ANALYSIS OF THE MEAT MARKET IN CANADA

October 2018

KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ

UPEMI Union of Producers and Employers of Meat Industry

JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO

This report is primarily based on data of:

- IBISWorld,
- Euromonitor International,
- Eurostat,
- United States International Trade Commission – USITC,
- United States Department of Agriculture, Foreign Agricultural Service – USDA FAS/Ottawa,
- Agriculture and Agri-Food Canada,
- Statistics Canada,
- Canadian Food Inspection Agency (CFIA).

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1. PRODUCTION AND IMPORT FROM THE EU

The red meat industry in Canada includes beef and veal, pork, lamb and mutton, goat, rabbit, horse meat and game meat. In 2017, the red meat market was worth nearly USD 21 billion.[1]

Canada's meat plants produce a wide range of meat products, including fresh and frozen meat, meat preparations, smoked, preserved and cooked meat, sausages and other cold meats.

Approximately 70% of Canadian meat products, such as sausages and other cold meats, are made from pork.

The welfare and safety of Canadian red meat is well established both in Canada and around the world. The Canadian Food Inspection Agency (CFIA) works with the industry to maintain and develop this reputation.

The CFIA controls imported products and federally registered plants producing processed meat and ready-made meals in order to check compliance with food safety regulations.

1.1. PORK

Production

Canada is one of the world's leading pork producers. In 2017 it took seventh place among the largest pork producers.

[1] *Canada's red meat and livestock industry at a glance...* (Agriculture and Agri-Food Canada – http://www.agr.gc.ca/eng/industry-markets-and-trade/canadian-agri-food-sector-intelligence/red-meat-and-livestock/red-meat-and-livestock-market-information/industry-profile/?id=1415860000002)

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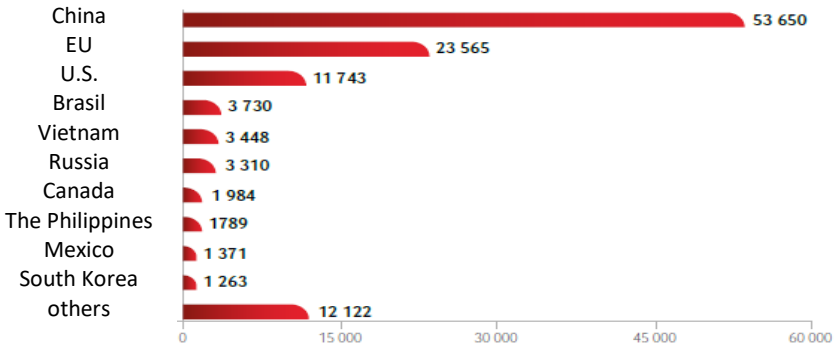
Drawing 1Top 10 pork producing countries in 2017 (in kt)



Source: FAO-OECD, quoted after: *Meat industry. Increase in the importance of Polish producers in the world*. PKO BP / Department of Strategy and International Analysis, January 2018, p. 8.

USDA FAS / Ottawa forecasts that pork production in Canada in 2018 will increase by 2% compared to 2017 and reach the level of 2 million metric tons.

Growing exports will remain the driving force behind the increase in pork production. On the internal consumption market, there has been a decrease in the consumption of pork. After the consumption peak in 2015, pork consumption in Canada is expected to decline and this trend is expected to continue in 2018.

Table 1. Production, domestic consumption, import and export of pork in 2016 – 2018 (in thousand metric tons)

	2016	2017*	2018*	change 2018/2016 (2016 = 100%)	change 2018/2017 (2017 = 100%)
Pork production	1914	1960	2000	4.49%	2.04%
Domestic consumption	813	792	780	-4.06%	-1.52%
Import	215	220	220	2.33%	0%
Export	1320	1380	1450	9.85%	5.07%

* – forecasts

Source: own study based on: Canada, Livestock and Products Annual, 2017, USDA Foreign Agricultural Service, August 2017, p. 13

Drawing 2Per-capita pork consumption for the period 1980-2018 (2017, 2018 – forecasts)

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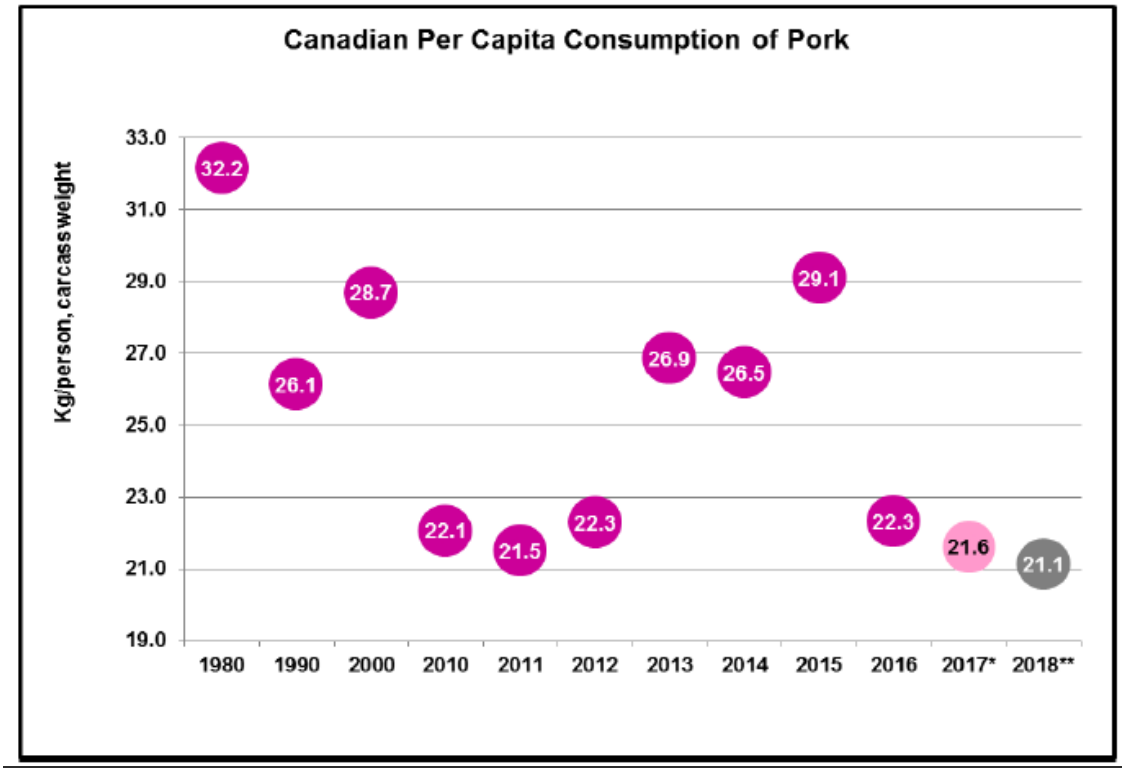

Source: Statistics Canada, for: Canada, Livestock and Products Annual, 2017, USDA Foreign Agricultural Service, August 2017, p. 13

High prices of beef in 2015 resulted in consumers switching towards increased consumption of pork. However, beef prices decreased in subsequent years, and the general attitude of consumers towards red meat changed (consumers are sceptical about this type of products for health reasons), which resulted in a decrease in pork consumption. It is estimated that pork consumption amounted to 21.6 kg per person in 2017, which is a decrease of 2.3% compared to 2016. Forecast for 2018 foresees a further decline of 2.3% to 21.1 kg per person.[2]

Canada has an active export activity. According to Agriculture and Agri-Food Canada, pork exports increased to over 1.28 million metric tonnes in 2017, 3.1% more than in 2016. Sales to the United States decreased by 6.8% to 379,794 tonnes, while sales to China decreased by 2.6% to 304,251 tonnes. Pork exports to Canada's next largest export markets grew year on year: exports to

[2] Statistics Canada, for: Canada, Livestock and Products Annual, 2017, USDA Foreign Agricultural Service, August 2017, p. 13

Japan and Mexico rose by 14.4% and 4.9% respectively. The value of Canadian pork exports to all countries amounted to USD 4.0 billion in 2017, i.e. by 5.0% more than in 2016 (USD 3.8 billion).[3]

Despite the dominant role of the USA in the export of pork to Canada, it should be noted that the next four places among the countries supplying pork to Canada are occupied by EU countries: Germany, Poland, Spain and Denmark. However, only for Poland is the trend favorable – the export of pork to Canada is increasing; for the other three countries the trend is definitely unfavorable – the value of pork export in 2016 – 2017 dropped significantly.

Import from the EU

In 2017, Canada imported more than 22,000 tonnes of pork from the EU for a value of more than EUR 79 million. Almost 48% in terms of volume and almost 41% in terms of value of EU exports came from Poland. The following countries are located in the following places: Denmark, Germany, Spain, Ireland (see Tables 2 and 3).

In the analyzed period, EU pork exports to Canada increased by 213% in terms of volume and by 178% in terms of value. Poland in particular recorded impressive results, with a corresponding increase of over 45,000% and almost 31,000%. However, in the same period, a negative trend was recorded in particular in the case of Germany. Between 2013 and 2017, Germany's pork exports to Canada decreased by 14% by volume and 16% by value (see Tables 2 and 3).

Below can be found an overview of EU pork exports from the EU to Canada (in terms of quantity and value) in 2013 – 2017.

[3] http://www.agr.gc.ca/eng/industry-markets-and-trade/canadian-agri-food-sector-intelligence/red-meat-and-livestock/red-meat-and-livestock-market-information/industry-profile/?id=1415860000002

Table 2. EU export of pork (code 0203) to Canada from 2013 to 2017 (value in kg)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	7243100	11858000	13469900	18609100	22674800	213%	22%
Poland	23500	1221100	2855600	5059700	10770800	45733%	113%
Denmark	1554600	2598500	2263900	2405500	3102100	100%	29%
Germany	3617700	4061300	3715800	4389600	3093400	-14%	-30%
Spain	383600	1299500	1999400	4125500	2463900	542%	-40%
Ireland	569600	720500	598800	716900	1529600	169%	113%
Netherlands	670100	1113400	1302800	1234500	1220200	82%	-1%
Belgium	25000	520300	180700	184700	148800	495%	-19%
Austria	168800	60800	254100	297800	138800	-18%	-53%
Italy		96100	40600	65800	104600	-	59%
France	1600	71000	72600	4900	58300	3544%	1090%
Portugal			100	13700	23400	-	71%
Sweden			24000	16500	20800	-	26%
Hungary					100	-	-
Finland	228600	95500	161500	94000	0	-100%	-100%

Source: own study based on: EUROSTAT

Table 3. EU exports of pork (code 0203) to Canada from 2013 to 2017 (in EUR)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	28677888	41582785	54643077	72761738	79673593	178%	9%
Poland	104164	3244850	9793225	16187286	32330219	30938%	100%
Denmark	7022459	10546910	10829013	11321978	13675578	95%	21%
Germany	14339096	14384876	16285379	18555627	12024011	-16%	-35%
Spain	1322805	3834421	7863957	16803614	10032856	658%	-40%
Ireland	1955134	2392421	2022292	2111136	5609506	187%	166%
Netherlands	2410090	5153480	5047413	5087857	4294800	78%	-16%

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Austria	710218	247329	1199564	1247733	583665	-18%	-53%
Belgium	67010	1015933	467411	302311	429983	542%	42%
Italy		390152	264409	652098	405318	-	-38%
France	23106	200480	175261	18058	167894	627%	830%
Portugal			615	56437	95989	-	70%
Sweden			19042	15194	23565	-	55%
Hungary					209	-	-
Finland	723806	171933	675496	402409	0	-100%	-100%

Source: own study based on: EUROSTAT

Analysis of the data contained in the above Tables shows that the volume of pork exports to Canada shows a steady upward trend. Given that the duties on this product remain unchanged at 0% (CETA), it is highly probable that the positive upward trend for the EU28 countries is due to the interest of Canadian consumers in European pork and an attractive offer of European producers.

The value of pork exports to Canada is constantly increasing. The highest value of sales in 2017 was recorded by Poland, followed by Denmark, Germany and Spain.

The above data clearly indicate that there is a growing potential for European pork producers from countries that have already established relations with Canadian entrepreneurs, i.e., primarily with Poland, Denmark, Germany and Spain. There is no doubt that the CETA facilitates relations between the EU and Canada with a positive impact on export opportunities.

1.2. BEEF

Production

According to forecasts by USDA FAS / Ottawa, total slaughter of cattle in 2018 in Canada will drop and reach the level of 3,140,000 pcs, which means a five-percent decline compared to the estimated levels of slaughter in 2017. The fall in slaughter will be due to the lower number of heifers slaughtered, as producers are committed to restoring the herd.

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Table 4. Production, domestic consumption, import and export of beef and veal in 2016 – 2018 (value in thousand metric tons)

	2016	2017*	2018*	change 2018/2016 (2016 = 100%)	change 2018/2017 (2017 = 100%)
Production of beef and veal	1130	1155	1160	2.65%	0.43%
Domestic consumption	949	930	940	-0.95%	1.07%
Import	254	235	240	-5.51%	2.13%
Export	441	450	465	5.44%	3.33%

* – forecasts

Source: own study based on: Canada, Livestock and Products Annual, 2017, USDA Foreign Agricultural Service, August 2017, p. 7

Total beef production is expected to remain high in 2018, as carcass weight will continue to increase, despite the reduction in slaughter rates. Total beef production is projected to increase to 1 160 000 metric tons in 2018, an increase of 0.4% after an expected increase of more than 2% in 2017. It is also expected that lower beef prices will encourage an increase in carcass weight, as reduced pressure on the number of slaughtered animals increases the production of fewer animals.[4]

According to Agriculture and Agri-Food Canada data, in 2017 beef and veal exports from Canada increased by 5.7% compared to 2016 and reached over USD 2.4 billion. Exports to the United States increased by 3.9% in 2017 in comparison to 2016.

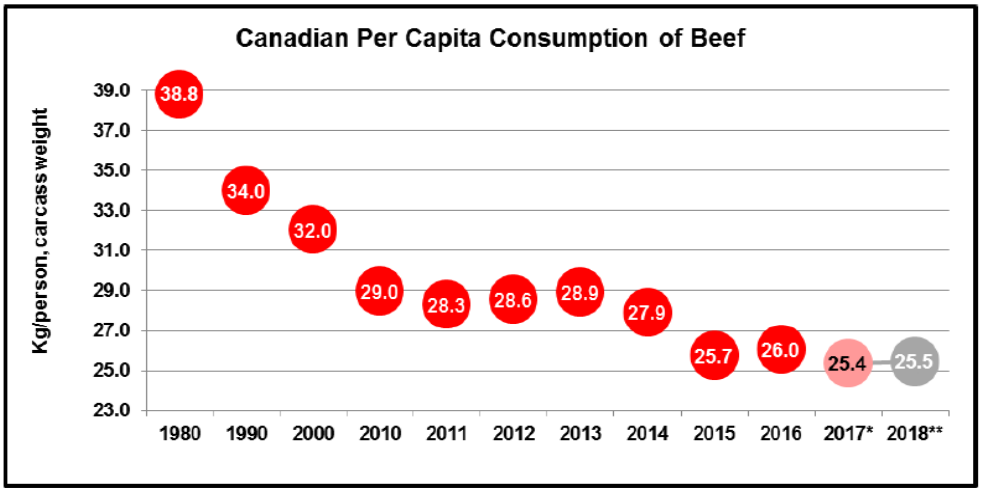
In turn, exports to Asia varied: beef and veal exports to Japan and China increased by 27.7% and 18.6%, respectively, while exports to Hong Kong (-8.9%) and South Korea (-33.2%) fell year-on-year. Exports to Mexico increased by 5.7% compared to 2016, but fell by 23.9% between 2012 and 2017.

The United States is the main export market for Canadian beef, accounting for approximately 74% of exports.

[4] Canada, Livestock and Products Annual, 2017, USDA Foreign Agricultural Service, August 2017, p. 7

High beef prices in 2015 turned consumers towards other protein sources, but this trend began to reverse in 2016. Demand for beef is projected to remain relatively stable in 2018 at around 25.5 kg per person.

Drawing 3. Per-capita consumption of beef over the period 1980-2018 (2017, 2018 – forecasts)



Source: Statistics Canada, for: Canada, Livestock and Products Annual, 2017, USDA Foreign Agricultural Service, August 2017, p. 8

Import from the EU

In 2017, Canada imported more than 837 tonnes of beef from the EU for a value of more than EUR 3 million. Almost 50% by volume and more than 44% by value of EU exports came from Italy (see Tables 5 and 6).

In the analyzed period, export of beef from the EU to Canada increased by over 64 000% in terms of volume and by over 36 000% in terms of value (see Table 5 and 6).

Exports of beef from the EU to Canada are as follows (in terms of quantity and value) in 2013 – 2017.

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Table 1EU exports of beef (code 0202) from the EU to Canada in 2013 – 2017 (in kg)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	1300	106500	5500	692700	837100	64292%	21%
Italy					416300	-	-
Netherlands				2800	147700	-	5175%
United Kingdom				366300	120300	-	-67%
Ireland		105000		266100	98900	-	-63%
Belgium			3400	28000	28100	-	0%
Poland					24300	-	-
Germany	1300	1500	2100	2500	1500	15%	-40%
Denmark				27000		-	-

Source: own study based on: EUROSTAT

Table 6. 2EU exports of beef (code 0202) from the EU to Canada in 2013 – 2017 (in EUR)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	8903	222940	15539	2242103	3236352	36251%	44%
Italy					1432424	-	-
United Kingdom				1083525	594206	-	-45%
Netherlands				13814	527090	-	3716%
Ireland		213045		1034089	466193	-	-55%
Belgium			3878	13291	137082	-	931%
Poland					70235	-	-
Germany	8903	9895	11661	12323	9122	2%	-26%
Denmark				85061		-	-

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Source: own study based on: EUROSTAT

1.3. MEAT PREPARATIONS

Production

With regard to the production of pork and beef meat preparations in Canada, the Canadian classification of this category of products should be presented at the outset.

The North American Industry Classification System (NAICS) Canada 2017 Version 3.0 classifies the meat processing industry under the following category, *"Rendering and meat processing from carcasses"* (code: 311614). The products included in this category of industry are derived from the processing of beef and pork carcasses. The *"Rendering and meat processing from carcasses"* category includes products such as[5]: *bacon, slab and sliced; beef stew; beef, pork and veal, primal and sub-primal cuts; bologna; boxed meat; canning meat; cooked meats; corned meats; cured meats (e.g., brined, dried, salted); dried meats; frozen meat pies (i.e., tourtières); frozen meats; ham, canned or preserved; lard; luncheon meat (i.e., pastrami, salami, smoked meat, bologna); meat curing, drying, salting, smoking or pickling; meat extracts; meat pastes; meat products canning; meats, fresh, chilled or frozen; pigs' feet, cooked and pickled; processed meats; sandwich spreads, meat; sausage casings, collagen; sausages and similar cased products; wieners, sausages, luncheon meats and other processed meat products.*

The North American Product Classification System (NAPCS) Canada 2017 Version 2.0 [6] classifies meat products under the *"Processed meat products, other meats, and animal by-products" category* (code: 17215). There are three subcategories related to pork and beef products in this category:

- *Sausage (except poultry sausages)* (code: 172151)
- *Ham, bacon and other processed pork* (code: 172152)
- *Canned meat and processed meats, n.e.c.* (code: 172154)

The *Sausage sub-category (except poultry sausages)* are sausages and similar products, produced from mixtures of minced meat, excluding poultry and other ingredients, shaped in

[5] http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getAllExample&TVD=1181553&CVD=1182718&CPV=311614&CST=01012017&CLV=5&MLV=5&V=369881&VST=01012017

[6] http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=1196268&CVD=1196300&CPV=17215&CST=01012017&CLV=2&MLV=4

tubes/ovals, but not in cans. This category contains products such as: *blood pudding, bologna in pieces, capicolla sausages, chilled sausages, fresh pork sausages, fresh sausages, frozen sausages, knackwurst, liverwurst, red meat base frankfurters, red meat wieners, salami, sausage, sliced and packaged bologna, sliced and packaged cured sausages, sliced and packaged mortadella sausages, whole and stuffed cured sausage links, whole beef smokies, whole cured sausages and whole mortadella sausages.*

The *Ham, bacon and other processed pork* subcategory includes cooked, dried, smoked, marinated and salted pieces of pork, with the exception of sausages or similar products. This product category includes: *cooked boiled ham in pieces, ready-to-serve; cured back bacon; cured boneless cottage rolls; cured cottage rolls with bone-in; cured meat of swine with bone-in; cured pork edible offal; cured pork picnic shoulders with bone-in; cured pork shoulders with bone-in; cured side bacon; dried pork bellies; dry-salted ham with bone-in; dry-salted pork butts with bone-in; dry-salted pork leg butts with bone-in; ham, bacon and other processed pork; peameal bacon; pickled bacon; pickled ham with bone-in; pickled pork butts with bone-in; pickled pork leg butts with bone-in; pork bellies in brine; pork picnics; salted pork bellies; sliced and packaged boiled ham, ready-to-serve; smoked cottage rolls with bone-in; smoked ham, cooked and ready-to-serve; smoked pork bellies; smoked pork leg butts with bone-in; smoked pork picnic shoulders with bone-in; smoked pork shoulders with bone-in; smoked uncooked boneless ham; smoked uncooked ham with bone-in; and uncooked smoked ham with bone-in.*

In turn, the *Canned meat and processed meats, n.e.c.* sub-category includes canned meat and processed meat. This product category consists of two subcategories:

- *Processed beef, lamb and other meats, n.e.c.* (code: 1721541) which consists of the following products: beef jerky; *dried beef cuts; dried horse meat; dried meat (except pork and poultry); dry-salted beef cuts; dry-salted meat of bovine animals; hog sausage casings; horse meat in brine; meat in brine (except pork and poultry); natural sausage casings; pastrami; pickled beef cuts; pickled meat of bovine animals; salted horse meat; salted meat (except pork and poultry); sheep sausage casings; smoked beef cuts; smoked horse meat; smoked meat (except pork and poultry).*

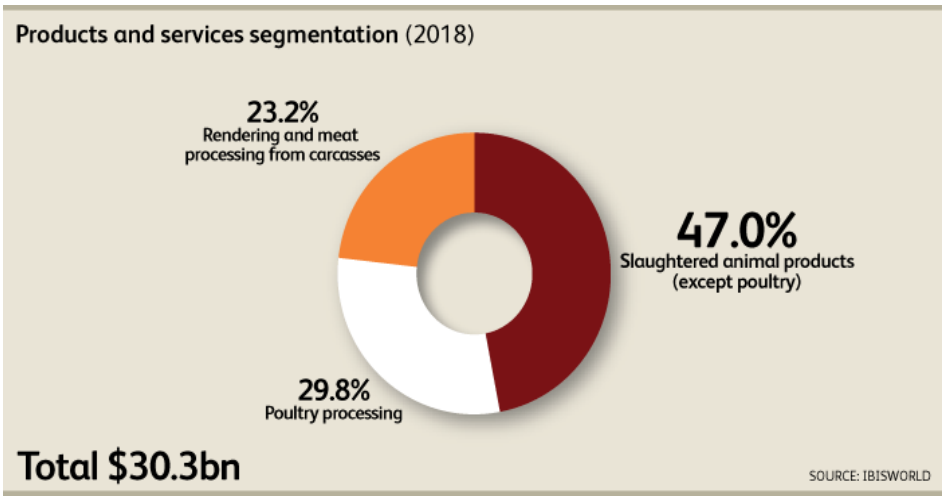
- *Canned meat (except canned poultry*) (code: 1721542) which consists of the following products: *canned animal liver meat paste; canned blood pudding; canned corned beef; canned ham; canned luncheon meat; canned meat; canned prepared pork shoulders; canned preserved pork shoulders; canned sausages; canned sausages meat offal; canned sausages of blood.*

In view of the above, it should be concluded that the data for the meat preparations industry

and products derived from the processing of pork and beef are very dispersed, making it practically impossible to determine the level of production of the category of "meat preparations" products.

Using the meat market segmentation presented in the figure below, it is only possible to estimate the value of meat production from carcasses in Canada in 2018, which will amount to USD 7.03 billion.

Drawing 4. Meat market segmentation in Canada



Source: IBISWorld

Import from the EU

In 2017, Canada imported more than 1.4 thousand tonnes of meat preparations from the EU, with a value of more than EUR 16 million. Almost 80% by volume and more than 87% by value of EU exports came from Italy (see Tables 7 and 8).

Table 7. EU exports of meat preparations (code 0210) to Canada from 2013 to 2017 (value in kg)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	674700	718200	1111400	1603100	1431400	112%	-11%
Italy	616300	650000	885600	941500	1148900	86%	22%
Spain	37100	49400	114500	296100	128200	246%	-57%
United Kingdom				204100	105100	-	-49%

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Portugal		1100	12700	19800	14700	-	-26%
Austria	7300	8900	9300	13100	14700	101%	12%
Denmark					10000	-	-
Germany	2000	2400	1800	8100	9100	355%	12%
France	2500	6400	1900	2600	700	-72%	-73%
Poland			85600	117800		-	-
Belgium	9500					-	-

Source: own study based on: EUROSTAT

In the analyzed period, export of meat products from the EU to Canada increased by 112% in terms of volume and by 105% in terms of value.

Table 3EU exports of meat preparations (code 0210) to Canada from 2013 to 2017 (in EUR)

COUNTRY	2013	2014	2015	2016	2017	change 2017/2013 (2013 = 100%)	change 2017/2016 (2016 = 100%)
EU28	8204107	8937827	12749706	14849066	16797198	105%	13%
Italy	7470877	7955888	11336535	12094588	14696604	97%	22%
Spain	564990	743269	949260	1917950	1499018	165%	-22%
Germany	11262	10971	7966	159187	154530	1272%	-3%
United Kingdom				257133	153568	-	-40%
Austria	80464	102438	100477	132811	141254	76%	6%
Portugal		32542	181389	99577	85852	-	-14%
Denmark					55503	-	-
France	32834	92719	21988	32761	10748	-67%	-67%
Hungary					121	-	-
Belgium	43680					-	-
Poland			152091	155059		-	-

Source: own study based on: EUROSTAT

2. THE SITUATION IN THE INDUSTRY

2.1. INTRODUCTION - CHARACTERISTICS OF THE MARKET

The meat, beef and poultry industry is a major player in the Canadian food production sector, accounting for almost 30% of the sector's revenue and employing more than 65,000 people. Despite its important position in the Canadian economy, Canada's growth prospects were threatened by a slow increase in meat consumption per capita. Disease outbreaks and growing awareness of the health risks associated with red meat consumption threaten Canada's supply of steaks and fresh meat. **However, reductions in production capacity in domestic cattle farms led to an increase in the price of red meat, increasing industry revenues despite the decline in red meat consumption.** As a result, industry revenues were expected to increase by 2.8% annually to $30.3 billion over the five years to 2018.[7]

Awareness of health risks and the associated risk of obesity, heart disease and cancer played an important role in reducing the consumption of red meat, mainly beef, in the period of five years until 2018. Many Canadians have switched to healthier sources of protein such as fish, seafood, alternative plants and poultry. This trend, in turn, maintains the demand for certain industrial products (i.e., chickens, ducks and turkeys). Nevertheless, even for this category of meat, income is expected to fall by 0.3% in 2018, as overall per capita meat consumption is expected to fall by 1.3% in 2018.

Industry revenue is projected to increase by 0.3% annually to $30.8 billion over the five years to 2023. As disposable incomes increase, consumers can afford to buy more expensive food. Demand in the aftermarket is expected to improve over the next five years, but potential outbreaks and adverse weather conditions may cause year-on-year variability. **To counteract such fluctuations, industry operators will increasingly focus on increasing productivity through technological progress while maintaining profit margins. In addition, producers will constantly switch production to value-added products and vertically integrated business models to balance slow growth.**[8]

[7] *Meat Market in Canada: Market Snapshot to 2021*, GlobalData, July 2018

[8] *Meat, Beef & Poultry Processing in Canada*, IBISworld, www.ibisworld.com

Beef market

The boom that has characterized the meat production industry in Canada over the last five years is the result of fluctuations in cattle prices. In general, the number of cattle was reduced, while the demand for beef remained relatively stable. The limited supply caused a huge increase in cattle prices as food producers tried to meet the demand for beef. According to Canadian statistics, the average price of cattle and calves has risen significantly due to capacity constraints. **Only in 2014, revenues from the industry increased by 30.7%.** However, prices started to fall, leading to a 0.4% decline in revenue in 2018 and affecting revenue levels of USD 14.8 billion, which increased by 3.2% annually over the five-year period to 2018. **Companies operating on the meat market have faced increasing competition from supermarkets, grocery stores and large retail stores in recent years. Each of these retail channels provides a wide range of products, while at the same time reaping the benefits of savings from economies of scale.**

Despite the record high prices for cattle over the last five years, some operators in the industry are struggling. Feedlot farmers[9], who prepare the cattle at the final stage before slaughter, have been under pressure from rising cattle prices. The burden of high prices and reduced stocks pushed several smaller farms from the meat industry, while the consolidation led to further polarization in the industry, with huge feedlot farmers on the one hand and small operators/suppliers on the calf market on the other.

Over the five years to 2023, it is predicted that high cattle prices and a low number of herds will decrease. The number of herds is likely to have already decreased, but is expected to increase. In addition, beef consumption per capita is projected to remain relatively stable over the next five years.[10] IBISWorld experts predict that revenues will increase by 1.6% to USD 16.1 billion annually. **Greater emphasis on sustainability will lead to higher certification standards over the next five years, both internationally and in Canada itself.** The new regulations for sustainable beef farming will provide specific targets for industrial operators over the next five years, and at the same time they will provide higher profit margins for higher quality beef.

Beef consumption per capita has been declining steadily for almost three decades. According to Canadian statistics, the average Canadian consumed 88.6 pounds of beef and veal in 1980, which dropped to 60.6 pounds in 2014 – a 29.7% decrease. Beef consumption has declined as health

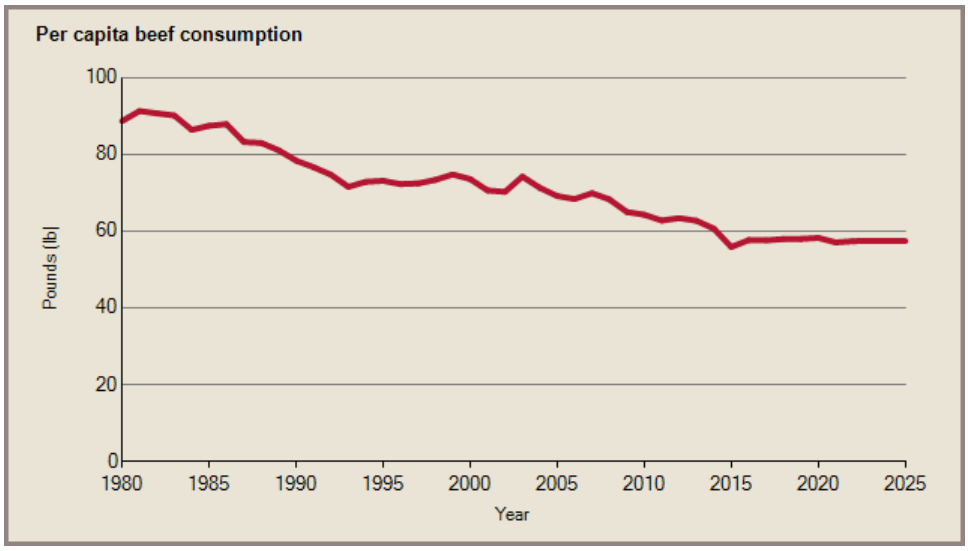
[9] Feedlot or feedyard is the last stage in intensive beef cattle production widely used in the United States, Canada and Australia. At this stage, the greatest emphasis is placed on effective weight gain of the animals. During this period, cattle are kept in homesteads with thousands of other cattle, where they are fed with high energy feeds. The purpose of feedlots is to increase the weight gain of animals in a very short period of time.

[10] *Meat, Beef & Poultry Processing in Canada,* IBISworld, www.ibisworld.com

problems such as obesity and heart disease are constantly increasing. This loss of consumption has a positive impact on the sale of poultry, which in the eyes of consumers is seen as a lower fat alternative to protein. **Beef and veal consumption per capita is expected to fall by 0.9% annually by 2019.**

By 2024, per capita consumption of beef and veal will continue to decline, although at a slower rate. In addition, beef will remain popular with many Canadian consumers, and beef and veal will still account for almost 30% of Canada's total meat consumption by 2024. Moreover, the negative health effects associated with the consumption of beef are well known, which means that further research is unlikely to have a significant impact on future consumption. **Overall, beef consumption per capita is projected to fall at a modest annual rate of 0.2% over five years to 2024.**[11]

Drawing 5. Changes in the consumption of beef in pounds



Source: www.ibisworld.com

Pork market

The Hog and Pig Farming industry in Canada grew year-on-year, in five years by 2017, and in 2014 it even recorded a two-digit increase in revenues – mainly due to rising input prices (corn and soy prices, which are a significant component of feed for livestock). When prices are high, farmers-breeders pass a part of these costs on to their customers, which increases their income. However,

[11] *Meat, Beef & Poultry Processing in Canada*, IBISworld, www.ibisworld.com

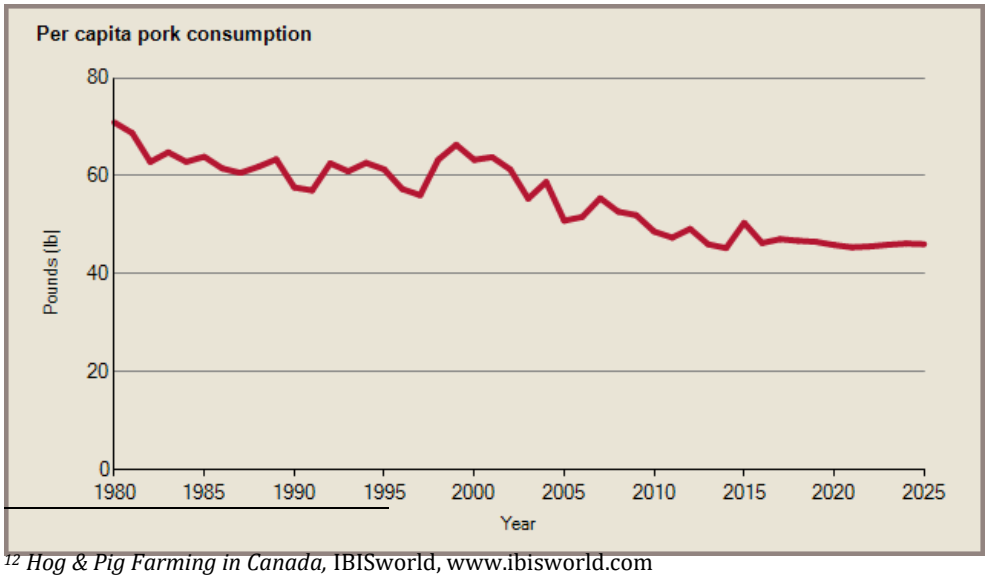
intense competition from alternative protein sources has hampered growth. **Despite growing competition, IBISWorld expects the industry's revenue to grow by 1.1% to USD 4.3 billion.**

The increase in pork and pig prices led to an increase in revenue over the last five years, and reduced demand for ethanol caused a drop in feed prices, which helped breeders to achieve profit margins, and thus had a positive impact on the industry. However, the severe drought decimated the U.S. harvest and kept feed prices very stable.

Concentration in the industry is low as pig farming is shifting towards large, capital intensive farms. This trend is likely to have a positive impact on the industry, as larger operators have access to technologically advanced machines that reduce unit costs per run. **Taking these conditions into account, IBISWorld predicts that industry revenues will fall at a modest rate over the next five years until 2022. This decrease will amount to 1.4% on an annual average to reach USD 4.0 billion in 2022.**

Over the last decade, annual pork consumption decreased by 10.5% from 52.0 pounds per person in 2009 to around 46.5 pounds per person in 2018. This decrease is to a large extent a result of increased public awareness of the health risks associated with the consumption of red meat. Pork consumption per capita is expected to fall by 2024. The gradual transition from red meat to poultry products due to health problems is likely to continue in the coming years, although at a relatively slow pace. **In general, pork consumption per capita is expected to fall by 0.1% annually by 2024.** European exporters should therefore pay particular attention to the quality of the meat they export when considering entering the red meat market.[12]

Drawing 6. Changes in the consumption level of pork in pounds



[12] *Hog & Pig Farming in Canada,* IBISworld, www.ibisworld.com

Source:
www.ibisworld.com

2.2. THE SITUATION ON THE MEAT MARKET IN CANADA

The total market value of the Canadian meat market increased by 2.21% from 2015 to 2016. A cumulative annual growth rate (CAGR) of 0.87% between 2016 and 2021 is expected to be recorded. The market recorded the highest growth rate in 2016, growing by 2.21%.[13]

Table 9. Value and growth of the meat market in Canada 2011 – 2016

	2011	2012	2013	2014	2015	2016
The value of the market (CAD million)	24,771.28	25,123.22	25,294.20	25,387.12	25,681.72	26,249.82
% increase year-on-year		1.42%	0.68%	0.37%	1.6%	2.21%

Source: Meat Market in Canada: Market Snapshot to 2021, July 2018, p. 7

Table 10. Value and growth of the meat market in Canada 2017 – 2021

	2017	2018	2019	2020	2021
Market value (CAD million)	26,576.28	26,856.54	27,105.95	27,310.20	27,415.02
% increase year-on-year	1.24%	1.05%	0.93%	0.75%	0.38%

Source: Meat Market in Canada: Market Snapshot to 2021, July 2018, p. 7

In 2016, fresh meat was the largest category on the Canadian meat market, representing 42.48% of the total market of CAD 11,150.86 million. Frozen meat, on the other hand, was the fastest

[13] *Meat Market in Canada: Market Snapshot to 2021,* GlobalData, July 2018

growing category of the Canadian meat market during the analysis period, recording a cumulative annual growth rate (CAGR) of 2.08%, which is expected to grow by 0.71% over the forecast period.[14]

Table 4Value and growth of the meat market in Canada, by category 2011 – 2016 (in CAD million)

Category	2011	2012	2013	2014	2015	2016	CAGR 2011 – 2016
Fresh meat	10,565.39	10,729.00	10,797.97	10,802.73	10,905.67	11,150.86	1.08%
Cooled raw packaged meat – processed	4,774.62	4,827.56	4,851.72	4,892.73	4,956.96	5,061.79	1.17%
Cooled raw packaged meat – whole pieces	4,205.59	4,283.79	4,313.91	4,310.31	4,337.80	4,435.40	1.07%
Cooked meat – packed	2,290.14	2,314.21	2,329.25	2,336.40	2,360.59	2,401.40	0.95%
Frozen meat	2,092.75	2,122.72	2,150.26	2,186.61	2,250.22	2,319.43	2.08%
Cooked meat	508.86	510.26	512.97	516.82	523.20	528.26	0.75%
Ambient Meat	333.92	335.69	338.12	341.51	347.29	352.68	1.10%
Total	**24,771.28**	**25,123.22**	**25,294.20**	**25,387.12**	**25,681.72**	**26,249.82**	**1.17%**

Source: Meat Market in Canada: Market Snapshot to 2021, July 2018, p. 8

Table 5Value and growth of the meat market in Canada, by category 2017 - 2021 (in CAD million)

[14] *Meat Market in Canada: Market Snapshot to 2021,* GlobalData, July 2018

Category	2016	2017	2018	2019	2020	2021	CAGR 2016 – 2021
Fresh meat	11,150.86	11,264.38	11,370.90	11,467.45	11,545.30	11,581.42	0.76%
Cooled raw packaged meat – processed	5,061.79	5,136.35	5,192.36	5,239.11	5,276.40	5,296.60	0.91%
Cooled raw packaged meat – whole pieces	4,435.40	4,473.61	4,510.90	4,547.28	4,583.72	4,605.85	0.76%
Cooked meat – packed	2,401.40	2,425.14	2,446.88	2,466.56	2,480.91	2,488.21	0.71%
Frozen meat	2,319.43	2,384.47	2,434.13	2,476.39	2,509.57	2,525.98	1.72%
Cooked meat	528.26	534.07	538.78	542.81	545.41	546.70	0.69%
Ambient Meat	352.68	358.26	362.58	366.35	368.90	370.24	0.98%
Total	**26,249.82**	**26,576.28**	**26,856.54**	**27,105.95**	**27,310.20**	**27,415.02**	**0.87%**

Source: Meat Market in Canada: Market Snapshot to 2021, July 2018, p. 8

The total market value of the Canadian meat market increased by 2.40% from 2015 to 2016. The cumulative annual growth rate (CAGR) is expected to increase by 1.26% between 2016 and 2021. The market recorded the highest growth rate in 2016, with an increase of 2.40%.[15]

Table 6Volume and growth of the Canadian meat market (million kg) 2013 – 2021

[15] *Meat Market in Canada: Market Snapshot to 2021*, GlobalData, July 2018

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Market size (million kg)	1,330.05	1,346.53	1,375.87	1,408.94	1,436.75	1,460.24	1,479.98	1,493.13	1,499.89
% increase year-on-year	0.87%	1.24%	2.18%	2.40%	1.97%	1.63%	1.35%	0.89%	0.45%

Source: Meat Market in Canada: Market Snapshot to 2021, July 2018, p. 10

In 2016, fresh meat was the largest category, worth 535.49 million kg, on the Canadian meat market, accounting for 38.01% of the total meat market. Frozen meat is the fastest growing meat category in Canada over the analysis period, recording a cumulative annual growth rate (CAGR) of 2.23%, an increase of 1.86% over the forecast period.

Table 7Size of Canadian meat market (million kg) by category 2011 – 2016

Category	2011	2012	2013	2014	2015	2016	CAGR 2011 – 2016
Fresh meat	493.34	499.53	504.13	510.26	521.83	535.49	1.65%
Cooled raw packaged meat – processed	399.96	403.63	406.35	411.22	419.37	428.60	1.39%
Cooled raw packaged meat – whole pieces	175.66	178.30	180.09	182.10	185.61	190.30	1.61%
Frozen meat	85.03	86.04	87.19	88.97	92.09	94.94	2.23%
Cooked meat – packed	80.09	80.76	81.48	82.47	84.23	85.96	1.42%
Cooked meat	40.21	40.29	40.52	40.88	41.48	41.90	0.83%
Ambient Meat	29.92	30.05	30.28	30.64	31.26	31.75	1.20%
Total	**1,304.19**	**1,318.60**	**1,330.05**	**1,346.53**	**1,375.87**	**1,408.94**	**1.56%**

Source: Meat Market in Canada: Market Snapshot to 2021, July 2018, p. 11

Table 8Meat market forecast in Canada (million kg) by category 2016 – 2021

Category	2016	2017	2018	2019	2020	2021	CAGR 2016 – 2021
Fresh meat	535.49	546.01	555.49	563.45	568.48	571.04	1.29%
Cooled raw packaged meat – processed	428.60	436.93	443.25	448.49	452.10	453.85	1.15%
Cooled raw packaged meat – whole pieces	190.30	193.71	196.82	199.55	201.57	202.83	1.28%
Frozen meat	94.94	97.91	100.21	102.14	103.48	104.09	1.86%
Cooked meat – packed	85.96	87.48	88.86	90.02	90.72	91.09	1.17%
Cooked meat	41.90	42.40	42.84	43.19	43.41	43.50	0.75%
Ambient Meat	31.75	32.32	32.77	33.14	33.38	33.49	1.07%
Total	**1,408.94**	**1,436.75**	**1,460.24**	**1,479.98**	**1,493.13**	**1,499.89**	**1.26%**

Source: *Meat Market in Canada: Market Snapshot to 2021*, July 2018, p. 11

2.3. THE SITUATION ON THE MARKET OF PROCESSED RED MEAT/MEAT PREPARATIONS IN CANADA

Decreasing demand for red meat and awareness on the adverse effects of red meat on human health was reflected in the trend towards lower consumption of meat and alternative sources of protein and consumer demand for healthier alternatives, which significantly reduced sales on the red processed meat/meat preparations market in Canada. As previously noted, this was mainly due to a growing health awareness among consumers. The growing trend of health awareness causes that consumers put the consumption of fresh and natural ingredients and the least processed food in the first place. Changes in sales of processed red meat in 2012 – 2017 are presented in the table below.

Table 9Sales of processed red meat by category in 2012 – 2017

	2012	2013	2014	2015	2016	2017
Product categories	**Sales of processed meat by category: volume (in thousand tons)**					
Shelf-Stable Processed Red Meat[16]	7.0	6.9	6.9	6.8	6.7	6.6
Chilled Processed Red Meat	250.8	255.6	260.1	245.3	236.0	228.9
Frozen Processed Red Meat	13.5	13.5	13.5	13.5	13.6	13.7
Product categories	**Sales of processed meat by category: value (USD million)**					
Shelf-Stable Processed Red Meat	75.2	75.8	75.2	75.7	75.3	74.9
Chilled Processed Red Meat	3,122.9	3,285.8	3,471.5	3,605.1	3,572.1	3,506.5
Frozen Processed Red Meat	186.3	187.8	190.2	201.9	204.7	206.8

Source: *Processed meat and seafood in Canada*, Euromonitor International, Passport, November 2017

The sales volume of Shelf-Stable Processed Red Meat from 2012 and Chilled Processed Red Meat from 2014 decreases in the analyzed period. The volume of sales of Frozen Processed Red Meat slightly increased in the analyzed period.

Sales of Chilled Processed Red Meat increased until 2015 and then started to decline. A similar trend is observed in the category of Shelf-Stable Processed Red Meat, where a decline in sales since 2015 has been observed. In turn, Frozen Processed Red Meat recorded an increase throughout the analysis period (2012 – 2017).[17]

The table below presents sales forecasts for processed red meat in 2017 – 2022.

Table 10Forecast of sales of processed red meat by category in 2017 – 2022

[16] Food that can be safely stored at room temperature in a closed container. This includes foods that would normally be stored chilled but have been processed in such a way that they can be safely stored at room temperature or ambient temperature for a long shelf-life.

[17] *Processed meat and seafood in Canada*, Euromonitor International, Passport, November 2017

	2017	2018	2019	2020	2021	2022
Product categories	**volume (in thousand tons)**					
Shelf-Stable Processed Red Meat	6.6	6.5	6.3	6.2	6.1	6.0
Chilled Processed Red Meat	228.9	222.7	217.2	212.3	207.8	203.9
Frozen Processed Red Meat	13.7	13.7	13.7	13.7	13.7	13.7
Product categories	**value (USD million)**					
Shelf-Stable Processed Red Meat	74.9	74.0	72.9	71.8	70.6	69.3
Chilled Processed Red Meat	3,506.5	3,445.5	3,390.6	3,340.5	3,293.5	3,250.4
Frozen Processed Red Meat	206.8	208.5	209.7	210.6	211.0	211.2

Source: Processed meat and seafood in Canada, Euromonitor International, Passport, November 2017

According to Euromonitor International, the value and sales volume of Shelf-Stable Processed Red Meat is expected to decline further between 2017 and 2022. The same trend also applies to Chilled Processed Red Meat.

In addition, an increase in the value of sales of Frozen Processed Red Meat is forecast.

Table 11Forecast of sales of processed red meat by category in 2017 – 2022 – changes in sales volume and value (in %)

	2018/2017	2017-2022 CAGR	2022/2017
Product categories	**Volume (in thousand tonnes)**		
Shelf-Stable Processed Red Meat	-1.7	-1.9	-9.2
Chilled Processed Red Meat	-2.7	-2.3	-10.9
Frozen Processed Red Meat	0.3	0.1	0.5
Product categories	**value (USD million)**		
Shelf-Stable Processed Red Meat	-1.2	-1.5	-7.5
Chilled Processed Red Meat	-1.7	-1.5	-7.3
Frozen Processed Red Meat	0.8	0.4	2.1

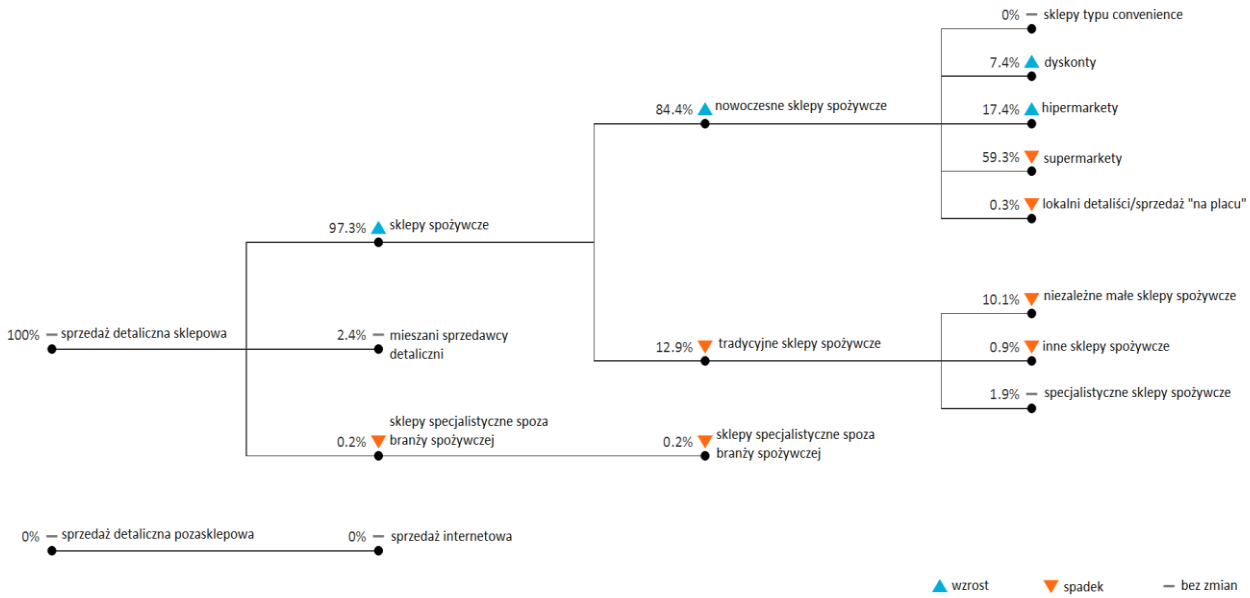
Source: Processed meat and seafood in Canada, Euromonitor International, Passport, November 2017

During the forecast period, the value and sales volume of Shelf-Stable Processed Red Meat will further decrease by 9.2% and almost 7.5%, respectively, and of Chilled Processed Red Meat by 10.9% and almost 7.3%, respectively. The remaining category, i.e., sales of Frozen Processed Red Meat will record an increase.[18]

The following Figure shows the distribution channels for red processed meat /meat preparations in Canada.

Drawing 3Distribution channels for red processed meat/meat preparations in Canada

[18] *Processed meat and seafood in Canada,* Euromonitor International, Passport, November 2017



Source: Processed meat and seafood in Canada, Euromonitor International, Passport, November 2017

Calculation based on sales value for 2017 according to retail prices

Percentage share in 2017

Changes in the percentage share for 2012 – 2017

An analysis of the information in the Figure above shows that the dominant distribution channel for processed red meat/meat preparations in Canada remains retail store sales (100%). For this category of products there is no out-of-store retail sale, including on the Internet.

Three main distribution channels included in retail store sales (shares in 2017) are[19]:

- supermarkets (59.3%) – decrease
- hypermarkets (17.4%) – increase

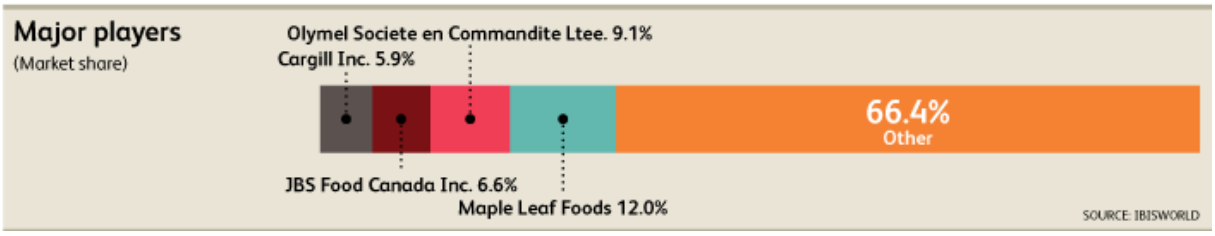
[19] *Processed meat and seafood in Canada,* Euromonitor International, Passport, November 2017

- independent small grocery stores (10.1%) – decrease

It is worth noting that in the years 2012 – 2017 there was an increase in discount store sales.

2.4. MARKET COMPETITION IN THE MEAT INDUSTRY (BEEF AND POULTRY)

The meat, i.e., beef and poultry industry in Canada has a small market share. It is estimated that the seven largest companies in this sector account for slightly more than 40% of the domestic market. Takeovers by major industrial operators have increased concentration over the past five years. This trend is likely to continue due to pressures on profits in many large companies, as key players focus on developing core business to achieve optimal economies of scale. Most of the large players in the industry produce more than one type of meat products, and many of them are expanding their product range. **Many other companies are also expanding their product range with fresh meat and processed meat in an attempt to improve margins.** In addition, as consumers want to live healthier and grow their environmental awareness, companies integrate vertically to create business models "from producer to consumer" that serve their brands well and at the same time effectively reduce investment costs. These trends indicate the transition of industry towards larger, more consolidated and vertically integrated operations. Industry operators compete primarily on the basis of price, product differentiation, economies of scale and international trade.[20] The four largest companies in the sector account for over 33% of the total market.



Source: IBISWorld

MAPLE LEAF FOODS INC. - MARKET SHARE 12%

Maple Leaf Foods Inc. (Maple Leaf) is one of the largest meat processors in Canada. The company operates in two areas: meat products and agribusiness. Maple Leaf operates in the domestic meat, beef and poultry industry in Canada through the meat products segment, producing fresh and processed pork and poultry products under the flagship Maple Leaf and Schneider brands.

The development of Maple Leaf Foods is largely driven by an acquisition-based approach – over the past decade, the company has acquired more than 30 companies. Maple Leaf also focuses on

[20] *Meat, Beef & Poultry Processing in Canada*, IBISworld, www.ibisworld.com

innovation, introducing more than 100 new products for customers each year, mainly in Canada, the United States, Mexico and Japan. In March 2017, the company purchased Lightlife Foods, which specializes in plant proteins, for $140.0 million, although this acquisition goes beyond the industry. Continuing the company's dominance in the industry, in 2018 Maple Leaf purchased two poultry processing plants in Ontario and Quebec from Cericola Farms, which process a total of around 32 million kilograms of chicken per year.

OLYMEL SOCIETE EN COMMANDITE LTEE. - MARKET SHARE 9.1%

Olymel Societe en Commandite Ltee. (Olymel) based in Saint-Hyacinthe, QC, employs over 11,000 people. Olymel offers products such as bacon, cold meats, hams, sausages and frozen meat dishes.

In 2013, Olymel took over Big Sky Farms in Saskatchewan, which was the third largest producer of pork in Canada, effectively increasing its market share. In 2015, Olymel and ATRAHAN Transformation Inc. established a trade partnership for joint venture in the slaughtering of pigs and butchery and pig processing. The company operates four slaughterhouses and cutting plants as well as five processing plants in the pork sector. There are five slaughterhouses and cutting plants and three processing plants in the poultry sector. In addition, Olymel also invested in the modernisation of its factory for the exclusive production of fresh sausages. Olymel also invested USD 11.0 million in 2016 to increase Saint-Henri-de-Levis' capacity to produce smoked meats.

JBS FOOD CANADA INC. - MARKET SHARE 6.6%

With a daily output of nearly 90,000 cattle worldwide and 4,200 on a national scale, JBS S.A., operating as **JBS Food Canada Inc. (JBS),** is one of Canada's leading beef, pork and poultry processors and exporters. JBS Food Canada operates under the wing of Brazilian multinational JBS S.A., the world's largest processor of animal protein. JBS Food Canada is one of the largest employers in Southern Alberta, and one of the largest meat processors in Canada with more than 2,400 employees. The company's production facilities in Brooks, which are controlled by the federal government and HACCP, are state-of-the-art in the field of food safety. JBS Food Canada is a supplier of freshly packaged beef products including Prime, AAA, AA, A and antiviral products as well as beef and minced beef products. The Brooks plant processes meat under the Aspen Ridge, Chef's Exclusive, Blue Ribbon and Certified Angus brands and Packerland.

In January 2013, JBS Food Canada agreed to complete the acquisition of certain Canadian operations of XL Foods, a Canadian meat packaging company. The transaction meant that JBS entered the meat, beef and poultry processing industry in Canada, although JBS had previously managed the plant. Thanks to this agreement, JBS acquired a beef packaging plant in Calgary, cattle feed in Brooks, and an adjacent hectare of farm for livestock farming. In addition, JBS S.A. took over

the Cargill pork segment in 2015, strengthening its presence in the industry in the United States.

CARGILL INC. - MARKET SHARE 5.9%

Cargill, Inc. was founded in 1865 and is an international food processor and distributor. The company employs 155 thousand people in 70 countries. Cargill, Inc. processes more than 8 million beef carcasses and more than 10 million pork per year to supply distribution networks and grocery stores.

Cargill operates in the meat processing industry through the *Protein and Salt* segment, better known as Cargill Meat Solutions. Under this name, the company runs two Canadian integrated beef processing plants. The fully integrated Alberta beef processing plant processes around 4,500 cattle per day, while Dunlop itself processes 1,500 cattle per day. In addition, Dunlop is the only plant in Canada that produces 100% Halal quality beef. In addition to these meat processing plants, Cargill operates three packaging meat plants at Chambly, QC, Guelph, ON and Calgary, AB, as well as four value-added processing plants that process chicken and beef pies.

SOFINA FOODS INC. - MARKET SHARE 3.8%

Sofina Foods Inc. is a privately owned Canadian company headquartered in Markham, Ontario that primarily processes high value-added meat products. The company operates in the industry through consumer brands: Lilydale, Janes Family Foods, Mastro, San Daniele, Fletcher's, Cuddy, Vienna and Quality Meats. Founded in 1995 with 60 employees, Sofina currently employs nearly 5,000 people in Canada and the United States. The company offers a diverse line of products such as poultry, beef and pork, as well as finished goods such as cold meats, frozen foods and bacon. It has processing plants throughout Canada, mainly in British Columbia, Alberta and Saskatchewan, and four plants in the United States. IBISWorld estimates that Sofina's industry revenues will amount to USD 1.1 billion in 2018, which represents a 3.8% market share.

MAPLE LODGE FARMS LTD. - MARKET SHARE 2.7%

Founded in 1955 in Brampton, **Maple Lodge Farms Ltd.** (Maple Lodge Farms) employs approximately 2,200 people. The company runs primary processing facilities in Brampton, St. Petersburg. Francois, Mississauga and Kentville. Maple Lodge offers bacon, slices of packaged meat, sausages and frozen packaged meat products. In addition, Maple Lodge Farms is the main producer of halal poultry products in Canada. In 2018, the company is expected to generate revenues of USD 832.8 million, representing a 2.7% market share.

SUNRISE FARMS LTD. - MARKET SHARE 1.2%

Founded in 1983, **Sunrise Farms Ltd.** turned into a six-site factory with more than 1,300

employees spread across British Columbia, Alberta and Ontario. The company mainly deals with poultry processing and consistently operates within a vertical integration model, from hatcheries to "ready-to-eat" meat. IBISWorld estimates that the company's industry revenues in 2018 will reach USD 378.1 million.

The meat, i.e., beef and poultry industry in Canada, is a constantly developing industry, in which nearly 1000 companies operate on the domestic market. As a result, many companies operate on a small scale, focusing on niche markets and specialist products. For example, ethnic or religious communities may have dietary restrictions that require specialized meat processors. As demand for these products is more varied than for most industrial products, most operators focus on local markets instead of national ones. In addition, the largest operators control a significant part of the market, restricting access for new entrants.[21]

2.5. COMPETITION ON THE PORK SUPPLIERS MARKET

The pork market in Canada consists of many small farms, some of which operate as companies. In most cases these farms are managed and owned by families who have been working in the industry for several generations. However, increased consolidation of the industry and a tendency to create more integrated systems results in transformations in the area of competitiveness of market entities. It should also be stressed that, over time, competitive pressure usually forces smaller farmers to close down as the industry moves towards more specialized, large-scale production. IBISWorld experts expect the concentration of industry to increase in the coming years.[22]

The main fields of competitiveness for European exporters may therefore be:

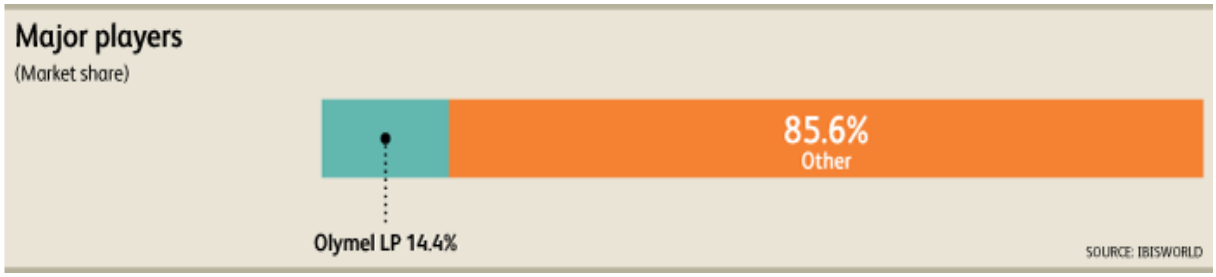
- price,
- diversification of the product basket,
- product quality: freshness, taste,
- comprehensive and transparent product information,
- corporate social responsibility expressed in humane slaughter,
- showing the origin of the product - *organic/eco* trend,

[21] *Meat, Beef & Poultry Processing in Canada,* IBISworld, www.ibisworld.com

[22] *Hog & Pig Farming in Canada*, IBISworld, www.ibisworld.com

- development of a niche product targeted at a selected market segment (taking into account cultural, e.g., religious, conditions),
- offering ready-to-eat meat meals, so-called ready-to-cook.

Canada's pork suppliers sector is characterized by a low level of internationalisation. This means that almost all the operators are small Canadian entities, quite fragmented, directing their sales exclusively to the domestic market, and this market is very often the most important for them. Even the Omaha Steaks industry magnate limits its sales to the U.S., Canada, Puerto Rico and the Virgin Islands (USA).



Source: IBISWorld

Information about a leading company in the sector – **Olymel Societe en Commandite Ltee. (Olymel)** – has already been presented earlier. The following are the characteristics of three companies with market shares exceeding 1%.

HYLIFE FOODS LP - ESTIMATED MARKET SHARE 3.3%

Based in La Broquerie, **HyLife Foods LP** is a vertically integrated pork producer and processor in Canada and the United States. The company was established in 1986 under the name Springhill Farms. In 2008, Hytek Ltd. purchased the farm as a wholly owned subsidiary, during which time it had a capacity of 3,250 pigs per day. Hytek expanded and changed its name to HyLife in 2011. The company processes 32,500 pork carcasses per week in Canada and the United States. The Company does not disclose its financial information. Based on pork production, IBISWorld estimates that in 2017 the company earned USD 143.9 million.

CONESTOGA MEAT PACKERS - ESTIMATED MARKET SHARE 2.5%

Conestoga Meat Packers was founded in 1982 in Ontario as a meat processing plant. In 1994 the company founded Progressive Pork Producers, a cooperative of 120 family farms to integrate the business model. In 2001, the company became the full owner of the farm, which remains a key element of its branding and marketing potential. The company continues to produce and process the highest quality pork, offering an integrated system, responsible farming practices, including no hormones and chemical applications and no waste production. IBISWorld estimates that Conestoga

Meat Packers revenues reached USD 107.9 million in 2017.

LES PLACEMENTS ROLLAND ROBITAILLE INC. - ESTIMATED MARKET SHARE 1.2%

Founded in 1983, **Les Placements Rolland Robitaille Inc.** is a pig farming company located in Farnham, QC. The company employs about 250 people and deals mainly with the production of pork, and not with processing or retail sale. IBISWorld estimates that the company generated revenues of USD 52.3 million in 2017.

2.6. COMPETITION ON THE DISTRIBUTION AND WHOLESALE MARKET OF PORK AND BEEF

The industry with more than 750 plants operating on the market in 2017 ultimately prevents individual competitors from gaining a significant market share. One of the most important factors limiting the achievement of a significant market share is the growing vertical integration of a wide range of food distributors, in particular in the food retail sector. Food operators have seized the same markets as beef and pork wholesalers, including restaurants and hotels. However, as these food wholesalers have expanded their scope of activity, their activities have naturally penetrated the wholesale market for beef and pork.

Large wholesalers such as Sysco Corporation, Loblaw Company and Sobey's have dominated the food retail market in Canada and have consequently reduced the influence of industrial operators. Although these companies have products that are relevant to the industry, most of their revenue does not come from industry products. For example, in 2016, Sysco generated only 20% of its revenues from meat products (excluding poultry). Therefore, these companies are not considered to be industry-specific, although they maintain a significant market share (Sysco has an estimated 10.4% market share in 2017 according to IBISWorld's estimates).

CANWORLD FOODS LTD. - ESTIMATED MARKET SHARE 0.9%

Founded in 1976, **Canworld Foods Ltd**. has become a specialist in exporting Canadian pork to Asia. In 1977, the company made a similar commitment to exporting pork to the U.S. serving processors, retailers, wholesalers and international clients. Since then, the company has expanded its activity to include pork products and also imported meat products. With offices in Canada and the United States, the company is one of the founding members of Canada Pork International, a trade association for pork farmers and exporters, as well as partners with federal authorities including the Canadian Meat Council, the U.S. Meat Export Federation and the Certified Angus Beef Brand. With more than 20 employees, Canworld relies on partnerships with other companies and management bodies. The Company does not disclose its financial information. IBISWorld experts estimate that Canworld generated $83.4 million in revenues in 2017.

CANADIAN AMERICAN BOXED MEAT CORP. - ESTIMATED MARKET SHARE 0.7%

Canadian American Boxed Meat Corp. (CANAMMEATS) is a meat company that specializes in importing and exporting, storing and distributing of beef, pork, veal, mutton, goat, lamb and poultry. The product offer includes both fresh and frozen meat products. It operates a single warehouse with a cold store of approximately 25,000 square feet, which includes both the cold store and the freezer. The company's wholesale distribution activity is carried out by its own transport, Caliber Transport Inc. company (Caliber). The company also delivers full loads to customers within a radius of 250 km, and on special request can handle same-day deliveries. The entire fleet consists of refrigerated trucks. CANAMMEATS also handles orders throughout Canada, but usually outsources distribution over longer distances to other distributors. The company does not publish financial information. IBISWorld estimates its revenue in 2017 at USD 285.7 million.

Internal competition

Due to the diversity of producer sizes, the competition on the beef and pork wholesale market is relatively high. The main driver of competition is the growing trend where meat processors sell directly to grocery stores and other retail outlets, leaving aside industrial operators.

Many operators locate their companies close to their final customers. In addition to cost savings in logistics, this practice encourages shorter lead times and a wider range of products for local customers. By focusing on local markets, many operators emphasize their regional or local character and do not expand their activities on a national scale. **Currently, location is the basis of competition in the industry.**

In addition to location, operators try to differentiate themselves from their competitors through their own specific product line. Wholesalers offering value-added products, special products or imported products are in a better competitive position. This is why many operators focus their activities on importing and acquiring contracts from specialized processors.

External competition

Wholesalers of pre-packaged frozen food products sell meat containing products that are direct substitutes for whole fresh and frozen meat products sold by the industry. As a result, operators in the frozen food wholesale industry are one of the main sources of competition for the industry. Alternative sources of protein, including poultry, seafood and plant proteins, are also a source of external competition. **Dietary and savings trends can lead consumers to move away from red meat products towards healthier sources of protein.** Wholesalers and retailers who specialize in poultry

and seafood are therefore an external threat.

2.7. LOCATION OF PROCESSORS, PRODUCERS AND SLAUGHTERHOUSES IN CANADA

Due to the potential entry of European exporters [23] into the Canadian meat market, the information presented in the following section is only complementary to the industry situation. It is also worth noting that the location of processors, producers and slaughterhouses largely coincides with the location of sales centers and the distribution/wholesale industry.

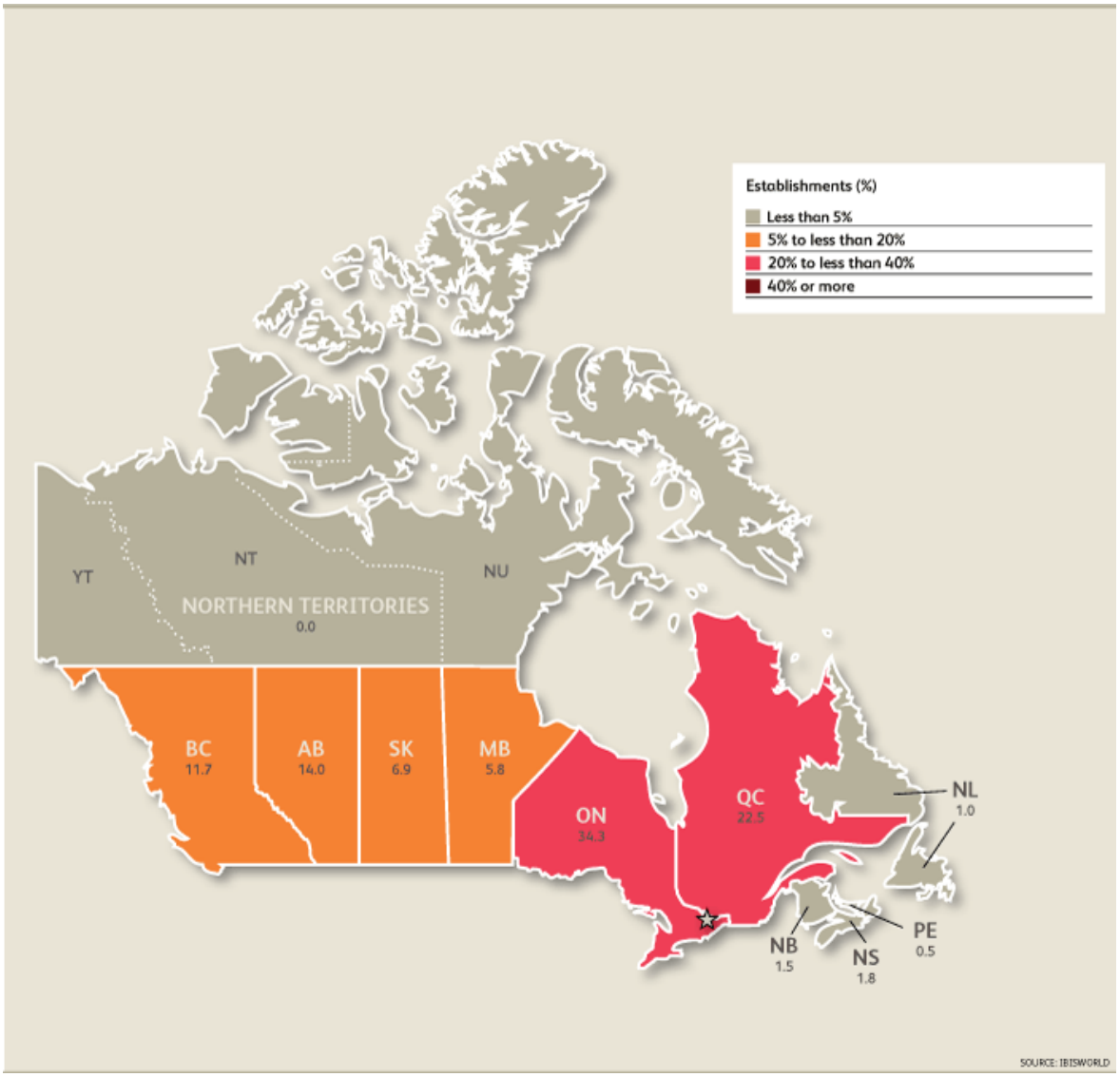
Due to high and rising transport costs, meat, beef and poultry processing plants in Canada are strategically located close to meat suppliers/producers (e.g. pig farms, poultry farms) and retailers. Operators in this market also take into account the distances from the main cities where their target markets are located. As a result, industrial plants focus mainly on provinces with easy access to international markets and consequently to those with the highest populations: **Ontario, Quebec and British Columbia**.

Ontario, which accounts for the largest share of Canada's population, houses most of the industrial plants, estimated at 34.3% of the total. Similarly, Quebec has a share of approximately 22.5% of total industry activity. Alberta is the third largest meat processing center with 14.0% of all industrial plants, as the province is responsible for the highest concentration of cattle production. British Columbia represents a further 11.7% of the industrial plants, mainly because it has the third largest population of Canada by province. All the remaining provinces have a relatively small share of production facilities.[24]

Map 1Location of processors, producers and slaughterhouses in Canada (data for 2018)

[23] Mainly exports of beef and pork produced within the EU, rather than production and slaughter in Canada.

[24] *Meat, Beef & Poultry Processing in Canada*, IBISworld, *www.*ibisworld.com



Source: IBISWorld

Drawing 4Number of facilities vs. population

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UPEMI Union of Producers and Employers of Meat Industry

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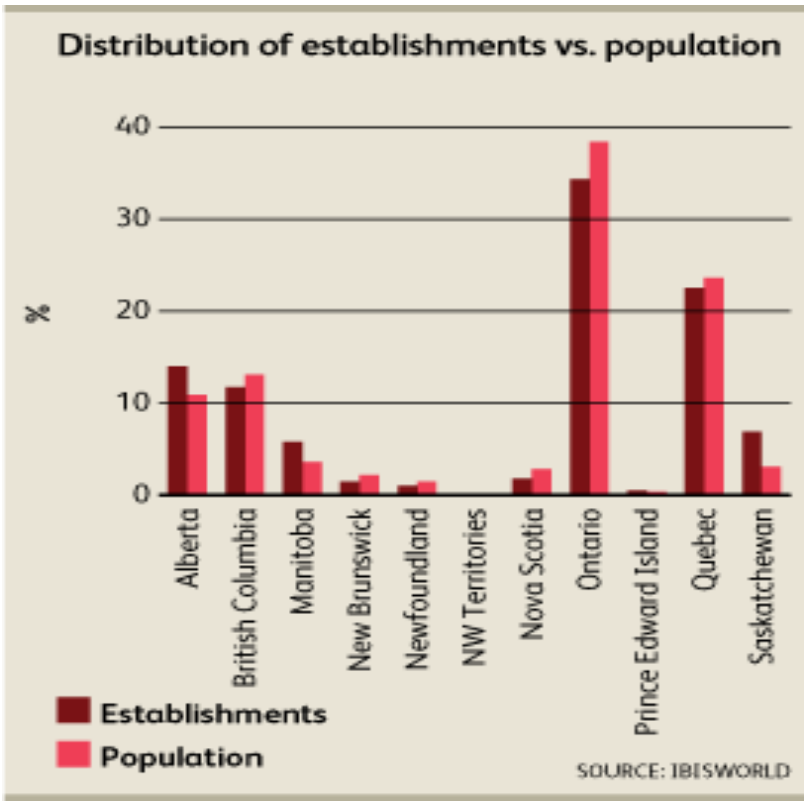

Source: IBISWorld

2.8. LOCATION OF BEEF AND PORK DISTRIBUTION AND SALES CENTERS IN CANADA

Representatives of the wholesale distribution sector are located in the regions where they have the largest number of their target customers. This business layout facilitates and accelerates transportation and reduces operating costs, as well as reducing the risks associated with a short product life cycle on store shelves. It seems that representatives of the wholesale distribution sector should be the first potential business partners for European exporters. As already indicated above, there is also a correlation between the number of retail outlets and the number and density of population.

The location of entities distributing and selling beef and pork is therefore inextricably linked to population density, with branches in the provinces with the highest population density, usually concentrating closer to urban areas. Because the predominant food distributors have a national range of activity, many operators in the meat industry operate primarily in their region.

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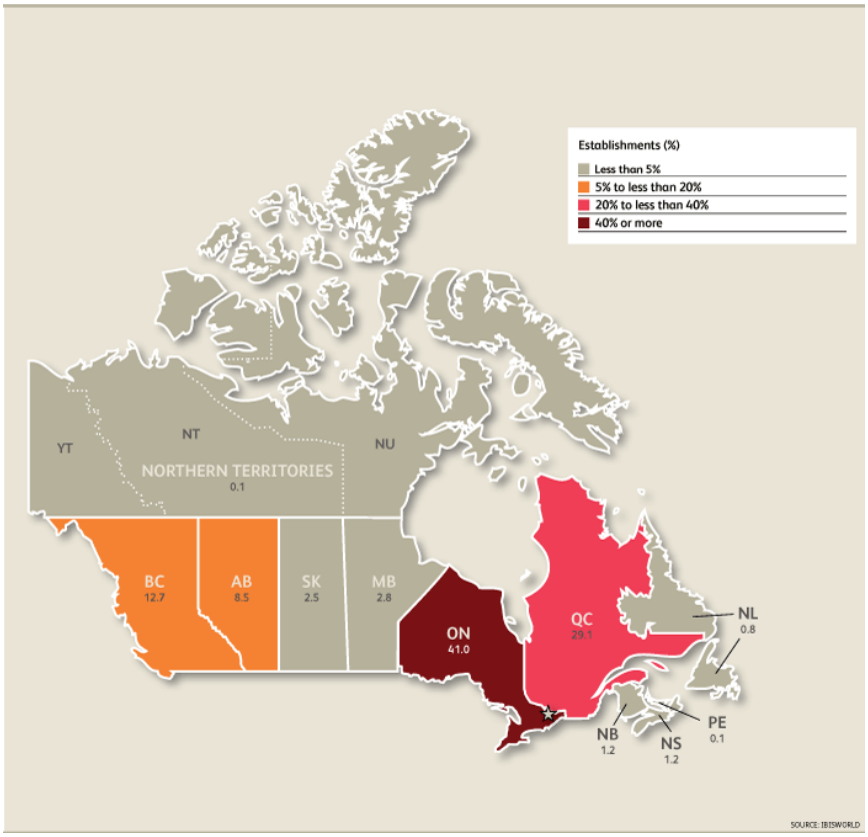
Ontario, for example, has 38.3% of the population and 41.0% of industrial plants. After Ontario, Quebec has 23.2% of the Canadian population and is home to 29.1% of industrial plants. The industry's presence is growing in Ontario and Quebec during this period, probably due to growing economic and demographic growth.

Since the location of meat sales centers is determined by population density, European beef and pork exporters should first look for future business partners/sales centers in these locations to ensure that the goods exported are disposed of and, given the degree of population, that demand is stable.[25]

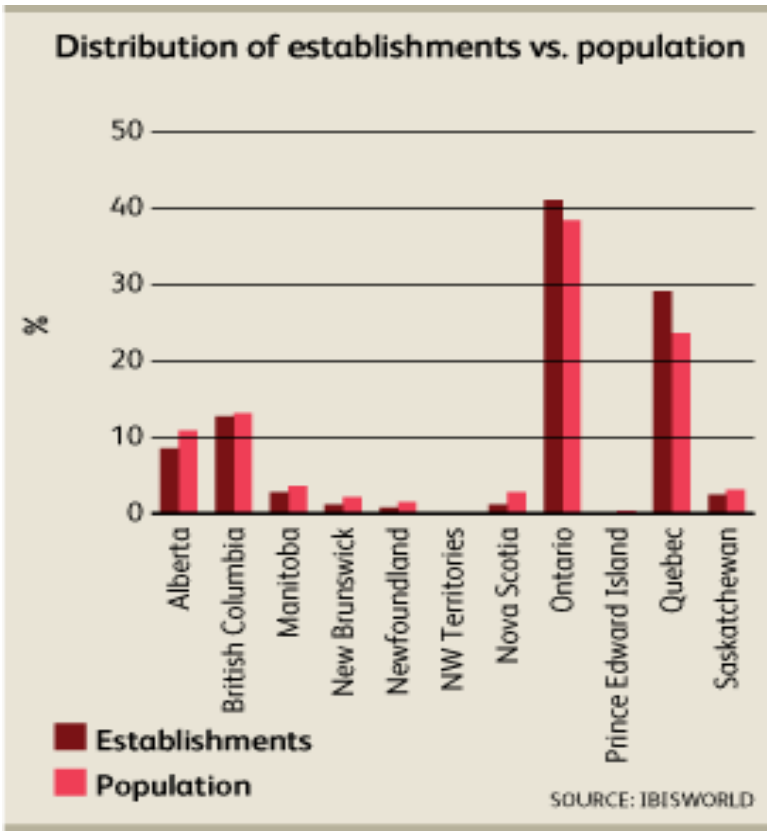
Map 2Location of the main meat sales centers in Canada (data for 2018)



Source: IBISWorld

Drawing 5Number of sales points vs. population

[25] *Beef & Pork Wholesaling in Canada* Industry Report, IBISworld, www.ibisworld.com



Source: IBISWorld

2.9. BARRIERS TO ENTRY FOR MEAT PROCESSORS, MEAT PRODUCERS AND SLAUGHTERHOUSES IN CANADA

Due to the potential entry of European exporters[26] into the Canadian meat market, the information presented in the following section is only complementary to the industry situation.

Legislation is an important barrier to entry into the meat, beef and poultry processing industry in Canada. The Canadian Food Inspection Agency (CFIA) imposes strict standards to ensure food safety and protects the public against low-quality / dubious quality products. Failure to comply with these rules may result in the company being closed or a ban on entering the Canadian meat industry.

Existing supply mechanisms are another barrier. Companies established in Canada usually enter into contracts to provide other meat processors with raw materials. Companies work

[26] Mainly exports of beef and pork produced within the EU rather than production and slaughter in Canada.

with distributors and even retailers to deliver high value-added food products to the final customer. **Such agreements allow market participants to develop long-term business relationships with customers, making it difficult for new entrants to reach a sufficient number of customers.**

Entry barriers are also important for Canadian exports. Trade barriers are also often imposed on Canadian goods, often as a retaliatory measure against protectionist measures. In order to compete domestically and internationally, economies of scale are needed to reduce unit costs and achieve decent profit margins. The low level of returns and the perception of financial and social risks in the industry means that it is often difficult for potential participants to obtain satisfactory funding from a financial institution.[27].

Table 12Barriers to entry into the meat market in Canada

Competition	**high**
Concentration	**low**
Life cycle stage	**mature**
Capital intensity	**average**
Technological changes	**medium**
Legal regulations	**many**
Industry support	**high**

Source: www.ibisworld.com

2.10. BARRIERS TO ENTRY INTO THE MARKET FOR DISTRIBUTION AND SALES CENTERS FOR BEEF AND PORK IN CANADA

The omission of traditional meat wholesalers is the biggest obstacle to entry into the wholesale market for beef and pork. Meat processors are increasingly selling directly to large retailers such as Loblaw or Sysco, thus omitting intermediaries in the industry. Large retailers' activities also make it more difficult for small wholesalers to enter the business unless they have a niche market, such as certified products or imported meat.

As this wholesale sector is highly regulated, it can be costly to meet federal and state requirements for food storage and distribution. Similarly, obtaining a license may be prohibitive for some potential participants. Industry operators must also invest in large cold stores and delivery areas capable of keeping meat fresh and safe for consumption in accordance with federal guidelines.

[27] *Meat, Beef & Poultry Processing in Canada*, IBISworld, www.ibisworld.com

The cost of obtaining and maintaining these facilities may discourage some operators from entering the market.[28]

Table 13Barriers to entry into the market for meat sales centers in Canada

Competition	**high**
Concentration	**low**
Life cycle stage	**mature**
Capital intensity	**medium**
Technological changes	**low**
Legal regulations	**medium**
Industry support	**low**

Source: www.ibisworld.com

2.11. KEY DETERMINANTS OF MARKET SUCCESS ON THE CANADIAN MARKET

The key factors, the implementation of which may be supported by meat and meat preparations exporters from Europe in the presence of the Canadian market, include:

- **Joint venture** as a form of reducing entry costs. Joint venture with an entity operating on the Canadian market should be treated as a factor mitigating the initial difficulties associated with the functioning of the new market.
- **Attractive image of products,** which allows to attract the attention of consumers, especially in markets with a highly saturated product offer.
- **An experienced team of industry professionals with knowledge of the market,** which contributes to the smooth movement on the new market, creates the so-called organizational experience and knowledge, which in the further stage translate into the reputation of the company.
- **Use of specialized equipment or facilities:** successful farmers have access to the latest technologies in breeding, compound feed and weather control.
- **Diversification of products,** which makes it possible to increase competitiveness in highly saturated consumer markets. Diversified offerings provide opportunities to reach different audiences, contributing to the generation of higher revenues (in particular *organic* and *eco*

[28] *Beef & Pork Wholesaling in Canada* Industry Report, IBISworld, www.ibisworld.com

products as well as products that take into account cultural, and in particular religious, conditions).

- **A strong brand –** a large part of companies operating on the meat market in Canada are entities that have recognizable brands with a rich history and well-established reputation. The brand plays an increasingly important role in this market, which is why it is so important to use it in marketing activities.

- **Diversification of the customer portfolio** – i.e., the ability to deliver products to diverse customers in the largest possible area. European exporters should be guided by economies of scale and take into account the location of wholesalers/distributors in Canada.

- **Punctuality** – i.e., guaranteeing and maintaining constant and timely deliveries to customers.

- **Compliance with federal and state rules** – the "meat" product category is one of the strictest regulated sectors in Canada. Wholesalers and distributors must adhere to strict rules, and keep an eye on the renewal of licenses that allow them to operate in such a way as to avoid receiving heavy fines and public criticism that could adversely affect the brand's reputation.

- **Business network** – building strong and lasting links with wholesale and retail networks in Canada can be a key factor in the entry of European exporters into the Canadian market.

- **Production of goods preferred by the market / consumers** – understood as the ability to identify consumer preferences and requirements and to produce goods that better meet these needs. According to IBISWorld experts, this will make it possible to increase profits and develop value-added meat products. It will also help in competition with substitutes.

- **Market research and understanding of consumer needs –** it is important to be able to define consumers' nutritional requirements. Conducting market studies can help to identify these needs and develop meat products.

- **Ensuring freshness of products** – meat is a product with a short shelf life cycle. Exporters from Europe should invest in facilities for storing and transporting meat products so that the customer, hundreds of thousands of kilometres away, can be sure that they receive the highest quality product.

2.12. THE FUTURE OF THE INDUSTRY

Among consumers in the Canadian market there is a tendency to limit the consumption of meat protein, or to give up meat altogether. The trend is already clearly visible in the various surveys and this is also confirmed by commercial data. More and more people, especially younger ones, tend to reduce red meat consumption and switch to vegetarianism or veganism. The growing prevalence of meat-free or semi-vegetarian diets and a healthy lifestyle are another sign of this trend. This is mainly due to increasing evidence of the health benefits of this lifestyle, including the low risk of cardiovascular disease and diabetes, and longer life expectancy. In addition, population ageing is likely to contribute to an increased demand for plant protein sources.

Euromonitor experts predict that in the processed meat sector, CAGR's accumulated annual growth rate will decrease by 1% in terms of both volume and value of sales in the forecast period (2017 – 2022), reaching 288,200 tonnes and CAD 45.5 billion in 2022 year. Despite the general decline, growth opportunities will continue to emerge, mainly in healthy and natural premium products. This can be confirmed by the "Grocery Business" article from March / April 2017, where the results of research were presented, where more and more Canadians are willing to buy natural and organic barbecue products, including processed meat[29], year-on-year.

Mergers and acquisitions – similar to the Maple Leaf Foods acquisition of Lightlife Foods – will increase in number and smaller start-ups are likely to focus more on niche areas as this category will also continue to grow.

Given the diverse ethnic origin and nature of Canadian consumers, there is **still great potential for the development of ethnically inspired flavours.** This trend can inspire innovation in meat processing.

Revenues for the meat industry are projected to increase by 0.3% annually to USD 30.8 billion over the five years to 2023. Industry operators will increasingly focus on increasing productivity through technological progress while maintaining profit margins. Moreover, market players will constantly switch production to value-added products and vertically integrated business models to balance slow growth.

The consumption of beef and veal per capita is expected to decrease on an annual basis by 0.9% in the period up to 2019. By 2024, per capita consumption of beef and veal will continue to decline, although at a slower rate. In addition, beef will remain popular with many Canadian consumers, and beef and veal will still account for almost 30% of Canada's total meat consumption

[29] *Processed meat and seafood in Canada*, Euromonitor International, Passport, November 2017

by 2024. **Overall, beef consumption per capita is projected to fall at a modest annual rate of 0.2% over the five years to 2024.**[30]

IBISWorld forecasts that revenues on the pork market will fall within five years to 2022. Falling at an average annual rate of 1.4%, the industry's revenue will reach USD 4.0 billion by 2022. In general, pork consumption per capita is expected to decline annually by 0.1% by 2024. European exporters should therefore pay particular attention to the quality of the meat they export when considering entering the red meat market.[31]

[30] *Meat, Beef & Poultry Processing in Canada*, IBISworld, www.ibisworld.com

[31] *Meat, Beef & Poultry Processing in Canada*, IBISworld, www.ibisworld.com

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3. CONSUMER TRENDS AND FACTORS INFLUENCING THE CONSUMPTION OF RED MEAT AND MEAT PRODUCTS

Analysis of data collected by Euromonitor International, IBISWorld, Statistics Canada and Alberta.ca, among others, shows that the Canadian meat market is characterized by the following trends and factors which will influence the level of consumption of red meat and products derived from the processing of this meat[32]:

- Revenues for the meat industry are projected to increase by 0.3% annually to USD 30.8 billion over the five years to 2023.
- By 2024, the consumption of beef and veal per capita will go down. Overall, it is expected that beef consumption per capita will fall at a modest annual rate of 0.2% in five years by 2024.
- IBISWorld forecasts that revenues on the pork market will fall by 2022. Falling at an average annual rate of 1.4%, the industry's revenue will reach USD 4.0 billion by 2022. Overall, pork consumption per capita is expected to fall by 0.1% annually by 2024.
- Among consumers in the Canadian market, there is a tendency to limit the consumption of meat protein or to give up meat altogether. More and more people, especially younger ones, tend to reduce red meat consumption or switch to vegetarianism or veganism.
- **These trends significantly reduce the attractiveness of the market for potential European meat exporters.**
- Consumers in Canada who choose to consume red meat expect ready-to-eat products and easy to prepare meat dishes that are both of excellent quality and taste. Customer awareness in the field of convenience food when it comes to meat products is an important factor in the development of the meat processing industry. Of all the categories, fresh meat has the highest share of the Canadian meat market.
- Despite the general decline in red meat consumption, growth opportunities continue to emerge, especially in **healthy and natural premium products**.

[32] Developed on the basis of: https://www.ibisworld.com/ ; https://www.euromonitor.com/ ; https://www.statcan.gc.ca/ ; https://www.alberta.ca/farm-agriculture-business.aspx ; http://www.agr.gc.ca/eng/home/?id=1395690825741

- Given the diverse ethnic origin and nature of Canadian consumers, there is still **great potential for the development of ethnically inspired flavours.** This trend can be an inspiration for innovation in meat processing.

- Given the interest of Canadian consumers in the trend towards convenience food and snacks, demand for processed and ready-to-eat meat products is expected to grow in the future.

- The Canadian market is increasingly showing an eco-trend of willingness to buy unprocessed, organic and local products. Some consumers in Canada are opposed to the use of growth hormones in animal production, which represents an opportunity for European products.

- Hypermarkets and supermarkets are the leading distribution channel for meat products in Canada.

- Maple Leaf and Schneiders are the leading brands in the Canadian meat market. Meat products with natural slogans on labels are gaining in popularity.

- All major sales networks are actively developing organic and ethnic food departments (targeting ethnic minorities).

- The *private label* market in 2015 already occupied 20% of the market and maintains an upward trend. Almost half of the private label manufacturers are located in Ontario.

- Canada's ongoing process of consolidating its sales network increases pressure to reduce prices while maintaining high quality products.

- Approximately one third of the population in Canada's three largest cities are immigrants, the largest group of whom are Chinese and Southeast Asian residents. The culinary tastes of this group require specific marketing activities, which makes it difficult to conduct uniform campaigns on a national/international scale.

- Large retail chains require the exporter to provide large batches of goods of constant quality and price, while maintaining an agreed shipping schedule and standards, while expecting to reduce costs.

4. DISTRIBUTION CHANNELS

According to Euromonitor International [33] retail sales in Canada are largely based on store sales. The share of this distribution channel in the total retail sales value in 2017 amounted to slightly over 91%. However, it should be stressed that in 2012 – 2017 the share of store sales decreased by 5 percentage points – from 96% in 2012 to the already mentioned 91% in 2017.

Store sales consist of distribution channels such as grocery stores, non-food stores, mixed stores, luxury stores and outlets. In 2017, grocery and non-food stores had a total of an 87.1% share in the value of sales generated by store sales (compared to 86.4% in 2012). In 2012 – 2017, the share of grocery stores increased by 0.7 percentage points (from 43.0% in 2012 to 43.7% in 2017); the share of non-food stores remained unchanged at 43.4%.[34].

Retail sales carried out with the use of grocery stores include the following distribution channels: hypermarkets, supermarkets, discount stores, convenience *stores*, modern grocery stores, traditional grocery stores, petrol station stores, specialist stores, independent small grocery stores and other grocery retailers.

The Table below presents the value of sales in the years 2012 – 2017 using the distribution channels comprising grocery stores.

The data analysis shows that modern grocery stores generated sales of nearly CAD 102 billion in 2017, which accounted for 65.8% of total sales. It should also be noted that the share of modern grocery stores in sales generated by grocery stores remained stable in 2012 – 2017 and amounted to 65.5%.

The three key distribution channels with the largest share in sales generated by grocery stores in 2017 are as follows[35]:

- Supermarkets – 26.9% (2012 – 30.0%)
- Hypermarkets – 19.7% (2012 – 16.3%)
- Specialist stores – 18.9% (2012 – 18.5%)

It is worth noting that over the years 2012 – 2017 the order among the three key distribution channels has changed. In 2012, the first three places were occupied by: supermarkets, specialist stores, hypermarkets. In 2017, hypermarkets were replaced by specialist stores. Despite the decrease in specialist stores, it should be noted that in the analyzed period they maintained a stable market

[33] *Retailing in Canada*, Euromonitor International, Passport, January 2018

[34] Ibid

[35] *Retailing in Canada*, Euromonitor International, Passport, January 2018

share, at a level of about 18.5%. It therefore appears that this distribution channel should be of particular interest to European exporters wishing to sell primarily premium products in Canada.

Table 14Sales in grocery stores by channel in 2012 – 2017 (CAD million)

Distribution channel	2012	2013	2014	2015	2016	2017
Modern Grocery Retailers	87,748.3	89,738.8	91,635.8	94,054.7	97,640.7	101,936.5
Hypermarkets (Hypermarkets)	20,098.5	22,304.6	24,624.7	26,787.4	28,499.5	30,616.9
Supermarkets (Supermarkets)	40,438.5	40,340.6	39,534.1	39,487.9	40,574.0	41,711.0
Discounts Stores	19,072.1	18,953.2	19,235.8	19,463.1	20,098.7	20,932.1
Convenience Stores	1,878.5	1,888.0	1,899.0	1,910.8	1,910.3	1,932.4
Gas station stores (Forecourt Retailers)	6,260.7	6,252.5	6,342.2	6,405.4	6,558.2	6,744.1
Chained Forecourts	4,911.1	4,932.5	5,049.2	5,144.2	5,304.5	5,487.5
Independent Forecourts	1,349.6	1,320.1	1,293.0	1,261.2	1,253.7	1,256.6
Traditional Grocery Retailers	46,988.0	47,436.2	48,099.9	49,722.4	51,550.1	53,104.4
Food / Drink / Tobacco Specialists	24,872.8	25,029.6	25,651.8	27,001.9	28,342.5	29,249.3
Independent Small Grocers	12,223.8	12,148.8	12,025.6	12,046.5	12,141.0	12,341.9
Others (Other Grocery Retailers)	9,891.4	10,257.8	10,422.5	10,674.0	11,066.5	11,513.2
Total	**134,736.3**	**137,175.1**	**139,735.7**	**143,777.0**	**149,190.8**	**155,040.9**

Source: own study based on: Retailing in Canada, Euromonitor International, Passport, January 2018

Analysis of the data presented in the Table below, concerning changes in sales value in individual distribution channels in the years 2012 – 2017, allows the following conclusions to be drawn:

- The largest increase in sales in the analyzed period was recorded in the following distribution channels:
    - Hypermarkets – by 52.3%

- Specialist stores – by 17.6%
- Discounts stores – by 9.8%

- The largest increase in sales in 2017 as compared to 2016 was recorded by the following distribution channels:
  - Hypermarkets – by 7.4%
  - Discounts stores – by 4.1%
  - Other food retailers – by 4.0%.

On the other hand, the analysis of the CARG index shows that sales in the following sales channels developed best on an annual average in the analyzed period:

- Hypermarkets – by 8.8% on average p.a.
- Specialist stores – 3.3%.
- Other food retailers – 3.1%.
- Discount stores – 1.9%
- Gas station stores – 1.5%

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Table 15Sales in grocery stores by channels in 2012 – 2017 – changes in sales value (in %)

Distribution channel	2017/2016	2012 - 2017 CARG	2017/2012
Modern Grocery Retailers	4.4	3.0	16.2
Hypermarkets (Hypermarkets)	7.4	8.8	52.3
Supermarkets (Supermarkets)	2.8	0.6	3.1
Discount Stores	4.1	1.9	9.8
Convenience stores	1.2	0.6	2.9
Gas station stores (Forecourt Retailers)	2.8	1.5	7.7
Chained Forecourts	3.5	2.2	11.7
Independent Forecourts	0.2	-1.4	-6.9
Traditional Grocery Retailers	3.0	2.5	13.0
Food / Drink / Tobacco Specialists	3.2	3.3	17.6
Independent Small Grocers	1.7	0.2	1.0
Others (Other Grocery Retailers)	4.0	3.1	16.4
Total	3.9	2.8	15.1

Source: Retailing in Canada, Euromonitor International, Passport, January 2018

On the other hand, the analysis of forecasted changes in the value of sales in grocery stores by distribution channels (Table below) shows that the following trends can be expected in the forecast period (2017 – 2022):

- Significant strengthening of the position of hypermarkets – the value of sales generated by this distribution channel will increase by over 15% by 2022.
- Strengthening the position of other food retailers – the value of sales generated by this distribution channel will increase by over 10% by 2022.
- Strengthening the position of specialist stores – the value of sales generated by specialist stores will increase by 5.1% by 2022.

- Strengthening the position of chain stores of gas stations – the value of sales generated by these stores will increase by 4.4% by 2022.
- Decrease in the value of sales generated by independent gas station stores (-7.1%), convenience stores (-6.0%) and independent small grocery stores (-1.1%).

Table 16Forecast of changes in the value of sales in grocery stores by channels in 2017 – 2022 (in %)

Distribution channel	2018/2017	2017 - 2022 CARG	2022/2017
Modern Grocery Retailers	1.5	1.1	5.6
Hypermarkets (Hypermarkets)	4.2	2.9	15.3
Supermarkets (Supermarkets)	0.5	0.2	1.2
Discount Stores	0.3	0.4	2.0
Convenience *stores*	-1.2	-1.2	-6.0
Gas station stores (Forecourt Retailers)	0.6	0.5	2.3
Chained Forecourts	1.1	0.9	4.4
Independent Forecourts	-1.6	-1.5	-7.1
Traditional Grocery Retailers	1.1	0.9	4.7
Food / Drink / Tobacco Specialists	1.2	1.0	5.1
Independent Small Grocers	-0.2	-0.2	-1.1
Others (Other Grocery Retailers)	2.2	2.0	10.2
Total	1.4	1.0	5.3

Source: Retailing in Canada, Euromonitor International, Passport, January 2018

The following is a brief description of food distribution through channels such as grocery stores and food service providers.

Canada's food distribution sector consists of the food and catering sub-sectors. In 2016, approximately 73% of the food was distributed through grocery stores, which include both large chains (such as Loblaws, Sobeys and Metro) and independent grocery stores. A growing part (27%) of

food sales comes from other stores, such as drugstores, club wholesalers (e.g., Costco), mass retail stores (e.g., Walmart), discounts stores and shops with basic necessities.

Most sales of catering services (78%) come from commercial outlets, including full-service restaurants (e.g., Swiss Chalet, Eastside Mario's etc.) and fast food restaurants (e.g., McDonald's, Burger King etc.). The remainder is for non-commercial catering establishments, which include hotels, institutions (e.g., hospitals), leisure facilities such as theaters and arenas, vending shops and catering premises in department stores.

Table 17Sales network revenues in Canada in 2016

SALES NETWORK IN CANADA	SALES REVENUES IN 2016*
LOBLAW COS. LTD. / SHOPPERS DRUG MART	28,919,000,000
SOBEYS INC. (EMPIRE) /SAFEWAY	20,827,000,000
METRO INC.	11,124,000,000
COSTCO CANADA INC.	19,162,000,000
WALMART CANADA CORP.	7,004,000,000
CO-OPS	3,574,000,000
OVERWAITEA FOOD GROUP	2,759,000,000
THE NORTHWEST COMPANY	840,000,000
ALIMENTATION COUCHE-TARD	556,000,000
DOLLARAMA	525,000,000
LONGO BROTHERS FRUIT MARKET	400,000,000

Source: *Canadian Grocer Who's Who 2017, *estimated amount in CAD*

5. WHAT AND WHERE TO EXPORT?

What to export?

1. Consumers who still want to eat meat are increasingly looking for suitable proteins and shop for fresh meat, often from the premium segment. This trend is likely to continue to drive sales growth. **Therefore, one of the product categories to be exported should be products that take into account cultural and, in particular, religious considerations, in view of the ethnic diversity of Canada's population.**

2. When deciding to export frozen products, it should be borne in mind that in this product category, the sales driving trend will be the introduction of new products made from fresh, nutritious ingredients that contain less fat and sodium than traditional frozen meals. This should take into account the fact that in the coming years frozen ready meals will experience greater competition from fresh substitute products available in grocery stores.

3. Some Canadian consumers, especially young consumers, do not accept the use of growth hormones in the breeding of slaughter animals. Therefore, European meat produced to the highest standards and without growth hormones has a chance to compete on the Canadian market based on quality rather than price competition.

4. The growing market share of *private label products* that displace the sales network of Canadian and American brands can be an opportunity for European exporters offering products for sale in the *private label* category.

Where?

1. Since the location of meat sales centers is determined by population density, European beef and pork exporters should first look for future business partners/sales centers in these locations (Ontario, Quebec and British Columbia) to ensure that the goods exported are disposed of and, given the degree of population, that demand is stable.

2. When considering cooperation with specific distribution channels, it is important to consider hypermarkets and supermarkets (which guarantee a high volume of sales) and specialist grocery stores (looking for high-quality products with a unique taste).

Who can help a European entrepreneur interested in entering the Canadian market?

Certain basic information can be obtained from the Embassy of Canada in Poland

(http://www.canadainternational.gc.ca).

How to find a supplier from Canada

You can search the database – Canadian Company Capabilities (http://www.ic.gc.ca/eic/site/ccc-rec.nsf/eng/home?OpenDocument) or use the help of Commercial Advisors from the Commercial Office of the Embassy in Warsaw.

How to find a Canadian importer for products

You can search the database – Canadian Importers Database (https://www.ic.gc.ca/eic/site/cid-dic.nsf/eng/home)

Canadian regulations regarding export and import control

In order to obtain this information, it is worth visiting the Export and Import Controls database (http://www.international.gc.ca/controls-controles/index.aspx?lang=eng)

Canada's trade policy

It is presented at Trade Negotiations and Agreements (http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx?lang=eng&menu_id=57), which provides information on current and pending trade agreements by country and region, dispute resolution, environmental impact assessments, corporate social responsibility and the OECD (Organisation for Economic Cooperation and Development) guidelines on responsible business practices.

More information can also be found at the following addresses:

- Canada's economy by industry (https://www.canada.ca/en/services/business/research.html)
- commercial and economic analyses (http://www.international.gc.ca/economist-economiste/index.aspx?lang=eng)
- Canadian economic sanctions (http://www.international.gc.ca/world-monde/international_relations-relations_internationales/sanctions/index.aspx?lang=eng)

1. It is recommended to hire a law firm in Canada. Often such an institution is able to advise the entrepreneur on both the establishment of the company in Canada and the requirements associated with it.

   Example law firms:

   - Osler: https://www.osler.com

- SSW Pragmatic Solutions: https://ssw.solutions/

2. Consulting companies can also be a valuable source of information about the Canadian market. In the economic space between Poland and Canada there are many consulting and advisory companies established by representatives of the Polish community in Canada. It is worth cooperating with them, especially in the initial period of entering the Canadian market. The Polish-Canadian Chamber of Commerce in Warsaw – an organization helpful in obtaining information about the Canadian market: http://pccc.pl/

3. Institutions supporting European entrepreneurs in the American market:
   - Trade and Investment Promotion Section (TIPS) in Washington and New York: https://usa.trade.gov.pl
   - Polish Investment and Trade Agency – PAIH (formerly known as the Polish Information and Foreign Investment Agency – PAIZ): www.paih.gov.pl

Also:

Financial support for the implementation of projects of foreign investors in Canada is offered by **two state financial institutions** – **"Export Development Canada" (EDC, Canadian state loan insurance agency,** equivalent to the Polish "Export Credit Insurance Corporation") and " **Business Development Bank of Canada" (Canadian BDBC; a state bank whose activity is focused on supporting the development of entrepreneurship, mainly small and medium enterprises (SMEs);** in Poland, a similar function is fulfilled by the Bank Gospodarstwa Krajowego). In particular, EDC provides financing for projects carried out in Canada by foreign investors (greenfield and brownfield investments), and also offers them, upon completion of the investment, access to the basic products of this institution, i.e., financial instruments to support the export of the company's production to foreign markets (loans, credit lines, insurance, guarantees, more about the programs of this institution on its website: http://www.edc.ca/). The BDBC, on the other hand, offers various types of financial instruments (mainly loans) with a repayment term of 4 to 30 years to finance projects of foreign investors in Canada (mainly to finance investment projects concerning real estate, equipment or human capital).

LIST OF TABLES, DRAWINGS AND MAPS

KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ

UPEMI Union of Producers and Employers of Meat Industry

JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO

KAMPANIA FINANSOWANA PRZY WSPARCIU UNII EUROPEJSKIEJ

JAK RÓWNIEŻ ZE ŚRODKÓW FUNDUSZU PROMOCJI MIĘSA WIEPRZOWEGO I FUNDUSZU PROMOCJI MIĘSA WOŁOWEGO