

# Executive Summary

This report is designed to give you, the reader, a concise look at national and regional mushroom category performance at the *retail* level. Industry shipment data may differ from the data contained within this report, due in part to the make up of the composites used to measure the retail performance. The Mushroom Council is committed to providing the highest quality data and resources for our membership. The Council is pleased to continue with an improved and expanded data offering for 2005. As always, we will continue to explore ways to improve all facets of the data and research initiatives.

## **How to use this report:**

**Q3 2005 data** – is designed to provide you with the latest available quarter of retail performance data for the mushroom category. This data is designed to assist you in measuring your business against regional and national trends.

**Q1 2006 data** – The information included below is designed to refresh your memory and emphasize key practices designed to drive category performance. This will aid you in planning which best practice tactics to implement in the January through March time frame.

## **Key Highlights**

### **Q3 2005 Review**

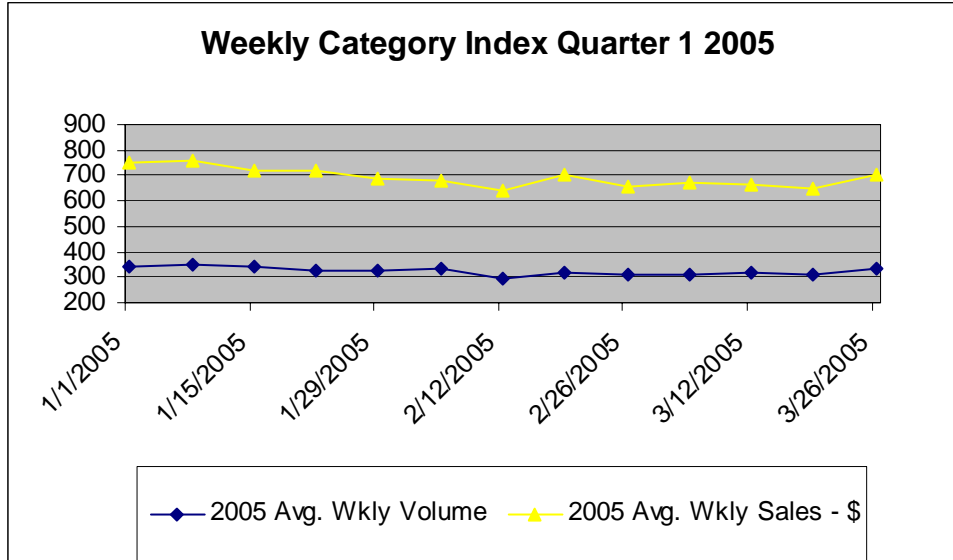
Mushrooms showed positive growth during the third quarter, largely due to 4<sup>th</sup> of July and Labor Day celebrations. Additionally, this year September was a strong catalyst posting ahead of YAGO numbers shown in the monthly observation. The trend is towards an increase in the value added sliced segment as well as an increase of 9.9% in the Brown Subcategory volume and 8.7% in dollars over last year. There was growth in the Specialty Subcategory with the Shiitake leading the way in each region. It is apparent that consumer awareness and usage has been heightened, whether by industry labeling with recipes and uses or other media support, this is a positive growth direction.

Additionally in Q3 2005, packaged mushroom showed modest gains in volume and dollars versus the previous year. Bulk mushrooms decreased -10.5 percent in volume and -6.0 percent in dollar sales. Sliced mushrooms increased volume by 7.7 percent and dollar sales by 8.4 percent over YAGO, also washed and unwashed mushroom segments increased in volume and dollar sales.

The retail price for the total mushroom category was basically unchanged per unit versus last year. Total category dollars increased 2.4 percent while volume increased 1.9 percent. The mushroom category contributed 1.8 percent to total produce dollar sales, down from 1.9 percent previous year. Proper space allocation and leveraging the growing interest in baby portabellas and specialty mushrooms is the key to obtaining those lost dollars in the produce dept.

### **Q1 2006 Moving Forward**

Moving forward, there are opportunities to expand and gain incremental sales in the first quarter of 2006. The mushroom category may be used as a transaction builder with timely promotions, produce department tie-ins and cross merchandising with other departments that have the potential to boost sales. A recent study shows that the total mushroom category brings in 2.5 times the average produce sales per square foot. The whole and sliced packaged white mushrooms bring in an average of \$25.00 per square foot equaling that of the package salad category. Historically, the category contribution to total produce sales remains strong in the 1st quarter coming off the holidays in the previous quarter. Your mushroom supplier has additional information to further enhance your mushroom category with on-line planning tools.



### **Q1 - Promotional Opportunities**

Chinese New Years and the Lenten season are great times to include mushrooms into the ad planner. The recommended promotional activity is six to seven times in Q1. The Mushroom Council's tested set of Best Practices show consumers are willing to pay more for the value-added sliced segment, so continue to leverage this segment during the promotional activity period and differentiate with a \$0.10 to \$0.20 premium over the whole mushroom segment.

Week	Description	Type	Discount	In-store activity/ Themes
Week 2	White/Brown combo ad	Subfeature	25-30%	Weight Watchers Low Carb
Week 4	White/Specialty combo ad	Subfeature	25-30%	Chinese New Year 1/29
Week 7	Portabella	Subfeature	25%	St Valentines
Week 9	Hot white sale	Feature	30%	1st of the month - Lent begins ( Meatless Fridays)
Week 11	White/Brown combo ad	Subfeature	25%	St Patrick's Day
Week 13	White/Specialty combo ad	Subfeature	25-30%	1st of the month

### **Q1 - Merchandising Opportunities**

The mushroom category should be allocated for space by volume contribution to total produce. Place the mushroom category between the bagged salad and other vegetables for multiple cross-merchandising opportunities. Secondary displays for promotional events are also recommended. Incremental space in the meat department will further drive mushroom sales especially during the Lenten observance using mushrooms as the meaty alternative.

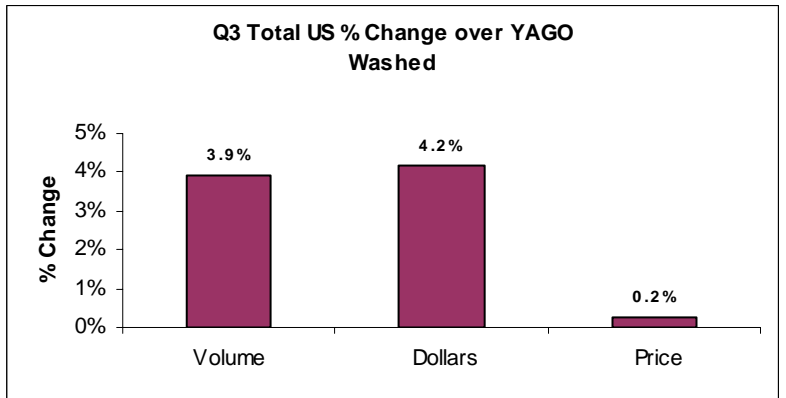
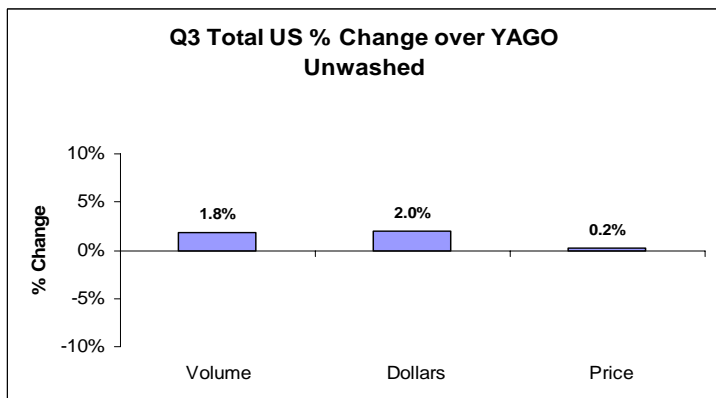
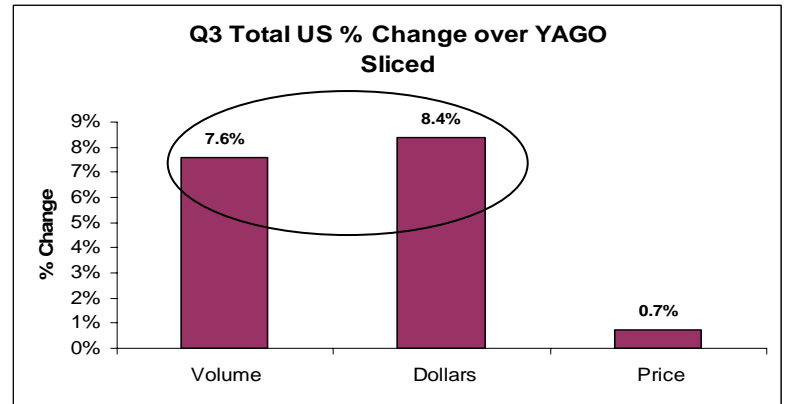
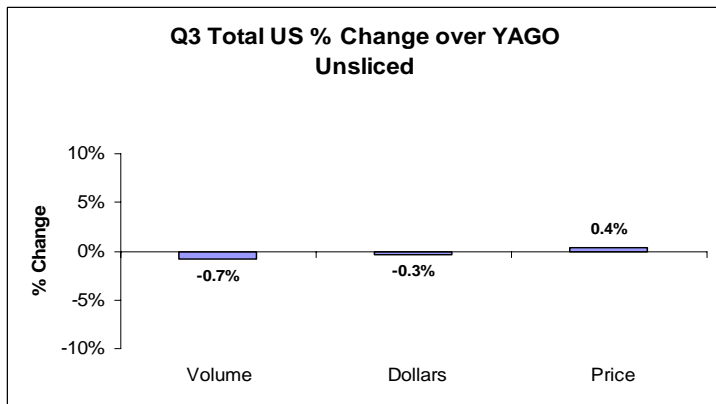
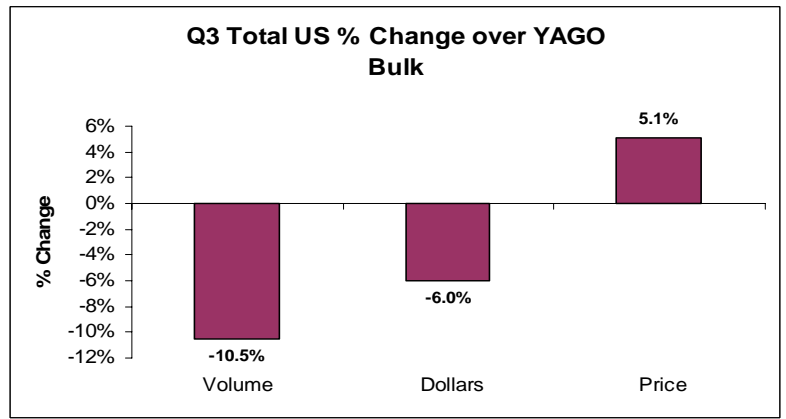
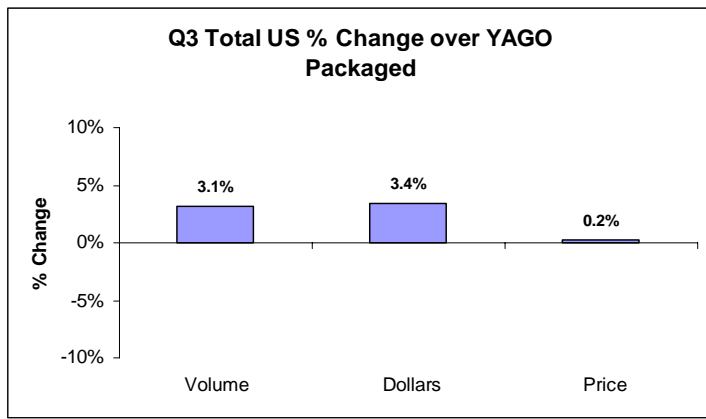
Package				Dried		
Gourmet Stuffers				Package Sliced Baby Bella	Package Sliced Portabella	Exotics Shitake Oyster Enoki
	16/24oz Whole White	8/12 oz Whole White	8/12 oz Sliced White			Bulk Port.
Bulk White				Package Whole Crimini	Package Whole Portabella	Bulk Crimini
	1'	1 facing	2 facing	2 facing	1 facing	1 facing
				1 facing	1 facing	1'

Your mushroom supplier has additional information to further enhance your mushroom category with on-line planning tools. Develop custom plans to differentiate yourself from the competition. Remember, the more your shoppers know about mushrooms the more you will sell.

## Q3 2005 National Trends

Nationally in Q3 2005, packaged mushroom dollars grew 3.4 percent, while volume increased 3.1 percent versus the previous year. Bulk mushrooms decreased 10.5 percent in volume and 6.0 percent in dollar sales. Sliced mushrooms increased dollar sales by 8.4 percent and volume grew 7.6 percent over YAGO, while whole dipped slightly in both measures. Washed mushrooms increased in dollar sales by 4.2 percent and volume was up 3.9 percent. Average retail prices were up slightly across the board, which is likely related to leveraging the value added segment.

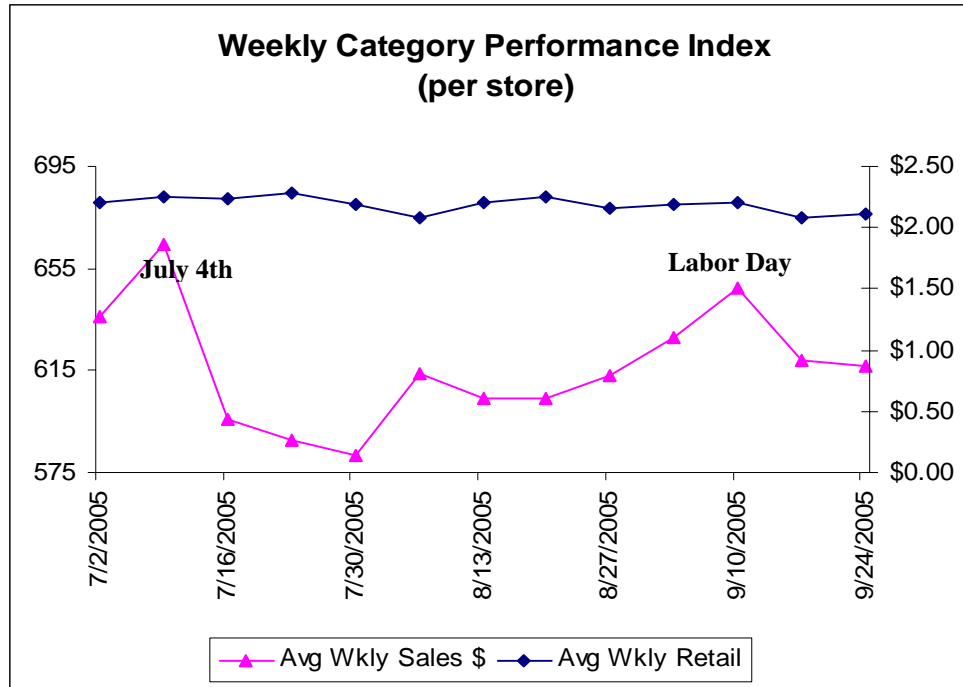
**Observation:** September was the driving month for the category in Q3 2005. The summertime sales in July had a downward trend which slowly gathered strength in August. However, the declining trends observed early indicate that there is ample opportunity for improved sales across the category.



## Weekly Sales Q3 2005

Like many items in the produce department, sales peak slightly near the holidays, but dip significantly during the off-weeks. Mushroom sales declined right after the July 4<sup>th</sup> holiday and through the month, sales gradually increased through August and peaked at Labor Day before dropping down to normal third quarter levels.

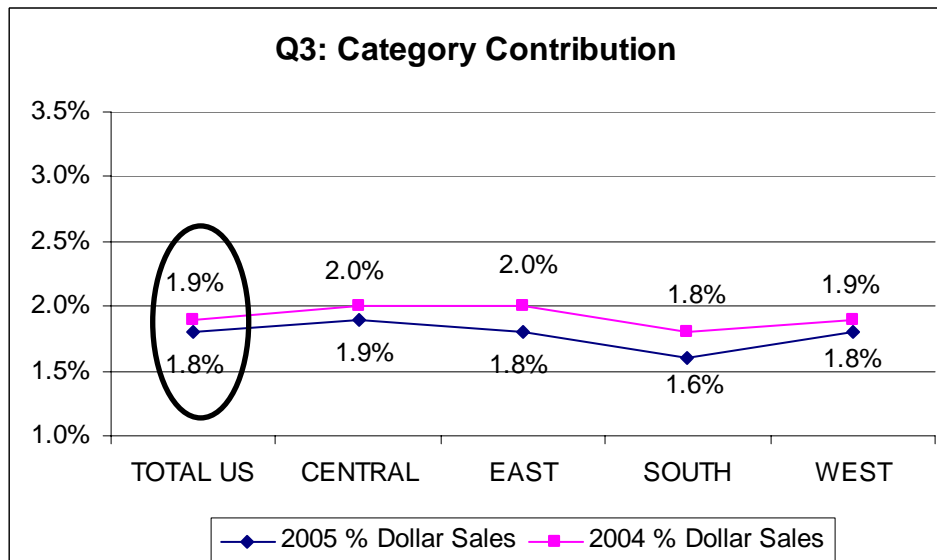
**Observation:** The opportunity is to focus on mushroom promotions for the weeks between the holidays while using more “reminder” type promotions during holidays since consumers are inclined to purchase mushrooms anyway for these in-home celebrations.



## Category Contribution (Dollar sales)

Category dollar contribution decreased vs. 2004 in all regions for the third quarter. Nationally, the mushroom category contribution decreased by 0.1 percentage points, this may be due to the increase in total Sku's in the produce department in competition for total dollars.

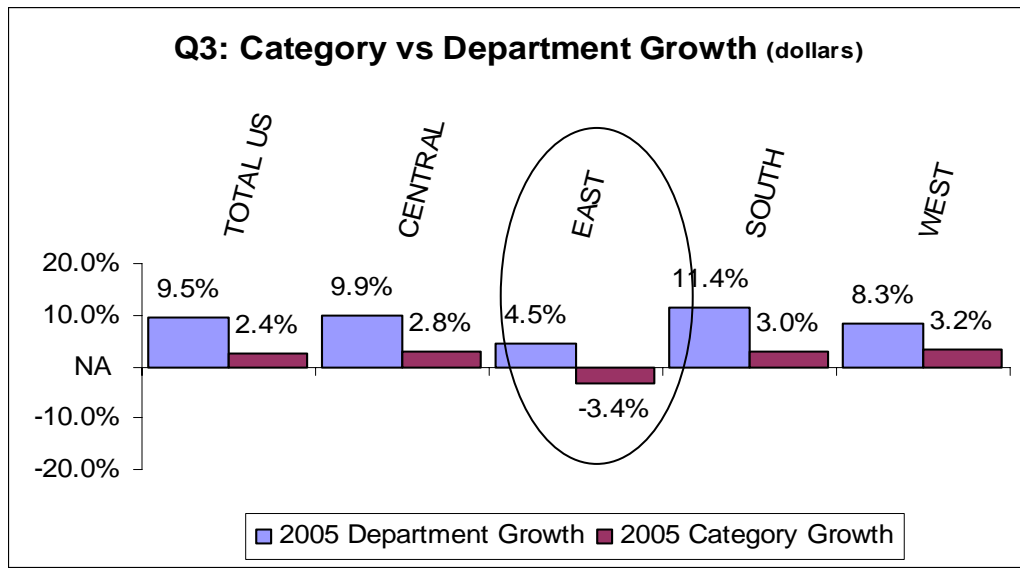
**Observation:** Opportunities exist to improve mushrooms category contribution to overall department dollar sales by raising the category profile in the department during Q3 to gain year-round consumers by building off the versatility and the focus on health and nutrition. Retailers can achieve this by coordinating POP, promotions, and secondary locations throughout the quarter to catch the consumers' eye.



### Category vs. Department Growth (Dollar Sales)

During Q3 2005, mushroom dollar sales performance underperformed produce department dollar sales in all regions. Mushroom category dollar growth fell short of produce department dollar growth by 7.1 percentage points nationally, however the category experienced positive growth during the quarter. The West posted the largest Q3 category dollar growth at 3.2 percent, while the East was the only region to post a loss in the quarter.

**Observation:** Regionally, East has the largest opportunity for improvement based upon the decline of the packaged segment, which includes volume losses in the sliced, un-sliced, washed and unwashed segments, as well as in the white subcategory. The South was the only other region which dropped volume sales in the core white subcategory.

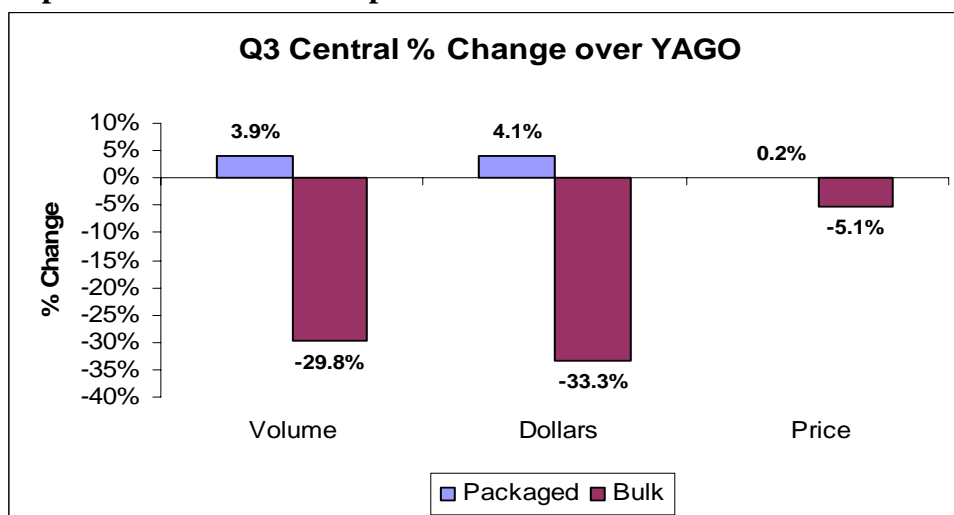


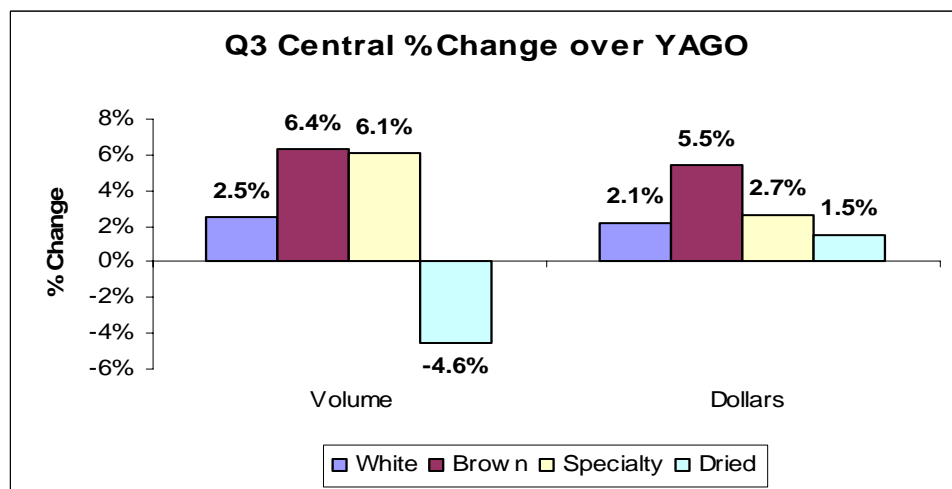
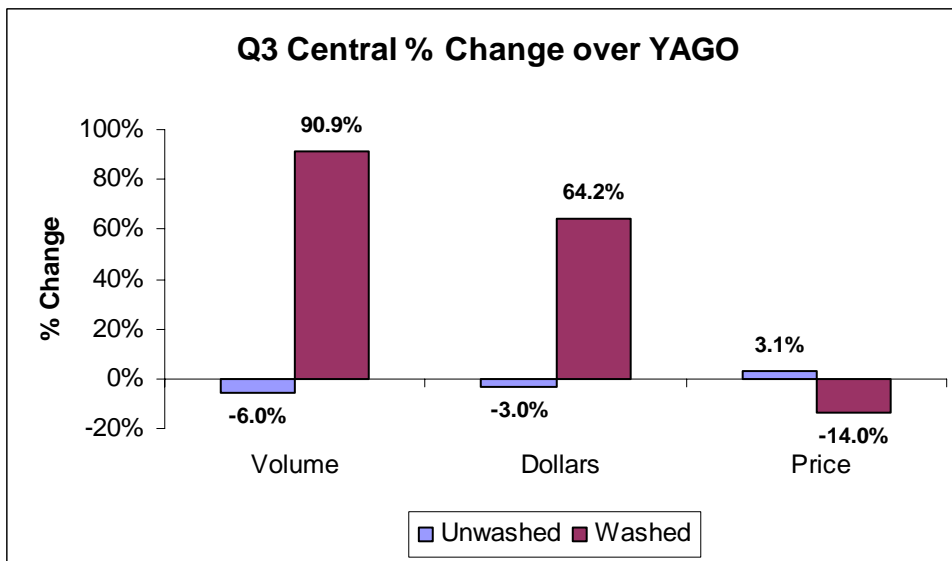
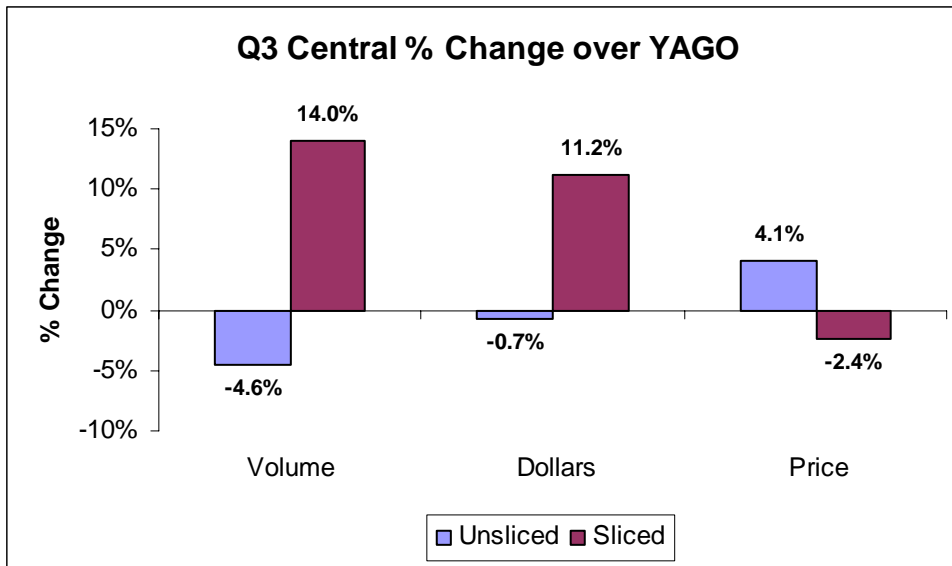
### Looking at Regional Opportunities

#### Central

Overall, volume and dollar sales increased in the packaged segment and declined in the bulk. In addition they declined in the unsliced and unwashed segments while posting a significant gain in the sliced segment. Average retail price decreased in bulk mushrooms by 5.1 percent, and was steady in all other segments. Packaged baby portabellas and sliced were the only two of the top five which increased in volume when compared to YAGO.

**Learning:** The Central region has opportunities to recapture lost sales particularly in bulk mushrooms. While retailers should be aware that brown mushrooms are clearly gaining in popularity, they should also review merchandising and promotion plans to ensure that white mushrooms (top 4 items in the category) are given appropriate support to prevent erosion in sales performance.



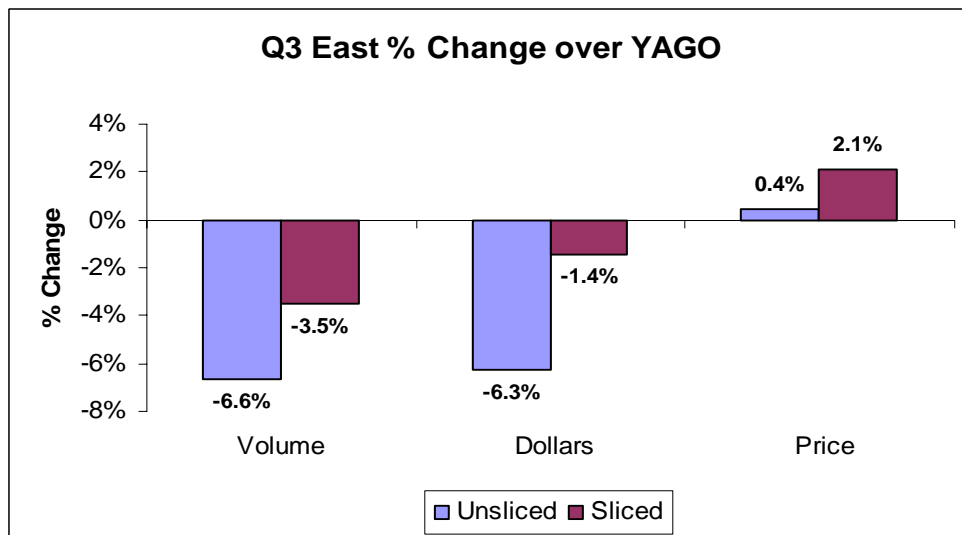
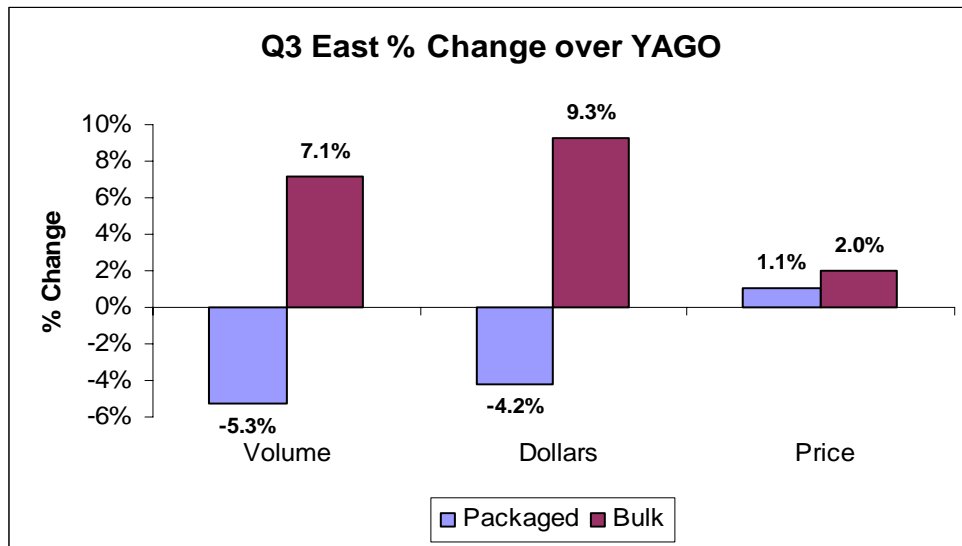


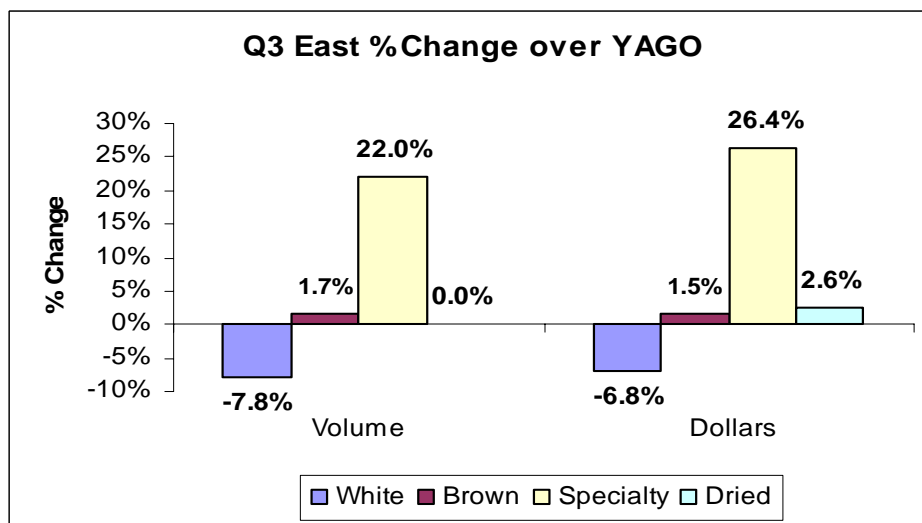
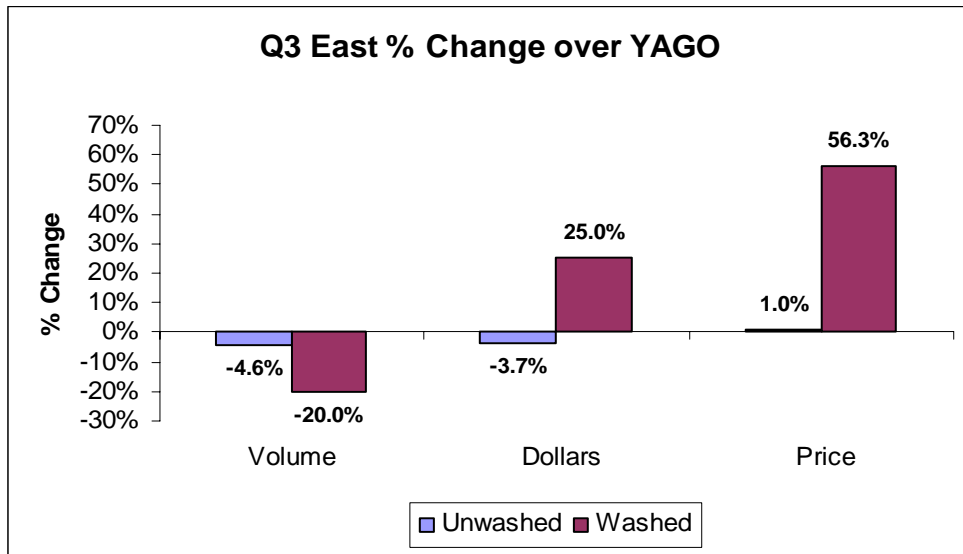
Top Five Items Item Type	Central		
	Volume 2004	Volume 2005	% Change
Packaged White Sliced 8oz	113	97	(14.2%)
Packaged White Whole 8oz	97	96	(1.5%)
Packaged White Whole 12oz	51	44	(13.7%)
Packaged White Sliced	2	30	1400.0%
Packaged Baby Portabella	17	20	18.2%

## East

Packaged mushrooms decreased in volume and dollar sales over year ago while the East was the only region to show an increase in the bulk. Further concern is the fact that both sliced and unsliced segments were also behind YAGO. Volume and dollar sales increased in brown, specialty and dried mushrooms but declined in the core white mushrooms put the total category -4.8 percent in volume and -3.4 percent in dollars behind last year. In the top five items the packaged baby portabella was the only one to increase over last year the sliced baby portabella was basically flat. The other top items (all white mushroom items – sliced and whole 8oz packaged and whole 10 oz packaged) showed declines in the category.

**Learning: Retailers should evaluate pricing strategies as sales losses versus the previous year were apparently linked to increases in category pricing. Brown, specialty and dried mushrooms did well in the East. However, because white mushrooms dominate the category, overall performance improvements are tied to the success of the top selling white mushroom items. As a result, retailers should focus first on re-capturing lost sales in white mushrooms.**



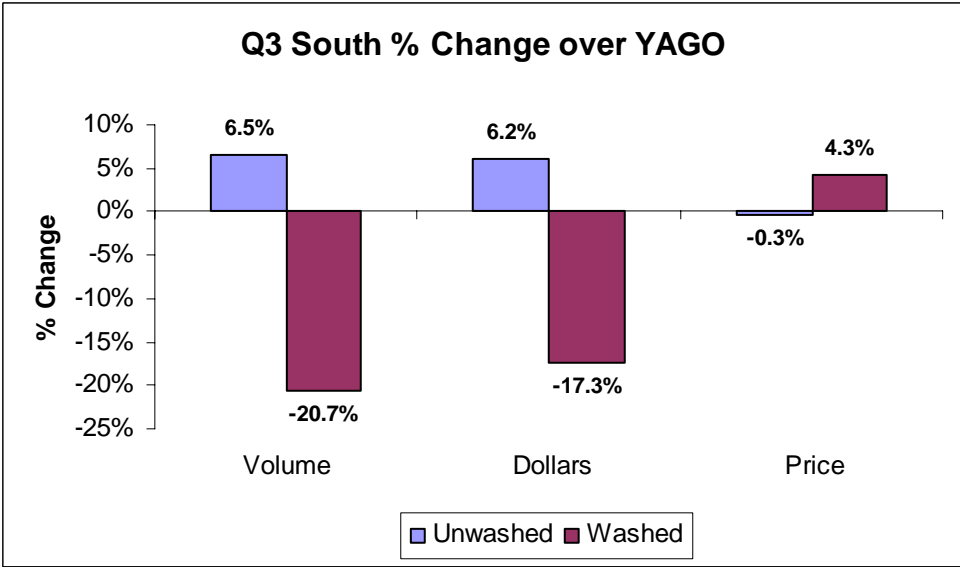
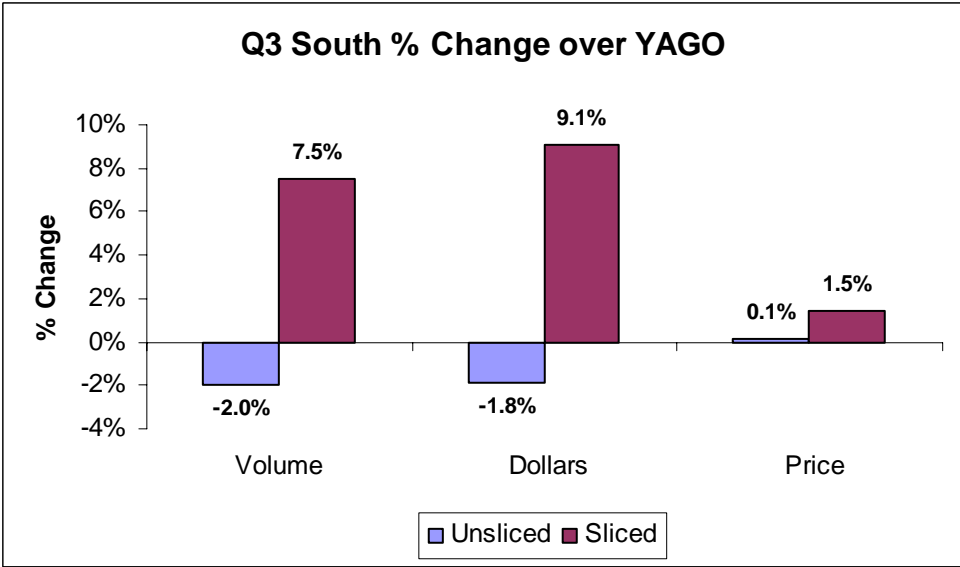
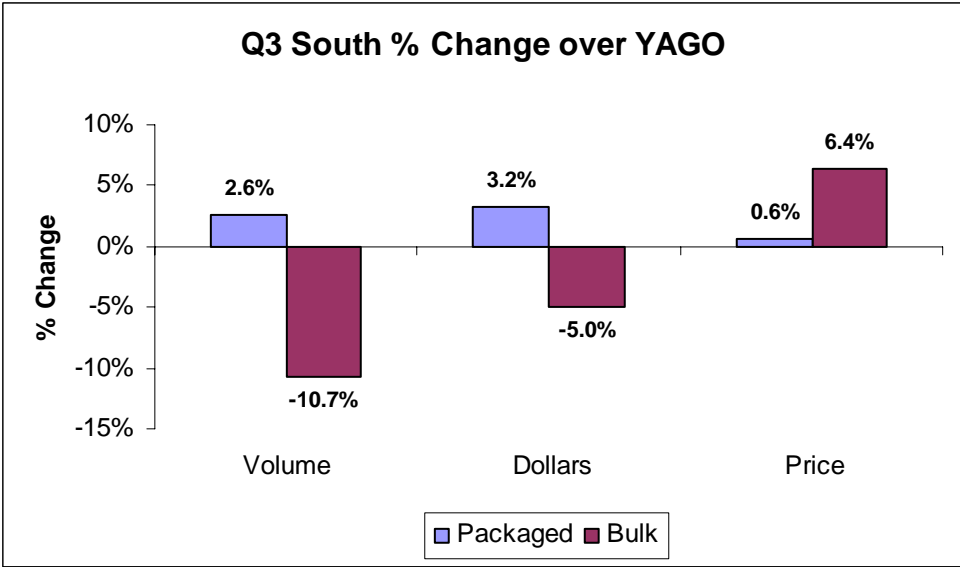


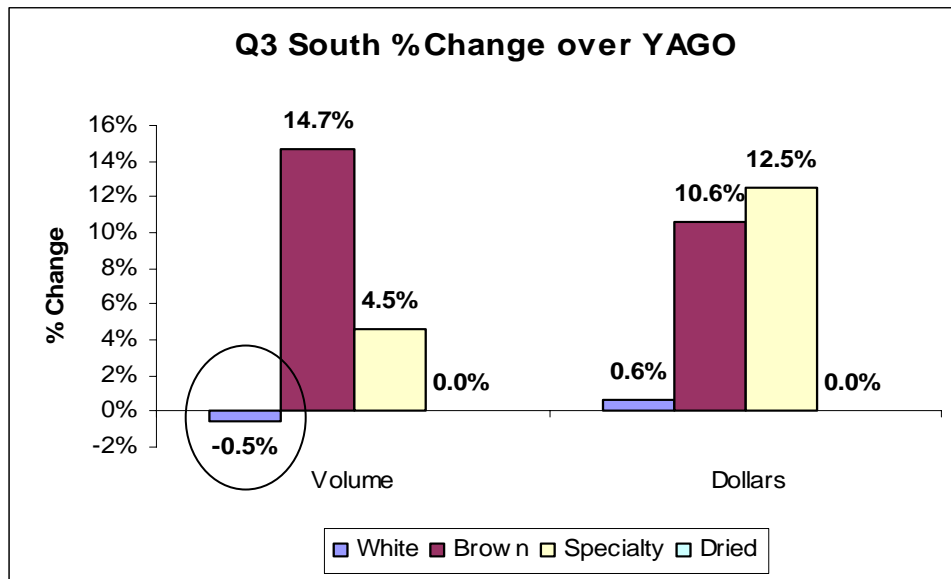
Top Five Items Item Type	East		
	Volume 2004	Volume 2005	% Change
Packaged White Sliced 8oz	92	90	(2.2%)
Packaged White Whole 10oz	68	67	(1.6%)
Packaged Baby Portabella	37	42	12.1%
Packaged White Whole 8oz	41	41	(0.3%)
Packaged Sliced Baby Portabella	25	25	(1.6%)

## South

The overall dollar and volume sales increase in the total category over YAGO was the best in the South region. The packaged segment showed a small gain driven primarily by the unsliced segment and brown subcategory. Bulk mushroom volume and dollar sales decreased over year ago, and average retail price increased. Brown, specialty and dried mushrooms showed increases in both dollar sales and volume during Q3, however the core white mushrooms showed a slight decrease. The packaged white whole, sliced and sliced baby portabella items increased substantially over last year, while the 8oz packaged whole and sliced white mushrooms showed a decline in the category.

**Learning: Brown mushrooms (particularly portabellas) did very well in the South. At the same time, white mushrooms dominate the category so overall performance is tied to the success of the top selling white mushroom items. As a result, retailers should also focus on regaining sales in white mushrooms.**



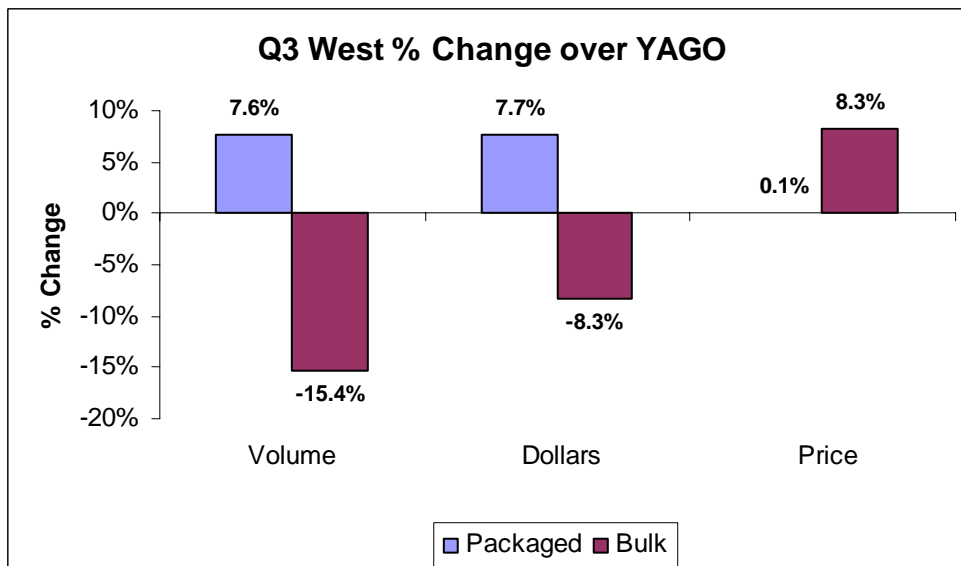


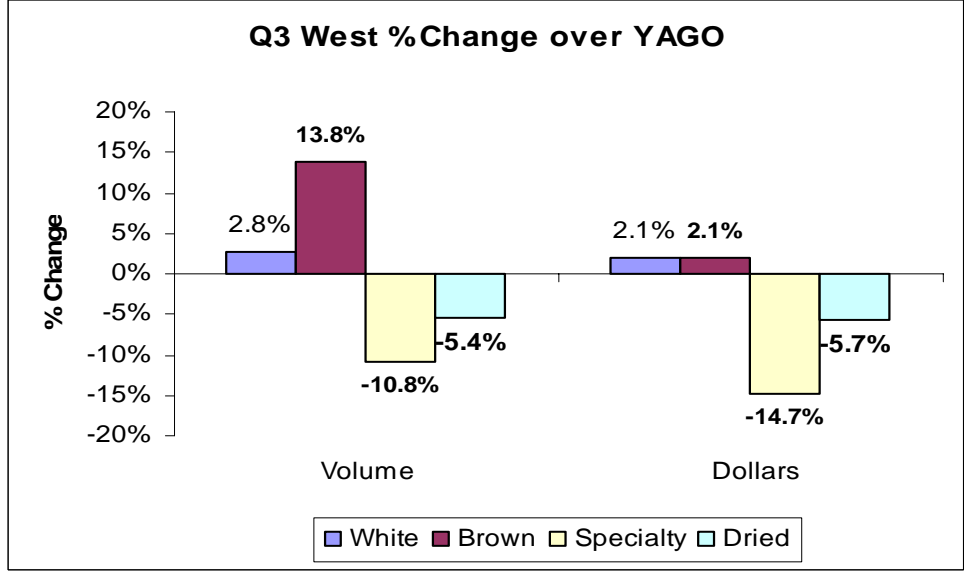
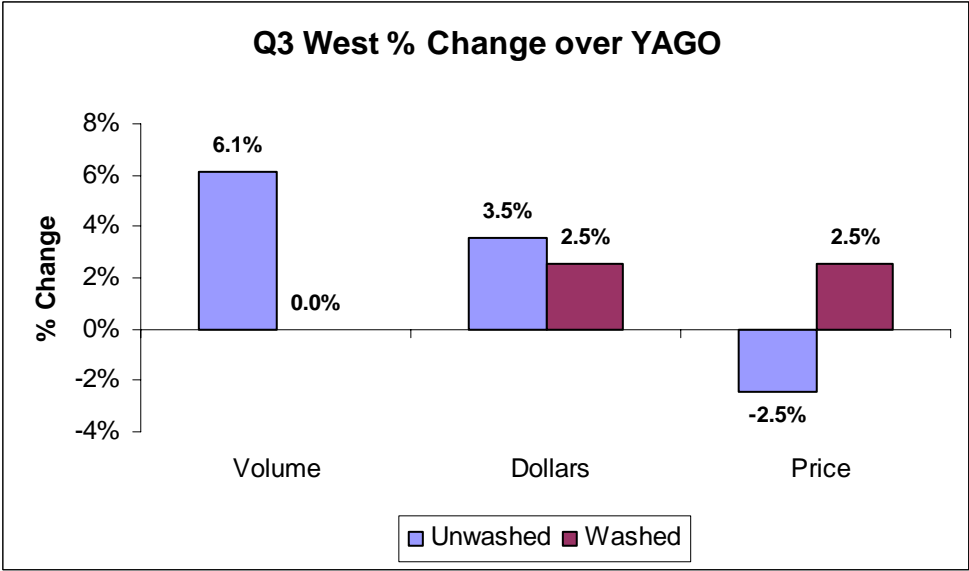
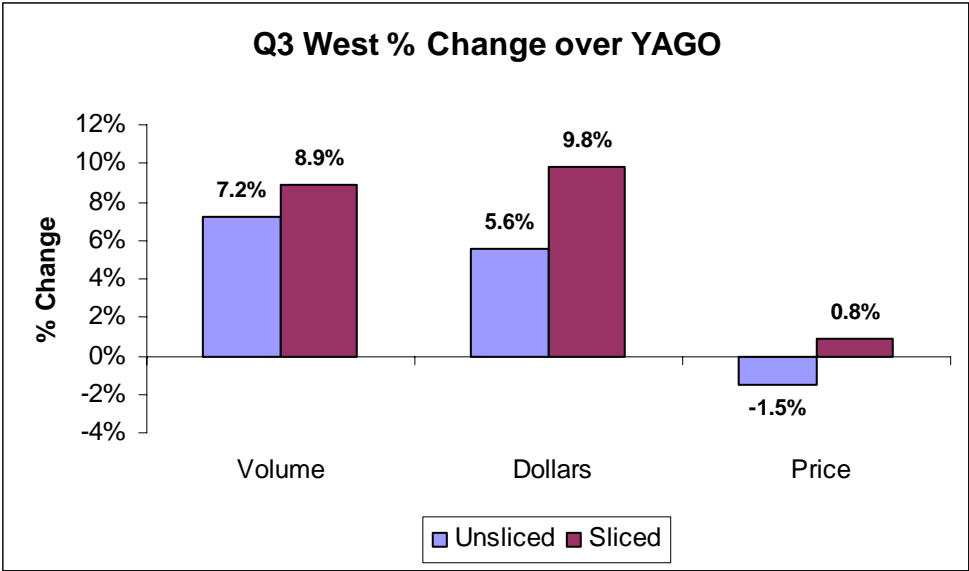
Top Five Items Item Type	South		
	Volume 2004	Volume 2005	% Change
Packaged White Sliced 8oz	46	41	(10.9%)
Packaged White Whole 8oz	45	40	(9.6%)
Packaged White Sliced	25	32	29.2%
Packaged White Whole	21	23	10.5%
Packaged Sliced Baby Portabella	9	12	41.2%

## West

Overall, packaged volume and dollar sales increased while bulk volume and dollar sales both decreased (noting the average retail price was also up 8.3 percent in this segment). Despite bulk declines, the west continues to have the largest bulk share of any region. Sliced and unsliced mushrooms did well in the West and lead all regions with strong increases. Volume and dollar sales increased slightly in the white while the brown was up 13.8 percent, the specialty and dried were both behind YAGO. The top two items in the West (8oz white sliced and unsliced mushrooms) increased. Two of the top five items (bulk white large mushrooms and 6oz white sliced mushrooms) declined in volume over last year.

**Learning:** Overall, the mushroom category did very well in the West but there are opportunities to improve sales relative to the department. While white mushrooms did post an increase, they were outperformed by brown mushrooms in volume while the dollars were equal. Another opportunity is in the specialty segment as these high end mushrooms create excitement and generate higher margins in the category.





Top Five Items Item Type	West		
	Volume 2004	Volume 2005	% Change
Packaged White Whole 8oz	82	88	7.3%
Packaged White Sliced 8oz	77	86	11.7%
Bulk White Large	42	35	(16.9%)
Packaged White Sliced	10	19	93.0%
Packaged White Sliced 6oz	27.0	14.1	(47.8%)

### 3rd Quarter Weekly Performance (Dollar Sales, Volume and Retail Price)

Nationally and in all regions except the East, packaged volume and dollars increased while bulk mushroom dollar sales and volume decreased in Q3 of 2004 versus year ago. Average unit retails in the packaged segment were virtually unchanged from last year, up \$0.01 in most cases. The Central region posted the biggest drop in bulk volume and dollars while being the only region to lower average retail versus YAGO.

3rd Quarter Average Weekly Performance: By Store / By Region										
Region	Packaging	VOLUME			DOLLAR SALES			UNIT PRICE		
		Prior Year 2004	This Year 2005	% Change	Prior Year 2004	This Year 2005	% Change	Prior Year 2004	This Year 2005	% Change
<b>Total US</b>	Packaged	257	265	3.1%	\$535	\$553	3.4%	\$2.08	\$2.09	0.2%
<b>Total US</b>	Bulk	19	17	(10.5%)	\$67	\$63	(6.0%)	\$3.53	\$3.71	5.1%
<b>Central</b>	Packaged	360	374	3.9%	\$738	\$768	4.1%	\$2.05	\$2.05	0.2%
<b>Central</b>	Bulk	8	5	(29.8%)	\$24	\$16	(33.3%)	\$3.12	\$2.96	(5.1%)
<b>East</b>	Packaged	400	379	(5.3%)	\$852	\$816	(4.2%)	\$2.13	\$2.15	1.1%
<b>East</b>	Bulk	14	15	7.1%	\$54	\$59	9.3%	\$3.86	\$3.93	2.0%
<b>South</b>	Packaged	194	199	2.6%	\$405	\$418	3.2%	\$2.09	\$2.10	0.6%
<b>South</b>	Bulk	5	5	(10.7%)	\$20	\$19	(5.0%)	\$3.88	\$4.13	6.4%
<b>West</b>	Packaged	237	255	7.6%	\$482	\$519	7.7%	\$2.03	\$2.04	0.1%
<b>West</b>	Bulk	52	44	(15.4%)	\$180	\$165	(8.3%)	\$3.46	\$3.75	8.3%