Canadian Market for Ambient Seafood & Tuna

May 24th 2012

CLOVER LEAF

An update and outlook on demographic, consumer, retailer and category trends

- Canada, similar to other mature tuna markets around the globe, has witnessed declining consumption within ambient seafood. Part of the decline can be linked to higher prices driven not only by increasing global demand, but also by sustainability initiatives.
- It remains perplexing, however, that ambient tuna consumption has declined.
- Considering Canada's obesity challenges and the health concerns of an aging population we should be witnessing substantial growth of ambient tuna as a *"food of choice"* for health, wellness and affordability.
- The Canadian market overview will explore the key factors contributing to the sluggish category performance of ambient tuna by examining key demographic trends, consumer attitudes, the retail environment and ambient seafood category trends.

Canada – Major Demographic Trends

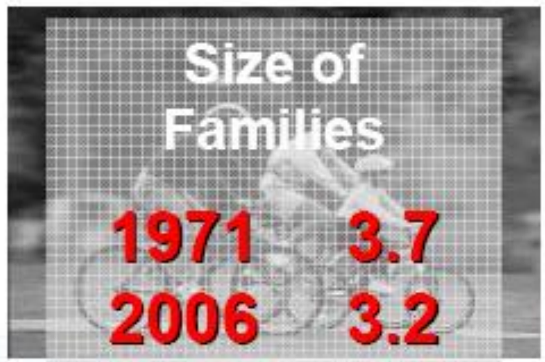
In Canada, there are 3 key demographic trends which we expect will continue to impact future purchase behaviour and decision making on most consumer products.

Fundamental Demographic Trends

Older and Wiser

1961	8%
2006	13%
2030	25%

Declining Families



The size of the average Canadian family continues to shrink

Increasingly Mosaic

16% are visible minority (25% in 10 years)

Canada’s median age of 38.9 is 11 years higher than the global median age. The aging of our society will influence many aspects of future food consumption.

Canada’s Average Age Indexes at 141

Today - Global Median Age 27.6 years old

28%	0 -14 years old
65%	15-64 years old
7%	≥ 65 years old

Canada: 38.9 Index to Global Median Age: 141

US Median Age: 36.5

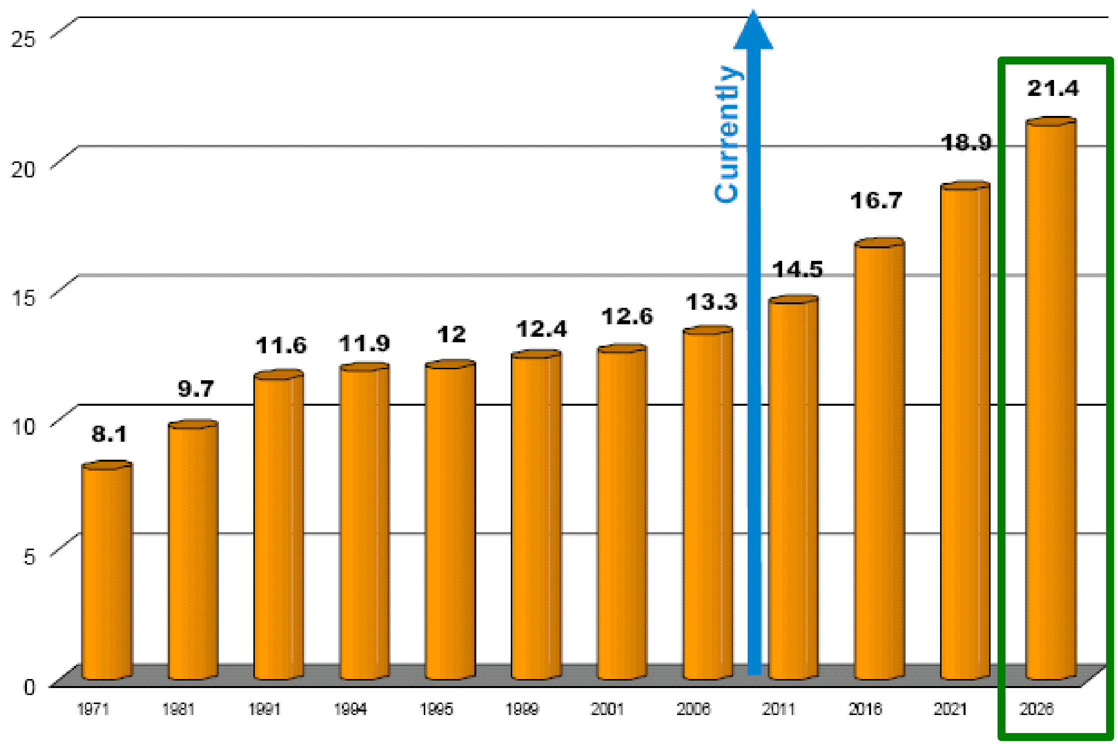
Canada is aging faster than the US

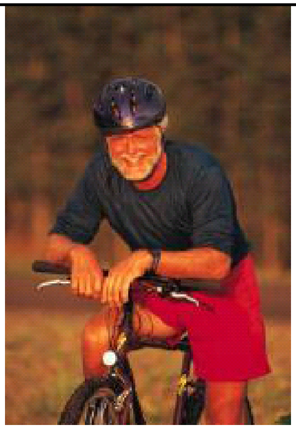
Source: Statistics Canada, 2006 Census

By 2050, China will have 335 million retirees, the population of the US

As a distinct group, the over 65’s are an influential consumer segment projected to grow by 30% in the next 20 years to represent almost 22% of Canada’s total population.

Projected % Of Population +65 Age – Canada

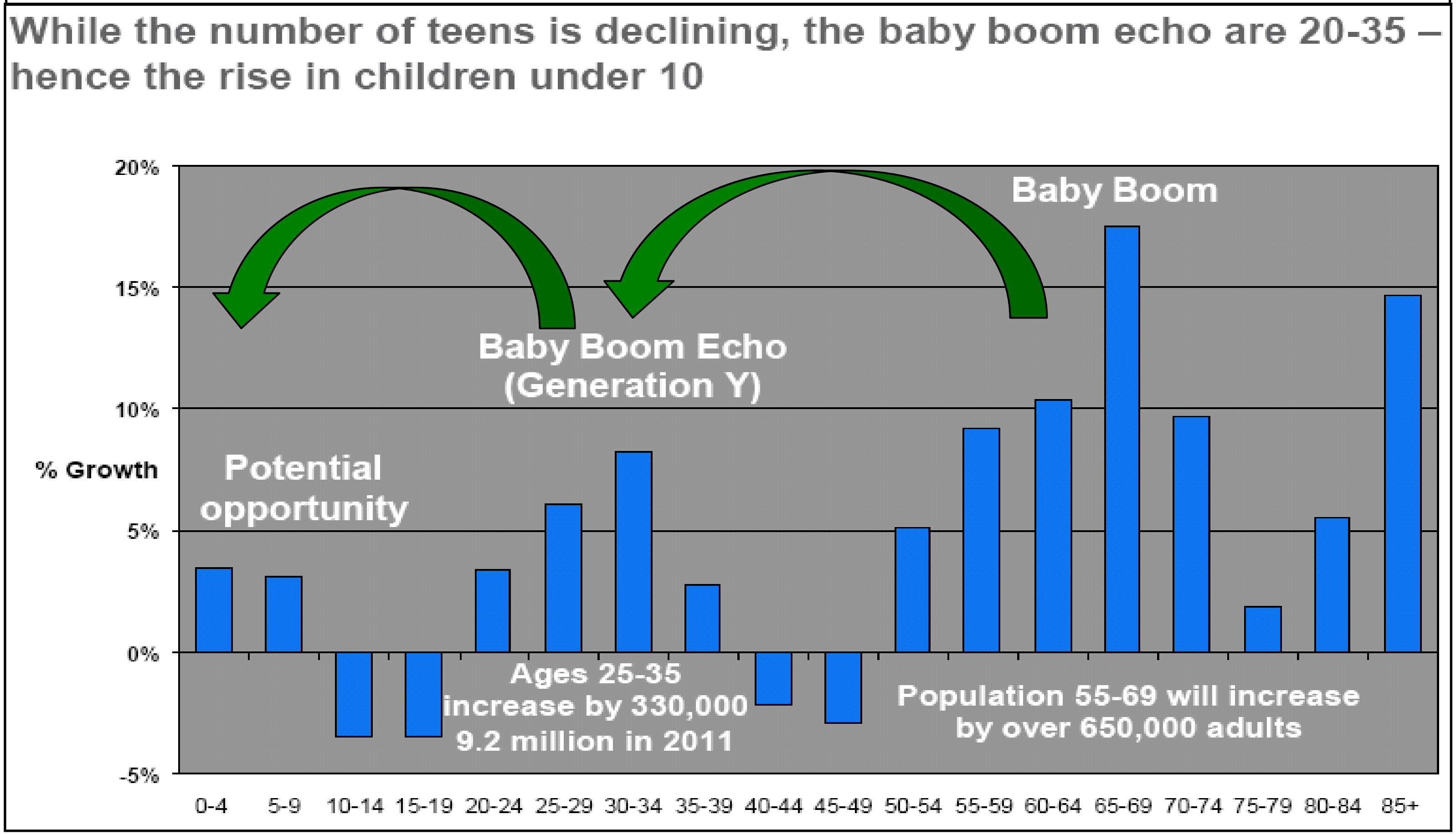




The proportion expected to be over 65 will increase by almost three-fold between 1971 and 2026. In the next 10 years alone, they will increase by 30%.

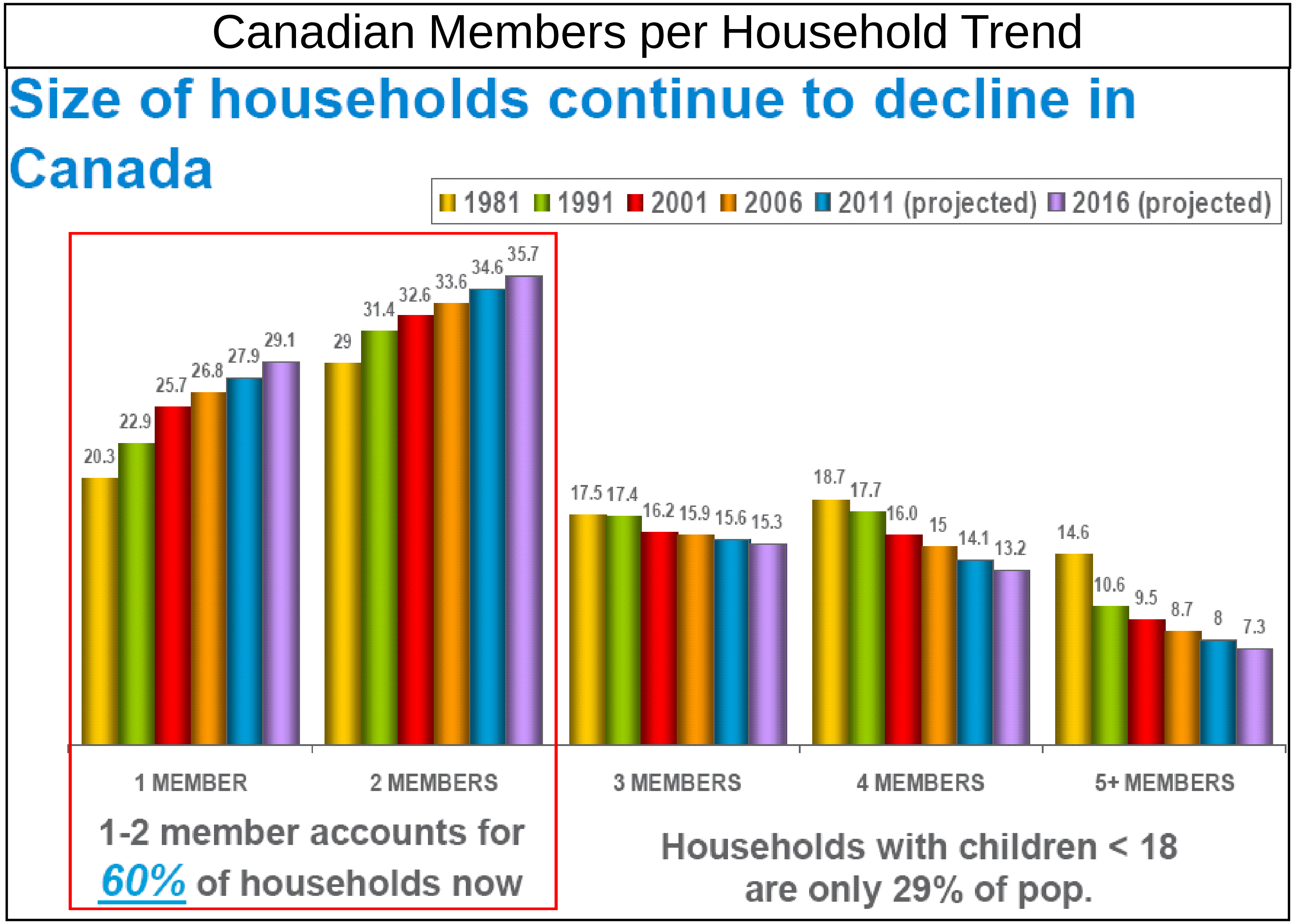
While the ‘baby boom’ generation is indeed a significant cluster, they have also caused a ripple affect on future generations such as the ‘echo boomers’ and their ‘under 10’ offspring.

% Growth of Population by Age Segment – Canada



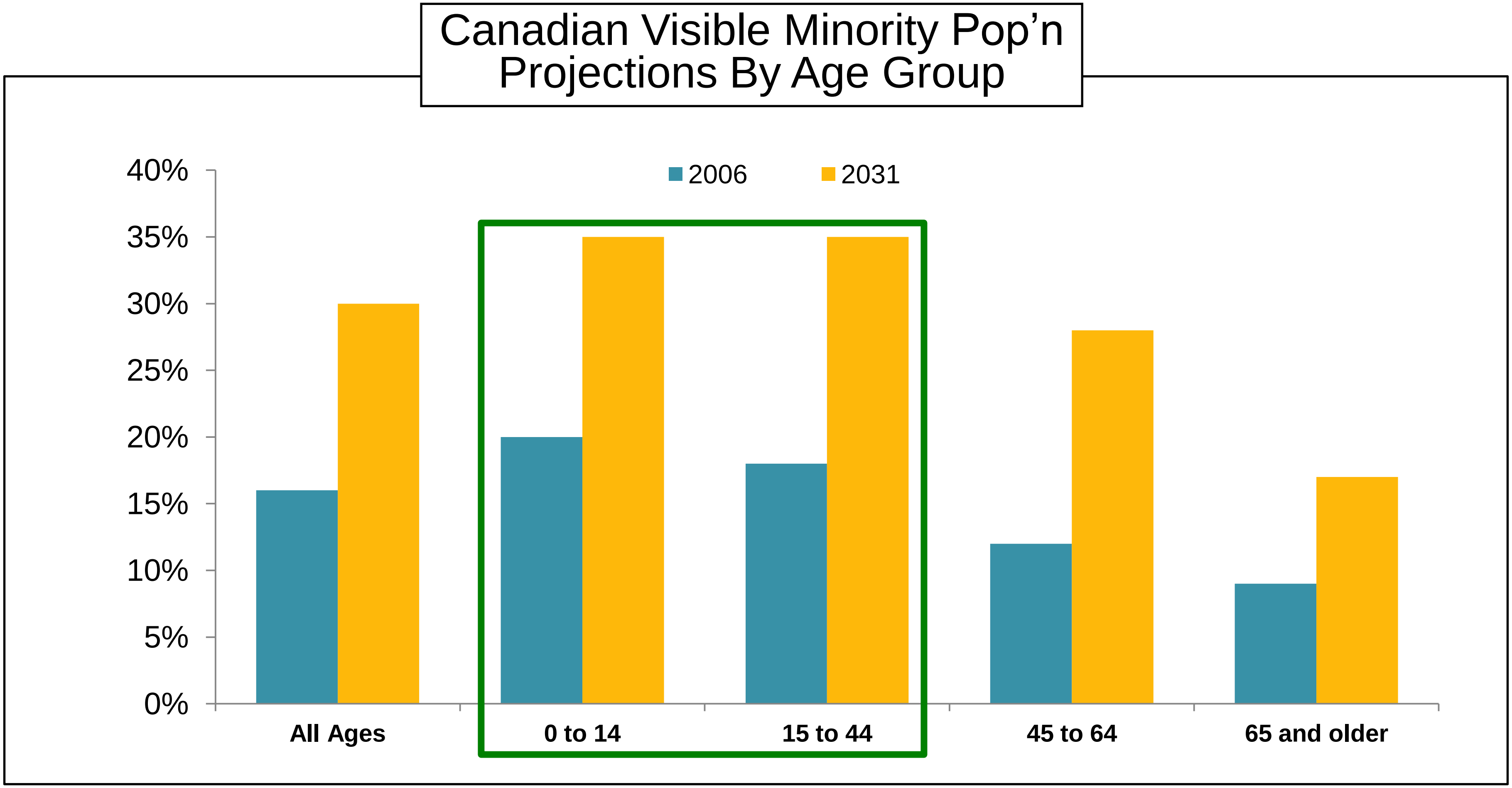
Source: Statistics Canada and other Government sources

1 and 2 person households are projected to represent close to 65% of all future homes. We expect this will result in more out-of-home eating occasions and a need for smaller serving sizes for in-home consumption



Source: Statistics Canada and other Government sources

Over the past decade, Canada has welcomed roughly 250,000 new immigrants annually with 75% of these arrivals coming from Asia, Middle East and Africa – by 2031 this group is projected to represent 35% of all Canadians under the age of 44

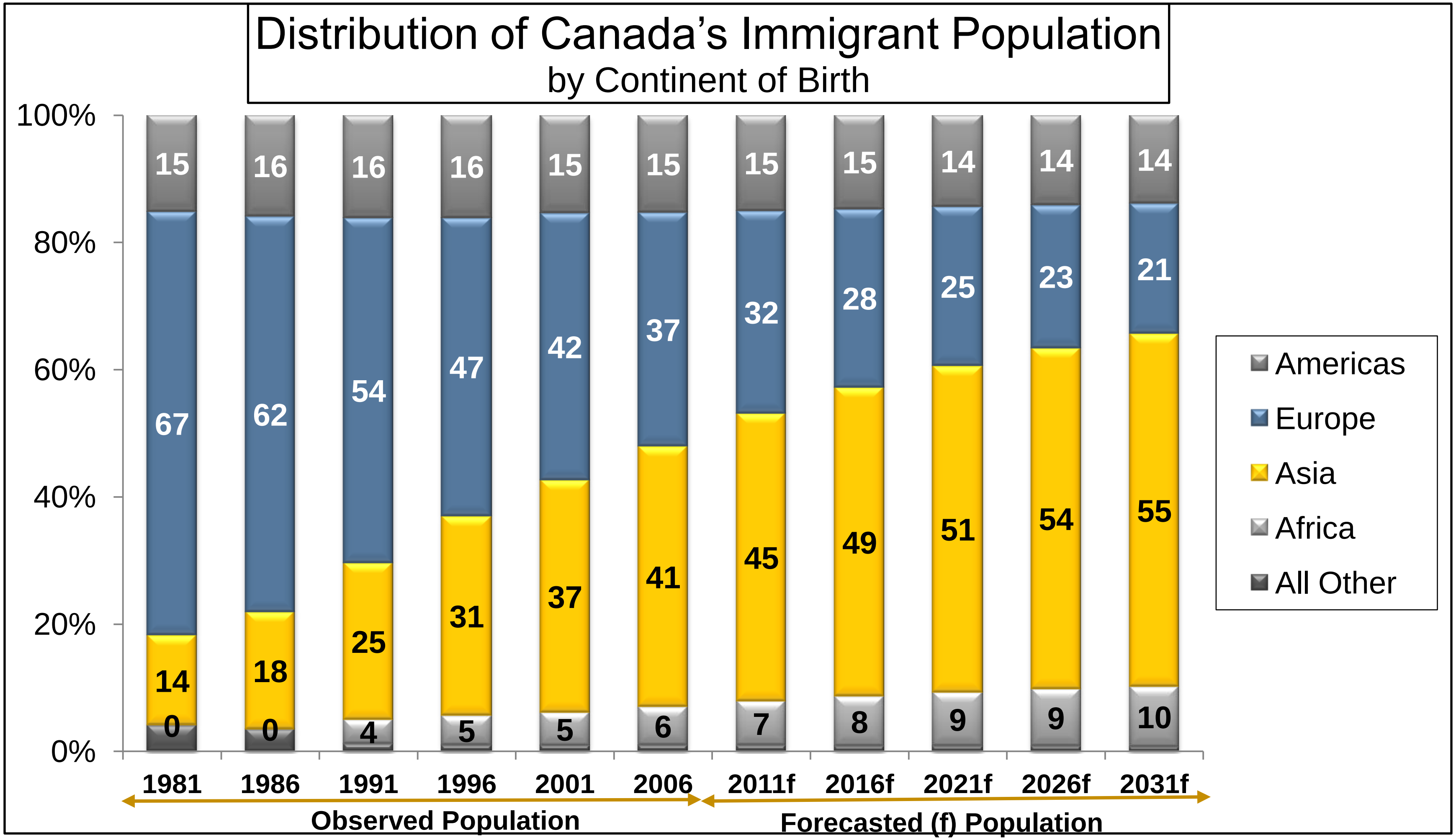


Source: Statistics Canada – 2006 Census

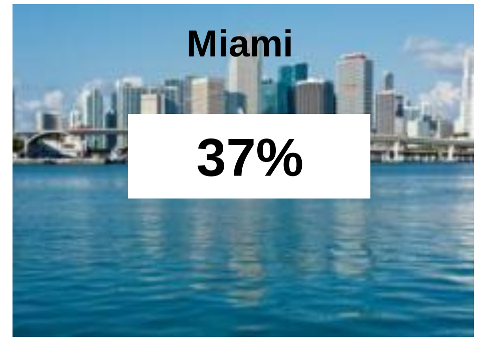
Source: Statistics Canada – Catalogue no.91-551-X

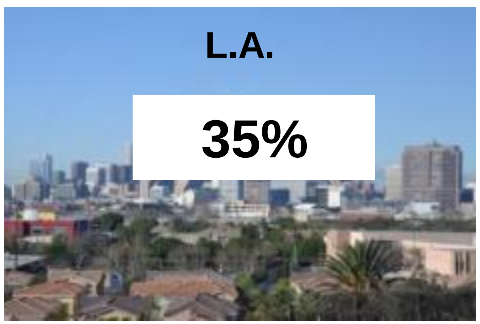
Source: Statistics Canada. (2010). Projections of the Diversity of the Canadian Population – 2006 – 2031

And while Asian immigrants are already influential, they will continue to expand at a rate of double that of the next largest group, the Europeans. It is forecasted that Asians will represent nearly 60% of all immigrants to Canada by 2031.



Our immigration policy has resulted in cities like Toronto and Vancouver becoming more ethnically diverse than many world cities known for their cultural diversity.





Source: The NPD Group/National Eating Trends – Canada;
2 years ending March 2011

Ambient seafood, as healthy protein, seems well-positioned to address Canada's demographic trends, however driving growth will require product innovation and new approaches to marketing.

Aging Consumer

1. Increased Focus on Health & Wellness
2. Smaller Serving Size
3. Assortment that makes it easier to shop
4. Need to maintain strong brand loyalty

Shrinking Household Size

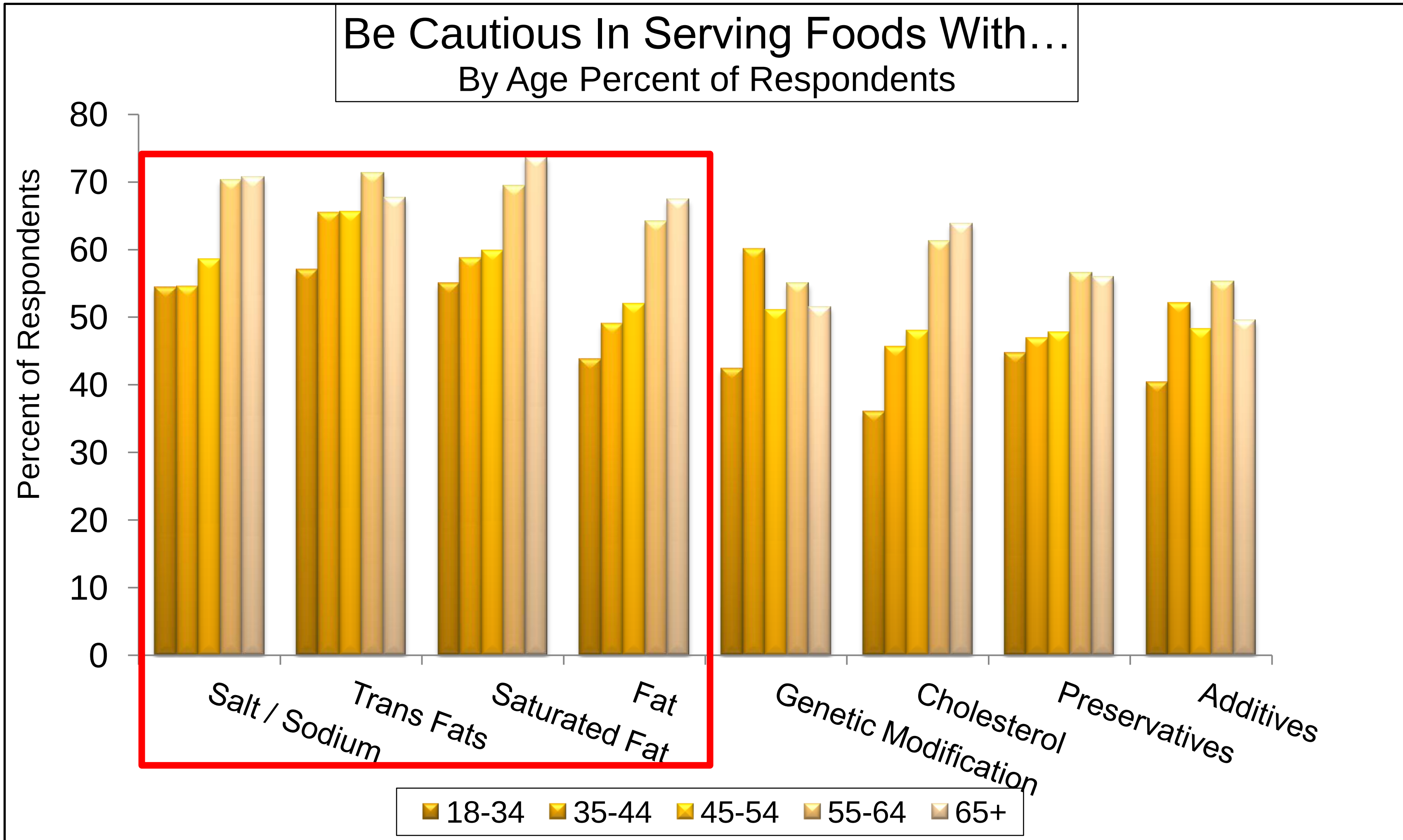
1. Small Pack Sizes
2. Ready to Eat / Convenience
3. Reach through non-traditional means / social media
4. Alter promotional strategy

Ethnic Households

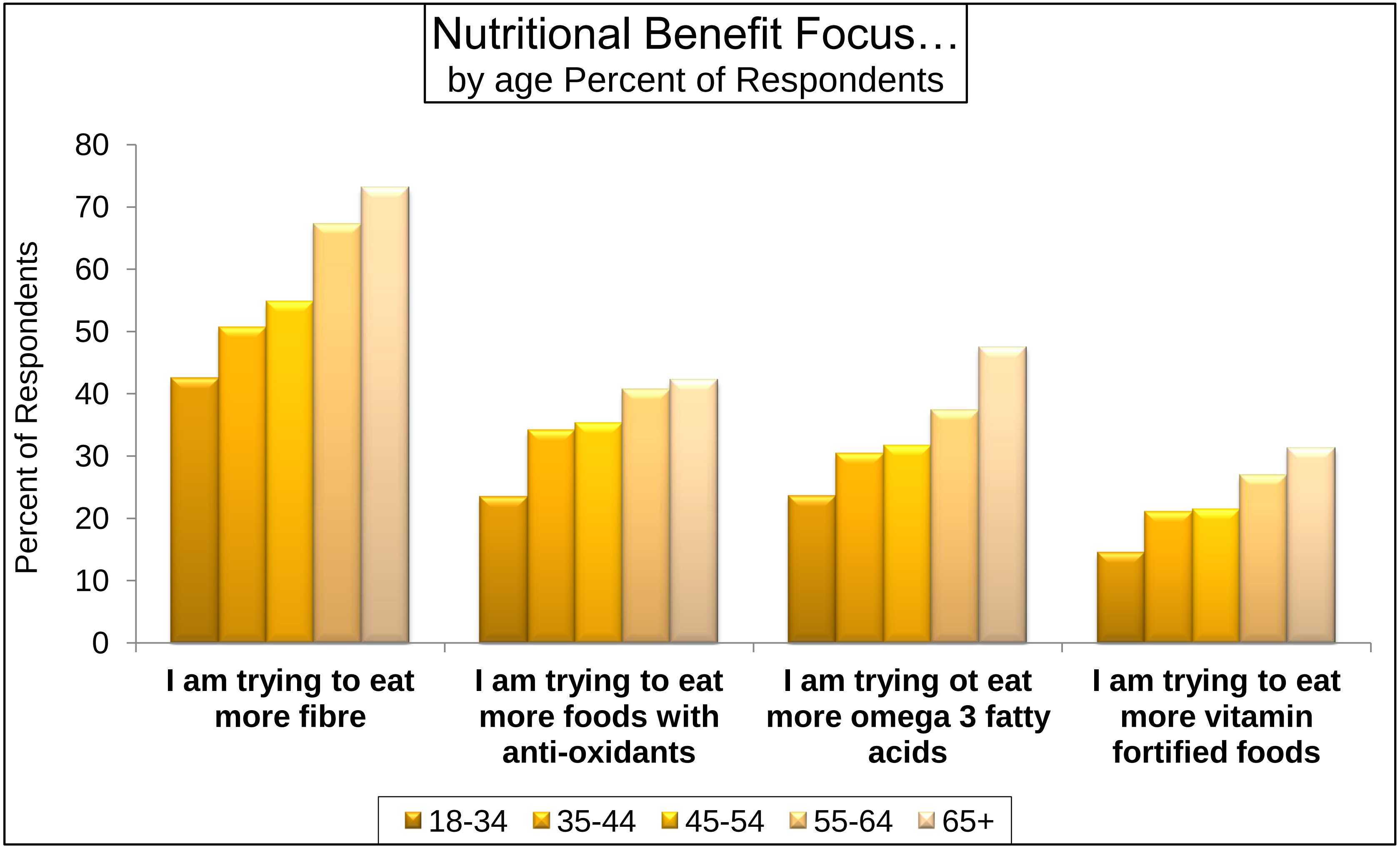
1. Develop products with an ethnic appeal
2. Build awareness at a 'local' store / community level
3. Alter communication strategy (i.e., ethnic website / media / events)

Canada – Significant Consumer Trends & Attitudes

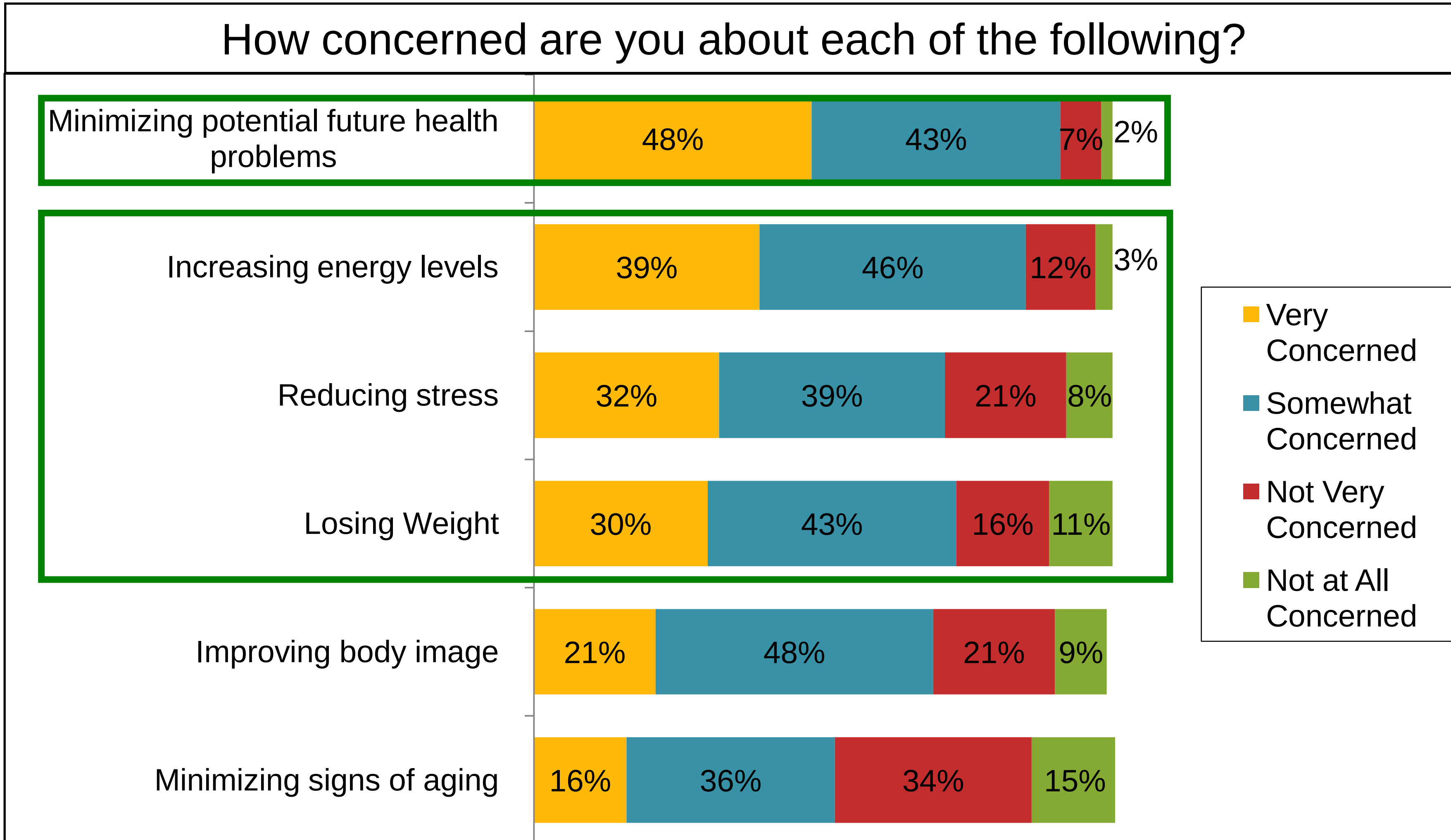
As health concerns increase with age, so does caution around what is in our food. Of particular note is the heightened importance around nutritional ‘watch-outs’ such as sodium and fats.



Along with avoiding negative nutritionals, older consumers are looking for ingredients that promote health and wellness resulting in the growth of 'Functional' and 'Nutriceutical' foods with specific health benefits such as omega 3 and fiber.



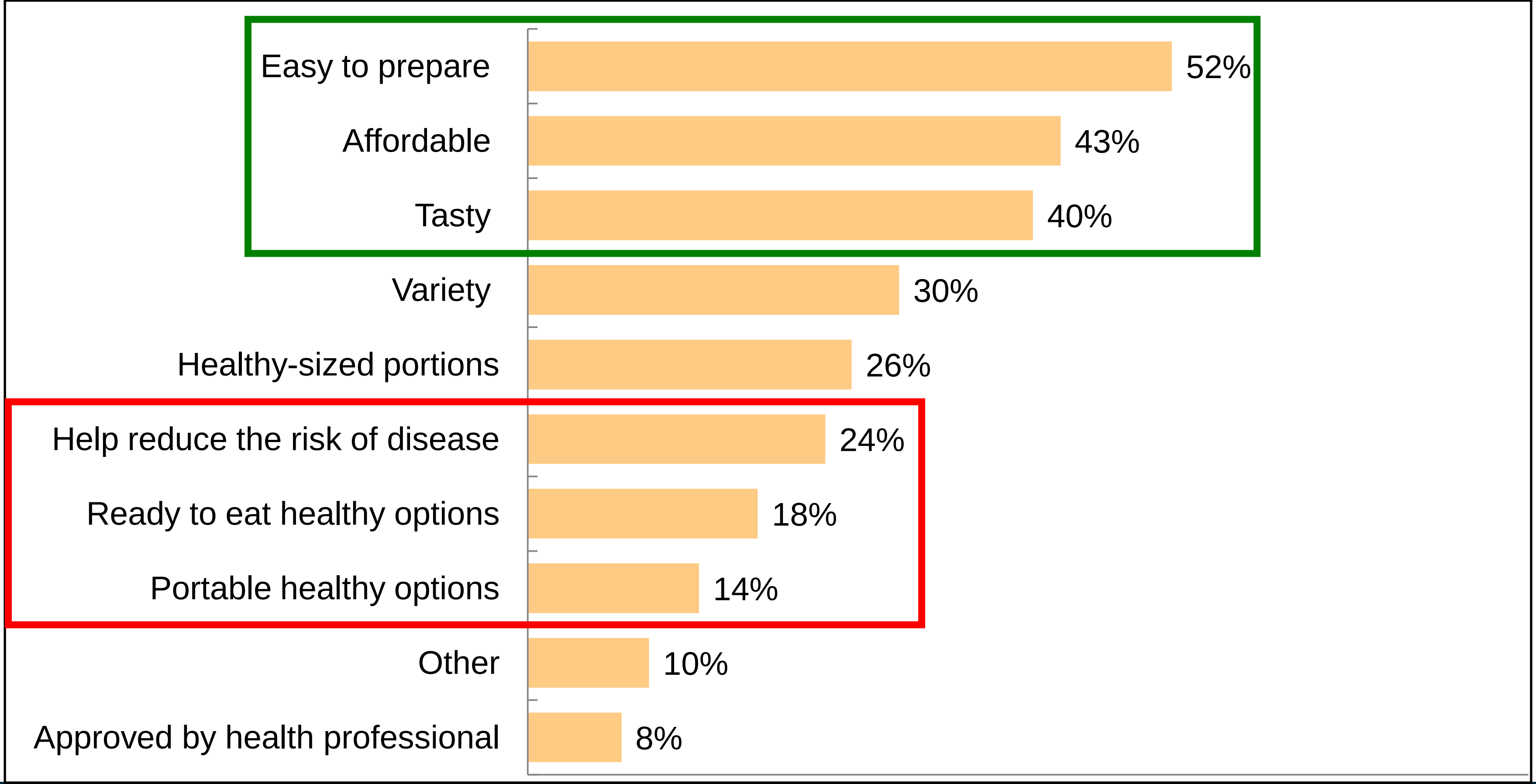
Canadian's are very focused on health & wellness with 91% of consumers somewhat or very concerned with minimizing future health problems while addressing energy, stress and weight loss goals.



Source: **Base: Canadian Households, N= 12,579,119**
Source: Nielsen PanelTrack Health & Wellness Survey 2006

Despite our focus on healthier food choices consumers still expect ‘Easy to prepare’, ‘Affordable’ & ‘Tasty’ as the top motivators in their ‘healthy food’ purchase decision.

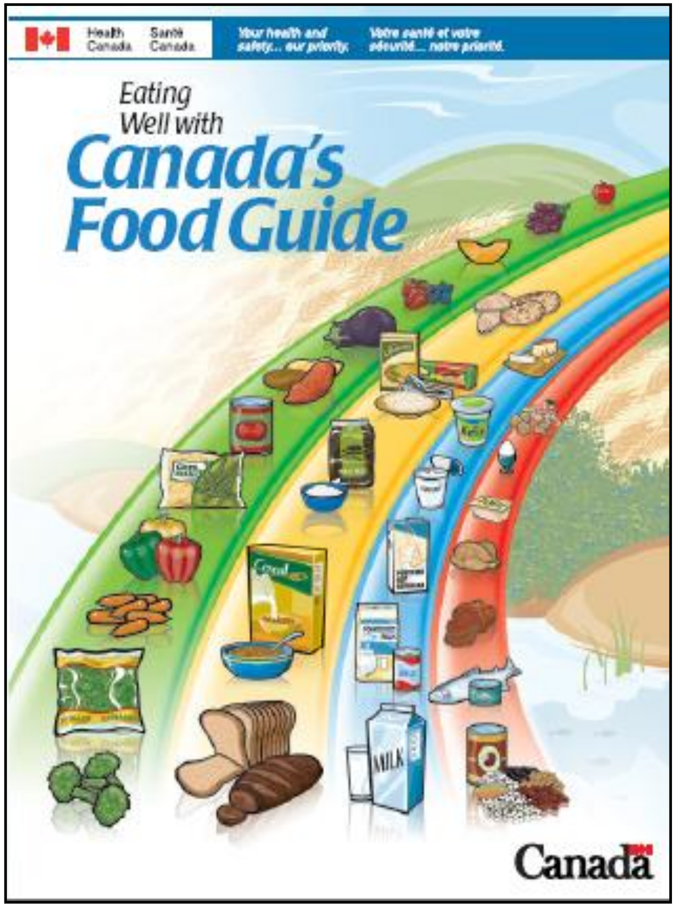
Thinking about healthy foods, which of the following factors are the most important in your purchase decision?



Source: **Base: Canadian Households, N= 12,579,119**
Source: Nielsen PanelTrack Health & Wellness Survey 2006

Fortunately Canada's Food Guide promotes seafood consumption - "eat at least 2 servings per week" and overall this seems to be driving higher consumption. Canned albacore retains a consumption warning.

Canada's Food Guide Recommendations



- **Eat at least two Food Guide Servings of fish* each week.**
  - Choose fish such as char, herring, mackerel, salmon, sardines and trout.

  * Health Canada provides advice for limiting exposure to mercury from certain types of fish.

New Information Update: Mercury in Canned Albacore Tuna

As a precaution, Health Canada is providing the following advice.

- Women who are or who may become pregnant, or who are breastfeeding can eat up to four Food Guide Servings of canned albacore tuna each week. One Food Guide Serving is 75g, 2 ½ oz, 125 mL, or ½ cup.
- Children between one and four years old can eat up to one Food Guide Serving of albacore tuna each week.
- Children between five and eleven years old can eat up to two Food Guide Servings of albacore tuna each week.

Our interest in health is driving higher fish consumption at dinner, though ambient seafood is used far less during that meal occasion.

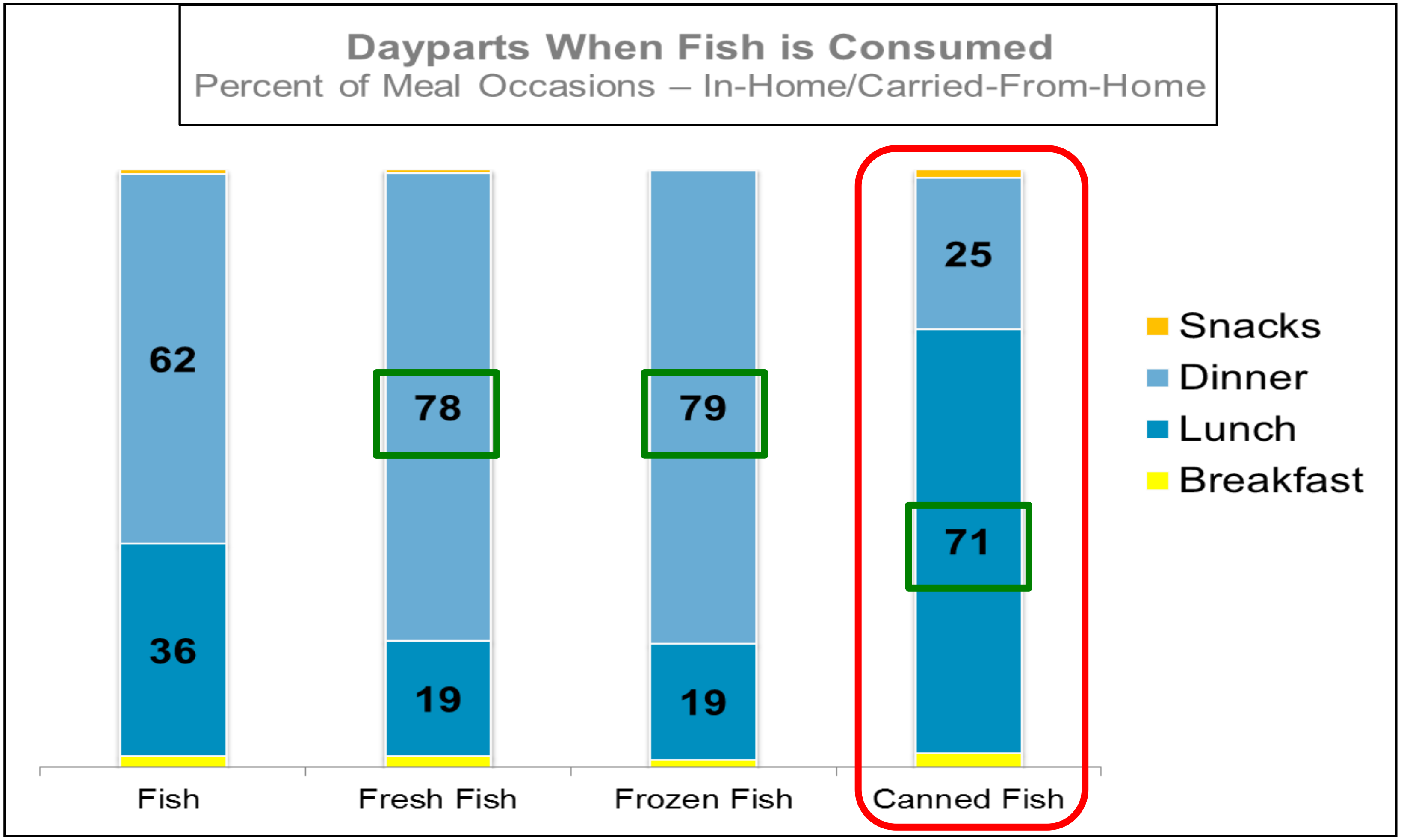
Top Foods at Dinner by Age Group

Percent of Meal Occasions – In-Home/Carried-From-Home

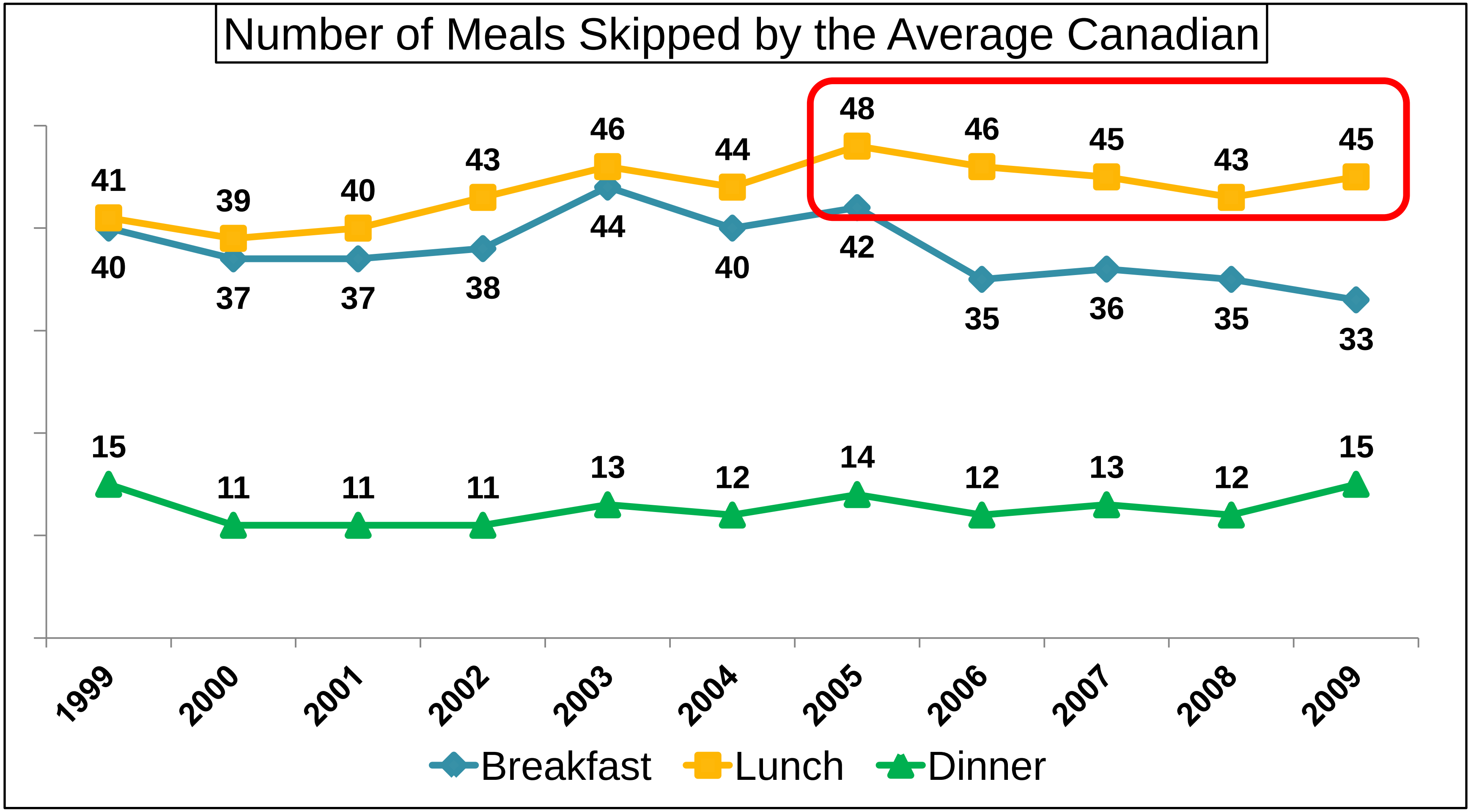
Category	Children Under 18	18-34	35-44	45-54	55-64	65+
Vegetables	30	24	29	33	35	41
Salads	12	14	17	17	20	21
Rice	12	13	13	13	11	8
Chicken (ex. wings/nuggets)	11	10	10	11	11	10
Boiled / Mashed Potatoes	8	7	8	9	12	17
Fruit	8	5	7	7	9	16
Italian Pasta	9	10	9	8	6	5
Soup	6	6	6	7	9	11
Casseroles / One Dish Meal	6	7	6	7	7	8
Pizza excl. Novelties	7	7	8	5	4	3
Fish	5	4	5	6	7	8
Sandwiches	4	7	5	6	6	7

Index => 115 vs. Total Population **Index = < 85 vs. Total Population**

Fresh and frozen fish is skewed towards dinner while canned seafood is most often enjoyed at lunchtime, unfortunately lunch is often skipped by Canadians.

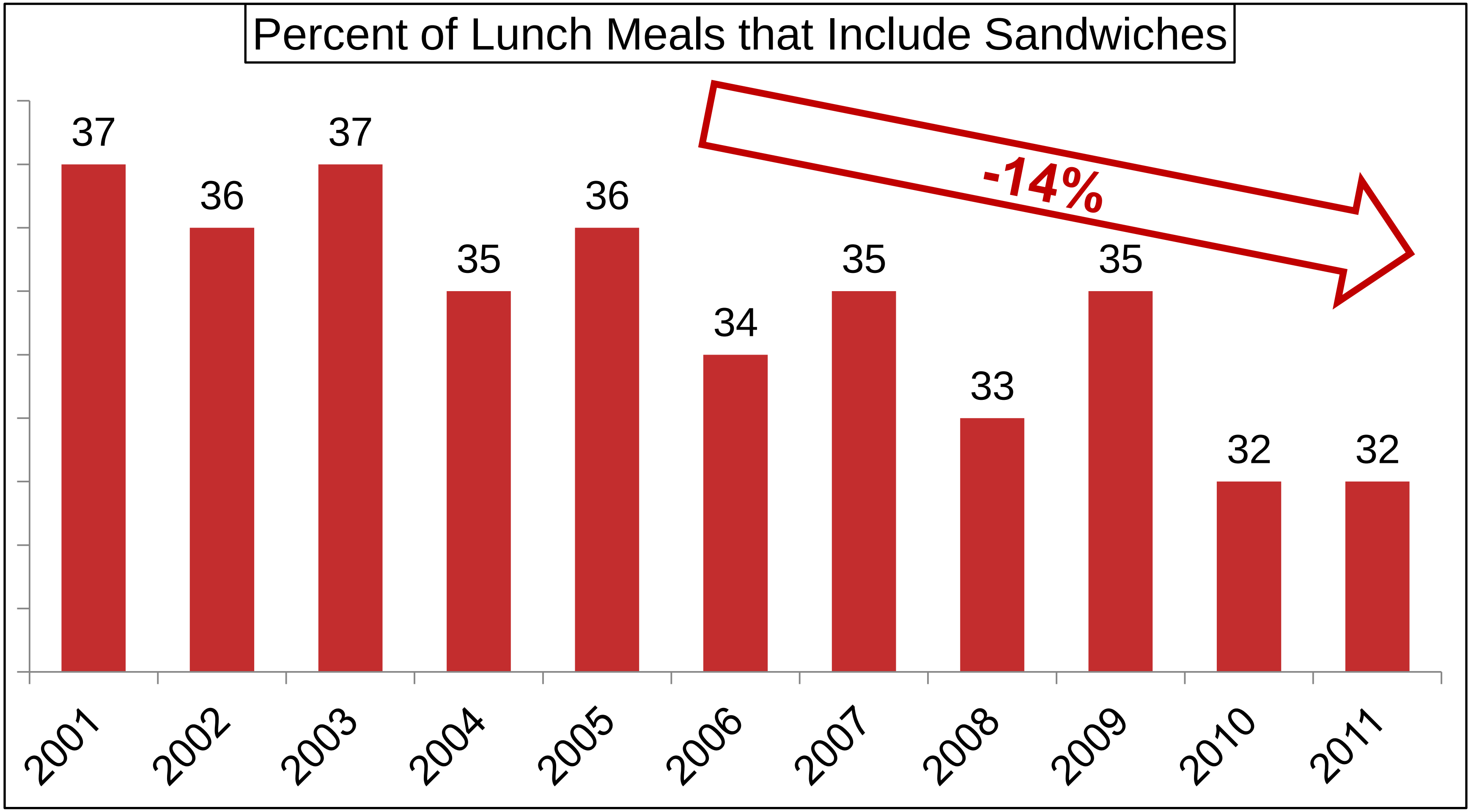


Canadians skip lunch more than any other meal (lunch is missed 45 time a year on average), a trend that has worsened over the past decade.



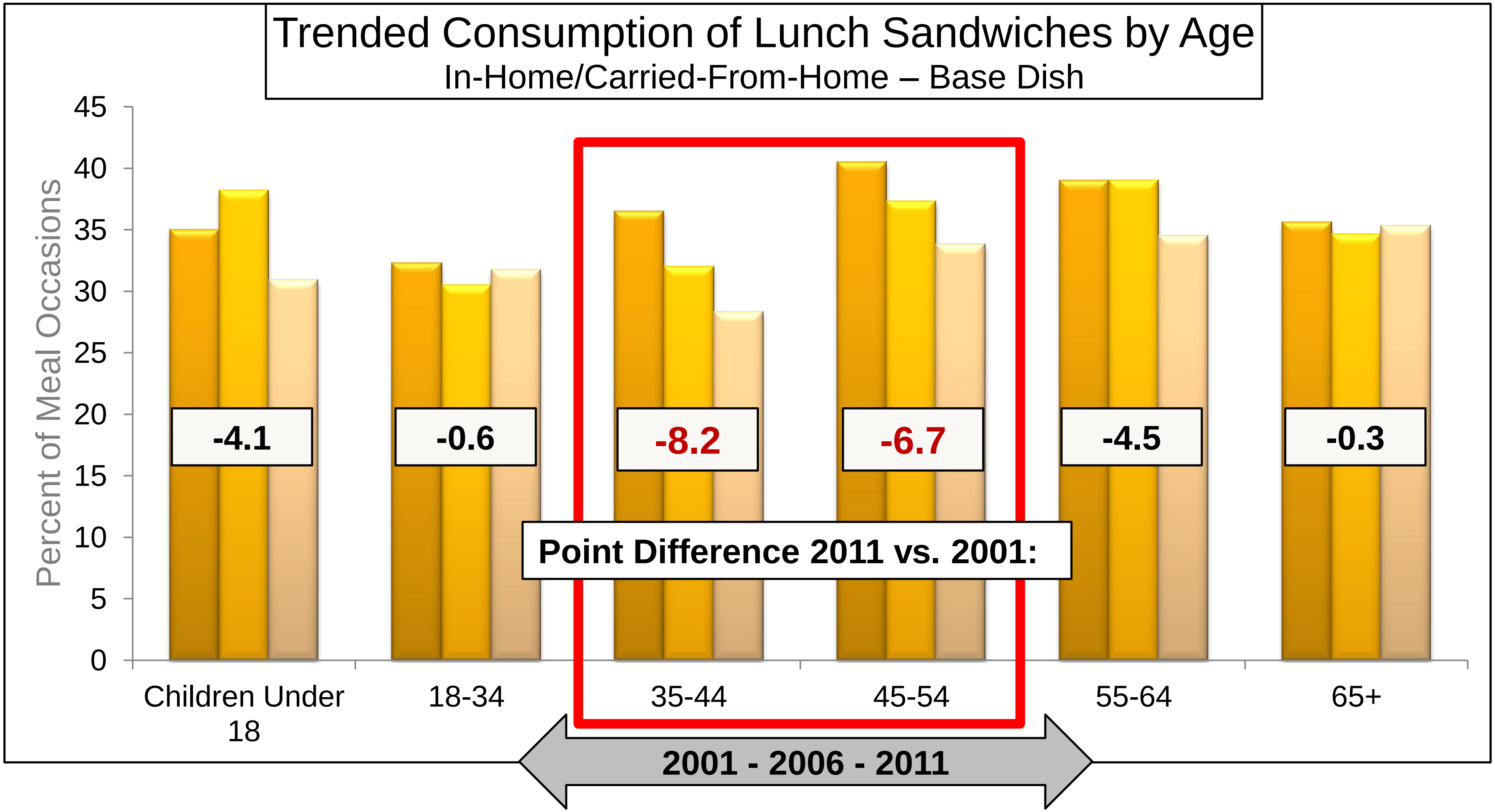
Source: The NPD Group/National Eating Trends – Canada;
10 years ending March 2011

Lunch is frequently skipped and Canadians are eating fewer sandwiches for lunch with a 10-year decline of almost 14%. Is a tuna sandwich for lunch becoming a rare treat instead of the staple it once was?



Source: The NPD Group/National Eating Trends – Canada;
10 years ending March 2011

While sandwich consumption declines apply to all age groups, the most prominent declines are among adults 35 to 54, traditionally the age when consumers increasingly enjoy ambient seafood.



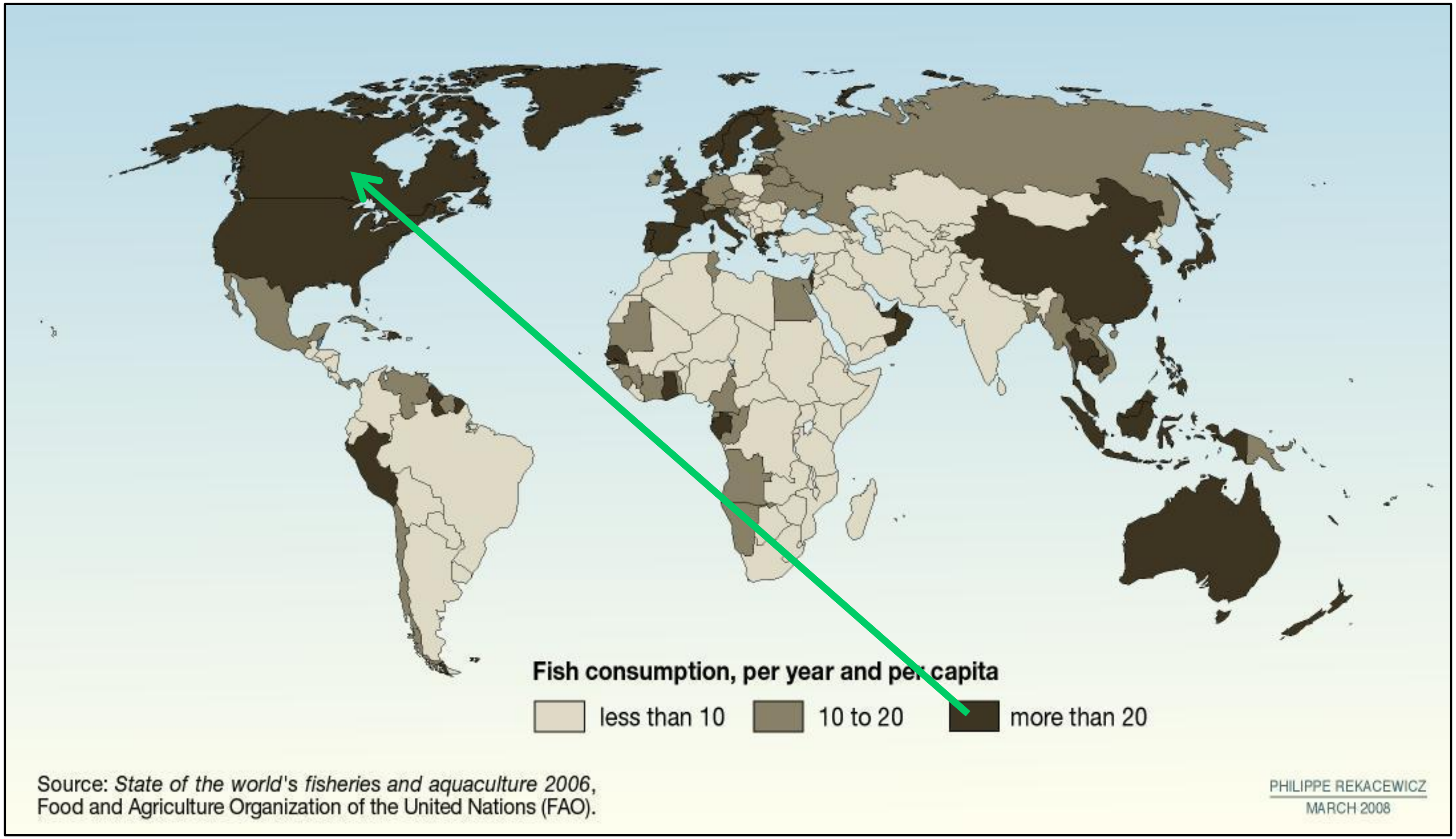
Two additional concerns that could be affecting ambient seafood are food safety and sustainability. As an industry, we must allay consumer fears through education with sustained influencer outreach programs!

Two Emerging Priorities

- Food safety concerns
  - Mercury, BPA, product of China, tsunami nuclear contamination, etc.
- Sustainability concerns on wild fisheries
  - Work with ISSF, WWF and FCC on influencer outreach programs

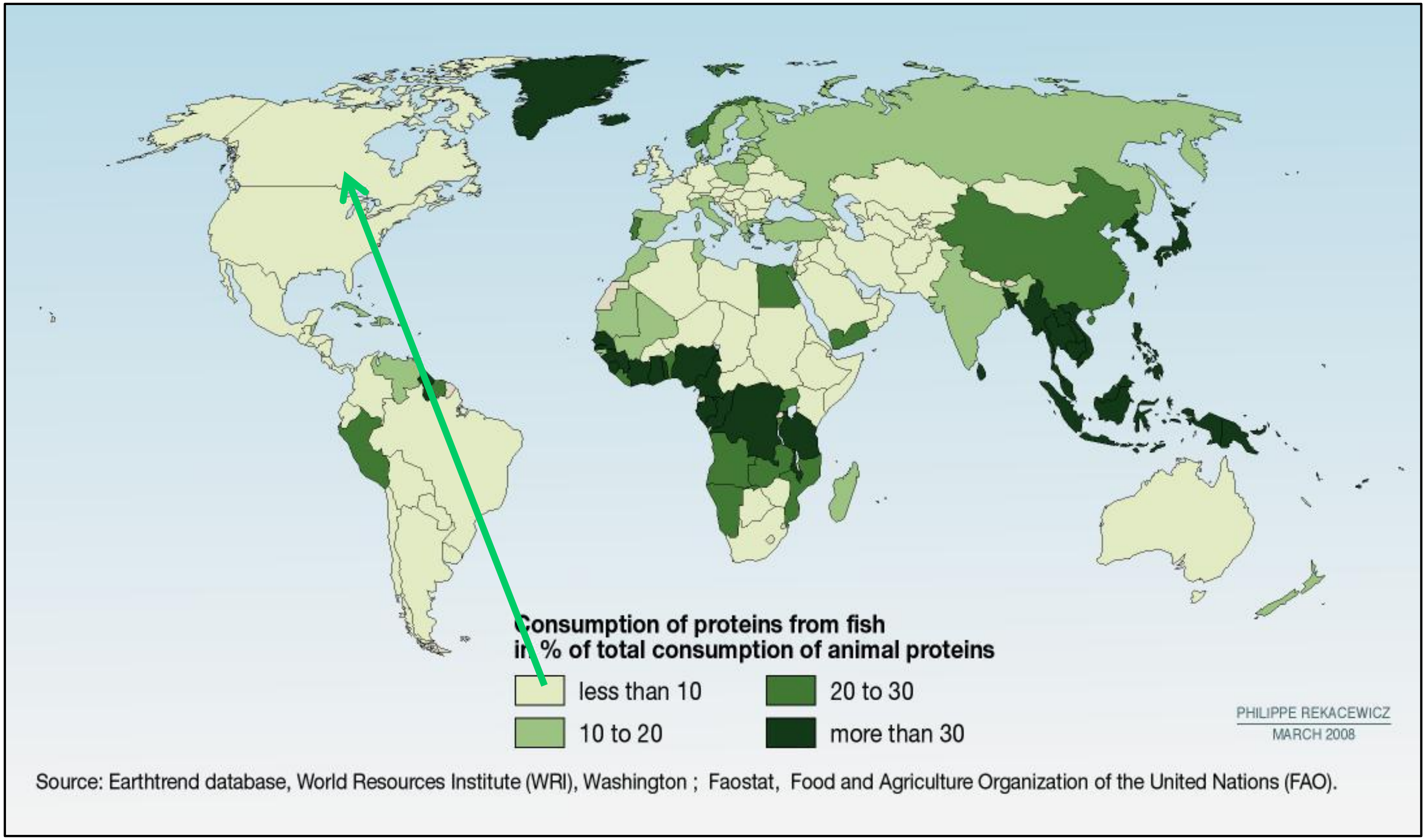
Canada - Seafood and Tuna Consumption Snapshot

Fish consumption in Canada is relatively high (23.8 kilos live weight) when compared to developing nations



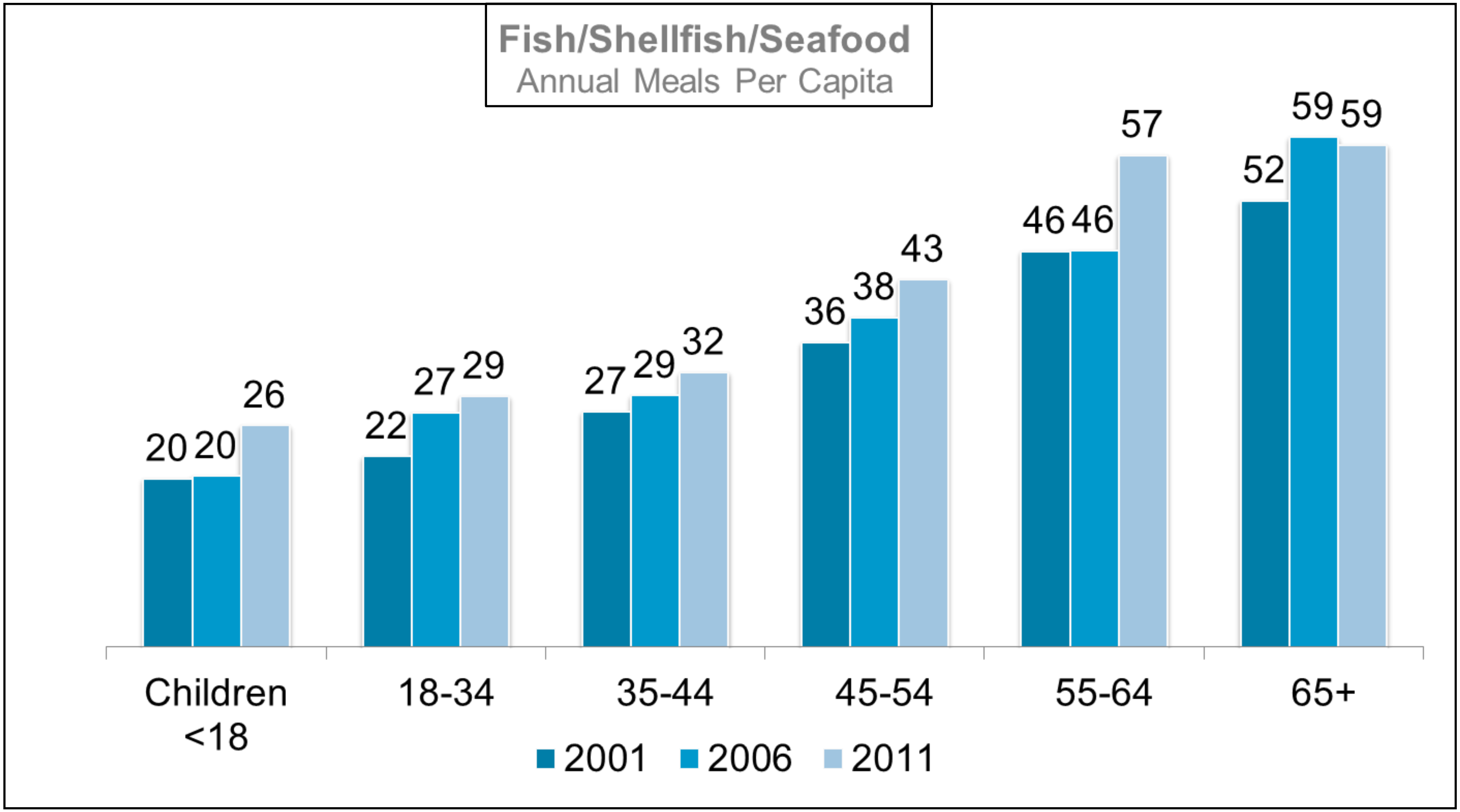
http://www.grida.no/graphicslib/detail/world-fish-consumption-per-capita-and-per-year_c043

However when measured as a percentage of 'Total Animal Protein' consumption, Canadians get less than 10% of their requirements from fish, while red meat remains #1 at more than 55% of our protein intake.



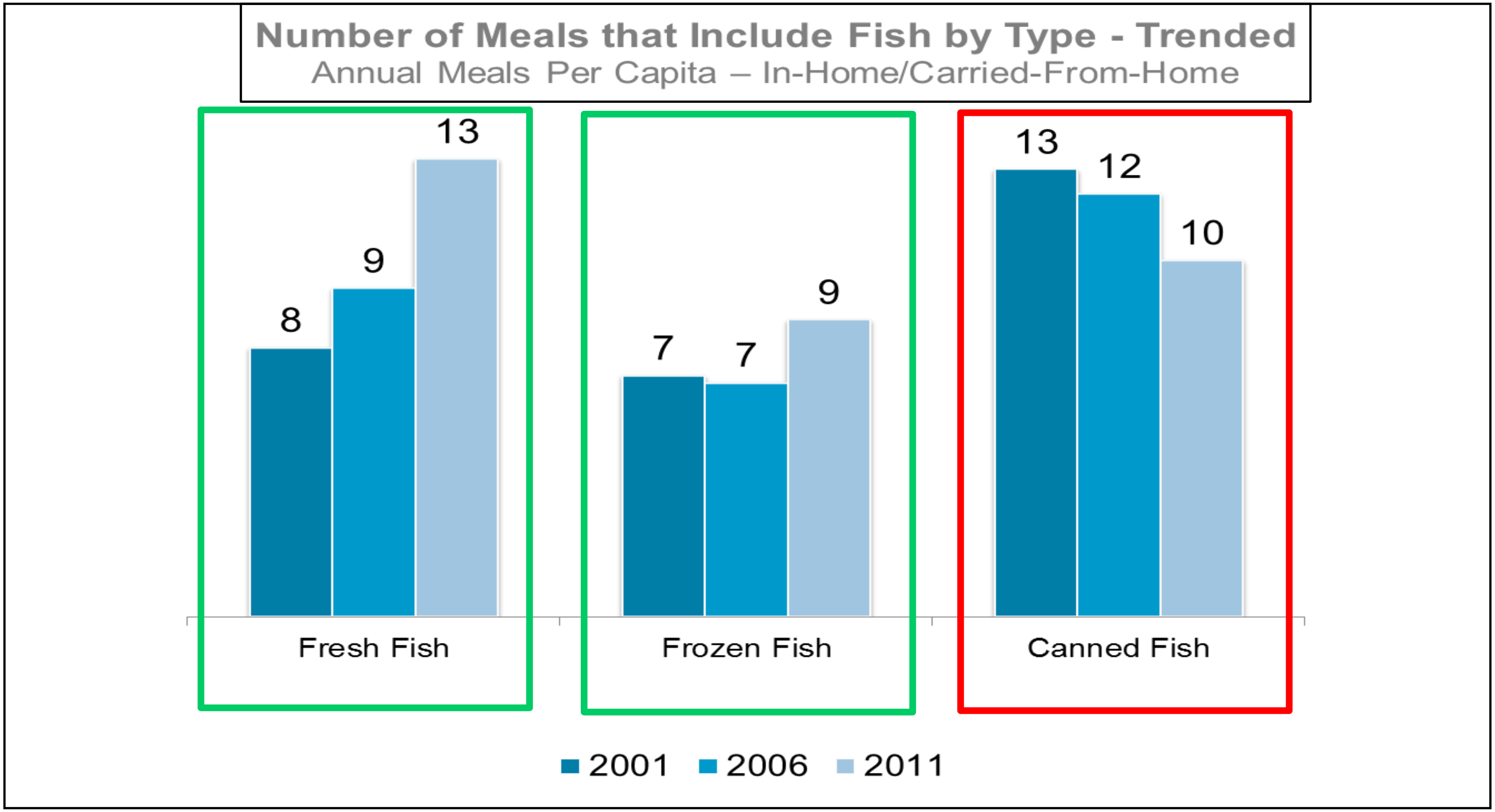
http://www.grida.no/graphic.aspx?f=series/vg-water2/0319-2-fish-protein-EN.jpg

The good news is that Canadian seafood consumption is in fact increasing steadily across most demographic age segments.



Source: The NPD Group/National Eating Trends – Canada; 2 years ending March 2011

However when examined more closely, the fish being consumed in-home is fresh or frozen, both of which are growing, while canned is in decline.



Source: The NPD Group/National Eating Trends – Canada;
2 years ending March 2011

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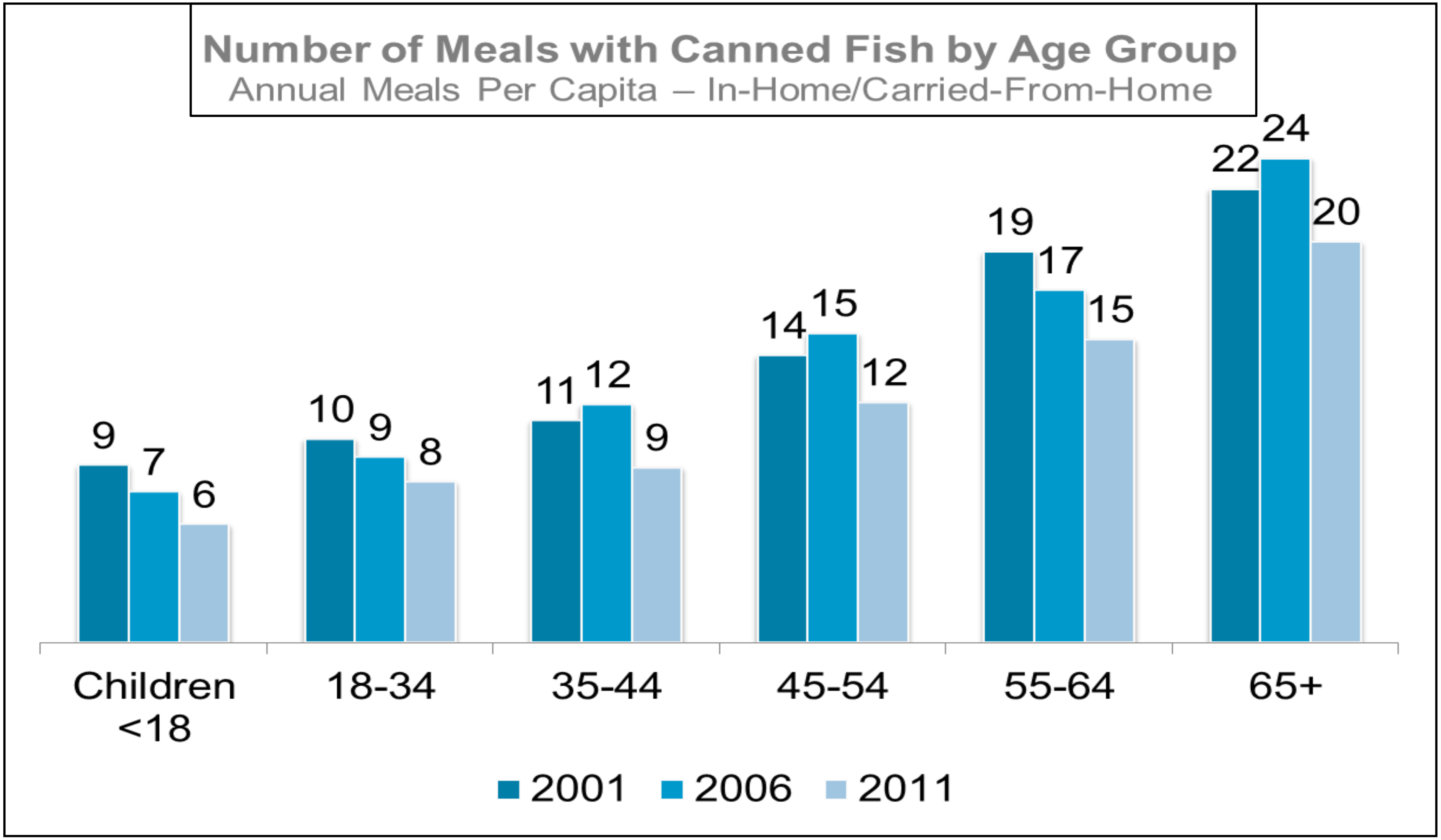
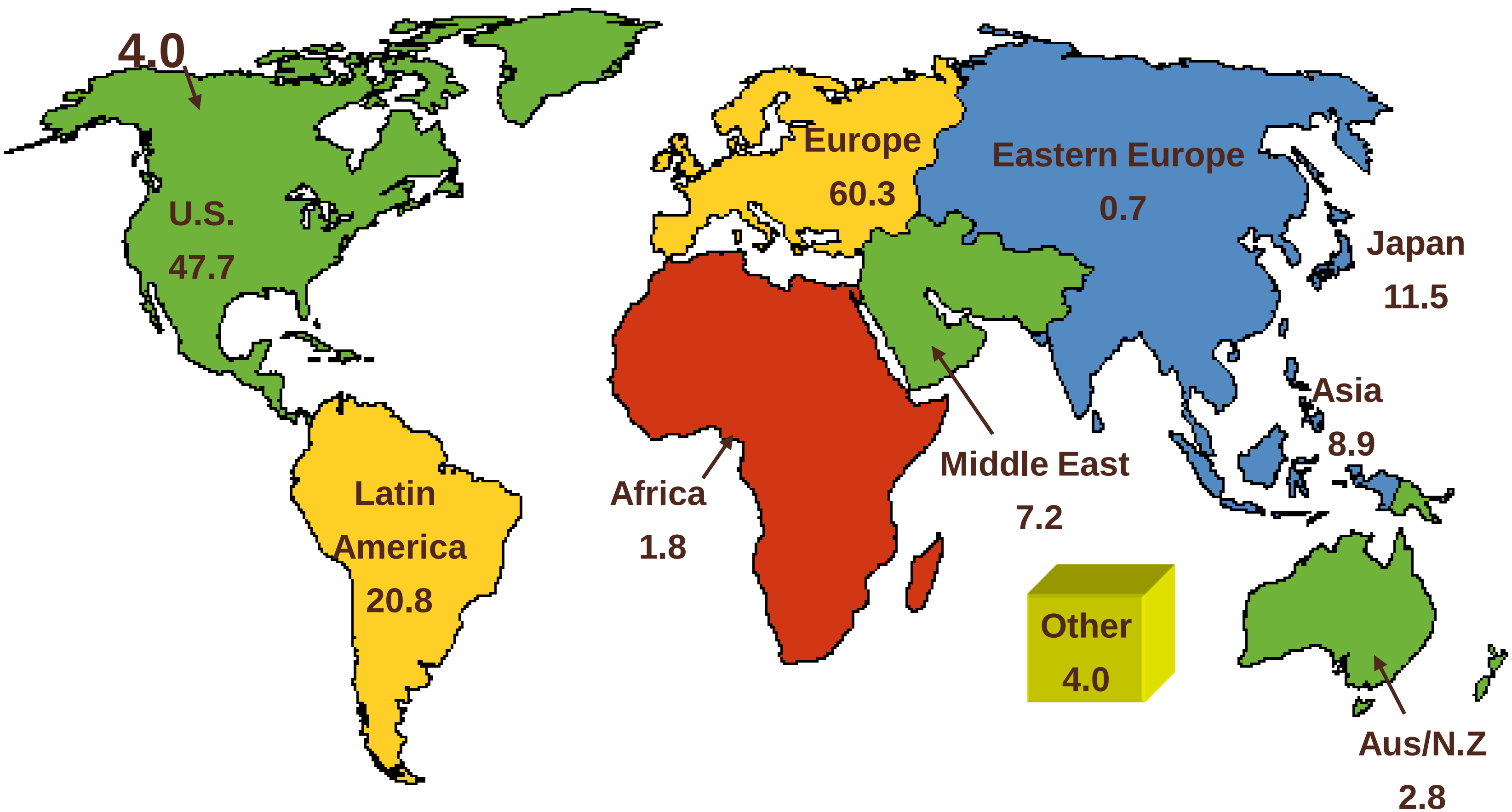
In fact canned seafood is experiencing declines in every consumer age segment! Is the decline driven by ‘bad’ press around food safety or have affordability and convenience concerns deterred consumers?



Despite the declines Canada still represents about 3% of global canned tuna consumption. Canada ranks as the number 2 albacore market and the number 9 canned tuna market worldwide.

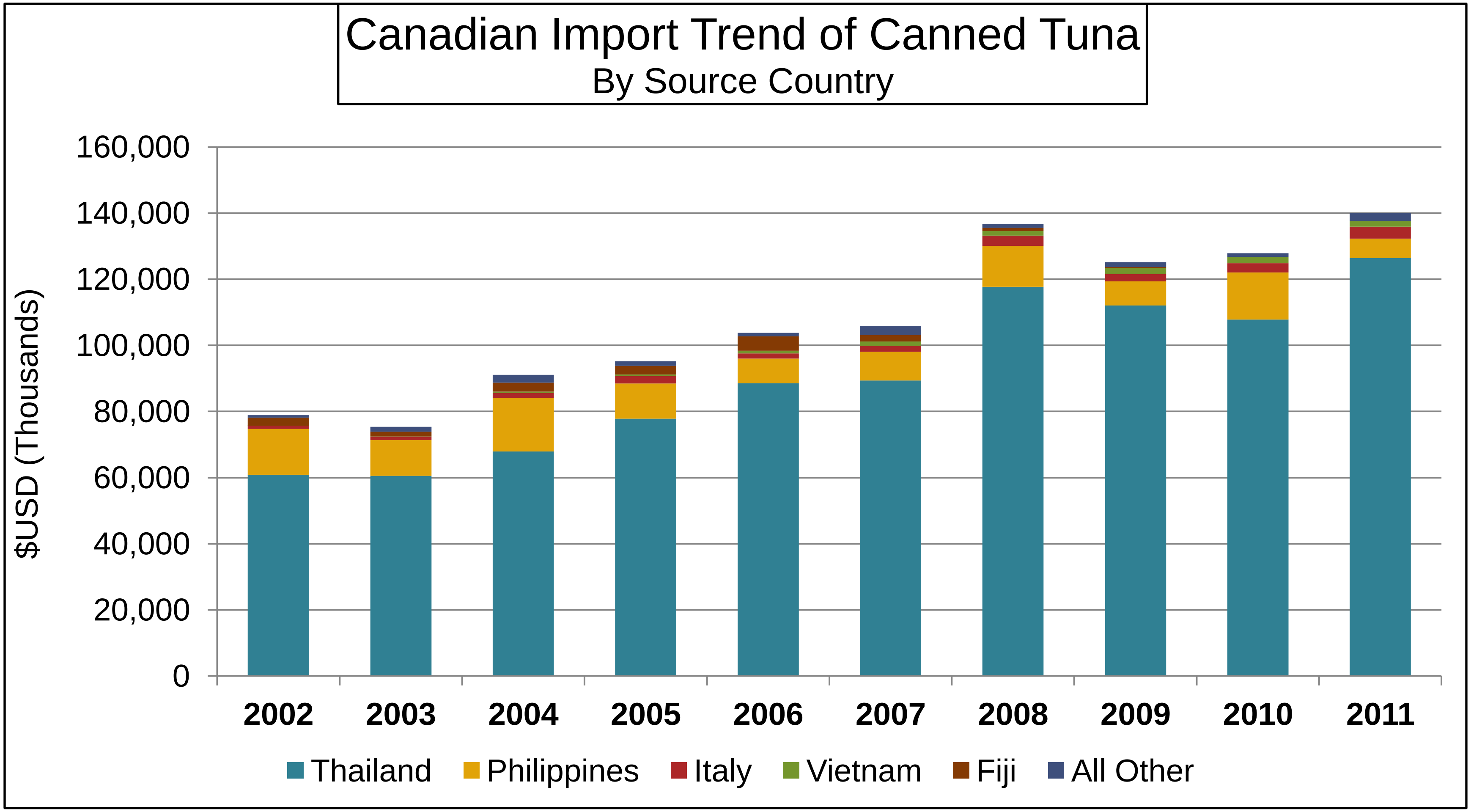
Global Ambient Tuna Consumption

2009 est 170 MM Cases 48 1/2's



Source: Foodnews, NMFS, Eurostat, BBF Analysis

While tonnage of ambient tuna imports has decline, value has grown by roughly +7% annually over the past ten years. Thailand continues to supplying the vast majority of product for Canada.



Canada - Retailer and Private Label Trends

Canada's $65 billion dollar grocery industry is extremely consolidated with 10 accounts representing 87.3% of grocery value. Loblaw continues to be the largest retailer at over 27% of the market with Walmart the fastest growing

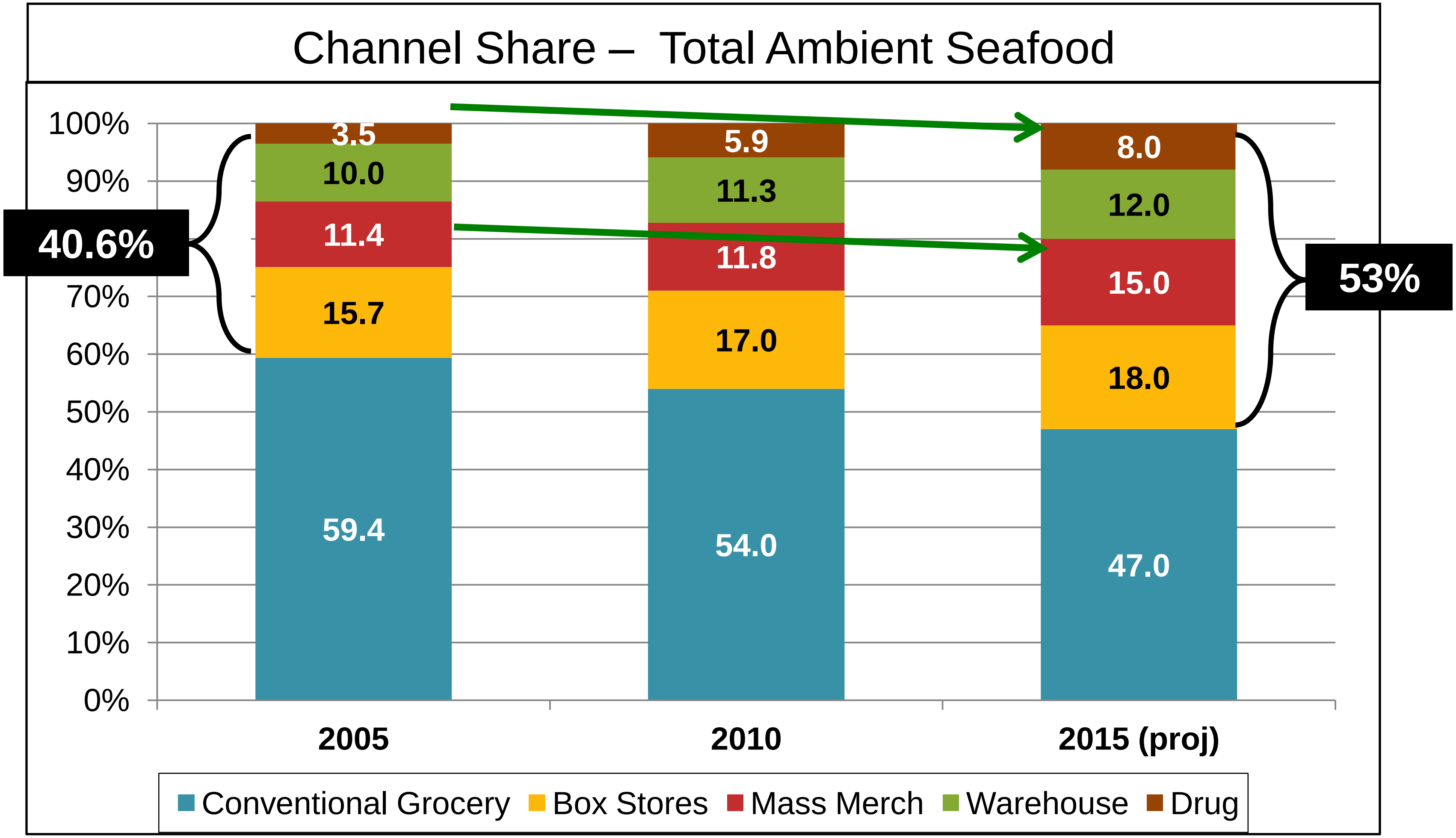
Share of National Grocery Sales

2003	2007	2011
Loblaw	Loblaw	Loblaw
Sobeys	Sobeys	Sobeys
Safeway	Metro/A&P	Metro/A&P
A&P	Walmart	Walmart
Metro	Costco	Costco
Costco	Safeway	Safeway
Walmart	Shoppers	Shoppers
Overwaitea	Overwaitea	Overwaitea
Co-op	Co-op	Co-op
Shoppers	Zellers	Zellers

	2003	2007	2011
Top 5	62.8%	69.7%	72.5%
Top 10	81.5%	86.0%	87.3%

Source: Nielsen ChannelWatch, $ Shr of Grocery Composite, CY 2011

The primary shopping channels for ambient seafood continues to shift from Conventional Grocery to the Discount Channels which now represents 53% share of ambient category spending - Mass Merchandiser and Drug channel have driven this growth.

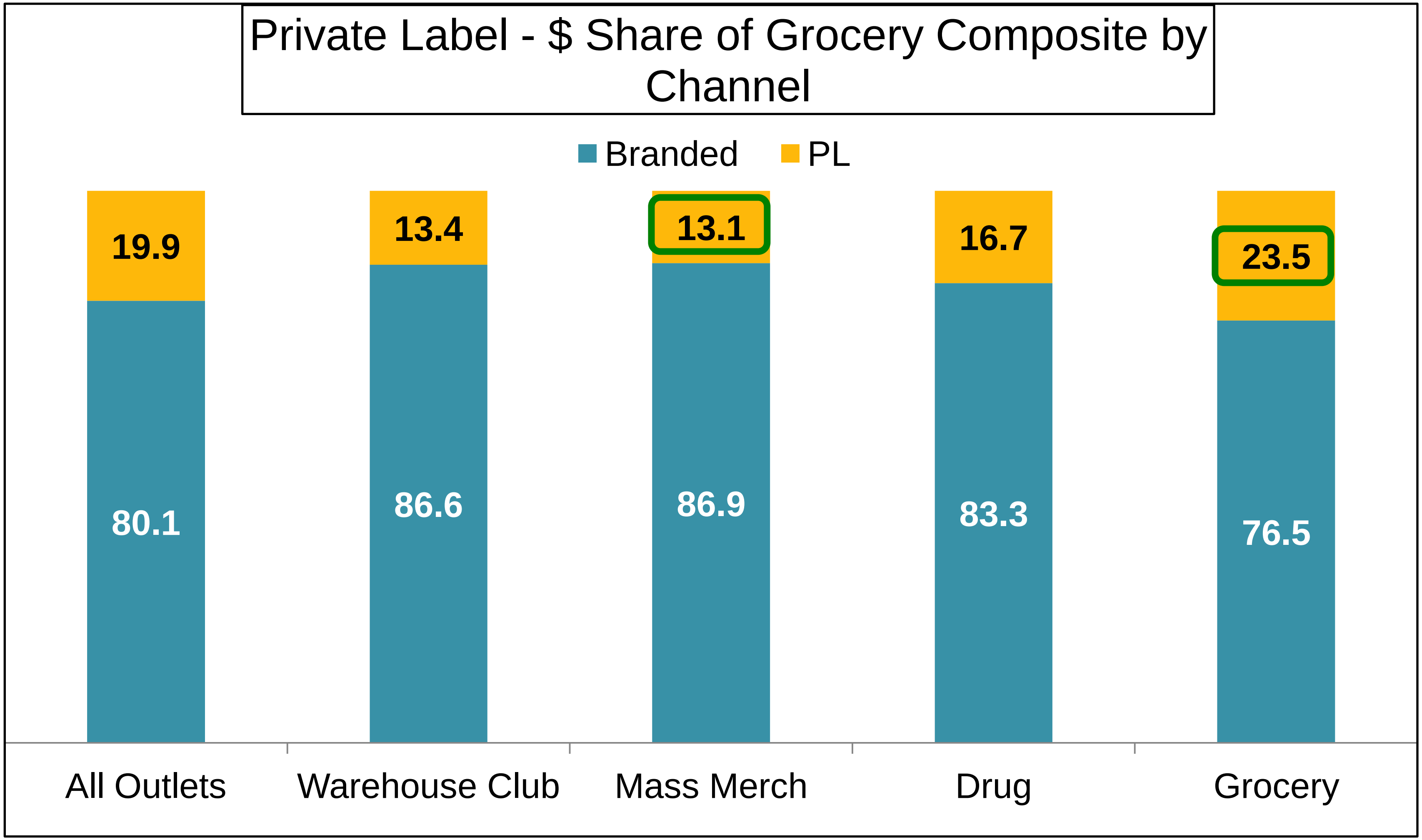


The discount or value channel is over-developed on the light tuna sales whereas Conventional Grocery and Warehouse Clubs are over-developed on white tuna.

Canada's Growth of Discount Channel				
	TL. LIGHT TUNA		TL. WHITE TUNA	
	$ Shr	Index	$ Shr	Index
TL DISCOUNT	44.7	117	27.5	72
TL CONVENTIONAL	55.3	90	72.5	118
MASS MERCH	13.9	116	9.4	78
WAREHOUSE CLUB	5.3	60	31.8	361
GEN MERCH	1.0	63	0.8	50
DRUG	5.9	87	2.4	35

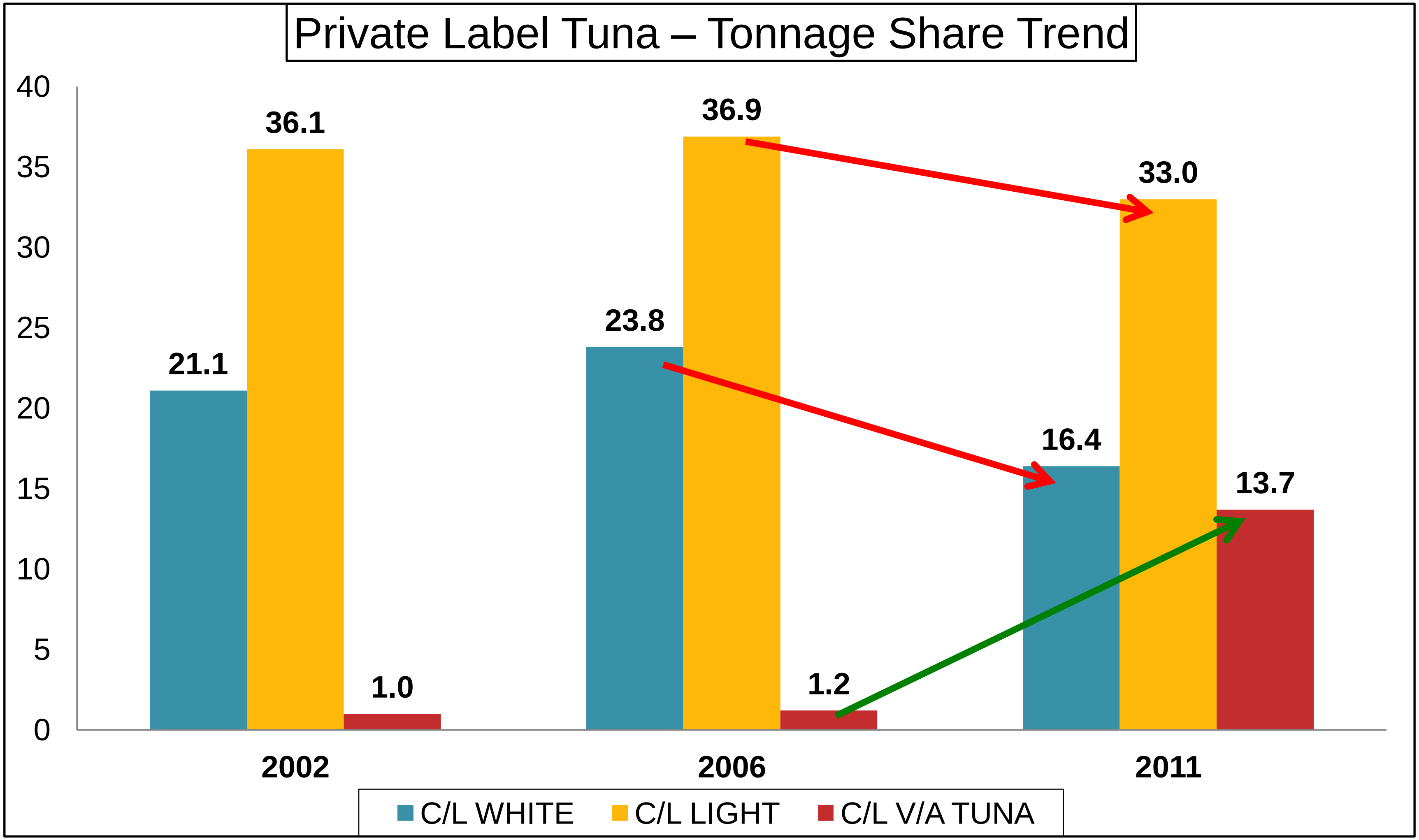
Sources: Nielsen Channel Watch, National $ Market Imp of category indexed to ACV, 52 w/e Dec 31, 2011

Canada's private label business, worth over $11 billion in total, is strongest in Grocery and weakest at Mass Merchandisers, though Mass is the fastest growing at +22%.



Source: Nielsen Homescan, Crosas Outlet Facts, National, 52 Weeks Ending December 17 2011

Private label white tuna has declined by 10.6% since 2006 and light has declined by 2.7%. This has been somewhat offset by strong growth in the value-added segment where private label now holds a 13.7 tonnage share.



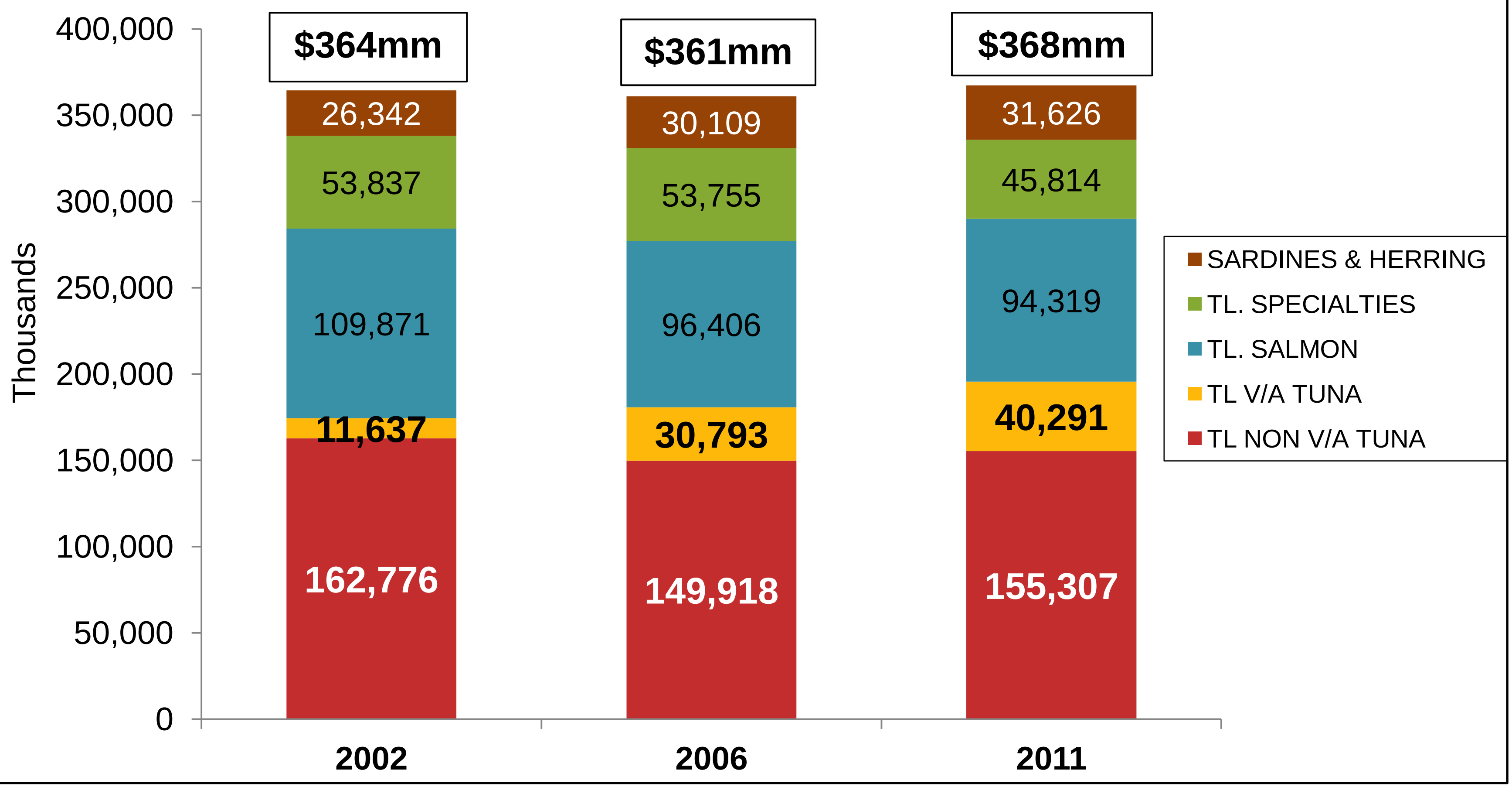
Source: Nielsen MarketTrack – Private Label Tonnage Share, All Channels 52wks ending Dec 17, 2011

In addition to private label ambient tuna, Canadian retailers also offer tuna in various chilled formats including tuna steaks, value added salads and ‘ready-to-eat’ sandwiches.

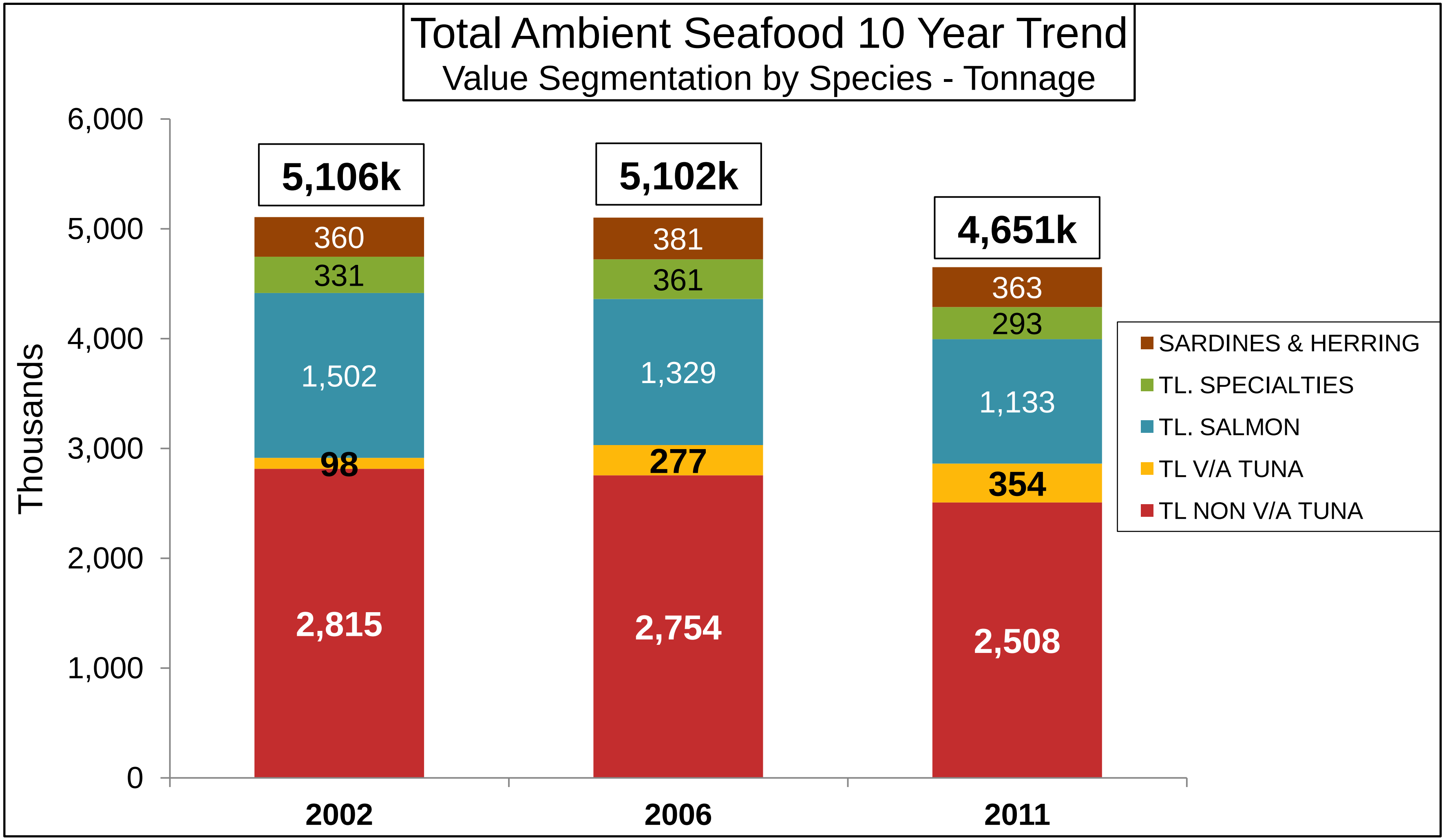
Canada - Ambient Seafood Trends

The ambient seafood market in Canada is valued at $368MM with tuna and salmon ranked #1 and #2 in importance. Only two segments have shown growth over the past decade: value-added tuna at +346% and sardines at +120%

Total Ambient Seafood 10 Year Trend
$ Value Segmentation by Species



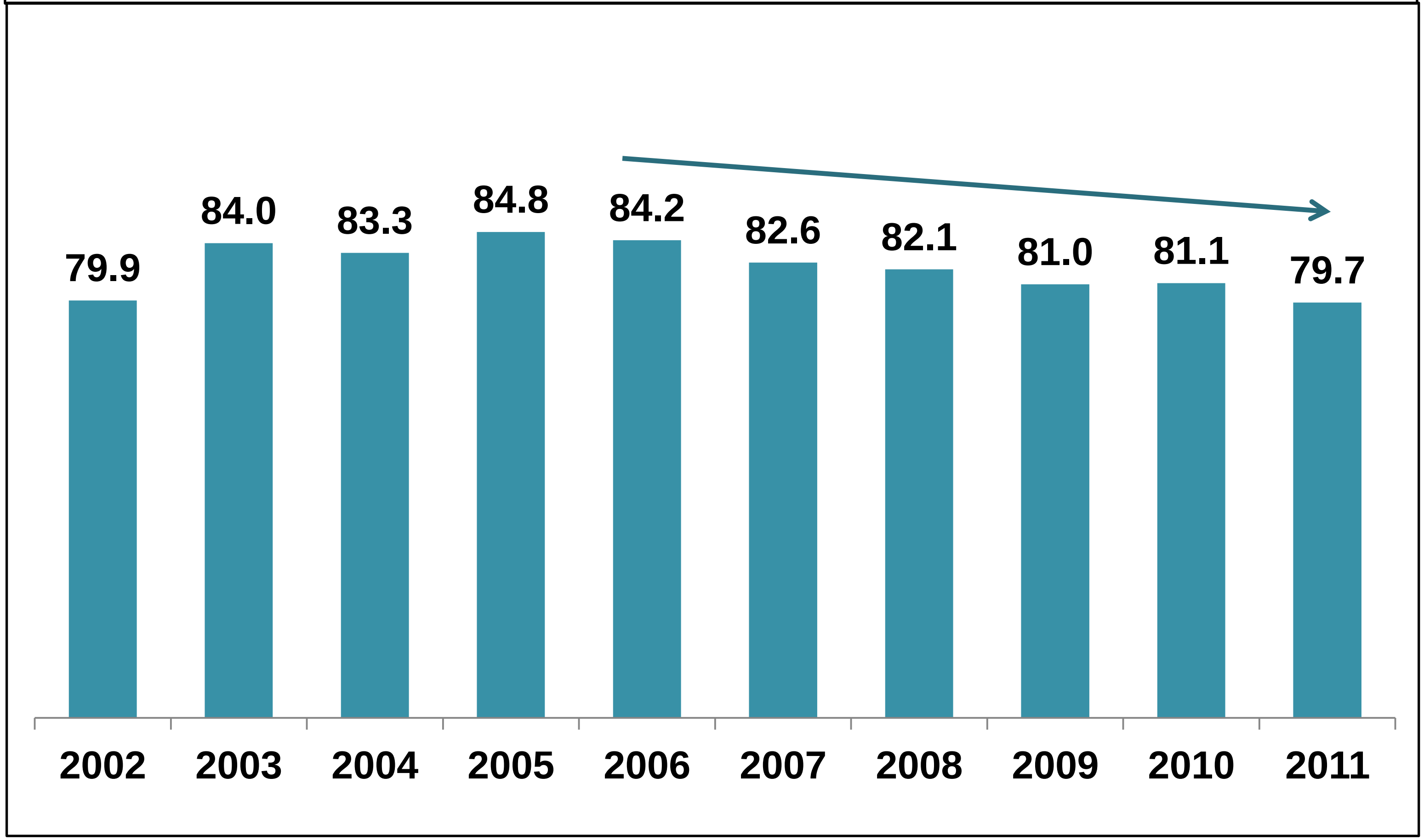
In terms of tonnage ambient seafood has declined by 8% to 4.7MM cases since 2002. The largest decline is coming from salmon products (down 25%) while the fast growth is driven by value-added tuna (+361%).



Source: Nielsen, National All Channel, Calendar Year, Tonnage=48x170g cases by Species

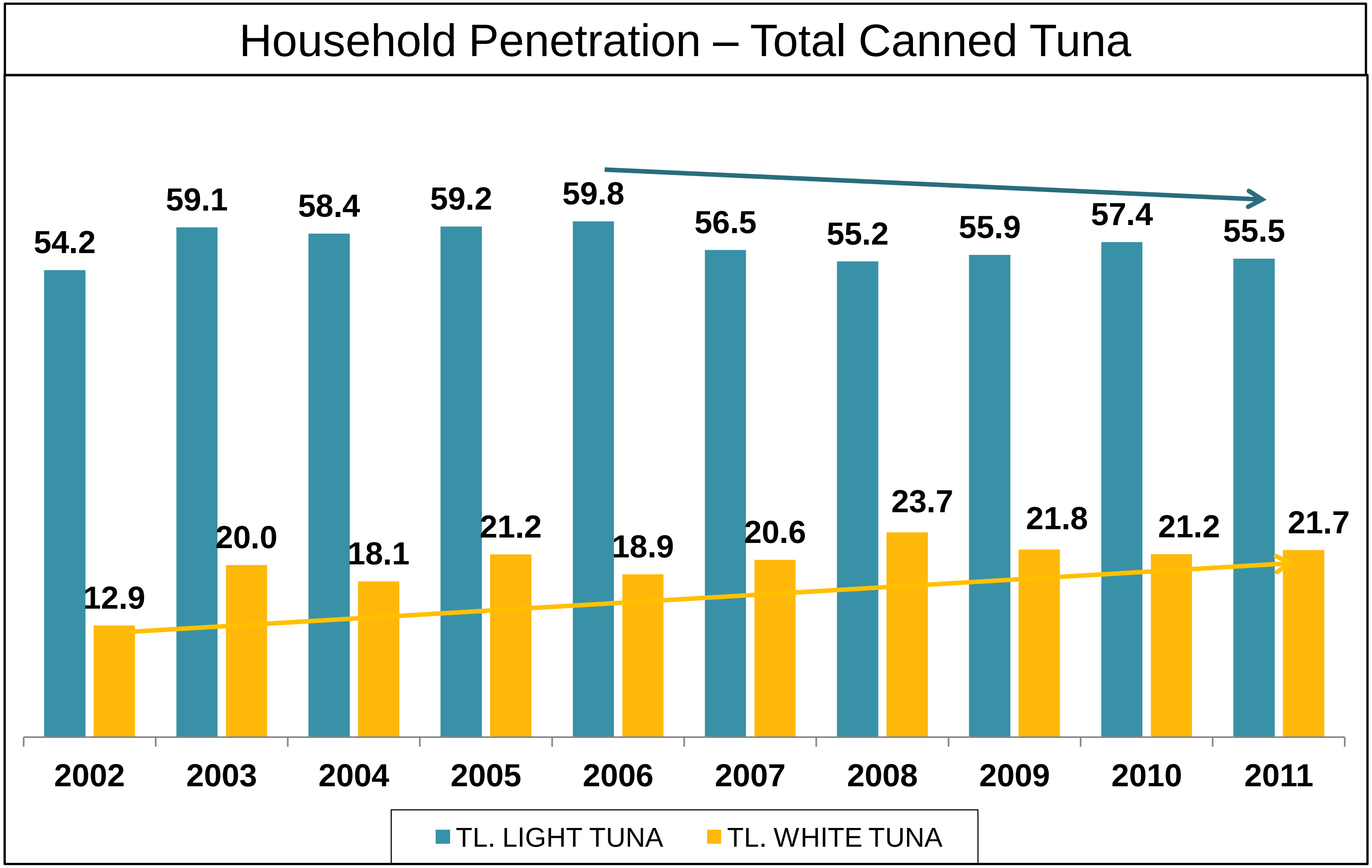
Over the past decade household penetration of ambient seafood strengthened to almost 85%, however since 2006 it has declined to just below 80% (down 6%).

Canadian Household Penetration – Total Ambient Seafood



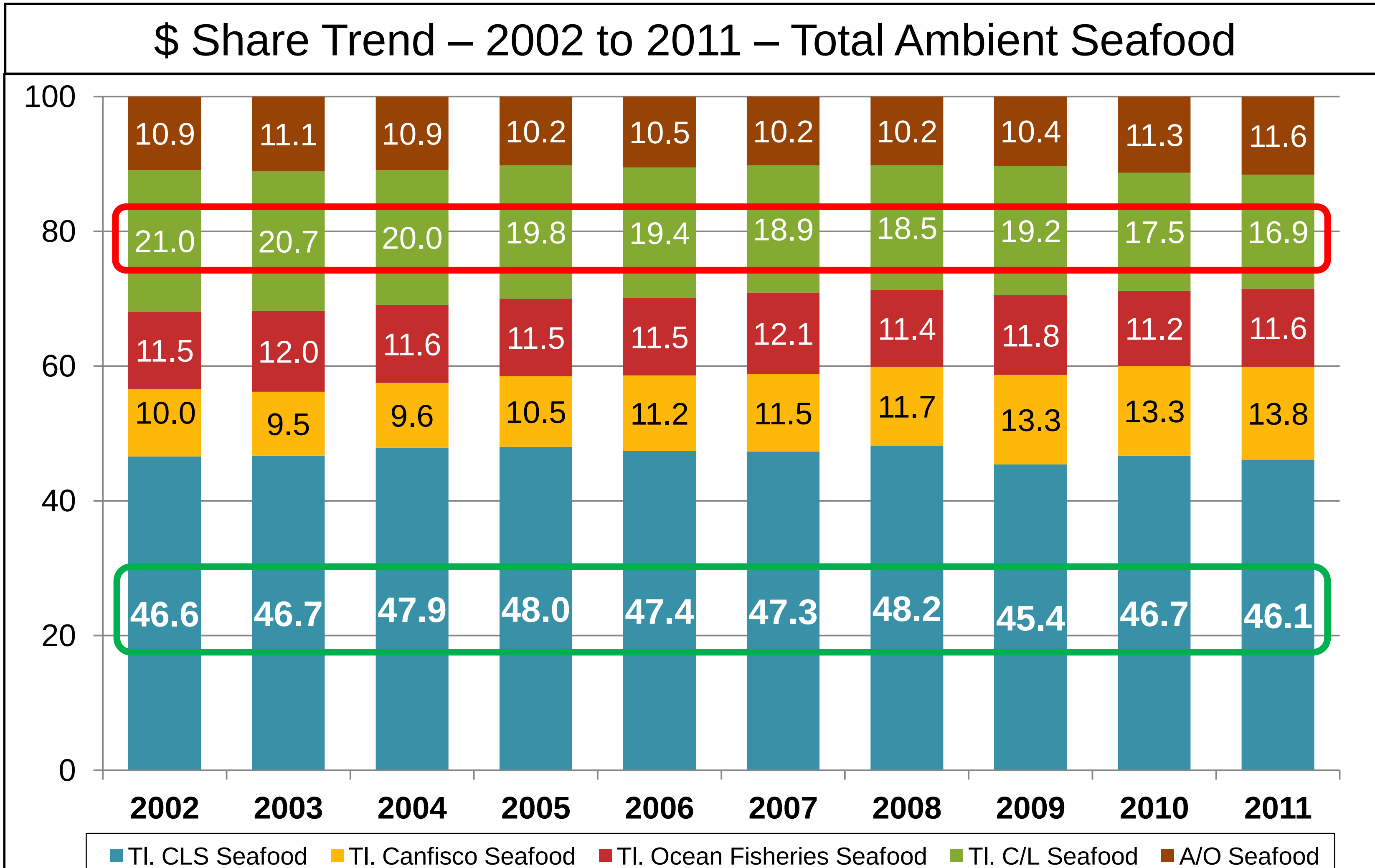
Source: Nielsen Source: Nielsen Homescan, Channel=Grocery Supermarket

Disappointingly, light tuna has witnessed similar declines dropping to a 55.5% household share. White tuna, however, has strengthened to a 21.7% penetration over the period thanks to lower retail prices.



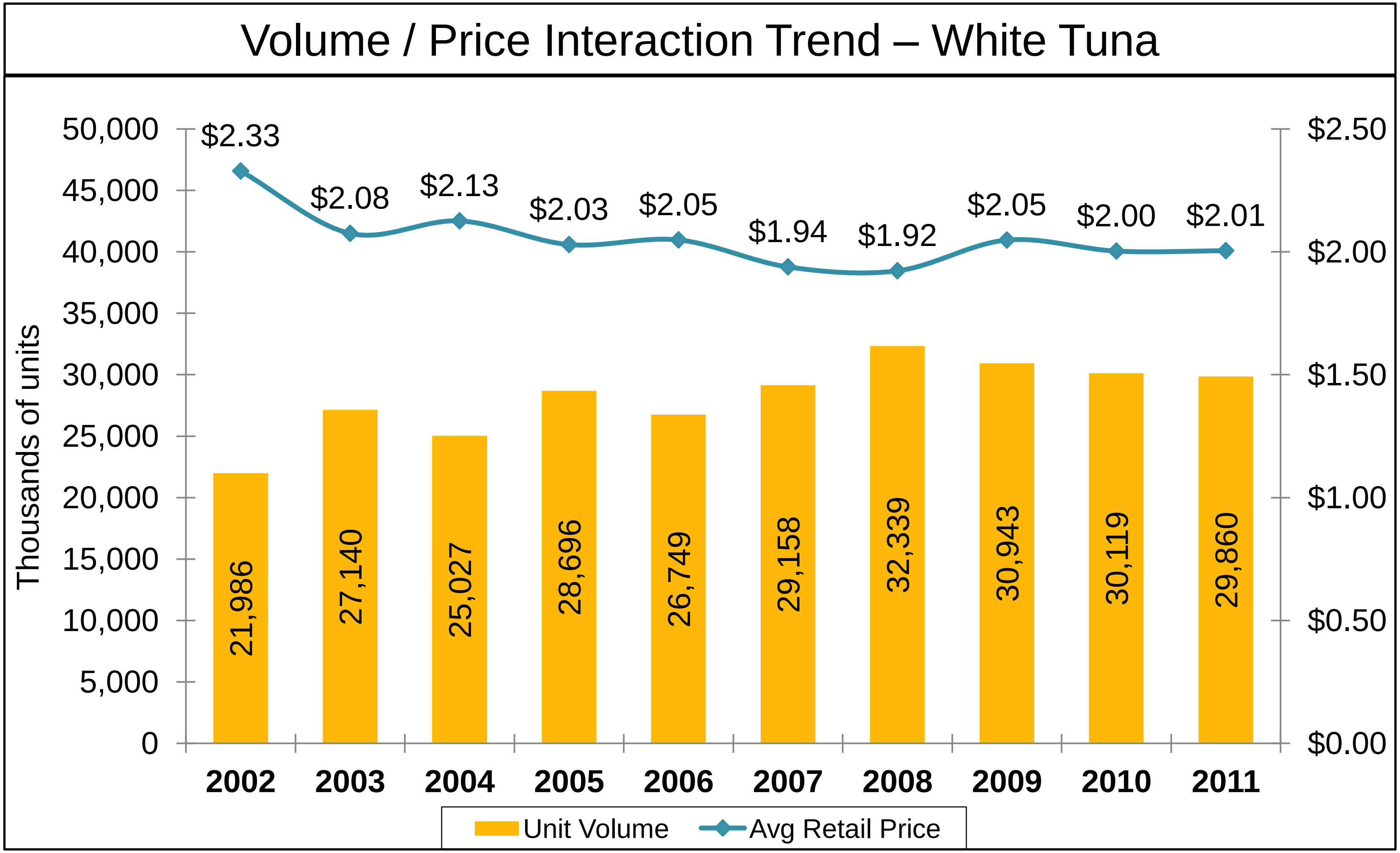
Source: Nielsen Source: Nielsen Homescan, Channel=Grocery Supermarket

Clover Leaf has maintained a stable 47 value share over the past decade. Private label has declined from a 21 share to under 17 in the same period.



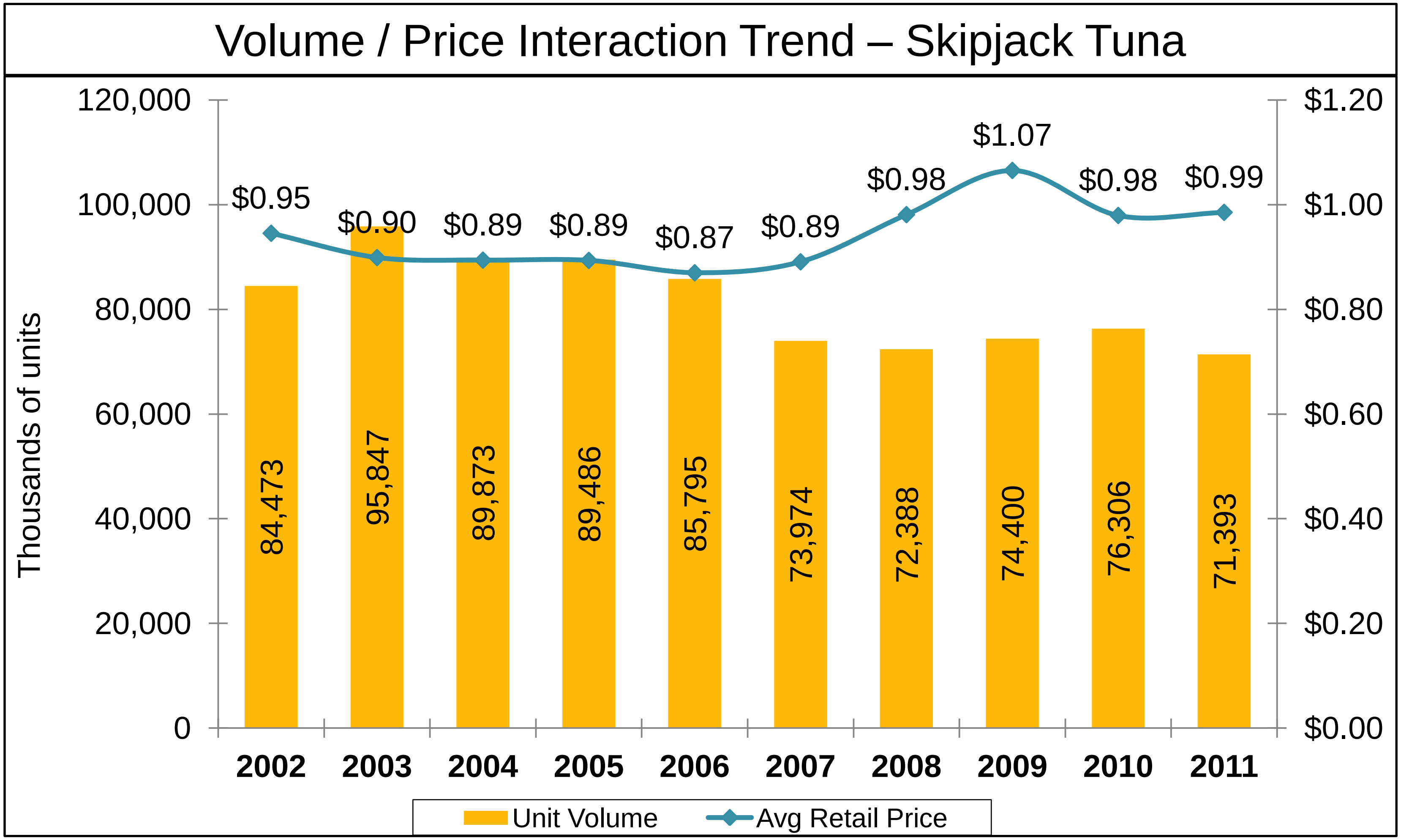
Source:; MarketTrack, $ Shr, 2002 to 2011 52wks Ending Dec 17, 2011

Since 2002, the white tuna segment, worth roughly C$60 million, has seen tonnage grow by 36% thanks, in part, to the strengthening C$ which has resulted in lower retail prices.

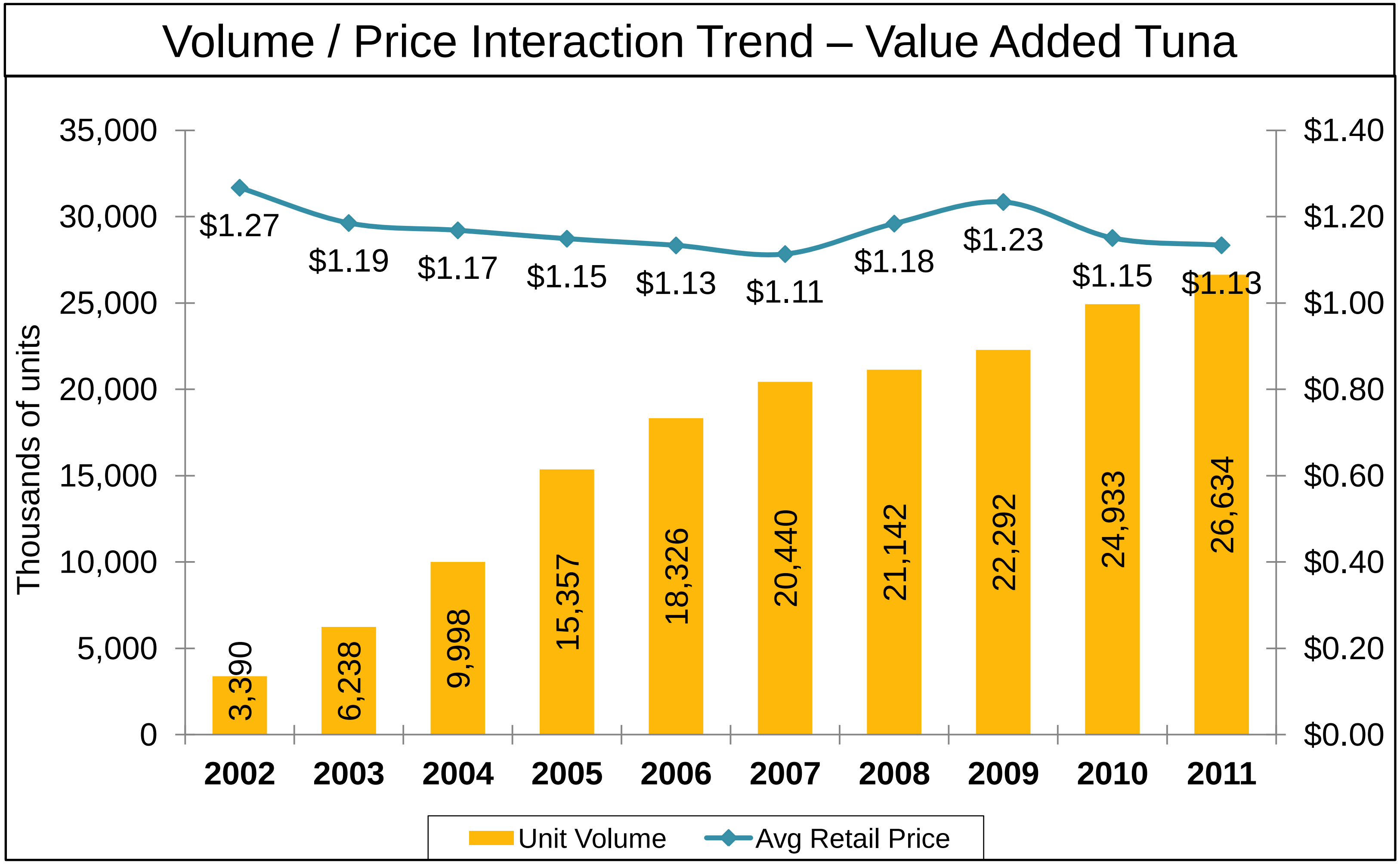


Source: Nielsen, National All Channel,52weeks ending Dec 17, 2011

The skipjack segment, worth C$136 million in 2011, has declined 16.7% since 2006. As average retail pricing has increased volumes have declined accordingly.



The value-added segment, introduced in Canada by Clover Leaf, has experienced tremendous growth over the past decade and is now worth almost C$41 million.



On a YTD 2012 basis, we can see that significant retail price increases, driven by higher raw material costs, have dramatically impacted volume. This is particularly noticeable on red salmon and light tuna.

Volume / Price Interaction Snapshot – by Key Segment				
YTD	**Tonnage**	**Tonnage % Chg**	**Avg. Retail**	**Avg Retail % Chg**
White Tuna	170,922	-3.8%	$2.11	7%
Light Tuna	635,432	-13.9%	$1.19	15%
Pink Salmon	143,126	-8.3%	$1.93	14%
Red Salmon	132,236	-37.3%	$2.99	25%

Source: Nielsen MarketTrack. National All Channels, 48x170g tonnage cases, YTD w/e April 7, 2012

Finally, though ambient seafood sales have reacted poorly to rising costs and other pressures we remain optimistic that Canadian seafood consumption overall is on the rise.

Ambient Tuna – Opportunities for Growth

- Importance of nutrition, health and wellness
  - Weight loss, Omega 3 benefits, Natural (not over processed)
- Convenience remains vitally important
  - Easy open, portable, smaller sizes for changing demographics
  - Meals in 10 minutes or less
- Stagnating ambient seafood consumption levels
  - Drive increased usage through recipe dissemination
  - Develop ‘ready to eat meal’ solutions that address convenience challenge
  - Improve day-part distribution – address dinner and snacking opportunities
- Food safety concerns
  - Work with industry associations on influencer outreach programs to counteract misperceptions
- Sustainability
  - Work with ISSF on media and consumer education programs

Thank you for your time.

Enjoy the remainder of Tuna 2012