Trends in the Marketing of Fresh Produce and Fresh-cut Products

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Despite differences between fresh produce and CPG's, produce is being asked to conform to the protocols of CPG's:*

- Fresh-cut shows the way, including brands
- Channel captains emerge
- Contract pricing between shippers and buyers (both foodservice and retail)
- Longer-term relationships less focused on short-term price instability
- Fees and rebates – cost to play grows
- Services - data-based sales and marketing support as well as food safety gatekeeper function

*Consumer packaged goods

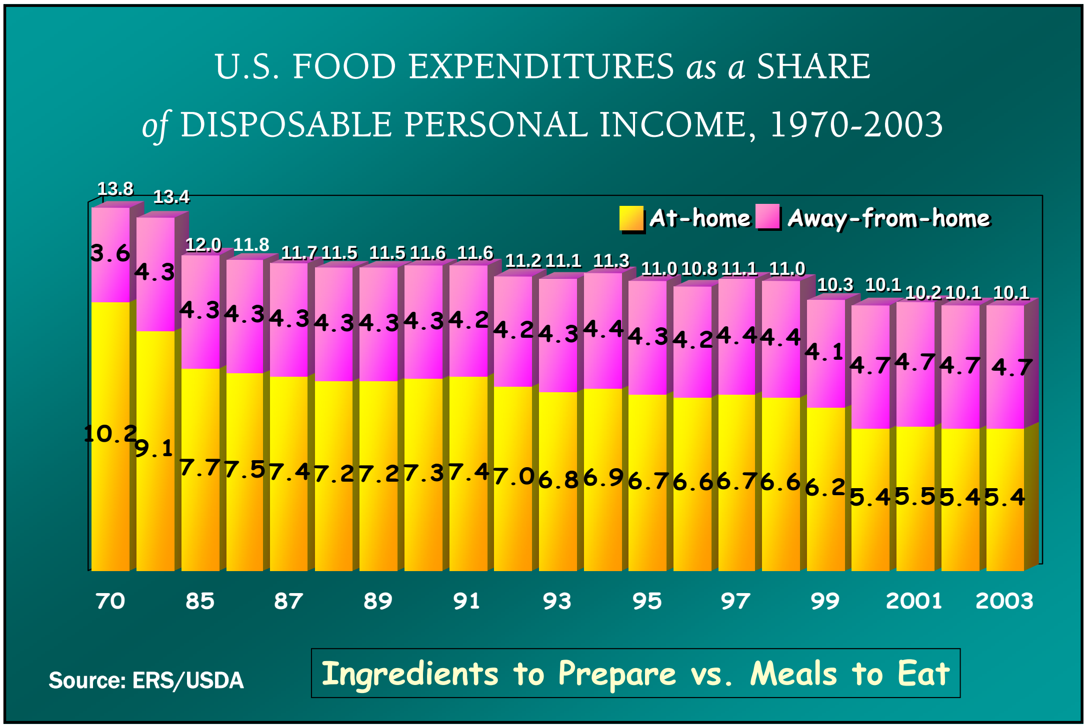
Driving Non-Value Adding Costs Out of the Supply Chain Through:

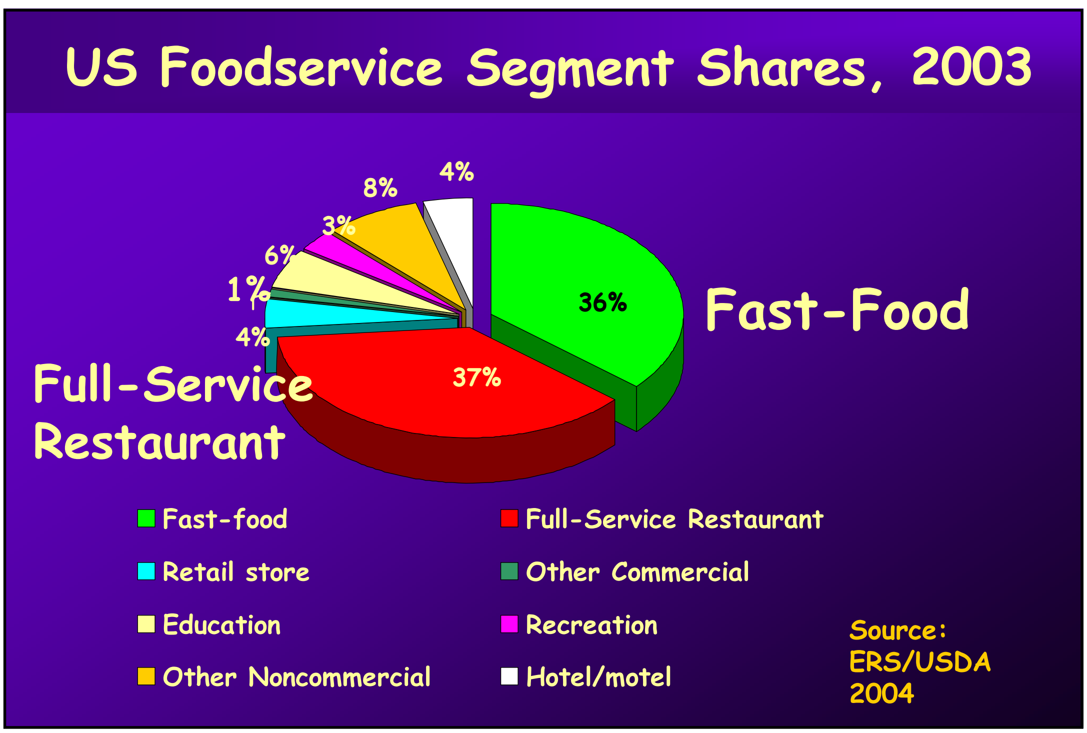
- **Greater vertical coordination between suppliers and buyers – preferred suppliers – account-driven marketing**
- Greater horizontal coordination between suppliers to achieve scale and yr-round supply – suppliers as sourcing agents for retailers – higher sales helps cover overhead costs
- Elimination of intermediaries that don’t add value

TOTAL 2004 U.S. *FOOD* SYSTEM: $951.6 BILLION

- ***$498.2 billion food retailing (excluding non-food grocery store sales)***
  - **52% of total**
- ***$453.5 billion food service***
  - **48% of total**
  - **around 844,000 outlets, including 506,000 commercial establishments**

Source: Food Industry Review 2005, The Food Institute

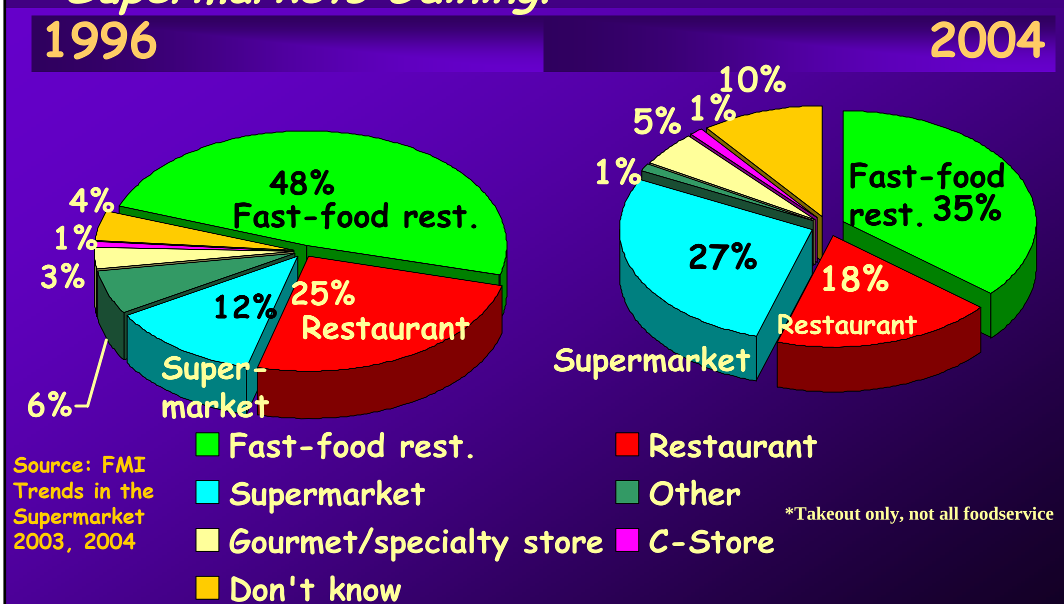

U.S. FOOD EXPENDITURES as a SHARE of DISPOSABLE PERSONAL INCOME, 1970-2003
At-home
Away-from-home
13.8 13.4 12.0 11.8 11.7 11.5 11.5 11.6 11.6 11.2 11.1 11.3 11.0 10.8 11.1 11.0 10.3 10.1 10.2 10.1 10.1
3.6 4.3 4.3 4.3 4.3 4.3 4.3 4.3 4.2 4.2 4.3 4.4 4.3 4.2 4.4 4.4 4.1 4.7 4.7 4.7 4.7
10.2 9.1 7.7 7.5 7.4 7.2 7.2 7.3 7.4 7.0 6.8 6.9 6.7 6.6 6.7 6.6 6.2 5.4 5.5 5.4 5.4
70 85 87 89 91 93 95 97 99 2001 2003
Source: ERS/USDA
Ingredients to Prepare vs. Meals to Eat


US Foodservice Segment Shares, 2003
4%
8%
3%
6%
1%
4%
36%
37%
Fast-Food
Full-Service Restaurant
Fast-food
Full-Service Restaurant
Retail store
Other Commercial
Education
Recreation
Other Noncommercial
Hotel/motel
Source: ERS/USDA 2004

FOODSERVICE OPPORTUNITIES FOR FRESH PRODUCE – BUT YR-ROUND SUPPLY REQUIRED!

- **Consumers are trading up, contributing to higher sales in full service restaurants and fast casual.**
- **Consumers search for *VALUE, 62% say they are "willing to spend more time and money for better quality food."***
- **Foodservice fresh produce and fresh-cut demand rising. Subway's is the #1 buyer of fresh tomatoes, McDonald's now the top foodservice apple buyer and a top 5 foodservice buyer of spring salad mix and grape tomatoes.**

Sources of *Takeout** Food in the US, *Supermarkets Gaining!*



Source: FMI Trends in the Supermarket 2003, 2004

*Takeout only, not all foodservice

Dashboard Dining on the Rise!

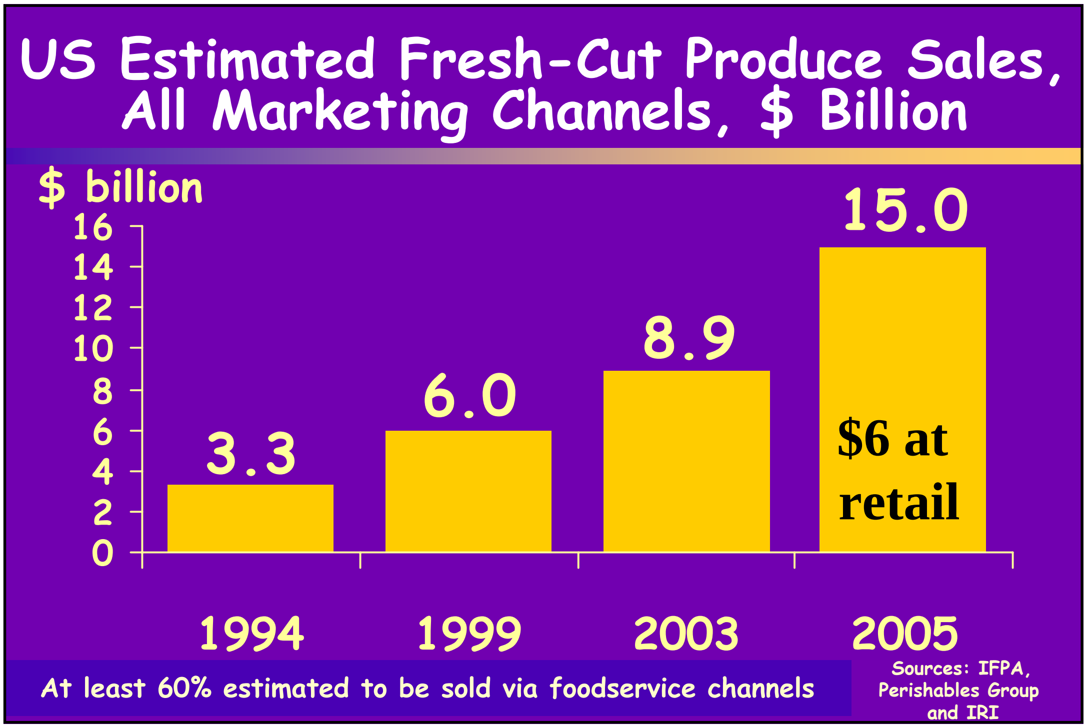
- Today people eat 32 restaurant purchased meals/yr. in their cars vs. 19 in 1985.
- People get 57 takeout restaurant meals for home vs. 33 in 1985.
- People today order 22% of restaurant meals from the car, up from 14% in 1998.
- People buy 27 restaurant meals/person to take to work vs. 23 in 1985.
- People eat about 80 meals/person at restaurants vs. 93 in 1985.

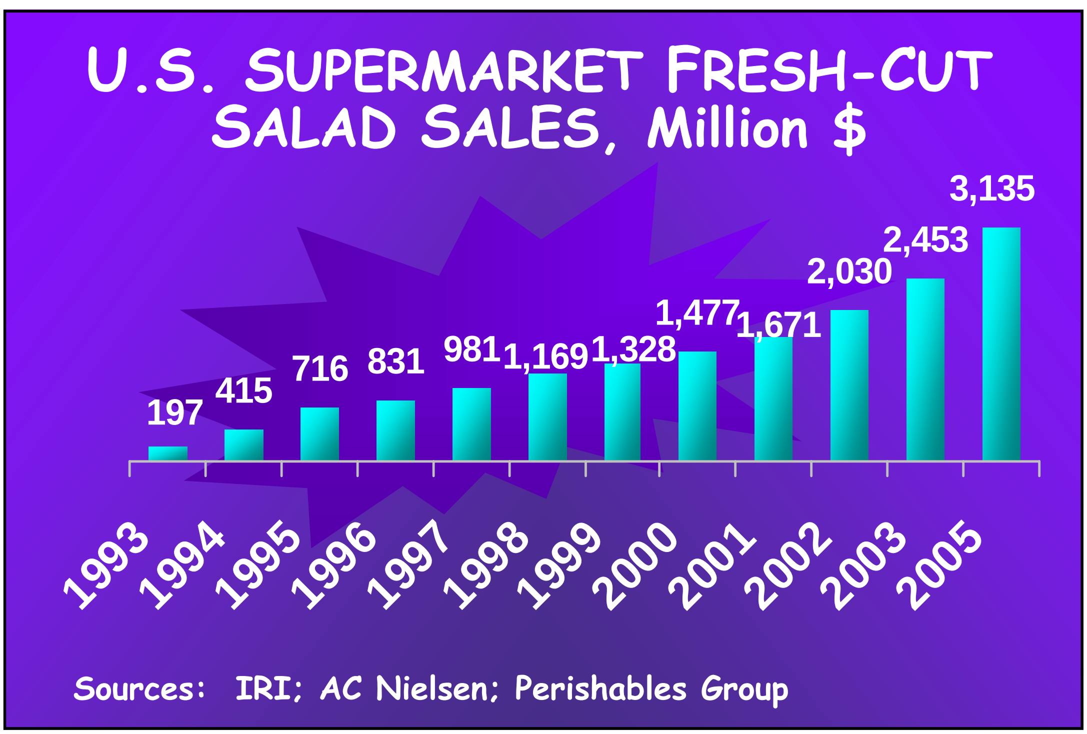
Source: FIR, Oct. 10, 2005 and NPD

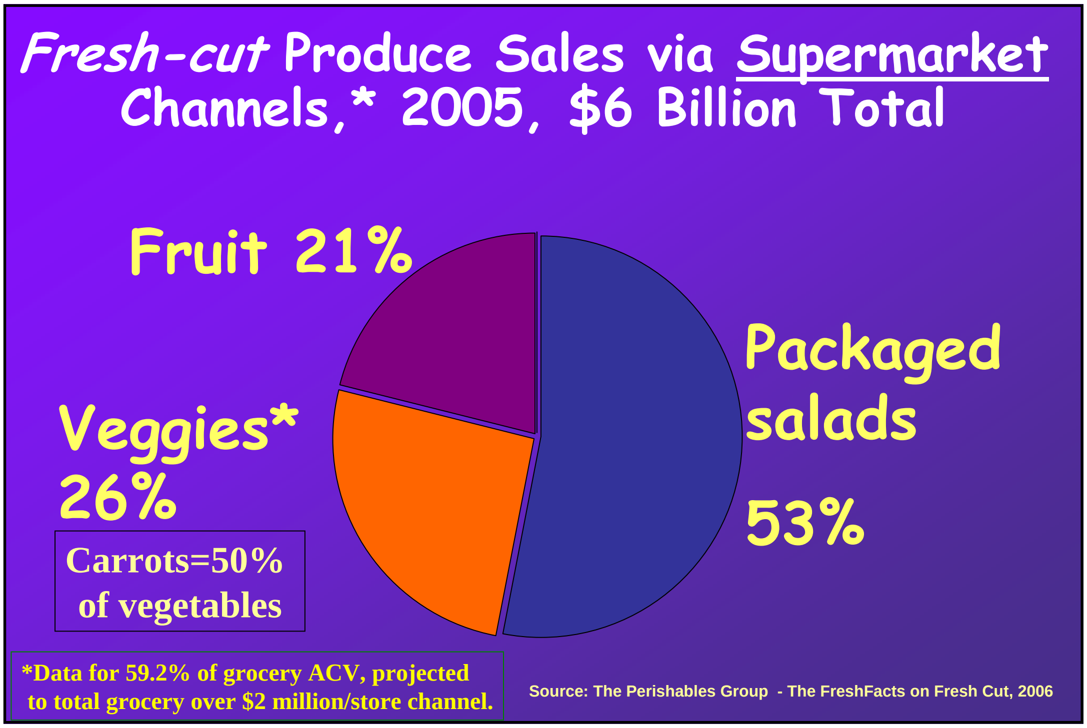
Fresh Trends: Eating Out

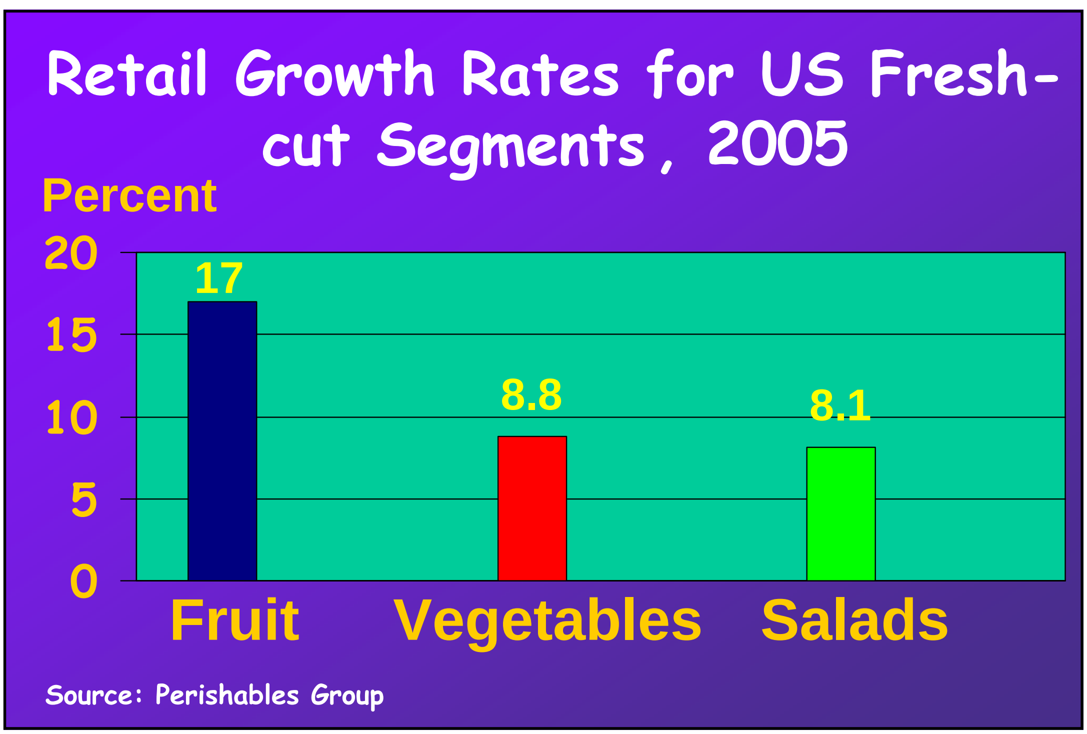
- 60% of consumers sometimes or always consider the availability of fresh produce on menus when deciding where to eat out
- Just 6% of consumers never eat fresh produce when dining out
- 26% of consumers always do
- 19% of those 18-39 always do
- 31% of those 59 and older always do
- 20% of parents and kids 6 and under do
- 28% of those with no kids do

Source: Fresh Trends as cited by The Packer, Feb. 20, 2006


US Estimated Fresh-Cut Produce Sales, All Marketing Channels, $ Billion
$ billion
16
14
12
10
8
6
4
2
0
3.3
6.0
8.9
15.0
$6 at retail
1994
1999
2003
2005
At least 60% estimated to be sold via foodservice channels
Sources: IFPA, Perishables Group and IRI


U.S. SUPERMARKET FRESH-CUT SALAD SALES, Million $
197
415
716
831
981
1,169
1,328
1,477
1,671
2,030
2,453
3,135
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2005
Sources: IRI; AC Nielsen; Perishables Group


Fresh-cut Produce Sales via Supermarket Channels,* 2005, $6 Billion Total
Fruit 21%
Packaged salads
53%
Veggies* 26%
Carrots=50% of vegetables
*Data for 59.2% of grocery ACV, projected to total grocery over $2 million/store channel.
Source: The Perishables Group - The FreshFacts on Fresh Cut, 2006


Retail Growth Rates for US Fresh-cut Segments, 2005
Percent
20
15
10
5
0
17
8.8
8.1
Fruit
Vegetables
Salads
Source: Perishables Group

US Fresh-Cut Produce Sold Via Supermarket Channels,* 2005

- $6 billion in total fresh-cut sales, up 10% from 2004
- Fresh-cut was 16% of all produce dept. sales, up 1 point from 2004
- Random weight/bulk is 12% of fresh-cut dollar sales vs. 17% of volume sales, remainder (88 and 83% respectively) is UPC/fixed weight

*Data for 59.2% of grocery ACV, projected to total grocery over $2 million/store channel.

Source: The Perishables Group

US Fresh-Cut Produce Sold Via Supermarket Channels,* 2005

- Carrots are the top veggie with 13% of total fresh-cut sales, and mixed veggies are 5% of total sales
- Melons are the top fruit with 9% of total fresh-cut sales
- Value-added veggie category (incl. salads and fresh-cut veggies) was 12.2% of supermarket produce dept. sales, $4.7 B

*Data for 59.2% of grocery ACV, projected to total grocery over $2 million/store channel.

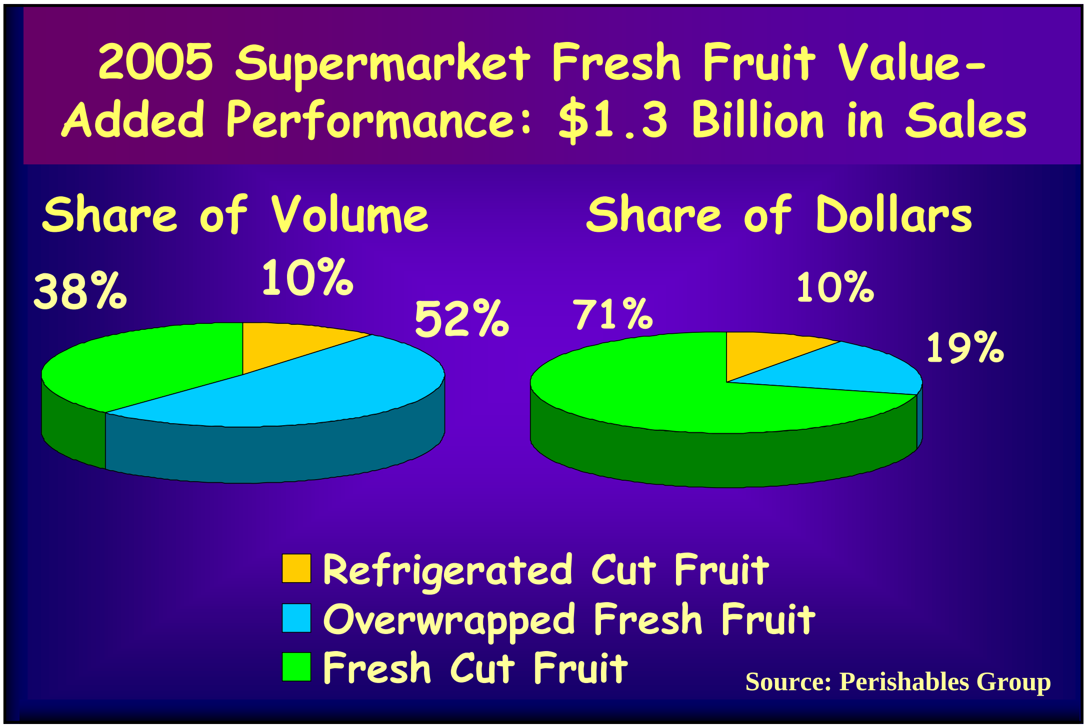
Source: The Perishables Group

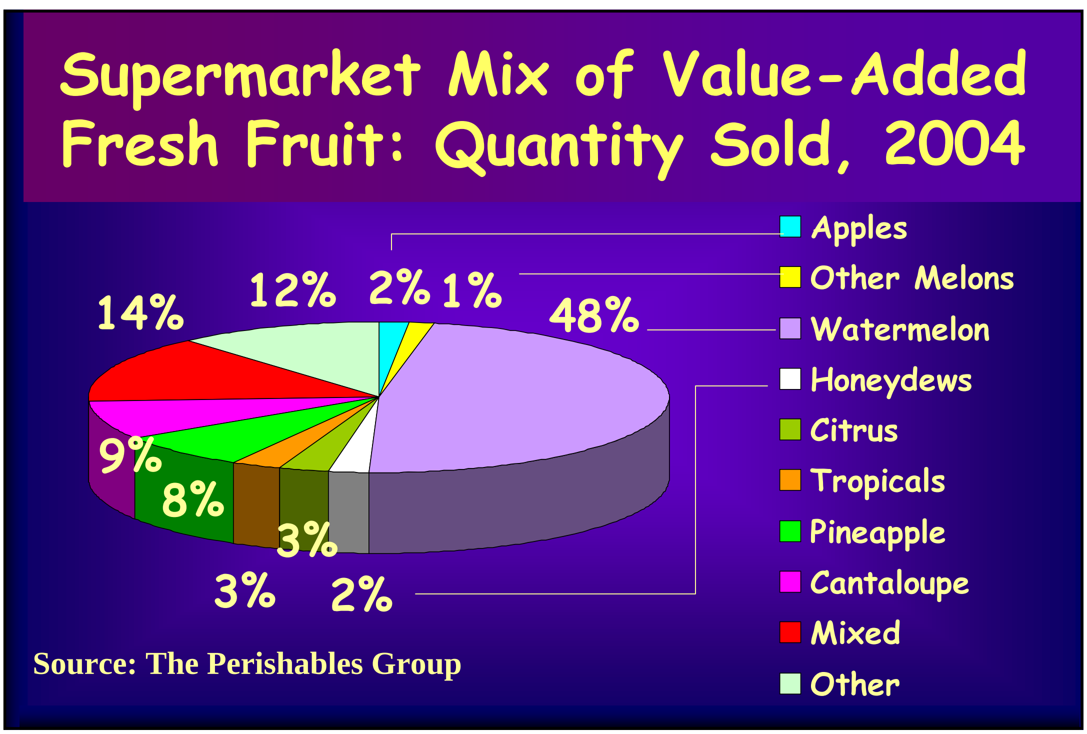
US Value-Added Fruit Facts

- Fresh-cut fruit is a rapidly growing share of total fresh-cut sales: retail sales estimated at only $238 million in 2002 (IRI), probably excluded in-store prepared.
- 2005 supermarket sales of value-added fruit were $1.3 billion, up 17% from 2004 (Perishables Group).
- Value-added fruit accounts for 3.2% of produce dept. sales (2005).
- All categories growing at double digit rates, led by packaged fresh-cut fruit and over-wrapped fresh-cut fruit (both with about 17% 2005 growth rates) vs. 12% growth rate for refrigerated jarred cut fruit.

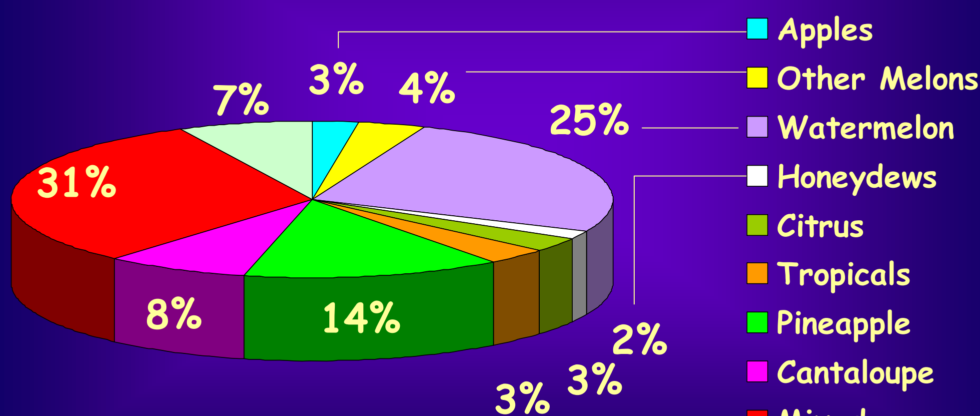
US Fresh-Cut Fruit Facts

- Household penetration of only 17% in 2003, and only 3.5 million units sold in 2004.
- McDonald's offering apple slices as alternative to French fries in Happy Meals – now the biggest foodservice buyer of apples
- Quick-service restaurants and fast casual segment keep adding fresh produce, including fresh-cut fruit


2005 Supermarket Fresh Fruit Value-Added Performance: $1.3 Billion in Sales
Share of Volume
Share of Dollars
38%
10%
52%
71%
10%
19%
Refrigerated Cut Fruit
Overwrapped Fresh Fruit
Fresh Cut Fruit
Source: Perishables Group


Supermarket Mix of Value-Added Fresh Fruit: Quantity Sold, 2004
14%
12%
2%
1%
48%
9%
8%
3%
3%
2%
Apples
Other Melons
Watermelon
Honeydews
Citrus
Tropicals
Pineapple
Cantaloupe
Mixed
Other
Source: The Perishables Group

Supermarket Mix of Value-Added Fruit Types: Dollars, 2004

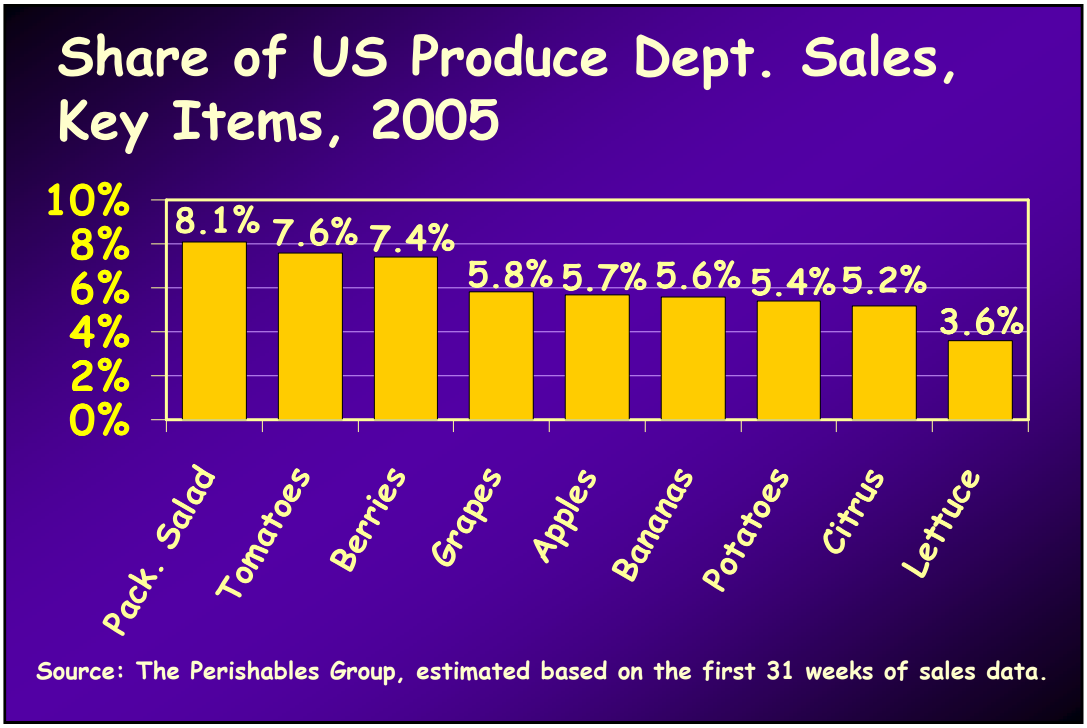


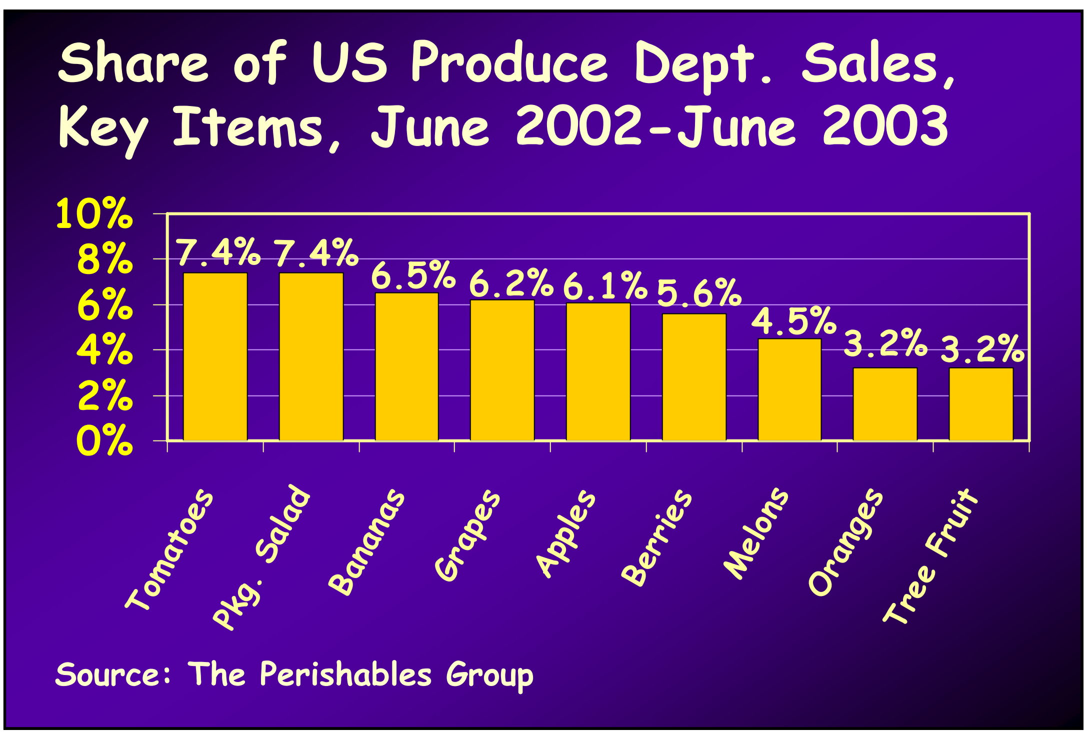
Source: Perishables Group

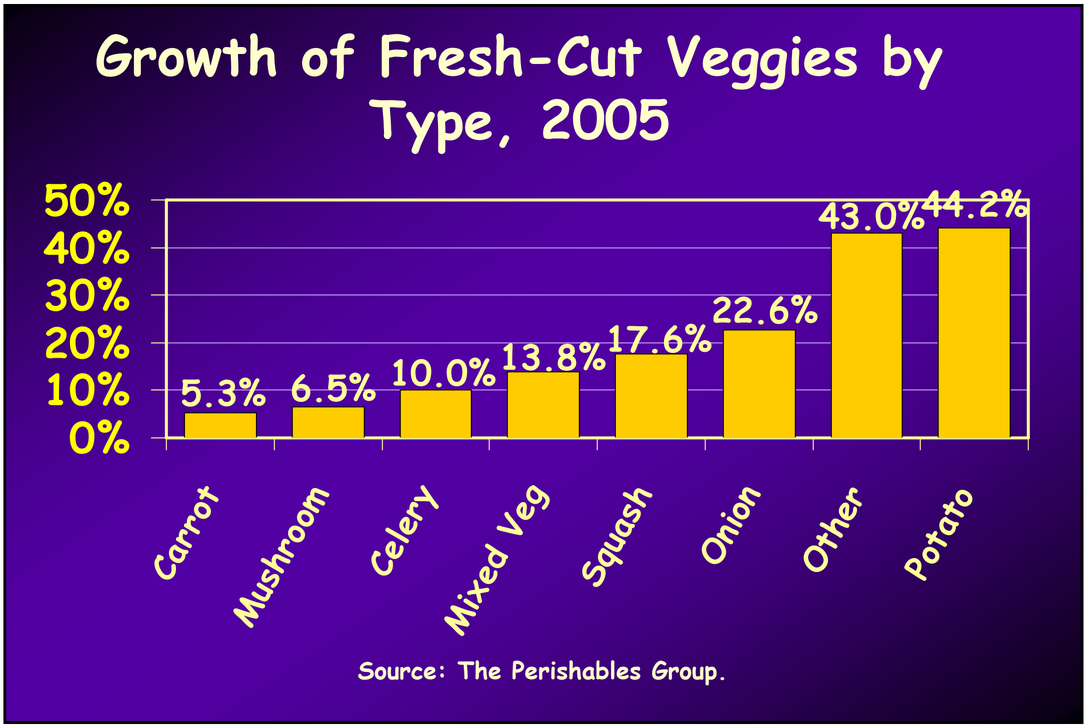
Fresh-Cut Fruit Market Shares

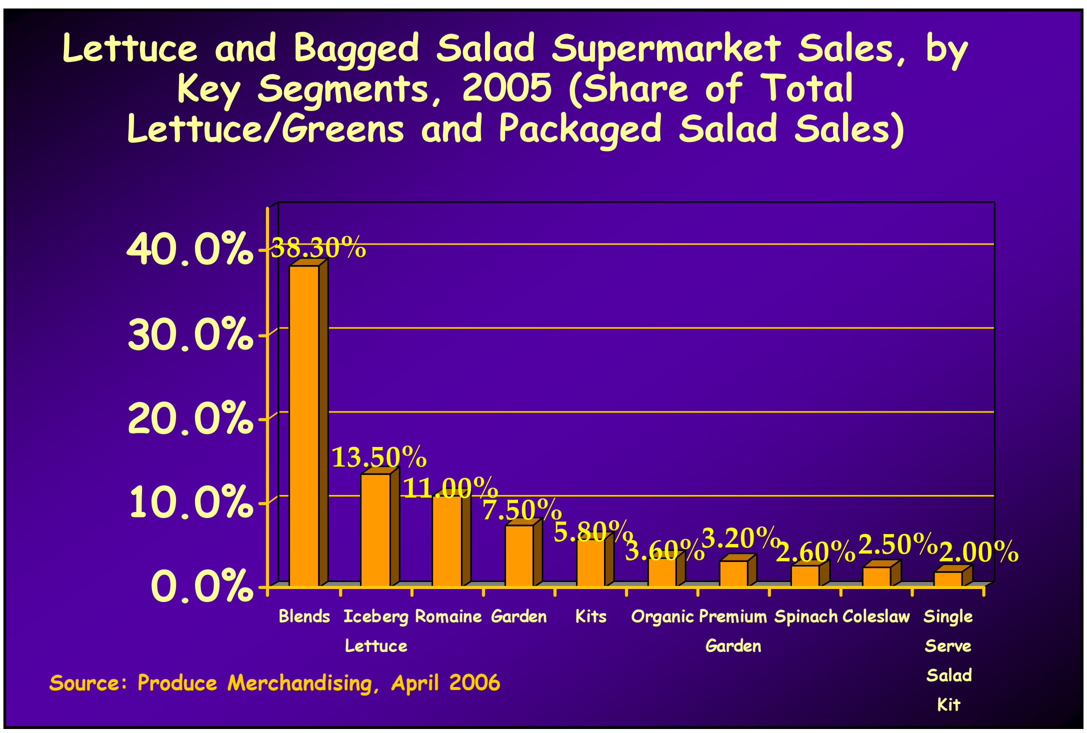
	52 Weeks		12 Weeks	
	Brand Share	% change vs YAG	Brand Share	% change vs YAG
Ready Pac	23.0%	+217%	28.3%	+205%
Private Label	31.0%	-16%	27.0%	-30%
Del Monte	13.0%	+24%	12.3%	-1%
Country Fresh	7.5%	+33%	9.0%	+84%
Club Fresh	3.0%	-43%	1.5%	-70%
Fresh Express	1.0%	N/A	1.3%	N/A

Source: Information Resources, Inc. Latest 52 weeks ending July 6, 2003

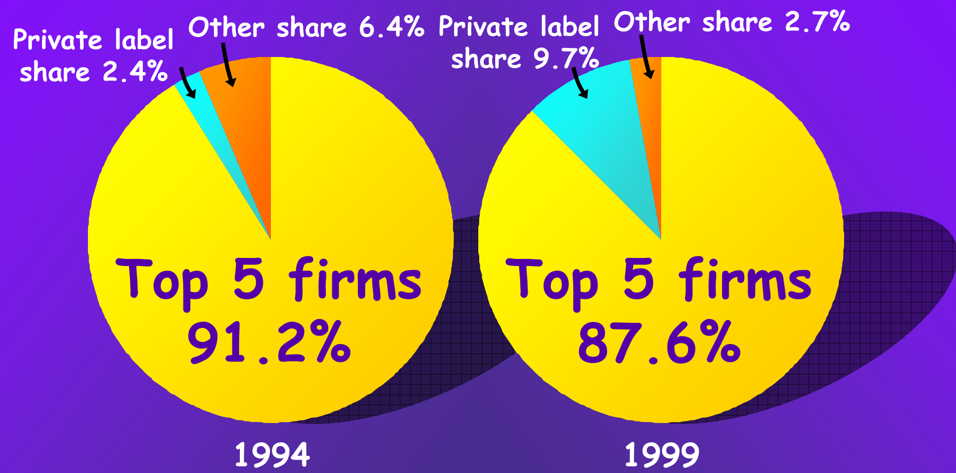

Share of US Produce Dept. Sales, Key Items, 2005
10%
8%
6%
4%
2%
0%
8.1%
7.6%
7.4%
5.8%
5.7%
5.6%
5.4%
5.2%
3.6%
Pack. Salad
Tomatoes
Berries
Grapes
Apples
Bananas
Potatoes
Citrus
Lettuce
Source: The Perishables Group, estimated based on the first 31 weeks of sales data.


Share of US Produce Dept. Sales, Key Items, June 2002-June 2003
10%
8%
6%
4%
2%
0%
7.4%
7.4%
6.5%
6.2%
6.1%
5.6%
4.5%
3.2%
3.2%
Tomatoes
Pkg. Salad
Bananas
Grapes
Apples
Berries
Melons
Oranges
Tree Fruit
Source: The Perishables Group


Growth of Fresh-Cut Veggies by Type, 2005
50%
40%
30%
20%
10%
0%
5.3%
6.5%
10.0%
13.8%
17.6%
22.6%
43.0%
44.2%
Carrot
Mushroom
Celery
Mixed Veg
Squash
Onion
Other
Potato
Source: The Perishables Group.


Lettuce and Bagged Salad Supermarket Sales, by Key Segments, 2005 (Share of Total Lettuce/Greens and Packaged Salad Sales)
40.0%
30.0%
20.0%
10.0%
0.0%
38.30%
13.50%
11.00%
7.50%
5.80%
3.60%
3.20%
2.60%
2.50%
2.00%
Blends
Iceberg Lettuce
Romaine
Garden
Kits
Organic
Premium Garden
Spinach
Coleslaw
Single Serve Salad Kit
Source: Produce Merchandising, April 2006

U.S. Market Shares of Fresh Cut Salad Firms, Dollar Sales



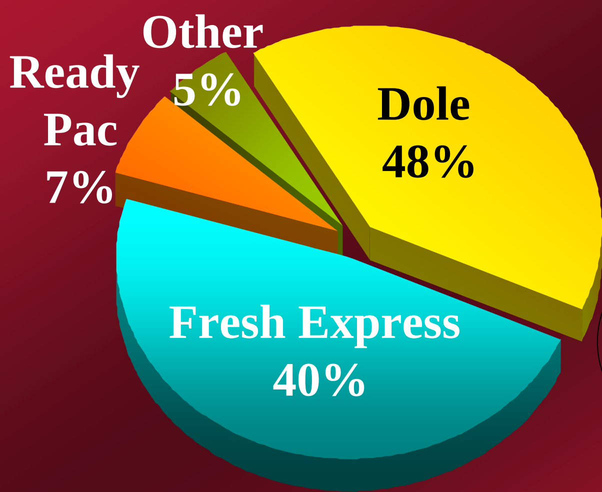
*Private label share ranked third in 1999 vs. 6th in 1994.
Source: IRI

SALAD CATEGORY UNIT SHARE (%) 2002 and % Change vs. 1998

	2002	vs. 1998
Dole	38.2	10.8
Fresh Express	37.2	-0.6
Ready Pac	6.6	-3.9
Private label	10.3	1.6
All other	7.7	-7.8

Source: Dole

Supermarket Packaged Salad Market Shares, Excluding Private Label, 2004



Private Label Estimated by Grocery Headquarters at 18%

Source: The Packer, March 21, 2005

US Supermarket Private Label Market Share

Year	Dollar share	Unit share
	percent of total sales	
1989	11.6	15.3
1993	13.9	18.2
1995	14.9	19.4
1997	15.7	20.1
2003	16.1	20.8
2004	16.2	20.6
2005	16.1	20.8

Sources: Food Institute Report (Sept. 4, 2006 for 2004 and 2005; Aug. 1, 2005 for 2003); *Private Label*, March/April various years, compiled by Ed McLaughlin, Cornell University, through 1997

Monterey County Head Lettuce Shipments 1990 vs 2004

Product Form	Million Cartons* 1990	Million Cartons* 2004	Percent Share 1990	Percent Share 2004
Bulk to Process	6.9	23.24	15%	42%
Wrapped	14.2	22.19	30%	40%
Naked	26.1	9.98	55%	18%
TOTAL	47.2	55.42	100%	100%

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

Source: Monterey County Ag Commissioner

Monterey County Leaf Lettuce Shipments, by Type, 2004

Product Form	Million Cartons*	Percent Share
Romaine:		
Fresh	42.14	56%
Value-added	16.01	21%
Red/green leaf	13.12	18%
Butter leaf	1.99	3%
Endive/escarole	1.60	2%
TOTAL	74.86	100%

Source: Monterey County Ag Commissioner

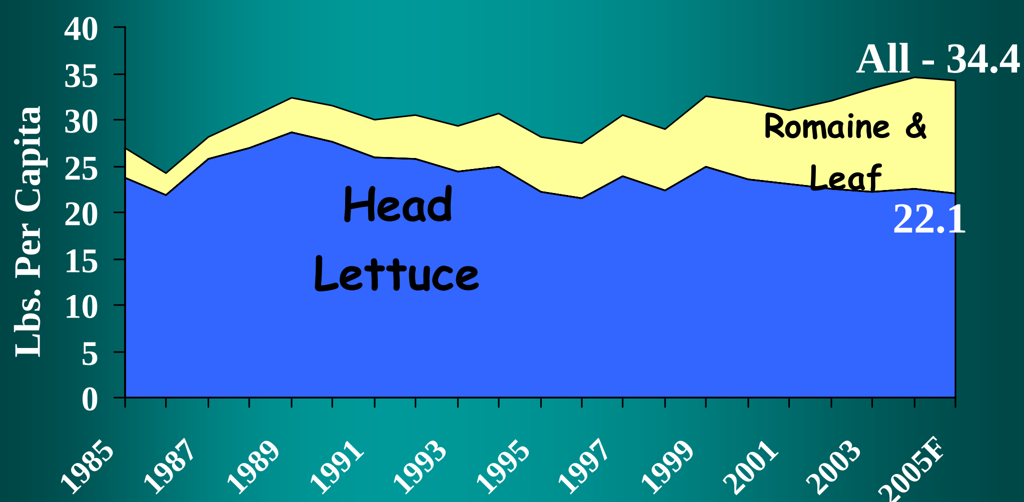
* 50 lb carton-equivalent units

Other Salad-Related Monterey County Shipments, by Type, 2004

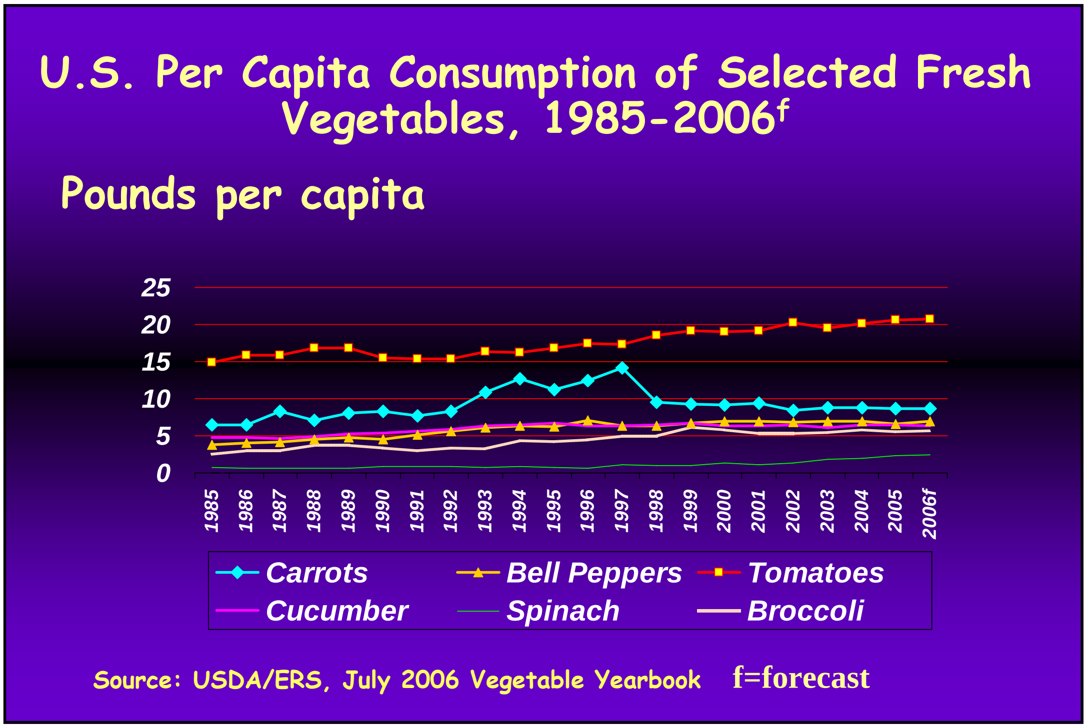
Product Form	Tons
Spinach	
Fresh	107,700
Value-added	79,800
Salad products	423,000
Spring mix	95,500
Rapini	9,100
TOTAL	715,100

Source: Monterey County Ag Commissioner

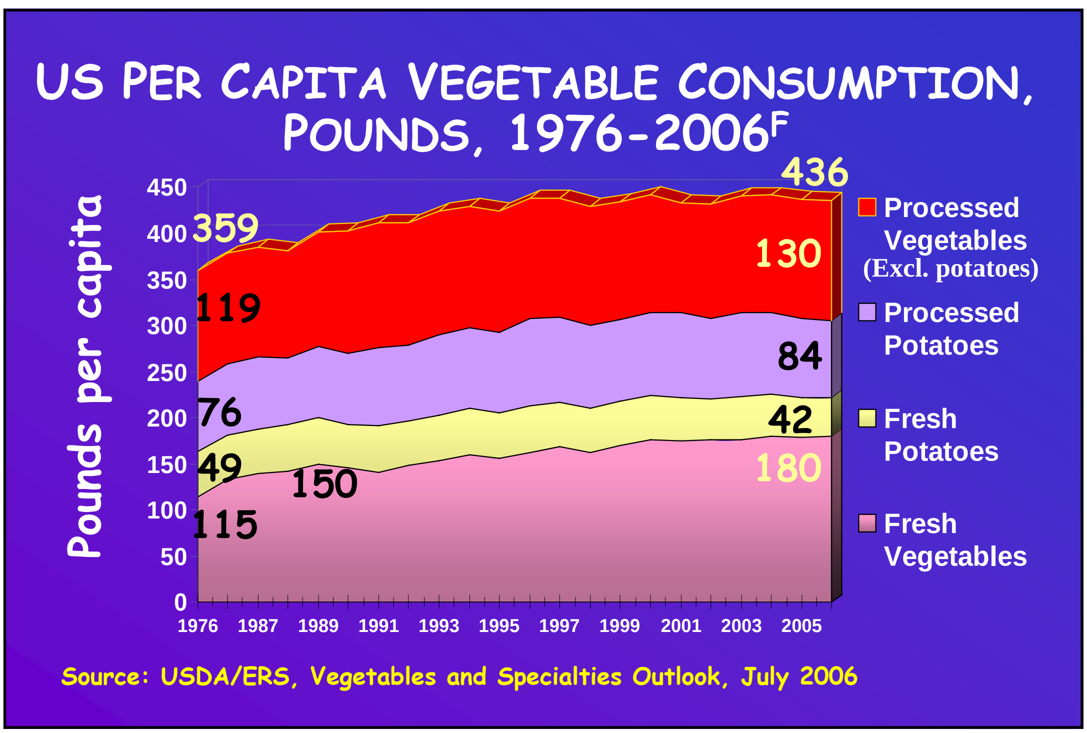
U.S. Per Capita Consumption of Lettuce, 1985-2005[f]



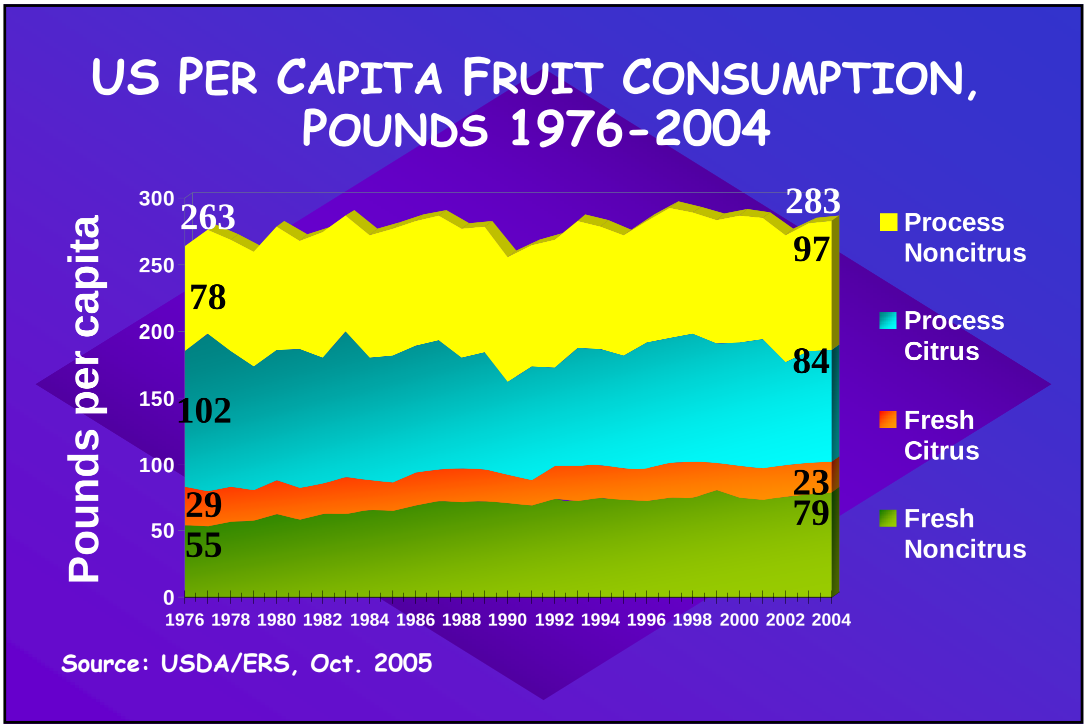
Source: USDA/ERS, July 2005 Vegetable Yearbook f=forecast

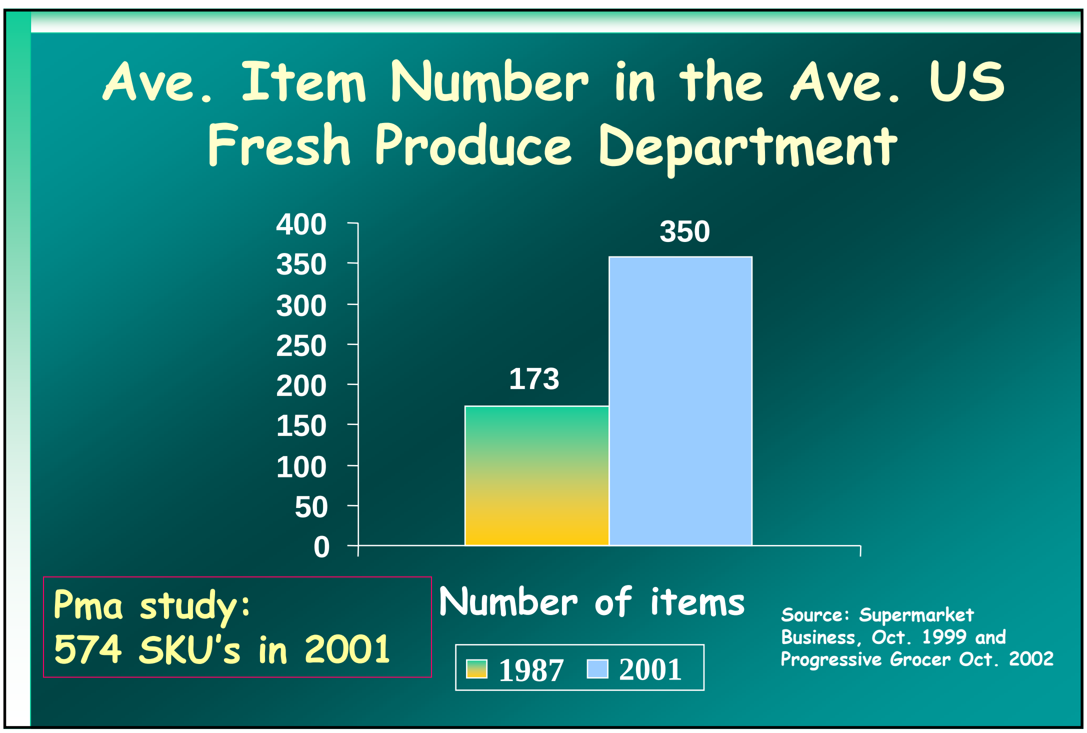


U.S. Per Capita Consumption of Selected Fresh Vegetables, 1985-2006f
Pounds per capita
25
20
15
10
5
0
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006f
Carrots
Bell Peppers
Tomatoes
Cucumber
Spinach
Broccoli
Source: USDA/ERS, July 2006 Vegetable Yearbook
f=forecast



US PER CAPITA VEGETABLE CONSUMPTION, POUNDS, 1976-2006F
Pounds per capita
450
400
350
300
250
200
150
100
50
0
436
359
119
130
84
76
42
49
150
180
115
1976
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
Processed Vegetables (Excl. potatoes)
Processed Potatoes
Fresh Potatoes
Fresh Vegetables
Source: USDA/ERS, Vegetables and Specialties Outlook, July 2006


US PER CAPITA FRUIT CONSUMPTION, POUNDS 1976-2004
Pounds per capita
300
250
200
150
100
50
0
263
78
102
29
55
283
97
84
23
79
1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004
Process Noncitrus
Process Citrus
Fresh Citrus
Fresh Noncitrus
Source: USDA/ERS, Oct. 2005


Ave. Item Number in the Ave. US Fresh Produce Department
400
350
300
250
200
150
100
50
0
173
350
Pma study:
574 SKU's in 2001
Number of items
1987 2001
Source: Supermarket Business, Oct. 1999 and Progressive Grocer Oct. 2002

Types of Fees & Services Requested

Slotting
Volume Rebates
Non-volume Rebates
Promotional Ads
Containers
E-commerce fees
Capital Improvements
Certification

EDI
Displays
Private Labels
Returnable
Special Packs
Food Safety

SHELF CAPTAINS

- Leading, technologically savvy vendors—sometimes brokers
- Take category interface responsibility for section
- May work in retailers' headquarters
- Recommend shelf sets, product placement
- Very influential to category management

Category Management Case Study From "Mystery" Fresh-cut Processor

Northeastern retailer

- Objective

  Increase growth and profits at a retailer that replaced a competitive brand with _____ by implementing Category Management Best Practices

- Results

  Prior to ____, the retailer's growth lagged behind the market; it now exceeds market growth

Key Drivers and Effects

Changing Consumers

Higher incomes, ability to pay for convenience, variety/choice, aging baby boomers, ethnic diversity, safety/traceability from farm to fork, healthfulness and growing interest in the environmental effects of ag, all join forces to stimulate new product development and branding, even in traditionally unbranded categories like fresh produce.

9 Need States Influence US Consumer Grocery Shopping

- **High Spend**
  - Care for Family ($110)
  - Efficient Stock-Up ($95)
  - Smart Budget-Shopping ($93)
  - Discovery ($90)
- **Medium-Spend**
  - Specific Item ($6O)
  - Reluctance ($58)
  - Bargain-Hunting Among Stores ($57)
- **Low-Spend**
  - Small-Basket Grab & Go ($41)
  - Immediate Consumption ($32)

SAME SHOPPER, DIFFERENT NEEDS, DIFFERENT DAY

Source: Coca-Cola

Store Formats Fare Differently Depending on Shopping Purpose

Share of All Shopping Occasions for Stores that Best Serve High-Spend Need States *(% of All Trips but Medium and Low Spend States Not Shown)*

HIGH-SPEND	Total Occa-sions %	Super-market %	Super-center %	Clubs %
Care for Family	19	20	22	26
Efficient Stock-Up	13	13	15	15
Smart Budget-Shopping	15	16	15	19
Discovery	7	6	9	9

Source: Coca-Cola

Understand the Consumer Need State:

- "Starbucks has succeeded because we focused on the need state of our consumers. We knew they wanted a whole lot more than just a cup of coffee. Once we really understood the needs of our consumers, things fell into place. We figured out what our role had to be."
- Ego – self-esteem – an affordable luxury.

- Howard Schultz, CEO, Starbucks

Products Distinguishing Themselves More Through Aesthetics, Adding Emotional Value to Practical Use – Food Especially!

- "Quality is yesterday's news. Today we focus on the emotional impact of the product." (Dilbert comic strip)
- Research from Cornell and U of Colo. show that income level is positively associated with experiential over material possessions. (Van Boven and Gilovich)

Products Distinguishing Themselves More Through Aesthetics, Adding Emotional Value to Practical Use – Food Especially!

- Travel; eating out, increasingly in restaurants providing more memorable experiences; and differentiated foods purchased at retail are gaining. “Upscale” positioning may be bundled with several perceived emotional values - organics benefit. *Excitement* is increasingly and expectation. Fresh produce is a part of the trend.
- But, to afford these “extras” people are often making a greater effort to economize in their routine grocery purchases, hence, growth in value retailers.

Cultural Occasions for Shopping

TRIPS are typically defined according to time spent in store, quantity purchased, channel utilized, and whether the trip was focused or exploratory. This information is certainly useful but fails to explain “why” as well as eventual purchase implications.
NEED STATES are proximate measures that are typically broadly defined and ungrounded. Need states range from specific realizations such as one should replenish milk to more generalized notions such as expressing love for one’s children.

Source: Hartbeat, The Hartman Group

Understanding Consumers Becomes More Sophisticated

- Time spent preparing versus shopping (i.e., how do consumers allocate their time between these activities on different occasions)
- Style of shopping (e.g., perimeter/dart and weave, cart/basket, focused/exploratory, etc.)
- Tactics consumers use at store and in the home (e.g., collecting vs. using coupons; how and when lists are used, etc.)
- Key categories of focus by occasion
- Key channels utilized by occasion
- Differences between objective and emotional goals
- What and/or whose goals are being served

U.S. Demographic Indicators, 2003/04

- 115.3 million households
- 297 million inhabitants
- 2.5 persons average household size
- Average household income of $51,128
- Average household food spending of $5340 (including $3,129 at-home and $2,211 away-from-home)

Sources: US Bureau of Census; Food Institute Demographics of Consumer Spending 2005

COOKING: STILL a FEMALE DOMAIN

Usually play a role in	*% males*	*% females*
Meal planning	23	93
Food shopping	36	88
Meal preparation	27	90

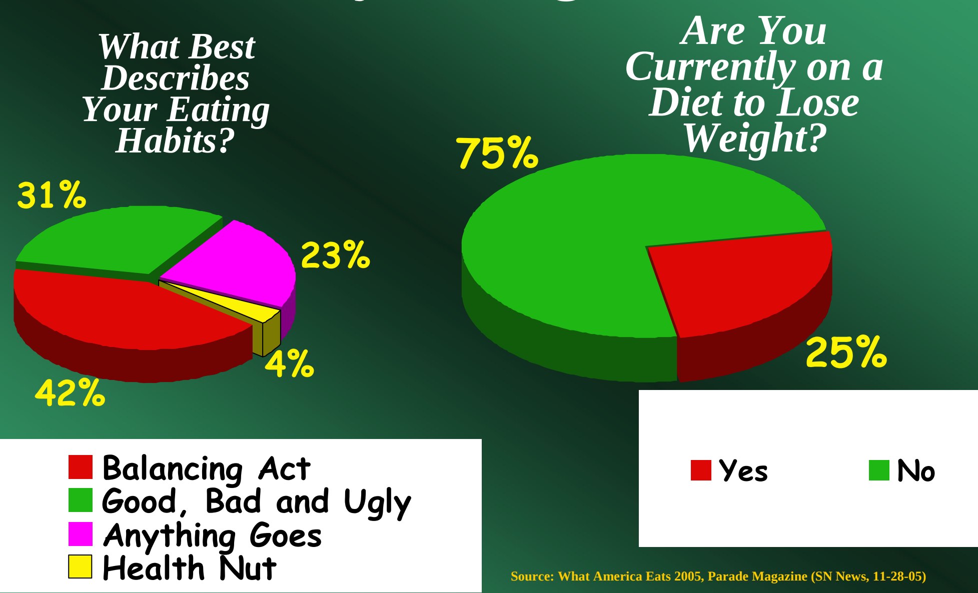
Source: Journal of the American Dietetic Assn., Sept. 1998

Shopper's Eating Habits – 2005

Percent of Shoppers	3+ times weekly	1-2 times weekly	1-3 times mo'ly	< than once a month
Eat home cooked meals at home	79	13	5	3
Dine out at full-service restaurants	4	18	44	34
Eat meals at home that aren't prepared at home - takeout and delivery	4	15	39	41
Eat out at fast-food establishments	5	17	38	40
Ethnic meals at home or out	6	18	34	43

Source: FMI Grocery Shopper Trends 2005

Healthy Eating, 2005



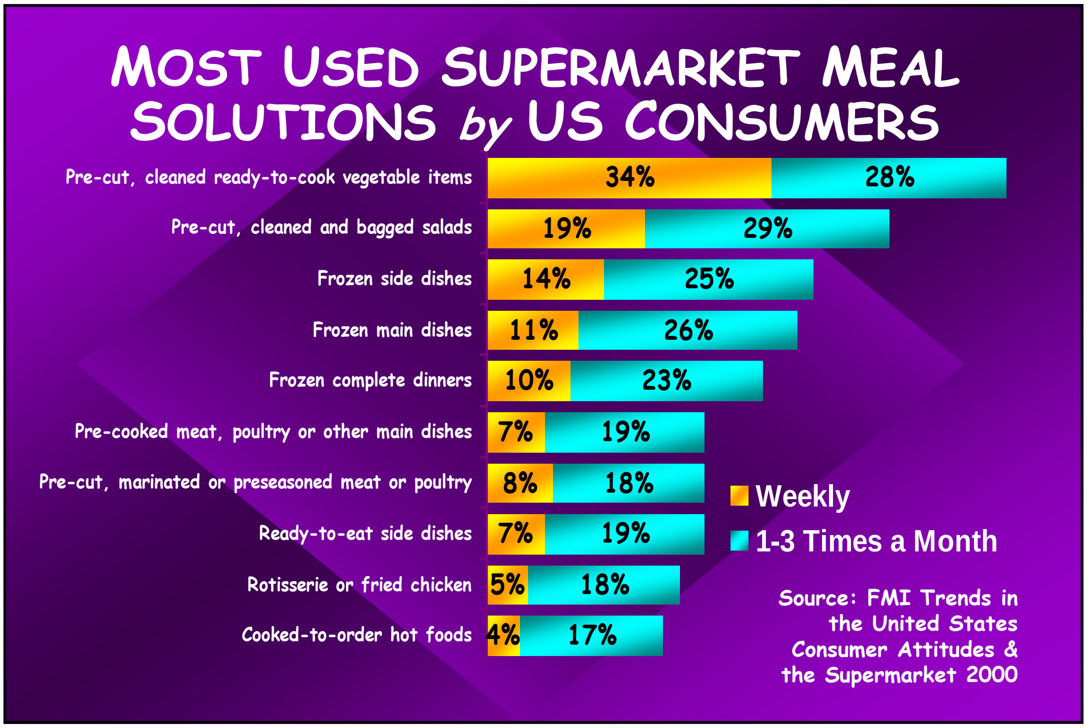
Source: What America Eats 2005, Parade Magazine (SN News, 11-28-05)

"I am so busy and in such a hurry all day that by dinner I'm too worn out to fix a meal that requires much in the way of time or effort." - So Say 50% of respondents over 18.

Breakdown by Household Income Level

Attitude	<25,000	25-34,999	35-49,999	50,000+
Agree Somewhat / Strongly	41 %	47 %	52 %	56 %

Source: ACNielsen Consumer Preview Study, Fall 2002



Share of Consumers Having Purchased (%)

	Average .	59 yr.+
Bananas	86.1	89.1
Potatoes	81.5	86.8
Onions	80.8	87.8
Carrots	80.1	84.4
Tomatoes	79.4	87.4
Apples	78.6	81.5
Grapes	76.2	78.7
Salad Mix	72.3	73.1

Source: Fresh Trends 2005

Product Form Consumers Report Preferring for Selected Fresh Produce Items

Commodity:	Bulk	Pre-Cut/ Washed/Packaged	Packaged Whole
Spinach	25%	75%	0%
Carrots	0%	60%	40%
Strawberries	14%	10%	77%
Cauliflower	58%	42%	0%
Mushrooms	24%	32%	45%
Potatoes	32%	2%	66%

Source: Fresh Trends 2004

SALAD MIX PURCHASE FREQUENCY *by* INCOME LEVEL, among those purchasing in prior 12 months

(% of each income group accounted for by frequency level, may not sum to 100 due to non-respondents)

	income in $1,000s				
frequency	<$20	$20-29.9	$30-59.9	$60.0-84.9	≥$85.0
≥2x/wk	5	3	3	7	7
1x/wk	21	21	17	24	20
1X/2-3wk	32	15	30	21	23
1X/mo	11	18	33	28	17
<1x/mo	29	42	33	21	33

Source: Fresh Trends 2004

The Salad Mix Variety Purchased Most Often *by* INCOME LEVEL, among those purchasing salad mixes in prior 12 months

(% of each income group accounted for by frequency level, may not sum to 100 due to non-respondents)

Type	<$20	$20-29.9	$30-59.9	$60.0-84.9	≥$85.0
	income in $1,000s				
Produce Only mix	82	91	89	86	93
Kit	13	3	9	14	7
Other	-	-	3	-	-

Source: Fresh Trends 2004

LETTUCE PURCHASE FREQUENCY *by* INCOME LEVEL, among those purchasing in prior 12 months

(% of each income group accounted for by frequency level, may not sum to 100 due to non-respondents)

frequency	<$20	$20-29.9	$30-59.9	$60.0-84.9	≥$85.0
	income in $1,000s				
≥2x/wk	-	-	-	7	8
1x/wk	19	32	28	23	42
1X/2-3wk	33	20	28	52	28
1X/mo	30	24	22	3	14
<1x/mo	19	20	22	16	8

Source: Fresh Trends 2004

The Lettuce Variety Purchased Most Often *by* INCOME LEVEL, among those purchasing lettuce in prior 12 months

(% of each income group accounted for by frequency level, may not sum to 100 due to non-respondents)

	income in $1,000s				
Type	<$20	$20-29.9	$30-59.9	$60.0-84.9	≥$85.0
Iceberg	85	84	64	71	44
Leaf	11	4	17	19	19
Romaine	-	12	8	7	31
Boston	4	-	4	-	3
Other	-	-	8	-	-

Source: Fresh Trends 2004

SPINACH PURCHASE FREQUENCY *by* INCOME LEVEL, among those purchasing in prior 12 months

(% of each income group accounted for by frequency level, may not sum to 100 due to non-respondents)

	income in $1,000s				
frequency	<$20	$20-29.9	$30-59.9	$60.0-84.9	≥$85.0
≥2x/wk	6	6	6	-	-
1x/wk	6	6	20	23	13
1X/2-3wk	25	31	25	20	33
1X/mo	25	13	22	30	10
<1x/mo	38	44	30	27	41

Source: Fresh Trends 2004

Purchase Frequency for Fresh-cut Produce, %

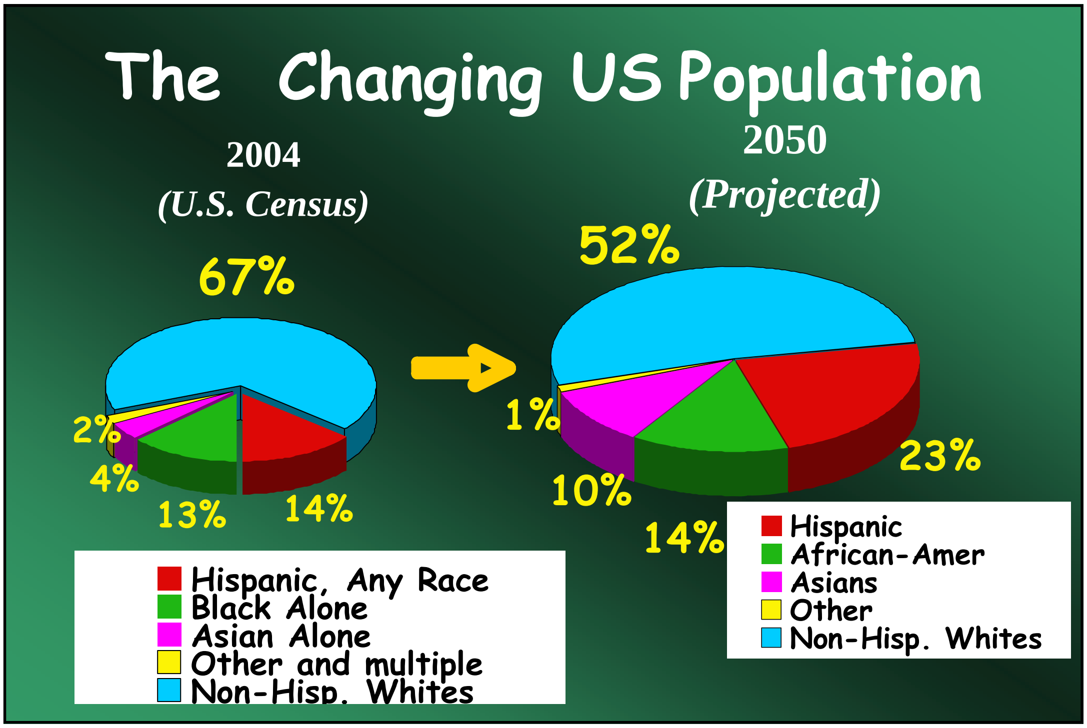
Vegetables	*Never*	*Every Few Mos.*	*1-3/mo.*	*Once/wk+*
Lettuce	13	8	43	36
Carrots	15	11	51	23
Broccoli	31	13	43	13
Onions	65	5	19	12
Potatoes	69	5	18	8
Slaws	56	18	20	3

Source: IFPA Fresh Focus 2000

Purchase Frequency for Fresh-cut Fruit, %

Fruit	Never	Every Few Mos.	1-3/mo.	Once/wk+
Melons	39	17	31	12
Fruit salads	46	13	32	12
Apple slices	77	4	12	6
Pineapple	47	21	27	4

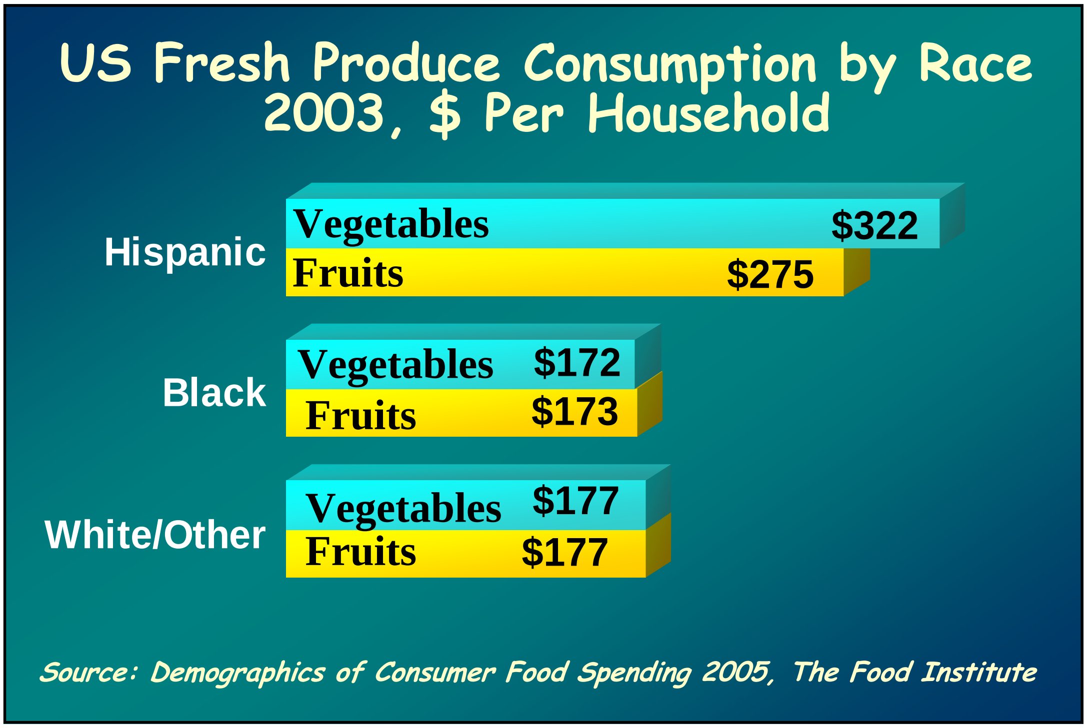
Source: IFPA Fresh Focus 2000

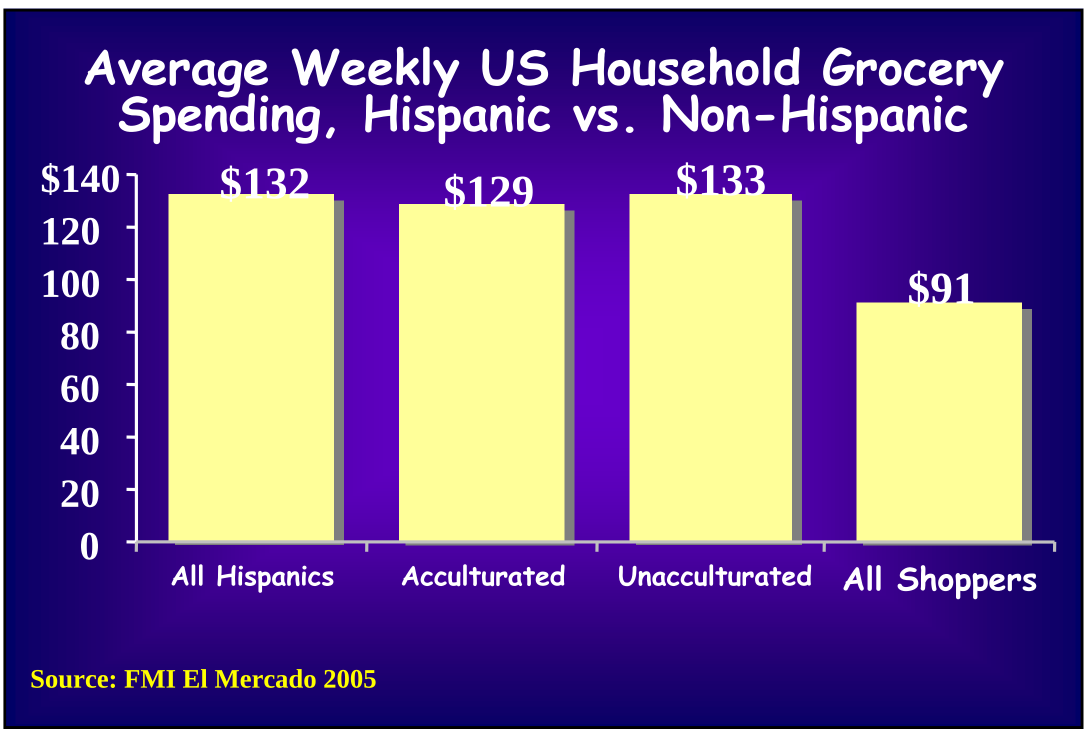


US Hispanic Metrics

- Hispanics now represent 14% of the US population, over 41 million people
- Total Hispanic buying power approaches $700 billion and is expected to reach $1 trillion in 2010
- Hispanics make visits to grocery outlets 26 times/month vs. 9 times for non-Hispanics
- Hispanics spent nearly $60 billion on food in 2002, of which 64% was spent on food-at-home
- Ave. Hispanic household spent $5717 on food vs. $5340, the average for all households

Sources: FMI El Mercado 2005, and The Food Institute Report, June 13, 2005


US Fresh Produce Consumption by Race
2003, $ Per Household
Hispanic
Vegetables $322
Fruits $275
Black
Vegetables $172
Fruits $173
White/Other
Vegetables $177
Fruits $177
Source: Demographics of Consumer Food Spending 2005, The Food Institute


Average Weekly US Household Grocery
Spending, Hispanic vs. Non-Hispanic
$140
120
100
80
60
40
20
0
$132
$129
$133
$91
All Hispanics
Acculturated
Unacculturated
All Shoppers
Source: FMI El Mercado 2005

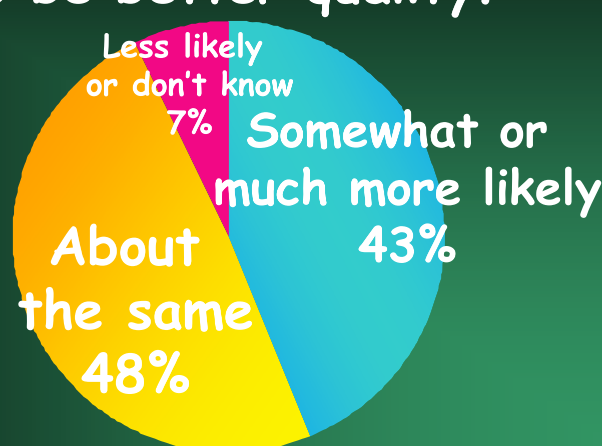
Brands of Fresh-cut Produce People are Familiar With, 2000

No mention	46%
Mention	54%

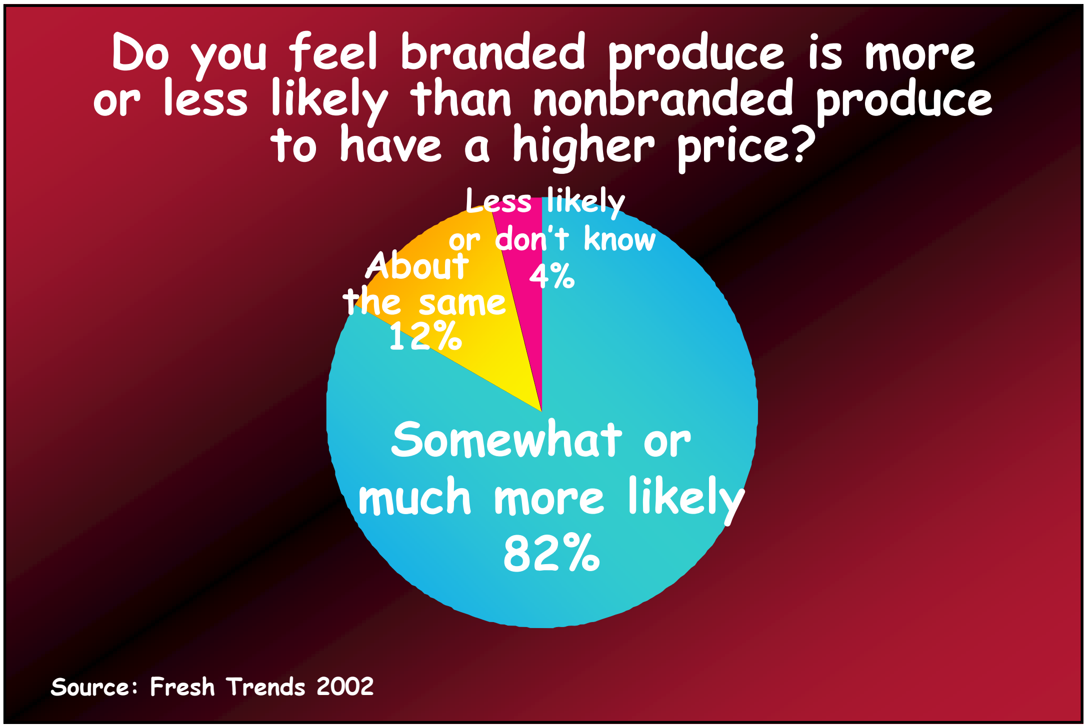
Brand Mentions	Percent
Dole	31%
Del Monte	10%
Store Brand	8%
Green Giant	4%
Fresh Express	3%
Other	22%

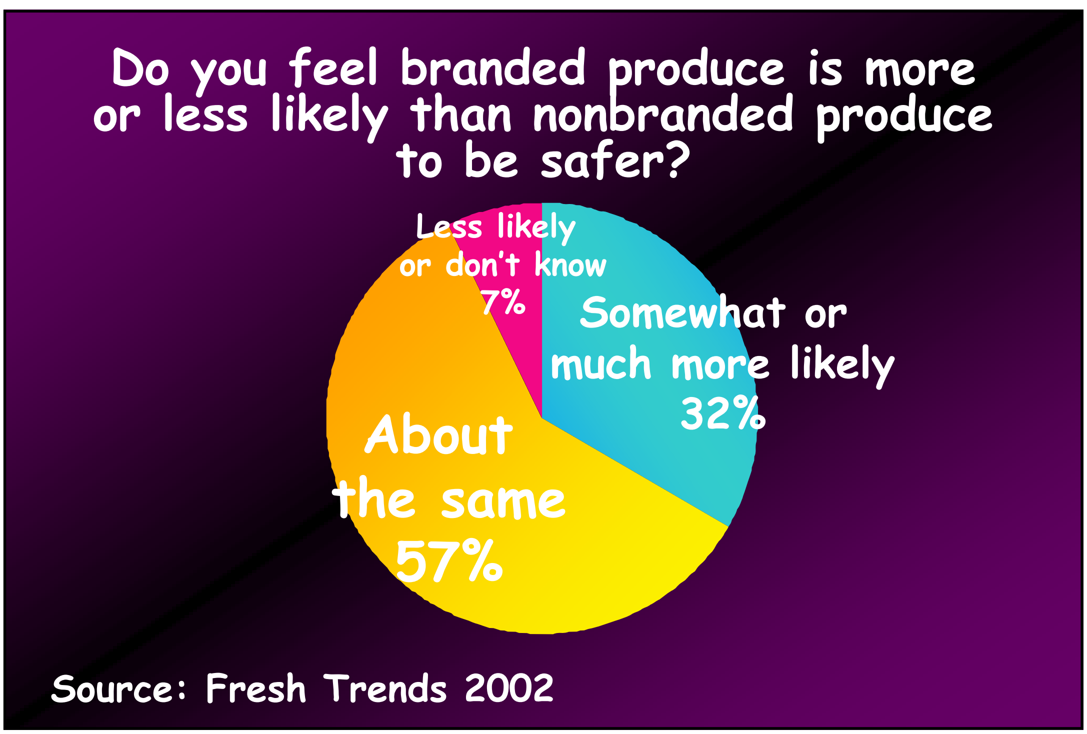
Source: IFPA, Fresh Focus 2000

Do you feel branded produce is more or less likely than nonbranded produce to be better quality?

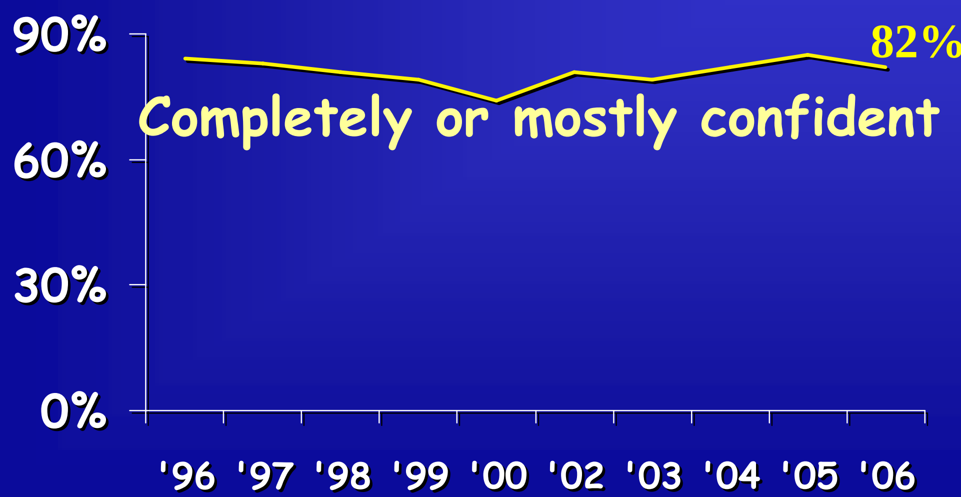


Source: Fresh Trends 2002


Do you feel branded produce is more or less likely than nonbranded produce to have a higher price?
Less likely or don't know 4%
About the same 12%
Somewhat or much more likely 82%
Source: Fresh Trends 2002


Do you feel branded produce is more or less likely than nonbranded produce to be safer?
Less likely or don't know 7%
Somewhat or much more likely 32%
About the same 57%
Source: Fresh Trends 2002

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



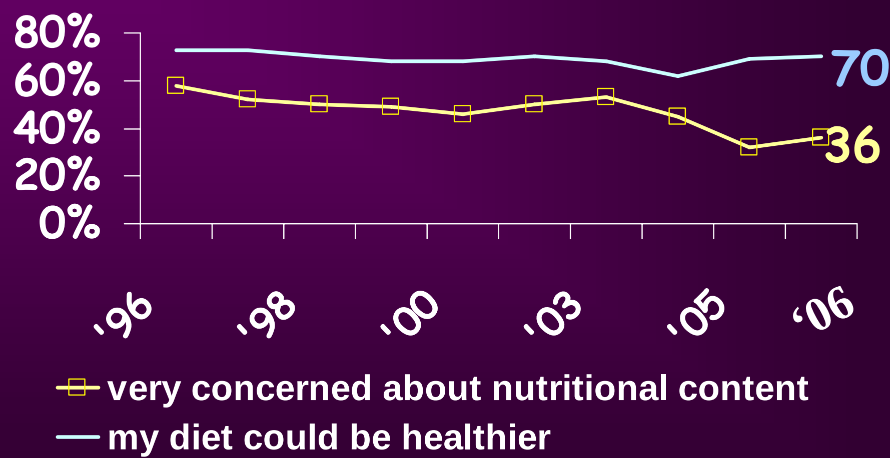
Source: FMI Trends in the US Consumer Attitudes and the Supermarket, various years

Which food-related items constitute a serious health risk?

	'92	'97	'06
Bacteria or germs	—	82%	53%
Product tampering	—	65%	43%
Residues from pesticides	76%	66%	41%
Eating food past use-by date	—	—	25%
Antibiotics/hormones in livestock	53%	43%	28%
Food handling in supermarkets	37%	45%	22%
Foods produced by biotechnology	—	15%	20%
Irradiated foods	35%	33%	17%

Source: FMI US Consumer Trends and the Supermarket, 2006 and earlier issues

Shoppers' concern about nutritional content and evaluation of diet



Source: FMI Trends in the US Consumer Attitudes and the Supermarket, various years

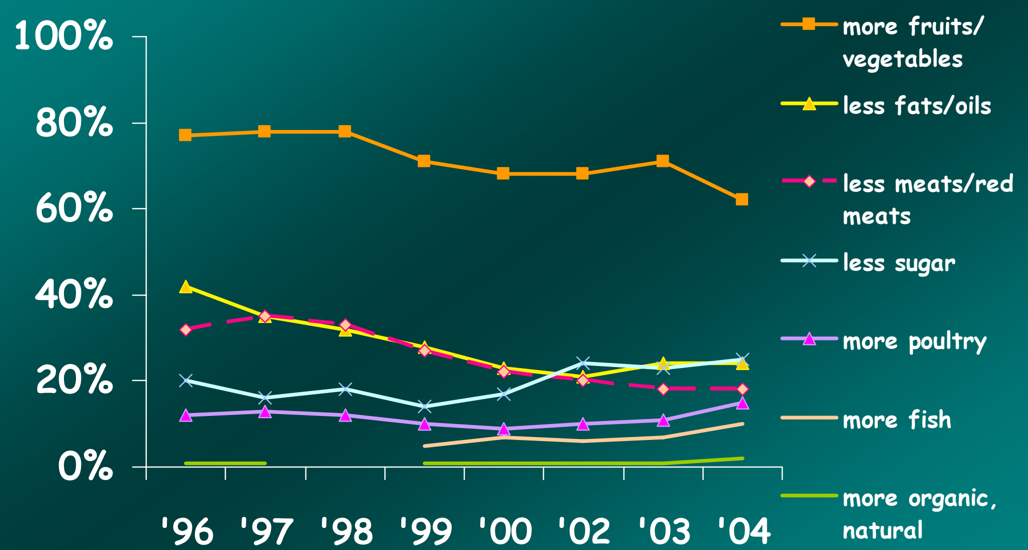
Nutrition

- 31% of US adults between 20 and 74 are obese* – a 100% increase from 1976-80
- 33% of adults are classified as overweight
- 15% of youth between ages 6-19 are overweight, up from 5% in 1980
- Ave. daily calorie consumption is now 300 calories (12%) more than in 1985

*Defined as 30+ pounds overweight

Source: USDA January 2003, Food Review

Changes for healthier diet



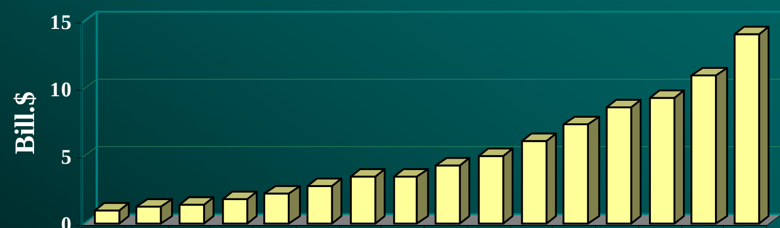
Source: FMI US Consumer Trends and the Supermarket 2004

Most important product attributes influencing fresh produce purchases of US consumers, 2005

Attribute	Percent
Quality	76
Price	14
Organically grown	6
Country of origin	3

Source: FMI US Grocery Shopper Trends 2005

US Organic Food Sales, 1990-2006^E (Billion US$)



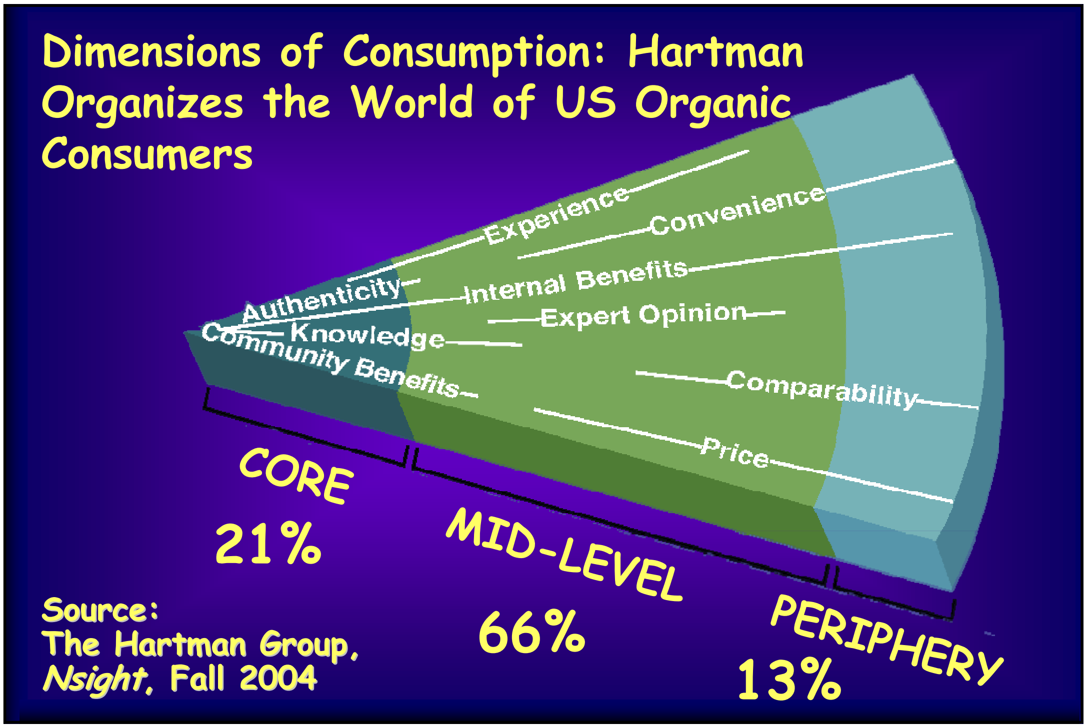
90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	06
1	1.3	1.5	1.9	2.3	2.8	3.5	3.6	4.3	5	6.1	7.3	8.6	9.2	11	14

E=Estimate

Sources: Organic Trade Association, *Consumer facts and market information*, 4-05-2001 for 1990-1996; The Food Institute Report, May 10, 2004 for 1997-2002;The Natural Marketing Institute for 2003 and 2004; NYT May 12, 2006 for 2006.

Organic Fresh Produce Purchases, among those having purchased

Source: Fresh Trends 2003



Dimensions of Consumption: Hartman Organizes the World of Organics

- 66% of US consumers claim to use organics
- This 66% is used for the Hartman Organic Lifestyle Segmentation into Core, Mid-Level and Periphery Organic Consumers – the 34% of consumers who say they never use organics are excluded
- 21% of the 66% are Core Organic Consumers, 66% are Mid-Level and 13% are Periphery
- So…..

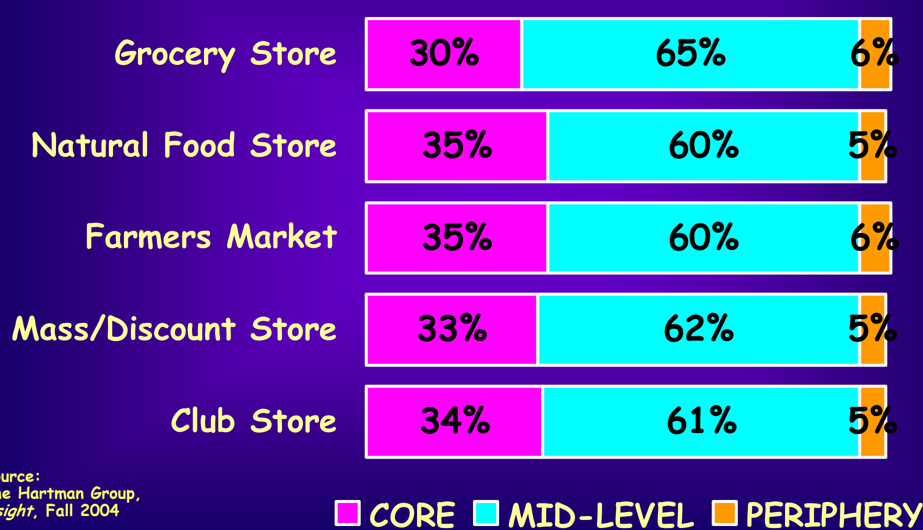
Source:
The Hartman Group, *Nsight*, Fall 2004

Dimensions of Consumption: Hartman Organizes the World of Organics

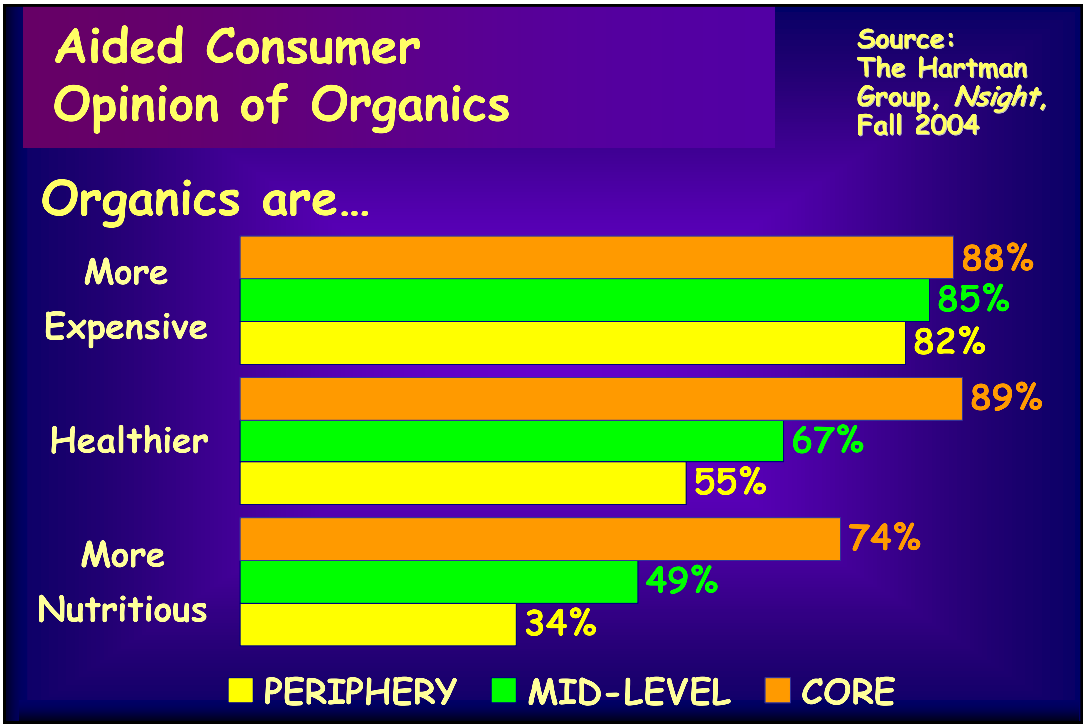
- Core organic consumers are 14% of all US consumers
- 44% of US consumers are Mid-Level organic users
- and 13% of US consumers are Periphery organic users

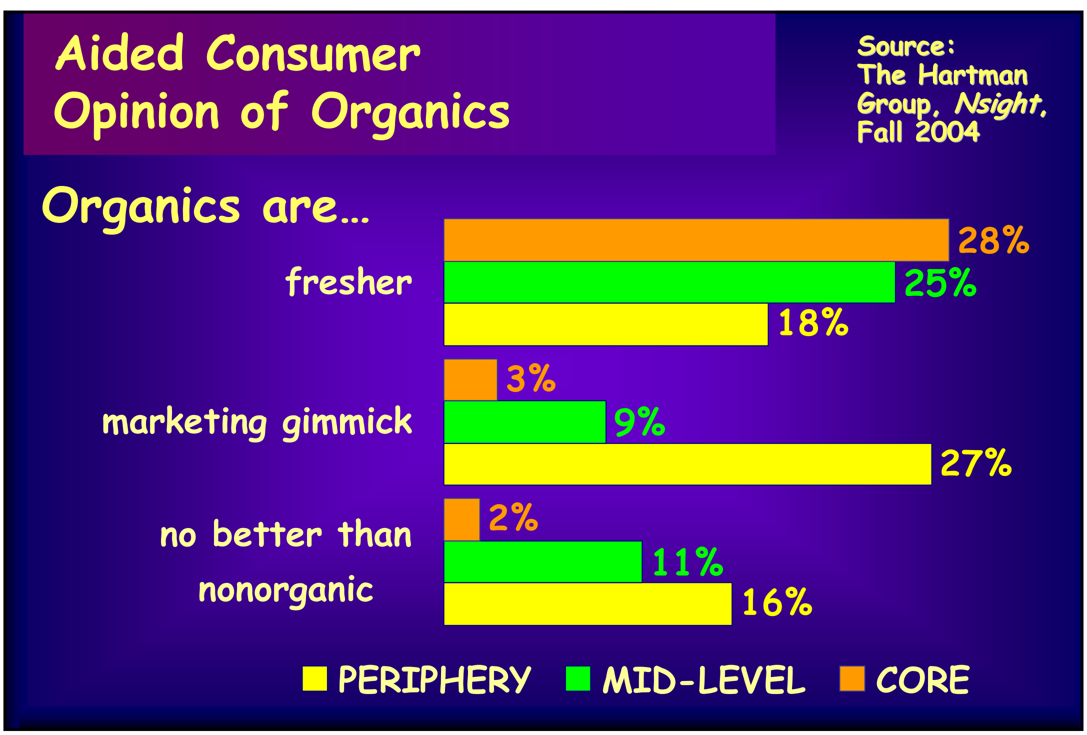
Source:
The Hartman Group, *Nsight*, Fall 2004

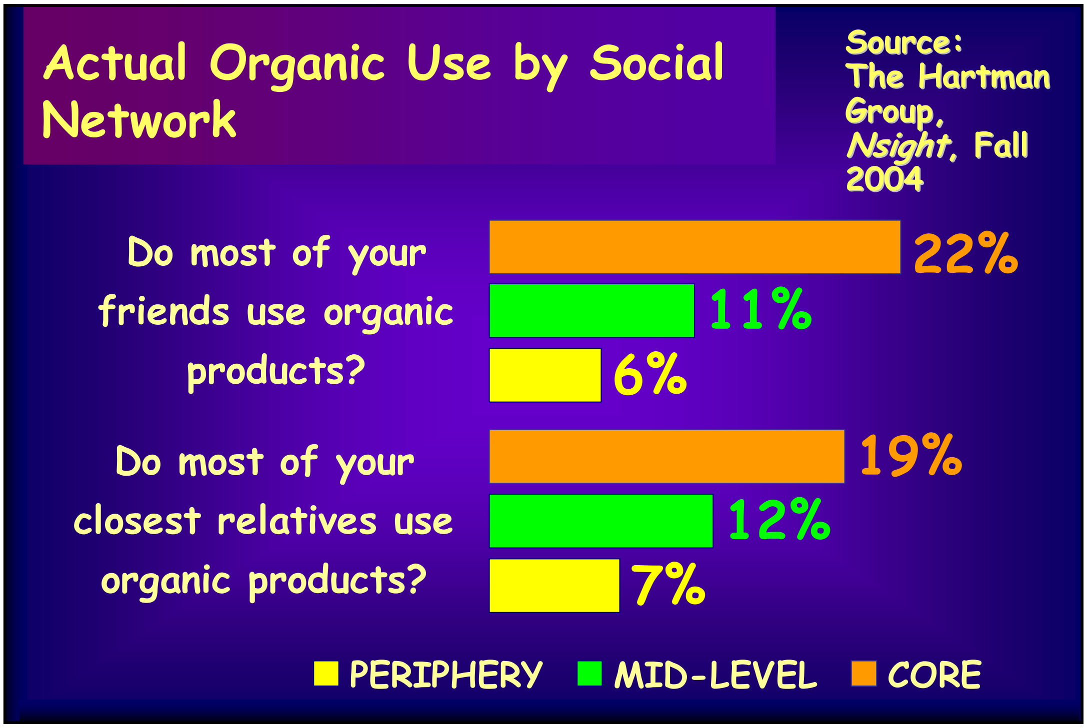
Share of Organic Purchases in Individual Channels by Consumer Segment Type

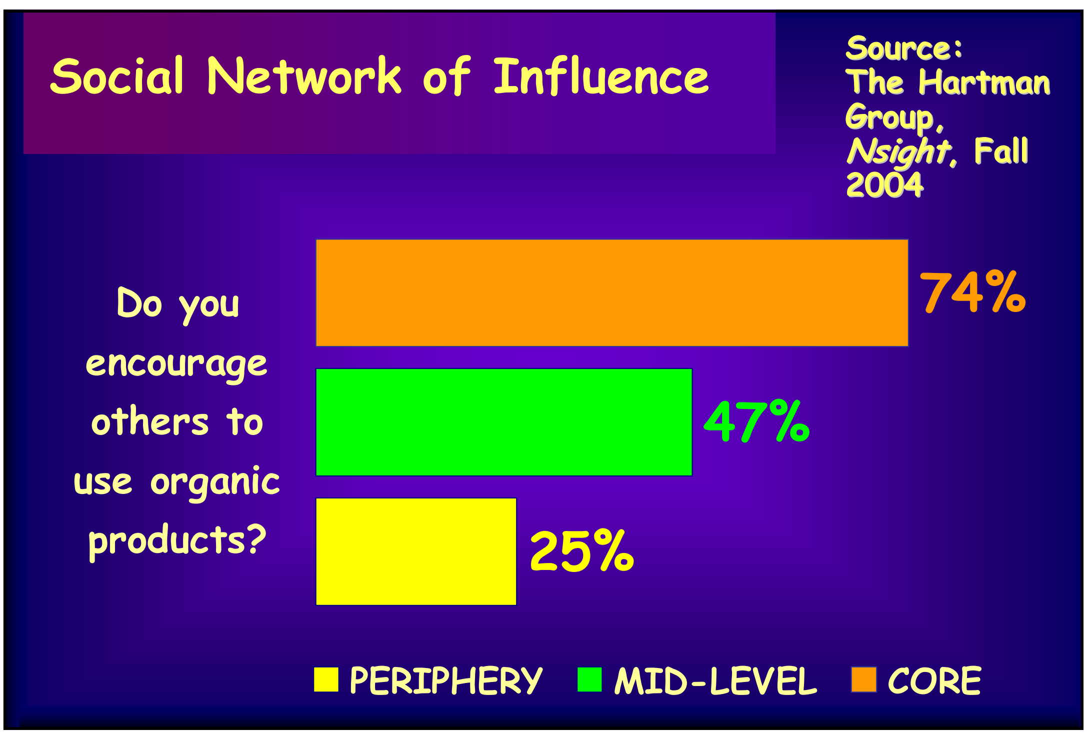


Source:
The Hartman Group,
Nsight, Fall 2004

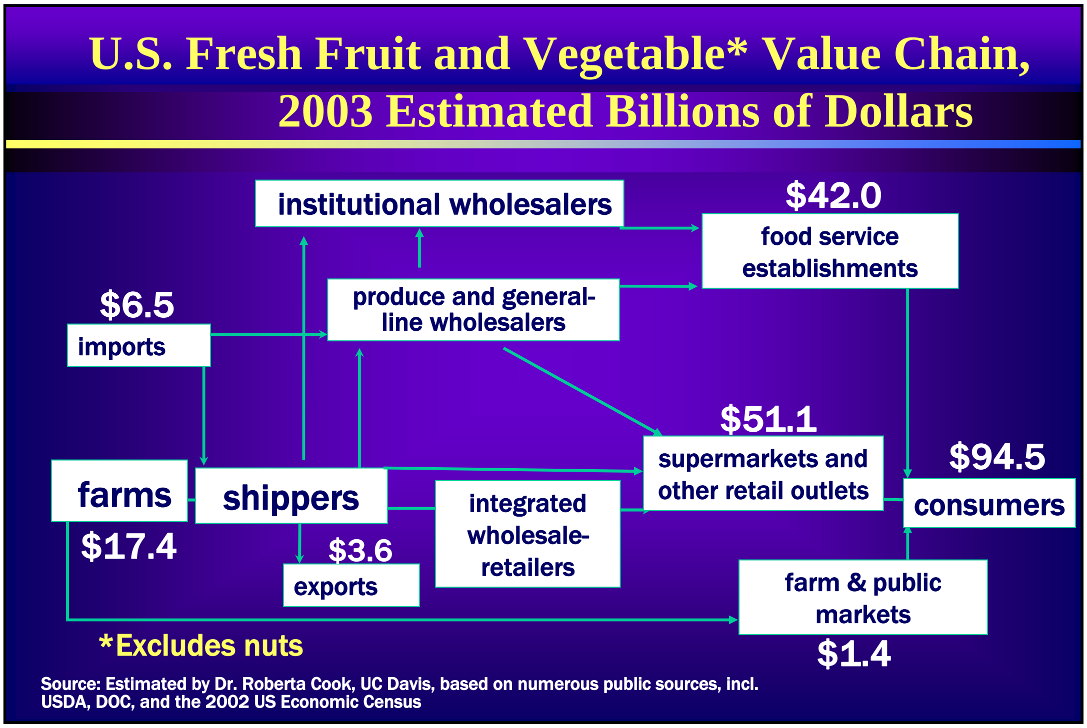

Aided Consumer
Opinion of Organics
Source:
The Hartman Group, Nsight, Fall 2004
Organics are…
More Expensive
88%
85%
82%
Healthier
89%
67%
55%
More Nutritious
74%
49%
34%
PERIPHERY
MID-LEVEL
CORE

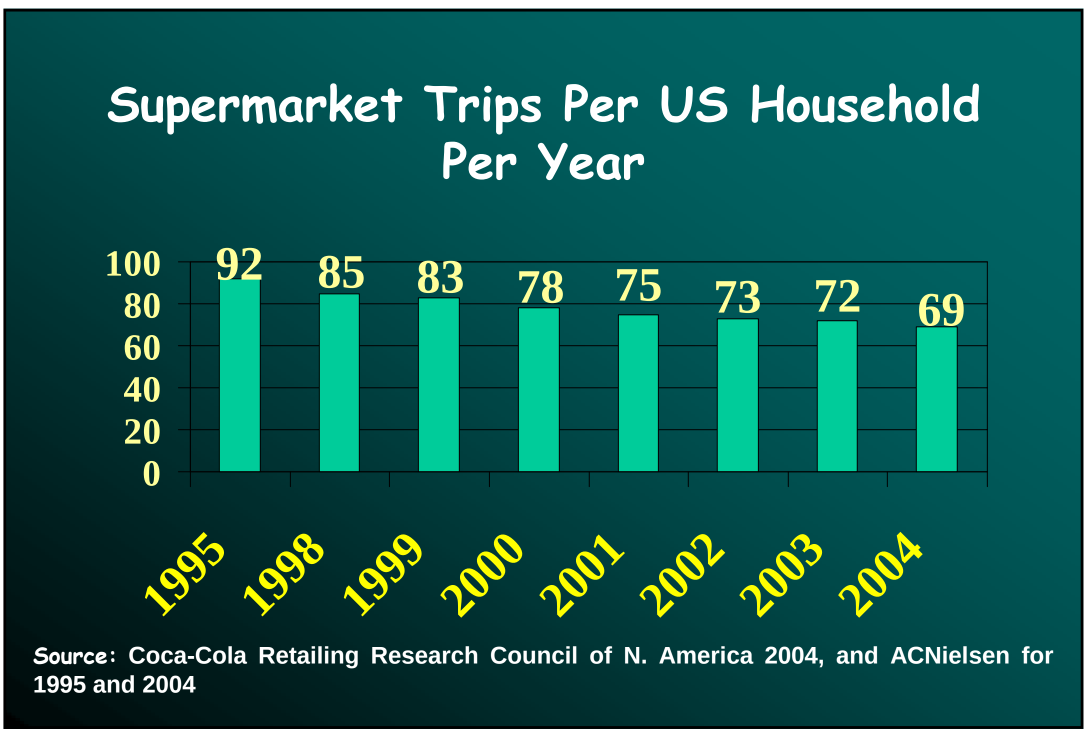

Aided Consumer
Opinion of Organics
Source:
The Hartman Group, Nsight, Fall 2004
Organics are…
fresher
28%
25%
18%
marketing gimmick
3%
9%
27%
no better than nonorganic
2%
11%
16%
PERIPHERY
MID-LEVEL
CORE


Actual Organic Use by Social Network
Source: The Hartman Group, Nsight, Fall 2004
Do most of your friends use organic products?
22%
11%
6%
Do most of your closest relatives use organic products?
19%
12%
7%
PERIPHERY
MID-LEVEL
CORE


Social Network of Influence
Source: The Hartman Group, Nsight, Fall 2004
Do you encourage others to use organic products?
74%
47%
25%
PERIPHERY
MID-LEVEL
CORE

Supplemental Background Information Follows


U.S. Fresh Fruit and Vegetable* Value Chain, 2003 Estimated Billions of Dollars
institutional wholesalers
$42.0
food service establishments
$6.5
imports
produce and general-line wholesalers
$51.1
supermarkets and other retail outlets
$94.5
consumers
farms
$17.4
shippers
$3.6
exports
integrated wholesale-retailers
farm & public markets
$1.4
*Excludes nuts
Source: Estimated by Dr. Roberta Cook, UC Davis, based on numerous public sources, incl. USDA, DOC, and the 2002 US Economic Census


Supermarket Trips Per US Household Per Year
100
80
60
40
20
0
92
85
83
78
75
73
72
69
1995
1998
1999
2000
2001
2002
2003
2004
Source: Coca-Cola Retailing Research Council of N. America 2004, and ACNielsen for 1995 and 2004

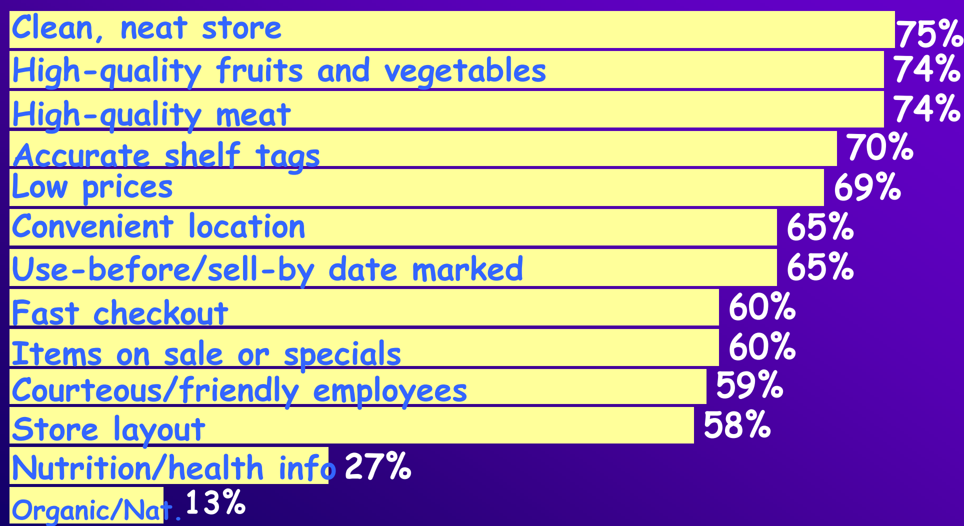
Quality of Shopping Experience by Channel, TRI*M Index (Differences of 3 or more are significant)

Source: Coca-Cola Retailing Research Council of N. America 2004

Quality of Shopping Experience by *SUPERMARKET TYPE*, TRI*M Index (Differences of 3 or more are significant)

Source: Coca-Cola Retailing Research Council of N. America 2004

Top Factors in US Consumer Selection of Primary Supermarkets, 2006



Source: FMI Trends 2006

US Store Format Growth Trends and 2005 Sales*

	2005 Sales $Million	*2005 # Stores*	*2005 $ % Share*	*2010 $ % Share*
Traditional	**$415,740**	**40,649**	**50.4**	**44.1**
Nontraditional	**$275,692**	**46,064**	**33.4**	**40.5**
Total C-Stores	**$133,574**	**138,205**	**16.2**	**15.4**
GRAND TOTAL	**$825,006**	**224,433**	**100.0**	**100.0**

•Grocery sales only, excludes electronics, prescription drugs, toys, jewelry, sporting goods, gas, clothing, footwear, knickknacks, and hardlines.
Source: The Future of Food Retailing, Willard Bishop, July 2006

US Store Format Growth Trends and 2005 Sales*
Traditional Grocery Channel

	2005 Sales $Million	*2005 # Stores*	*2005 $ % Share*	*2010 $ % Share*
Total Traditional	$415,740	40,649	50.4	44.1
Conventional	$92,521	13,719	11.2	8.3
Superstore	$164,383	7,978	19.9	17.3
Food/Drug Combo	$111,892	5,600	13.6	11.5
Fresh Format	$5,756	787	0.7	1.2
Limited Assortment	$15,509	2,699	1.9	3.2
Super Warehouse	$14,521	530	1.8	1.7
Other (Sml Grocery)	$11,157	9,335	1.4	1.1

•Grocery sales only, excludes gas, hardlines, clothing, electronics, prescription drugs, knickknacks, footwear, sporting goods, toys, and jewelry.

Source: The Future of Food Retailing, Willard Bishop, July 2006

US Store Format Growth Trends and 2005 Sales*
Nontraditional Grocery Channel

	2005 Sales $Million	*2005 # Stores*	*2005 $ % Share*	*2010 $ % Share*
Total Nontraditional	$275,692	46,064	33.4	40.5
Wholesale Club	$58,643	1,076	7.1	7.3
Supercenter	$112,006	2,456	13.6	20.7
Dollar Store	$13,651	19,351	1.7	2.1
Drug	$39,827	19,043	4.8	4.5
Mass Merchandise	$47,189	3,963	5.7	5.4
Military	$4,376	175	.5	.5

•Grocery sales only, excludes gas, hardlines, clothing, electronics, prescription drugs, knickknacks, footwear, sporting goods, toys, and jewelry.

Source: The Future of Food Retailing, Willard Bishop, July 2006

US Store Format Growth Trends and 2005 Sales*
Traditional Grocery Channel

	Total Store Area	Average Total SKUs	Average Weekly Sales $	Grocery & Consumables % of Sales
Total Traditional				
Conventional	25,800	22,000	129,691	100
Superstore	51,200	30,000	396,229	100
Food/Drug Combo	55,700	52,000	384,243	100
Fresh Format	55,700	30,000	140,663	100
Limited Assortment	11,200	1,900	110,500	100
Super Warehouse	59,500	33,000	527,098	100
Other (Small Grocery)	9,000	3,000	22,984	100

•Grocery sales only, excludes gas, hardlines, clothing, electronics, prescription drugs, knickknacks, footwear, sporting goods, toys, and jewelry.

Source: The Future of Food Retailing, Willard Bishop, July 2006

US Store Format Growth Trends and 2005 Sales*
Nontraditional Grocery Channel

	Total Store Area	Average Total SKUs	Average Weekly Sales $	Grocery & Consumables % of Sales
Total Nontraditional				
Wholesale Club	135,000	5,500	1,048,496	59
Supercenter	190,000	125,000	877,078	60
Dollar Store	9,000	4,000	13,566	66
Drug	12,000	20,000	40,219	34
Mass Merchandise	100,000	95,000	228,999	23
Military	29,400	15,000	482,199	100

•Grocery sales only, excludes gas, hardlines, clothing, electronics, prescription drugs,
• knickknacks, footwear, sporting goods, toys, and jewelry.

Source: The Future of Food Retailing, Willard Bishop, July 2006

New players playing by new rules drove retail acquisition trend

Mass Merchandisers -Warehouse Club Stores led by Costco, Supercenters, led by Wal-Mart:

-Driving non-value-adding costs out of the system

-Contracting with preferred suppliers

-Special packs and products

-Co-Vendor-managed Automatic Inventory Replenishment – shared responsibility for growing the category

Conventional Retail Chains Reconsidering their Models

- The challenge for retailers is to effectively utilize scanner, customer loyalty card and other data in order to identify the right product mixes at the individual store level.
- Food retailing is inherently local, and as retailers get larger and consumers more diverse, intensive data management is critical!
- Fresh-cut firms are some of the best positioned to help retailers manage consumer data.

The Future

Wal-Mart will be the mainstream retailer for the foreseeable future but there will also be lots of new winners. Costco continues to grow, as do consumer-centric regional retailers.

New price driven retailers will increase competition for Wal-Mart and Wal-Mart's growth may slow as it tackles issues faced with expansion in urban areas (high land costs, unions, local regulatory policies).

Consumer research conducted by The Hartman Group indicates that consumers don't express excitement or devotion about shopping at Wal-Mart. Many just view it as a way to save on staples without taking over their shopping lives. Lukewarm support creates opportunities for competitors.

The Future

The winners will compete on various dimensions of *value*: price, product, service, and selection.

There are a number of formats successfully defining "white space" market opportunities. Examples include Trader Joe's, Whole Foods, Dollar Stores, and conventional chains like Wegman's and HEB, as well as independents.

Retailers can deliver value to consumers at both the high and low ends of the price spectrum, depending on product selection and quality levels, and format design, by understanding the needs and wants of target segments for specific shopping occasions.

The middle, unclearly defined ground – retailers with no clear value proposition – will be increasingly challenged.