Potato Retail Report

January 2015

Market Summary

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

52 w/e 7 December 2014				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	1,178,991	-12.8	1,429,434	-3.2
Loose	192,872	-14.2	127,179	-4.9
Pre-pack	986,119	-12.6	1,302,255	-3.1
Total Organic	10,937	-14.4	10,081	-6.5
Total Frozen	730,183	2.1	497,071	1.5
Frozen Chips	450,897	1.1	335,985	1.8
Frozen Potato Products	279,286	3.7	161,086	0.9
Chilled Potatoes	214,604	6.8	57,344	5.0
Canned Potatoes	10,415	-0.3	17,960	-2.3
Crisps	925,481	-1.2	134,916	0.5
Savoury snacks	936,320	2.5	127,204	3.5
Recon. & Conv.	26,812	-0.8	13,121	-0.3
Total Reported	**4,022,840**	**-3.2**	**2,277,089**	**-1.4**

12 w/e 7 December 2014				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	242,331	-18.8	331,180	-0.2
Loose	36,520	-25.0	27,975	-7.4
Pre-pack	205,810	-17.6	303,204	0.5
Total Organic	2,168	-24.9	2,192	-19.3
Total Frozen	168,642	-5.0	116,167	-1.6
Frozen Chips	103,744	-5.0	78,028	-1.0
Frozen Potato Products	64,898	-4.9	38,140	-2.8
Chilled Potatoes	52,952	12.2	14,618	14.9
Canned Potatoes	2,260	-7.9	3,802	-13.2
Crisps	213,557	-3.6	31,093	-1.6
Savoury snacks	226,317	0.5	31,349	2.7
Recon. & Conv.	6,397	-3.8	3,362	5.3
Total Reported	**912,455**	**-6.8**	**531,569**	**-0.1**

GROCERY TRENDS - Kantar figures for the 12 w/e 7 Dec 14 show that, despite falling prices, the grocery market has returned to marginal growth of 0.1%. This is due to shoppers putting slightly more in their baskets compared with the same time last year. Retailers were selling more items on promotion, leading to like-for-like prices falling by 0.7% compared with this time last year. Kantar expect this deflation to continue well into 2015.

Fresh Potatoes

Potato sales volumes are stabilising but at the expense of sales value as average prices continue to fall - now 10% lower on an annual basis in the 52-week period to 7 Dec 14. Fresh potatoes are being used by retailers as a key tool in the price war between discounters and the major multiples. In the 12 w/e 7 Dec 14, 49% of all fresh potatoes were sold on promotion, with the 'Big 5' retailers selling 57% of fresh potatoes on promotion. Medium Standard Plus varieties continue to be very competitively priced compared to Standard Whites. In the latest 12-week period, King Edwards

and Desiree potatoes were sold at a significantly lower average price to Maris Piper and this is reflected in the increased volumes sold in this period. A greater proportion of shoppers have been buying Medium Standard Plus varieties year on year. The proportion of buyers of Economy potatoes meanwhile has shrunk from 45% in 2012 to 25% in 2014 as Economy varieties have disappeared from supermarket shelves. However, in the latest 12-week period, Aldi has expanded its range of fresh potatoes by introducing popular Economy varieties, Estima and Marfona potatoes.

Other Potato Categories

According to analysis by Euromonitor, the UK frozen potatoes category was one of the strongest performing frozen categories in 2014. It has been boosted by sales from new product launches with a focus on convenience as well as strong advertising campaigns. According to Euromonitor analysis, sales of McCain 'Ready Baked' jacket potatoes grew by 6% in value terms in 2014, supported by strong TV advertising and billboard campaigns. However, category value growth, as a whole, is being largely driven by rising unit prices rather than increasing consumption.

The two biggest recorded other potato categories, crisps and savoury snacks, have been supported by strong advertising campaigns as well as new product innovation in 2014. However, analysis by The Grocer, based on Neilsen data, shows that in 2014, (Jan-Dec), growth from innovation has been largely negated by product displacement and 55.3% of sales by volume of bag snacks were sold on deal. Pringles was the best performing savoury snack brand over the year, with 9.6% value growth and 13.8% volume growth (based on Nielsen data). Pop Chips grew by 43.5% in value and 50.6% in volume terms in 2014. Another new type of crisp, Lattice Cut Crisps launched by Seabrook has also performed well in 2014. Premium crisp brands such as Tyrrells saw strong growth in 2014, up 24.5% in value and 16.7% in volume terms based on Neilsen data analysis.

Variety

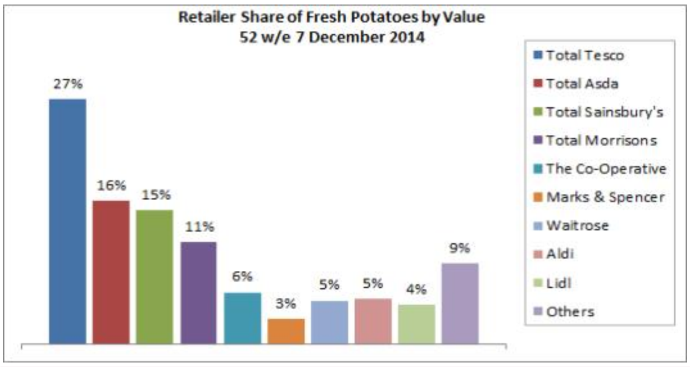
Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 7 December 2014	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000's)	35,241	-2.7%	10,572	2.4%	18,812	-13.8%	5,652	-16.7%	132,008	-22.5%	8,663	-18.8%
Volume (Tonnes)	48,015	18.9%	17,371	43.8%	26,621	11.7%	9,140	25.6%	191,196	-5.6%	19,085	-12.4%

In the run-up to Christmas, sales volumes of Reds increased, mostly due to a promotional campaign run by Lidl which attracted 71% more buyers to the category for the retailer and saw volumes sold increase by 69% in the 12 w/e 7 Dec 2014 compared to the same period last year. While sales of Economy potatoes are still falling, the decline has slowed in the latest 12-week period with buyers purchasing 34% more and 38% more per trip at Sainsbury's despite no promotional support. Also Aldi introduced Economy varieties in the latest 12-week period, accounting for 19% of volume sold. The Medium Standard Plus category continues to grow, up 24% in the latest 12-week period. Growth momentum has shifted partially away from Maris Piper in favour of King Edward and Desiree potatoes which were more competitively priced than Maris Piper in the 12 w/e 7 Dec 14.

Retailer Performance - Fresh Potatoes

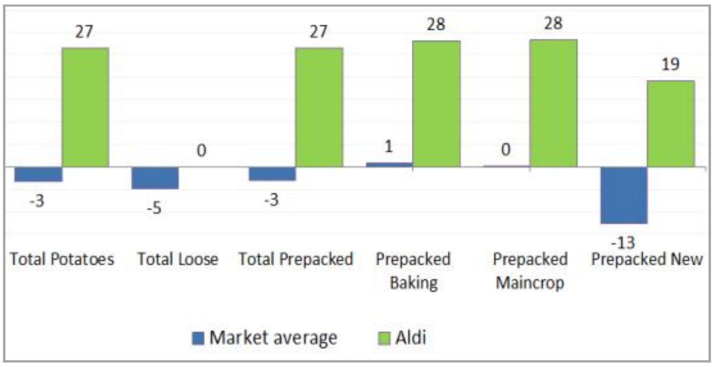
52 w/e 7 December 2014				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	313,547	-15.3%	385,269	-10.6%
Asda	183,549	-13.3%	231,657	-4.6%
Sainsbury's	185,986	-12.3%	208,012	-5.7%
Morrisons	130,119	-21.0%	177,760	3.2%
The Co-operative	66,173	-23.7%	69,124	-17.8%
Marks & Spencer	32,211	-6.8%	25,839	-3.6%
Waitrose	55,715	-8.7%	48,966	-0.3%
Aldi	58,019	9.9%	79,549	26.5%
Lidl	50,493	6.2%	78,541	8.4%
Others	103,181	-7.6%	124,717	8.1%

Latest retail figures show that the price war between the multiples and the discounters has intensified in the latest 12-week period. The multiples are losing sales volume as well as value as the discounters extend their range offering. This has been particularly the case with fresh potatoes. The 'Big 4' have retained buyers for fresh potatoes in the 52 w/e 7 Dec 14 but individual buyers are purchasing lower volumes (-5.7%). However, within the Discounters themselves, Lidl is seeing lower volume purchases of fresh potatoes per buyer while Aldi has seen strong increases. Discounters have retained a price advantage, selling fresh potatoes on average 14p/kg lower than the 'Big 4'. M&S and Waitrose have used multi-buy and 'y-for-x' as part of the promotional mix and have seen smaller declines than the 'Big 4'.



Focus on Aldi

Aldi YOY % change in volume sales - 52 w/e 7 December-14 (Kantar Worldpanel)



Aldi's slogan is 'spend a little, live a lot'. The retailer claims to work hard to keep prices down by careful sourcing, together with keeping overheads low and to source 45% of products sold from UK suppliers.

Aldi currently has a 4.9% share by value of the UK grocery market but has ambitious growth plans. IGD predicts that, in the next 3 years, Aldi is set to achieve average annual value growth of 19% through store and range expansion. Aldi is concentrating expansion in London and the South-East. It is buying up larger store formats and city and high street locations. In the latest 12 weeks, Kantar data showed Aldi grew faster than any other supermarket, but achieved slower growth (+22.3%) than it achieved in April 2014 when its value growth reached 36.1%. The slowdown in growth is attributed to strong price discounting.

In the 52 w/e 7 Dec 14, Aldi increased fresh potatoes sold by volume by +27%. Buyer numbers were up 20% compared to the previous period. In the 12 w/e 7 Dec 14, Aldi expanded its range offering of fresh potatoes. Aldi added popular economy varieties, Estima and Marfona as well as premium varieties Maris Piper and Rooster alongside its standard offering. In the 12 w/e 7 Dec 14, fresh potatoes sales increased 9.3% in volume per individual buyer. Aldi plans to further expand its fresh potato offering in 2015. From January, Aldi has plans to sell organic potatoes at around 25% cheaper than its main rivals.

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.

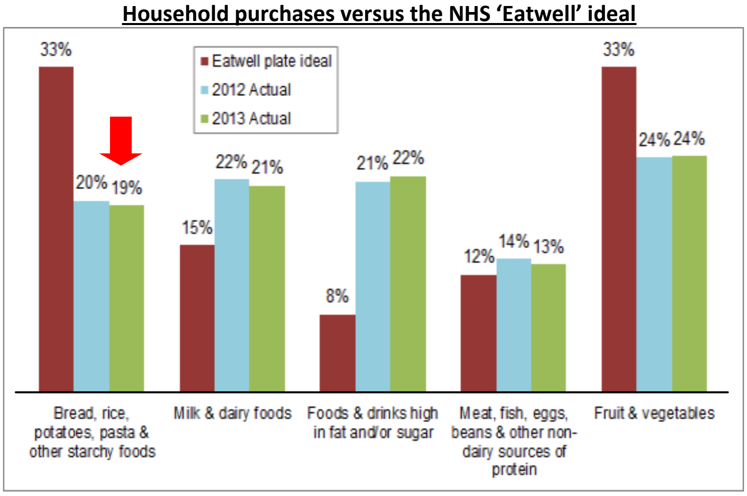
Focus on potato consumption as part of a healthy diet

Over the last decade, the NHS has been comparing what consumers purchase, tracked through the annual Defra Household Survey, to its 'Eatwell' healthy ideal. This survey shows that currently the British population is consuming too little 'bread, rice, potatoes (fresh and processed), pasta and other starchy foods'; less than 60% of the desired 'Eatwell' percentage.

This is in contrast to other major food groups such as dairy and meat where consumers are considered to be 'over-consuming' compared to what is considered to be a healthy ideal.

Consumers now eat just 36% of the potato quantities eaten in the 1940s when, according to the National Food Survey, on average each person consumed 1.9kg potatoes per week. In the 1960s, this reduced to 1.5kg potatoes per week and in the 1990s this reduced to 878g potatoes per week. The latest National Food Survey statistics show that in 2013, this had reduced to 682g per week. We are also consuming just 35% of the bread quantities eaten in 1940s.

Household purchases versus the NHS 'Eatwell' ideal



Source: Defra Family Food Survey 2013

What's been in the news

According to 'The Grocer', Asda, which sells around 232,000 tonnes of fresh potatoes per year, is looking to shorten its fresh potato supply chain and reduce supply chain costs by buying the potato assets of QV Foods and Fenmarc. IPL, Asda's direct sourcing arm, is currently negotiating to buy Fenmarc's potato division and the potato packing business of QV Foods giving Asda direct contractual relationships with growers.