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Increased exporting opportunities in China for Ontario manufacturers

Between April 16 and 25, 2015, the Honourable Jeff Leal, Minister of Agriculture, Food and Rural Affairs, and the Honourable Michael Chan, Minister of Citizenship, Immigration and International Trade, led a 10-day Agri-Food Trade Mission to China with stops in Beijing, Weifang, Shouguang, Nanjing, Shanghai and Hong Kong. As a result, Mission participants anticipate that they will benefit from more

than \$960,000 in actual agri-food sales and \$20.5 million in potential sales from licensing, distribution and other contracts negotiated during the mission.

The two Ministers, along with delegates from 20 Ontario agri-food businesses, promoted trade opportunities to more than 300 Chinese agri-food companies and government officials through seminars, roundtables and business-to-business meetings. The Chinese market represents increasing opportunities for Ontario suppliers. In 2014, Ontario reported \$832 million in agri-food export sales to China, up from \$646 million in 2013.

"The Agri-Food Trade Mission to China represented an important step forward for Ontario's agriculture and agri-food sector as it gave Ontario food and beverage producers, especially small to medium sized enterprises, an opportunity to promote their products and services to a new market," said Jeff Leal, Ontario's Minister of Agriculture, Food and Rural Affairs. "In a fiercely competitive global economy, our government is working with businesses to help them attract new investments and create jobs across Ontario communities. The China Trade Mission set the stage for future



Ministers Leal and Chan with the business delegation from the Ontario Agri-Food Trade Mission to China.

continued on next page...

Increased exporting opportunities in China for Ontario manufacturers *continued...*

growth both in terms of increased investment in Ontario and increased exports and trade with China.”

Following the Mission, participating delegates rated the success of the Mission as 4.7 out of 5 and indicated that they would be interested in future international trade missions.

Helping Ontario's businesses compete globally in priority markets such as China is part of the government's Going Global Trade Strategy. The Agri-Food Trade Mission to China supported the *Premier's Agri-Food Growth Challenge*, which calls on the sector to double its growth rate and create 120,000 new jobs by 2020. Premier Kathleen Wynne will lead another trade mission to China from November 5 to 14, 2015, with delegates from science and clean tech sectors.

Additional government support for agri-food export initiatives to China include:

- An International Marketing Centre (IMC) office in Chongqing, China to promote investment, trade and partnerships;
- A Shanghai-based agri-food trade advisor to help the province's processors expand into the Chinese market; and
- A Food Export Roadmap that will provide practical, step-by-step advice on exporting products to markets outside Canada, clarify international import and export regulations, and showcase success stories of companies that have exported their products.



Increase your exporting potential by participating in an OFEX trade-related event

Specialty Food Festival and Ingredients Exhibition UAE: Oct. 27 – 29

For information, contact OFEX's Middle East, North Africa Geographical Specialist, Athar Shah at athar.shah@ontario.ca.

Americas Food & Beverage Show: Oct. 26 – 27

OFEX Geographical Specialist, Greg Merlihan, will be in attendance. Email greg.merlihan@ontario.ca for information.

Royal Agricultural Winter Fair: Nov. 6 – 15

OFEX's Primary Agricultural Sector Specialist, Shannon McCarthy, will be in attendance. Email shannon.mccarthy@ontario.ca for information.

Food & Hotel China: Nov. 11 – 13

OFEX's Chinese Trade Advisor, Flora Zhang, will be in attendance. Email flora.zhang@smh-intl.com for information.

PLMA's 2015 Private Label Trade Show: Nov. 15 – 17

OFEX Geographical Specialist, Greg Merlihan, will be in attendance. Email greg.merlihan@ontario.ca for information.

FOOD STARTER

Building great food businesses

Ontario manufacturers get business growth support with Food Starter

Entrepreneurial food manufacturers in Ontario are commercializing and growing their food businesses with assistance from Food Starter, a not-for-profit initiative that provides access to shared production and packaging facilities, advisory services and training.

“We completed a report in the early 2000s... to determine what was preventing start-ups from building their food businesses,” says Michael Wolfson, Food and Beverage Sector Specialist with the City of Toronto’s Economic Development Division. “We found that there were two main reasons: lack of food-grade spaces to do business, and how capital-intensive it is in the starting stages for things like equipment and space.”

Funded in part by the City of Toronto and the governments of Ontario and Canada, Food Starter provides its clients with 24-hour access to a shared, 20,000-square-foot, provincially-inspected food production facility in Toronto. The facility includes a soups and sauces kitchen, ready prepared meals kitchen, salads and condiments kitchen, catering and food truck kitchen, bakery and packaging area. Food Starter clients are also able to access expert advisers, mentors, sector specialists and training workshops, and to lease accelerator space in the facility in order to take their food idea to the next level of commercialization.

Training programs cover the full spectrum of business health and are also available to non-members for a fee:

- *Market feasibility*
- *Developing your brand*
- *How to sell to retailers*

For more information on how Food Starter may be able to assist your business, please visit foodstarter.ca or contact your export marketing officer.

Global trends in 2015

OFEX’s own Jennifer Hannam attended the October ANUGA food fair in Germany where Innova Market Watch presented their top 10 global trends in food and beverage manufacturing in 2015. The report outlines new challenges, target markets and opportunities for manufacturers to stay on top of the wants and needs of consumers.

“By incorporating these trends into their operations, Ontario food and beverage manufacturers will be better-positioned to find innovative ways to stay on top in a constantly-evolving market,” says Hannam, Geographic Specialist – UK, Germany, Netherlands, Belgium. “At their core is a focus on putting the consumer first in order for manufacturers to distinguish themselves and ensure success.”

1. **From clear to clean label:** Transparency in labeling
2. **Convenience for foodies:** Rising interest in home cooking
3. **Marketing to millennials:** Huge market with new challenges
4. **Snacks rise to the occasion:** Quick, healthy and convenient
5. **Good fats, good carbs:** Consumers differentiating
6. **More in store for protein:** New and alternative high-quality protein sources
7. **New routes for fruits:** Innovative ways to increase food and beverage consumption
8. **Fresh look at frozen:** More excitement from the freezer
9. **Private label power:** Private label staying on top of trends
10. **Rich, chewy and crunchy:** Delivering new sensory experiences



The full Innova report can be found at http://innovami.com/Anuga2015_Top10Trends_Summary.pdf.

For more information, contact your export marketing officer.



Expansion of German chain Aldi in U.S. presents opportunity for Ontario suppliers

A number of Ontario's food and beverage manufacturers are increasing their exports through partnership with German chain Aldi Einkauf's US operation (Aldi Süd), which is aggressively seeking suppliers for private label products to support its ongoing expansion.

US Aldi location



"As a European company Aldi has a quality mindset, and they know that's what they'll get from Ontario manufacturers," says Greg Merlihan, Geographic Specialist – United States. "We also have strong food safety standards, which align with their values, and Ontario is North America's leader in private-label brands. Overall, we're a desirable location to source from."

Aldi Einkauf has established itself as a discount grocery store chain, delivering more than \$90 billion worth of goods to customers in its home market of Germany and to more than 1,900 additional outlets worldwide. Its Aldi Süd division currently operates more than 1,400 stores across the US from the Midwest to New England and Florida with plans to open a 650,000 square-foot warehouse and division office, and another 100-130 stores annually until 2018 to establish nearly 2,000 stores. Ontario processors are already familiar with Aldi's Nord division, which owns popular speciality supermarket chain Trader Joe's, at whose stores private labels account for 80-85% of products.

"Aldi and many other retailers are answering the consumer appetite for innovative and quality products, but with a focus on value," says Merlihan. "The American consumer is still in 'value' mindset even as the country comes out of the recession. This trend is in for the long haul."

Merlihan says that the attractiveness of Ontario suppliers to companies like Aldi increases when the Canadian dollar is low, "But Aldi was already picking up a lot of Ontario suppliers before now. We were a known commodity that was known to be willing to work with retailers."

For details on this opportunity, contact your export marketing officer.

IN GOOD COMPANY: Sweet success for icewine in Chinese market

Ontario's Vineland Estates Winery will realize sales of more than \$1 million in the Chinese market in 2015 as a result of a wine retailing and distribution agreement that includes a new retail store in the city of Tai'an and a delivery program for their Icewines and VQA table wines.

The Honourable Jeff Leal, Minister of Agriculture, Food and Rural Affairs, and the Honourable Michael Chan, Minister of Citizenship, Immigration and International Trade, attended the store's grand opening during the trade mission to China in order to lend their support to the Vineland retail agreement and home delivery program for thousands of Chinese visitors to the company's Niagara winery location.

"Having the Vineland retail store gives us credibility as a legitimate VQA icewine producer from Canada," says Allan Schmidt, President, Vineland Estates Winery. "The Tai'an store is doing very well and it's only one part of our export strategy in China. In addition to the retail sales through this store we also do a lot of wholesale distribution to other Chinese distributors, bars, hotels and private clubs."

OFEX Export Marketing Officer, Kiran Pandey says the Ontario wine industry is becoming increasingly proactive in the Chinese market, which has resulted in significant growth: \$9.5 million in exports in 2012 and \$10.5 million in 2013.



Congratulations, Canada!



Canada is the **“most reputable country”** following the Reputation Institute’s worldwide Reprtrak® study which analyzed and compared 55 countries, a distinction Canada has held four times over the past six years.

The study measures esteem, feelings, admiration and trust in the areas of a country’s economy, government and environment. Canada received an overall score of 78.1 out of 100, beating out Norway (77.1) and Sweden (76.6) to reach the top spot. While Canada’s fifth-place standing on the 2015 World Happiness Report and perceived high quality of life helped its reputation ranking, lower scores in the population, GDP, exports, FDI and tourism categories lessened it. The study notes however, that the “largest and most powerful countries” that ranked highly in these categories are not necessarily the ones with the best reputations.

“Being at the top of the list, or at least near the top, is pretty important,” said Art Zantinge, OMAFRA Business & Investment Analyst. “People around the world have the confidence of doing business with Canadians because of our reputation.” A country’s reputation is also an important factor for international tourists and students, foreign investors and governments.

Reprtrak® conducted online interviews with more than 48,000 individuals from G8 countries from February to March 2015. A number of recurring themes were identified that made Canada stand out: an ethical country, a safe place for living with a high-level of welfare for communities, friendly and welcoming people, and an efficient government. Canada is perceived as one of the most peaceful countries in the 2015 Global Peace Index, and one of the few perceived as having less corruption following the 2015 Corruption Perception Index.

So, how can an Ontario food processor take advantage of the positive predisposition so many buyers have towards Canada and Canadians? Agriculture and Agri-Food Canada’s (AAFC) Canada Brand program draws connections between those positive predispositions and Canada’s ability to supply quality food and beverage products identified by the internationally recognizable maple leaf.

Gain a marketing advantage by linking Canada’s positive image to your food and beverage products. Research shows that consumers associate the Canada Brand with safe, high-quality products. Agriculture and Agri-Food Canada has developed a suite of free tools to help you leverage Canada’s positive image and differentiate your products in the marketplace.

Learn how you can benefit by visiting www.agr.gc.ca and searching ‘Canada Brand.’

“The proactive approach of Ontario wineries like Vineland was to introduce icewine in the market as a flashy product. Something different and unique,” says Pandey. “As a result of its success, we’re seeing the growing interest of Chinese importers in table wines.”

Pandey says there is additional opportunity in China for Ontario wineries that can find a licensed local partner and the proper market distribution channels, despite a 2014 policy change that prevents imported alcohol from being served at government-sponsored events.

“We help wineries establish themselves in the market in partnership with our consulates in China, however more market-focused programs, like wine-tasting events, will be needed to retain Chinese customers and create greater awareness among potential consumers. The success of Vineland and the Minister’s visit are excellent ways to generate attention for the Ontario wine industry.”

For more information on exploring Chinese wine market opportunities, contact Kiran Pandey, Export Marketing Officer, at 519-826-3489 or kiran.pandey@ontario.ca.



Ministers Leal and Chan with a representative from L’Huillier Wine Company, Chinese partner of Vineland Estates Winery, in Tai’an, China.



Health and wellness foods and beverages a top choice at supermarkets

Right now, it's all about health and wellness for consumers says Planet Retail's 2015 Health and Wellness Trends report as this category continues to grow at supermarkets, drugstores, discounters, warehouse clubs and convenience stores worldwide.

The increase is not attributed to a single factor but a combination of an aging population, a rise of chronic disease, income growth and disparity, and a desire by more individuals to "live better." And the trend is here to stay: the demand for health and wellness products is high, and Ontario food and beverage manufacturers, already well-known for producing high-quality products, are positioned to take advantage.



91%
of Walmart shoppers
would consider
purchasing products
from an affordable
organic brand

53%
of consumers believe
a retailer can have a
significant role in
supporting their
commitment to health



According to Planet Retail's report, five key trends amongst retailers are shaping the health and wellness category:

1. Branding themselves as health and wellness authorities, typically the domain of specialist retailers such as drug/health stores
2. Educating consumers to facilitate healthy buying choices
3. Developing new lines to make healthy eating affordable
4. Employing digital tools for rewarding healthy choices, such as apps and loyalty programs
5. Sourcing private labels for innovative and distinctive new products

As the category becomes more crowded, retailers will look to ensure they are differentiating themselves in order to compete on the international stage:

1. Offering unique products that can't be quickly or easily replicated
2. Expanding access to private labels
3. Looking beyond "healthy = fresh" to healthy ambient goods
4. Factoring in key customer demands around taste, price and convenience
5. Verifying health claims and complying with rules around marketing and manufacturing

For more information on how to leverage this growing international opportunity, contact your export marketing officer.

PROFIT 2015

Ontario Food Exports hosted another successful PROFIT New-to-Exporting Seminar June 9-10. The two-day event saw 25 food and beverage manufacturers take part in interactive sessions to help them prepare for, or refine their existing processes in exporting products to the US. Seminar topics included preparing facilities for export, nutritional labeling and testing, US Customs and Border Protection, the USDA, and the role of a customs broker.

For more than 20 years, PROFIT has been an important contributor to the success of hundreds of Ontario manufacturers exporting to the US, with many participants attending subsequent seminars to brush up on skills and contacts. Dates for PROFIT 2016 are still to be determined.



PROFIT 2015 attendees

Regulatory Update:

Evolution of Traceability in the US

By Joe McKie, OFEX In-Market Trade Advisor, South USA

If you are in the food business there is no doubt that you are familiar with traceability. Manufacturers have for years sourced ingredients utilizing GMP's (Good Manufacturing Practices). They have developed processes to track these ingredients to ensure they were not only meeting specifications, but also to provide insurance that IF they had a product incident/recall, they could easily follow the chain of custody and address any quality or food safety issues. And yes, there have been issues.

If you are a retailer or a brand owner there is no doubt you remember February 2007 when one of the US' iconic brands, Peter Pan peanut butter, and Private Brand, Great Value peanut butter, were recalled due to salmonella illnesses. Thus began a move towards more visibility and collaboration between suppliers, manufacturers and retailers.

It was just a few years later, December 2010, when FSMA, the Food Safety Modernization Act, was passed by Congress. The rationale behind FSMA was to move from being reactive to issues to the prevention of issues. FSMA requires comprehensive, prevention-based controls that connect the dots from farm to processing to manufacturing to the store, and all the way to the consumer.

Most striking is that FSMA holds the "food company" accountable for preventing contamination; bolstered by a rigorous inspection and compliance program and the authority of the FDA to mandate recalls. Historically, whenever there was a product issue or recall the responsibility to respond and to provide transparency was firmly focused on the product manufacturer. Today, FSMA mandates that "you" are responsible for the compliance of your supply chain, and requires "real time" access to product tracking information and to prove regulatory compliance. In effect, FSMA has moved collaboration between suppliers and retailers/brand owners from a "nice to do" to a "have to do." But sometimes collaboration is easier said than done.

I was engaged in a project recently that interviewed several service providers in the traceability, transparency and product life cycle management space. The objective was to explore how these industry experts viewed the current landscape, how traceability has evolved, and to identify best practices as well as gaps from their experiences.

There were several findings from this project. One is that this is a complex issue for suppliers and it becomes more complex as each retailer/brand owner weighs in with their own approach to traceability. And next, while past product recalls/incidents and now FSMA have been drivers of traceability, today's consumer is becoming even more of an influencer on this process. Consumers (and the government) are not just going to trust that your products are, for example, safe, organic, GMO free... or any other claim... they are going to want validation. And if the consumer wants this, the retailer/brand owner will want this as well.

So, how should suppliers respond? Here are a few considerations...

- Set and communicate minimally-acceptable and preferred critical tracking event attributes, file formats and sharing methods (meeting FSMA requirements is a good start)
- Your traceability process should proactively manage supply chain risk, improve response to food crises and build consumer trust by providing information consumers (and retailers) want
- Traceability/transparency process should answer these consumer questions:
 - Who is producing the product?
 - Where is the product coming from?
 - Is it safe?
 - Is it produced in line with my values? (nutrition, fair trade, non-GMO, etc.)
 - What certifications does this product have?



Suppliers who "own this process" will see benefits; you can expect that compliance will be a factor in future supplier selection by retailers. Automation of your crisis plan will ensure a quick response to product issues which will protect your brand and speed business recovery. Most importantly, it will help you avoid issues in the first place and the costs of handling an issue as well as potential business interruptions.



Get your innovative new product in front of international food buyers

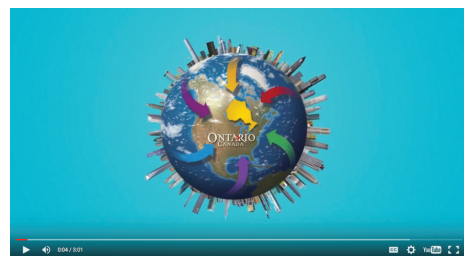
Ontario Food Exports will be distributing a regular targeted buyer update, 'What's New from Ontario!' to showcase new, innovative food products available in the Canadian marketplace from Ontario's world-class food and beverage manufacturers to buyers around the world. Product highlights are grouped into perishable, shelf stable, and health and wellness categories.

Manufacturers are asked to send a brief description of their innovative new product and a high-resolution image to Cheryl Chlebus, Client Information Coordinator, at Cheryl.chlebus@ontario.ca.

Need to reach the world?

Then you need to be in Ontario

Ontario, Canada is the ideal location in which to expand an agri-food business in the Canadian/North American market. Visit www.ontario.ca/foodbusiness for an investment video that details how Ontario provides companies with key advantages: a vital economy, strategic location, extensive transportation infrastructure, agricultural commodity production, skilled talent and competitive incentives.



Ontario Food Exports^{OM}

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