



What's New in BC

SPOTLIGHT ON BC : NON-ALCOHOLIC BEVERAGES

SUMMER 2011

Comforting and thirst quenching all year round, non-alcoholic beverages are consumed daily across the globe, and make up the large majority of Canada's commercial beverage market. As one of the top three beverage exporting provinces, BC's unique mix of non-alcoholic products are shipped to a variety of destinations stretching from North and South America, to Europe, Asia and the Middle East. While the majority of Canadian beverage exports are alcoholic, BC exports more non-alcoholic beverages, which include bottled water, coffee, tea, fruit and vegetable juices, and soft drinks.

Home to roughly 7% of the world's renewable fresh water (<http://www.ec.gc.ca/eau-water/default.asp?lang=en&n=B1128A3D-1>), Canada boasts a bottled water industry of approximately 65 bottlers with a reputation for excellence due to the adoption of respected methods like ozonation in the filtering process. BC-based processors produce a wide range of bottled water products from pure glacier and spring to flavoured and fortified. In 2009, these processors combined to make up almost a third of Canada's bottled water exports. Canada's treatment of bottled water as food further ensures products of a high standard as Canadian manufacturers are subject to regulations set out under the Food and Drugs Act and the Consumer Packaging and Labelling Act.



While not indigenous to Canada as a crop, the coffee and tea industries in Canada have seen success. Exports have almost doubled from \$214 million in 2005 to \$397 million in 2010. Evolving in recent years to embrace sustainability, portability, healthiness, and innovation, BC finds itself with an assortment of processors that offer organic, fair-trade, kosher, and ready-to-drink varieties of tea and coffee. Having emerged as an antioxidant-rich beverage laced with countless health benefits, exports of tea in BC alone have more than doubled in value from \$8 million in 2005 to \$18 million in 2010.

BC's strong agricultural sector produces an abundance of fruits and vegetables available for local processors to turn into nutritious, unique, and delicious juices. A leading province in berry and tree fruit production, it should come as no surprise that BC food processors have embraced their exceptional resources, turning apples, blueberries, cranberries, and other fruits into a range of premium, not-from-concentrate juices that come in organic, fortified, and all-natural varieties.



Despite industry reports that indicate healthier beverage options as an emerging consumer preference, carbonated drinks remain one of the top sellers domestically. To promote product

integrity, the Canadian Beverage Association (www.refreshments.ca) has recently developed a "Clear on Calories" initiative that promises consistent and reliable caloric information for consumers of Canadian-made products.



Having seen the most significant growth out of all beverage categories in 2009, tea and bottled water have been noted as global industry frontrunners. Corresponding with this worldwide trend towards healthier choices, Euromonitor predicts that coffee, tea, still bottled water, and juices in Canada will steadily increase in value in the coming years while carbonated drinks will see a slight decline. To learn more about the non-alcoholic beverage industry in Canada, please consult Agriculture and Agri-Food Canada's various industry reports.



Bottled Water: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1171644581795&lang=eng>
Coffee: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1172237152079&lang=eng>
Tea: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1298047470064&lang=eng>
Soft Drinks: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1172167862291&lang=eng>

Rooted in Science, Innovating for the Future



As the world's second largest producer and exporter of blueberries, Canada is a major source for retailers and processors everywhere. The improvement and preservation of the Canadian blueberry crop is of vital importance, especially to beverage processors who utilize the antioxidant-rich berry to create popular fruit juices and blends. Two such companies in BC are Bremner Foods (www.bremnerfoods.com) and Leading Brands Inc. (www.leadingbrandsinc.com), who each produce a variety of different beverage products that rely on the productivity and sustainability of local and national blueberry harvests.

At the Pacific Agri-Food Research Centre (PARC) in Agassiz, British Columbia, Agriculture and Agri-Food Canada scientists and their partners are helping to create opportunities for Canadian beverage processors through agricultural research and innovation.

PARC Research Scientist Dr. David Ehret is studying and developing new and more effective methods for blueberry irrigation.

"Both under-irrigation and over-irrigation at certain times of the year have negative consequences on the plants in terms of fruit quality, level of production and plant disease," says Ehret, whose research is supported by the industry partners PARC scientists consult with regularly.

"The application of better water management practices will increase the overall yield of blueberries for the grower, and will do so in a more efficient and cost-effective manner," Ehret explains. "Fruit quality, including nutritional value, will also improve, which is a benefit not only to producers but consumers as well."

For more information on the Pacific Agri-Food Research Centre, please visit: www.agr.gc.ca/science.



Media Monitoring

Beverages Take Natural Route

The World of Food Ingredients – February 2011

Rising consumer interest in health and naturalness is being strongly reflected in new product activity in the global soft drinks market. According to the Innova Database, 60% of the soft drinks launches tracked globally in 2010 had a health positioning of some sort, primarily in terms of passive health [food minus], although over 20% of products were launched with an active health [food plus] message of some kind, albeit often in association with other passive health benefits.

Some soft drinks products have an inherently healthy image, particularly juices and water, while some are formulated for specific benefits beyond hydration, notably sports and energy drinks, but elsewhere in the mainstream market, manufacturers also continue to position products on health platforms of various kinds, from the passive, such as sugar-free, low-calorie, natural, etc., to the active, such as vitamin- and mineral-fortified, added-calcium and functional, as well as those offering specific health benefits such as immune health, heart health, oral health, etc.

The most popular health-related claims recorded by Innova Market Insights during 2010 were undoubtedly concerned with naturalness and freedom from artificial additives and preservatives, and this encompassed a wide range of products, led by juices and water, which tend to be seen as inherently fairly natural. Over 20% of launches recorded by Innova Market Insights were

marketed as free from additives and preservatives [particularly artificial colors], while well over 10% were marketed as natural. Combining the two categories resulted in nearly one-third of total soft drinks launches using either one or both claims.

For a copy of the complete article in English, please contact: atsbc@agr.gc.ca.



Wake up and smell the Coffee

The Globe and Mail – July 2011

After the kind of year the coffee market has had, both investors and consumers are finding the price a little hard to swallow. But while coffee may be due to come off the boil for the short term, its long-term investment potential may just be heating up.



That's because while the short-term rally in coffee over the past year has been all about supply shortages, coffee's longer-term prospects are all about demand. And, as with a lot of commodities, the focus there is on China. Put simply, the Chinese are developing a taste for the joe.

At their peak in early May, commodity-market prices for coffee had more than doubled in less than a year. The culprit for the spike was a shortage of supply, as the coffee crop was hard hit by bad weather. Droughts in Brazil and heavy rainfalls in Colombia hurt crop yields in the past year.

Fluctuations in coffee supply are often larger than the changes in consumption, and are therefore central to price movements in the short term," said Ross Strachan, commodities economist at Capital Economics in London, in a recent report.

However, welcome rains have come to Brazil and the overall coffee crop this year is expected to be bigger than last year's. That, combined with a general pullback in commodity prices, has contributed to a drop in the coffee price to below \$2.60 (U.S.) a pound from more than \$3 in early May.

But while coffee prices could still be due for a further pullback, Mr. Strachan expects them to remain well above their levels of a year ago. That's because of the demand side of the equation – and China.

To read the complete article in English, please visit: <http://www.theglobeandmail.com/globe-investor/investment-ideas/features/market-lab/commodity-bears-wake-up-and-smell-the-coffee/article2083520/>