Fresh-Cut/Value-added Produce Marketing Trends

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for

UC Davis Fresh-Cut Products Workshop: Maintaining Quality and Safety
Agenda

• Some important food marketing trends
• Consumer choice exploding
• 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).
Fresh Department Average Sales: Percent Change
Q2 2016 vs. Q2 2015

-2%
Decrease in household trips to purchase fresh

-5%
Decrease in household trips to purchase all groceries

Weekly $ sales/store vs Q2 2015
Weekly quantity sold/store vs Q2 2015

Produce: 4.2 vs 4.1, -2.9%
Deli: 4.1 vs 4.3, 0.6%
Meat: 1.1 vs 2.5, 2.5%
Bakery: 2.5 vs 2.5, 0.1%
Seafood: 1.2 vs 1.2, 0.0%

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q2 2016, United Fresh and Nielsen
Shifting Grocery Formats: Growth in nontraditional channels has transformed the US grocery industry

Dollar Share by Channel

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>90%</td>
<td>50%</td>
<td>48%</td>
<td>46%</td>
</tr>
<tr>
<td>Convenience</td>
<td>8%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Nontrad.</td>
<td>2%</td>
<td>34%</td>
<td>37%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Dollar Share of Food Sales in Nontraditional Formats

- Drug: 13%
- Mass: 11%
- $Store: 7%
- Wholesale Club: 23%
- Super center: 46%
- Military: 1%

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

Sources: Willard Bishop, various The Future of Food Retailing reports
Primary Food Store Choice by Key Format Type: Percent of Shoppers 2006-2016

Most Important Factors in Store Selection for US Consumers, 2015: Produce is a Star!

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low prices</td>
<td>97%</td>
</tr>
<tr>
<td>High-quality fruit/vegetables</td>
<td>96%</td>
</tr>
<tr>
<td>Great product selection</td>
<td>95%</td>
</tr>
<tr>
<td>Clean, neat store</td>
<td>95%</td>
</tr>
<tr>
<td>Convenient location</td>
<td>93%</td>
</tr>
<tr>
<td>Sales, specials</td>
<td>93%</td>
</tr>
<tr>
<td>Fast checkout</td>
<td>92%</td>
</tr>
<tr>
<td>Accurate shelf tags</td>
<td>92%</td>
</tr>
<tr>
<td>High-quality meat</td>
<td>92%</td>
</tr>
<tr>
<td>Courteous employees</td>
<td>90%</td>
</tr>
<tr>
<td>Store layout</td>
<td>89%</td>
</tr>
<tr>
<td>Use-before/sell-by dates</td>
<td>88%</td>
</tr>
<tr>
<td>Private Label</td>
<td>69%</td>
</tr>
<tr>
<td>Locally grown</td>
<td>66%</td>
</tr>
<tr>
<td>Nutrition/health info</td>
<td>62%</td>
</tr>
<tr>
<td>Organics</td>
<td>39%</td>
</tr>
</tbody>
</table>

Primary Grocery and Produce Channel Choices

- **Supermarket**: 61% Groceries, 63% Produce
- **Supercenter**: 26% Groceries, 16% Produce
- **Warehouse Club**: 5% Groceries, 3% Produce
- **Natural, Organic Specialty**: 7% Groceries, 9% Produce
- **Farmers Mkt, Farm Direct**: 0% Groceries, 8.0% Produce
- **Online**: 0.5% Groceries, 0.8% Produce
- **Other**: 0.5% Groceries, 0.5% Produce

Note: 24% of US grocery shoppers switch their primary store destinations when purchasing produce.

Switching Behavior among Supercenter Shoppers

36% of supercenter primary grocery shoppers switch stores to buy produce.

- 74% switch to supermarkets
- 13% switch to farmers’ markets, farm-direct, produce stands
- 10% switch to organic/specialty stores

They switch because the other channel has...

- Better freshness/quality (54%)
- Better variety (39%)
- Better advertised specials (31%)

Switching Behavior among Supermarket Shoppers

15% of supermarket primary grocery shoppers switch stores for produce.

- 53% switch to farmers’ markets, farm-direct, produce stands
- 31% switch to organic/specialty stores
- 6% switch to club stores

They switch because the other channel has...

- Better freshness/quality (56%)
- Better selection of locally sourced produce and organic produce (44% each)
- Better prices in general (32%)

### Minor Outlets Shopped for Produce at Least Occasionally

<table>
<thead>
<tr>
<th>Outlet Type</th>
<th>Millennials</th>
<th>Boomers</th>
<th>Lower Income</th>
<th>Higher Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers Mkts, Prod Stands</td>
<td>53%</td>
<td>47%</td>
<td>43%</td>
<td>56%</td>
</tr>
<tr>
<td>Specialty, Organic Stores</td>
<td>25%</td>
<td>16%</td>
<td>19%</td>
<td>29%</td>
</tr>
<tr>
<td>Ready to Prep Meal Delivery Serv</td>
<td>5%</td>
<td>1%</td>
<td>3%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Forecast of Compound Annual Sales Growth Rate vs. Inflation for US Grocery Formats, 2016-2020

Source: The Future of Food Retailing, Willard Bishop, June 2016

-1.4% Mass
0.4% Drug
0.4% Tradl Supermkt
1.4% Conv. w/gas
1.4% Conv. wo/gas
1.9% Other Sm Groc
2.6% Supercenter
2.9% Super Whse
3.0% Club
3.3% Dollar
7.0% Ltd Assortm.
8.6% Fresh Format
23.1% E-Commerce

Food Inflation Compound Annual Rate: 1.5%
US Shoppers’ Average Number of Trips/Year by Store Format and Age Group, 2015

Emerging marketing channels for freshcut

- **C-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.
- **2015/16 fast casual sales:** $48B (15-20% of QSR sales).\(^1\) Focused on fresh/creative ingredients; great potential for freshcut, but segment growth slowing.
- Labor constraints push demand for freshcut.

\(^1\)Source: Technomic unpublished data.

- Prepared meals at home: 95%
- Restaurant meals: 85%
- Ate at restaurant: 82%
- Carry out from restaurant: 63%
- Ordered from drivethrough: 63%
- Prepared foods at home from grocery store: 57%
- Ordered food delivered from a restaurant: 42%
- Ate prepared foods in grocery store dining area: 25%
- Ate prep' foods from c-store at home: 22%
- Ate at a farmer's market: 17%
- Purchased from a food truck: 16%
- Ate prep'd food at c-store dining area: 14%
- Ordered groceries online, store pickup: 12%
- Meal kits online for home delivery: 8%

US Foodservice Sales: Sales and Share of Total Sales by Subcategory, 2015/2016, (Excludes alcohol and nonfood sales), $644.3 Billion Total

- Limited Service 38%
- Full Service 34%
- Onsite FS 19%
- Retail FS 9%

$245.6 B
$216.2 B
$58. B
$124.2 B

Growth in penetration rates for select fruits and vegetables in restaurants, 2005-2016

Source: Datassential proprietary database 2016, chains and independent restaurants.
Growth in penetration rates for select fruits and vegetables in restaurants, 2005-2016

Scallion: 32%
Black bean: 31%
Green bean: 26%
Corn: 24%
Spinach: 20%
Artichoke: 18%
Bean: 14%
“pepper”: 14%
Olive: 14%
Potato: 14%
Sun dried tomato: 13%
Zucchini: 12%

Source: Datassential proprietary database 2016, chains and independent restaurants.
Kale Penetration Rate in US Restaurants, 2005-2016

Source: Special extraction from Datassential database of kale mentions on menus of US Chains and Independents.
Away-From-Home Sources of Fruit and Vegetables of US Consumers, 2014

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

Source: Produce for Better Health Foundation, State of the Plate - 2015 Study on America’s Consumption of Fruits and Vegetables.
Adults believe eating at home is healthier than eating out, posing a challenge to foodservice, 2016

Source: FMI U.S. Grocery Shopper Trends 2016
Shoppers' concern about nutritional content and evaluation of diet, various years 1996-2016

Source: FMI Trends in the US Consumer Attitudes and the Supermarket, various years
Changing Consumers: Choice and Substitution Abounds!
Underlying Themes

• How can fresh produce capture a bigger share of “better for you” food products?
• From traditional to modern eating culture.
• Role of food “sophisticates.” (Hartman term.)
• Trading up prevalent but consumer price consciousness as high as ever. Cannibalization.
• Growing demand for: convenience, transparency, bold often international flavors, high protein, health and wellness, products with stories.
• Consumer expectation of mass customization.
New VAV Items Addressing Demand for Convenience, Health and Customization
Innovations in Breeding: Responding to Consumer Preferences for New, High Flavor, Convenient, and Healthful Produce
Conventional, Organic and Value-Added Fresh Fruit/Veg Sales in Key US Food Retailers, % Change 2015 vs 2014

- **$ sales**
- **Quantity (lbs) sold**

<table>
<thead>
<tr>
<th></th>
<th>Organic Fruit</th>
<th>Organic Veg</th>
<th>Value-Add Fruit</th>
<th>Value-Add Veg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>3</td>
<td>10</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Fruit</td>
<td>4</td>
<td>14</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Veg</td>
<td>3</td>
<td>0.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Food Marketing Institute, The Power of Produce 2016, from The Nielsen Perishables Group.
Convenience and Organic, 2015

- Organic represents 8-9% of total produce dollar sales; lesser share of quantity.
- Value-added produce contributes 17%; lesser share of quantity.
- Both tend to be consumed proportionally more by consumers with higher incomes and educational levels, also millennials.
- Economic and wage/income growth rates have a major positive influence on produce demand – consumption is positively correlated with income.

Consumer Behavior

- Higher income and socially conscious foodies are driving demand; their preferences lean to organic, convenience (fresh-cut), flavor, local.
- For many 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.
- Personal income growth stimulates demand - produce consumption is positively correlated with income.
- Sept 2016: US Census Bureau announced personal disposable income up by 5.2% in 2015, biggest yearly increase for decades; and the # of people in poverty decreased by 3.5 million people.
## 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><strong>Average Shopper</strong></td>
<td>47</td>
<td>$338</td>
</tr>
<tr>
<td><strong>Most Affluent</strong></td>
<td>51</td>
<td>$454</td>
</tr>
<tr>
<td><strong>Least Affluent</strong></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

- Vegetables*  
- Fruit

* Excludes commercially prepared items such as vegetable soup, Asian dishes, chili, etc.

Top 3 Factors That Influence US Consumers’ Selection and Purchase of Fresh Fruit, 2016

- Appearance: 69%
- Ripeness: 64%
- Price: 58%
- Habit: 35%
- Seasonality: 30%
- Nutritional content: 26%
- Organic/local/brand: 19%

Top 3 Factors That Influence US Consumers' Selection and Purchase of Fresh Vegetables, 2016

- Appearance: 63%
- Price: 62%
- Habit: 33%
- Spoilage: 28%
- Seasonality: 22%
- Nutrition: 21%
- Prep time: 19%
- Organic/Local/Brand: 15%

Fresh Produce Branding Trends

- Branded share of total produce is increasing, +12% 5 year CAGR.
- 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.
- Vital for processors to know their costs, SKU and packaging proliferation increase complexity. Effective use of information technology is vital.
Share of Branded vs Unbranded Fresh Produce Sales in US Retailers, 2010 vs. 2014

Source: Fresh Facts on Retail Q3 2015, United Fresh and Nielsen
Importance of Produce Brands to US Consumers, (both value-added and bulk produce)

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

<table>
<thead>
<tr>
<th></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 consider my diet to be very healthy</td>
<td>40</td>
<td>46</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>

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.

• VAP represents about 17% of total produce dept sales. (FMI Power of Produce 2016.)
VAP Trends Overview

- VAF CAGR of dollar sales was +8% from 2011-15.
- VAF index highly with Hispanics, Millennials, mid-high income brackets.
- VAV CAGR of dollar sales was +10% from 2011-15.
- VAV index highly with Asians, Boomers, Gen X, highly affluent consumers
- Saves time, convenience, healthy.

Penetration Rates: % of US Households Buying Fresh Fruit at Retail, by Category, 2015, (Scanner data so actual purchases)

<table>
<thead>
<tr>
<th>Category</th>
<th>Penetration Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bananas</td>
<td>86%</td>
</tr>
<tr>
<td>Citrus</td>
<td>80%</td>
</tr>
<tr>
<td>Apples</td>
<td>79%</td>
</tr>
<tr>
<td>Berries</td>
<td>79%</td>
</tr>
<tr>
<td>Grapes</td>
<td>70%</td>
</tr>
<tr>
<td>Melons</td>
<td>58%</td>
</tr>
<tr>
<td>Stone Fruits</td>
<td>51%</td>
</tr>
<tr>
<td>Avocados</td>
<td>49%</td>
</tr>
<tr>
<td>Cherries</td>
<td>36%</td>
</tr>
<tr>
<td>Value-add fruit</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016.
### Penetration Rates: % of US Households Buying Fresh Vegetables at Retail, by Category, 2015 (Scanner data so actual purchases)

<table>
<thead>
<tr>
<th>Vegetable</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potato</td>
<td>87%</td>
</tr>
<tr>
<td>Onion</td>
<td>83%</td>
</tr>
<tr>
<td>Tomato</td>
<td>81%</td>
</tr>
<tr>
<td>Carrot</td>
<td>78%</td>
</tr>
<tr>
<td>Bag Salad</td>
<td>77%</td>
</tr>
<tr>
<td>Lettuce</td>
<td>75%</td>
</tr>
<tr>
<td>Cooking Veg</td>
<td>73%</td>
</tr>
<tr>
<td>Peppers</td>
<td>61%</td>
</tr>
<tr>
<td>Mushroom</td>
<td>50%</td>
</tr>
<tr>
<td>Value-add veg</td>
<td>49%</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016.
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

- **Fresh Fruit, Average**
  - <$50,000: 79%
  - >$50,000: 88%

- **FreshCut Fruit, Average**
  - <$50,000: 38%
  - >$50,000: 39%

Source: PBH Primary Shopper Attitudes and Beliefs Related to Fruit and Vegetable Consumption 2012 vs 2014.
US Household Penetration and Buying Frequency for VAP, 2016

- Certain items only: 53%
- When in hurry: 14%
- When on sale: 9%
- Whenever possible: 17%
- Special Occasions: 6%
- Not sure: 6%
- No: 27%
- Yes: 67%

Purchased VAP prior 3 mos

VAP Retail Shopper’s Overview

• 9% of all households are the VAP heavy users and they report they will increase purchases in 2017.
• VAP buyers, especially routine buyers, skew to:
  - Affluent, $75K+ annually
  - Ages 37-52
  - Families with children
  - Supermarket shoppers
  - Northeast

Reasons why shoppers DO NOT Purchase Packaged Produce, 2016

- Prefer to prepare myself: 52%
- Too expensive: 49%
- Think not as good/fresh: 38%
- Don't trust food safety: 26%
- Not readily available: 8%

Shares of Freshcut/Value-added Produce (VAP) $Sales in Key Retailers, by Subcategory, 2015, Nielsen FCA dataset: Total $7.6B

- Bag salads: $3.7 billion (49%)
- Value-added fruit: $2.2 billion (29%)
- Value-added veg: $1.7 billion (22%)

Source: Compilations of various sources of Nielsen FCA scanner data, 2015.

Fresh Coverage Area (FCA) incl key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. Includes UPC, random weight, and retailer assigned codes.
Understanding Retail Scanner Data

- Scanner data excludes foodservice operators.
- Nielsen Fresh Coverage Area (FCA) dataset is a sample and represents > 60% of grocery food sales via all formats, and retail channels.
- Since FCA is not the complete universe, total national sales are always higher. National sales can be projected assuming that the FCA sample is around 60-62% of total grocery sales.
- For example, based on the data in the prior slide, projected (from FCA) total US VAP retail sales may surpass $12.6 billion.

Sources: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Ass'n and Nielsen, March 2016; and unpublished Nielsen data.

Fresh Coverage Area (FCA) incl key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. Includes UPC, random weight, and retailer assigned codes.
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), 2015

Note: In 2014, consumers purchased VAF on 5 trips/yr.

Fresh Cut Fruit 85%

Overwrap 10%

Jars & Cups 6%

Note: In 2014, consumers purchased VAF on 5 trips/yr.

Sources: Compiled by Roberta Cook from 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: 2015, United Fresh Produce Association and Nielsen, March 2016.
## Value-added Fruit Category Sales and Pricing in Key US Food Retailers, 2015 vs 2014.

VAF=5% total produce dept sales

<table>
<thead>
<tr>
<th></th>
<th>% Change vs. 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weekly $ Sales / Store</td>
</tr>
<tr>
<td><strong>Value-Added Fruit</strong></td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Fresh-cut Fruit</strong></td>
<td>8.9</td>
</tr>
<tr>
<td><strong>Overwrap</strong></td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Jars &amp; Cups</strong></td>
<td>-8.2</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016.
<table>
<thead>
<tr>
<th>Value-added Fruit</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>7.8</td>
<td>3.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Fresh-cut Fruit</td>
<td>6.4</td>
<td>4.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Overwrap</td>
<td>25.3</td>
<td>2.7</td>
<td>22.0</td>
</tr>
<tr>
<td>Jars &amp; Cups</td>
<td>13.9</td>
<td>9.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q2 2016, United Fresh Produce Association and Nielsen.
Value-added Veg

Excludes Bagged Salads but Includes:

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), 2015

Note: In 2014, Consumers Purchase VAV on 4 trips/yr.

Sources: Compiled by Roberta Cook from 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: 2015, United Fresh Produce Association and Nielsen, March 2016.
Side Dishes:\(^1\)
- The number of side dish items increased 15% in Q2 2016.
- Medley’s of veggies led the way.
- Medley’s grew 12% vs Q2 2015.

Other VAV Key Segments, CY 2015:\(^2\)
- Microwave ready, +15% in dollar sales.
- Ready-to-cook, +12% in dollar sales.
- Snack pack veg, +8% in dollar sales.

Sources: \(^1\)FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q2 2016, United Fresh Produce Ass’n and Nielsen; and \(^2\)Food Marketing Institute (FMI), The Power of Produce 2016.
Value-added Vegetable Category Sales and Pricing in Key US Food Retailers, 2015 vs 2014, $VAV=3\%$ 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>8.7</td>
<td>5.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Side Dish</td>
<td>8.0</td>
<td>4.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Meal Prep</td>
<td>15.5</td>
<td>12.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Trays</td>
<td>7.9</td>
<td>11.7</td>
<td>-3.4</td>
</tr>
<tr>
<td>Snacking</td>
<td>3.4</td>
<td>0.4</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016.
Leafy Greens and Bag Salads
USA Household Likelihood of Bag Salad Purchase, by Income and Age, 2015

<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, 1985-2015\(^p\) (includes fresh-cut and bulk, foodservice and retail channels)

![Graph showing the per capita utilization/consumption of lettuce by type for the years 1985 to 2015. The graph includes data for iceberg, romaine, and leaf lettuce.]

**Sources:** USDA/ERS, Vegetables and Pulses Yearbook #89011 March 30, 2016 for iceberg and unpublished ERS data for leaf and romaine.
US Fresh Spinach Per Capita Utilization/Consumption, 1985-2015\(^p\) (all channels, foodservice & retail; includes fresh-cut) Note: E.coli incident 9-11-2006

Pounds per capita

## Top 10 Vegetable Sales and Pricing in Key US Food Retailers, 2015 vs. 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>Weekly $ Sales per Store</th>
<th>Weekly Vol. per Store</th>
<th>Avg Retail Price</th>
<th>Percent Change vs. 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bag Salad</td>
<td>$3,877</td>
<td>1,378</td>
<td>$2.81</td>
<td>9.2%</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>$2,666</td>
<td>1,169</td>
<td>$2.28</td>
<td>3.4%</td>
</tr>
<tr>
<td>Potatoes</td>
<td>$2,521</td>
<td>3,619</td>
<td>$0.70</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Cooking Veg</td>
<td>$1,841</td>
<td>1,071</td>
<td>$1.72</td>
<td>3.4%</td>
</tr>
<tr>
<td>Value-Add Veg</td>
<td>$1,754</td>
<td>564</td>
<td>$3.11</td>
<td>8.7%</td>
</tr>
<tr>
<td>Onions</td>
<td>$1,530</td>
<td>1,527</td>
<td>$1.00</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Peppers</td>
<td>$1,471</td>
<td>657</td>
<td>$2.24</td>
<td>5.0%</td>
</tr>
<tr>
<td>Lettuce</td>
<td>$1,312</td>
<td>709</td>
<td>$1.85</td>
<td>3.2%</td>
</tr>
<tr>
<td>Carrots</td>
<td>$878</td>
<td>516</td>
<td>$1.70</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Mushroom</td>
<td>$863</td>
<td>347</td>
<td>$2.49</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen FCA dataset, March 2016.
US Bag Salad Sales, Recent Trends

• Bag salad 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 between 2010-14.

• $30/yr annual household spend on bag salads on 9 trips/yr. in 2016.

• $ bulk lettuce sales grew by only 1%, 52 wk ending April 2, 2016.

Top Bag Salad Segments: $ Sales and Annual Growth Rates in Key US Food Retailers, 2016

$3.7 B total salad sales, all segments, up 8%

Number above bar represents % change vs. prior yr.

Source: Nielsen Perishables Group FreshFacts, 52 weeks ending April 2, 2016.
US Retail Bag Salad Dollar Sales, Shares by Key Salad Type, 2015 vs 2014

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016.
US Retail Bag Salad Dollar Sales, Shares by Key Salad Type, 2015 vs Q2 2016

Sources: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016; and FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q2 2016, United Fresh and Nielsen.
**US Bag Salad Market Shares in Select Retailers, by Key Firm (% total $ sales), and Point Change in Market Share 2014 vs 2013**

<table>
<thead>
<tr>
<th>% Share</th>
<th>Share Point Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private label</td>
<td>29.7</td>
</tr>
<tr>
<td>Fresh Express</td>
<td>28.7</td>
</tr>
<tr>
<td>Dole</td>
<td>19.7</td>
</tr>
<tr>
<td>Earthbound Farm</td>
<td>6.7</td>
</tr>
<tr>
<td>Ready Pac</td>
<td>3.5</td>
</tr>
<tr>
<td>Organic Girl</td>
<td>2.8</td>
</tr>
<tr>
<td>All Other</td>
<td>8.1</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

- **Top 5 firms** share 91%
- **Private label share** 2%
- **Other share** 6%

**1994**

- **Private label share** 2%
- **Other share** 6%

**2014**

- **Private label share** 9%
- **Other share** 61%

Value-added Fruit Trends
# Top 10 Fruit Sales and Pricing in Key US Food Retailers, 2015 vs. 2014

<table>
<thead>
<tr>
<th>Product</th>
<th>Weekly $ Sales per Store</th>
<th>Percent Change vs. 2014</th>
<th>Weekly Vol. per Store</th>
<th>Percent Change vs. 2014</th>
<th>Avg Retail Price</th>
<th>Percent Change vs. 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berries</td>
<td>$4,250</td>
<td>6.1%</td>
<td>1,415</td>
<td>5.6%</td>
<td>$3.00</td>
<td>0.4%</td>
</tr>
<tr>
<td>Citrus</td>
<td>$3,016</td>
<td>8.2%</td>
<td>2,401</td>
<td>8.9%</td>
<td>$1.26</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Apples</td>
<td>$2,961</td>
<td>-3.7%</td>
<td>1,903</td>
<td>-2.3%</td>
<td>$1.56</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Grapes</td>
<td>$2,881</td>
<td>4.1%</td>
<td>1,317</td>
<td>7.5%</td>
<td>$2.19</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Bananas</td>
<td>$2,690</td>
<td>-1.0%</td>
<td>4,714</td>
<td>-0.8%</td>
<td>$0.57</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Value-Add Fruit</td>
<td>$2,302</td>
<td>7.8%</td>
<td>719</td>
<td>1.4%</td>
<td>$3.20</td>
<td>6.3%</td>
</tr>
<tr>
<td>Avocados</td>
<td>$1,347</td>
<td>13.0%</td>
<td>1,300</td>
<td>20.0%</td>
<td>$1.04</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Melons</td>
<td>$1,230</td>
<td>1.4%</td>
<td>2,340</td>
<td>7.1%</td>
<td>$0.53</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Stone Fruits</td>
<td>$938</td>
<td>-4.7%</td>
<td>507</td>
<td>-1.4%</td>
<td>$1.85</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Cherries</td>
<td>$636</td>
<td>2.2%</td>
<td>204</td>
<td>3.3%</td>
<td>$3.12</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen FCA dataset, March 2016.
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 Consumption/Disappearance of Melons, 1985-2014

Pounds per capita

Source: 2015 Fruit and Tree Nuts Yearbook, ERS/USDA
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.
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).

Cauliflower a star, in part due to variety in presentations and packaging, and versatility in uses.
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.
US Fresh-cut Vegetable Category Market Shares and Sales Growth Rates, by Key Firm, in Select Retailers, 2013 (Total Category Sales $1.4B)

<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>

Source: Nielsen 52 weeks ending July 13, 2013
Organics and Local

Note: Despite sustained rapid growth in organics, in 2015, they still represent only 8% of total fresh produce dept. sales. (Nielsen)
Organics and Local

Note: Despite sustained rapid growth in organics, in 2015, they still represent only 8-9% of total 2015/16 fresh produce dept. sales. (Nielsen)

<table>
<thead>
<tr>
<th>Year 1 vs Year 2</th>
<th>Conventional Produce</th>
<th>Organic Produce</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 vs 2011</td>
<td>2%</td>
<td>18%</td>
</tr>
<tr>
<td>2013 vs 2012</td>
<td>7%</td>
<td>22%</td>
</tr>
<tr>
<td>2014 vs 2013</td>
<td>3%</td>
<td>19%</td>
</tr>
<tr>
<td>2015 vs 2014</td>
<td>3%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Growing demand for organic fresh produce

- 2015 organic produce FCA sales: $3.9 billion. Q1 and Q2 2016 organic produce sales each $1.1 B.
- Organic fresh produce accounted for 8.3% of 2015 produce dept. sales; (9% of Q2 2016).
- 2015 organic bag salad share of bag sales=19%.
- 30% of households purchased organic fruit in supermarkets on 2 trips/yr, 2014
- 51% of households purchased organic veg in supermarkets on 4 trips/yr, 2014

Sources: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends Reports: Q2 2016, Q1 2015; 2015; and 2014. United Fresh Produce Association and Nielsen.

Fresh Coverage Area (FCA) incl key retailers from food, mass/supercenter and club chains, or more than 18,000 stores. Includes UPC, random weight, and retailer assigned codes.
<table>
<thead>
<tr>
<th>Organic Product</th>
<th>Weekly $ Sales per Store</th>
<th>Percent Change vs. 2014</th>
<th>Weekly Vol. per Store</th>
<th>Percent Change vs. 2014</th>
<th>Avg Retail Price</th>
<th>Percent Change vs. 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veg</td>
<td>$2,362</td>
<td>14</td>
<td>841</td>
<td>13</td>
<td>$2.81</td>
<td>0.7</td>
</tr>
<tr>
<td>Fruit</td>
<td>$1,245</td>
<td>16</td>
<td>622</td>
<td>22</td>
<td>$2.00</td>
<td>-5.5</td>
</tr>
</tbody>
</table>

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: 2015, United Fresh Produce Association and Nielsen, March 2016.
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.
Top 5 US Fresh Market Vegetable States* in 2015: Production geographically concentrated due to climate, limits “local” sourcing, yet it is growing in the summer/fall; and greenhouse!

<table>
<thead>
<tr>
<th>Area Harvested</th>
<th>Production</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State</td>
<td>% of Total</td>
</tr>
<tr>
<td>State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA</td>
<td>46</td>
<td>CA</td>
</tr>
<tr>
<td>FL</td>
<td>10</td>
<td>FL</td>
</tr>
<tr>
<td>AZ</td>
<td>7</td>
<td>AZ</td>
</tr>
<tr>
<td>GA</td>
<td>6</td>
<td>WA</td>
</tr>
<tr>
<td>NY</td>
<td>4</td>
<td>GA</td>
</tr>
<tr>
<td>Other</td>
<td>27</td>
<td>Other</td>
</tr>
</tbody>
</table>

*Excludes potatoes

Source: Vegetables 2015 Summary, USDA/NASS, February 2015
Frequency of Purchases of Locally Grown Products, 2015

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

Source: FMI U.S. Grocery Shopper Trends 2015
Reasons for Buying Locally Grown Fresh Produce at Retail, 2016

- Support local economy: 79%
- Freshness: 74%
- Knowing where grown: 45%
- Less environmental impact: 38%
- Unique product: 25%
- Knowing farm story: 23%
- Better price: 20%
- Better nutrition: 20%

Source: FMI The Power of Produce, 2016
Definition of “Locally Grown” Products according to Shoppers, 2016

What is the farthest produce can come from for you to still consider it local?, 2016

In the same Nielsen research: 67% of consumers think it is important to buy local produce; and 50% say local is an important factor in purchasing decisions.

Feel local produce is fresher and better for the local economy.

- **town**: 15%
- **state**: 56%
- **USA**: 19%

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q1 2016, United Fresh Produce Association and Nielsen, June 2016.
How important is buying local by generation, 2016: Note the difference with the FMI data to follow.

- Matures: 71%
- Millennials: 69%
- Gen X-ers: 64%
- Boomers: 64%

Source: FreshFacts® on Retail, Whole and Fresh Cut Produce Trends: Q1 2016, United Fresh Produce Association and Nielsen, June 2016.
### Percent of US Consumers’ “Very Interested” in Local Produce by Generation

<table>
<thead>
<tr>
<th></th>
<th>All 2016</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local produce</td>
<td>61%</td>
<td>56%</td>
<td>56%</td>
<td>62%</td>
<td>55%</td>
</tr>
<tr>
<td>US-Grown Produce</td>
<td>56%</td>
<td>45%</td>
<td>45%</td>
<td>59%</td>
<td>51%</td>
</tr>
<tr>
<td>Non GMO produce</td>
<td>39%</td>
<td>43%</td>
<td>42%</td>
<td>34%</td>
<td>24%</td>
</tr>
<tr>
<td>Organic produce</td>
<td>34%</td>
<td>38%</td>
<td>39%</td>
<td>28%</td>
<td>15%</td>
</tr>
</tbody>
</table>

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. Labor constraints favorable to freshcut.

• 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 e-commerce.