Potato Retail Report

March 2015

Market Summary

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

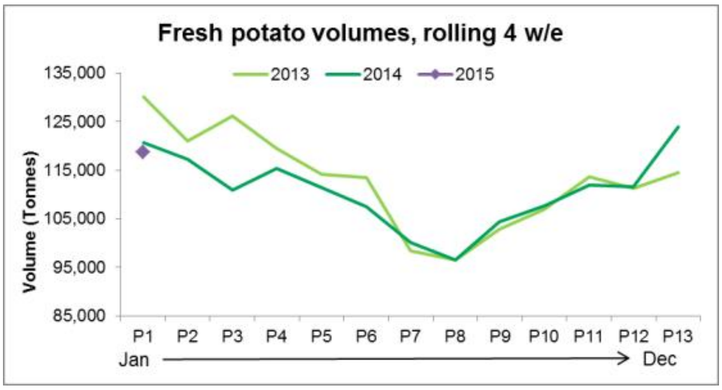
52 w/e 1 February 2015				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	1,142,666	**-14.7**	1,437,016	**-1.5**
Loose	182,370	**-19.2**	124,180	**-7.6**
Pre-pack	960,296	**-13.8**	1,312,836	**-0.9**
Total Organic	10,644	**-18.6**	9,957	**-11.1**
Total Frozen	726,563	**0.3**	496,463	**1.2**
Frozen Chips	448,339	**-0.7**	335,182	**1.6**
Frozen Potato Products	278,224	**1.8**	161,281	**0.5**
Chilled Potatoes	217,999	**8.5**	59,146	**8.0**
Canned Potatoes	10,401	**-0.5**	17,651	**-5.3**
Crisps	923,223	**-1.7**	134,130	**-0.4**
Savoury snacks	947,877	**4.1**	128,787	**4.9**
Recon. & Conv.	26,655	**-0.6**	13,113	**1.5**
Total Reported*	**3,995,385**	**-3.8**	**2,286,305**	**-0.3**

12 w/e 1 February 2015				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	244,467	**-18.3**	354,249	**2.2**
Loose	33,832	**-29.8**	26,713	**-12.1**
Pre-pack	210,635	**-16.1**	327,536	**3.6**
Total Organic	2,375	**-21.6**	2,487	**-13.1**
Total Frozen	176,019	**-3.7**	120,241	**-1.4**
Frozen Chips	105,559	**-3.7**	78,829	**-1.2**
Frozen Potato Products	70,460	**-3.8**	41,412	**-1.9**
Chilled Potatoes	58,642	**12.0**	16,365	**18.5**
Canned Potatoes	2,314	**-5.8**	3,677	**-15.8**
Crisps	210,723	**-2.0**	30,317	**-2.8**
Savoury snacks	247,289	**3.5**	35,263	**4.4**
Recon. & Conv.	6,473	**-5.6**	3,263	**-2.2**
Total Reported*	**945,928**	**-5.2**	**563,375**	**1.5**

GROCERY TRENDS - Total grocery grew at 1.1% in the latest 12 weeks, as shoppers continued to take advantage of lower prices. Like-for-like prices were down 1.2% year-on-year, influenced by a fresh wave of prices cuts in January. Lower fuel prices have also helped free up additional spend for consumers. Tesco returned to growth for the first time since January 2014 while Asda reclaimed the number two spot from Sainsbury's.

Fresh Potatoes

Fresh potato volumes were **up 2.2% in the latest 12 weeks**, almost entirely due to the big uplift in volumes at the end of 2014, with retailer discounting on total fresh produce contributing to increased sales volumes across total grocery. In the first **four weeks of 2015, volumes were 1.6% lower** than in the same period a year earlier, suggesting the momentum gained at the end of the 2014 didn't carry through to this year. This could be due in part to promotional activity, which intensified in the 4 w/e 4 Jan 2015, with 53% of volumes sold on promotion. In the 4 weeks ending 1 Feb 2015, this has fallen to 41%.



Maincrop has been key to the recent year-on-year growth, with volumes now on a clear upward trend. In the 12 w/e 1 Feb 2015, **maincrop volumes were up 11% year-on-year**. However, with maincrop now 24% cheaper than last year, overall expenditure has not experienced the same uplift.

Frozen Potatoes

The frozen potato category remained in negative growth in the latest 12-week period. The **volume of frozen chips purchased at each trip was down 4% YOY** and made the largest contribution to the overall 1.2% decline in volumes. On a 52-week basis, frozen potato products outperform the total frozen market (see below).

52 w/e 1 Feb 2015	YOY % Change	
	Value	Volume
Total Frozen	**0.7**	**-0.2**
Frozen Potato Products (excl chips)	**1.8**	**0.5**

Other Potato Categories

Household penetration of chilled potatoes has risen to 48% over the latest 52-week period—up 1.2 percentage points year-on-year.

Package type

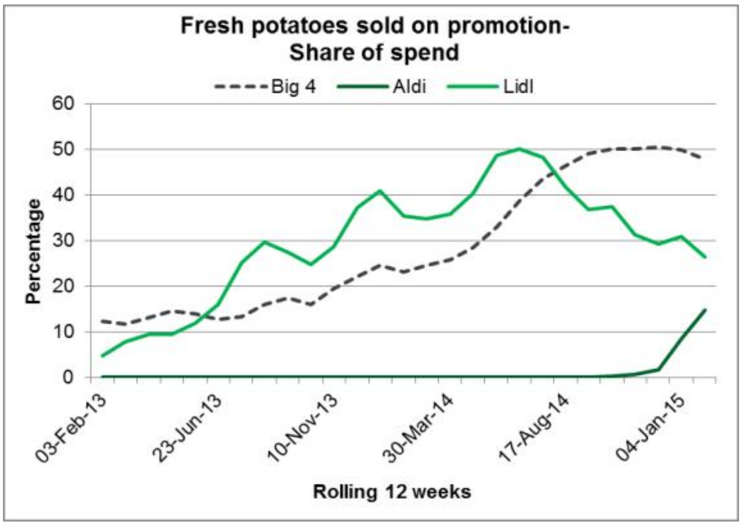
Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 1 Feb 2015	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000s)	38,371	**-4.0**	13,808	**-3.9**	22,131	**-0.1**	5,975	**-5.9**	128,230	**-21.6**	7,646	**-26.5**
Volume (Tonnes)	56,089	**15.0**	21,930	**17.9**	30,607	**28.9**	9,026	**29.5**	201,197	**-0.5**	16,905	**-21.9**

The strong volume sales of Rooster potatoes in the latest 12-weeks has helped support the overall value of Reds. Spend on King Edwards was down 3.9% in the latest 12-weeks. However, at the Top 4 retailers this is the only pre-packed variety to experience value growth over this period, albeit just 0.3%.

The **Medium Standard Plus** potato category (Maris Piper, Desiree, King Edward) had a 16.5% YOY increase in volumes in the 12 w/e 1 Feb 2015. This was down to a seven percentage point increase in the proportion of households purchasing potatoes in this category. Volumes of this category sold at the Discounters increased more than three-fold from the same period last year.

Retailer Performance - Fresh Potatoes

52 w/e 1 February 2015				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	305,031	**-16.4**	388,167	**-8.0**
Asda	177,252	**-15.2**	228,449	**-3.9**
Sainsbury's	179,319	**-14.3**	208,179	**-4.1**
Morrisons	125,828	**-22.0**	180,735	**6.7**
The Co-Operative	63,408	**-24.1**	67,554	**-17.3**
Marks & Spencer	31,494	**-9.0**	25,489	**-4.1**
Waitrose	54,283	**-10.2**	49,093	**0.7**
Aldi	59,036	**7.5**	87,787	**36.0**
Lidl	48,577	**-0.7**	77,447	**5.2**
Others	98,403	**-13.1**	124,079	**5.3**



The Discounters, Waitrose and M&S continue to gain share at the expense of the Top 4. The Discounters now account for **9.5% of fresh potato sales** (11.5% by volume), over-indexing against Total Grocery. Almost an additional 10,000 tonnes of fresh potatoes were sold at the Discounters in the latest 12 weeks, when compared with the same period a year earlier. Volumes also increased at the Top 4—by 3,000 tonnes over the same period. **Maris Piper has been performing particularly well at Aldi**, where the variety was not sold (or at least not sold as named) in the same period last year. Maris Piper retailed for £0.35/kg on average over the last 52 weeks at the Discounters, compared to £0.73/kg at the Top 4. This low price is also 33p/kg less than a bag of standard whites at the Discounters on average, and may have encouraged consumers to trade up.

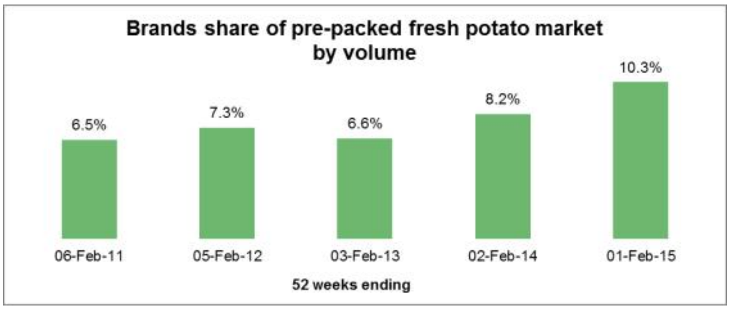
Recently, promotions on potatoes have played a larger role at the Discounters. These retailers typically have very low levels of promotion across total grocery—22% of Lidl's total grocery spend is from promotions, a figure that falls to around 5% at Aldi and compares with 45% at the Top 4. In the fresh potato market, 15% of Aldi's potato volumes were sold on promotion in the 12 w/e 1 February 2015, having risen from 0% in recent years. In contrast, Lidl's promotional activity in potatoes has been closer to that of the Top 4. Although the proportion of Lidl's fresh potato sales through promotions has declined recently, it is still above its Total Grocery levels.

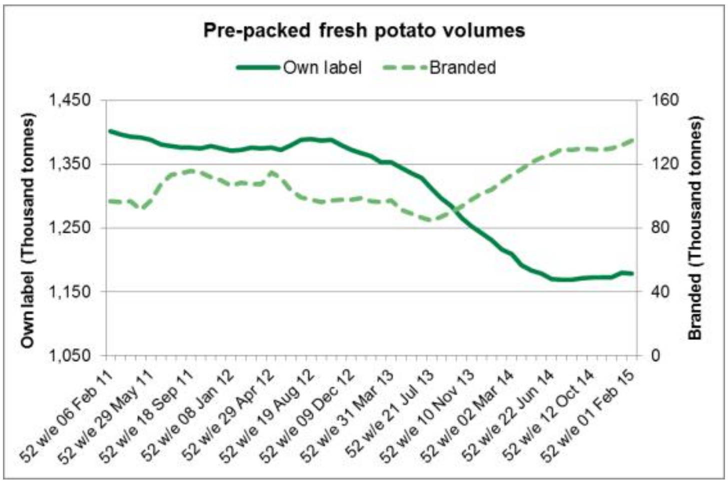
Focus on brands

Brands have become more prominent in the fresh potato market over the last 18 months. Prior to 2014, around 7% of pre-packed fresh potato volumes were branded products. Recently, this proportion has climbed steadily and in the 52 w/e 1 Feb 2015, **brands accounted for 10.3% of all pre-packed volumes**. However, this is still low when compared to other potato products; brands accounted for 47% of frozen potato volumes in the same time period.

Across total grocery, brands tend to command a premium over own-label equivalents, for example branded cheddar currently commands a 20% premium over private label on average. However, this does not appear to be the case for fresh potatoes and instead the **price for these products have tracked very closely** for at least the past five years. In the latest 52-week period, branded pre-packed fresh potatoes were priced at an average of £0.71/kg, compared with £0.73/kg for own-label.

Despite the total fresh potato category being down by 14% year-on-year by value, **some brands are in double-digit sales growth**. As a whole, spend on pre-packed branded potatoes is up 5% year-on-year, owing to the 24% YOY increase in volumes which has come about through increased household penetration and frequency of purchase. While branded fresh potatoes are in growth, **this appears to have had limited benefit to the total fresh market**. One key limitation may be the **smaller pack sizes**. In the year ending 1 Feb 2015, 69% of branded pre-packed volumes are sold as 2kg bags, compared to just 4% for own-label, where 2.5kg packs are most common (accounting for 52% of volumes in the past year).





What's been in the news

Northern Ireland based Mash Direct has launched its ready-prepared chilled vegetable dishes in the Middle East. The export deal will see 23 of its 40-strong range on sale in Bahrain and throughout the United Arab Emirates. Asda and Ocado are two key stockists of Mash Direct's range in Great Britain, which includes potato dauphinoise and prepared roast potatoes.