



Evaluating value added food product opportunities across PEI

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Background	Page -3-
Purpose	Page -4-
Methodology	Page -4-
Results	
Raw Vegetables Products	Page -6-
Processed Vegetables Products	Page -7-
Raw Fruit Products	Page -8-
Processed Fruit Products	Page -9-
Meat Products	Page -10-
Processed Meat Products	Page -10-
Seafood Products	Page -11-
Processed Seafood Products	Page -11-
Other Products	Page -12-
Discussion	Page -13-
Appendix ‘A’ – Canadian Council of Grocery Distributors	Page -15-
Appendix ‘B’ – Sample Survey Form	Page -17-



Retail Grocery Survey Report

Background

The current state of PEI agriculture is in a state of decline as it is for many regions across Canada and around the globe. Farm incomes have been dropping. The number of farmers is decreasing while the average age of farmers is increasing. Due to low availability of processing and dropping world prices, the PEI pork industry has been one of the hardest hit sectors with beef and other commodity groups challenged by low receipts in the face of rising costs of production.

CASP is the Canadian Agro-Sustainability Partnership. It is a non-profit organization based in Charlottetown, PEI. CASP is an umbrella organization representing a number of companies, institutions and not-for-profit organizations. Collaborative arrangements are made for each project drawing on the skills required to complete the work. CASP primarily works in developing and in-transition countries on projects dealing with agriculture, fisheries and environmental issues from these two sectors.

In 2008 CASP proposed a project to the PEI ADAPT Council, which is the primary funding partner for the work, to assist the ailing agriculture industry by providing information on another piece of the puzzle for development and opportunities in value added production of commodities. Prospective producers and entrepreneurs should review this material and use it as a starting point to formulate their own ideas for potential product development. More in-depth product research should be completed based on that individual product to ascertain its competition, possible market share, pricing and marketing niche that may allow it to flourish as a local product offering that could also be exported beyond our shores.



Purpose

The survey forms the first part of the project. By determining the potential demand for PEI agricultural products, a starting point can be created for growers and entrepreneurs to look at market opportunities. While it was never expected to provide a complete and total picture of potential demand in the retail sector for PEI value added products, it does provide a snapshot of the variety of opportunities in the market place.

Once the data from the survey has been compiled it is to be presented in a series of community meetings across PEI to both share and discuss the results with perspective producers/entrepreneurs who may be interested in a new or additional business venture. Beyond the data, information will be provided about various federal and provincial government programming that could be accessed to support the creation of a new business or the equipment required for processing.

Methodology

To develop the survey previous surveys and relevant information were considered. An advisory team for the project was established consisting of Barb MacLeod, value chain coordinator with the PEI ADAPT Council and Kent Thompson with the PEI Department of Agriculture. They reviewed the initial draft of the survey form. Secondary to this process a retail grocery store advisory group was established to review the draft survey. This group consisted of Brad Butler from Sobeys, Brian Barry from Superstore and Jack Dunn from Co-op. Both groups agreed that the survey form was reasonable to submit to PEI grocery stores to obtain their opinion as to what product could be procured from local sources subject to approval from head office if required.

A list of retail grocery outlets was created for the distribution of the survey drawing on information from a variety of sources to gain contact information. This included provincial government listings, corporate listings and phone directory searches. Surveys were emailed, faxed, hand delivered and made available on the CASP website to be completed on-line. A copy of the survey is attached in Appendix `B`.



Results

As with most surveys, getting a high number of responses can often be challenging. When starting with a low number of retail outlets that exist on PEI, the potential to receive a large number of responses is not practical. Is it reassuring that a larger chain in Co-op Atlantic did participate and that approximately 20% of the surveys distributed were returned completed.

The Sobeys chain expressed concern that the release of the information requested in the survey was proprietary. It was explained that CASP was not seeking historical information but rather a projection of what could be purchased if the products were available. Sobeys deferred further contact to the Canadian Council of Grocery Distributors (CCGD) in their Atlantic office in Halifax. CASP was likewise informed by managers from the Real Atlantic Superstore chain. Conversations with the staff member for the CCGD resulted in a sheet of information being forwarded from their office. The information was stated as being collected in a survey of the Atlantic region to take a look at what products should be produced locally. A copy of the information is in Appendix 'A'. A request was made to clarify the information contained in the survey and determine the method of collection, the audience surveyed and the reason for conducting the survey. The request for this further information was not fulfilled.

The survey consisted of eight pages that not only assessed the demand for processed items but also raw commodities. Many of the retailers provided volumes and a sense of seasonality in their responses. The graphs of the items shown are displayed as pounds of items that could be purchased. Other items are listed since the packaging type does not allow for comparison. The way to read each graph is that the first item in the legend starts at the 12:00 o'clock position on the graph and continues in a clockwise direction around the graph for each item down the list in the legend.

Raw Vegetables

The response for fresh vegetables was high. As expected the demand for traditional root crops such as potatoes and carrots was the highest. The volumes far exceeded the demand for other types of raw vegetables so this information was separated from the rest of the data which follows in Figure 2. The demand for potatoes and carrots is year round which is ideal for PEI since the product is easily stored over time for year round delivery. Store volumes for potatoes ranged from 60,000 to 500,000 lbs per year.

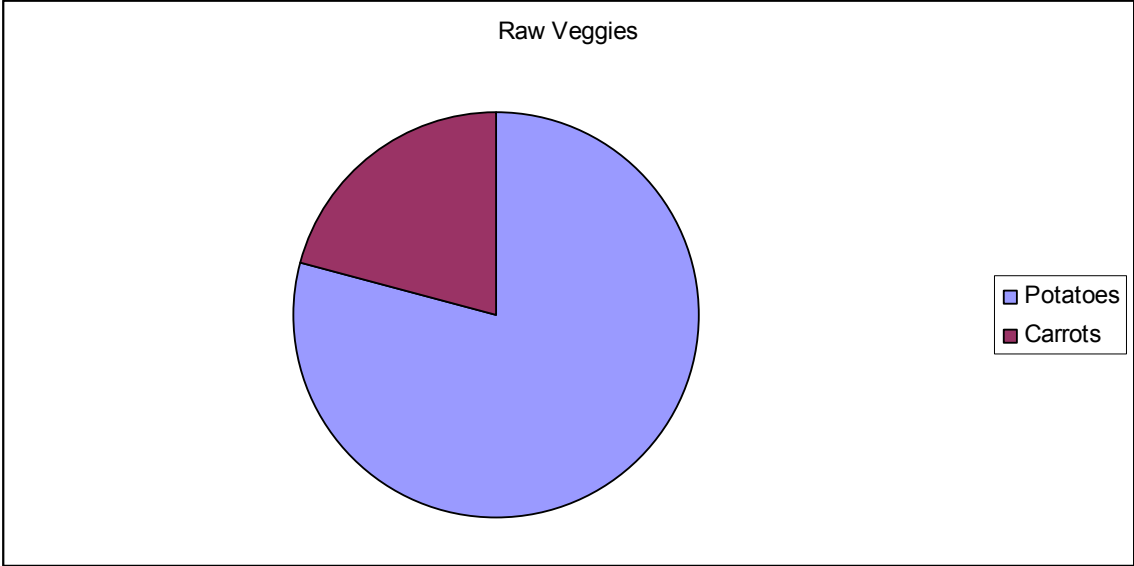


Figure 1. Demand for carrots and potatoes by lbs. on an annual basis

Other raw vegetables are shown below. Onions is the largest demand item with mushrooms being the smallest. Recognizing that the items are listed in pounds it is understandable that there is this kind of difference. Beans, Romaine lettuce and broccoli are listed as being seasonal but the remainder is indicated as being demanded on a year round basis. Parsnips, radish and corn were also listed in the survey but had no volumes attached. The demand for the remaining vegetables shown in Figure 2 is about 20% the volume by weight of the potatoes and carrots.

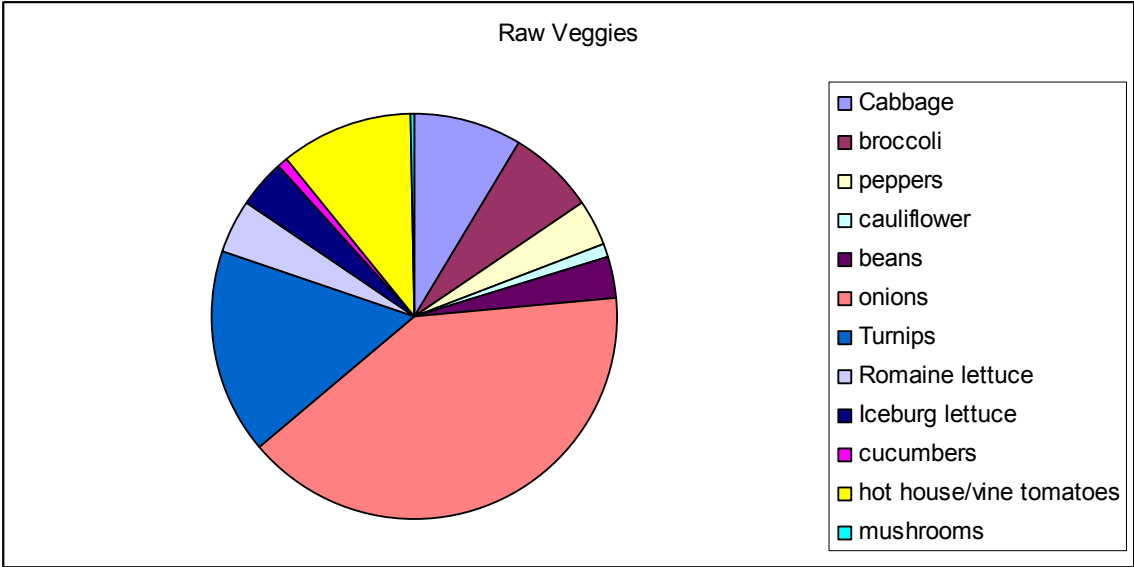


Figure 2. Demand for other vegetables listed by lbs.

Processed Vegetables

As expected, once you move to a processed product the seasonal demand no longer applies with the exception of the spring mix ready-to-eat salad. All products are listed as year round. The higher ranked items all come under a broader category of the ready-to-eat market which is a growing part of the retail grocery offering. French fries does not appear to be very high as one might expect but given the two larger chains did not participate in this survey this may affect the results. The relative demand for these products is roughly 4% that of the raw product as indicated by the survey respondents.

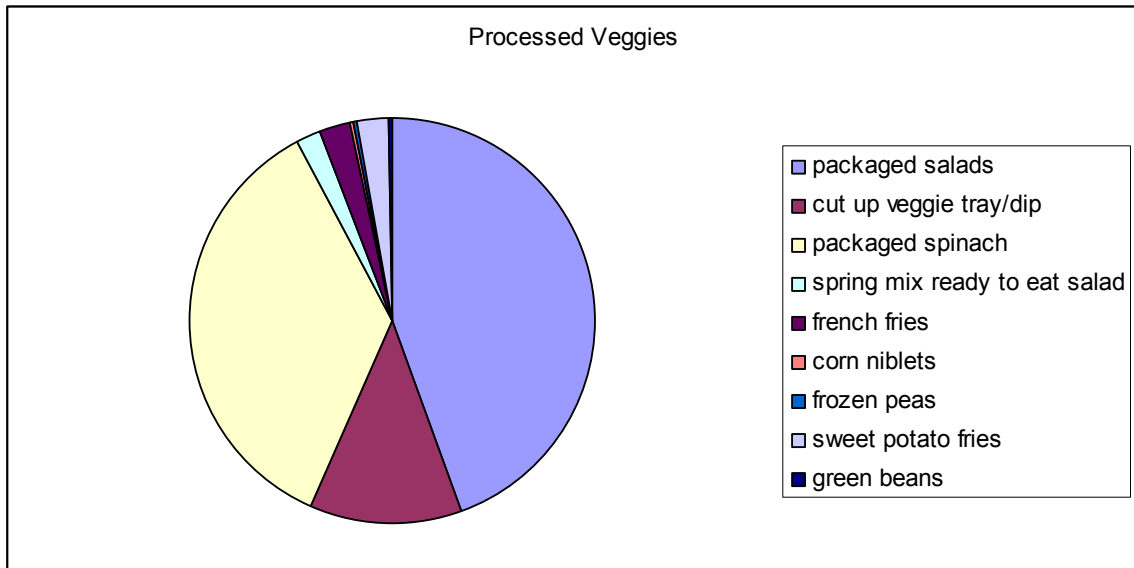


Figure 3. Demand for processed vegetables listed by case lots.

Raw Fruit

The overwhelming demand is for apples which are a year round offering given the ability to be stored. The other fruit products are a seasonal demand. Plums, peaches, pears and cherries were also suggested as desired products but no volumes were listed hence they were not graphed for comparison. All products were graphed in relation to the amount of pounds that could be procured.

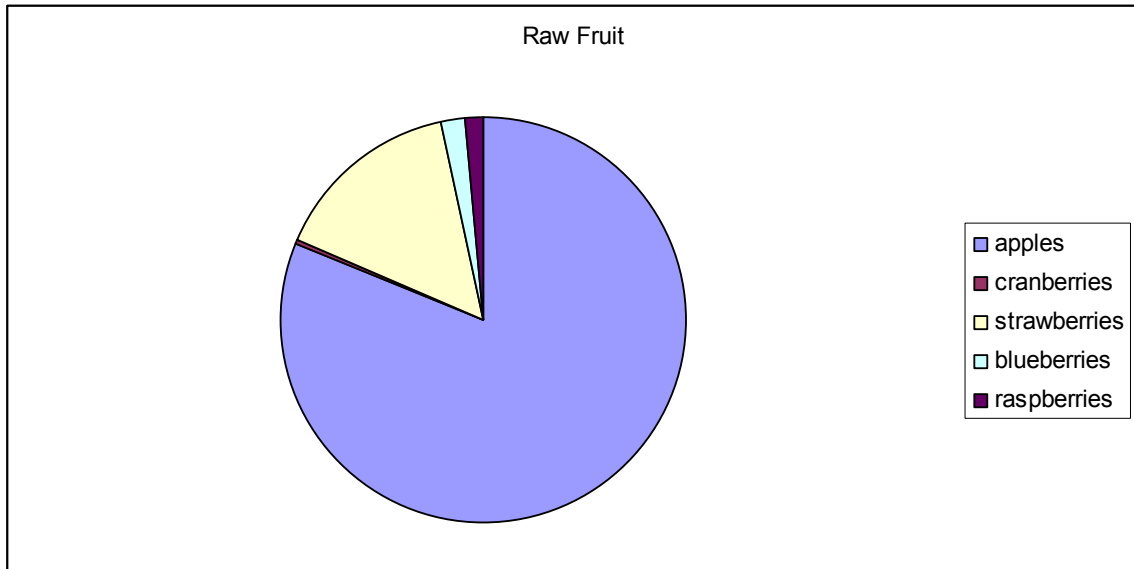


Figure 4. Demand for raw fruit listed by lbs

Processed Fruit

Although many of the fruits listed appear to be raw product, the demand is year round signifying that a degree of processing/packaging is required to extend the shelf life and the season for these products. Jams, jellies, preserves, apples chips, apple cider were also listed but without volumes. The relative size of this demand is 3% compared to the demand for raw fruits.

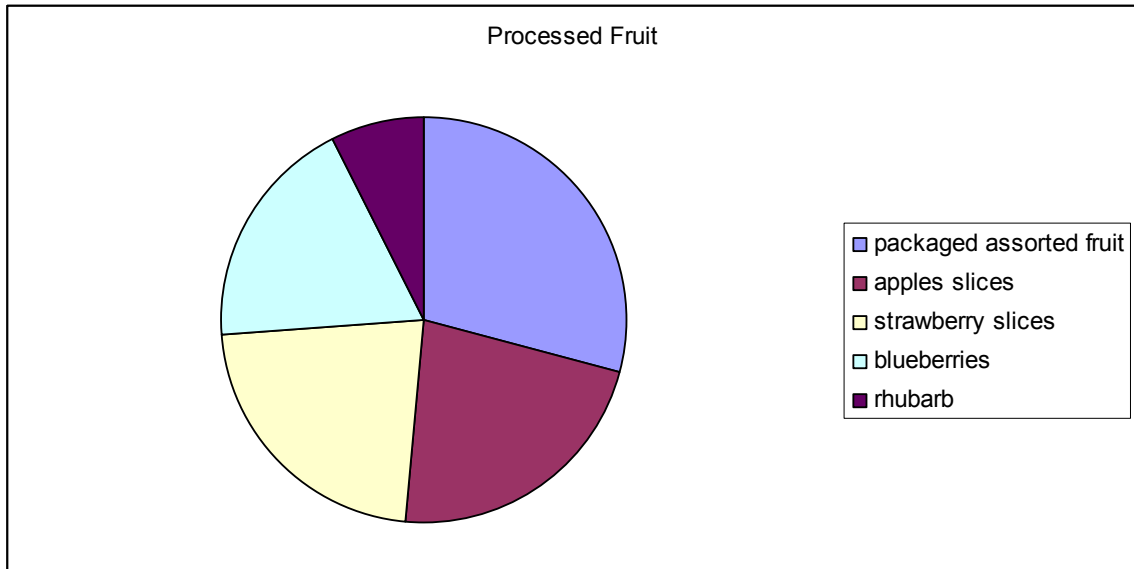


Figure 5. Demand for processed fruit listed by lbs

Meat Products

As expected the demand for beef is the highest with pork products a distant second. This again is listed by pounds for comparison. Beef pork and chicken products are year round requests whereas turkey and lamb are seasonal requests. The demand for chicken appears to be low but may be understandable that some products show up in the processed meat products category.

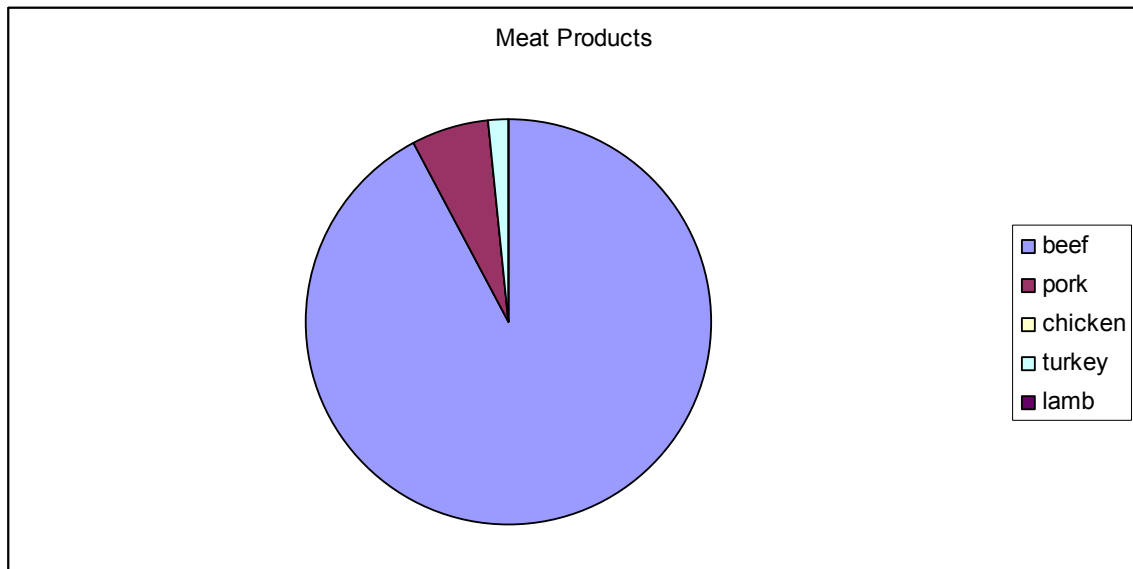


Figure 6. Demand for unprocessed meat products listed by lbs

Processed Meat Products

The processed meat products are mostly year round products. They could not be graphed together since product packaging types and units requested did not conform to allow for direct comparison. Meat pies was the most commonly listed item but demand varied from year round to seasonal with some stores indicating seasonal only at Christmas time. In the earlier list of raw meat products chicken did not rate very high but we see processed chicken products more prominently listed below.

- Meat Pies
- Potted Meat
- Beef Jerky
- Bacon
- Sausage
- Sliced Beef
- Sliced Ham
- Black Forest Ham
- Sliced Chicken
- Sliced Turkey
- Smoked Meat
- Individually Quick Frozen (IQF) Chicken Breasts

Seafood Products

While the survey was mainly intended to look at agricultural products, it was convenient to capture seafood information at the same time. Several products are seasonal due the duration of the fishing season; this includes lobster, scallops, smelts, mackerel and halibut. Products such as mussels are available year round and the demand reflects that availability.

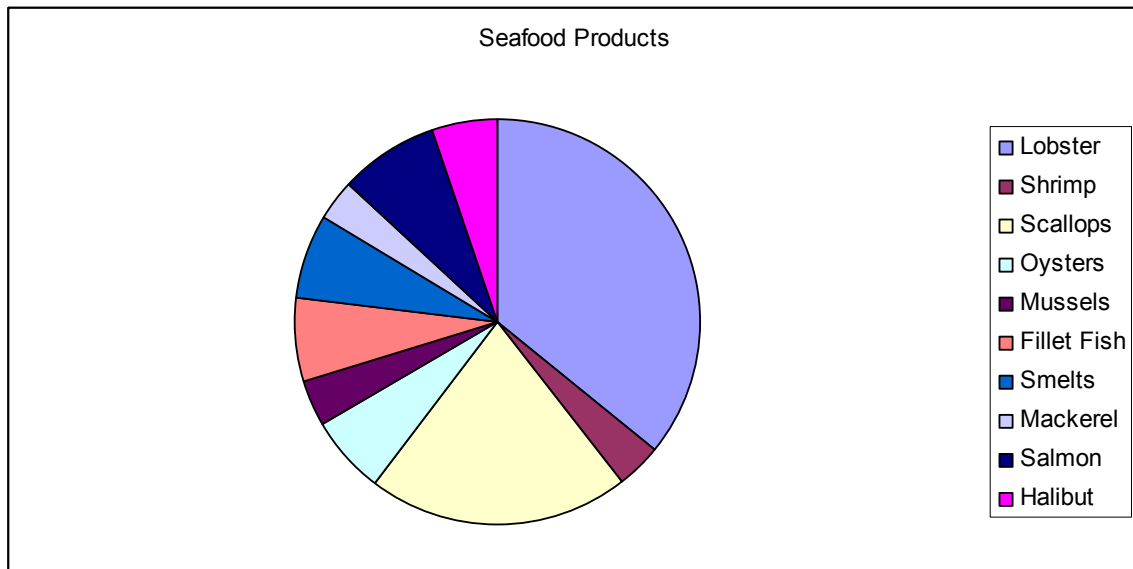


Figure 7. Demand for raw seafood listed by lbs

Processed Seafood Products

While lobster dominates the raw seafood offering suggested by grocery stores, subsequent processed lobster products also seem to be in demand. Notable items absent from the list are any products such as chowders, or perhaps packaging of mussels that extends the shelf life. The latter item may be absent due in part to the fact that fresh mussels are readily available year round. No details about the processing for scallops were suggested to determine if they were frozen or processed in some other manner. No quantities were provided for any of these products.

The following items were the only products mentioned by the survey respondents:

- Lobster Pate
- Lobster Meat
- Baby Clams
- Scallops



Other Products

Some products fell into the “other” category since they belong to dairy or bakery sections. The ready to eat section of stores is a growing element where consumers can take home food that needs little or no preparation time before consuming. They are pre-cooked or packaged in appropriate portion sizes for individual or small family consumption. No volumes were suggested for these types of product offerings.

Specialty products that meet the needs of consumers with allergies or environmental sensitivities are a growing segment of the market place. Having product lines that cater to these niche markets provides a marketing advantage.

The following lists the items mentioned in the survey:

- Cheese
- Maple Syrup
- Deli / Ready to Eat
- Gluten Free Products



Discussion

The validity of the survey may be questionable based on the lack of direct participation from the two major grocery distributors. However, the support shown by the Co-op stores and smaller outlets does provide insight into the products that PEI can produce and provide for retail sale. Some of the products listed are currently being supplied by Island producers.

The difficulty in assessing demand is the lack of volumes provided along with the differences in volume described by the retailer. The variety of terms for volumes used include units, pounds, flats, pints, quarts, heads, bags, cases, and bails. While some refer to distinctly individual product types, there were instances where data was provided in three different units of measurement.

Between the survey completed by CASP and the survey data submitted by the Canadian Council of Grocery Distributors (CCGD) there is some overlap. The ready-to-eat/deli section is prominent in that there is a strong demand for products that fit this category. Other products that made both lists include sweet potato fries, sausage, and bagged salads. While hothouse tomatoes appears on both lists it is mentioned twice in the CCGD list, the first mention indicates a limited opportunity but the second listing does not having any qualifying remarks.

Value added products were described as being sought, but much of the interest appears to be based on products whose existing demand is being fulfilled by product from off-Island sources. Managers for various departments of the store, whether it is produce, dairy, or meat, did not speculate about possible products that could be grown or developed. There are new products being developed for retail and have been offered to local stores for distribution but these were not mentioned.

These gaps in the information include the fact that there was not mention of the term “organic” used by any of the respondents. That is not to suggest that there is a lack of demand for organic products but rather it was not highlighted like the expressed demand for gluten free products.

Opportunities for the distribution of food items exist not only in retail grocery outlets but restaurants and catering companies can also be venues for specialty items. The challenges for entrepreneurs/producers are varied. Maintaining a steady supply of quality raw product to allow for a consistent supply of processed product to retailers is vital. Good quality and reasonable pricing is the balancing act that keeps consumers coming back. Even though their intentions may be noble, consumers will ultimately vote for their pocket book which typically means opting for cheaper imports. The larger retail stores are willing to accept local produce but purchasing is centralized and product lines standardized across the region or country meaning that smaller companies may find it



difficult to gain the volumes required. All stores need to ensure that quality and food safety can be maintained and traced for auditing purposes.

Finally, a departmental manager in one of the stores that responded to the survey left this comment which I feel sums up the struggle that is ahead.

“Having spent a good portion of time working in the meat dept I've done business with many local companies and have seen most of them collapse. The difficulties of competing with a major manufacturer on price I'm sure would be the largest reason for folding. Every time a small producer shuts down I always hear from my customers what a shame it is and that their products were so good. However, these seem to be the same customers who were mostly buying the same big brand products due to prices. Local raw products absolutely take the lead but I've yet to see a value added local product really make an impression, at least a large enough impression, so that they can remain a locally produced product and not sell off to larger producers.”



Appendix 'A'

Canadian Council of Grocery Distributors

The following is the submission forwarded from the Canadian Council of Grocery Distributors from their Halifax office. The Council represents companies such as Sobeys and Superstore as well as Co-op Atlantic whose stores did participate in the CASP survey.

An attempt was made to have the list clarified in terms of the context from which the survey results were drawn. The information sought included; what was the purpose of this survey, who or what region was surveyed, and when was the survey completed. No response was provided.

The information has been provided unaltered as it was received.

Meat

- Lamb– we currently buy 100% of our fresh lamb locally, despite negative margin position;
- Veal – very limited opportunity
- Fresh sausage

Produce

- Garlic, leeks, greenhouse tomatoes (limited opportunity), other greenhouse vegetables.
- Greenhouse grown products - tomatoes, cucumbers, peppers;
- Mushrooms, processed vegetables (cooking vegetables, mixes, bagged salad, flat leaf spinach);
- Green onions, specialty onions, processed (bagged) radishes, field peppers (green & red) heirloom variety vegetables, romaine hearts;
- Watermelon, fancy melons, variety pears, early & late season berries (strawberries, blueberries, raspberries)
- New non-commodity apples (honey crisp).
- Items which are currently purchased which could be branded “Atlantic” – cooking onions, cooking carrots, parsnips, cranberries, bagged apples, turnip, cabbage
- Floral – all bulb cut flowers
- Potatoes (more variety) carrots, Berries, Broccoli, Beans/peas, lettuce & sweet corn



Seafood

- Farmed Salmon, Farmed Cod, Farmed Halibut, Farmed Scallops, further processed shrimp.

Deli/HMR

- Fresh Entrees, Salads

Bakery

- Wheat, for milling
- Local upscale frozen baked cheesecake slab producer (finishing at store level), Frozen dainties and pastries produced locally frozen, frozen cakes slab, local par backed frozen bread, frozen cookie pucks, local rye breads
- Frozen Dough's, Artisan Breads, Speciality pastries, Cakes

Frozen

- Sweet potato fries, cakes/desserts, fruit (apples etc.), vegetables, pizza
- Pizza's, Frozen Entrees

Packaged Goods

- Bottled onion juice, canned bar clams, canned mackerel.



Appendix 'B'

CASP Retail Grocery Distributor Survey.

The following six pages contain the survey that was distributed by fax, email or hand delivered to various retail grocery outlets across PEI.

**ADAPT Project Survey of
PEI Grocery Retailer and Wholesale outlets**

CASP is undertaking a survey of retail and wholesale grocery providers to compile information that could support the growing and development of local raw and value added agricultural products for sale in the PEI marketplace. Your information will be compiled, made public via the internet and presented at a series of community meetings in rural PEI to perspective entrepreneurs who may turn your ideas and needs into reality.

Company Profile

(for questions 1 – 5 please circle your response)

1. Primary Business

Retail	Wholesale
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2. Location

Kings County	Queens County	Prince County
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3. Business type

Retail chain store	Independent/franchise store in a buying group	Independent store
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4. Is your purchasing centralized?

Yes	No
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5. Do you have the ability at the store level to purchase local products?

Yes	No
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The next section involves the potential purchase decisions of PEI grown, raw agricultural products or value added agricultural products from PEI. This may also include products derived from fisheries or aquaculture sources. The volume of product is desired to determine the level of processing that should occur to meet the demand.

- 6. What type of raw vegetable products would you purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

- 7. What type of value added or processed vegetable products would you purchase locally? What volume would you foresee purchasing? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

8. What type of raw fruit products would you purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

9. What type of value added or processed fruit products would you purchase locally? What volume would you foresee purchasing? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

10. What type of meat products (beef, pork, chicken, fowl, lamb, etc.) would you purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

11. What type of value added or processed meat products (beef, pork, chicken, fowl, lamb, etc.) would you purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

12. What type of seafood products (beef, pork, chicken, fowl, lamb, etc.) would you purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

13. What type of value added or processed seafood products meat products (beef, pork, chicken, fowl, lamb, etc.) would you purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

14. Is there another type of raw or value added product not in a category previously identified that you would purchase locally? What volume would you foresee purchasing? Would this purchase be seasonal or year round if available? Please list each individually.

Product?	Volume?	Seasonal or Year Round?
1.		
2.		
3.		
4.		
5.		

15. Comments

Please note that the results of each individual store will be kept confidential. The combined survey results will be publicly available and posted in a report on-line at www.caspinc.com.

Thank you for your time.
David Boyce
Director Environmental Services
CASP