THE CANADIAN FOOD AND DRINK INDUSTRY

BUSINESS SWEDEN

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Business Sweden Toronto
AGENDA

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  - Executive Summary
  - Market Overview
  - Consumption Trends
  - Supply Chain
  - Regulatory Issues
  - CETA Implications
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BACKGROUND

- Business Sweden supports the Swedish food industry in its export efforts through projects and promotional activities at home and abroad, including, but not limited to: market analyses, partner searches, business services support, themed promotional events, delegations and representation at trade shows.

- The Canadian and European governments have recently signed the Comprehensive Economic and Trade Agreement (CETA) – a free trade agreement between the two parties.

- Given that food and drink imports are often subject to high tariff rates, it is believed that this free trade agreement will open up significant opportunities in the Canadian food and drink sector.

- In this report, Business Sweden has analyzed the Canadian food and drink sector and CETA’s potential impact in order to provide up-to-date information about opportunities in the industry.

- Given that the final text of the CETA Agreement is not yet available, all references to its impact are based on assumptions.

- The Canadian food and drink sector includes food, non-alcoholic beverages and alcohol.
  - Within this report, the term “food and drink” refers to food, non-alcoholic beverages and alcohol, inclusively.
  - Within this report, the term “beverages” refers to non-alcoholic beverages.

- The report is based on desktop research as well as 18 interviews with Canadian and Swedish industry experts, companies and distributors.

- All monetary figures are in Canadian dollars.
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EXECUTIVE SUMMARY (1 OF 3)

Market Overview
- Canada’s multi-ethnic population of 35 million is spread across a vast geographic space
- The total food and drink market is valued at $152 billion and items are imported as material inputs or retail-ready products
- Food and drink prices are rising steadily in Canada, by 9.1% and 4.1% respectively from 2009-2012

Consumption Trends
- While Canadians spend a smaller percentage of their income on food and drink than Swedes, total consumer spending on food and drink is approximately three times higher in Canada than in Sweden
- Demographic trends in Canada have led to an older, more diverse and urbanized population that tends toward smaller families and is open to innovative new products
- The four most important factors that drive consumer spending on food are drink are value, convenience, health and sustainability

Canada’s substantial consumer base, combined with the size of its food and drink market is indicative of the potential for opportunity. However its large size means that Swedish exporters must fully understand their target markets and be strategic in geographic focus

In order to capitalize on demographic trends and consumer purchasing drivers, Swedish exporters must develop and offer innovative products that deliver good value and are convenient, healthy and/or sustainable and ethical
EXECUTIVE SUMMARY (2 OF 3)

Supply Chain - Importation
- At $35.4 billion, imports account for approx. 21% of Canada’s food & drink market
- Nordic exports account for 0.7% of total food & drink imports
- Sweden’s food and drink exports to Canada are heavily concentrated in just two categories: spirits and edible preparations

Supply Chain - Retail
- Large retail chains dominate the Canadian food and beverages market
- Hypermarkets are the fastest growing food and beverage retailer
- With the exception of British Columbia and Alberta, imported alcohol must be sold through provincially regulated retailers

Supply Chain - Distribution
- There are several partnership options for food and beverages exporters, but it is most common to enter the Canadian market by working with a distributor
- Given the complex regulatory issues surrounding alcohol sale, nearly all alcohol importers work with a licensed agent

Swedish food and drink exports to Canada are growing, but while Swedish companies perform well in edible preparations and spirits, they are underrepresented in other food categories.

In order to optimize their profile on the Canadian market, Swedish exporters should aim to establish themselves in large retail chains in the long term. It is also critical to fully understand the regulations surrounding alcohol sales.

While nearly all Swedish exporters choose to establish a partnership when entering the Canadian market, it is important to carefully evaluate what type of partnership is most strategic.
EXECUTIVE SUMMARY (3 OF 3)

Regulatory Issues
- The Food and Drugs Act and the Consumer Packaging and Labelling Act apply to all food and drink sold in Canada, while additional regulations apply to specific food groups.
- Adhering the food and drink regulations in Canada is extremely complex.

While Canadian food and drink regulations can be very complex, once you understand how to proceed, they are manageable. Having a partner on the Canadian market is extremely helpful in navigating the regulations.

CETA Implications
- The CETA Agreement is expected to eliminate 99% of tariffs, though certain supply-managed agricultural products will be completely, or partially, excluded from the agreement.
  - Eggs and poultry will be totally excluded.
  - Trade barriers will still apply to cheese and milk, though there will be an increase in the amount that can be imported tariff-free.
- Standard tariffs, over quota tariffs, per volume taxes and over quota per volume taxes will be eliminated on the majority of food and beverage items.

The CETA Agreement is expected to open up many new opportunities in the food and drink market. Almost every food and beverage commodity sector will see significant savings.

Swedish companies that are interested in the Canadian market should start establishing relationships with partners as soon as possible in order to take advantage of this development.
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CANADA’S POPULATION OF 35 MILLION IS SPREAD ACROSS TEN PROVINCES AND THREE TERRITORIES

Overview of Canada

- Spanning a total land area of 9,984,670 square kilometres and six time zones, Canada is the second largest country in the world.
- 86% of Canada’s population is concentrated in four provinces (Ontario, Quebec, Alberta, British Columbia).
- Approximately 75% of the population lives within 161 kilometres of the U.S. border.
- Seniors are Canada’s fastest growing age group, with the 2011 median age being 39.9 years.
- 20.6% of Canada’s population is foreign-born, the highest proportion among the G8 countries.

CANADA IS A COMPLEX, DEMOGRAPHICALLY DIVERSE AND GEOGRAPHICALLY VAST MARKET

SOURCE: STATISTICS CANADA, EMPLOYMENT AND SOCIAL DEVELOPMENT CANADA, NATIONAL GEOGRAPHIC, GOVERNMENT OF CANADA
FOOD AND ALCOHOL PRICES ARE RISING STEADILY IN CANADA

The consumer price index for food is increasing at a faster rate than for alcohol, with food prices rising 9.1% and alcohol prices rising 4.1% from 2009-2012, respectively.

Food prices were the fastest increasing component of the Consumer Price Index from 2007-2012, ahead of shelter and transportation.

Potential factors that led to this price increase include: increase in global demand, low international stock-piles, adverse weather and export bans.

The median Canadian salary grew at a rate of 4.6% between 2009-2011 and is predicted to continue to grow at a modest, but steady, rate.

CANADIAN SALARIES, AS WELL AS FOOD AND ALCOHOL PRICES, ARE EXPECTED TO CONTINUE TO GROW

SOURCE: GOVERNMENT OF CANADA, STATISTICS CANADA
RETAIL-READY PRODUCTS CONSTITUTE THE LARGEST FOOD MARKET WITH A TOTAL SIZE OF $113 BILLION

1. **Material inputs**
The food processing industry purchases *material inputs* that are used as ingredients in the creation of a sellable food product.

   Canada’s total market size: $39 billion

2. **Retail-ready products**
Retailers carry a diverse array of food and drink products that are designed for immediate retail and consumption by the Canadian consumer.

   Canada’s total market size: $113 billion

SWEDISH SUPPLIERS WILL SELL TO EITHER THE MATERIAL INPUTS OR READY-RETAIL PRODUCT MARKETS

SOURCE: STATISTICS CANADA, OECD; AGRICULTURE AND AGRI-FOOD CANADA
THE CANADIAN MARKET FOR RETAIL-READY PRODUCTS IS DIVERSE AND WELL-BALANCED

Ready-for-retail food products, by type, 2013

- Other foods: 13%
- Meat and poultry: 9%
- Dairy and eggs: 13%
- Non-alcoholic drinks: 13%
- Fish and seafood: 13%
- Fruits and vegetables: 22%
- Prepared/frozen food: 15%

Ready-for-retail alcohol products, by type, 2012

- Beer: 44%
- Wine: 30%
- Spirits: 26%
- Other: 2%

Total market: $92 billion
Total market: $21 billion

CANADA IS HOME TO SIZEABLE MARKETS ACROSS A VARIETY OF FOOD AND DRINK CATEGORIES

SOURCE: STATISTICS CANADA, AGRICULTURE AND AGRI-FOOD CANADA
THE CANADIAN MARKET FOR MATERIAL INPUTS IS DOMINATED BY MEAT AND LIVE ANIMALS

Material inputs, by type, 2010

- Meat/live animals: 38%
- Crops and oils: 22%
- Dairy and Eggs: 20%
- Fish and Seafood: 5%
- Other Food: 4%
- Sugar & By-products: 4%
- Fruit, Veg & Nuts: 3%
- Confectionary/Snack: 2%
- Beverages: 2%

Total market: $39 billion

THE MATERIAL INPUTS MARKET IS SIGNIFICANTLY LESS DIVERSE THAN THE RETAIL-READY MARKET

SOURCE: AGRICULTURE AND AGRIFOOD CANADA
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CANADA’S CONSUMER FOOD AND DRINK EXPENDITURE IS APPROX THREE TIMES LARGER THAN SWEDEN’S

Canadian versus Swedish food and drink consumer expenditure, 2012 ($ billions)

- Canada
  - Food and non-alcoholic beverages: 92.34
  - Alcohol: 21.67

- Sweden
  - Food and non-alcoholic beverages: 32.21
  - Alcohol: 5.42

Canadian food and drink consumer expenditure 2009-2013 ($ billions)

- Linear (Food and non-alcoholic beverages)
- Linear (Alcohol)

CANADA’S FOOD AND DRINK MARKET IS LARGER THAN SWEDEN’S AND IS GROWING AT A STEADY PACE

SOURCE: OECD, STATISTICS CANADA, OECD
PROPORTIONALLY, CANADIANS SPEND SLIGHTLY LESS THAN SWEDES ON FOOD & DRINK EXPENDITURES

Spending as a % of total expenditures, 2012

<table>
<thead>
<tr>
<th></th>
<th>Food from store</th>
<th>Food from restaurant</th>
<th>Alcohol and tobacco</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>10.5</td>
<td>3.7</td>
<td>1.5</td>
<td>15.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($12,766.14)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>7.4</td>
<td>2.9</td>
<td>1.7</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($9,053.16)</td>
<td></td>
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</tr>
</tbody>
</table>

Canadian consumer trends

- Food and drink costs represent the third largest expenditure for Canadian families, after accommodation and transportation
- 44% of the Canadian population has an annual income of over $35,000
- Canada is extremely ethnically diverse, with a foreign-born population of approximately 6.7 million
- Asia (including the Middle East) has been Canada’s largest source of immigration in the past five years
- There are approximately 7,500 Swedes living in Canada and approximately 350,000 people identified as having Swedish ethnic origins
- 81% of Canadian households have three people or less and the Canadian population is increasingly concentrated in urban areas

CANADA IS HOME TO A RELATIVELY AFFLUENT, DIVERSE AND URBANIZED CONSUMER POPULATION

SOURCE: STATISTICS CANADA, STATISTICS SWEDEN
CANADA’S CHANGING DEMOGRAPHIC TRENDS IMPACT THE PURCHASING DECISIONS OF CONSUMERS

Population Characteristics

Multi-ethnic
- With over 70% of population growth coming from immigration, demand for specialty and ethnic food and drink choices has increased

Urbanized
- 81% of Canada’s population live in urban areas, creating opportunities for large-scale retail and niche food and drink products

Ageing
- The median age among Canadians has been increasing since 1971, creating demand for senior-focused options

Small households
- Family-size has declined to an average of 2.5 persons and 29% of households are one-person, resulting in increased single-portion packaging

Consumer Decision Drivers

Value
Convenience
Health
Sustainability

SOURCE: STATISTICS CANADA, KPMG
DESPITE ECONOMIC RECOVERY, CANADIAN CONSUMERS REMAIN QUITE VALUE-CONSCIOUS

With an average debt-to-income ratio of 153% in 2012, Canadians remain cost conscious
  - As result, customers are very price conscious, trading down and opting for cheaper alternatives
  - Private label products have fully penetrated the grocery market, increasing in quality and representing an easy way for consumers to save money
    - Private label sales steadily increased and amounted to $11.6 billion in 2011
    - Private label purchases are most frequent at the beginning of the calendar year
    - Canadian private label products were priced almost 36 percent below regular prices
    - Western Canada and the Maritimes demonstrate the strongest interest in private label

PRIVATE LABEL PURCHASING IS AN IMPORTANT WAY FOR CANADIAN CONSUMERS TO SEEK VALUE

SOURCE: NEILSON, EUROMONITOR, GLOBE AND MAIL, BUSINESS DEVELOPMENT BANK OF CANADA
CANADIAN CUSTOMERS ARE ACCUSTOMED TO FOOD & DRINK CHOICES BEING EASY AND CONVENIENT

- Customers expect to be able to get a diverse array of food products easily
  - The amount of groceries purchased at hypermarkets, which sell food as well as apparel and household items, more than doubled from 2007-2012
  - Major groceries stores are carrying large ethnic food lines
- Innovative and time-saving products such as coffee capsules, bite-sized food and food-on-the-go are increasingly popular in rural and urban areas
- Product lines tend to be wide-ranging with large product variety and product size options
  - "Fresh" convenience food is increasingly popular
- There are some regions, specifically in French-speaking Quebec, that are rebelling against the trend of convenience and emphasizing home cooking and relaxing means

Household trends
- Decline in the "nuclear family"
- Increase in single households
- Rising number of working women
- Increased urbanization

Added time pressure
- Rising stress levels and poor work-life balance
- Growing desire to maximize leisure time
- Familiarity with time-saving technology

Lack of interest
- Less cultural significance on cooking from scratch
- Lack of culinary skills
- Lack of energy to dedicate toward cooking

THERE IS SIGNIFICANT POTENTIAL FOR CONVENIENT PRODUCTS THAT SAVE CONSUMER’S TIME

SOURCE: EUROMONITOR, AGRICULTURE AND AGRI-FOOD CANADA, CANADIAN COUNCIL ON FOOD AND NUTRITION, EUROMONITOR
HEALTH-RELATED FOOD SALES ACCOUNT FOR APPROX 23% OF TOTAL FOOD & BEVERAGE SALES IN CANADA

- Health is the second most important factor in purchasing decisions (after price), with 31% of Canadians willing to pay a premium for health-enhancing products.
- Products that are positioned as addressing Digestive Health (18%), General Wellbeing (38%) and Weight Management (34%) account for 90% of sales in the Health and Wellness category.
- Gluten-free food saw a 7% value growth in 2012, though is expected to stabilize in growth.
- Grocery store and hypermarkets account for the largest share of health and wellness food and beverages.
- Both the government and the private sector are active in initiatives to encourage nutrition education and a reduction in the intake of calories, fat, sugar and sodium.

SOURCE EUROMONITOR, NEILSON, BUSINESS MONITOR INTERNATIONAL, BUSINESS DEVELOPMENT BANK CANADA
ORGANIC FOOD AND DRINK PRODUCT SALES IN CANADA AMOUNTED TO $2.96 BILLION IN 2012

- Sustainability is becoming increasingly important, with 40% of Canadians willing to pay a little more for a product they knew was environmentally friendly.
- The organic food market in Canada has tripled since 2006, providing an opportunity for Canadian consumers to make purchasing decisions that they feel are sustainable.
  - In 2012, it was estimated that 58% of Canadians buy at least one organic product every week.
  - Western Canada leads in organic sales, but Ontario also has a developed market.
  - Mainstream retail continues to be the dominant means Canadians purchase organic products.
- In addition to organic purchases, there has been an increasing emphasis on “Made in Canada” products, with 45% of Canadian consumers making an effort to buy local products in the last year.

CANADIAN CONSUMERS ARE WILLING TO PAY A PREMIUM FOR SUSTAINABLE FOOD AND DRINK PRODUCTS

SOURCE: ORGANIC TRADE ASSOCIATION, BUSINESS DEVELOPMENT BANK CANADA
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FOOD AND DRINK IMPORTS TO CANADA WERE VALUED AT $34.5 BILLION IN 2013

Food and drink imports to Canada, 2009-2013

- As of 2012, Canada ranked as the world’s sixth largest importer of agriculture and agri-food products
- The U.S. accounts for 61% of the value of Canadian food and drink imports
- Imports account for approx 21% of Canada’s food and drink market

Food and drink imports into Canada, by type, 2013

INCREASING FOOD AND DRINK IMPORTS PROVIDE OPPORTUNITIES FOR INTERNATIONAL MANUFACTURERS

SOURCE: OECD, GOVERNMENT OF CANADA
Swedish food and drink exports to Canada have been growing at approximately the same rate as global food and drink imports to Canada.

Denmark’s export portfolio is the most diversified, with the largest segments being beverages, spirits and vinegars (36%), dairy produce (20%) and meat (11%).

Norway and Finland’s food and drink exports to Canada are concentrated heavily in specific areas:
- 78% of Norway’s exports to Canada are fish and crustaceans.
- 62% of Finland’s exports to Canada are beverages, spirits and vinegars.

Though increasing, Nordic exports represent a small share of food and drink imports.

Source: Government of Canada, OECD, UN Comtrade.
SWEDISH EXPORTS TO THE CANADIAN FOOD & DRINK MARKET ARE HEAVILY CONCENTRATED

Sweden’s food and drink exports to Canada are heavily concentrated, with 86% of Sweden’s falling in two categories:

- **Beverages, spirits and vinegars (45%)**
  - These products are primarily retail-ready
- **Edible preparations (41%)**
  - Edible preparations include yeasts and baking powders, sauces, condiments, soups, extracts, syrups, flavouring, protein substances, seasonings etc
  - These products can be sold to commercial outlets, as well as to the food processing sector

These two import categories have grown steadily over the last 5 years, despite a slight dip in 2012

Swedish food and drink exports to Canada have increased by 30% from 2009-2013

THERE IS SIGNIFICANT ROOM FOR GROWTH IN TERMS OF SWEDISH FOOD AND DRINK EXPORTS TO CANADA

SOURCE: OECD, UN COMTRADE
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SUPERMARKETS ACCOUNT FOR THE LARGEST SHARE OF GROCERY SALES IN CANADA

Food sales by type of retail outlet, 2012

- Supermarkets: 29%
- Food/Drink/Tobacco Specialists: 16%
- Hypermarkets: 17%
- Discounters: 8%
- Independent Grocers: 7%
- Forecourt Retailers: 13%
- Other Grocery Retailers: 9%
- Convenience Stores: 1%

Retail trends

- The retail landscape for food and beverage sales have shifted to larger stores sizes, mainly driven by the expansion of hypermarkets and the acquisition of small stores by grocery conglomerates.
- Hypermarkets experienced the most growth in 2012, growing at a rate of 20%.
- Supermarkets, the current leading outlet for food sales, only grew 2% during 2012.
- Of the grocery retailers, discounters experienced the smallest growth, at 1% in 2012.
- Smaller urban and ethnic stores are emerging as modern ethnic food store concepts continue to expand.
- Larger chains such as Metro and Loblaws are also acquiring ethnic food chains and expanding their own product lines to offer more diverse products.

LARGE CHAINS DOMINATE THE CANADIAN FOOD RETAIL MARKET AND THEIR MARKET SHARE IS GROWING

SOURCE: U.S. DEPARTMENT OF AGRICULTURE, MARKETLINE, EUROMONITOR
THERE ARE SEVEN MAIN TYPES OF RETAIL OUTLETS THAT SELL FOOD AND BEVERAGES IN CANADA

<table>
<thead>
<tr>
<th>Type of retailer</th>
<th>Description</th>
<th>Goods sold</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>Full-line, self-service grocery store with annual sales of at least $2 million</td>
<td>Grocery products and household goods</td>
<td>Sobey’s, No Frills</td>
</tr>
<tr>
<td>Food/drink/tobacco specialists</td>
<td>Retail outlets that specialize in a certain type of product</td>
<td>Wide range of products within specialization</td>
<td>Upper Canada Cheese, Roast</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>Combines elements of supermarkets and department stores in product portfolio</td>
<td>General merchandise and groceries</td>
<td>Real Canadian Superstore, Loblaws</td>
</tr>
<tr>
<td>Discounters</td>
<td>Department store that offer lower prices</td>
<td>Wide range, including groceries, apparel etc</td>
<td>Costco, Wal-Mart</td>
</tr>
<tr>
<td>Independent grocers</td>
<td>Privately owned grocery stores that are typically smaller than supermarkets</td>
<td>Grocery products and household goods</td>
<td>Country Grocer, Knectel’s</td>
</tr>
<tr>
<td>Forecourt retailers</td>
<td>Convenience retailers present at gas stations</td>
<td>Fast food, snacks and beverages</td>
<td>On The Run, Esso Convenience</td>
</tr>
<tr>
<td>Convenience stores</td>
<td>Compact store, usually smaller in size (less than 2,400 ft²), open long hours</td>
<td>Convenience items, confectionary and fast food</td>
<td>Couche-Tard, 7-11</td>
</tr>
</tbody>
</table>

SOURCE: EUROMONITOR, INDEPENDENT GROCERS ASSOCIATION OF CANADA, GOVERNMENT OF CANADA
### Three Grocery Chains Dominate Canada’s Market of Over 21,000 Food and Beverage Outlets

<table>
<thead>
<tr>
<th>Chain</th>
<th>Market Share</th>
<th>Coverage</th>
<th>Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sobey’s</td>
<td>20%</td>
<td>&lt;1,500 outlets</td>
<td>Thrifty Foods&lt;br&gt;Shell (236 outlets)&lt;br&gt;Safeway’s&lt;br&gt;Atlantic Shopping Centres&lt;br&gt;Halifax Developments&lt;br&gt;Oshawa Group&lt;br&gt;Comisso’s Food Market &amp; Real Estate&lt;br&gt;Achille de la Chevrotière</td>
</tr>
<tr>
<td>2. Loblaws</td>
<td>12%</td>
<td>&lt;1,000 outlets</td>
<td>Atlantic Superstore&lt;br&gt;Dominion&lt;br&gt;Extra Foods&lt;br&gt;Maxi&lt;br&gt;Maxi et Cie&lt;br&gt;Provigo&lt;br&gt;The Real Canadian Superstore&lt;br&gt;T&amp;T Supermarkets&lt;br&gt;Zehrs&lt;br&gt;Shopper’s Drug Mart</td>
</tr>
<tr>
<td>3. Metro</td>
<td>9%</td>
<td>&lt;550 outlets</td>
<td>Great Atlantic &amp; Pacific Tea Company&lt;br&gt;Adonis</td>
</tr>
</tbody>
</table>

**Three Major Chains Represent Over 40% of All Retail Food and Beverage Sales in Canada**

Source: U.S. Department of Agriculture, Market Line, Government of Canada, Sobey’s, Loblaw, Metro Inc, Euromonitor
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THE MAJORITY OF ALCOHOL IMPORTED TO CANADA IS SOLD THROUGH REGULATED RETAILERS

Overview of provincial alcohol retailing

- Regulated retail
- Regulated and private retail
- Private retail

Provincial Liquor Boards

- Every province has a Provincial Liquor Board (PLB) that controls the retail pricing, listing, distribution and sale of alcoholic beverages. Only PLB’s can import alcohol for commercial sale, requiring that exporters have their products "listed" by the PLB in each province.
- Depending on the province, imported liquor can be sold in three ways:
  - Regulated retail outlets
  - Unregulated retail outlets
  - Private ordering of non-regular assortment products, distributed by PLB warehouses
- Alberta allows private retail of all alcohol, while British Columbia only allows private retail of beer and wine.
- In Quebec, only the provincially-owned SAQ may sell hard liquor:
  - Wine or beer (that is bottled/brewed in Québec or distributed through a Québec representative/local brewer) can be purchased at (corner stores) and supermarkets.

THERE ARE SIGNIFICANT DIFFERENCES BETWEEN THE VARIOUS PROVINCES’ ALCOHOL REGULATIONS

SOURCE: CANADIAN VINTNERS ASSOCIATION, LCBO
ONTARIO AND QUEBEC ACCOUNT FOR 63% OF CANADA’S TOTAL ALCOHOL SALES

Sales of alcoholic beverages by province, 2012 ($ billion)

- Ontario: Total $7.29, Spirits $2.26, Wine $3.02, Beer $1.99
- Quebec: Total $5.38, Spirits $1.12, Wine $2.26, Beer $2.00
- British Columbia: Total $3.02, Spirits $0.69, Wine $0.67, Beer $0.66
- Alberta: Total $2.26, Spirits $0.69, Wine $0.67, Beer $0.90
- Manitoba: Total $0.69, Spirits $0.24, Wine $0.11, Beer $0.34

Alcohol consumption in Canada

- Canada’s most populous province of Ontario (pop: 13.5 million) is home to the largest alcohol market, valued at $7.3 billion
- While the market for alcohol in Quebec is smaller, valued at $5.4 billion, the per capita consumption is higher than in Ontario
- Drinkers from Québec, Ontario and British Columbia drink more frequently and drink during meals more often than the national average
- New consumption trends indicate Canadians are drinking more wine and less beer
- Beer is the most popular alcohol type in Canada, with imported beer representing almost 30% of total consumption in 2012
  - The US is the leading importer, followed by the Netherlands

ONTARIO AND QUEBEC REPRESENT THE GREATEST POTENTIAL FOR ALCOHOL SALES

SOURCE: STATISTICS CANADA, GOVERNMENT OF CANADA
THE LIQUOR CONTROL BOARD OF ONTARIO IS THE LARGEST PURCHASER OF ALCOHOL IN NORTH AMERICA

Ontario alcohol sales by retail outlet, 2013

- LCBO: 51%
- The Beer Store: 26%
- Other legal: 13%
- Illegal: 10%

Alcohol retail in Ontario

- The Liquor Control Board of Ontario (LCBO) is the largest PLB in Canada, and has more than 850 retail locations
  - Total sales for the 2011-2012 fiscal year amounted to $4.7 billion
    - Beer sales were up 4.0%, at $0.9 billion
    - Wine sales were up 4.4%, at $1.2 billion
    - Spirits sales were up 4.1%, at $1.9 billion
  - New products are tested and evaluated for placement in the three/four month seasonal product rotations
  - The LCBO has the strictest evaluation criteria of all of the PLBs, assessing imports based on quality, home market records and Canadian market need
- The Beer Store (TBS) is a privately owned regulated beer retailer, representing ~80% of the beer market in Ontario
  - Under Ontario's Liquor Control Act, TBS is the only private retailer permitted to sell beer in Ontario, buying its products through the LCBO

A RELATIONSHIP WITH THE LCBO IS KEY TO ACCESS ONTARIO, CANADA'S LARGEST ALCOHOL MARKET

SOURCE: LCBO, THE BEER STORE, CANADIAN ASSOCIATION OF LIQUOR JURISDICTIONS (CALJ)
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FOOD AND BEVERAGE EXPORTERS CAN WORK WITH A PARTNER OR SELL DIRECTLY

1. **Distributor/Importer** - Purchases imports and holds an agreed upon degree of responsibility for sales and logistics

2. **Wholesaler** - Facilitates imports, logistics and sales but not responsible for promotion

3. **Repacker** - Doesn’t facilitate imports, but handles logistics and ensures alignment with packaging regulations

4. **Broker** - Only facilitates imports, i.e. assists with customs issues

- Within the industry, these terms are often used interchangeably
- The higher the cost of the partnership, the more support the partner offers (in general)

MOST SMALL-MED SIZED FOREIGN COMPANIES WORK WITH A DISTRIBUTOR/IMPORTER TO ENTER CANADA
WORKING WITH A PARTNER IS RECOMMENDED WHEN ACCESSING THE CANADIAN MARKET

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECT SALES</strong></td>
<td><strong>PARTNERSHIP</strong></td>
</tr>
<tr>
<td>- Full control and transparency in business development and sales activities</td>
<td>- Facilitated access to existing network, local market knowledge and import experience</td>
</tr>
<tr>
<td>- Ownership over all profit margins</td>
<td>- Assistance with complicated regulations and other administrative steps</td>
</tr>
<tr>
<td>- Possibility to build independent relationships on the market</td>
<td>- Low initial investment and risk</td>
</tr>
<tr>
<td>- Low initial investment and risk</td>
<td>- A wide variety of partnership options</td>
</tr>
<tr>
<td>- A wide variety of partnership options</td>
<td>- Potential for less control over sales activities and decision making</td>
</tr>
<tr>
<td>- Partnership necessitates sharing some proportion of the profit margins</td>
<td>- Finding and maintaining a good partner can be difficult and time consuming</td>
</tr>
</tbody>
</table>

**Low cost/support**

A more profitable but complicated way to enter the Canadian market

**High cost/support**

A relatively simple and strategic way to enter the Canadian market

A STRATEGIC PARTNER PROVIDES ACCESS TO LOCAL NETWORKS AND FACILITATES MARKET OPPORTUNITIES

SOURCE: BUSINESS SWEDEN INTERVIEWS
FOOD CASE STUDY: ANNAS

Before 2003

- Suppliers: ANNAS
- Partnership Options: Distributor
- Customers: Regional grocery retailers and specialty stores
- Comments: Annas entered Canada in the early 1990’s through a distributor

After 2003

- Suppliers: ANNAS
- Partnership Options: National grocery retailers and large grocery chains
- Customers: National grocery retailers and large grocery chains
- Comments: Since 2003, they have run the operations themselves in order to maintain better control over the brand

Lessons learned include:

- Canada is a huge country, making the logistical challenges great; most strategic to start in Toronto region
- Power and consolidation of the grocery business in a few banners make entry barriers very high
- Regulations similar to EU, and Canada use the metric system
- Canadians are open to try new things and have a positive attitude toward food products from Europe
- Despite 20 years of business and positive consumer response, ANNAS still have less than 20% national distribution, compared to total coverage potential, and continue to work at developing a viable long term business

“Consumers in Canada have a generally very positive view of Sweden. The associations with Sweden are natural, with a lot of history, good quality, healthy”

- Mike Bannister, General Manager, ANNAS

SOURCE: BUSINESS SWEDEN INTERVIEWS
AGENDA

- Background
- Executive Summary
- Market Overview
- Consumption Trends
- Supply Chain
  - Importation
  - Food and Beverage Retail
  - Alcohol Retail
- Food and Beverage Distribution

- Alcohol Distribution
  - Regulatory Issues
  - CETA Implications
  - Recommendations
  - Appendix
ALL COMMERCIAL ALCOHOL IMPORTS MUST BE REGISTERED BY THE PROVINCIAL LIQUOR BOARD

All imports of liquor require prior authorization from the liquor board in the province where the product will be sold/consumed before the shipment can be cleared by customs.

In all provinces, it is strongly recommended to work through a local Licensed Agent who understands the local market.

A Licensed Agent makes it easier and more efficient to:

- Deal with customs and regulatory issues
- Liaise with the Provincial Liquor Boards throughout the evaluation process and ensure the product is properly promoted and stocked once it is listed
- Liaise with bars and restaurants to promote the brand and increase sales

NEARLY ALL ALCOHOL EXPORTERS WORK WITH A LICENSED AGENT TO ACCESS THE CANADIAN MARKET

Source: Government of Canada, Canadian Association of Liquor Jurisdictions (CALJ)
ALCOHOL CASE STUDY: MACKMYRA WHISKY

- Mackmyra Whisky entered the Canadian market in 2012 after a partner search and market analysis, conducted by Business Sweden
- Mackmyra developed relationships with local agents and is currently present in three provinces, Ontario, Quebec and Manitoba with three different products
- Mackmyra’s agents and Business Sweden support their work in a marketing and regulatory capacity
- Lessons learned include:
  - A thorough market analysis is very important
  - Finding a partner outside the EU is difficult and time consuming
  - “Champions” within the target market are critical to success
  - Start with a simple and limited product portfolio

“Having product champions and key partners on the local market is critical to success”

- Lisa Collins Wickman, Area Sales Manager, Mackmyra
AGENDA

- Background
- Executive Summary
- Market Overview
- Consumption Trends
- Supply Chain

- Regulatory Issues
  - CETA Implications
  - Recommendations
  - Appendix
THE FOOD AND DRUG ACT IS THE DOMINANT FEDERAL LEGISLATION GUIDING FOOD REGULATIONS IN CANADA

The Food and Drugs Act
Applicable to all food and drink sold in Canada

The Consumer Packaging and Labelling Act
Applicable to all food and drink sold to consumers in Canada

Food-Specific Federal Regulations
Further regulations are applicable to certain food groups in Canada

The Food and Drugs Act

- It is very complex, containing 28 food-specific divisions
- Further, depending on the market, there may be additional provincial regulations that apply to the sale of food
- However, unlike the US, a general ”FDA approval” is not required in order to sell food in Canada
- The Food and Drugs Act is governed by the Canadian Food Inspection Agency and it is the producer/exporter’s responsibility to ensure the product fulfills Canadian requirements
- Monetary penalties are issued for non-compliance

WHILE NO APPROVAL IS REQUIRED, FOOD & DRINK MUST COMPLY WITH THE FOOD AND DRUGS ACT

SOURCE: CANADIAN FOOD INSPECTION AGENCY
ALL PRODUCTS SOLD TO CONSUMERS MUST COMPLY WITH THE PACKAGING AND LABELLING ACT

The Consumer Packaging and Labelling Act

The Consumer Packaging and Labelling Act sets out the rules for the packaging and labelling of all consumer goods, including food and drink, with regulations for the information communicated on the package, the requirement associated with making certain claims and additional information required for specific food and drink products.

There are Core Labelling Requirements that are required to be communicated on all food and drink sold in Canada.

- Net quantity
- Common name
- Date markings
- List of ingredients & allergens
- Nutrition Facts Table
- Identity and principal place of business
- Country of origin
- Occurrence of sweeteners
- Occurrence of irradiated ingredients that constitute more than 10% of the final food

Labelling must be in French & English and lettering must be at least 1.6 mm in height.

Food and drink categories with specific labelling requirements:

- Alcohol
- Dairy
- Eggs (shelled and processed)
- Fish and seafood
- Fresh fruits and vegetables
- Honey
- Maple
- Processed products
- Chocolate and cocoa
- Fats and oils
- Dietary foods
- Grains and baked goods
- Infant/junior food
- Meat and poultry
- Salt
- Water

INTERNATIONAL PRODUCT LABELS MUST BE ADAPTED TO MEET CANADIAN REQUIREMENTS

SOURCE: CANADIAN FOOD INSPECTION AGENCY
Certain food and drink products must comply with additional federal regulations

<table>
<thead>
<tr>
<th>Food category</th>
<th>Act/regulation</th>
<th>Specific requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy products</td>
<td>Canada Agricultural Products Act</td>
<td>Import declaration</td>
</tr>
<tr>
<td>Eggs and egg products</td>
<td>Canada Agricultural Products Act</td>
<td>Import permit</td>
</tr>
<tr>
<td>Organic products</td>
<td>Canada Agricultural Products Act</td>
<td>Certification</td>
</tr>
<tr>
<td>Fresh fruit and vegetables</td>
<td>Canada Agricultural Products Act</td>
<td>CFIA license and/or membership in Canada</td>
</tr>
<tr>
<td></td>
<td>Fresh Fruit &amp; Vegetable Regulations</td>
<td>Dispute Resolution</td>
</tr>
<tr>
<td>Processed products</td>
<td>Canada Agricultural Products Act</td>
<td>Import declaration</td>
</tr>
<tr>
<td>Meat and poultry products</td>
<td>Meat Inspection Act and The Health of Animals Act</td>
<td>Import permit</td>
</tr>
<tr>
<td>Fish and seafood</td>
<td>Fish Inspection Act and Regulations</td>
<td>Import licence and must notify CFIA in writing for each import</td>
</tr>
<tr>
<td>Alcohol</td>
<td>Importation of Intoxicating Liquours Act</td>
<td>Importations must be made by provincial liquor authorities</td>
</tr>
</tbody>
</table>

Source: Canadian Food Inspection Agency

There are several different types of food and drink that are subject to additional regulations set out under the Food and Drugs Act and enforced by the Canadian Food Inspection Agency (CFIA).
There are four main regulatory bodies to be aware of when exporting to Canada

While federal responsibility for food and drink safety resides primarily with the Canadian Food Inspection Agency, other departments play a role in the regulation of the importation of food and drink.

<table>
<thead>
<tr>
<th>Governing Body</th>
<th>Act / Agreement</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Department of Foreign Affairs and International Trade</td>
<td>Export and Import Permits Act</td>
<td>Controls the importation of certain agricultural products and tariff rate quotas (TRQs)</td>
</tr>
<tr>
<td>2. Foreign Affairs, Trade and Development Canada Canada</td>
<td>Import Control List</td>
<td>Responsible for the issuance of permits for specific goods</td>
</tr>
<tr>
<td>3. Environment Canada</td>
<td>The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) International Agreement</td>
<td>Controls the import, export and in-transit movement of various plant and animal species listed in the convention</td>
</tr>
<tr>
<td>4. Measurement Canada</td>
<td>The Weight and Measure Act</td>
<td>Sets measurement standards for foods destined for commercial or industrial enterprises or institutions, products sold in bulk and clerk-served products at retailers</td>
</tr>
</tbody>
</table>

Source: Government of Canada
AGENDA

- Background
- Executive Summary
- Market Overview
- Consumption Trends
- Supply Chain – Alcohol Distribution
- Regulatory Issues – Import Regulations
- CETA Implications
- Recommendations
- Appendix
THE CETA AGREEMENT AIMS TO ELIMINATE OVER 99% OF TAXES BETWEEN CANADA AND THE EU

The CETA Agreement

Estimated 20+% increase in bilateral trade annually

Canada
Canada exported $59 billion in goods and services to the EU in 2012

European Union
The EU exported $71 billion in goods and services to Canada in 2012

CETA Benefits

The Comprehensive Economic and Trade Agreement (CETA) between Europe and Canada is expected* to create sizeable new market opportunities. In addition to a reduction in taxes, the agreement is set to:

- Harmonize product standard and regulations
- Encourage foreign direct investment
- Allow service providers preferential market access
- Streamline recognition of professional qualifications
- Enhance temporary entry provisions

October 2008
EU-Canada joint study explored the benefits of a Free Trade Agreement

May 2009
Negotiations are launched for a Comprehensive Economic and Trade Agreement

October 2013
CETA Agreement formally signed

Q4 2016
Estimation of when CETA Agreement is expected to come into effect

THE CETA AGREEMENT HAS THE POTENTIAL TO GREATLY REDUCE THE COST OF EXPORTING TO CANADA

*Since the details of the CETA agreement have not yet been released, the CETA related content in this report is based on estimated projections of what is likely to happen

SOURCE: EUROPEAN TRADE COMMISSION, GOVERNMENT OF CANADA
THERE ARE A VARIETY OF CETA EXEMPTIONS FOR SUPPLY-MANAGED PRODUCTS

The Government of Canada enacts trade barriers to control the price of milk, cheese, eggs and poultry in Canada. It does so by setting quotas to limit the amount of goods imported at low or zero tariff-rates. Over-quota goods face extremely high tariffs that often prohibit entry. The lobby groups for supply-managed goods are very strong and have successfully advocated that certain supply-managed products be exempted from the elimination of trade barriers promised under CETA.

<table>
<thead>
<tr>
<th>Product</th>
<th>Impact of CETA</th>
<th>Level of Market Access</th>
<th>Potential for Swedish companies</th>
</tr>
</thead>
</table>
| Milk    | Moderate impact| ▶ There is likely to be an increase in the amount of milk products that can be imported into Canada  
▶ The milk protein substances tariff will be phased out | ![L] ![H] |
| Cheese  | Moderate impact| ▶ The CETA Agreement will raise the amount of tax-free EU cheese from 13,000 tonnes to 29,000 tonnes/year | ![L] ![H] |
| Eggs    | No impact      | ▶ Eggs are excluded from the CETA Agreement entirely  
▶ There will be no change in quota or taxes | ![L] ![H] |
| Poultry | No impact      | ▶ Poultry is excluded from the CETA Agreement entirely  
▶ There will be no change in quota or taxes | ![L] ![H] |

SOURCE: BUSINESS SWEDEN INTERVIEWS, GOVERNMENT OF CANADA, EU SECRETARIAT
SEVERAL TYPES OF IMPORT TAX WILL BE ELIMINATED FOR THE MAJORITY OF FOOD IMPORTS

There are four different types of taxes that are levied on imports. Often, more than one type of tax can be applied to a product. I.e. there could be a per volume tax rate as well as a tariff, or there could be a per volume tax rate within the access commitment and a tariff rate over the access commitment.

Once the CETA Agreement is in place, all of these taxes will be eliminated on the majority of non-supply managed food and drink commodities.

<table>
<thead>
<tr>
<th>Type of tax</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Standard tariff</td>
<td>A standard tariff is expressed as a percentage-based tax that must be paid on imports of a specific commodity. Standard tariffs range from 2%-19%.</td>
<td>Strawberry jam – 12.5% tariff rate</td>
</tr>
<tr>
<td>2 Over quota tariffs</td>
<td>Some commodities are subject to different tariff rates for imports within a pre-established quota and imports in excess of that quota. The rate within the quota is typically quite low, between 3%-10%, while the rate for imports in excess of the quota can often be over 100% and sometimes upwards of 250%.</td>
<td>Substitutes for butter - 7.5% tariff (within access commitment), 218% tariff (over access commitment)</td>
</tr>
<tr>
<td>3 Per volume tax</td>
<td>Several commodities are subject to a per volume tax rate, rather than a percentage-based tax rate. However, some commodities are subject to a per volume tax as well as a tariff rate.</td>
<td>Ginger beer and herbal beer - 2.11¢/litre import tax</td>
</tr>
<tr>
<td>4 Over quota per volume tax</td>
<td>The over quota per volume tax works in the same way as the over quota tariffs. Certain commodities are subject to a lower per volume tax within a stated import quota and a higher per volume tax in excess of the stated import quota</td>
<td>Wheat or meslin flour - $2.42/tonne tax (within access commitment), $139.83/tonne tax (over access commitment)</td>
</tr>
</tbody>
</table>

SOURCE: CANADIAN BORDER SERVICE AGENCY, GOVERNMENT OF CANADA, BUSINESS SWEDEN INTERVIEWS AND ANALYSIS
**FISH AND SEAFOOD TARIFF RANGE**

*Estimated market size: $3.3 billion*

Fish and seafood products are generally not heavily taxed and are not subject to any over quota tariffs. Most fresh seafood, including live fish, fish fillets, scallops and mussels is already tariff-free.

<table>
<thead>
<tr>
<th>Standard tariffs</th>
<th>&lt;3% tariff</th>
<th>3%-6% tariff</th>
<th>&gt;6% tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livers and roe</td>
<td>Smoked lobster, mussels, snails, abalone, sea cucumber, sea urchins, jellyfish</td>
<td>Smoked clams, cockles and ark shells</td>
<td></td>
</tr>
<tr>
<td>Smoked oysters</td>
<td>Aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live, fresh or chilled oysters, in shell</td>
<td>Rock lobster, crabs, Norway lobsters</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MEATS AND LIVE ANIMALS TARIFF RANGE

Meat and live animals represent quite a large market in Canada. While imports of most live animals, meat of rabbits, primates, whales and reptiles, duck or geese liver and salted, dried or smoked meat are already tariff-free, there are many product categories that will benefit significantly from CETA.

<table>
<thead>
<tr>
<th>Standard tariffs</th>
<th>Over quota tariffs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>&lt;6% tariff</strong></td>
<td><strong>&gt;10% tariff</strong></td>
</tr>
<tr>
<td>Meat of sheep, frozen</td>
<td>Meat of duck, geese, guinea fowl, not cut in pieces, fresh or chilled</td>
</tr>
<tr>
<td>Cuts of spent fowl, frozen or chilled</td>
<td>Meat of spent fowl, not cut in pieces, fresh or chilled</td>
</tr>
<tr>
<td>Cuts of duck, geese, guinea fowl, fresh, frozen or chilled</td>
<td>Live turkeys, ducks and geese</td>
</tr>
<tr>
<td>Meat of duck, geese and guinea fowl, not cut in pieces, frozen</td>
<td></td>
</tr>
</tbody>
</table>

Estimated market size: $25 billion

SOURCE: CANADIAN BORDER SERVICES AGENCY, STATISTICS CANADA, AGRICULTURE CANADA
### FRUITS, VEGETABLES AND NUTS TARIFF RANGE

#### Estimated market size:
$14.4$ billion

Generally, most nut products are already tariff free, while the tax on fruits and vegetables depends heavily on their state and purpose, i.e. frozen, fresh, preserved, processed etc.

#### Standard tariffs

<table>
<thead>
<tr>
<th>Tariff Range</th>
<th>Examples</th>
</tr>
</thead>
</table>
| <7% tariff   | Dried leguminous vegetables, shelled  
|             | Packaged cauliflower, headed broccoli, and baby carrots of a weight exceeding 2.27 kg  
|             | Broccoli, cucumbers, peas and snap beans, for processing  
|             | Dried mushrooms, onion and garlic  
|             | Mixtures of dried vegetables  
|             | Grapes and sour/sweet cherries  
|             | Frozen potatoes and raspberries  
|             | Dried apple  |
| 7%-10% tariff | Packaged cauliflower, headed broccoli, and baby carrots of a weight not exceeding 2.27 kg  
|             | Asparagus, pears, apricots, sweet cherries, peaches, prune plums, strawberries, mushrooms and tomatoes, for processing  
|             | Frozen yams, beans and peas  
|             | Packaged beats and snap beans, of a weight exceeding 2.27 kg  
|             | Preserved vegetable mixtures  |
| >10% tariff  | Frozen peaches, strawberries and cherries  
|             | Provisionally preserved strawberries and cherries  
|             | Broccoli, cauliflower, brussel sprouts, mushrooms, asparagus and mixtures of vegetables  
|             | Packaged beats and snap beans, of a weight not exceeding 2.27 kg  
|             | Packaged brussel sprouts and cabbage lettuce  |

**Source:**
Canadian Border Services Agency, Statistics Canada, Agriculture Canada
The tariffs on prepared and preserved foods are quite erratic, in that there are few major groupings of food (i.e. prepared seafood) that fall into the same tariff schedule. The number of high tariffs on prepared/preserved food makes it a high potential category once the CETA Agreement is in effect.

### Standard tariffs

<table>
<thead>
<tr>
<th>&lt;5% tariff</th>
<th>5%-9% tariff</th>
<th>&gt;9% tariff</th>
<th>&lt;200% over access tariff</th>
<th>&gt;200% over access tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oysters, caviar, lobster, mussels, scallops, snails, sea urchins, jellyfish</td>
<td>Crab, crayfish, strawberries, peaches, nectarines, potatoes, cranberries</td>
<td>Sardines, anchovies, not minced</td>
<td>Turkey, liver paste or prepared meals</td>
<td></td>
</tr>
<tr>
<td>Prepared baking powders</td>
<td>Tuna, eel, mackerel, not minced</td>
<td>Pears, apricot, asparagus</td>
<td>Spent fowl, prepared meals</td>
<td></td>
</tr>
<tr>
<td>Food preparations of flour, starch, malt extract</td>
<td>Cucumbers, onions, preserved by vinegar</td>
<td>Prepared meals of bovine, fish</td>
<td>Ice cream, ice milk mixes</td>
<td></td>
</tr>
<tr>
<td>Atlantic bonito, salmon, not minced</td>
<td>Peas, beans, olives, unfrozen</td>
<td>Stuffed pasta, pasta with meat</td>
<td>Milk, cream or butter substitutes</td>
<td></td>
</tr>
</tbody>
</table>

### Over quota tariffs

- Soya sauce, mayonnaise, mustard, salad dressing
- Malt extract
- Prepared meals of bovine, fish
- Spent fowl, prepared meals
- Ice cream, ice milk mixes
- Milk, cream or butter substitutes

**Estimated market size:** $13 billion

**SOURCE:** CANADIAN BORDER SERVICES AGENCY, STATISTICS CANADA, AGRICULTURE CANADA
# Alcoholic and Non-Alcoholic Drinks Tariff Range

As alcoholic beverages account for a significant proportion of Sweden's food and drink exports to Canada, tariff eliminations in this category will be important. While several alcoholic beverages, including beer, tequila, whiskies and sparkling wine, are already tariff-free, the elimination of tariffs on vodka and cider will produce significant savings.

## Estimated Market Size

$29 billion

## Standard Tariffs

<table>
<thead>
<tr>
<th>&lt;10% Tariff</th>
<th>&gt;10% Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water, not containing added sweetener or flavouring</td>
<td>Concentrated juice</td>
</tr>
<tr>
<td>Vinegar</td>
<td>Water, containing added sweetener or flavouring</td>
</tr>
<tr>
<td>Cider</td>
<td>Juices fortified with vitamins or minerals</td>
</tr>
<tr>
<td>Grape, apple juice</td>
<td>Chocolate milk</td>
</tr>
<tr>
<td>Juices from a mixture of vegetables</td>
<td>Tomato juice</td>
</tr>
</tbody>
</table>

## Per Volume Taxes

<table>
<thead>
<tr>
<th>&lt;14¢/litre tax</th>
<th>&gt;14¢/litre tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prune wine</td>
<td>Sparkling cider</td>
</tr>
<tr>
<td>Sake</td>
<td>Rum</td>
</tr>
<tr>
<td>Ginger beer, herbal beer</td>
<td>Fruit juices of an alcoholic strength by volume not exceeding 14.3% vol</td>
</tr>
<tr>
<td>Gin, vodka, liqueurs, cordials</td>
<td></td>
</tr>
</tbody>
</table>

---

**Source:**
Canadian Border Services Agency, Statistics Canada, Agriculture Canada
CONFECTIONARY, SUGARS AND COCOA TARIFF RANGE

**Estimated market size:**
$10 billion

Cocoa beans, shells, paste and butter is already tariff-free, while most sugars currently carry significant per volume import taxes. Note that the estimated market size for this category references retail figures that often include snack food items, in addition to traditional confectionary.

<table>
<thead>
<tr>
<th>Standard tariffs</th>
<th>Per volume taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>&lt;8% tariff</strong></td>
<td></td>
</tr>
<tr>
<td>Lactose and lactose syrup</td>
<td>Invert sugar and other sugar and sugar syrup blends containing in the dry state 50% by weight of fructose</td>
</tr>
<tr>
<td>Cocoa powder</td>
<td>Raw beet sugar, not containing added flavouring or colouring</td>
</tr>
<tr>
<td>Chocolate powder or crumbs</td>
<td>Raw cane sugar, not containing added flavouring or colouring</td>
</tr>
<tr>
<td>Chocolate in blocks, slabs or bars, filled or not filled</td>
<td></td>
</tr>
<tr>
<td><strong>&gt;8% tariff</strong></td>
<td></td>
</tr>
<tr>
<td>Chewing gum</td>
<td></td>
</tr>
<tr>
<td>Sugar confectionary</td>
<td></td>
</tr>
<tr>
<td>Liquorice candy</td>
<td></td>
</tr>
<tr>
<td>Toffee</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** CANADIAN BORDER SERVICES AGENCY, STATISTICS CANADA, AGRICULTURE CANADA
## Crops, cereals, oils tariff range

**Estimated market size:** $8 billion

Items in this category face a number of taxes, including standard tariffs, over access tariffs and over access taxes. Many of the over access taxes are also accompanied by an additional tariff, i.e. $98.60/tonne plus 7% tariff.

<table>
<thead>
<tr>
<th>Standard tariffs</th>
<th>Over quota tariffs/taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>&lt;6% tariff</strong></td>
<td><strong>21%-218% over access tariff</strong></td>
</tr>
<tr>
<td>▸ Fats of bovine animals, sheep or goats</td>
<td>▸ Wheat and meslin, seed or other</td>
</tr>
<tr>
<td>▸ Fats and oils of fish</td>
<td>▸ Barley, seed and for malting purposes</td>
</tr>
<tr>
<td>▸ Crude oil of soya-bean, cotton-seed, linseed, maize</td>
<td>▸ Substitutes for butter</td>
</tr>
<tr>
<td>▸ Worked grains of oats, maize</td>
<td>▸ Malt</td>
</tr>
<tr>
<td>▸ Maize and cereal flours</td>
<td>▸ Wheat, barley, flour, starch, groats, meal and rolled or flaked grains</td>
</tr>
<tr>
<td>▸ Flour, meal and powder of dried vegetables</td>
<td></td>
</tr>
<tr>
<td>▸ Crude oil of coconut, palm, canola, sesame</td>
<td></td>
</tr>
<tr>
<td>▸ Fats and oils of marine animals</td>
<td></td>
</tr>
<tr>
<td>▸ Linseed oil and its fractions</td>
<td></td>
</tr>
<tr>
<td>▸ Vegetable fats and oils</td>
<td></td>
</tr>
<tr>
<td>▸ Potato starch</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** CANADIAN BORDER SERVICES AGENCY, STATISTICS CANADA, AGRICULTURE CANADA
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**WHILE COMPLEX, THE CANADIAN MARKET OFFERS SIGNIFICANT OPPORTUNITIES FOR SWEDISH BRANDS**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Canadian expenditure on food and drink is growing steadily</td>
<td>Demographic differences between the English and French speaking provinces require a regionally adjusted approach to business</td>
</tr>
<tr>
<td>Canada’s diverse population is open to new products</td>
<td>A strong network of distribution centers is required to cover the whole country</td>
</tr>
<tr>
<td>Canadians associate Swedish products with innovation, convenience and sustainability, important factors in consumer spending</td>
<td>In most provinces, sales of alcohol are restricted to certain retailers, limiting purchasing opportunities</td>
</tr>
<tr>
<td>Canada’s urban areas have concentrated populations and a diversity of retail options catering to variety of products</td>
<td>With the exception of liquor, Swedish products do not currently have a high profile in Canada</td>
</tr>
</tbody>
</table>

**SWOT ANALYSIS**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CETA Agreement will reduce trade costs for a number of food and drink products</td>
<td>The food and beverage regulatory environment in Canada is highly complex and can be difficult to navigate</td>
</tr>
<tr>
<td>Increase in private label opens opportunities for partnerships</td>
<td>The economic slowdown has had an adverse effect on consumer spending</td>
</tr>
<tr>
<td>Food and drink tastes are becoming increasingly sophisticated, providing good sales opportunities for specialty and premium products</td>
<td>Price competition among retailers puts downward pressure on profit margins</td>
</tr>
<tr>
<td>Sales in Canada are a good way to test the demand of the North American market and establish a foundation before entering the U.S. market</td>
<td>The primary agricultural industry in Canada is strong and protected</td>
</tr>
</tbody>
</table>

**Source:** EUROMONITOR, STATISTICS CANADA, KPMG, AGRICULTURE AND AGRI-FOOD CANADA
SUCCESS IN CANADA REQUIRES AN UNDERSTANDING OF THE MARKET AND A STRATEGIC PARTNER

As the Canadian market differs from Sweden in size, consumer profile, geography and regulatory structure, it is important to fully understand your market potential:

- How big is your specific market? Is it growing?
- Who are your competitors? Where are they located?
- Where is there demand for your product?
- How are similar products priced?
- What are the market challenges?
- What are the TCO?*

Get market feedback – Establish relationships with industry experts and get initial feedback from potential customers/partners

Assess regulatory adaptations – Understand what steps need to be taken to adapt your product to Canadian regulations

Choose region – Focus on urban areas and assess what region holds the most potential for your product

Understand growth potential – Analyze trends in market growth and understand what impact the CETA Agreement will have on your target market

Assess partnership options – Understand the available partnership options

Understand your capacity – Identify the limits of your production and the resources that are available to be dedicated toward Canadian growth

Conduct partner search – Incorporate capacity limitations, target market and regional focus to establish a list of partners to fit your needs

Establish relationship with partner – Meet with potential partners and set up contracts to grow your presence in Canada

Grow network of partners – Consider working with additional partners to grow your presence in Canada

Expand geographically – Expand your presence in new regions across Canada

Increase marketing of product – Attend trade shows and work with partner to build awareness of your product

Increase product portfolio – Consider expanding your product line in the Canadian market

Evaluate current partnership(s) – Continue to evaluate your partnerships

WHILE TIME CONSUMING, PREPARATION IS CRITICAL TO DEVELOPING A STRATEGIC MARKET ENTRY PLAN

SOURCE: BUSINESS SWEDEN INTERVIEWS AND ANALYSIS
*TOTAL COST OF OWNERSHIP
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ALCOHOLIC BEVERAGES REPRESENT THE SINGLE LARGEST RETAIL READY PRODUCT MARKET

Market size, retail-ready products, 2013 ($ thousands)

SOURCE: STATISTICS CANADA, AGRICULTURE CANADA
LIVE ANIMALS AND CROPS, OILS, CEREALS AND WHEATS DOMINATE THE MATERIAL INPUTS MARKET

Market size, material inputs, 2011 ($ thousands)

SOURCE: STATISTICS CANADA, AGRICULTURE CANADA
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**44% of Canada’s Income Earners Have an Annual Income Over $35,000**

Canadian income distribution, 2011

- $250,000 and over: 3%
- $200,000 and over: 2%
- $150,000 and over: 9%
- $100,000 and over: 12%
- $75,000 and over: 16%
- $50,000 and over: 22%
- $35,000 and over: 32%
- $25,000 and over: 44%
- $20,000 and over: 56%
- $15,000 and over: 64%
- $10,000 and over: 72%
- $5,000 and over: 80%
- Under $5,000: 96%

% of the population

Breakdown of household expenditures, 2012

- Accommodation: 12%
- Transportation: 3%
- Food and drink: 9%
- Personal care: 2%
- Household: 16%
- Health care: 12%
- Other: 3%
- Education: 2%

**Food and Drink Expenses Represent the Third Largest Household Expenditure for Canadians**

Source: Statistics Canada
### CANADA’S GROWING ETHNIC POPULATION IS VERY DIVERSE

#### Ethnic breakdown of the Canadian population*, 2011, millions

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Isles</td>
<td>11,3</td>
</tr>
<tr>
<td>North American</td>
<td>11,1</td>
</tr>
<tr>
<td>Western European</td>
<td>9,5</td>
</tr>
<tr>
<td>Eastern European</td>
<td>3,1</td>
</tr>
<tr>
<td>East Asian</td>
<td>2,7</td>
</tr>
<tr>
<td>Aboriginal</td>
<td>1,8</td>
</tr>
<tr>
<td>South Asian</td>
<td>1,6</td>
</tr>
<tr>
<td>Northern European</td>
<td>1,2</td>
</tr>
<tr>
<td>Middle Eastern</td>
<td>0,8</td>
</tr>
<tr>
<td>African</td>
<td>0,8</td>
</tr>
<tr>
<td>Caribbean</td>
<td>0,6</td>
</tr>
<tr>
<td>Latin and South American</td>
<td>0,5</td>
</tr>
<tr>
<td>Oceania</td>
<td>0,07</td>
</tr>
</tbody>
</table>

#### Ethnic demographic trends

- In 2011, Canada had a foreign-born population of approximately 6,775,800.
- Asia (including the Middle East) was Canada's largest source of immigration in the past five years.
- The vast majority (94.8%) of Canada's foreign-born population live in Ontario, British Columbia, Quebec and Alberta and 91% of immigrants live in urban areas.
- There are approximately 7,500 Swedes living in Canada.
- Approximately 350,000 people identify as having Swedish ethnic origins.

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*The total is larger than the Canadian population as some citizens identify with multiple ethnicities.

**SOURCE:** STATISTICS CANADA
CANADA IS SEEING SMALLER FAMILIES AND AN OLDER, MORE URBANIZED POPULATION

Canada’s population breakdown, by age, 2013

- 0 to 24 years: 34%
- 25 to 49 years: 29%
- 50 to 74 years: 16%
- 75 years and above: 7%

Canada’s household breakdown, by size, 2011

- 1-person: 36%
- 2-person: 29%
- 3-person: 15%
- 4-person: 11%
- 5-person: 3%
- 6-person or more: 1%

Canada’s urban and rural populations, by size, 1986-2011

- Urban
- Rural

CANADA’S DEMOGRAPHIC TRENDS OPEN UP NEW OPPORTUNITIES IN THE FOOD AND DRINK MARKET

SOURCE: STATISTICS CANADA
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# Overview of Provincial Liquor Control Boards

<table>
<thead>
<tr>
<th>Province</th>
<th>Board</th>
<th>Allows private retail</th>
<th># of retailer locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta</td>
<td>AGLC</td>
<td>Yes</td>
<td>1,200</td>
</tr>
<tr>
<td>British Columbia</td>
<td>LDB/LCLB</td>
<td>Partly</td>
<td>n/a</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>SLGA</td>
<td>No</td>
<td>277</td>
</tr>
<tr>
<td>Manitoba</td>
<td>MLCC</td>
<td>No</td>
<td>226</td>
</tr>
<tr>
<td>Ontario</td>
<td>LCBO</td>
<td>No</td>
<td>853</td>
</tr>
<tr>
<td>Quebec</td>
<td>SAQ</td>
<td>Partly (Beer &amp; Wine)</td>
<td>806</td>
</tr>
<tr>
<td>New Foundland</td>
<td>NLC</td>
<td>No</td>
<td>155</td>
</tr>
<tr>
<td>Prince Edward Is.</td>
<td>PEILCC</td>
<td>No</td>
<td>20</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>ANBL</td>
<td>No</td>
<td>118</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>NSCL</td>
<td>No</td>
<td>161</td>
</tr>
<tr>
<td>Yukon</td>
<td>YLC</td>
<td>No</td>
<td>6</td>
</tr>
<tr>
<td>North West T.</td>
<td>NWTLC</td>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>Nunawut</td>
<td>NLC</td>
<td>No</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Canadian Vintners Association, LCBO
Beer is the most popular type of alcohol in Canada, showing steady import levels.

Beer sales in Canada, by type, 2012

- Standard Lager: 47%
- Premium Lager: 11%
- Economy Lager: 13%
- Other Dark Beer: 22%
- Pale Ale: 4%
- Low Alcohol Beer: 2%
- Stout: 1%
- Other: 2%

Beer sales trends

- Beer sales are expected to have a CAGR of +4.77% between 2012-2017.
- While overall demand was weaker in 2012, imported, premium & craft beer performed well.
  - Craft beer volume has increased by 33% between 2012 and 2013.
- Imported beer represented almost 30% of total consumption in 2012, with the US as the leading supplier, followed by the Netherlands.
- The two leading companies in the beer sector are Molson (owned by MolsonCoors) and Labatt (owned by Anhueser-Busch InBev).
- The third largest player is Ontario-based Sleeman Breweries, a specialist in craft beers.
- Packaging trends within beer continue to shift towards metal cans as opposed to glass bottles.

SOURCE: EUROMONITOR
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# Top Ten Canadian Drink Players, 2012

A large number of strong, internationally operating players are present in the Canada.

<table>
<thead>
<tr>
<th>Company</th>
<th>Type</th>
<th>Revenue (CADmn)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Molson Coors Brewing</td>
<td>Beer</td>
<td>3900</td>
<td>2700</td>
</tr>
<tr>
<td>Nestle Canada</td>
<td>Coffee</td>
<td>3000</td>
<td>3500</td>
</tr>
<tr>
<td>Cott Corporation</td>
<td>Soft Drinks</td>
<td>2251</td>
<td>2800</td>
</tr>
<tr>
<td>Labatt Brewing Co</td>
<td>Beer</td>
<td>1500</td>
<td>5700</td>
</tr>
<tr>
<td>Pepsi-Cola Canada</td>
<td>Soft Drinks</td>
<td>1200</td>
<td>na</td>
</tr>
<tr>
<td>Lassonde Industries</td>
<td>Soft Drinks</td>
<td>1020</td>
<td>2300</td>
</tr>
<tr>
<td>Vincor International</td>
<td>Wine</td>
<td>500</td>
<td>na</td>
</tr>
<tr>
<td>Sleeman (Sapporo)</td>
<td>Beer</td>
<td>500</td>
<td>na</td>
</tr>
<tr>
<td>Diageo Canada</td>
<td>Spirits, beer</td>
<td>400</td>
<td>na</td>
</tr>
<tr>
<td>Coca-Cola Enterprises</td>
<td>Soft Drinks</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

Source: Euromonitor
## Top Ten Canadian Food Players, 2012

There is a significant number of dairy producers in Top Ten List

<table>
<thead>
<tr>
<th>Company</th>
<th>Type</th>
<th>Revenue (CADmn)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Weston</td>
<td>Baked Goods</td>
<td>32740</td>
<td>155000</td>
</tr>
<tr>
<td>Saputo</td>
<td>Dairy products</td>
<td>6930</td>
<td>9200</td>
</tr>
<tr>
<td>McCain Foods</td>
<td>Frozen foods</td>
<td>6000</td>
<td>20000</td>
</tr>
<tr>
<td>Maple Leaf Foods</td>
<td>Poultry, bread</td>
<td>4860</td>
<td>20000</td>
</tr>
<tr>
<td>Co-op Federee du Quebec</td>
<td>Dairy products</td>
<td>4553</td>
<td>10429</td>
</tr>
<tr>
<td>Agropur</td>
<td>Dairy products</td>
<td>3650</td>
<td>5441</td>
</tr>
<tr>
<td>Nestlé Canada</td>
<td>Chocolate, cereal, frozen</td>
<td>3000</td>
<td>3500</td>
</tr>
<tr>
<td>Parmalat Canada</td>
<td>Dairy products</td>
<td>2580</td>
<td>290</td>
</tr>
<tr>
<td>Unilever Canada</td>
<td>Ice cream, convenience</td>
<td>2500</td>
<td>na</td>
</tr>
<tr>
<td>SunOpta</td>
<td>Organic, health</td>
<td>1091</td>
<td>2500</td>
</tr>
</tbody>
</table>

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THERE ARE SEVERAL HIGH GROWTH SEGMENTS IN THE CANADIAN FOOD AND DRINK SECTOR

<table>
<thead>
<tr>
<th>Category</th>
<th>4-10%</th>
<th>Over 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverages</td>
<td>Bottled water – still, 2L and less (7%)</td>
<td>Sparkling water (15%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chilled drinks and nectars (24%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Family services smoothies (39.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coffee (29%)</td>
</tr>
<tr>
<td>Dry grocery</td>
<td>Sugar and flour (10%)</td>
<td>Snack crackers (15.3%)</td>
</tr>
<tr>
<td></td>
<td>Baking chips and icing products (8%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cake mixes (7%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Candy confections (6%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hot sauce (9%)</td>
<td></td>
</tr>
<tr>
<td>Frozen foods</td>
<td>Thin crust pizza (7%)</td>
<td>Thick crust pizza (15%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1-2 serving size pizza (26%)</td>
</tr>
<tr>
<td>Perishables</td>
<td>Bread – commercial (4%)</td>
<td>Eggs (9%)</td>
</tr>
<tr>
<td></td>
<td>Dips (6%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pre-packaged salad (5%)</td>
<td></td>
</tr>
<tr>
<td>Prepared foods</td>
<td>Indian food (8%)</td>
<td>10429</td>
</tr>
<tr>
<td></td>
<td>Snack food and chocolates (4%)</td>
<td></td>
</tr>
<tr>
<td>Refrigerated &amp; dairy</td>
<td>Natural cheese (6%)</td>
<td>Luncheon meat (13%)</td>
</tr>
<tr>
<td></td>
<td>Yogurt (5%)</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: CANADIAN GROCER
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