



Assortment in Time of Inflation and Recession



Chicago, IL

August 18, 2022

Methodology

- Economic numbers sourced through a myriad of resources as stated on the slides
- Retail statistics sourced from NielsenIQ's "US Shopping Insights" presentation delivered in July of 2022
- Produce, fruit, and apple data provided by NielsenIQ
 - Dates are August 29th, 2021 through July 30th, 2022
 - Volume = Equivalent pounds as provided by NielsenIQ
 - pp = percentage points
 - YoY = Year over Year

State of Economy



GDP Declines for 2nd Quarter; Prices are up; Unemployment is down

U.S. GDP
Q2 2022: -0.9%
Q1 2022: -1.6%



Unemployment
3.6%
-2.3pp YoY



Consumer Price Index - Food
+10.4%



U.S. National Home Price Index
+18% YoY



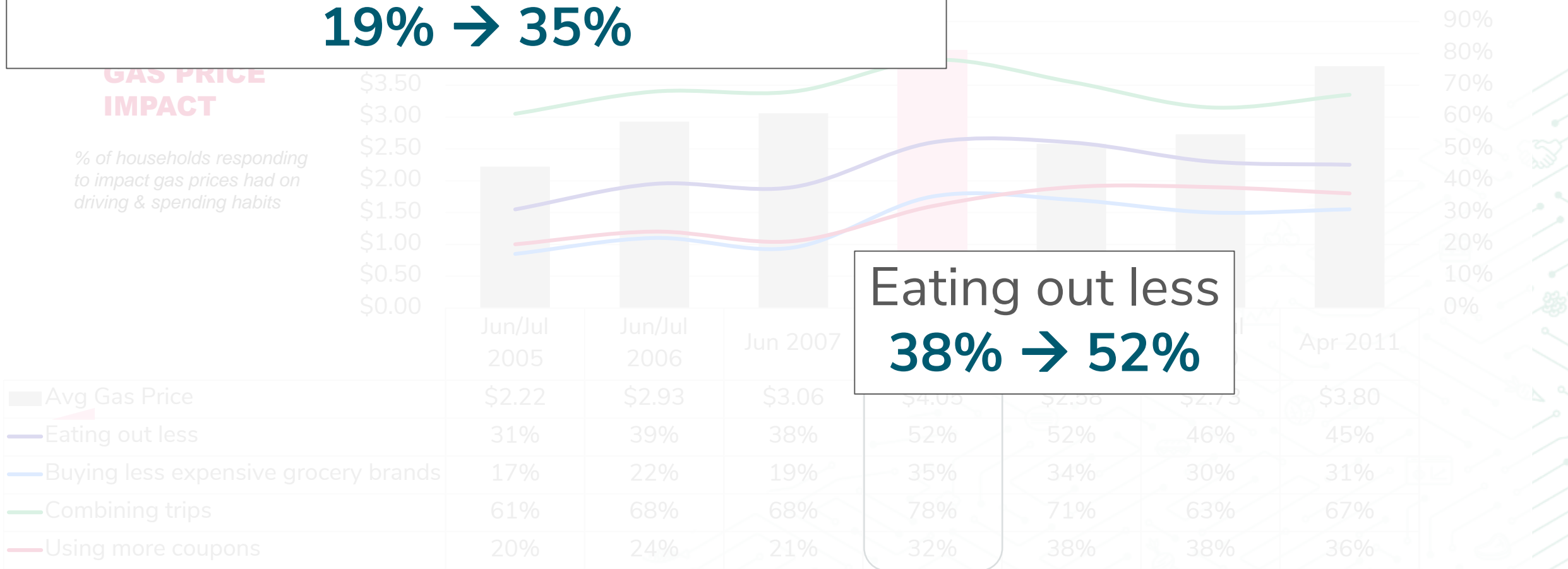
U.S. Gasoline Prices
\$4.56
+45% YoY



Consumer reactions the last time...

When gas prices last went over \$4.00/gallon the number of consumers curbing their spending at

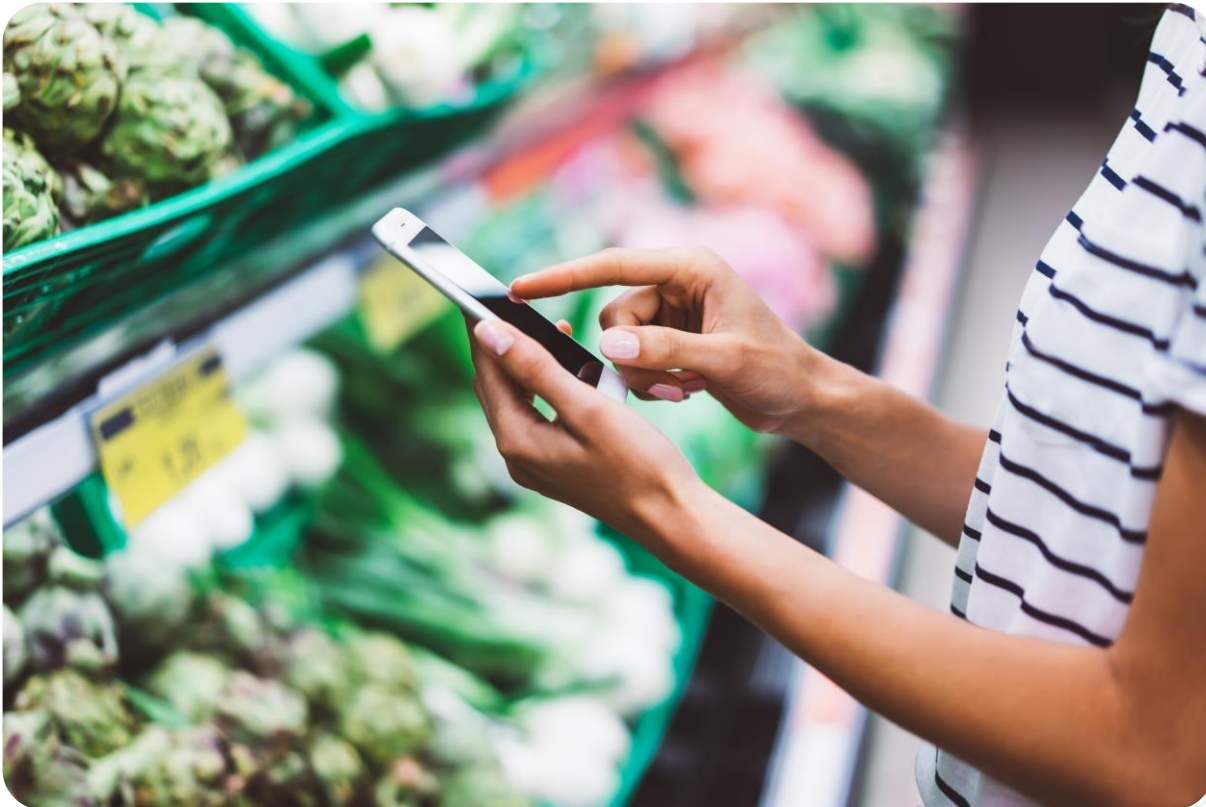
Buying less expensive grocery brands
19% → 35%



Eating out less
38% → 52%

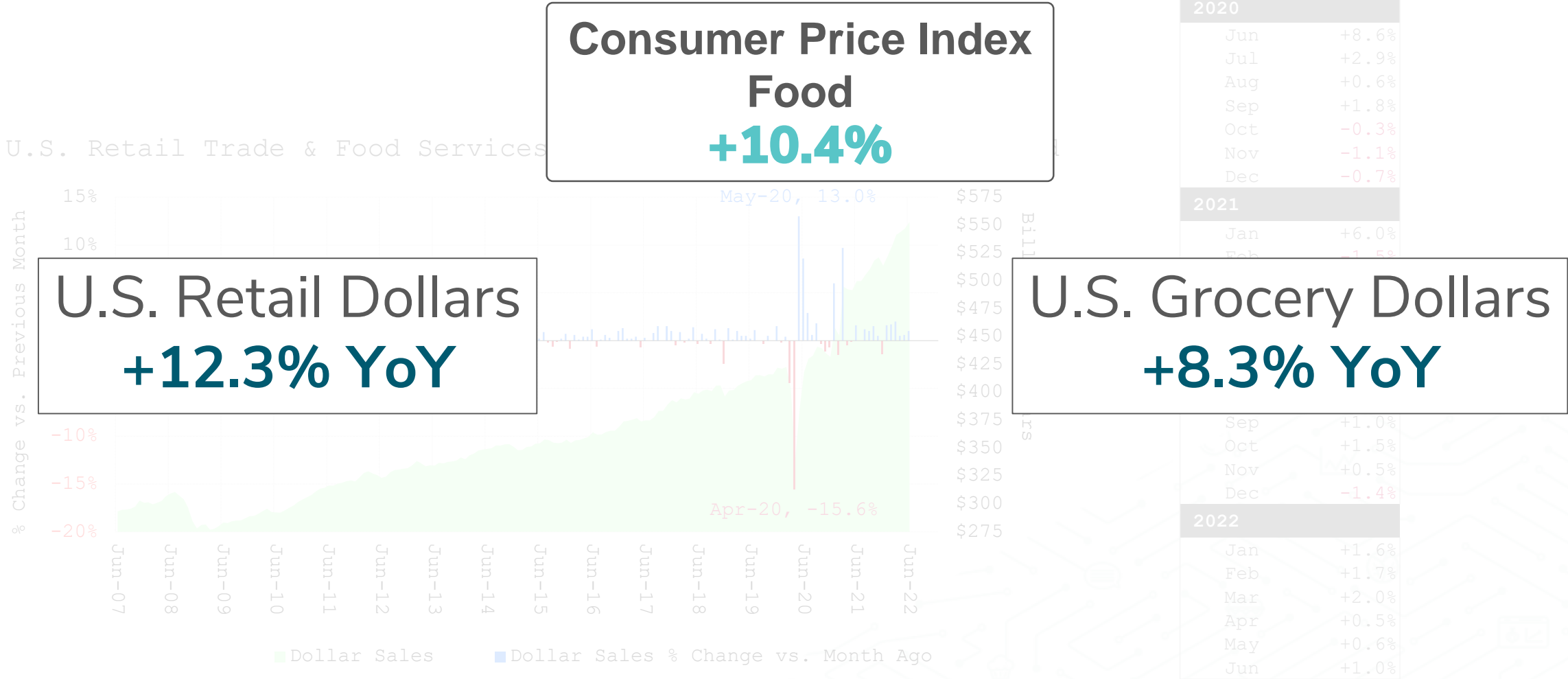
The comparison shopper

When buying fresh produce, how often do you compare prices and/or brands/types before making a purchase?



- ➔ **68%** usually or always comparison shop for their produce
- ➔ Another **20%** sometimes comparison shop
- ➔ **2%** don't buy fresh produce

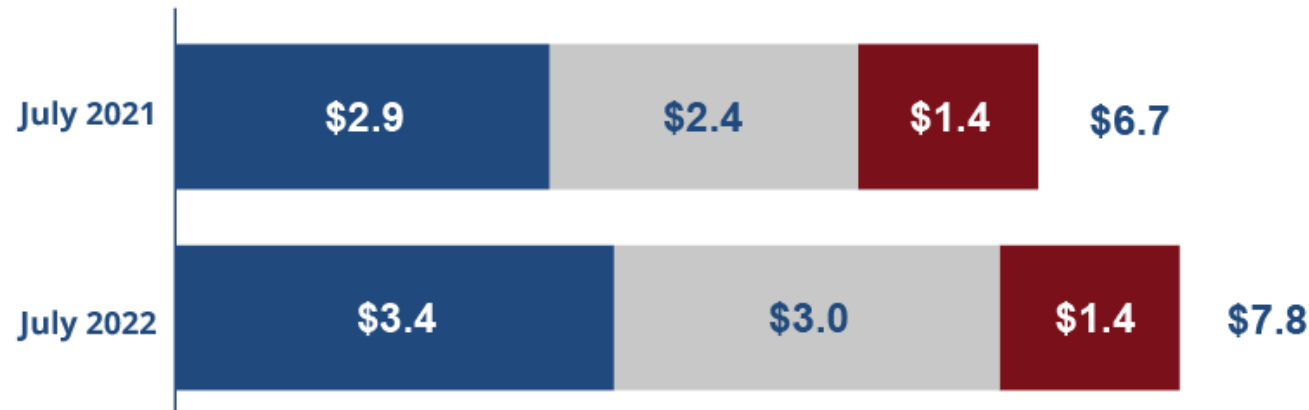
U.S. Retail dollar sales outpace inflation



E-Commerce will continue to grow... modestly

Total U.S. Online Grocery Sales: July YOY

Total spending past 30-day periods - Billions, USD



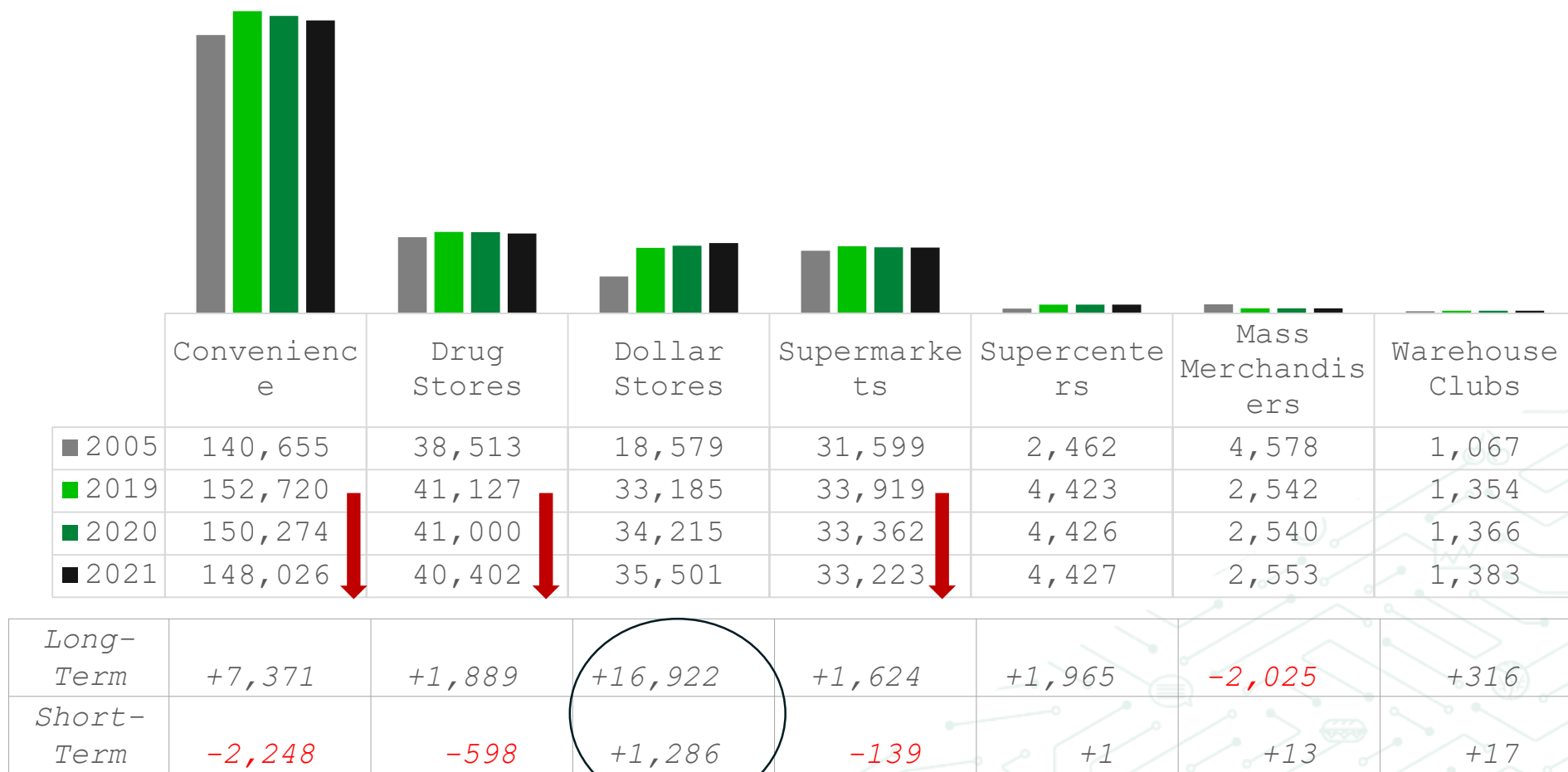
- Pickup** includes in-store, curbside, lockers, and drive up
- Delivery** includes first- and third-party providers
- Ship-to-Home** includes common and other parcel carriers

* Total may not be equal due to rounding.

Sources: Brick Meets Click/Mercatus Grocery Shopping Survey,
July 2021 and 2022.

“68 million households went online to buy groceries, a 3% gain versus last year”

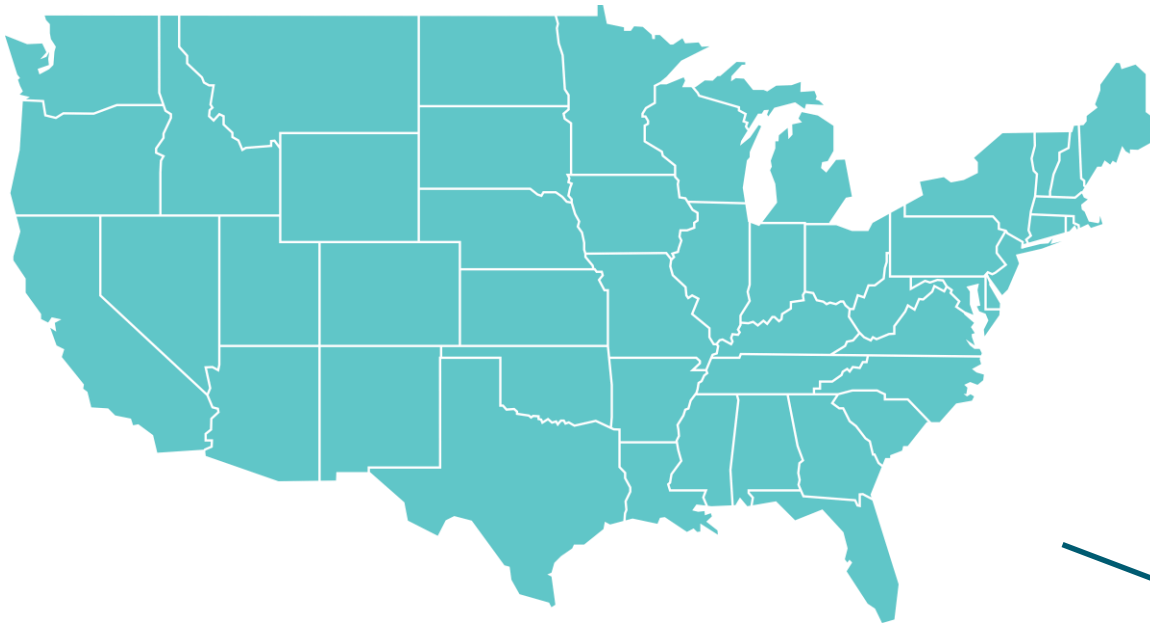
Dollar Stores only channel to show considerable short-term gains in store openings



State of Produce, Fruit & Apples

Performance at Retail

Total U.S.



Dollars YoY

- Produce Dept: +6.9%
- Fresh Fruit: +10.0%
- Apple Category: +8.3%



Volume (lbs) YoY

- Produce Dept: -1.4%
- Fresh Fruit: -0.7%
- Apple Category: -1.0%



Price per Lb % Chg YoY

- Produce Dept: +8.4%
- Fresh Fruit: +10.7%
- Apple Category: +9.4%

Apples top dollar driver in fruit

	\$\$ % of Total	Dollars % Chg YoY	Vol % of Total	Volume % Chg YoY	Price/Pound	Price/Pound % Chg
→ APPLES	12%	+8.3%	10%	-1.0%	\$1.92	+9.4%
→ STRAWBERRIES	10%	+13.4%	5%	+10.3%	\$3.13	+2.8%
→ GRAPES	10%	+11.0%	7%	+2.9%	\$2.29	+7.9%
BANANAS	9%	+4.2%	25%	-0.4%	\$0.60	+4.6%
AVOCADOS	8%	+14.8%	5%	-15.6%	\$2.90	+36.0%
BLUEBERRIES	6%	+5.6%	2%	-1.7%	\$5.29	+7.4%
→ WATERMELONS	6%	+15.8%	16%	+4.2%	\$0.60	+11.1%
MANDARINS	5%	-4.2%	5%	-16.9%	\$1.69	+15.3%
ORANGES	4%	+12.1%	4%	-1.6%	\$1.58	+13.9%
→ RASPBERRIES	3%	+11.3%	1%	+2.4%	\$8.29	+8.7%

Category Roll up – “Classes”

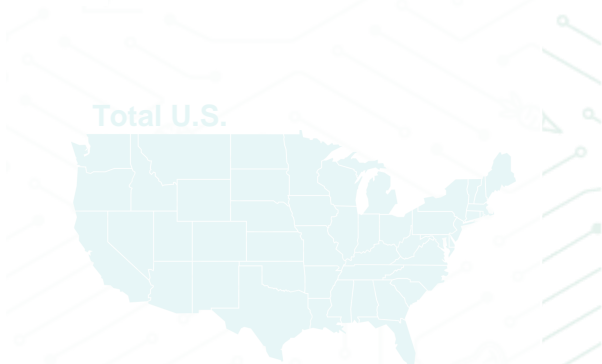
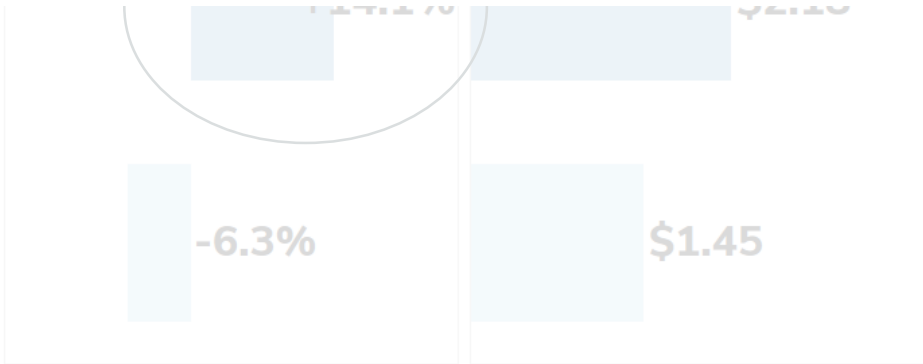
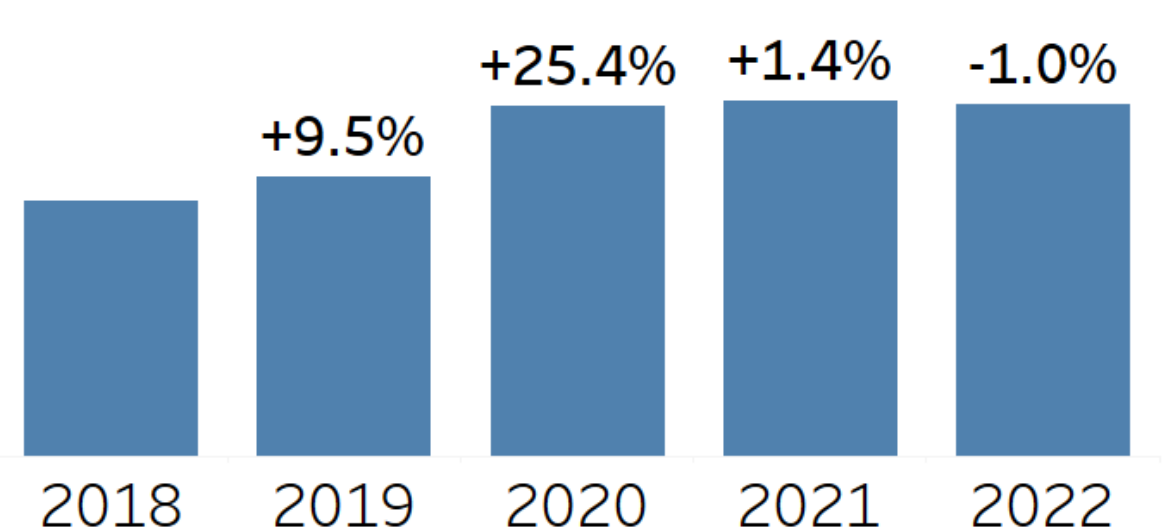
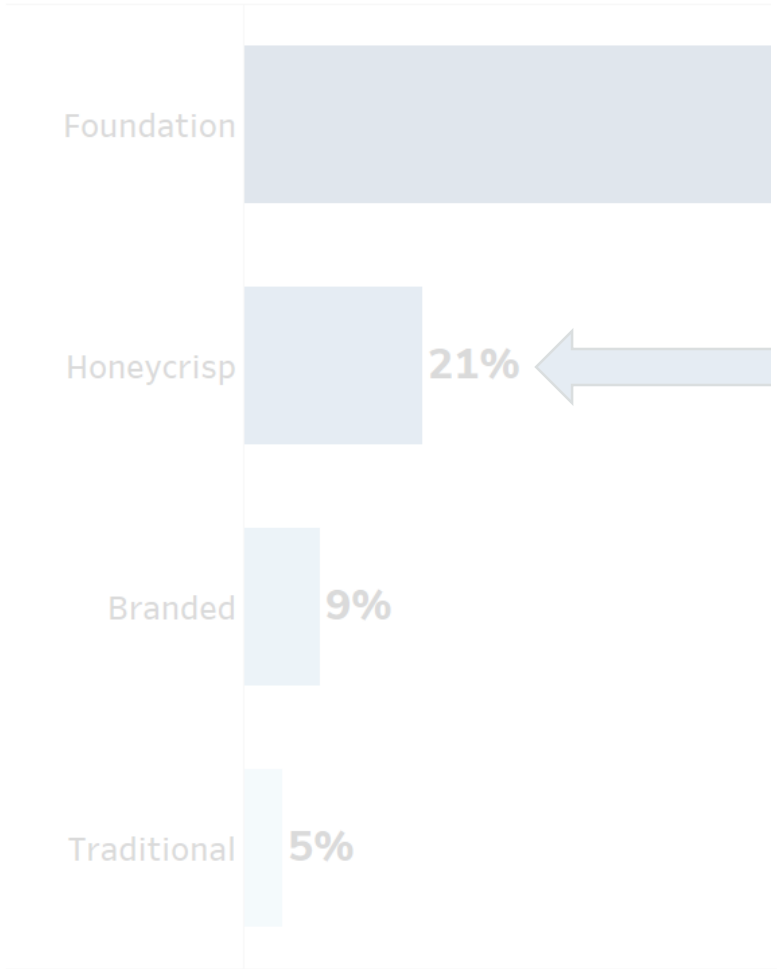


- Foundation—Gala, Reds, Goldens, Granny, Fuji, Pinks
- Traditional—Primarily regional apples with long customer loyalty
- Branded—20+ niche, branded varieties
- Honeycrisp
- Omitted remaining (less than 1%)

Branded Class – single class to post gains in volume

Classes Volume Share of C

Honeycrisp Volume (Season to Date)

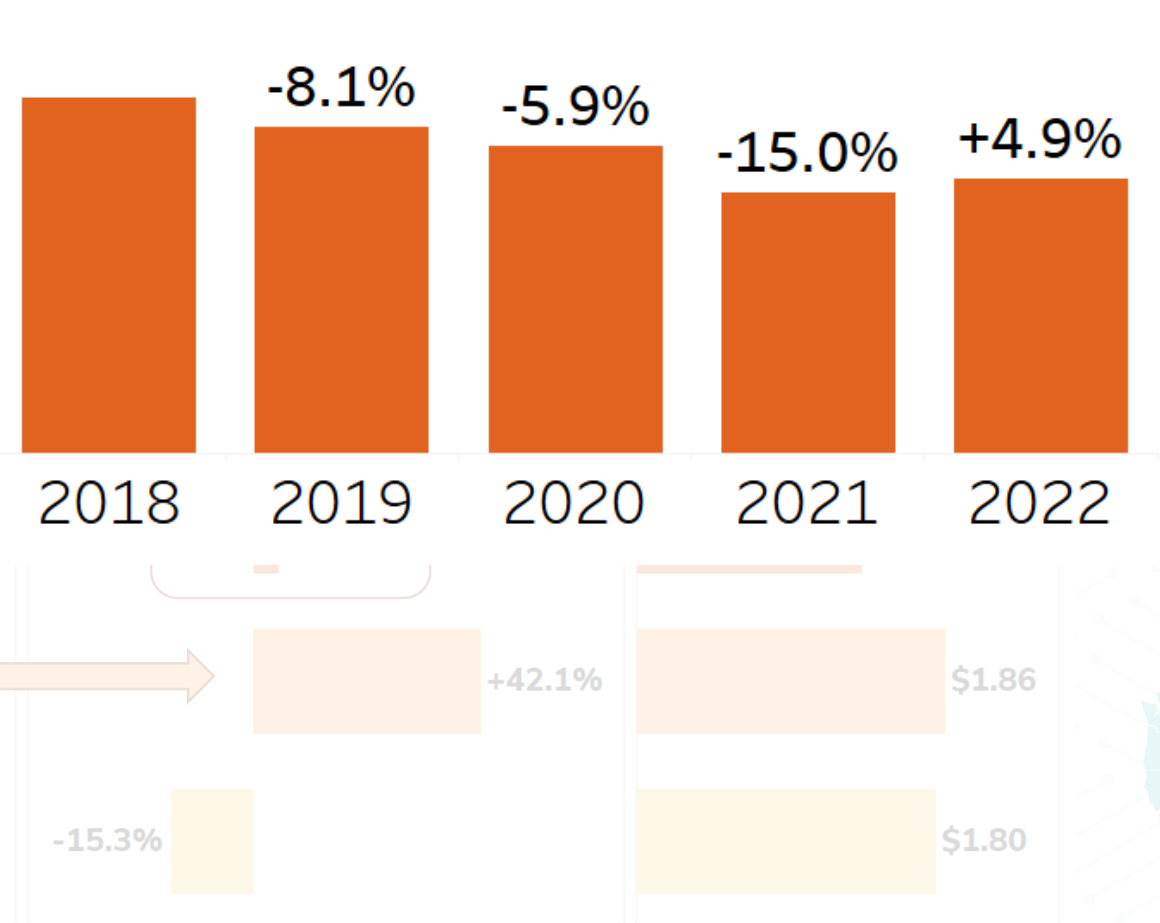
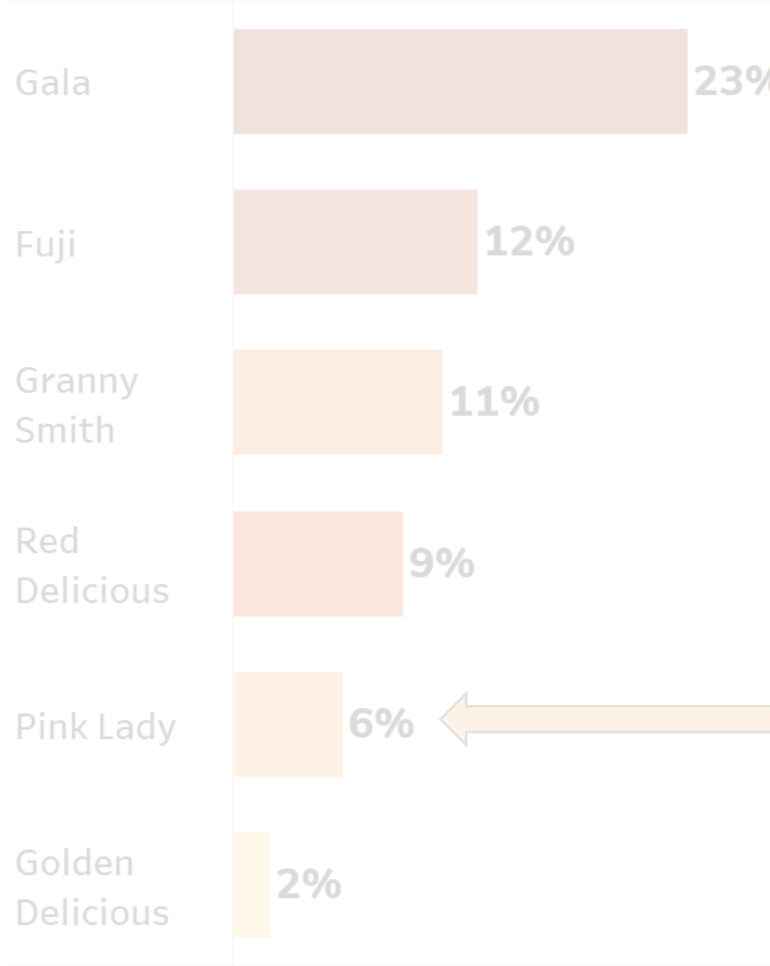


Red Delicious makes a rebound

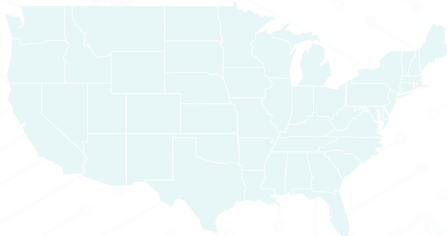
Foundation
Varieties

Volume Share of Category

Red Del Volume (Season to Date)

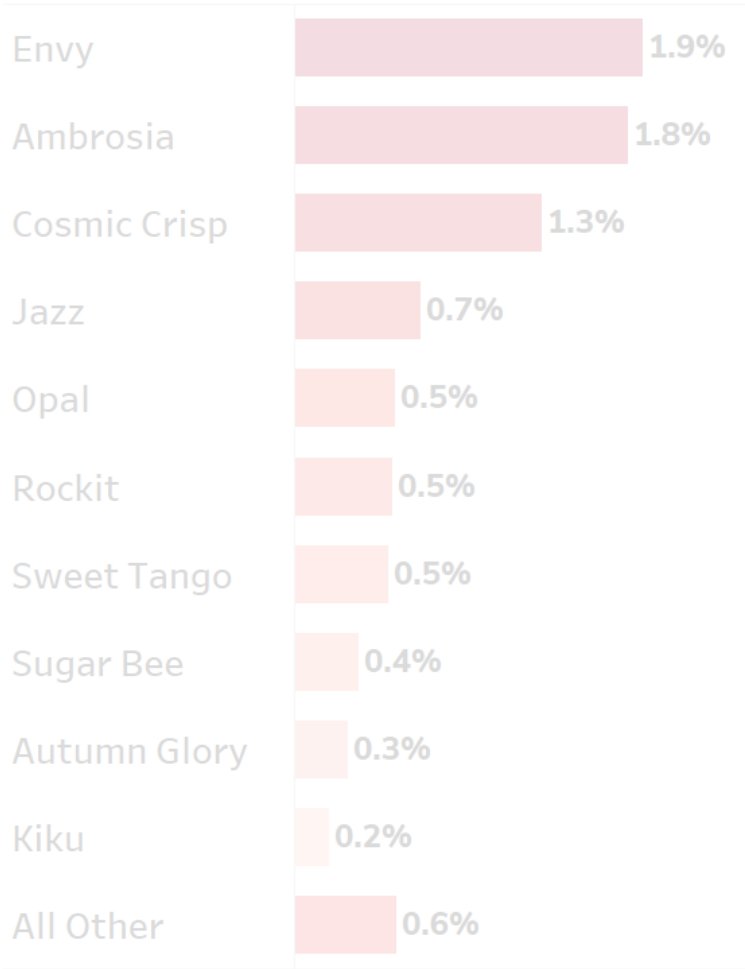


Total U.S.

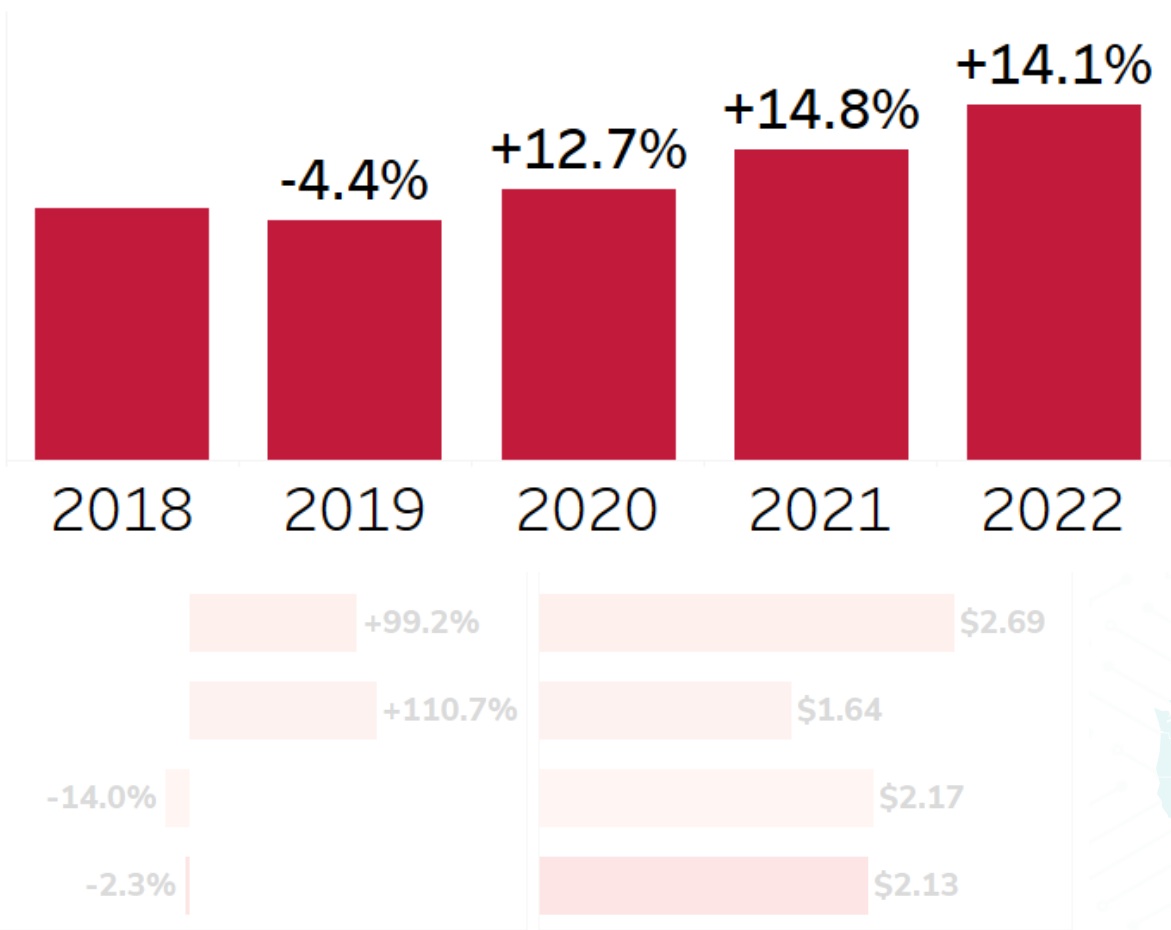


Cosmic Crisp posts 3rd largest share of volume

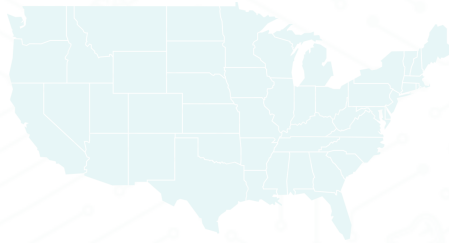
Branded Varieties Volume Share of Category



Branded Varieties (Season to Date)

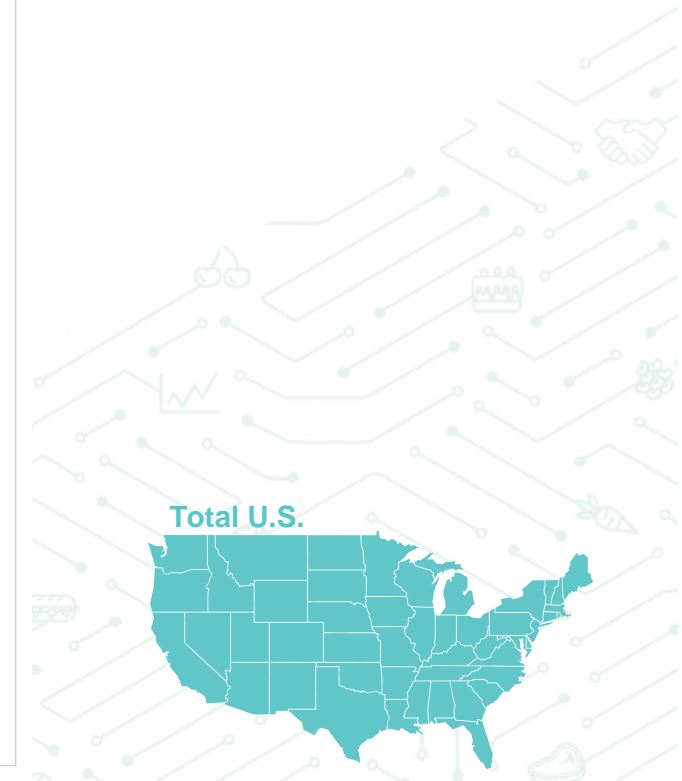
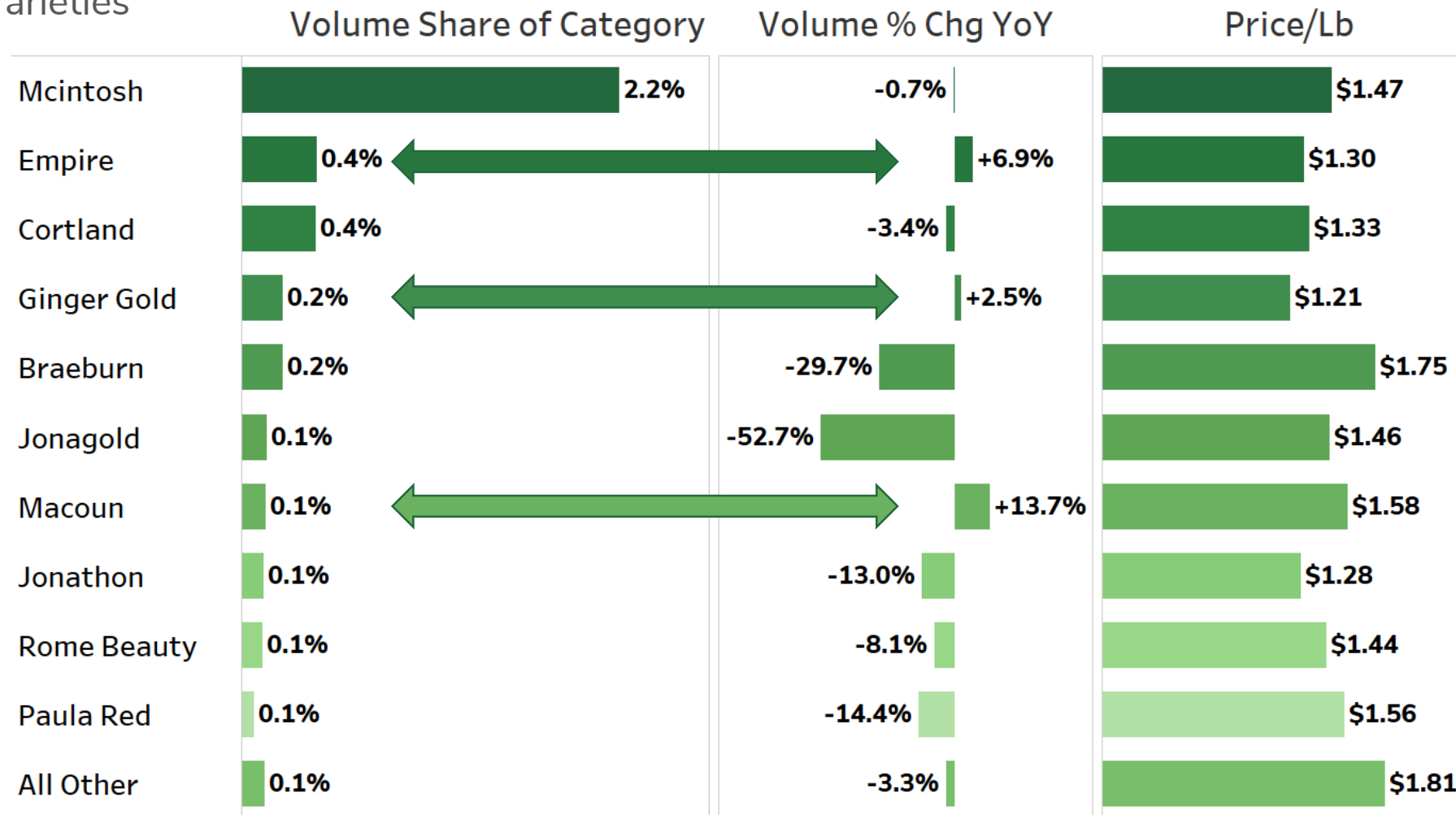


Total U.S.



3 varieties in Traditional posted volume gains

Traditional Varieties

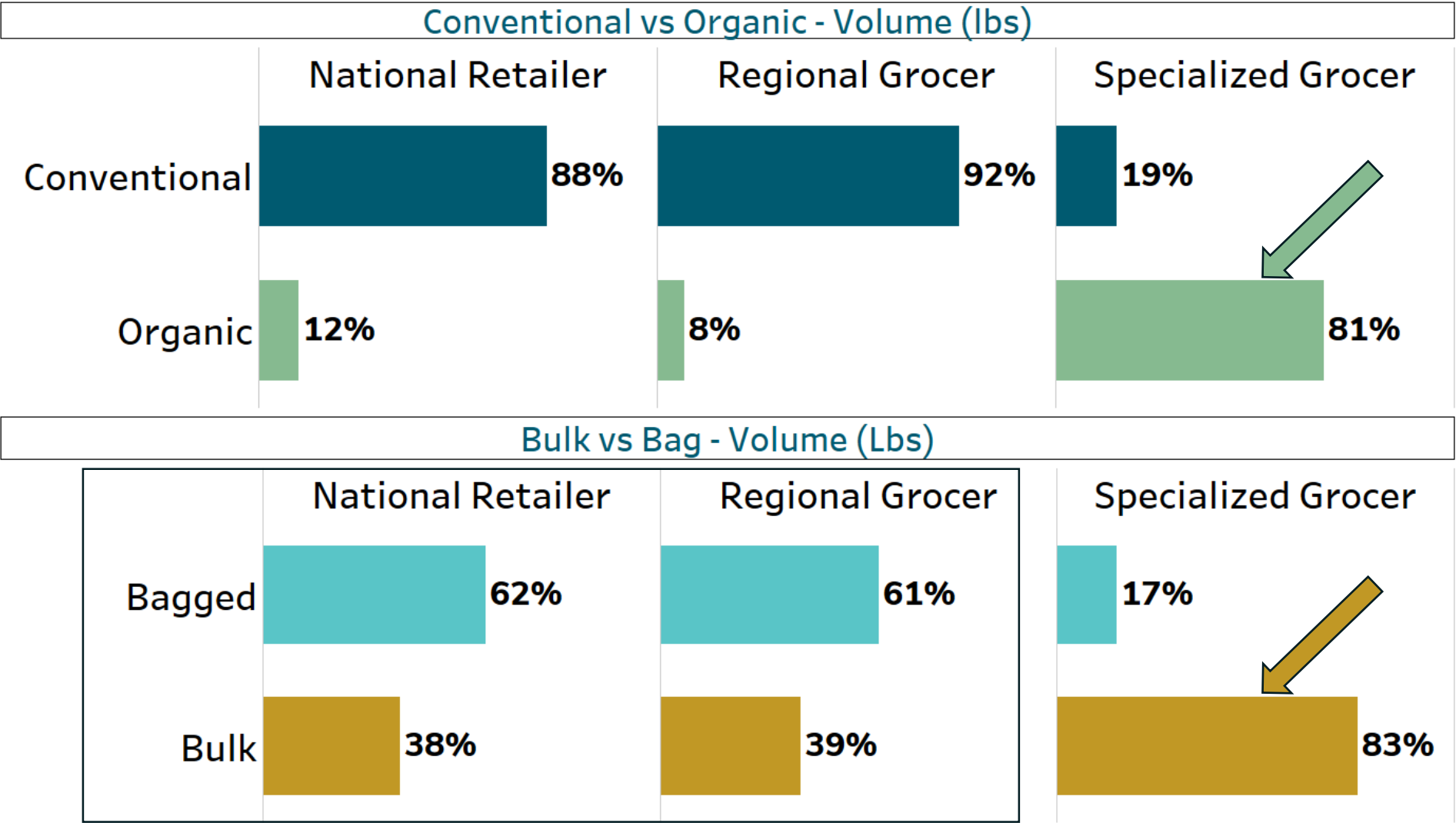


Retail Comparison

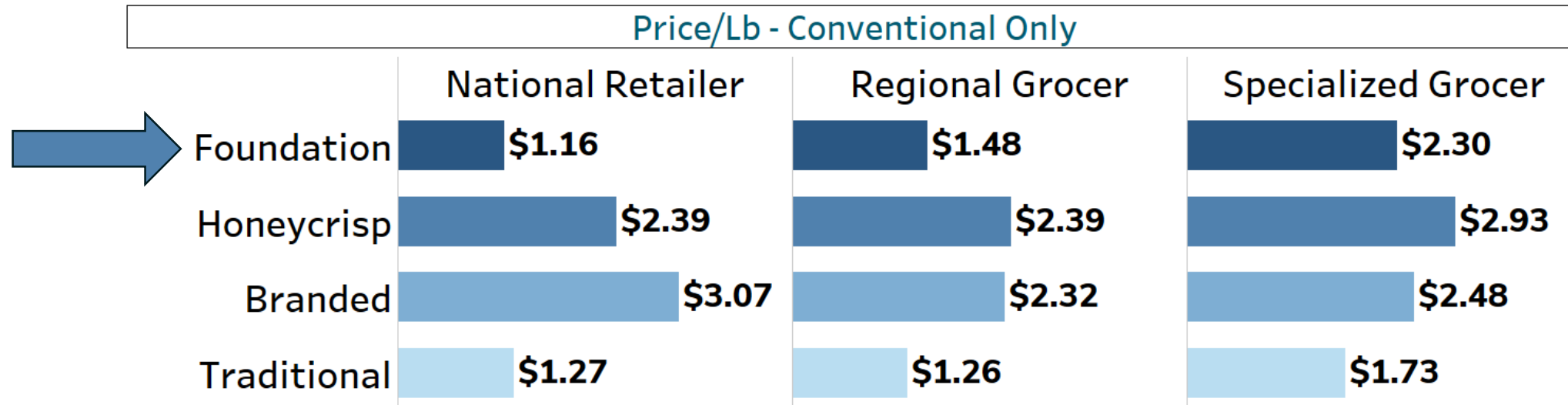
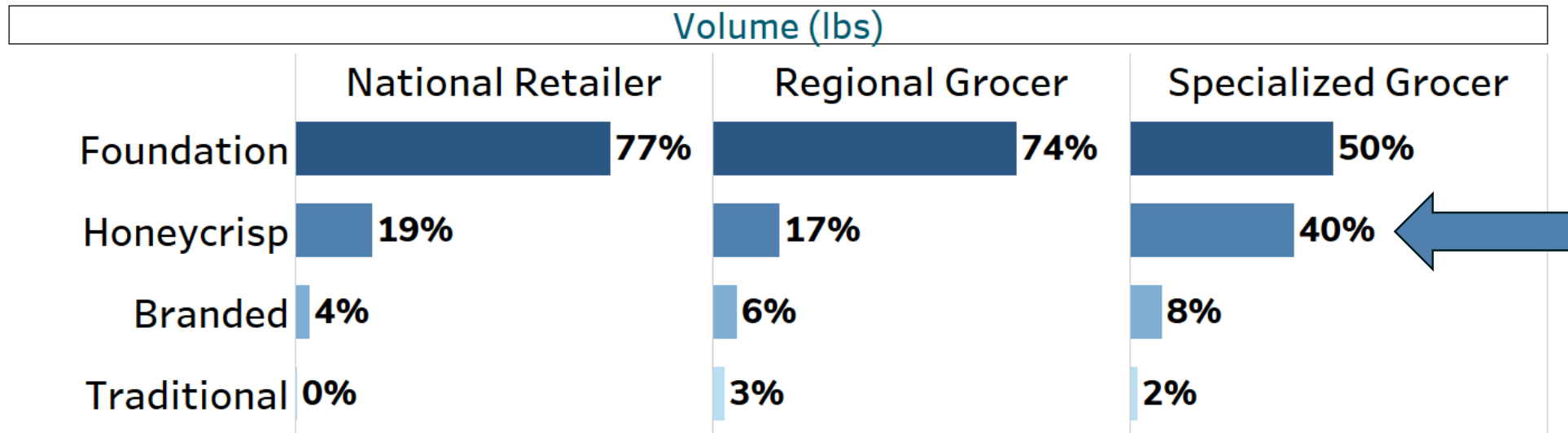
National Retailer priced the lowest more due to assortment than actual sales price

	Dollars % Chg YoY	Volume % Chg YoY	Price/Pound	Price/Pound % Chg
National Retailer	+29.7%	+19.7%	\$1.63	+8.4%
Regional Grocer	+20.6%	+8.5%	\$1.81	+11.1%
Specialized Grocer	-0.5%	-6.9%	\$2.88	+6.9%

Specialized Grocer heavy in organics and in bulk

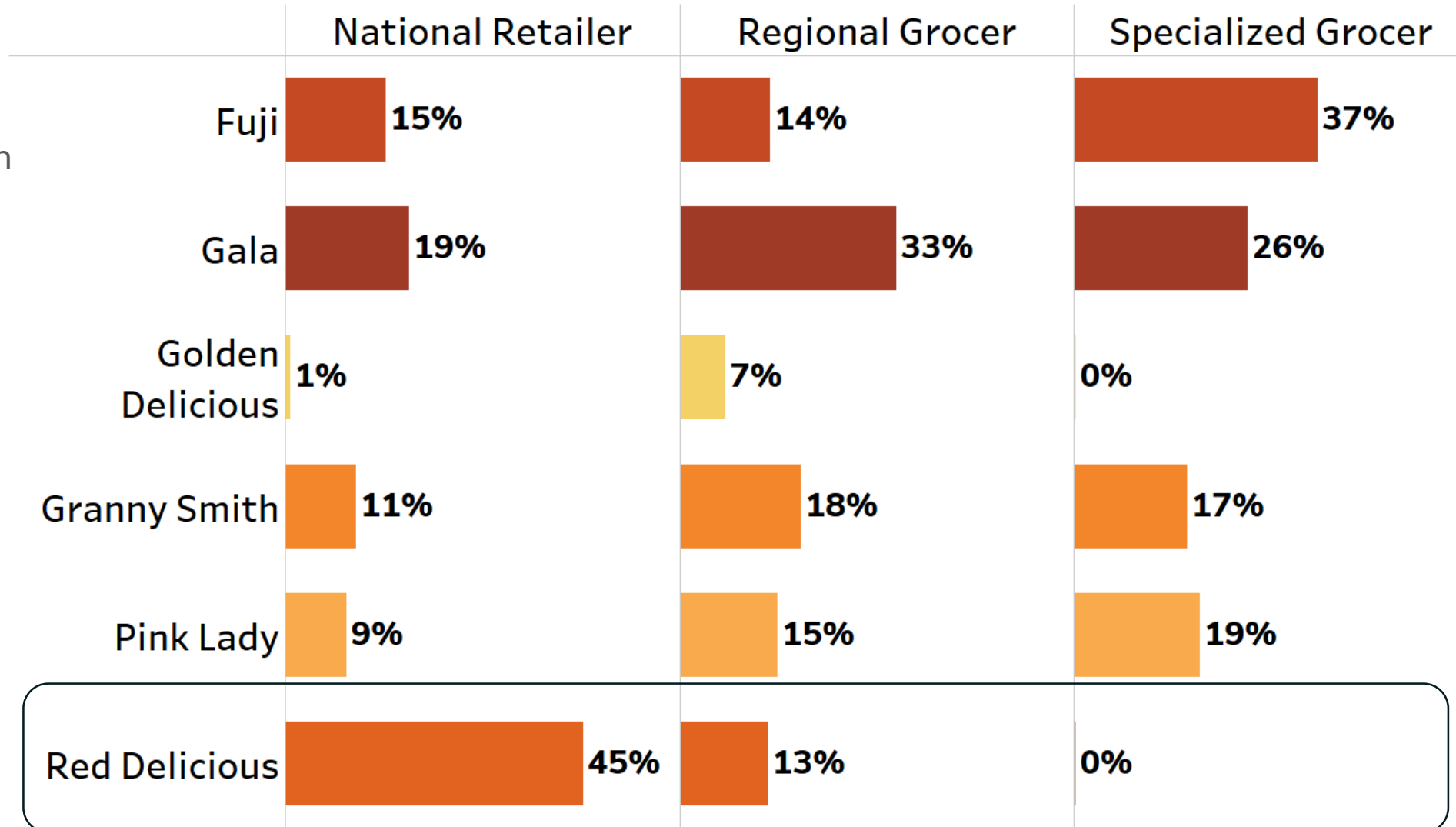


Specialized Grocer heavy in Honeycrisp



National retailer shifted to Reds to combat inflation

% of Total
Foundation
Volume

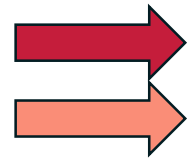


Foundation varieties all are below \$2.00/lb

Foundation Varieties	National Retailer	Regional Grocer	Specialized Grocer
Conventional Only	Fuji \$1.36	\$1.61	\$1.90
	Gala \$1.41	\$1.39	\$1.81
	Golden Delicious \$2.61	\$1.44	\$1.74
	Granny Smith \$1.71	\$1.56	\$1.87
	Pink Lady \$1.72	\$1.59	\$3.09
Red Delicious	\$0.77	\$1.37	\$1.77

No two retailers are alike when it comes to branded apples

% of Total
Branded
Volume



	National Retailer	Regional Grocer	Specialized Grocer
Ambrosia	21%	18%	0%
Autumn Glory		2%	2%
Cosmic Crisp	5%	3%	17%
Envy	19%	2%	18%
Jazz	22%	0%	0%
Kanzi	9%		0%
Kiku	2%	1%	2%
Lady Alice		0%	32%
Opal	0%	25%	21%
Sugar Bee	11%		
Sweet Tango	12%	48%	8%
All Other	0%	0%	0%

Pricing on Branded varieties vary considerably

Branded Varieties	National Retailer	Regional Grocer	Specialized Grocer
Ambrosia	\$1.98	\$2.16	\$2.45
Autumn Glory		\$1.81	
Cosmic Crisp	\$4.27	\$2.28	\$3.06
Envy	\$3.11	\$1.85	\$2.49
Jazz	\$3.81	\$1.87	\$2.72
Kanzi			\$2.00
Kiku	\$3.29	\$1.90	\$1.99
Lady Alice		\$2.50	\$1.94
Opal	\$2.64	\$2.21	
Sugar Bee	\$2.46		
Sweet Tango	\$2.15	\$2.51	\$2.61
All Other	\$2.79	\$2.72	\$2.11

Conventional
Only

Implications



- Shorter crop in Washington will most likely keep prices high
- Emergence of new, alternative channels
- Potential for a continued shift to less expensive snacking fruit
- Cosmic Crisp increases in supply will continue to disrupt

Implications

- Price is very important to the consumer
- E-Commerce along with digital in-store shopping will continue to push change in the assortment at retail
- Branded “share”/varietal battles will intensify...fueled by Cosmic Crisp – but we can’t forget about Foundation varieties!
- Be careful of “greedflation”



Why be optimistic?

- The largest dollar category in fruit
- No real substitute for apple dollars
- Varietal innovation creates consumer/retailer interest
- Quality/eating experience better than ever
- No two retailers are alike, know your category dynamics



Thank you!



Tom Barnes

tom@categorypartners.com

208.656.3169