Norfolk Farming Conference 2008

Produce World

Managing the supply chain in Fresh Produce

William Burgess CEO

21st February 2008

Agenda

- Produce World
  – Who are we
- The Market in which we operate
- The Supply chain
- The role of Produce World
- The challenges ahead

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History 1898-2008


1898


2007


2007

"BURGEE"


1960s

2003

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2008

The Group

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Brassicas	Imported Fruit	Potatoes	Roots & Alliums
Marshalls – Fresh produce from around the world	B&B – British & Brazilian growing trust	Solanum – growing trust	jfp; RB Organic – growing trust; Rustler; B

Brassicas

Imported Fruit

Potatoes

Roots & Alliums

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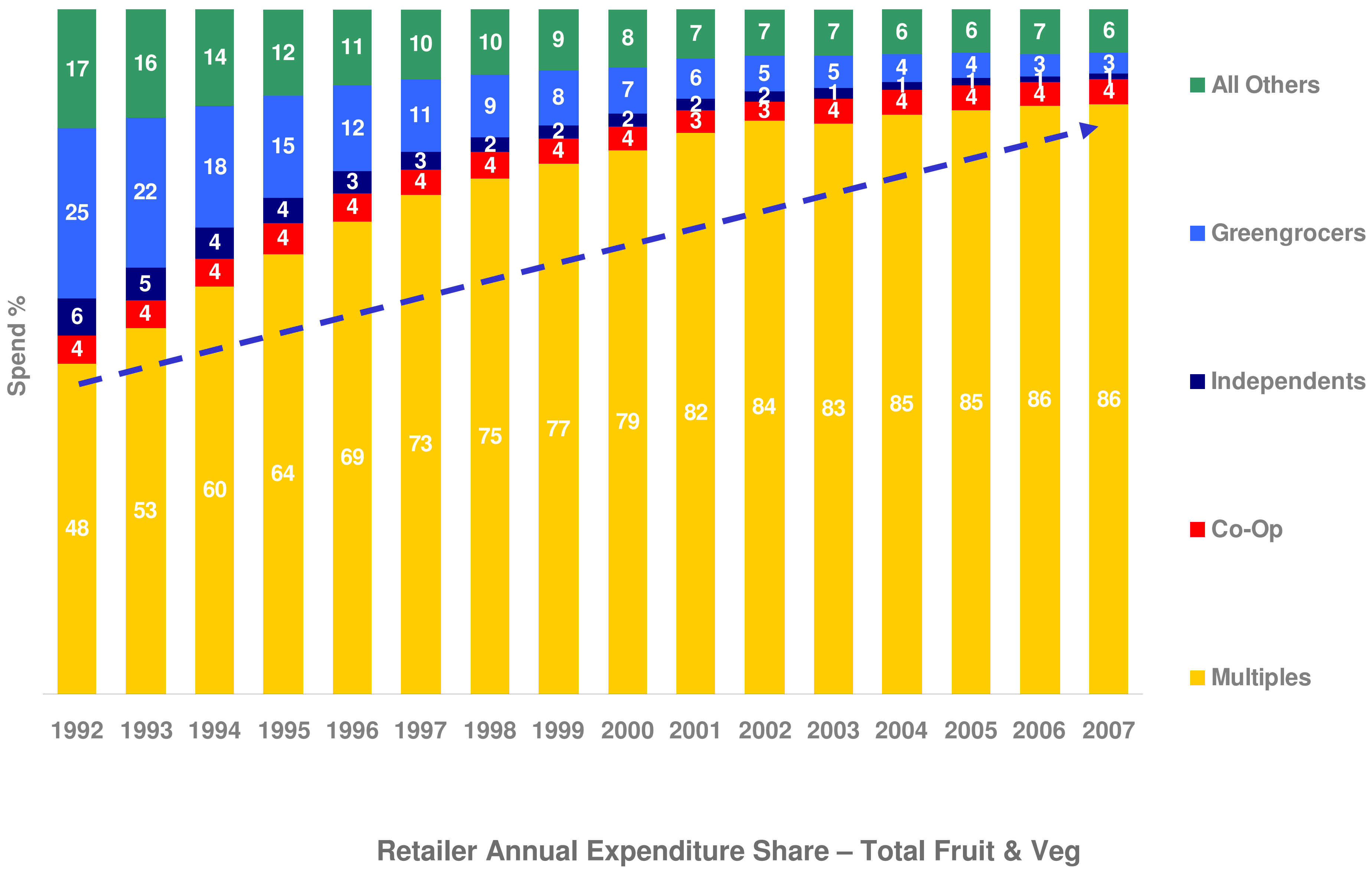
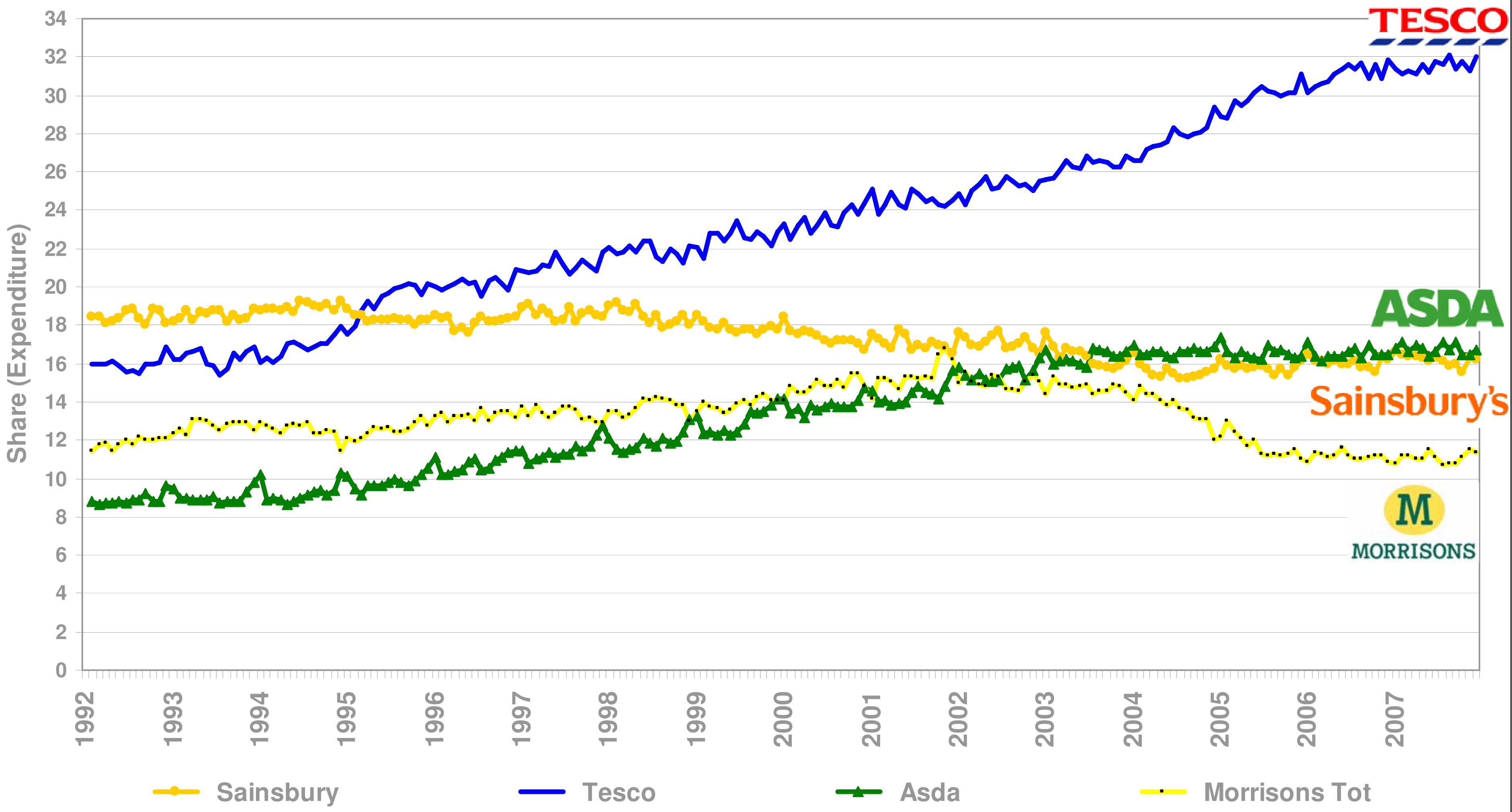
March of the Multiples in Produce



Long-Term Share of Till Roll Grocers



Fresh Produce Market

	1992	2007	Growth
Spend (£s)	3.9 bn	7.8 bn	+101%
Penetration %	99.3	99.5	+0.2%
Frequency	89.6	97.3	+9%
AWP (£)	£175	£318	+67%
Trip Spend (£)	£1.95	£3.28	+82%
Avg Price/Kg (£)	£0.74	£1.33	+80%

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The Supply Chain

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The role of Produce World

- Consumer understanding
  - Market data
  - Consumer research
  - Looking at trends
  - Looking at competitor activity
  - Looking at Foreign supermarkets

The role of Produce World

- Retailer
  - Managing relationship / expectations
  - Category management
    - Promotional planning
    - Ranging / tiering
    - Pricing / retail margins
    - Wastage
    - In store merchandising eg shelf barkers
    - Packaging layout & design
    - Shelf layout / product positioning

The role of Produce World

- Packhouse
  - Managing low paid labour – often immigrants
  - Automation v flexibility
  - Storage – Availability v quality
  - BRC audits
  - Quality control v waste
- Farmers
  - Managing relationship / expectations
  - Programming – plan cropping
  - Price arrangements
  - Environmental eg LEAF
  - Other standards – assured produce etc

The role of Produce World

- Ancillary suppliers (eg packaging)
  - Design
  - Price
  - Delivery lead times & reliability
- Planning /Logistics
  - Right place at right time.
  - Price/ cost
  - Quality of service
  - Return of trays/pallets

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- **The challenges ahead**

Big challenges:
1- Financial/ Commercial

- Retailers want more & more - but…
- They want to pay less and less.
- Average profitability in Fresh Produce is <3% net profit.
- Investment requires long term security.

- Balancing short term profit versus long term business growth.

Big challenges:
2- Environment

- Global warming
- CO2 footprint
- Water availability
- Recycling
- Reduction in packaging
- Making packaging biodegradable
- Sustainability
- Local produce

Big challenges: 3-Production

- Fresh Produce = > High capital outlay and high working capital requirements=> High risk.
- Cereals => low capital and working capital outlay => low risk
- Cereal prices / demand for biofuels => Why grow vegetables?

Big challenges:
4-Labour

- Reliant on immigrant labour
- Reputation risk e.g. Bomfords.
  - GLA – Gang master licensing authority
  - Auditing.
- Can we get enough labour?

  What happens when Eastern European Economies catch up?
- Automation=> High cost and inflexible.

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