

DOMESTIC Market Report



..... Retail news from CTFA's marketing managers in the United States and Canada

August 21, 2007

CTFA Domestic Market Manager

Joanna Frith

Taste and quality are definitely holding out throughout the growing season. However, overall demand from retail still remains a mixed bag. This week, I spoke with a number of retailers from the southeast, and their range of responses was interesting to say the least. Retailers I have spoken to who are strong supporters of the California deal seem to be returning positive results this season.

Category price at retail continues to be lower than last year: As stated in the upcoming Category Analysis report, it is currently at \$1.83/lb compared to \$1.96/lb a year ago. Conventional fruit is at average of \$1.77 and organic at \$2.76. All commodities are currently receiving lower prices than last year. Nectarines are at \$1.92 and were \$2.11 a year ago; peaches are at \$1.87, and were \$1.91 a year ago; plums are at \$1.72, and were \$1.87 a year ago.

Domestic marketing planning for 2008 is well underway. At its last two meetings, the Domestic Market Development Subcommittee has been reviewing proposed ideas for next year and providing direction for staff. September's meeting will be a very interesting one - our research team from Sterling-Rice will be on hand to deliver the results of this year's Consumer Deep Dive Quant and Channel Breakout studies. These findings will help solidify our direction for the coming year.

The Grill'n & Chill'n Sweepstakes continues to roll on. Over 10,000 consumers have registered for the sweepstakes thus far, and it will continue through September 30.

Sheri Mierau and I traveled to San Diego August 6-9 to participate in foodservice publication *Flavor & the Menu's* annual conference. This event is excellent in terms of its use of sponsors' products. California peaches, plums and nectarines made their way into every meal and break, providing copious opportunities to demonstrate the versatility of our fruits for the attendees. Conference attendees included decision-makers from 50 major hotel operators, casual dining chains, and foodservice contractors. Spokeschef Adam Perry Lang presented two well-attended sessions, one of which was standing room only, and had his recipes featured at the event's Wednesday night diner. These were all positive notes. However, having now attended the conference two years in a row, we noticed that many of the sessions had been offered in the prior year. We feel that in order to continue to attract a high caliber of attendees, next year's event will need to include a greater proportion of new content. We will continue to look for effective opportunities to showcase our fruit for foodservice use.

Northeast U.S. / Eastern Canada
Ken Berger

Markets Visited: Toronto, Montreal, Boston, NY/NJ/PA

Accounts:

- New England:** BJ's, Big Y, Hannaford, Market Basket, Shaws, Stop & Shop, PPO
- NY/NJ/Western PA:** A&P Atlantic, Pathmark, Shoprite, Food Town, Price Chopper, Wegmans, Acme, Giant, Weis
- Ontario:** A&P Canada, Loblaw Companies East, Sobeys Canada, Costco Canada
- Québec:** Métro, Sobeys Québec, Provigo
- Atlantic Canada:** Sobeys Atlantic, AWL, Colemans

Market Observations

Mid-August flyer ad and in-store merchandising activity sees retailers in both Canada and in the northeast U.S. focusing in a big way on the California grape deal where many front-page, mix-and-match features abound.



Northeast U.S.

The local peach deal continues with strong retailer support across the region. On 8/13 both Pathmark and Safeway MD placed front-page ads for local peaches.



Shaws, w/o 8/13, front-page:

Large New Jersey Peaches
77¢ lb.

All Prices effective with the Card thru Aug 16



Canada

In Eastern Canada, the local Ontario tree fruit deal is at its peak with flyer ad pricing and in-store with front-and-centre, stand-alone displays in many stores across Ontario. A sampling: At far right, Loblaws flyer ad w/o Aug. 13...



Near and center right, Loblaws (Fortinos and Loblaws banners)...



A&P Canada (Food Basics EDLP Banner), and Longo's at far right.

Most retailers in Ontario, though, limit their local tree fruit offerings to the 3L baskets, staying with bulk displays from California.



On the other hand, California tree fruit is still enjoying some strong display placement, particularly in the province of Québec, as per this photo taken at Métro's Super C EDLP banner...

...and Métro (conventional banners)...



...and these California plums at Loblaw's QC EDLP Maxi banner, priced to sell at \$0.97/lb...

Also, the less popular and much pricier Ontario yellow plums are out and retailers feel an obligation to feature them as well, as in this w/o Aug. 6 two-week Longo's flyer ad:



Account Recap

NORTHEAST

The Food Emporium: This A&P Atlantic banner is pushing organics in a big way with a full page spread (at far right) in its two-week flyer that broke Aug. 10th, including a rare white-flesh peach and nectarine feature...



...and in the same flyer, at near right, a strong push on locally-grown peaches, too – both NJ (and in smaller copy: *Also available NY State peaches*):



Genuardi's/Safeway MD: Below at far right, I know that we don't promote these but I found it amusing nonetheless. I'm assuming the usual ad-proofer was on vacation when this ad for "Plouts" ran...



Hannaford: Like Wegmans, this retailer is into the organics in a very big way. The "68" chalkboard sign in the photo to the right does not refer to the retail price; it is the number of organic skus available in this store this particular week...



Market Basket: Examples of uses of its own, in-house designed POS for tree fruit, below...

Not shown in these photos is the impressive merchandising job done on what are supposed to be smaller California nectarines (but they are using PLU #4036) and plums (but they are using PLU#4040), overwrapped in produce trays and priced at \$0.99/lb. Small NJ peaches, overwrapped, are priced at \$0.79/lb.

Stop & Shop: Below right, An example of the merchandising strategy this season for the Orchard Perfect brand, at the Everyday Low Price of \$1.99/lb...



Wegmans: At center here, great job at promoting the local growers, both in its weekly flyers (this week it happens to be peaches) and in-store, we can

always count on Wegmans to do the politically correct thing...



CANADA

Colemans: Continued support for both the California Tree Fruit and California Grown programs with these w/o 8/6 and w/o 8/13 flyer features:

Longo's, Ontario: Below at far right, this photo shows a popular local Ontario peach variety – Baby Gold, along with an example of the Foodland Ontario POS this season. Funded by the provincial government, Foodland has a team of reps across the province to deliver and install its POS, and does a ton of print, radio and TV consumer advertising. The photo also shows that non-union labour can provide for attractively hand-stacked fruit displays...



Sobeys Atlantic: If imitation is the highest form of flattery then CTFA should be very pleased with this w/o 8/13 flyer ad for Ontario nectarines featuring the same recipe we did for the in-store TasteUS! demos that ran back in July...



Sobeys Québec: At right, sharp-looking, front-and-centre placement given to California tree fruit during recent *TasteUS!/Prenez Gout* demo launch at Montreal-area IGA banner store, with French-language POS displayed:



Wal-Mart Canada: At far right, not terribly attractive but a good example of *Build It and They Will Come* in this illegally-taken photo of the 3L local Ontario peaches priced at \$287 – approx. \$0.96/lb...

OTHER:

From Canada's *The National Post* – July 25th: **Wal-Mart's push in Alberta expected to impact Loblaw most** Wal-Mart is the latest company that hopes to cash in on economic growth in western Canada. The number of Supercentres the company plans to establish in Alberta has reached 11. However, it appears to be staying out of the competitive Calgary market. A Desjardins Securities analyst points out that since eight of these stores are already operating as regular Wal-Mart discount locations, their impact should be thinly scattered across existing food retailers. In a research note [he said] that Loblaw is expected to feel this move the most, since it is Alberta's only discount food player.

National Accounts

Joanna Frith & Carly Rodgers

Accounts: Hy-Vee, Kroger Cincinnati, Kroger Indianapolis, Kroger Great Lakes, Marsh, Meijer, Roundy's, Super Target, W. Newell Company (Super Valu), Jewel, Kroger Corporate, SaveMart, BiLo, **Food Lion, Harris Teeter, Ingles, Kash N Karry, Kroger Atlanta, Kroger Memphis, Kroger Roanoke, Lowes, Publix, Albertson's LLC, Safeway, Raley's** (*Boldface accounts: Visited or contacted this period*)

Account Recap

SOUTHEAST REGION

Publix

Publix supermarkets have been solid supporters of the California stone fruit deal all season. Speaking with Bill Moore from Publix Supermarkets, their California stone fruit season has been "phenomenal!" He reports California peaches and nectarines are recording double-digit increases in both dollars and volume from last season. Peaches have always been a solid performer and nectarines are showing a rapid increase in popularity. The reason for success, he reports is the quality of the fruit: "it is selling itself." For the month of August both white and yellow flesh peaches and nectarines have been priced at \$1.69. Their plum success has been good, but not to the same success as being reported for peaches and nectarines. This season Publix have focused on dealing with four different plum varieties. Last week plums were on sale for \$0.99 per lb. and this week they are selling for \$1.29. Publix will remain in the California deal until the second week of September, when they will switch to Washington State fruit.



Food Lion

Food Lion however paints a different picture on their stone fruit category to date. Randy Scott, produce category manager indicates that to date their stone fruit category performance has been down in both volume and dollars compared to the previous season. He indicated that early in the season he felt costs were too high to support any feature promotions. As the season has gone on they have ramped up their promotional activities. We will be taking a close look at the stone fruit category at Food Lion in this year's mini review, as this comments clearly indicates there may be



opportunities for new strategies at this retailer. Plums seem to be the hot item this week at Food Lion. They are also advertising peaches at \$1.99 per lb. and nectarines at \$1.59 per lb., although no specific origin is given.

Lowe's Food

It is definitely great to see aggressive pricing for CA stone fruit in the southeast! O'Henry peaches this week are on sale \$0.89 per lb. at Lowes. The week of August 8, Lowes ran a special for yellow peaches, nectarines, red and black plums at \$0.99 per lb. The week of August 15, red and black plums and white flesh peaches were priced at \$1.99 per lb., with donut peaches and nectarines are at \$2.49/lb.



O'Henry large peaches
Peak of the Season!
California - product of USA with card
89¢ lb

Harris Teeter

Contact Armon Lansing, produce buyer, states that stone fruit sales are going well largely to due to quality and the hot weather conditions they are currently experiencing. The southeast is experiencing one of its hottest summers on record and at this stage it is looking like a record of 44 days in row with no rain will be broken. Harris Teeter's sales are currently up in both sales and volume from last year, and due to the limited Eastern peach volume, all promotions have been centered around California products. Contact also noted that pluots have been strong sellers this season and have outperformed plums. Depending on store location, California PPN have been displayed at \$2.49 pound with weekly specials being priced anywhere between \$1 - \$2 per lb. Currently they are promoting white flesh peaches at \$1.99 and organic plums at \$1.99. They believe they will be promoting California stone fruit through until the end of September.



Ingles

Great to see retail support for CA peaches right in the heart of the Eastern deal. CA Plums are also on sale for \$1.28 per lb. and CA white flesh peaches and nectarines are on sale for \$1.48 per lb. Although I am sorry to say that they are also supporting the Washington State deal with peaches and nectarines on sale at \$1.48 per lb.



Kroger Atlanta

This Kroger division has always been a mixed supporter of the California deal. Contact indicated that stone fruit sales had been flat over recent weeks, but the category is up slightly in terms of volume and dollars overall for the season. He is an advocate supporter of the Eastern peach deal, but has been supporting California white flesh peaches, nectarines and plums. During the week of September 2nd, Kroger Atlanta will be running a California special - 8 lbs. for \$10 - for white peaches, yellow and white nectarines and plums. This is down from the typical Kroger deal 10 for \$10. This week, regular plums will be running for \$1.69 per lb. and pluots \$1.39 per lb. As for yellow flesh peaches, this Kroger division has been 100% into the Eastern deal, although he believes that the Jersey deal should finish the end of next week. He states the organic deal is only satisfactory, with lots of shrink.



of

Kroger Roanoke

Contact at this Kroger mid-atlantic division indicated that they are having a good year on stone fruit. He indicated that their dollars were up because of the increase in retail and volume was up slightly. "The early start is driving the sales, along with a big Western crop is making a difference. At this time it does not appear the Eastern crop loss will be much of an impact."

WESTERN REGION

Albertson's Southern California

Super Valu's Albertson's Southern California division is experiencing another favorable season, according to their category manager Chris Jacoby. Chris said the reasons for such a great year are taste, color and price. Currently they are advertising yellow and white flesh peaches and nectarines for \$1.99 lb. White flesh varieties comprise about 25% of peach and nectarine sales, he reports. Black and red plums are advertised at 2 lb. for \$3. This division is 100% promoting the California deal and will do so until the end of October.



Ralphs

The ad prices are starting to fall in the major markets throughout California, Angeles. Ralphs kicked off August by placing "sweet juicy tree ripened yellow peaches" on ad for \$0.79 per lb. On August 15 an insert came out with yellow peaches on ad for \$0.69 per lb., yellow nectarines \$0.89 per lb. and red plums 2 lbs. for \$3.00. The same week, Ralphs in San Diego went on ad with yellow nectarines, yellow peaches and red plums 2 lbs. for \$3.00.



particularly in Los nectarines and



Stater Brothers

Featured an ad July 29 promoting white peaches, white nectarines and red or black plums or pluots, for \$0.99 per lb. in San Diego. Stater Brothers also went on ad the week of August 5 with navel oranges, superior seedless grapes or sweet and juicy large yellow peaches 10 lbs. for \$10 in both Los Angeles and San Diego.



Food 4 Less

Contact for Food 4 Less (ad near right) noted that the California stone fruit season is going well and all remarks were very positive. He reported yellow flesh peaches and nectarines are moving the most, with white flesh slightly behind. The contact indicated he offers a variety of white and yellow to give consumers the variety. The week of August 15, Food 4 Less in Los Angeles went on ad promoting large yellow or white nectarines \$0.57 per lb. California PPN is moving quickly throughout the stores.



Fry's Foods

Fry's Marketplace in Phoenix Arizona is on ad at \$1.89 per lb. for yellow or white peaches and nectarines. Contact indicated all California PPN is moving well and noted that all items have been featured in promotional ads throughout the season. He noted that Fry's total category is in the double digits and the fruit is moving great. The contact reported there was no other origin PPN; Fry's is currently carrying only California stone fruit.

If you experience a problem with this communication, please contact Jocelyn Waite at jwaite@caltreefruit.com