

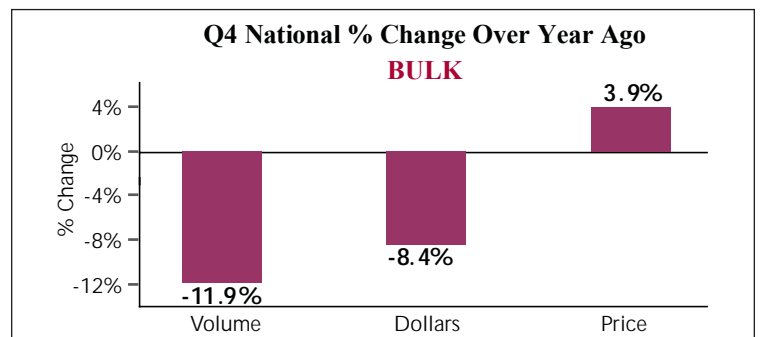
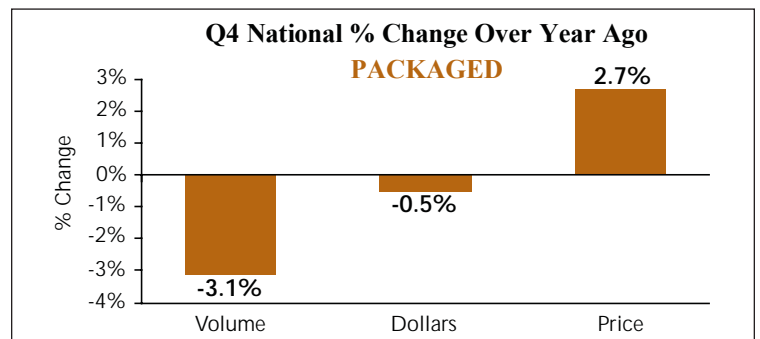
Looking Ahead to Q4 2003

Historically, mushroom sales do very well during fourth quarter, largely due to holiday eating occasions in November and December. The challenge for the mushroom category, is to extend the selling period and start building momentum in October. Retailers can use the category's exposure during this quarter to educate consumers about mushroom storage, usage and varietal information, as well as spark interest for year-round consumption.

National Trends

Nationally in Q4 2002, the volume of packaged mushrooms decreased over 3 percent while dollar sales decreased 0.5 percent. Bulk mushrooms also decreased 11.9 percent in volume and 8.4 percent in dollars. Average retail price was up 2.7 percent for packaged mushrooms and 3.9 percent for bulk mushrooms.

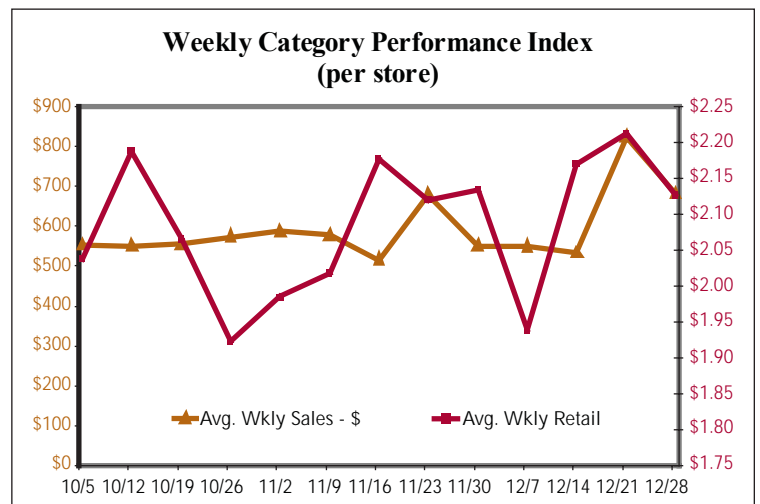
Observation: Emphasis should continue to be placed on the packaged mushroom segment, considering that consumers are looking for convenience as they add mushrooms to their holiday meals. However, due to the exposure the mushroom category receives during this quarter, retailers can use this time to introduce consumers to bulk mushrooms.



Weekly Sales Q4 2002

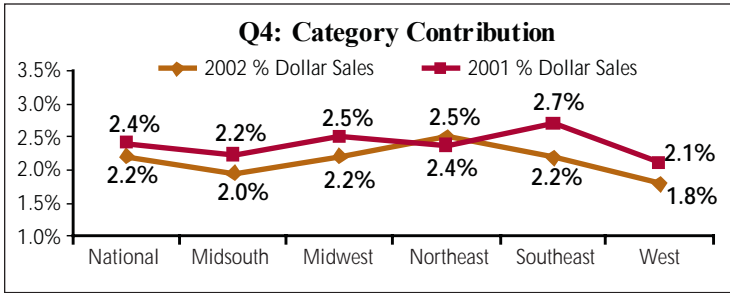
Sales peak slightly in late November and late December, corresponding to the holidays.

Observation: The opportunity in Q4 2003 is to add incremental mushroom promotions – before the holidays – in order to build sales and capitalize on mushroom category exposure.



Looking Ahead to Q4 2003 (continued)

Category Contribution (Dollars)

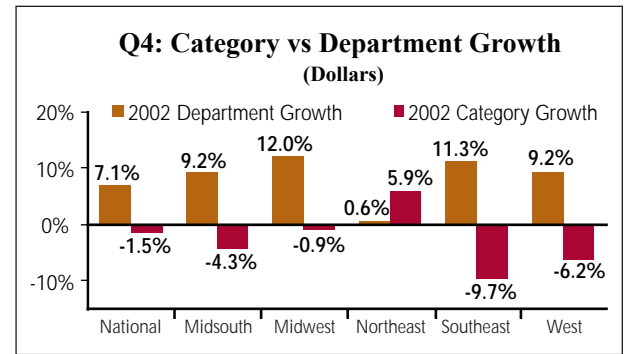


Category dollar contribution declined versus 2002 in all regions except the Northeast for fourth quarter.

Observation: Opportunities exist to improve mushroom category contribution to overall department dollars by raising the category profile in the department and gaining year-round consumers.

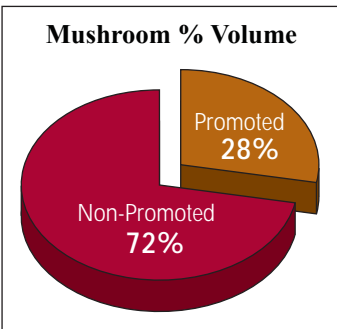
Category vs. Department Growth (Dollars)

During Q4 2002, produce dollar sales increased at a faster rate than mushroom sales in all regions except the Northeast. Department dollar growth is out-pacing mushroom dollar growth by 8.6 percent nationally. The Midsouth posted the largest Q4 category dollar growth at 5.9 percent by focusing and improving upon both white and brown mushroom sales.



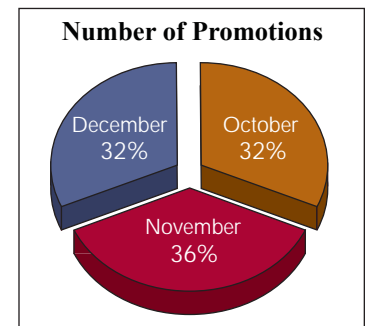
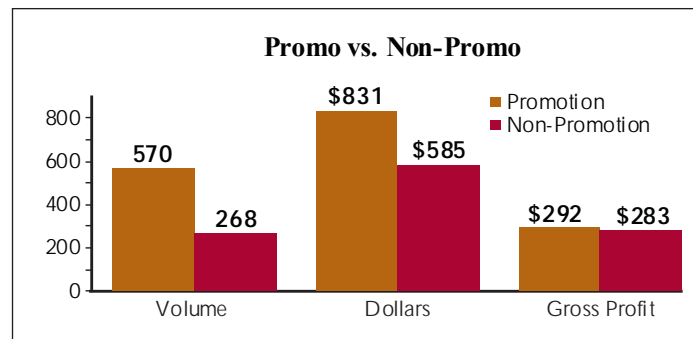
Observation: Regionally, the Southeast has the largest opportunity for improvement in 2003 where white and brown mushroom dollar growth both declined 8.6 percent in the Q4 2002.

Q3 2003 Promotions (3 Retailer Composite)



In Q4 2002, some 28 percent of volume was generated by promotions, however none of the promotions featured bulk mushrooms.

On average, volume increased two times when mushrooms were promoted. Positive increases were also seen in dollar sales (1.4 times). Gross profit results decreased by 3 percent when promoted. The average promotional discount on mushrooms in Q4 was 30 percent. Average non-promoted retail price was \$2.17 compared to \$1.53 on promotion.



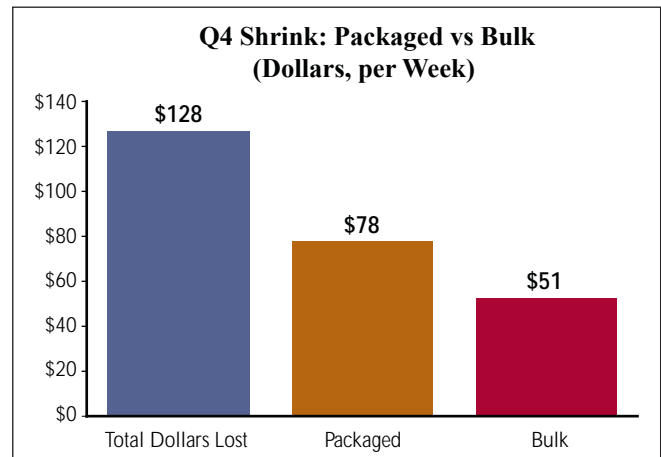
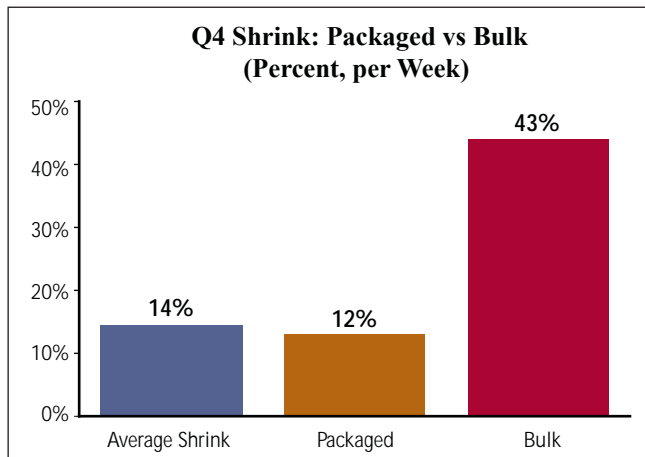
When looking at specific months, 36 percent of the promotions in Q4 2002 were run in November, followed by October and December (32 percent).

Observation: There is an opportunity to feature bulk mushroom promotions, especially during the high-profile holiday season.

Looking Ahead to Q4 2003 (continued)
Q4 2003 Shrink

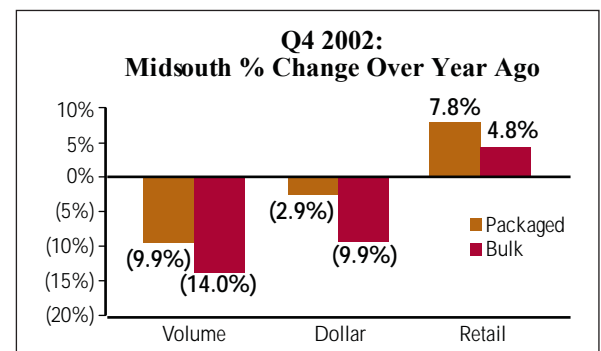
While the bulk shrink percentage is significantly higher than packaged mushrooms, packaged shrink is still driving the highest overall mushroom shrink dollars (\$78 versus \$51 dollars).

Observation: By continuing to highlight the category through winter promotions, overall shrink percentages will decline. Mushroom category shrink should fall between 10 percent and 12 percent.

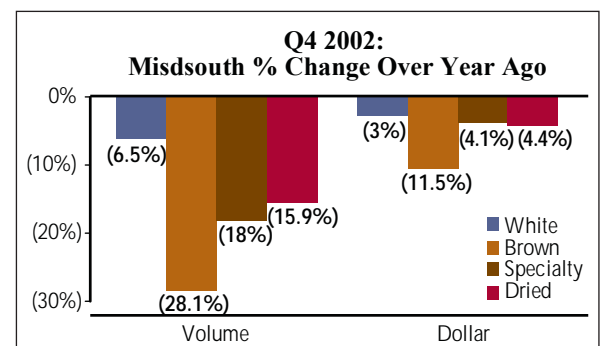

Regional Opportunities
Midsouth

Overall, volume and dollar sales decreased in the packaged and bulk segment, with declines in all subcategories over year ago. However, while four of the top five items showed declines in the category, the packaged white whole mushrooms increased substantially over last year.

Learning: The Midsouth has opportunities in all segments and subcategories, especially the 8-ounce packaged mushroom sizes.



Top Five Items	Volume 2001	Volume 2002	% Change
Packaged White Whole 8 ounce	90	77	(14.3%)
Packaged White Sliced 8 ounce	59	53	(9.8%)
Packaged Italian Brown/Crimini	37	25	(33.2%)
Bulk White Large	28	23	(17.1%)
Packaged White Whole 16 ounce	7	7	8.3%

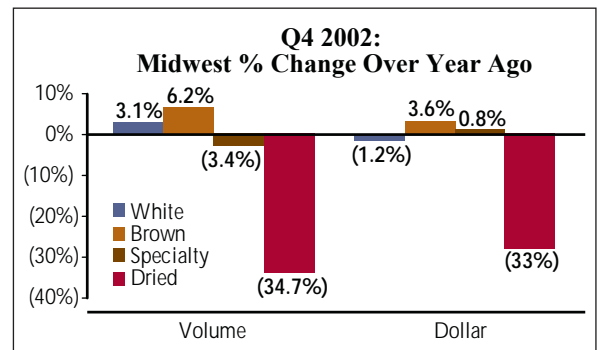
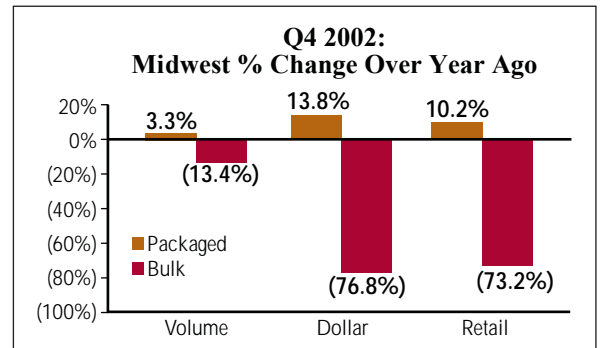


Regional Opportunities (continued)
Midwest

Overall, volume and dollars increased in the packaged mushroom segment, but declined in the bulk segment. Volume increased in white and brown mushrooms, while dollar sales increased in brown and specialty mushrooms. However, while two (packaged whole white mushrooms) of the top five items showed declines in the category, the packaged white sliced mushrooms increased substantially over last year.

Learning: While brown mushrooms did well in the Midwest, there are opportunities in the bulk segment and the white, specialty and dried mushroom subcategories.

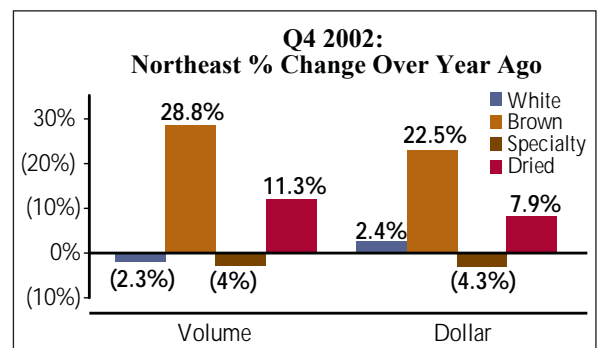
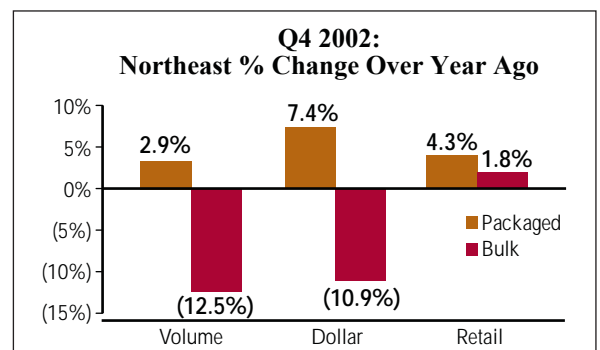
Top Five Items	Volume 2001	Volume 2002	% Change
Packaged White Sliced 8 ounce	93	110	17.9%
Packaged White Whole 8 ounce	103	105	1.5%
Packaged White Whole 16 ounce	50	46	(8.7%)
Packaged White Whole 12 ounce	19	15	(21.5%)
Packaged Sliced Portabella	12	12	4.1%


Northeast

Overall, volume and dollar sales increased in the packaged mushroom segment, but declined in the bulk segment. Both volume and dollar sales increased in brown and specialty mushrooms, and dollar sales increased in white mushrooms. However, while two (packaged whole white mushrooms) of the top five items showed declines in the category, the packaged white sliced mushrooms increased substantially over last year.

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

Top Five Items	Volume 2001	Volume 2002	% Change
Packaged White Whole 8 ounce	162	157	(2.8%)
Packaged White Sliced 8 ounce	72	84	16.4%
Packaged White Sliced 10 ounce	51	54	5.6%
Packaged White Whole 10 ounce	30	26	(12.8%)
Packaged Baby Portabella	23	23	0.7%

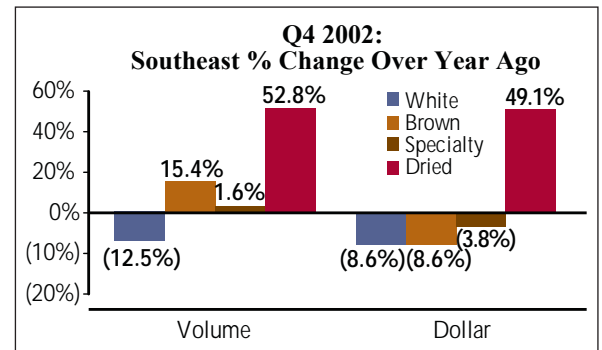
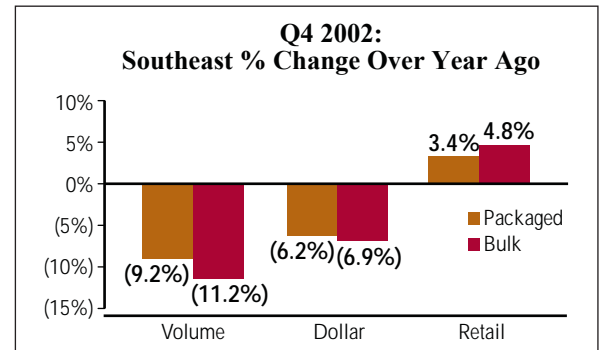


Regional Opportunities (continued)
Southeast

Overall, volume and dollar sales decreased in both the packaged and bulk mushroom segments. Volume increased in brown, specialty and dried mushrooms, and dollar sales increased in dried mushrooms. However, while three (including two packaged whole white mushroom items) of the top five items showed declines in the category, the packaged white sliced and bulk white mushroom items increased substantially over last year.

Learning: While dried mushrooms did well in the Southeast, there are opportunities in both packaged and bulk mushroom segments and white, brown and specialty mushroom subcategories.

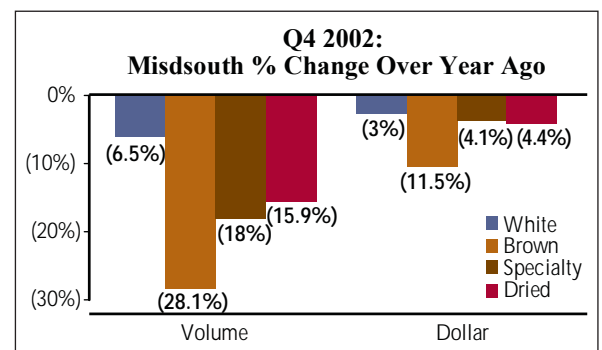
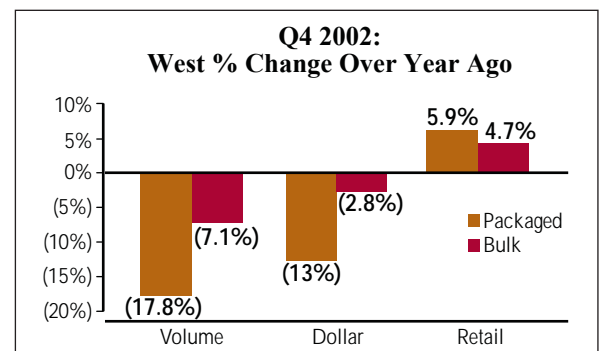
Top Five Items	Volume 2001	Volume 2002	% Change
Packaged White Sliced 8 ounce	63	123	93.9%
Bulk White Large	2	54	3250.1%
Packaged White Whole 8 ounce	56	47	(15.8%)
Packaged White Whole 16 ounce	13	3	(77.3%)
Packaged Sliced Portabella	5	3	(40.5%)


West

Overall, volume and dollar sales decreased in both the packaged and bulk mushroom segments. Volume and dollar sales increased in brown mushrooms. However, while two (both packaged 8 ounce mushroom items) of the top five items showed declines in the category, the packaged white whole and packaged sliced portabella items increased substantially over last year.

Learning: While brown mushrooms did well in the West, there are opportunities in both packaged and bulk mushroom segments and white, specialty and dried mushroom subcategories.

Top Five Items	Volume 2001	Volume 2002	% Change
Packaged White Sliced 8 ounce	113	59	(48.1%)
Packaged White Whole 8 ounce	104	42	(59.8%)
Packaged White Whole 16 ounce	4	12	214.6%
Packaged Sliced Portabella	2	9	282.8%
Packaged White Whole 10 ounce	-	5	



4th Quarter Weekly Performance

(Dollars, Volume and Retails)

Nationally, packaged mushroom volume decreased 3.1 percent in Q4 of 2002 and bulk volume decreased 0.5 percent. All regions experienced a decrease in bulk mushroom volume between 2001 and 2002, while the Midwest had the largest packaged mushroom volume gains (3.3 percent). Packaged mushroom retails increased in all regions, and bulk mushroom retails increased in all

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	302	292	(3.1%)	\$574	\$571	(0.5%)	\$1.90	\$1.95	2.7%
	Bulk	26	23	(11.9%)	\$84	\$77	(8.4%)	\$3.21	\$3.33	3.9%
Midsouth	Packaged	257	231	(9.9%)	\$459	\$446	(2.9%)	\$1.79	\$1.93	7.8%
	Bulk	36	31	(14.0%)	\$114	\$103	(9.9%)	\$3.15	\$3.30	4.8%
Midwest	Packaged	320	331	3.3%	\$574	\$653	13.8%	\$1.79	\$1.98	10.2%
	Bulk	5	4	(13.4%)	\$84	\$20	(76.8%)	\$16.32	\$4.38	(73.2%)
Northeast	Packaged	464	477	2.9%	\$861	\$924	7.4%	\$1.86	\$1.94	4.3%
	Bulk	22	19	(12.5%)	\$74	\$66	(10.9%)	\$3.32	\$3.38	1.8%
Southeast	Packaged	174	158	(9.2%)	\$347	\$326	(6.2%)	\$1.99	\$2.06	3.4%
	Bulk	2	2	(11.2%)	\$8	\$8	(6.9%)	\$3.42	\$3.59	4.8%
West	Packaged	265	217	(17.8%)	\$481	\$418	(13.0%)	\$1.82	\$1.92	5.9%
	Bulk	74	68	(7.1%)	\$230	\$224	(2.8%)	\$3.12	\$3.27	4.7%

Second Quarter 2003 Review

Mushroom Sales Show Positive Growth in Q2 2003

Nationally, mushroom dollar sales grew 7.2 percent in the second quarter when compared to Q2 2002, and were bolstered by the Easter holiday, which occurred during second quarter this year. Packaged mushroom sales led category growth overall while the bulk mushroom segment continues to decline.

Mushroom sales spiked in April and May due to promotional and holiday activity. Most promotions occurred in April (36 percent) and May (34 percent). By emphasizing mushroom promotions in June, retailers can help stimulate mushroom category performance that typically decreases at the start of the summer.

Shrink averaged 13 percent during Q2, which is slightly above the category best practices findings from top performing stores of 10 percent to 12 percent.

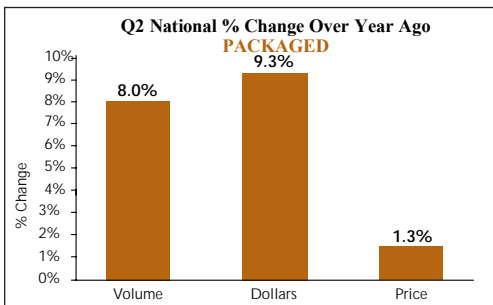
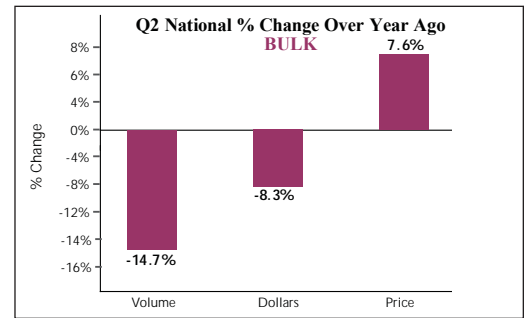
In the coming quarters, research supports a mushroom category strategy that continues to drive performance with packaged mushrooms, while communicating the freshness/value image through bulk mushroom displays.

Second Quarter 2003 Review (continued)

Executive Summary

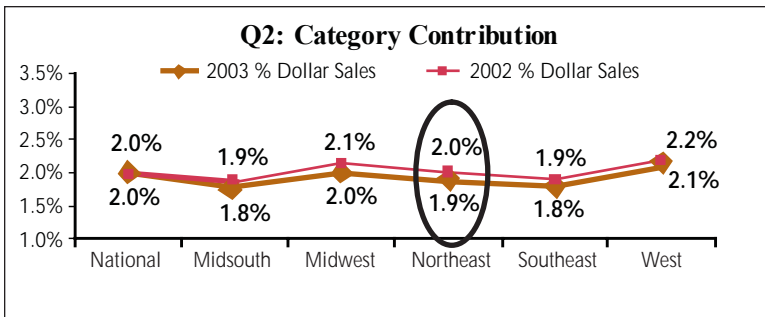
Nationally in Q2 2003 volume, dollar sales, and average retail price increased positively in the packaged mushroom segment while bulk mushrooms continue to show declines in overall performance versus previous quarters.

As in previous quarters, mushrooms outperformed the department in dollars per square foot in Q2 2003. However, nationally, category dollar contribution remained steady at 2.0 percent in the second quarter versus Q2 2002, and total produce department dollar growth outpaced mushroom category growth.



Brown mushroom dollars sales increased 23.2 percent and white mushroom dollars sales increased as well by 3.6 percent versus year ago. Consumers are increasingly more aware of the newer varieties of mushrooms and have responded with purchases in the brown mushroom segment. On average, research showed that volume more than doubled when mushrooms were promoted. A similar impact is shown when mushrooms are promoted year-round.

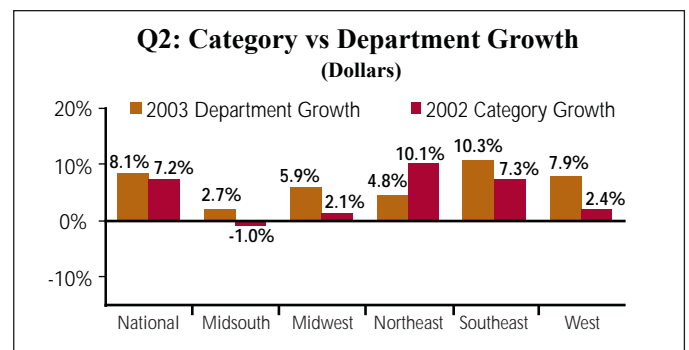
Category Contribution (Dollar Sales)



Mushroom category dollar contribution declined compared to 2002 in all regions except the Northeast (which gained 0.1 percent over year ago) for second quarter. The Northeast grew volume in the brown subcategory which maintained its dollar contribution to department sales. Dollar contributions in Q2 2003 ranged from a high of 2.2 percent (West) to a low of 1.8 percent (Midsouth and Southeast).

Category vs. Department Growth (Dollars)

The total produce department is outpacing mushrooms in dollar growth in all regions except the Northeast. The Northeast posted the largest Q2 category dollar growth at 10.1 percent. Looking deeper into the data for the Northeast, the greatest dollar growth occurred in the brown mushroom segment, followed by dried mushrooms and specialty mushrooms. Overall, nationally, brown mushroom volume has increased by 23 percent as a result of consumer trial in the burgeoning subcategory.



The Midsouth data revealed a decline of bulk sales and a loss of emphasis on the mushroom category. Mushroom dollar growth decreased 1.0 percent in the Southeast during Q2 2003. At the subcategory level, specialty mushroom dollar growth decreased 12.8 percent, dried mushroom dollar growth decreased 10.7 percent, white mushroom dollar growth decreased 7.2 percent, and brown mushroom dollar growth declined 4.9 percent. Packaged mushrooms increased by 0.4 percent while bulk decreased by 7.5 percent.

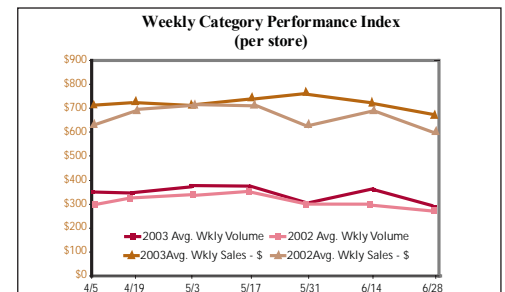
Second Quarter 2003 Review (continued)
2nd Quarter Weekly Performance (Dollar Sales, Volume and Retail Price)

Nationally, data shows packaged mushroom volume increased in Q2 of 2003 and bulk volume decreased versus year ago. All of the regions experienced a decrease in bulk mushroom volume between Q2 2002 and Q2 2003. The Northeast achieved the largest packaged mushroom volume gains over 2002. Overall, the Northeast has led all regions in packaged mushroom volume increases, followed by the Midwest region. The research also showed that the average retail price for packaged mushrooms increased in all regions except the Midwest and Northeast.

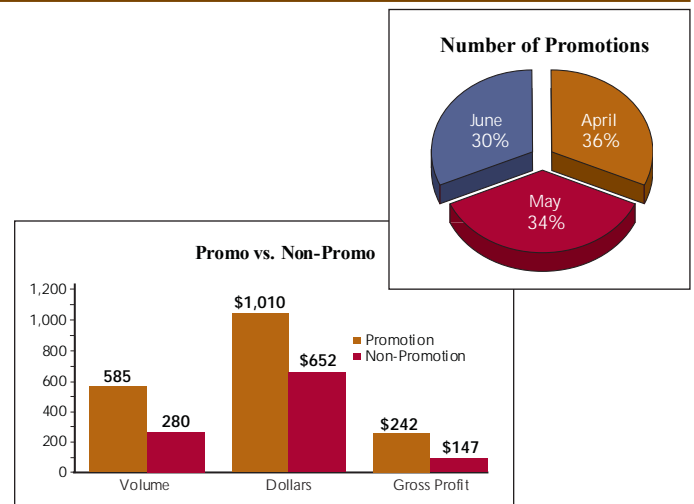
2nd Quarter Average Weekly Performance: By Store/By Region										
		VOLUME			DOLLAR SALES			UNIT PRICE		
Region	Packaging	Prior Year 2002	This Year 2003	% Change	Prior Year 2002	This Year 2003	% Change	Prior Year 2002	This Year 2003	% Change
National	Packaged	292	315	8.0%	\$575	\$629	9.3%	\$1.90	\$2.00	1.3%
	Bulk	26	22	(14.7%)	\$81	\$75	(8.3%)	\$3.12	\$3.35	7.6%
Midsouth	Packaged	259	241	(6.7%)	\$475	\$478	0.4%	\$1.84	\$1.98	7.7%
	Bulk	32	29	(8.6%)	\$104	\$97	(7.5%)	\$3.25	\$23.29	1.2%
Midwest	Packaged	320	331	3.4%	\$665	\$683	2.7%	\$2.08	\$2.06	(0.7%)
	Bulk	6	6	(3.9%)	\$22	\$18	(16.8%)	\$3.76	\$3.26	(13.4%)
Northeast	Packaged	430	486	12.8%	\$845	\$952	12.6%	\$1.96	\$1.96	(0.2%)
	Bulk	25	20	(20.3%)	\$81	\$68	(16.2%)	\$3.21	\$3.37	5.0%
Southeast	Packaged	181	193	6.7%	\$365	\$393	7.6%	\$2.02	\$2.04	0.9%
	Bulk	2	2	(10.7%)	\$8	\$8	(7.5%)	\$3.52	\$3.65	3.7%
West	Packaged	253	264	4.4%	\$475	\$516	8.7%	\$1.88	\$1.96	4.0%
	Bulk	78	60	(22.1%)	\$228	\$204	(10.7%)	\$2.91	\$3.34	14.7%

National Weekly Category Index (Dollar Sales and Volume)

In Q2 2003, volume and dollar sales peaked around Easter and Memorial Day, and showed slight vacillations throughout the rest of the quarter.

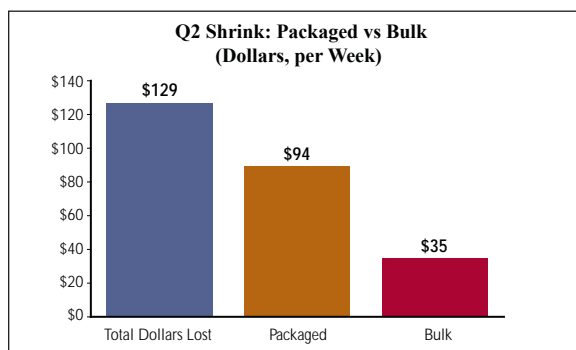
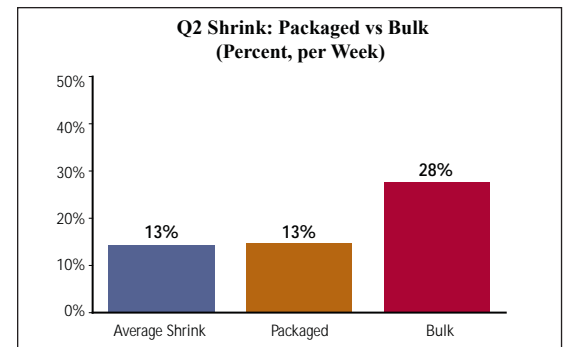

Promotions - Select Retailer Composite (9)

The average promotional discount on mushrooms was 12 percent in Q2, and on average, volume more than doubled during promotions. Promotional volume represented 22 percent of the mushroom category in Q2 2003. This is below promotional volumes of top performing stores, which normally average above 30 percent. When looking at specific months, 36 percent of the promotions in Q2 2003 were run in April, followed by May (34 percent) and June (30 percent). Only 24 percent of the mushroom promotions featured bulk product. Data supports that the bulk segment will continue to see decreasing returns unless it is supported with promotional funds.



Second Quarter 2003 Review (continued)
Shrink (4 retailer composite)

In Q2 2003, the average shrink percentage for the mushroom category was 13 percent with packaged shrink at 13 percent and bulk shrink at 28 percent. Packaged mushrooms represent roughly 93 percent of volume versus 7 percent of volume from the bulk segment. These shrink percentages equate to \$94 dollars lost per week per store on packaged mushrooms and \$35 dollars lost for bulk mushrooms. There's definitely a positive result when controlling shrink, considering that for a 100-store chain, mushroom shrink could account for \$671,134 dollars lost per year.



Research indicates that lowering category shrink decreases the amount of poor quality product being left on the shelf. Freshness is one of the major factors consumers look for in purchasing produce. Therefore, it is critical that proper space-to-sales criteria are established and that mushroom assortment is based on specific store demographics.

NOTE: The data in this report comes from multiple sources. Promotion and shrink information is sourced from retailers involved as Perishables Group research partners.

Identifying Key Factors That Impact Shrink

In 2001 and 2002, the Mushroom Council conducted research to understand the factors that caused shrink in the mushroom category. The information in the Mushroom Council's existing retail database showed that retail practices revealed dramatic variations in shrink from store to store and chain to chain.

To identify key factors and causes of shrink at store level, the Mushroom Council worked with four chains located in different regions of the country to analyze store data and conduct store intercepts and in-store testing. Twenty stores from each of the four chains were used to measure category performance. The top 10 stores with the lowest shrink percentage and the bottom 10 stores with the highest shrink percentage were used for the test.

The study results showed high shrink stores average shrink is almost three times (25 percent versus 9 percent) that of the low shrink stores. Shrink is higher at both the subcategory and segment level. Over a 52 week period the difference in dollar sales lost for a 100 store chain with 25 percent mushroom shrink would equate to \$244,000 (based on weekly mushroom sales of \$281).

The study also found that stores with low shrink contribute considerably more to department sales with mushrooms than high shrink stores. Low shrink stores perform better in overall volume, dollars, and profit on a per week, per store, basis.

The study also highlighted the impact that assortment and merchandising standards have in controlling overall shrink. For example, stores that keep bulk and packaged mushrooms in different locations in the produce department have higher shrink. High shrink stores have more out of stocks (8 percent on average) compared to low shrink stores. High shrink stores are also averaging significantly more markdowns than low shrink stores and have higher packaged mushroom temperatures (averaging 48 degrees) which adds to shrink.

Assortment Best Practice Findings

How Top Performing Stores Succeed

Fine-tune your mushroom assortment to your customer base

Top Performing Stores (TPS) match the consumer demographics of the region and stores and adjust the mushroom assortment accordingly. High income stores sell a higher percentage of brown mushrooms and bulk specialty mushrooms; bulk mushroom sales are higher in the West and in the Northeast. In the Midwest and South, TPS increase the focus on the brown, specialty and bulk segments, items that historically under perform.

Drive the category with white mushrooms

TPS offer a full variety of white mushrooms - whole, sliced, stuffers, and small buttons - to build the mushroom category. They get 80 percent of their mushroom volume from white mushrooms and increase this to 90 percent in low income areas.

Carry a mixture of packaged and bulk mushrooms that cater to a variety of customers

For consumers, pre-packaged means convenience, but bulk mushrooms convey the produce section's "freshness" image. TPS use bulk mushrooms to attract consumers who don't normally purchase mushrooms due to their perishability. A study of stores in the West carrying a mixture of both pre-packaged and bulk mushrooms generated eight times as much in bulk dollar sales and 35 percent more in weekly dollar sales compared to a national composite of retailers.

Use brown, specialty, and dried mushrooms to round out the category and boost gross profits

In TPS, brown mushrooms represent 16 percent of category volume, specialty mushrooms 3 percent, and dried 1 percent respectively. These segments drive healthy profit margins at competitive prices, helping TPS maintain overall profitability and generate incremental sales. TPS with lower income carry a mix of 8 percent browns, 1 percent specialty and 1 percent dried mushrooms.

TPS maximize profit in the mushroom category, carry an average of 16 SKUs, including white, brown, specialty and dried mushrooms, packaged and in bulk. Lower income stores carried 11 SKUs on average.

