Prepared by AHDB Market Intelligence

Potato Retail Report - August 2012

(Data to 8 July 2012)

Market Summary

52 w/e 8 July 2012				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
TOTAL FRESH	1,057,148	-5.0	1,636,871	-0.7
Pre-packed	866,107	-2.8	1,499,304	+0.2
Loose	191,041	-13.7	137,567	-9.7
Total Organic	14,369	-24.8	16,079	-25.6
TOTAL FROZEN	626,365	+13.4	479,987	+2.4
Frozen Chips	396,177	+11.8	334,144	+1.2
Frozen Potato Products	230,189	+16.2	145,843	+5.3
CHILLED Potatoes	191,975	+6.2	54,650	+3.7
CANNED Potatoes	10,930	-3.4	14,767	-2.2
CRISPS	895,614	+7.7	134,945	+1.0
SAVOURY SNACKS	816,993	+8.0	115,928	+3.7
RECON. & CONV.	24,286	-1.3	11,858	-8.4

12 w/e 8 July 2012				
Produce Type	Value (£000s)	% Chg YOY	Volume (Tonnes)	% Chg YOY
TOTAL FRESH	275,798	-3.1	378,589	-1.0
Pre-packed	219,251	-1.7	344,260	n/c
Loose	56,548	-8.0	34,329	-10.1
Total Organic	3,509	-8.1	3,448	-11.8
TOTAL FROZEN	147,166	+12.2	111,913	+7.4
Frozen Chips	92,256	+5.1	77,778	+3.5
Frozen Potato Products	54,909	+26.4	34,135	+17.3
CHILLED Potatoes	42,558	+6.2	12,070	+3.0
CANNED Potatoes	2,571	-3.6	3,628	-2.0
CRISPS	218,363	+6.5	32,773	+2.3
SAVOURY SNACKS	189,046	+6.3	25,664	-0.1
RECON. & CONV.	5,268	--0.5	2,397	--12.9

FRESH

- The decline in both value and volume sales of fresh potatoes continues and is broadly in line with the previous results which saw value down by 5.9% and volume down by 1% YOY. In the latest quarter, the value sales decline has slowed to -3.1% from -6.4% seen in the previous results. Driving performance is a fall in average price per kg (-4.3% YOY for the 52-week period) to 65p and reduced purchase frequency. Promotions will have a degree of impact on average price, however, there has been little movement in terms of volume on promotion YOY with temporary price reduction (TPR) remaining the favoured mechanic (please see promotions update on page 2).

FROZEN

- In the latest 52 weeks, value sales continue to see double-digit growth with volumes also up tracking at a similar growth rate to the previous results. The quarter sees volume sales growth accelerate from 6.4% seen in last month's update to +7.4% currently. Both frozen chips and potato products see a positive performance in terms of value and volume sales once again. Price increases have driven value growth with a market penetration increase of 0.3% for frozen chips and 2.4% for frozen potato products driving volume growth. Frozen chips currently have a 78.4% market penetration with frozen potato products having 70.2%. Frozen potato products have also benefited from increased purchase frequency.

CHILLED POTATOES

- In the latest year, chilled potatoes sales benefited from a 2.4% increase in average price with volume growth driven by increased purchase frequency. In the latest quarter, sales continue to rise with an increase in market penetration supporting volume growth - the figure has increased by 4.4% YOY to 27.2% market penetration.

CRISPS & SAVOURY SNACKS

- Crisps continue to perform well in the latest 52-week period with the latest quarter seeing volume growth accelerate to +2.3% vs. the +0.4% seen in the previous period. The volume increase in the latest 12 weeks was driven by an uplift in purchase frequency and market penetration. Value growth is driven by a 6.6% increase in average price. Savoury snacks saw strong sales growth in the latest 52-week period, however, volume sales were negative in the latest quarter, down by 0.1% YOY. While crisps saw market penetration increase in the latest quarter, the opposite is true for savoury snacks along with a decline in the volume purchased per shopping trip.

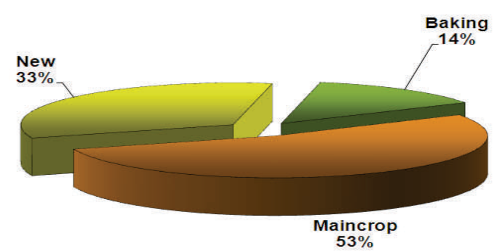
CANNED POTATOES + RECONSTITUTABLE AND CONVENIENCE

- Canned and Reconstitutable and Convenience potatoes saw both value and volume sales decline in the latest 52 and 12-week periods. The average price of canned potatoes has fallen as has market penetration for these products. For reconstitutable and convenience average price increases of +7.8% are proving too much for the shopper as market penetration, purchase frequency and volume purchased per shopping trip have all fallen.

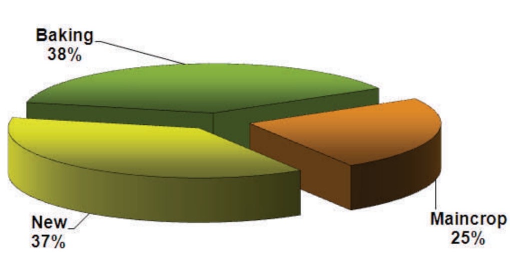
PRE-PACK VS. LOOSE (12-week data)

- Looking at pre-packed, new continue to gain share at the expense of maincrop. New loose share has increased to 37% of sales, gaining from both baking and maincrop.

Pre-packed Volume % by Type 12 w/e 08 Jul 12



Loose Volume % by Type 12 w/e 08 Jul 12



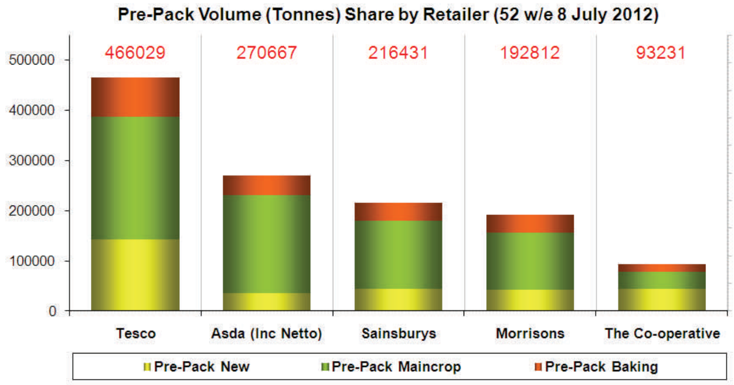
Pre-packed and Variety

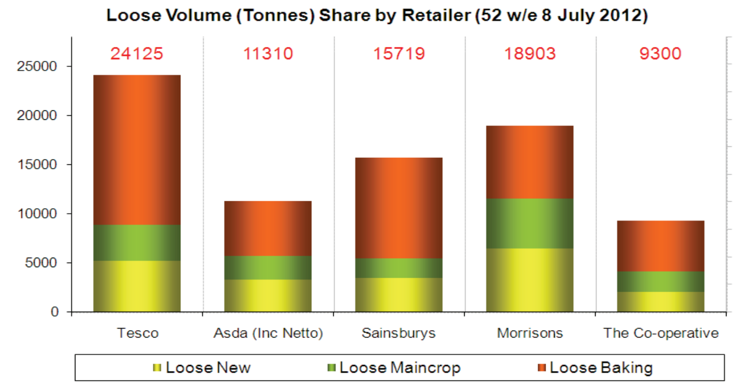
Pre-packed	Economy		King Edward		Maris Piper		Reds		Whites	
12 w/e 8 July 2012	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg	Actual	% Chg
Value (£000's)	8,061	-7.3	5,745	-1.1	21,103	-7.6	16,762	-15.8	160,061	-0.5
Volume (Tonnes)	23,314	+11.3	8,841	+6.0	29,087	-13.2	26,718	-31.0	241,636	+3.4

- Economy and King Edward continue to benefit from an increase in shopper numbers as the decline in average price is impacting value sales once more. Maris Piper continues to see sales down, driven predominantly by a reduced number of buyers. The average price of Maris Piper continues to increase in contrast to the falling average price for other varieties such as King Edward.
- Both whites and reds have seen value sales down in the latest quarter. The average price of whites is down YOY with volume sales benefiting from increased purchase frequency and volume purchased per shopping trip.

Data Source: KANTAR Worldpanel 52 & 12 w/e 8 July 2012

Retailer Performance - Fresh Potatoes





TESCO:

- In the latest 52-week period, Tesco saw volume sales of fresh potatoes fall by 2.1% YOY as value sales fell by 6.4%. Pre-packed volumes were down by 1.2% driven once again by new as pre-pack maincrop and baking saw sales increase YOY. Value sales of pre-packed fell by 4.4% YOY driven by both new and maincrop as baking saw increased value sales. The retailer currently holds a 29.9% volume share of the fresh potato category.

ASDA (inc. Netto):

- Volume sales of fresh potatoes in Asda have fallen by 4.4% YOY with value sales down by 5.2%. Pre-packed volumes declined by 3.8% as pre-packed value sales were down by 2.6% with performance driven by new, maincrop and baking. Asda currently holds a 17.2% volume share of the fresh potato category.

SAINSBURY'S:

- Sainsbury's volume sales of fresh potatoes have declined by 3% YOY with value sales down by 7.3%. The retailer currently has a 14.2% volume share of the category. Pre-packed volume sales declined by 1.7% YOY driven by new and baking as maincrop saw growth of 0.7%. Value sales of pre-packed were down by 4.3% driven by new, maincrop and baking.

MORRISONS:

- Morrisons has a 12.9% volume share of the fresh potato category overall and is the only top-5 retailer to see a pre-packed volume increase. Pre-packed volumes increased by 0.4% over the 52-week period driven by new and baking. Value sales of pre-packed declined by 1.5% YOY, driven by maincrop and baking as new saw a 4.5% sales increase YOY.

CO-OPERATIVE:

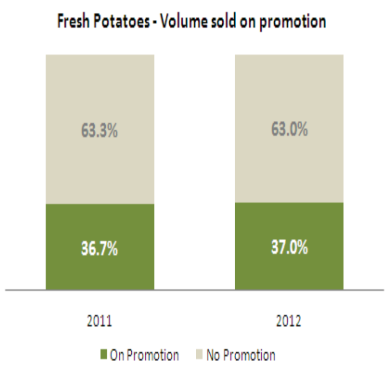
- The Co-operative saw a double-digit decline in sales of fresh potatoes with volumes down by 10.2% and value down by 12%. Pre-packed sales were down in terms of both value (-10.8%) and volume -(9.2%), driven by new, maincrop and baking. The retailer currently has a 6.3% share of the fresh potato category.

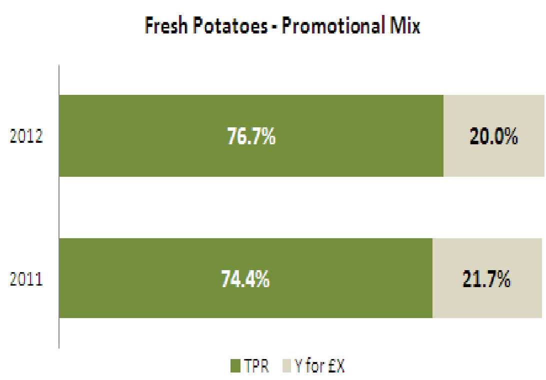
OTHER:

- Waitrose and Marks & Spencer have seen volume and value sales of fresh potatoes down YOY once more. Lidl, Aldi and Iceland continue to see sales growth.

52 w/e 8 July 2012	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)	47,960	-5.5	29,511	-9.2	29,887	+17.4	32,580	+16.4	11,821	+11.1	9,058	-11.4	65,980	-1.4
Volume (Tonnes)	47,910	-1.2	25,168	-10.2	64,290	+17.1	73,292	+26.1	28,744	+33.3	9,308	-0.8	69,633	+6.1

Promotions Update - Fresh Potatoes





- The first table looks at the volume of fresh potatoes sold on promotion in the 52-week period to 8 July 2012 compared to the same period in 2011. The next table looks at the promotional mix over the same period.
- In the latest year, 37% of volume sales of fresh potatoes were sold on promotion. This is a slight increase from the 36.7% level seen in the same period the previous year.
- In terms of the type of promotion being used, temporary price reduction (TPR) is the most favoured. Of the 37% of volume sold on promotion, almost 77% of these sales were via TPR. This has increased from 74.4% last year.
- The Y for £X mechanic is the next most utilised promotional mechanic in the fresh potato category accounting for 20% of volumes sold on promotion - this is down from 21.7% last year.

What's been in the News?

Uncle Ben's launches 'twice the fibre' rice
Food and Drink Network - 8 July 2012
Uncle Ben's is launching a new range of quick and easy-to-prepare Twice the Fibre rice, a way of getting extra fibre into meals. The blend of long grain rice and fibre grains means consumers get twice the fibre of long grain but the taste of white rice.

Wettest June on record causes big slump in supermarket sales
Food and Drink Network - 12 July 2012
The wettest UK June on record had "such an impact" on food retailing, that despite strong sales around the Jubilee, it was the worst early summer period for year-on-year sales growth since 2005, for the quarter ending 23 June, according to Nielsen. Nielsen senior manager for retailer services Mike Watkins, said: "The 'summer of events', including the Jubilee, the Euro 2012 football and the London 2012 build-up, couldn't prevent the poorest early summer period of sales growth since 2005. There was no sustainable uplift in food sales during June despite these events and promotional discount activity being maintained at 35% of FMCG sales. Although inflation is slowing – down to +3.5% in June on food – weakened consumer confidence continues to hold back spend. However, we have seen some good sales growth in the 'sharing' categories of beers, wines, spirits and crisps and snacks, with households entertaining at home – perhaps driven more by the Jubilee and Euros than by the weather."

99p Stores to extend food offering
Mintel - 20 July 2012
Single price point retailer 99p Stores is extending its food offer with the launch of a frozen food line as well as fresh fruit and vegtables, transforming it into a "one-stop shop" for groceries and bringing it into greater competition with the supermarkets.

Walkers to launch Deep Ridged crisps
Talkingretail.com - 16 July 2012
To build on the success of Walkers Crinkles, Walkers is to launch Walkers Deep Ridged crisps in mid-August 2012.