GEORGE MORRIS CENTRE

Canada's Independent Agri-Food Think Tank

Consumer Data for Farmers
& the agri-food industry

CONDENSED VEAL REPORT
ON NATIONAL PURCHASING PANEL DATA

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1. Introduction

In order for the Canadian agri-food segment to continue expanding and competing in the face of increasingly capable low-cost producing nations, a means is required to facilitate the development of differentiated and higher value agricultural and food products, and to establish closer links between the agri-food industry and consumers. To develop and supply food products that meet consumer preferences for attributes differentiated at the farm, food processing, or retail / food service level, detailed information is required on consumer choices, expenditures, and attitudes. However, up to this point market information had not been collected or analyzed with this intent in mind, nor did methods exist to distribute that information effectively across Canada's agri-food sector.

Based on a successful UK initiative, begun in 2003, a Canadian project was launched in November 2006 to address this information gap. The objectives of the Canadian project were as follows:

1. Capture detailed information on consumer purchasing habits for chicken, pork, lamb, and veal, as well as factors that influence those habits.
2. Enable producers and the agri-food industry to use this information to increase their long-term competitiveness and profitability.

The project has been supported financially by Agriculture and Agri-Food Canada, through the national Advancing Canadian Agricultural and Agri-Food (ACAAF) Program, along with the associations representing the four meat types: the Canadian Pork Council, the Canadian Sheep Federation, Chicken Farmers of Canada, and the Ontario Veal Association. The Canadian Federation of Independent Grocers (CFIG), the Canadian Council of Grocery Distributors (CCGD), and Ontario Independent Meat Processors (OIMP) participated as project advisors.

Reflecting Canada's national demographics, the project utilized Ipsos Forward Research's (Ipsos) I-Say Panel to collect usage and attitudinal information relating to drivers of purchase decisions of 3,200 respondents. Ipsos Forward Research's (Ipsos) Canada-wide consumer panel was used to gather detailed and accurate information on the purchases of 4,600 family units over a 12 month period (started April 1, 2007). All types of retail outlets were included, from large chain retail stores to alternative shopping venues such as farmers markets. Both aspects of the project encompassed 243 demographic types, making for a detailed and highly informative dataset, which represents Canada's national demographics. Summaries of the methods and their objectives are contained in Sections 1.1 and 1.2 respectively.

A series of workshops and presentations were made across Canada during the fall and winter of 2008-2009, aimed at familiarizing producers and industry stakeholders with the project, and enabling them to digest initial findings from the information collected through the purchase tracking and usage and attitude studies.

The information emanating from this project is vast and unique in the extent to which it is being shared with industry. It provides insights into consumption patterns of various demographic consumer groups, as well as attitudinal analysis of consumer behaviour, relating to purchasing and consumption across both retail and food service sectors. The data can also be used to help determine drivers of consumption and actual purchase activities relating to meal occasions (e.g. a mid-week time-constrained family eating occasion vs. a weekend dinner party with friends).

Nothing on this scale has previously been attempted in Canada or elsewhere. It is powerful information that businesses, wherever they are situated in the value chain can use to improve their business decisions and capture greater value from the domestic (and potentially export) marketplace. Simultaneously, with the depth and breadth of information exceeding that possessed by individual retailers and agri-food businesses, the project is expected to encourage members of the Canadian agricultural and agri-food industry to collaborate in order to better market agri-food products in what is a competitive and increasingly global environment.

This condensed report is prepared by the Value Chain Management Centre and the George Morris Centre. It presents national insights into the purchasing habits of Canadian veal consumers, and builds upon reports and PowerPoint presentations contained on the Value Chain Management Centre website, http://www.vcmtools.ca/consumer_data.php.

Given the vast array of information collected through this research, and the many different perspectives through which it could be construed, the report uses tables and graphs to present the findings in the most concise manner possible. Text is used only to familiarize the reader with the information, by providing an introductory description of the data shown, followed by an identification of relevant highlights.

It should be noted that the Value Chain Management Centre and George Morris Centre are able to conduct additional analysis of the data, or present information in different formats, as required. A more inclusive report is also available, containing findings from the usage and attitude study and a presentation of purchasing data by region/province. A case study that acts as an adjunct to this report will also be completed. Taken from the perspective of a representative veal value chain, the case study refers to findings contained in this report and described in the context of an anonymous value chain supplying veal to a specific segment of the market.

1.1 Usage and Attitude Survey

A total of 3200 online surveys were completed by meat consumers across Canada. A minimum of 800 surveys was completed for each of the four types of meats. Consumers were recruited from Ipsos' I-Say Panel and were screened to ensure they had consumed meat during the past 12 months. Results presented in this report are based on surveys completed between June 22 and July 9, 2007. Non-consumers of veal were also surveyed to identify factors that discouraged them from consuming veal.

The research objectives were as follows:

- Provide insight into consumption patterns;
- Understand the degree to which veal is purchased for the home and/or at food service outlets, as well as drivers of choice;
- Identify the attitudinal aspects of consumer behaviour in relation to purchasing and consumption patterns;
- Gather performance ratings on key attributes;
- Determine consumers' attitudes toward food, health and lifestyle as they pertain to veal, compared to lamb, pork and chicken.

Findings from the usage and attitude survey are not presented in this condensed report. They are included in a more extensive report, available from the Ontario Veal Association.

1.2 Consumer Purchase Panel, Shopping diary[1]

Ipsos recruited households from their Consumer Panel of Canada (CPC), whose total demographics reflect Canada's national demographics. Each family compiled a detailed diary of all meat purchases (including veal) over a 12 month period, from April 1, 2007-March 31, 2008. At any given time, 4,600 households participated in the study. A total of 5,500 households participated over the year, to compensate for households who were unable to participate for the entire period.

Meat purchase details in the diary included the following:

- Meat category purchased;
- Cut of meat;
- Where purchased (retailer);
- Day of week purchased;
- Quantity (kg) purchased;
- Amount paid for purchase;
- Whether the purchase was on special offer.

[1] The Consumer Panel of Canada sample of households returning the Household Shopping Diaries is weighted on a monthly basis to adjust it back to national representation, as reported by Statistics Canada. The weighted purchase information is then projected on a region-by-region basis to the total Canadian household population of 12,488,000 households. Therefore, the information presented in this report represents the total projected household consumption for the meat category, in '000's kg annual consumption.

2. CPC Purchase Tracking, National Research Findings

Figure 1: Summary of National Buyer Characteristics

Households buying	17.7%
Volume per buying household	2.9kg
Average household expenditure on veal during year	$32.60
Veal buying occasions per household	3.9
Average price paid per kg	$11.06
% kg purchase on deal	18.4%

Figure 2: Importance by Region to Veal Purchases

	BC	AB	MB/SK	ON	QC	ATL
% of Panel	***14***	***10***	***7***	***39***	***25***	***6***
Importance of region to fresh veal, national purchases, % kg	5	3	2	34	55	2
Importance of region to frozen veal, national purchases, % kg	3	7	5	40	45	0
% Households purchasing	6	5	6	16	38	6

Figure 3: Price/Performance Matrix

Y axis = Average $ spent per household Below average volumes at above average prices. May indicate ***overpriced*** or high end, specialty store, or sale of primarily premium priced cuts.	**High Performance Quadrant:** Above average volumes at above average prices.
Low Performance Quadrant: Below average volumes and below average prices. Opportunities to improve in both areas.	Above average volumes at below average prices. May indicate ***discount*** stores, sale of non-premium priced cuts or loss leader opportunities. ***X axis = Average kg per household***

2.1 National Market Penetration, by Retailer

The purpose of the value vs. volume “dot” charts is to compare retailers in relation to price and/or volume sold. The centre point represents the Canadian average.

Figure 4: Comparison of National vs Provincial Averages ($kg vs kg/hh)

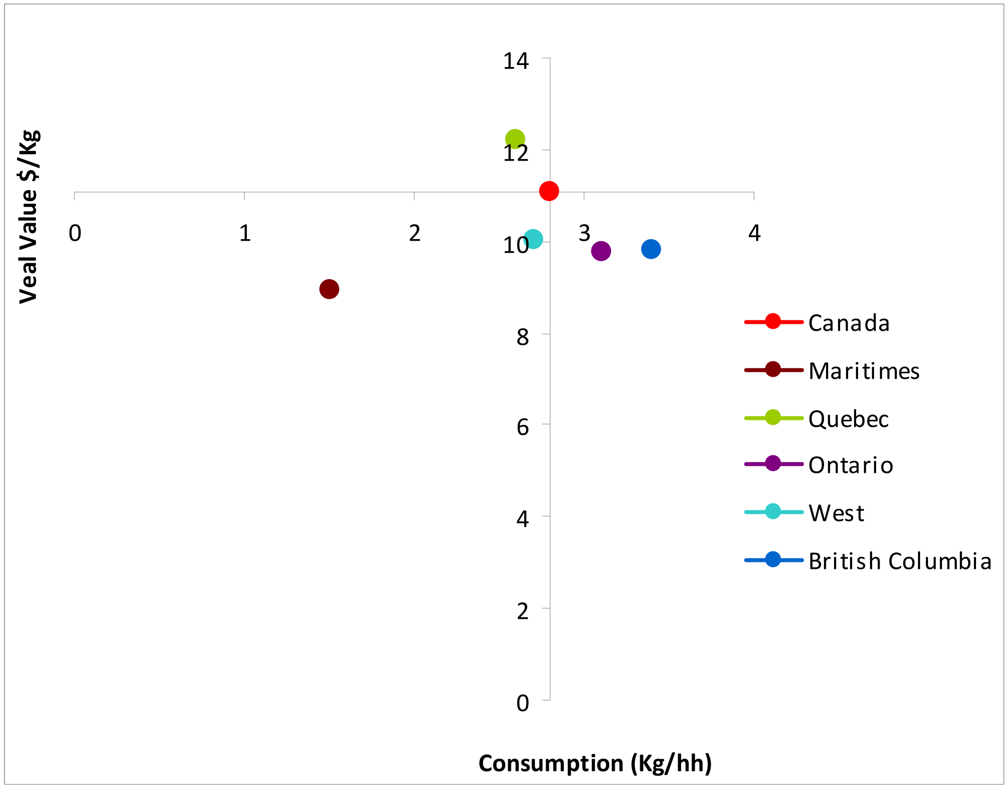


Figure 5: National Market Share by Province

Province	**$/kg**	**Market Share %**
Canada Average	***11.07***	***100.00***
Quebec	12.22	**50.08**
Ontario	9.78	**39.01**
West	10.04	9.82
British Columbia	9.83	5.49
Atlantic Canada	8.95	1.09

- Ontario and BC are selling above average volumes at lower prices.
- Stores in Western Canada and the Maritimes are selling low volumes at below average prices.
- Only Quebec is selling higher volumes at higher than average prices.

The charts below show average veal sales in kilograms and dollar values reported (Canada total) for the stores indicated.

Figure 6: National Veal Sales by Retail Outlet (Value $/kg and Volume kg/hh)

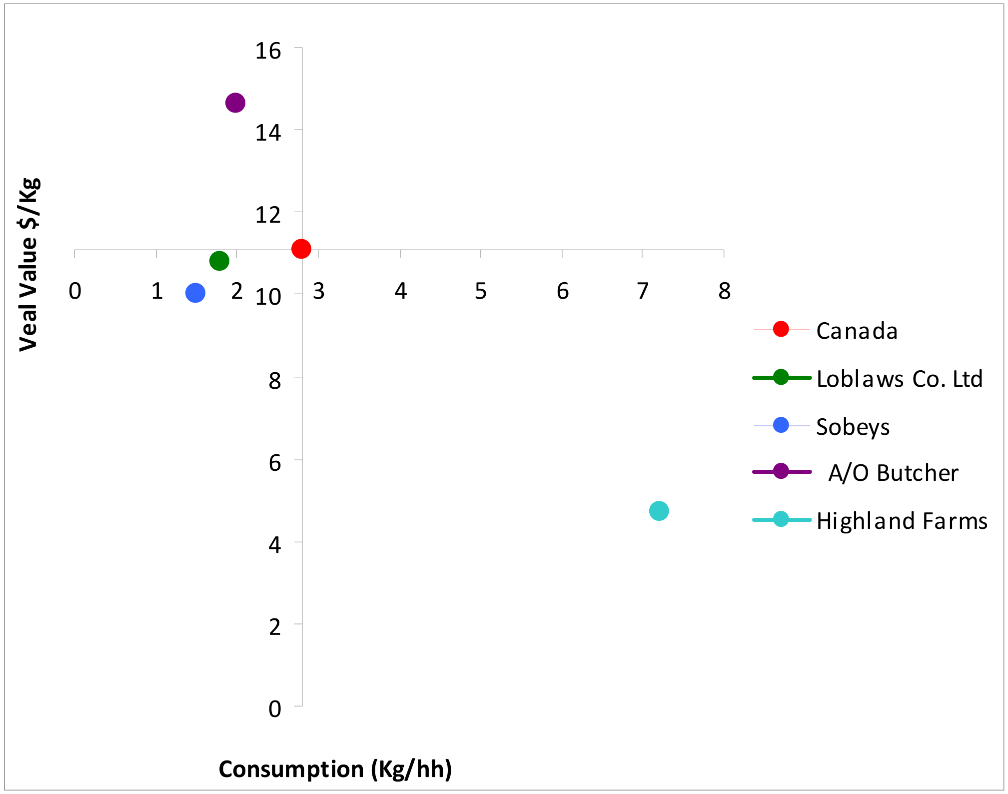


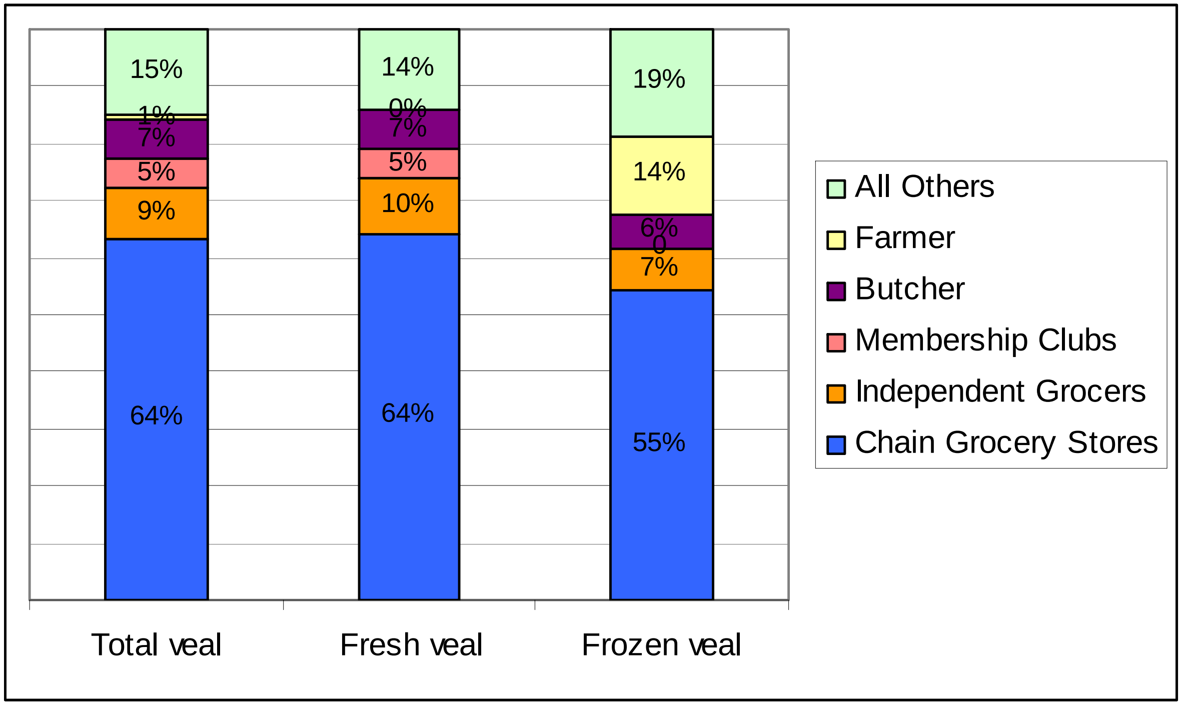
Figure 7: National Market Share by Retailer

Retailer	$/kg	Market Share %
Canada	11.07	100.00
Loblaws Co Ltd	11.06	25.51
Sobeys Inc	10.38	20.84
A/O Butcher	14.25	6.78
Highland Farms	4.72	4.82

- The average price at Highland Farms is considerably lower than the national average.
- Butcher stores sell for a higher average price.

Traditional grocery outlets account for 79% of total veal purchases by volume in the shopping diaries. The key outlets in this area were: Loblaw Cos. Ltd. (26%), Metro Inc. (17%), Sobeys Inc. (21%) and All Others Traditional Grocery (15%). Non-grocery outlets accounted for 22% of veal purchases, with the key outlets being Independent Grocers (specialty stores) (9%), Membership Clubs (5%), Butchers (7%) and Farmer markets (1%). All Other (A/O) Independent Butchers includes all non-retail chain butchers in all regions of Canada. A/O Independent Grocers includes all non-retail chain grocers in all regions of Canada.

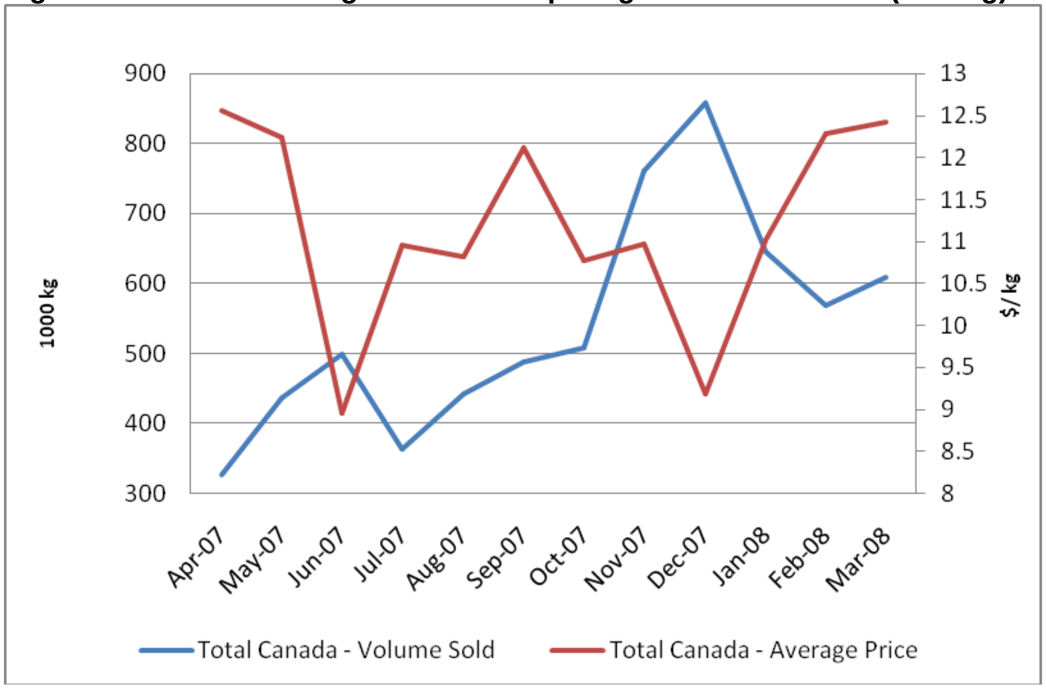
Figure 8: Percent of Volume Purchased (kg), By Retail Outlet



2.1.1 Sales by Retail Outlets

The following charts show the relationship between the average monthly sale price and volume sold across Canada.

Figure 9: National Average Veal Prices per kg and Volume Sold ('000 kg)

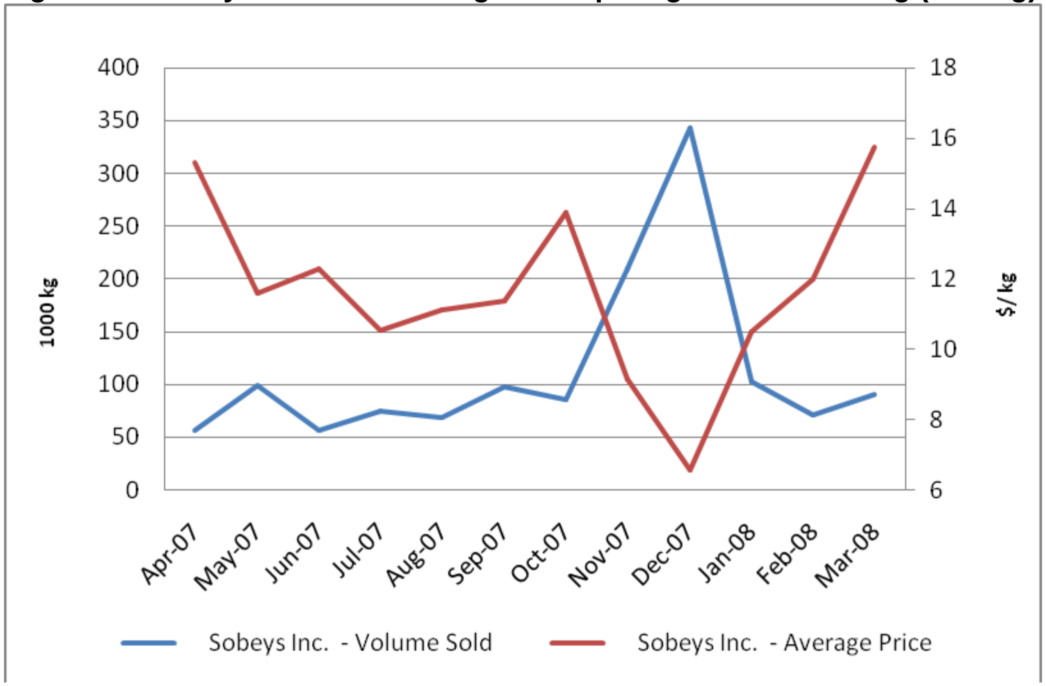


- In general terms price varied about $2.50 per kg throughout the 12 months, while volumes trended upward until December and then dropped off, prices increased after December. Lower prices in June and December correlate with higher volumes.

Figure 10: Loblaws Co Ltd. Veal Average Price per kg and Purchasing ('000 kg)

- Nationally, Loblaws Companies Limited generally has higher sales volume and greater variation in sales volume than Sobeys.
- Their prices vary from $9.35/kg to $14.04/kg.

Figure 11: Sobeys Inc. Veal Average Price per kg and Purchasing (‘000 kg)



- Sobeys volume peaked in December with a significant price drop to $6.56/kg. Their highest price per kg was $15.74.

Figure 12: A/O Butcher Veal Average Price per kg and Purchasing ('000 kg)

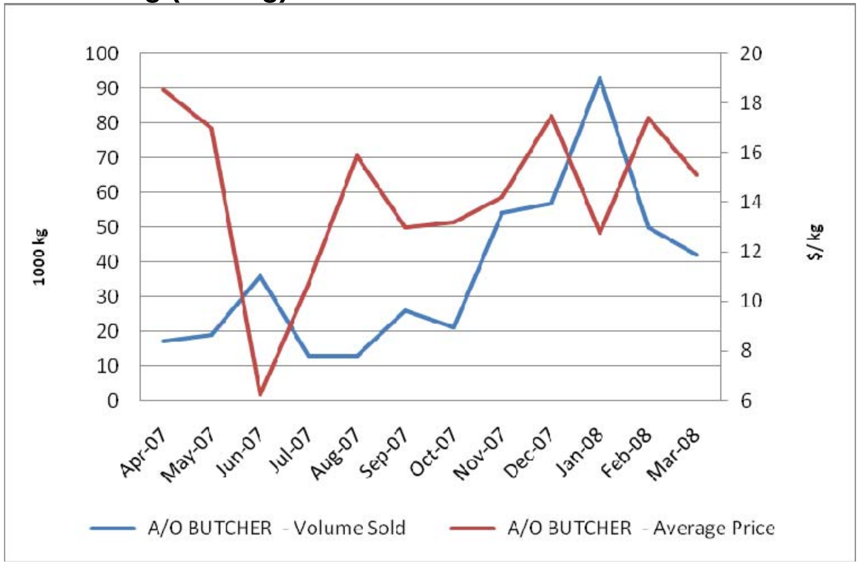
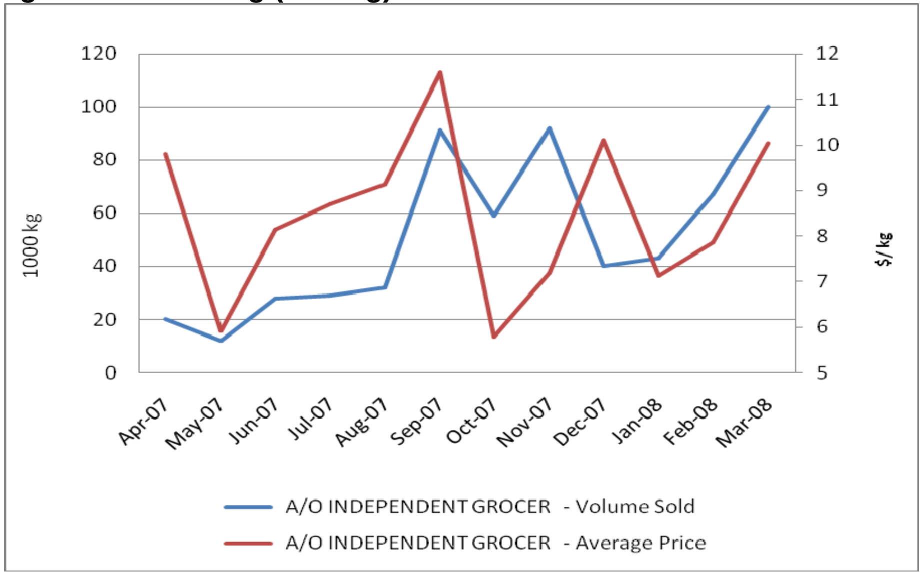
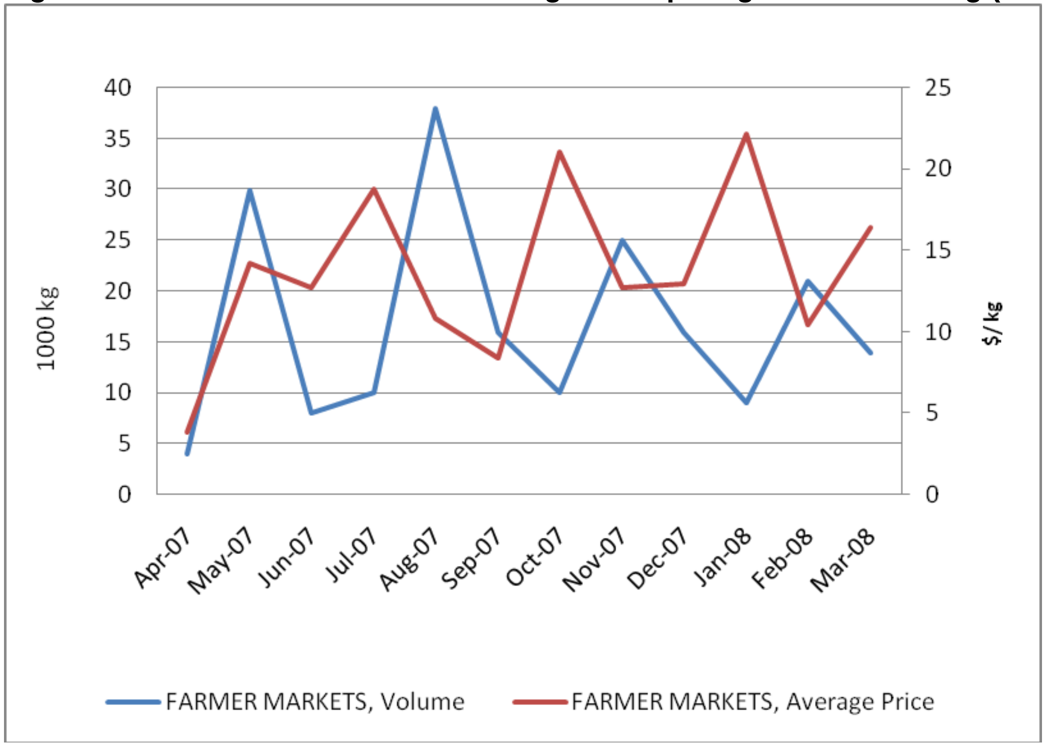


Figure 13: A/O Independent Grocers Veal Average Price per kg and Purchasing ('000 kg)



- Both A/O Butcher and A/O Independent Grocers have lower general sales then Loblaws and Sobeys. At their peak, they are able to sell a similar level to what the chains achieve at normal levels (around 100,000 kg).
- Both have an upward trend throughout the year and experience similar variation in volumes.
- Pricing at A/O Butchers tends to be more than at A/O Independent Grocers.

Figure 14: Farmers Markets Veal Average Price per kg and Purchasing ('000 kg)

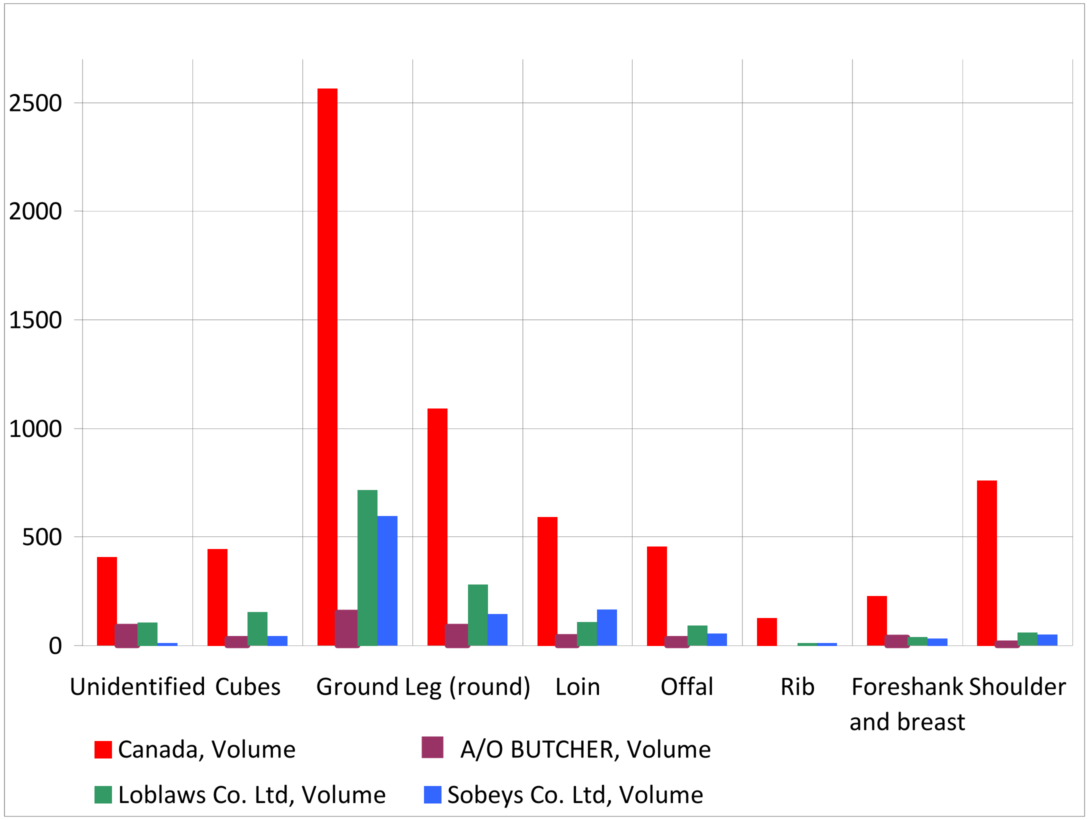


- Farmers Markets tend to have the most variation in sales with substantial dips and spikes in price and volume. $22.18 in January was the highest price per kg noted across all farm market outlets.

2.1.2 Veal Cuts through Selected Retail Outlets

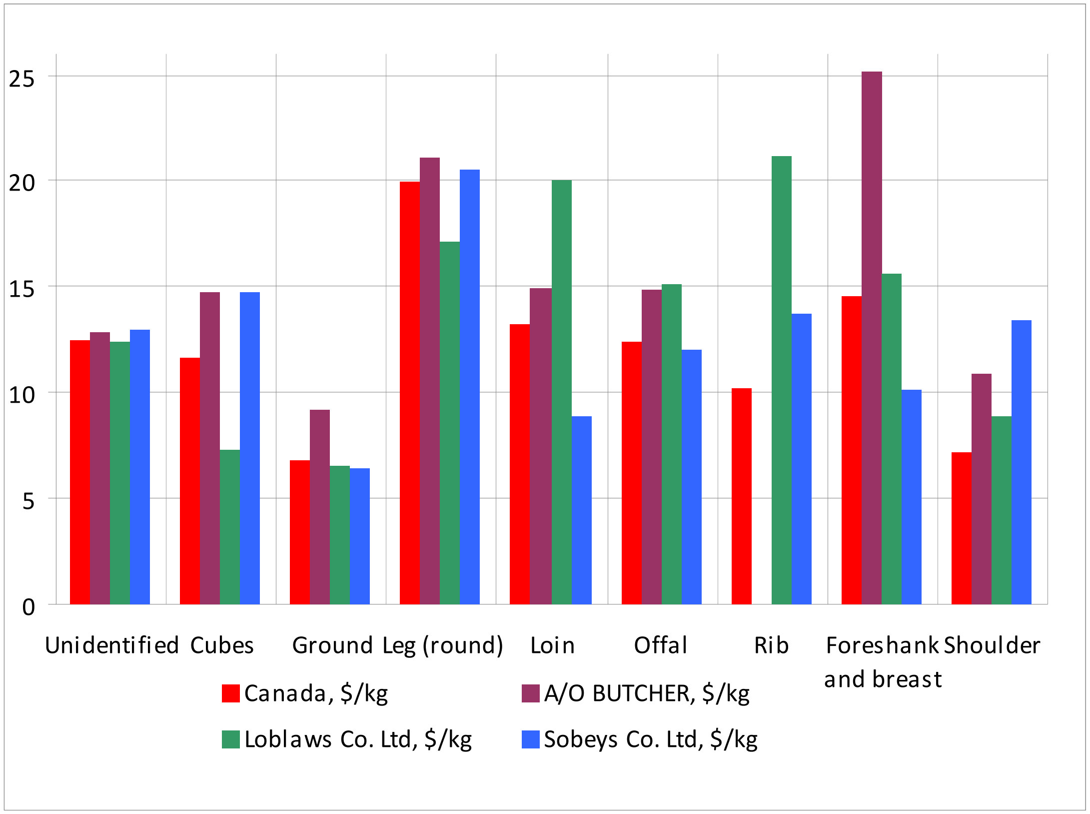
The following charts show the national aggregated volume and average prices for the top 8 cuts of veal, plus the category reported where the cut was 'unidentified'.

Figure 15: National Aggregated Volume of Cuts, By Retail Type ('000 kg)



- Ground veal accounts for over 50% of all veal sold.
- The high volume of ground veal sales distorts the scale for other cuts.

Figure 16: National Average Prices for Cuts, By Retail Type ($/kg)

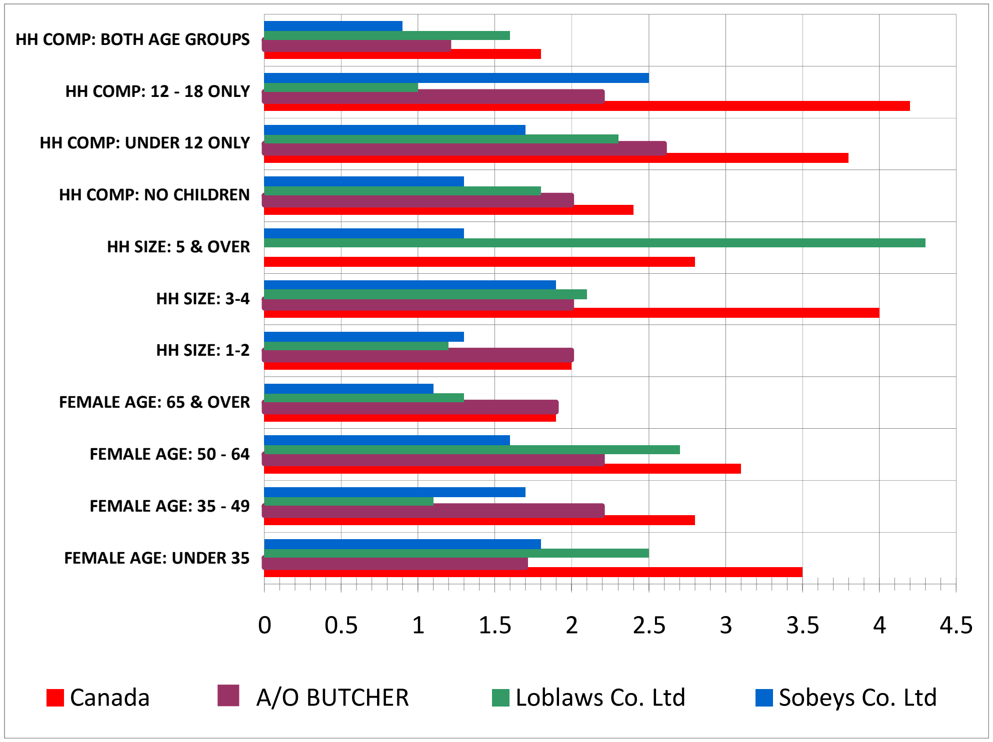


- Ground veal with the highest volume is sold for the lowest price and is likely treated as a commodity by industry and consumers alike.

2.1.3 Demographics of Veal Consumers, by Retailer

The following chart considers overall veal consumption by demographic groups; reported kg per household, by age of shopper and household size, further separated by retailer. The purpose of these charts is to show which demographics are underperforming and, therefore, where there is potential opportunity to increase the volume and value of veal sales.

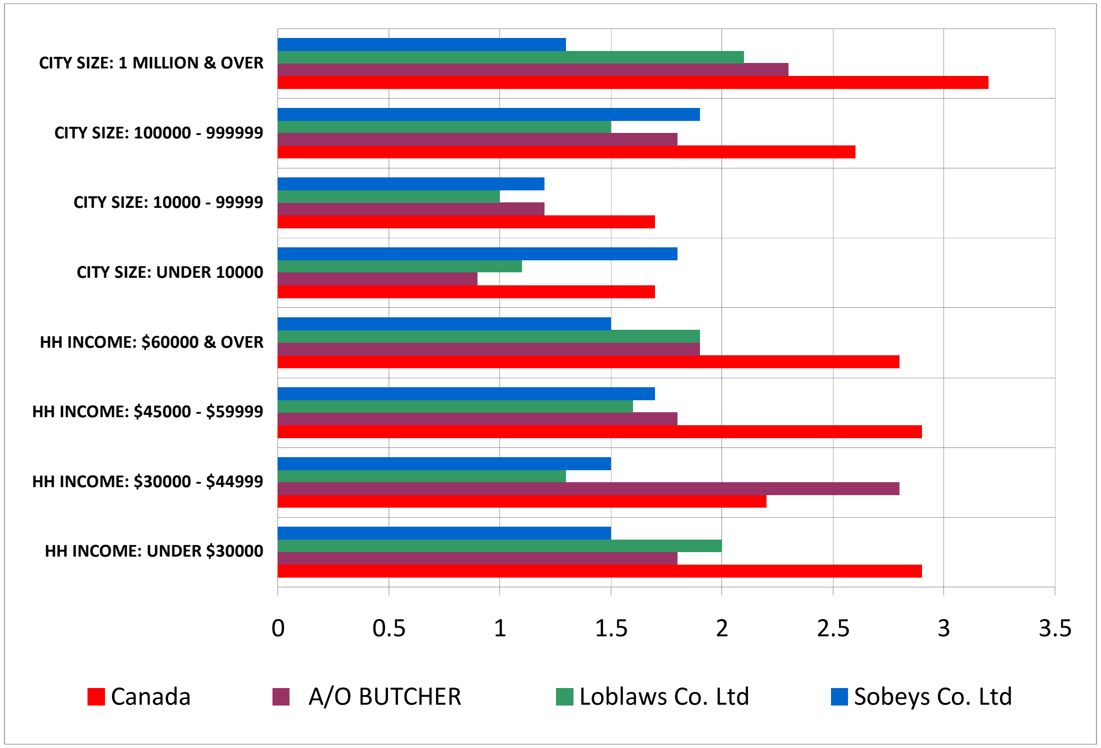
Figure 17: Consumer Demographics & Household Consumption (kg/hh)



- The most dominant demographics for veal sales are households where the female is under 35 years of age and where children are between ages 12 and 18.
- Loblaws experiences a substantial spike with households comprised of 5 or more people.
- This demographic does not account for core veal consumers, so represents a distinct market opportunity.

The following chart considers overall veal consumption by household income and location, separated by retailer.

Figure 18: Consumer Demographics (Income and City Size), by Household Consumption (kg/hh)



As illustrated in Figure 19, the largest demographic group consuming veal is French-speaking. While they represent just 25% of the Canadian population, 50% of French households purchase veal and account for 44% of veal purchased by volume across the country. Representing 16% of the panel, "Other" mother tongue households accounted for 18% of the overall volume purchased.

Figure 19: Importance of Mother Tongue to Veal Purchases

	English	**French**	**Other**	**Not Specified**
% of Panel	58	25	16	2
% Veal Buying HH	33	50	14	3
% kg	35	44	18	3

- Nationally, dominant veal consumers also live in more populated areas, large towns (100,000-999,999) and cities of over 1 million inhabitants.

2.2 Core and Low-usage Consumers

In order to better understand veal consumption, veal consumers were segmented in this research: **core veal consumers** (the top 25% of veal consumers by volume) and **low-usage consumers** (the bottom 25% of veal consumers by volume). The following charts show the national demographics for core and low-usage veal consumers. The first chart reports kg per household. The second chart shows the total volume reported.

Figure 20: Demographics by Core Consumers and Low-usage Consumers (kg/hh)

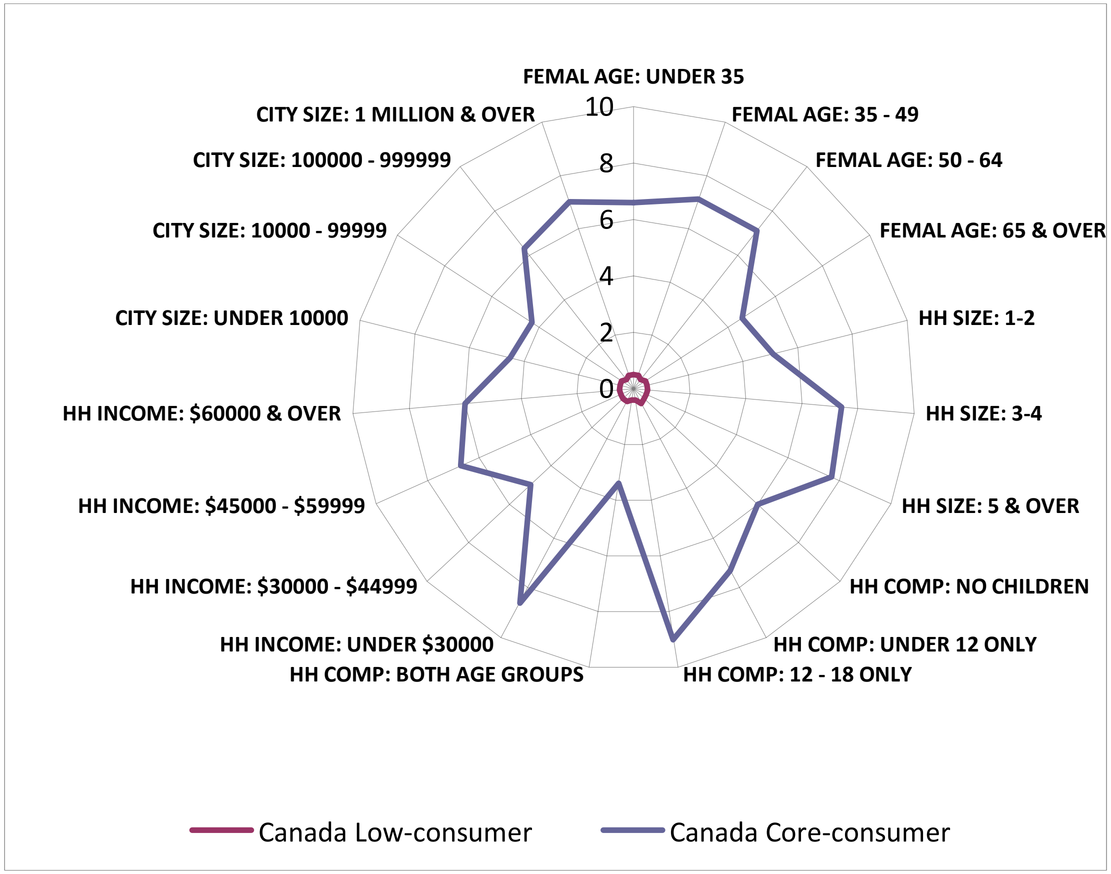
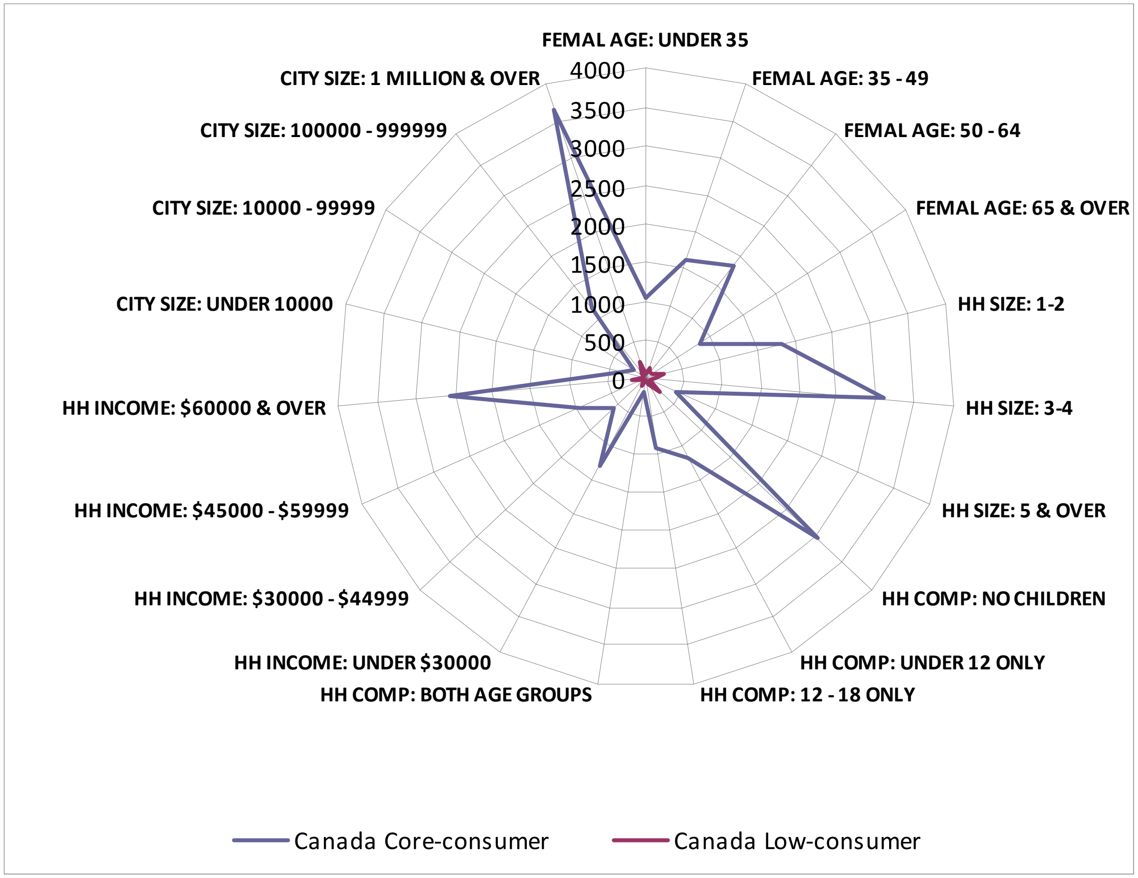
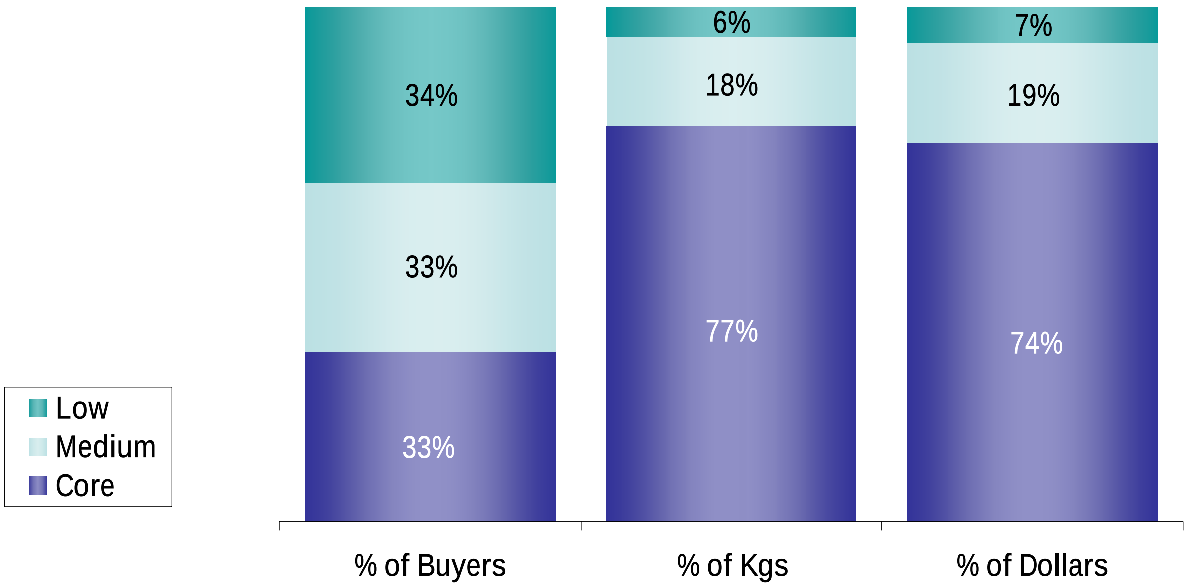


Figure 21: Demographics, by Core Consumers and Low-Usage Consumers ('000 kg)



- Core consumers with 5 or more people in the home are consuming close to 8 kg/hh. However, the overall volume from these households from a per capita standpoint is low.

Figure 22: Veal Purchasing, By Buyer Groups



- **Core Buyers** represent 33% of veal buyers and 77% of veal volume.
- **Medium Buyers** represent 33% of veal buyers and 18% of veal volume.
- **Low Buyers** represent 34% of veal buyers and 6% of veal volume.

Figure 23: Summary of Veal Buyer Characteristics

	Core Veal Consumers	**Medium Veal Consumers**	**Low-usage Veal Consumers**
kg per buying household	6.5	1.5	0.5
Average Price paid per kg	$10.64	$12.10	$13.64
Average Household expenditure on veal during the year	$69.42	$16.65	$6.23
Veal buying occasions per household	6.8	2.3	1.3

- **Core Buyers** purchased 2.7 kg or more of veal between April 2007 and March 2008.
- **Medium Buyers** purchased 0.9 kg but less than 2.7 kg of veal between April 2007 and March 2008.
- **Low Buyers** purchased less than 0.9 kg of veal between April 2007 and March 2008.

3. Summary

The purchase diaries found that one in six Canadian households (18%) purchased veal at least once during the past year. On average, each veal buyer purchased four times during the year, for a total of three kilograms, and spent close to $33 in total. Veal purchase incidence is highest during the fall, especially during November and December. The purchasing data also found that price consistently drives volume across all retail types, with higher prices leading to lower volumes.

The consumer purchasing data revealed that Quebec is by far the best developed veal market, with almost four in ten households (38%) in the province buying veal during the year. Quebec veal purchases account for 55% of total Canadian fresh veal volume and 45% of frozen veal volume. Ground veal is key to Quebec, accounting for half (49%) of total Quebec veal kilograms.

The purchasing data also found that 93% of veal kilograms are purchased fresh, with buyers in the West purchasing frozen veal more often than those in the East.

Butcher shops accounted for about 7% of total veal volume in the shopping panel, with Farmer/Farm Gate sales accounting for a further 1%. Another 9% of volume was purchased through Independent Grocers. A notable share of volume is sold through non-chain outlets.

The shopping panel data suggest that veal has an older buyer profile. More than half (56%) of purchases are by households headed by someone aged 50 or over. This older buyer profile translates to slight over-development among households with no children at home (71% of buyers vs. 69% of households), but these older buyer households account for a smaller proportion of volume (62% of kilograms).

The purchasing data also found that veal buyers are a little more affluent than typical Canadian households (45% of buyers with household income $60K+ vs. 42% of all households with income $60K+), but of particular note is that the 15% of buyers with incomes $100K+ account for more than one fifth (22%) of veal volume.

Veal is quite underdeveloped among English mother-tongue households in the shopping panel, where French and “other” mother tongue households account for almost two-thirds of veal buyers (64%) and kilograms (62%).

Core buyers within the shopping diaries are key to veal, accounting for almost eight in ten (77%) kilograms purchased and three-quarters (74%) of dollars spent on veal. Core buyers represent a third of veal buyers. They purchase significantly more veal than other veal buyers, an average of 6.5 kilograms during the year, and spend more than twice as much in the year ($69.42 vs. $32.60) than does the average veal consumer. Core veal buyers are also more likely to purchase fresh cut veal than other veal consumers.

Interestingly, core veal buyers in the shopping panel are a little younger than the average veal consumer, with 19% of core veal buyers in <35 year old households versus 14% in that age group for total veal. Core veal buyers are also likely to be in larger households (51% in 3 or 4 member households) and have children under 18 (38%). These households are also notably more affluent than other veal buyers, with 52% having household income of $60K+.