



MARKET UPDATE

Tomatoes: Round tomatoes are scattered throughout the East with production in VA, TN, AL, MI, PA, NC, SC, and NJ. With such diversity in harvest areas, there's a wide range of quality and condition in the market. Heat and rain have taken a toll on fruit from some areas while other growers/states with better weather are shipping nice quality. Smaller sizes are a bit short, as many farms are working crown picks. Roma supply remains very limited as acreage is minimal. Grape tomatoes have been a little snug but should loosen up as a few more growers add to the mix. As with rounds and romas, quality varies by grower and area.

California's round and roma volumes lightened up last week due to bloom drop and excessive heat. Round tomato production should be steady going forward, but romas will take a bit longer to recover. Production is light to moderate out of Mexico as well. Baja is working through existing plantings with new fields expected to start in September while Eastern Mexico has slowed down due to rain and overcast skies. Grape tomato numbers from both areas are beginning to improve as growers get into new fields.

Bell Peppers: With Michigan and New Jersey in full production and various local deals rolling, bell pepper supply is back on track in the East. Overall quality is nice, although there are some spotty weather-related concerns. California farms continue to offer good quality and availability on pepper despite intense heat. Sizing is heavier to larger fruit, but should even out as growers get into second picks.

Cucumbers: Baja's cucumber production has dropped off this week, but quality is improving as older product is removed from the supply chain. Cucumber supply continues to be light in the East. Michigan harvests are short due to a

rain-related planting skip. Quality is varied, with reports of shriveling and sunken ends on some lots. Local deals continue with light numbers, but nothing game-changing. More cucs should be available next week, but indications are that overall market volume may remain light until the Fall season begins.

Summer Squash: Squash production is in many hands and states in the East. Unfortunately, most of these areas have been experiencing a rainy Summer weather pattern which has caused pervasive quality issues on yellow squash. With excessive scarring, retail-grade product is very hard to find consistently. Zucchini, the heartier of the two squashes, has less quality concerns and much better availability. California's supply of zucchini is centered in Santa Maria, where they expect good production for the next few weeks. However, yellow squash plantings are lighter and will continue to taper off as we near the end of the Summer season.

Eggplant: With both Fresno and Stockton in season, Western eggplant availability is very good this week. The East has solid volumes and good quality coming out of New Jersey, Michigan and the Carolinas.

Green Beans: Eastern green bean supply continues to get stronger as farms in Indiana, Michigan and Canada add to the mix. Overall quality is average, but there are nice beans available. Availability in the West is somewhat lighter, as two of the current growing areas are in a skip for the next two weeks.

Hard Squash: Although Stockton and Sacramento have both started new hard squash crops with nice quality and color, supply is just adequate to cover Western market needs. Meanwhile, the East continues to struggle with hard squash availability. There are just a few local deals going and volumes are limited thus far. Supply should improve in the next few weeks, as growers in PA, NY, and NJ get up and running.

TRANSPORTATION FACTS

* The National Diesel Average continues to inch its way up, moving from \$2.51 to \$2.53 per gallon this week.

* The average price for a gallon of diesel fuel is \$.18 higher than the same time last year.

* Each market zone in the country reported price increases this week, with the most notable coming from the Midwest (up \$.034 per gallon).

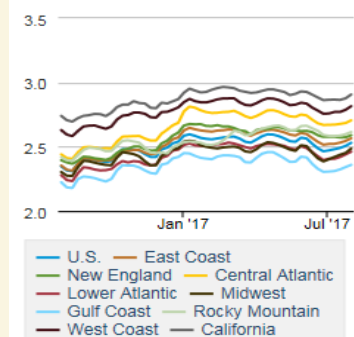
* California remains the high price leader for diesel fuel at \$2.91 while the Gulf Coast region continues to offer the best bargain at \$2.36 per gallon.

* The WTI Crude Oil price inched its way 1% this week, moving from \$48.75 to \$49.16 per barrel.

* Adequate numbers of trucks are available in active shipping areas throughout the country this week.

On-Highway Diesel Fuel Prices

(dollars per gallon)



Source: Energy Information Administration

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NEWS IN THE GROCERY TRADE

Research Suggests One Look Could Determine the Power of Produce at Retail

By: Kristen Cloud, www.theshelbyreport.com, August 1, 2017

Produce, a category that outpaces total store sales at \$63 billion, increased in dollars 3.3 percent and grew in volume 2.6 percent over the 52 weeks ended March 19. Food Marketing Institute's (FMI) "Power of Produce 2017" identified the catalysts for growth and increased trips as primarily due to produce purchases among Millennial shoppers and purchases of more value-added, organic and branded items.

One of the study's top findings explores that while price remains an important factor in produce selection, appearance easily dominates. In fact, 58 percent of impulse produce purchases are a result of eye-catching displays. "Consumers continue to look at ads and price when deciding where they plan to shop, but ultimately, when they are in the store, the eyes decide; the final purchase and incremental purchases are based on quality product and eye-catching merchandising," said Rick Stein, VP for fresh foods at FMI. "In addition to customer-perceived quality and freshness, the research emphasizes that the shopping experience matters for the produce shopper. Notably, increased sales can occur when knowledgeable associates can assist shoppers: Fifty percent of shoppers tend to repeatedly purchase the same items, but 83 percent welcome advice on unfamiliar items or preparation techniques."

While the majority of the findings in Power of Produce 2017 favored strategies and opportunities for traditional food retailers, this year's analysis proposes that Millennials are driving growth in alternative channels, such as specialty organic stores and farmers' markets when it comes to local and organic purchases. The popularity of locally-grown also continues to soar, with 54 percent of shoppers hoping for an expanded local selection, and local receives preference over organic among many consumers in a direct comparison.

Top Findings of the Power of Produce 2017

1. Price is important to drive trips. However, ultimately, the eyes decide. Price and promotions are important in driving traffic, but appearance easily dominates the purchasing decision tree. This means in-store execution is crucial to securing the purchase. At the same time, merchandising excellence, including eye-catching displays, sampling, recipes and cooking demonstrations can drive unplanned purchases for incremental dollars.

2. Shoppers are creatures of habit in their produce purchases, but many would welcome tips to expand their knowledge. Fifty percent of shoppers tend to purchase the same items again and again, but 83 percent welcome advice on unfamiliar items or preparation techniques. Among habitual shoppers with a high trial barrier, product, occasion and preparation tips are the most powerful ways to prompt new product trial. Among those with a low trial barrier, promotions may drive new dollars.

3. Supermarkets continue to reign the produce purchase, but Millennials are driving growth in alternative channels. Produce is a supermarket stronghold through high primary shopper conversion and being the destination of choice among many secondary shoppers. Supermarket strengths in the eyes of the shopper are quality, variety, promotional pricing and location, whereas supercenters have a strong everyday price perception. Both channels lose shoppers to specialty organic stores and farmers' markets over special attribute items, including local and organic—signaling room to fine-tune assortment by store.

4. Promotional research remains important, but consumers are changing how and when they review offers. Promotional research continues to be important in the fresh produce purchase, but its nature is changing. The dominance of the paper circular is diminishing in favor of greater in-store and digital research. Importantly, digital outreach allows for a more targeted and nimble approach to promotions, such as geotargeting by store or one-day/happy hour sales. Secondly, digital can be leveraged for shopper education, including recipes, product, origin or growing/grower information.

5. Purchase interest for locally-grown becomes even stronger; shoppers settle on definition. The popularity of locally-grown continues to soar, with 54 percent of shoppers hoping for an expanded local selection. Local receives preference over organic among many consumers in a direct comparison. Shoppers' definition of local is settling on a mile radius and state lines with supporting the local farmers/economy being the top reason for purchasing local.

6. Organic continues double-digit growth for produce with opportunity to increase sales among core and occasional buyers. Organic is a key growth driver for produce and makes up 8 percent of the total produce category. Growth is driven by increased

household penetration, greater purchase frequency and growing availability, particularly in fruit. Core organic buyers want to buy organic as often and for as many items as possible, while occasional shoppers pick and choose based on item, occasion or price. Understanding the differences in behavior, attitudes and demographics is important to drive growth in both audiences.

7. Value-added produce drives growth—helping shoppers integrate healthy and convenient solutions across meal occasions. Value-added produce and packaged salads saw robust growth and are ideally positioned for further growth through increasing household penetration and purchase frequency—provided shoppers can overcome the price differential and their perceived drawbacks, including short shelf life and questions about quality, freshness and safety.

8. The produce department is rapidly embracing private and national brands and they are making a statement. Up from 38 percent in 2011, 49 percent of fresh produce sales was branded in 2016. About half of shoppers are not influenced by brands whether buying processed or unprocessed produce. Among those with an outright preference, national brands are strongest in processed produce and local/small brands have the edge in unprocessed. Most of the brand preference comes from a general inclination for buying brands, but brands are also seen as being fresher, higher quality and more consistent.

9. Produce consumption is seen as being essential to overall health and seen as managing/preventing specific health conditions. Fewer than half of shoppers are consuming fresh produce every day, but many seek to increase consumption across meal occasions—fully recognizing its essential role in a balanced diet. Additionally, shoppers link fresh produce consumption to specific benefits, including digestive health, heart health, healthy weight and avoiding empty calories—providing opportunity for targeted health and wellness messaging beyond the overall health halo of fresh produce.

10. Suggestions for improving the produce department can be key to optimizing sales. Retailers have opportunity to fine-tune variety, elevate the value proposition beyond price and promotions and improve customer service and outreach, including sampling, recipes, available and knowledgeable produce associates, and cooking demonstrations.



LIPMAN LOCAL IN PICTURES

Welcome to Virginia, Lipman Local style! We're pleased to offer our customers Virginia-grown products from June to October each year.



Richard Davis manages Lipman's tomato farms in Virginia.



Parker Farms is a long-time Lipman Local partner and adds a wide variety of Virginia veggies to our portfolio.



Rob and Hugh French of Sunnyside Farms provide peppers, squash, okra, eggplant and hard squash to our Virginia customers.



Tommy Crittenden (pictured, middle) of Heart 17 Produce produces bell peppers and cucumbers for our programs.

PRODUCE BAROMETER

ITEM	QUALITY	PRICING
Bell Pepper	Good	Lower
Cucumber	Varied	Higher
Eggplant	Fair to Good	Lower
Green Beans	Good	Lower
Jalapenos	Fair to Good	Steady
Onions	Fair to Good	Steady
Squash	Poor to Good	Steady
Tomatoes	Fair to Good	Steady



AUGUST CALENDAR

All Month

National Sandwich Month

Second Week

National Smile Week

August 8th

National Sneak Some Zucchini on Your Neighbor's Porch Day

August 11th

National Panini Day

Exmore, VA Weather

Fri Aug 4	Sat Aug 5	Sun Aug 6	Mon Aug 7	Tue Aug 8
86°F	82°F	81°F	84°F	84°F
73°F	72°F	72°F	73°F	72°F
SW 14 MPH	W 13 MPH	NE 10 MPH	SE 13 MPH	W 13 MPH
Precip 10%	Precip 20%	Precip 10%	Precip 30%	Precip 40%

RESTAURANT INDUSTRY NEWS

“Healthy” Labels May Deter Diners

By: Tom Burfield, www.thepacker.com, July 28, 2017

Consumers may boast that they're eating healthier when they dine out these days, but a Stanford University study says they're more likely to gravitate to vegetables with “indulgent descriptions” than to those labeled “healthy.” Describing menu offerings as healthful actually may be “counter-effective,” the study says, because people tend to perceive food that's good for them to be less tasty. “Healthy labeling is even associated with higher hunger hormone levels after consuming a meal compared with when the same meal is labeled indulgently,” according to the study. The research was devised to test whether labeling vegetables with “flavorful, exciting and indulgent descriptors” that often are used to describe less healthful foods could increase vegetable consumption.

In the study, led by Bradley Turnwald and published in *JAMA Internal Medicine* in June, one vegetable in the Stanford cafeteria was labeled in one of four ways each day: basic (e.g. “beets”), healthy restrictive (e.g. “lighter-choice beets with no added sugar”), healthy positive (e.g. “high-antioxidant beets”) or indulgent (e.g. “dynamite chili and tangy-lime seasoned beets”). No changes were made in how the vegetables were prepared or served.

The study found that labeling influenced the number of diners selecting the vegetable as well as how much they ate. Vegetables labeled indulgently were selected by 25% more people than those labeled with the basic description, by 41% more people than those labeled with the healthy restrictive description and by 35% more people than those labeled as healthy positive. Similarly, labeling vegetables indulgently resulted in a 23% increase in the amount of vegetables consumed compared with the basic condition and a 33% increase in the amount of vegetables consumed compared with the healthy restrictive condition. “These results challenge existing solutions that aim to promote healthy eating by highlighting health properties or benefits,” the study said. They also support previous research that used other creative labeling strategies, such as introducing superhero characters to promote vegetable consumption among children.

The results suggest that it may be possible to increase vegetable consumption in adults by using the same indulgent, exciting and delicious descriptors as more popular — though less healthful — foods, the study said. This “novel, low-cost intervention” could easily be implemented in cafeterias and restaurants to encourage diners to choose more healthful options, the study suggests.

Meredith Hink, corporate nutrition services manager for Reinhart Foodservice LLC, La Crosse, Wis., has had experience in menu development and thinks the Stanford study makes sense. To persuade a consumer to try a particular dish or food item, it's necessary to “stimulate the emotion, memory and reward centers” in the brain, she said. “It's important to use descriptive culinary terms — or ‘indulgent’ descriptions — that help to stimulate these food cravings,” she said.

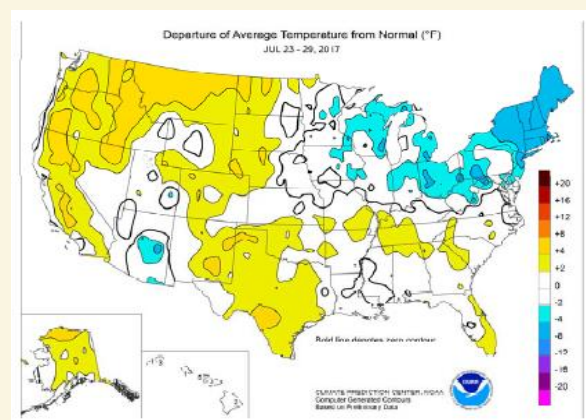
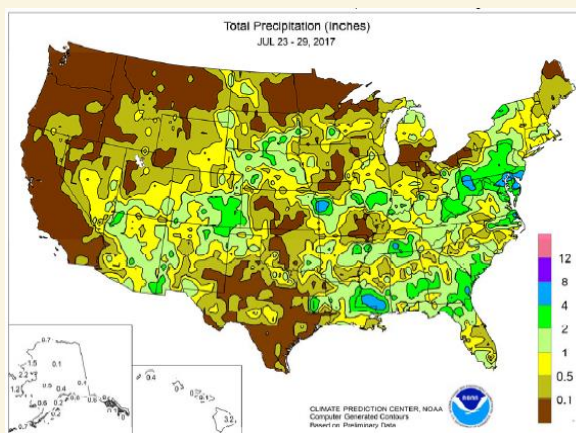
Terms that relate to flavor — like “lemony” or “buttery” — often can pique people's interest in an item more than health-related terms can, she said. “I can relate to something that's buttery, lemony or smooth much more readily than I can relate to vitamin C,” Hink said. “Vitamin C is a technical term, and it's good, but it doesn't really evoke a memory.”

Hink said she doesn't have a problem using indulgent culinary terms on menus “as long as they are being truthful.” Using these terms can encourage consumers to try foods that they haven't had before, she said, and help let them know what to expect from their dining experience.

Most people “eat” with their eyes before they order food to put into their mouths, said Susan Reimer-Sifford, vice president and general manager at CC Kitchens, Sharonville, Ohio. “Indulgent menu descriptions or pictures help ‘lead’ the customer to maybe trying something that they haven't had before,” she said. “The more descriptive the menu offering is, the higher the sales,” Reimer-Sifford said. “A pictured item will provide ordering lift, as well.”

NATIONAL WEATHER SPOTLIGHT

Weekly Precipitation and Temperature Deviation



KEEP YOUR EYE ON THE CONSUMER

IRI: Quick Trips Make Up More than Half of All Shopping Trips

www.csnews.com, July 31, 2017

In the face of fierce marketplace competition and anemic growth of consumer packaged goods (CPG), retailers should seek out a clear understanding of the rapidly changing CPG marketplace and the latest growth opportunities, according to a new report from IRI that takes a closer look at how consumers' shopping patterns and emerging marketing programs are impacting retail channel trends.

1. Just-in-time shopping is impacting retail formats and channel selection. Quick trips make up more than half of all shopping trips. While this fact has not changed much over the past several years, retailers are investing heavily in experimenting with new store formats as they seek out new paths to profitability in the face of extremely thin margins and intense competitions. Smaller store formats, click-and-collect and subscription-based e-commerce programs are increasingly prevalent, and the rise of younger and more ethnically diverse generations, millennials in particular, is also feeding change. Over the past three years, overall trips to grocery fell 1.7 percent, but in 2016 alone, trips to grocery rose 1.3 percent. Club and dollar channels are also seeing trips rise, while mass market/supermarket and drug stores are seeing multi-year declines, according to IRI.

2. Grocery sales outperformed, yet remained flat. During the past year, CPG industry sales topped \$760 billion. The grocery channel accounted for 41 percent of dollar sales and 51 percent of unit sales and outperformed competing channels for the year, despite being flat. This above-average year-over-year performance marks a change for the CPG industry, as club and dollar outperformed grocery in average annual growth when measured over a three-year period. From 2013 to 2016, club channel dollar sales rose 2.6 percent annually, and dollar channel sales climbed 2.5 percent per year on average. In the same time period, grocery sales grew 1.6 percent and industry sales rose 1.8 percent.

3. E-commerce is making its mark. E-commerce share of CPG sales continues to hover in the single-digit range, around 8 percent, but growth is fast and furious. Traditional brick-and-mortar retailers are scrambling to protect and grow their share of a CPG pie that is not growing much larger. Across channels, retailers are honing their competitive skills and building out high-traffic aisles and departments, including snacks, beverages and frozen foods. This metamorphosis is expected to continue in coming years as retailers continue to tinker with new formats and programs.

4. Where different generations shop makes a difference. Although no two shoppers are completely alike, generational differences are frequently significant. Millennials and members of generation X prefer shopping in the mass market/supercenter channel and spend 44 percent and 16 percent more of their CPG dollars in this channel, respectively, than the average shopper. Younger baby boomers show above-average spending in the convenience channel, and seniors and retirees spend more heavily at drug stores.

5. Retailers are attracting shoppers with new store formats and personalization programs. Since growth has slowed, many retailers are downsizing and shifting toward smaller formats under 50,000 square feet, instead of 110,000-plus square feet. This allows them to move into more densely populated and underserved areas and combat online competition in areas like convenience, turnaround time and delivery. Retailers are investing in personalization programs designed to attract and retain key shoppers, and using loyalty programs, social media and mobile apps to know more about their customers than ever before, and tailor their offerings to specific tastes and behaviors. A store that finds that many of its customers are "foodies" might offer more gourmet and ethnic options. Changes in presentation and targeted marketing campaigns can help a store gain many new loyal customers, the report found.

"The pace of change in the CPG industry is quickening on a seemingly day-to-day basis," Viamari said. "Personalization has become a key to breaking through the marketplace noise. Shoppers demand to be recognized as individuals — with unique needs and wants — and they will vote with their wallets to reward CPGs that deliver solutions and marketing stories that resonate in their world."

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