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Promotion Opportunities

Food Product Export Opportunities in Eastern Canada - Report II

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Report Highlights: This Food Product Export Opportunities - Report II identifies product categories that have been identified as having the potential for future growth at the grocery retail and foodservice levels in Eastern Canada. Products include produce (exotic, value added and organic); sauces and salad dressings; soya products; home meal replacements; rice; Mexican foods; and pre-packaged baked goods. Also, in this report is an update on the products identified in the first Food Product Export Opportunities report (CA0007). They include soft drinks (bottled water, carbonated drinks, fruit juice, iced tea and alternative beverages); spices and spice blends; frozen seafood; snack foods (cookies, crackers, potato, corn and pretzel snacks and nutritional portable snacks) and confectionaries.

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What's Hot

The following product categories have been identified as having the potential for future growth at grocery retail and food service levels in Eastern Canada. These categories provide excellent opportunities for potential U.S. exporters willing to assume the tasks associated with entering the Canadian marketplace. The categories are not listed in any particular order. Each has been chosen according to criteria such as:

- The most recent dollar and volume sales figures that are available
- Surveys on consumer trends
- Accounts and testimonies of industry personnel and trade media

Consumers are becoming more health conscious in the food and beverages they consume. They are concerned about the quality, nutrition and safety of what they eat. But Canadians are also a time-pressured society so convenience is of equal importance. Add to this the ethnic influence of a growing multi-cultural society. These three areas are being reflected in both the grocery retail level as well as the food service area as seen in the product categories below.

1. **Produce** - Consumers are becoming more health conscious and are therefore including more produce in their meals. Their concern about health and nutrition is being reflected in restaurants who are responding by adding more vegetarian menu items. As well, increasing ethnic communities consume more produce in their diets. The produce category is split into three distinct areas that are discussed below. Major competitors are not discussed in this category because seasonal variations and global competition within each commodity determines which companies are competing in this market.

   Exotic Produce - Consumers are looking for variety with more exotic fruits and vegetables. Ethnic communities, as well look for produce that they are accustomed to in their homelands. Asians, for example, look for chinese vegetables such as bok choy, lo bok, chinese cabbage and pole beans. States that are conducive to growing these commodities as per soil and climatic conditions should investigate these opportunities.

   Restaurants are including more exotic produce in their menus because of this ethnic influence. This in turn introduces consumers to new tastes that they would like to recreate in their own kitchens. Canadian Restaurant and Foodservices Association states that salads rank 4th in the top 10 foods ordered at restaurants [Foodservice Facts 2000, CRFA]. According to the Canadian Produce Marketing Association, Canadians are eating 28% more fresh fruits and vegetables today than 25 years ago [Anita Castaldi, "Exotic Produce Dance", Canadian Grocer Magazine, April 2000]. Produce Business Magazine, April 2000]. According to A.C. Neilsen, specialty vegetables are showing a growth rate of +8% to +15% ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen].

2. **Value Added Produce** - Value added produce (V.A.P.) is a growing area in the food industry for the same reasons that home meal replacements are in demand. Items such as prepackaged salads, peeled baby carrots, pre-cut stir fry vegetables speed up food preparation in the kitchen while still maintaining nutrition and quality. In a recent survey 60% of consumers feel that the meal is home-cooked if a store-bought salad is in the meal [News Release, Food and Consumer Products Manufacturers of Canada (FCPMC), October 5, 1999]. There is also a trend towards greater packaging for produce because of food safety concerns. Salads rank 10th overall for in-home main-dinner dishes [Nate Hendley, "Canadians in the Kitchen", Canadian Grocer, May 2000]. A.C. Neilsen statistics show a +4% to +7% increase in boxed salad mixes and a +8% to +15% growth in prepackaged bagged salad ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Fresh Express Inc. and Tanimura & Mantle hold the majority of shelf space in the prepackaged salad category. A number of grocery chains are creating their own value added produce by offering pre-cut ingredients such as stir fries, pre-cut carrot and celery sticks, or broccoli and cauliflower florets. These grocery chains are providing their own "pre-cut fruit" combinations as well.

3. **Organic produce** – Canadians are more conscious of the role health and nutrition plays in their diets, they are also concerned about safety, quality, taste and freshness. They are concerned about the effects of chemical pesticides, herbicides and fertilizers on the environment and with the food they eat. There has been negative reporting in the media on genetically modified organisms (gmo). Within recent weeks, there has been increased reports of e-coli outbreaks. Consumers are turning to organic produce feeling that "the back to nature" approach will offer the safety, quality, taste and freshness they demand. This trend towards healthy living is on the increase. In the last year, large and small retailers and corner fruit markets are providing organic produce sections to meet the consumers' needs. Organic produce represents only a small percentage of the market currently, but is rapidly growing at 20% a year [Sandra Eagle, "Growing Bigger Markets", Food In Canada Magazine, September 1999]. A.C. Nielsen is seriously considering tracking organic produce sales separately from produce because of this category's growth. In the organic area, value added produce is now available. Cal Organic Farms and Misionera Vegetables are offering prepackaged salads.

4. **Sauces & Salad Dressings** - With the increase in consumer demand for value added produce and produce in general, salad dressings continue to show steady growth. Consumers are spending less than 30 minutes in the kitchen in meal preparation. Meat, fish and pasta sauces and salad dressings enhance the flavour of meat and vegetarian meals at a fraction of the time. 66% of consumers consider it to be a home-cooked meal if store-bought sauces or dressings are used in food preparation [News Release, Food and Consumer Products Manufacturers of Canada (FCPMC), October 5, 1999]. Market research through Kraft Foods found that 90% of Canadian grocery shoppers prefer to use a few staples to make five or six different meals to simplify dinner preparation ["More Solutions for Time-Starved Customers", Canadian Grocer Magazine, April 2000]. A.C. Neilsen statistics indicate shelf stable dips at 41% growth rate and meat, seafood and mexican sauces growth at +8% to +15%. Barbecue and chili sauce, chutney, oriental sauces show a growth rate at +4% to +7% ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Kraft and private label hold the largest facing in the salad dressing aisle. However, Reneés is prominent in the produce and meat departments. Heinz, Kraft and Ridg's Finer Foods (Bull's Eye) are the major competitor's in the barbeque sauce category and hold equal shelf space. V.H. Goods is the major company in the oriental sauce category. The major competitors in the pasta sauce category are Classico, Primo and private label.

5. **Soya products** - Recent health studies indicate that soya products may help prevent osteoporosis, certain cancers, heart disease and reduce menopausal symptoms. Tofu is cholesterol-free, low in calories, saturated fat and sodium, high in protein and full of calcium and iron. There are increasing numbers of Canadians that are lactose intolerant. With increased consumer awareness about the healthful benefits, sales have been sky rocketing in this category. Another factor driving sales is the growing immigrant population that do not include dairy products in their diet and in particular, the growing Asian market who traditionally use tofu. It is becoming more commonplace to see recipes using soya products in Canadian magazines and newspapers. In fact Canadian Living Magazine reports that 45.9% of Canadians include soya products in their diet [“Soy There”, Canadian Living Magazine, October, 1999]. A.C. Nielsen shows an annual growth of 87% in the soya/rice beverage category and 29% growth in tofu family products, ranking 3rd and 10th respectively in “Fastest Growing Categories” [“Market Track, 52 weeks to January 2, 1999”, A.C. Neilsen]. Leading companies in this field include Sunrise Soya Inc., Yves Veggie Cuisine and Soya World Inc.

6. **Home Meal Replacements** - Today’s fast-paced lifestyle has created time-restraints and changes in consumers’ eating habits at dinnertime. Even with these time restraints, consumers prefer home-cooked meals with 47% of Canadian households still dining together. However, 42% of Canadians spend less than 30 minutes for meal preparation [Nate Hendley, “Canadians in the Kitchen”, Canadian Grocer Magazine, May 2000]. In fact 41% of consumers do not decide until after lunch what they will serve that evening, and 27% do not decide until after work what their home-cooked meal will be. [News Release, Food and Consumer Products Manufacturers of Canada (FCPMC), October 5, 1999]. There is also an increase in the number of seniors who are also looking for convenient, easy to prepare meals. Home Meal Replacements (HMR’s) are becoming more important in meal planning, however, consumers demand quality, taste and nutrition in these meals. HMR’s including ready-to-eat or ready-to-cook meals or meals kits are becoming more acceptable and now make up 3% of meals served at home [News Release, FCPMC, October 5, 1999]. A.C. Neilsen reports a +4% to +7% increase with regards to frozen dinners, entrees including meat pies and dry packaged dinners. Dinner kits show a growth of +8% to +15% [“Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Listed as 4th in the top twenty categories is Frozen Dinners/Entrees/Meat Pies at $805 million dollar volume [“Top Twenty Categories – Total Grocery Dollar Sales”, A.C. Neilsen]. The consensus among industry leaders is that HMR markets are strong and will follow the increased demand for HMR’s as seen in the U.S. which is estimated to be worth up to $100 billion/yr [Jack Kohane, “A Food Fad No Longer”, Food In Canada Magazine, May 2000]. Kraft Foods is one of the leaders in HMR’s.

7. **Rice** - is showing a continued growth in Canada. Consumers are enjoying rice as an alternative to potatoes and pasta. As well, the increasing ethnic communities, in particular the Indian and Asian populations, consume rice as a staple in their diet. These communities also look for different rice varieties that they are accustomed to. Different varieties of rice are appearing on restaurant menus, which in turn influences the general population. Consumer demand for gluten-free products is growing. One in an estimated 250 consumers is a “celiac” and cannot digest gluten [Kathryn Dorrell, Going Gluten-Free”, Food In Canada, January/February 1999]. Rice starches are used to produce rice-based, gluten-free products. Home meal replacements and snack items are incorporating rice in their products. The increase in demand for rice has other types of products emerging that complement this category such as Knorr rice seasonings. A.C. Neilsen reports Soya/Rice Beverages placing third in fastest growing categories at $21.2 million annual dollar sales [“Fastest Growing Categories in Grocery Stores”, A.C.

Neilsen, January 2, 1999]. Specialty rice and packaged rice shows a growth of +8% to +15% ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Rice dishes are listed #4 in the Top 10 In-Home Dinner Main Dishes for 1999 ["Canadians In The Kitchen", Canadian Grocer Magazine, May 2000]. Major companies competing in the rice category are Uncle Bens, Dainty, Mr. Gouda and private label. In the rice mix category, Lipton's Sidekicks, Uncle Ben's Classics, Dainty mixes and Rice A Roni compete for shelf space. Lundbergs has the majority of shelf space in the organic rice category.

8. **Mexican Foods** - Consumers are incorporating Mexican foods in their meals on a regular basis. In fact, 7 out of 10 households now buy Mexican products [Sonya Felix, "Olé to Mexican Cuisine", Canadian Grocers Magazine, January/February 2000]. Mexican sales used to be primarily in the chips and salsa categories which still is in a growth pattern of 8%. This category holds 32.7% share in the Mexican category. The significant rise in numbers is in meal components. Fresh tortilla shells jumped 20% in 1999 to $31.3 million, Mexican seasonings grew 13% to almost $11 million and taco kits reached 14% to nearly $21 million [Sonya Felix, "Olé to Mexican Cuisine", Canadian Grocers Magazine, January/February 2000]. Pre-packaged Tortilla Shells has an annual growth of 61% for $30.6 million annual dollar sales ["Fastest Growing Categories in Grocery Stores", A.C. Neilsen, January 2, 1999]. Meal components now hold 32.5% of the Mexican category. Mexican sauces are growing at +8% to +15% ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Old El Paso is a major company in this industry. In the flat bread category, Dempster dominates the shelf space.

9. **Pre-Packaged Baked Goods** - Sales of pre-packaged baked goods are growing rapidly in Canada. In response to this demand, 97% of all new supermarkets are including in-store bakeries [Doug Burn, "Rising Up", Food In Canada Magazine, January/February 2000]. Consumers are enjoying a greater of variety of unique bread products, rolls and the convenience of no-bake desserts. Freshness and quality are the two key elements in purchasing. No-bake desserts showed an annual growth of 26% ["Fastest Growing Categories in Grocery Stores", A.C. Neilsen, January 2, 1999]. Prepackaged fresh baked desserts rank in the top 20 categories of total grocery dollar sales at $285 million ["Top Twenty Categories – Total Grocery Dollar Sales", A.C. Neilsen, January 2, 1999]. This category shows a growth rate of +8% to +15% ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. There is still a great demand for home-baking but convenience and time-restrictions have made it possible for mixes to gain popularity. A more modest growth rate in bread and roll, brownie and pie crust mixes of +4% to +7% indicates this ["Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Private label and in-store bakeries dominate most of this category. Dempsters and private label hold the most shelf space in the bread aisle.

Update - Product Opportunities Report I

The following items were identified in the first Product Opportunities report (Food Product Export Opportunities in Eastern Canada, CA0007) as the best prospects for export to Canada at that time. This update provides an update on these categories and where they stand now.

1. **Update on Snack Foods** - As reported in Product Opportunity Report I, snack food is very much in demand in a number of categories. With increased interest in high protein foods, the consumer is indulging in one more area under the snack food umbrella. This encompasses meat snacks such as beef jerky and pork rinds. Current diet trends encouraging meat proteins over carbohydrates have helped to build this market. A.C. Neilsen shows an annual growth pattern of 128% making it the number one in the fastest growing categories [“Fastest Growing Categories in Grocery Stores”, A.C. Neilsen, January 2, 1999].

2. **Update on Fruit Juices & Ice Tea** - The latest A.C. Neilsen reports show a steady growth rate of +8% to +15% in shelf stable drinks, juices and nectars as well as iced tea excluding cans and vegetable juice. Chilled drinks, juices and nectars are showing a more modest growth of +4% to +7%. Cordials, squashes and syrups which are concentrates that you dilute with water or sparkling water also show a growth rate of +4% to +7%. [“Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. Ocean Spray and private label are holding the majority of shelf space at grocery retail level.

3. **Update on Confection** - Ice cream and frozen treats continue to be a favorite amongst consumers in the confection category. The growing interest in health benefits is noticeable even in this category with more all-natural or fruit-based products emerging. Although water ice products show flat growth, value-added products are up 17% nationally [Maureen Licata, “Most Like It Frozen”, Western Grocers Magazine, March/April 2000]. Combinations of ice creams or frozen treats with popular candy or chocolate bars are also in demand. Frozen confections are showing a +4% to +7% growth [“Growth Rate Product Grouping, National Grocery Banners, Physical Growth – Rolling 52 weeks to December 4, 1999, A.C. Neilsen]. In the top twenty categories of total grocery dollar sales, ice cream ranks 12th at $371 million dollar volume [“Top Twenty Categories – Total Grocery Dollar Sales”, A.C. Neilsen, January 2, 1999]. Leading companies in this category are Breyers, Nestlé and private label.

4. **Update on Seafood** - New product lines are emerging in the seafood category. These product lines are appealing to the baby boomer market looking for healthy foods that are combined with convenience. Burgers made from trout or salmon are reporting sales increases of 30% in March, 2000 [Aldo Petrone, “Report on Seafood”, Ontario Restaurant News, May 2000]. Other product lines include seafood skewers, such as prawns and scallops that are marinated in different sauces and mixed with vegetables, new varieties of plain or battered frozen fish and Sole stuffed with different combinations.

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