King Edward potatoes did particularly well when compared with the same 12 weeks a year earlier, with volumes up 23.5%. For the 52 w/e 4 Jan 2015, volumes of Maris Piper were 24% higher than the previous 3-yr average (2011-2013). Volume growth for the Medium Standard Plus potato category (Maris Piper, Desiree, King Edward) increased by 18.0% in the 12 weeks ending 4 Jan 15, as household penetration rose by 7.2 percentage points. The average price of this category fell by 20.6% over the year and, as a result, the price differential between Medium Standard Plus and Economy fell to 21p/kg (down from 35p/kg a year earlier). This may have encouraged shoppers to trade up from Economy.

Retailer Performance - Fresh Potatoes

52 w/e 4 January 2015				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	307,396	**-16.7**	389,101	**-8.9**
Asda	180,685	**-14.3**	230,803	**-3.8**
Sainsbury's	183,525	**-12.9**	208,784	**-4.6**
Morrisons	127,462	**-21.9**	179,245	**4.8**
The Co-operative	64,775	**-24.2**	68,725	**-17.3**
Marks & Spencer	31,933	**-7.8**	25,802	**-3.8**
Waitrose	55,178	**-9.4**	49,193	**0.0**
Aldi	57,779	**7.4**	84,036	**32.6**
Lidl	49,569	**2.7**	78,273	**6.6**
Others	101,443	**-9.3**	124,928	**7.8**

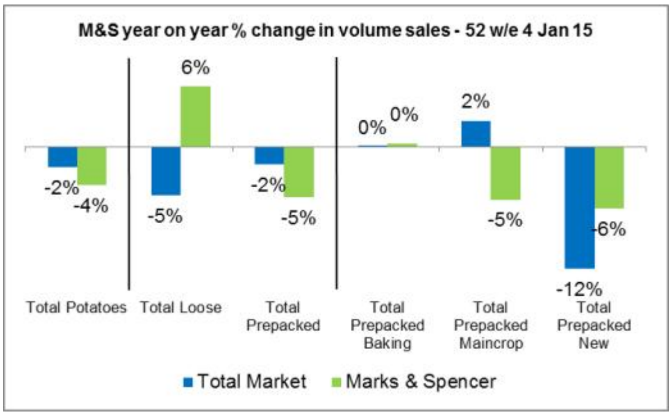
In the 12 weeks ending 4 January 2015, all retailers experienced a year-on-year decline in expenditure on fresh potatoes. However, a number posted growth in volumes. Aldi and Lidl continued to outperform the total fresh potato market, with combined volume growth of 26.0%. The market share belonging to the discounters reached 7.3% in the 52-week period to 4 Jan 2015, in line with wider grocery performance.

All of the Big 4 increased their volume sold on deal this year, from 18% to 46%. However, the discounters also introduced a number of temporary price reductions, with around 23% of fresh potatoes sold on deal.



M&S

Focus on Marks & Spencer



As a premium retailer, M&S has made a positioning shift towards a specialist food store and destination for special occasions, with three core values for food: fresh, speciality and convenience.

Along with Waitrose and the discounters, M&S overtrades in fresh and chilled (against total grocery). In the 52 w/e 4 Jan 2015, expenditure on fresh and chilled at M&S rose by 4.0% year-on-year. However, over the same period, spend on fresh potatoes at the retailer fell by 7.8%, due to a combination of lower average prices and a 3.8% fall in volumes.

M&S potatoes have the highest average price and in the 52-week period to 4 Jan 15, they were on average 43p/kg dearer than the total market average. This helps to support its market share by value of 2.8%, as by volume the retailer's share is just 1.8%.

Smaller households of one or two people account for 75% of M&S fresh potato sales, compared with a total market average of 59%. These households are more likely to purchase new potatoes over maincrop, possibly due to smaller pack sizes. The proportion of M&S potato sales belonging to new, at 41%, is far higher than the market average of 24%. M&S shoppers tend to buy in smaller quantities per trip, with around 1.6kg compared to the market average of 2.1kg.

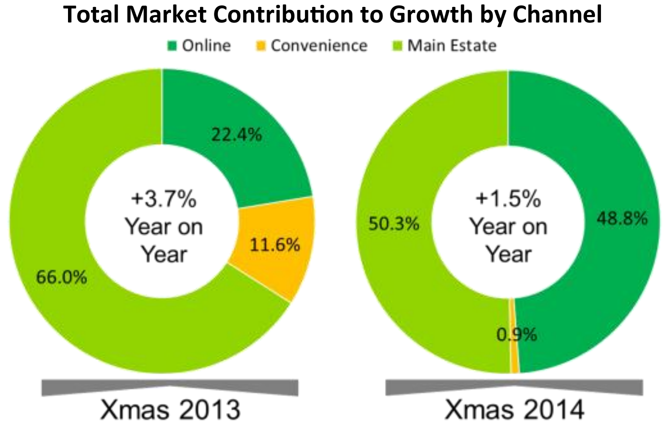
In order to provide more insight, the PCL Retail Report will focus on one individual retailer at a time. Each of the main nine retailers will be featured in rotation throughout the calendar year.

Focus on Christmas 2014 - Online drives growth

Grocery sales in the 4-week period to 4 January 2015, which incorporate the run-up to Christmas, show that shoppers took advantage of food price deflation and stocked up on volume. Online was a key success over this period, supported by the extra trading day in the week before Christmas. The 6.4 million online grocery transactions made in the 4-week period (half of which were through Tesco) contributed to half of the overall market growth. Online has growing appeal for Christmas shopping, with 12% of shoppers using this channel to purchase their Christmas groceries in 2014, up from 7% in 2010. There was lower reliance on promotions through the online channel when compared with Main Estate, with a greater proportion of sales coming from full price sales.

While Online benefited from the extra trading day this Christmas, Convenience dropped off as people did less last-minute shopping. For the first time in recent years, convenience did not deliver significant growth at Christmas.

Total Market Contribution to Growth by Channel



Source: Kantar Worldpanel, Total Grocery Data 4 weeks to 4 Jan 2015

What's been in the news

Asda has launched a range of 'wonky' fruit and vegetables, including potatoes, in an initiative called 'Beautiful On The Inside'. The produce will be sold at discounted prices and trialled in five stores from 26 January. The campaign is supported by insight from its 'Everyday Experts', a panel of over 7,500 Asda customers, which suggests 75% of shoppers would buy 'wonky' fruit and veg if it was cheaper than regular produce.