

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:

Q1 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.

Q3 data –was reviewed during the last quarterly report released in March 2005. 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 July through September time frame.

Key Highlights

Q1 2005 Review

Historically mushrooms sales are strong during the first quarter, however, 2005 was not off to a good start in the overall produce department and the mushroom category was no exception.

The mushroom category volume in conventional supermarkets declined 1.8 percent in 2005 when compared to YAGO data for Q1. This may be attributed to club stores' and super centers' gains in the marketplace as well as continued growth in the foodservice channel. This is evidenced by declines in other produce categories as well such as apples which were down 0.8 percent nationally during the same period.

Additionally in Q1 2005, packaged mushroom dollars remained flat, while volume decreased 1.7 percent versus the previous year. Bulk mushrooms decreased 7.7 percent in volume and 5.2 percent in dollar sales. Sliced mushrooms increased dollar sales by 0.9 percent over YAGO, while washed mushrooms decreased in dollar sales by 6 percent. The retail price for the category was up \$0.03 per unit equating to same dollar sales at retail versus last year, meaning the mushroom category contributed 2.2 percent to total produce.

Q3 2005 Moving Forward

Moving forward, there are opportunities to expand and gain incremental sales in the second and third quarters of 2005. 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.

Beyond the natural lift of the July 4th holiday, now is the time to promote mushrooms as a key ingredient in summer grilling menus and salads. The recommended promotional activity is six to seven times in Q3. 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. September is National Mushroom Month, a good opportunity to drive sales at the end of the quarter.

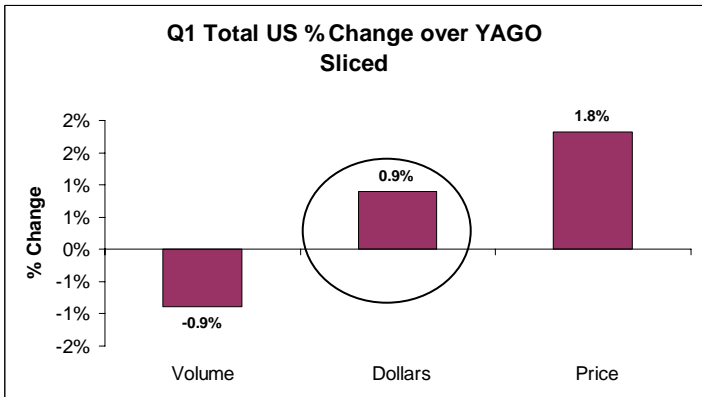
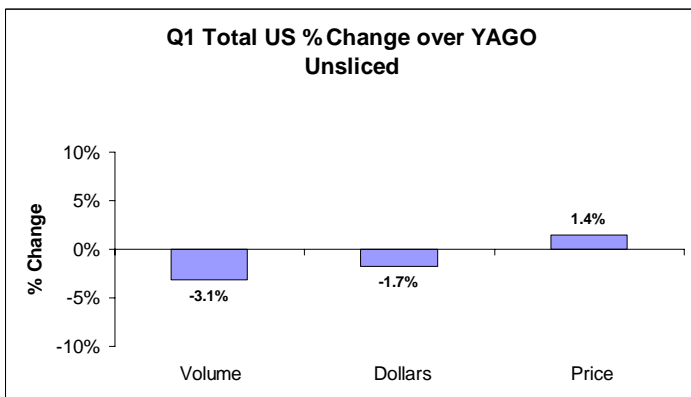
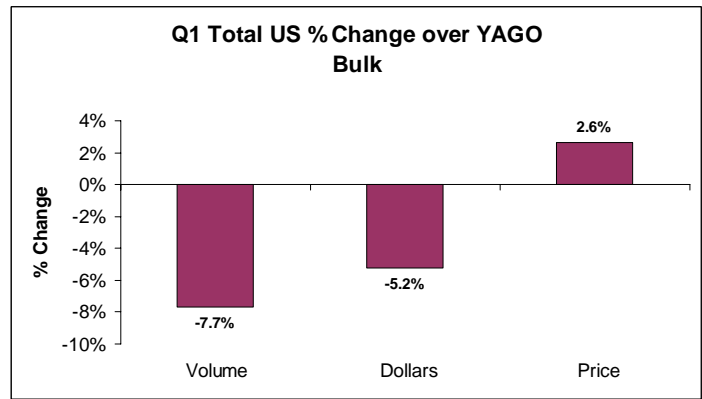
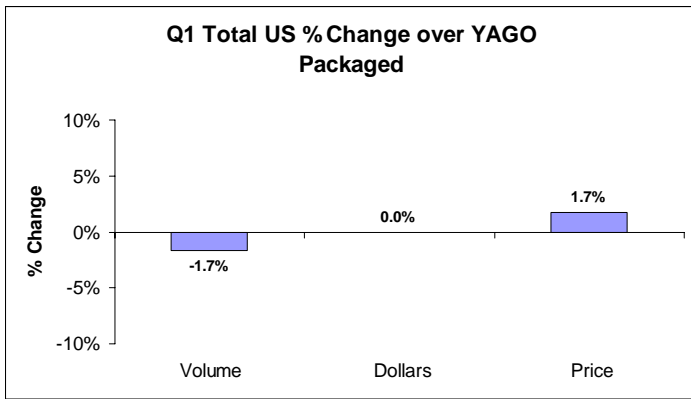
Q3 - Promotional Opportunities

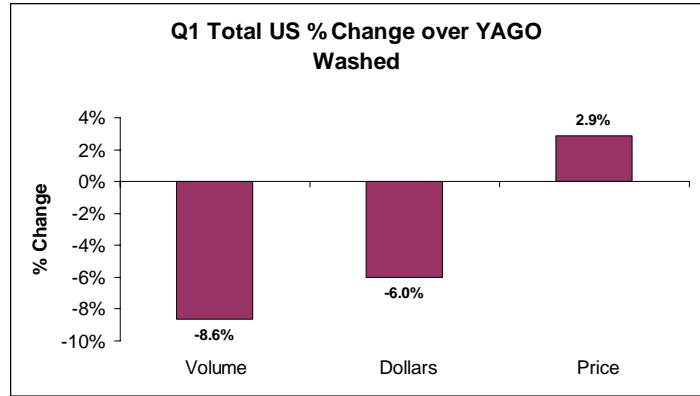
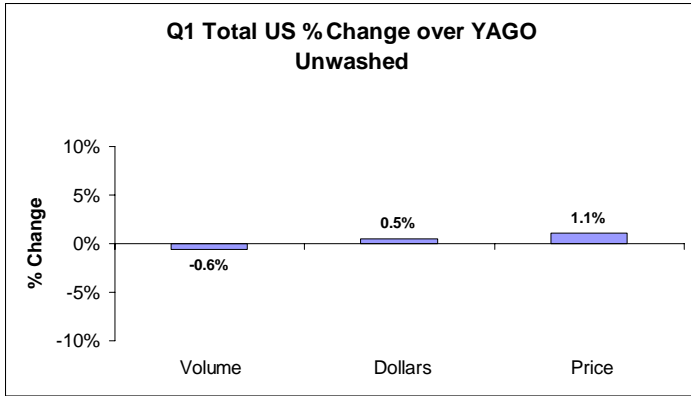
Week	Description	Type	Discount	In-Store Activity/Theme
Week 27	White/Brown combo ad	Sub-feature	25-30%	July 4th grilling menus
Week 29	White/Specialty combo ad	Sub-feature	25-30%	Salad section tie in
Week 31	<u>Hot</u> White ad	Feature	35%	First of the month
Week 33	Portabella	Sub-feature	25%	Grilling cross merchandised with meat
Week 35	White/Brown combo ad	Sub-feature	25-30%	Labor Day Weekend
Week 37	Combo ad	Feature	30%	National Mushroom Month.

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 during the grilling season.

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.

National Observations

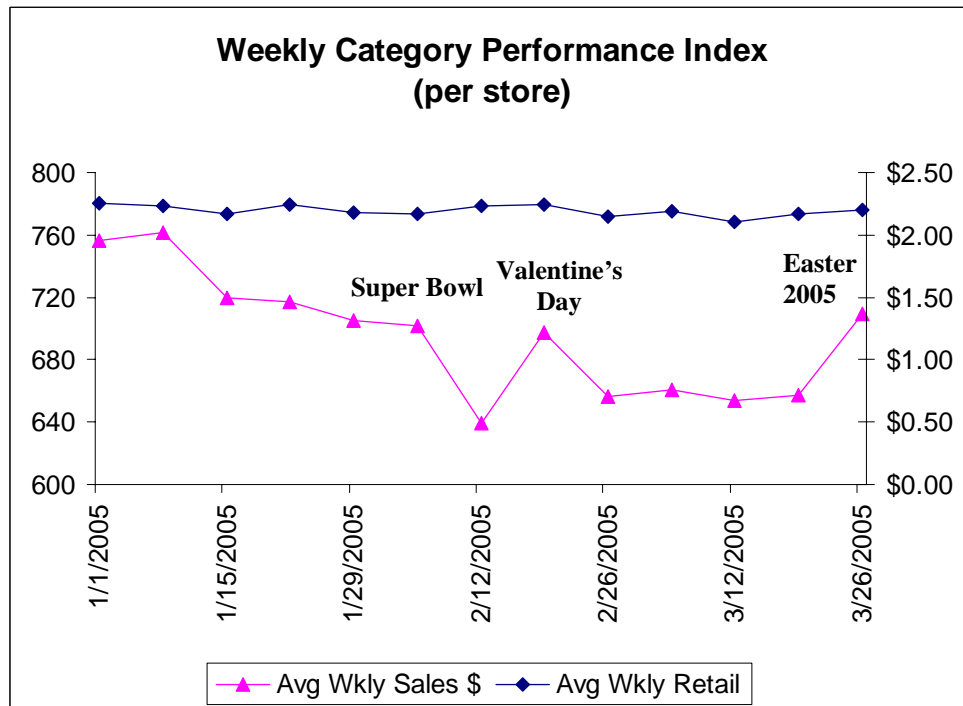




Weekly Sales Q1 2005

Trend: Like many items in the produce department, mushroom sales peak slightly near the holidays, but dip significantly during the off-weeks. This trend was apparent between mid-February and the end of March, thus losing momentum into Q2.

Observation: There is an opportunity to focus stronger on timely mushroom promotions 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 that include meals.

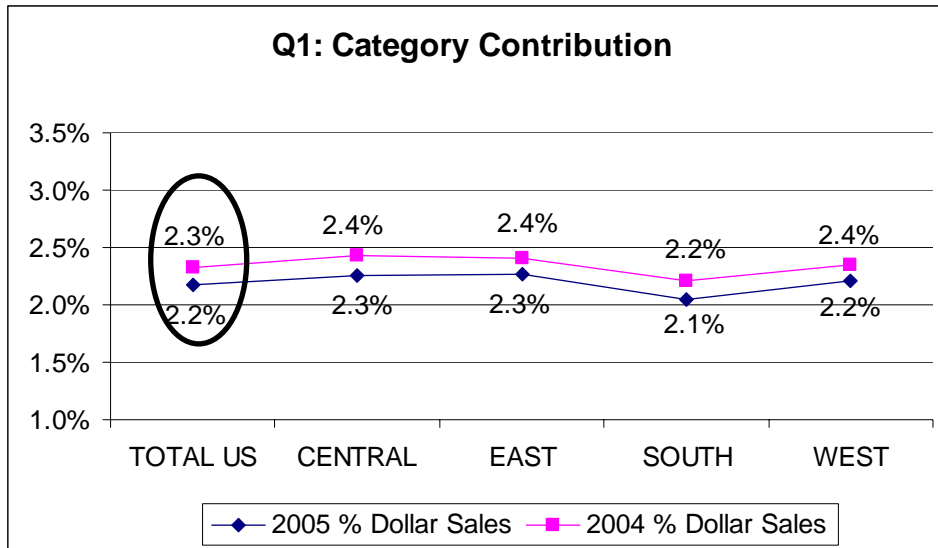


Category Contribution (Dollar sales)

Category dollar contribution decreased vs. 2004 in all regions for the first quarter. Nationally, the mushroom category contribution decreased by 0.1 percentage points due to losses in white mushrooms (down 5% in volume and 2% in dollars).

Observation: Opportunities exist to improve mushrooms category contribution to overall department dollar sales by raising the category profile in the department during Q1 to gain year-round consumers by building off the year-end

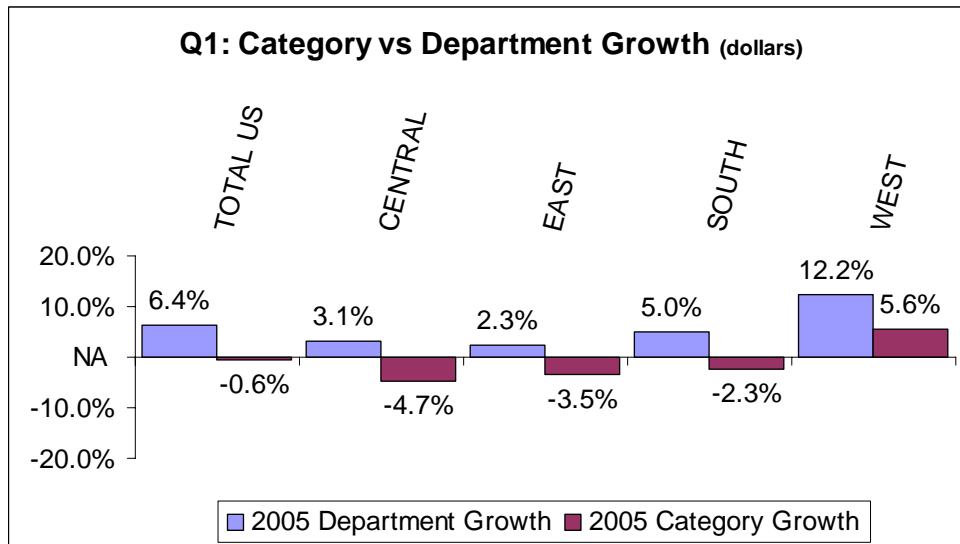
holiday momentum and the focus on health and nutrition after New Year's. Retailers can achieve this by coordinating POP, promotions, and secondary locations throughout the quarter to catch the consumers' eye.



Category vs. Department Growth (Dollar Sales)

During Q1 2005, mushroom dollar sales performance underperformed produce department dollar sales in all regions. Mushroom category dollar growth fell short of produce dollar growth by 7 percentage points nationally and experienced negative growth during the quarter. The West posted the largest Q1 category dollar growth at 5.6 percent, by focusing and improving upon packaged, sliced, and washed mushroom sales.

Observation: Regionally, the central part of the country has the largest opportunity for improvement based upon the decline of both packaged and bulk, sliced and unsliced, washed and unwashed sales volume, and losses in white, brown and specialty mushrooms. Despite bulk declines, the West continues to have the largest bulk share of any region in the United States.

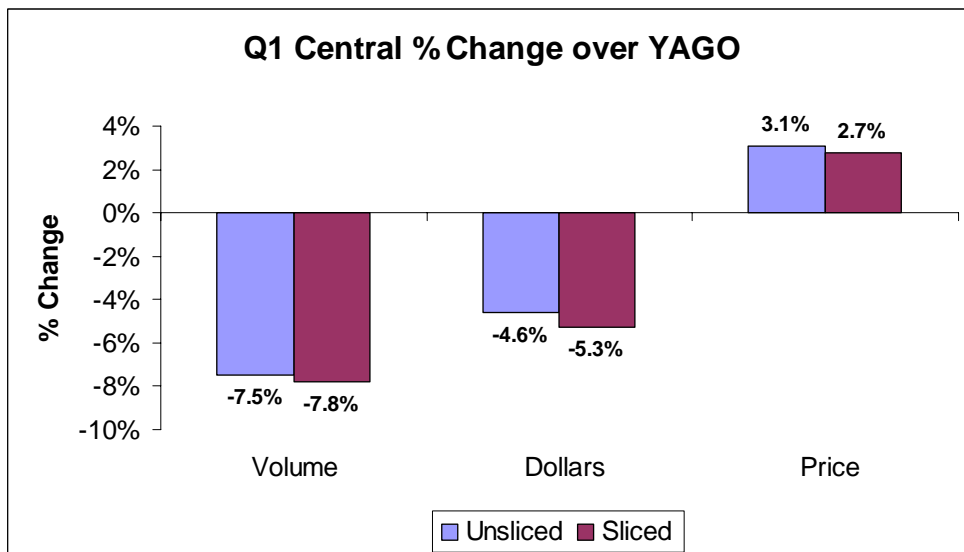
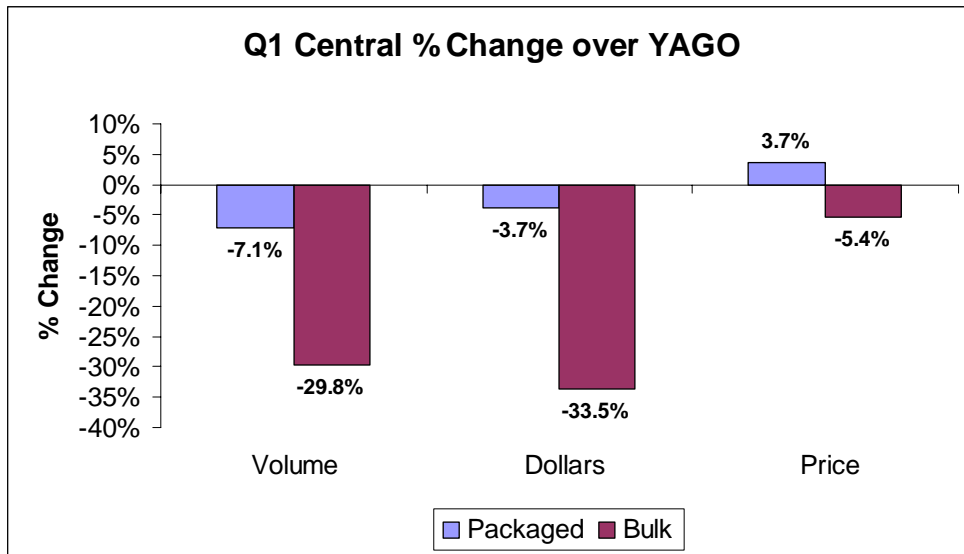


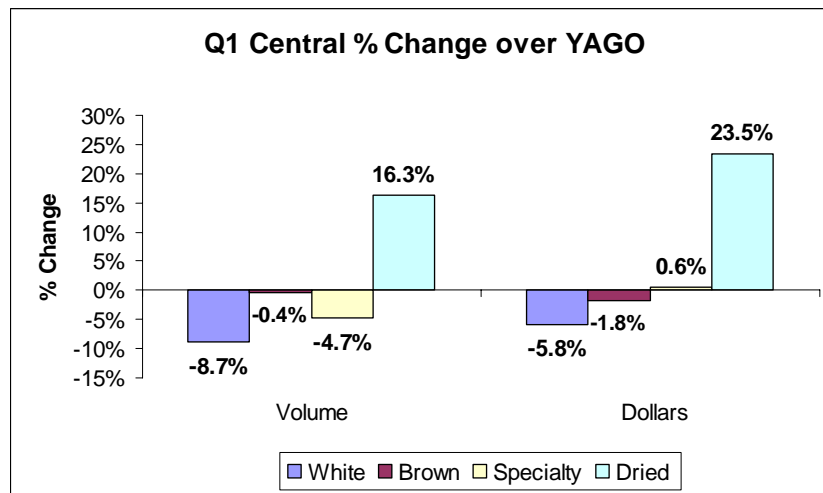
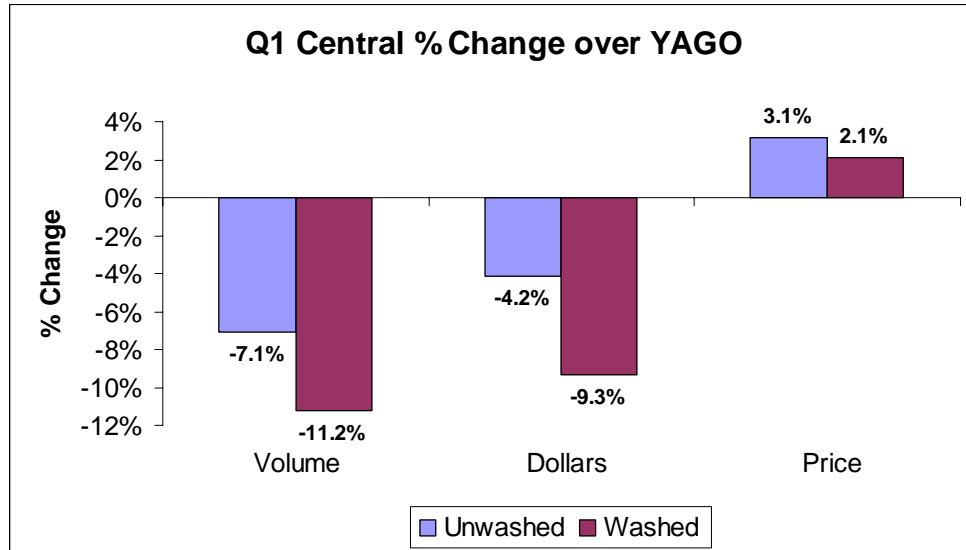
Regional Opportunities

Central

Overall, volume and dollar sales decreased in the packaged and bulk segments, in addition to declining in the unsliced and sliced, and unwashed and washed segments. Average retail price decreased in bulk mushrooms by 5.4 percent, but increased in all other segments. Dried mushrooms made significant gains in volume and dollar sales when compared to 2004. Only one item (packaged baby Portabellas) of the top five increased in volume when compared to YAGO.

Learning: The Central region has an opportunity to recapture lost sales particularly in bulk mushrooms. A careful review of pricing is recommended as price increases appear to drive losses in volume and dollars. 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.



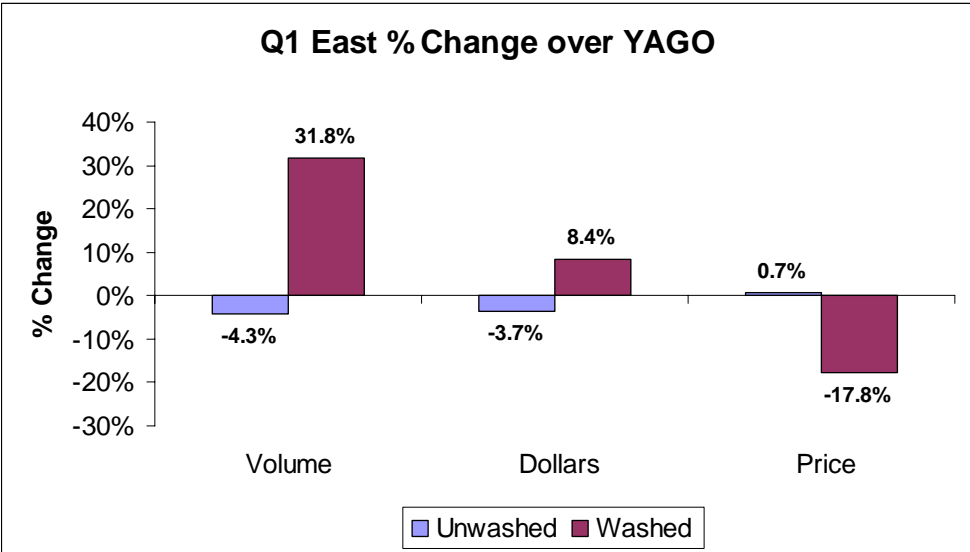
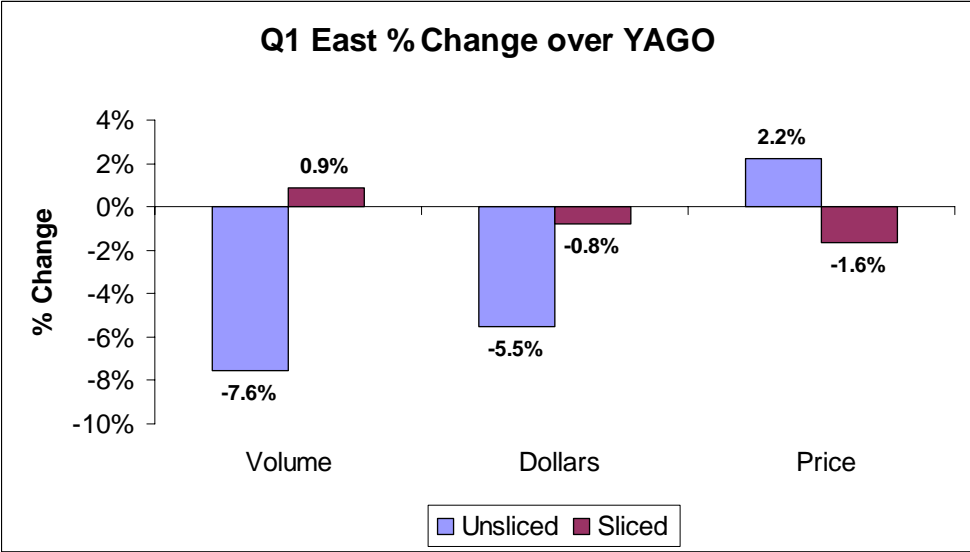
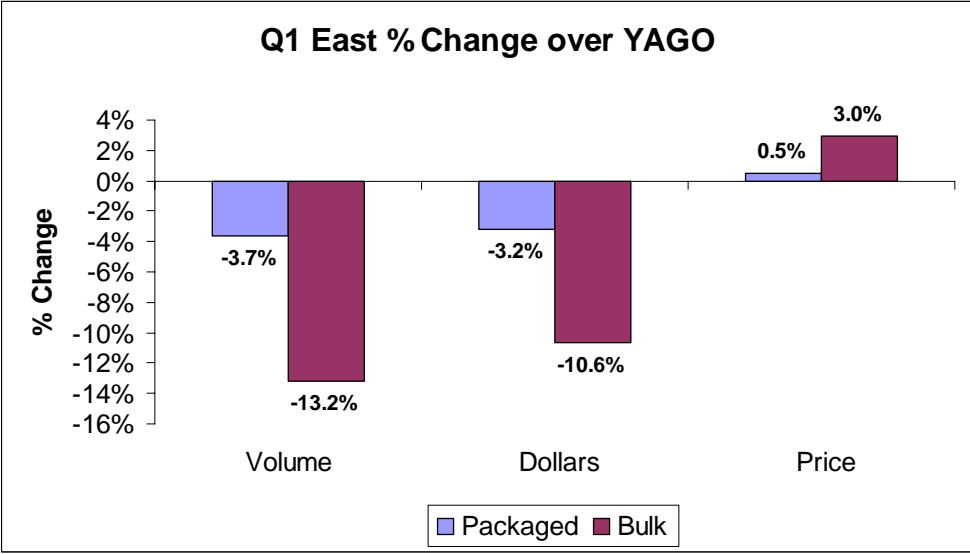


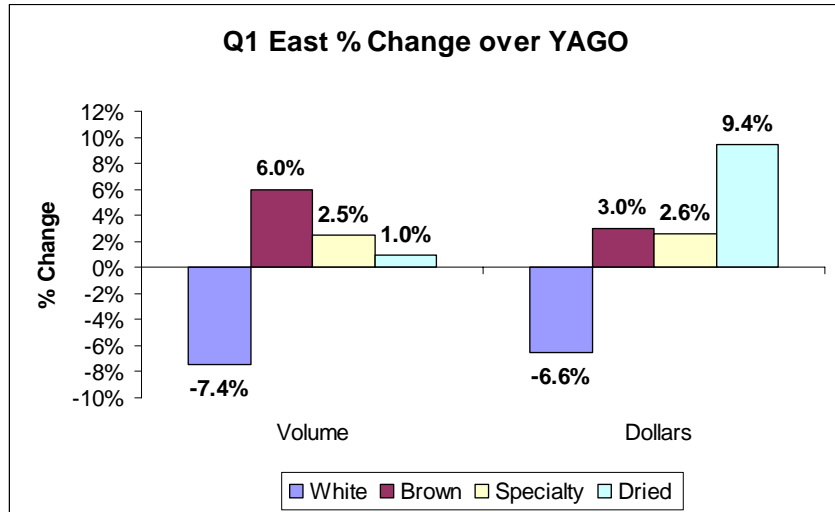
Top Five Items Item Type	Central		
	Volume 2004	Volume 2005	% Change
Packaged White Sliced 8oz	151.4	129.6	(14.3%)
Packaged White Whole 8oz	116.5	113.3	(2.7%)
Packaged White Whole 12oz	55.9	45.3	(19.1%)
Packaged White Whole 16oz	19.6	18.5	(5.9%)
Packaged Baby Portabella	18.0	18.3	1.7%

East

Packaged and bulk mushrooms decreased in volume and dollar sales over a year ago, while average retail prices were up in both segments. Sliced mushrooms showed an increase in volume, and washed mushrooms grew in both volume and dollar sales. This growth could be due to decreases in average retail prices in these segments. Volume and dollar sales increased in brown, specialty and dried mushrooms but declined in white mushrooms. The two packaged baby Portabella items (whole and sliced) increased over last year, while the top three items (all white mushroom items – sliced and whole 8-ounce packaged and whole 10-ounce packaged) showed declines in the category.

Learning: 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. Focus first on re-capturing lost sales in white mushrooms.



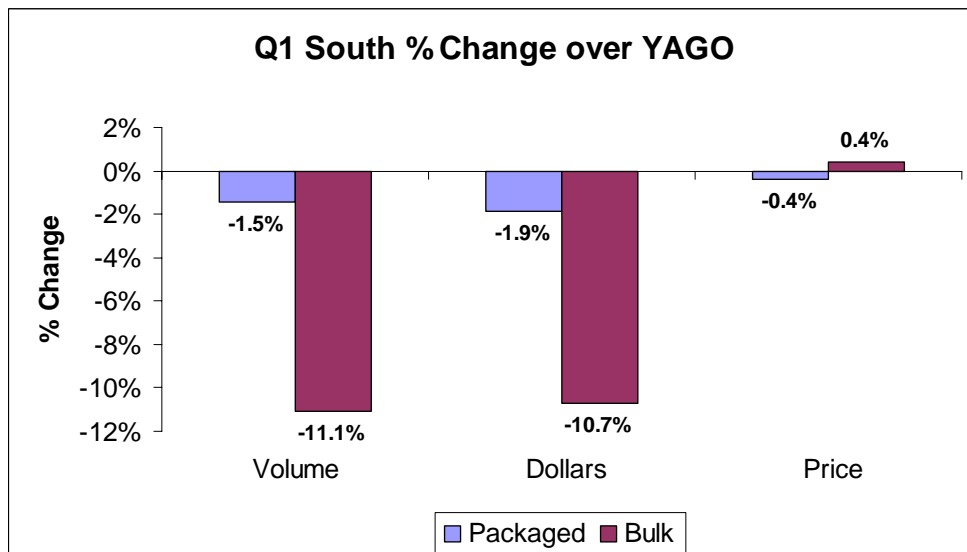


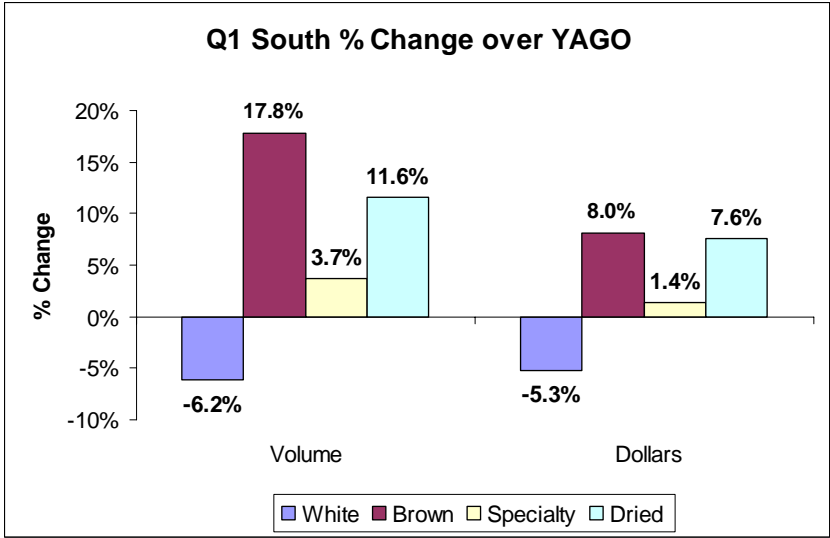
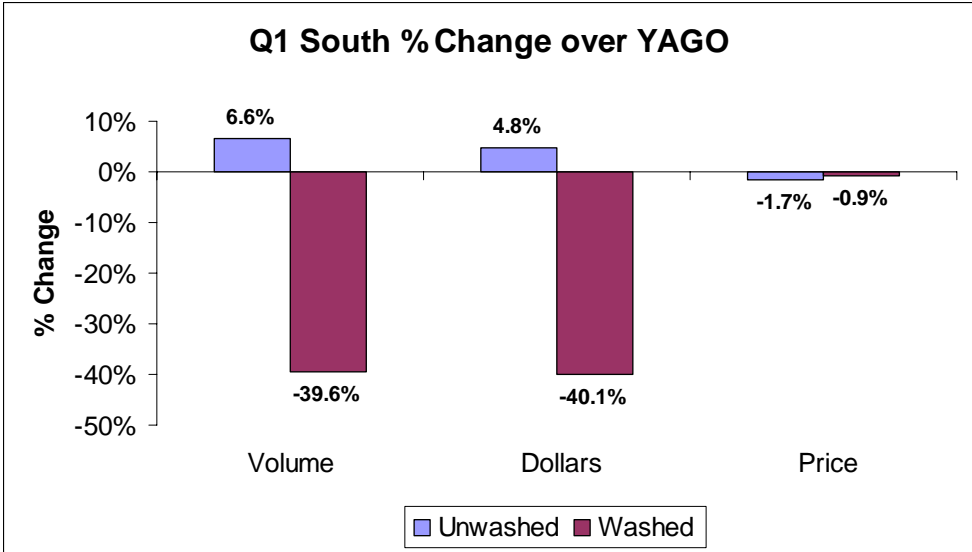
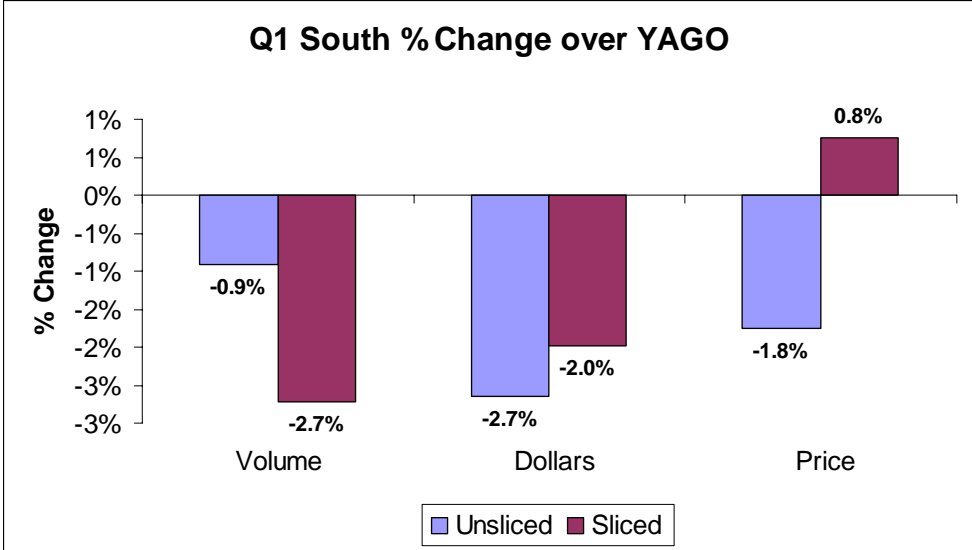
Top Five Items Item Type	East		
	Volume 2004	Volume 2005	% Change
Packaged White Sliced 8oz	107.2	104.1	(3.0%)
Packaged White Whole 10oz	79.0	72.6	(8.1%)
Packaged White Whole 8oz	57.2	51.7	(9.7%)
Packaged Sliced Baby Portabella	37.2	41.7	12.1%
Packaged Baby Portabella	33.7	36.7	8.9%

South

Overall, dollar and volume sales decreased in the packaged segment, despite a price drop in packaged mushrooms in the South. Bulk mushroom volume and dollar sales decreased over year ago, and average retail price increased. Whole and washed mushrooms did not do well in the South, despite a price decrease in both segments. Sliced mushrooms also declined in volume and dollars vs. YAGO, however the retail price increased. Brown, specialty and dried mushrooms showed increases in both dollar sales and volume during Q1. The packaged white whole and sliced baby Portabella items increased substantially over last year, while the 8-ounce 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. Focus should be on regaining sales in white mushrooms.



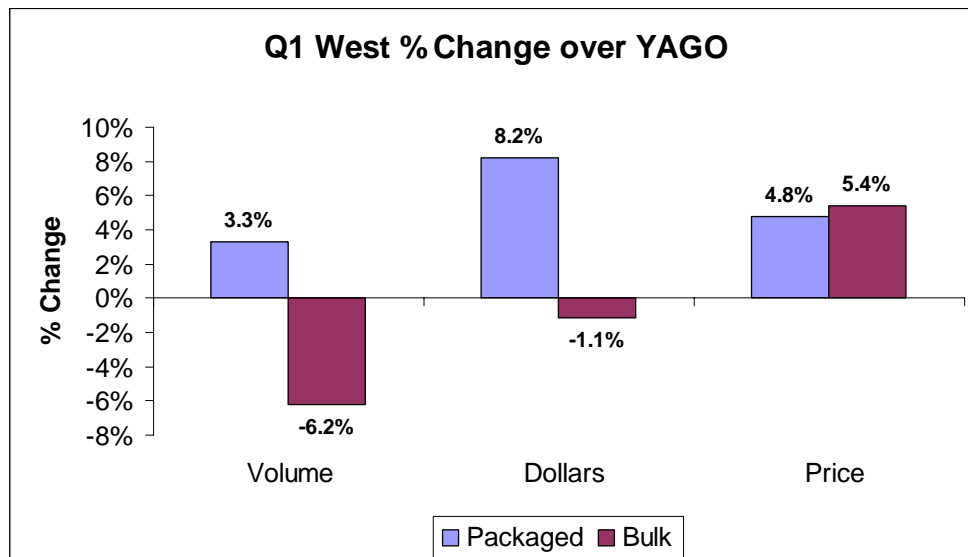


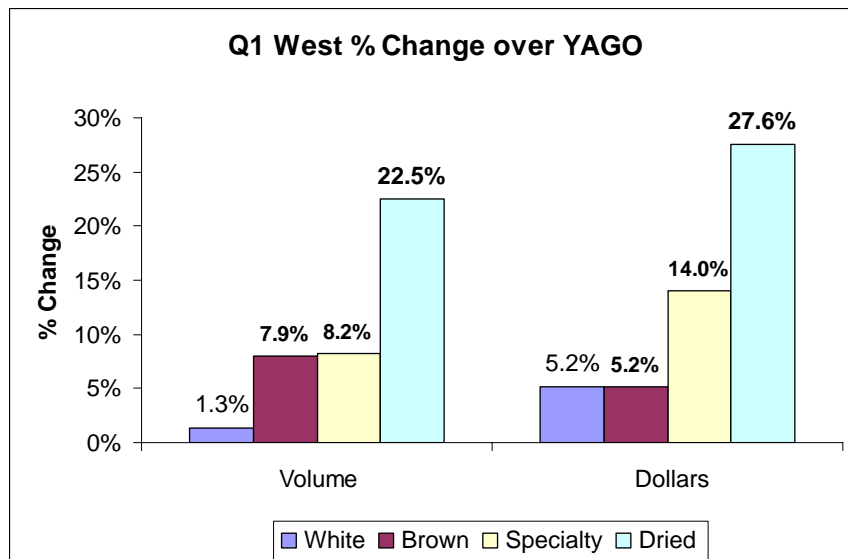
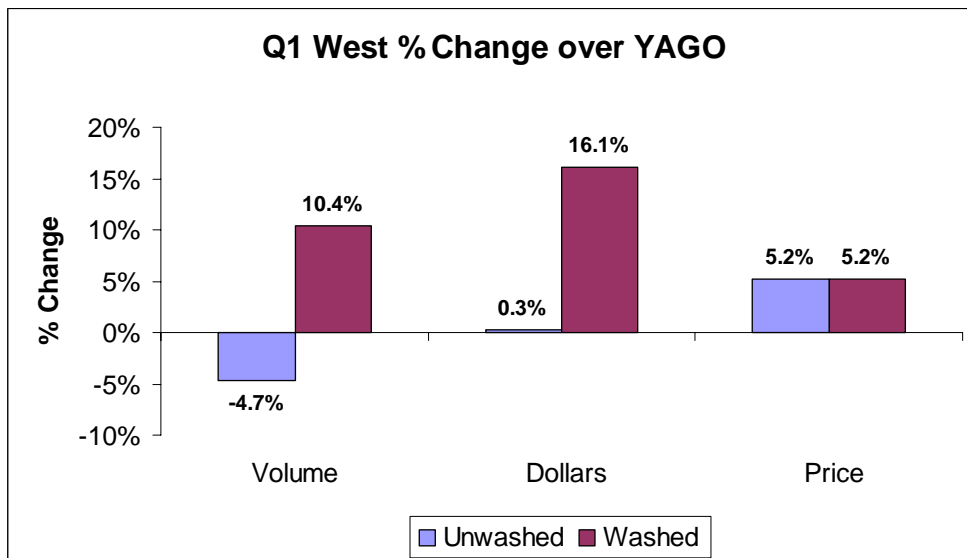
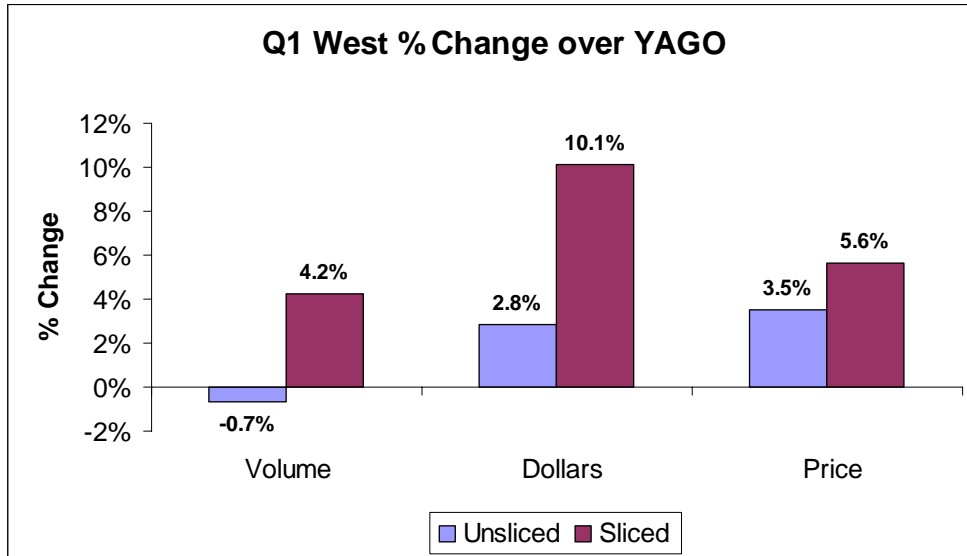
Top Five Items Item Type	South		
	Volume 2004	Volume 2005	% Change
Packaged White Sliced 8oz	58.0	49.8	(14.1%)
Packaged White Whole 8oz	51.7	46.1	(10.9%)
Packaged White Sliced	31.0	30.1	(2.8%)
Packaged White Whole	26.0	29.4	13.0%
Packaged Sliced Baby Portabella	12.5	15.8	26.3%

West

Overall, packaged volume and dollar sales increased, despite a price increase. Bulk volume and dollar sales both decreased, and average retail price was also up in this segment. Washed and sliced mushrooms did well in the West, despite price increases. Volume and dollar sales increased greatly in dried mushrooms, and also increased in white, brown and specialty mushrooms. The top item in the West (8-ounce white whole mushrooms) increased, as did the 6-ounce white sliced item and packaged Italian/Brown Crimini item. Two of the top five items (bulk white large mushrooms and 8-ounce white sliced mushrooms) declined in volume over last year.

Learning: Overall, the mushroom category did well in the West but there are opportunities to improve sales relative to the department. While white mushrooms showed an increase, they were outperformed by brown, specialty and dried mushrooms. Since white mushrooms dominate the category, the overall performance is tied to the success of the top selling white mushroom items. Focus should still be placed on maintaining sales in white mushrooms.





Top Five Items Item Type	West		
	Volume 2004	Volume 2005	% Change
Packaged White Whole 8oz	90.9	95.7	5.3%
Packaged White Sliced 8oz	88.9	88.5	(0.5%)
Bulk White Large	46.4	44.3	(4.4%)
Packaged White Sliced 6oz	28.9	31.5	8.9%
Packaged Italian Brown/Crimini	9.2	10.0	9.0%

1st Quarter Weekly Performance (Dollar Sales, Volume and Retail Price)

Nationally, packaged and bulk mushroom dollar sales and volume decreased in Q1 of 2004 versus year ago. Packaged mushrooms increased in dollar and volume sales in the West, however decreased across all other regions. Packaged average retail price increased nationally and in all regions but the South, while bulk average retail price increased in all regions but Central.

1st 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
Total US	Packaged	301	296	(1.7%)	\$623	\$623	(0.0%)	\$2.07	\$2.10	1.7%
Total US	Bulk	22	20	(7.7%)	\$76	\$72	(5.2%)	\$3.44	\$3.53	2.6%
Central	Packaged	430	399	(7.1%)	\$851	\$819	(3.7%)	\$1.98	\$2.05	3.7%
Central	Bulk	8	5	(29.8%)	\$29	\$19	(33.5%)	\$3.74	\$3.54	(5.4%)
East	Packaged	471	453	(3.7%)	\$995	\$963	(3.2%)	\$2.11	\$2.13	0.5%
East	Bulk	13	12	(13.2%)	\$49	\$44	(10.6%)	\$3.61	\$3.72	3.0%
South	Packaged	234	231	(1.5%)	\$497	\$487	(1.9%)	\$2.12	\$2.11	(0.4%)
South	Bulk	7	6	(11.1%)	\$26	\$23	(10.7%)	\$3.75	\$3.77	0.4%
West	Packaged	264	273	3.3%	\$533	\$576	8.2%	\$2.01	\$2.11	4.8%
West	Bulk	63	59	(6.2%)	\$210	\$208	(1.1%)	\$3.33	\$3.51	5.4%