Prepared by AHDB Market Intelligence

Potato Retail Report - August 2011

(Data to 7th Aug 2011)

Market Summary

52 w/e 7th Aug 2011				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tns)	% Chg YOY
TOTAL FRESH	1,065,516	+4.3	1,656,328	-1.5
Pre-packed	931,857	+5.2	1,554,827	-1.2
Loose	133,620	-1.4	101,469	-5.4
Total Organic	18,810	-7.7	21,564	-7.6
TOTAL FROZEN	562,171	+4.8	475,537	+1.0
Frozen Chips	361,604	+8.0	336,089	+2.7
Frozen Potato Products	200,567	-0.5	139,449	-2.7
CHILLED Potatoes	175,155	+9.1	51,742	+7.1
CANNED Potatoes	10,941	-6.4	14,798	-9.7
CRISPS	848,039	+8.6	135,532	+1.9
SAVOURY SNACKS	776,199	+6.7	114,832	+1.1
RECON. & CONV.	24,038	-6.9	12,553	-6.4

12 w/e 7th Aug 2011				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tns)	% Chg YOY
TOTAL FRESH	251,043	-2.7	362,820	+1.3
Pre-packed	213,764	-0.5	336,103	+1.7
Loose	37,240	-14.0	26,685	-4.4
Total Organic	3,607	-18.1	3,960	-14.1
TOTAL FROZEN	130,147	+14.4	104,044	+3.8
Frozen Chips	87,778	+21.2	75,760	+7.2
Frozen Potato Products	42,368	+2.5	28,284	-4.2
CHILLED Potatoes	37,420	+9.8	10,965	+8.6
CANNED Potatoes	2,410	-13.9	3,439	-11.6
CRISPS	204,485	+8.9	31,622	-0.4
SAVOURY SNACKS	181,762	+6.9	26,455	+2.1
RECON. & CONV.	5,088	+6.3	2,582	+1.4

FRESH

- The overall fresh potato sector saw value growth of 4.3% despite volume sales declining 1.5% over the past year. In the past 12-week period value sales have declined 2.7% year-on-year (YOY) while volume sales have increased by 1.3%. Pre-packed potatoes have achieved a value sales increase of 5.2% over the past year, while in the last 12 week period YOY value sales have declined by 0.5% YOY.
- Loose Potatoes have seen volume sales dips over both 52-week and 12-week periods with declines of 5.4% and 4.4% respectively.
- Volume sales of new potatoes have grown 1.6% over the last 52 weeks, however volume sales declined 9.2% YOY in the last 12 weeks. The lack of warm weather and BBQ opportunities over the last 12 weeks will have impacted sales of new potatoes.

FROZEN

- There has been 4.8% value sales growth in the frozen potato segment over the past year, this growth accelerated in the last 12 weeks with 14.4% growth YOY. Over the past year volume sales have grown 1% and in the last 12-week period there was 3.8% YOY growth. Frozen Chips has a large influence on overall value growth, during the past year value sales grew 8% YOY, accelerating to a value growth rate of 21.2% YOY in the last 12 weeks. The average price per Kg for Frozen Chips increased 13% YOY which was the main factor in the large value sales growth in the last 12 weeks. There could be numerous market dynamics driving this. One contributory factor could be the reduction in volume % on promotion versus the same time last year – and this trend is more pronounced on a quarterly basis versus annually.

CHILLED POTATOES

- Chilled Potatoes recorded volume and value growth across both 52-week and 12-week time periods. Over the past 12 months value sales grew 9.1%, while volume sales increased by 7.1% YOY. This growth continued in the last 12-week where volume sales grew 8.6% and value sales increased 9.8%.

CRISPS & SAVOURY SNACKS

- There has been 8.6% value growth and 1.9% volume growth over the past 52 weeks for Crisps. In the last 12 weeks volume sales dipped 0.4% YOY while value sales increased 8.9%. During the past year the average price per Kg for Crisps has grown 6.6% YOY, this rate increased to 9.4% YOY in the last 12 weeks. This contributed to the continued value sales growth in the category.
- Savoury Snacks has seen a volume increase of 6.7% over the past year and 6.9% during the past 12 weeks. Value sales increased 1.1% YOY in the past 52 weeks and 2.1% YOY during the latest 12-week period.

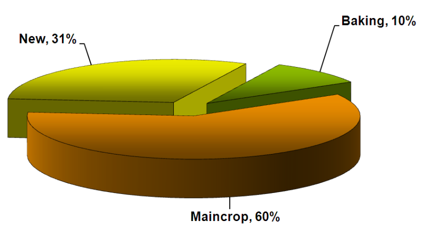
CANNED POTATOES + RECONSTITUTABLE & CONVENIENCE

- Canned Potatoes have seen volume and value sales decline over the past year, this trend continued in the last 12 weeks where volume sales declined 11.6% and value sales dropped 13.9%.

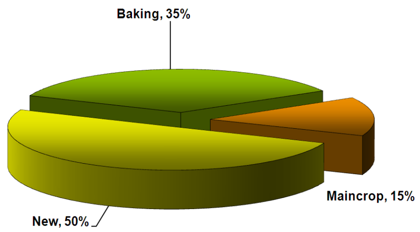
PRE-PACK VS. LOOSE

- Pre-packed potatoes saw an overall volume sales increase of 1.7% during the past 12 weeks. Maincrop potatoes made up 59.7% volume share of the pre-packed market, new potatoes had a 30.8% share, while baking potatoes made up 9.5% of volume sales. Loose potatoes saw volume sales drop 4.4% YOY and value sales drop 14% YOY over the past 12 weeks.

Pre-Packed Volume % by Type (12 w/e 07 August 2011)



Loose Volume % by Type (12 w/e 07 Aug 2011)



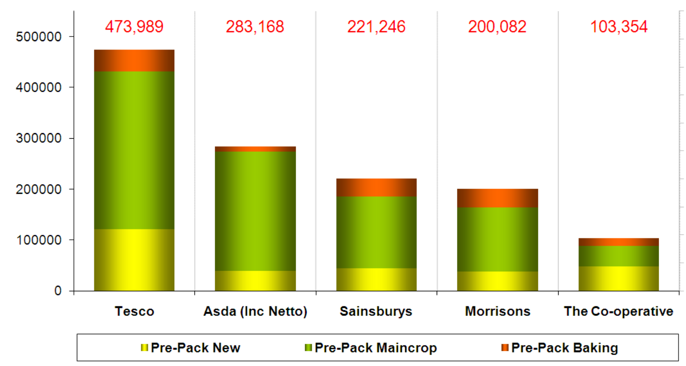
Pack Type and Variety

Pre-packed	Economy		King Edward		Maris Piper		Reds		Whites	
12 w/e 7 Aug 2011	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000's)	7,911	+22.6	4,903	+29.9	21,357	-13.0	19,996	+61.0	140,431	-5.7
Volume (Tonnes)	18,656	+8.8	7,112	+23.2	30,641	-19.1	40,660	+128.4	219,216	-5.8

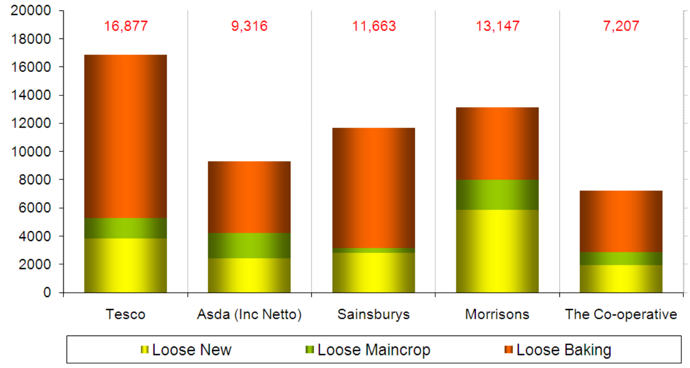
The largest segment of the pre-packed market continues to be white potatoes despite recording a 5.8% YOY decline in volume sales. Reds saw the largest % increase over the past 12 weeks with a volume increase of 128.4% YOY linked to the increase supply of Red potatoes into the market and potential promotional activity. Reds still have a smaller share of the pre-pack market compared to white potatoes. There has been volume/value increases for King Edward and Economy potatoes, while Maris Piper potatoes have seen declines in volume and value sales. Economy potatoes saw the average price per Kg increase 10.5% YOY contributing to the value sales growth in the last 12 weeks.

Retailer Performance - Fresh Potatoes

Pre-Pack Volume (Tonnes) Share by Retailer (52w/e 07 August 2011)



Loose Volume (Tonnes) Share by Retailer (52w/e 07 August 2011)



TESCO:
- Tesco recorded a 29.6% volume share and 28.4% value share of the fresh potato market over the past year. Their pre-pack volume market share was 30.5% recording a volume sales increase of 3.2% over the past year. Pre-packed new potatoes recorded a 34.5% volume share; pre-pack maincrop 29.6%; pre-pack baking share 28.7%.
- Tesco's volume market share of loose potatoes was 16.6%; loose new potatoes 10.8%; loose maincrop 7.3% and loose baking 25.1%.

ASDA (inc Netto):
- Asda's total fresh potato volume market share over the past year was 17.7% and value share was 15.7%. During the past 12 months Asda's pre-packed volume share was 18.2%; pre-pack new potatoes 11.1%; pre-pack maincrop 22.5% and pre-pack baking share 6%.
- Asda's volume share for loose potatoes was 9.2%; loose new potatoes 6.9%; loose maincrop 9.1% and loose baking 11%.

SAINSBURY'S:
- In the past year Sainsbury's had a fresh potato volume share of 14.1% and a value sales share of 15.4%, over this period volume sales declined by 1.5% and value sales increased 2.1%.
- Pre-pack volume share for Sainsbury's over the past 12 months was 14.2%; pre-pack new potatoes 12.4%; pre-pack maincrop 13.6% and pre-pack baking share of 23.7%.
- Sainsbury's loose volume share was 11.5%; loose new potatoes 8%; loose maincrop 1.8% and loose baking 18.3%.

MORRISONS:
- Morrisons fresh potato volume share was 12.9% over the past year, during this time volume sales declined by 2.8%. Morrisons value share over the last year was 12.4% and recorded a value increase of 2.9% YOY.
- Pre-pack volume market share for Morrisons over the past year was 12.9%; pre-pack new potatoes 10.9%; pre-pack maincrop 12% and pre-pack baking share 23.8%
- Over the past year Morrisons loose market share was 13%; loose new potatoes 16.6%; loose maincrop 10.9% and loose baking 11.1%

CO-OPERATIVE:
- The Co-operative's fresh potato volume share over the past year was 6.7% and values sales share was 7.3%. During this period volume sales declined 10% YOY and values sales dropped 4%.
- Pre-packed volume share over the past year was 6.6%; pre-pack new potato 13.5%; pre-pack maincrop 3.9% and pre-pack baking 10.1%.
- The Co-operative's loose volume share was 7.1%; loose new potatoes 5.5%; loose maincrop 4.7% and loose baking 9.4%.

OTHER:
- During the past 12 months Waitrose achieved volume and value sales increases of 13.8% and 12.1% respectively. Marks & Spencer recorded value growth of 7.1% YOY while volume sales remain fairly static.
- The discounters value growth continues to mirror the wider grocery market with Aldi and Lidl both recording growth in value sales. In the same period Aldi's volume sales declined 26.1% YOY while Lidl's volume sales increased 15.8%.

52 w/e 7th Aug 2011	Waitrose		Marks & Spencer		Aldi		Lidl		Iceland		Tot. Independents		All Others	
	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%	Total	Chg%
Value (£000s)	49,354	+12.1	33,012	+7.1	33,708	+11.1	27,707	+32.3	10,329	+3.9	7,341	+0.7	60,199	+1.9
Volume (Tonnes)	51,077	+13.8	27,537	+0.3	70,128	-26.1	58,683	+15.8	21,012	-6.3	8,958	-4.6	78,314	+7.9

Regional Volume Sales - Fresh Potatoes

Regional Volume Sales
- Over the past year London recorded the largest volume sales % of Fresh Potatoes with 18.4% share followed by the Midlands 15.9%, and Lancashire 11.4%.
- The South West and North East have seen the larger % increases YOY albeit from a lower volume sales.
- Lancashire and Yorkshire have seen volume sales drop 4.8% and 3.7% respectively.

Regional Index*
- The South West, Wales+W, South and the Midlands over index on volume sales share of Fresh Potatoes.
- London, Scotland, East of England, North East, Lancashire and Yorkshire under index.

* Regional index – This looks at the relationship between the share of households (HH) in Great Britain and the % volume sales share for fresh potatoes. An index of 100 would mean the volume sales % is in line with the HH population. Those greater than 100 over index on potato consumption and those less than 100 under index.

GB REGION	52 w/e 7th Aug 2011 Volume %	% Chg YOY	GB HH Population %	Regional Index*
Yorkshire	10.0%	-3.7	10.1%	99.2
Wales+W	9.0%	+0.6	8.4%	107.5
S.West	3.4%	+2.5	3.1%	109.7
South	10.7%	-3.0	9.8%	109.5
Scotland	8.9%	-1.7	9.6%	92.8
North East	5.0%	+2.0	5.1%	98.0
Midlands	15.9%	-1.8	15.4%	103.2
London	18.4%	+0.1	19.4%	95.0
Lancashire	11.4%	-4.8	11.6%	98.3
E.England	7.3%	-0.4	7.6%	95.8

What's been in the News?

UK Market Share—Grocery Market
IGD-16 August 2011
The latest grocery market figures from Kantar, reporting on the 12-week period to 7th August, showed that UK sales growth slowed to 3.8%, despite the influence of inflation, now running at 5.2%. Shoppers are consciously seeking to trade down to manage the growing pressure on the pockets, with the discounters benefiting in particular. As the only focused discount operators left in the market, Aldi and Lidl have hit a strong vein of growth during 2011, achieving 24.4% and 13.8% in this latest period respectively.

Morrisons drops biggest hint yet of bid for Iceland
The Grocer-12 August 2011
Morrisons appears to have signalled its intention to bid for frozen food retailer Iceland by appointing Credit Suisse as an advisor. Iceland's majority owners, the officials responsible for the winding-up of Icelandic bank Landsbanki, put their 67% stake up for sale in May. Iceland chief executive Malcolm Walker, who has a 27% stake, is known to be keen to get his hands back on the company he founded.

Doritos desperate to drive dip sales with Desperado ad
The Grocer-4 July 2011
Doritos is launching a new TV ad this week to boost cross-purchasing of its chips and dips. The promotion is a bid to grow cross-purchases of chips and dips in the UK, where just a tenth of chip sales results in a dip sale. In the US, the rate is one in two.