Trends in the Marketing of Fresh Produce and Fresh-Cut/ Value-added Produce

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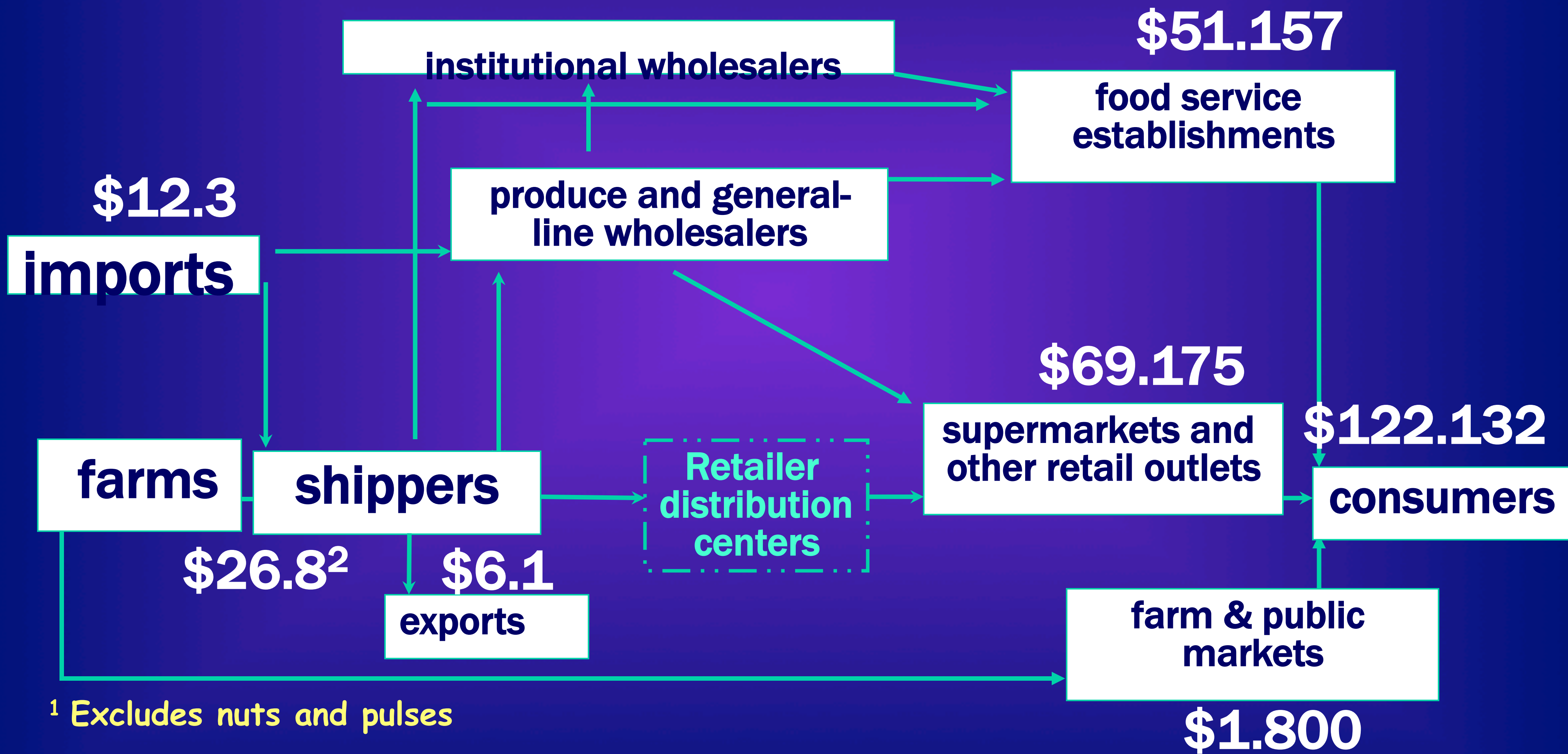
Agenda

- Aftermath of great recession
- Overview of fresh-cut produce market
- Lettuce, leafy greens and bag salads
- Value-added fruit
- Fresh-cut (value-added) vegetables
- Branded vs private label
- Consumer trends
- Conclusions

U.S. Fresh Fruit and Vegetable[1] Value Chain, Estimated Dollar Sales, Billions, 2010



[1] Excludes nuts and pulses

Sources: Compilations by Kristen Park, Roberta Cook, and Edward McLaughlin based on U.S. Retail Census, ERS/USDA, NASS/USDA, U.S. Department of Commerce, and other data.

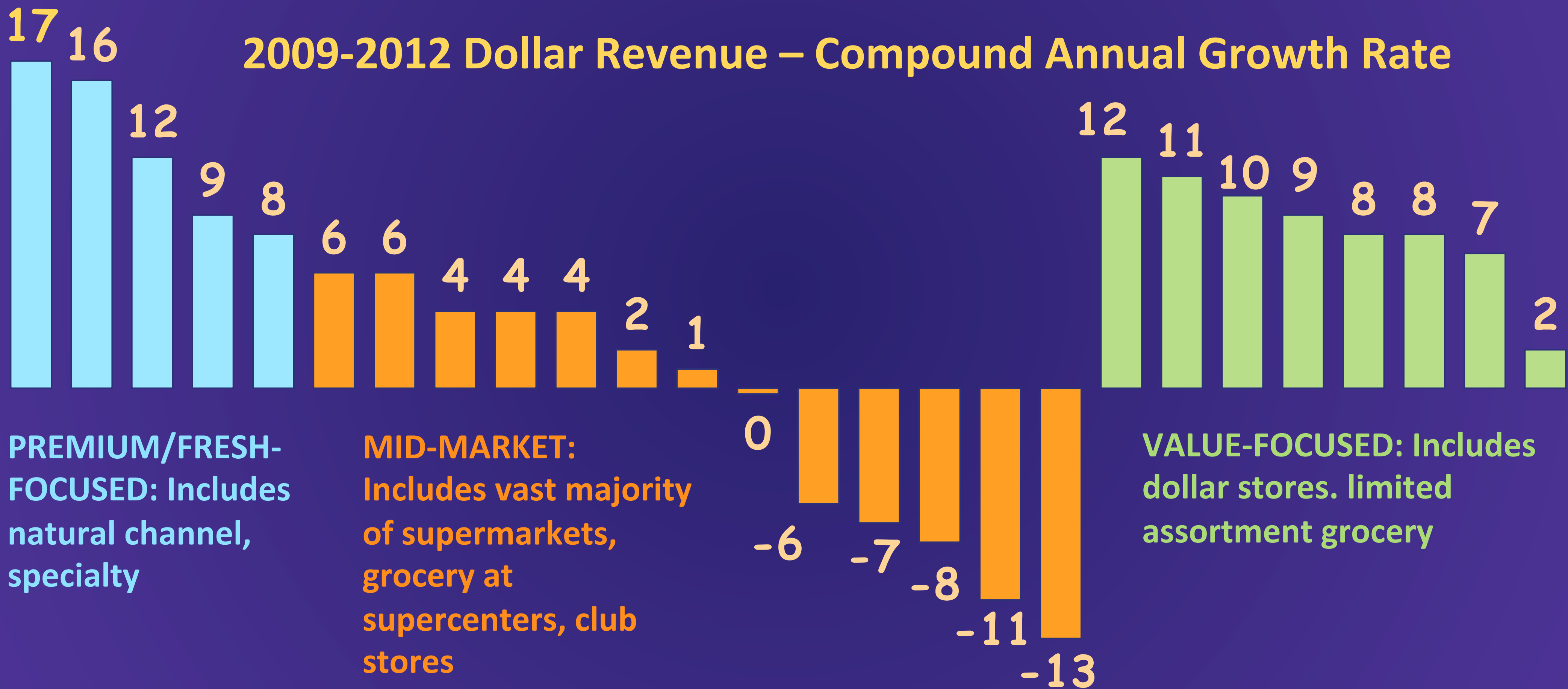
Top 5 US Fresh Market Vegetable States* in 2014: Geographic concentration of production (due to climate) limits local sourcing potential, yet it is growing in the summer/fall

Area Harvested		Production		Value	
State	% of Total	State	% of Total	State	% of Total
CA	47	CA	52	CA	60
FL	10	AZ	8	FL	10
AZ	7	FL	7	AZ	6
GA	6	WA	4	GA	4
NY	4	GA	4	NY	3
Other	28	Other	25	Other	18

*Excludes potatoes

Source: Vegetables 2014 Summary, USDA/NASS, January 2015

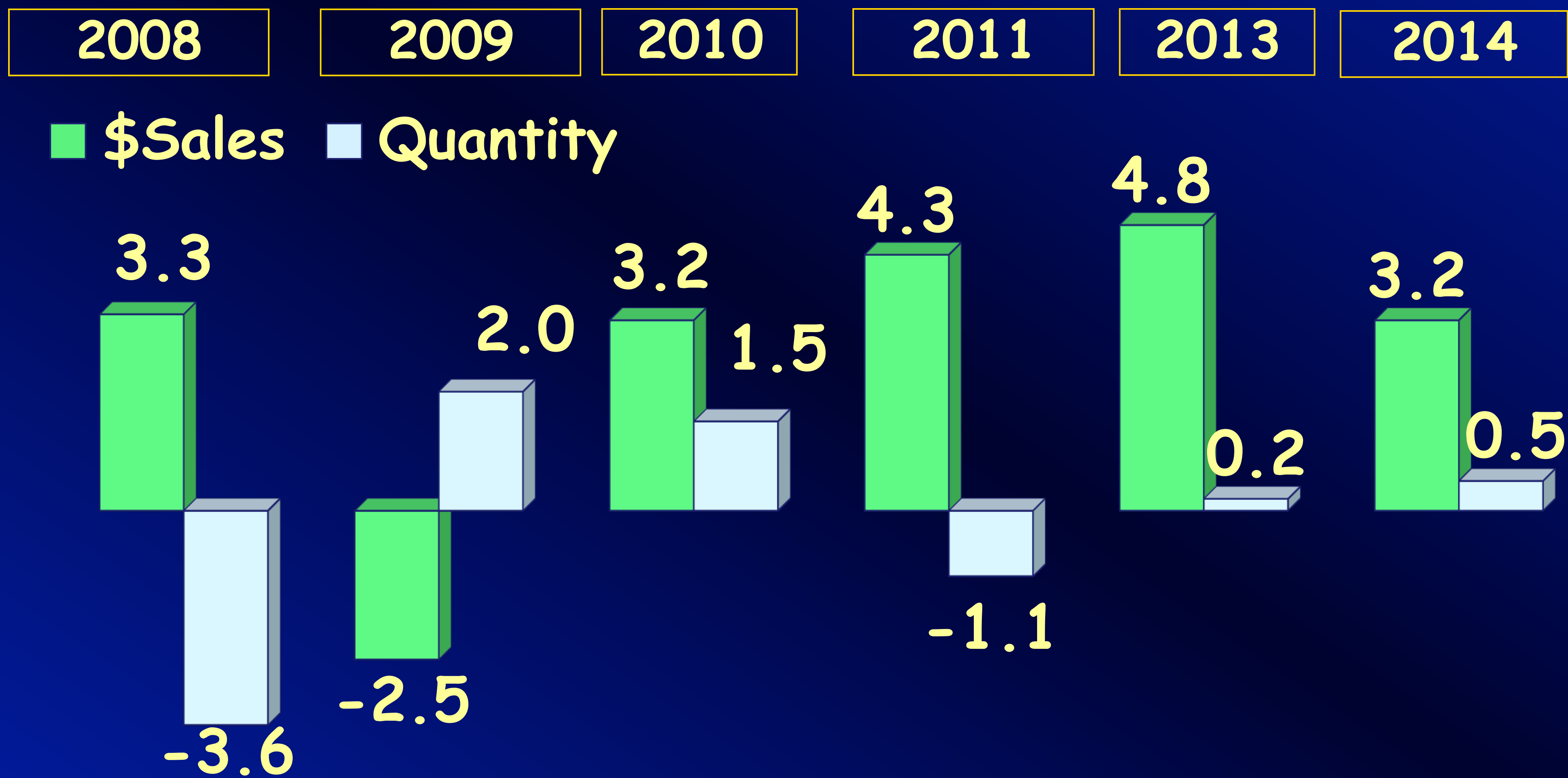
Annual Revenue Growth of Leading U.S. Food Retailers, 2009-2012



Source: U.S. Sales data, 26 food retailers, Stores.org "Annual Top 100 Retailers" plus 2 add'l upmarket retailers, 2013 8-K and 10-K reports, Calculations and analysis The Hartman Group

USA Select Supermarket* Fresh Produce Dept. Performance During the Economic Downturn/Recovery, % Change v. Prior Yr

*As of 2013, includes Walmart Supercenters, Sam's Club and Target.



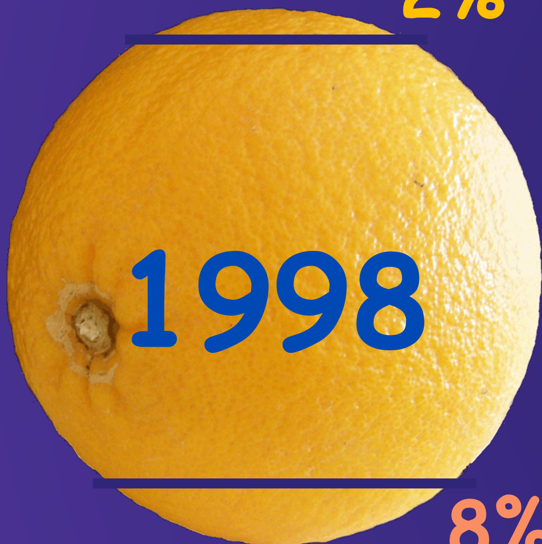
Sources: Various sources of scanner data. 2014 is fruit and veg sales only, excludes non fruit/veg sales in produce dept like salad dressings, croutons, nuts, etc.

Note: Not same store sales and the store universes change over time so exercise caution when making annual comparisons.

The economic downturn accelerates 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).

US Grocery Market Shares, by Key Channel, 1998 vs. 2013



2%

90%

8%

Nontraditional
mass - club - drug
supercenter - dollar

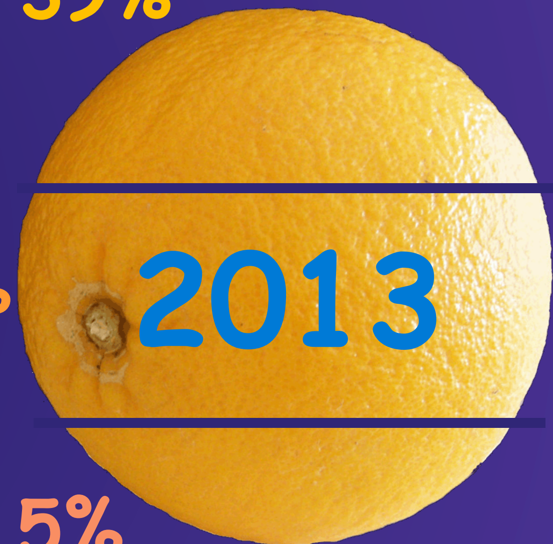
Traditional
conv supermarket, fresh format, ltd assortment, super warehouse, other

Convenience
with and without gas

39%

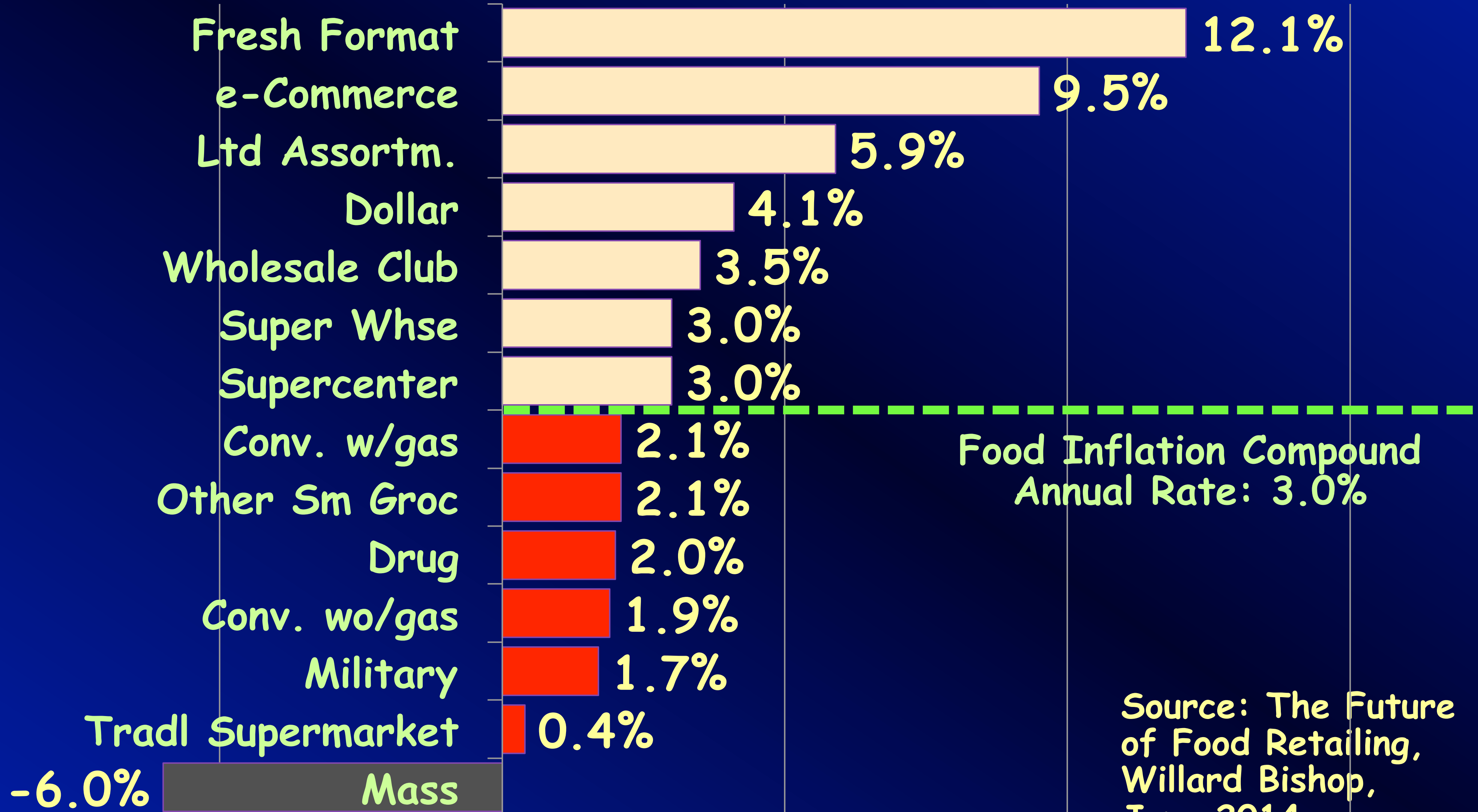
46%

15%



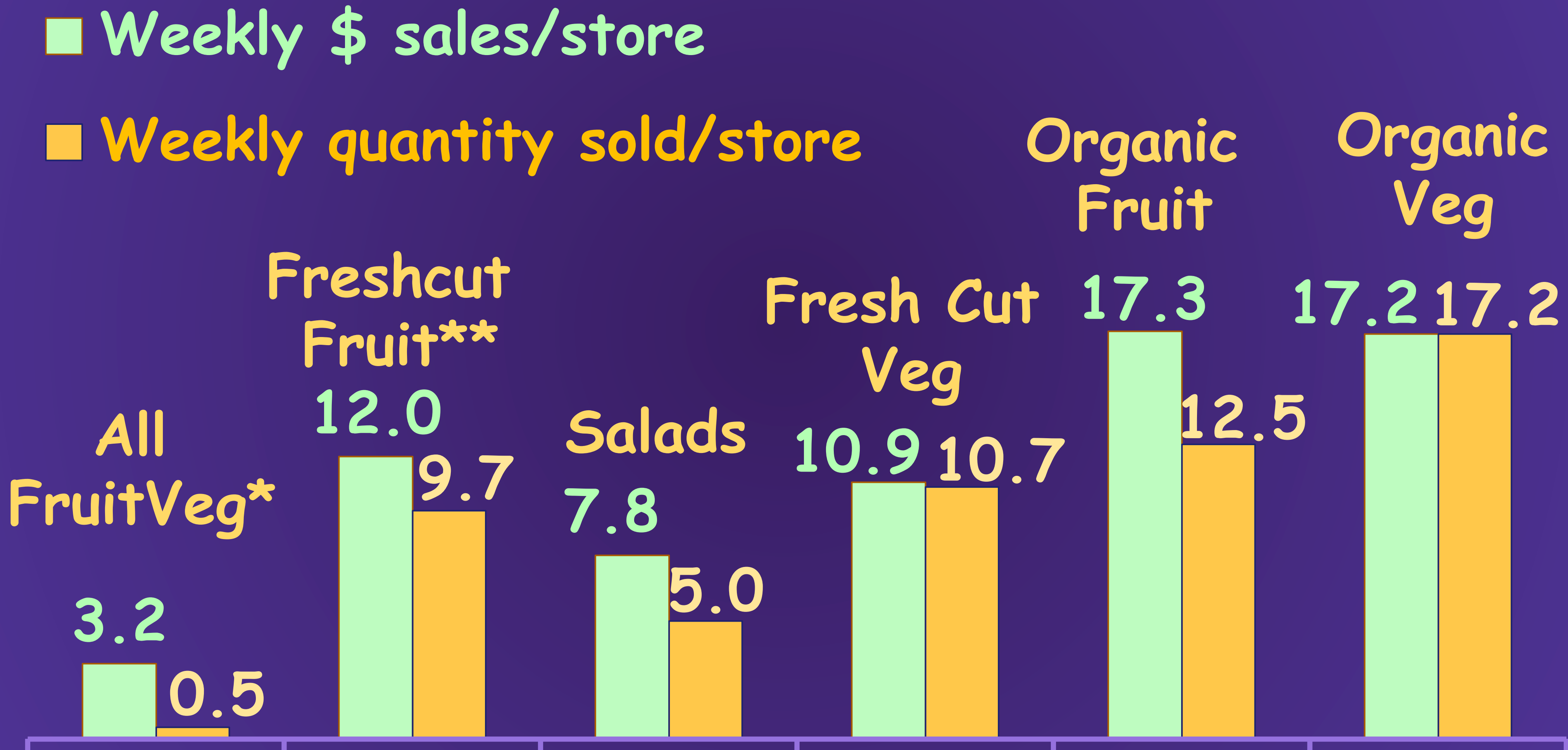
Source: Willard Bishop, Competitive Edge, August 2014

Forecast of Compound Annual Sales Growth Rate vs. Inflation 2013-2018



Source: The Future of Food Retailing, Willard Bishop, June 2014

Fresh-cut, Organic and Total Fresh Fruit and Vegetable Sales in Key US Food Retailers, % Change 2014 vs 2013



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

** Excludes overwrap.

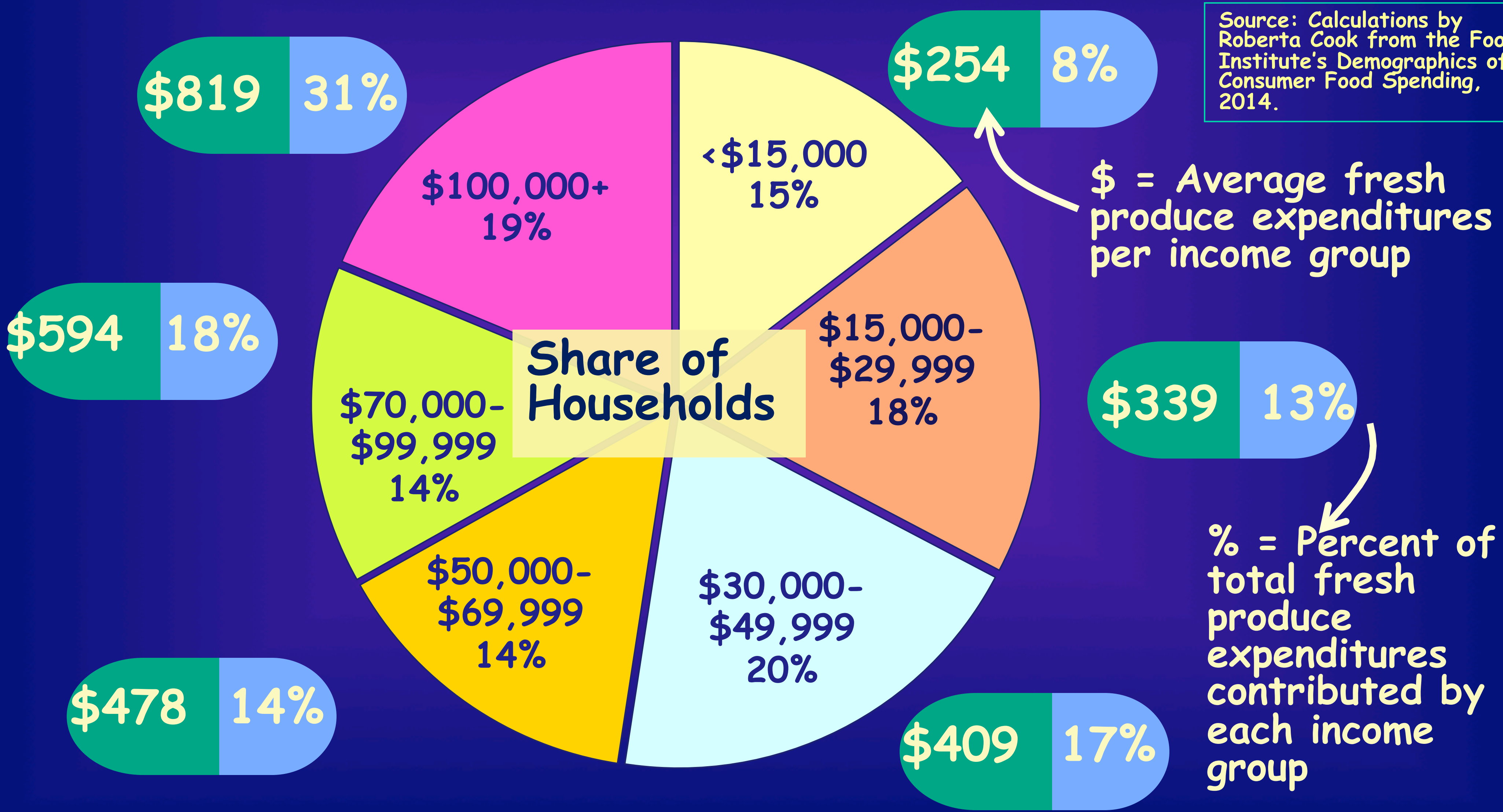
Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015. Fresh Coverage Area (FCA) incl key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. It includes UPC, random weight and retailer assigned codes.

Consumer Behavior

- Higher income and socially conscious foodies are driving demand; their preferences lean to organic, convenience (fresh-cut), <u>flavor</u>, local.
- For mainstream consumers, positive attitudes about wellness benefits of fresh produce not translating into higher purchases. Improved <u>flavor</u> might help.
- Perception that produce costs more and may be wasted. Better <u>shelf-life</u> might help.
- 47.6 million people on food stamps (SNAP) in FY2012-13 (vs 17.3 in 2000) for cost of $79.8M.

Distribution of US Households by Income Level, Share of Total Fresh Produce Expenditures/Income Level & Ave. Fresh Produce Expenditures/Income Level, 2012

Source: Calculations by Roberta Cook from the Food Institute's Demographics of Consumer Food Spending, 2014.



Organic Fruit and Vegetable Sales and Pricing in Key US Food Retailers, 2014 vs. 2013

Organic Product	Weekly $ Sales per Store	Percent Change vs. 2013	Weekly Vol. per Store	Percent Change vs. 2013	Avg Retail Price	Percent Change vs. 2013
Veg	$2,110	17.2	757	17.2	$2.79	0
Fruit	$1,103	17.3	532	12.5	$2.07	4.2

30% of households purchase organic fruits in supermarkets on 2 trips/yr.

51% of households purchase organic veggies in supermarkets on 4 trips/yr.

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Fresh Department Average Sales: Percent Change 2014 vs. 2013

3.1%

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

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 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.

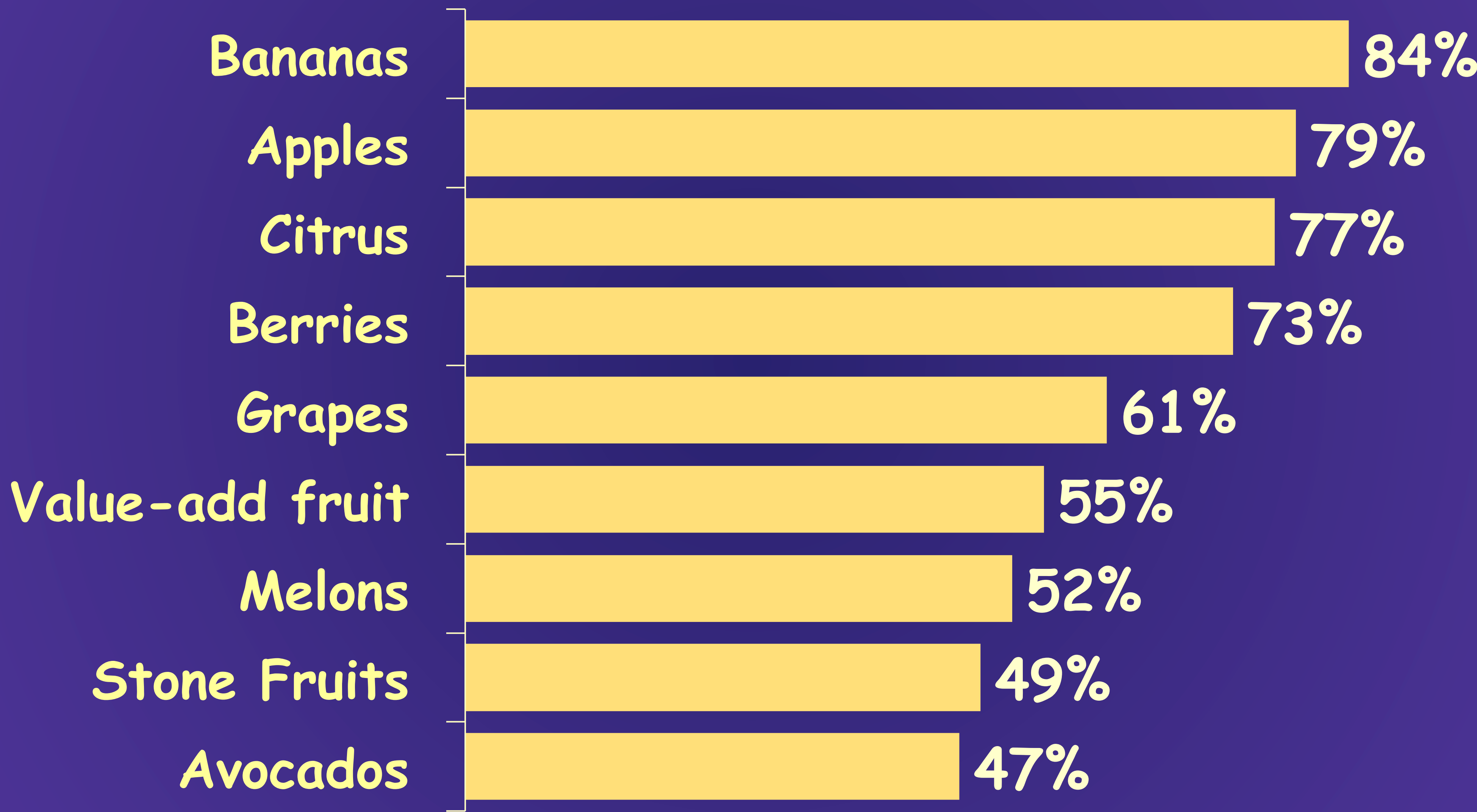
Value-added/Fresh-cut Produce Trends

Overview

Perishables Group Nielsen data

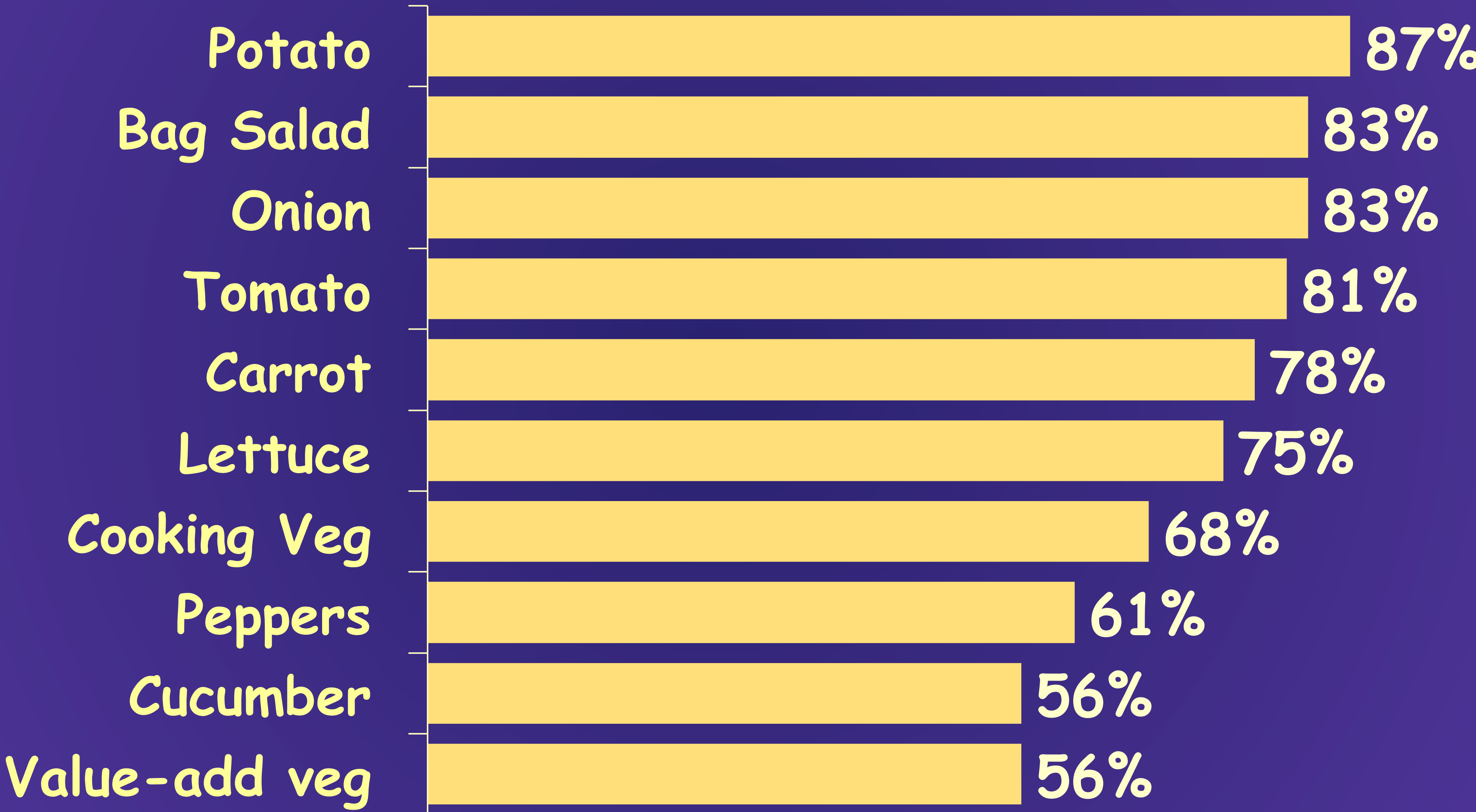
- “Expanded all outlet” national sample includes sales through about 62% of supermarkets, plus sales through some nontraditional retailers, such as, Walmart, Sam's, BJs, dollar stores; excludes Costco, limited assortment and other minor formats. I refer to as “Key Retailer” sales in my slides.
- Another common Nielsen data set is referred to as “total food” and excludes the nontraditional outlets noted above. I refer to as “Select Retailer” sales in my slides.

Percent of US Households Buying Fruit by Category, 2014



Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Percent of US Households Buying Vegetables by Category, 2014



Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Fresh-cut Fruit and Veg Segments, Performance in Key US Retailers, 2013: Convenience Offers Value

ITEM	VALUE-ADDED FRUITS	VALUE-ADDED VEGETABLES
PENETRATION:	**+1%**	**+2%**
SPEND PER TRIP:	**+2%**	**+4%**
DOLLAR SALES:	**+12%**	**+14%**

Sources: Nielsen Perishables Group FreshFacts® Total U.S. Fresh Coverage Area (FCA, and Nielsen Perishables Group FreshFacts® Powered by Spire, a Datalogix Company, both 52 Weeks Ending 12/28/13; PMA 2013 trade show; brand websites.

POWER SHOPPERS ARE PROFITABLE TO THE STORE: Key fresh categories bring the most powerful shoppers to the store, 2013

POWER SHOPPERS → MOST PROFITABLE SHOPPERS

POWER SHOPPERS = TOP 33% OF SHOPPERS WHO OVER-INDEX IN SPEND and FREQUENCY DRIVE 59% OF STORE DOLLARS/YR

CATEGORIES MOST FREQUENTLY PURCHASED BY

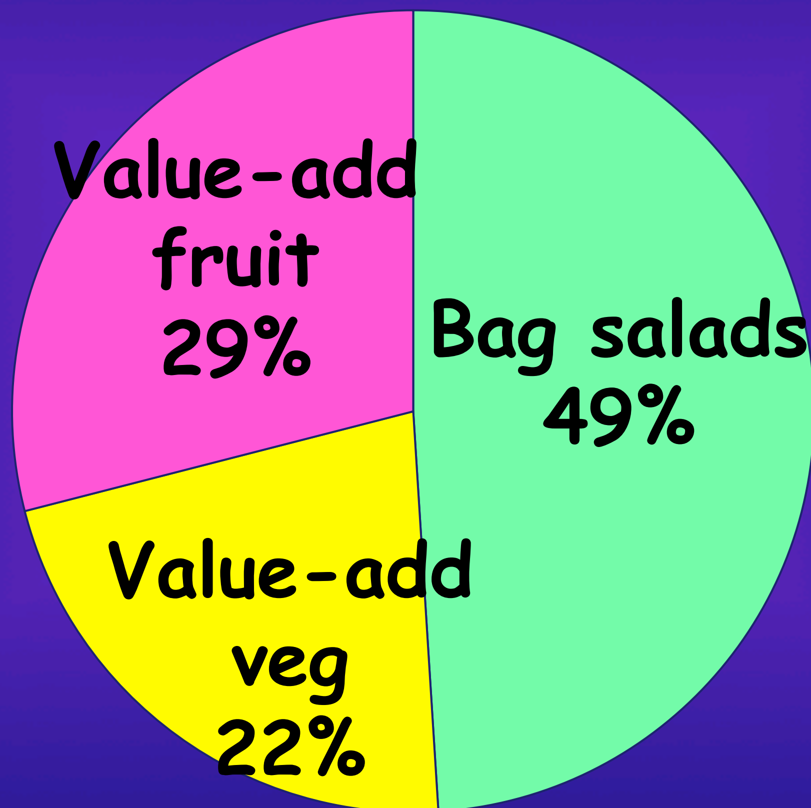
POWER SHOPPERS

Carbonated Soft Drinks	Eggs
Salty Snacks	Canned Vegetables
Packaged Bread	Crackers
Bananas	Shelf Stable Juices & Drinks
Cheese	**Tomatoes**
Confections	Cream & Creamers
Refrigerated Juices & Drinks	Deli Bulk Meat
Yogurt	**Packaged Salad**
Cookies	**Potatoes**

Indicates Produce Categories

Source: Nielsen Perishables Group FreshFacts® Powered by Spire, a Datalogix Company, data ending 2013

Shares of Total Value-added Produce Dollar Sales, by Subcategory, in Key US Retailers, 2014



Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015. Fresh Coverage Area (FCA) incl key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. It includes UPC, random weight and retailer assigned codes.

Value-added Fruit Definitions

1. Overwrap

Typically sold in a tray with plastic overwrapping. Contains words like quartered, halved, sliced, wedge, eighth, and wrapped.

2. Fresh-cut Fruit

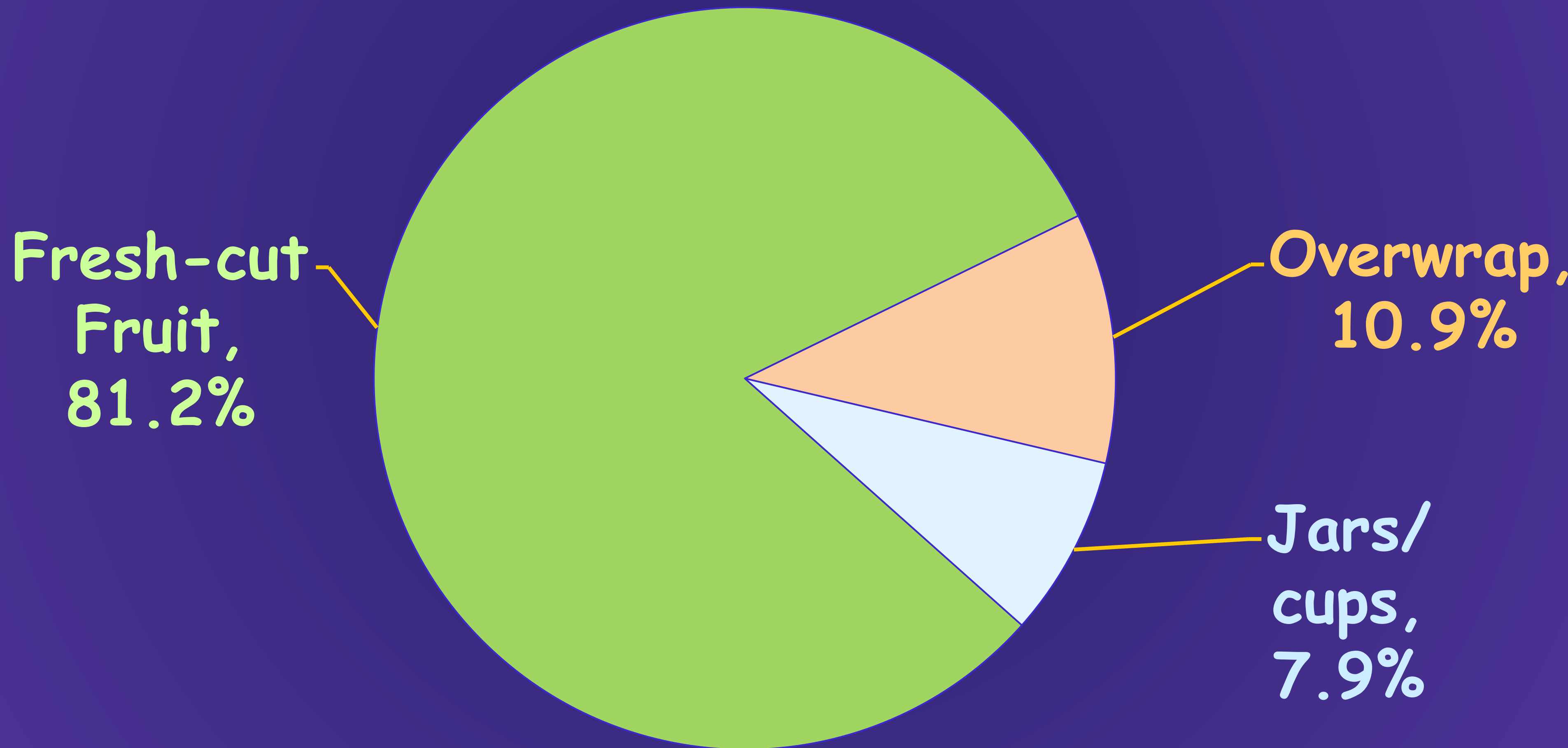
Cut fresh, no preservatives. Contain high level of value-added characteristics such as chunk, cubed, cored, cup, cut, wedge, spear, sliced, boat.

3. Jars and Cups

Perishable fruit in juice or preservatives, typically sold in a plastic cup or jar. Contains words like syrup, with or in juice, refrigerated, and chilled.

Source: FreshFacts® on Retail, Trends 2013, Perishables Group and United Fresh Foundation, 2014. Fresh Coverage Area (FCA) incl some nontraditional retailers such as Walmart, BJ's; and UPC, random weight and retailer assigned codes.

US Value-added Fruit (VAF) Sales by Subcategory: Share of Total VAF Dollar Sales in Key Retailers (includes nontraditional retailers), 2013



Source: FreshFacts® on Retail, Trends 2013, Perishables Group and United Fresh Foundation, 2014. Fresh Coverage Area (FCA) incl some nontraditional retailers such as Walmart, BJ's; and UPC, random weight and retailer assigned codes.

Value-added Veg

Excludes Bagged Salads but Includes:

1. Side Dish

Includes fresh vegetables such as broccoli and cauliflower typically served as side dishes. Can often be cooked in the microwave directly in the bag.

2. Trays

Comprised of vegetable-only trays with/without dip. Trays may also have a protein component or a nontraditional side (bean dip, hummus, breadsticks, etc.).

3. Snacking

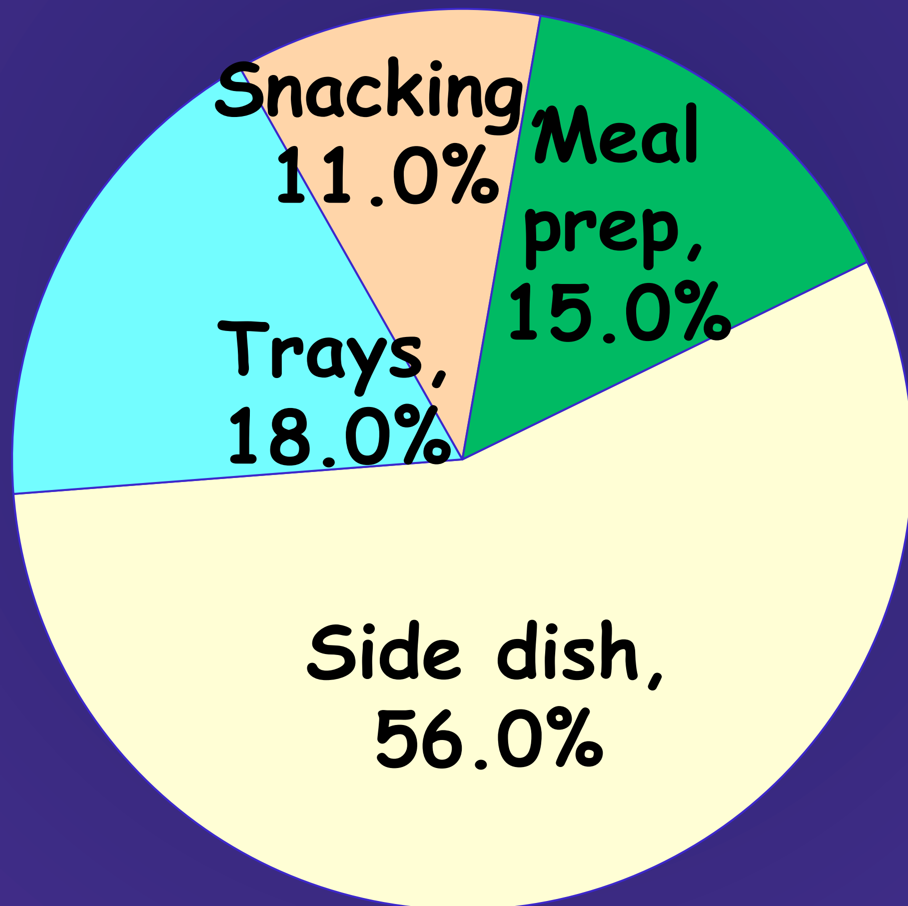
Single-serving sized (5 oz or less) vegetable items typically consumed as a snack or on the go. Often include dip. Keywords include snack, dip, bundle, pack and multi-pack.

4. Meal Prep

Items ready to incorporate into recipe or meal. Includes carrots, vegetable blends and medleys. Preparation varieties include diced, sliced, chopped, shredded; also soup mix, fajita mix, pico de gallo, kabob, stew mix, stuffing mix.

Source: FreshFacts® on Retail, Trends 2013, Perishables Group and United Fresh Foundation, 2014. Fresh Coverage Area (FCA) incl some nontraditional retailers such as Walmart, BJ's; and UPC, random weight and retailer assigned bar code.

US Value-added Veg (VAV) Sales by Subcategory: Share of Total VAV Dollar Sales in Key Retailers (includes nontraditional retailers), 2013



Source: FreshFacts® on Retail, Trends 2013, Perishables Group and United Fresh Foundation, 2014. Fresh Coverage Area (FCA) incl some nontraditional retailers such as Walmart, BJ's; and UPC, random weight and retailer assigned bar code.

Lettuce, Leafy Greens and Bag Salads

USA Household Likeliness of Bag Salad Purchase, 2014

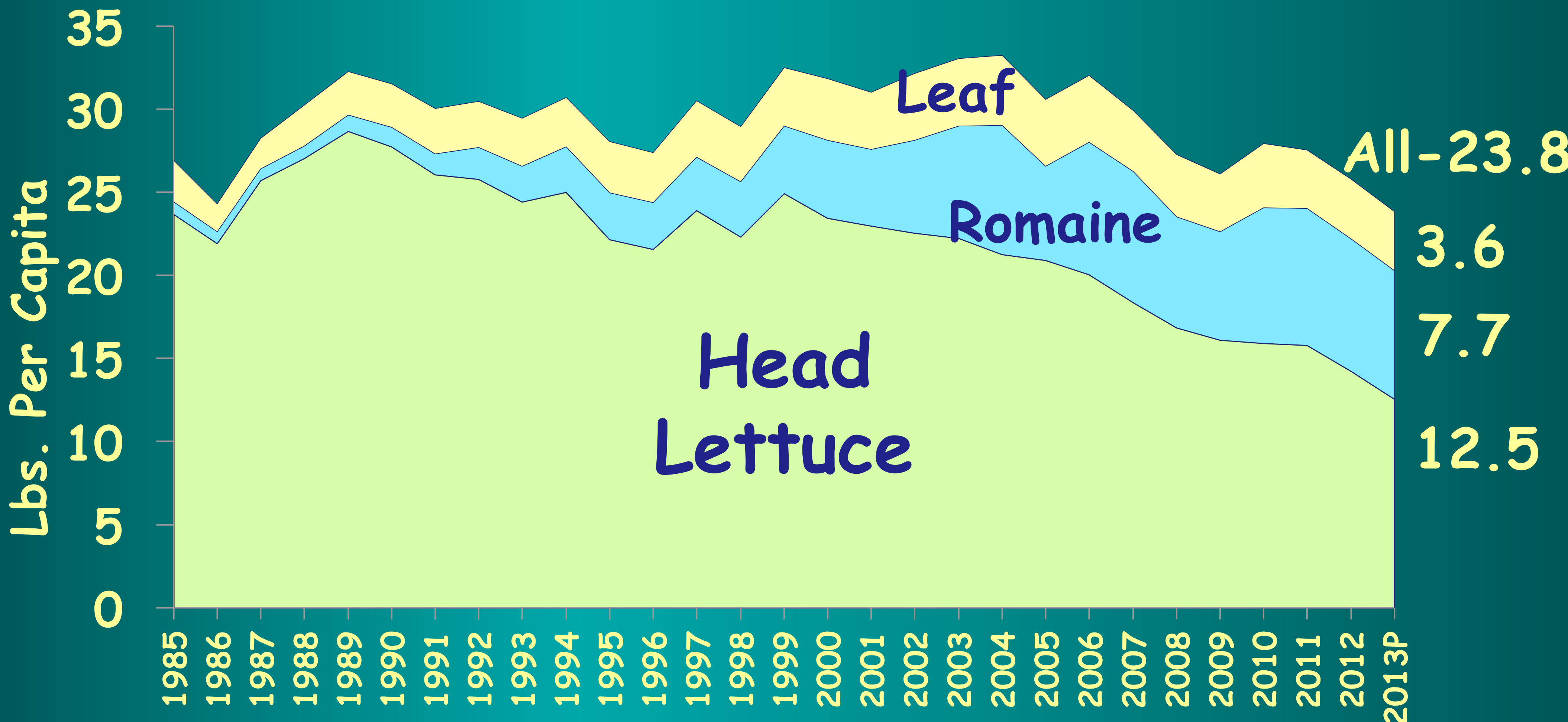
Household Income	Percent
<$25,000	44
$25,000-$49,900	50
$50,000-$99,900	55
$100,000+	64

Household Age	Percent
21-39	47
40-49	52
50-58	51
59+	63

On average, both bag salads and lettuce have a 53% purchase likelihood.

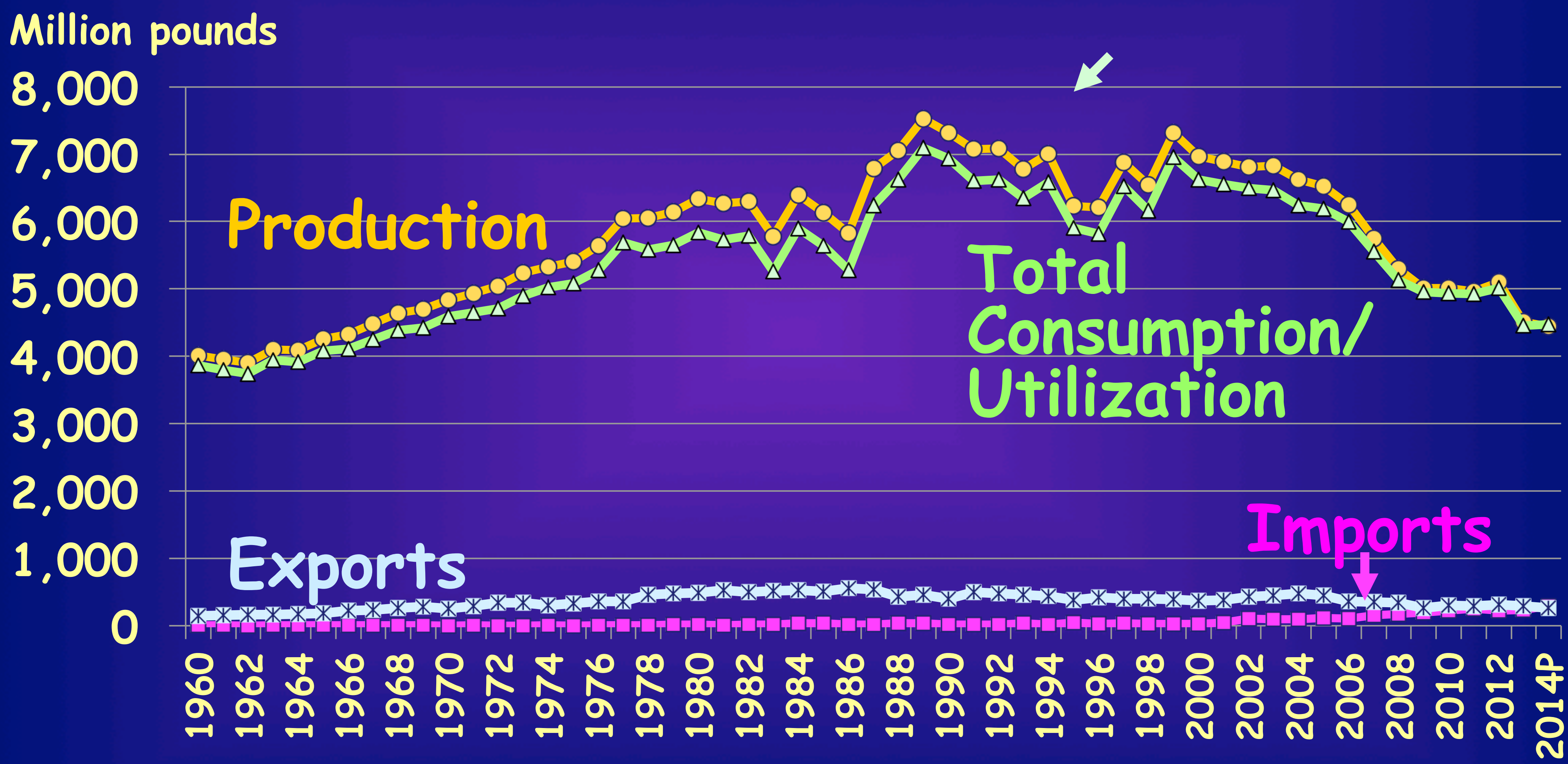
Source: Fresh Trends 2014.

US Per Capita Utilization/Consumption of Lettuce, by Type, 1985-2013P (includes fresh-cut and bulk, foodservice and retail)



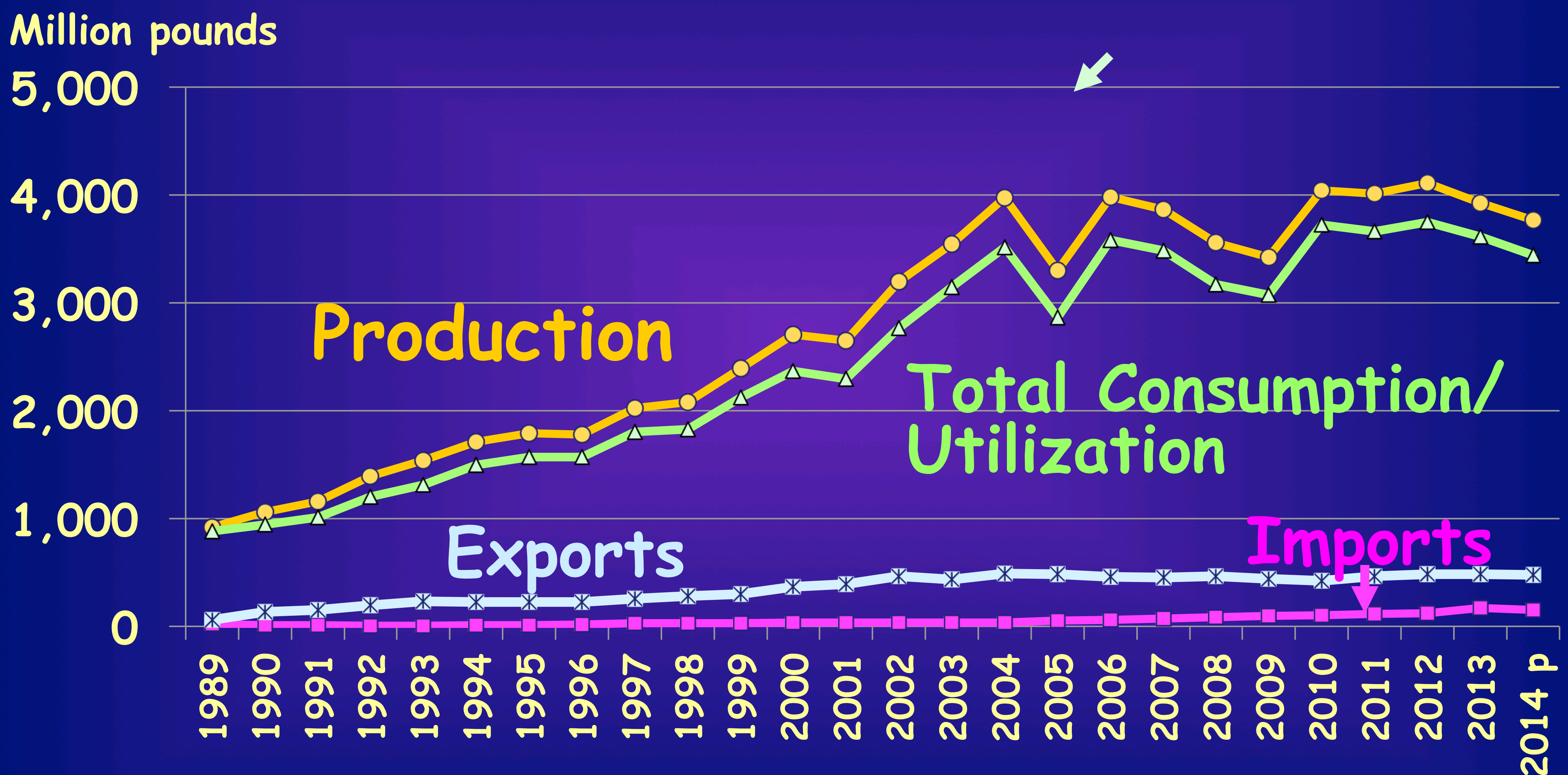
Source: USDA/ERS, Vegetables and Pulses Yearbook May 30, 2014 and unpublished ERS data for leaf and romaine.

US Iceberg Lettuce Market, 1960-2014: Case of declining demand; International trade not a factor; Production based in coastal CA and shifts to CA/AZ desert in winter



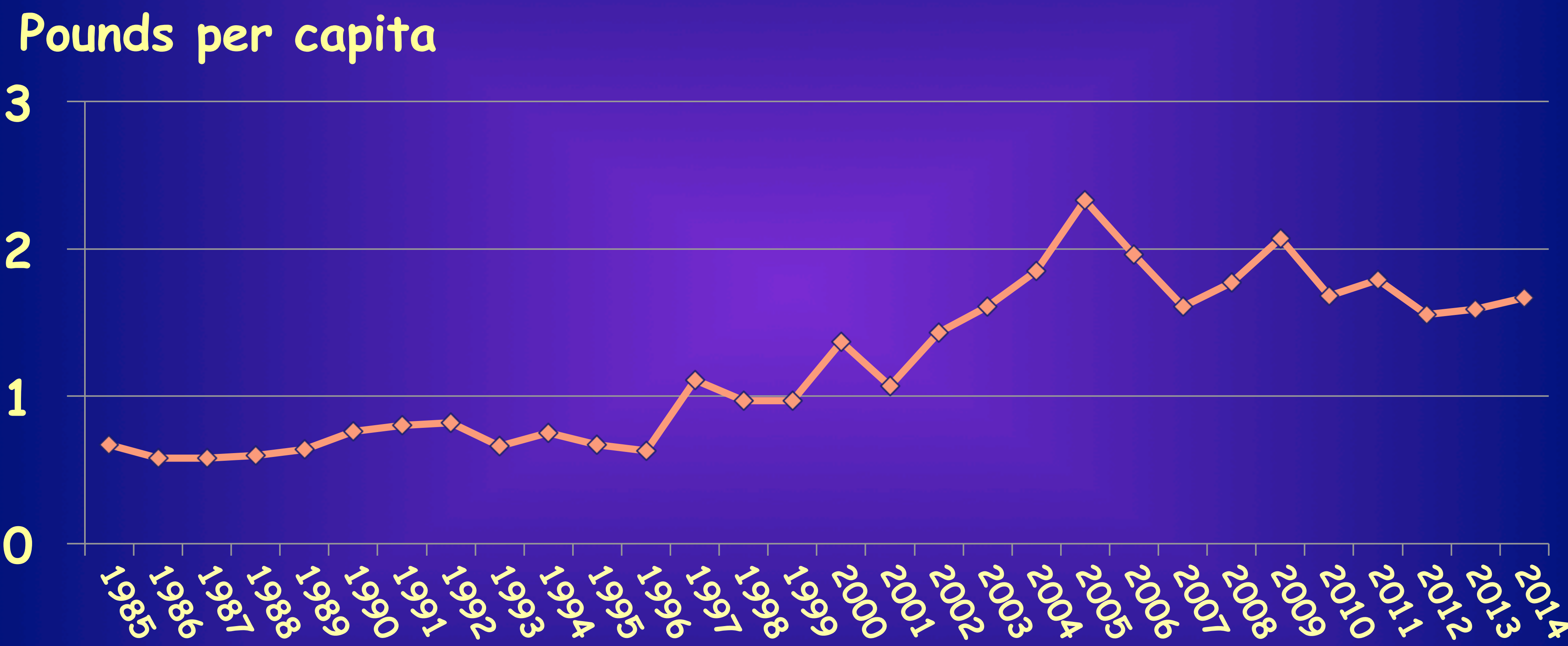
Sources: USDA/ERS, Vegetables and Pulses Yearbook Data March 2015 as of 1990, and USDA/ERS, U.S. Lettuce Statistics, 2011 for prior years.

US Fresh Romaine & Leaf Lettuce Production, Consumption and International Trade, 1989-2014P



Source: USDA/ERS, Vegetables and Pulses Yearbook Data March 2015

US Per Capita Utilization/Consumption of Fresh Spinach, 1985-2014,[P] (all channels, foodservice and retail, includes fresh-cut)



P=Preliminary

Source: USDA/ERS, Vegetables and Pulses Yearbook Tables, posted online March 20, 2015, http://www.ers.usda.gov/data-products/vegetables-and-pulses-data/yearbook-tables.aspx.

Long-term trend is that bulk to process and wrapped shipments are up: Monterey County Head Lettuce Shipments 1990 vs 2013

	Million Cartons*		Percent Share	
Product Form	1990	2013	1990	2013
Bulk to Process	6.9	13.9	15%	31%
Wrapped	14.2	23.4	30%	52%
Naked	26.1	7.4	55%	17%
TOTAL	47.2	44.7	100%	100%

* 50 lb carton-equivalent units, may not sum to 100 due to rounding

Source: Monterey County Ag Commissioner, 1991 and 2013 annual reports

Monterey County Leaf Lettuce Production, by Type, 2013

Crop	Acreage	Cartons, thousands	Value, thousands	Carton Share %
Butter Leaf	810	995	8,567	1.5
Endive	403	429	4,346	0.6
Escarole	376	1,052	4,015	1.6
Green Leaf	7,813	8,149	75,541	12.1
Red Leaf	2,053	2,149	18,352	3.2
Romaine	38,793	39,608	381,425	58.6
Leaf, bulk	N/A	15,226	167,400	22.5
Total	65,008	67,608	659,646	100.0%

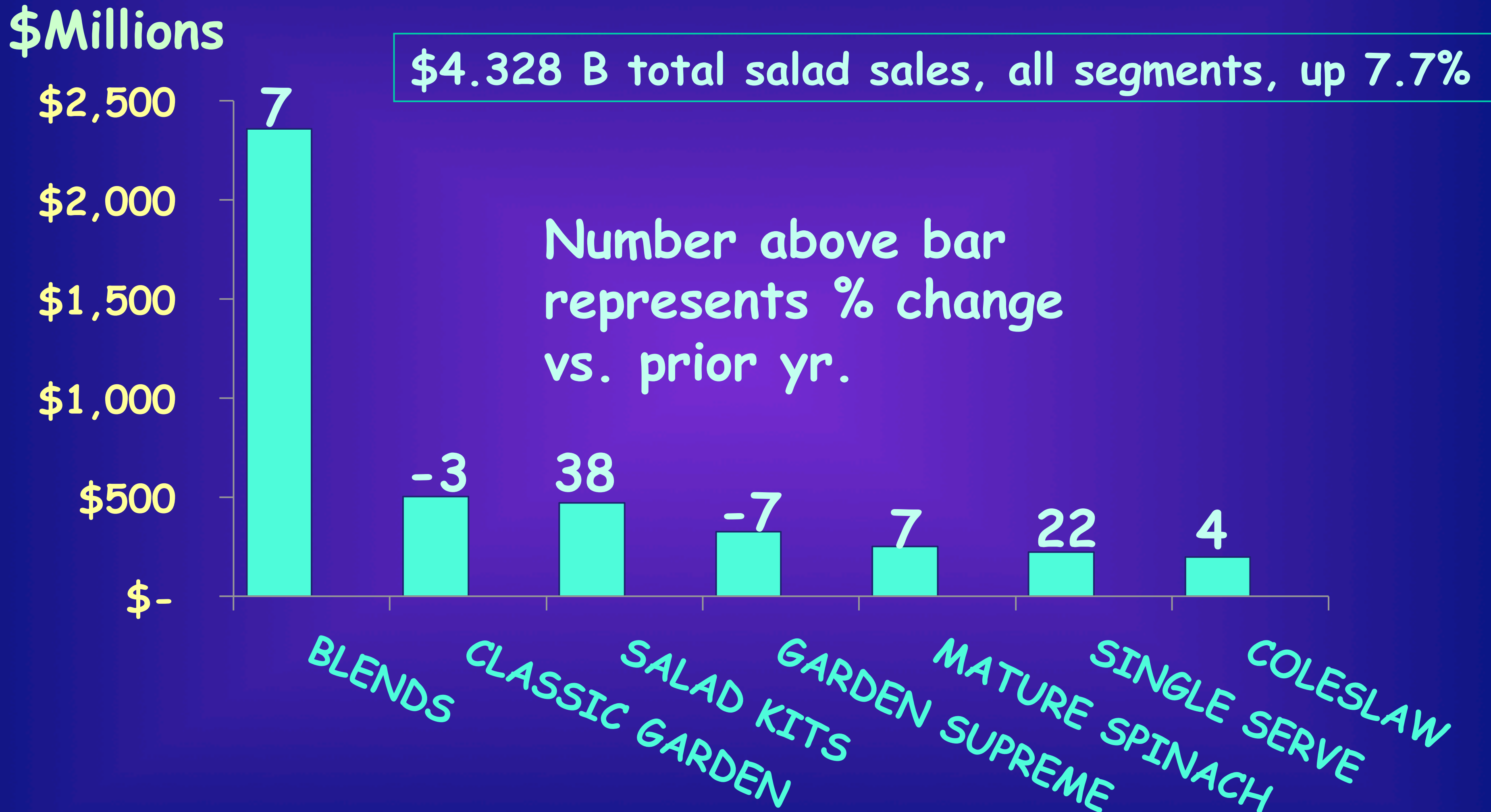
Source: Monterey County Crop Report 2013, Ag Commissioner.

Top 10 Vegetable Sales and Pricing in Key US Food Retailers, 2014 vs. 2013

Product	Weekly $ Sales per Store	Percent Change vs. 2013	Weekly Vol. per Store	Percent Change vs. 2013	Avg Retail Price	Percent Change vs. 2013
Packaged Salad	$3,553	7.8	1,301	5.0	$2.73	2.6
Tomatoes	$2,590	1.8	1,165	-0.1	$2.22	1.9
Potatoes	$2,561	1.9	3,712	-2.8	$0.69	4.9
Cooking Vegs	$1,806	3.5	1,097	3.4	$1.65	0.1
Onions	$1,564	0.1	1,578	-0.3	$0.99	0.4
Peppers	$1,412	4.5	640	2.4	$2.21	2.0
Lettuce	$1,279	-3.6	714	-1.0	$1.79	-2.6
Carrots	$906	-0.8	536	-1.7	$1.69	1.0
Mushrooms	$842	1.6	345	-0.6	$2.44	2.2
Cucumbers	$744	4.3	750	2.1	$0.99	2.2

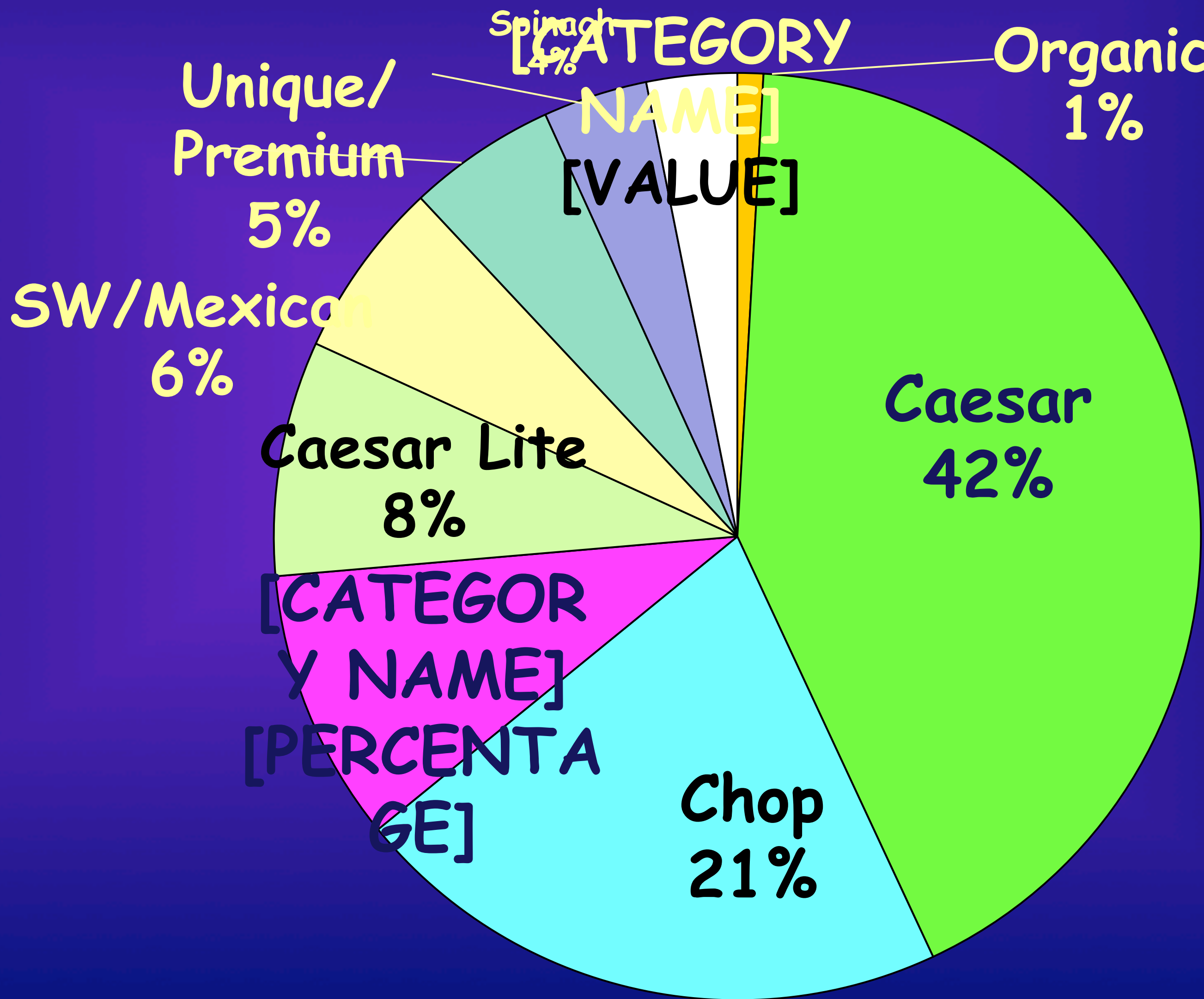
Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Top Bag Salad Segments: $Sales and Annual Growth Rates in Key US Food Retailers, (AOC*) 2014



Source: Nielsen 52 weeks ending July 12, 2014. *Expanded all outlets combined (AOC) includes some nontraditional retailers such as Walmart, BJ's and others.

US Salad Kit $ Market Shares by Key Type in Select US Retailers, excluding nontraditional retailers, 2014



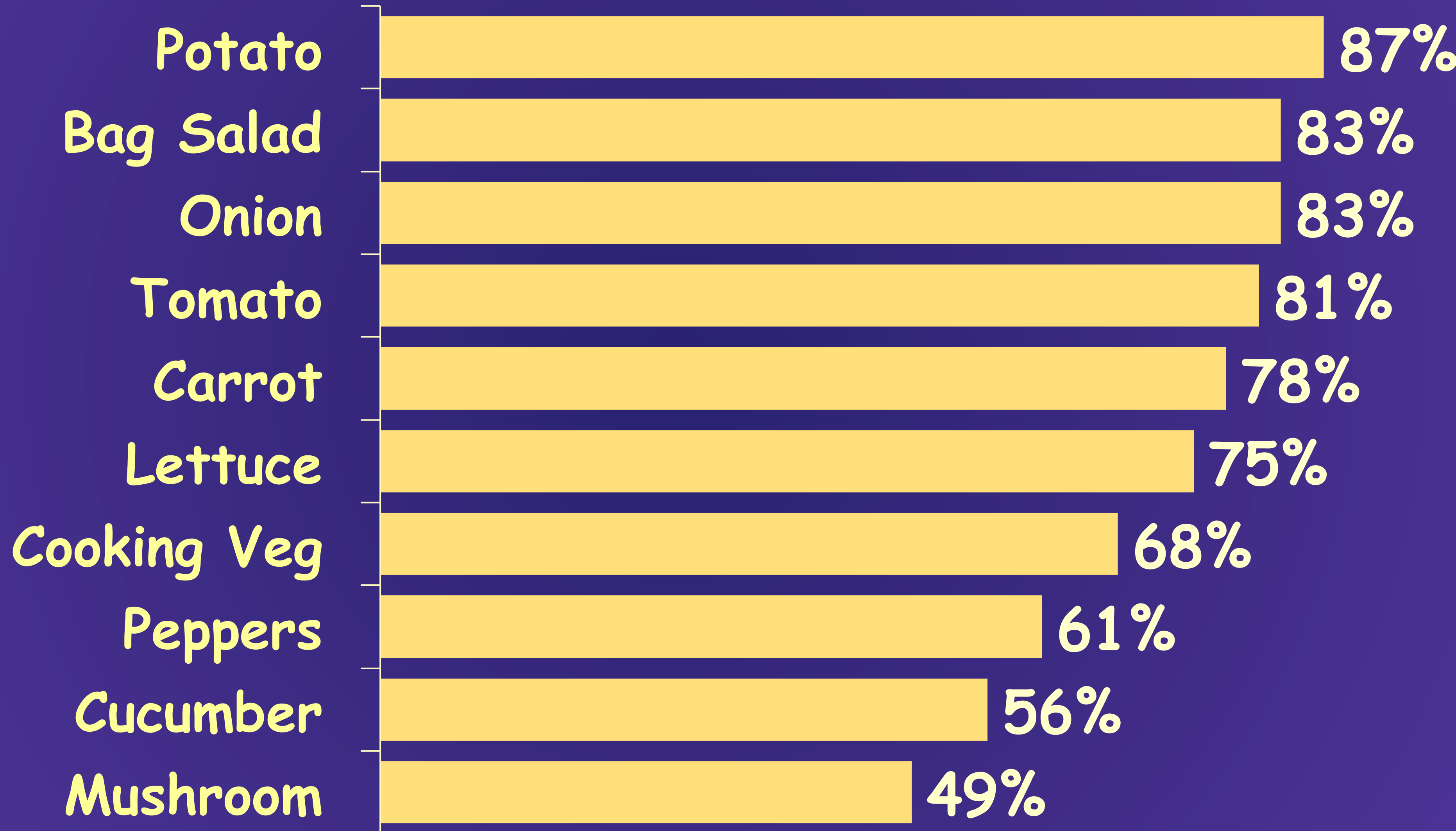
Source: Perishables Group Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers.

US Bag Salad Market Shares in Select Retailers, by Key Firm (% total $ sales), and Point Change in Market Share 2014 vs 2013

	% Share	Share Pt. Change
Private label	29.7	0.2
Fresh Express	28.7	-0.8
Dole	19.7	-1.2
Earthbound Farm	6.7	0.7
Ready Pac	3.5	-0.2
Organic Girl	2.8	0.3
All Other	8.1	NA

Source: Nielsen 52 weeks ending July 12, 2014. Excludes nontraditional retailers, such as, Walmart and clubs.

Percent of US Households Buying Vegetables by Category, 2014



Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

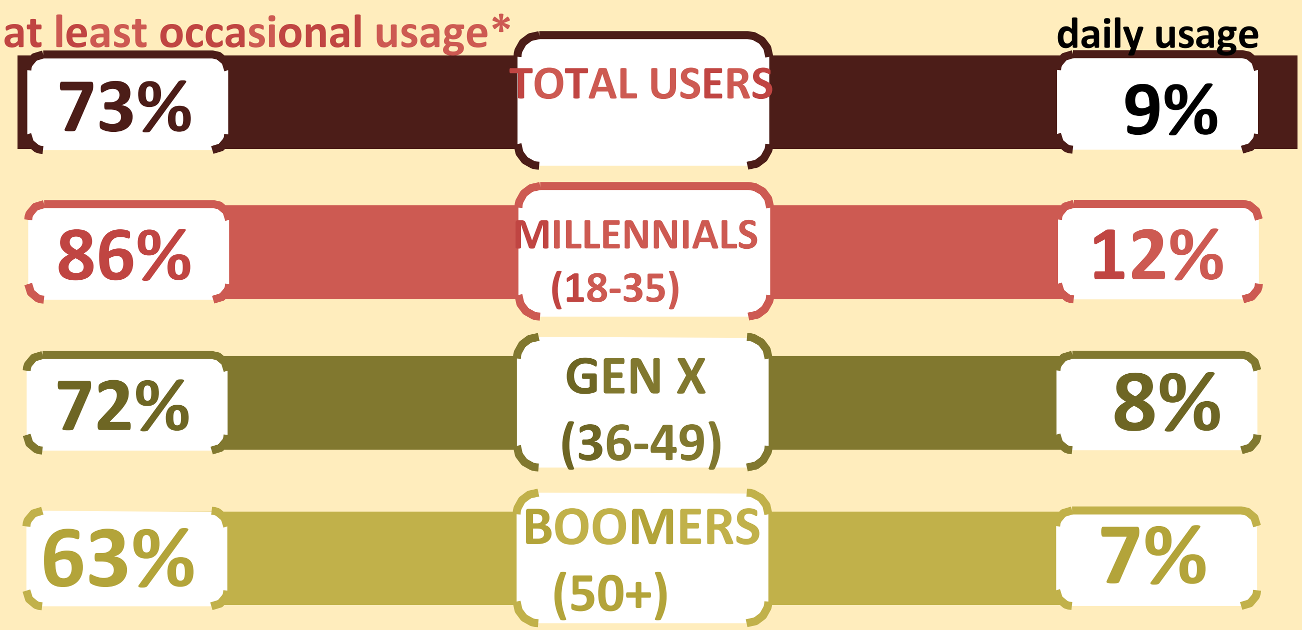
US Organic Salad Sales in Key Retailers, 2014

- Total organic salad sales about $1 billion, 23% of the $4.3 billion in salad sales.*
- Organic $ salad sales grew by 16% and unit sales by 15%.*
- According to the Hartman Group's Organic and Natural 2014 report, 73% of consumers purchase organic products, and more than a third use them at least monthly (all food and beverage).

*Source: Perishables Group Nielsen 52 weeks ending July 12, 2014

US Consumer Purchases of Organics: Frequency and Age Distribution, 2014

How often have you used organic foods or beverages in the past three months?



*Includes occasional, monthly, weekly and daily
Source: Organic & Natural 2014 report, The Hartman Group

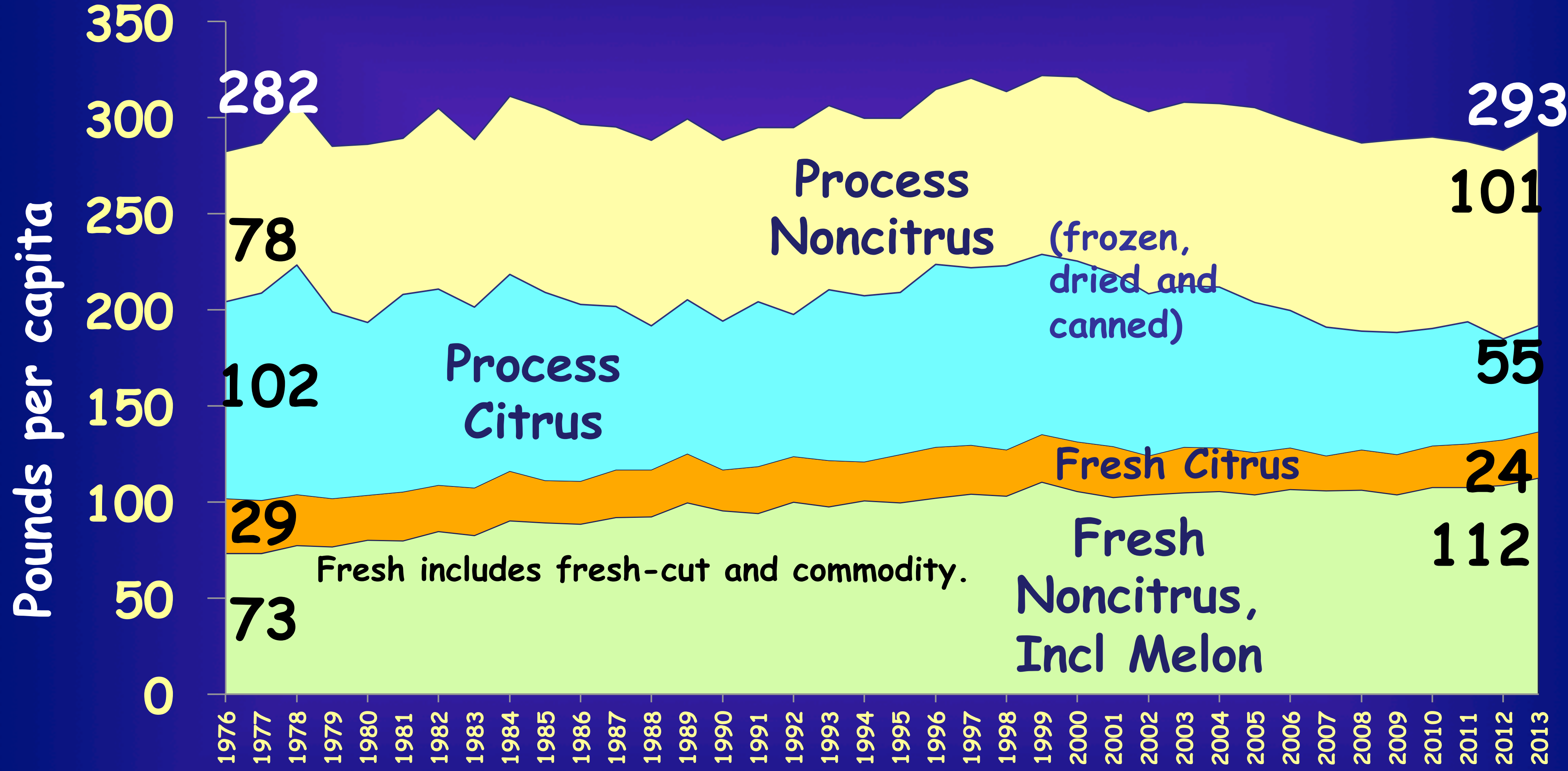
Source: Organic and Natural 2014 Report, The Hartman Group, Inc.

hartman GROUP

Shoppers seek several claims in tandem, revealing motivation

Value-added Fruit Trends

US Per Capita Total Fruit Disappearance/Consumption, Including Melons, Pounds 1976-2013, (all channels, foodservice and retail)



Source: Fruit and Tree Nuts Yearbook, ERS/USDA, October 31, 2014.

Top 10 Fruit Sales and Pricing in Key US Food Retailers, 2014 vs. 2013

Product	Weekly $ Sales per Store	Percent Change vs. 2013	Weekly Vol. per Store	Percent Change vs. 2013	Avg Retail Price	Percent Change vs. 2013
Berries	$4,019	4.7	1,342	3.0	$2.99	1.7
Apples	$3,070	-0.1	1,953	2.0	$1.57	-2.0
Citrus	$2,797	4.8	2,212	-2.6	$1.26	7.6
Grapes	$2,774	3.1	1,228	-3.6	$2.26	6.9
Bananas	$2,721	-1.2	4,762	-0.9	$0.57	-0.3
Melons	$1,216	3.7	2,187	7.8	$0.56	-3.9
Avocados	$1,197	11.8	1,071	2.7	$1.12	8.9
Stone Fruits	$987	2.4	515	-9.7	$1.91	13.3
Cherries	$623	-3.4	198	9.1	$3.15	-11.5
Specialty Fruits	$528	-2.7	491	-9.6	$1.08	7.7

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Value-added Fruit Category Sales and Pricing in Key US Food Retailers, 2014 vs 2013

	% Change vs. 2013		
	Weekly $ Average Retail Price	Weekly Vol. Sales / Store	per Store
Value-Added Fruit	9.2	3.7	5.3
Fresh-cut Fruit	12.0	9.7	2.1
Overwrap	2.5	-2.6	5.2
Jars & Cups	-10.9	-13.4	2.9

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

Value-added Fruit Sales in Select US Food Retailers, 2014, excludes overwrap

Item	$ Sales	% Change
Value-added Fruit	545,506,764	-7%
Fresh-cut fruit	431,862,519	-4%
Jars & Cups	113,644,243	-16%

Source: Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers; UPC only.

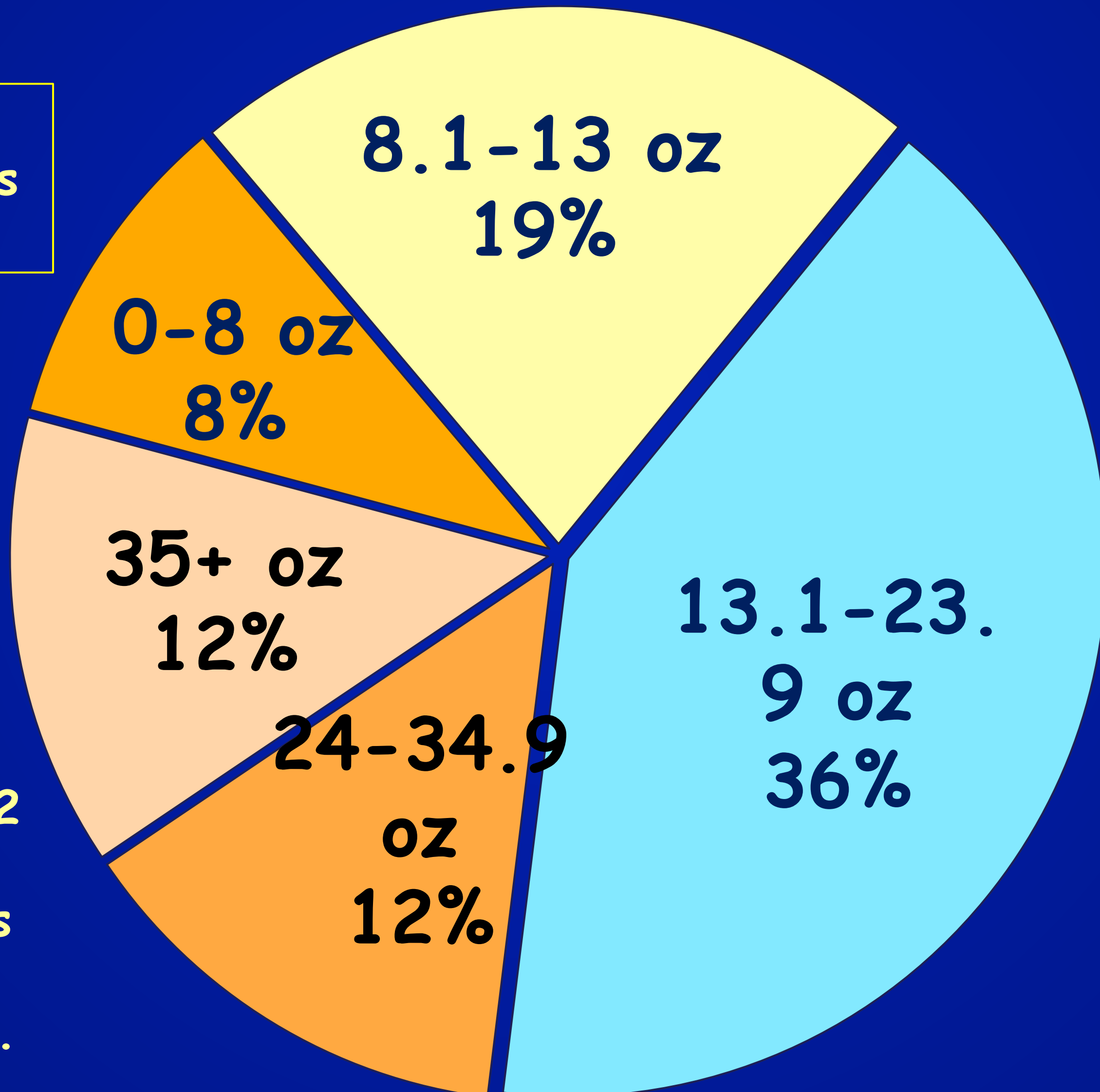
US Select Retailer Fresh-cut Fruit (excl other VAF) Shares by Key Item in Dollars and Quantity 2014, ($431.8 million total sales in this national sample, excl nontraditional retail)

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

Source: Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers; UPC only.

Fresh-cut Fruit Shares, by Top 5 Package Sizes, in Select US Food Retailers, 2014

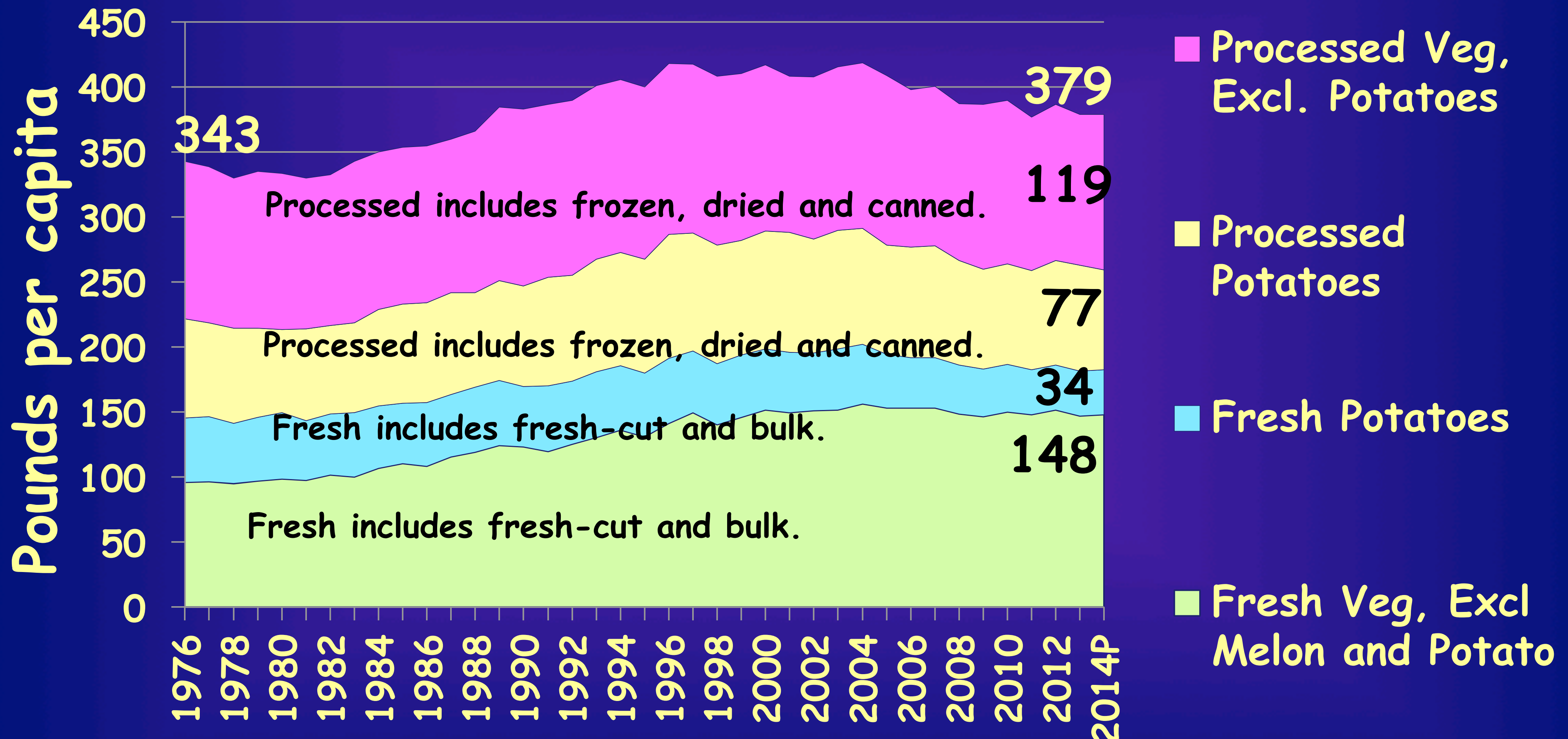
Small sizes growing and large pack sizes declining.



Source: Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers; UPC only.

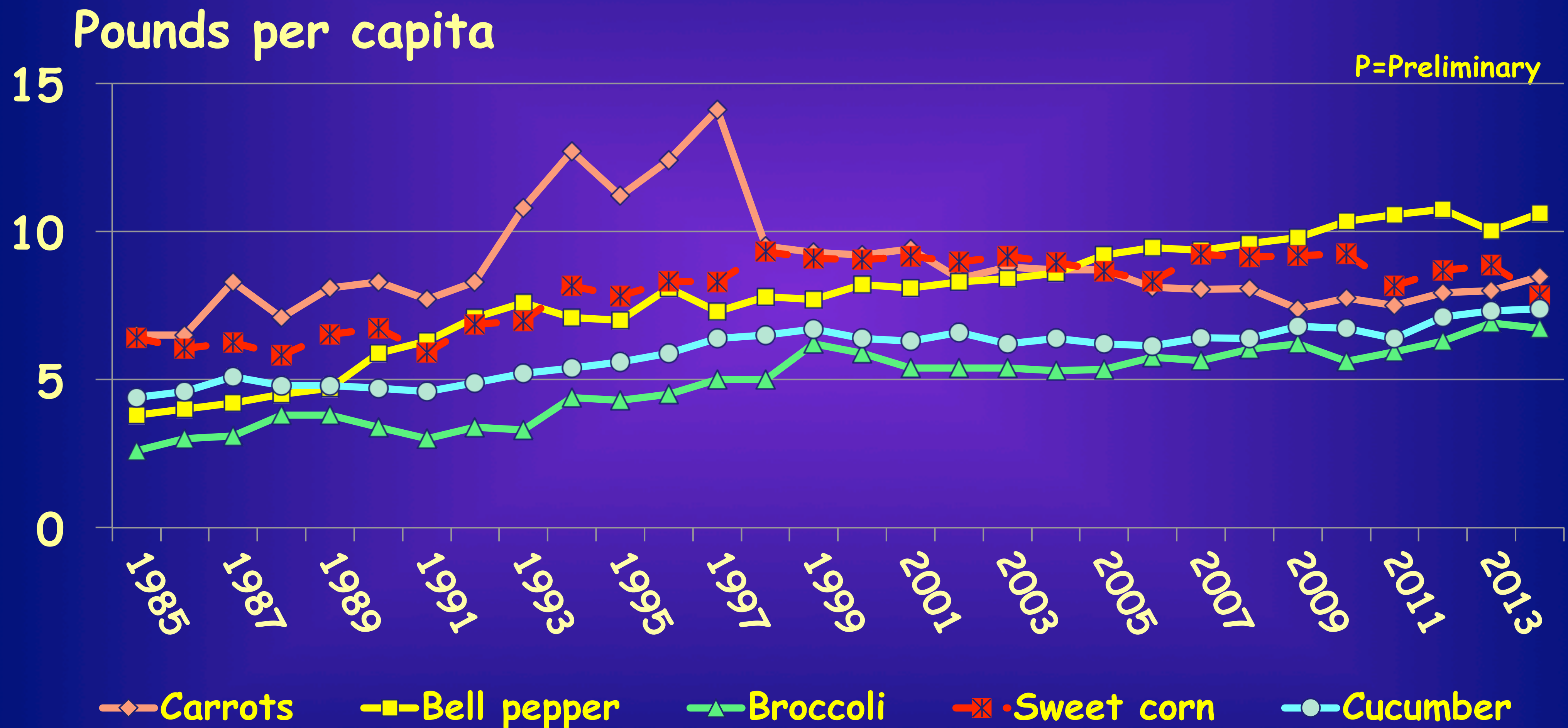
Fresh-cut Vegetable Trends

U.S. Per Capita Vegetable Utilization/Consumption, Excluding Melons, 1976-2014P, (all channels, foodservice and retail, includes freshcut), pounds



Sources: USDA/ERS, Vegetables and Melons Situation and Outlook Yearbook, May 30, 2014 through 2007; and for 2008-2014 USDA/ERS, Vegetables and Pulses Yearbook Tables, posted online March 20, 2015. Figures compiled by Dr. Roberta Cook, UC Davis, fresh and processed sweet potato share of total sweet potatoes is estimated; processed vegetables includes lentils and dry peas, and excludes dry beans.

US Per Capita Consumption of Select Fresh Vegetables, 1985-2014P (includes fresh-cut and bulk, all marketing channels - foodservice and retail)



Source: USDA/ERS, Vegetables and Pulses Yearbook March 2015.

Value-added Vegetable Category Sales and Pricing in Key US Food Retailers, 2014 vs 2013

% Change vs. 2013

	Weekly $ Sales / Store	Weekly Vol. per Store	Average Retail Price
Value-Added Veg	10.9	10.7	0.2
Side Dish	12.2	10.9	1.1
Trays	3.4	6.7	-3.0
Meal Prep	8.7	5.2	3.3
Snacking	19.2	18.3	0.8

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2014, United Fresh Produce Association and Nielsen, March 2015.

US Fresh-cut Veg Category Shares of Dollar Sales, by Key Item, in Select US Supermarkets, 2012*

Item	Share (%)
Carrots	47%
Mixed Veg	19%
Green Beans	7%
Greens	4%
Broccoli	4%
Snap/Snow Peas	3%
Onions	3%
Pico de Gallo	1%
All Others	12%
Total	100%

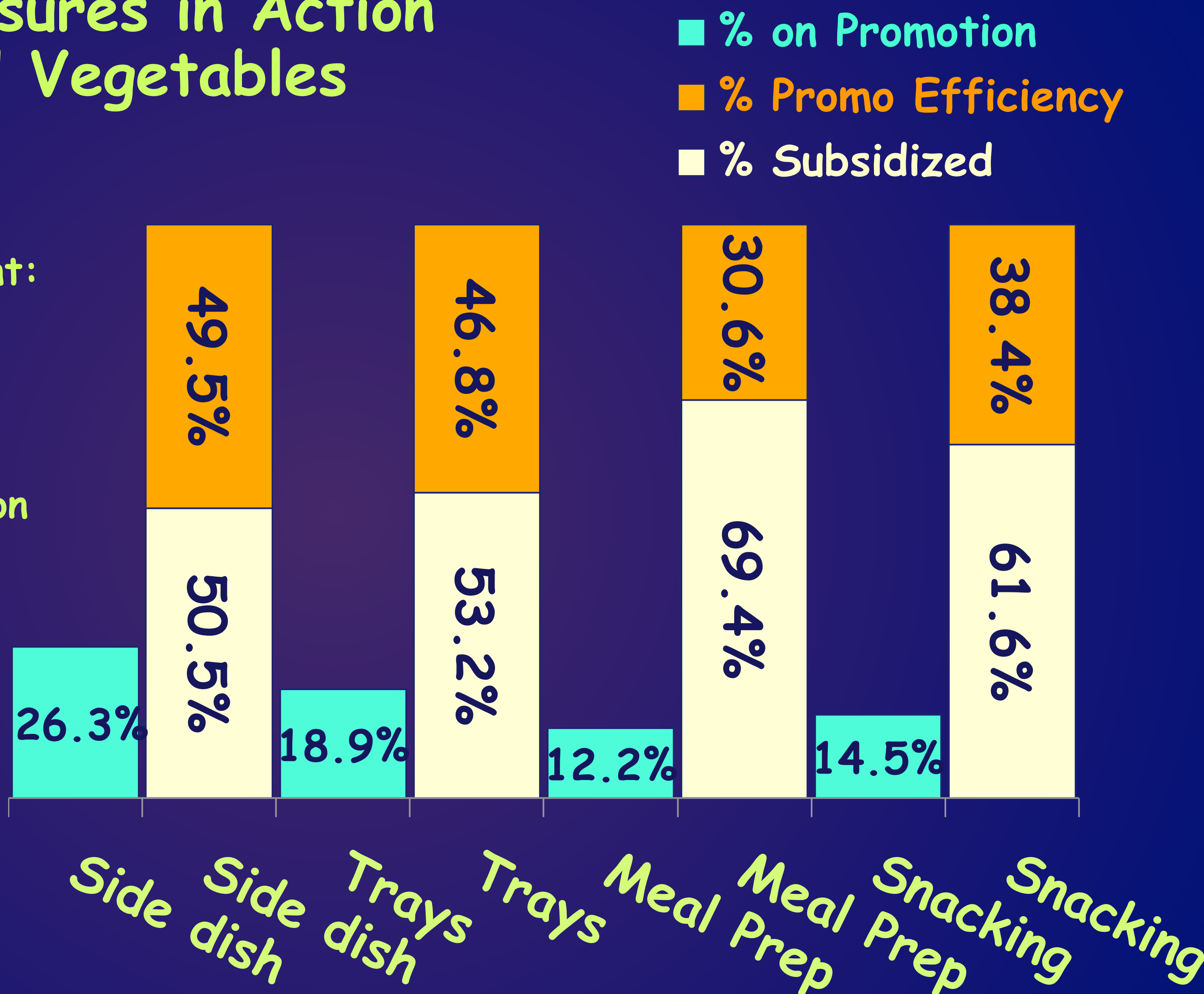
Source: Nielsen *52 weeks ending July 14, 2012

Promotional Measures in Action for Value-added Vegetables

Side dishes = 26.3% of volume sold on promotion. Promotions were inefficient: 50.5% of the promotion volume was subsidized.

Trays =
next highest volume sold on promotion, 19%. 53% was subsidized.

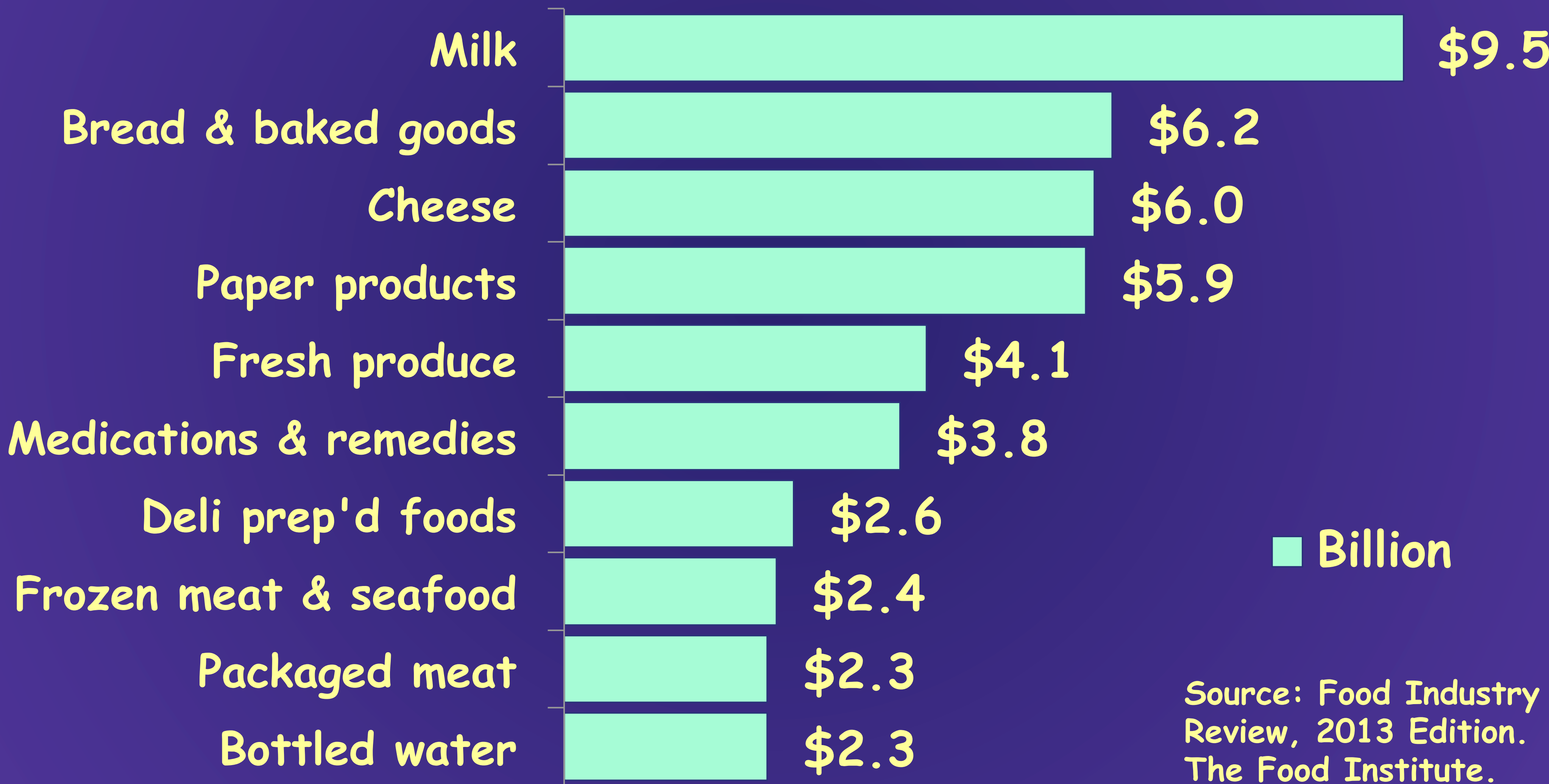
Overall, relatively high subsidy rates suggest consumers don't need a discount to motivate purchasing value-added vegetables.



Source: United Fresh Foundation, FreshFacts on Retail, Q1 2012.

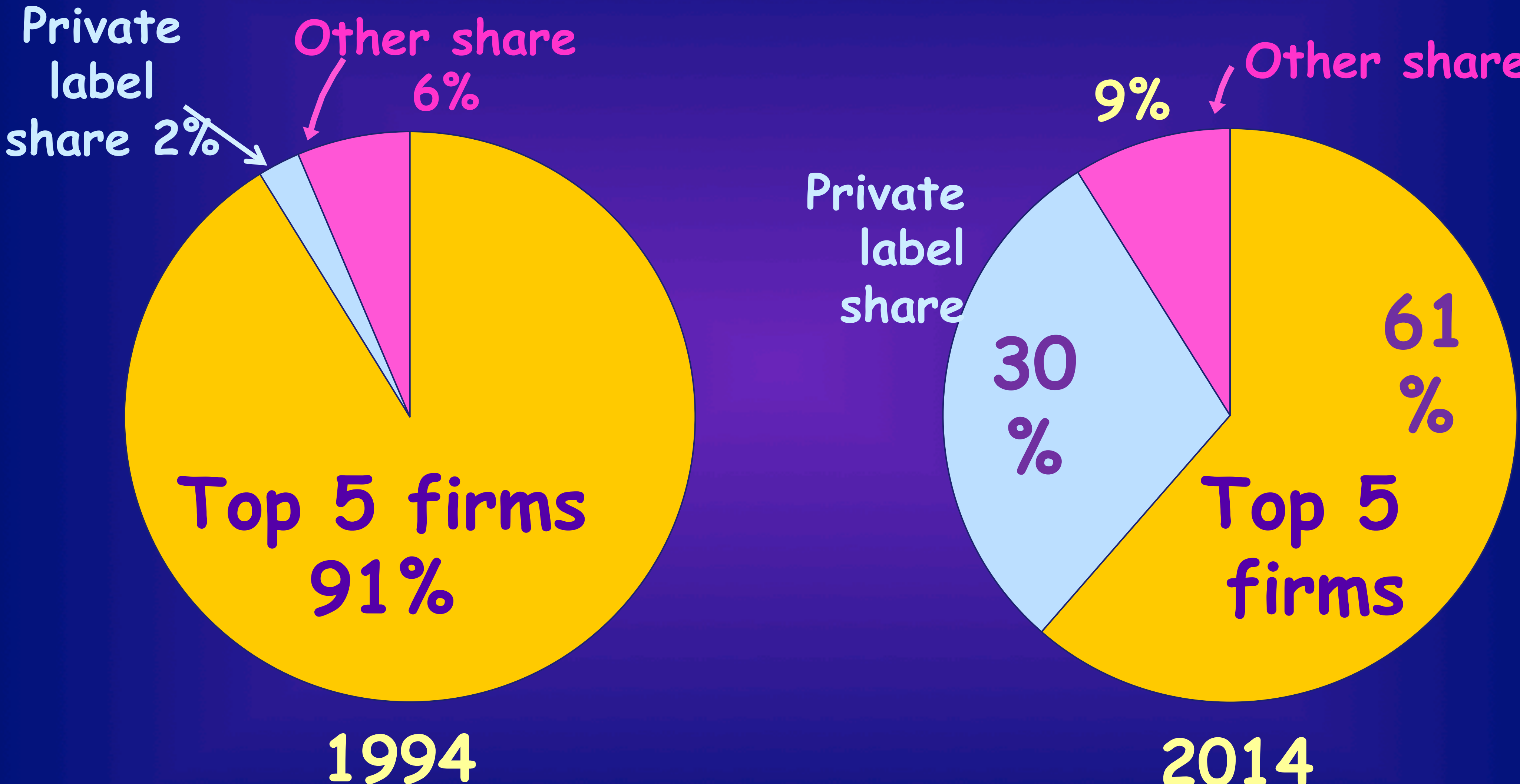
Branded vs. Private Label

Private Label Sales in US Supermarkets, 2012: Top Private Label Categories by Dollar Volume: Fresh Produce Becoming Important



Source: Food Industry Review, 2013 Edition. The Food Institute.

US Bag Salad Market Shares in Select Retailers: Top 5 Firms and Private Label, Share of Dollar Sales



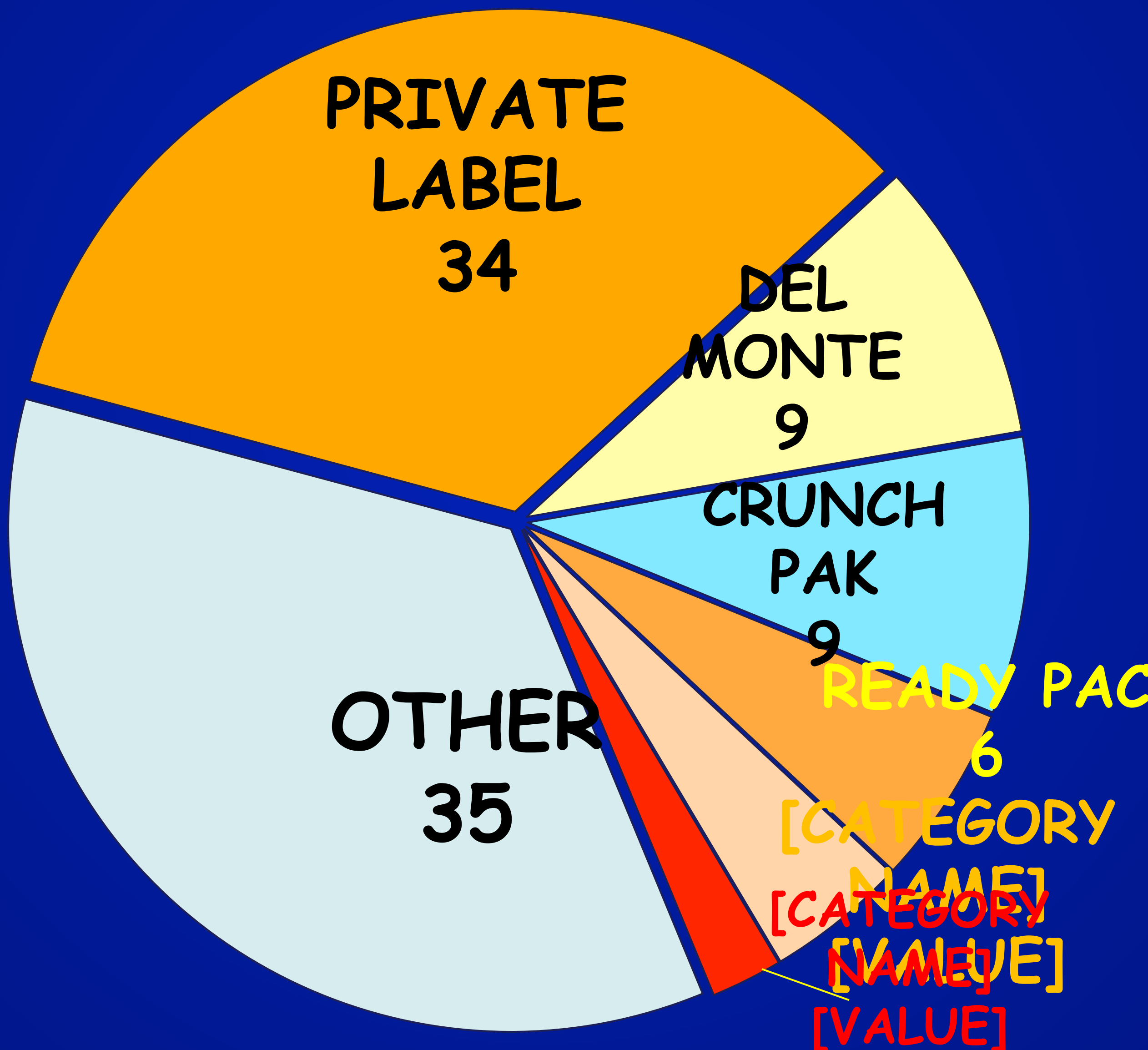
Sources: 1994 - IRI; Nielsen *52 weeks ending July 14, 2014. Excludes Walmart and clubs.

US Fresh-cut Vegetable Category Market Shares and Sales Growth Rates, by Key Firm, in Select Retailers, 2013 (Total Category Sales $1.4B)

Firm	Share %	Growth in $ Sales %
Private label	39.9	5
Eat Smart	5.9	1
Greenline Foods	4.9	6
Grimmway Farms	2.9	1
Mann's Sunny Shores	2.6	1
Bolthouse Farms	2.5	19
Veg Glory	2.3	21
All other	39.0	7

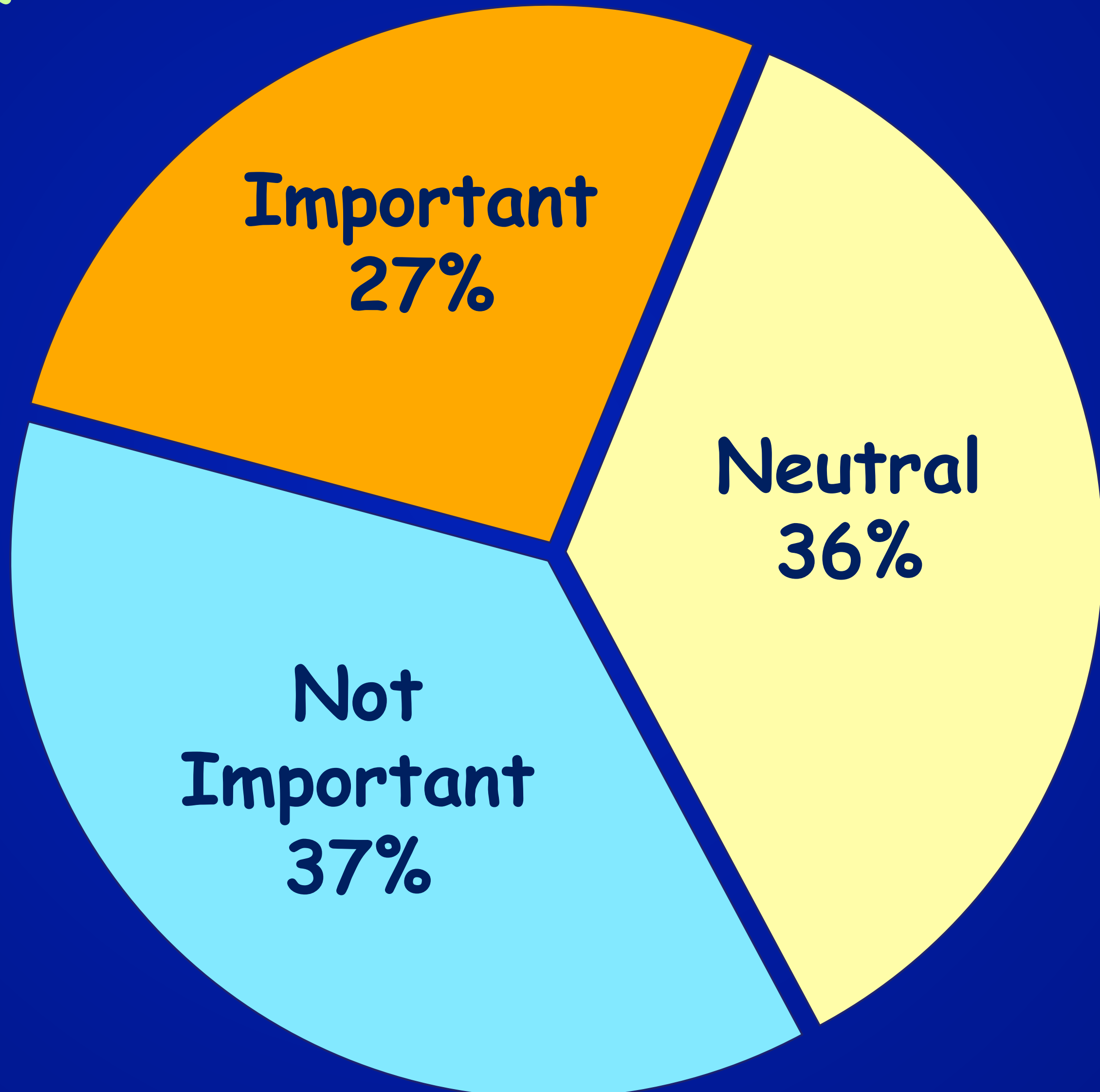
Source: Nielsen 52 weeks ending July 13, 2013

Fresh-cut Fruit Top 5 Brand Shares, by Key Firm, in Select US Food Retailers, 2014



Source: Perishables Group Nielsen, 52 weeks ending July 12, 2014. Excludes nontraditional retailers.

Importance of Produce Brands to US Consumers, (both value-added and bulk produce)



Source: Identifying Consumer Trends in the Produce Category, PMA/Hartman, 2011.

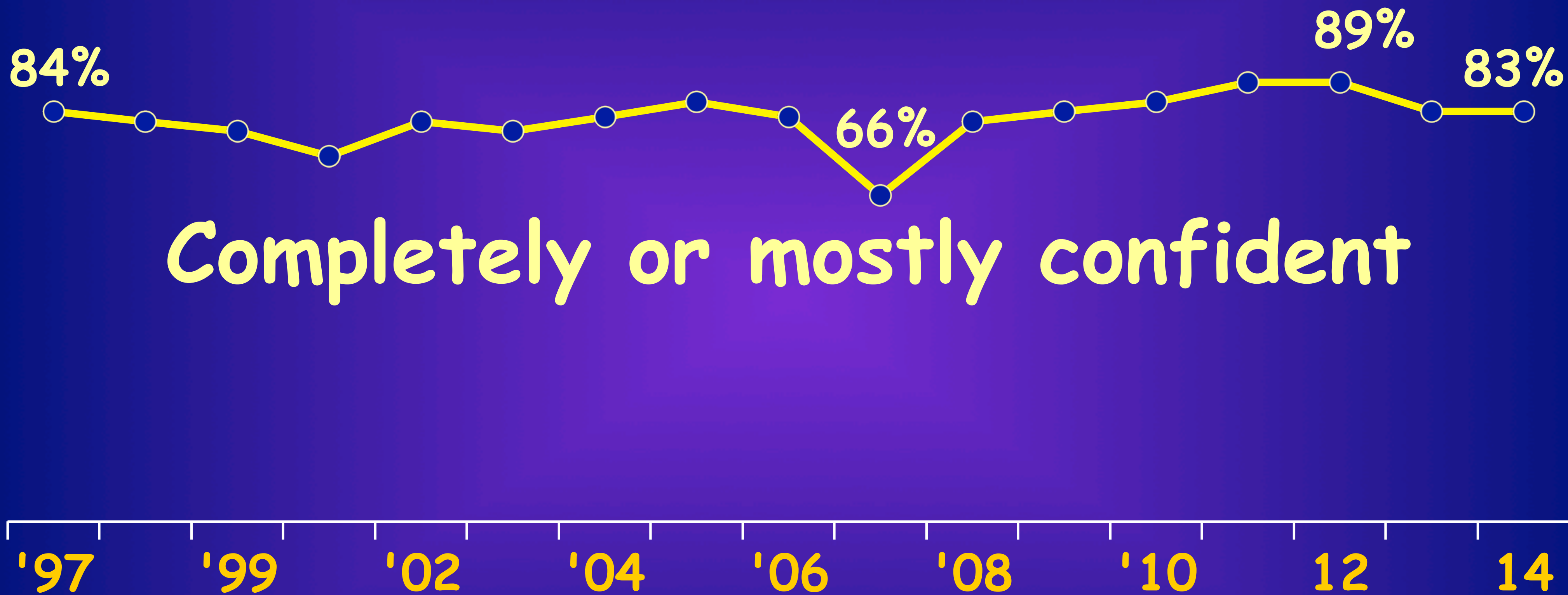
Factors Most Associated with Produce Brands,

comparing attitudes of consumers who say brand is important with those that don't

Source: Identifying Consumer Trends in the Produce Category, PMA/Hartman, 2011.

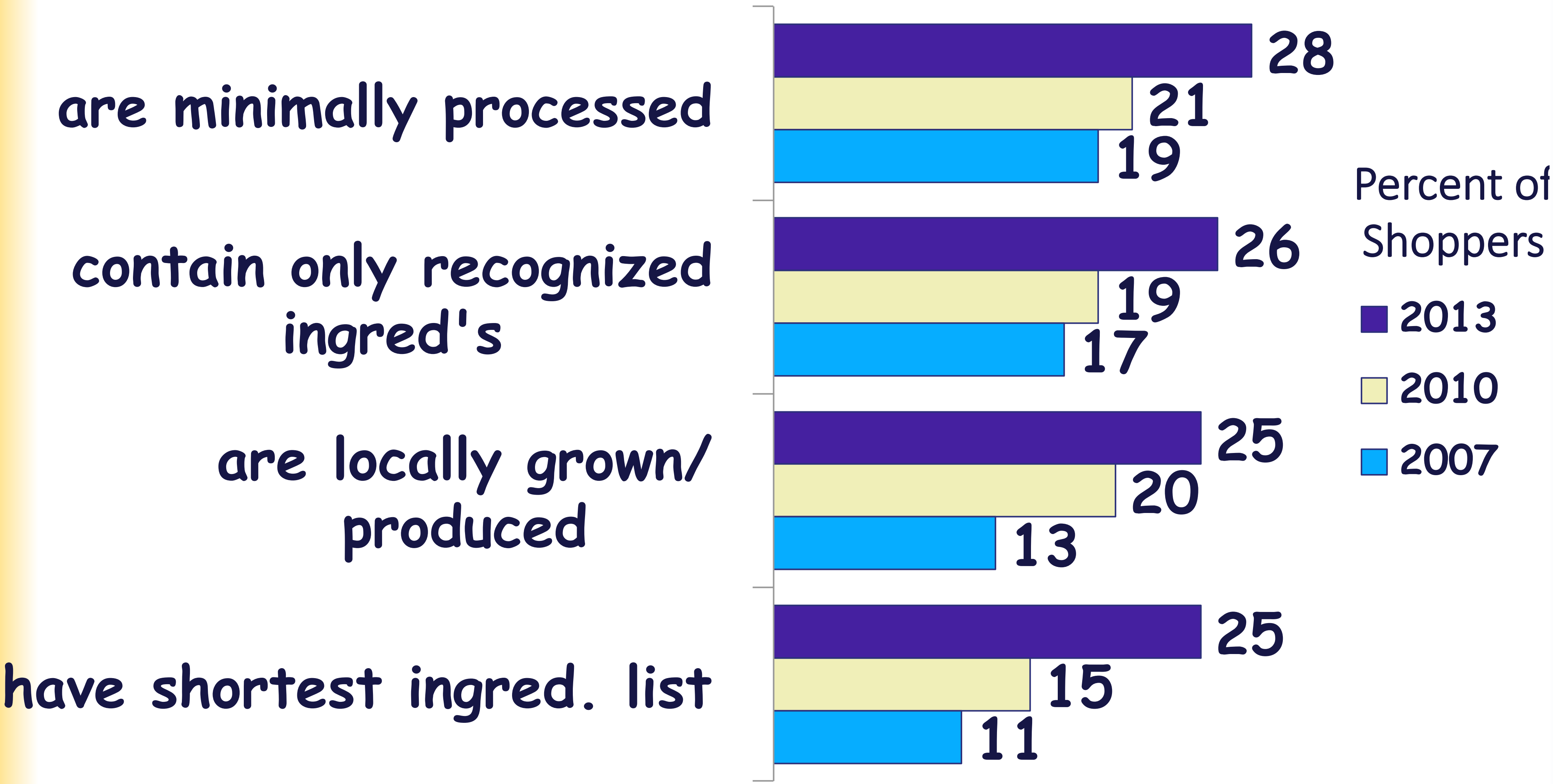
Consumer Attitudes

How confident are you that the food in your supermarket is safe?



Source: FMI US Grocery Shopper Trends, various years

When shopping, the consumer looks for food and beverages that . . .



Source: The Hartman Group Health and Wellness Reports, 2007-2013

Attitudes/Opinions of Bagged/Packaged Salad Consumers, 2013

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

Source: Packaged Facts / Experian Marketing Services 2013.

Health Attitudes of Bagged/Packaged Salad Consumers, 2013

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

Source: Packaged Facts / Experian Marketing Services 2013.

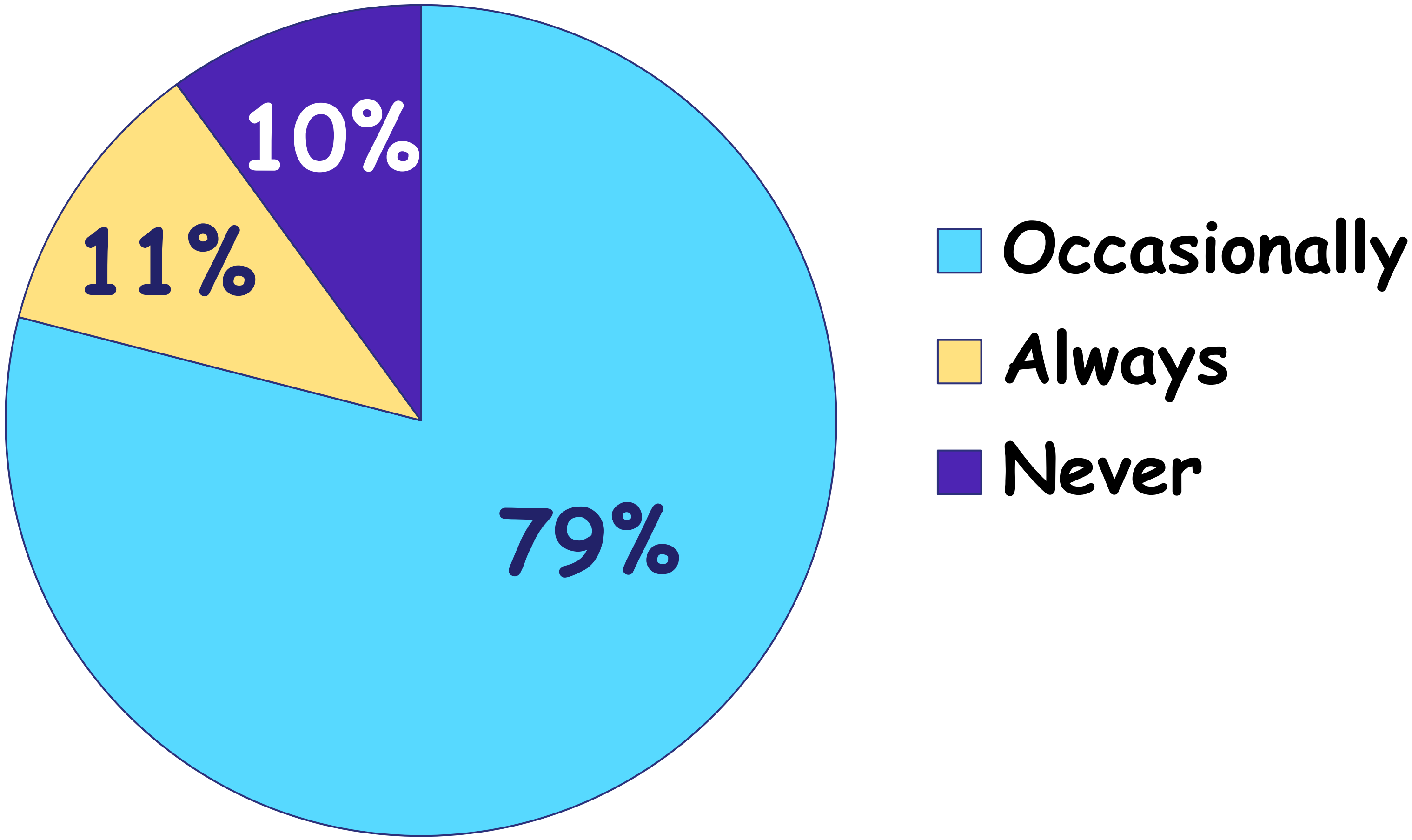
Five Growing Categories in Millennial Spending

Category	Percent Spending More*	Percent Spending Less*
Fresh fruits and vegetables	37	8
Organic food	25	9
Natural products	23	10
Environ. friendly home cleaning items	20	10
Fresh meat	19	10

* Spending plan over the next 12 months

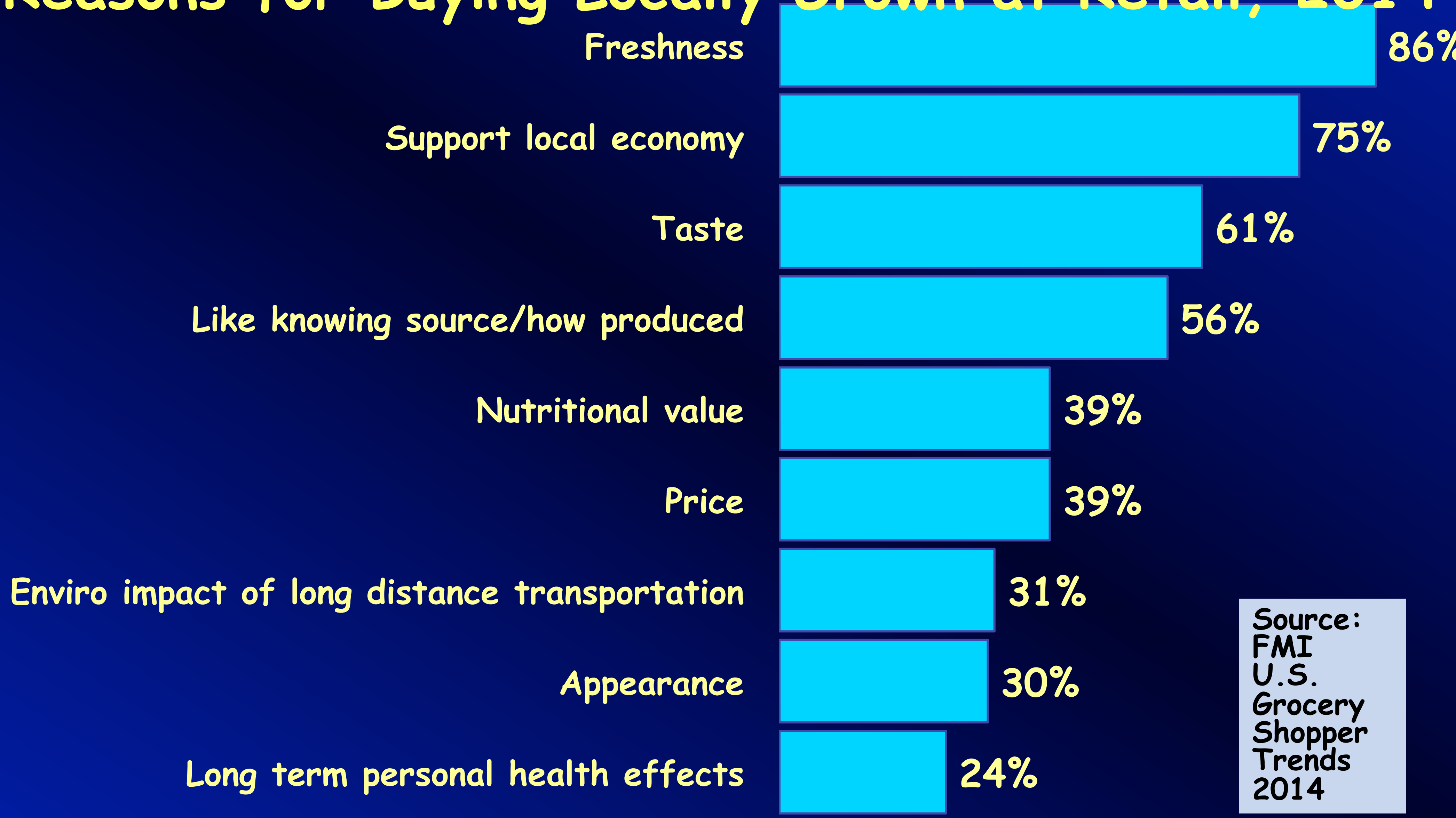
Source: Food Institute Report, September 15, 2014

US Consumer Frequency of Purchases of Locally Grown Products, 2014



Source: FMI U.S. Grocery Shopper Trends 2014

Reasons for Buying Locally Grown at Retail, 2014



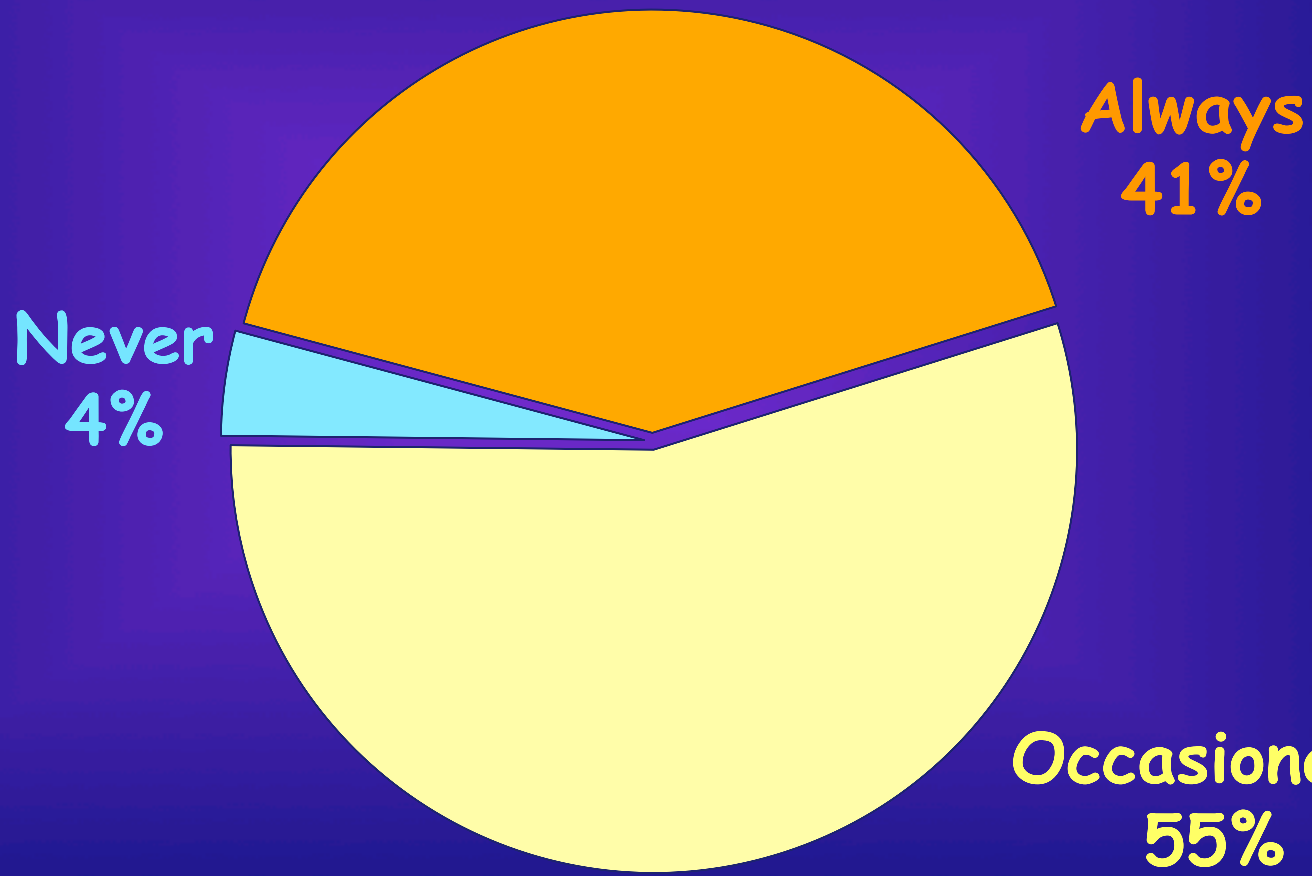
Source: FMI U.S. Grocery Shopper Trends 2014

Conclusions

- Fresh-cut produce sales are growing again despite the economic downturn; VAF has been the most variable.
- Ongoing margin squeeze means that firms at all levels of the supply chain must improve management practices and share data effectively; information technology will help.
- Fresh-cut produce leads in category development but there is still great potential for improvement with store level assortment "right sizing," pricing and promo, reducing shrink and helping maintain margins.
- Future growth rate of freshcut depends partly on success of foodservice in adding healthy menu options.

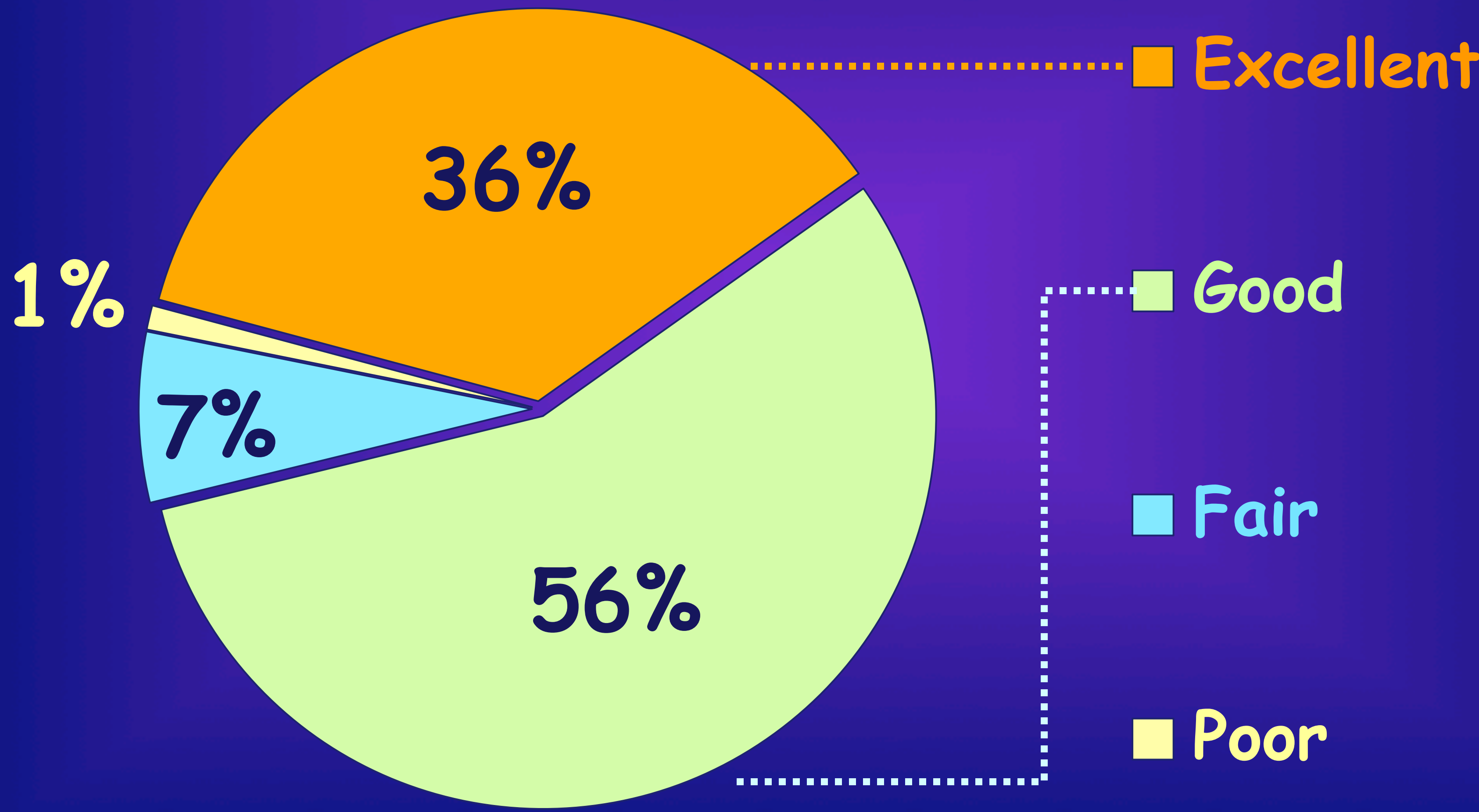
Supplemental Information for Handout

Frequency of Purchasing Private Brand Food Items at the Primary Store, 2011



Source: U.S. Grocery Shopper Trends 2011, FMI.

Rating Private Brand Food Products at the Primary Store, 2011



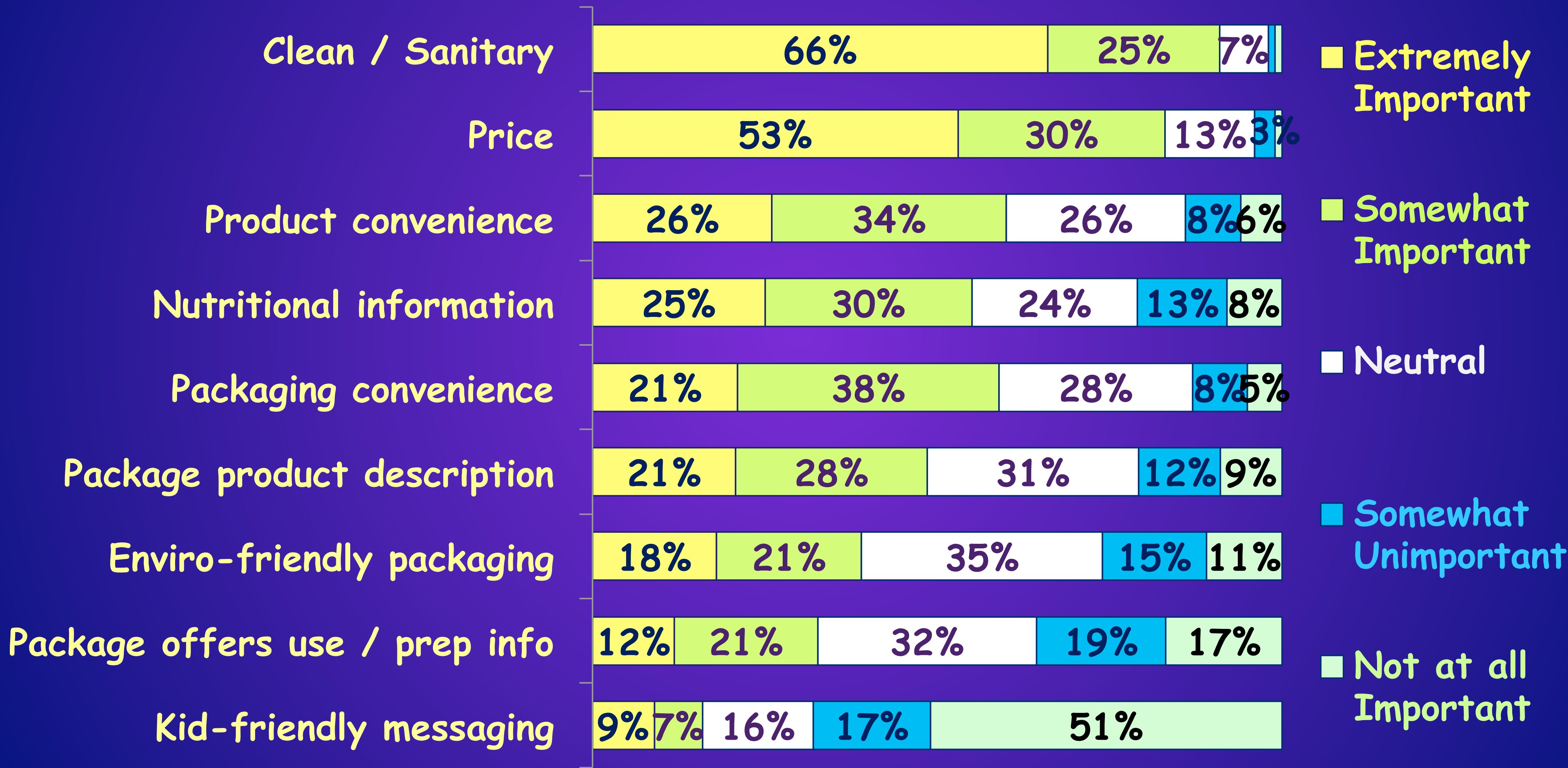
Source: U.S. Grocery Shopper Trends 2011, FMI.

Initiatives to Increase Consumption

- More forces are in play to educate consumers about the benefits of fresh produce (MyPlate, salad bars in schools, PBH, govt and private efforts to increase awareness of fruit/veg health benefits.
- Culinary Institute of America and Harvard School of Public Health Dept of Nutrition Initiative: Menus of Change, The Business of Healthy, Sustainable, Delicious Food Choices. This is designed to introduce more fresh produce on foodservice menus.

Schools Offer New Opportunities for Produce and Targeted Product Launchings on the Rise

Factors Considered in Consumer Decisions to Purchase Packaged Produce



Source: Consumer Attitudes toward Packaged Fruits & Vegetables, PMA, 2011.

Factors that Discourage Consumers from Purchasing Packaged Produce

Source: Consumer Attitudes toward Packaged Fruits & Vegetables, PMA, 2011.

Index of US Packaged Salad Sales ($) by Spectra Lifestyle/Behavior Stage, All Channels

Very High 150+ | High 120-149

LIFESTYLE

Behavior / Stage	Cosmopolitan Centers	Affluent Suburban Spreads	Comfortable Country	Struggling Urban Cores	Modest Working Towns	Plain Rural Living	Total	% Total $
Start-up Families HHs with young children only <6	83	104	82	45	47	50	73	6.3%
Small Scale Families Small HHs with older children 6+	76	92	69	43	43	38	64	5.2%
Younger Bustling Families Large HHs with children (6+), HOH <40	54	72	57	31	37	38	51	3.8%
Older Bustling Families Larger HHs with children (6+), HOH 40+	124	213	161	61	74	84	144	16.3%
Young Transitionals Any size HHs, no children, <35	87	76	79	58	51	56	67	7.3%
Independent Singles 1 person HHs, no children, 35-64	118	95	105	44	44	51	78	9.5%
Senior Singles 1 person HHs, no children, 65+	85	82	85	51	58	48	68	6.0%
Established Couples 2+ person HHs, no children, 35-54	177	210	198	96	113	100	163	18.6%
Empty Nest Couples 2+ person HHs, no children, 55-64	141	172	167	79	85	80	135	13.7%
Senior Couples 2+ person HHs, no children, 65+	117	154	158	65	90	89	121	13.2%
Total	111	141	126	56	64	65	100	
Percent Total $	16.5%	33.4%	23.2%	5.8%	12.4%	8.6%		

Sources: Spectra BehaviorScape: Total Dollars / Spectra 07C/PG-Kids-Revision3 52wks (Total Dollars)

Understanding Value-added Fruit/Veg Produce Shoppers, excludes bag salads

- Essence: a new tool from Nielsen Perishables Group's FreshFacts® Shopper Insights powered by Spire, that segments consumers into 16 shopper groups and forty segments.
- Healthy Living Couples and Healthy Living Families are the most important shopper groups for value-added produce, buying the largest share of value-added fruit and veg.
- Healthy Living Couples are affluent, have no children in the home and tend to be 55-75+. They try to eat right but don't count calories.
- Healthy Living Families are affluent to lower income levels, have children in the home and tend be 35 to 54. Like Healthy Living Couples, they try to eat well without counting calories, and they rely on simple meal solutions and fresh ingredients.
- Value-added produce lends well to both groups, as the highly affluent tend to do in-home cooking using fresh ingredients, and middle income or less affluent consumers tend to go to simple or quick meal solutions.

Source: FreshFacts® on Retail, Q2 2012, Perishables Group/United Fresh Foundation.

Understanding Value-added Fruit and Veg Produce Shoppers, excludes bagged salads

- Healthy Living Couples had the largest contribution to value-added fruit (VAF), accounting for 26.9% of sales in the 52 weeks ending July 14, 2012.
- The next largest group was Healthy Living Families, contributing 17.3% to VAF sales.
- On average, these two shopper groups purchase VAF 4.7 and 5.2 times/household/year, respectively.
- Healthy Living Couples contributed 30.3% to value-added vegetable (VAV) sales in the 52 weeks ending July 14, 2012.
- Healthy Living Families contributed 16.3% to the VAV category.
- Healthy Living Couples average 4.3 purchase trips/household per year for VAV, and Healthy Living Families 4.2 trips.
- Natural/Organic households contributed 7.5% of VAV sales.

Source: FreshFacts® on Retail, Q2 2012, Perishables Group/United Fresh Foundation.