The Changing Marketplace for California Crops: Focus on Fresh Fruits and Vegetables

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Overview of Presentation

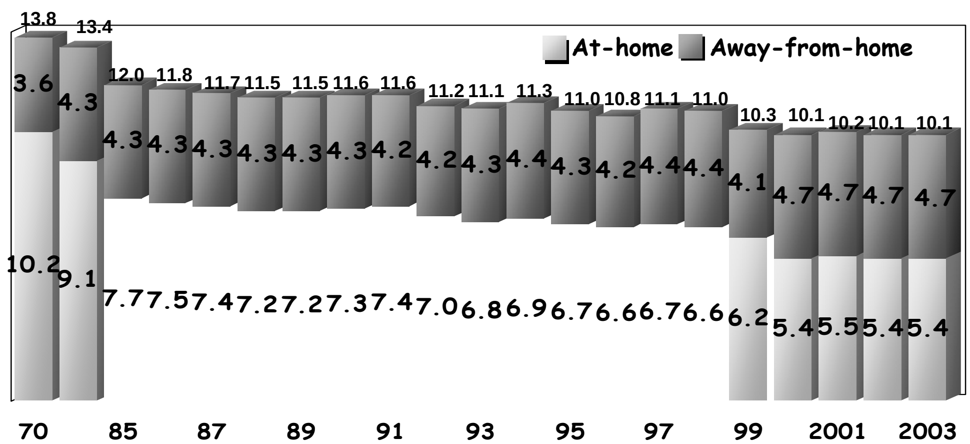
- US food industry size and structure
- Channel blurring and store format trends
- Bottom Line
- Examples of firm-level responses

TOTAL 2003 U.S. *FOOD** SYSTEM: $943.3 BILLION

- ***$498.3 billion food retailing (excluding non-food grocery store sales)***
  - **53% of total**
- ***$445 billion food service (including $17.8B foodservice sales made by food retailers)***
  - **47% of total**
  - **around 844,000 outlets**

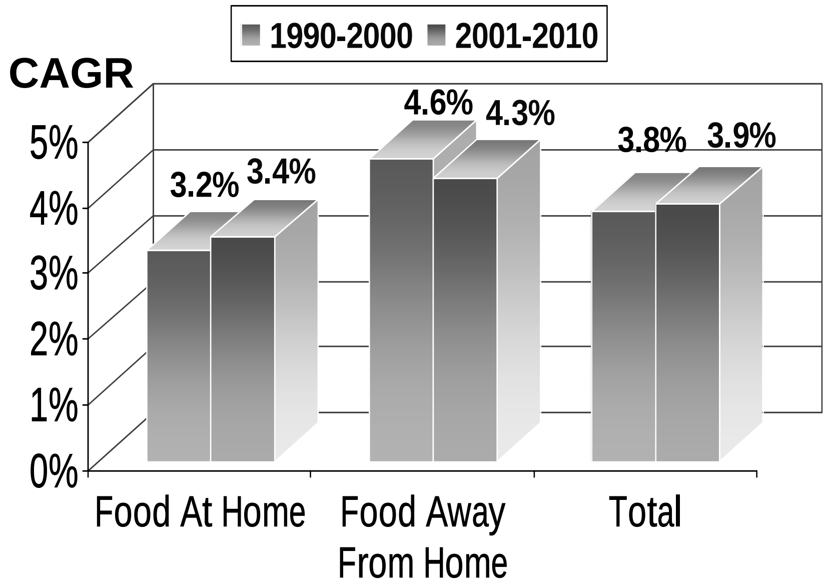
***Excludes alcoholic beverages and other grocery**
Sources: ERS/USDA and The Food Institute

U.S. FOOD EXPENDITURES *as a* SHARE *of* DISPOSABLE PERSONAL INCOME, 1970-2003



Source: ERS/USDA

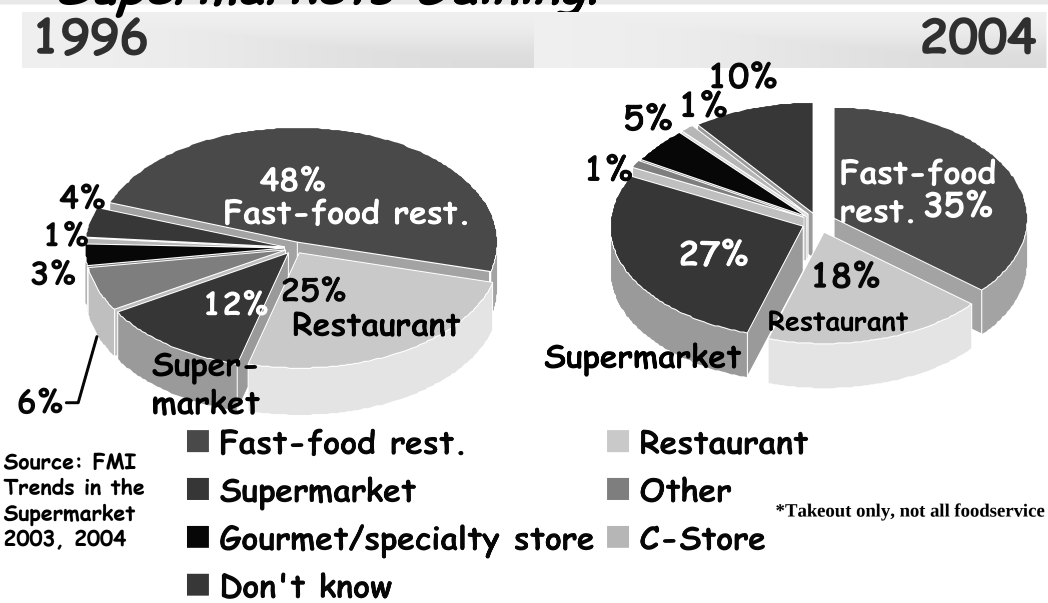
Trends in US Food Expenditures



FOODSERVICE OPPORTUNITIES FOR FRESH PRODUCE

- **Consumers are trading up, contributing to higher sales in full service restaurants and fast casual (like Baja Fresh, Chipotle, Panera)**
- **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.**

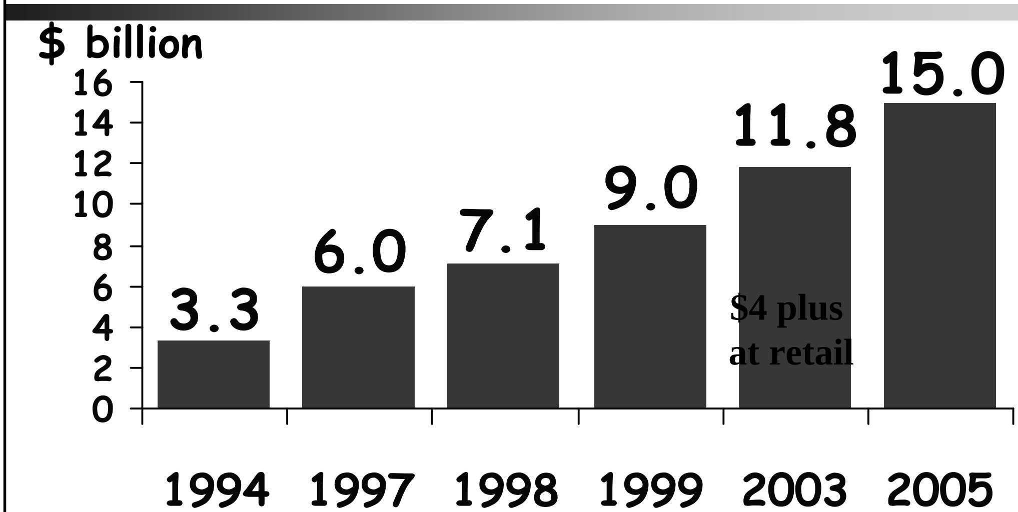
Sources of *Takeout** Food in the US, *Supermarkets Gaining!*



Source: FMI Trends in the Supermarket 2003, 2004

*Takeout only, not all foodservice

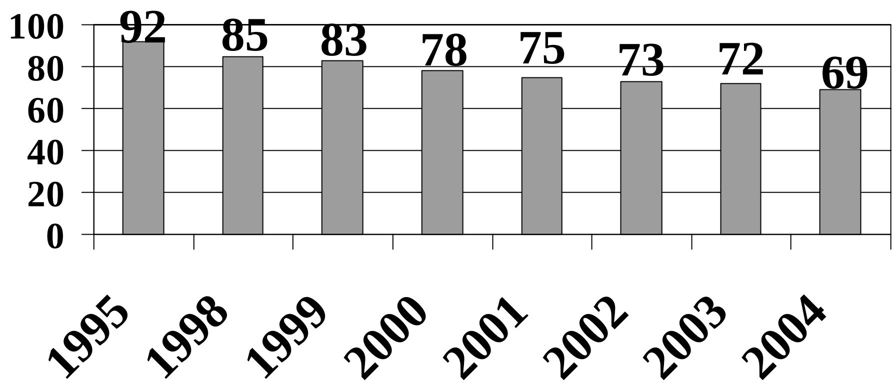
US Estimated Fresh-cut Produce Sales, All Marketing Channels, $ Billion



Over 60% estimated to be sold via foodservice channels

Sources: IFPA and IRI

Supermarket Trips Per US Household Per Year



Source: ACNielsen

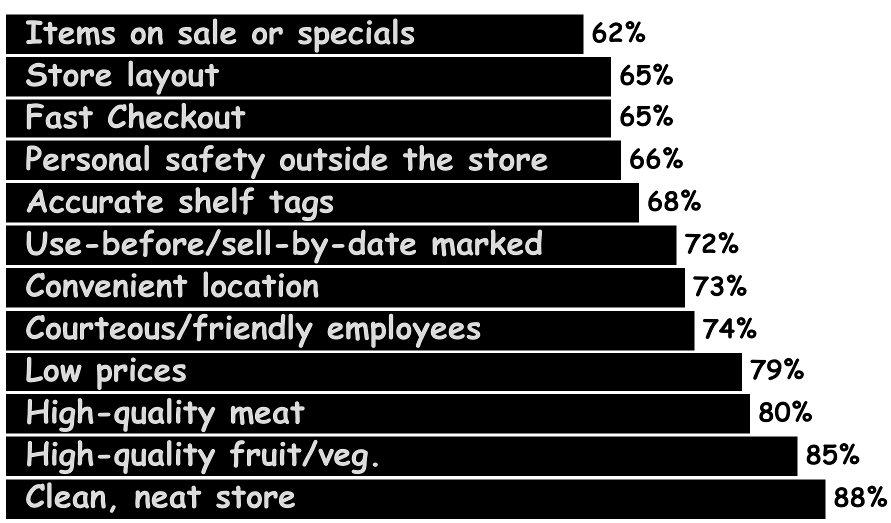
Quality of Shopping Experience by Channel, TRI*M Index (Differences of 3 or more are signficant)

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 signficant)

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

Top Factors in US Consumer Selection of Primary Supermarkets, 2004



Source: FMI Trends 2004

US Store Format Growth Trends and 2003 Sales*

	2003 Sales $Million	2003 # Stores	2003 $ % Share	2008 $ % Share
Traditional	$422,791	41,530	56.3	48.3
Nontraditional	$235,100	40,721	31.3	39.7
Total C-Stores	$93,518	129,000	12.4	12.0
GRAND TOTAL	$754,408	213,981	100.0	100.0

•Grocery sales only, excludes electronics, prescription drugs, toys, jewelry, sporting goods, gas, clothing, footwear, knickknacks, and hardlines
Source: Competitive Edge, June 2004

US Store Format Growth Trends and 2003 Sales*
Nontraditional Grocery Channel

	2003 Sales $Million	2003 # Stores	2003 $ % Share	2008 $ % Share
Total Nontraditional	$235,100	40,721	31.3	39.7
Wholesale Club	$51,953	1,030	6.9	8.7
Supercenter	$85,155	1,840	11.3	17.0
Dollar Store	$10,686	15,000	1.4	2.9
Drug	$33,189	18,500	4.4	5.2
Mass Merchandise	$49,873	4,170	6.6	5.3
Military	$4,243	181	0.6	0.6

* Grocery sales only, excludes electronics, prescription drugs, toys, jewelry, sporting goods, etc.
Source: Competitive Edge, June 2004