



Domestic Market Report

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RETAIL NEWS FROM CTFA'S MARKETING CATALYSTS IN THE UNITED STATES AND CANADA

Period Ending May 14, 2004

CTFA Vice President of Marketing

Sheri Mierau

- It looks to be the beginning of a great season. Weather in all geographic regions is much improved over last summer.
- It is exciting talking with retailers this year. They are very enthusiastic about the first varieties arriving. We've heard lots of strong positive feedback on taste - the unanimous verdict is "much superior to recent years!"
- In a meeting with Safeway this week, they attributed their lower numbers last season to poor-tasting fruit. They see great possibilities for this season. Safeway is also putting together a maturity program that will allow them to test the fruit against their standards on arrival.
- This is a thrilling time for me to join CTFA. Together we can develop strong marketing programs that benefit you and retailers. Please call anytime to discuss ideas or questions you might have.

CTFA Director, Domestic Market Development

Dovey Plain

- This is the first bi-weekly Domestic Market Report of the 2004 season. These reports give you a snapshot of the activities of your Regional Marketing Managers and the promotional activities they are facilitating with retailers and wholesalers throughout the U.S. and Canada.
- CTFA staff and Regional Marketing Managers met in February to establish overall objectives for 2004 season. Marketing Mgrs. have been on the road since mid-Feb.
- CTFA has dropped its "Top 50" approach of the past two years and has returned to working with all of the major retailers and many of the mid-size regional chains.
- All promotions are geared toward the stated objectives of:
 - Focus on expanded season
 - Focus on peak production periods with additional ad features and/or expanded space

- Identifying areas of weakness ("opportunity") with each retailer and establishing programs to address those areas.

- We want to emphasize that CTFA is not paying money for ads or space and that this is a departure from previous years. We may very well request additional ads or space as part of a promotion program, but in return CTFA will fund secondary promotion vehicles such as demos, training, custom point-of-sale materials, retail publications, etc.
- The Regional Marketing Managers are beginning to get into the FreshLook scan data we've recently acquired. They now have customized reports in hand for each one of their accounts. The FreshLook data is the first step in building comprehensive Category Development resources at CTFA.
- Retail bulletin mailed on 5/17 included estimates, updated timing and volume charts, and POS order forms.
- Making sure that retailers are aware that timing is ahead of last year and that ad schedules may need to be adjusted.

Northeast / Eastern Canada

Cece Krumrine

MARKETS VISITED: NY/NJ Metro, Western Pa, Eastern Canada and Maritimes, Upper NY State, New England.

ACCOUNTS: A&P*, Food Emporium*, ShopRite*, Pathmark*, Stop & Shop*, Market Basket*, Hannaford*, Bozzutos*, Shaw's*, Roche Bros.*, Giant Eagle*, Price Chopper*, Wegmans*, Penn Traffic*, Metro*, Montreal*, Sobey's Montreal*, Sobey's Atlantic*.

*Visited this period

MARKET OBSERVATIONS:

- First round of calls have been completed. Accounts are anxious for the season to begin. Most have heard the brix are higher and the fruit (even early season) is eating well—YEAH!

- Most accounts reported disappointing Chilean season (except those sourcing what they told us was premium product).
- A variety of tentative promotions have been set up (see below) with three goals in mind: protect our turf against the competition, encourage retailers to identify and respond to “weaknesses” in their promotional programs, and promote fruit when our crop peaks and we need that extra “push”, especially late season.
- As with most years, freight cost is an issue. I did reiterate the points that CA still offers the best consistency of product and in most cases is preferred by the consumer. Even if we can't own the whole block, we still need to have a presence and be the premium partner.
- Early ads are few and far between, but I did see ads for **Penn Traffic** chains, **Shop Rite**, **Pathmark**, **Price Chopper** and **Metro**.

ACCOUNT RECAP:

- **A&P**- All divisions run out of Paterson, NJ office except for **Food Emporium** and **Food Basics** stores (still run autonomously). Lakeland, FL office is closed. **A&P** follows handling protocol and deals mostly with tree-ripe fruit. Started advertising earlier this year (white flesh ad May 8). Promotional opportunities include more early and late season support (most CA ads ended in early August last year).
- **BIG Y**- Did fewer ads with Eastern last year and hopes to do the same this year. CA volume up, Eastern way down. Really liked POS (first time ordering it). Opportunities lie in late season support and increased white flesh support.
- **BOZZUTO'S-Adam's Superfoods** and **King Kullen** are largest chains serviced by **Bozzutos**, plus many other smaller chains. Loved health message on POS. Sales were down last year; **Bozzutos** wants to increase CA business this year, promote with better timing and support later season ads.
- **FOOD EMPORIUM** - Stores are located mostly in New York City and customers are driven more by in-store specials. Opportunities lie in more white flesh support and later season support. I would like to see FE do feature side story on white flesh or plums.
- **GIANT EAGLE**-Attended Cat. Mgt. seminar with **Giant Eagle**. Several weak promotional areas were identified. Mostly, we need later season support (we get great support mid season with 67 ads last year), more nectarine support.
- **HANNAFORD**- 2003 was tough year with Northeast weather and quality of CA fruit (esp. nectarines). Hopes for better year. Opportunities include more combo ads, especially including white flesh and plums.
- **MARKET BASKET** –great year last year! **Market Basket** does lots of cross merchandising and mixed fruit packs (overwraps done in-store). Opportunities include late season support (last ad was early August in '03) and more white flesh and combo ads.
- **METRO**-also includes **Super C** club stores and **Loebs** in Ottawa. Last year was best ever for Metro. Customer preferred CA over local Ontario crop according to Alain and buyer, Chris. Alain used much of the information we provided to create a PowerPoint presentation to “upsell” CA PPN program. May do bagged fruit this year, especially with **Super C** stores.
- **PATHMARK**-Sales were down last year and we spent lots of time on promotional opportunities, space issues and ad schedules. Eric said Eastern crop was better quality than CA in '03—hopes CA quality is better this year. Opportunities include Produce Pete sidebars and more late season support.
- **PENN TRAFFIC**-sold off **Big Bear** stores in Columbus, Ohio. **Penn Traffic** is loyal to CA but they are unable to handle fruit properly at warehouse so internal breakdown is an issue. Charlie says he “does the best he can”. We need more support at end of deal and they may encourage customers to use bags for softening.
- **PRICE CHOPPER**-for first time last year, **Price Chopper** was forced to bring in Eastern fruit due to quality issues in CA fruit (sour rot). We need to aggressively protect our turf this year against Eastern fruit since we lost some ground last year.
- **ROCHE BROS.- Roche Bros** (16 stores) does an amazing business in suburban Boston. Opportunities with this account include more white flesh ads and more combos. Plums were also a weak promotional area.
- **SHAW'S**- lots of changes here. Now **Shaw's** is part of **Albertsons** and changes are still being sorted out. (180 management personnel were eliminated at corp. level last week—some buyers let go were with co. 35 years). Even though sales lagged in early '03 season, sales were made up end of season. **Shaw's** stayed with CA longer than anyone else in region. **Shaw's** does not bring in any Eastern Crop. Promotions to be determined.
- **SOBEY'S MONTREAL AND SOBEY'S ATLANTIC** - Only corp. **Sobey's** was called on last year, but now we are returning to divisions. Opportunities include more white flesh, additional support for late season fruit.
- **STOP & SHOP**- New 1.3 M sq ft warehouse in Assonet, MA will house all produce personnel for **Stop & Shop** and **Ahold**. **Giant of Landover** will now be run out of **Stop & Shop**. Nectarines in '03 had many quality issues. **Stop & Shop** is planning aggressive promotional program for new direction of CA program. Private label box developed which all shippers will use. Promoted with billboards, radio and other vehicles. Opportunities include increased space and secondary displays. We are also looking for more late season support.
- **WAKEFERN/SHOPRITE**- Planning on using bags printed with consumer tips again this year in all stores (over ½

million bags left over from last year). **Wakefern** will continue monitoring fruit at warehouse to deliver better fruit to customer. Weather in Northeast cut into sales early last summer and fact that Eastern crop was so good impacted CA sales. Opportunities lie in more white flesh ads, later season support and less line item ads, more features and subs.

- **WEGMAN'S**- Disappointed with peach and nectarine quality last year. Two-tier system (ripe tonight and ripe in 2-3 days) will remain in place this year. Last year was first year peaches were ever on ad (other than occasional combo). Ad was huge success and will do more this year. Website story and recipe plus demos added to success. New Woodbridge, NJ store is #1 in sales \$ and volume in Co. Opportunities lie in additional peach ads this year, more in-store specials (WOW tables) and late season promotions.

Mid-Atlantic

Sheila Carden

MARKETS VISITED: Phila., Cincinnati, Columbus, Louisville, Roanoke, Richmond

ACCOUNTS: *Acme; DeCA; *Giant-Carlisle, Harris-Teeter; Ingles; *Kroger-Columbus, *Kroger-Louisville, *Kroger-Roanoke, *Kroger-Cincinnati, *Weis

*visited this period

MARKET OBSERVATIONS:

- Retailers are anxious for this season to start and are happy to hear that flavor is good. Several accts had their eyes opened last season when they saw the change in customer buying habits when quality fruit was offered on a consistent basis. What surprised them most was that when the "taste" is there, price is NOT an issue.
- Excited to have plenty of high quality fruit to promote this year. I am requesting retailers encourage their PM's to taste the fruit on display on a regular basis, so they will know what the customer is tasting.
- Increased interest in store level training this year seen in majority of accts.
- Everything goes in cycles. Several retailers requesting consumer brochures for next year. They all like the new logo and look of POS, but would like to see it on a consumer brochure w/ nutrition info, handling info and recipes.
- Most fruit seen on display has good color and aroma. Big variety in size and quality of displays amongst Kroger divisions.
- Most accounts will have peaches and nectarines on ad this week.

ACCOUNT RECAP

- **Kroger Roanoke** - New Asst. Merchandiser, Alan Cogar, was open to suggestions regarding increasing variety and display space. Does not feel local crop is best for customers because of fewer inspections, even though cost is less. However w/ higher transportation cost may have to offer local.
- **Kroger Cincinnati** - 24 sq. ft of Super Rich Peaches size 64 and some nectarines on display. Some customers requested GA peaches last year so they will carry this year. Peaches on ad this week at \$1.29. CTFA will concentrate on late season promotion and some specific combo ads during peak periods. Asked to participate in their Fall Produce Show (Sept. 23rd) for the first time. **Giant Carlisle** - Started buying for **Topps** last August. Not using bags this year because of their new project, "Orchard Perfect." Visited on 4/28 and they had product in their warehouse. Promo pending.
- **Weis** - Sell local & CA conventional fruit at same price. They are seeing a noticeable change in produce buying habits due to Atkins and South Beach diets. Promotion pending.
- **Kroger Columbus** - Will use paper bags for consumer messaging again this year. Interested in store level training. Eager for more data from CTFA regarding CA peaches, plums and nects. as they relate to the performance of other commodities. Promotion will encourage them to carry more variety throughout season and promote late season w/ back to school.
- **Acme** - CA peaches and nects. in-store special 5/14 and then 5/21 will run on ad. Then switching to Southern until pre-conditioned fruit is available. Promotion plans include white flesh and August push.
- **Kroger Louisville** - Peaches on ad starting May 16 at \$1.48. Big promotion breakthrough this year - willing to try combo ads. In the past they were afraid it would cause pricing problems. Late season may be more of a struggle here, due to early local apple crop. Will concentrate on combo ads and late season.

Southeast

Terry Vorhees

MARKETS VISITED: Tampa, Jacksonville, North Carolina, South Carolina

ACCOUNTS: Albertson's - Maitland; *BiLo; Bruno's; Dillons, *Food Lion; Kash N Karry; Kroger - Atlanta; *Publix; *Winn-Dixie, *Lowe's, Schnucks, AWG Kansas City, Save-a-Lot.

*visited this period

MARKET OBSERVATIONS:

- Several retailers have indicated that they will be moving to pre-conditioned fruit this year. Lowe's, Bilo and Bruno's will be using pre-conditioned fruit exclusively. Food Lion

has said they will be using more pre-conditioned fruit than last year. I have received several requests for more information on pre-conditioned particularly information on the process of pre-conditioning. Bilo requested info that they could pass on to their field merchandisers and store level personnel. Supplied them with our one-page "Handling Guidelines."

- Most promotion agreements for the year are pending and I will be confirming these over the next few weeks. Most will be back to school and late season promotions supported by in-store demos.
- Working hard to find programs to fund with accounts to ensure we still get our fair share of ad activity this summer against other competing summer items.
- There has been good interest in a back-to-school promotion coupled with a regional display contest in August. Although this is still in the works approximately 80% have said they will participate.
- A good crop is expected in SC and GA. It is my intention to set as many promotions as possible to ensure good movement of our fruit in August and September. Last August left us with depressed prices and low demand. Hopefully we can prevent this from happening this year.

Western U.S. / Western Canada

Matt Ellison

MARKETS VISITED: Vancouver BC, Portland, Seattle, N California, S California, Salt Lake City

ACCOUNTS: *Overwaitea, Federated Co-op, *Fred Meyer, Associated Grocers, *Albertson's-Portland, *Winco, Raley's, *Albertson's-NCal, Costco, *Safeway-All divisions, Gelson's, Food-4-Less, Savemart, *Ralph's, *Albertson's-Scal, *Stater Bros., *Albertson's-Salt Lake City, *Smith's, Fry's, Albertson's-AZ, Basha's,

*visited this period

MARKET OBSERVATIONS:

- The majority of retailers agree that late season fruit does offers sales opportunities and plan to promote harder at this time than years past. The few that are not promising late season ads have cited taste issues. Efforts will be made to get samples of late season fruit to these retailers.
- S CA retailers especially looking forward to a great stone fruit summer. Last summer's labor disputes hit produce hard. **Von's** was stocking bottled water in produce to fill space.
- **Fred Meyer** for the first time in eight years has agreed to consider switching back to CA fruit after WA is done.
- This year's POS, with smaller format and healthy message, has been popular.

- All retailers are very enthusiastic about the possibilities that the new category sales data and analysis will provide. "Since I'm now doing two jobs, anything you can do to help would be great," stated one Southern CA retailer.
- Beginning next round of calls to firm up "undecided" promos.
- **Overwaitea** - Incremental late season ads for demos
- **Federated Co-op** - undecided
- **Fred Meyer** - Incremental Ads for ripening bags
- **Associated Grocers** - undecided
- **Albertson's-Portland** - undecided
- **Winco** - undecided
- **Raley's**, - undecided
- **Albertson's-Ncal** Incremental late season ads for demos
- **Costco** - Demos
- **Safeway**-All divisions - Incremental late season ads for demos
- **Gelson's** - undecided
- **Food-4-Less** - undecided
- **Savemart** - undecided
- **Ralph's** - Incremental late season ads for demos
- **Albertson's-S CA** - Incremental ads for television infomercials about Tree Fruit
- **Stater Bros.** Incremental late season ads for demos
- **Albertson's-Salt Lake City** Incremental late season ads for demos
- **Smith's** - Incremental late season ads
- **Fry's** - undecided
- **Albertson's-AZ** - undecided
- **Basha's** - undecided

South Central

Jeannetta Davis

MARKETS VISITED: Houston, Dallas, San Antonio, Lubbock, Denver, Tyler, Bentonville, Springdale

ACCOUNTS: Albertson's – Denver, Ft. Worth*, Brookshire Grocery*; Fiesta*: Gerland's*: Grocer's Supply*: HEB*; King Soopers*; Kroger – Houston/Dallas*, Memphis; Minyard's*; Sam's Club*; United Supermarkets*; Wal*Mart*; Whole Foods; Wild Oats

*visited this period

MARKET OBSERVATIONS :

- Most of the retailers in my territory had negative stone fruit sales in 2003 so the fact that the fruit is starting earlier this year and has higher brix is generating excitement.
- Last week, I purchased peaches at **HEB** Central Market and **Kroger**. I could smell the peaches at the display and better yet, they had flavor!
- Had a comment from one retailer about sub-acid fruit. He was shipped some last year without his knowledge and

feels there needs to be more designation between this and "regular" fruit.

- Retailers are recognizing the importance of marketing different products in stores with different ethnic needs. Retailers want information on who buys white flesh peaches and nectarines. Which customers prefer red or black plums, etc...
- Educating the retailers' customers is topic of major importance this year. Custom POS is being developed with 2 major retailers to impact sales at the display.
- The California stone fruit growers sponsored the Houston Fresh Fruit and Vegetable Association luncheon on May 12. PMA President Bryan Silbermann was the speaker. Sheri Mierau gave an overview of the 2004 season estimates.
- Retailers are full of questions this year, here are a few samples (and the answers – if we have them).
 - **Q:** What is CTFA bringing to the table that can take our company to the next level of selling stone fruit? The ripening protocol did that. What's next?
A: Detailed account analysis will allow us to identify successful practices and promotions and show all retailers how to apply those practices in their operations.
 - **Q:** Will Pluots become part of CTFA? Retailers would like to see that happen. They like the standards and regulations; they need the estimates; and Texas retailers would be able to ship them to the stores in Mexico.
A: Only the growers can decide when and if that will happen. In the meantime, we tell retailers what we know about "guestimated" volume and that pluots can voluntarily be packed as plums.
- Second round of calls will begin to nail down summer promotions now that estimates are out and season is really underway.

ACCOUNT RECAP:

- **Albertson's Ft Worth** – Meeting postponed. Opportunity for late season promotions.
- **Brookshire** – Same number of ads in 2003 as 2002, but did not start until June. Opportunities available to start earlier, advertise during holidays and stay with CA during Sept/Oct. They want softening bags in produce departments as educational tool for customers.
- **Fiesta** –According to Fresh Look, stone fruit sales per store are huge. One of the few chains in my territory that achieved sales gains in 2003. Stores have not promoted Summerwhite® peaches or nectarines in the past. Opportunity here for Summerwhite demos.
- **Gerland's** –Small number of stores. Will work with account to develop in-house demos utilizing store personnel.

- **Grocers Supply** – Offered new "To Your Good Health from California" POS. Smaller accounts will use the POS while larger accounts want custom POS. All accounts like the theme and visuals on the POS this year.
- **HEB** – Disappointed with quality of peaches and nectarines last year. Did not achieve the sales they expected. Felt they lost repeat purchases due to lack of flavor in fruit. New HEB Business Development Manager will handle stone fruit this year. I have met with HEB three times already to develop custom POS and collaborate on promotional programs for the summer.
- **Kroger Houston** – Consumer education is being pushed by Kroger company. The custom signage used last year will be printed again. It shows a salad usage idea on one side and how to soften stone fruit on the other. Additional ads in 2003 did not achieve sales gains. Will look for other promotions to increase sales this year.
- **Minyard's** – Dallas market area is tough. Minyard's with their three formats of stores (Minyard's, Sack 'n Save and Carnival) has not achieved recent sales growth as they have in past years. Opportunity to promote during holidays and late season. Also, combo ads will be part of promotion.
- **Sam's** – Sam's is aggressively selecting what they consider premium varieties of CA stone fruits to sell throughout the season. Will carry peaches all season, but will be in and out of business on Summerwhite and plums according to varieties. Demos are planned.
- **United** – United entering the Dallas market with new store format. Successful so far. 2-tiered peach program went very well. May try with nectarines if sizing permits.
- **Wal*Mart** – In-store audit program will kick off the first of June. All Supercenters will be visited 2-3 times a month with 1 audit conducted per month. Modulars, signage and SEMs, EDLP will be checked and produce managers will be asked to correct whatever is lacking at that time. Looking at possible cross-tie promotions during the season.
- **Wild Oats** – Appointment pending.

Midwest / Toronto

Jim Hager

MARKETS VISITED: All

ACCOUNTS: A&P Canada; Cub West; Hy-Vee; Jewel; Kroger, Indianapolis; Loblaw; Marsh; Nash-Finch; Meijer; Roundy's; Sobey's; Super Target.

*visited this period

MARKET OBSERVATIONS :

- Account coverage has expanded to include direct calls to: **Coborn's**, **Central Grocer's Co-Op**, **Cub East** (Chicago), **Fareway** and **Dahl's**. **Roundy's** headquarter call in Milwaukee now also includes **Rainbow** and **Copps IGA** stores.
- **Fareway** has asked me to participate in a June 8-9 seminar for its 84 produce managers.
- We are off to a sweet and juicy start. I ate my first peach on April 22 in Des Moines. It was delicious. Prior to my **Hy-Vee** headquarters call, I stopped in one of the newest stores in West Des Moines to find a fragrant 27 sq. ft. of front selling space devoted to peaches (totes too.). Price was \$2.99 lb. or .10 off per pound on the totes. For **Hy-Vee**, the week of April 18 was one week ahead of last season.
- Only three of my retailers had California Tree Fruit tonnage declines in 03. Those that were down were optimistic that a quality crop, especially nectarine, will reverse that trend

ACCOUNT RECAP:

- **A & P Canada:** Display contests (3) for its banners to offset the loss of produce ad space due to new corp. ad policy. We provide prizes.
- **Cub :** More peach and nectarine combo ads and more September promotion in exchange for demos.
- **Hy-Vee:** Incremental ads will be supported by July, August and September demos.
- **Jewel:** Back-to-School promotion for demo support twice during a "Join the Fight—Help Kids Eat Right" push in mid-summer.
- **Marsh:** Billboards (nectarine) and demos to support plus white flesh ads and Back to School promotion.
- **Meijer:** Demos and custom POS for tonnage increase targets.
- **Sobey's:** Demos plus funds for custom POS and produce manager training.
- **Super Target:** An incremental nectarine and plum promotion for demo support throughout the season.
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