Total Produce Perspective

Whole and Fresh Cut Produce Trends: Q2 2018

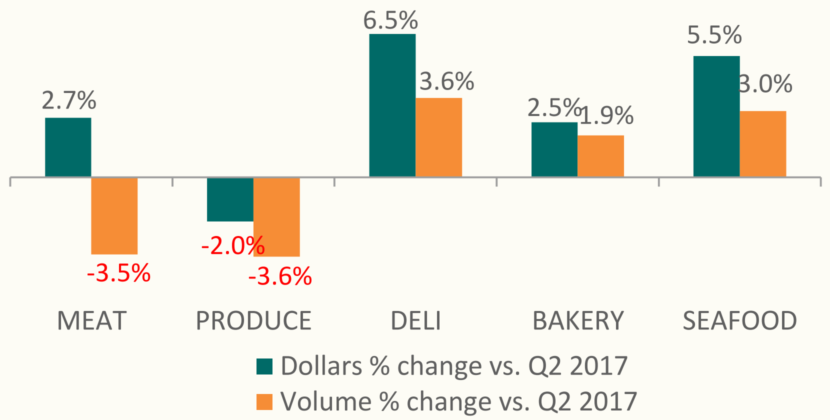
FRESH IS POWERFUL IN THE STORE AND PRODUCE CAN DRIVE MAJOR CHANGE

2.2% — Increase in **household trips** to purchase **fresh** vs. 52 weeks year ago

0.4% — Increase in household trips to purchase **all groceries** vs. 52 weeks year ago

Produce is **35%** of total fresh sales, second to the meat department.

FRESH DEPARTMENT SALES CHANGE Q2 2018 vs. Q2 2017



About the Measures

Dollars
Total dollar sales

Pounds
Total pounds sold, all items converted to a pounds metric

Average Retail Price
Total dollars divided by total pounds

Percent Change
Percent difference between the current year versus the same period a year ago

Basket Size
Average amount spent in the store when the product is in the transaction

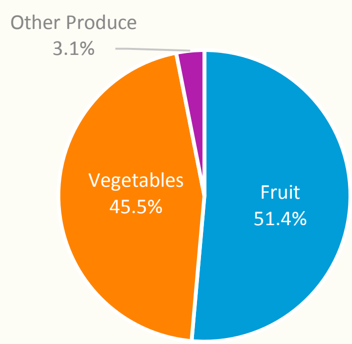
Households Buying
Percent of US households purchasing at least once within the last year

Trips per Year
Average number of times the product was purchased by US households annually

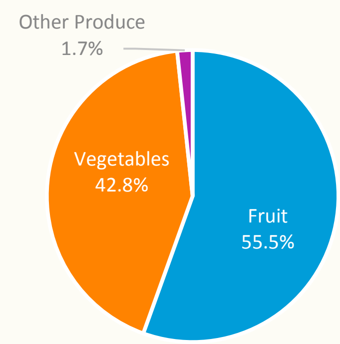
THE PRODUCE DEPARTMENT GENERATED $15.9B IN Q2 2018

	Households Buying Annually	Dollars	% Change versus Q2 2017	Pounds	% Change versus Q2 2017	Average Retail Price	% Change versus Q2 2017
Produce	98.6%	$15,878M	-2.0%	10,660M	-4.1%	$1.49	2.1%
Fruits	91.7%	$8,156M	-3.1%	5,917M	-4.5%	$1.38	1.4%
Vegetables	97.1%	$7,226M	-1.3%	4,558M	-3.7%	$1.59	2.5%
Other Produce		$497M	5.7%	185M	-0.9%	$2.68	6.7%

CONTRIBUTION TO PRODUCE WEEKLY DOLLAR SALES PER STORE



CONTRIBUTION TO PRODUCE WEEKLY VOLUME SALES PER STORE



AVERAGE BASKET SIZE
Shoppers spend more money in the store when produce is included in the transaction.

WITH PRODUCE		WITH ANY ITEM
$63	vs.	**$41**

HOWEVER: **55%** of trips to the **grocery store** do ***not*** include produce.

nielsen

Source: Nielsen Total Food View, Total U.S. xAOC, 13 Weeks Ending 6/30/18:, UPC-coded and random-weight/Non-UPC data

Top 10 Commodity Trends

Q2 2018

Fluctuation in supply, price affected several large fruit commodities

Higher prices (as a result of supply challenges or for other reasons) impacted a number of fruit categories; however, growth of premium priced products such as Honeycrisp apples (+6.7%) and blueberries (with an average price of more than $5.00) prove people will still pay more for their favorite produce.

Top Fruit Categories Q2 2018 Sales	Households Buying Annually	Dollars	% Change versus Q2 2017	Pounds	% Change versus Q2 2017	Average Retail Price	% Change versus Q2 2017
Apples	77%	$885M	-5.6%	520M	-6.3%	$1.70	0.8%
Strawberries	67%	$872M	0.2%	376M	-0.1%	$2.32	0.4%
Bananas	86%	$824M	-6.2%	1,435M	-5.3%	$0.57	-1.0%
Grapes	70%	$757M	-5.4%	311M	-9.5%	$2.44	4.4%
Watermelons	23%	$617M	-1.2%	1,220M	-5.3%	$0.51	4.3%
Avocados	50%	$566M	0.8%	261M	24.0%	$2.17	-18.7%
Blueberries	43%	$462M	4.6%	92M	1.3%	$5.03	3.2%
Mandarins	48%	$377M	-5.9%	236M	-8.6%	$1.60	3.0%
Oranges	50%	$302M	12.5%	237M	1.0%	$1.28	11.4%
Cherries	37%	$269M	-32.4%	67M	-39.0%	$3.99	10.8%

Romaine recall made big impact on vegetables in Q2

Lettuce dollar declines of nearly $69M in Q2 2018 accounted for 73% of the dollar declines in total vegetables. However that impact did not spread to the packaged salads as they grew in this time period.

Top Vegetables Categories Q2 2018	Households Buying Annually	Dollars	% Change versus Q2 2017	Pounds	% Change versus Q2 2017	Average Retail Price	% Change versus Q2 2017
Pre packaged salads	80%	$1,215M	0.7%	293M	1.2%	$4.15	-0.5%
Tomatoes	80%	$932M	-1.8%	439M	-6.2%	$2.12	4.6%
Potatoes	87%	$781M	-0.8%	1,038M	-7.7%	$0.75	7.4%
Onions	84%	$476M	-1.9%	474M	-5.1%	$1.01	3.4%
Lettuce	72%	$400M	-15.1%	249M	-6.5%	$1.61	-9.2%
Bell peppers	72%	$383M	2.8%	148M	-1.6%	$2.60	4.5%
Carrots	79%	$300M	-1.7%	232M	-2.2%	$1.29	0.5%
Cucumbers	61%	$283M	1.1%	222M	-2.1%	$1.27	3.2%
Mushrooms	49%	$279M	2.5%	67M	0.9%	$4.17	1.6%
Broccoli	48%	$232M	1.5%	113M	7.9%	$2.06	-6.0%

Source: Nielsen Total Food View, Total U.S. xAOC, 13 Weeks Ending 6/30/18:, UPC-coded and random-weight/Non-UPC data

Category Spotlights

Q4 2017 vs. Q4 2016

As companies prepare for Q4 2018, category spotlights look back at Q4 performance for 2016 and 2017 for insights and lessons learned.

APPLES

Honeycrisp has cemented itself as the continued favorite variety of apple, amongst a sea of struggling varietals. While Apples can easily meet the snacking need state, performance metrics show something different. Of the top 20 varieties, only 3 show positive volume growth.

Product	Dollars	% Change versus Q4 2016	Pounds	% Change versus Q4 2016	Average Retail Price	% Change versus Q4 2016
Total Apples	$1,041M	-6.8%	637M	-8.9%	$1.60	2.3%
Honeycrisp	$249M	3.6%	103M	6.7%	$2.42	-2.9%
Gala	$206M	-8.8%	162M	-6.8%	$1.27	-2.2%
Granny Smith	$111M	-7.0%	69M	-14.3%	$1.60	8.5%
Fuji	$101M	-12.7%	68M	-12.8%	$1.49	0.1%
Red Delicious	$82M	-15.4%	68M	-17.0%	$1.21	1.9%

77% OF HOUSEHOLDS ANNUALLY PURCHASE APPLES

$27 ANNUAL SPEND

ON 7 TRIPS PER YEAR

POTATOES

Potatoes continue to be a staple item for Q4 holiday celebrations, but growth is coming from your less traditional varieties such as sweet potatoes, yellow and purple - which all have increased in volume over the last year.

Product	Dollars	% Change versus Q4 2016	Pounds	% Change versus Q4 2016	Average Retail Price	% Change versus Q4 2016
Total Potatoes	$926M	0.9%	1,397M	-2.1%	$0.66	3.0%
Russet	$373M	0.6%	773M	-1.9%	$0.48	2.6%
Sweet Potatoes	$187M	2.6%	200M	2.3%	$0.94	0.3%
Red	$145M	-3.5%	164M	-6.5%	$0.89	3.1%
Yellow	$108M	7.3%	114M	7.5%	$0.95	-0.1%
Other	$61M	9.5%	85M	-3.4%	$0.71	13.4%

87% OF HOUSEHOLDS ANNUALLY PURCHASE POTATOES

$21 ANNUAL SPEND

ON 7 TRIPS PER YEAR

LETTUCE

Increased prices resulted in negative performance for lettuce overall. As Lettuce competes with packaged salads, consumers increasingly turn to newer varieties to spice things up. As a result, butter lettuce and oak varietals continue to capture sales growth.

Product	Dollars	% Change versus Q4 2016	Pounds	% Change versus Q4 2016	Average Retail Price	% Change versus Q4 2016
Total Lettuce	$381M	4.1%	232M	-2.6%	$1.64	6.9%
Romaine	$169M	4.7%	88M	-3.6%	$1.92	8.6%
Iceberg	$126M	7.4%	95M	0.7%	$1.33	6.7%
Other	$55M	-2.3%	35M	-7.0%	$1.55	5.0%
Butter	$12M	8.7%	4M	6.3%	$2.72	2.3%
Red Leaf	$11M	-4.0%	7M	-11.3%	$1.73	8.2%

72% OF HOUSEHOLDS ANNUALLY PURCHASE LETTUCE

$14 ANNUAL SPEND

ON 7 TRIPS PER YEAR

Source: Nielsen Total Food View, Total U.S. xAOC, 13 Weeks Ending 6/30/18:, UPC-coded and random-weight/Non-UPC data; Nielsen Homescan

Value-Added Fruits & Vegetables

Q2 2018

VALUE-ADDED FRUIT AND VEGETABLES

- Includes fruit produce items that have undergone an extra process to enhance their marketability. This could include dicing, cutting or mixing items for the purposes of snacking, easier meal preparation or as a seasoned side dish.

NEW INNOVATION CONTINUES TO FUEL VALUED ADDED VEGETABLE SALES

Consistent pricing and a diverse set of products developed to meet the growing consumer demand for convenience, health and snackability have fueled the strong growth of value-added vegetables. Value-added fruit has an opportunity to identify additional needs it can solve beyond snacking

4.4%

Dollar contribution of value-added fruits to total produce

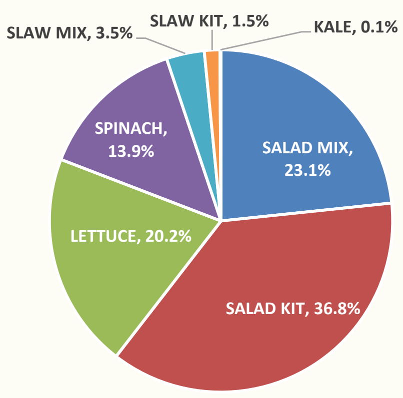
Value-Added Fruit & Veg	Dollars	% Change versus Q2 2017	Pounds	% Change versus Q2 2017	Average Retail Price	% Change versus Q2 2017
Value-Added Fruit	$705 MM	3.1%	207 MM	-1.3%	$3.40	4.5%
Value-Added Veg	$360 MM	6.4%	114 MM	5.8%	$3.14	0.6%

Top 10 Categories	Dollars	% Change versus Q2 2017	Pounds	% Change versus Q2 2017	Average Retail Price	% Change versus Q2 2017
Mixed fruit	$165M	-0.9%	40M	-4.8%	$4.18	4.1%
Watermelons	$165M	7.2%	74M	3.0%	$2.24	4.1%
Pineapples	$105M	-1.9%	29M	-6.8%	$3.67	5.3%
Mixed vegetables	$98M	5.0%	25M	3.4%	$3.83	1.6%
Broccoli	$53M	14.9%	18M	12.8%	$2.87	1.9%
Cantaloupe	$49M	4.3%	15M	3.2%	$3.35	1.1%
Carrots	$40M	4.2%	17M	2.9%	$2.27	1.2%
Apples	$36M	4.1%	9M	-2.6%	$3.85	6.9%
Specialty melons	$23M	3.6%	5M	-7.1%	$4.19	11.6%
Mixed berries	$23M	1.8%	4M	3.6%	$6.28	-1.7%

2.3%

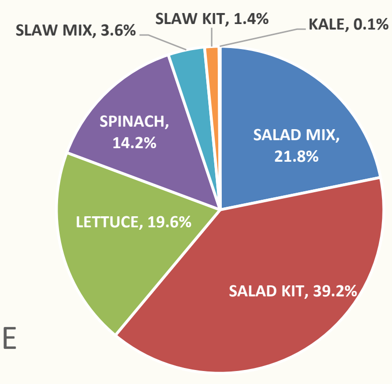
Dollar contribution of value-added vegetables to total produce

Although packaged salad is categorized separately from value-added vegetables, a quarterly evaluation of this important product's performance will be included in this section.



Q2 2017

Q2 2018



PACKAGED SALAD DOLLAR SHARE BY TYPE

Completes/kits increased dollar share

2.4 pts.

Source: Nielsen Total Food View, Total U.S. xAOC, 13 Weeks Ending 6/30/18:, UPC-coded and random-weight/Non-UPC data