Potato Council

AHDB Agriculture & Horticulture Development Board

Potato Retail Report

June 2014 (2nd edition)

Market Summary

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

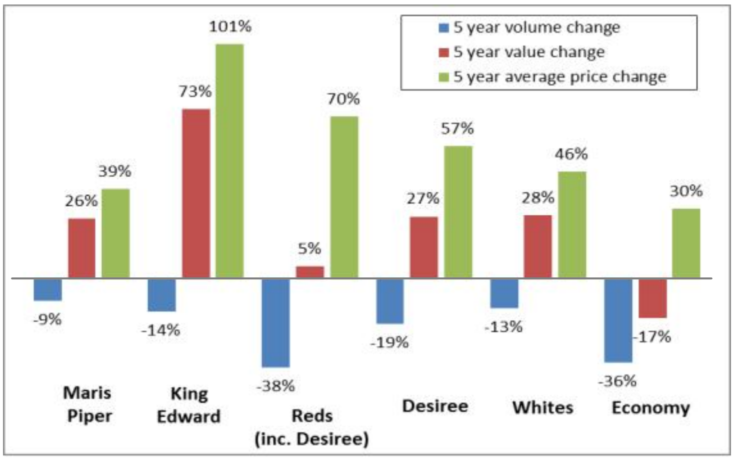
52 w/e 25 May 2014				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	1,302,216	3.8	1,438,820	-8.0
Loose	218,337	4.1	130,821	-4.1
Pre-pack	1,083,879	3.7	1,307,999	-8.4
Total Organic	12,839	5.4	11,172	-0.1
Total Frozen	734,406	7.3	492,916	-1.1
Frozen Chips	455,251	7.1	331,619	-2.1
Frozen Potato Products	279,155	7.6	161,296	0.9
Chilled Potatoes	204,468	0.5	54,869	-2.7
Canned Potatoes	10,657	1.2	19,014	12.7
Crisps	931,196	-0.2	134,141	-1.8
Snacks	928,590	6.7	124,726	5.0
Recon. & Conv.	26,897	0.8	12,722	-1.7

12 w/e 25 May 2014				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	288,464	-9.3	339,104	-6.0
Loose	43,836	-10.9	29,299	-7.5
Pre-pack	244,629	-9.0	309,806	-5.9
Total Organic	2,602	-15.0	2,298	-10.5
Total Frozen	172,694	2.8	116,909	0.7
Frozen Chips	106,719	0.8	79,057	0.5
Frozen Potato Products	65,975	6.2	37,852	1.1
Chilled Potatoes	51,422	5.2	13,907	1.4
Canned Potatoes	2,542	8.0	4,448	4.9
Crisps	215,155	-4.1	31,526	-2.8
Snacks	211,351	7.0	27,747	5.8
Recon. & Conv.	6,027	-3.8	2,772	-7.4

GROCERY TRENDS - according to Kantar Worldpanel, grocery inflation is at its lowest level since May 2010. This reflects the intensifying pressure on Britain's biggest supermarket chains as price cuts deflate revenues and the discounters Aldi and Lidl grab more shoppers.

Fresh

Five-year average retail prices for fresh potatoes to 25 May 2014 show strong price inflation despite prices falling back over the last 10 months. Sales values were 9.3% lower in the latest 12-week period compared with same period last year even as 52-week prices remain 12.8% higher than the 52 w/e 26 May 2014. Over the five-year period, average prices for King Edwards have risen 101% and for Reds (including Desiree) have risen 70%. Average prices for Whites (ex. Maris Piper), the largest potato sub-category have also risen by 46%.



Over the same five-year period, sales volumes of Reds (including Desiree) have dropped 38%, while sales volumes for Economy have fallen by 36%, King Edwards by 14% and Whites have fallen by 13%.

After recovering in 2013, sales of organic potatoes have declined and in the latest 12 weeks are one of the lowest volumes recorded since 2010.

Frozen

In the latest 12-week period, volume growth of other frozen potato products, the factor driving overall category growth, has slowed down. Category value growth has also slowed down over the previous 12-week period to 2.8% from 4.4%. Average prices for frozen chips remain stable compared to the same period last year, while average prices for other frozen potato products are 5% higher.

Chilled

12-week volume and value growth have also slowed for chilled potatoes in the latest period, pushing the 52-week volume trend into decline. Volumes purchased per trip are 7.1% down in this latest period although more buyers are being attracted to this category, up 2.2%.

Canned and Reconstituted potatoes

Canned potatoes continue to show strong annual volume growth but in the latest 12-week period this has slowed compared to the previous 12-week period. This is due to a fall (-3.3%) in the volumes purchased per trip. Average prices, up 3.0%, supported 8.0% growth in category value.

Crisps and Savoury Snacks

In the latest 12-week period, sales volume and value for the Crisp category have fallen back. Volume per buyer has dropped 2.9% compared to the same period last year with further declines in average price. In contrast, sales of Savoury Snacks continue to see growth in volume and value with average prices continuing to edge up slowly (1.2%). An increase in the number of buyers (3.2%) and volumes purchased per buyer (1.4%) have contributed to volume growth of 5.8% in this period.

Variety

Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 25 May 2014	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000's)	35,217	-3.1	10,000	3.3	18,122	-6.7	5,732	-19.7	171,828	-9.9	9,397	-26.2
Volume (Tonnes)	47,465	10.8	14,369	34.2	21,676	-1.9	7,767	-12.3	206,236	-9.0	19,975	-25.3

In the 12 w/e 25 May 2014, White potatoes were down 9.0% in volume and 9.9% in value compared to the same period last year. This was due to lower average prices (-1.0%) combined with individual buyers purchasing 8.1% (1kg) less. Shoppers purchased less per trip (-2.0%) and shopped less frequently (-6.2%). Economy potatoes were down 25.3% in volume terms, with 1.3m less shoppers buying this category compared to the same period last year.

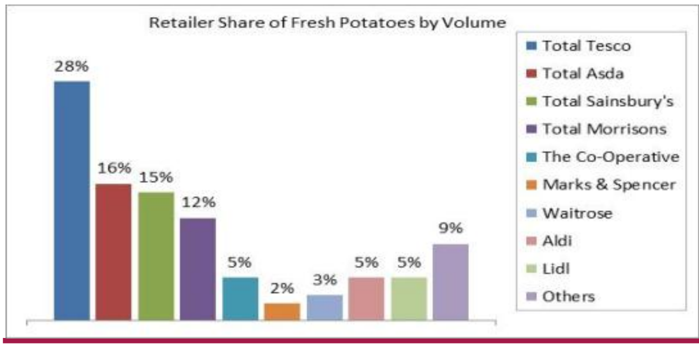
The Medium Standard Plus potato category (Maris Piper, Desiree and King Edward) has increased by 11.5% in volume terms, with average prices 14.0% lower than the same period last year. There has been a 50.9% increase in buyers of King Edwards compared to the same period last year. Maris Piper also saw buyer numbers increase as well as an increase in the total volume purchased per buyer while both these were down for Desiree.

Retailer Performance - Fresh Potatoes

52 w/e 25 May 2014				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	349,281	0.1	406,436	-12.3
Asda	201,913	3.7	232,300	-12.0
Sainsbury's	202,976	2.1	211,304	-9.2
Morrisons	151,000	-4.1	166,228	-11.2
The Co-operative	79,043	-6.5	78,410	-14.2
Marks & Spencer	34,327	9.0	26,413	1.4
Waitrose	60,278	6.5	49,252	-2.6
Aldi	60,262	53.6	70,385	13.9
Lidl	51,355	24.0	76,428	6.1
Others	111,783	10.2	121,664	6.5

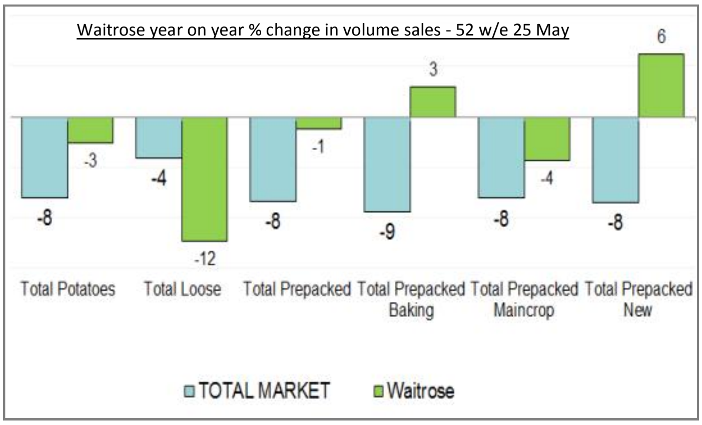
The top 4 multiple retailers account for 71% of fresh potato sales by volume. In the 52 w/e 25 May 2014, these retailers have collectively seen sales by volume of fresh potatoes drop 11.4%. This has been largely due to the decline in volumes of fresh potatoes bought by individual shoppers (-10.5%) rather than an exodus of buyers. Purchase frequency is down 7.5% compared to last year with volume purchased per trip down by 3.2%. Sales volumes dropped by 8.3% across the other multiples, which collectively account for 10.7%.

Hard Discounters account for 10.2% of sales by volume and have seen both value and volume sales grow due to a combination of strong price inflation (26.1%) and an increase in buyers (18.5%). Volume sales growth is also strong through all other types of retailer, largely due to price inflation and more buyers.



Waitrose

Focus on Waitrose



IGD retail analysis for Waitrose (June 2014) identifies that Waitrose has outperformed other retailers during the economic downturn by being "everything that the discounters aren't". IGD claims that Waitrose is well placed to continue delivering a unique proposition to shoppers. By continuing to put innovation, quality, ethics, service and convenience at the heart of its food offer, Waitrose can capitalise on growing demand for groceries that deliver on more than just price.

Waitrose currently under trades on fresh potatoes overall (accounting for 3.4% of volume sales according to Kantar), but market share has increased 5.8% compared to last year. Waitrose has grown its fresh potatoes sales value by 6.5%. Growth has come from a combination of price inflation (9.4%) and the attraction of new buyers to the fresh potato category (4.1%), to new and baking in particular.

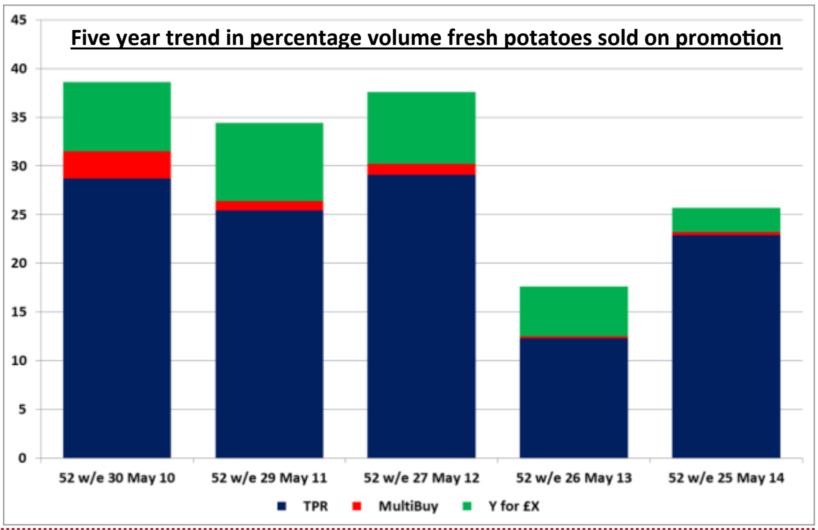
Kantar shows that 9.8% of GB households buy potatoes from Waitrose which is more than M&S but below the Co-operative and Discounters. Despite being a leader in organic produce, sales of organic fresh potatoes are down 9.7% in volume due to a 21.2% drop in buyers.

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:

- In the 52-week period to 25 May 2014, 25.8% of potatoes were sold on promotion, a significant increase compared to the same period in 2013 when it was 17.8%.
- However, the level of promotional activity is much lower than historically seen in the years 2010, 2011 and 2012.
- Retailers have refocused strategy towards lower everyday prices and are moving away from promotional deals.
- In 2012, fresh potatoes sold on discount were on average 24% cheaper. In 2014 the promotional discount was 16.7%.
- Retailers have responded to concerns about consumer waste by moving away from multibuy and Y for £x deals. Temporary price reductions (TPR) were 88.7% of potatoes sold on promotion in 2014 compared with 69.5% last year.
- Discounters have increased the volume of potatoes they sell on promotion from 7.0% in 2013 to 21.0% in 2014.

Kantar Worldpanel 52 w/e 25 May 2014



What's been in the news

According to a trend insight by Mintel, a *'do it all'* mentality is one of the reasons consumers are increasingly turning to snacking, with the snacking mindset now permeating all aspects of life. People are opting more and more for bite-sized products and services that let them save time and money while also catering for shortened attention spans. Speed and simplicity are winning over depth and complexity.