

# Consumer Food Trends

Defining Opportunities  
for Alberta's Agri-food Industry

## Economics & Competitiveness

### Consumer Trends for Fruit and Vegetable Products



**CONSUMER TRENDS  
FOR  
FRUIT AND VEGETABLE PRODUCTS**

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## **Abstract**

Consumer Trends for Fruit and Vegetable Products looks at the STEEP model to analyze factors that affect the marketplace. It explores consumer trends in Canada, using the statistics on food consumption, how Canadians are spending their food dollar, demographics and growth in produce sales. Retail trends are explored, which include specialty foods, packaging, branding, organics, convenience foods and the ethnic market in their relation to fruit and vegetables. Finally, this information is applied to the Alberta situation, suggesting market research activities that producers and processors may consider.

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### Abbreviations

CDN\$ = in Canadian dollars

US\$ = in US dollars

## Consumer Trends for Fruit and Vegetable Products

### Introduction

#### Background

Fruit and vegetable consumption has grown over the last few years for a number of reasons. In general, people are more concerned about staying healthy and eating right, and research into nutraceuticals and functional food has highlighted the health compounds found in fruits and vegetables. There has also been an increase in vegetarian diets and a stronger demand for exotic produce, resulting in a wider variety of imports, during all seasons of the year.

#### Analyzing the Drivers that Affect a Local Industry

A common means of analyzing the market and making business decisions is to do a STEEP analysis. The purpose of STEEP is to look at five areas that can influence the marketplace or business environment. It provides an understanding of the drivers behind the trends and therefore is a good tool to use when making business decisions. It includes everything, from looking at consumer preferences to policy making.

Every market has a slightly different picture, as to which factors have the most influence. Some markets are heavily influenced by environmental issues, while other markets are driven by technical advances of the industry. To portray the key areas of STEEP and how they interact with each other, I have placed them in a pie-shaped model below, called the Market Analysis Model, using STEEP as its basis. (See Figure 1.) In this model, the five key areas are indicated, showing them as equal parts. It is a basic model, which needs to be adapted to each industry. The model, in its basic form, appears to say that each area has the same amount of influence in the marketplace. However, the reality is, that each industry would adjust this picture, increasing some segments that have the greatest influence, while decreasing others, to reflect their particular market. For example: economic and political forces heavily influence the commercial vegetable market, while niche or specialty markets are driven more by the economic and social forces behind them. Whether commercial or niche markets are the focus, the picture is dynamic; always changing, as new issues and pressures arise that influence the overall marketplace. Each industry would need to determine the size of each segment and what the model would look like for their particular markets.

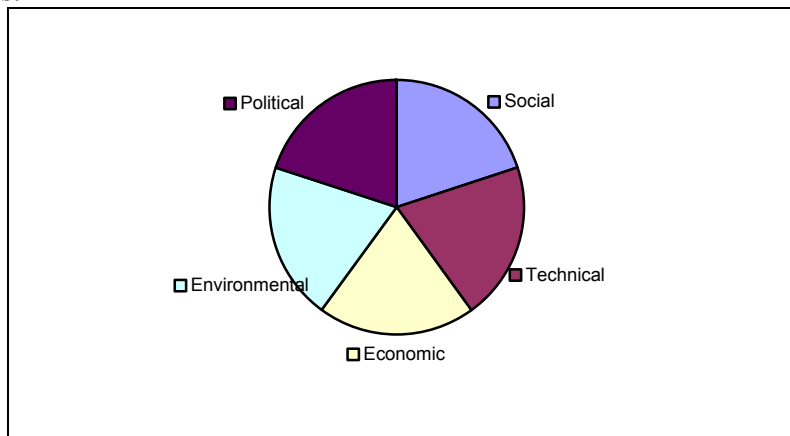


Fig.1. Market Analysis Model, using STEEP - AAFRD, 2004

The following list explains the components of STEEP and provides some examples of the factors that are considered (HORIZON, as cited in Staffordshire University, 2003).

- S** (Sociological) = Data about people: demographic trends, values and lifestyles, families, health, crime, education. (e.g., health conscious eating, aging nutrition, ethnic foods, convenience foods).
- T** (Technical) = Data about scientific and technological developments. (e.g., EDI – Electronic Data Interchange, packaging).
- E** (Economic) = Data about international, national, regional and local economies, including data relating to the labour force, income, and infrastructure. (e.g., income levels, mergers/acquisitions, strategic alliances).
- E** (Environmental) = Data related to energy, reusing and recycling, protection of biological bases, food protection, air and water quality. (e.g., food safety).
- P** (Political) = Data about government policies, legislation, regulation, political participation, litigation and court decisions. (e.g., free trade, food safety regulations).

This report will focus on consumer trends, which are mainly influenced by social and economic forces.

## Consumer Trends in Canada

Understanding the consumer trends in Canada gives some insight to how the consumer thinks and what niche markets could potentially be filled. What are the trends in Canada, and how does that translate into regional trends, for Western Canada or within urban and rural areas?

There has been a shift in how consumers value food today. They tend to be busier and more **health conscious**. Therefore **convenience** is important, whether it be in conveniently packaged healthy snacks or ease in meal preparation. Also, demographic changes in an area (even within parts of a city) can greatly determine what would be carried by local stores in a neighbourhood.

### Food Consumption

Statistics Canada in their report, Food Statistics – 2002 (2003), indicates that the average Canadian in 2002 consumed approximately 93 kilograms (205 lbs) of fruit and 110 kilograms (243 lbs) of vegetables (including potatoes)<sup>1</sup>.

Overall consumption is up 15% for fruit and 5% for vegetables, from a decade ago. These numbers include fresh, frozen, and processed products. Fresh and frozen are the strongest areas of growth. The most popular fruits are bananas, apples, and oranges making up approximately 51% of fresh fruit consumption. Next in line are grapes and melons, which together make up another 20%.

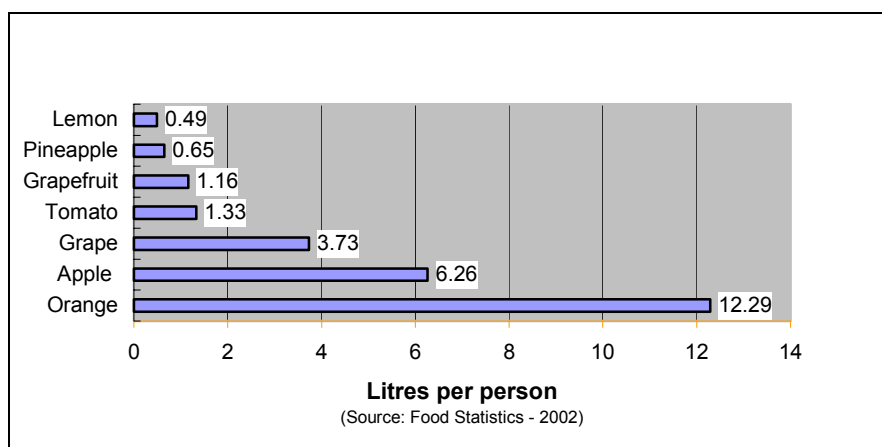
Potatoes represent 35% of all vegetables consumed (both fresh and processed). The average person ate 38 kilograms (84 lbs) of potatoes last year, as fresh, processed products such as

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<sup>1</sup> Experimental, use with caution, adjusted for retail, household, cooking, and plate loss. Other reports state higher numbers, which include the volume of produce that is wasted and referred to as “Food Disappearance”.

French fries, potato chips or stuffed baked or frozen mashed potatoes. This compares to about 33 kilograms (73 lbs) per person a decade ago. Following potatoes, the most popular vegetables are tomatoes, carrots, onions and shallots, lettuce, and cabbage. Combining fresh and processed together, these vegetables total another 26% of vegetables consumed.

Recently, the blending of traditional and tropical juices, have pushed the consumption levels of traditional juices to 25 litres in 2002. This is an increase of over 24% from 1992 (See Figure 2).



**Fig. 2. Juice Consumption in 2002**

On the health and nutrition side, the popularity of fruits and vegetables in Canadian diets has resulted in larger contributions of vitamins C and K from the food supply. More folate is available in the Canadian diet due to the increased consumption of fruit and vegetables, cereal products, pulses, and nuts (Food Statistics - 2002, p. 1-2).

This suggests that in the last decade, since fruit and vegetable consumption is increasing, with blended juices increasing even at a faster rate, there is a potential market for increased sales of fruit and vegetable products.

## How Canadians are Spending their Food Dollar

### ***Restaurants versus Retail Food Purchases***

The Statistics Canada report, *Food Expenditure in Canada – 2001*, stated that Canadians spent close to the same amount on food as they did five years earlier. However, there is a growing trend toward eating out, where households spent about 30 cents out of every food dollar (i.e., 30%) on restaurants compared to 28 cents five years ago, and 25 cents 20 years earlier (1982). The amount spent in food stores declined correspondingly, from 72 cents in 1996 to 70 cents in 2001. In 2001, the average household spent almost \$38 a week on food purchased in restaurants compared to \$86 from stores.

Individuals at all income levels dined out more, with the income group of \$80,000 or more dining out twice a week and the lowest income group of less than \$20,000, dining out once a week (*Food Expenditure in Canada - 2001*, p. 9-10).

### ***Demographics of “Eating-out” at Restaurants versus “Retail” Spending***

Although all groups of people are dining out more, the most frequent spenders are the single male, followed by couples without children. The survey showed that the highest percentage of weekly food expenditures spent in restaurants, was by men who lived alone, totalling 38-40% of the weekly food bill. The next highest was couples without children at 32%. Other categories, such as females, and single parent families, were not far behind; the lowest was still significant at 26% of the food bill for couples, both 65 and over. Therefore, about a third of the food expenditures happen in restaurants for the general population (p.10).

Of all spending in restaurants in 2001, almost 60% took place in table-service establishments, compared to 26% for fast food and take-out establishments. Less than 10% was purchased either in cafeterias, snack bars or chip wagons (p. 9).

Statistics Canada continue with the break down of household types and how spending has changed since 1996. As expected, couples with children spend the highest amount each week on total food purchases (i.e., couples with at least one child, average weekly expenditures on food were \$171) in 2001. Out of every dollar, 28 cents went to restaurant meals and 72 to stores. This compares to 25 cents and 75 cents respectively in 1996.

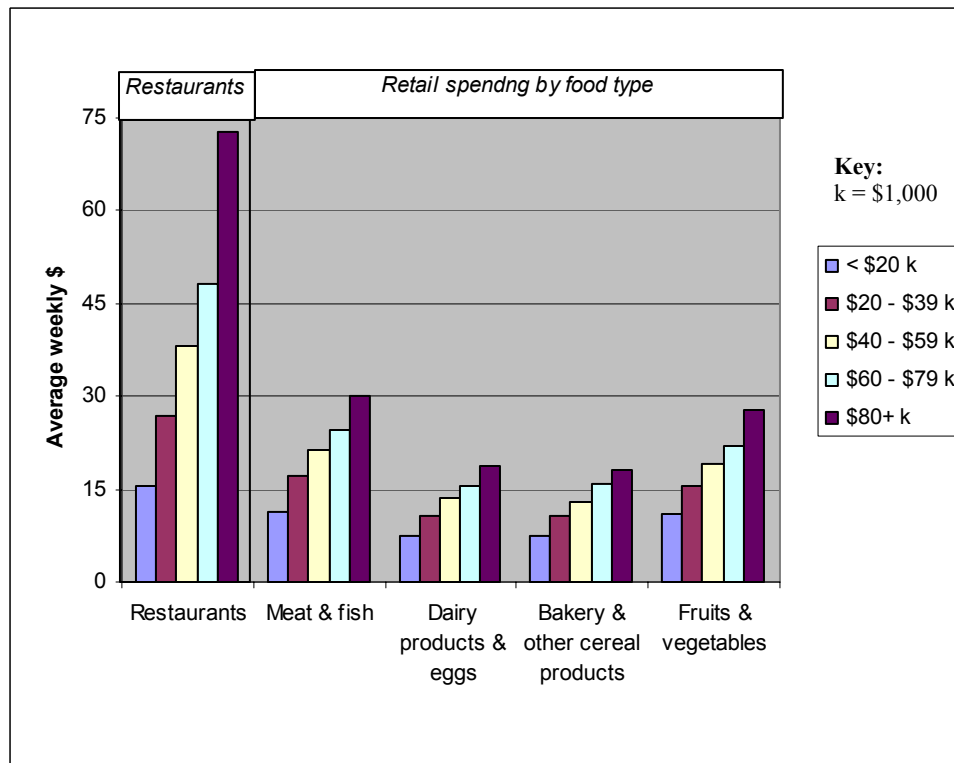
As mentioned earlier, men who lived alone spent their highest proportion of the food budget in restaurants (i.e., 38 to 40 cents of every dollar). This however is not significantly different from 1996 spending patterns.

Lone-parent families headed by a woman spent an average of \$99 a week on food in 2001. They also were eating out more, spending 27 cents of every food dollar in restaurants, up from 22 cents five years earlier.

The restaurant spending discussed above, refers to meals (i.e., table-service, fast food or cafeteria style), and also take-out food or snacks from snack bars, vending machines, and chip wagons (Food Expenditure in Canada - 2001, p. 10-11).

Figure 3 shows the average weekly expenditure per person on restaurant eating versus expenditures on four main food categories in retail stores (i.e., meat and fish, dairy products and eggs, bakery and other cereal products, and fruits and vegetables). The comparison in spending is compared between various household income groups.

In studying the retail spending section in the chart above, it appears that the proportion of the food budget, for each of the four food categories, is similar between all the income groups. The greatest difference in spending between the \$80+k group and the <\$20k group, is found in the meat and fish category; the next largest gap is in the area of fruits and vegetables. Higher income people would spend more money on more expensive cuts of meat and more exotic fruits and vegetables, or purchase imported produce during the off-season, which tends to be more expensive.



Source: Statistics Canada. Food Expenditure in Canada – 2001

**Fig. 3. Average Weekly Expenditure by Household Income Groups**

There are now a wide variety of fruit and vegetables available (e.g., plum tomatoes, cocktail tomatoes, and grape tomatoes) (Green, 2003). Higher income households would tend to buy the more expensive varieties versus the lower income groups, who are looking for sales. The restaurant section of the chart, shows the greatest contrast between income groups, demonstrating that the difference in restaurant spending between the highest and lowest group is over \$55/week.

For households with incomes less than \$20,000, weekly spending of food was an average of \$66, compared to \$203 for households with income of \$80,000 or more. While well over half of the low income households have people living alone, less than 10% of households in the highest income group have people living alone. Taking this into consideration, Table 1 compares the average weekly food spending, between the highest and lowest income group, on a per person basis. (Food Expenditure in Canada - 2001, p. 10-11).

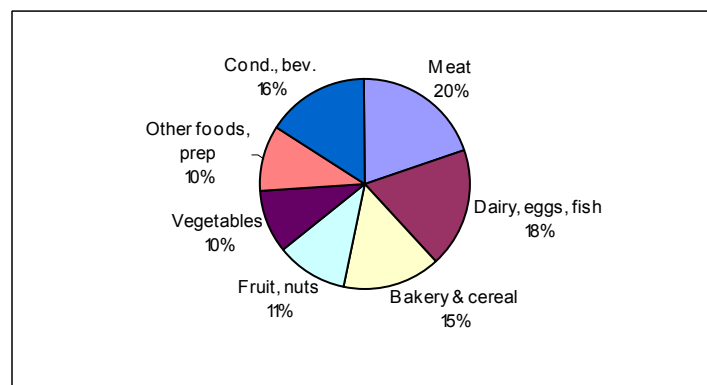
**Table 1. Weekly Spending of Highest and Lowest Income Groups**

<u>Income group</u>	Weekly Food Expenditure (per person)	Portion of Food Dollar Spent	
		in Restaurants	in Stores
Less than \$20,000	\$39	\$0.23	\$0.77
Over \$80,000	\$59	\$0.36	\$0.64

### **Food Expenditures in Stores**

Fruit and vegetables account for a main portion of consumer spending on food and this category is increasing. Of each food dollar spent on food in stores, fruit and vegetables together account for about 20 cents, or 20% of total expenditures. This compares with other significant portions of spending, such as meat, and dairy/eggs/fish categories, as seen in Figure 4.

Consumers are looking for **convenience**. This is seen in another category called, 'Other food, materials, and food preparations'. It includes everything from frozen pre-cooked dinners and baked goods, to peanut butter, potato chips, soups, and baby foods. This category has increased from six cents in 1982 to almost ten cents in 2001. Of each dollar spent on the 'other foods' category, 31 cents goes toward frozen pre-cooked dinners and baked goods, compared to 26 cents in 1996 (Food Expenditure in Canada - 2001, p. 11-12). This provides another opportunity for fruit and vegetables to be a main component of meal-ready foods.



Source: Statistics Canada: Food expenditure in Canada – 2001

**Fig. 4. Weekly Food Expenses by Food Category, 2001 (% of Total)**

### **Demographics of “Retail” Spending from East to West**

How do Canadian demographics reflect food spending? Statistics Canada (Food Expenditure in Canada - 2001, p. 12-14), states that weekly food spending ranges from \$109 on average in the Atlantic region to \$132 in British Columbia. The average Canadian spends about 30 cents of every dollar dining out, and there is a gradual increase from East to West, starting at 25 cents in the Atlantic, to 33 cents in B.C. Therefore, the reverse is true for food purchased from stores, with the lowest amount spent in the West and increasing as you move East. Looking at specific food groups, households in Canada’s Western provinces tend to eat less meat and dairy products than those in the East. The largest consumers of fruit and vegetables are B.C., Ontario and Quebec. Table 2 indicates the percentage of each food dollar that is spent on fruit and vegetables, in the various regions.

**Table 2. Total Food Expenditure from Retail Stores – (% by Region) (2001)**

Food Type*	Atlantic (%)	Quebec (%)	Ontario (%)	Prairies (%)	B.C. (%)	Canada (%)
Meat	15.8	14.6	14.5	13.3	11.6	14.0
Dairy, Eggs	10.9	11.2	10.0	9.6	9.8	10.2
Bakery, cereal products	11.4	10.5	9.9	9.8	9.8	10.1
Fruit, nuts <sup>2</sup>	7.2	7.7	8.3	7.6	8.1	7.9
Vegetables	6.7	7.4	7.0	6.1	7.4	7.0
Other foods, materials, food preparations	8.2	6.6	6.4	7.7	6.6	6.8
Fish, marine products	2.3	2.3	2.5	1.5	2.5	2.3

\*Only major food types are listed. Other items such as condiments, sugar preparations, and beverages are not a main focus here and, therefore, are excluded.

Table 2 indicates that the Prairies and the Atlantic regions spend less on fruit and vegetables than the Canadian average. Also, the Atlantic and Prairie regions have stronger consumers of prepared foods than other regions. The assumption could be made that they consume less fruit and vegetables and buy more prepared meals, but this would need to be tested further by examining other factors that affect spending, as well as consumption data by region. For example, it's possible that fruit and vegetables are more expensive and, therefore, there are fewer purchases or there are more home gardeners in those regions. Other factors to consider are how rural and urban factors play into this (since some provinces have expansive urban centers); education levels; income levels; consumer attitudes; age demographics, etc.

John Williams, a speaker at "Meeting the Market Conference 2002", reported that consumers want products "...now-better-faster-cheaper-anywhere-with more choice". This statement is supported by the trend of increased imports of fresh produce off-season as well as an increase in the "other foods, materials and preparations" category. Williams also states, as the population shifts with increased immigration and higher income levels, so do the spending patterns. The baby boomers are now entering their low spending years; there is an Asian population of 60 % in both Scarborough and Richmond, compared to only 7% in Calgary.

In Food Expenditures – 2001, statistics show that the prairies have the highest population of people under 25 years old. This is the demographic group that is most attracted to the organic market (USDA Foreign Agriculture Service, 2003). Within each province, there are pockets with higher populations of young adults, ethnic or other groups, which give unique characteristics to the regions. Studying demographics, following food trends and purchasing patterns over time can be used as tools to determine effective promotional programs, such as targeting demographic areas where sales of fruit and vegetables are down or targeting specific niche markets where sales are higher. This approach can address what the consumer is looking for and aim to meet those needs.

<sup>2</sup> Nuts are also included in this grouping. Since the dollar value of nuts makes up a small percentage (about 5%) of this category the discussion above uses the general term "Fruit" to represent this category.

### Growth in Produce Sales

The majority of fresh produce is purchased from grocery stores. The warehouse style stores (club or discount outlets) supply fresh fruit and vegetables not only to consumers but also to the smaller restaurants and institutions in the food service sector. The smaller independent retailer may specialize in fresh fruit and vegetables, focusing on price and servicing a customer base within approximately a ten-mile radius (USDA Foreign Agriculture Service, 2003, p. 3).

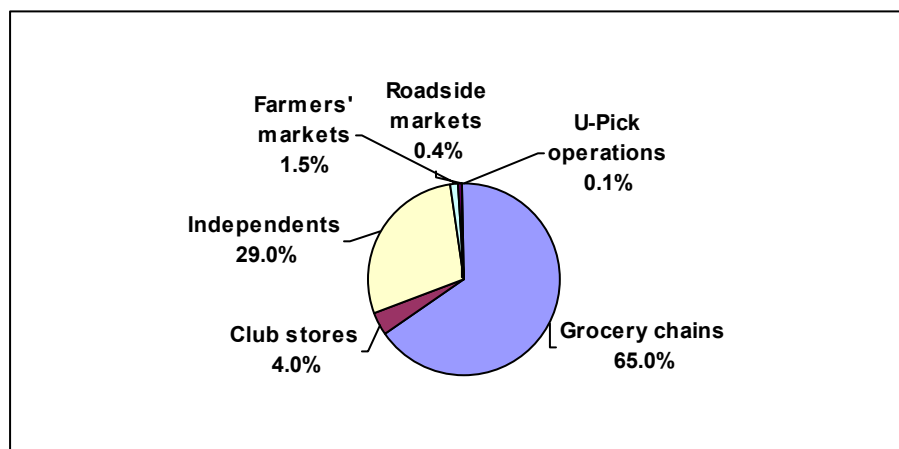
**Table 3. Total Retail Sales of Fresh Produce in Canada (\$ Millions)**

	1999	2000	2001	2002	2003 (estimate)
<b>Vegetables</b>	\$1,962	\$2,178	\$2,358	\$2,523	\$2,736
<b>Fruit</b>	\$1,797	\$1,940	\$2,109	\$2,383	\$2,539
<b>Total</b>	\$3,759	\$4,118	\$4,467	\$4,906	\$5,275
% Annual Growth		10%	8%	10%	8%

Source: CPMA... as cited in USDA Foreign Agriculture Service, 2003

Table 3 shows that each year between 1999 and 2003, there has been an 8-10% increase in annual sales of fruit and vegetable sales, with most of the growth occurring in fruit.

The proportion of fresh produce sales by market type is represented in Figure 5 (Canadian Produce Marketing Association (CPMA) as cited in USDA Foreign Agriculture Service, 2003, p. 4). Grocery chains make up the largest segment, representing 65% of retail sales, followed by independent grocers and club stores, at 29% and 4% respectively.



Source: USDA Foreign Agriculture Service, 2003, p. 4

**Fig. 5. Market Share of Fresh Produce Sales by Retail Outlet**  
(Based on Total Retail Sales of Fresh Produce: \$4.9 Billion CDN)

## Market Share of Fresh Produce Sales by Retail Outlet

The distribution system through retail stores has been changing within the fresh fruit and vegetable industry due to NAFTA, an increase in consumer demand, and changes in technology. There is an increase in the number of mergers of large companies, faster distribution channels being developed and demand for higher quality products. James Milne, a marketing director of the David Oppenheimer Group of Vancouver, B.C., believes that these changes in fresh produce market are creating new challenges for middlemen, as grocers consider increasing their contact with growers and buying through large contracts (USDA Gain Report, 2003, p. 4).

## American Trends

In the Fresh Trends 2004 research study report, Kelly Barton highlights some key points from the responses of consumer panelists. The panelists, were asked to report on the changes in their eating habits of fruits and vegetables, compared to five years earlier. From those findings, a few key points have been summarized into Table 4, which is a brief summary of the groups that responded the highest to each survey question.

For example, when panelists were asked if they were buying more fruit and vegetables, the general response was that a total of 27% of said they were buying more, while 9% said they were eating less for a net gain of 18%. (Table 4 reports the net gain of responses for other key questions.) The largest increase was in the 18 to 37 year olds, which experienced a net gain of 34% and in households with children less than six years of age, with a net gain of 36%.

Panelists were asked whether they were preparing and serving more meals with fresh produce. The 18 to 37-year-olds were the strongest group, indicating a net gain of 27%, followed by the young baby boomers (aged 38 to 47), with a net gain of 12%. Older baby boomers (aged 48 to 57) showed a net increase of 9% in using fresh produce in meal preparation. Other demographics showed that families with children under 6 years old, were also using more fresh produce in meal preparation for a net gain of 26%. Ethnic background had some influence with the highest fruit and veggie eaters being Caucasian and Hispanic

**Table 4. Highlights: Fresh Trends 2004 Research Study Report**

<u>Question &amp; Response Group</u>	<u>Net Gain</u>
<b>Buying more fruit and vegetables than five years ago</b>	
General response	18%
18 – 37 year olds	34%
Households (children under 6 yrs)	36%
<b>Preparing and serving more meals with fresh produce</b>	
General response	15%
18 – 37 year olds	27%
Young baby boomers (aged 38 to 47)	12%
Older boomers (aged 48 to 57)	9%
Households (children under 6 yrs)	26%
Caucasian households	15%
Hispanic households	14%
Household incomes \$45 to 59,000 (US)	20%
<b>Fresh fruit as a snack to increase fresh produce consumption</b>	
General response	25%
Households (children under 6 yrs)	38%
Households (children 6-12 yrs)	30%
Households (children 13-17 yrs)	32%
African American households	27%
Northeast regions of US	24%
North Central region of US	23%
<b>An increase of washed, cut and bagged produce</b>	
General response	27%
Older boomers	28%
Households with kids	31%
Households (children 13-17 yrs)	36%
<b>Organic produce</b>	
18 – 37 year olds	20%
Households (children 13-17 yrs)	19%
Household incomes of \$85,000+ (US)	22 %

households (net gains of 15% and 14% respectively) and families with annual household income of \$45,000 to \$59,000 (US\$) with a net gain of 20%.

Fruit as a snack food was one of the key ways that individuals increased their fresh produce intake. The general response was that there was a net increase of 25% indicating that they were eating fruit as a snack more often than they did five years ago. The biggest gains for fresh produce as snacks were: households with children under 6 years (net gain of 38%), households with children aged 6 to 12 years old, an increase of 30%, and those with children aged 13 to 17 years, increased 32%. African Americans increased by 27% and those living in the Northeast and North Central regions (24% and 23%). All age groups reported increases; other groups included young boomers an increase of 19%, older boomers a 24% increase and those aged 58 years or older, 22%.

An increased use of washed, cut, and bagged produce showed a net gain of 27%. Older boomers were the largest users at 28%, while all households with children averaged a 31% increase. The households with the largest increase were those with children aged 13 to 17 years, at 36%.

Organic produce was the most popular with the 18 to 37-year-old respondents; a net increase of 20%, households with children aged 13 to 17 (net increase of 19%), and household incomes of \$85,000 (US\$), a 22% net gain.

In general, the influencing factors are often children, household income, age of the shopper, and ethnic background. Furthermore, although price often determines people's choices, it doesn't always translate into an increased use of coupons. People only reported a net gain of 2% for coupon usage. Across all age categories, there was a general increase, about 16%, of people stating that they paid more attention to quality than price in fresh produce, compared to five years ago.

Fresh Trends 2004 also charts in more detail, individual fruit and vegetables, against various demographic influences, such as ethnicity, consumer perception or price, children in household, income, etc. For example, they show how these factors can influence the purchasing of carrots.

## Retail Trends

### Specialties

The USDA Foreign Agricultural Service 2003 states that **produce** retailers report about 20% of their departments' sales as specialty items. The break down of specialties is as follows:

Pre-packaged salads	9%	Organic products	2%
Fresh cut vegetables	5%	Home meal replacements	1%
Fresh cut fruit	2%	Fresh herbs	1%

Fresh produce sold in bulk accounts for about two thirds (63.4%) of all produce sales (i.e., where consumers select the quality and quantity they want). The amount of bulk-to-packaged sales is inversely proportionate to the size of the grocery store (i.e., the larger the outlet, the more packaged produce will be found).

## Packaging Trends

The USDA Foreign Agricultural Service (2003, p. 6) lists the following packaging trends found in Canadian retail stores:

1. Mini carrots – peeled and washed, individual serving-sized containers with a peel-off top
2. Celery/rutabaga sticks – washed and cut, approximately 4 inches long, six unit per pack
3. Garlic bulbs – packages in mesh strips, 4 bulbs per pack
4. Bean sprouts – washed, in clear plastic round containers (six inch diameter), about 3-4 servings
5. Baskets - thin lightweight wood with a handle, to sell grapes, cherries, peaches, pears, and plums
6. Sturdy wooden crates (12” x 4” deep) for tangerines, nectarines, clementines, etc.
7. Bags of apples, 12-15 per bag
8. Asparagus – sold by the bunch, for about two people
9. Long English cucumbers – individually wrapped
10. Watermelon, cantaloupe, honeydew, often sold by the unit, half or quartered
11. Corn-husked, with ends cut and packaged in groups of 4-5 units
12. Potatoes in bags, various varieties

## Marketing by Brand

There is very little branding in Canada in regards to fresh produce. Retailers generally focus on the price for the ad. Sometimes there is a region that is presented, such as grapes from Niagara, local corn, etc. However, successful branding of produce has only a few examples, such as Dole Pineapples, Valencia Oranges, Sunkist, etc. Loblaws is attempting to brand organically grown produce under their private label, President’s Choice (USDA Foreign Agricultural Service, 2003, p. 7).

## Organic Trade

Retail sales of fresh organic produce is about \$100 million CDN with an annual sales increase of about 15% per year. Some sources report total retail sales for Canada in 2002 to be over one billion dollars (Canada’s Organic Industry, as cited in USDA Foreign Agricultural Service, 2003), while others have lower values of \$700 million CDN (Agriculture and Agri-Food Canada, as cited in USDA Foreign Agricultural Service, 2003). The consumer still may not fully embrace this trend. Some of the driving forces behind the organic food trend are: the younger demographic segment (under 25 years old), those concerned about what they eat, and who have a slightly higher education, etc. The fastest growing target is new and expectant mothers (USDA Foreign Agricultural Service, 2003, p.8). Statistics Canada 2003, the Food Expenditure in Canada 2001 report, shows that there is a higher population of youth under 25 years in the Prairie region (compared to BC, Quebec, Ontario, and Atlantic regions). Also, the households with the highest number of children under five years old, were also in the Prairie region.

Education and the concern for health is reinforced by Don Rhyno, Director of Produce from the Edmonton-based food wholesale and retail outlet, The Grocery People. He reports that organic fruit and vegetables represent about 10% of total produce sales (as cited in Green, 2003, p.29). He says that since consumers are more knowledgeable and aware of health benefits, they are buying more produce in general and are also interested in organic products.

## **Convenience: Fresh-cut, Prepared, and Washed**

This trend of prepared or conveniently packaged fruit and vegetables is not only seen in consumer snack food but also in retail purchases of produce. Green (2003), in her article “Produce Passion” states that the strongest trends to bolster produce sales in retail are packaged veggies and fruits, especially the bagged salads (which have all the ingredients inside, such as croutons, etc.). In *The Packer* (May 12, 2003), Ohlemeier states that “fresh-cut” is booming in certain markets. Grocery shoppers often prefer to buy larger fruit, such as cantaloupe or watermelon, that is pre-cut into halves or quarter wedges. Food service also would rather buy produce that is cut to specification than train and pay an employee \$10 an hour to cut and slice produce. Fresh-cut produce also creates more space in their coolers. For example, 50 lbs of diced carrots would take less space than one big 50 lb bag of carrots. Ohlemeier continues to state that the larger hotels and country clubs are driving the fresh-cut sales, as reported by Richard Levine, owner of Athena Farms. His sales of fresh-cut are over 30% from last year. Levine mentions that caterers are also increasing their fresh-cut purchases. All-Pro Food Service Inc., which sells produce to caterers and upper-end hotels agrees. They report that some companies make 10,000 – 15,000 sandwiches a week. They would rather buy green leaf filet for the sandwiches rather than washing the leaves themselves. However, not all buyers want pre-cut. Many restaurants prefer to make their own French fries and their own salad mixes. The white-tablecloth restaurants tend to do things by hand compared to the regular steakhouses or restaurants.

On the other hand, retailers require more space for “fresh-cut” product in the produce section and they also need extra staff to maintain inventories. One key factor that has promoted fresh-cut sales is the technology. Breathable polypropylene film reduces the oxygen transmission rate of cut produce; it slows the respiration rate of the product to extend its shelf life. Consumers want to buy healthier food, they want smaller sizes but they also do not want to do the work (Doiron, 2003).

The following is a list of potential areas to diversify in the “fresh-cut: produce market (USDA Foreign Agricultural Service, 2003, p. 9).

- This is the fastest growing area with both retail and foodservice outlets. Packaged vegetable sales could reach 25% of fresh produce sales in the next five years. The reason for this growth is due largely to
- Smaller servings due to smaller households
- Fast and convenient
- In foodservice, the benefit offered is reduced labour costs and reduced food wastage.
- Washed potatoes have been taken a step further and are now present in washed, peeled, and cut.
- Washed and packaged lettuce (various types), spinach, and cut cabbage with carrot and coleslaw is generally available. The sales of bagged salads alone increased 23% between March 2001 and March 2002 to \$127 million CDN (Food in Canada, as cited in USDA Foreign Agricultural Service, 2003).
- The most popular Stock Keeping Unit (SKU) is washed, peeled, and packaged mini carrots, available in a number of sizes.
- Cauliflower, broccoli, celery sticks, romaine lettuce leaves, various varieties of mushrooms, and bags of mixed fresh cut vegetables are available in the warehouse grocery chains and at the wholesale level.

- A new packaging system has been developed for fresh fruit that was to be tested marketed in the fall of 2003. This is a joint project by Pride Pak Canada, the Ontario Apple Sales Group, and the Province of Ontario's Ministry of Agriculture and Food.

### **Bite-size Trends/ Snack Foods**

Along with eating out more, convenience, and prepared foods, there is a trend of increased consumption of snack foods. This appears to have resulted in an increase in obesity, especially in children, which has become a big concern. Those that are health conscious or trying to bring some balance into their diet are opting for healthier snacks.

For example, Nelson, (May 2003) indicates in *The Packer* that the number of snacks is increasing and the number of meals is decreasing. Americans are becoming grazers, or nibblers and eat approximately 4.3 times a day. Eating meals and snacks on the run is becoming more common. American 'snackers' are not necessarily eating more healthy foods since only 38% of respondents said they avoid high fat snacks, and 42% attempt to balance their nutritional habits. When survey participants ranked their snack preferences, fresh fruit and vegetable snacks were ranked at 39%. Multiple responses were allowed on the survey and the highest ranking was for popcorn, seeds, and nuts at 61%, followed by chips, and pretzels at 57%. The produce sections in retail stores have changed to meet this trend. There is an increase in value-added packaging, such as celery with dips, cut fruit, "no-time" products, and snack packs such as apple packs which fit into a cup holder in your vehicle. Frozen foods and deli products are winning popularity over produce as snack choices. Innovative companies have introduced fruit and vegetable snacks with dips, such as baby carrots with fat free ranch or dill dips, sliced apples with caramel dip, ants on a log (celery with peanut butter and raisins), sliced apple snack packs for school lunches, etc.

### **Diversity: The Ethnic Market**

There seems to be a growing appreciation of ethnicity with small "Mom and Pop" stores popping up. Anderson (2003) at *Retailwire.com* discusses the increase of specialty stores, such as Korean, Chinese, Vietnamese, Cubans, Mexicans, etc. As the population diversifies and as newcomers want to continue their traditional dishes, the demand increases in the marketplace for these stores. At times, they will place even themselves where chain stores would not dare to locate and offer diverse products that large chains would not carry.

Since Sept 11, 2001, the economy has been improving and has seen an increase in diverse ethnicities visiting the markets (Ashby, 2003). This has prompted merchants to focus on this segment, and there have been an increasing number of ethnic-owned independent stores opening up in areas such as Philadelphia. As a result, produce houses and retailers have expanded to offer more diverse products, leaving little to no room from individual companies to cash in on these newer markets. Some have been selling ethnic items for 30-40 years, but just recently started to package ethnic items.

### **Opportunities and Constraints**

#### *Opportunities*

- Expanding into food service, by visiting local chefs and tailoring the product to meet their specific needs. They tend to look for food items that bring color to the plate, are unique and fall within the budget of costing per plate.

- Healthy snack options – These were a common theme at the trade show during the Canadian Produce Marketing Association (CPMA) Conference in Calgary, February 2004. Carrots and fruit snacks were found in 45 to 85 gram packages. One company was selling these mini bags as a set of three, so they could be used in school lunches. Some of these items have potential to become part of the snacks offered on airlines. Dips may be another component of this type of packaging.
- Home-meal replacements (HMRs) – and the “other foods” category has been increasing across Canada. Fruit and vegetables could be a main component of these items since consumers tend to spend about 20 % of their food budget on fruit and vegetables. Agriculture and Agri-Food Canada (1999, p. 4-6) reports that HMRs are a growing area where the consumer is looking for fresh or chilled, convenient, complete meals, purchased in grocery stores and eaten at home. The category includes ready-to-bake pizza, chicken that only requires heating up, and pre-cut salads. Suppliers can meet this need by providing products consumers are looking for.

Other opportunities (USDA Foreign Agricultural Service (2003, p. 11-12) include the following:

- Demographics – are changing in Canada; the size of households are getting smaller<sup>1</sup> This is an opportunity for special packaging, frozen dinners, salad in a bag, etc. The aging population also will tend to focus on nutrition and healthy eating.
- Exotic produce – Consumers are looking for ethnic diversity in produce and are expecting more of these foods out of season. The most common foods are still potatoes, carrots, apples, and oranges, but more and more consumers are buying avocados, mangos, bok choy, etc.
- Health conscious – 85% of Canadians are concerned about chemical additives in food and their effect on health (Of these, 95% are women are concerned, with 91% of them in the 45 - to 54 years age category).<sup>2</sup>
- Value-added vegetables – The regular shelf space in retail stores for washed, cut, peeled, and packaged markets in Canada is usually occupied by lettuce, mushrooms, and carrots. Packaged cauliflower, broccoli, mushrooms, and squash do well in the warehouse-style retail outlets and are carried by most wholesalers who supply the food service industry. These cut and prepared foods have been accepted by consumers in the frozen section and therefore it is expected they will be accepted as fresh.
- Value-added fruit – Prepackaged fruit is widely distributed in the US, such as prepared apples, papaya halves, pineapple, star fruit, and fruit salads. Canada is not as strong in this area, where only 20% of Canadian grocers would even carry cored pineapple.
- Consumers willing to pay for quality – Freshness is understood to mean quality. “Red, stemmed tomatoes” will sell at a higher price, simply because the tomatoes are attached to the stem, implying freshness.

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<sup>1</sup> 2001 national census (cited in USDA Gains Report, 2003)

<sup>2</sup> Canadian Press / Leger Marketing (cited in USDA Gains Report, 2003)

- Branding costs more – Promotions combining freshness with a brand name would likely succeed at selling at a higher price.
- Organic – Fruit and vegetables are at the heart of this movement. Here lies another opportunity for marketers in Canada.
- Ready to cook beans – Anything that adds value and saves the consumer time has the potential for being successful. For example, trimming the ends of green or yellow beans while still maintaining freshness is a possible market. Freshness could be preserved by bagging beans, or ready-to-be-cooked. (Seen at CPMA Trade Show)
- Carrots – Washed and peeled mini carrots sell well. There may be potential for washed and peeled regular sized carrots.

**Constraints** (USDA Foreign Agricultural Service, 2003, p.13)

- Organic – There are regional differences to consider since “organically grown produce is not selling as well in Quebec as it is in English Canada.”
- Internet – Grocery store chains and some independent retailers have invested in e-commerce. Although Canadians do not order fresh fruit and vegetables online and are not interested in ordering online, there is no proof that they would not be in the future.
- Exchange rate – The Canadian to the US dollar is at the highest rate of exchange (October 2003) since 1976. This gives an advantage to US exporters, but is a constraint to Canadian producers.
- Direct sourcing – Some of the larger retailers are involved in direct international buying, assisted by free trade and the power of large organizations.
- Size – Canada is significantly larger than the US and has only about 10% of the population (31 million Canadians versus close to 300 million population in the US). (The local Canadian market is smaller, partly due to population size.)

## Promotional Programs

There have been some creative ways to increase the consumption levels of fruit and vegetables to counteract poor nutritional diets, increase awareness and lessen the risk of obesity.

The U.S. Department of Agriculture Economic Research Service (ERS) reports (as cited in Karst, 2003) a pilot project that provided fresh and dried fruits and fresh vegetables free to children in 107 elementary and secondary schools in five states. Of the schools reporting, 95% felt the pilot was very successful. Schools reported that 80% of the students were very interested in the pilot; 18% were somewhat interested; and 71% of the schools believed that students’ interest had increased during the pilot period. Most schools (93%) provided some nutrition education and promotion activities, including 65% that made it a part of school classes. Expanding the program nationwide would cost an estimated \$4.5 billion, based on an average cost of \$94 student.

The Southern U.S. Trade Association’s (SUSTA) marketing program (as cited in Ashby, 2003) proved successful when they created the “Go South” branded program. Although the program covered 20 commodities grown in that region, it increased the consumption of Ontario consumption of blueberries. They were aware of the Canadian habit of consuming high volumes of fruit and vegetables. Ontario imported 127,117 kilograms of blueberries in 1996, which increased to 639,000 kilograms, in 2002. This was done though visiting 300 of Ontario’s A- and

B-sized stored in the greater Toronto area, providing the manager with point-of sale material, extended use ideas to the consumer, recipe pamphlets, and assisted with the building of displays. They educated produce managers and staff on the care, storage, and handling techniques. They also monitored the Canadian marketplace and worked with the media and large family magazines asking what consumers were looking for to help them create recipes. They also started education stations, which are similar to in-store demos, to educate the consumer.

## Summary

What Does This Mean for Alberta? There has been a continual increase in the consumption levels of fruit (15%) and vegetables (5%) in Canada, from a decade ago. Juices have had stronger growth, especially through the blending of traditional juices with tropical types. Concern with health and nutrition has boosted the intake of fruit and vegetables.

All income levels have increased the portion of their food spending dollar on restaurant meals versus five years earlier, with the average household spending 30 cents of every dollar on restaurants. Single men and couples without children are the more frequent restaurant visitors. The highest spenders in restaurants were the \$80+k income level group, who eat out more than two times a week on average. For grocery spenders, the proportion of spending on food types was proportionate between different income groups, except for meat, followed by fruits and vegetables, where the highest income group spent more of their food dollar and would likely purchase the more exotic, or expensive produce items or meat cuts.

Retail spending has seen an increase in prepared food sales, convenience foods, and specialty items. These include fresh-cut, pre-packaged, and home meal replacements, organics, and snack foods. There are regional differences on spending depending on a variety of factors: ethnic background, age, education, income level, and urban/rural trends. There has been an increase in branding and private label, used as a competitive edge on the retail side as well as an increase in niche markets, such as the “Mom and Pop” stores set up at strategic locations.

The main fruit crops grown in Alberta include apples/apple-crabs/crab-apples, pears (limited varieties), raspberries, strawberries, saskatoons, currants (various types), wild black cherry, and a number of other berry types. The main vegetable crops include asparagus (white, green), beans, beets, broccoli, brussels sprouts, cabbage (various types), carrots, cauliflower, celery, chinese vegetables (bok choy, siu choy), cucumbers (field), corn, greenhouse crops (cucumbers, peppers, tomatoes, lettuce), leeks, lettuce, onions (green bunched, yellow), parsnips, peas, potatoes, pumpkins, radishes, rhubarb, rutabagas, spinach, squash (winter types), and zucchini.

These crops may hold new opportunities for local producers, as they aim to meet some of the consumer trends. It may mean targeting a particular customer group, specializing in a particular market or working with other producers/processors or creating a value chain to access the large commercial markets and meet their demands.

Statistics Canada (2004) data indicate that imports of fresh produce and processed product into Western Canada are largely from the US, which on a dollar basis, accounts for 80% of

vegetables and 61% of our fruit imports into Western Canada.<sup>3</sup> By creating new markets and adding value, there may be opportunities to provide local and domestic consumption needs for fruit and vegetables.

## Market Research Activities to Consider

“Think globally - act locally” has been a catchy phrase used in a number of different ways. For fruit and vegetables, it simply means to watch the current trends and changes happening on a global scale, then test them out in the local market, adapting to meet the local demands.

- Get to know your customer, whether it’s the wholesale buyer or the customer at the Farmers’ Market. Learn more about the customer’s world and aim to meet some of their business needs. For example, “How could you make their work easier?” Explore ways where information can be shared on a regular basis that could benefit both sides.
- Develop relationships with the customer through visits, such as to a wholesale operation to learn more about the demands they face on a day-today basis.
- Find ways to tailor your product to a specific target market, and specialize in your market segment (direct sales, commercial, food service, etc).
- Work together at marketing; share ideas with other entrepreneurs; develop promotional material together that can boost your industries.
- Reflect on how the consumer thinks; watch current trends; determine the subtle differences between what you hear and what you experience locally, such as Canadian, Americans trends and regional differences.

### *Other Activities* (Recommendations from USDA Foreign Agricultural Service, p. 15)

- Become a member of the CPMA; they are aware of 90% of the activity around fresh fruit and vegetables
- Be aware of local standards and regulations. Canadian agents, distributors and brokers can assist in regulatory aspects.
- You may wish to hire a Canadian market research firm, call on major chains in charge of a certain region, or visit a discount or club store.
- Observe and record department layout, shelf space allotment for the category of interest, or competitive products. Take note of the displays or lack of displays. In-store sampling is not as routine in Canada as in the US. Observe how Canadians shop.
- Collect samples of advertisements from a region.
- Safeway has supplier handbook to use as a guideline (found at <http://www.safeway.com/suppliers/canada/>, retrieved on March 18, 2004).

(For more detailed information see the Gain Report from USDA, 2003 – as listed in Bibliography)

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<sup>3</sup> Statistics Canada, International Trade Division. (2004). World Trade Atlas. Data includes fresh, frozen, dried fruit and vegetables, but excludes potatoes.

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