Canada's Organic Market

National Highlights, 2013

IN LATE 2012, THE CANADA ORGANIC TRADE ASSOCIATION LAUNCHED THE ORGANIC MARKET RESEARCH PROGRAM, THE MOST COMPREHENSIVE STUDY OF CANADA'S ORGANIC MARKETPLACE TO DATE. THE RESEARCH PROVIDES THE FIRST DATA ON THE ORGANIC MARKET SINCE THE CANADIAN GOVERNMENT INTRODUCED MANDATORY NATIONAL REGULATIONS IN 2009. IT ALSO COMBINES NEW CONSUMER RESEARCH, OFFERING VALUABLE INSIGHTS INTO MARKET SIZE, DEMOGRAPHICS AND THE DRIVERS BEHIND ORGANIC PURCHASES. TAKEN TOGETHER, THE RESEARCH OFFERS A POSITIVE OUTLOOK FOR WHAT IS NOW AN ESTABLISHED MARKET: WITH ENVIABLE GROWTH AND A COMMITTED AND DIVERSE CONSUMER BASE.

THE 2013 NATIONAL HIGHLIGHTS ACCOMPANIES COTA'S DETAILED ANALYSIS OF THE ORGANIC MARKET AND CONSUMERS IN BRITISH COLUMBIA. BOTH REPORTS ARE AVAILABLE AT OTA-CANADA.CA.

A DETAILED NATIONAL ANALYSIS WILL BE AVAILABLE IN SEPTEMBER 2013.

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Taste of Nature

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Whole Foods Market

Canada Organic trade association
Association pour le commerce des produits biologiques

CANADA'S ORGANIC MARKET WORTH $3.5 BILLION

Canada's organic market grew to $3.5 billion in 2012, with national sales of certified organic food and non-alcoholic beverages reaching $3 billion. The value of the Canadian organic food market has tripled since 2006, far outpacing the growth rate of other agri-food sectors. A diverse consumer base is driving the sector, with 58% of all Canadians buying organic products every week.

Table 1

ESTIMATED VALUE OF TOTAL CANADIAN ORGANIC SALES IN 2012

	Sales Value ($ Millions)	Market Share
Total Organic Food & Beverage Sales (excluding alcohol)	2,823.08	1.70%
Organic Alcohol	135.0	0.67%
Organic Supplements	34.4	1.25%
Organic Fibre (linen & clothing)	24.2	0.15%
Organic Personal Care	41.1	0.45%
Organic Pet Food	4.1	0.25%
Organic Household Products	8.2	0.20%
Organic Flowers	3.0	0.10%
Organic Exports from Canada	458.0	

Total Canada Organic Market: $3,531.08 M

Table 2

CANADIAN ORGANIC FOOD, ALCOHOL & BEVERAGE SALES IN 2012

	Sales Value ($ Millions)	Share of Total Organic Sales
Mainstream Retail	1,350.3	46%
Natural Health & Online Retail	751.06	25%
Direct to Consumer	316.7	11%
Foodservice/ Institutional	390.0	13%
Buying Clubs/ Cooperatives	15.0	0.5%
Organic Alcohol	135.0	4.5%

Total Organic Food, Alcohol & Beverage Sales: $2,958.08 M

COTA estimates for mainstream retail market data are based in part on organic product label data collected by Nielsen In-Store Solutions and linked to sales in its MarketTrack Service for the 52 week period ending October 20, 2012 for the Canadian market and Grocery Banner, Drug and Mass Merchandiser channels. Copyright (c) 2012, The Nielsen Company.

A NEAR TRIPLING OF ORGANIC SALES IN MAINSTREAM RETAIL

Results from three organic audits—2006, 2008 and 2012—provide an accurate picture of sales growth over the last six years and comparative differences between pre-packaged grocery items and fresh meat and produce. A near-tripling of organic food and beverage sales in mainstream retail in the last six years demonstrates the broadening of the organic consumer market in Canada, with steady growth in sales and market share, despite the impact of the recession on the wider economy.

Table 4
Sales growth of organic products in mainstream retail in Canada

	2006	2008	2012	2006-2012*
TL Mainstream Retail	**586.3**	**925.8**	**1,350.3**	**21%**
Pre-Packaged Grocery Products	302.8	443.2	648.5	19%
Organic Fresh Meat & Produce	108.8	200.0	271.2	25%
Retail Channel Adjustment	174.7	282.6	430.6	23%

**Annual Growth*
Source: The Nielsen Company 2012, AAFC, Macey 2007

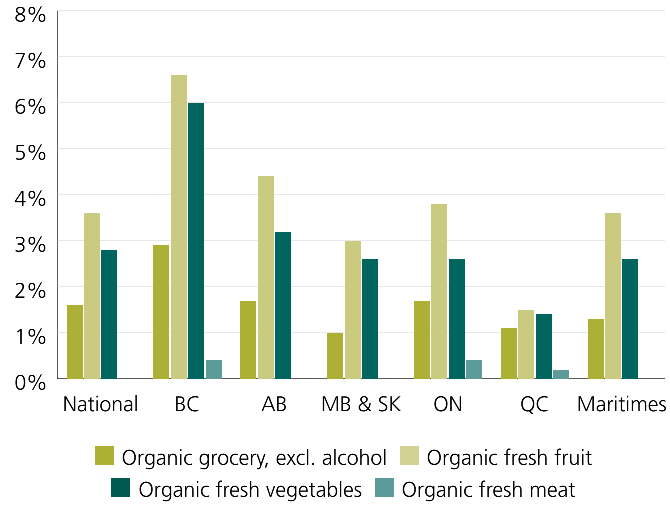
WESTERN PROVINCES LEADING ORGANIC MARKET SHARE

Organic products have been steadily gaining in retail market share. In 2006, organic products made up just under 1% of grocery sales (excluding fresh) in mainstream retail in Canada, by 2008 this climbed to 1.3% and in 2012 reached 1.6% nationally. Including fresh products, organic foods make up 1.7% of total food sales with the very low market penetration of organic meats and poultry dampening total market share. British Columbia continues to lead this trend with organic products enjoying nearly double the market share than that seen in the rest of the country. Alberta and Ontario have the next most developed organic markets based on mainstream retail sales.

WHOLE FOODS LEAD ORGANIC SALES

In mainstream retail, organic whole foods tend to outperform packaged, prepared and snack food categories. Fruit and vegetables are the clear leaders in organic sales, capturing over 40% of total sales.

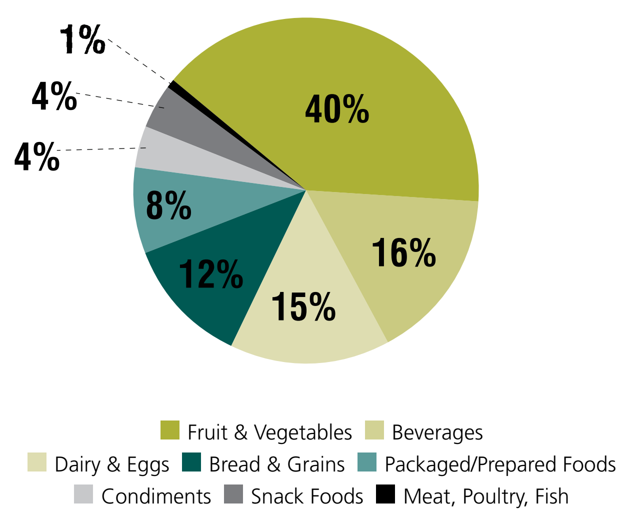
Market share of organic categories by region
Grocery banners, mass merchandisers and drug stores, 2012



Source: The Nielsen Company, 2012

The beverage category narrowly beat out dairy and eggs in terms of sales due to strong sales of organic coffee—representing half the value of all organic beverage sales. Bread and ready-to-eat cereals lead sales in the bread and grains category.

Canada organic food & beverage sales by product categories
Grocery banners, mass merchandisers and drug stores, 2012



Source: The Nielsen Company, 2012

TRACKING GROWTH

Organic beverages enjoyed the highest rates of growth in mainstream retail between 2008 and 2012. Organic coffee, shelf-stable juices and milk had the highest rates of growth amongst the top ten pre-packaged grocery category segments. Of the 2008 top category segments all stayed within the top ten in 2012.

Top 10 organic pre-packaged grocery category segments
Pre-packaged organic products: grocery banners, mass merchandisers and drug stores

Categories	2008 Sales ($ Millions)	2012 Sales ($ Millions)	Annual Growth
Soya Drinks	47.3	58.4	4.75%
Milk	37.2	57.7	8.88%
Coffee (Roast & Ground)	27.2	47	10.53%
Yogurt Products	35.4	44.2	4.98%
RTE Cereal	32.0	37.6	3.72%
Eggs	15.7	21.6	6.83%
Soup	19.5	20.1	0.75%
Bread (Commercial)	13.1	19	7.76%
Juices & Drinks (Shelf Stable)	9.8	16.1	9.78%
Baby Food	11.4	12.8	2.73%

Source: The Nielsen Company, 2012, AAFC 2008

COMPETITION AMONGST BRANDS

A degree of competition amongst brands offering organic products was found in most category segments in mainstream retail. The segments with the most competition tended to be the ones that also had the highest sales values.

Top 10 categories with the highest number of manufacturers participating

Tea	29	Cooking Oils	17
Coffee (Roast & Ground)	26	RTE Cereals	15
Juice & Drinks (Shelf Stable)	26	Flour	15
Pasta (Dry)	20	Bread (Commercial)	15
Hot Cereals	17	Dried Beans Rice	13; 13

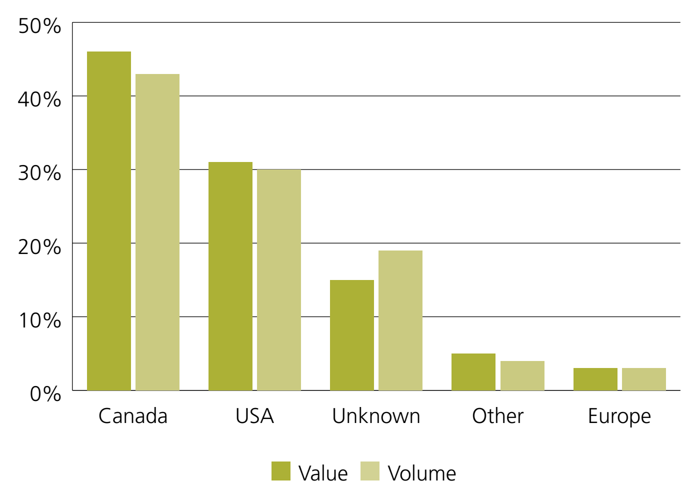
Source: The Nielsen Company, 2012

However, the market share of organic products was not always highest in the category segments that have the most brand competition. Organic market share gains are still achievable even in the category segments with high rates of brand competition.

CANADIAN ORGANIC PRODUCTS CAPTURING MORE VALUE

Of over 3,000 organic food items captured in the market research scan, 43% by volume identified themselves as being grown, packaged or processed in Canada. However, these Canadian products are capturing more value in the market than imported products, with 48% of market share by value. Thirty percent of organic products by volume were identified as US imports, the largest by far of any importing country. The origin of 19% of products by volume was unspecified or unknown.

Share of value and volume of organic pre-packaged grocery sales by country of origin
Pre-packaged organic products: grocery banners, mass merchandisers and drug stores, 2012



Source: The Nielsen Company, 2012

CANADIAN PRODUCTS COMPETING IN TOP SEGMENTS

Amongst organic products identified as grown, processed or packaged in Canada, the top ten category segments account for nearly three-quarters of total Canadian product sales. Canadian products are competing in many of the category segments with the highest sales overall.

MAJORITY OF CANADIANS BUY ORGANIC EVERY WEEK

National consumer research reveals strong support for organic foods in Canada—over half of Canadians are purchasing organic foods weekly. And that rate is even higher for people living in Canada's largest cities, households with young families and consumers with university educations.

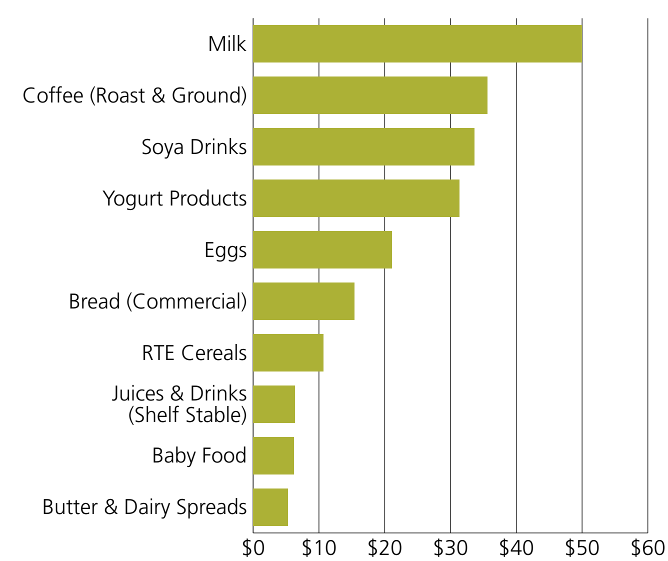
58% of all Canadians buy organic groceries weekly. But the numbers are even higher for certain segments of the population as shown below.

Canadians choose organic foods in line with their broader social, health and environmental values.

Dairy products, roasted-in-Canada coffee, soya drinks, eggs and bread are the strongest performers. The entry of Canadian products into the RTE cereals, baby food, and juice/drink categories demonstrate the ability of Canadian-based manufacturing and companies sourcing Canadian ingredients to compete in the prepared organic foods categories.

Top 10 'Product of Canada'

Pre-packaged organic products: grocery banners, mass merchandisers and drug stores, 2012 ($ Millions)



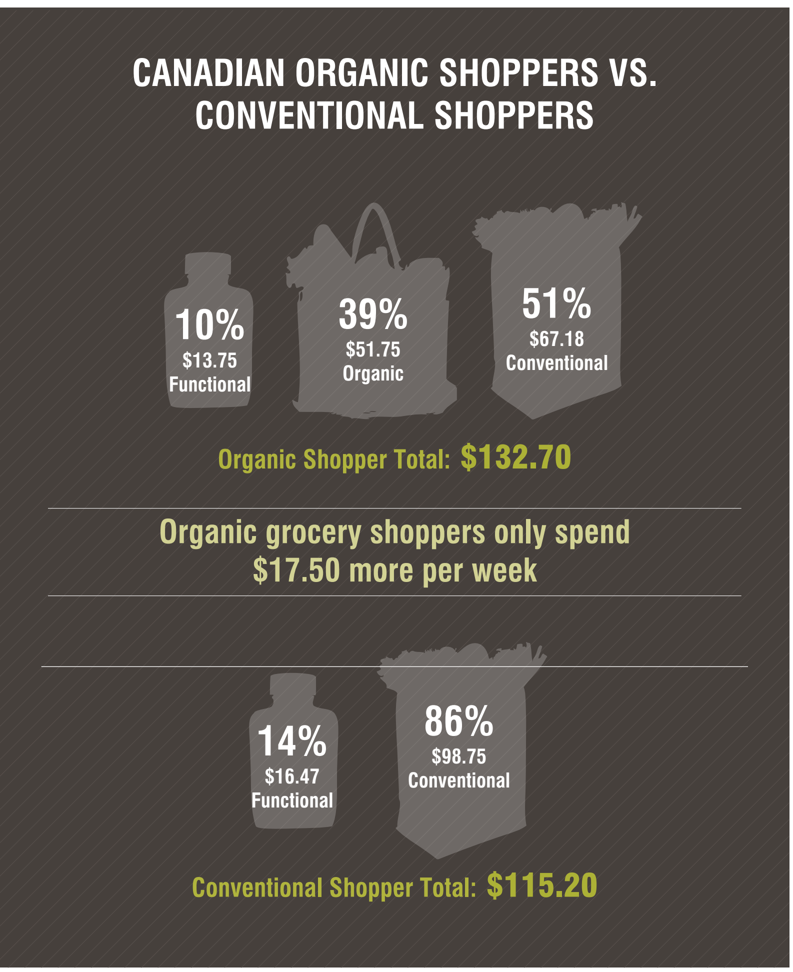
Source: The Nielsen Company, 2012

The consumer research for this report was conducted by Vision Critical who collected responses from 1555 Canadian residents age 25 and over in August 2012. The sample was balanced and weighted on region, age and gender according to 2006 census figures. Ninety-eight percent of respondents were the primary or joint shopping decision maker.

Over half of Canadians feel that organic farming is better for a healthy environment. Nearly half of all Canadians:

- consider organic foods a healthier, more nutritious choice
- believe ecological sustainability is an important consideration when choosing food products
- want to choose products that are not genetically engineered (GMO)

The Canada Organic Regime, launched in 2009, is playing a large role in boosting consumer confidence and interest in organic products. The new "Canada Organic" certification logo and claim is among the top four most influential claims that increase consumers' likelihood to purchase a food product.



It's also interesting to observe that, on average, Canadians who buy organic only spend $17.50 more per week than those who do not purchase organic, and the research shows that households in all socio-economic categories choose organic, discrediting the common misconception that organic products are "too expensive" for many Canadians.

98% of Canadians expect to increase or maintain their spending on organic fruit and vegetables over the next year. Spending increases are most frequently expected in the organic fruit and vegetable, meat and poultry, dairy and bread and grains categories.

ABOUT COTA

The Canada Organic Trade Association is the membership-based trade association for the organic sector in Canada, representing growers, shippers, processors, certifiers, farmers' associations, distributors, importers, exporters, consultants, retailers and others in the organic value chain. COTA's mission is to promote and protect the growth of organic trade to benefit the environment, farmers, the public and the economy.

Canada's Organic Market: National Highlights 2013 was prepared by Shauna MacKinnon.

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