Potato Retail Report

November 2014

Market Summary

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

52 w/e 12 October 2014				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	1,216,458	-9.4	1,431,853	-4.3
Loose	200,740	-10.1	128,459	-4.1
Pre-pack	1,015,718	-9.2	1,303,395	-4.3
Total Organic	11,512	-8.1	10,523	N/C
Total Frozen	736,457	4.5	498,828	1.5
Frozen Chips	454,668	3.4	336,544	1.3
Frozen Potato Products	281,789	6.2	162,284	1.9
Chilled Potatoes	210,381	4.7	55,845	1.6
Canned Potatoes	10,560	0.8	18,508	3.4
Crisps	931,390	-0.5	135,375	0.6
Snacks	937,289	3.9	126,685	4.1
Recon. & Conv.	26,960	-0.4	13,102	-0.7

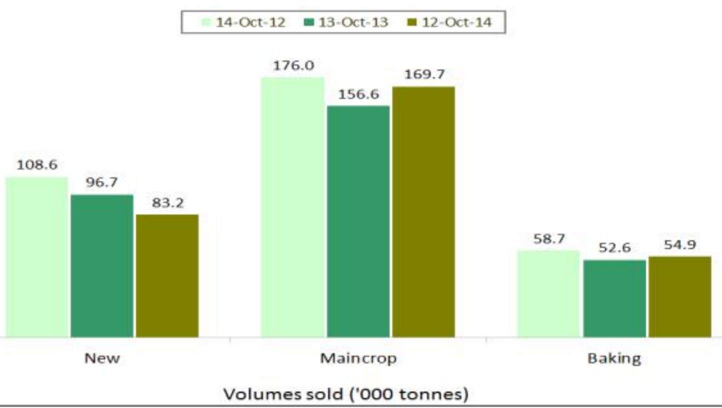
12 w/e 12 October 2014				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	243,128	-18.4	307,809	0.6
Loose	40,480	-21.4	27,101	-7.3
Pre-pack	202,648	-17.7	280,709	1.4
Total Organic	2,351	-17.0	2,162	-7.5
Total Frozen	155,383	-1.3	107,973	2.5
Frozen Chips	97,735	-1.5	74,303	4.3
Frozen Potato Products	57,648	-1.0	33,669	-1.3
Chilled Potatoes	46,242	13.8	12,372	11.3
Canned Potatoes	2,324	-5.0	3,883	-9.5
Crisps	213,970	0.7	31,163	3.4
Snacks	201,406	-0.6	26,687	-0.4
Recon. & Conv.	5,664	-0.9	3,002	9.9

GROCERY TRENDS—Latest figures from Kantar Worldpanel, for the 12 w/e 12 October 2014 show that like-for-like prices have declined by 0.2%, pushing the grocery market into deflation. Extensive price cutting by some supermarkets in a bid to win the price war means that customers are saving on everyday items such as vegetables and milk.
There is a clear polarisation of the market with both the premium and discount ends of the market gaining share, while the mainstream grocers continue to be squeezed in the middle.

Frozen

Sales by volume of frozen chips purchased increased +4.3% in the latest 12-week period. Meanwhile, sales by value declined during this period due to a -5.5% fall in average prices compared to the same period last year. Frozen potato products saw a small decline in the volumes purchased by individual buyers slightly offset by a modest price increase.

Kantar Worldpanel 12 w/e:



Fresh

Nearly half, (46.7%) of potatoes sold in the latest 12-week period were on promotion, mainly in the form of temporary price reductions. Sales by volume of maincrop (+8.4%) and baking (+4.4%) potatoes were higher in the latest 12-week period compared to the previous year. Meanwhile, sales of new potatoes by volume declined -14.0% compared to the same period last year. In the latest 12-week period, market value declined by -18.4%. Prices were 4p/kg lower on average compared to the previous 12-week period and at a level last seen in January 2013.

Chilled

Chilled potatoes continue to show the strongest category growth, increasing 13.8% in value and 11.3% in volume sales over the latest 12-week period. Buyers are purchasing these potatoes more frequently (+8.6%) compared to the same period last year, even though average prices have increased.

Canned and Reconstituted

As average prices of canned potatoes have increased, buyers have decreased, with individual buyers also purchasing less in volume terms. For reconstituted potatoes, buyer purchases have increased +11.0% in the latest 12-week period as average prices have fallen -9.8%.

Crisps and Savoury Snacks

Sales volumes of crisps continue to strengthen in the latest 12-week period, with buyers purchasing more frequently (+3.9%), although average prices decreased by -2.6%. Despite showing annual volume and value growth, sales of savoury snacks in the 12 w/e 12 Oct 14 were slightly lower than the same period last year. This was due to a slight reduction in purchases made by each buyer compared to last year.
Looking at wider snacking trends, there is strong competition. Sales by volume of popcorn have increased +20.8% in the last 52 weeks and sales of savoury biscuits by volume have increased by +12.4%.

Variety

Pre-pack	Maris Piper		King Edward		Reds (Inc. Desiree)		Desiree		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 12 October 2014	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000's)	34,362	9.2	7,434	-15.5	13,999	-18.4	4,560	-15.7	140,050	-21.3	6,291	-37.7
Volume (Tonnes)	49,692	49.6	11,314	18.9	17,984	-2.2	6,601	18.4	187,187	-3.5	13,564	-33.8

In the 12 w/e 12 Oct, sales pre-pack Medium Standard Plus varieties (Maris Piper, King Edward and Desiree), are up 38.7% compared to the same period last year. Selling at an average of 10p per kg cheaper than the total average retail price, this group of potatoes continues to attract additional buyers (+28.1%). Individual buyer purchases are also up +8.2% due to an increase in purchase frequency and volume bought per shopping trip.
Volume sales of pre-pack White potatoes in the latest 12-week period have been affected by a strong fall in purchases of pre-pack new potatoes (-12.6%) compared to the same period last year. Meanwhile, volumes of pre-pack white potatoes sold for baking have increased by 8.9%. Economy potatoes remain in decline with 1.5m fewer buyers compared to the same period last year, although volumes bought per buyer have increased.

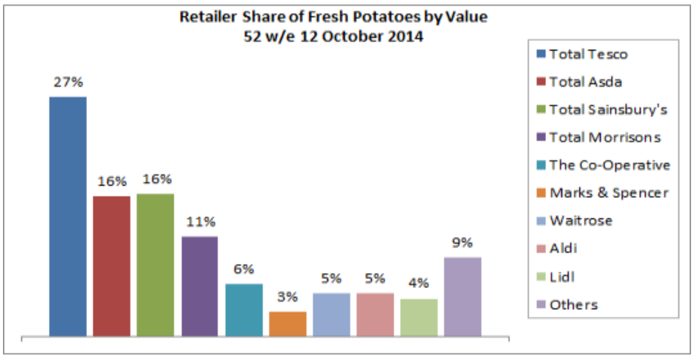
Retailer Performance - Fresh Potatoes

52 w/e 12 October 2014				
Retailer	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Tesco	322,989	-12.4%	389,526	-11.0%
Asda	188,739	-9.9%	233,805	-5.6%
Sainsbury's	191,966	-9.5%	208,709	-7.1%
Morrisons	134,672	-18.5%	172,677	-1.8%
The Co-operative	70,832	-18.8%	72,245	-15.7%
Marks & Spencer	32,843	-4.7%	26,112	-3.1%
Waitrose	58,341	-2.1%	49,986	2.2%
Aldi	58,464	17.9%	75,510	21.3%
Lidl	51,037	10.5%	78,195	9.3%
Others	106,536	-2.9%	125,044	9.2%

The top 5 retailers accounted for 75% of fresh potato value sales in the 52 w/e 12-Oct-14 — compared to 78% in this period in 2013. In the latest 52-week period, value sales through the big 5 multiples were –12.8% (£133.7m) lower than the same period last year.

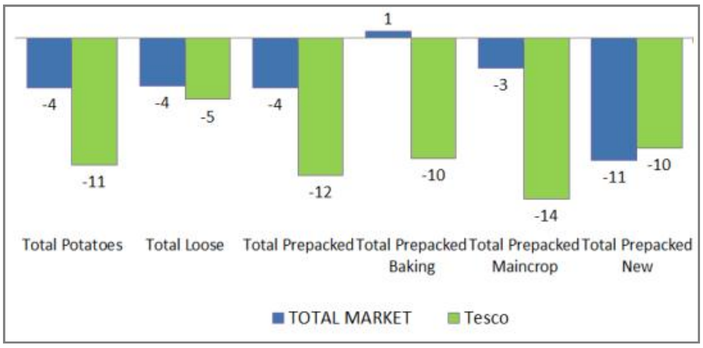
In the latest 12 weeks, the top 5 multiple retailers sold 50% of potatoes by volume on temporary price reductions, while average prices were -19.1% lower than the same period last year.

In the latest 12-week period, Morrisons introduced the biggest price reductions for fresh potatoes and, as a result, saw sales volumes increase by 20.1% compared to the same period last year. Discounters Aldi and Lidl continued to grow sales by volume with combined sales growth of 13.9% in this period but at lower prices.



Focus on Tesco

Tesco year-on-year % change in volume sales - 52 w/e 12-October-14 (Kantar Worldpanel)



Tesco is market leader but, in the last three years, its grocery share has fallen to 28.8% due to changing shopping habits and competition from discounters and upmarket supermarkets. In particular, online, 'top-up' and en route shopping has grown, with shopping at large out of town stores in decline. 57% of Tesco's stores are 50,000+ sq ft and these store types have suffered the steepest decline in sales. Tesco also has 2,600 convenience stores and 7.0% of Tesco's sales are made online.

According to IGD, Tesco plans to invest in creating highly valued brands with a strong emphasis on quality. Pricing strategy will include 'everyday low prices', coupons, promotions and rewarding loyalty. The Tesco Price Promise and Tesco Clubcard will continue to be key tools.

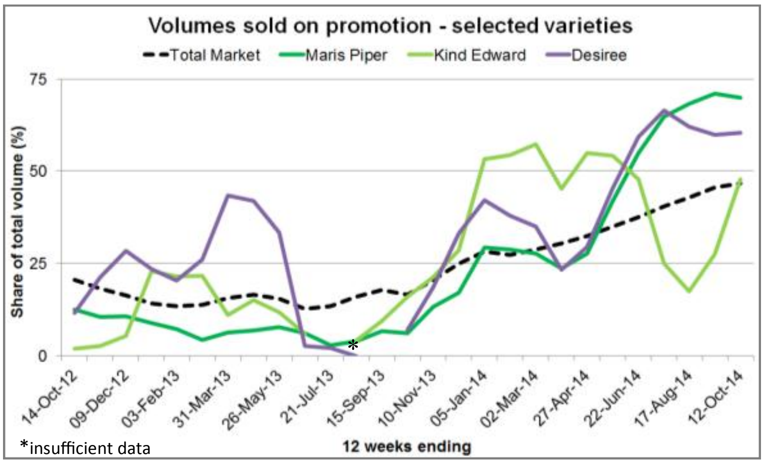
Tesco under trades on fresh potatoes compared to its total grocery market share. Since 2012, Tesco's market share has reduced by 1.6% in value to 26.6% and 2.7% in volume to 27.2% and Tesco has lost 1m of its fresh potato buyers. Tesco continues to sell more potatoes per customer than other retailers but buyers are now purchasing 4.4kg less than 2 years ago. Much of Tesco's volume loss comes from economy potatoes with sales down 69% since 2012. 60% of buyers have moved out of this category over the 2-year period ending 12-Oct-14. In the last 12 months, Tesco has strongly underperformed for baking and maincrop potatoes but has done slightly better for new potato sales.

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 fresh potato promotions by variety

The proportion of potatoes sold on promotion continued to increase over recent months. In the 12-week period to 12 October 2014, 46.7% of potatoes were sold on promotion, compared with 16.6% a year earlier.

With a market share by volume of around 70%, Whites (excluding Maris Piper) tend to be the key driver of overall promotional activity in the category. When looking at specific varieties, the volume of Maris Piper sold on promotion tracked below the market average for most of 2013. This year, however, promotions have played a larger part in sales, likely in response to the improved harvest, with 69.9% sold on promotion in the 12-week period to 12 October. While most of the major retailers have increased promotions on Maris Piper this year, this increase is particularly marked for Tesco and Asda, which sold 90.2% and 99.9% on promotion in the latest 12 weeks, compared with 0% and 17.8% in the same period a year earlier.



What's been in the news

Aldi has announced that it is rolling out a range of organic vegetables, including potatoes, which it aims to sell around 25% cheaper than its supermarket rivals. The supermarket plans to have launched its whole range of organic products by January 2015. Over 45% of products sold through Aldi are sourced from UK suppliers.