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## Executive Summary

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*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. As always the Mushroom Council is committed to providing the highest quality data and resources for our membership. That being the case, we will continue to explore ways to improve all facets of the data and research initiatives.*

### How to use this report:

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**Q1 2004 data:** is designed to provide you with the latest available quarter of retail performance data for the mushroom category. This data is designed to provide a measure of your business against regional and national performance.

**Q4 data:** is included so you can look at historic (Q4 2003) performance during the same time period (Q4 2004) to plan your pricing, promotion, assortment and merchandising strategies. This will aid you in planning which best practice tactics to implement in the October-December time frame.

### Key Highlights

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The following points are meant to highlight some of the key findings generated in this report. They are intended to illustrate key opportunities based on the quarterly data analyzed and previous best practice research commissioned by the Mushroom Council. These items are just some of the strategies and tactics that could effectively increase category performance.

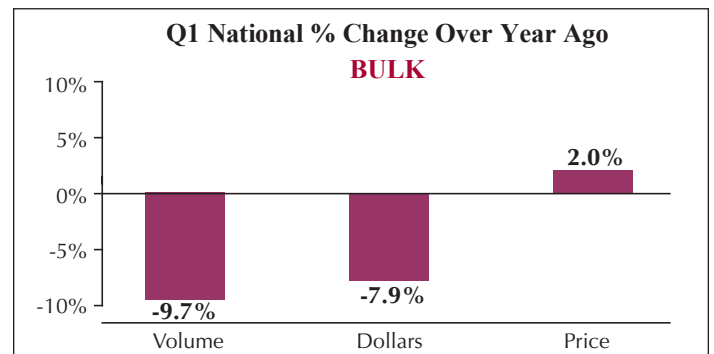
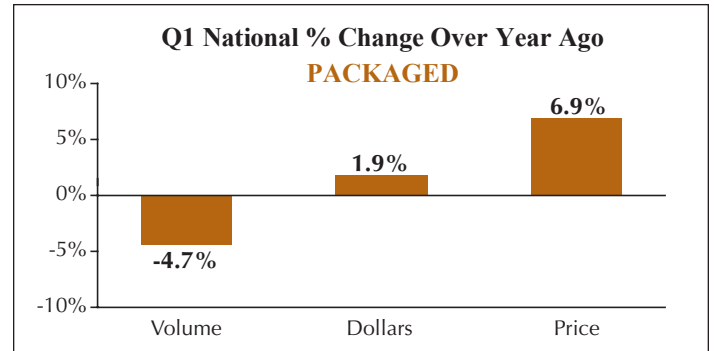
- The recent labor dispute/lockout at several major West Coast retailers took a significant toll on the retail sales numbers for the West region as well as the National composite. Any examination of West and National composite sales performance and opportunities should be done with this knowledge in mind.
- In Q1, the category tends to be promoted heavily around the early holidays in January and February but promotional efforts drop off in March. Promoting the category in March tends to continue some of the holiday sales momentum and reduce the volume declines late in the quarter.
- In Q4, mushroom sales peak slightly in late November and late December, corresponding to the holidays. Retail price dipped before the holidays, indicating that retailers tried to jump start the category with promotions in late October and early November. There is opportunity to extend the peak mushroom purchase season by starting promotions during the fall, well before the Thanksgiving holiday, in order to build upon the success of this strategy in 2004.
- In a recent study conducted at Penn State University, bulk mushrooms were shown to experience significant weight loss during an average trip from the farm to the check stand. A review of bulk pricing consistent with consumer demand for this convenience item (can pick the size and quantity that they want) may be in order. Indeed previous research indicates that consumers perceive the presence of bulk mushrooms in the produce department as an image enhancer for the department. This consumer perception has traditionally not been reflected by the industry in its price positioning of bulk whites versus packaged white mushrooms. There may be opportunity to reorient this pricing strategy to be consistent with consumer perception of the category versus the current trend of simply discontinuing this valuable category and department contributor.

## Q1 2004 Review

*Historically, mushroom sales are strong during the first quarter, largely due to the New Year's, Super Bowl and Valentine's Day celebrations in January and February. For some retailers, mushroom sales in March and the summer months have a tendency to decrease. However, this gradual decline is most often related to the reduction of promotion frequency rather than changes in consumer purchase intent.*

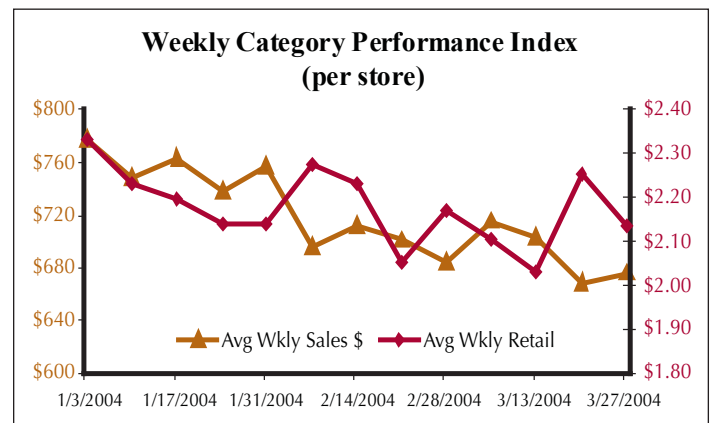
### National Trends

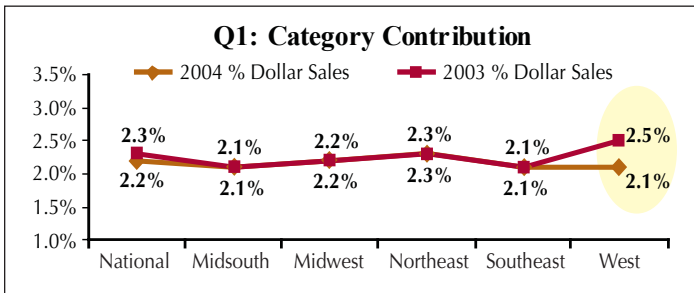
Nationally in Q1 2004, the volume of packaged mushrooms decreased 4.7 percent while dollars increased 1.9 percent. Bulk mushrooms decreased 9.7 percent in volume and 7.9 percent in dollars.



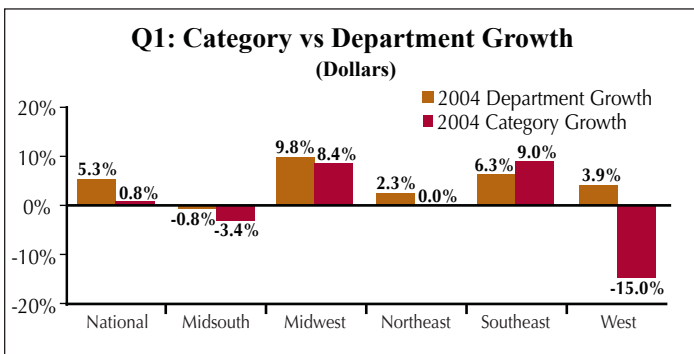
### Weekly Sales Q1 2004

Sales peaked slightly in early January and early February, corresponding to the New Year's holiday and the Superbowl. The Valentine's Day sales lift was minor this year.



**Q1 2004 Review (continued)**
**Category Contribution (Dollars)**


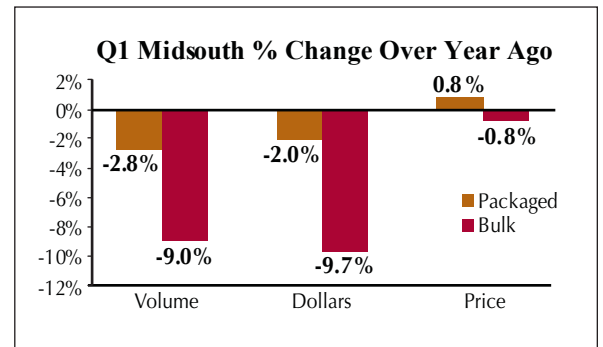
Category dollar contribution remained flat vs. 2003 in all regions except the West for first quarter, which declined. As a result, the national average also dipped slightly in Q1 2004 to 2.2 percent, down from 2.3 percent in Q1 2003.

**Category vs. Department Growth (Dollars)**


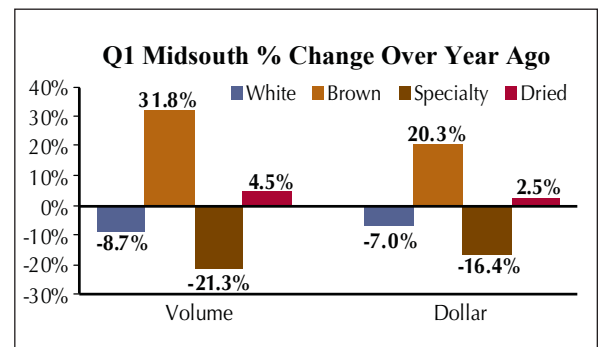
During Q1 2004, produce dollar sales increased at a faster rate than mushroom sales in all regions. Department dollar growth out-paced mushroom dollar growth by 4.5 percent nationally. The Southeast posted the largest Q1 category dollar growth at 9 percent by focusing and improving upon brown and dried mushroom sales.

**Looking at Regional Opportunities**
**Midsouth**

Overall, volume and dollars decreased in the packaged segment, with declines in the white and specialty mushroom subcategories over year ago. Four of the top five items showed declines in the category (white whole, white sliced, and bulk whites), though packaged Italian Brown/Crimini increased substantially over last year.



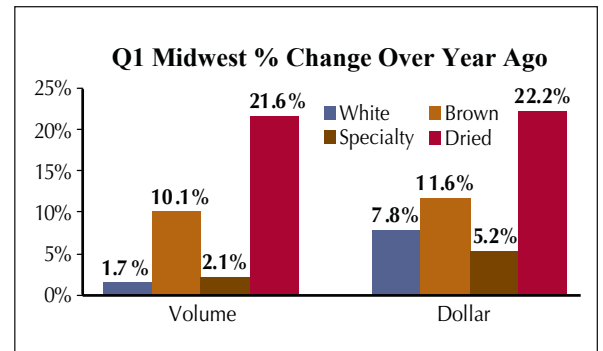
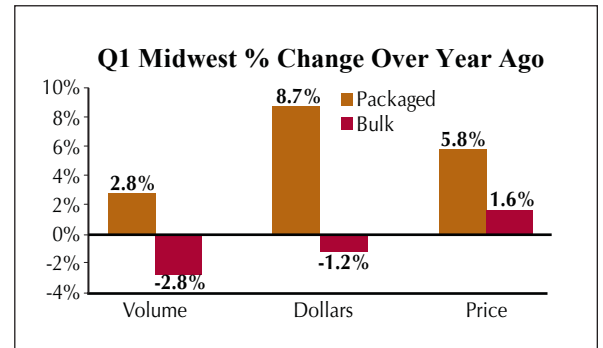
Top Five Items	Volume 2003	Volume 2004	% Change
Packaged White Whole 8oz	87.9	83.1	(5.5%)
Packaged White Sliced 8oz	57.5	56.4	(1.8%)
Packaged Italian Brown/Crimini	24.0	37.4	55.6%
Packaged White Sliced	38.3	23.2	(39.3%)
Bulk White Large	22.6	21.8	(3.6%)



**Looking at Regional Opportunities (continued)**
**Midwest**

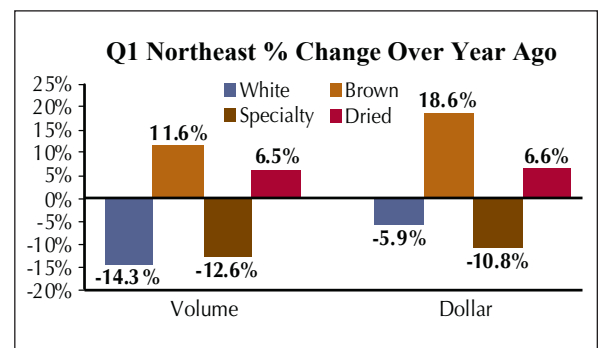
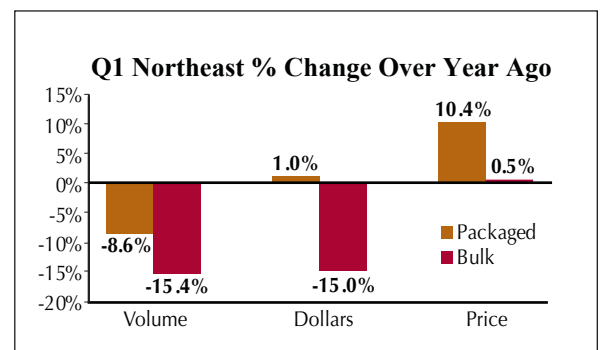
Overall, volume and dollars decreased in the bulk mushroom segment, but increased in the packaged mushroom segment. Volume and dollars increased in all subcategories when compared to Q1 2003. However, one of the top five items (8 ounce packaged white whole mushrooms) showed a decline in the category, perhaps at the expense of gains in the 12 ounce and 16 ounce package sizes.

Top Five Items	Volume 2003	Volume 2004	% Change
Packaged White Sliced 8oz	118.1	127.0	7.5%
Packaged White Whole 8oz	112.0	103.9	(7.2%)
Packaged White Whole 16oz	27.7	34.5	24.6%
Packaged White Whole 12oz	16.0	19.2	20.4%
Packaged Sliced Portabella	11.1	11.1	0.1%


**Northeast**

Overall, volume and dollars decreased in the bulk mushroom segment, but dollar sales in the packaged mushroom segment made a slight gain. Volume and dollars decreased in white and specialty mushrooms. However, one of the top five items (10 ounce packaged whole white mushrooms) showed a decline in the category, the packaged sliced baby Portabella increased substantially over last year.

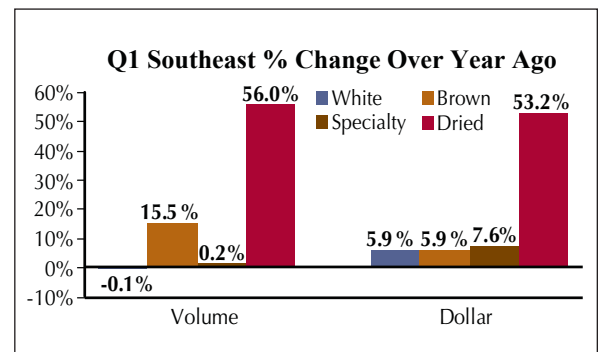
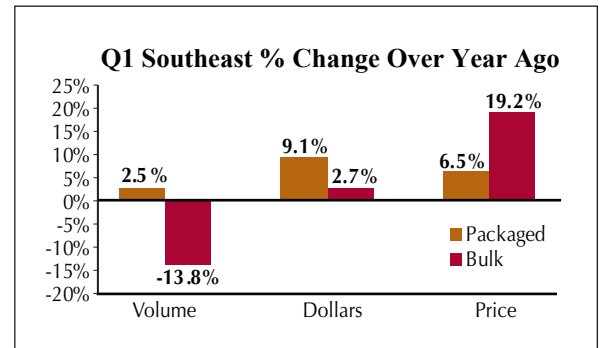
Top Five Items	Volume 2003	Volume 2004	% Change
Packaged White Sliced 8oz	101.6	119.6	17.7%
Packaged White Whole 8oz	101.6	116.6	14.7%
Packaged Sliced Baby Portabella	30.1	44.5	47.7%
Packaged Baby Portabella	23.8	26.1	9.7%
Packaged White Whole 10oz	25.6	21.8	(14.9%)



**Regional Opportunities (continued)**
**Southeast**

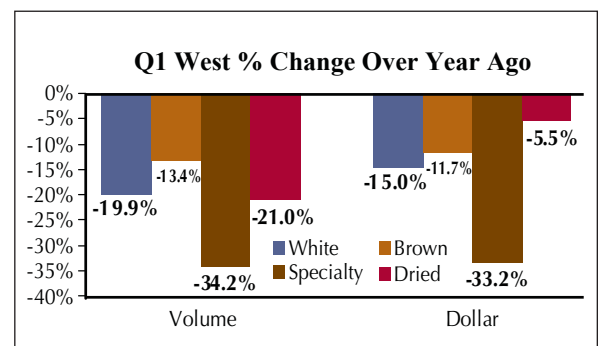
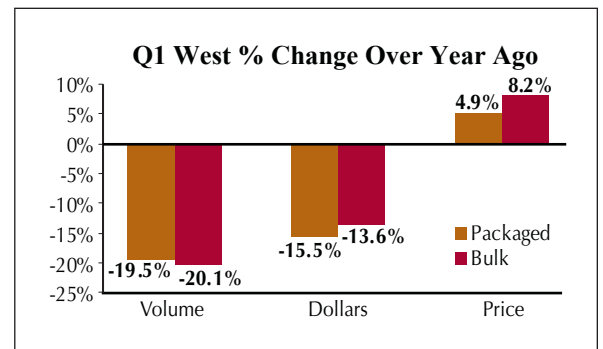
Overall, volume decreased in the bulk mushroom segment, but dollars increased in both the bulk and packaged mushroom segments. Volume and dollars increased in all subcategories, except white mushrooms, which decreased slightly in volume. Two of the top five items (8 ounce packaged white whole and 12 ounce packaged white sliced) showed a decline in the category, perhaps at the expense of gains in the 8 ounce and 16 ounce package sizes.

Top Five Items	Volume 2003	Volume 2004	% Change
Packaged White Sliced 8oz	71.0	72.7	2.5%
Packaged White Whole 8oz	52.3	49.0	(6.3%)
Packaged White Whole 16oz	12.7	13.4	5.5%
Packaged White Sliced 12oz	10.0	10.0	(0.5%)
Packaged Sliced Baby Portabella	9.1	9.1	0.2%


**West**

Overall, volume and dollars decreased in both the packaged and bulk mushroom segments, and in all mushroom subcategories. Three of the top five items showed declines in the category (8 ounce packaged white sliced, 8 ounce packaged white whole and bulk white large), the 6 ounce packaged white sliced and bulk white small items increased substantially over last year.

Top Five Items	Volume 2003	Volume 2004	% Change
Packaged White Sliced 8oz	126.3	98.4	(22.1%)
Packaged White Whole 8oz	105.5	78.0	(26.1%)
Bulk White Large	51.7	39.1	(24.3%)
Packaged White Sliced 6oz	20.6	26.1	26.7%
Bulk White Small	3.4	5.3	58.0%



## 1st Quarter Weekly Performance

(Dollars, Volume and Retail Price)

*Nationally, packaged mushroom volume decreased 4.7 percent in Q1 of 2004 and bulk volume decreased 9.7 percent. The Midwest had the greatest packaged volume increase between 2003 and 2004, with 2.8 percent, while the Southeast made the greatest gain in packaged dollars with 9.1 percent. No regions made gains in bulk mushroom volume over year ago, however the Southeast managed a 2.7 percent increase in bulk mushroom dollars. Packaged retail price increased in all regions, while bulk retail price increased in all regions but the Midsouth composite.*

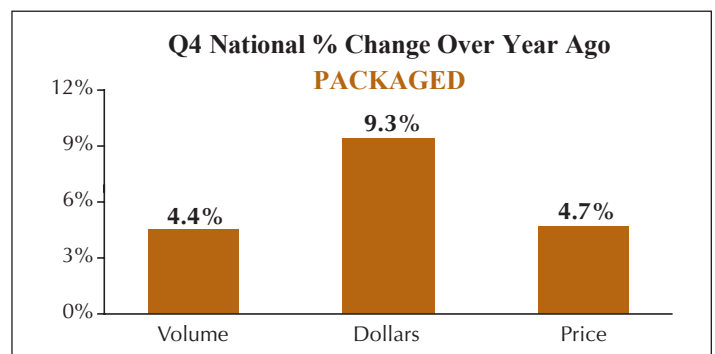
1st Quarter Average Weekly Performance: By Store/By Region										
		VOLUME			DOLLAR SALES			UNIT PRICE		
Region	Packaging	Prior Year 2003	This Year 2004	% Change	Prior Year 2003	This Year 2004	% Change	Prior Year 2003	This Year 2004	% Change
National	Packaged	321.5	306.3	(4.7%)	\$637.14	\$649.02	1.9%	\$1.98	\$2.12	6.9%
	Bulk	26.7	24.1	(9.7%)	\$75.19	\$69.29	(7.9%)	\$2.82	\$2.87	2.0%
Midsouth	Packaged	257.2	250.0	(2.8%)	\$496.57	\$486.42	(2.0%)	\$1.93	\$1.95	0.8%
	Bulk	31.7	28.8	(9.0%)	\$109.69	\$99.03	(9.7%)	\$3.46	\$3.44	(0.8%)
Midwest	Packaged	339.9	349.3	2.8%	\$686.85	\$746.73	8.7%	\$2.02	\$2.14	5.8%
	Bulk	8.2	8.0	(2.8%)	\$25.05	\$24.75	(1.2%)	\$3.05	\$3.10	1.6%
Northeast	Packaged	490.9	448.7	(8.6%)	\$974.73	\$984.12	1.0%	\$1.99	\$2.19	10.4%
	Bulk	19.1	16.1	(15.4%)	\$64.55	\$54.86	(15.0%)	\$3.38	\$3.40	0.5%
Southeast	Packaged	191.6	196.4	2.5%	\$387.10	\$422.33	9.1%	\$2.02	\$2.15	6.5%
	Bulk	2.0	1.7	(13.8%)	\$7.32	\$7.52	2.7%	\$3.63	\$4.33	19.2%
West	Packaged	281.8	226.9	(19.5%)	\$542.18	\$457.96	(15.5%)	\$1.92	\$2.02	4.9%
	Bulk	65.1	52.0	(20.1%)	\$211.35	\$182.67	(13.6%)	\$3.25	\$3.51	8.2%

## Looking Ahead to Q4 2004

*Holiday eating occasions in November and December help drive sales of mushrooms during fourth quarter. The opportunity for the mushroom category is to get a running start for the quarter in late summer and early fall, when historically the category has lagged. Incorporating mushrooms into cold weather meal ideas for consumers, such as soups and stews, is one way to gear up for the holiday season and to capitalize on the mood of the fall season. In a recent Mushroom Council survey, consumers ranked fresh mushroom soup kits as the number one item they would most like to see in their local retail store. This same study cited the need to provide consumers convenient meal solutions. Responding to this consumer demand with kits, concepts, and convenience is a good way to jump start the mushroom category before the holiday season*

### National Trends

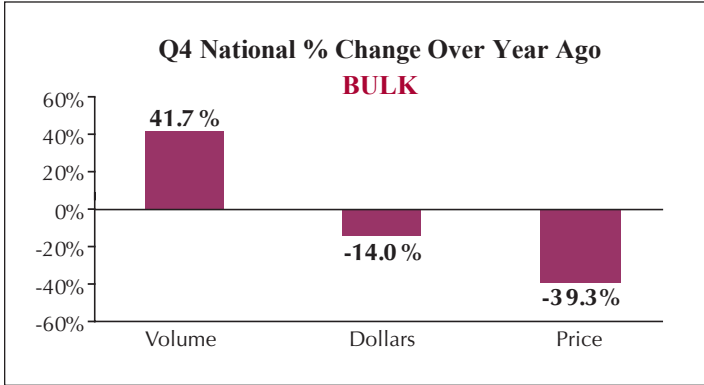
**Observation:** Nationally in Q4 2003, the volume of packaged mushrooms increased more than 4 percent while dollars increased 9.3 percent. Bulk mushrooms also increased 41.7 percent in volume, but decreased 14 percent in dollars. Average retail price was up 4.7 percent for packaged mushrooms and down 39.3 percent for bulk mushrooms. Emphasis was on the packaged segment, however retailers also focused on exposing consumers to bulk mushrooms, as evidenced by the price drop and high volumes observed in Q4.



**Looking Ahead to Q4 2004 (continued)**

**National Trends (continued)**

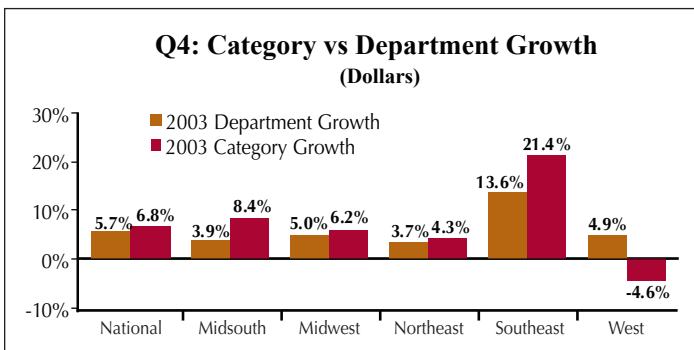
**Opportunity:** Continue to focus on bulk mushrooms during Q4 as an image enhancer and means of educating consumers about mushroom varieties. Maintain packaged sales, as consumers will be looking for convenience as they use mushrooms in holiday recipes.



**Category vs. Department Growth (Dollars)**

**Observations:** During Q4 2003, mushroom sales outpaced produce department growth in all regions except the West. Department dollar growth is outpacing mushroom dollar growth by 0.8 percent nationally. The Southeast posted the largest Q4 category dollar growth at 21.4 percent by focusing and improving upon both white and brown packaged mushroom sales.

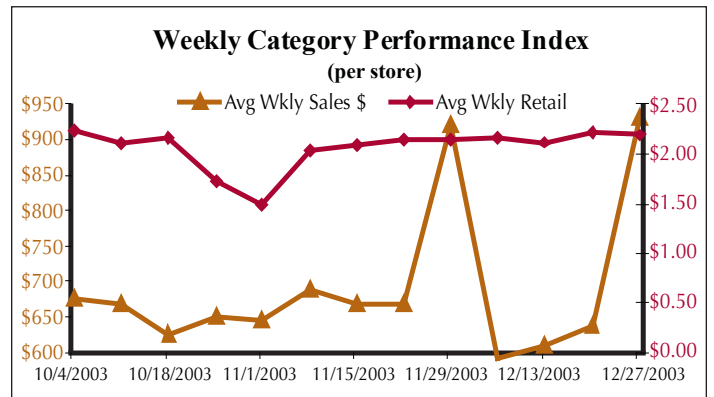
**Opportunity:** Regionally, the West has the largest opportunity for improvement in 2004 where white, brown, and specialty mushroom dollar growth declined in Q4 2003. Retailers could focus on revitalizing the category in the West by bringing consumers back to the core offerings of whole and sliced white and brown mushrooms, before focusing on the specialty subcategory.



**Weekly Sales Q4 2003**

**Observations:** Mushroom sales peak slightly in late November and late December, corresponding to the holidays. Retail price dipped before the holidays, indicating that retailers tried to jump start the category with promotions in late October and early November

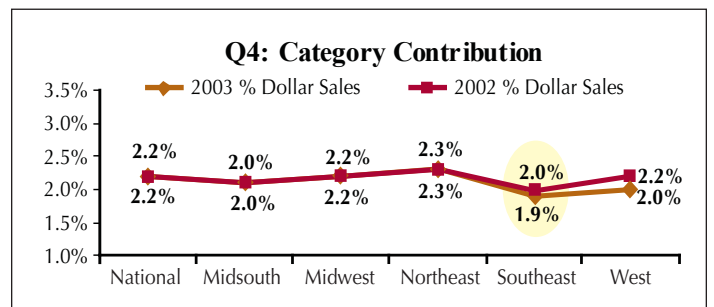
**Opportunity:** Continue to extend the peak mushroom purchase season by starting promotions during the fall, well before the Thanksgiving holiday, in order to build upon the success of this strategy in 2004.



**Category Contribution (Dollars)**

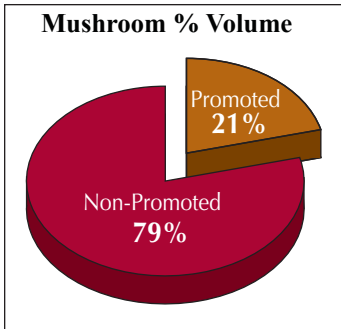
**Observations:** Category dollar contribution remained flat vs. 2002 in all regions except the Southeast for fourth quarter. While mushroom volume and dollars were up nationally in Q4 2003 vs. Q4 2002, the category's contribution to total produce dollars were largely flat across the country.

**Opportunity:** Retailers could improve mushroom category contribution to overall department dollars by raising the category profile in the department and gain year-round consumers. This can be achieved with promotions, recipes, and in-store demos.



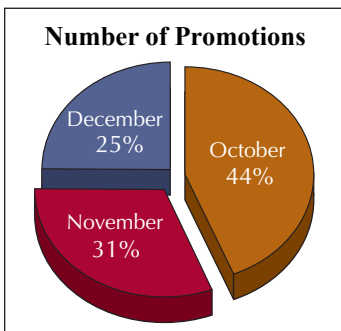
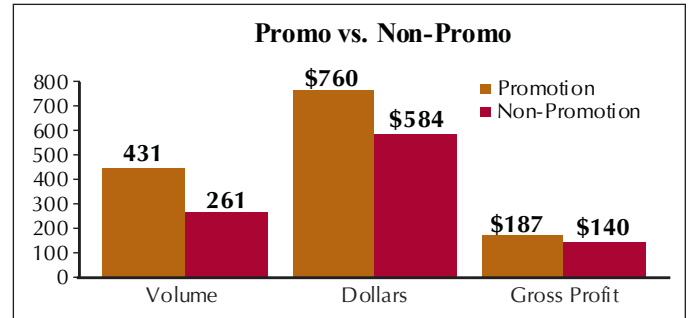
**Looking Ahead to Q4 2004 (continued)**

**Q4 Promotions (9 Retailer Composite)**



In Q4 2003, some 21 percent of volume was generated by promotions, however only 5 percent of promotions featured bulk product.

On average, volume increased over 1.5 times when mushrooms were promoted. Positive increases were also seen in dollars (1.3 times) and gross profit (1.3 times). Average promotional discount on mushrooms was 23 percent in Q4. Average non-promoted retail price was \$2.26 compared to \$1.74 on promotion.



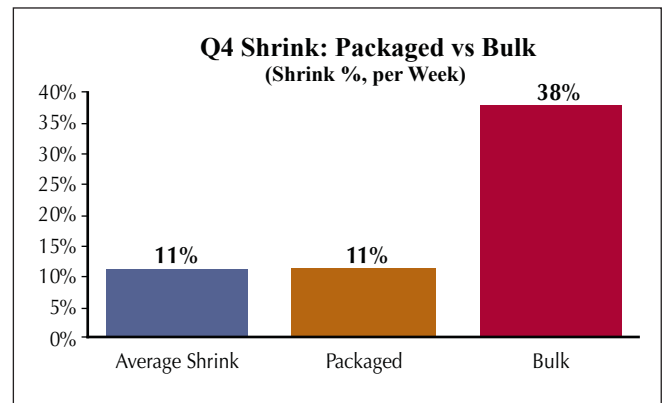
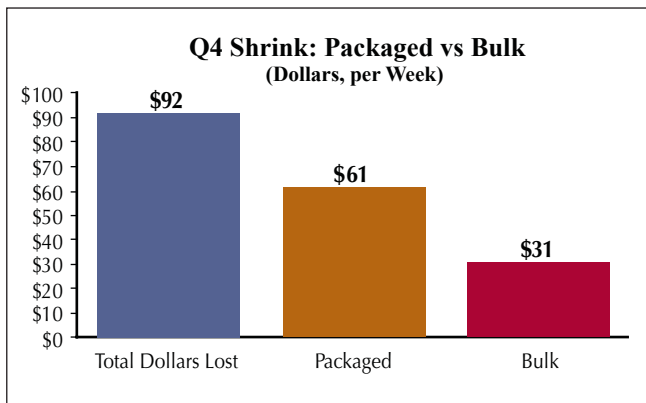
When looking at specific months, 44 percent of the promotions in Q4 2003 were run in October, followed by November (31 percent) and December (25 percent). Retailers tried to jump start holiday consumption by promoting in October, and did not promote as heavily during the holidays when consumers are already shopping for mushrooms.

**Opportunity:** Continue early promotions in October to get a running start on the holiday season, however, promote the category less aggressively (offering only light discounts) between mid-November and December, as consumers will likely purchase mushrooms during that period.

**Q4 2003 Shrink (4 Retailer Composite)**

**Observations:** While the percentage of shrink in the bulk mushroom subcategory is significantly higher than packaged mushrooms, packaged mushroom shrink is still driving the highest overall shrink dollars (\$61 versus \$31 dollars).

**Opportunity:** Top performing stores realize a mushroom category shrink between 10 percent and 12 percent, and in Q4 2003, the category fell within this range, likely due to high volume movement due to the holiday season. However, by continuing to highlight the category, overall shrink percentages could decline even further during this period, generating additional profit.



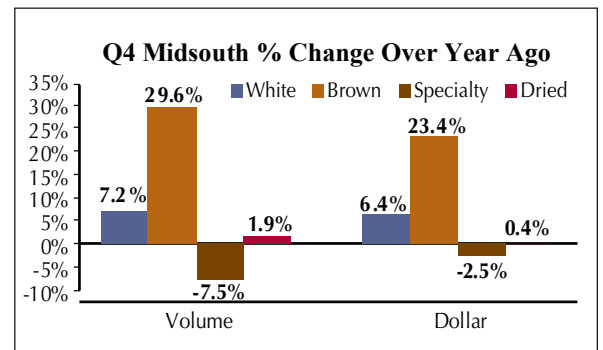
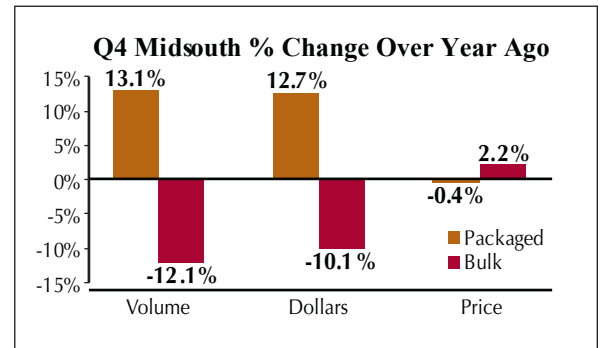
## Looking at Regional Opportunities

### Midsouth

Overall, volume and dollars increased in the packaged mushroom segment, with declines in the specialty subcategory over year ago. However, while two of the top five items showed declines in the category (white sliced and bulk whites), the 8 ounce packaged white whole and sliced mushroom, plus packaged Italian Brown/Crimini mushroom increased substantially over last year.

**Learning: the Midsouth has opportunities in the bulk segment, and most of the specialty mushroom subcategory.**

Top Five Items	Volume 2002	Volume 2003	% Change
Packaged White Whole 8oz	76.9	87.0	13.1%
Packaged White Sliced 8oz	53.2	66.5	25.0%
Packaged Italian Brown/Crimini	24.7	33.2	34.3%
Packaged White Sliced	32.9	30.4	(7.5%)
Bulk White Large	22.9	21.4	(6.7%)

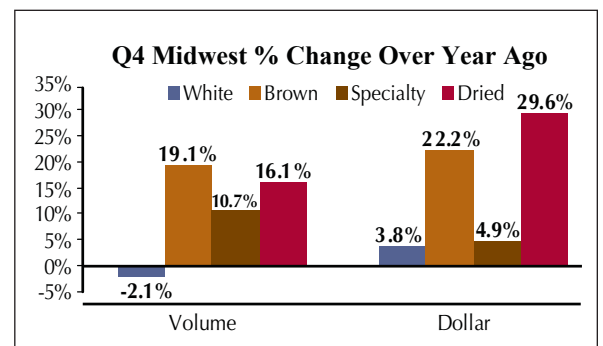
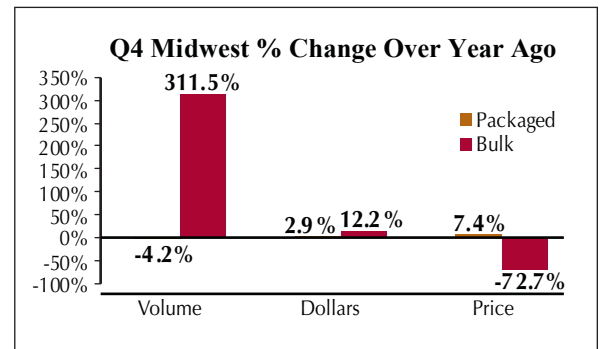


### Midwest

Overall, volume and dollars increased in the bulk mushroom segment, but volume declined in the packaged mushroom segment. Volume increased in all subcategories except white mushrooms. However, while two (8 ounce packaged white sliced and 16 ounce packaged whole white mushrooms) of the top five items showed declines in the category, the bulk white large mushroom subcategory increased substantially over last year.

**Learning: While bulk mushrooms did well in the Midwest, there are opportunities in the packaged white mushroom subcategories.**

Top Five Items	Volume 2002	Volume 2003	% Change
Packaged White Whole 8oz	104.6	105.0	0.4%
Packaged White Sliced 8oz	109.7	96.8	(11.8%)
Packaged White Whole 16oz	45.8	20.2	(55.9%)
Packaged White Whole	-	16.9	-
Bulk White Large	2.5	16.8	561.8%

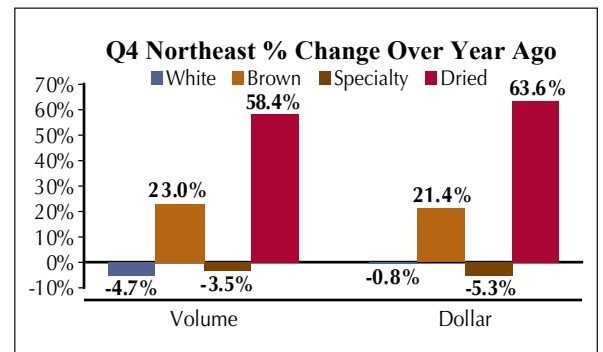
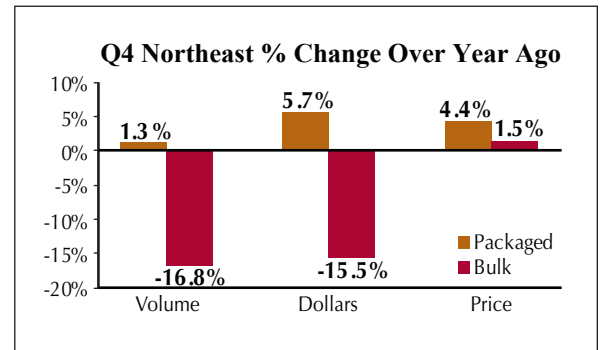


**Looking at Regional Opportunities (continued)**
**Northeast**

Overall, volume and dollars increased in the packaged mushroom segment, but declined in the bulk segment. Volume and dollars decreased in white mushrooms. However, while two (8 ounce packaged whole white mushrooms and 10 ounce packaged white sliced mushrooms) of the top five items showed declines in the category, the packaged white sliced and packaged sliced baby portabella increased substantially over last year.

**Learning:** While packaged mushrooms did well in the Northeast, there are opportunities in the bulk segment and white and specialty subcategories.

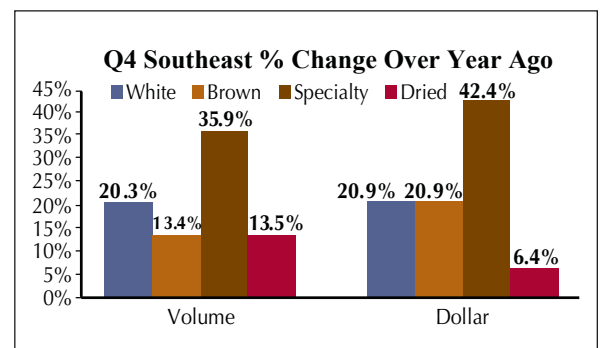
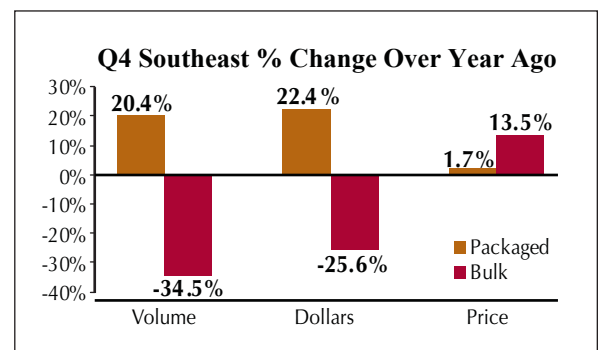
Top Five Items	Volume 2002	Volume 2003	% Change
Packaged White Whole 8oz	157.3	140.0	(11.0%)
Packaged White Sliced 8oz	83.7	112.3	34.2%
Packaged Sliced Baby Portabella	24.1	39.2	62.5%
Packaged White Sliced 10oz	54.0	34.1	(36.9%)
Packaged Baby Portabella	23.4	31.7	35.3%


**Southeast**

Overall, volume and dollars decreased in the bulk mushroom segment, but increased in the packaged segment. Volume and dollars increased in all mushroom subcategories. However, while one (12 ounce packaged white sliced) of the top five items showed a slight decline in the category, the other packaged white whole mushroom and sliced and packaged sliced Portabella items increased substantially over last year.

**Learning:** While packaged mushrooms did well in the Southeast, there is an opportunity in the bulk segment.

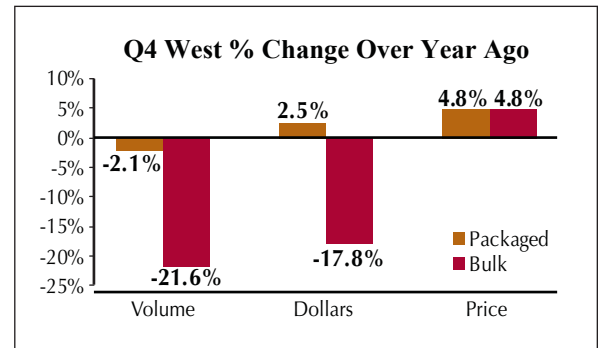
Top Five Items	Volume 2002	Volume 2003	% Change
Packaged White Sliced 8oz	58.5	70.5	20.4%
Packaged White Whole 8oz	41.5	51.3	23.7%
Packaged White Whole 16oz	12.2	14.8	21.8%
Packaged White Sliced 12oz	8.0	7.9	(1.1%)
Packaged Sliced Portabella	5.3	7.2	34.7%



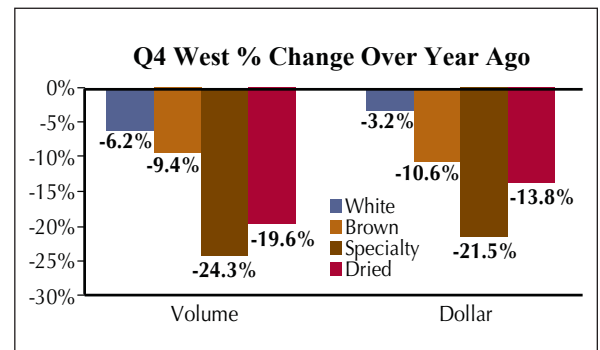
**Regional Opportunities (continued)**
**West**

Overall, volume decreased in both the packaged and bulk mushroom segments, while bulk mushroom dollars also decreased. Volume and dollars increased in all mushroom subcategories, however, while two (8 ounce packaged white sliced and bulk white large) of the top five items showed declines in the category, the 8 ounce packaged white whole mushrooms increased substantially over last year.

**Learning: there are opportunities in all segments and subcategories of mushrooms in the West.**



Top Five Items	Volume 2002	Volume 2003	% Change
Packaged White Sliced 8oz	122.6	88.1	(28.2%)
Packaged White Whole 8oz	47.3	79.5	68.1%
Bulk White Large	53.9	39.8	(26.1%)
Packaged White Sliced 6oz	20.6	22.9	11.6%
Bulk White Small	4.8	5.6	16.4%


**4th Quarter Weekly Performance**
**(Dollars, Volume and Retail Price)**

*Nationally, packaged mushroom volume increased 4.4 percent in Q4 of 2003 and bulk volume increased 41.7 percent. The Midwest had the greatest bulk volume increase between 2002 and 2003, with 311.5 percent, while the Southeast had the largest packaged volume gains (20.4 percent). Packaged retail price increased in all regions except the Midsouth, and bulk retail price increased in all regions but the Midwest and National composites.*

4th Quarter Average Weekly Performance: By Store/By Region										
		VOLUME			DOLLAR SALES			UNIT PRICE		
Region	Packaging	Prior Year 2002	This Year 2003	% Change	Prior Year 2002	This Year 2003	% Change	Prior Year 2002	This Year 2003	% Change
National	Packaged	292.1	305.1	4.4%	\$570.94	\$624.04	9.3%	\$1.95	\$2.05	4.7%
	Bulk	23.1	32.8	41.7%	\$77.10	\$66.34	(14.0%)	\$3.33	\$2.02	(39.3%)
Midsouth	Packaged	231.5	261.8	13.1%	\$445.85	\$502.37	12.7%	\$1.93	\$1.92	(0.4%)
	Bulk	31.1	27.4	(12.1%)	\$102.63	\$92.24	(10.1%)	\$3.30	\$3.37	2.2%
Midwest	Packaged	330.8	317.0	(4.3%)	\$649.17	\$668.00	4.8%	\$1.96	\$2.15	9.6%
	Bulk	4.5	18.4	311.5%	\$17.75	\$19.91	12.2%	\$3.97	\$1.08	(72.7%)
Northeast	Packaged	477.1	483.4	1.3%	\$923.92	\$976.76	5.7%	\$1.94	\$2.02	4.4%
	Bulk	19.5	16.2	(16.8%)	\$65.79	\$55.57	(15.5%)	\$3.38	\$3.43	1.5%
Southeast	Packaged	158.2	190.4	20.4%	\$325.58	\$398.65	22.4%	\$2.06	\$2.09	1.7%
	Bulk	2.1	1.4	(34.5%)	\$7.54	\$5.61	(25.6%)	\$3.59	\$4.07	13.5%
West	Packaged	217.5	212.8	(2.1%)	\$418.39	\$428.97	2.5%	\$1.92	\$2.02	4.8%
	Bulk	68.4	53.6	(21.6%)	\$223.65	\$183.73	(17.8%)	\$3.27	\$3.43	4.8%