Fresh Produce Industry Trends: Context for Key Ripening Fruits

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Agenda

• Factors affecting demand for fresh produce, including demographics
• The economic downturn and its impact on fresh produce sales and food marketing channels
• Per capita consumption trends
• Case studies of two ripening products: tomatoes and avocados
Factors affecting demand for fresh produce

- Commodity price, consumer income, prices of substitutes and complements, population growth rates, ethnicity, culture
- Quality: appearance, flavor, color, shape and size; more breeder emphasis on flavor
- Info on produce selection, ripening, recipes
- Convenience in prep, usage and consumption; packaging role
- Shelf-life, postharvest technology
- Consistent availability, year-round supply

Factors affecting demand for fresh produce

- New marketing channels handling produce: convenience store potential, drug stores, dollar stores, e-commerce
- Promotion and advertising, brand and generic
- Story told on how and where product grown
- Govt education and other support
- Food safety
- Foodservice fresh produce menu introductions; challenges (cost, consistent availability, quality)
McDonald’s Introduces Oatmeal with RTE Fresh Blueberries: blueberry banana nut oatmeal (May 2012)

Plant Varieties and Flavor

Cotton Candy

“Great cotton candy grapes really do taste like cotton candy. What a fun healthy, fun, and creative flavor. Great idea, if you agree.”

Jack Fondar
California Grape Council
email: jack@calgrapecouncil.org
WITCH FINGERS:
SO DELICIOUS IT'S SCARY

Take a good, long look at these long and freakily-looking grapes. We admit that their shape is weird, but wait till you put these "fingers" in your mouth. Witch Fingers® are wickedly sweet and fun to eat. Kids just go bonkers for them. They make for a "scary good" after-school snack. But grownups are intrigued by them, too. Serve them at a party and check out the looks on people's faces. They make a great conversation starter, and once people try them, they can't stop eating or talking about them.

These are definitely not like any other grapes.
Pink Lady Apples – Clear Positioning to Women and Marketing Buzz Backed by Quality Standards

Heart logo, feminine ads, target women 25-40

Managed Varieties – Breeding for Flavor

- Managed varieties have royalty fees (often 5% of FOB/box price) when using the trademark brand.
- Apples lead the way, Jazz, SweeTango, Kanzi.
- There are over 30 managed apple varieties.
- It's all about controlling the rate of growth in acreage and production in order to avoid price erosion for growers.
- Quality standards with an emphasis on the consumer eating experience,
- Investing in promotion and market development to generate consumer trial, repeat purchases and willingness to pay.
### Demographic Trends

#### Changing Structure of the Modern Family

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married-couple households are on the decline</td>
<td>81%</td>
<td>66%</td>
</tr>
<tr>
<td>Married-couple households with children are on the decline</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>Households and families are becoming smaller</td>
<td>3.1 persons</td>
<td>2.6 persons</td>
</tr>
</tbody>
</table>

Projected US Population

Source: www.census.gov

2010 310.233 million

2030 373.504 million

Average Annual Household Fresh Produce $Expenditures in Food Stores, by Ethnicity, 2012

Source: The Food Institute, Demographics of Consumer Food Spending, 2014.
Foodservice contributes to the evolution of food trends and ethnicity leads the way, authentic and fusion, benefiting fresh produce.

Incorporated into Consumer Meal Mix

Foodservice contributes to the evolution of food trends and ethnicity leads the way, authentic and fusion, benefiting fresh produce.

Distribution of U.S. Households by Age Group and Fresh Produce $Expenditures in Food Stores, 2012

Source: The Food Institute, Demographics of Consumer Food Spending, 2014.
### Five Growing Categories in Millennial Spending

* Spending plan over the next 12 months

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent Spending More*</th>
<th>Percent Spending Less*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh fruits and vegetables</td>
<td>37</td>
<td>8</td>
</tr>
<tr>
<td>Organic food</td>
<td>25</td>
<td>9</td>
</tr>
<tr>
<td>Natural products</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>Environ. friendly home cleaning items</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Fresh meat</td>
<td>19</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Food Institute Report, September 15, 2014

### The Economic Downturn and its Effect on Food and Fresh Produce Retailing
The Economic Downturn and Consumer Food Behavior

- 2009, the quantity of food sold in food stores down.
- "I buy only what I need." Waste a concern.
- Perception that produce costs more and may be wasted. Better shelf-life might help.
- 47.6 million people on food stamps (SNAP) in FY2012-13 (vs 17.3 in 2000) for cost of $79.8M.
- Consumption rates of fresh produce increase markedly with income level so more robust economic growth will help demand for fresh produce.
- Higher income and socially conscious foodies are driving demand; their preferences lean to organic, "natural," convenience (fresh-cut), flavor, local.
**USA Select Supermarket* Fresh Produce Dept. Performance During the Economic Downturn/Recovery, % Change v. Prior Yr**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3.3</td>
<td>-3.6</td>
</tr>
<tr>
<td>2009</td>
<td>2.0</td>
<td>-2.5</td>
</tr>
<tr>
<td>2010</td>
<td>3.2</td>
<td>1.5</td>
</tr>
<tr>
<td>2011</td>
<td>4.3</td>
<td>-1.1</td>
</tr>
<tr>
<td>2013</td>
<td>4.8</td>
<td>0.2</td>
</tr>
<tr>
<td>2014</td>
<td>3.2</td>
<td>0.5</td>
</tr>
</tbody>
</table>

*As of 2013, includes Walmart Supercenters, Sam's Club and Target.*

Sources: Various sources of scanner data. 2014 is fruit and veg sales only, excludes non fruit/veg sales in produce dept like salad dressings, croutons, nuts, etc.

Note: Not same store sales and the store universes change over time so exercise caution when making annual comparisons.

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**Value became the new category driver**

Value means something different to every consumer: quality, price, convenience, health

- ROMA TOMATOES
- HOT HOUSE ON THE VINE TOMATOES
- SNACKING TOMATOES
- NAVAL ORANGES
- MANDARINS

Source: Nielsen Perishables Group
Fresh-cut, Organic and Total Fruit and Vegetable Sales in Key US Food Retailers, % Change 2013 vs 2012

- **Weekly $ sales/store**
- **Weekly quantity sold/store**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Fruit</td>
<td>22.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Organic Veg</td>
<td>18.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Fresh Cut</td>
<td>11.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Salads</td>
<td>4.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Freshcut Fruit</td>
<td>8.8</td>
<td>2.4</td>
</tr>
<tr>
<td>All FruitVeg*</td>
<td>4.8</td>
<td>0.2</td>
</tr>
</tbody>
</table>

*Excludes other produce (such as salad dressings, toppings, etc.), which is 10% of produce dept sales dollars and 5% of quantity.

Source: FreshFacts® on Retail, Trends 2013, Perishables Group and United Fresh Foundation. Fresh Coverage Area (FCA) incl some nontraditional retailers such as Walmart, BJ's, and UPC, random weight and retailer assigned codes.

Distribution of US Households by Income Level, Share of Total Fresh Produce Expenditures/Income Level & Ave. Fresh Produce Expenditures/Income Level, 2012

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Share of Households</th>
<th>Average Fresh Produce Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$15,000</td>
<td>15%</td>
<td>$819 31%</td>
</tr>
<tr>
<td>$15,000-$29,999</td>
<td>18%</td>
<td>$594 18%</td>
</tr>
<tr>
<td>$30,000-$49,999</td>
<td>14%</td>
<td>$478 14%</td>
</tr>
<tr>
<td>$50,000-$69,999</td>
<td>14%</td>
<td>$500 14%</td>
</tr>
<tr>
<td>$70,000-$99,999</td>
<td>14%</td>
<td>$700 14%</td>
</tr>
<tr>
<td>$100,000-$199,999</td>
<td>19%</td>
<td>$100 19%</td>
</tr>
<tr>
<td>$200,000+</td>
<td>17%</td>
<td>$200 17%</td>
</tr>
</tbody>
</table>

$ = Average fresh produce expenditures per income group
% = Percent of total fresh produce expenditures contributed by each income group

Source: Calculations by Roberta Cook from the Food Institute’s Demographics of Consumer Food Spending, 2014.
Average Retail Basket Size Per US Household, 2014

<table>
<thead>
<tr>
<th>With Produce</th>
<th>With Any Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>$56</td>
<td>$35</td>
</tr>
</tbody>
</table>

However, 57% of trips to the grocery store do not include produce.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Organic Fruit and Vegetable Sales and Pricing in Key US Food Retailers, 2014 vs. 2013

<table>
<thead>
<tr>
<th>Organic Product</th>
<th>Weekly $ Sales per Store</th>
<th>Percent Change vs. 2013</th>
<th>Weekly Vol. per Store</th>
<th>Percent Change vs. 2013</th>
<th>Avg Retail Price</th>
<th>Percent Change vs. 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veg</td>
<td>$2,110</td>
<td>17.2</td>
<td>757</td>
<td>17.2</td>
<td>$2.79</td>
<td>0</td>
</tr>
<tr>
<td>Fruit</td>
<td>$1,103</td>
<td>17.3</td>
<td>532</td>
<td>12.5</td>
<td>$2.07</td>
<td>4.2</td>
</tr>
</tbody>
</table>

Organic fresh produce account for <10% of produce dept. sales.
30% of households purchase organic fruits in supermarkets on 2 trips/yr.
51% of households purchase organic veggies in supermarkets on 4 trips/yr.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
The good news

- Economy improving
- High fresh produce consumers are often “foodies” and interested in where and how products are grown and participate in social media. High knowledge and loyalty—if deliver flavor, unusual varieties, convenience.
- Opportunity for consumer engagement on premium varieties greater than ever with mobile technology.
- Foodservice industry under great pressure to add more non-animal protein to menus, offer more center plate produce options, increase the diversity of produce items; movement to stealth health.
The economic downturn accelerates pace of change in the food marketing system

• More than originating new trends, it intensified pre-existing forces, such as channel blurring.
• Margin pressure at all levels of the food system!
• Many produce suppliers facing lower profits.
• Growing food safety, traceability, sustainability, and social responsibility expectations all increase costs.
• Need for major investments in info tech systems.
• Foodservice took a huge hit.
• More than ever it is necessary for firms to differentiate, get out of commodity trap or not be caught in the deadly "middle."
• Mergers are up (retailers, foodservice, shippers).


Source: Willard Bishop, Competitive Edge, August 2014
Forecast of Compound Annual Sales Growth Rate vs. Inflation 2013-2018

-6.0%  0.4%  1.7%  1.9%  2.0%  2.1%  2.1%  3.0%  3.0%  3.5%  4.1%  5.9%  9.5%  12.1%

Mass  Tradl Supermarket  Conv. w/gas  Conv. wo/gas  Missile  Supercenter  Super Whse  Wholesale Club  Dollar  Ltd Assortm.  e-Commerce  Fresh Format

Food Inflation Compound Annual Rate: 3.0%

Source: The Future of Food Retailing, Willard Bishop, June 2014

“Big Data”

- Datasets whose size is beyond the ability of typical database software programs to analyze, store, and manage
- Volume, variety and velocity
- Making sense of the information inherent in these massive amounts of diverse data to make better decisions, analytics
• With PLU codes (vs UPC) there is no identification of the individual supplier.
• Most retailers not yet comparing the shelf-life and quality of suppliers’ products to measure performance (sales and shrink). Without this it is harder to convince retailers to pay more for investments in quality. Incentives not aligned!
• The global industry needs PTI not just for potential food safety incidents but for product identification and metrics.
• Retailer focus on gross vs net profit is a problem.
Freshness Histogram (days of shelf-life remaining) for the Same Product Sourced from the Same Supplier: Comparison of Competing Retailers in the Same Market

- **Banner A**
- **Banner B**

Significantly more product with more than 8 days remaining

Source: HarvestMark/Yottamark, Where Did The Day Go?, August 2013

Freshness Histogram (days of shelf-life remaining): Different Freshness Profiles for Two Products in the Same Category and Store

- **Product X**
- **Product Y**

Source: HarvestMark/Yottamark, Where Did The Day Go?, August 2013

Cook, Roberta "Fresh Fruit Market Trends" (c) 2015 Postharvest Technology Center, UC Davis
The Produce Industry Challenge

• Getting the right product to the right consumer at the right place and price, with reasonable remaining days of shelf-life.

• Requires collaboration between suppliers and retailers, including loyalty card data and promotional efficiency.

• Shippers increasingly involved in category development but most not assisting with individual store shelf-set recommendations, unlike CPG firms, great opportunity.

• We can increase efficiency and reduce shrink through better coordination of supply and demand. This will make produce more affordable to more consumers, expand demand.

Per Capita Consumption
Per Capita Consumption of Fruits and Vegetables, All Product Forms

- Changes in total consumption mask significant changes in:
  - product form
  - product mix
  - diversity within product segments

U.S. Per Capita Vegetable Utilization/Consumption, Excluding Melons, 1976-2013, (all channels, foodservice and retail, includes freshcut), pounds

Source: USDA/ERS, Vegetables and Melons Situation and Outlook Yearbook, May 30, 2014; compiled by Dr. Roberta Cook, UC Davis, fresh and processed sweet potato share of total sweet potatoes is estimated; processed vegetables includes lentils and dry peas, and excludes dry beans.
Percent of US Households Buying Fresh Vegetables in Grocery Stores, by Category, 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potato</td>
<td>87%</td>
</tr>
<tr>
<td>Bag Salad</td>
<td>83%</td>
</tr>
<tr>
<td>Onion</td>
<td>83%</td>
</tr>
<tr>
<td>Tomato</td>
<td>82%</td>
</tr>
<tr>
<td>Carrot</td>
<td>78%</td>
</tr>
<tr>
<td>Lettuce</td>
<td>75%</td>
</tr>
<tr>
<td>Cooking Veg</td>
<td>68%</td>
</tr>
<tr>
<td>Peppers</td>
<td>61%</td>
</tr>
<tr>
<td>Cucumber</td>
<td>56%</td>
</tr>
<tr>
<td>Value-add veg</td>
<td>56%</td>
</tr>
<tr>
<td>Organic Veg</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

US Per Capita Total Fruit Disappearance/Consumption, Including Melons, Pounds 1976-2013, (all channels, foodservice and retail)

- **Process Noncitrus** (frozen, dried and canned)
- **Process Citrus**
- **Fresh Citrus**
- **Fresh**
- **Noncitrus, Incl Melon**

Source: Fruit and Tree Nuts Yearbook, ERS/USDA, October 31, 2014.
US Per Capita Consumption/Utilization of Selected Fresh Fruit 1985-2013, (all channels, foodservice and retail)

Source: Fruit and Tree Nuts Yearbook, ERS/USDA, 10-31-14

US Per Capita Disappearance/Consumption of Melons, 1985-2013 (watermelons have generic promotion)

Source: Fruit and Tree Nuts Yearbook, ERS/USDA, 10-31-14
US Per Capita Consumption/Disappearance of Selected Fresh Fruit 1985-2013

Source: Fruit and Tree Nuts Yearbook, ERS/USDA, 10-31-14

Percent of US Households Buying Fresh Fruit in Grocery Stores, by Category, 2014

Bananas 84%
Apples 79%
Citrus 77%
Berries 73%
Grapes 61%
Value-add fruit 55%
Melons 52%
Stone Fruits 49%
Avocados 33%
Organic Fruit 30%

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
### Top 10 Fruit Sales and Pricing in Key US Food Retailers, 2014 vs. 2013

<table>
<thead>
<tr>
<th>Product</th>
<th>Weekly $ Sales per Store</th>
<th>Percent Change vs. 2013</th>
<th>Weekly Vol. per Store</th>
<th>Percent Change vs. 2013</th>
<th>Avg Retail Price</th>
<th>Percent Change vs. 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berries</td>
<td>$4,019</td>
<td>4.7</td>
<td>1,342</td>
<td>3.0</td>
<td>$2.99</td>
<td>1.7</td>
</tr>
<tr>
<td>Apples</td>
<td>$3,070</td>
<td>-0.1</td>
<td>1,953</td>
<td>2.0</td>
<td>$1.57</td>
<td>-2.0</td>
</tr>
<tr>
<td>Citrus</td>
<td>$2,797</td>
<td>4.8</td>
<td>2,212</td>
<td>-2.6</td>
<td>$1.26</td>
<td>7.6</td>
</tr>
<tr>
<td>Grapes</td>
<td>$2,774</td>
<td>3.1</td>
<td>1,228</td>
<td>-3.6</td>
<td>$2.26</td>
<td>6.9</td>
</tr>
<tr>
<td>Bananas</td>
<td>$2,721</td>
<td>-1.2</td>
<td>4,762</td>
<td>-0.9</td>
<td>$0.57</td>
<td>-0.3</td>
</tr>
<tr>
<td>Melons</td>
<td>$1,216</td>
<td>3.7</td>
<td>2,187</td>
<td>7.8</td>
<td>$0.56</td>
<td>-3.9</td>
</tr>
<tr>
<td>Avocados</td>
<td>$1,197</td>
<td>11.8</td>
<td>1,071</td>
<td>2.7</td>
<td>$1.12</td>
<td>8.9</td>
</tr>
<tr>
<td>Stone Fruits</td>
<td>$987</td>
<td>2.4</td>
<td>515</td>
<td>-9.7</td>
<td>$1.91</td>
<td>13.3</td>
</tr>
<tr>
<td>Cherries</td>
<td>$623</td>
<td>-3.4</td>
<td>198</td>
<td>9.1</td>
<td>$3.15</td>
<td>-11.5</td>
</tr>
<tr>
<td>Specialty Fruits</td>
<td>$528</td>
<td>-2.7</td>
<td>491</td>
<td>-9.6</td>
<td>$1.08</td>
<td>7.7</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

### Value-added Fruit Category Sales and Pricing in Key US Food Retailers, 2014 vs 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>% Change vs. 2013</th>
<th>Weekly $ Sales / Store</th>
<th>Weekly Vol. per Store</th>
<th>Average Retail Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-Added Fruit</td>
<td>9.2</td>
<td>3.7</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>Fresh-cut Fruit</td>
<td>12.0</td>
<td>9.7</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Overwrap</td>
<td>2.5</td>
<td>-2.6</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Jars &amp; Cups</td>
<td>-10.9</td>
<td>-13.4</td>
<td>2.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Estimated US Fresh Tomato Production, Consumption, Imports, and Exports, 1990-2014p (includes hothouse)

**Estimated US Per Capita Utilization/Consumption of Fresh Tomatoes, 1985-2014**

Pounds per capita

<table>
<thead>
<tr>
<th>Year</th>
<th>Pounds per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>9.5</td>
</tr>
<tr>
<td>1986</td>
<td>10.3</td>
</tr>
<tr>
<td>1987</td>
<td>11.2</td>
</tr>
<tr>
<td>1988</td>
<td>12.1</td>
</tr>
<tr>
<td>1989</td>
<td>13.0</td>
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<tr>
<td>1990</td>
<td>14.0</td>
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<td>1991</td>
<td>15.0</td>
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<td>1992</td>
<td>16.0</td>
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<tr>
<td>2011</td>
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</tr>
<tr>
<td>2012</td>
<td>36.0</td>
</tr>
<tr>
<td>2013</td>
<td>37.0</td>
</tr>
</tbody>
</table>

P = Preliminary


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**Fresh Tomato Types Proliferate as Firms Pursue Product Differentiation in a Mature Market**

- **Field-grown only**
  - Mature green round tomatoes (harvested at stage 2 of 6)
  - Vine-ripe round tomatoes (harvested at later stages)
  - Tomatillos (green husked tomatoes)
- **Protected culture only**
  - Beefsteak/round tomatoes with calyx
  - Tomatoes-on-the-vine (TOV)
  - Campari (small snacking tomato on the vine)
- **Both field-grown and protected culture**
  - Grape tomatoes (snacking)
  - Romas
  - Cherry (snacking)
  - Heirloom
  - Other specialty (some of which are snacking)
Growth in greenhouse production and attempts to locate closer to market destinations: jury is still out

A protected culture operation in Sinaloa, Mexico: A “warm climate” greenhouse
Specialty and Greenhouse Tomatoes

Y.E.L.O. Youth, Energy, Life, Om...™

Specialty and Greenhouse Tomatoes
US Fresh Tomato Trends

- **Over half** of the quantity of tomatoes sold in the USA are estimated to be sold in foodservice channels. Foodservice relies on round, field-grown mature green tomatoes, preferred for their firmness and slicing characteristics.
- Foodservice sales took a big hit during the economic downturn, reducing sales of mature greens. Foodservice sales are now rebounding; this in turn should increase sales of mature greens.
- Hothouse tomatoes are just now starting to make some inroads in foodservice channels (not fast food).
- Remember – retail scanner data excludes foodservice tomatoes! So, scanner data only reflect trends in about half of the total tomato market. There is no data on fresh tomato sales in foodservice channels.

US Retail Fresh Tomato Trends and Caveats in Interpreting Scanner Data

- Retail scanner data sets are **not** directly comparable, year to year (stores may enter and exist the sample universe).
- As noted earlier, scanner data doesn’t indicate whether certain tomato types are grown in PC or not, so HH vs field tomato shares are not definite; and firms purchasing scanner data may ask Nielsen or IRI for different product hierarchies creating different views of the tomato category.
- Nielsen and IRI report two general HH subcategories: TOVs and beefsteak/rounds – so we know these are definitely HH.
- Many romas exported from Mexico are HH (although maybe not reported as such), and while snacking tomatoes, such as grapes, can be either field-grown or HH increasingly they are HH.
US Retail Fresh Tomato Trends and Caveats in Interpreting Scanner Data

• Given these limitations we can determine the **minimum** share of retail tomatoes sold which are HH, but not the maximum. Based on the following Perishables Group Nielsen data, combined HH round and TOVs represent 36% and 39% of total tomato category quantity and dollar sales, respectively.

• After accounting for estimated sales of roma and snacking tomatoes grown in HHs (but not identified as HH), the HH shares should be over half of total tomato category quantity and dollar sales.

### US Fresh Tomato Category Sales in Key Retailers: Shares in Quantity and Dollars, by Key Tomato Type, 2014

**Quantity**
- **HH round**: 13%
- **TOV**: 23%
- **Snacking**: 20%
- **Roma**: 30%
- **Field round**: 14%

**Dollars**
- **HH round**: 13%
- **TOV**: 26%
- **Snacking**: 31%
- **Roma**: 17%
- **Field round**: 13%

Source: Nielsen Perishables Group FreshFacts®, Historical 2010-2014. Fresh Coverage Area (FCA) incl key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. It includes UPC, random weight and retailer assigned codes.
US Retail Fresh Tomato Trends and Caveats in Interpreting Scanner Data

- The tomato category was stagnant between 2010-14 but with a major change in product mix. The growing subcategory is the small, convenient snacking tomato, which cannibalizes other tomatoes, both HH and field, rather than stimulating growth in total tomato sales and volume.

- In quantity sold, TOVs peaked in 2011 and HH rounds in 2010.

- In 2014, the category was up 1.7% in dollars and down .4% in quantity sold, with both snacking and romas gaining. Tomatoes accounted for 5% of total produce department sales.

US Fresh Tomato Quantity Sold in Key Retailers, by Key Tomato Type, 2010-2014, Million Pounds

Source: Nielsen Perishables Group FreshFacts®, Historical 2010-2014
US Fresh Tomato Quantity Sold in Key Retailers, by Key Tomato Type, 2010-2014, Million Dollars

Source: Nielsen Perishables Group FreshFacts®, Historical 2010-2014

- Note that field-grown round tomatoes can be either mature greens or vine-ripes. Hence, the mature green shares of the tomato category are even lower than the field round shares of 14% of quantity and 13% of dollar sales shown in the prior slide.

- 2013 IRI scanner data reported that only 1/3 of the round field tomato quantity sold were mature greens (remainder vine-ripes). This highlights the dramatic loss in retail market share for mature greens over the last 2 decades in the wake of hothouse expansion.
The mature green tomato industry, having lost most of its retail market, is now facing potential future competition in some segments of the domain it has owned, foodservice (fast casual and full-service rather than large fast food chains).

Snacking tomatoes have growth potential in all segments of foodservice. This benefits HH more than field-grown.

Facing a saturated retail market, HH producers have an incentive to get the right varieties of round tomatoes for foodservice. Breeders may or may not deliver in the near-to mid-term and cost relative to field-grown is a major barrier. But already there are examples of regional chains which emphasize “local” and premium ingredients, and seek supply and price stability, that are experimenting with HH.
The Avocado Story in the US Market

• Market access for Mexico – gradual process.
• Important to include all shippers into a market as contributors to generic promotion or free riders will make the program unsustainable.
• CA created a national marketing order for promotion of all Hass avocados, administered by the Hass Avocado Board (HAB), assessments began in 2003.
• Demographic changes helped demand.
• Generic promotion pays off!
• Major changes in relative competitiveness and market shares, and quickly!

The Avocado Story in the US Market

• Avocados accounted for 3% of supermarket fresh produce sales in 2014 vs 6% contributed by grapes.¹
• 33% of consumers purchased avocados on on average of 5 trips/yr.¹
• Hass represent 88% of avocado sales and drive the category.¹
• Creative promotional programs by all of the Hass avocado grower groups have stimulated consumption in both retail and foodservice channels.
• New uses/usage occasions are part of the strategy.

¹Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Hass avocado sources of supply in the US market, million pounds, excludes Florida

Source: Hass Avocado Board, online data queries.


<table>
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<th>Year</th>
<th>CAC</th>
<th>CAIA</th>
<th>MHAIA</th>
<th>PAC</th>
<th>HAB</th>
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<tr>
<td></td>
<td>thousand dollars</td>
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<td>2003-2007</td>
<td>50,980</td>
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<tr>
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<td>77,993</td>
<td>952</td>
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</tbody>
</table>

Rounding affects totals.

Source: ARE Update Sep/Oct 2013 17(1):5-8
Conclusions: Need for Shopper-Centrism

- Competitive pressure on retailers means on-going margin pressure for growers/suppliers as well.
- Firms at all levels of the fresh produce supply chain must take management practices to a higher level and become more shopper-centric.
- Better information technology and business intelligence is necessary to reach today’s standards for efficiency.
- Understanding shopper segments as they relate to preferences for a product/retail format is vital to better coordination of supply and demand and reduction in produce waste.
- Improved vertical coordination (by sharing data between supplier and buyer) can lower prices and increase consumer demand.
Conclusions: Need for Shopper-Centrism

- Improved ripening practices may increase consumer satisfaction and profits for suppliers and buyers.
- Flavor is where it’s at!
- Creative marketing and merchandising that communicates a product’s benefits to consumers.
- Reaching consumers in multi-channels and utilizing mobile technology can stimulate purchases.