Times & Trends Special Report: Impact of Hurricane Katrina
Report Two: The Week After

Just three weeks after Hurricane Katrina pounded the Gulf Coast, Hurricane Rita threatened the devastated region. The intensity of this year's hurricane season illustrates the dire need for effective disaster planning by consumers and government, as well as retailers and manufacturers. This report series is intended to provide the CPG industry with insights into consumer needs across product categories before and after such an event, so that this learning may be incorporated into disaster plans and educational initiatives.

This second report focuses on purchase behavior during the week following the hurricane (August 29 – September 4) within key Gulf Coast markets (New Orleans, La./Mobile, Ala.; Birmingham/Montgomery, Ala; and Mississippi) as well as surrounding regions, where thousands of Gulf Coast refugees are now residing. In addition, this assessment revisits the 2004 hurricane season, which included three back-to-back hurricanes in Florida markets, to gain insight into how long current purchase trends are likely to continue before some element of normalcy takes hold.

Key Findings

- **While Hurricane Katrina drove up CPG industry sales significantly versus the pre-hurricane period, sales were below last year's major lifts caused by the Florida hurricanes.** Grocery channel total CPG dollar sales increased 7.4% (accounting for the effect of pre-Labor Day shopping) during the week following the hurricane versus the pre-hurricane period. Versus prior year, however, total CPG sales declined 6% against an elevated base driven by Florida hurricane-related sales. A review of last year's hurricane season suggests that direct sales impact should diminish by the end of this month. (Figures 1a-1b; Figure 8)
- **New Orleans/Mobile market grocery sales declined by 46% versus the pre-hurricane period**. Mass population exodus and store closings drove huge sales declines. A proportion of sales shifted to surrounding areas, including the Houston market, where sales increased 12% as thousands of New Orleans refugees became temporary (and in many cases permanent) residents. (Figure 1b)
- **Shelf-stable foods and beverages continued strong growth**. Heightened demand for shelf-stable foods rich in protein, such as seafood and canned meat, as well as bottled water and other beverages evident in the pre-hurricane stock-up period continued in the hurricane markets and extended into surrounding regions. Easy-to-prepare meals, including soup and shelf-stable dinners, have also increased. (Figures 2a-3b)
- **Dairy and frozen categories continue to be negatively impacted in affected markets**. Power outages and lack of refrigeration availability inhibited purchases of dairy and frozen food categories within the hurricane markets; however, sales in Houston were exceptionally strong across many categories and appear to be rebounding in the Birmingham/Montgomery market. (Figures 4a-4b)
- **Sales across key general merchandise categories remain strong**. Huge surges in demand among flashlights, batteries and candles continue across most of the affected and surrounding markets. Sales are up markedly even in New Orleans, where total industry sales have been vastly reduced. (Figures 5a-5b)
- **Negative healthcare sales trends during the week prior to the hurricane have moderated**. Double-digit sales declines across leading healthcare categories were evident in Gulf Coast markets as consumers focused attention and spending on the most basic necessities. While still negative in many instances, growth rates in affected markets have improved. (Figures 6a-6b)
- **Demand for basic personal care necessities increased substantially**. The fundamental need for basic personal care products, such as toothpaste, soap and shampoo, drove sizable increases in unit sales across the country as consumers purchased and donated these essential products. (Figures 7a-7b)

TOTAL INDUSTRY SALES IMPACT: OVERVIEW AND METHODOLOGY

A comparison of CPG product sales the week of August 29, when the hurricane made landfall, through September 4 versus the same week prior year reveals sales declines in the total U.S. and across affected markets. This trend is counter to historical hurricane market trends in which CPG industry sales spike during the one to two week period following a hurricane due to vast consumer needs. However, as Hurricane Frances hit the same week last year in the Florida markets, driving a 5% increase in total US CPG sales for the week, the prior year base in the US totals, Southeast region and surrounding areas is elevated. (Figure 1a) In addition, grocery channel sales have been negatively impacted by ongoing, intense competition from other channels.

Even with these factors at play, however, it appears that the sales increases generated by Hurricane Katrina have not reached levels generated by the prior year hurricanes. While demand in select product categories has been staggering, the reduction in retail product availability in New Orleans, in particular, coupled with product donations from manufacturers and retailers not reflected in sales figures has mitigated sales growth.

However, Katrina did drive substantial sales increases versus normal market levels. An analysis of dollar sales during the week after the hurricane versus two weeks prior within the grocery channel eliminates the impact of last year's hurricane-driven sales spikes and channel shifting. It is also a better benchmark than the week before the hurricane, as major stock-up activity took place during that week (please see *Impact of Hurricane Katrina: Report One* for more details). One confounding factor to note, however, is that sales during the week after contain pre-labor day increases (Labor Day fell on September 5, 2005). As these increases are typically confined to a handful of major categories (such as carbonated beverages and salty snacks), we have isolated the majority of this impact by looking at total industry sales trends excluding them. (Figure 1b).

FIGURE 1a: Total CPG Dollar Sales Change in Grocery Channel Week Following Hurricane (Week Ending 9/4/2005) vs Prior Year

	Week Following Hurricane vs Same Week Year Ago
Total US	(6.0%)
Southeast (FL, MS, AL, GA)	(9.3%)
South Central (TX, OK, AR, LA)	(13.6%)
New Orleans/Mobile	(19.6%)
Birmingham/Montgomery	(10.1%)
Mississippi	(6.7%)
Houston	(9.4%)

Growth Influenced by Elevated Sales in Prior Year Driven by Florida Hurricanes: Total U.S. +5% Florida Hurricane Area +16%

Source: IRI InfoScan®

TOTAL INDUSTRY SALES IMPACT: OVERVIEW AND METHODOLOGY (CONT'D)

Versus the period two weeks prior, total U.S. CPG industry dollar sales within the grocery channel rose 9.2%; excluding Labor Day categories, growth was 7.4%. This growth was driven by sales increases in basic personal care products, beverages, shelf-stable food and several general merchandise categories purchased by consumers in affected markets as well as consumers throughout the country who donated products to Katrina victims.

Sales in the New Orleans/Mobile market declined by 46% as purchases diminished and spending shifted to surrounding areas, including Birmingham/Montgomery and Houston.

FIGURE 1b: CPG Dollar Sales Change in Grocery Channel
Week Following Hurricane (Week Ending 9/4/2005)
vs Pre-Hurricane Week (Week ending 8/21/05)

	Total CPG	Total CPG less Labor Day Categories*
Total U.S.	+9.2%	+7.4%
Southeast (FL, MS, AL, GA)	+10.4%	+6.4%
South Central (TX, OK, AR, LA)	+7.4%	+5.9%
New Orleans/Mobile	(46.6%)	(46.4%)
Birmingham/Montgomery	+16.5%	+14.6%
Mississippi	+4.4%	+5.5%
Houston	+12.3%	+10.0%

* "Labor Day" categories include barbeque sauce, beer/wine/spirits, carbonated beverages, frankfurters, ice cream/sherbet, luncheon meats, mayonnaise, mustard/ketchup, natural cheese, pickles/relish/olives, refrigerated dips, salad dressing, salty snacks.

Source: IRI InfoScan®

EDIBLES

HURRICANE KATRINA MARKETS

FIGURE 2a: Selected Edibles Categories: Hurricane Katrina Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	New Orleans LA/ Mobile AL	Birmingham AL/ Montgomery AL	Mississippi	Total US
Soup	(37%)	+18%	+9%	**+13%**
Cold Cereal	(54%)	+8%	(9%)	**(4%)**
Shelf-Stable Seafood	(14%)	+6%	+15%	**+7%**
Shelf-Stable Dinners	(8%)	+29%	+35%	**+6%**
Snack Bars/Granola Bars	(41%)	+3%	+22%	**+3%**
Rice	(51%)	+23%	(13%)	**+2%**
Canned Meat	+36%	+27%	+1%	**+18%**
Powdered Milk	+147%	+66%	+161%	**+26%**

SURROUNDING REGIONS/ MARKETS

FIGURE 2b: Selected Edibles Categories: Surrounding Regions/Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	South Central Region (TX, OK, AR, LA)	Southeast Region (MS, AL, GA , FL)	Houston	Total US
Soup	+11%	+15%	+3%	**+13%**
Cold Cereal	+4%	(4%)	+8%	**(4%)**
Shelf-Stable Seafood	+11%	+3%	+13%	**+7%**
Shelf-Stable Dinners	+17%	+15%	+26%	**+6%**
Snack Bars/Granola Bars	+2%	(3%)	+9%	**+3%**
Rice	+2%	+5%	+12%	**+2%**
Canned Meat	+24%	+14%	+42%	**+18%**
Powdered Milk	+31%	+37%	+21%	**+26%**

Source: IRI InfoScan®

BEVERAGES

HURRICANE KATRINA MARKETS

FIGURE 3a: Leading Beverage Categories: Hurricane Katrina Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	New Orleans LA/ Mobile AL	Birmingham AL/ Montgomery AL	Mississippi	Total US
Carbonated Beverages	(61%)	+3%	(6%)	**+17%**
Bottled Water	(36%)	+23%	+66%	**+7%**
Shelf- Stable Bottled Juices	(49%)	+4%	(16%)	**+6%**
Sports Drinks	(52%)	(13%)	(30%)	**+16%**
Coffee	(49%)	+37%	+2%	**+23%**

SURROUNDING REGIONS/ MARKETS

FIGURE 3b: Leading Beverage Categories: Surrounding Regions/Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	South Central Region (TX, OK, AR, LA)	Southeast Region (MS, AL,GA ,FL)	Houston	Total US
Carbonated Beverages	+12%	+3%	+25%	**+17%**
Bottled Water	+15%	(5%)	+33%	**+7%**
Shelf- Stable Bottled Juices	+5%	(8%)	+16%	**+6%**
Sports Drinks	+15%	+3%	+21%	**+16%**
Coffee	+17%	+26%	+23%	**+23%**

Source: IRI InfoScan®

DAIRY & FROZEN FOODS

HURRICANE KATRINA MARKETS

FIGURE 4a: Leading Dairy & Frozen Categories: Hurricane Katrina Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	New Orleans LA/ Mobile AL	Birmingham AL/ Montgomery AL	Mississippi	Total US
Milk	(62%)	+8%	(12%)	**+1%**
Natural Cheese	(52%)	+15%	(4%)	**+12%**
Rfg. Fresh Eggs	(57%)	+8%	(31%)	**+1%**
Rfg. Salad/Coleslaw	(63%)	+8%	(10%)	**+7%**
Frozen Dinners/Entrees	(64%)	(1%)	(16%)	**(2%)**
Ice Cream/Sherbet	(67%)	+15%	(16%)	**+11%**
Frozen Pizza	(62%)	+10%	(4%)	**+3%**
Frozen Plain Vegetables	(72%)	+8%	(12%)	**+6%**

SURROUNDING REGIONS/ MARKETS

FIGURE 4b: Leading Dairy & Frozen Categories: Surrounding Regions/Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	South Central Region (TX,OK,AR,LA)	Southeast Region (MS, AL,GA ,FL)	Houston	Total US
Milk	(2%)	0%	+11%	**+1%**
Natural Cheese	+5%	(9%)	+8%	**+12%**
Rfg. Fresh Eggs	(5%)	+3%	+5%	**+1%**
Rfg. Salad/Coleslaw	+4%	(4%)	+10%	**+7%**
Frozen Dinners/Entrees	(10%)	(4%)	(7%)	**(2%)**
Ice Cream/Sherbet	+21%	+9%	+29%	**+11%**
Frozen Pizza	+4%	+5%	+12%	**+3%**
Frozen Plain Vegetables	(10%)	(4%)	(8%)	**+6%**

Source: IRI InfoScan®

GENERAL MERCHANDISE

HURRICANE KATRINA MARKETS

FIGURE 5a: Select General Merchandise Categories: Hurricane Katrina Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	New Orleans LA/ Mobile AL	Birmingham AL/ Montgomery AL	Mississippi	Total US
Candles	(45%)	(7%)	+56%	**+6%**
Batteries	+104%	0%	+166%	**+9%**
Charcoal	+32%	+138%	+49%	**+59%**
Charcoal Lighter Fluids	+74%	+152%	+74%	**+55%**
Flashlights	+249%	+28%	+212%	**+16%**

SURROUNDING REGIONS/ MARKETS

FIGURE 5b: Select General Merchandise Categories: Surrounding Regions/Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	South Central Region (TX,OK,AR,LA)	Southeast Region (MS, AL,GA ,FL)	Houston	Total US
Candles	+4%	+1%	+5%	**+6%**
Batteries	+29%	(5%)	+22%	**+9%**
Charcoal	+88%	+82%	+99%	**+59%**
Charcoal Lighter Fluids	+86%	+90%	+110%	**+55%**
Flashlights	+62%	(6%)	+81%	**+16%**

Source: IRI InfoScan®

HEALTHCARE

HURRICANE KATRINA MARKETS

FIGURE 6a: Leading Healthcare Categories: Hurricane Katrina Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	New Orleans LA/ Mobile AL	Birmingham AL/ Montgomery AL	Mississippi	Total US
Internal Analgesics	(62%)	(2%)	(9%)	**+5%**
Gastrointestinal Tablets	(63%)	0%	(16%)	**+5%**
Vitamins	(68%)	0%	(10%)	**+1%**
Cold/Allergy/Sinus Tablets	(56%)	+12%	(5%)	**+22%**
Weight Control Nutrition Liq/Pwd	(53%)	+7%	(5%)	**+2%**
First Aid Treatment	(27%)	+2%	(2%)	**(1%)**
First Aid Accessories	(40%)	(1%)	(6%)	**+1%**

SURROUNDING REGIONS/ MARKETS

FIGURE 6b: Leading Healthcare Categories: Surrounding Regions/Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	South Central Region (TX, OK, AR, LA)	Southeast Region (MS, AL, GA , FL)	Houston	Total US
Internal Analgesics	+7%	(1%)	+13%	**+5%**
Gastrointestinal Tablets	+1%	(1%)	+9%	**+5%**
Vitamins	(4%)	(7%)	+2%	**+1%**
Cold/Allergy/Sinus Tablets	+34%	+7%	+34%	**+22%**
Weight Control Nutrition Liq/Pwd	(1%)	+2%	+7%	**+2%**
First Aid Treatment	+7%	+1%	+14%	**(1%)**
First Aid Accessories	+1%	+2%	+7%	**+1%**

Source: IRI InfoScan®

PERSONAL CARE

HURRICANE KATRINA MARKETS

FIGURE 7a: Leading Personal Care Categories: Hurricane Katrina Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	New Orleans LA/ Mobile AL	Birmingham AL/ Montgomery AL	Mississippi	Total US
Soap	(42%)	+27%	(2%)	**+9%**
Toothpaste	(39%)	+15%	(2%)	**+16%**
Shampoo	(41%)	+11%	(9%)	**+5%**
Deodorant	(49%)	(2%)	(9%)	**+2%**
Sanitary Napkins/Tampons	(47%)	+5%	(7%)	**(2%)**
Toothbrush/Dental Accessories	(32%)	+7%	(10%)	**+20%**
Hair Conditioner	(54%)	(1%)	(14%)	**+2%**
Blades	(51%)	+2%	(13%)	**(1%)**
Skin Care	(66%)	(8%)	(18%)	**(4%)**
Mouthwash	(47%)	+10%	(19%)	**+5%**

SURROUNDING REGIONS/ MARKETS

FIGURE 7b: Leading Personal Care Categories: Surrounding Regions/Markets Week After Arrival
Grocery Channel Unit Sales Change: Week Ending 9/4//2005 vs Week Ending 8/21/2005

	South Central Region (TX, OK, AR, LA)	Southeast Region (MS, AL, GA, FL)	Houston	Total US
Soap	+9%	+13%	+16%	**+9%**
Toothpaste	+27%	+10%	+49%	**+16%**
Shampoo	+1%	+11%	+19%	**+5%**
Deodorant	+9%	+3%	+26%	**+2%**
Sanitary Napkins/Tampons	0%	(1%)	+14%	**(2%)**
Toothbrush/Dental Accessories	+96%	+9%	+131%	**+20%**
Hair Conditioner	(8%)	+1%	+3%	**+2%**
Blades	+2%	+1%	+8%	**(1%)**
Skin Care	(5%)	(4%)	(5%)	**(4%)**
Mouthwash	+8%	+3%	+4%	**+5%**

Source: IRI InfoScan®

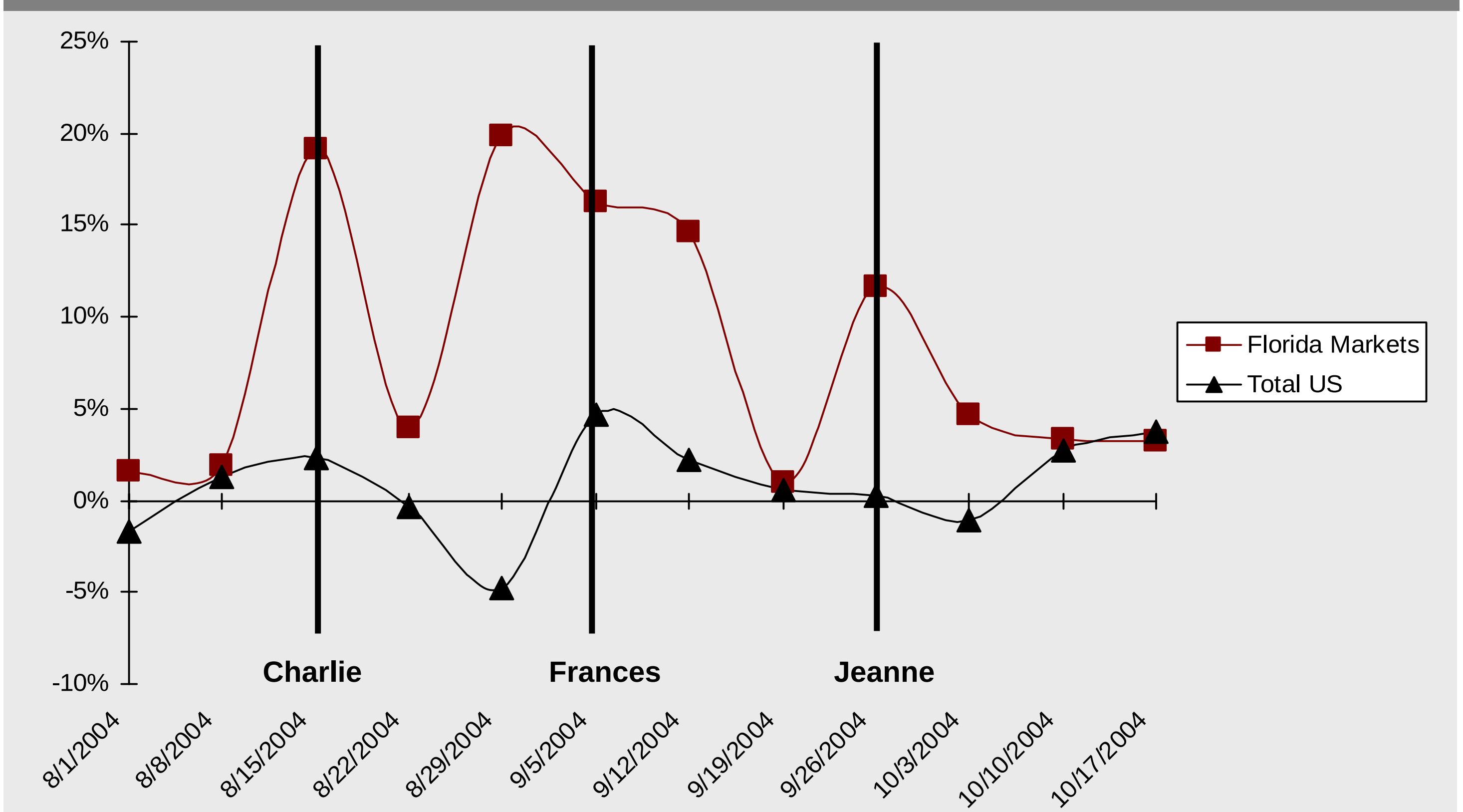
HISTORICAL PERSPECTIVE: 2004 HURRICANE SEASON

During a seven-week period throughout August and September last year, three major hurricanes – Charlie, Frances and Jeanne – ravaged Florida. Within markets impacted by these horrific events (Miami/Ft. Lauderdale, Orlando, Tampa, St. Petersburg and Jacksonville), CPG product sales increased substantially during the week that the hurricane landed, and growth rates remained above average during the following week. In the case of hurricane Frances, which followed hurricane Charlie, sales also spiked during the week before the hurricane as consumers were more vigilant in preparation.

Within one to two weeks after each hurricane, however, sales returned to normal levels – growth rates in the affected markets were consistent with total US sales trends.

Given the fact that a higher number of citizens were displaced in Hurricane Katrina and are unlikely to return home for several months, if not longer, and the continued outpouring of donations in the form of needed CPG products, such as non-perishable foods, bottled water and diapers, several weeks after this event, it is likely that total sales impact will last longer. However, total industry growth rates will likely moderate from Katrina by the end of September (but will be impacted once again by any additional hurricanes that hit land.) Distribution of sales across regions and markets will continue to shift over the next three to six months as Katrina refugees make new homes elsewhere and/or eventually return home.

FIGURE 8: 2004 Hurricane Season: Florida Markets
Grocery Channel Weekly Dollar Sales % Change vs Year Ago



Source: IRI InfoScan®

QUESTIONS ABOUT THIS REPORT

Please forward questions and comments about this report to Sheila McCusker at sheila.mccusker@infores.com.