

Make Informed Decisions

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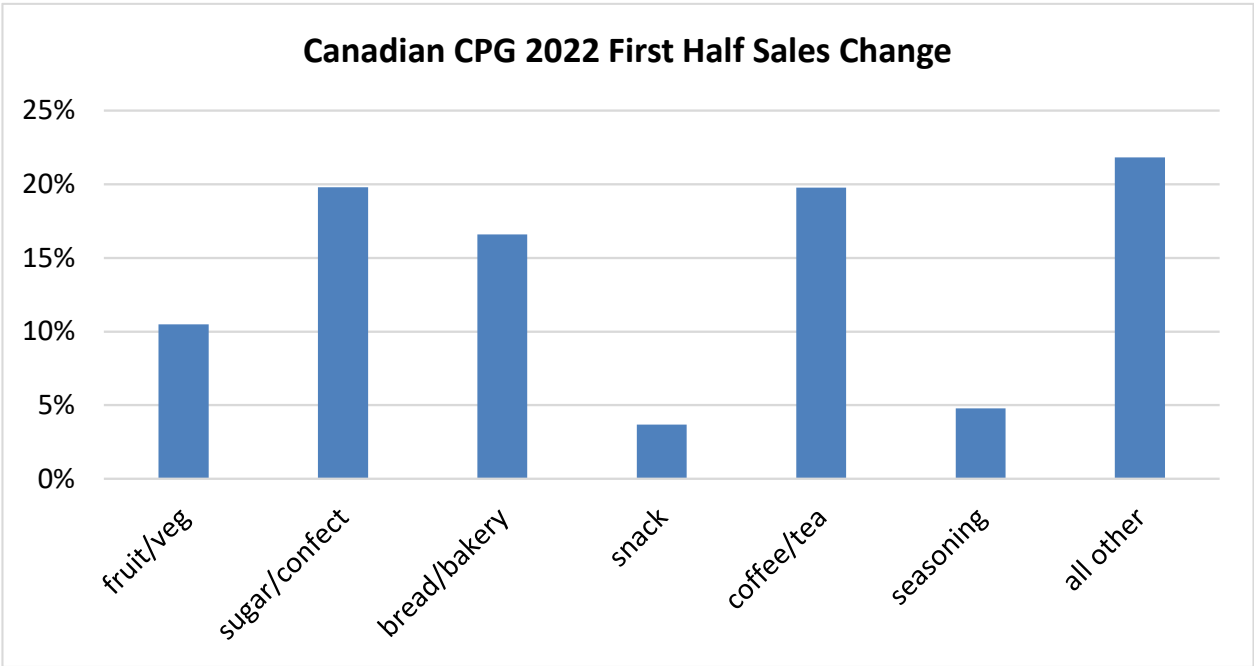


The CPG Export and Domestic Boost

For the purposes of this report, manufactured consumer packaged goods (CPG) food products include breakfast cereals, sugar and confectionery, processed fruits and vegetables, bakery and a StatsCan catch-all category called “Other.” The Other grouping includes snacks, coffee & tea, flavorings, dressings & condiments, and many others such as prepared meals. Dairy, meats, and soft drinks are not included here.

As noted elsewhere in this report, the most recent data shows that Canadian manufactured CPG food sales increased by nearly 14% in June and are on a 12-month pace of nearly 13%. For the first six months of this year the sales increase has been 15% versus the first six months of last year.

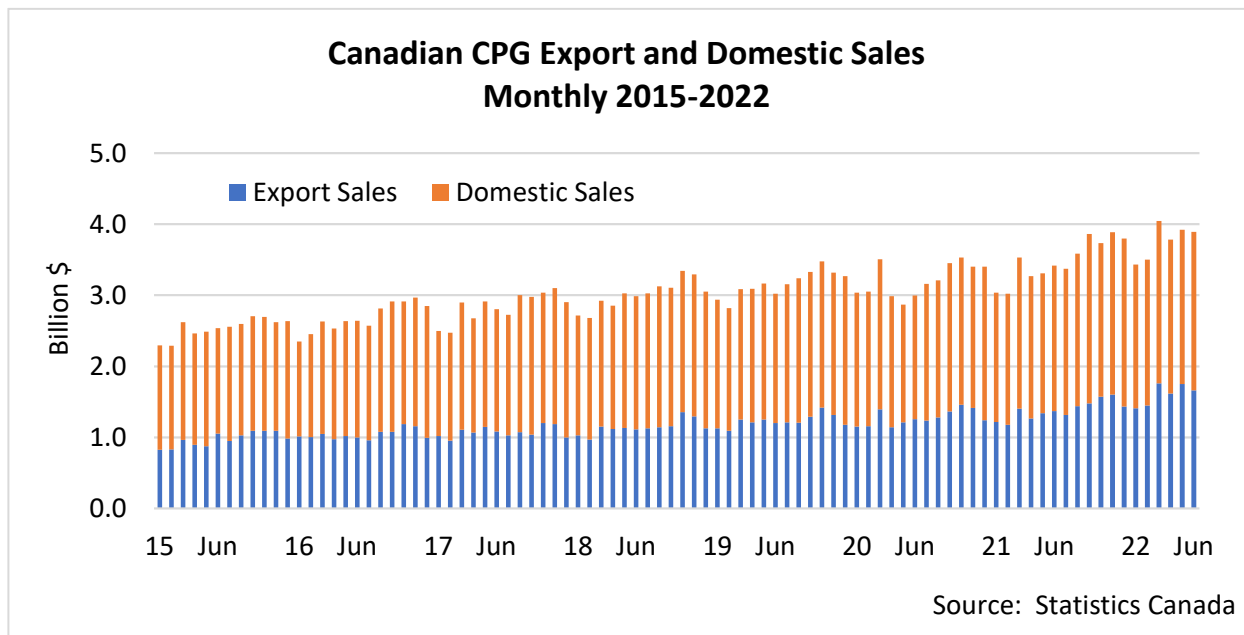
Breakfast cereals only make up about 2% of Canadian CPG manufactured sales, but that sector has seen growth of 70% this year. That sector had shrunk sharply due in large measure to the closure of Kellogg, London, in 2014. With that noted, the monthly sales of Canadian manufactured cereals are currently at the highest levels since that period. In other words, there is something positive happening in that sector on the sales front. Other sectors such as coffee/tea and sugar/confectionery have also seen serious 2022 gains over 2021



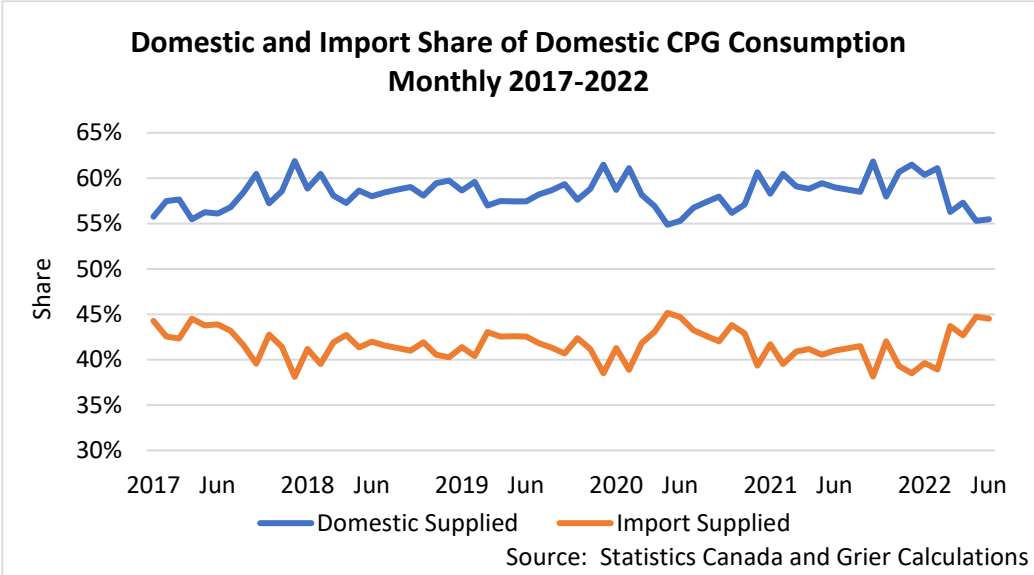
Export Surge

Sales are strong both domestically and in export markets, particularly exports. As noted on page 13 of this report, a large part of the reason for the strong overall sales has been superior export market sales. During the first six months of this year, CPG export sales to all countries have increased by 24% versus last year. CPG exports to the U.S., which make up 90% of total exports, are up 26% this year versus last.

Domestic consumption value of CPG is tabulated as total production sales less exports plus imports. During the first six months of 2022, Canadian consumption value of CPG products increased by 13%. Domestically manufactured product sold in Canada, however, only increased by 9%. Considering that total CPG sales increased by 15%, that means that domestic manufacturers are increasingly export focused, at least this year.



That also means that imports are taking a larger share of the domestic consumption. The U.S. supplies between 60% and two thirds of Canadian CPG imports. So far this year, imports represent 42% of domestic CPG sales purchases. Domestically manufactured product has a 58% share this year. Last year, the domestics share of the domestic market was 60% versus 40% for imports. Over the 2015-2021 period, however, the domestic versus import share was right at the 58% and 42%. Therefore, the data suggests that while exports are surging this year, the overall performance is not out of line with the longer-term trend.



Why it Matters
From a domestic and export market perspective, CPG food sales are robust. The growth in exports has not come at the expense of the domestic market. The strong performance likely provides a degree of negotiating leverage for domestic manufacturers in the Canadian market.

Kevin Grier
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This note first appeared in the July edition of Grocery Trade Report. If you would like a free two-month trial please email me at kevin@kevingrier.com.