BPC Retail Report

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BRITISH POTATO COUNCIL

Potato Statistics

Highlights

Value growth is seen in all categories except frozen which is down 2.1% overall

In volume terms recon. and convenience potatoes again show good growth of 13.4% and crisps a more modest increase of 2.1%, while canned potatoes show a decrease of 4.2% year on year. Frozen potato products and chilled potatoes also show slight decreases of 1% and 1.1% respectively

POTATO PRODUCTS 52 wks to 16 July 2006	VALUE (£000s)	VALUE CHANGE % Yr on Yr	VOLUME (Tonnes)	VOLUME CHANGE % Yr on Yr	AVERAGE RETAIL PRICE (£ per kilo)
Frozen Chips	264,729	0.5	311,693	0.7	0.85
Frozen Potato Products	172,446	-5.7	134,813	-1.0	1.28
TOTAL FROZEN	**437,175**	**-2.1**	**446,506**	**0.2**	**0.98**
Recon. & Conven. Potato	27,127	4.3	12,492	13.4	2.17
Chilled Potatoes	16,372	5.6	5,910	-1.1	2.77
Canned Potatoes	14,520	1.0	25,139	-4.2	0.58
Crisps	565,027	2.6	117,799	2.1	4.80

Highlights

Total fresh potatoes are up 2.1% by volume but down marginally 0.5% by value

In terms of value growth organic potatoes continue to show the largest increase of 11.2% year on year, with pre-packed baking at 7.9% growth and pre-packed new at 7%. The total loose category shows a 9% decrease

Organic potatoes also continue to show good volume growth of 12.2%, but this is beaten by pre-packed baking at 14.8%, third are pre-packed new at 7.4%. The pre-packed sector overall shows volume growth of 4.2%. Total loose is down by 10%

POTATOES by PACK TYPE 52 wks to 16 July 2006	VALUE (£000s)	VALUE CHANGE % Yr on Yr	VOLUME (Tonnes)	VOLUME CHANGE % Yr on Yr	AVERAGE RETAIL PRICE (£ per kilo)
Pre-packed New	218,303	7.0	305,229	7.4	0.72
Pre-packed Maincrop	345,326	-2.6	915,740	1.6	0.38
Pre-packed Baking	96,189	7.9	156,659	14.8	0.61
TOTAL PREPACKED	659,819	1.9	1,377,628	4.2	0.48
Loose New	68,396	-11.8	95,874	-11.5	0.71
Loose Maincrop	23,724	-1.4	40,139	-5.0	0.59
Loose Baking	72,351	-8.7	75,708	-10.8	0.96
TOTAL LOOSE	164,472	-9.0	211,721	-10.0	0.78
Organic	23,545	11.2	29,089	12.2	0.81
Conventional	800,745	-0.8	1,560,260	1.9	0.51
TOTAL FRESH (Retail)	**824,290**	**-0.5**	**1,589,348**	**2.1**	**0.52**

DATA SOURCE—TNS

All potatoes—GB & Imports

Retail Detail

RETAILER SHARE OF FRESH POTATO MARKET 52wks to 16 July 2006	VALUE %			VOLUME %		
	Total Potatoes	Prepack Potatoes	Loose Potatoes	Total Potatoes	Prepack Potatoes	Loose Potatoes
Tesco	27.8	29.1	22.7	29.7	31.0	21.5
Sainsbury	16.6	17.0	15.1	14.0	14.0	13.9
Morrisons	12.0	12.5	9.9	12.2	12.5	10.0
Asda	13.2	13.9	10.4	15.0	15.7	10.3
Somerfield	4.8	4.6	5.5	4.2	4.2	4.4
Co-Op Grocers	4.4	4.6	3.5	4.4	4.6	3.0
Marks & Spencer	3.9	4.2	3.0	1.6	1.6	1.7
Waitrose	3.9	3.5	5.5	2.7	2.4	4.2
Aldi	1.9	2.3	0.1	2.4	2.7	0.1
Lidl	1.6	1.9	0.1	2.4	2.8	0.1
All others	9.9	6.4	24.2	11.4	8.5	30.8
TOTAL MARKET	100.00	100.00	100.00	100.00	100.00	100.00

DATA SOURCE—TNS

Retail News

'community owned village shops to double'

More English shops

Local shops charity ViRSA are promoting the growth of independent retailers with a scheme designed to double the number of community owned stores in England. Its Community-Owned Retail Enterprise project promises £2m of funding to take the number of community-owned shops in villages in England from 160 to 320 within five years.

The Esmée Fairbairn Foundation, an independent grant making body, has agreed to provide some funding, with Co-Operative and Community Finance offering to loan more and the rest raised by local communities. Start up packages from ViRSA for each enterprise will consist of a £20,000 grant, plus further cash from locals and other groups. Villages with over 200 inhabitants will be eligible.

Wal-Mart pulls out of Germany

'£360m loss forces German exit'

Swift on the heels of its withdrawal from South Korea, mega retailer Wal-Mart has now withdrawn from Germany, selling its stores to rival Metro having posted net losses of £360m for the year to April. So what now for Wal-Mart's international ambitions, particularly in the UK?

Expert opinion seems to be that the company didn't do its market entry research well enough in Germany and that there was never the possibility to become the number one retailer. It never found the number of stores it needed or a niche beyond price.

Questions will now be asked of its plans for the Americas and Australasia, as well as Central and Eastern European markets. In Australia it will need to pull out all the stops if it is to take on market leader Woolworths. But what does this mean for Asda in the UK? Are Wal-mart looking to sell? Analysts think it highly unlikely that they will exit the UK. One analyst said, 'At the right price you may find a deal but it would be a surprise if it was looking to get out of the UK.' Mike Duffof US trade magazine DSN Retailing Today said, 'Getting out of Britain would be very expensive. Asda's scale is significantly larger than in Germany and it seems likely, given Wal-Marts typical behaviour, that it will fight it out in Britain over the long term.'

Successful BPC summer campaign

With the summer marketing campaign now over, the series of consumer activities and events over the last few months have proven a tremendous success. Some of the results are shown below:-

- The summer roadshows reached thousands of people with the low fat, low calories, quick cooking messages. 5,000 reci-tips sheets, 3,000 magnetic notepads, 1,500 potato storage bags plus thousands of stickers were handed out
- More than 3 million listeners heard our 'healthy potato' message on the radio
- The website activity achieved over 1200 hits
- There was national media coverage on TV, local radio and national, local and trade press

Organic sector expands

There has been a significant increase in popularity of organic food and drink according to a recent Soil Association report.

UK consumers spent £1.6bn on organic food and drink last year, a rise of 30% on 2004. This is much faster than the global rate of 7.7% and well ahead of the 3% overall rise in food and drink sales. This has grown considerably – in 2004 organic grew by only 10%. It is not just the same consumers who are buying either, the evidence shows that more people are buying into the organic diet. Three years ago, half of all consumers said they had bought organic food or drink; in 2005 this had risen to two thirds.

The profile of the typical organic consumer has broadened beyond upmarket urbanites. The report found that more than half of consumers in the C2, D and E socio-economic groups had bought organic.

Although the sector still represents only a small proportion of the total food market (1.3%), 2005's growth could represent a tipping point. The 'Jamie Oliver' effect, educating people about what goes into food has been very influential, while PR has also boosted awareness. A Dutch study on health benefits of organic milk received high levels of publicity, and a Channel 4 documentary on dairy farming practices, shown a year ago, prompted a 91% leap in sales of organic milk in the three months to November.

All this spells good news for retailers who have been expanding their ranges. Sainsbury's relaunched its So Organic range for Organic Week last September, adding another 100 lines to its established 500. Tesco has also been busy, moving its organic products out of a dedicated section and into individual aisles so consumers can more easily compare non-organic and organic alternatives, reflecting the Soil Association's findings that consumers prefer to shop this way. Waitrose punches well above its weight in organic sales. Although it only has a 3.7% share of the total retail market, it sells 18.3% of all organic food bought from supermarkets. This still places it some way behind Sainsbury and Tesco, however, who have 27.7% and 31.1% respectively.

The multiples might not have it all their own way though. The Soil Association's report shows that while 76% of organic products were bought from supermarkets in 2005, their share of the market increased by only 1%. Sales through the independent sector including box schemes (22%) and farm shops (32%) showed larger growth, with 50% of consumers preferring to buy organic food from small local suppliers.

Riverford Farm, which delivers boxes of organic food across Southern England, has experienced a 70% sales surge in the past year to reach a turnover of £30m.

No doubt influenced by this type of growth, Tesco and Sainsbury have announced recently their intentions to trial their own online organic box schemes, delivering fresh produce direct to consumers.

There is some evidence that the 'food miles' issue is now more front-of-mind for consumers than the organic message. Faced with the choice of a locally grown non-organic product or an imported organic product, 84% of people in the Soil Association's survey opted for the former. Supermarkets have responded by increasing their stock of locally grown organic food by 13%, which could well be the key to future success.

Potatoes are third

A new survey commissioned by Sainsbury's shows that potatoes come third in the list of items that people buy weekly.

The study of 6,500 people by research company YouGov assessed what consumers are putting in their baskets at all major supermarkets. It reveals that Britons are choosing fresh fruit and yoghurt over traditional English puddings in their weekly shop. Thirteen (32%) of the average 42 items bought each week were fruit and vegetables. Traditional puddings failed to appear in the top 100 products.

Of the top ten items, seven were fruit and vegetables including potatoes at number three. Milk, which took the top spot, along with eggs and cheese also made it into the top ten list.

Crisps, biscuits and sweets made up 5% of the weekly basket, while store cupboard staples made up 20%, revealed the retailer.

Sainsbury nutritionalist Beth Flowers said, 'It's encouraging to see the nation enjoying a more balanced diet, with fresh, tasty food holding a significant share of the average shopping basket. Bringing the fun and ideas back into food is the key for a healthy nation.'

TOP TEN ITEMS

1	Milk	74%
2	Bananas	68%
3	Potatoes	65%
4	Tomatoes	64%
5	Apples	63%
6	Eggs	61%
7	Onions	61%
8	Green Vegetables	60%
9	Cheddar cheese	58%
10	Lettuce	55%

YouGov
Percentage of people that buy each week

Market briefing – Chilled ready meals

'occasional stop-gap or an essential way of feeding the household'

Where once ready meals were all about convenience, now they are seen an essential for those unwilling or unable to cook from scratch, as well as an option for shoppers seeking a specific dish. This has resulted in two thirds of British consumers buying chilled ready meals, according to TGI.

The nation's changing cooking habits have ensured impressive sector growth. Sales rose 33% between 2001 and 2004 to reach £1.4bn according to Mintel figures. While still growing, the rate of increase has slowed over the past two years, rising by about 6% and sales are expected to reach £1.45bn by the end of this year.

One of the few lifestyle trends working against the sector are high-profile campaigns promoting healthier eating. Ready meals are often derided by health experts on the grounds of their processed nature and high salt, fat and sugar content. Campaigners are encouraging people to cook from scratch with fresh, less processed ingredients, and this focus is likely to have a negative effect on this sector. It may also account for the recent easing off in growth rates.

This sector is heavily controlled by the big retailers – branded chilled ready meals are more of a rarity – and virtually all promotional activity takes place in store. Not surprisingly, Tesco leads the way with a number of sub-brands in this sector. Sainsbury's also has a similar array of sub brands, including 20 meals under its premium Taste the Difference label. However it's Marks and Spencer who pioneered own brand chilled ready meals and still holds a very strong reputation for quality meals.

Within the sector, some categories including international dishes and more upmarket options, have performed well.

Traditional British meals take the biggest share, although this sub-sector has also seen the development of premium and healthier options, and several retailers have introduced 'gastro-pub' ranges of higher quality, contemporary meals. The rest of the market is dominated

Chilled Ready Meals – sales and market share

	£m	%	04/05 % change
Traditional British	271.0	19.1	8.0
Indian	207.2	14.6	-1.9
Italian	195.8	13.8	3.5
Premium	188.7	13.3	27.5
Healthy	184.5	13.0	-1.8
Oriental	149.0	10.5	-7.9
Tex-Mex	103.6	7.3	3.5
Value	31.2	2.2	-33.0
Vegetarian	18.4	1.3	3.5
Kids	15.6	1.1	-12.4
Healthily balanced	12.8	0.9	55.3
Others	41.2	2.9	30.5
TOTAL	1419	100	3.5

Source - Mintel

by international cuisines, Indian meals taking the largest share. Premium products have seen considerable development and growth at the expense of the value lines.

Shoppers under 25 years of age are most likely to purchase chilled ready meals. However the high divorce rate means a key emerging group of buyers are the over 45's. The growing demographic of men under 65 living alone are also crucial purchasers of these meals. Mintel predicts that the market will grow by 37% over the next five years to reach a value of £2bn in 2011with health being the key driver over convenience.

It must be true, it's in the media

Spotted on BBC News:-

French fries are back on the menu in the House of Representatives, three years after the name was ditched in favour of 'freedom fries.' House Republicans renamed fries and French toast in 203 to protest at France's opposition to the war on Iraq. The patriotic name change hit the headlines at the time but the change back is getting much less coverage. A spokeswoman for the French embassy said, 'Our relations are much more important than potatoes. French fries are back on the menu in the Capitol, back on the presidential dinner menu and our relations are back on track.'

Spotted in The Times:-

How to cook perfect boiled potatoes according to Jill Dupleix, the Times cook:- Stick a thin bamboo skewer into one potato and lift it out. If it slips off, it's cooked.

Spotted in Food and Drink Industry News:-

Healthy eating will be the main driver of innovation in the food and beverages industry in the 21st century, according to experts at an international industry convention. The convention in Heidleberg titled 'The Future is Healthy – Creating Value through Innovation', suggests that manufacturers of food products should use this trend as a backdrop for their research and development.

Also spotted in Food and Drink Industry News:-

Tesco has unveiled a new square-shaped watermelon which it says is easier to store and easier to eat. The new watermelons, imported from Brazil, will be available in store from October. *How about a square potato – easier for chips!*

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