Passport

FOOD INTOLERANCE IN CANADA

Euromonitor International

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FOOD INTOLERANCE IN CANADA

HEADLINES

- Retail sales stand at C$198 million, up 3% in current terms in 2014
- Lactose intolerance products remain key category, while gluten-free packaged products see best growth
- Challenges to products with food intolerance claims come from saturation, better consumer understanding of the products and their real benefits, and competition from other foods naturally free of allergens
- Mead Johnson maintains overall lead
- Sales expected to see 2% constant value CAGR over forecast period to reach C$216 million in 2019

TRENDS

- Food intolerance continued to register a positive performance in 2014. Demand for products formulated and marketed specifically for food intolerance remained positive with current retail value growth of 3% to reach C$198 million. Consumers continue to pay more attention to their food intake, and many Canadians opted for products that are free of certain ingredients. Manufacturers reciprocated by introducing more products with “free from” claims, and mainstream retailers significantly expanded shelf space available to products with food intolerance claims.
- Over the review period sales were also been driven by people who may not have any actual food intolerances, but who believe in the negative health effects of products containing lactose and gluten. It is particularly the case with gluten. Gluten-free bakery remained the largest category within gluten-free food and demonstrated healthy growth in dollar value terms. Overall, the Canadian Coeliac Association estimates that 1% of Canadians have coeliac disease and an estimated 6% are gluten sensitive. More mainstream brands introduced products with gluten-free claims, and smaller manufacturers also jumped on the bandwagon introducing gluten-free extensions of their main product lines. For instance, in 2014 Ontario-based Dufflet Pastries announced the launch of gluten-free desserts.
- It has to be said, however, that many nutritionists and industry experts have questioned the trend as well as claims made by many products found in stores. Products with gluten-free claims in Canada must meet Health Canada regulations and standards with respect to product quality. The products on shelves are monitored by the regulatory authorities, and those with false claims (ie not meeting Health Canada standards for gluten-free) are recalled. Nutrition experts increasingly encourage manufacturers to watch product content and pay attention to whether the products have been certified under the Gluten-Free Certification Programme (GFCP), which follows the Health Canada guidelines and assures consumers that products are indeed gluten-free. Leading retailers in Canada – Loblaws, Sobeys and Wal-Mart – only feature products by manufacturers that have been certified by the GFCP.
- With the growth of gluten-free awareness and the positive public reaction to the gluten-free diet, many companies are trying to capitalise on this trend, and some are doing so through simple packaging redesign. While Euromonitor International defines gluten-free products as products which actively remove gluten, there are many packaged food products that are naturally gluten-free. For example, most foods that are entirely rice-based contain no gluten. Therefore, many companies that never previously mentioned gluten have added “gluten-free”

to the front of their packaging. This is normally after making sure there is no possibility of accidental gluten contamination in their production facilities from other products they may produce.

- Aside from concerns regarding claims, gluten-free is seen by some in the industry as a passing fad that will start levelling off as consumers who do not have celiac decease move away from the category. Some industry experts indicate that the Gluten Free Expo held in Vancouver in January 2015 saw a decline in attendance compared with 2013, potentially indicative of the fact that interest is starting to level off.
- Intolerance to dairy products is one of the most common food intolerances. Food intolerance products in dairy, baby food and ice cream together accounted for 82% of food intolerance retail value sales in 2014. According to some health surveys and data (such as that published by the Canadian Digestive Health Foundation) more than seven million Canadians suffer from lactose intolerance. Hence, demand for products remained steady. However, many Canadians also turned to other products that are suitable for those with lactose intolerance, for example dairy alternatives such as almond milk, rice drinks and others. Nut-based milks appeal to a wide range of consumers seeking a healthier alternative to milk. For example, nut milks offer great taste without animal fats, lactose or cholesterol. Many of the leading milk alternatives are also fortified, thereby providing the same vitamin and mineral content as conventional cows' milk.
- Food intolerance products are generally more expensive than standard food items, even when private label offerings are considered. For example, the unit price of gluten-free bread by Compliments (private label of Sobeys) at the time of writing stood at C$5.99 for 400g (or C$15.00 per kilo), while the Dempster's brand of multigrain bread retailed for an average of C$3.69 for 600g (or C$6.20 per kilo). While earlier expectations indicated that stronger demand from mainstream consumers and the entry of major brands into the category might drive down prices, this did not happen. Gluten-free products remain expensive, which also feeds into the debate of whether consumers who do not require such products for health reasons (ie those diagnosed with celiac decease) will be willing to continue to pay a premium for these products in the long term.

COMPETITIVE LANDSCAPE

- Mead Johnson Nutrition Co, Agropur Cooperative Agro-Alimentaire, Abbott Laboratories Inc and Saputo Inc were the leaders in food intolerance in 2014.
- Mead Johnson and Abbott Laboratories are the leading manufacturers of baby food. The companies accounted for 14% and 11% of food intolerance retail value sales respectively in 2014. Mead Johnson is well-known for its Enfamil brand. Abbott Laboratories produces the Isomil, Similac and Alimentum brands, which offer products for babies with food intolerance, especially lactose-free milk formula. The manufacturers invest in product development, including enhanced formulations such as Enfamil (Mead Johnson) lactose-free milk formula with DHA for brain development, and marketing, including packaging and presentation of the products.
- Agropur Cooperative (14% food intolerance retail value share in 2014) and Saputo (10%) are dairy producers both featuring reduced lactose dairy products under their leading brands, such as Natrel reduced lactose milk and cream products (Agropur), and Neilson (Saputo) and Dairyland (Saputo) lactose-free milk. Strong brand awareness helps to support demand across the entire range of products, including reduced lactose varieties.
- Another dairy brand, Gay Lea by Gay Lea Foods Co-Operative Ltd (2% retail value share in food intolerance in 2014), is actively developing its lactose-free product. The brand was

already producing lactose-free milk called Lacteeze, and in 2013 the brand launched lactose-free sour cream and cottage cheese.

- In lactose-free ice cream the Canada-based David Chapman Ice Cream's Chapman's brand led sales in 2014. The company, while placing a strong emphasis on regular ice cream and product development with real dairy ingredients, nonetheless features a range of products formulated for specific dietary concerns. The lactose-free ice cream line is 99% lactose-reduced. Another feature in lactose-free ice cream is no added sugar. Ice cream is sweetened with maltitol and sucralose (more commonly known as Splenda). The lactose-free ice cream line is available in 1-litre containers, in Ice Cream Sandwich, Fudge Bars and Li'l Lollys and different flavours.
- Kinnikinnick Foods led gluten-free bakery products in 2014 with 30% of retail value sales and accounted for a 3% share of food intolerance. In the gluten-free category good taste is a priority, and manufacturers such as Kinnikinnick are constantly trying to innovate to improve taste. Additionally, the company is active in promotional activity and features discounts to encourage purchases.
- Artisanal and private label products continued to gain share in the baked goods environment. Artisanal products offer a wide range of goods, including speciality products from ethnic breads to gluten-free options, through standalone bakeries and in-store bakeries and pastry sections.

PROSPECTS

- Food intolerance is expected to see a retail value CAGR of 2% in constant terms to reach C$216 million in 2019. Gluten-free food is expected to see a stronger performance than other product categories, although the performance is not expected to be as strong as over the review period. This is because demand is expected to start levelling off among consumers who do not have celiac decease, and who were instrumental in propelling demand in previous years.
- Gluten-free bakery products is expected to register a retail value CAGR of 5% in constant terms over the forecast period. A life-long gluten-free diet is the only way to avoid the symptoms and the complications of coeliac disease, which affect over 300,000 Canadians. With improved product variety and taste, family members of those affected by the condition might consider incorporating gluten-free products into their own diet to avoid purchasing different types of baked goods for different family members. However, it is expected that many Canadians not affected by the decease but who adopted a gluten-free diet for perceived health benefits will start assessing other product types to improve health, especially considering that many nutritionists continue to question the benefits of gluten-free diet for those not suffering from the decease. Industry reports already indicate a slowdown in demand at healthfood shops. Although some of this is due to the wider assortment of gluten-free products appearing in mainstream retailing, in part the slowdown is also likely reflecting the "fading" fad of the gluten-free diet.
- Lactose-free dairy foods are expected to see a modest 2% CAGR in constant value terms over 2014-2019. While the ageing population does provide a growing customer base for these products, increased availability of non-dairy alternatives, such as almond milk, and the recently expanding assortment of coconut milk products, such as the SoYummi CoGo line of coconut milk smoothies that are lactose free launched in 2014, continue to draw consumer attention away from lactose-free dairy and towards the widening selection of non-dairy options.

- The higher average unit price of food intolerance products compared with their standard counterparts will also remain one of the constraints on future growth. Gluten- and lactose-free foods are nearly 45% more expensive than conventional products. This discourages purchases among consumers who merely prefer to avoid gluten or sugar rather than need to avoid it.

CATEGORY DATA

Table 1 Sales of Food Intolerance by Category: Value 2009-2014

CAD million

	2009	2010	2011	2012	2013	2014
---- Diabetic Food	5.6	5.7	5.8	6.0	6.3	6.5
----- Diabetic Bakery Products	3.1	3.2	3.3	3.5	3.7	3.9
----- Diabetic Confectionery	-	-	-	-	-	-
------ Diabetic Chocolate Confectionery	-	-	-	-	-	-
------ Diabetic Sugar-free Confectionery	-	-	-	-	-	-
----- Diabetic Spreads excl Honey	2.4	2.5	2.5	2.5	2.5	2.6
---- Gluten-free Food	22.8	24.8	26.6	28.4	30.2	31.8
----- Gluten-Free Bakery Products	10.4	11.8	13.1	14.3	15.5	16.7
----- Gluten-free Baby Food	1.8	1.9	1.9	2.0	2.0	2.0
------ Gluten-Free Dried Baby Food	-	-	-	-	-	-
------ Gluten-Free Prepared Baby Food	-	-	-	-	-	-
------ Gluten-Free Other Baby Food	1.8	1.9	1.9	2.0	2.0	2.0
----- Gluten-free Pasta	10.7	11.2	11.6	12.1	12.7	13.1
----- Gluten-free Ready Meals	-	-	-	-	-	-
---- Lactose-free Food	121.4	125.0	129.7	133.7	137.1	140.8
----- Lactose-Free Dairy	56.8	58.6	61.4	63.2	64.8	66.5
----- Lactose-free Ice Cream	23.1	23.4	24.0	24.8	25.3	25.7
----- Lactose Free Baby Food	41.4	43.0	44.4	45.7	47.1	48.5
------ Lactose-Free Special Baby Milk Formula	41.4	43.0	44.4	45.7	47.1	48.5
---- Other HW Special Baby Milk Formula	18.5	18.6	18.7	18.9	19.1	19.3
----- Other Liquid Special Baby Milk Formula	7.0	7.0	7.1	7.2	7.2	7.2
----- Other Powder Special Baby Milk Formula	11.6	11.6	11.7	11.8	11.9	12.1
-- Food Intolerance	168.3	174.1	180.9	187.0	192.7	198.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 2 Sales of Food Intolerance by Category: % Value Growth 2009-2014

% current value growth

	2013/14	2009-14 CAGR	2009/14 Total
---- Diabetic Food	4.1	3.2	17.0
----- Diabetic Bakery Products	5.4	4.7	25.7
----- Diabetic Confectionery	-	-	-
------ Diabetic Chocolate Confectionery	-	-	-
------ Diabetic Sugar-free Confectionery	-	-	-
----- Diabetic Spreads excl Honey	2.2	1.2	5.9
---- Gluten-free Food	5.5	6.9	39.5
----- Gluten-Free Bakery Products	7.7	10.0	61.3
----- Gluten-free Baby Food	1.5	2.4	12.6
------ Gluten-Free Dried Baby Food	-	-	-
------ Gluten-Free Prepared Baby Food	-	-	-
------ Gluten-Free Other Baby Food	1.5	2.4	12.6
----- Gluten-free Pasta	3.5	4.2	22.8
----- Gluten-free Ready Meals	-	-	-
---- Lactose-free Food	2.6	3.0	15.9
----- Lactose-Free Dairy	2.7	3.2	17.0
----- Lactose-free Ice Cream	1.8	2.1	11.2
----- Lactose Free Baby Food	3.1	3.2	17.1
------ Lactose-Free Special Baby Milk Formula	3.1	3.2	17.1
---- Other HW Special Baby Milk Formula	1.0	0.8	4.2
----- Other Liquid Special Baby Milk Formula	0.3	0.6	3.2
----- Other Powder Special Baby Milk Formula	1.5	0.9	4.8
-- Food Intolerance	3.0	3.3	17.9

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 3 Lactose-free Dairy by Type: % Value Breakdown 2009-2014

% retail value rsp

	2009	2010	2011	2012	2013	2014
Cheese	14.0	14.1	13.7	13.4	13.3	13.0
Milk	66.9	66.9	67.1	67.4	67.5	67.8
Yoghurt	19.1	19.1	19.1	19.2	19.2	19.2
Other Dairy Products	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 4 NBO Company Shares of Food Intolerance: % Value 2010-2014

% retail value rsp

Company	2010	2011	2012	2013	2014
Mead Johnson Nutrition Co	16.2	16.0	15.8	15.4	15.1
Agropur Cooperative Ltd	13.4	13.6	13.7	13.7	13.7
Abbott Laboratories Inc	11.8	11.8	11.8	11.6	11.4
Saputo Inc	9.4	9.9	9.9	9.9	9.8
David Chapman's Ice	5.5	5.5	5.3	5.3	5.3

Cream Ltd					
Kinnikinnick Foods Inc	1.8	2.0	2.3	2.4	2.5
Gay Lea Foods Co-Operative Ltd	2.5	2.5	2.4	2.4	2.4
Rizopia Food Products Inc	2.2	2.2	2.2	2.2	2.2
Glutino Food Group	1.4	1.5	1.7	1.8	2.0
Parmalat Canada Ltd	1.4	1.5	1.5	1.5	1.5
Nestlé Canada Inc	1.5	1.3	1.3	1.2	1.2
Food Directions Inc	1.0	1.0	1.0	1.0	1.0
Heinz Co of Canada Ltd, HJ	1.0	1.0	1.0	0.9	0.9
Unilever Canada Inc	0.4	0.4	0.4	0.4	0.4
El Peto Products Ltd	0.3	0.3	0.3	0.3	0.4
Boulangerie St-Methode, La	0.3	0.3	0.3	0.3	0.4
Neilson Dairy Ltd	-	-	-	-	-
Artisanal	1.2	1.2	1.2	1.2	1.2
Private Label	0.2	0.2	0.2	0.2	0.2
Others	28.2	27.7	27.5	28.0	28.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 5 LBN Brand Shares of Food Intolerance: % Value 2011-2014

% retail value rsp

Brand	Company	2011	2012	2013	2014
Enfamil	Mead Johnson Nutrition Co	16.0	15.8	15.4	15.1
Natrel	Agropur Cooperative Ltd	13.6	13.7	13.7	13.7
Neilson	Saputo Inc	7.1	7.1	7.1	7.0
Isomil	Abbott Laboratories Inc	5.8	5.8	5.7	5.6
Chapman's	David Chapman's Ice Cream Ltd	5.5	5.3	5.3	5.3
Similac	Abbott Laboratories Inc	4.4	4.4	4.4	4.3
Kinnikinnick	Kinnikinnick Foods Inc	2.0	2.3	2.4	2.5
Gay Lea	Gay Lea Foods Co-Operative Ltd	2.5	2.4	2.4	2.4
Dairyland	Saputo Inc	2.2	2.2	2.2	2.2
Rizopia	Rizopia Food Products Inc	2.2	2.2	2.2	2.2
Glutino	Glutino Food Group	1.5	1.7	1.8	2.0
Lactaid	Parmalat Canada Ltd	1.5	1.5	1.5	1.5
Alimentum	Abbott Laboratories Inc	1.5	1.6	1.5	1.5
Alsoy	Nestlé Canada Inc	1.3	1.3	1.2	1.2
Tinkyada	Food Directions Inc	1.0	1.0	1.0	1.0
Heinz	Heinz Co of Canada Ltd, HJ	1.0	1.0	0.9	0.9
Nutrilait	Saputo Inc	0.6	0.6	0.6	0.6
Breyers	Unilever Canada Inc	0.4	0.4	0.4	0.4
El Peto	El Peto Products Ltd	0.3	0.3	0.3	0.4
St-Methode	Boulangerie St-Methode, La	0.3	0.3	0.3	0.4
Enfalac	Mead Johnson Nutrition Co	-	-	-	-
Neilson	Neilson Dairy Ltd	-	-	-	-
Artisanal		1.2	1.2	1.2	1.2
Private label	Private Label	0.2	0.2	0.2	0.2
Others		27.7	27.5	28.0	28.6
Total		100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 6 Distribution of Food Intolerance by Format: % Value 2009-2014

% retail value rsp

	2009	2010	2011	2012	2013	2014
Store-Based Retailing	99.9	99.9	99.9	99.9	99.9	99.9
- Grocery Retailers	93.7	94.9	96.6	97.6	97.6	97.8
-- Modern Grocery Retailers	61.0	62.8	64.6	65.7	66.0	66.5
--- Convenience Stores	1.0	1.0	0.9	0.6	0.6	0.6
--- Discounters	2.9	3.0	3.0	3.0	3.0	3.1
--- Forecourt Retailers	0.7	0.7	0.5	0.4	0.4	0.4
--- Hypermarkets	11.4	13.0	15.0	16.2	16.4	16.8
--- Supermarkets	45.0	45.1	45.2	45.3	45.5	45.7
-- Traditional Grocery Retailers	10.0	10.0	9.9	9.8	9.7	9.7
--- Food/drink/tobacco specialists	-	-	-	-	-	-
--- Independent Small Grocers	10.0	10.0	9.9	9.8	9.7	9.7
-- Other Grocery Retailers	22.7	22.1	22.0	22.0	21.9	21.6
- Non-Grocery Specialists	6.2	5.0	3.3	2.3	2.3	2.1
Non-Store Retailing	0.1	0.1	0.1	0.1	0.1	0.1
- Vending	-	-	-	-	-	-
- Homeshopping	-	-	-	-	-	-
- Internet Retailing	0.1	0.1	0.1	0.1	0.1	0.1
- Direct Selling	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 7 Forecast Sales of Food Intolerance by Category: Value 2014-2019

CAD million

	2014	2015	2016	2017	2018	2019
---- Diabetic Food	6.5	6.6	6.8	6.9	7.1	7.3
----- Diabetic Bakery Products	3.9	4.0	4.2	4.3	4.4	4.5
----- Diabetic Confectionery	-	-	-	-	-	-
------ Diabetic Chocolate Confectionery	-	-	-	-	-	-
------ Diabetic Sugar-free Confectionery	-	-	-	-	-	-
----- Diabetic Spreads excl Honey	2.6	2.6	2.6	2.7	2.7	2.7
---- Gluten-free Food	31.8	33.1	34.4	35.7	37.0	38.3
----- Gluten-Free Bakery Products	16.7	17.7	18.7	19.7	20.7	21.6
----- Gluten-free Baby Food	2.0	2.0	2.0	2.0	2.0	2.0
------ Gluten-Free Dried Baby Food	-	-	-	-	-	-
------ Gluten-Free	-	-	-	-	-	-

Prepared Baby Food						
------ Gluten-Free Other Baby Food	2.0	2.0	2.0	2.0	2.0	2.0
----- Gluten-free Pasta	13.1	13.4	13.7	14.0	14.3	14.7
----- Gluten-free Ready Meals	-	-	-	-	-	-
---- Lactose-free Food	140.8	142.4	144.7	147.1	149.4	151.4
----- Lactose-Free Dairy	66.5	67.2	68.4	69.5	70.6	71.5
----- Lactose-free Ice Cream	25.7	25.8	25.8	25.9	26.0	26.1
----- Lactose Free Baby Food	48.5	49.4	50.5	51.7	52.8	53.8
------ Lactose-Free Special Baby Milk Formula	48.5	49.4	50.5	51.7	52.8	53.8
---- Other HW Special Baby Milk Formula	19.3	19.3	19.4	19.4	19.4	19.3
----- Other Liquid Special Baby Milk Formula	7.2	7.2	7.2	7.2	7.2	7.2
----- Other Powder Special Baby Milk Formula	12.1	12.1	12.1	12.2	12.2	12.1
-- Food Intolerance	198.4	201.5	205.3	209.2	212.9	216.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 8 Forecast Sales of Food Intolerance by Category: % Value Growth 2014-2019

% constant value growth

	2014/2015	2014-19 CAGR	2014/19 TOTAL
---- Diabetic Food	2.2	2.2	11.4
----- Diabetic Bakery Products	3.0	3.0	15.9
----- Diabetic Confectionery	-	-	-
------ Diabetic Chocolate Confectionery	-	-	-
------ Diabetic Sugar-free Confectionery	-	-	-
----- Diabetic Spreads excl Honey	1.0	0.9	4.6
---- Gluten-free Food	3.5	3.8	20.3
----- Gluten-Free Bakery Products	4.4	5.3	29.2
----- Gluten-free Baby Food	0.2	0.2	0.9
------ Gluten-Free Dried Baby Food	-	-	-
------ Gluten-Free Prepared Baby Food	-	-	-
------ Gluten-Free Other Baby Food	0.2	0.2	0.9
----- Gluten-free Pasta	2.7	2.3	12.0
----- Gluten-free Ready Meals	-	-	-
---- Lactose-free Food	1.3	1.5	7.6
----- Lactose-Free Dairy	1.3	1.5	7.5
----- Lactose-free Ice Cream	0.2	0.3	1.4
----- Lactose Free Baby Food	1.9	2.1	10.9
------ Lactose-Free Special Baby Milk Formula	1.9	2.1	10.9
---- Other HW Special Baby Milk Formula	-0.2	0.0	0.1
----- Other Liquid Special Baby Milk Formula	-0.2	-0.1	-0.3
----- Other Powder Special Baby Milk Formula	-0.2	0.1	0.3
-- Food Intolerance	1.6	1.7	9.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources