Circana.

Understanding the Potential Produce Consumer

IFPA Retail Conference 2024

IFPA and Circana Partnership

- Sales Performance
- Shopper Behavior
- Monthly Articles
- Quarterly Deep Dive Reports

Direct IFPA Member Access to Produce Category Insights on Circana's Unify Platform:

Produce: https://advantage.iriworldwide.com/unify-internal/plus/public/087df6d77f618147:-27f37680:18eae8b1b6c:-2ce9

Floral: https://advantage.iriworldwide.com/unify-internal/plus/public/7d6eaaf620446a48:1cef8e22:18ee35432be:-5b43

Circana.

Today’s discussion

01 Produce Performance

02 Retail Landscape

03 Produce: Current and Potential

Who are they?

Trends & Dynamics

Questions? Ask at the end!

?

Circana.

Perception is US Consumers' Reality – Younger HHs Least Optimistic

95%

of all households are **concerned** about food cost inflation in 2024, **70%** say its harder to stay in budget compared to prior months

85%

Say they've seen prices increase in recent months, despite the actual ARP down- **+10 pts from Dec 2023**

84% Making one or more changes due to increased grocery prices, +5 pts in one month

95% of shoppers age 33 and younger

51%

Shoppers age 34-42 bought at least some of their groceries online in March vs. less than 25% of shoppers age 59 & older

Source: Circana Monthly Primary Shopper Surveys, through March 2024

Produce Seeing Steady $ and Vol Growth While Other Food/Bev Fueled Mainly by Inflation

Dollar Sales vs. 2019 | Volume / Unit Sales vs. 2019 | Price per Volume vs. 2019 | Indicates Fresh Dept

Total Edible*
$781.3B / 30.8% | 195.4B / -1.0%
$4.00 / 32.2%

General Food*
$215.5B / 32.8% | 65.1B / -3.5%
$3.31 / 37.6%

Beverages
$98.2B / 44.5% | 462.7B / 5.7%
$0.21 / 36.6%

Meat
$86.6B / 25.1% | 19.4B / -1.0%
$4.46 / 26.3%

Refrigerated*
$13.7B / 34.4% | 3.8B / 3.1%
$3.55 / 30.3%

Produce
$76.5B / 22.2% | 41.1B / 3.2%
$1.86 / 18.4%

Frozen*
$74.0B / 37.0% | 14.7B / 0.6%
$5.05 / 36.2%

Deli*
$46.3B / 28.5% | 7.7B / 4.6%
$5.98 / 22.9%

Bakery*
$43.5 / 33.7% | 11.7B / -5.3%
$3.71 / 41.2%

Liquor*
$41.0B / 11.3% | 3.3B / -4.4%
$12.31 / 16.4%

Floral
$8.0B / 42.7% | 1.4B / 18.2%
$5.57 / 20.7%

Seafood
$6.3B / 15.9% | 680.0M / -0.4%
$9.26 / 16.4%

*Source: Circana Integrated Fresh, US MULO, 12/31/23 *Unit Sales were utilized where volume is not able to be equivalized at the department level*

Unlike Other Fresh Depts, Produce Frequency Growth Keeping Pace with Center-Store

Dollars per Buyer vs. 2019 | Product Trips per Buyer vs. 2019 | %HH Penetration vs. 2019 | Indicates Fresh Dept

Most trips in Fresh!

Total Edible*
$7,302 / 32.0% | 200.7 / 7.4%
100.0% / 0.0%

General Food*
$1,972/ 34.0% | 118.7 / 6.4%
99.9% / -0.1%

Beverages
$923/ 45.7% | 80.7 / 7.3%
99.8% / -0.1%

Meat
$ 770 / 25.1% | 48.4 / -2.2%
98.2% / -0.6%

Refrigerated*
$126.53 / 36.5% | 21.2 / 6.9%
92.7% / -1.4%

Produce
$684 / 23.1% | 76.5 / 7.4%
98.9 / -0.4%

Frozen*
$662 / 39.4% | 46.3 / 9.7%
98.6% / -0.5%%

Deli*
$613 / 32.7% | 53.6 / 4.4%
98.5% / -0.5%

Bakery*
$403 / 33.4% | 61.9 / -0.3%
99.5% / -0.2%

Liquor*
$40.1B / 23.2% | 31.4 / 1.4%
68.9 / -4.2%

Seafood
$121 / 19.1% | 7.7 / -1.4%
53.3%/ -1.7%

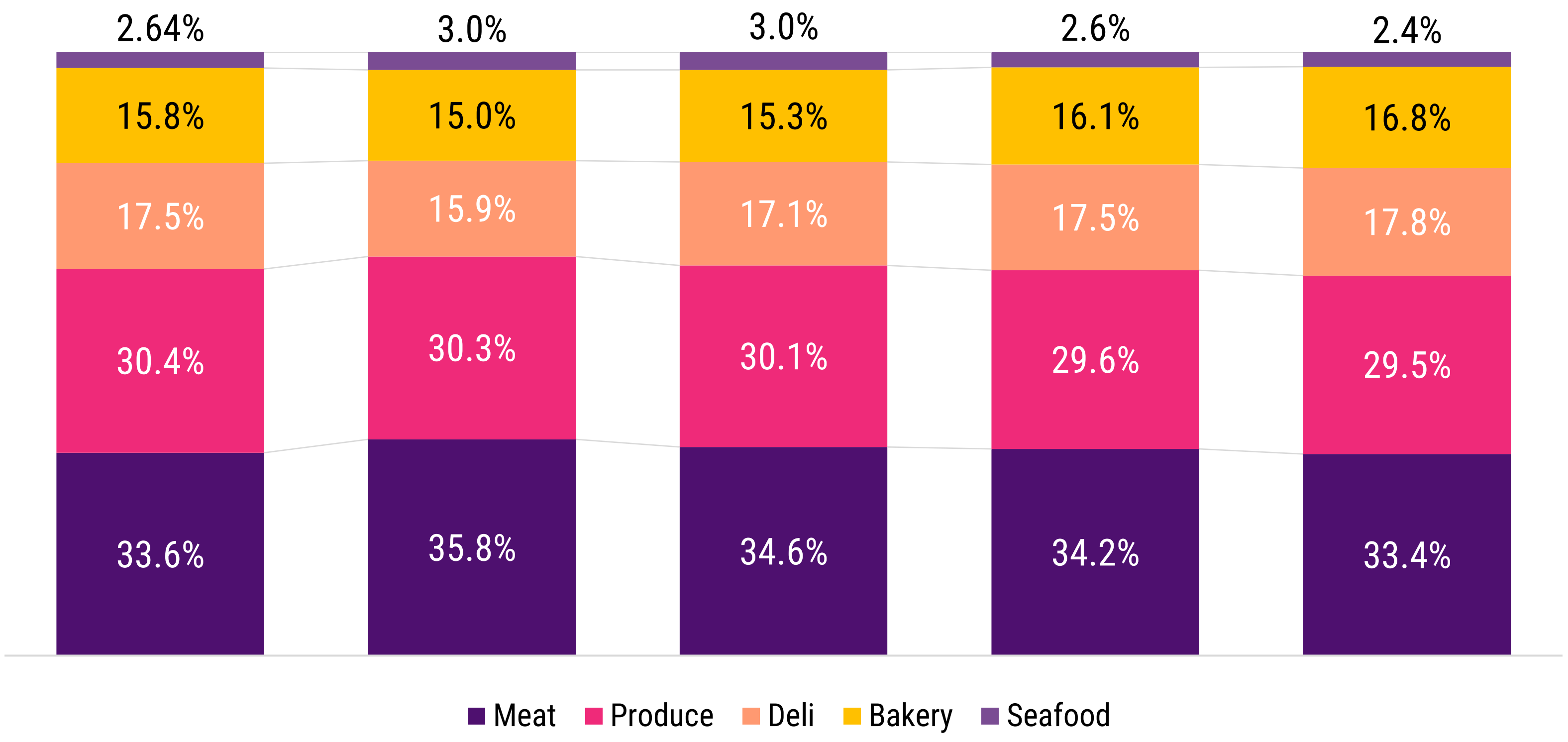
Circana.

*Source: Circana Integrated Fresh, US MULO, 12/31/2023 *Unit Sales were utilized where there was no Volume is not equivalized. Floral Department is not available in Panel Data solutions.*

Fresh sales are shifting in this new normal

Bakery is the biggest winner while produce struggles to maintain share.

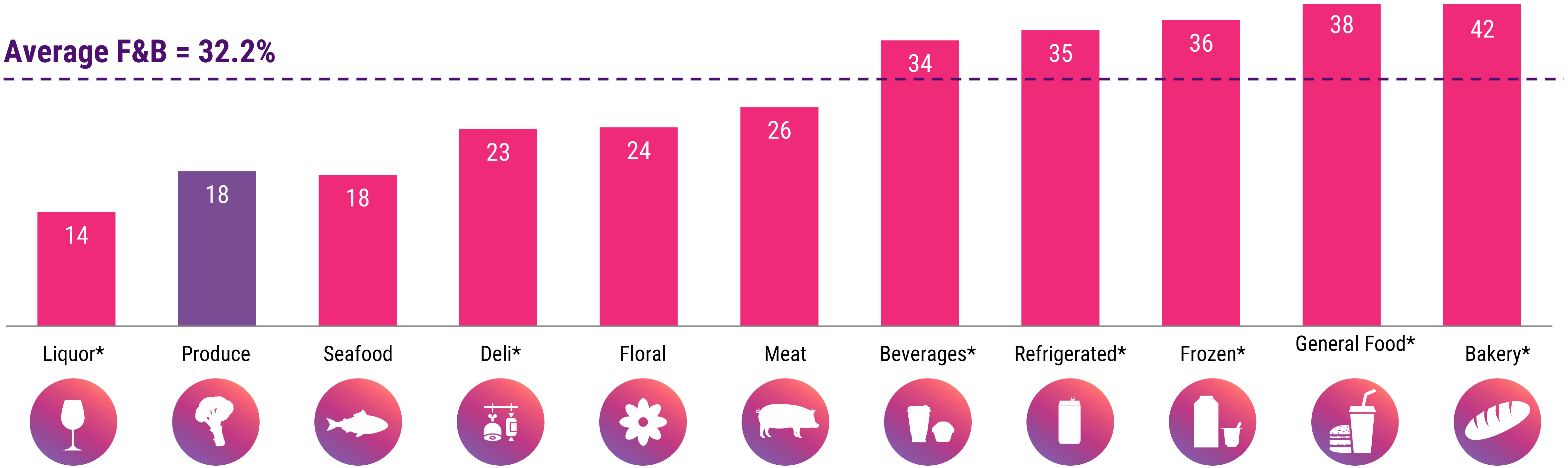
Department	23' vs 19'
Meat	▼ 0.2pts
Produce	▼ 0.9pts
Deli	▲ 0.4pts
Bakery	▲ 1.0pts
Seafood	▼ 0.2pts



*Source: Circana Integrated Fresh, US MULO, 52 WE 12/31/23, *Refrigerated department excludes dairy.*

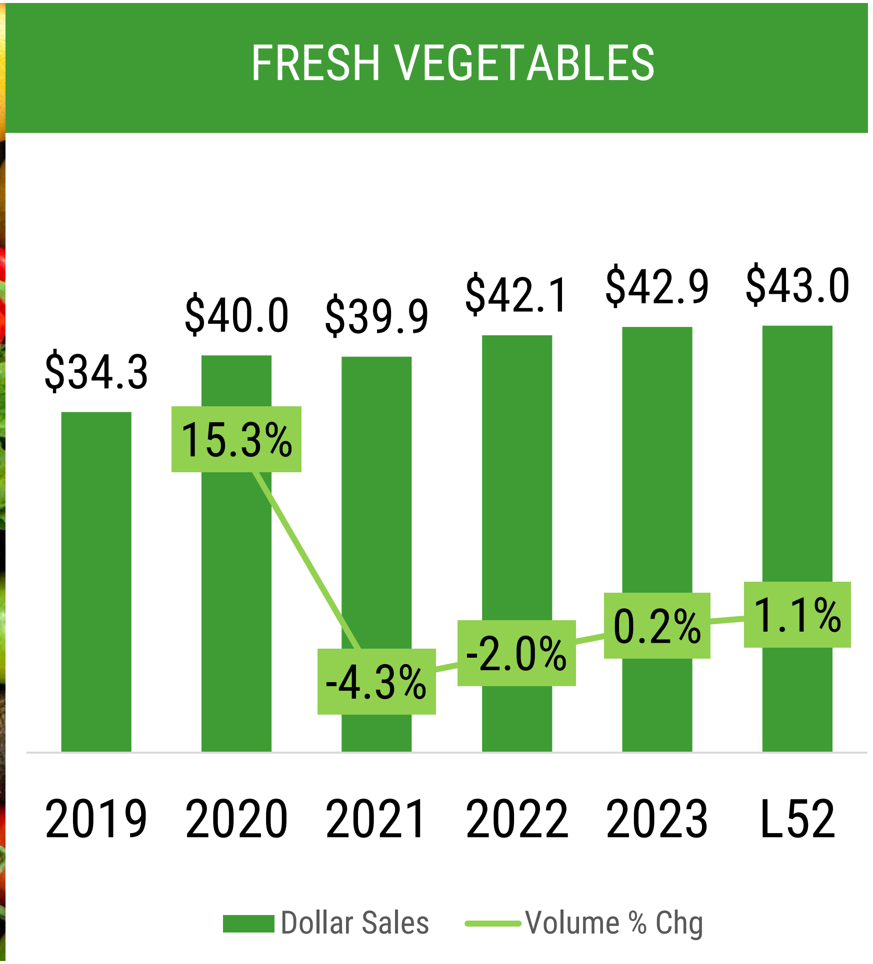
Prices Truly are Up Significantly Across Food and Beverages, Fresh Less than Center-of-Store

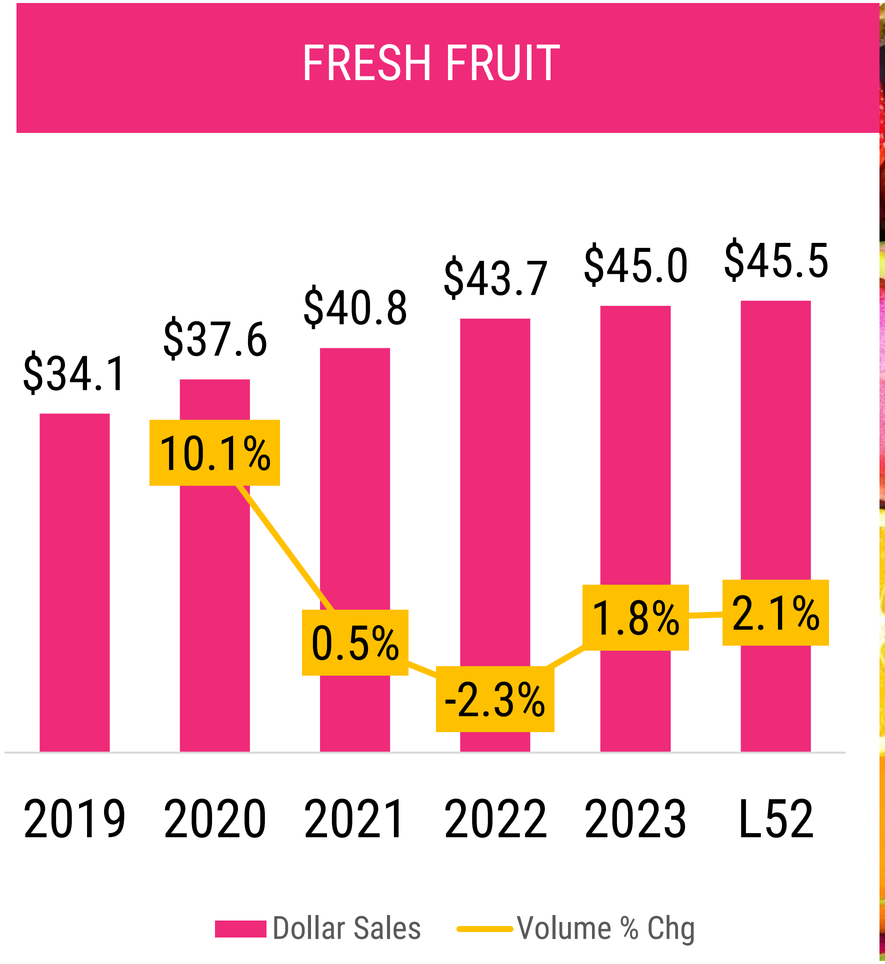
Although price increases are less for produce compared to total food and beverage, there has still been an 18% increase since 2019



Price realization by F&B Department YTD 2023 vs 2019, MULOC

Fresh Vegetables volume decline has improved since 2022; Fruit volume is growing in 2023





Circana.

Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 3/24/2024

Uneven Pound Trends in Top Selling Produce Categories

Fresh Bananas

$3.8B | -1.5%

Fresh Potatoes

$4.5B | +1.5%

Fresh Melons

$4.1B | +5.4%

Fresh Salad Kits

$3.3B | -2.1%

Fresh Berries

$11.5B | +3.5%

Fresh Tomatoes

$4.7B | +2.3%

Fresh Grapes

$4.9B | -5.5%

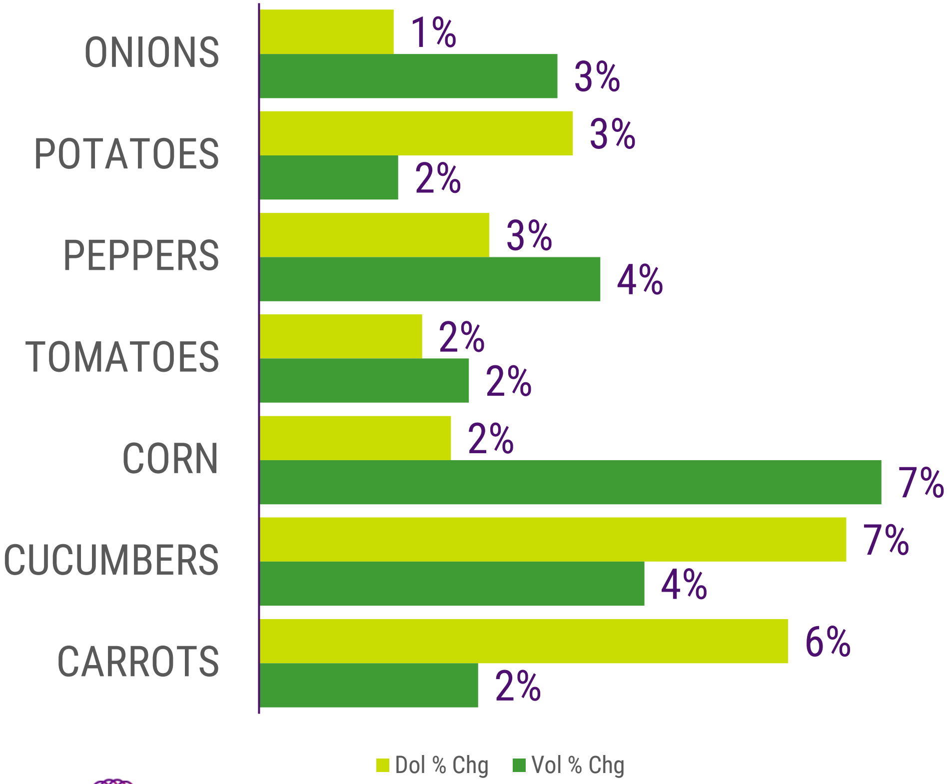
Fresh Avocados

$3.0B | +8.4%

● Dollar Sales ● Volume % Change vs. YA

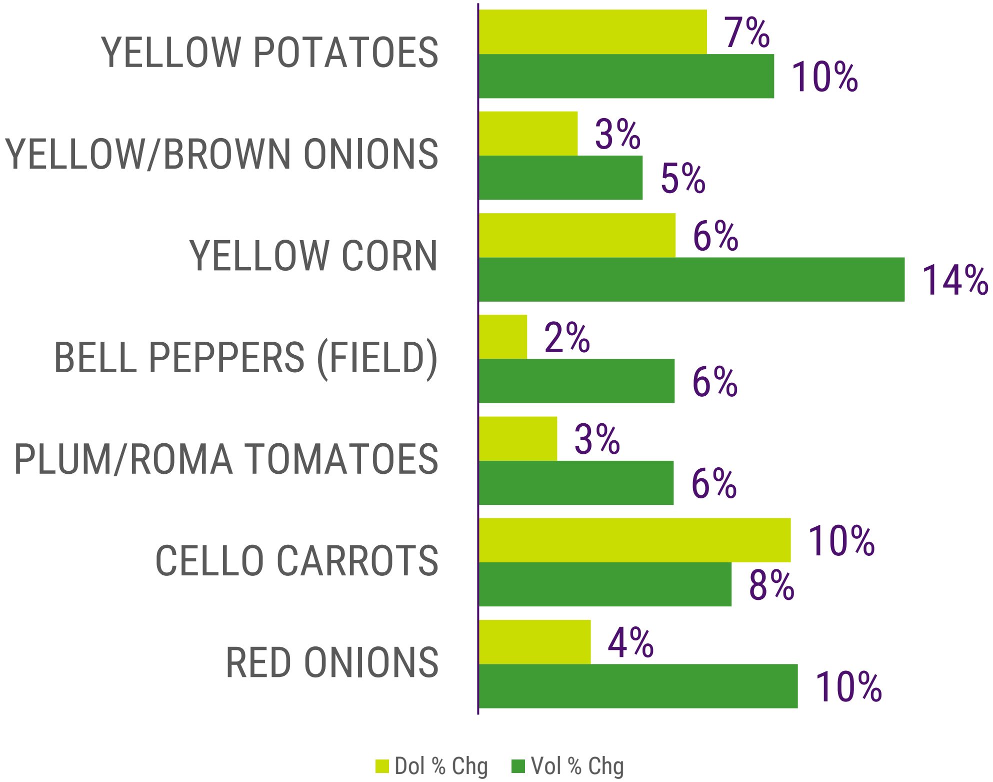
Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 3/24/2024

Top Growth Vegetable Sub-Categories



Many Cooking Vegetables and Snacking Vegetables experienced volume growth

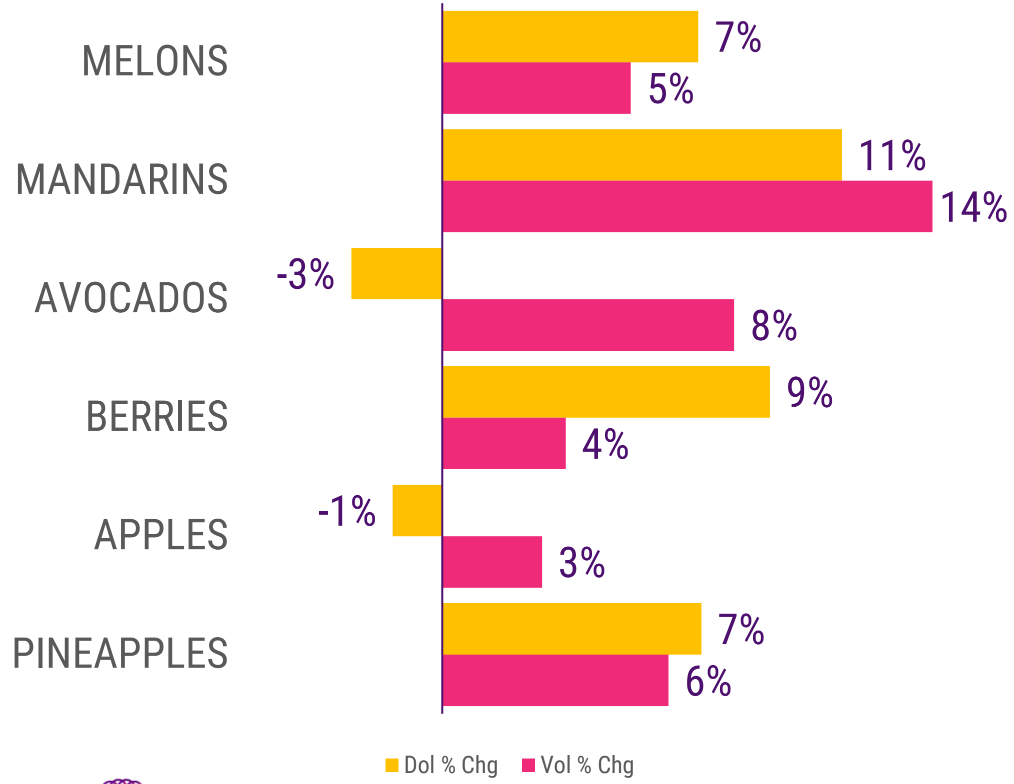
Top Growth Vegetable Segments



Circana.

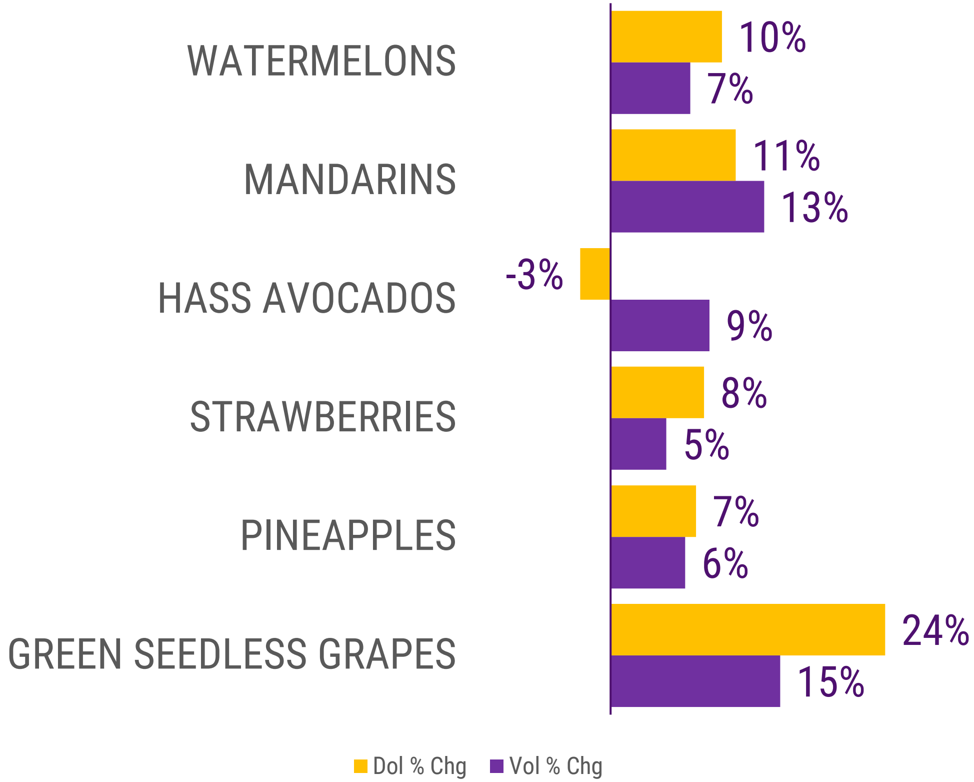
Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 3/24/2024

Top Growth Fruit Sub-Categories



Fruit volume is growing this year, driven by tropical fruits and staples like Avocados, Berries and Apples

Top Growth Fruit Segments

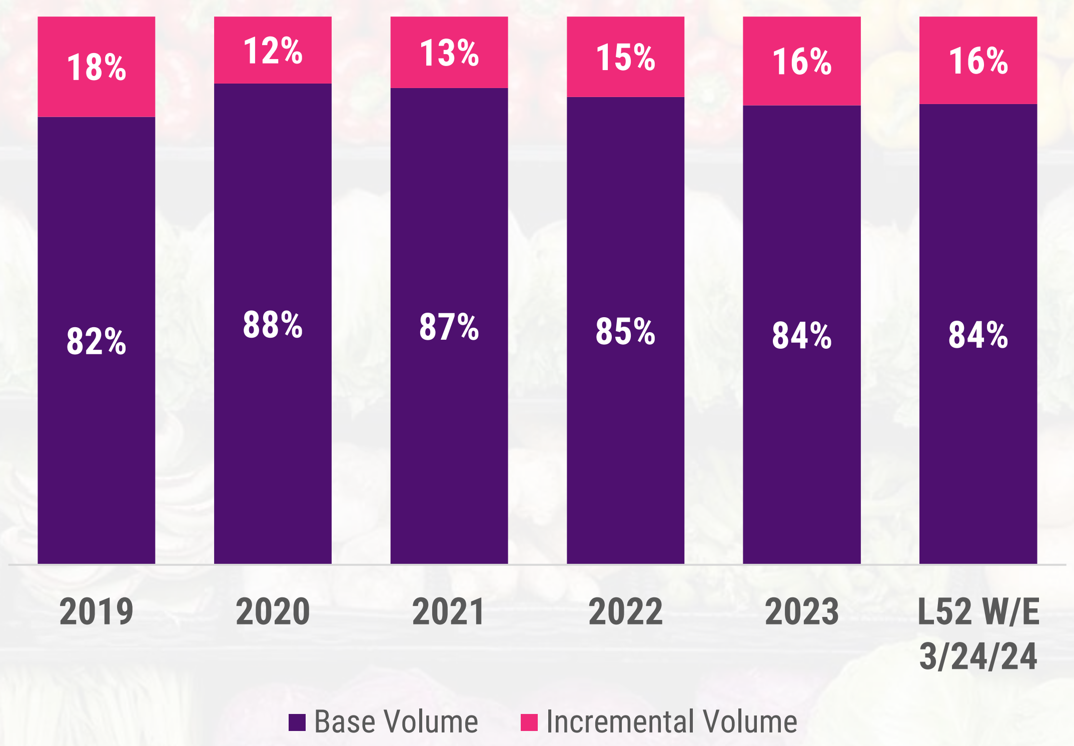


Circana.

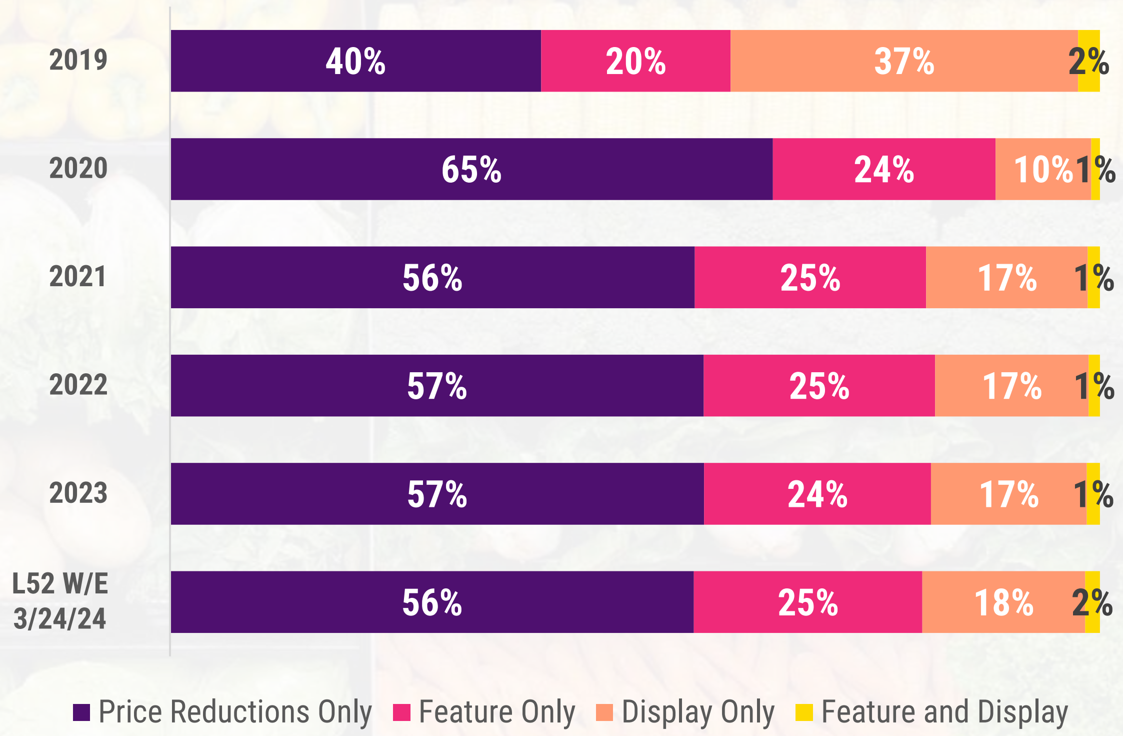
Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 3/24/2024

Produce is increasing share of incremental sales with Price Reductions maintaining the majority of promos

Share of Total Produce Volume Sales

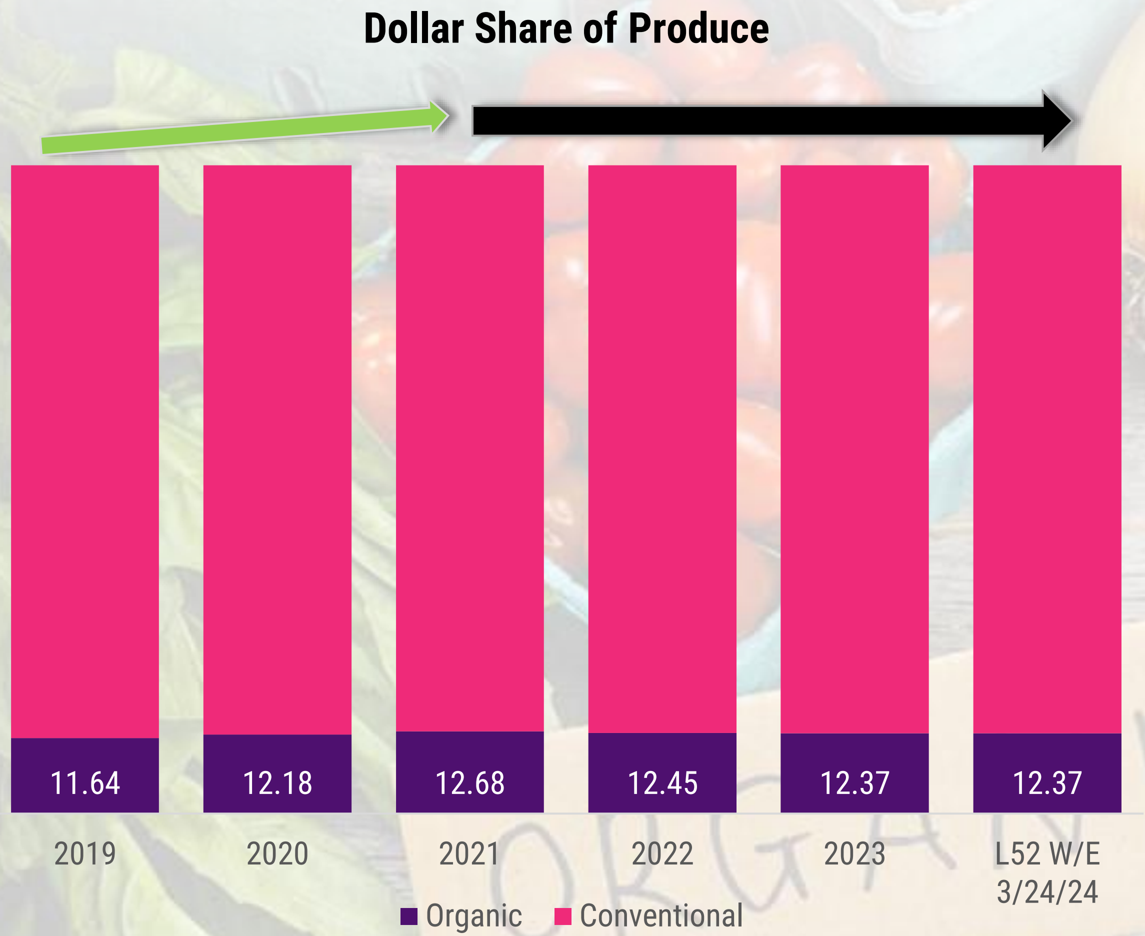


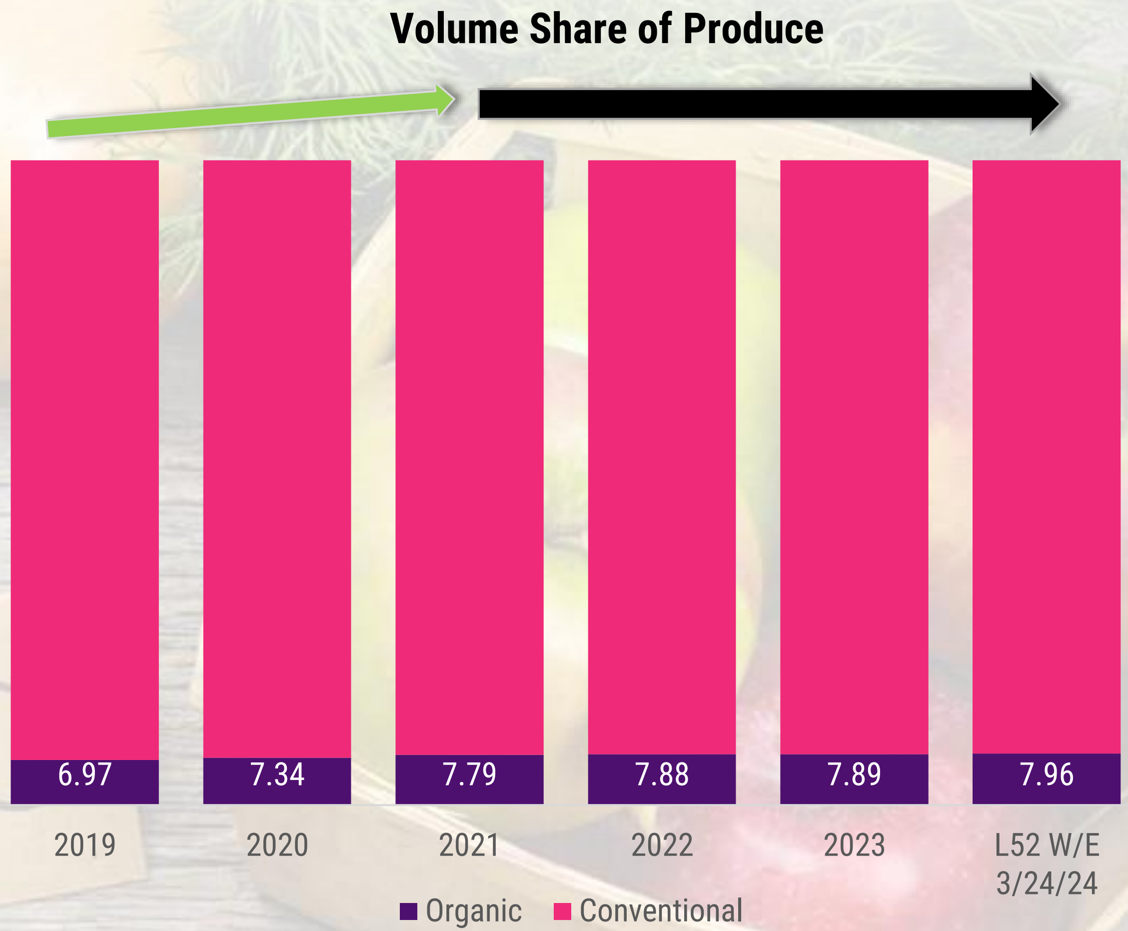
Produce % Incremental Volume by Merch



Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 3/24/2024

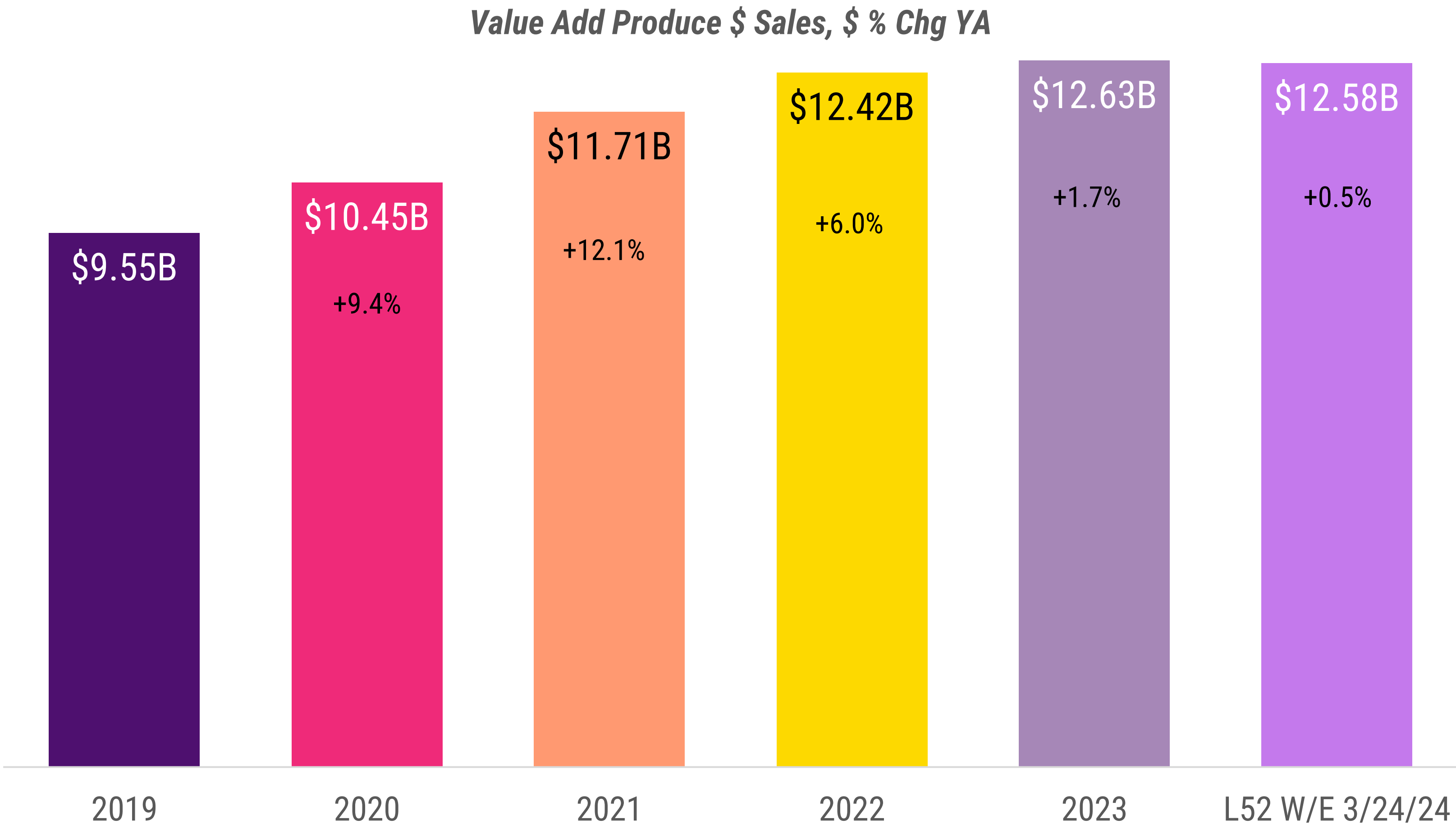
Despite inflation and economic headwinds, organic produce is maintaining its volume share in the most recent 52 weeks





Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 3/24/2024

Value-Add Produce Continues to Grow, but at a Slower Rate than Previously- Convenience + Relevance + Minimize Waste Key Messages



Circana.

Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 3/24/2024

Produce is the Most Frequently Bought Fresh Department & Reaches Nearly Every US HH – but Latest Trends are Showing Erosion

VEGETABLES

	FRESH	FROZEN	SHELF STABLE
% HH Buying	97.7	75.6	91.9
Chg v YA	-0.1	-1.3	-0.2
Trips (MM)	6,636	759	1,772
%Chg v YA	0.5	-1.6	0.1

FRUIT

	FRESH	FROZEN	SHELF STABLE
% HH Buying	97.5	41.6	84.5
Chg v YA	-0.0	1.2	-0.6
Trips (MM)	6,743	262	938
%Chg v YA	1.4	6.8	-2.2

Source: IRI National Consumer Panel, All Outlets, Integrated Fresh, L52 WE 3/24/24

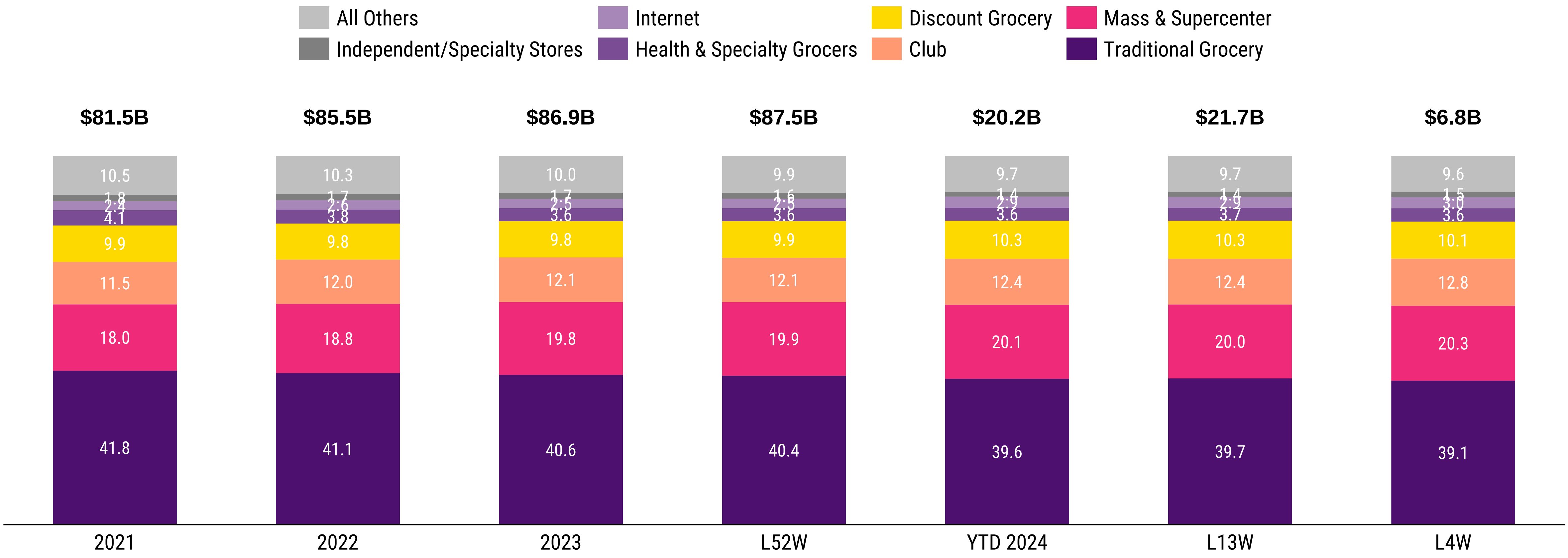
Fresh remains the dominant temperature state among fruit and vegetables; however, there has been slight gains in shelf stable for vegetables and frozen in fruit

Circana.

Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 3/24/2024

We Have to Recognize Produce is Now Purchased Everywhere

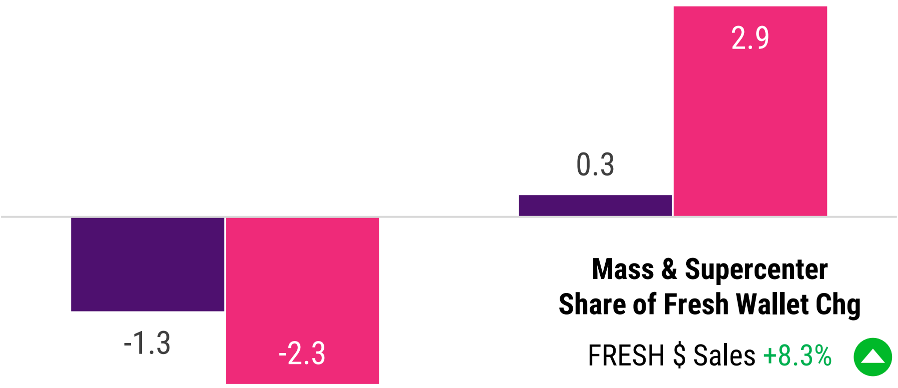
Produce has gained dollar share in Mass/Super and Club since 2021 and is continuing to grow in the last 4 weeks, while traditional grocery is losing share



Source: OmniConsumer Integrated Fresh CY 2021-2023, L52W, YTD 2024, L13W, L4W data ending 03/24/24, All Outlets.

Mass continues to gain fresh wallet share

■ Heavy Grocery Channel Shoppers
■ Heavy Mass & Supercenter Channel Shoppers



Grocery
Share of Fresh Wallet Chg
FRESH $ Sales -0.4%

Mass & Supercenter
Share of Fresh Wallet Chg
FRESH $ Sales +8.3%

%Dollar Sales Change by Shopper Group

1.9%
Grocery

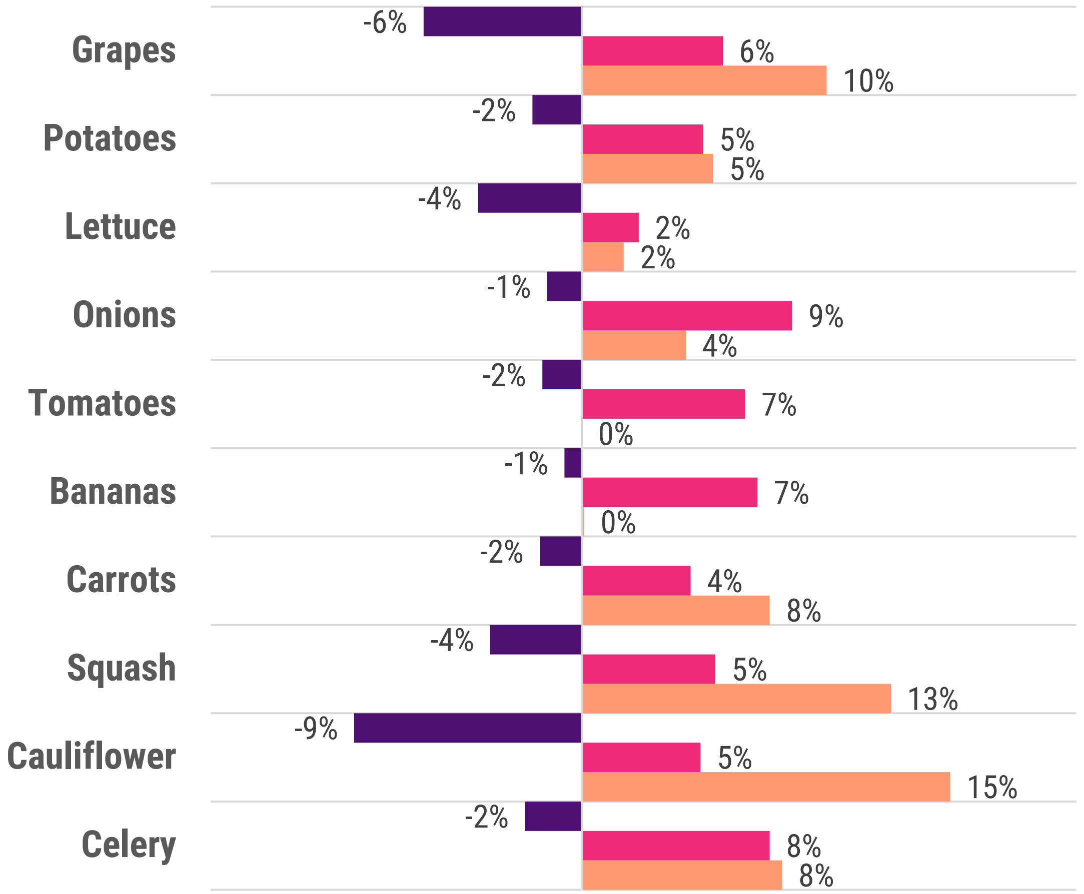
1.0%
Mass & Supercenter

Source: Circana Syndicated Scan Panel with Integrated Fresh; Syndicated Channel Shopper Groups, 2023 YTD (WE 10-08-2023).
"Heavy" are shoppers who spend a significant portion of their fresh foods purchases in that channel.

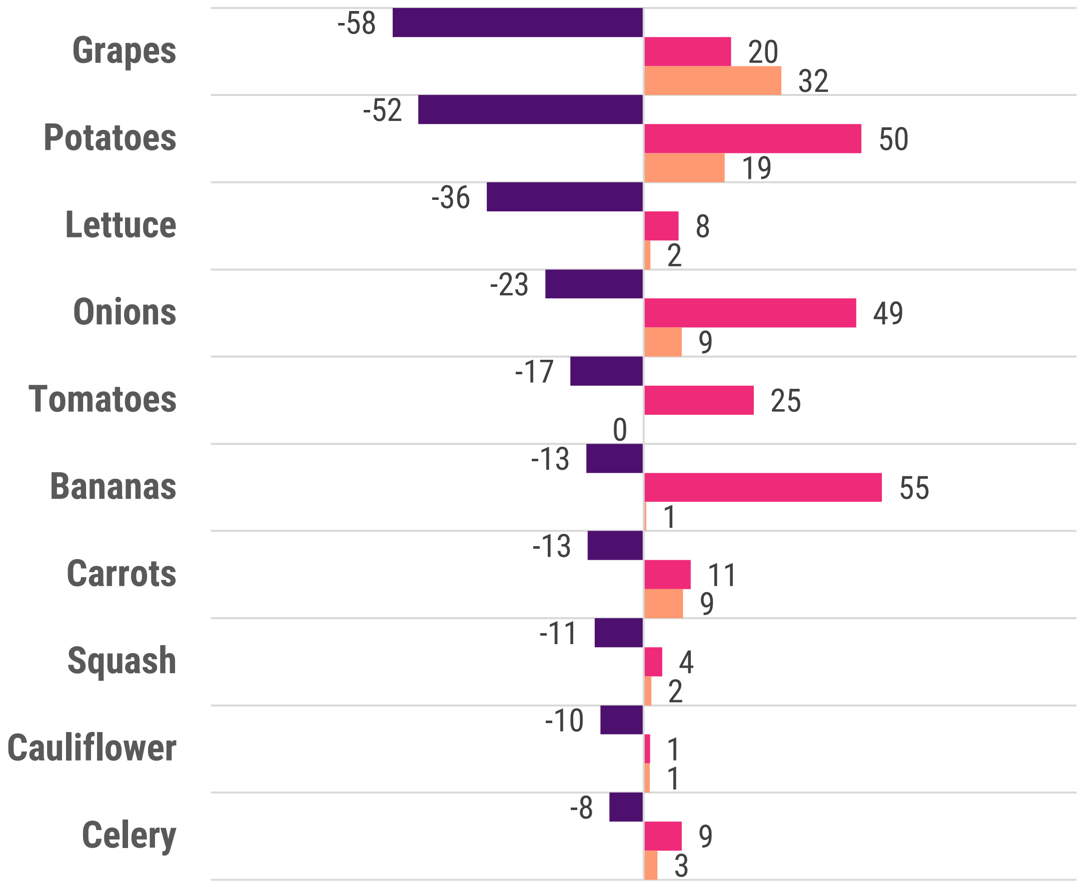
Circana.

Top Produce volume Shifting from Food to Mass and Club

Volume % Change



Volume Change in Millions



Food Mass Club

Source: IRI Integrated Fresh Market Advantage, Total US Food, Mass and Club, Latest 52 weeks Ending 3/24/2024

Across All Retail Channels, The Future Is Only Semi-Bright for Produce

- Leveraged Circana **Demand Forecasting Platform** to develop causal based econometric demand model for each F&B department
- Leveraged **100+ variables** to test hypotheses for each model developed
- **Machine learning algorithm and over 500 Random Forest models** to determine most important causal variables
- Models finalized **based on best fit, significance levels and intuitiveness**
- Developed **forward looking input variable assumptions** using historical trends and industry experts
- Platform allows us to run scenarios and **estimate future sales and decomposition of its drivers**

Circana retail Produce Outlook for 2024

On-par with Food & Bev – but behind Deli and Beverages:

2 - 3% Dollar Growth

1 - 2% Price per Vol Growth

0 - 1% Volume/Unit Growth

Circana.

Are We Satisfied with Status Quo?

The Broader Business World, and Consumers, Are Not

THE WALL STREET JOURNAL.

Cool Comes to the Humble Produce Aisle

Fruits and vegetables are the latest section of the supermarket to get a branding push as investors and marketers target the agriculture industry

"This isn't 'designer' produce with designer price tags… It's the everyday apple, now with a Pepsi-style marketing strategy."

The Wall Street Journal
@WSJ

ıld you buy a box of tomatoes because its packaging was cool?
ners, and investors, are counting on it. on.wsj.com/4aAGUst

wsj.com

3 AM · Apr 16, 2024 · **47.4K** Views

Link to Article, 4/16/24 : https://www.wsj.com/articles/cool-comes-to-the-humble-produce-aisle-16831247

Circana.

If we do what we’ve always done…

We will get to where we’ve always been.

Leverage Produce’s Size & Relevance To Help Convert & Retain Shoppers

Who is Produce Winning with Today?

Top indexing demographics purchasing Produce

Generation

Boomers (Born 1946-1964)

109 Dollar Index

35% of Dollars

33% of Buyers

Income

Income greater than $100K

126 Dollar Index

39% of Dollars

32% of Buyers

Race

Asian

129 Dollar Index

8% of Dollars

6% of Buyers

Life Stage

1+ Child

109 Dollar Index

33% of Dollars

30% of Buyers

Any one of these demographic groups still has 60% or more households available to focus on!

Source: Circana Integrated Fresh Panel, Total US – All Outlets, 52 weeks ending 3/24/2024

Opportunity: WIC Eligible Households

- Low-Income per Capita
- Age of Children 0 to 5
- Head of Household 35-44 years old
- Millennials-Older (Born 1981-1989)
- 4+ Person HH
- White & Hispanic
- No Pets

The average monthly WIC-eligible population is **12 million** US households

Circana.

Source: USDA Food and Nutrition Service

Source: Circana Integrated Fresh Panel, Total US – All Outlets, 52 weeks ending 3/24/2024,

Lowest Income per Capita (bottom third of HHs) and have children under age 5 in the home

What Produce Do WIC-Eligible HHs Buy Today?

Increase Frequency for Melons and Mandarins, while Grapes increased Spend per Trip

Produce Categories	Dollar Sales (M)	Dollars % Chg	Dollars per Buyer	$ per Buyer Chg	Dollars per Trip	$ per Trip Change	Product Trips	Trips Change
Berries	$805	15%	$157.59	8%	$7.2	5%	21.8	2%
Apples	$381	7%	$77.87	3%	$5.2	0%	15.0	2%
Grapes	$273	22%	$59.46	21%	$5.0	12%	11.9	8%
Melons	$181	22%	$45.62	14%	$5.3	1%	8.7	13%
Mandarins	$155	13%	$40.44	10%	$5.0	-5%	8.1	16%

Source: Circana Integrated Fresh Panel, Total US – All Outlets, WIC Eligible defined as Low Income, HHS with Children under age 5, 52 weeks ending 3/24/2024

What is Declining Among WIC-Eligible HHs

Decline in sales for Cauliflower and Brussel Sprouts

Produce Categories	Dollar Sales (M)	Dollars % Chg	Dollars per Buyer	$ per Buyer Chg	Dollars per Trip	$ per Trip Change	Product Trips	Trips Change
Cabbage	$19	29%	$9.05	12%	$2.5	7%	3.6	4%
Cauliflower	$16	-14%	$11.31	-6%	$3.4	-8%	3.3	2%
Celery	$42	8%	$12.15	1%	$2.3	-2%	5.3	3%
Asparagus	$16	26%	$12.71	21%	$5.0	17%	2.5	3%
Brussel Sprouts	$15	-4%	$12.82	-19%	$4.3	-6%	3.0	-13%

Source: Circana Integrated Fresh Panel, Total US – All Outlets, WIC Eligible defined as Low Income, HHS with Children under age 5, 52 weeks ending 3/24/2024

Further: Younger Generations are limitedly engaged in today's Traditional Grocery produce department which skews heavily towards consumers nearing 60 yo+

Generations	Convenience	Grocery	Club	Mass/ Supercenter	Internet
Younger Millennials (Born 1990 – 1996)	152	78	64	90	125
Older Millennials (Born 1981 – 1989)	77	94	113	148	110
Gen Xers (Born 1965 – 1980)	80	97	115	116	97
Younger Boomers (Born 1956 – 1964)	100	110	103	68	100
Older Boomers (Born 1946 – 1955)	97	119	98	79	91
Retirees & Seniors (Born Before 1946)	143	114	75	60	63

Lowest Index Highest Index

Channel preference by generation →

Source: Circana OmniConsumer™ Scan Panel, All Outlets, 52 weeks ending 3/24/24, NBD aligned

What are Gen Z buying in Produce?

Top growing Dollar % Change

Source: Circana Integrated Fresh Panel, Total US – All Outlets, 52 weeks ending 3/24/2024

It’s Possible

Let’s Go Sell Produce Differently – and Take Advantage of The Tremendous Opportunity We Have to Grow Retail Produce Sales!

Circana.

Kick start 2024 with Liquid Data Go™

The industry-leading source of trusted insights!

- Circana and International Fresh Produce Associations, insights and an expert perspective
- Easy to use, and quick to implement
- Flexible solutions for every stage of growth

Questions?

Email us:
freshproduce@circana.com