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## Canada

### Retail Food Sector

### Western Canada Retail Food Sector Report

**1999**

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#### **Report Highlights:**

**The Food Sector Report fir looks at a review of the size and importance of the Western Canadian region in the food industry. Within the Retail Food Sector total Canadian grocery industry sales in 1998 were US\$35.9 billion(Canadian Grocer). This represents a 3.7% growth rate over 1997 well above the 5 year average annual growth rate of 2.7%. Regionally Western Canada represented 33.7% of national grocery sales.**

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## Section 1. Market Summary - Western Canada

### A) Value of Overall Retail Food Sales in Canada

The Food Sector Report first looks at a review of the size and importance of the Western Canadian region in the food industry. Within the Retail Food Sector total Canadian grocery industry sales in 1998 were \$US35.9 billion (Canadian Grocer). This represents a 3.7% growth rate over 1997 well above the 5 year average annual growth rate of 2.7%. Regionally Western Canada represented 33.7% of national grocery sales, with the other regions being Ontario at 32.4%, Quebec at 25.1%, and the Atlantic region at 8.8%

If we combine both the retail food sector and the food service sector total food sales in Canada in 1997 were \$US 54.5 billion, split Retail 60% and Food Service 40% (Statistics Canada).



Canadian Grocery Sales	\$ US Billion	% Growth
1994	32.7	3.4
1995	33.0	0.8
1996	32.8	(0.5)
1997	34.6	5.6
1998	35.9	3.7
1999Forecast	37.1	3.2

### B) Western Canada Retail Food Sales

Western Canada represents 33% of the Canadian population (10 million /30 million) and 33.7% of retail food sales. Total retail food sales in western Canada were \$US 12.1 billion in 1998.

This is broken down into individual provinces as follows.

- < BC \$US 5.4 billion with an average annual growth of 3.0% in the last 5 years
- < Alberta \$US 4.1 billion, average 5 year growth of 2.7%
- < Saskatchewan \$US 1.3 billion, average 5 year growth of 5.2%
- < Manitoba \$US 1.4 billion with an average annual growth of 1.8% in 5 years.

Province	1998 Population and 2 year growth	98 Grocery Sales (\$ US )	5 year food growth	# of stores
British Columbia	4.1 Million +3.3%	\$5.42 Billion	14.8%	1928
Alberta	2.9 Million +4.8%	\$4.06 Billion	13.6%	1854
Saskatchewan	1.0 Million +0.6%	\$1.26 Billion	26.2%	912
Manitoba	1.1 Million +0.6%	\$1.36 Billion	8.9%	1276

### C) Summary of the Retail Food Sector Strengths - the Opportunities and Challenges that are faced by US Exports in Western Canada.

<u>Advantages</u>	<u>Challenges</u>
Large Market of 10 Million Consumers in Western Canada (90% within 100 miles of the border)	A high level of retail concentration in Western Canada
Sophisticated distribution infrastructure	The higher value of the US dollar adds costs to US exports in Canada
Imports are well accepted fact of life for Canadians as Canada has a short growing season and a high dependence on international trade - especially with it's number 1 trading partner - the USA.	Retailer power and the difficulty and high cost associated with gaining entry/ listings, and sustaining retailers support.
A common culture, with common eating habits and food trends ( with a few notable differences mentioned in this report )	Higher level of Private Label development and the lower number of branded product Stock Keeping Units in the average Canadian store
NAFTA, free trade, and the elimination of tariffs on most food products	Packaging requirements around Bilingual ( French and English ) labels and Metric measurements
US high value food products are well accepted by retailers and consumers especially those filling unique needs and leading current food trends.	

### D) Retail Food Sector Structure

The western Canada retail food sector has two dominant and unique features. The first is the segmentation of the industry into it's two key components traditional grocery stores and non grocery stores. This segmentation will be discussed in detail in the following section of this report.

The two key segments are as follows :

- Traditional grocery (chains and independents) dominates in western Canada with 81.1% of retail food sales in 1998.
- Non grocery at 18.9% is comprised of membership clubs (Costco) 9.4%, mass merchandisers 3.0%, specialty 2.3% and all other non grocery (including gas bars) 2.2%. (Source - NPD Trade Track).

The second unique feature of the western Canadian retail food sector is it's high level of concentration of ownership. The 1998 statistics (CCGD/FMI Industry Report) show that in each Western province 4 or 5 retailers control over 90% of total food distribution.

Retail Concentration by Province:

BC - 90% ( Safeway, Ovewaitea, Loblaws, HY Louie, and Thrifty's).

Alberta - 96% ( Safeway, Overwaitea, Loblaws, Sobeys West, Co-op )

Manitoba/Saskatchewan - 92% ( Safeway, Loblaws, Sobeys West, & Co-op)

With this high level of concentration, retailers have disproportionate power that has manifested itself in several ways. Including higher levels of private label sales (now 23% of combined grocery category sales), focus on category management, fewer stock keeping unit listings, higher listing fees, and tighter control over in store merchandising. Given this situation, the role of a well planned entry strategy presented by a strong sales force or broker/agent is increasingly important.

## Distribution segmentation and Key trends

### A) Traditional Grocery Super Markets - Chains and Independents ( 81.1% )

The vast majority of high value food products are sold through traditional grocery supermarkets. This segment accounts for over 81% of western Canadian consumer's grocery basket purchases (see A.C. Nielsen Trade Track - table 1).

Traditional grocery includes four major corporate chains who market across western Canada. These major players include - Canada Safeway (24.9%), Loblaws Companies (19.8%), Overwaitea Food Group (13.7%), and Federated Co-op (7.9%). Supermarkets across western Canada vary in size from the large format stores such as the Real Canadian Superstore ( RCSS) at more that 100,000 square feet to some of the very small IGA independents at 10,000 to 15,000 square feet.

Up until approximately 5 years ago the trend was to the larger format stores led by the Loblaws Company (RCSS banner) and the Overwaitea Food Group (Save-On-Foods banner). More recently a renewed focus has been placed on 'neighborhood' stores that are 30,000 to 35,000 square feet.

Recent trends in this channel has included the focus on the 'fresh departments' (meats, produce, and bakery) as well as natural food sections and deli and take out sections all typically located around the perimeter of the store. These trends, especially in the new smaller foot print stores, have placed a significant amount of pressure on the space allocated to the grocery departments in the center of the stores.

### B) Warehouse Clubs ( 9.4% )

The warehouse club channel (Costco Wholesale) has grown significantly over the last five years and now accounts for over 9% of western Canadian grocery basket purchases. With over 25 locations across the west, continued growth through new outlets will be difficult (most major and minor markets have been covered). As a result, it is suggested that future growth will be focused on same store increases. This will be achieved through a continued focus on private label (Costco's, Kirkland Signature), new departments and reallocation of warehouse space (e.g. expanded photo sections, fresh foods, take out foods), and a renewed emphasis on building 'unique' product offerings.

It should be noted that the traditional grocery channel has taken a very aggressive stance to warehouse clubs. All major chains (Safeway, RCSS, Save-On-Foods) developed warehouse club strategies to compete with this channel. Two key strategies included building their own stand alone 'warehouse club' stores, and adding warehouse club sections to the traditional store layout. In all cases the traditional grocery channel was able to place enough pressure on the warehouse club suppliers to supply them with the 'identical' club pack product that was being sold by the club's. Recently there has been less emphasis placed on competing with warehouse clubs as traditional grocery has shifted their attention to a new competitor, the mass merchant Wal-Mart.

### C) Drug Stores ( 1.9% )

Drug store importance of high value food products has diminished significantly over the years and currently accounts for less than 2% of purchases. Two major chains dominate this channel in western Canada: Shoppers Drug Mart and London Drugs.

### D) Mass Merchants ( 3.0% )

There are two major competitors in this channel: The Canadian owned Zellers and Wal-Mart.

This channel's potential growth opportunity for high value food products is very significant, particularly with the Wal-Mart organization, given its expansion of its Super Center concept in the U.S. market.

Although the short-term expansion emphasis for Wal-Mart appears to be in eastern Canada, the area of greatest opportunity, it is believed that their focus of attention will soon move to western Canada.

Over the next number of years Wal-Mart will be the number one competitive threat to traditional grocery as Wal-Mart develops their super center concept.

### **Food Trends and Demographic Factors**

The following are the some of key recent demographic factors of note in western Canada and their impact on food consumption trends.

#### **A) Immigration**

Immigration has had a big impact on the ethnic diversity, and the food sales trends of W\western Canada. Canada has had immigration of approximately 225,000 per year contributing approximately 50% of the annual population growth in Canada. Western Canada has been the destination for many of the new immigrants, now primarily of Asian descent. This trend has resulted in an opportunity for the food industry. Retailers and food manufacturers are catering to the new ethnic mixes with both traditional brands, new value added products, and with specialty sections in the food stores. These markets also potentially provide a testing ground for US food manufacturers looking at expanding from the U.S. home market to Canada and then eventually to Asian markets.

#### **B) Consumer Income**

Personal disposable income has declined through the 1990's in Canada and it is not until the last 2 years that a more robust economy has had a more positive impact on family incomes. Consumers throughout the 1990's have understandably pursued value in food purchases, and retailers responded with retailing strategies ranging from a focus on aggressive price comparison promotion, adoption of category management and a focus on fewer SKU's in each category (top brands and new innovative products) and a focus on private label (now over 23% of combined grocery categories according to A.C. Nielsen).

#### **C) Time Poverty and Convenience Foods**

The decline in personal disposable income has been offset to some extent by the higher level of two income families now up 60% of Canadian families. Female participation rate has also increased to over 70%. The net effect on families has been rising incomes and less time to spend it - time poverty. Consumers are starved for spare time to shop, and to plan and prepare meals. The result is the increasing demand for convenience and easy to prepare foods and home meal replacements.

Retailers have responded and have enjoyed fast rising sales in take out/ready to eat meals (deli sections), frozen foods (A.C. Nielsen shows frozen dinners and entrees increased to 23% of the freezer sales in 1998 with an annual growth rate of 13%), and lastly an increasing number of in store fast food kiosk's (Pizza Hut's/ KFC's). It is interesting to note that the Canadian family prepares and consumes considerably more meals at home than the U.S. counter part (Canadian's only consume 16% of food spending away from home versus 24% in the U.S.). No doubt the future trend in Canada will closely track U.S. trends in this area.

## **Section 2. Road Map For Market Entry**

### **A. Supermarkets – Chain/Independents**

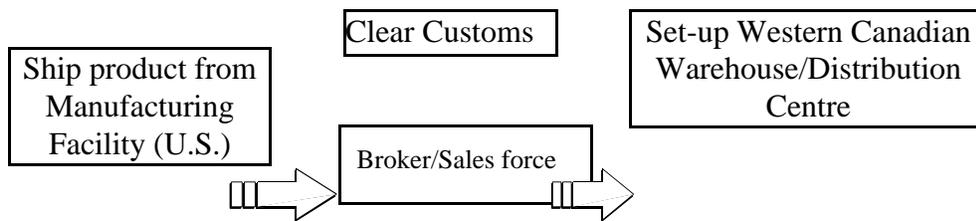
a) Entry Strategy

This segment and it's 4 key retailers dominate retail food distribution in western Canada. As such entry into this segment requires a very well planned entry which should include the following:

1. A solid marketing plan for the Canadian market.
2. A well planned and financed communications plan with a clear focus on awareness building and trial and repeat purchase generation.
3. Of particular interest are new and unique product offerings that are not currently in the Canadian market and that tie into the current consumer trends.
4. A proven track record in other markets. The US market is seen by retailers as a unique source of new products and test market proving ground.
5. Of key importance in this dominant segment is the exporter's willingness to 'invest' in the brand with retailer listing and slotting fees. These fees vary depending on the category, yet an investment of \$US 70,000 per stock keeping unit would not be uncommon to secure 70% to 80% All commodity distribution across western Canada.
6. In addition to a consumer marketing program funding and the initial investment in listing fees, a budget must be developed for ongoing retail support - including cooperative advertising funds, store level funds, and supplemental trade promotion funds.
7. A successful western Canadian launch into this channel will require sales expertise - both at key account and field/store level. This sales expertise can take the form of a traditional sales force, a merchandising sales group, or a broker sales arrangement. Key account expertise will be required to secure initial appointments, negotiate listing and slotting fees, lead the product/brand through it's initial distribution challenges, and finally to manage the long term process of the product/brand sales management.

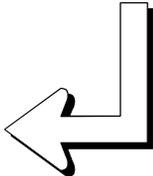
b) Market Structure

**Distribution Channel Flow Diagram**



The flow of goods is straightforward: Ship from U.S. destination to a Canadian warehouse/ distribution center (suggest in Calgary and Vancouver), then ship F.O.B. to Canadian customer's warehouse. This is when the customer would take ownership of the goods. Assuming the product is shelf stable and does not require direct store delivery (e.g., dairy, bread).

F.O.B. Canadian warehouse  
 Canadian Retailer Receives Goods from  
 (Shipping Destinations)  
 - Winnipeg, Manitoba  
 - Saskatoon, Saskatchewan  
 - Edmonton, Alberta  
 - Calgary, Alberta  
 in backhaul if available.



Some retailers are interested in backhaul if available.

If the category and brand is large enough and, therefore, volume is enough to justify it, shipments could go directly to customer which would avoid the additional expense of the Canadian warehouse/distribution center. Not all customers would require delivery to all locations.

### c) Key Company Profiles

<u>Retailer Name</u>	<u>Ownership</u>	<u>Sales</u> (\$US mil)	<u>Number</u> <u>of Outlets</u>	<u>H.O. Location</u>	<u>Key Retail Banners</u>
Canada Safeway	US	n/a	215	Calgary	-Safeway
Loblaw Co	Eastern Can	\$2,596m	40 RCSS 36 SV 73 EF	Calgary (regional)	- RCSS - Super Valu - Extra Foods
Overwaitea Food Group	Vancouver	n/a	42 Over 32 SOF	Vancouver	- Overwaitea - Save-On-Foods
Coop (Federated)	Saskatoon	\$764m	360	Saskatoon	- Coop
IGA (HY Louie)	HYLouie BC	n/a	50	Vancouver	- IGA
IGA (Sobeys)	Sobeys West Alberta	\$1,285 Sobey(w)	165	Edmonton (regional)	

( Maclean Hunter - 1999 Retail Chains )

### d) Company Profile Detail

#### 1. Canada Safeway

- < A division of the Safeway (US)
- < Safeway stores located across Western Canada with HO in Calgary Alberta.  
All 215 stores are corporately owned and operated.
- < All merchandising and procurement functions are centered out of Calgary, Alberta. Key warehouses / distribution centers are located in Vancouver, Calgary, Edmonton, and Winnipeg. Grocery items are warehoused and shipped out of all 4 warehouses. Health and Beauty items - Edmonton only.
- < Safeway's key strength is the number and location of it's stores. They are typically 30- 35,000 square feet in size and are strategically located in the highly populated urban areas. They are full service stores with bakeries, meat counter, deli's, fresh produce and pharmacies.
- < Canada Safeway has not focused on new outlets, but on renovation of existing locations. Category Management has been used extensively which has involved key suppliers and Safeway U.S. participation.
- < Over the last several years of intense retail competition and many new format stores, they have held their share of the western grocery dollar by having a strong merchandising program (e.g., Safeway Club Card) and shift to the 'neighborhood' store concept with it's focus on customer

service value adding.

## 2. Loblaw's Company's Ltd. ( Westfair )

- < A national food retail organization with its corporate head office located in Toronto Ontario.
- < Like Safeway, Loblaw's Company's competes in all 4 western Canadian provinces and has its regional head office in Calgary Alberta.
- < The majority of its business is generated through their Real Canadian Superstore (RCSS) banner - approximately 70%. All RCSS outlets are corporately owned.
- < The RCSS stores are unique in many ways. They are typically 65 to 75,000 square feet and feature unique specialty departments such as a large general merchandise department, a photo and electronics department, and a large cosmetics and health and beauty aids area. A large section of the store is devoted to grocery, dairy, meat, and bakery departments as well as a large section devoted to warehouse club items. RCSS do a fine job of catering to Asian ethnic groups in large urban centers with ethnic food sections and special promotions.
- < A recent trend for Loblaw's Cos. is the conversion of its Super Valu independent accounts to the more corporately controlled Extra Foods. The Extra Foods banner is a significantly smaller version of the RCSS without the unique specialty departments. Extra Foods stores are similar in size to the Safeway store - in the 30 -35,000 square foot range.
- < All Loblaw Company stores have a strategy of supporting their private label brands as a priority (President's Choice).
- < The merchandising and procurement decisions are still made from the western regional head office in Calgary. More and more decisions, however are being made jointly with the Toronto head office.
- < Distribution centers are located in Vancouver, Calgary, and Winnipeg.

## 3. Overwaitea Food Group (OFG)

- < Overwaitea is owned by Vancouver's Jim Patterson and operates Overwaitea and Save on Foods and Buy Low banners, as well as wholesale operation Buy Low and Associated Grocers, in BC and Alberta.
- < Head Office is located in Langley, BC in the Vancouver area.
- < Two warehouses are operated one in Langley and one in Calgary.
- < The Save-On-Foods banner has been the growth banner with 5 new locations in 1999. All these stores have adopted the new trend to smaller 'neighborhood' stores. ( 25-30,000 square feet vs the traditional 70-80,000 squared feet).
- < The new Save-On-Foods stores have also adopted some of the recent trends in retailing as the outlets have reduced grocery departments and expanded high quality deli, bakery and meat departments, as well as a natural foods section.

## 4. Federated Co-op Stores - Co-op Banner

- < Federated Co-op's head office is in Saskatoon, Saskatchewan.
- < It has been called the last true wholesaler and it wholesales to Co-op stores in all western provinces.
- < Merchandising and procurement are done from Saskatoon, with warehouses located in Calgary, Edmonton, Saskatoon, and Winnipeg.
- < The majority of Co-op stores are located in rural locations across the prairie provinces, some no larger than 5,000 square feet. However of the 360 stores, 16 urban stores in the Calgary area (4%

of store count) do approximately 25% of the ACV.

- < Co-op's strength is clearly it's number of locations and appeal of the 'co-op' concepts to the strongly loyal Co-op shoppers.
5. IGA banners - Supplied by two companies operating in separate regions
- \* IGA - In the Prairie provinces - Sobeys' West
    - < Sobeys is national organization with its corporate head office in Stellarton (Halifax) Nova Scotia. In western Canada they control the IGA banner in Alberta, Saskatchewan, and Manitoba.
    - < The Sobeys' west head office is in Edmonton, Alberta.
    - < Across the prairie provinces there are 165 IGA / IGA Garden Markets outlets.
    - < The IGA locations are the traditional store format, independently owned, with smaller square footage (15-20,000) and a focus on the neighbourhood shopper.
    - < The IGA Garden Markets are the newest stores and are significantly larger (25-40,000 square feet). They also have significantly more focus on the newer retail trends especially the 'Fresh Departments'.
  - \* IGA - In British Columbia - HY Louie
    - < HY Louie a Vancouver based company control the IGA banners in BC
    - < In BC there are 50 IGA/IGA Plus stores.
    - < IGA stores in BC are of similar size as those in the prairies provinces. While IGA Plus store are typically in the 25-30,000 square foot range.
    - < IGA Plus are the newest locations and include new features such as coffee bars, ice cream parlors, permanent demonstration booths and a customized neighbourhood feel to it's decor.

## B. Warehouse Clubs

### a) Entry Strategy

This channel (Costco) has many entry requirements and strategies in common with the supermarket channel. However, the requirements for listing would definitely also include uniqueness of product and packaging. The product must have a significant competitive advantage and the packaging fit into the club member's requirements. No listing fees are paid, and pricing is on a 'net net' basis (after promotion allowance) excluding merchandising and advertising costs. While this is the case, extra launch funds should be budgeted for an in store demo program, member mailing program (e.g., Costco Connections, Coupon Book) and/or end isle display program.

For national launches, simultaneous presentations should be made in Costco Burnaby BC (for western stores) and Costco in Laval Quebec (for eastern based stores).

### b) Market Structure

Product is shipped on pallets (special specifications and formatting will depend on the product/category). The shipment is either to a central distribution center, which would be cross-docked, or directly to each warehouse outlet.

### c) Company Profile

- < Costco Wholesale is the only channel member since Costco purchased Price Club some years ago.

- < Costco's Canadian head office is located in Burnaby (Vancouver) BC , listing decisions for the 25 western outlets are made from this location.
- < There has been an attempt to centralize/coordinate functions between the western and eastern businesses, however with limited success to date.
- < In recent years there has been a significant focus on private label, a strategy followed from Costco US ( Kirkland Signature brand ).
- < It is important to note that if an entry strategy in western Canada includes Costco, then a well thought out plan will be required as traditional grocery stores such as the Loblaw Company's RCSS will demand the identical product as Costco.

## C. - Other Non Grocery Sub-sectors - Trends and Company Profiles

### 1. Drug Stores

The two key drug store accounts that carry high value food products are Shoppers Drug Mart and London Drugs. Of the two, London Drugs dominates the segment, with Shoppers Drug Mart clearly de emphasizing food products. Food sales have been on a decline in this segment and it's share of total food sales has decline from 2.7% in 1995 down to 1.9 % in 1998.

#### London Drugs

- < London Drugs is a Vancouver based super drug store.
- < All procurement and merchandising decisions are made at the Richmond (Vancouver) head office.
- < There are 50 London Drugs stores in the West ( 35 in BC and 15 in Alberta ). The stores range in size from 20-30,000 square feet and carry a variety of everything from computers to photo finishing, to electronics and automotive, hardware, housewares, small appliances, as well as drug, health and beauty aids, and a limited amount of food products.
- < While London by far dominates food sales in the drug segment, food sales are still relatively minor and an expensive proposition for most food manufacturers.

### 2. Mass Merchandisers

The mass merchandiser segment consists of Zellers and Wal-Mart. This segment is a dynamically growing segment, with market share building from 2.6 in 1997 to 3.0 in 1998. This growth has been stimulated by the entry of Wal-Mart into Canada. All other segments have their eyes on this one and specifically Wal Mart as this company expands it's Super Center grocery store concept. Many of the trends that we have observed in the traditional grocery segment (e.g., neighborhood store with it's higher levels of service) are in preparation for future inroads being forecast by the mass merchandiser segment.

#### Zeller's

- < owned by the Hudson's Bay Company of Toronto they are run as a separate entity with it's head office in Brampton Ontario.
- < Zeller's has 295 stores in Canada, 82 of them in western Canada.
- < square footage of the stores ranges from 40,000 to 145,000
- < a discount department store with a full array of merchandise
- < procurement and merchandising decisions are made at the head office level.

### Wal-Mart Canada

- < Wal-Mart's head office is in Mississauga ( Toronto ) Ontario
- < Wal-Mart has 145 stores nationally, with 46 in western Canada. With aggressive expansion plans, several new ones have been announced for western Canada recently.
- < Buying and merchandising functions at executed the head office level.
- < As mentioned earlier, Wal-Mart is reshaping the retail landscape in Canada. Traditional grocery stores are watching very closely the potential expansion of it's grocery food entry (Super Centers) to Canada. Also, as mentioned earlier the Super Centres will no doubt be seen in eastern Canada first, however the west is not too far behind.

### 3. Convenience Stores / Gas Bars

Convenience stores and gas bars are finding more acceptance among consumers as a result of some of the consumer trends mentioned earlier. In the past, these stores used to carry mainly confectionary foods - high margin impulse items.

However with the highly competitive food store environments these stores are changing too. C-stores (e.g., 7 Eleven ) used to be targeted at males 18-24 however aggressive repositioning has broadened the target and 'softened' the image, to include females and seniors.

The changes have also been experienced at gas stations, as gas margins are low and fluctuate, gas food bars provide more stable revenue. C- store and gas bar trends include a lengthened list of food products, natural food sections, and ready to eat foods.

The following 2 C-store are typical of the subsegment.

#### Mac's Stores - corporate chain

- < 438 Mac stores nationally
- < owned by Silcorp Ltd with a HO in Scarborough Ontario
- < Western Canada procurement and merchandising is handled out of the western division office in Calgary.

#### Shell Gas Stations - Select Food Stores

- < 450 stores in Canada
- < continuing to aggressively re-brand 'Circle K' stores to the Select name
- < Western Canada procurement and merchandising at the Shell head office in Calgary

Distribution in this sub segment usually organized through a third party intermediary such as Wallace & Carey or Coremark.

## Section 3. - Competition

Canada has a well developed food production industry, however food imports into Canada have always played a large part in the total retail food supply. Of the imports into Canada Food imports from the US have always enjoyed a relatively strong competitive position due to several factors.

- < Proximity (90% of the Canadian population is within 100 miles of the U.S. border).

- < A similar culture, eating habits, and food trends
- < Short growing season for fruits and vegetables in Canada
- < Common branding and spill over advertising
- < Generally higher levels of food production efficiency
- < Similar social trends driving food demand

And now more than ever imports from the US enjoy competitive advantage as a result of NAFTA which resulted in the elimination of most import duties.

Some evidence of the strengthening trade competitiveness:

- < Canned fruit and vegetables imports from the U.S. climbed 8.8% to \$US 451.2 million in 1997. (Canned fruit exports amount to 88% of domestic consumption).
- < Fruit and vegetable juices from the U.S. rose to \$US 185 million or 61% of world imports into Canada.
- < Fresh vegetables imported from the U.S. rose to \$US 500 million as the short growing season in Canada, the rise in healthy eating and the influx of Asian immigration all have a positive impact of demand for U.S. fresh vegetables. Exports of fresh vegetables into Canada have risen as a percentage of total consumption from 33% to 39% in 8 years.
- < U.S. products enjoy a relatively strong competitive position, as evidenced by the following table showing the competitive position of the U.S. relative to the rest of the world. The table also shows the % importance of imports in total domestic consumption in each food category.
- <

<b>Product Category</b>	<b>Canadian Imports from the US \$US Millions</b>	<b>Imports from the Rest of World \$US Millions</b>	<b>Imports as a % of total Domestic Food Consumption</b>
Potato Chips/ Snacks	55	3.4	7.8%
Frozen Fruit/Veg	145	117	25.7%
Fish	275	669	45.3%
Poultry	141	6.7	6.7%
Meat Products	533	212	10.6%
Canned fruits/ veg	451	261	26.3%

Dairy (ex milk)	54	133	4.8%
Prepared Flour Mix	82	2.7	10.8%
Bread and Bakery	127	8.7	7.9%
Dry Pasta	23	29	25.6%
Tea and Coffee	147	138	14.4%
Biscuits	87	53	13.7%
Sugar and Chocolate snacks	265	213	30.0%

Source: Statistics Canada

## Section 4. - Purchase Trends

### 1. The Top Performing Product Categories in 1998

(source - A.C. Nielsen Categories over 15% growth rate)

Beverages -	Fruit drinks
	Iced tea
	Flat water
	Soya drinks
	Rice drinks
	Instant breakfasts
Condiments and Sauces -	Chili sauce
	Meat/seafood sauce
	Oriental and Mexican sauces
	Liquid seasoning
Snack Foods -	Nutritious portable foods
	Snack products
Refrigerated Products -	Pasta
	Dough products
	Yogurt
	Prepackaged bagged salads
	Tofu
	Vegetable dip
Dry Grocery -	Specialty rice
	Instant potatoes
	Dry chip dips
Frozen Foods -	Frozen breakfasts
	Pizza/french bread/subs
	Frozen dinners and entrees
	Bread dough
Packaged Meats -	Bacon
	Beef jerky.

### 2. Hottest Food Trends today in Western Canada

( source - trade journals and retailer surveys )

- Fresh fruit and vegetables - high quality and exotic/ethnic
- Natural Food sections - organic fruits and vegetables and vitamin supplements
- Nutritious Portable Foods - Granola Bars, Cereal bars, peeled baby carrots and individual snack trays/dips.
- Yogurt - drinkable and flavored fat free
- Ethnic foods - prepared mixes and sauces
- Fruit drinks - especially exotic fruits and unique mixes
- Potato snack foods - chips /snacks
- Frozen dinners and entrees - including specialty foods and ethnic entrees
- Take out and Deli foods - one large independent chain on Vancouver Island even has a sushi bar which now generates 1% of store revenues.

As mentioned earlier, western Canadian consumer are caught between the desire to eat healthy (lower fat, more vegetables and fruit) on one hand and the reality of time poverty and the desire for easy fast meal solutions on the other hand. One thing that is obvious is the desire by both retailers and consumers for new product ideas that offer nutrition, variety, and convenience - and increasingly that perfect home meal replacement solution.

## Section 5 - Resources & Contacts

### References:

1. NPD Grocery Digest - Trade Track  
and NPD Weekly News Bulletin - Industry News and Trends  
[npd\\_digest@npd.com](mailto:npd_digest@npd.com)
2. Grocery Today - Western Canada Trade Magazine - Published by Canada Wide
3. Canadian Grocer - National Trade Magazine - Published by Maclean Hunter  
[www.cdn grocer.com](http://www.cdn grocer.com)
4. Food in Canada - National Trade Magazine - Published by Maclean Hunter  
[//www.foodincanada.com/](http://www.foodincanada.com/)
5. Western Grocer - Western Canada Trade Magazine - Published by Mercury Publications
6. 1999 Retail Chains in Canada - profiles of retail food retailer - Published by Maclean Hunter
7. Blue Book - profiles of grocery retailers - published by Sanford Evans Research Group

### Government Agencies:

1. Market and Industry Services Branch  
Agriculture and Agri-food Canada  
fax: (613) 759-7480  
[www.agr.ca/food](http://www.agr.ca/food)
2. Alberta Agriculture, Food and Rural Development  
Darcy Willis  
Phone: (780) 422-2252  
[www.agri.gov.ab](http://www.agri.gov.ab)
3. BC Agriculture and Food  
PO Box 9120, Stn Prov Govt  
Victoria BC V8W 9B4  
808 Douglas St.

Phone: (250) 387-5121, or 1-800-663-7867  
www.agf.gov.bc.ca

4. BC Statistics

George Dufour  
553 Superior St Victoria BC, V8V 1X4  
Phone (604) 387-0376

5. Industry Canada

2000 -300 West GeorgiaSt  
Vancouver V6B 6E1  
Phone: (604) 666-5000  
<http://strategis.ic.ca>

Associations:

1. Canadian Council Of Grocery Distributors

Western Regional Office  
Bryan Walton VP West  
Suite 107, 1144-29th Ave NE  
Calgary, Alta, T2E 7P1  
Phone: (403) 250-6608  
[bwalton@ccgd.ca](mailto:bwalton@ccgd.ca)  
[www.ccgd.ca](http://www.ccgd.ca)

2. Canadian Food Broker Association

Keith Bray Pres.  
100-58Meadowbrook Lane  
Unionville, ON, L3R2N9  
Phone: (905) 477-4644  
[www.cfba.com](http://www.cfba.com)

3. Canadian Federation Of Independent Grocers

John Scott Pres.  
902 -2235Sheppard Ave E, Willowdale ON M2J 5B5  
Phone; (416) 429-2311  
[www.cfig.ca](http://www.cfig.ca)

4. Canadian Produce Marketing Association

Partick Labrecque Pres.  
4310-1101 Prince Of Wales Dr., Ottawa ON, K2C 3W7  
Phone; (613) 226-4187

5. Food and Beverage Canada

17313 107 Ave, Edmonton, Alberta, T5S 1E5  
Phone; (780) 486-9679

6. Food and Consumer Product manufacturers Of Canada  
George Fleishman Pres.  
Phone: (416) 510-8024

7. BC Council Of Marketing Boards  
2509 Vancouver St. Victoria BC, V8T 4A6  
Phone; ( 250) 383-7171  
Andreas Dolbert

8. BC Food Brokers Association  
Doug Lawrence Pres.  
Phone; (604) 520-6002

9. BC Produce Marketing Association  
Walt Breeden Pres.  
Phone; (604) 268-1890

10. BC Frozen and Chilled Foods Association  
Stu Spear Pres.  
Phone: (604) 421-4242

10. Alberta Food Brokers Association  
Gerry Poissant Pres.  
Phone: (403) 253-4488

11. Alberta Food Processors Association  
Ken Gibson Pres.  
Phone: (403) 444-2272

12. Saskatchewan Food Brokers Association  
Darryl Hill Pres.  
Phone (204) 633-7594

13. Saskatchewan Food Processors Association  
Darrell Schneider Pres.  
Phone: (306) 683-2411

14. Manitoba Food Brokers Association,  
Darryl Hill Pres.  
Phone: (204) 633-7594

Contacts:

Overwaitea Foods  
Eddy Lee  
Phone (604) 888-2488

19855 92<sup>nd</sup> Ave, Langley BC, V1M 3B6  
www.saveonfoods.com

Canada Safeway  
Bill Sexsmith  
Phone (403) 730-3500  
1020 64<sup>th</sup> Ave. North East, Calgary Alta., T2E 7V8  
www.safeway.com

Westfair/Loblaws Co.s/RCCS  
Bob Chapman  
Phone (403) 291-7835  
Box 300, Stn M,  
3225 12<sup>th</sup> St. North East, Calgary Alta, T2E 7S9  
www.loblaw.com

Federated Coop  
Norm Krivoshen / Dennis Currie  
Phone (306) 244-3229  
401 22<sup>nd</sup> St. East, Saskatoon Saskatchewan, S7K 3M9  
www.fcl.ca

IGA BC / HY Louie  
Carl Vetter  
Phone (604) 444-6220  
2821 Production Way, Burnaby BC, V5A 3G7

IGA Prairies / Sobeys's  
Len Lister  
Phone (403) 486-4800  
PO Box 10, Edmonton Alberta, T5J 2G9  
www.sobeysweb.com

Costco Wholesale  
Sandy Babins  
Phone (604) 444 9322  
3550 Brighton Ave. , Burnaby BC, V5A 4W3

London Drugs  
Grant Ball  
Phone (604) 272-7400  
12881 Horseshoe Place, Richmond BC, V7A 4X5  
www.london-drugs.com

Shoppers Drug Mart  
Greg Harmeson

Phone (604) 926-7821  
6<sup>th</sup> floor 100 Park Royale South, West Vancouver BC, V7T 1A2

Wal-Mart  
Mario Pilozzi Senior VP Merchandise and Sales  
1940 Argentia Rd., Mississauga, Ontario, L5N 1P9  
Phone: (905) 821-2111

For more information the retail sector in Canada, refer to the Eastern Canada Retail Food Sector Report. Find us on the web at: [www.fas.usda.gov](http://www.fas.usda.gov)