








# PRODUCE MARKETING TRENDS

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# OVERVIEW

-  Produce remains a grocery gem
-  Seeking Health Benefits Food Safety concerns
-  Convenience remains important
-  High growth produce items
-  Varietal differentiation
-  Locally Grown
-  Hot Produce in Food Service

# UNTREND— BIOTECH PRODUCE

- Continuing efforts to commercialize genetically engineered produce
  - Flavr Savr Tomatoes—extended shelf life
  - SunLite potato—lower carbs, better frying
  - Strawberries—freeze resistant
  - Blueberries—protection against Alzheimers
- Consumer resistance

# PRODUCE-US GROCERY GEM

- Produce generated:
  - 12.4% of sales in 2005, up from 11.7% in 2004
  - 34.5% of gross margins
  - 21.9% of net margins
  - \$10.50 of sales per square foot
- Produce section averaged 12.6% of store space
- Stores averaged 290 produce items (up 10 items from 2004)



## 2. FOOD SAFETY CONCERNS

- 3 recent outbreaks of E. coli in spinach and lettuce
- Both grocery and food service systems involved
- Industry sponsored plan
  - Generate set of new food safety standards
  - Mandatory inspections by state & federal inspectors
  - Issue official seal to handlers who comply
  - Applies only to processors & distributors of leafy greens
- Also proposing marketing order to establish mandatory set of farming practices for all growers of leafy greens in California
- FDA and others developing government-driven reforms

### 3. CONVENIENCE REMAINS IMPORTANT

- Fresh cut produce sales have grown from \$6.9 billion in 2001 to \$13.4 billion in 2006
- Longterm impact of E. coli outbreaks on fresh cut is uncertain
- Retail comprises 43% of fresh cut sales

# CONVENIENCE REMAINS IMPORTANT--RETAIL

- Retail fresh cut salad sales totaled \$3 billion in 2005
- Salads represent 53% of total retail fresh cut volume
- Veggies are 26% of fresh cut retail \$
- Fruits comprise 21% of fresh cut retail \$

# CONVENIENCE REMAINS IMPORTANT--RETAIL

- Fresh cut fruit sales totaled \$450 million in 2004
  - forecast to rise to \$1 billion by 2008
- Melons are 41% of fresh cut fruit sales, fruit mix is 30% and pineapple is 15%

## 4. HIGH GROWTH VEGGIES— per capita consumption (lbs)

	1998	2006	% change
<b>All Vegetables &amp; Melons</b>	<b>437.7</b>	<b>443.3</b>	<b>1.3%</b>
<b>Spinach, fresh</b>	<b>1.0</b>	<b>2.4</b>	<b>140.0%</b>
<b>Romaine &amp; Leaf Lettuce</b>	<b>6.6</b>	<b>12.1</b>	<b>83.3%</b>
<b>Asparagus, fresh</b>	<b>0.7</b>	<b>1.2</b>	<b>71.4%</b>
<b>Sweet Potatoes</b>	<b>3.8</b>	<b>4.6</b>	<b>21.1%</b>

source: USDA



## 4. HIGH GROWTH FRUITS— per capita consumption (lbs)

	1998	2005	% change
All Fruits	287.8	279.1	-3.0%
Avocados	1.5	3.3	120.0%
Cherries, fresh	0.5	0.9	80.0%
Pineapple, fresh	2.8	4.9	75.0%
Strawberries, fresh	3.9	5.8	48.7%
Mangos	1.4	1.9	35.7%
Other citrus (excl. oranges, grapefruit, lemons), fresh	3.6	4.6	27.8%



# 5. VARIETAL DIFFERENTIATION

- Significant increases in varietal offerings in many categories
- Apples, citrus, lettuce, mushrooms, peppers, potatoes...
- Increases demand by expanding consumer awareness & interest

VARIETY:	FLAVOR
RED	SWEET, CRISP
GOLDEN	SWEET, MELLOW CRISP
GRANNY	TART, HARD CRISP
GALA	SWEET, FRAGRANT CRISP
FUJI	SUPER-SWEET, CRISP
JONAGOLD	TANGY-SWEET, CRISP
BRAEBURN	SWEET, SPICY CRISP
CRIPPS PINK	TANGY-TART, CRISP
CAMEO®	SWEET, ZINGY-CRISP



## 6. Organic, OK--but is it local?

- Organic is growing, but locally grown produce is hotter
- Driven by freshness, traceability, sustainability
- # of Farmers' Market increased by 150% between 1994 and 2006
- Not just upscale restaurants using local produce to differentiate themselves
  - Bon Appetit Management
  - Burgerville, Eat N Park, Hot Lips Pizza
  - Farm to Institution
  - Whole Foods' Buy Local Initiative



TAKE BON APPÉTIT  
MANAGEMENT COMPANY'S  
EAT LOCAL CHALLENGE



# 7. FOOD SERVICE TRENDS

- NRA conducted national survey of American Culinary Federation chefs last October (hot, cool or perennial foods)
  - Locally Grown 84%
  - Organic 76%
  - Fresh herbs 67%
  - Exotic mushrooms 65%
  - Pomegranates 63%

# FIZZY FRUIT, FLAVORED APPLES??

- Fizzy Fruit
  - Whole grapes, fruit slices carbonated
  - \$1.88/5-ounce cup at Walmart
- Grapples & AppleSweets



# IN CONCLUSION....

- Just 12% of US consumers eat 5 or more servings of produce daily
- Food service sector, locally grown movement and expanded varietal offerings are providing momentum for increased produce consumption