

WISS Food Industry Group News

QUARTERLY UPDATE- 1ST QUARTER

MAY 2009

Inside This Issue

- 1 Food Industry Trends
- 3 Specific Retail News
- 4 Other News
- 5 Results of Competitors

Food Industry Trends

1. Nearly half of American consumers (48 percent) say they are spending savings from lower prices at the gas pump at the grocery store, according to a national survey by the retail analytics firm Precima. Groceries topped the list, ahead of putting money into savings and paying off credit cards.
http://www.gourmetretailer.com/gourmetretailer/content_display/news/e3i7fcfe6ddd3b5d6c2f72f735ebfc5400c
2. By 2011, food and cosmetics labels must disclose whether the products use color additives made from insects. The rule is a response to reports of allergic reactions, some life-threatening, to products containing the ingredients, according to the Food and Drug Administration.
<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a7136C4p8u7Y>
3. More than 60% of shoppers do not make any impulse buys at grocery stores, found a study by Knowledge@Wharton. Self-described "efficient" shoppers make 82% fewer unplanned purchases than the overall average.
http://www.adweek.com/aw/content_display/news/agency/e3i7463e6c2968d742b4f93ada0328228ba
4. Signs suggest that packaged-goods companies are creating fewer new products and concepts as the economy falters, but the trend is not expected to last. "Initially, companies start pulling back to preserve money," said one observer, who added that "one of the most effective ways of countering a recession is offering new products
http://adage.com/article?article_id=133687
5. A new study will research the energy use of glass-door vertical display cases and open vertical display cases. Grocers spend 50% of their energy costs on refrigeration costs, and this study aims to promote sustainability and energy-efficient practices.
<http://www.bdcnetwork.com/article/CA6630497.html>
6. Makers of household goods and food are paying more attention to the "paycheck cycle" as cash-strapped consumers are showing a tendency to make their largest purchases when their salaries first come in and to cut back as that money runs out. Promotions for PepsiCo's Frito-Lay are different at the start of the month, when consumers have more cash, and Kimberly-Clark, which sees sales spike early in the month, stocks inventory accordingly.
http://online.wsj.com/article/SB123535246479645145.html?mod=dist_smartbrief



"By 2011, food and cosmetics labels must disclose whether the products use color additives made from insects."



"Baby food saw the biggest sales growth in the specialty-food market between 2006 and 2008"



"Nearly 75% of retailers are increasing the number of promotions in their stores,"

Food Industry Trends (cont.)

7. Supercenters are capturing more dollars as shoppers seek deals in everything from dry groceries to frozen goods, The Nielsen Co. reports. Supercenters posted overall sales growth of 1% last year, outpacing drug, club and grocery stores.
http://www.csnews.com/csn/news/article_display.jsp?vnu_content_id=1003937525
8. As shoppers eat out less amid the recession, they are buying more meat in supermarkets. Retail sales of beef, chicken and pork were all up in the fourth quarter of 2008; retail volume sales of beef were up more than 3 percent, while chicken and pork volume rose by 9 percent and 5 percent, respectively, according to the Fresh Look Marketing Group.
<http://www.reuters.com/article/FoodandAgriculture09/idUSTRE5217G220090319>
9. Baby food saw the biggest sales growth in the specialty-food market between 2006 and 2008, logging a 69% sales increase. A report says other high-growth categories include yogurt and kefir products, as well as refrigerated juices and functional beverages.
http://supermarketnews.com/news/specialty_baby_0402/
10. More shoppers are planning their purchases in advance and won't buy a substitute if the product they want is not available. According to data from Dr Pepper Snapple Group, 15% would go to another store, and 8% would postpone or cancel the purchase.
<http://www.cspnet.com/ME2/Audiences/dirmod.asp?sid=&nm=&type=Publishing&mod=Publications%3A%3AArticle&mid=8F3A7027421841978F18BE895F87F791&tier=4&id=DFD8FD29C173437A945298137B843073&AudID=4AD8BF14480842378CC24C182A48D9D7>
11. Nearly 75% of retailers are increasing the number of promotions in their stores, with most of the deals targeting basics such as dairy, cereal and soup, according to a study by BMO Capital Markets. According to Nielsen, 16.8% of sales have been discounted in the year ending Feb. 21.
http://online.wsj.com/article/BT-CO-20090320-708119.html?mod=dist_smartbrief
12. Nearly a quarter of supermarket operators think that economic recovery is years away, according to a survey by Supermarket News, while 84% think the recession will last at least until 2010. More than 40% think their profitability will take a significant hit.
http://supermarketnews.com/retail_financial/retailers-worry-recession-0209/

Specific Retail News

1. Whole Foods Market plans to hire 200 people to staff its Paramus, NJ supermarket, which opened in March 2009. Representatives from the Austin, Texas company said 70 percent of the jobs will be full-time, with pay for entry-level positions starting at \$10 an hour.
http://www.northjersey.com/business/Whole_Foods_hiring_200_for_Paramus_store.html
2. More than 3,000 products at Stop & Shop and Giant Food will be identified with bright green-and-blue symbols to show they meet U.S. Department of Agriculture standards.
<http://www.smartbrief.com/news/fmi/storyDetails.jsp?issueid=74F5C921-F25C-4081-8F24-5890A0A705F1©id=1CDF8546-948D-4BD1-B81B-5BA6719CBFB4&sid=a03887f5-b823-4f96-9a6b-9dc53f0d18c5&brief=fmi>
3. Costco will begin selling the NutriSystem diet products and services in its stores. The weight-management program typically is sold through a direct-to-consumer model.
http://online.wsj.com/article/SB123130478535060237.html?mod=dist_smartbrief&mg=com-wsj
4. Fresh & Easy is using ultraviolet-light technology to sanitize plastic trays and packaging used to display products. The process prepares the materials for reuse and has helped the company reduce its carbon footprint, the company says.
http://www.progressivegrocer.com/progressivegrocer/content_display/features/supermarket-technology/e3ib7a02a35762c943409133bb69490aedb
5. Food Lion partnered with Upromise to help shoppers save for their children's college educations when they use their loyalty cards. The program also is available at Harris Teeter, Farm Fresh, Kroger and CVS.
<http://www.dailypress.com/topic/>
6. Wal-Mart announced it is reformulating hundreds of items in its Great Value private label and introducing a consistent design across the line. The world's largest retailer also will introduce nearly 100 products, including thin-crust pizza and caramel-swirl fat-free ice cream.
http://www.ft.com/cms/s/0/fd22e682-1293-11de-b816-0000779fd2ac.html?nclick_check=1
7. Costco will aggressively pursue real-estate deals despite the recession to take advantage of the soft leasing market. The company plans to open about 30 stores this year and also is adding more value items to its offerings.
<http://www.reuters.com/article/rbsFinancialServicesAndRealEstateNews/idUSN1948378620090319>
8. A new half-liter bottle for PepsiCo's Aquafina water is 20% lighter than its predecessor. The company hopes boosting the environmental profile of the brand by using less plastic will counter slowing water sales.
<http://online.wsj.com/article/SB123791618253927263.html>
9. A&P is introducing an organic and natural private-label line called Green Way. The line, which has had a soft launch since December, includes paper products, condiments and sauces, with more products to be added.
http://supermarketnews.com/news/green_way_0323/

NutriSystem®

"Costco will begin selling the NutriSystem diet products and services in its stores."



"A new half-liter bottle for PepsiCo's Aquafina water is 20% lighter than its predecessor."



"Toothpastes and manual toothbrushes from Colgate-Palmolive dominate the market"

10. Toothpastes and manual toothbrushes from Colgate-Palmolive dominate the market, and the company has been growing even during the economic downturn. On April 6, the company will debut Wisp, a disposable mini-toothbrush with a dissolving bead in the bristles that eliminates the need for toothpaste
http://www.businessweek.com/magazine/content/09_14/b4125048865641.htm

Other News

1. This year the Great Atlantic & Pacific Tea Co., Inc. is marking its 150th year in business, making it the oldest food-retailing company in the United States. A&P originally opened a store-warehouse on New York's Vessey Street as The Great American Tea Co. in 1859, taking its current name 10 years later.
http://www.progressivegrocer.com/progressivegrocer/content_display/features/nonfoods/e314790a46c9905faf3f7019a4013762bcd
2. According to Relevation Research, 74% of shoppers step through a checkout and pull their grocery cart after them to unload onto the conveyer. As a result, most of the merchandising and marketing at the checkout point may not be reaching the shopper, who has his or her back to it most of the time.
<http://adage.com/login.php>
3. Businesses looking to cut costs to cope with the economy need to exercise care not to negatively affect customer service. To do that, businesses should make changes based on customer feedback; reward employees for providing excellent customer service and give extra attention to the needs of best customers.
http://www.businessweek.com/smallbiz/tips/archives/2009/01/be_careful_when.html?campaign_id=rss_blog_todaystip
4. A new feature on the Price Chopper Web site allows consumers to browse the online circular for recipe ingredients that are on sale. The site also features recipes that promise to feed a family for less than \$5 per serving.
http://supermarketnews.com/news/price_chopper_0204/
5. A much-anticipated law is in effect requiring labels to list the places of origin for most fresh meats, some produce and other foods. Food-safety groups have long lobbied for the measure, which also is popular with ranchers competing with Canadian cattle producers. The new rules aim to make it easier for regular consumers to know whether their food was imported or not. But confusion over the policy is likely to linger as consumers and experts struggle to understand exactly what is covered under the regulations and what isn't.
<http://www.msnbc.msn.com/id/29724685/>
6. In 2008, 63% of people believed that food sold in supermarkets was safe, down from 68% in 2004, NPD Group found. The growing concern might be linked to the increased amount of prepared foods served at grocery stores.
http://www.csnews.com/csn/petroleum/article_display.jsp?vnu_content_id=1003957031



"74% of shoppers step through a checkout and pull their grocery cart after them to unload onto the conveyer."

7. Auctions for grocery items are gaining popularity among consumers trying to stretch their money. People are taking their credit cards and food stamps to the auctions to buy such merchandise as toilet paper and frozen food, auctioneers report.

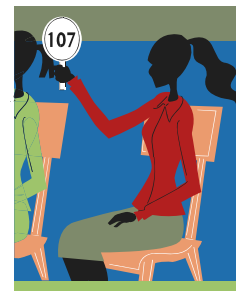
<http://www.washingtonpost.com/wp-dyn/content/article/2009/03/24/AR2009032401940.html>

8. Color in the retail environment is about more than decor, according to this article by marketing and communications specialist Patricia Beks. Retailers use it to influence shoppers' moods, direct store traffic and stimulate purchasing.

<http://www.retailcustomerexperience.com/article.php?id=1027&na=1>

9. Eighty percent of consumers surveyed say they buy green products and services, even though they often cost more, according to a new National Green Buying Survey. About half the 1,000 people surveyed say they are buying the same amount of green products, while 19% say they are buying more than before the downturn.

http://www.progressivegrocer.com/progressivegrocer/content_display/features/corporate-social-responsibility/e310f0603771789fb8d20443806b19c4ca2



"Auctions for grocery items are gaining popularity among consumers trying to stretch their money."

RESULTS OF INDUSTRY COMPETITORS

(based on the most recently issued report)

Village Super Market, Inc. (1/24/09 10-Q)

- 2009 QTD vs 2008 QTD
 - Change in sales – 6.79%
 - Change in gross profit – 7.11%
 - Change in net income – 23.56%
- Sales increased due to higher sales at the Franklin Store which opened in November 2007.
- Almost all stores saw improved transaction count and higher average transaction size.
- Gross profit as a percentage of sales increased due to improved departmental gross margin percentages and improved product mix, and was offset by higher promotional spending and increased warehouse assessment charges.
- Promotional spending increased due to the cost of the Thanksgiving loyalty program being allocated to the second quarter of 2009 due to changes in the program timing.
- Operating and administrative expense decreased primarily due to reduced payroll costs.



"Eighty percent of consumers surveyed say they buy green products and services"

Wal Mart Stores Inc. (1/31/2009 10-K)

- 2009 QTD vs 2008 QTD
 - Change in sales – 1.68%
 - Change in gross profit – 1.86%
 - Change in net income – (7.42)%
- Sales increased as a result of an increase in customer traffic as well as an increase in average transaction size per customer.
- Net sales also increased as a result from the Company's global expansion program, comparable store sales increases and acquisitions
- Gross profit increased due to lower inventory shrink and less mark-down activity.
- Operating expense as a percentage of net sales increased due to higher utility costs, a lawsuit settlement, and higher health benefit costs.



"Walmart's net sales also increased as a result from the Company's global expansion program"

Costco Wholesale Corp (2/15/2009 10-Q)

- 2009 YTD vs 2008 YTD
 - Change in sales – (0.77)%
 - Change in gross profit – (3.70)%
 - Change in net income – (27.13)%
- Sales and expenses were adversely impacted by the decrease in gasoline prices as well as foreign currency exchange rates
- Overall gross profit increased mainly due to the gross profit decreases in the ancillary businesses and gasoline business.
- The gross margin decrease can also be attributable to price reductions designed to drive sales on certain items and higher seasonal markdowns
- SG&A expenses, as a percent of sales, were significantly adversely impacted by the negative changes in the price of gasoline and certain foreign currency exchange rates.



"Sales increase at Kroger was mainly due to increased fuel gallon costs"

Kroger Co. (1/31/09 10-K)

- 2009 YTD vs 2008 YTD
 - Change in sales – 8.21%
 - Change in gross profit – 5.96%
 - Change in net income – 5.76%
- Sales increase was mainly due to increased fuel gallon costs and inflation across all departments.
- Identical supermarket sales and total sales, excluding fuel, increased due to increased transaction count and average transaction size.
- The decrease in operating costs, excluding the effect of retail fuel operations, was primarily the result of increased identical supermarkets sales growth and a settlement received from credit card processors, partially offset by the \$25 million charge related to Hurricane Ike and increases in credit card fees and health care costs.