2 Reports in one!

(1) FAST MOVING CONSUMER GOODS CANADIAN QUARTERLY UPDATE – QTR 2, 2021 & (2) CANADIAN ORGANIC MARKET UPDATE

PREPARED BY Food Distribution Guy

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FMCG Canadian Quarterly Update

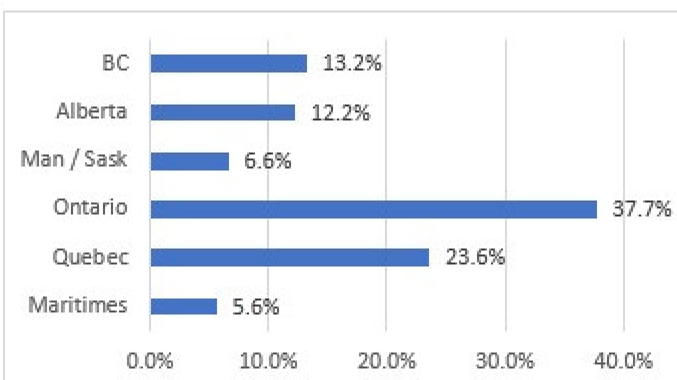
Q2 2021

This report summarizes Nielsen IQ – Quarter 2 up-date on the fast-moving consumer goods market. Retail sales in Canada dropped 0.6% in July as sales in grocery stores and supermarkets fell. Grocery store sales dropped 3.4%, sales at convenience stores fell 8.4%, and specialty food store sales dropped 0.4%. (1)

Market Overview Summary

1. FMCG slowed down in the past quarter:
    - 52 week sales: $117.9B. +5%. Tonnage +2%. Inflation +3%.
    - 12 week sales: $27.3B. -2%. Tonnage -2%. Inflation +1%.
2. Ontario and Quebec account for 61.3% of FMCG sales.

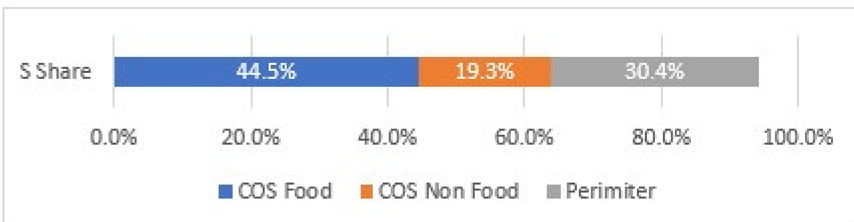
Chart 1
Reginal Market Shares



	BC	Alberta	Man / Sask	Ontario	Quebec	Maritimes
$% Change YA	6%	3%	6%	5%	6%	4%

- Food categories perform well. During the 2nd quarter, centre of store share of total store sales increased + 0.5%.

Chart 2
Performance by Store Location



- $Share Chg YA: +0.5% (COS), -1.0% (COS non-food), +0.3% (Perimeter)

Channel Trends Summary

- Discounters gaining momentum for the first time since Covid-19 hit.

Chart 3
Conventional vs. Discount Market share by Department

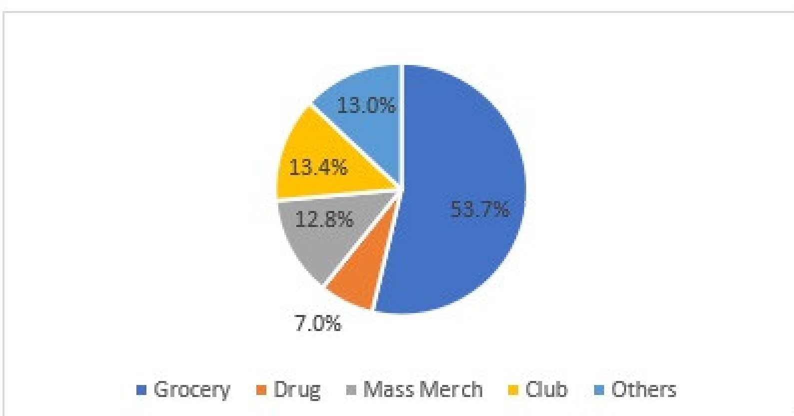
	Conventional	Discount
	$% Chg YA	$% Chg YA
Total Tracked Sales	+4	+5
Grocery	+6	+6
Non-Grocery	+1	+5
HABA	-2	-4

- Declining store visits mitigated by larger baskets.
  - The penetration level for discounts is 95.2%, a decline of -.9%.
  - The penetration level for conventional is 99.1%, a decline of -0.2%
  - The dollar per occasion at discount is $47.16, an increase of 12%
  - The dollar per occasion at conventional is $49.06, an increase of 13%
  - The number of occasions per buyer down 6% for both formats.

- Warehouse club: big winners of the new normal: .6% increase in share. Grocery share was down

  0.1%, while mass merch share was stagnant. Drug share was down 0.5% and all others was down 0.1%.

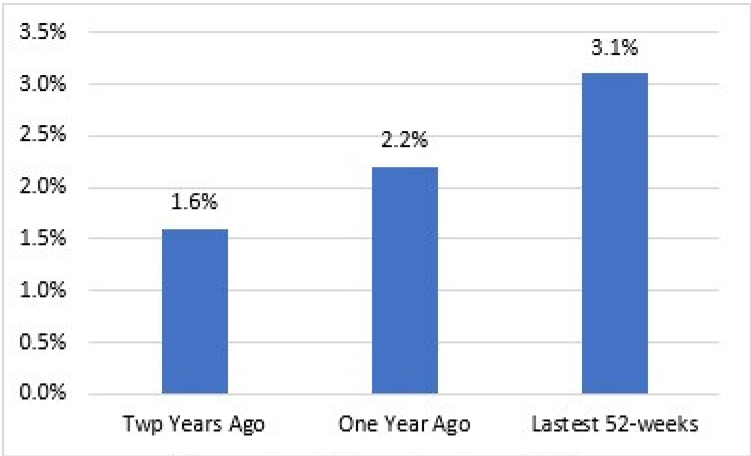
Chart 4
Share by Channel



Online Summary

- Online market share thrives during the pandemic.

Chart 5
Online Market Share



52- week period ending June 2021

Penetration level	42%	+2%
Occasions / buyer	8.6	+35%
Avg $ / Buyer	$512.29	+42%
Avg $ / Occ	$59.87	+12%

Private Label

- Private label growth slightly outpacing national brands in Q2, 2021
  - 52 week sales: $20.9B. +5%. Tonnage +2%. Inflation +3%.
  - Q2 2021: $5.0B. -1%. Tonnage +2%. Inflation -3%.

Chart 6
National vs. Private Label Market Share

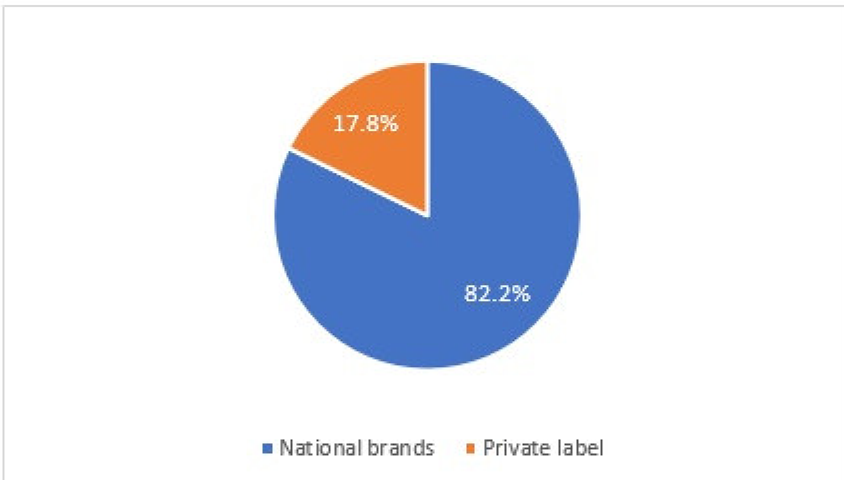
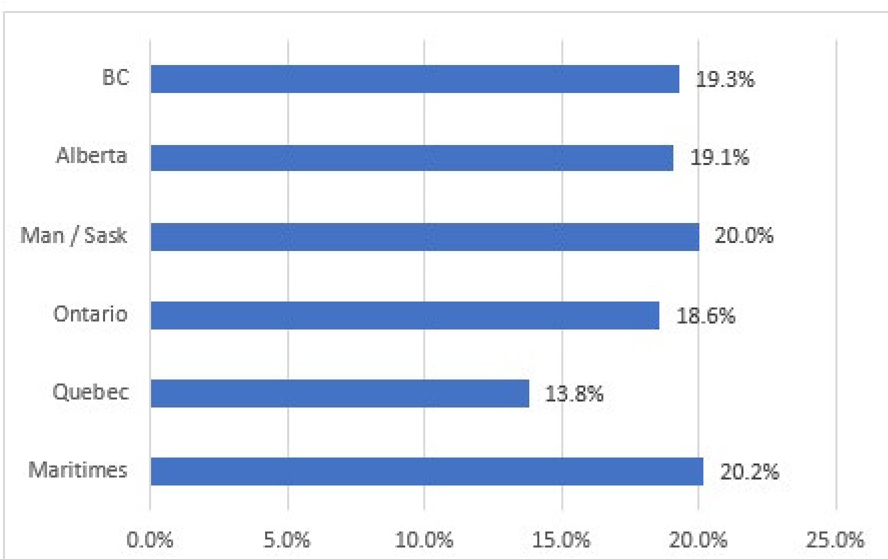


Chart 7
Private Label Performance by Province



National Brand vs. Private Label Performance by Province, Qtr 2, 2021

	Private Label	National Brand
BC	5%	6%
Alberta	3%	3%
Man / Sask	5%	6%
Ontario	7%	5%
Quebec	6%	6%
Maritimes	5%	4%

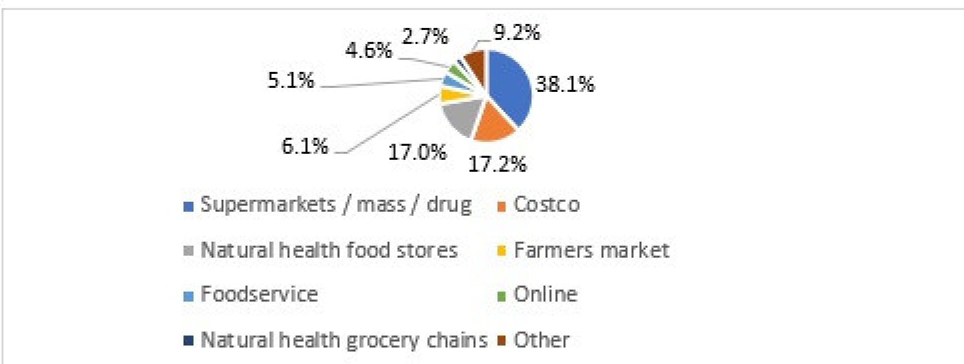
CANADIAN ORGANIC MARKET UPDATE

This report summarizes Ms. T. Loftsgard – Executive Director, Canadian Organic Trade Association presentation at CHFA Connect 2021 titled “Canada’s Organic Market Update”. The organic food consumers tend to be younger, beginning with Generation Z (age 18-24) for whom organic products comprise 46% of their weekly grocery purchases. For millennials (age 25-34) organic products represent 32% of their weekly grocery purchase. This is followed by Generation X (age 35-44) at 25%. (2)

Summary

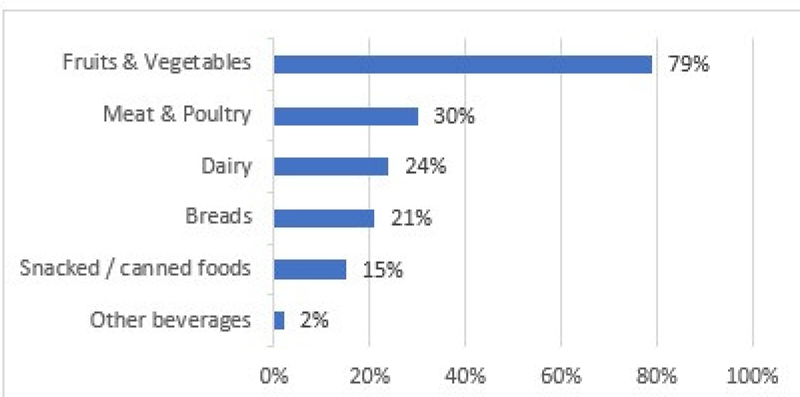
- Supermarkets and club stores market share account for more than 55% of organic food sales.

Chart 1
Channels Market Share for Organic Food & Beverage Sales



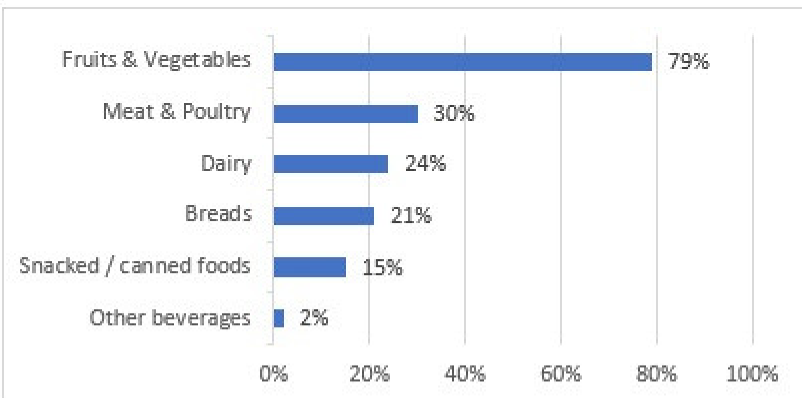
- Organic sales in Canada topped $8.138B dollars. This represents a 50.7% increase over the past three years.
- Organic food and beverage sales ($6.519B), excluding alcoholic beverages account for 80.1% of total organic sales. Spend on organic food and beverage 33% higher since 2017. Alcoholic beverages account for 5.3% of total organic sales, and fibres and textiles – 2.5%. Non-food: 10.2%
- Organic food and beverage market share as a percentage of total food and beverages sales has increased from 1.7% in 2012 to 3.3% in 2020. Market share: 2012: 1.7%, 2017 2.6%, 2020 3.3%
- 66% of Canadians buy organic products weekly. 22% report a dietary restriction or dietary regime. Canadians annual spend on organics up 14.9% since 2017.
- 23% of Canadians purchased more organic products in 2020 than they did in 2019.
- British Columbia, Ontario, and Quebec represent the 3 largest markets for organic food sales. BC has the most loyal, deeper consumer. Quebec sold half of Ontario's volume despite similar populations and appears to be more plant-based.
- Fruit and vegetables (79%) represent the most frequently purchased category on a weekly basis.
- Organic vegetables sales 2X as strong than conventional vegetable sales during the pandemic.

Chart 2
Frequency of Organic Purchases by Category



- Organic packaged good sales ($1.69B) experienced a 13% increase between 2020 and 2019.
- Top organic packaged goods products with a market share of over 20%:
    - Baby food: 83% market share
    - Infant snacks: – 45% market share
    - Infant cereal: 27% market share
    - Broad leaf vegetables: 23% market share
    - Soya, rice & alternative beverages: 21% market share
    - Dry fruit: 20% market share
- 54% of Canadians trust the Canadian organic logo (36% trusted the logo in 2016)
- This logo represents products that are:
    - Free from use of pesticides.
    - Non-GMO.
    - Strong standards.
    - Animal welfare.
    - Good for the environment.
    - More tasty / healthy.

Chart 2
Frequency of Organic Purchases by Category



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1. *Grocery Store, Supermarket Sales Fell 3.4% in July: Statistics Canada, www.canadiangrocer.com, October 2021*
2. *New Data From Organic Trade Association, www.globenewswire.com, October 2020*

FOOD DISTRIBUTION GUY PROFILE

Richard Baker, President

Food Distribution Guy provides industry expertise, creative sales-marketing strategies and addresses distribution challenges for emerging and established food businesses that assist them in breaking through the competitive landscape to “Get Listed and Stay Listed” in the Canadian grocery sector. Our role is to help ensure your success is sustainable in the long term & to assist you in obtaining the distribution of your products through the appropriate channels (traditional grocery, health stores, mass merchandiser, club, general merchandise, C-stores) available for retailing your product.

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