

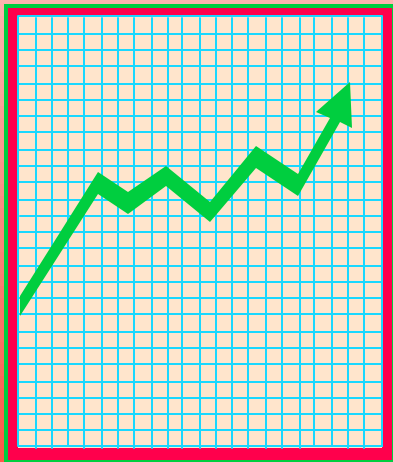
**Canadian Food Retail
and Consumer Trends
&
Value-Added
Poultry Products**

Food Bureau

June 2002

Canadian Food Retail And Consumer Trends & Value-Added Poultry Products

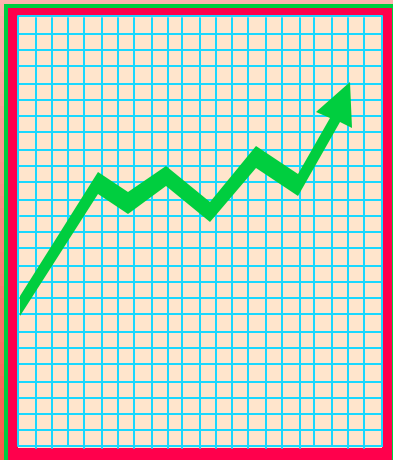
Value-Added
Poultry
Products
Market
Performance



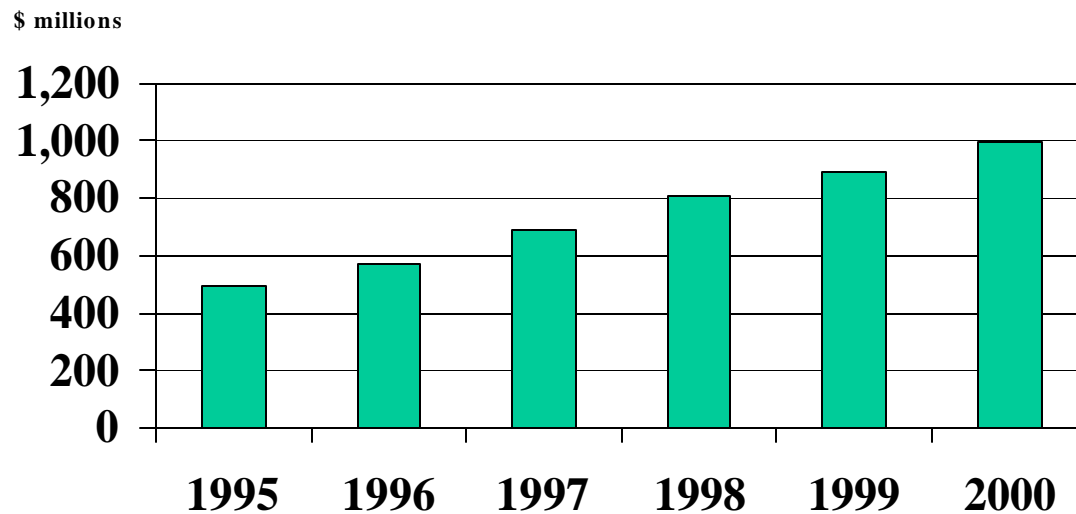
Canadian demographic and market trends would suggest that poultry-based products and value-added foods containing poultry ingredients have performed well and continue to be favourably positioned for growth...let's look at the evidence

Canadian Frozen Food Retail Growth for Value-Added Products

Value-Added
Retail Frozen Food
Market
Performance



Sales of Frozen Dinners, Entrées, and Meatpies Containing Fish and Other Meat Ingredients



† Demand for frozen dinners, entrées and meatpies has doubled in the past five years

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

DEMOGRAPHICS

Key Drivers
for Change



- † Population growth slow -1.2% a year
- † Greying population - double the number of seniors compared to 25 years ago
- † Family structure - household size 3.0 people
- † Ethnic diversity - Asia the major source of immigrants (more than half of all immigrants in the 1990s)

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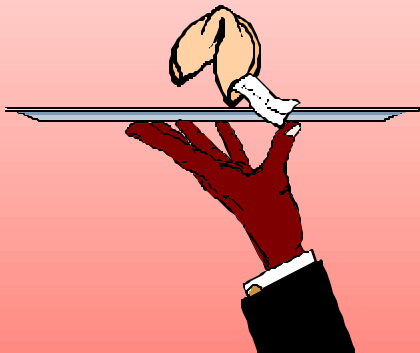
Greying Population



- † Seniors well off financially, well educated, and willing to spend
- † Will have time to shop for what they want
- † Will be preoccupied with health and product quality
- † Will want smaller portions, single packages, easy to open and labels that are easy to read

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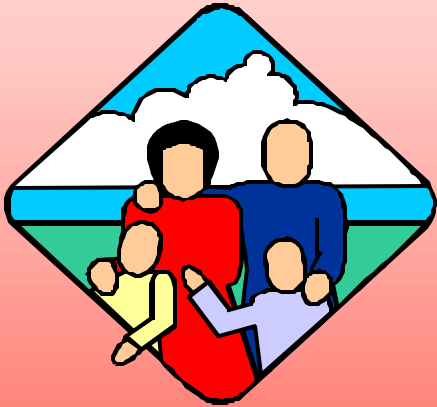
Cultural Diversity



- † The cultural diversity of Canada is becoming an increasingly important force in the marketplace, particularly in urban centres
- † Causing shifts in traditional food demand
- † Ethnic foods like Pad Thai (a rice noodle based dish) and Shwarmas are gaining in popularity
- † Canadian ethnic diversity different from U.S. (less Hispanic influence)

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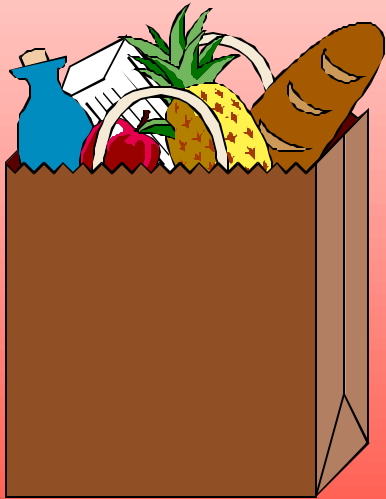
Economic Trends



- † Real personal disposable income growth has experienced a slowdown during 1985-2000 but fortunately price inflation has been low
- † Dual-income families the norm but single-parent families also prominent...many more women in the work force

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Canadian Food Expenditures



- † Real spending on food & non-alcoholic beverages has not increased in the 1990s.... about 12% of average Canadian household income
- † Spending on food outside the home (restaurants) increasing but lags behind the U.S.

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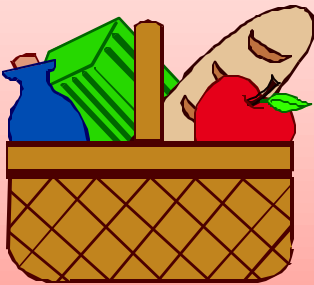
Market Place Behaviour



- † People still want value and will price shop
- † More people own microwaves than barbeques
- † A lack of time to shop and prepare meals
- † Increased demand for convenience foods, home delivery, “ingredient solutions,” and home meal replacements

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Buying Patterns

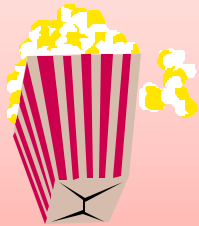


What's hot.....

- † Rice, pasta, chicken, fresh fruit & vegetables, bottled water, frozen dinners, cheese, pizza, soy-based products, soft drinks, juices

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Buying Patterns



- † More microwavable products
- † More convenience, hand-held foods
- † More private label products

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Retail Store Trends



- † Grocery stores are growing in size...up to 50,000 square feet and 40,000 different food & non-food items
- † Big stores offer more products, more variety
- † More ready-made foods...to compete with fast food take-out food service outlets
- † The big supermarkets are locked in a market share battle against the big box stores, and other non-traditional chain stores

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

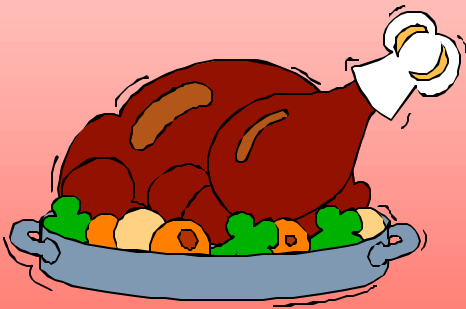
Red Meat & Poultry Demand



- † Canadians still spend more on meat than on any other food category
- † Poultry meats have performed well compared to other meats....per capita consumption of poultry meats greater than pork and right up there with beef

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

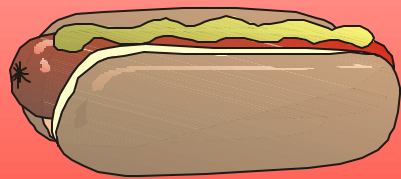
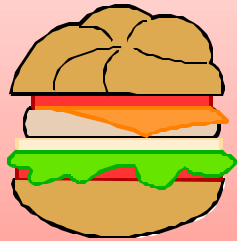
Value-Added Poultry Meats



- † Poultry is well positioned for growth... appealing to people from a broad range of cultural backgrounds
- † Appeals to health conscious consumers
- † Poultry is a highly adaptable food ingredient for both food service and retail applications

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

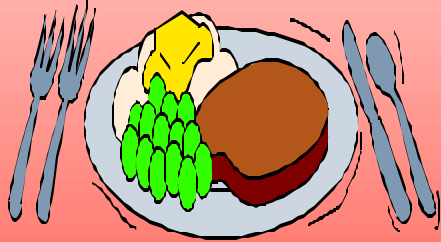
Value-Added Poultry Meats



- † A tremendous amount of product development in boneless, skinless, breaded and marinated chicken products like chicken nuggets
- † Product developers have successfully positioned poultry to compete with red meat products....chicken wieners, chicken burgers, deli products

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Poultry Meat as an Effective Ingredient



- † Poultry meat is a food ingredient of choice
- † Lots of development in dinner and entrée categories to respond to the convenience of ready-made meals using poultry ingredients
- † Lots of line extensions, varying package sizes, kids' meals, etc.
- † Retail products usually frozen...put up in brightly coloured packaging with lots of graphics
- † Packaging is frequently microwavable

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Value-Added Products Containing Poultry

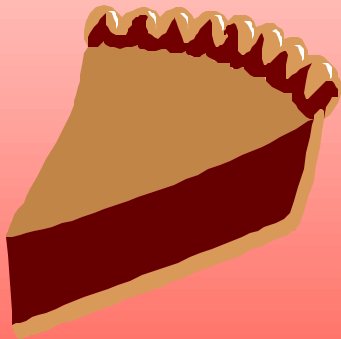


- † Sales of value-added products such as dinners and entrées containing chicken are growing 30% a year
- † Private label value-added poultry products are very prominent... about 48% of total sales are private label compared to 40% for all grocery store retail sales

SOURCE: AC NIELSON

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Value-Added Products Containing Poultry

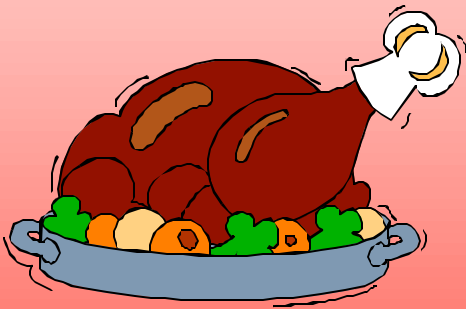


- † Canadian processors are competent manufacturers of value-added products containing poultry
- † Such Canadian made products trade in the North American marketplace. Domestic manufacturers are competitive
- † Canadian processors have more than 70% of the domestic market for soups, egg rolls and meat pies
- † In the large dinner and entree market the U.S. manufacturers have powerful brands which have about a 75% share of the Canadian market

SOURCE: AC NIELSON

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Value-Added Products Containing Chicken

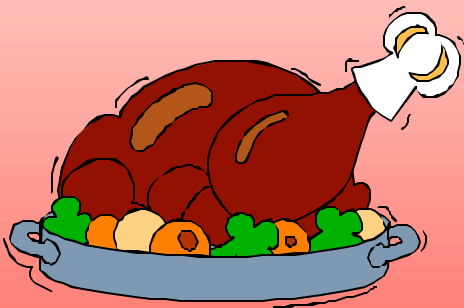


Products containing chicken	1995 sales in millions of dollars (\$144.7)			2000 sales in millions of dollars (\$238.5)		
	Canadian Manufacturer Brands	Private Label	US Manufacturer Brands	Canadian Manufacturer Brands	Private Label	US Manufacturer Brands
Dinners	16.60	0.03	0.04	10.40	11.40	0.01
Entrées	10.00	15.00	25.00	11.40	40.90	34.40
Meat Pies	6.50	2.50	3.10	5.70	9.80	4.50
Condensed Soups	37.00	4.50	0.04	43.90	8.20	0.40
Ready to Serve Soups	19.00	0.20	2.50	56.90	0.70	0.57
Egg Rolls/Spring Rolls	1.25	1.00	0.75	3.80	3.30	1.20
Total	90.35	23.23	31.43	123.10	74.30	41.08

Source: Adapted from ACNielsen

Canadian Food Retail and Consumer Trends & Value-Added Turkey Products

Value-Added Products Containing Turkey

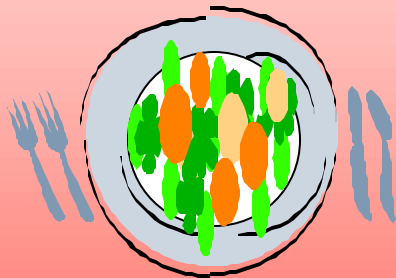


Products containing Turkey	1995 sales in millions of dollars (\$23.42)			2000 sales in millions of dollars (\$23.0)		
	Canadian Manufacturer Brands	Private Label	US Manufacturer Brands	Canadian Manufacturer Brands	Private Label	US Manufacturer Brands
Dinners	10.00	0.02	0.00	10.30	0.50	0.00
Entrées	0.80	0.50	3.00	0.10	0.00	3.90
Meat Pies	3.60	1.40	1.60	3.00	3.00	0.00
Condensed Soups	1.00	NA	0.00	1.10	0.00	0.00
Ready to Serve Soups	1.50	NA	0.00	1.10	0.00	0.00
Egg Rolls/Spring Rolls	0.00	0.00	0.00	0.00	0.00	0.00
Total	16.90	1.92	4.60	15.60	3.50	3.90

Source: Adapted from ACNielsen

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Dinners and Entrées

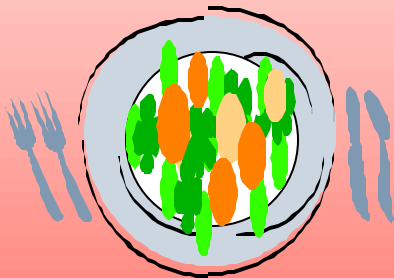


- † Total retail market all dinners and entrées about \$860 million in 2000
- † Frozen dinners have grown more slowly than frozen entrées
- † Little change in U.S. market share
- † Chicken dinners and entrées had sales of \$109 million in 2000; turkey dinners and entrées had sales of \$15 million

SOURCE: AC NIELSON

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Dinners and Entrées

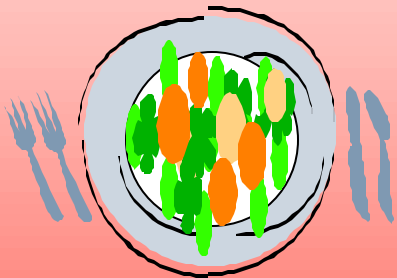


- † Sales of private label chicken dinner sales increased from \$30 thousand in 1995 to \$11.4 million in 2000
- † Sales of chicken entrées rose from \$15 million to \$41 million over the same period
- † Entrées is the largest product category and consists of 35% chicken content; future success will likely come from private label products

SOURCE: AC NIELSON

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Dinners and Entrées



- † Private label turkey dinner sales increased from \$20 thousand in 1995 to \$500 thousand in 2000.
- † Turkey entrées fell from \$4.3 million to \$4 million over the same period

SOURCE: AC NIELSON

Canadian Food Retail and Consumer Trends & Value-Added Poultry Products

Pot Pies, Soups,
Egg Rolls



- † Total retail meat pies of all kinds in 2000 totalled \$53 million of which private label about \$26 million.
- † Chicken and turkey meat pies had retail sales of about \$20 million and \$6 million respectively in 2000.
- † Total retail soup sales (condensed, ready to serve, frozen) were about \$370 in 2000, of which chicken soups were worth about \$111 million and turkey soups \$2.2 million.
- † Total retail market for egg rolls of all kinds is about \$22 million of which those containing chicken is about \$8.3 million.

SOURCE: AC NIELSON