



# BPC Retail Report

Issue 37

September 2006



## Potato Statistics

### Highlights

Value growth is seen in all categories except frozen which is down 2.5% overall

In volume terms recon. and convenience potatoes again show good growth of 14.4% and crisps a more modest increase of 1%, while canned potatoes show a decrease of 4.1% year on year. The Total Frozen category and chilled potatoes also show decreases of 1.1% and 0.6% respectively

<b>POTATO PRODUCTS</b> 52 wks to 13 Aug 2006	<b>VALUE</b> (£000s)	<b>VALUE CHANGE</b> % Yr on Yr	<b>VOLUME</b> (Tonnes)	<b>VOLUME CHANGE</b> % Yr on Yr	<b>AVERAGE RETAIL PRICE</b> (£ per kilo)
<b>Frozen Chips</b>	264,216	0.2	309,099	-0.6	0.85
<b>Frozen Potato Products</b>	170,910	-6.4	133,307	-2.4	1.28
<b>TOTAL FROZEN</b>	<b>435,125</b>	<b>-2.5</b>	<b>442,406</b>	<b>-1.1</b>	<b>0.98</b>
<b>Recon. &amp; Conven. Potato</b>	27,094	4.9	12,563	14.4	2.16
<b>Chilled Potatoes</b>	16,528	7.1	5,882	-0.6	2.81
<b>Canned Potatoes</b>	14,473	0.1	25,054	-4.1	0.58
<b>Crisps</b>	563,565	1.9	116,971	1.0	4.82

### Highlights

Total fresh potatoes show growth of 0.2% by volume and 0.9% by value

In terms of value growth, organic potatoes continue to show the largest increase of 9.9% year on year, with pre-packed baking at 8.1% growth and pre-packed new at 8.7%. The total loose category shows an 8.9% decrease

Organic potatoes also continue to show good volume growth of 11.3%, but this is beaten by pre-packed baking at 14.4%, third are pre-packed new at 7.4%. The pre-packed sector overall shows volume growth of 2.8%. Total loose is down by 10.3%

<b>POTATOES by PACK TYPE</b> 52 wks to 13 Aug 2006	<b>VALUE</b> (£000s)	<b>VALUE CHANGE</b> % Yr on Yr	<b>VOLUME</b> (Tonnes)	<b>VOLUME CHANGE</b> % Yr on Yr	<b>AVERAGE RETAIL PRICE</b> (£ per kilo)
<b>Pre-packed New</b>	222,199	8.7	307,644	7.4	0.72
<b>Pre-packed Maincrop</b>	345,228	-2.2	906,802	-0.4	0.38
<b>Pre-packed Baking</b>	96,618	8.1	157,378	14.4	0.61
<b>TOTAL PREPACKED</b>	<b>664,044</b>	<b>2.7</b>	<b>1,371,823</b>	<b>2.8</b>	<b>0.48</b>
<b>Loose New</b>	67,945	-11.9	93,944	-12.1	0.72
<b>Loose Maincrop</b>	23,479	-3.5	39,969	-6.1	0.59
<b>Loose Baking</b>	72,322	-7.6	75,358	-10.1	0.96
<b>TOTAL LOOSE</b>	<b>163,746</b>	<b>-8.9</b>	<b>209,271</b>	<b>-10.3</b>	<b>0.78</b>
<b>Organic</b>	23,578	9.9	29,232	11.3	0.81
<b>Conventional</b>	804,213	-0.1	1,551,862	0.7	0.52
<b>TOTAL FRESH (Retail)</b>	<b>827,791</b>	<b>0.2</b>	<b>1,581,095</b>	<b>0.9</b>	<b>0.52</b>

DATA SOURCE—TNS

All potatoes—GB & Imports

## Retail Detail



RETAILER SHARE OF FRESH POTATO MARKET 52wks to 13 Aug 2006	VALUE %			VOLUME %		
	Total Potatoes	Prepack Potatoes	Loose Potatoes	Total Potatoes	Prepack Potatoes	Loose Potatoes
Tesco	27.9	28.0	27.4	29.9	29.9	29.7
Sainsbury	16.6	16.5	17.0	14.0	13.9	14.4
Morrisons	12.1	12.3	11.3	12.2	12.4	11.5
Asda	13.2	13.2	13.1	14.9	15.0	14.8
Somerfield	4.8	4.8	4.8	4.2	4.2	4.2
Co-Op Grocers	4.4	4.4	4.3	4.4	4.4	4.3
Marks & Spencer	3.9	3.8	4.2	1.6	1.5	1.8
Waitrose	4.0	3.9	4.2	2.7	2.7	2.8
Aldi	1.9	1.9	1.8	2.4	2.4	2.2
Lidl	1.5	1.5	1.6	2.3	2.3	2.6
All others	9.7	9.7	10.3	11.4	11.3	11.7
<b>TOTAL MARKET</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

DATA SOURCE—TNS

## Retail News

*‘£500m online sales by 2008’*

### Sainsbury’s have high hopes for online sales

As part of its turnaround strategy of ‘making Sainsbury’s great again’, Sainsbury’s aims to double its online sales to £500m by 2008. The increased sales from its current online turnover of £200m will make up a significant proportion of the £2.5bn it has targeted to add to its overall business by march 2008.

The company will focus more on marketing activity particularly in the area of customer retention, with the aim of increasing the frequency of shop and size of basket for low volume shoppers. In addition it is adding 200,000 homes to its online catchment areas, giving it 80% coverage across the UK by the end of the year.

*‘edible packaging could be the norm one day’*

### Eco-friendly packaging

Sainsbury’s is to sell more than 500 of its own brand products in compostable packs instead of plastic as it seeks to cut packaging waste. It says the scheme, already trialled on some of its organic range, will save 3,556 tonnes of plastic a year. Almost half its organic fruit and vegetables will be in the new packaging this week, and 80% by January. Ready meals will also come in compostable packaging by January next year. Sainsbury’s also point out that it creates an opportunity for customers to dispose of their own waste at home. Talking of which, a recent research report says that edible packaging could be the norm one day, with consumers becoming ever more concerned by where their discarded packaging ends up. Javier Osés Fernandez, a PhD student at the Public University of Navarre, researched edible coatings based on milk serum products, starch and mesquite gum and concluded that whey protein isolate (WPI) could be the packaging of the future. Transparent films that encase a food item and block out humidity and oxygen are currently being developed which could also be engineered to contain additives and preservatives to improve the appearance of foods and prolong their shelf life.

### The inexorable expansion of Tesco

Tesco is launching a new home shopping service for a range of 8,000 non-food items including sofas, bikes, golf clubs and cameras. It aims to rival catalogue firms such as Argos.

## Three perspectives on healthy food

### Perspective One - What is healthy?

A paper presented by the Henley Centre at the Efficient Consumer Response (ECR) Conference in Stockholm recently looked at consumer attitudes to health and wellness across four European countries – France, Germany, Italy and the UK. One of the highlighted issues was the significant differences in attitudes to health and wellness between the countries, and the best routes to achieve them. For example, when purchasing food, weight management is the overriding health concern, but when asked about their main dietary concerns, consumers in the UK focused on saturated fat, sugar and salt; in France on hydrogenated fats; while in Italy, artificial additives were uppermost in consumers' minds.

The research indicates that consumers will continue to be responsive to, but confused about, health and wellness messages. Consumers are modal, and exist in a state of 'half knowing' around many health issues. Understanding

of what 'healthy' is, not only varies widely, but also evolves rapidly. A message which is powerful one year may meet with 'wellbeing fatigue' twelve months later. This is a fickle and fashionable market and people's concerns will move with the media.

The research says there is also a shift toward 'positive eating', exemplified by diets like the 'superfoods' diet. These raise food beyond a limited spectrum of fuel or indulgence and frame it as a complex means of health optimisation and disease prevention. The demands on food, the research suggests, will become not only functional, but increasingly multifunctional.

When asked which of a variety of dietary factors, such as organic or low fat food, has the most positive impact on health, 'fresh produce' had the highest score by far.

### Perspective Two – Health drives home cooking

Consumers are abandoning ready meals and cooking from scratch instead, according to a new report from the Meat and Livestock Commission, based on TNS data.

The research indicates that average meal preparation times are increasing with a rapid growth in the number of young adults enjoying cooking.

In 2005 the average time spent cooking an evening meal was 36.1 minutes, up from 33 minutes in 2002 and marking the end of a decline over the past two decades. Meanwhile the number of housewives aged 17 to 24 stating that they enjoy cooking was up an astonishing 77% in twelve months, with all housewives enjoying time in the kitchen up 9%.

The report also says that the family 'occasion' has grown in popularity with the proportion of meals eaten at the table up to 36.6% in 2005 from 32.9% the year before contradicting recent claims that the dining table is becoming obsolete. The proportion of meals eaten in front of the television fell from 46% in 2004 to 41.5% in 2005.

The report says the change in consumer attitudes is the result of an increased interest in healthy eating, possibly led by television programmes such as those by Jamie Oliver and Anthony Worrall Thompson. Health as a key meal choice driver is growing in importance as the significance of convenience declines with one million more adults every year saying that they try to eat healthy foods.

The move to healthier cooking is also witnessed by Sainsbury's who are seeing a large increase in the sale of organic food. More than one in three people will be buying at least one item of organic food in the coming month, it estimates, and not just the wealthier households. Almost one in three (31%) lower income households also purchase some organic food.



### Perspective Three – Behaviour defeats healthy intention

While you might have thought from the articles above that the tide was turning in favour of healthy food, according to a recent article in the Guardian newspaper, in the fast food outlets in the US at least, there seems to be a backlash taking place. In the wake of the documentary – 'Super Size Me', it looked as if the fast food operators were embracing healthy eating, with salads appearing on every menu. However, the big chains in the US are now pushing 'indulgent offerings' – even larger burgers with even more calories.

Burger King's 'Stacker Quad' comprises four beef patties, four slices of cheese and four strips of bacon in a bun with no lettuce, tomato or onion. Burger King are not alone. Denny's are offering the 'extreme grand slam breakfast' and Hardee's the 'monster thick burger', two thirds of a pound slices of Angus beef, eight bacon strips and three cheese slices in a buttered bun which will account for seventy per cent of the recommended daily calorific intake in a single meal.



So what has changed the fast food chain's strategy away from the healthy one they were all adopting a year or two ago?

In an astonishingly honest interview with the New York Times, a spokesperson for Wendy's burger chain said, 'We listened to consumers who said they wanted to eat fresh fruit, but apparently they lied.' It seems that just because people say they want to eat more healthily, it doesn't mean they really do! A spokesperson for Burger King said, 'Healthy eating is more a state of intention than it is of action. There is a very small percentage who line up their behaviour with their intentions.'

It seems, in the US at least, the anti fast food backlash has created its own backlash.

Interestingly, McDonald's in the US, who took the brunt of the anti fast food attack, have opted out of 'indulgent offerings' preferring to stay with its new positioning as a family restaurant, offering something for everyone.

## Carb Watch – Rice

**'pouch sales have grown 25% year on year'**

New data from TNS shows the ambient rice market is in growth, with sales up by 8.2% compared with 2005. However, the proportion of the British public buying rice remains constant at

79%, equating to 19.2 million British households. The fact that growth remains strong, while customer involvement is static, points towards a shift in the way rice is bought. Rice shoppers are spending more on rice each year and to a lesser extent, shopping more often. Annual spend on rice per household has risen from £8.73 to £9.43.

This increased spend results from buying into more expensive, convenience driven alternatives, rather than price increases on existing products. This is within a market historically associated with packs of loose rice, viewed by some as both tricky and time consuming to cook properly. The pouch market has emerged as a powerful antidote with consumers prepared to spend more on their rice given the ease and speed of cooking enabled by the pouch format.

Pouch sales have shown phenomenal growth of 25% year on year, helped by a proliferation of multibuy promotions.

Tesco holds the highest share of the rice market (27%). However, if you compare share of the rice market to

share of the ambient grocery market, Asda, Waitrose and Sainsbury's overtrade in rice.

### Ambient Rice – 52 w/e 21 May 2006

	£k	Share%	05/06 % change
Pouch	61,191	33.6	25.0
Dry basmati	41,123	22.6	8.7
Dry long grain	37,748	20.7	-4.5
Savoury	20,855	11.4	-10.9
Dry other	13,337	7.3	11.8
Dry wholegrain	8,002	4.4	5.6
TOTAL	182,256	100	8.2

Source - TNS

Cooking rice should be a simple affair, yet many consumers have still not managed to master it, so microwaveable versions are a bonus as they provide consistent, fail safe results. For Sainsbury's the pouch sector is a rising star and they now dedicate as much as 50% of its rice shelves to microwave pouches as they have far exceeded the chain's expectations. Uncle Ben's expects the microwaveable rice sector to be equal to the dried rice sector by the end of 2007.

## It must be true, it's in the media



### Spotted in the Observer:-

First came the 'guerrilla store' where fashion houses would set up shop in warehouses or disused buildings and trade for a few days only to an audience restricted to those hip enough to hear about the openings by word of mouth. Now there are 'guerrilla restaurants' popping up in the US and in Europe, with the first London venue due to open in Brick Lane for Christmas, called 'Reindeer'.

Supposedly originating from the paladares of Cuba, these 'pop up' restaurants tend to be located off the beaten track with top chefs for a limited lifetime only. For those drawn to restaurants with long waiting lists and secret telephone numbers this is the next step – a restaurant so exclusive there is no advertising, is hard to find and unless you are in the loop will be gone by the time you hear about it. The Observer calls the concept the foodies equivalent of the eighties rave.

### Spotted in Potato Reporter:-

This season growers in France are expected to bring in the least potatoes since 1998 – the last time France produced less than 6 million tonnes. The crop is expected to be as much as 35% down on last year when 6.6 million tonnes were produced. Production in 2004 was more than 7 million tonnes.

### Spotted in Independent Retailer:-

Soleco, owner of Florette, the UK's top selling salad brand has teamed up with television show 'You are what you eat' to launch a new snack range comprising snack salad mixes with healthy ingredients

### Spotted in Just Food:-

In spite of its reputation for traditional home cooking, France appears to be taking to the ready meal concept, with sales of chilled processed foods on the rise, according to a Euromonitor report. The image some may hold of French homes as centres of domestic gastronomic excellence, where traditional ingredients are home cooked in styles handed down through generations; may be somewhat over romanticised. The data shows that the chilled processed food market in France is showing dynamic growth, and is forecast to rise by 5% in 2006 to €8.6bn. Within this category, ready meals and prepared salads are growing fast.

### Spotted on 'itsaspudslife':-

Why didn't the mother potato want her daughter to marry the famous television newscaster? Because he was a commontater!

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