

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

Period Ending June 5, 2005

CTFA Vice President of Marketing

Sheri Mierau

As you will read in the following reports, retail momentum has taken hold of Peaches, Plums, and Nectarines. We continue to push for early season ad activity, but occasionally are met with a retailer who has been told by their suppliers to wait. We continue to work on this and plan to execute strategic programs at early fruit next year that partners our messaging with our growers. We continue to work towards stronger communication and planning with our industry members as this season continues and planning for next season begins.

The iTunes promotion continues to change on a daily basis. We have some retailers who are now unable to participate and others who want to jump on board. We are moving at light speed and see excitement building within the retail community as the promotion dates near.

The Satellite and Radio Media Tours were a great success. We had outlets in some of the largest markets participate in the interviews. Our spokesperson, Stacey Antine, was very positive and excited by our fruit and the 90-Day Challenge. She promoted both very well during the interviews. We look forward to future opportunities to work with Stacey and her projects. We will be posting more information regarding Stacey and her ventures in the Media section of the CTFA website in the near future.

Northeast U.S. / Eastern Canada

Ken Berger

Markets Visited: NY/NJ/Western PA, New England, Ontario, Québec, Atlantic Canada

Accounts:

New England BJs*, Big Y*, Hannaford*, Market Basket*, Shaws*, Stop & Shop*, C&S Wholesale, Roche Bros, Ahold USA, Bozzuto's
NY/NJ/ Great A&P*, The Food Emporium*, Redner's*, Pathmark*, Shoprite*, Price Chopper*,
Western PA Wegmans*, Clemens, Four Seasons Produce, King Kullen, King's Supermarkets, Penn Traffic, Weis, RLB
Ontario A&P Canada*, Loblaw Companies East*, Sobeys Canada*
Québec Métro*, Sobeys Québec
Atlantic CAN Sobeys Atlantic*, Coop Atlantic
Western CAN Canada Safeway, Federated Coop, Overwaitea, The Produce People, Calgary Coop, Thrifty
*visited this period

Observations:

All accounts for which a BDF was submitted were advised of the approved promotional programs and the wheels are now in motion towards implementation.

From Canadian Grocer magazine – May 31, 2005:

Wal-Mart Gaining Ground in Canada

Now that Wal-Mart has eclipsed sales of Sobeys, Hudson's Bay Company, Canadian Tire and Sears Canada, *The Globe and Mail*, in a recent report, asked if Loblaw could be next. According to the report, in Canada Wal-Mart trails only Loblaw in total sales but the retail giant's recent first-quarter financial results show that it continues to gain market share on this side of the border with a 10% jump in sales and a 6% increase in same-store sales. In comparison, Loblaw, in its most recent quarter, reported same-store sales growth of 2.4%. In related news Wal-Mart Stores Inc. has once again landed the top spot in Planet Retail's annual list of top 30 grocers globally. According to Planet Retail Wal-Mart has expanded to nearly 6,000 outlets in 13 countries, ringing up sales of US\$309 billion in 2004.

Retail Sales Up in March

Increased consumer spending in the food and general merchandise sectors helped boost Canadian retailers' sales to \$30.4 billion during March, according to Statistics Canada. The 0.2% increase in retail sales for March, from February, was unexpected, as analysts had forecast a 0.3% decline. While Statistics Canada said consumers had cut back on spending in four of the eight retail sectors—furniture (-1.5%), automotive (-0.8%), clothing (-0.7%) and building supplies (-0.6%)—higher consumer spending occurred in the food (+1.7%), general merchandise (+1.1%), pharmacy (+1.0%) and miscellaneous (+0.9%) sectors. Statscan said that consumer spending in retail stores has have been increasing in almost every month since the beginning of 2004, with the exception of declines in December and April of that year. Over the course of the period, consumer spending in stores has jumped nearly 10%.

<http://www.statcan.ca/Daily/English/050520/d050520.pdf>

Account Recap:

Hannaford Brothers

- Confirmation obtained from Hannaford Category Manager contact that they will run the iTunes promotion from July 11 - Aug 7 in all 146 Hannaford stores across New England. When a consumer purchases 3 lbs. of fruit and 2 FE Blends/Completes/Organics, Catalina will print out a coupon with a PIN code and directions to a promotional website. At the website, the consumer can get additional recipes/usage ideas, exchange the Catalina PIN for the iTunes code and link to the iTunes website. Hannaford will work with CTFA's standard POS kit and the broker for Fresh Express will help with retail execution.
- The following CTFA website link with all of the iTunes/CTFA/Fresh Express downloadable artwork was forwarded to contact urging him to work with his advertising department to utilize it in Hannaford's flyer and in-store advertising for the campaign: <http://www.eatcaliforniafruit.com/download>

Price Chopper

- In-store demos and in-store radio, the latter now confirmed for the period 7/17 to 8/13. The demos will run within this period as well.
- Category Manager, advertising department and demo agency contacted to set the wheels in motion for a late-July/early-August-timed promotion

A&P Canada

- Category Manager called asking for website link to CTFA artwork. Sent him to <http://www.eatcaliforniafruit.com/download/>
- CTFA approved the tote-bag idea, and MJR's initial creative design concept follows.

A&P Canada Tote Concept



Shaw's Supermarkets, Inc.

- Since Albertsons canned the iTunes promo here, CTFA will instead fund a flight of in-store demos with Shaws. Category Manager contacted to suggest preferred week(s) for what is anticipated to be up to 100+ partnered demos.

C&S Wholesale Grocers

- Phone call from one of the buyers looking for some POS for an 11-store chain that he services. I couriered him the CTFA folder with his options and will follow-up to determine selection and quantity.

The Food Emporium

- CTFA approved the funding for The Food Emporium's spot radio program, as follows: "Retailer to create ten- and/or twenty-second tags that will run on The Food Emporium's existing extensive spot radio media buy during the week leading into the July 4th weekend. Minimum 50 spots per week.

BJ's Wholesale Club, Inc.

- Approval received from CTFA to fund a flight of demos with BJ's.
- Contact advised and replied that he'd like to run the demos in June.
- Ordered 150 Demo kits with the goal of finding a fruit dip cost-sharing partner.

Metro-Richelieu, Inc

- Métro's Director of Marketing advised that CTFA approved an in-store sampling program, and asked to provide her preferred split between the Métro, Métro Plus, Super C and Loeb banners.
- Demo agency, likewise, advised, and currently in search of cost-share partner to maximize the spend.

Defense Supply Center Philadelphia

- CTFA approved the funding for sampling of stone fruit at Defense Supply commissaries across the U.S. DeCA contact advised and will put me in touch with demo coordinator.

Big Y Foods, Inc.

- Category Manager advised that Usage POS was approved by CTFA for this promotional year.

Acme Markets, Inc.

- With Albertsons' decision to can the iTunes promotion, Acme will be supported with POS. Category Manager contacted and advised that 137 kits will be sent to his attention shortly.

A&P Atlantic

- iTunes promo confirmed for all banners except Food Basics – total of 440 stores.
- The following CTFA website link with all of the iTunes/CTFA/Fresh Express downloadable artwork was forwarded to contact urging him to work with his advertising department to utilize it in Hannaford's flyer and in-store advertising for the campaign: <http://www.eatcaliforniafruit.com/download>.

Southeast/Mid-Atlantic

Tom Flach

Markets Visited: Tampa, Reedley

Accounts: Kroger Memphis, Kroger Atlanta, Kroger Roanoke, Bi-Lo*, Albertson's Florida*, Rouses, Food City, Kash n' Karry*, Publix*, Lowe's*, Ukrop's*, Giant Carlisle*, Farm Fresh, Acme, Deca, Foodlion, Harris Teeter, Ingles, Kroger Columbus, Kroger Louisville, K-VA-T, Weis, and Winn Dixie

*contacted

Observations:

- The industry should be noticing a trend that has been changing at retail, which has had a dramatic impact on the volume retailers sell. In recent years, some retailers are more interested in receiving higher margins on certain commodities and are not as concerned with generating volume. Retailers have discovered that they can meet their goals by increasing the price and being satisfied with less volume.
- With the weather-related problems California has experienced with cherries, it is likely that we did pick up earlier ad activity at several accounts here in the Southeast. Publix for one and Harris Teeter for another did add peaches and nectarines to the ad mix last week. Publix is on ad again this week @\$1.99.
- During the last week in June, the merchandising team (while in Reedley) had an opportunity to review this season's efforts as well as spend time discussing tentative plans for next season. We also got to visit a few orchards and packing sheds. We were more than adequately briefed by Dale Janzen about the overall husbandry issues relating the growth, harvesting and packing of summer fruit.
- Memorial Day features here in the Southeast did include some cherry activity, while berries and melons were the most widely used feature items.
- Summer Fruit is just now arriving at retail in large enough quantities to actually stimulate consumption. Up until recently accounts have run some token ads, with pricing in the \$1.69 to \$1.99 range.
- Diesel fuel / freight costs could very much influence total consumer take away. It has been estimated that those increased costs plus the increased cost of gas used by the consumer could mean the average consumer has as much as \$7.00 less to spend on food and general living costs.
- Georgia and South Carolina peaches in small sizes are finding their way into several major accounts in the Southeast. The retail in-store specials I've noted at Albertson's and Winn-Dixie have been as low as \$0.69. I've heard that freight costs at 1/3 what it costs to secure fruit from California.
- I'm attending the Southeast Produce Council's semi-annual meeting in Atlanta, where I expect to see several area retailers and discuss this season's opportunities.

Account Recap:

- **Publix** has indicated that they plan to use the Southern peaches in a few markets where the fruit is grown, but will not showcase Eastern peaches with consistent regularity. The "Apron's" in-store demo program is locked in with an ad supporting peaches and nectarines. They have had y/f peaches and nectarines in primary ad space @\$1.99 for the past two weeks.
- **Food Lion**, whose summer fruit sales last season were down about 15%, are very interested in having that situation turned around. Unfortunately, they have decided not to include iTunes in this season's promotion. They will support the 90-Day Challenge program by tying to our web site to theirs.
- **Wal-Mart** – Nectarines and plums were on end-cap display in first position, priced at \$1.69 per pound. I was surprised to not find peaches available in the store.
- **Kroger – Roanoke** – Account indicated that it would make every effort to make summer fruit a critical commodity for the produce departments this season. They need to do very well to match the sales they enjoyed last season.
- **Albertson's - Georgia** peaches are on front-end displays priced @10 lb. For \$10.00. The produce manager indicated that they expect the first sizable quantities of our fruit summer fruit to begin this week.

- **Winn-Dixie** - This account is the pleasant surprise of the week. They used w/f peaches or nectarines, as a semi-lead item @ \$1.99. They also showcased plums and apricots at \$1.99.

Western U.S. / Western Canada

Matt Ellison

Markets Visited: Portland, Seattle, N California, S California, Phoenix

Accounts: Federated Co-op, *Fred Meyer, Albertson's-Portland, *WinCo, *Albertson's-NCal, *Costco, *Safeway-Corporate, Food-4-Less, *Save Mart, *Ralph's, *Albertson's-SCal, *Stater Bros., Albertson's-Salt Lake City, *Fry's, Albertson's-AZ, *Basha's, *Safeway Buying Office
*Visited this period

Observations:

- Retailers in Washington, Oregon and Vancouver BC are reporting slow sales on peaches and nectarines. Retailers are anxious for larger sizes and better weather to help consumers start thinking "summer fruits."
- Secondary nectarine displays are being seen in stores as peaches, plums and nectarines start to dominate the front tables.
- Costco still struggling with fulfilling orders due to size, but report that the nectarine quality and taste have been good.
- Attended initial planning session at CTFA headquarters for the 2006 domestic marketing program. Also, thanks goes out to the growers and packers who took time out of their busy days to give us tours of their operations.
- All major West Coast retailers have either been on ad or promoted with an in-store special at this time.

Southwest

David Anderson

Markets Visited: Houston, Austin, San Antonio

Accounts: Wal-Mart*, Sam's Clubs*, Schnuck's*, Save A lot, AWG KC, Ball's Food Stores*, Hy-Vee*, King Soopers*, Minyard's*, Albertson's Ft. Worth*, Brookshire Grocery Company*, Fiesta Mart*, First Quality*, Kroger SW*, FoodTown*, HEB*, Central Market, Whole Foods SW*, Albertsons Aurora, Dierbergs, Dillon's, Kroger Houston*, Kroger Memphis, United Supermarkets, and Wild Oats
*contacted

Observations:

- Quality by variety and improvement in eating experience seems to be a goal of nearly all customers. Shippers capable of addressing this need will be well positioned for upcoming season, as nearly every customer sees opportunity in this area. Generally speaking, smaller retailers are advertising cots, pluots and larger retailers are featuring nectarines and peaches. First ad this week on Plums was observed at Brookshire Bros.
- Early season reports from trade are mixed, nectarines are generally reporting as "quality challenged", peach reports good, plum reports too early to tell.

Account Recap:

Wal-Mart

- Will be supporting growers with full end caps, quantity still being determined, but an analysis of last year's comac activity will serve as basis for this calculation. WM TV has been approved, but with understanding that it's predicated on performance at retail. Vis-à-vis end cap display activity on ALL participating items.

- White flesh varieties will be sampled, sold in conjunction with early season Bartlett pears in select locations. Projecting 200 super centers for this activity in early August. 90-Day Challenge tear-off pads will be distributed at this event. All buyers at WM have approved this activity, and merchandiser is setting up demo companies, with store list to be provided by WM later this week.

Sam's

- ½ day's worth of demo activity is budgeted, and Sam's has approved distribution of 90-Day Challenge materials at demo tables.
- Club audit conducted yesterday was disappointing, as all products were "behind the glass" in refrigerated door, with minimal shelf space and variety.

HEB

- 64 Austin stores to support I-Tunes promotion in conjunction with Fresh Express. Timing is Mid-July kick-off.
- 20 x 30 inch custom foam boarded sign package to also be executed outside of I-Tunes now in question as stanchion HEB was providing to display this sign is delayed.
- "Speed knives" provided for ALL STORES.
- Retail audit program to be executed late July to ascertain fruit quality, merchandising statistics, and performance to objective. Furthermore merchandiser is providing assistance to insure materials are placed in Austin for upcoming iTunes event.
- Audit conducted yesterday shows .88 per lb. "California Premium" peaches on display, in ad, and in dual locations within department.

Hy-Vee

- Awaiting direction from contact re: kick-off contest, and demo event timing, objectives. Should finalize next week.

Fiesta Mart

- Still looking for 2004 volumes to benchmark this year's objective, with focus on white flesh.

Kroger SW

- Have secured agreement to advertise this promotion, and am working on securing Catalina PLU's and UPC's to insure customers get download code when purchasing proper amount of product.

King Soopers

- King's is excited to get going on iTunes; contact indicates we should be in touch with loyalty card department next week.

Schnuck's

- Unfortunately, iTunes did not fly at Schnuck's; there will be contest with POS: details forthcoming.

Albertson's Ft. Worth

- Contact reiterated today his desire to stay in higher quality product, with internally produced materials, and while grateful for demo support, does not want to execute anything that is not done on a larger scale, i.e. the aforementioned plan to hit 20-25 stores per event may go to a "whole hog" event. (60 stores)

Minyard's

- All store meeting was cancelled for this week, but we still sent materials for distribution to all stores. Backroom handling guide was primary piece.
- Contact is in receipt of demo offering, to be done in conjunction with new further ripened program.

Summary:

- Fiesta, Kroger SW, HEB, King Soopers, Schnuck's, Albertson's FW, HY-Vee, Wal-Mart, Sam's, Brookshire, Minyard's ALL HAVE BEEN SENT THEIR PROMOTIONAL AGREEMENTS FOR 2005 SEASON. Awaiting signatures and replies.

Midwest

Jim Hager

Markets Visited: Minneapolis

Accounts: Coborn's; Cub East and West; Jewel; Kroger (Indianapolis and Blue Ash) ; Marsh; Meijer; Nash-Finch Roundy's; Super Target

**visited this period*

Account Recap:

- Attended planning meetings at CTFA the week of May 23. Phone and E-Mail contact with retailers during reporting period.
- What a difference a week makes! The sizes of Memorial Day Weekend displays were disappointing. However, after an extremely cool, rainy May in much of the Midwest, the weather has rebounded this last week just as the larger fruit began arriving. Accordingly, store display size has quadrupled, prices are hot and sales are building.
- One noticeable trend in Minneapolis is having peaches and nectarines, including white flesh, priced the same. Current sale at **Super Target** has all fruit at \$1.49. Peaches were 48's and nectarines, 56's. California tree fruit is on the first two displays, each side by side Euro tables, plus an end cap of 2 pound bags
- **Rainbow** also had peaches and nectarines at \$1.49 through June 8 (front page weekly ad).
- **Cub** also has large front displays with large peaches, nectarines, plums (and apricots) at \$2.94 lb. Pluots were on ad at \$2.98.
- To date, most promotions are planned for the last week of July and August.

The CTFA Domestic Market Report is available online at www.caltreefruit.com

Please send any suggestions or comments to : jwaite@caltreefruit.com

To receive this report via email rather than U.S. mail, please send a request to : jwaite@caltreefruit.com