Agenda

- Some important food marketing trends
- Consumer trends
- Overview of value-added/fresh-cut produce market (VAP)
- Leafy greens and bag salads
- Value-added fruit (VAF)
- Value-added vegetables (VAV)
- Organics and local
- Conclusions
The economic downturn accelerated 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 and sustainability expectations all increase costs.
- Need for major investments in info tech systems.
- Foodservice took a huge hit, hurting fresh-cut.
- Mergers are up (retailers, foodservice, shippers).
Shifting Grocery Formats: Growth in nontraditional channels has transformed the US grocery industry

Dollar Share by Channel
- Traditional
- Convenience
- Nontrad.

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional</th>
<th>Convenience</th>
<th>Nontrad.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>90%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>2006</td>
<td>50%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>2009</td>
<td>48%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>2014</td>
<td>46%</td>
<td>15%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Dollar Share of Food Sales in Nontraditional Formats
- Supercenter: 46%
- Wholesale Club: 23%
- Drug: 13%
- $Store: 7%
- Mass: 11%
- Military: 1%

Traditional=conventional supermarket, fresh format, ltd assortment, super warehouse, other

Sources: Willard Bishop, various The Future of Food Retailing reports
Alternative Outlets Shopped in the Past Three Months for Fresh Produce by US Consumers, 2015

- Farmers' market: 50%
- Produce stand: 22%
- Specialty/organic store: 14%
- Dollar store: 12%
- Grow my own: 10%
- Ethnic market/store: 10%
- Convenience store: 10%
- Online, from grocery store: 6%
- Farm-direct (online, deliv., in-person): 6%
- Online, from produce vendor: 3%
- Included in meal delivery service: 2%

<table>
<thead>
<tr>
<th>Grocery Buyers, % Shopping each outlet type</th>
<th>CONVENTIONAL GROCERY</th>
<th>PREMIERE FRESH GROCERY</th>
<th>VALUE GROCERY</th>
</tr>
</thead>
<tbody>
<tr>
<td>99%, Conventional</td>
<td>3.8%</td>
<td>13.1%</td>
<td>6.0%</td>
</tr>
<tr>
<td>36% Value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20% Premier</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Produce dept. $ Growth v YAGO
- CONVENTIONAL GROCERY: 3.8%
- PREMIERE FRESH GROCERY: 13.1%
- VALUE GROCERY: 6.0%

### Produce dept. purchase frequency
- CONVENTIONAL GROCERY: 27 trips/household
- PREMIERE FRESH GROCERY: 9 trips/household
- VALUE GROCERY: 11 trips/household

### Spend per trip
- CONVENTIONAL GROCERY: $7.24
- PREMIERE FRESH GROCERY: $8.77
- VALUE GROCERY: $6.31

Forecast of Compound Annual Sales Growth Rate vs. Inflation 2014-2019

- Mass: -3.0%
- Tradl Supermkt: 0.4%
- Drug: 1.6%
- Military: 1.7%
- Conv. w/gas: 1.8%
- Conv. wo/gas: 1.9%
- Wholesale Club: 3.3%
- Supercenter: 2.9%
- Super Whse: 3.5%
- Dollar: 3.8%
- Ltd Assortm.: 7.0%
- Fresh Format: 11.7%
- e-Commerce: 12.1%

Food Inflation Compound Annual Rate: 2.5%

Source: The Future of Food Retailing, Willard Bishop, June 2015
Emerging marketing channels for fresh produce

- Convenience store potential, drug stores, dollar stores.
- E-commerce. Click ‘n collect, delivery, in-store pickup, various models emerging, Amazon Fresh.
- Major initiative to increase fresh produce on foodservice menus despite the barriers.
- Growing international trade provides more redundancy in supply which may help large foodservice users to add produce items to the menu.
- $27B fast casual segment (about 12% of limited service sales) very focused on fresh and creative ingredients; great potential for freshcut.
Adults believe eating at home is healthier than eating out, posing a challenge to foodservice.

At home:
- Much healthier: 47%
- Somewhat healthier: 45%

Away from home:
- Somewhat healthier: 7%
- Much healthier: 2%

Source: FMI U.S. Grocery Shopper Trends 2015
Away-From-Home Sources of Fruit and Vegetables of US Consumers, 2014

- **Fast Food**: 64% (64% who visit in two weeks, 22% who consume away-from-home fruit and veg in two weeks)
- **Family/Coffee Shop**: 49% (27% who consume away-from-home fruit and veg in two weeks)
- **Higher Priced Restaurant**: 21% (14% who consume away-from-home fruit and veg in two weeks)
- **Supermarket**: 13% (3% who consume away-from-home fruit and veg in two weeks)
- **School**: 12% (9% who consume away-from-home fruit and veg in two weeks)
- **Convenience Store**: 9% (1% who consume away-from-home fruit and veg in two weeks)

Consumer Trends
Industry Needs to Continue Evolving to Focus on the Shopper

Fresh Department Average Sales: Percent Change 2014 vs. 2013

Dollar increase in household spending since last year in fresh

Average household spending was flat (-0.2%) in center store (nonfresh departments) compared with last year

Weekly $ sales/store vs. 2013
Weekly quantity sold/store vs. 2013

Meat

Seafood

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Produce items are 5 of the Top 10 Fastest Dollar Velocity ($ per MM ACV) Growth Categories across the Store, USA, 2014

968 606 545 398 342 324 296 278 278 266

Source: Combined Nielsen Perishables Group FreshFacts® and Nielsen ScanTrack point-of-sale data sets – ranked by dollars per MM ACV for 52 weeks ending August 2014.
Fresh-cut, Organic and Total Fresh Fruit and Vegetable Sales in Key US Food Retailers, % Change 2014 vs 2013

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

### Fresh Cut Fruit**
- All FruitVeg*: 12.0%
- Freshcut Fruit**: 9.7%
- Salads: 7.8%

### Fresh Cut Veg
- Fresh Cut Veg: 10.9%
- Organic Veg: 17.3%

### Organic Fruit
- Organic Fruit: 17.2%

### Organic Veg
- Organic Veg: 17.2%

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

** Excludes overwrap.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015. Fresh Coverage Area (FCA) including key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. It includes UPC, random weight and retailer assigned codes.
Higher income and socially conscious foodies are driving demand; their preferences lean to organic, convenience (fresh-cut), flavor, local. Local increasingly trumps organic.

For most consumers, positive attitudes about wellness benefits of fresh produce not translating into purchases. Improved flavor might help.

Perception that produce costs more and may be wasted. Better shelf-life might help.

46.5 million people on food stamps (SNAP) in FY2014 (vs 17.3 in 2000) for cost of $73.9B.

Economic growth will stimulate demand.

Produce consumption is positively correlated with income.
## Shopping Habits of Most and Least Affluent US Grocery Shoppers

<table>
<thead>
<tr>
<th></th>
<th>Annual Trip Frequency</th>
<th>Annual Household Spending on Fresh Produce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Shopper</td>
<td>47</td>
<td>$338</td>
</tr>
<tr>
<td>Most Affluent</td>
<td>51</td>
<td>$454</td>
</tr>
<tr>
<td>Least Affluent</td>
<td>40</td>
<td>$221</td>
</tr>
</tbody>
</table>

In-Home Consumption of Fresh Fruits and Vegetables Purchased in Stores, Annual Eatings per Capita, 2004-2014

Source: Produce for Better Health Foundation, State of the Plate - 2015 Study on America's Consumption of Fruits and Vegetables.

* Excludes commercially prepared items such as vegetable soup, Asian dishes, chili, etc.
Important factors when shopping for fruit/veg, 2014

- Freshness: 68%
- Cost: 64%
- Taste: 55%
- Healthy: 31%
- Family Preferences: 21%
- Convenient to use: 17%
- Locally grown: 17%
- Seasonality: 13%
- Country of origin: 8%
- A specific brand: 4%
- Other: 2%

Source: Primary Shoppers' Attitudes and Beliefs Related to Fruit and Vegetable Consumption, 2012 vs 2014, Produce for Better Health Foundation (PBH).
Factors That Influence US Consumers' Selection and Purchase of Fresh Fruit, 2015

- Appearance: 78%
- Ripeness: 57%
- Price: 55%
- Habit: 45%
- Seasonality: 44%
- Spoilage: 39%
- Time: 39%
- Nutritional content: 22%
- Info/recipes: 17%

Factors That Influence US Consumers’ Selection and Purchase of Fresh Vegetables, 2015

- Appearance: 71%
- Price: 58%
- Spoilage: 43%
- Habit: 40%
- Seasonality: 39%
- Nutritional: 37%
- Prep time: 24%
- Info/recipes: 23%
- Brands: 20%

Fresh Produce Branding Trends

- Branded share of total produce (not just freshcut) up 8 points between 2009-2013 according to Nielsen to reach 40% of produce dept sales.
- Branded share of bag salad sales has been declining, although recently stabilizing.
- Private label has always dominated in VAV and VAF, but brands are growing.
- Private label has lower margins for processors and higher for retailers. However, processor marketing expenses are also lower.
Importance of Produce Brands to US Consumers, (both value-added and bulk produce)

- Important: 27%
- Neutral: 36%
- Not Important: 37%

Factors Considered in Consumer Decisions to Purchase Packaged Produce

- **Clean / Sanitary**: 66% Extremely Important, 25% Somewhat Important, 7% Neutral
- **Price**: 53% Extremely Important, 30% Somewhat Important, 13% Neutral, 3% Not Important
- **Product convenience**: 26% Extremely Important, 34% Somewhat Important, 26% Neutral, 8% Unimportant
- **Nutritional information**: 25% Extremely Important, 30% Somewhat Important, 24% Neutral, 13% Unimportant
- **Packaging convenience**: 21% Extremely Important, 38% Somewhat Important, 28% Neutral, 5% Unimportant
- **Package product description**: 21% Extremely Important, 28% Somewhat Important, 31% Neutral, 12% Unimportant
- **Enviro-friendly packaging**: 18% Extremely Important, 21% Somewhat Important, 35% Neutral, 15% Unimportant
- **Package offers use / prep info**: 12% Extremely Important, 21% Somewhat Important, 32% Neutral, 19% Unimportant, 17% Not Important
- **Kid-friendly messaging**: 9% Extremely Important, 7% Somewhat Important, 16% Neutral, 17% Unimportant, 51% Not Important

Factors that Discourage Consumers from Purchasing Packaged Produce

- Higher price: 64%
- Prefer to select own: 46%
- Quality: 26%
- Packages are too large: 22%
- Packaging is wasteful: 21%
- Desired items not available in pkg: 20%
- Size of the produce: 18%
- Packages are too small: 8%
- Other: 5%
- Most / all purchases are packaged: 6%

# Attitudes/Opinions of US Bag Salad Consumers, 2013

<table>
<thead>
<tr>
<th>Opinions</th>
<th>Percent of Total US Households</th>
<th>Salad Consumers Percent</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>I like to try out new food products</td>
<td>51</td>
<td>61</td>
<td>119</td>
</tr>
<tr>
<td>I enjoy eating foreign foods</td>
<td>43</td>
<td>49</td>
<td>114</td>
</tr>
<tr>
<td>I like to try new drinks</td>
<td>32</td>
<td>37</td>
<td>117</td>
</tr>
<tr>
<td>I try to eat gourmet food whenever I can</td>
<td>18</td>
<td>24</td>
<td>127</td>
</tr>
<tr>
<td>I try to eat healthier foods these days</td>
<td>62</td>
<td>70</td>
<td>112</td>
</tr>
</tbody>
</table>

# Health Attitudes of US Bag Salad Consumers, 2013

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percent of Total US Households</th>
<th>Salad Consumers Percent</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>I’ll try any new diet</td>
<td>13</td>
<td>18</td>
<td>142</td>
</tr>
<tr>
<td>Always think of calories in what I eat</td>
<td>28</td>
<td>35</td>
<td>126</td>
</tr>
<tr>
<td>Friends often ask my advice about health / nutrition</td>
<td>19</td>
<td>24</td>
<td>126</td>
</tr>
<tr>
<td>I’m usually first to try a new health food</td>
<td>16</td>
<td>20</td>
<td>126</td>
</tr>
<tr>
<td>I consider my diet to be very healthy</td>
<td>40</td>
<td>46</td>
<td>117</td>
</tr>
<tr>
<td>Like to know as much as possible about ingredients</td>
<td>38</td>
<td>45</td>
<td>117</td>
</tr>
</tbody>
</table>

Value-added/Fresh-cut Produce (VAP) Trends
VAP Trends Overview

In general, more consumers are seeking not only convenience but bolder flavors, unusual ingredients, often international flavors, plus health and wellness, including high protein foods. The VAP industry is responding with more meal solutions, including RTE and RTH. Microwavable cooking veg category growing rapidly, as well as salad kits.
Penetration Rates: % of US Households Buying Fresh Fruit at Retail, by Category, 2014, (Scanner data so actual sales)

- Bananas: 84%
- Apples: 79%
- Citrus: 77%
- Berries: 73%
- Grapes: 61%
- Value-add fruit: 55%
- Melons: 52%
- Stone Fruits: 49%
- Avocados: 47%
- Organic Fruit: 30%

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Penetration Rates: % of US Households Buying Fresh Vegetables at Retail, by Category, 2014 (Scanner data so actual sales)

- Potato: 87%
- Bag Salad: 83%
- Onion: 83%
- Tomato: 81%
- Carrot: 78%
- Lettuce: 75%
- Cooking Veg: 68%
- Peppers: 61%
- Cucumber: 56%
- Value-add veg: 56% (frequency 4 trips/yr)
- Organic Veg: 51% (frequency 4 trips/yr)

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Percent of US Households Reporting Having Items Available in Household, 2014

- Fresh Veg, Average: 84%
- FreshCut Veg, Average: 61%
- Fresh Veg <$50,000: 77%
- Fresh Veg >$50,000: 91%
- FreshCut Veg <$50,000: 55%
- FreshCut Veg >$50,000: 67%

Source: PBH Primary Shopper Attitudes and Beliefs Related to Fruit and Vegetable Consumption 2012 vs 2014.
Percent of US Households Reporting Having Items Available in Household, 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh Fruit, Average</td>
<td>84%</td>
</tr>
<tr>
<td>FreshCut Fruit, Average</td>
<td>39%</td>
</tr>
<tr>
<td>Fresh Fruit &lt;$50,000</td>
<td>79%</td>
</tr>
<tr>
<td>Fresh Fruit &gt;$50,000</td>
<td>88%</td>
</tr>
<tr>
<td>FreshCut Fruit &lt;$50,000</td>
<td>38%</td>
</tr>
<tr>
<td>FreshCut Fruit &gt;$50,000</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: PBH Primary Shopper Attitudes and Beliefs Related to Fruit and Vegetable Consumption 2012 vs 2014.
Perishables Group Nielsen data

• Scanner data always excludes foodservice.
• Nielsen generally does not project to national sales via all grocery channels; uses national samples.
• “Expanded all outlet” (EAO) sample includes sales through about 62% of supermarkets, plus sales via some nontraditional retailers, such as, Walmart, Sam’s, BJs, dollar stores; excludes Costco, limited assortment and other minor formats. I refer to as “Key Retailer” sales in slides. EAO captures over 60% of total grocery sales via all channels.
• Another Nielsen data set is referred to as “total food” and excludes the nontraditional outlets noted above. I refer to as “Select Retailer” sales.
US VAP Sales, Historical Trends, 2010-14

- VAV sales grew 65% between 2010-14, reaching $1.5 billion.
- VAF sales grew 49% between 2010-14, reaching $2 billion.
- Bag salad sales grew by an average annual rate of 3% 2010-14, reaching $3.4 billion.
- VAP represents about 14-15% of total produce dept sales.

Shares of Total Value-added Produce (VAP) $Sales in Key Retailers, by Subcategory, 2014, Total $6.9B

- Bag salads: 49%, $3.4 billion
- Value-add fruit: 29%, $2 billion
- Value-add veg: 22%, $1.5 billion

Value-added Fruit Definitions

1. Overwrap
Typically sold in a tray with plastic overwrapping. Offers minimal value-add such as quartered or halved.

2. Fresh-cut Fruit
Cut fresh, no preservatives. Contains high level of value-add such as chunk, cubed, cored, etc.

3. Jars and Cups
Perishable fruit in juice or preservatives, typically sold in a plastic cup or jar with syrup or juice, and merchandised in the fresh produce department.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
US Value-added Fruit Sales by Subcategory: Share of Total VAF Dollar Sales in Key Retailers (includes nontraditional retailers), 2014

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
<table>
<thead>
<tr>
<th>Category</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>
</tr>
<tr>
<td>Fresh-cut Fruit</td>
<td>12.0</td>
<td>9.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Overwrap</td>
<td>2.5</td>
<td>-2.6</td>
<td>5.2</td>
</tr>
<tr>
<td>Jars &amp; Cups</td>
<td>-10.9</td>
<td>-13.4</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
1. Side Dish
Fresh cleaned and cut veg such as broccoli and cauliflower typically served as side dishes. Can often be cooked in the microwave in the bag.

2. Trays
Cut vegetable in a tray with or without dip. Designed for multi-person occasions.

3. Snacking
Fresh cleaned and cut vegetables such as celery or carrot sticks commonly eaten raw with or without dip. Similar use to trays but size is for 1-2 person occasions.

4. Meal Prep
Items ready to incorporate into a recipe or meal. Includes ingredient mixes and medleys.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
US Value-added Veg Sales by Subcategory: Share of Total VAV Dollar Sales in Key Retailers (includes nontraditional retailers), 2014

- Side dish: 58%
- Meal prep: 15%
- Trays: 16%
- Snacking: 11%

Note: Consumers Purchase VAV on 4 trips/yr.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Value-added Vegetable Category Sales and Pricing in Key US Food Retailers, 2014 vs 2013, VAV=3% total produce dept sales

<table>
<thead>
<tr>
<th>Category</th>
<th>Weekly $ Sales / Store</th>
<th>Weekly Vol. per Store</th>
<th>Average Retail Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-Added Veg</td>
<td>10.9</td>
<td>10.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Side Dish</td>
<td>12.2</td>
<td>10.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Trays</td>
<td>3.4</td>
<td>6.7</td>
<td>-3.0</td>
</tr>
<tr>
<td>Meal Prep</td>
<td>8.7</td>
<td>5.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Snacking</td>
<td>19.2</td>
<td>18.3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
Prepared Produce Sales (£) in UK Retail Channels, and Annual Growth Rates, 2015 (excludes meal centre & mixed tray salads)

£1.160 billion total prepared produce sales, up 7%.

Number above bar represents % change vs. prior yr.

Source: Kantar Worldpanel 52 weeks ending August 16, 2015.
Prepared Produce Quantity in UK Retail Channels, and Annual Growth Rates, 2015 (excludes meal centre & mixed tray salads)

956 million packs total of prepared produce, up 10%.

Number above bar represents % change vs. prior yr.

Source: Kantar Worldpanel 52 weeks ending August 16, 2015.
Leafy Greens and Bag Salads
Top Vegetables and Vegetable Products Consumed in the USA, Annual Eatings per Capita, 2014, Excludes Foodservice

<table>
<thead>
<tr>
<th>Vegetable Product</th>
<th>Annual Eatings per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potatoes</td>
<td>75</td>
</tr>
<tr>
<td>Lettuce/Vegetable Salads</td>
<td>69</td>
</tr>
<tr>
<td>Onions</td>
<td>44</td>
</tr>
<tr>
<td>Tomatoes (Excl. Cherry)</td>
<td>39</td>
</tr>
<tr>
<td>Carrots</td>
<td>29</td>
</tr>
<tr>
<td>Corn</td>
<td>28</td>
</tr>
<tr>
<td>Green Beans</td>
<td>25</td>
</tr>
<tr>
<td>Pasta Sauce</td>
<td>21</td>
</tr>
<tr>
<td>Peppers</td>
<td>17</td>
</tr>
<tr>
<td>Legumes/Shelled Beans</td>
<td>15</td>
</tr>
<tr>
<td>Broccoli</td>
<td>15</td>
</tr>
<tr>
<td>Mixed/Combo Vegetables</td>
<td>15</td>
</tr>
</tbody>
</table>

Includes vegetables eaten “as is” and used as an additive / ingredient in other dishes.

Source: Produce for Better Health Foundation, State of the Plate - 2015 Study on America’s Consumption of Fruits and Vegetables.
<table>
<thead>
<tr>
<th>Income</th>
<th>Percent</th>
<th>Age</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$25,000</td>
<td>39</td>
<td>21-39</td>
<td>50</td>
</tr>
<tr>
<td>$25-49,900</td>
<td>53</td>
<td>40-49</td>
<td>60</td>
</tr>
<tr>
<td>$50-99,900</td>
<td>58</td>
<td>50-58</td>
<td>56</td>
</tr>
<tr>
<td>$100,000+</td>
<td>59</td>
<td>59+</td>
<td>59</td>
</tr>
</tbody>
</table>

US Per Capita Utilization/Consumption of Lettuce, by Type, 1985-2014\(^p\) (includes fresh-cut and bulk, foodservice and retail)

US Per Capita Utilization/Consumption of Fresh Spinach, 1985-2014, \( P \) (all channels, foodservice and retail, includes fresh-cut) Note: E.coli incident 9-11-2006

Pounds per capita

\[
\begin{array}{cccccccccccccccc}
\hline
0.8 & 0.9 & 1.0 & 1.2 & 1.5 & 1.7 & 1.9 & 2.0 & 2.2 & 2.3 & 2.1 & 1.8 & 1.6 & 1.5 & 1.3
\end{array}
\]

\( P \) = Preliminary

# Top 10 Vegetable 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>Packaged Salad</td>
<td>$3,553</td>
<td>7.8</td>
<td>1,301</td>
<td>5.0</td>
<td>$2.73</td>
<td>2.6</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>$2,590</td>
<td>1.8</td>
<td>1,165</td>
<td>-0.1</td>
<td>$2.22</td>
<td>1.9</td>
</tr>
<tr>
<td>Potatoes</td>
<td>$2,561</td>
<td>1.9</td>
<td>3,712</td>
<td>-2.8</td>
<td>$0.69</td>
<td>4.9</td>
</tr>
<tr>
<td>Cooking Veg</td>
<td>$1,806</td>
<td>3.5</td>
<td>1,097</td>
<td>3.4</td>
<td>$1.65</td>
<td>0.1</td>
</tr>
<tr>
<td>Onions</td>
<td>$1,564</td>
<td>0.1</td>
<td>1,578</td>
<td>-0.3</td>
<td>$0.99</td>
<td>0.4</td>
</tr>
<tr>
<td>Peppers</td>
<td>$1,412</td>
<td>4.5</td>
<td>640</td>
<td>2.4</td>
<td>$2.21</td>
<td>2.0</td>
</tr>
<tr>
<td>Lettuce</td>
<td>$1,279</td>
<td>-3.6</td>
<td>714</td>
<td>-1.0</td>
<td>$1.79</td>
<td>-2.6</td>
</tr>
<tr>
<td>Carrots</td>
<td>$906</td>
<td>-0.8</td>
<td>536</td>
<td>-1.7</td>
<td>$1.69</td>
<td>1.0</td>
</tr>
<tr>
<td>Mushrooms</td>
<td>$842</td>
<td>1.6</td>
<td>345</td>
<td>-0.6</td>
<td>$2.44</td>
<td>2.2</td>
</tr>
<tr>
<td>Cucumbers</td>
<td>$744</td>
<td>4.3</td>
<td>750</td>
<td>2.1</td>
<td>$0.99</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.
US Bag Salad Sales, 2010-14

- Bag salad sales grew by an average annual rate of 3% 2010-14, reaching $3.4 billion.
- Category was relatively mature but successfully evolved to become more consumer relevant.
- Despite the higher price tags, salad kits have revolutionized the bag salad category and doubled $share since 2010.
- Average annual growth rate for kits was 29%, with sales of $700 million.

US Bag Salad $ Market Shares by Key Type in Key US Retailers, 2014

- Blends: 29%
- Kits: 21%
- Organic: 19%
- Premium Garden: 13%
- Regular Garden: 12%
- Coleslaw: 4%
- Broad Spinach: 2%
- Broccoli Slaw: 1%

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends Q3 2014, United Fresh Produce Association and Nielsen.
US Salad Kit $ Market Shares by Key Type in Select US Retailers, excluding nontraditional retailers, 2014

- **Caesar**: 42%
- **Chop**: 21%
- **Other**: 10%
- **Unique/Premium**: 5%
- **SW/Mexican**: 6%
- **Asian**: 3%
- **Spinach**: 4%
- **Caesar Lite**: 8%
- **Organic**: 1%
- **Asian**: 3%

Source: Perishables Group Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers.
<table>
<thead>
<tr>
<th>Brand</th>
<th>% Share</th>
<th>Share Point Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private label</td>
<td>29.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Fresh Express</td>
<td>28.7</td>
<td>-0.8</td>
</tr>
<tr>
<td>Dole</td>
<td>19.7</td>
<td>-1.2</td>
</tr>
<tr>
<td>Earthbound Farm</td>
<td>6.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Ready Pac</td>
<td>3.5</td>
<td>-0.2</td>
</tr>
<tr>
<td>Organic Girl</td>
<td>2.8</td>
<td>0.3</td>
</tr>
<tr>
<td>All Other</td>
<td>8.1</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Nielsen 52 weeks ending July 12, 2014. Excludes nontraditional retailers, such as, Walmart and clubs.
US Bag Salad Market Shares in Select Retailers: Top 5 Firms and Private Label, Share of Dollar Sales

Private label share 2%
Other share 6%

Top 5 firms 91%

Value-added Fruit Trends
### 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.
### US “Select” Retailer Fresh-cut Fruit (excl other VAF) Shares by Key Item in Dollars and Quantity 2014, ($431.8 million total sales in this sample, excl nontraditional retail)

<table>
<thead>
<tr>
<th>Item</th>
<th>Dollar Share %</th>
<th>Unit Share %</th>
<th>Growth in Unit Sales %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIXED FRUIT</td>
<td>28.8</td>
<td>16.2</td>
<td>-22%</td>
</tr>
<tr>
<td>APPLE</td>
<td>22.5</td>
<td>34.1</td>
<td>6%</td>
</tr>
<tr>
<td>PINEAPPLE</td>
<td>16.7</td>
<td>18.3</td>
<td>16%</td>
</tr>
<tr>
<td>WATERMELON</td>
<td>13.4</td>
<td>12.2</td>
<td>-2%</td>
</tr>
<tr>
<td>CANTALOUPE</td>
<td>5.4</td>
<td>5.6</td>
<td>5%</td>
</tr>
<tr>
<td>MANGO</td>
<td>4.7</td>
<td>3.6</td>
<td>2%</td>
</tr>
<tr>
<td>ALL OTHER</td>
<td>3.7</td>
<td>6.0</td>
<td>151%</td>
</tr>
<tr>
<td>MIXED MELON</td>
<td>2.4</td>
<td>2.2</td>
<td>-10%</td>
</tr>
<tr>
<td>BERRIES</td>
<td>2.2</td>
<td>2.1</td>
<td>17%</td>
</tr>
<tr>
<td>HONEYDEW</td>
<td>0.6</td>
<td>0.6</td>
<td>-37%</td>
</tr>
</tbody>
</table>

Source: Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers; UPC only.
US Per Capita Disappearance/Consumption of Melons, 1985-2013 (watermelons have generic promotion)

Source: Fruit and Tree Nuts Yearbook, ERS/USDA, 10-31-14
Fresh-cut Fruit Top 5 Brand Shares, by Key Firm, in Select US Food Retailers, 2014

- **PRIVATE LABEL** 34
- **CRUNCH PAK** 9
- **DEL MONTE** 9
- **READY PAC** 6
- **CHIQUITA** 5
- **GARDEN HIGHWAY** 2
- **OTHER** 35

Source: Perishables Group Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers.
Fresh-cut Fruit Shares, by Top 5 Package Sizes, in Select US Food Retailers, 2014

- 0-8 oz: 8%
- 8.1-13 oz: 19%
- 13.1-23.9 oz: 36%
- 24-34.9 oz: 12%
- 35+ oz: 12%

Small sizes growing and large pack sizes declining.

Source: Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers; UPC only.
Fresh-cut Vegetable Trends

Note: in general, scanner data show growth rates in cooking veg items such as brussel sprouts much higher for value-added (fixed weight) than bulk (random weight).
New VAV Items Addressing Demand for Convenience, Health and Customization
US Retail French Green Bean $Sales — Fixed (Value-added) vs. Random Weight Sales, 2014

### Top Value-added Vegetable Side Dish Sales and Pricing in Key US Food Retailers, Q3 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>
</tr>
</thead>
<tbody>
<tr>
<td>Side Dish Total</td>
<td>$805</td>
<td>10.5</td>
<td>263</td>
<td>11.0</td>
</tr>
<tr>
<td>French/Green Beans</td>
<td>$138</td>
<td>-1.8</td>
<td>41</td>
<td>2.0</td>
</tr>
<tr>
<td>Cooking greens</td>
<td>$111</td>
<td>32.3</td>
<td>36</td>
<td>26.2</td>
</tr>
<tr>
<td>Broccoli</td>
<td>$108</td>
<td>9.7</td>
<td>38</td>
<td>10.6</td>
</tr>
<tr>
<td>Sugar snap peas</td>
<td>$101</td>
<td>-1.6</td>
<td>31</td>
<td>0.9</td>
</tr>
<tr>
<td>Veg medley</td>
<td>$80</td>
<td>4.7</td>
<td>26</td>
<td>5.5</td>
</tr>
<tr>
<td>Brussel sprouts</td>
<td>$59</td>
<td>33.7</td>
<td>18</td>
<td>26.1</td>
</tr>
<tr>
<td>Broccoli/cauliflower</td>
<td>$35</td>
<td>10.4</td>
<td>14</td>
<td>10.0</td>
</tr>
<tr>
<td>Stir fry</td>
<td>$27</td>
<td>7.8</td>
<td>10</td>
<td>8.0</td>
</tr>
<tr>
<td>Squash</td>
<td>$22</td>
<td>25.4</td>
<td>7</td>
<td>19.1</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q3 2014, United Fresh Produce Association and Nielsen.
<table>
<thead>
<tr>
<th>Firm</th>
<th>Share %</th>
<th>Growth in $ Sales %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private label</td>
<td>39.9</td>
<td>5</td>
</tr>
<tr>
<td>Eat Smart</td>
<td>5.9</td>
<td>1</td>
</tr>
<tr>
<td>Greenline Foods</td>
<td>4.9</td>
<td>6</td>
</tr>
<tr>
<td>Grimmway Farms</td>
<td>2.9</td>
<td>1</td>
</tr>
<tr>
<td>Mann's Sunny Shores</td>
<td>2.6</td>
<td>1</td>
</tr>
<tr>
<td>Bolthouse Farms</td>
<td>2.5</td>
<td>19</td>
</tr>
<tr>
<td>Veg Glory</td>
<td>2.3</td>
<td>21</td>
</tr>
<tr>
<td>All other</td>
<td>39.0</td>
<td>7</td>
</tr>
</tbody>
</table>
Organics and Local

Note: Despite sustained rapid growth in organics, in 2014, they still represent less than 10% of total fresh produce dept. sales. (Nielsen)
How often have you used organic foods or beverages in the past three months?

<table>
<thead>
<tr>
<th>at least occasional usage*</th>
<th>daily usage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL USERS</strong></td>
<td></td>
</tr>
<tr>
<td>73%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>MILLENIALS (18-35)</strong></td>
<td></td>
</tr>
<tr>
<td>86%</td>
<td>12%</td>
</tr>
<tr>
<td><strong>GEN X (36-49)</strong></td>
<td></td>
</tr>
<tr>
<td>72%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>BOOMERS (50+)</strong></td>
<td></td>
</tr>
<tr>
<td>63%</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Includes occasional, monthly, weekly and daily
US Organic Salad Sales in Key Retailers, 2014

• Organic salad sales were 19% of total $bag salad sales in Q3 2014.

• Organic bag salad sales grew by 14% in dollars and units in CY 2014.

• Bag salads are the top organic vegetable sold; organic VAV ranked 10th in the organic veg category.

• Organic VAF ranked 10th among all organic fruits sold.

Sources: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015; and FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q3 2014, United Fresh Produce Association and Nielsen.
Frequency of Purchases of Locally Grown Products, 2015

- Occasionally: 83%
- Always: 11%
- Never: 6%

Source: FMI U.S. Grocery Shopper Trends 2015
Definition of “Locally Grown” Products according to Shoppers, 2015

Note: Consumers identified an average of 87 miles as the limit for local.

Source: US Grocery Shopper Trends 2015, FMI.
US Consumers’ Reasons for Purchasing Locally Sourced Fresh Produce, 2015

- Freshness: 78%
- Support of local economy/farmers: 65%
- Knowing where produce is grown: 43%
- Better nutritional value: 25%
- Better price: 23%
- Lesser environmental impact: 23%
- Knowing the farm/story: 20%
- Unique local/regional product: 16%

Conclusions

- Channel blurring will continue to have major impact.
- Consumer demand for convenience, health and wellness should drive further expansion in fresh-cut sales.
- New product innovation is key as consumers seek more interesting ingredients and flavors.
- Processors will be selling more products and pack sizes, making cost control more of a challenge.
- Fresh-cut leads in category development (in the produce dept) but there is still great potential to improve store level assortments “right sizing,” pricing and promo, reducing shrink; helps maintain margins.
Conclusions

• Ongoing margin squeeze means that firms must become more efficient. Information technology will play a growing role.

• Future growth rate of freshcut depends partly on success of foodservice in adding healthy menu options.

• Snacking trend will stimulate small pack sizes in both retail and foodservice.

• New marketing channels may expand fresh-cut sales, such as c-stores, dollar stores, drug stores and potentially e-commerce.

• The complexity of doing business will continue to grow!

• Economic growth will stimulate sales.