POTATO COUNCIL

AHDB Agriculture & Horticulture DEVELOPMENT BOARD

Potato Retail Report

September 2013

Market Summary

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

52 w/e 18 August 2013				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	1,308,672	23.8	1,518,495	-6.7
Pre-pack	1,089,817	26.0	1,384,704	-7.0
Loose	218,855	14.2	133,791	-2.6
Total Organic	12,591	-9.1	10,801	-29.3
Total Frozen	692,385	10.0	491,820	2.2
Frozen Chips	431,805	9.1	333,492	0.0
Frozen Potato Products	260,580	11.4	158,328	7.3
Chilled Potatoes	201,405	1.8	55,265	-2.1
Canned Potatoes	10,468	-5.4	17,578	16.9
Crisps	936,022	4.8	134,770	0.4
Savoury Snacks	888,816	8.5	119,738	3.5
Recon. & Conv.	26,901	10.9	13,094	11.3

12 w/e 18 August 2013				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
Total Fresh	314,204	21.9	310,341	-11.8
Pre-pack	253,414	23.0	279,241	-12.3
Loose	60,790	17.6	31,100	-7.0
Total Organic	3,501	13.8	2,689	-11.3
Total Frozen	148,008	6.3	100,278	-5.3
Frozen Chips	95,415	8.6	69,296	-6.1
Frozen Potato Products	52,593	2.5	30,982	-3.6
Chilled Potatoes	39,756	-4.0	10,760	-8.8
Canned Potatoes	2,507	-1.7	4,477	19.8
Crisps	213,465	0.9	30,145	-4.7
Savoury Snacks	204,761	11.0	26,697	6.6
Recon. & Conv.	5,177	5.5	2,389	7.6

Fresh

The value of the GB potato market stands at £1.3 billion, up 23.8% year-on-year driven by increases in average price. Volume sales, meanwhile, continue to decline. The hot weather over the summer has affected potato purchases as consumers choose lighter meal alternatives such as salads and cold meals with no strong potato focus. This has meant that volume sales are down by 11.8% over the 12-week period. This type of volume movement has also been seen in red meat, while cooked meats such as ham have seen growth. This volume fall reflects that slightly fewer shoppers have been buying over the period, with little change in how often consumers buy. Those who have bought have been purchasing smaller volumes each trip compared to last year.

Frozen

Frozen potato products had shown strong growth over 2012 and the first half of 2013, with new products and innovation in the category. However, in the latest 12 weeks, volume sales are now behind last year. Chips have also shown a fall in volume sales in recent weeks, driven by shoppers buying less per trip, which again may be due to the warmer weather.

Chilled potatoes

Chilled potatoes have struggled again this quarter, with volume and value sales below last year. This fall is the result of a reduction in the number of shoppers buying and remaining shoppers purchasing less often. In the latest 4 weeks, volume has dropped at a higher rate due to further falls in shopper numbers.

Crisps and savoury snacks

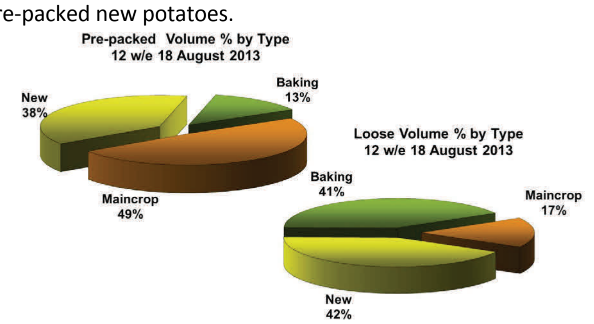
These two categories have performed differently in the last 12 weeks. Volume sales of crisps have dropped 4.7%, driven by a fall in the volume bought per trip. Savoury snacks, on the other hand, continue to perform well with volume growth of 6.6%, supporting double-digit expenditure growth. Uplifts have been seen in both purchase frequency and in the number of shoppers.

Canned and Reconstituted & Convenience

Canned potatoes continue to show strong gains in volume terms, while average price reductions mean similar growth has not been seen in value sales. More affluent consumers have been a driver of growth, perhaps as cooking times get squeezed further. When looking at the year, reconstituted and convenience potatoes have shown double-digit growth in both volume and value sales, driven by increases in the number of shoppers and in volume per trip.

Pre-pack and Loose - Share of type

In the last 12 weeks, 38% of all pre-packed volumes were new potatoes. Baking potatoes made up 13% of pre-packed volumes and 41% of loose. New potatoes make up 42% of loose, up from last month. However, volume sales are down for both loose and pre-packed new potatoes.



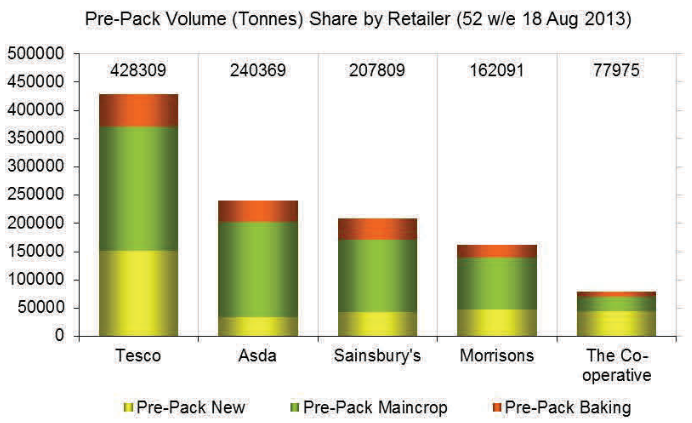
Package type

Pre-pack	Maris Piper		King Edward		Desiree		Reds (Inc. Desiree)		Whites (Exc. Maris Piper)		Economy (Exc. Maris Piper)	
12 w/e 18 Aug 2013	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	%Chg	Actual	% Chg
Value (£000's)	29,263	32.2	5,951	25.8	4,577	48.0	13,778	-2.0	194,654	29.6	9,603	-35.8
Volume (Tonnes)	31,902	7.0	6,463	-3.6	4,694	4.2	14,229	-26.3	206,958	-6.0	19,516	-53.9

Maris Piper continues to show volume growth, supported by growth at a key freezer store. King Edward potatoes have recorded volume decline of 3.6%, while expenditure grew 25.8%. Desiree potatoes have also shown growth, some of which is due to variety labels on pack becoming more prominent in certain retailers. Red potatoes as a whole have shown notable volume decline, resulting in value sales dipping by 2.0% compared to the same period last year. The fall in volume has been caused by fewer shoppers buying compared to last year. Economy potatoes continue to record double-digit decline, with all retailers recording volume sales well below last year's.

In the latest 12 weeks, the 'Medium Standard Plus' tier (Maris Piper, King Edward and Desiree varieties) saw volumes up by 4.7%, due to an increase in the number of households purchasing when compared to the same period last year.

Retailer Performance - Fresh Potatoes



Tesco

Volume sales of fresh potatoes fell 7.9% at Tesco in the last year. Despite this, expenditure was up 20.3%, as prices increased by 30.7%. Within pre-packed, maincrop and baking potatoes have shown the largest decline, falling by 10.8% and 24.0%, respectively. Over the year, volume sales of new potatoes are in growth, although in the latest 12 and 4-week periods have been in considerable decline (-19.7% and - 31.6%, respectively).

ASDA:

Fresh potato volume sales at Asda have declined at a faster rate than the total market. The main cause of the fall continues to be a reduction in the volume bought per trip but at Asda there has also been a slight fall in the number of shoppers buying over the year. This has been specific to maincrop sales, as baking and new volumes are ahead of last year.

Sainsbury's:

Volume sales at Sainsbury's dipped 3.8%, which is not as heavy as the total potato market decline. The fall at Sainsbury's has been caused by pre-pack potatoes; loose volumes are flat YOY. Pre-packed and loose baking potatoes were the only type to record volume growth, while maincrop packs saw the largest decline.

Morrisons

Volume decline at Morrisons now stands at 14.3%, driven by a drop in volume bought per trip and a fall in the number of households purchasing. This has been particularly true for pre-pack baking potatoes. New potatoes, on the other hand, have made gains.

The Co-operative

Average price rises have meant that sales are 16.5% ahead of last year, despite volume decline. There is differing performance between loose and pre-packed potatoes, however. Pre-pack volumes are 17.0% behind last year, while loose potatoes are up 8.2% YOY, supported by strong new and baking performance. Volume sales of pre-pack baking and maincrop have suffered the largest declines.

Other:

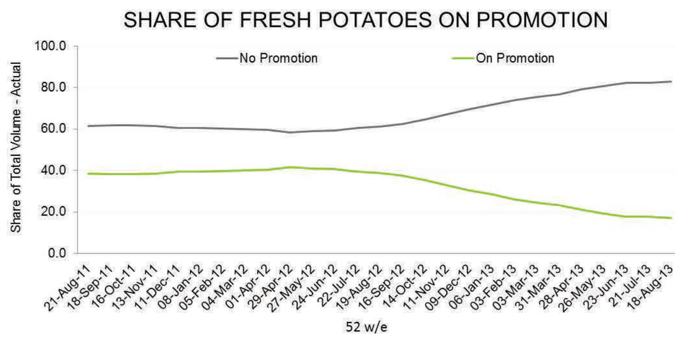
Waitrose and Aldi continue to record volume and value growth for fresh potatoes, matching their total grocery market performance. Marks & Spencer has also recorded double-digit volume increases over the year. In the top 5 retailers, average price rises range between 30 and 40%. At Marks & Spencer, where prices are above most other retailers, the increase is less than 10%, while at Aldi, prices are up by around two thirds.

52 w/e 18 Aug 2013	Marks & Spencer		Waitrose		Iceland		Aldi		Lidl		Tot. Independents		All Others	
Total fresh potatoes	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%
Value (£000s)	33,949	18.0	55,144	19.0	17,993	49.2	44,785	81.4	44,422	34.7	12,053	31.8	79,293	18.4
Volume (Tonnes)	27,148	10.1	47,227	2.7	29,089	-0.1	62,128	8.2	70,943	-4.0	10,710	15.8	74,691	7.4

Focus on promotions

The share of fresh potatoes sold on promotion has declined dramatically since summer 2012, as availability decreased and prices rose. In the last 12 weeks, 37,295 fewer tonnes were sold on promotion compared to last year. Volume-based deals ('Y for £X') have seen the largest drop, which may have contributed somewhat to the reduction in average volume bought per trip.

Baking and maincrop packs have shown the largest decline in promotions. In the last 12 weeks, only 4% of maincrop potatoes were bought on promotion compared to 18% last year. Two years ago, over a third were sold on promotion. This is likely to have had at least some impact on sales. However, with price rises and the hot weather also affecting the market, the direct implications of reduced promotions is difficult to attribute.



What's been in the News?

McCain's new 'Happy Days' marketing campaign to feature baked potato scented barkers

The campaign, which features a TV advert, outdoor and press activity will also incorporate scented barkers. These will be fitted at Tesco and Asda stores, with McCain's hoping to add excitement to the frozen aisles.