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Retail Report

Issue 73 September 2009

POTATO COUNCIL

Potato Statistics

Highlights

Overall, total frozen value shows a year on year increase of 6.3% and an increase of 1.9% by volume

In value terms, all categories show an increase except canned potatoes – down 12%. The largest increase is seen with chilled potatoes up 29.6% followed by crisps up 14.2%

In volume terms, chilled potatoes show the largest increase, up 49.2%, while canned potatoes are down 11.9%

POTATO PRODUCTS 52 wks to 12 July 2009	VALUE (£000s)	VALUE CHANGE % Yr on Yr	VOLUME (Tonnes)	VOLUME CHANGE % Yr on Yr	AVERAGE RETAIL PRICE (£ per kilo)
Frozen Chips	337,521	7.5	325,387	2.4	1.04
Frozen Potato Products	199,037	4.4	137,993	0.6	1.44
TOTAL FROZEN	536,558	6.3	463,380	1.9	1.16
Recon. & Conven. Potato	30,528	-0.7	14,794	-6.4	2.06
Chilled Potatoes	33,206	29.6	12,354	49.2	2.69
Canned Potatoes	12,023	-12.0	18,255	-11.9	0.66
Crisps	745,846	14.2	126,263	1.4	5.91

Highlights

Total fresh potatoes show growth of 2.8% by value and 2.1% by volume. Within this, total pre-packed shows a value increase of 5.2% and a volume increase of 4.8%, while total loose shows a value decrease of 8% and a volume decrease of 20.8%

In terms of value growth, the largest increase is shown by pre-packed baking at 6.2% with organic showing the largest decrease of 19.5%

Pre-packed new is the category showing the highest volume growth of 10.9%, followed by pre-packed baking with 7.7%. Loose new and loose baking show the highest rate of decrease – 30.1% and 18.8% respectively

POTATOES by PACK TYPE 52 wks to 12 July 2009	VALUE (£000s)	VALUE CHANGE % Yr on Yr	VOLUME (Tonnes)	VOLUME CHANGE % Yr on Yr	AVERAGE RETAIL PRICE (£ per kilo)
Pre-packed New	282,652	6.1	391,503	10.9	0.72
Pre-packed Maincrop	524,139	4.6	1,033,520	2.3	0.50
Pre-packed Baking	82,033	6.2	119,208	7.7	0.68
TOTAL PREPACKED	889,208	5.2	1,545,185	4.8	0.57
Loose New	64,445	-3.6	47,036	-30.1	1.37
Loose Maincrop	21,310	-4.2	25,723	-2.1	0.82
Loose Baking	76,858	-12.4	57,202	-18.8	1.34
TOTAL LOOSE	162,613	-8.0	129,961	-20.8	1.25
Organic	23,318	-19.5	28,613	-15.8	0.81
Conventional	1,028,499	3.6	1,646,510	2.6	0.62
TOTAL FRESH (Retail)	1,056,564	2.8	1,681,013	2.1	0.63

DATA SOURCE—TNS All potatoes—GB & Imports

Retail Detail

RETAILER SHARE OF FRESH POTATO MARKET 52wks to 12 July 2009 % change year on year	VALUE %				VOLUME %			
	Total Potatoes		Prepack Potatoes	Loose Potatoes	Total Potatoes		Prepack Potatoes	Loose Potatoes
Tesco	28.4	4.8	30.0	20.9	29.4	-0.9	30.5	18.4
Sainsbury	15.7	1.1	16.0	14.1	14.2	2.1	14.4	12.9
Morrisons	12.0	0.8	11.8	13.3	11.9	-2.1	11.8	12.5
Asda	14.6	9.2	15.0	9.9	17.3	8.4	17.7	9.2
Somerfield	3.8	-10.7	3.7	4.9	3.2	-14.3	3.2	3.8
Co-Op Grocers	5.4	1.4	5.5	5.1	5.0	1.2	5.0	4.2
Marks & Spencer	2.9	-13.0	3.0	2.1	1.5	0.8	1.5	1.5
Waitrose	3.7	-3.3	3.2	6.9	2.4	-5.7	2.1	5.6
Aldi	3.2	28.9	3.8	0.1	5.2	44.2	5.6	0.1
Lidl	1.8	7.8	1.9	1.1	2.4	8.4	2.6	1.2
All others	8.5		6.1	21.6	7.5		5.6	30.6
TOTAL MARKET	100.00		100.00	100.00	100.00		100.00	100.00

DATA SOURCE—TNS

Retail News

Waitrose to focus on premium range following budget success

'people are treating themselves'

Waitrose is to introduce new premium products over the next year as it aims to maintain the growth it has achieved since introducing its budget range Essential Waitrose. "Essential Waitrose has played a role at the bottom end, but most of our growth is coming at the top end. People are treating themselves I guess" said commercial director Richard Hodgson. He went on to say that demand for premium products from people dining in instead of going to restaurants was a strong trend, which is why the next phase of Waitrose's development is more luxury ranges.

The retailer is also looking at scaling up its motorway services branches, these having exceeded expectations.

Sandwich revival signals the recession is over?

An article in the Grocer magazine reports that bread makers have hailed an increase in sandwich sales as an early sign of economic recovery as Hovis was revealed as the UK's fastest growing bread brand.

Although value sales of wrapped bread have jumped 7% to £1.9bn in the past year, volumes have dipped 1.2% [Nielsen, MAT 52w/e 11 July 2009], with commodity price hikes inflating sales value. However, sales of packed sandwiches have returned to pre-recession levels. Volumes have risen 4.6% and value 0.3% in the past 12 weeks [Nielsen 8 August 2009].

'a barometer for wider economic recovery'

Suppliers attributed the revival to a greater emphasis on cheaper options and recession "fatigue".

"The sales recovery centres around value sandwiches," said a spokesman for Greencore, the UK's biggest sandwich packer. Hovis boss Jon Goldstone, who declared the performance a "barometer for wider economic recovery", added: "We are seeing some recessional fatigue among consumers. There is only so long people can be bothered to avoid M&S for their lunch and old habits are creeping back. The challenge for wrapped bread is to maintain growth during economic recovery."

Kingsmill chief executive Mark Fairweather agreed that as Britain moved out of recession "there will be a move back to a more varied, indulgent diet" but said he expected the trend towards "reduced wastefulness" to continue.

RECESSION FOCUS – The changing mindset of the shopper

Last month we looked at the effect of the recession on the retail market for potatoes and their carbohydrate competitors. This month we take a closer look at how the recession is changing the psychology of consumers across the country, specifically relating to their grocery purchases.

Research carried out recently for AHDB/BPEX shows that the recession has impacted on different groups in different ways. Single households, for example, are little affected. With relatively few financial commitments and used to shopping on a fixed or limited budget, single people are buying much the same as usual. If anything, retailer promotions are making shopping more affordable.

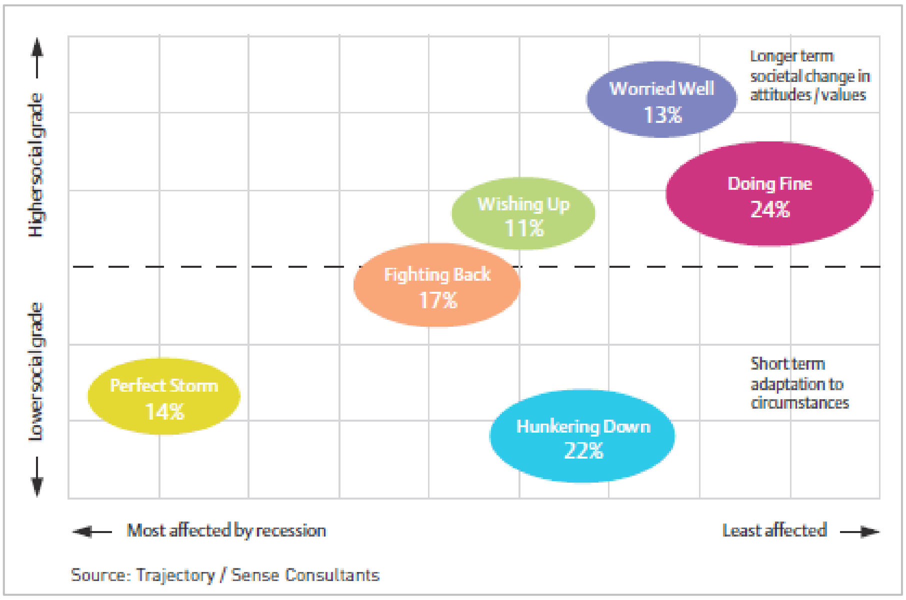
Post family adults are much the same. Many live on a limited or fixed income and recognise the need to be thrifty: they buy only what they need and do not stockpile.

ABC1 families have become more selective in how, where and for what they shop as they combat the increase in the weekly shopping bill. Though they want to maintain volume, quality and value, they are cutting out luxuries, chasing promotions, cross-shopping retailers and using discounters to get best value.

Shopping has changed most for those who have been made redundant, unsurprisingly, but also among C2DE families as a result of the recession. These shoppers are taking longer to complete their shop as they consider the value and price of products more carefully. They are shopping less frequently and sticking to items on their shopping lists as a way of buying only what they need for the week. As well as cutting back or cutting out, they are opting for different products: they look for price reductions, short sell-by dates and alternatives which go further.

The research leaves little doubt that consumers have become much shrewder in their evaluation of promotions and are much more discerning in taking up promotional offers, matching them specifically to their usage needs, for example C2DE consumers who might be on a tighter budget will look for savings off a single item purchase. Many will not accept the lure of a potential saving unless it applies to a product they really want to buy in the first place.

Research from Trajectory suggested consumers can be clustered into six groups according to their behaviour during the recession.



<u>'Doing Fine'</u>
This group is unaffected economically and feels that the chickens are coming home to roost for the rest of society.

<u>'Worried Well'</u>
High earners who have wobbled a little, are fearful of greater impact and so are holding back.

<u>'Wishing Up'</u>
Who have wobbled a lot and now realise they have to be more active in managing their finances.

<u>'Hunkering Down'</u>
Who, although they have had low incomes all their lives, have enjoyed some luxuries over the past few years, which have now been taken away by the rising cost of living

<u>'Fighting Back'</u>
Who resent wealthy bankers and property developers, and feel hard done by that they live in 'rip-off Britain', so are fighting back against the system.

<u>'Perfect Storm'</u>
Hit by low income, rising cost of living and credit crunch and are having to cut back on everything.

Those in the Fighting Back, Perfect Storm and Hunkering Down groups are adapting to current circumstances, but most likely on a temporary basis only. The Doing Fine, Worried Well and Wishing Up groups are taking a longer term view and re-addressing their attitudes and values to society generally.

Irish potato sales slump

'Year-on-year sales of potatoes have dropped by 19%

Have the Irish fallen out of love with the potato?
Sales of fresh potatoes in the Republic of Ireland have tumbled 11.3% in value and 12% in volume over the last quarter (TNS 12 w/e 14 June 09). Year-on-year sales data shows an even sharper decline of 19% by value and 18.4% by volume (TNS 52 w/e 14 June 09).
"People would never think that the Irish potato category would be in decline, but it has been for a number of years now," said Bord Bia Horticulture Division business analyst Lorcan Bourke.
Shoppers were buying smaller packs and purchasing them less frequently, he said. They were also switching to other staples perceived to be more convenient and quicker to cook such as rice and pasta products, as the traditional potato rich Irish diet became more cosmopolitan.
Another reason potatoes were falling out of favour in Ireland was that people tended to use a limited number of cooking methods, he said. While the English were now used to microwaving potatoes, the Irish tradition was still to boil them, said Bourke.
The industry could improve potatoes' appeal by providing recipes that could be cooked in five to ten minutes and highlighting the versatility of the vegetable, he suggested. " It doesn't have to be a 45 minute job," he said.
Bia Bord is undertaking work to encourage greater consumption of potatoes among Irish consumers. Shoppers were generally unaware of the price benefits of potatoes over rice and pasta, said Bourke.
"People tend to forget on a per kilogramme basis that they're much better value – that's the message industry needs to get across," he said.
The fall in popularity of potatoes comes at a time of an alarming drop in sales in the fresh produce category in Ireland. Values slipped 5.7% and volumes 3.1% over the 12 weeks to 14 June. High promotional levels have been blamed for the poor figures, with fruit sales performing particularly badly.
Recipes play a key role in PCL's Love Potatoes Campaign. The summer phase included a stir fry recipe, which has had a great response. New recipes will soon be ready for the autumn phase – including some inspired by top celebrity restaurants.

British Potato 2009

British Potato 2009, takes place at the Yorkshire Event Centre, Harrogate, on November 25-26. Plans are now coming together for the industry's biggest biennial gathering. Stand space is already filling up fast, with some exhibitors increasing their event presence and some new companies joining the trusted favourites.
Taking place over two days, the two halls of the Yorkshire Event Centre will be bustling with trade stands, while bigger machinery will be on display outside. Aside from the trade show there will be the industry dinner, on the evening of November 25, during which the industry awards will be presented. The latest research-related news and developments from the country's leading authorities will be delivered from the heart of the Potato Council stand in Hall Two.
For more information, go to www.potato.org.uk/bp2009

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NOVEMBER 25 & 26
YORKSHIRE EVENT CENTRE, HARROGATE
SPONSORED BY BRANSTON

It must be true, it's in the media

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Spotted in the Grocer:-

Consumers like the idea of buying local food — but are not prepared to pay over the odds for it, a new survey has revealed. Almost two thirds (65%) of shoppers told market research company Adsearch they wanted to buy local food but thought they should be paying less for it than for 'regular' food. " A significant minority of people are prepared to pay a small premium of 10% to 15%, but there is a hardcore that think local should be cheaper because they involve fewer food miles and tend to be relatively unprocessed foods," said Adsearch managing director Peter Jackson.

Spotted on Potato Reporter:-

A new study says that 22% of the increase in population growth in the Old World -- Europe, Asia, Africa -- and Australia between 1700 and 1900 was due to the introduction of the potato. The study also holds potatoes responsible for almost half of the increase in urbanization during that time. The research was conducted by former University of British Columbia economics professor and Vanderhoof, B.C., native Nathan Nunn, who is now at Harvard University, and Yale University economist Nancy Qian. The study's findings are detailed in a working paper called 'The Potato's Contribution to Population and Urbanization: Evidence from an Historical Experiment', which was released in July.