

# Oat Opportunities

in the Comprehensive and  
Progressive Agreement for  
Trans-Pacific Partnership  
Countries and China



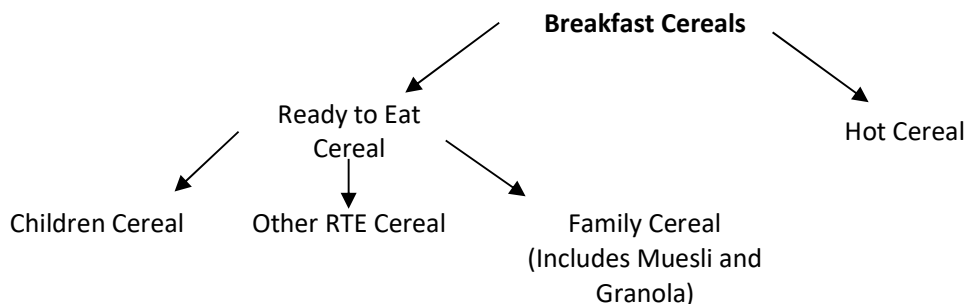
# Introduction

This report reviews the oat opportunities arising from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and China.

- Comprehensive and Progressive Agreement for Trans-Partnership countries include New Zealand, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, and Vietnam;
- Target markets are: Japan, Malaysia, Singapore, Vietnam and China;
  - Determine market size and consumer demand for oats;
  - Oat production;
  - Oat consumption;
  - Oat import and exports;
  - Retailers and distribution;
  - Consumer trends;
  - Retail challenges;
  - Oats in packaged food.
- Emerging oat trends
  - Packaged oats;
  - Hay trends.
- Additional resources.

## Definitions

Euromonitor defines breakfast cereals as the aggregation of ready-to-eat (RTE) cereal and hot cereals. Hot cereals include porridge and instant hot cereals. Ready-to-eat cereals are the aggregation of children's and family breakfast cereals. Children breakfast cereals include cereals marketed at children and adolescents. Family breakfast cereals are the aggregation of flakes, muesli and granola and other ready-to-eat cereals. Other ready-to-eat cereals are defined as all non-flake or non-muesli or granola cereals targeted at adults. Instead, other ready-to-eat cereals include wheat biscuits, puffed wheat cereals and rice-based products.



The United States Department of Agriculture uses the following definitions:

- Crop year: the 12-month period at the onset of the main harvest (August to July), during which the crop is marketed (i.e., consumed, traded, or stored).
- Domestic consumption: all possible uses of the commodity: food, feed, seed, waste, and industrial processing.
- Wet market refers to a market selling fresh meat and produce.

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## Asian Market for Oats: China, Japan, Malaysia, Singapore & Vietnam

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into force December 31, 2018. The Canadian Agri-Food Trade Alliance predicts Canadian agri-food sales will rise by a total of \$1.84 billion under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. There are opportunities for Canadian oats, with an emerging middle class, large populations, and rising health concerns (diabetes, high blood pressure and heart disease), in many of these countries.

Canada is the second largest producer and the leading global exporter of oats. Canada is well-positioned to supply Asia with high quality, safe and nutritious value-added processed oats. Countries of interest are Japan, China, Singapore, Malaysia and Vietnam. View table 1 for Canadian oat tariff rates and import requirements.

China is a large market for oats, however, Canada only has market access to China for oat seed (for propagation) and pre-processed oats. Canadian raw oats cannot be exported into China until export conditions and a bilateral protocol have been established. Canada is working with China towards securing market access for Canadian raw oats for food and feed use. This expanded access for oats will create new opportunities in the Chinese market.

Under the CPTPP Japan will reduce tariff rates on Canadian oats improving oat export opportunities. Japan could benefit from importing more Canadian oats and reducing their reliance on Australian oats.

Under the CPTPP Singapore will not bring additional oat opportunities, as there are no tariff rates on Canadian oats. However, the demand for oats is growing in Singapore. Singapore's economy is expected to grow, especially in the area of e-commerce. Canadian manufactures could benefit through increased online sales as oats have a long and stable shelf life.

Under the CPTPP Malaysia and Vietnam will not bring additional oat opportunities, as there are no tariff rates on Canadian oats. However, the demand for processed oats is growing in Malaysia and Vietnam through packaged foods.

Other CPTPP countries such as New Zealand, Australia, Brunei, Chile, Mexico and Peru were not included in our target markets for the following reasons:

- Small market size (Brunei).
- Countries that have an existing free trade agreement with Canada are Mexico, Chile and Peru.
- Australia and New Zealand are oat exporters and would not be interested in Canadian oat exports.

With the rising high-income population in Asia and consumers adopting western diets and health trends, there will be opportunities to market oats as a health food for human and animal consumption. Asian consumers are interested in the following health attributes: gluten-free, beta-glucan, high in fibre and protein.

**Table 1 – Tariff and Regulations Chart for Raw & Processed Oats**

HS code 1104.12 are oats: hulled, rolled, flaked, pearled, sliced or kibbled

HS code 1104.22 are other worked grains: hulled, pearled, sliced, or kibbled of oats

HS code 1004.90 are raw oats other than seed

HS code 1004.10 are raw oat seeds

Country	HS Code	Phytosanitary Certificate	Import Permit	Tariff Rate	Tariff Elimination	Requirements
Japan	1104.12	No	No	12%	Year 6: 0%	Must be free from soil, ergot and scerotia in all imports
	1104.22	No	No	12%	Year 11: 0%	Must be free from soil, ergot and scerotia in all imports
	1004.90	No	No	0%		Must be free from soil, ergot and scerotia in all imports
	1004.10	No	No	0%		Must be free from soil, ergot and scerotia in all imports
China	1104.12	Yes	No	20%		Free from soil, stored product pests, and the pathogens
	1104.22	Yes	No	20%		Free from soil, stored product pests, and the pathogens
	1004.90	No Protocol	No Protocol	2%		No Protocol
	1004.10	Yes	Yes	0%		Must be free from soil, stored products pests, and listed pathogens
Singapore	1104.12	No	No	0%		Must be free from soil and storage product pests
	1104.22	No	No	0%		Must be free from soil and storage product pests
	1004.90	No	No	0%		Must be free from soil and storage product pests
	1004.10	No	No	0%		Must be free from soil and storage product pests
Malaysia	1104.12	No	No	0%		Must be free from storage product pests
	1104.22	No	No	0%		Must be free from storage product pests
	1004.90	Yes	Yes	0%		Must be free from soil and storage product pests
	1004.10	Yes	Yes	0%		Must be free from soil and storage product pests
Vietnam	1104.12	Yes	No	20%	Year 4: 0%	Must be free from storage product pests
	1104.22	Yes	No	20%	Year 4: 0%	Must be free from storage product pests
	1004.90	Yes	No	0%		Must be free from soil, regulated weed seeds and storage product pests
	1004.10	Yes	No	0%		Must be free from soil, regulated weed seeds and storage product pests

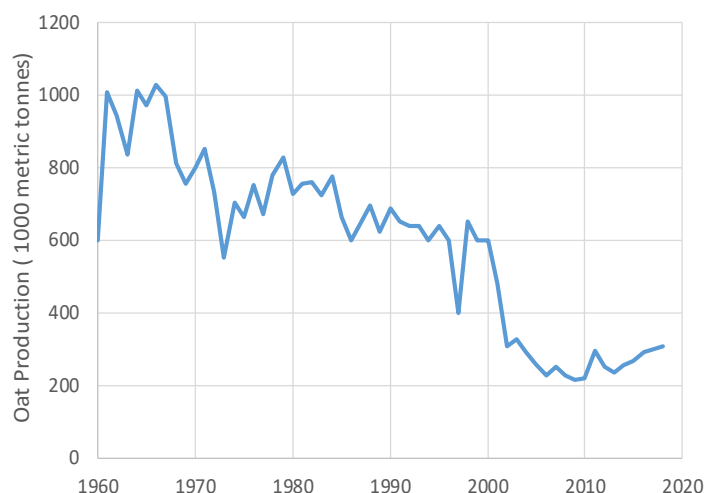
Source: Market Access Secretariat & World Trade Organization

## China Market

- China is the world's second-largest bakery and cereals market valued at USD\$37 billion in 2017.
- The market is expected to grow at a compound annual growth rate of 9.2 per cent during the next five years, reaching USD\$57 billion by 2022.
- Key drivers of growth include rising disposable incomes, demand for convenience as lifestyles get busier, and demand for healthier foods and safer foods.
- The bakery and cereals sector is highly fragmented due to rapid growth in local brands. Chinese consumers are not brand loyal, creating manufacture opportunities in taste and trends.

## Oat Production in China

Oats have been grown as a staple food in China for more than 2,000 years. The main growing areas for oat production in China are in the northwest, north and northeast regions. In western Inner Mongolia and Shanxi province, oat (*Avena nuda*, or naked oat) flour called "youmian" is processed into noodles or thin-walled rolls and is consumed as a staple food. Hull oats are considered a cash crop in rotations and will become an important crop as the food processing industry in China develops. China's oat production, ranked below European Union, Russia, Canada, Australia and United States, has slowly climbed up to 305,000 tonnes in 2018 after its lowest level in 2009 (215,000 tonnes). China's production is approximately 10 per cent of total Canadian oat production (view graph 1).

**Graph 1 – China Oat Production from 1960-2020**

Source: Index Mundi

China has abundant oat germplasm resources (Ren, 2012). However, yields for most varieties are low, resulting in low margins for farmers who opt for other crops for a higher return. Most varieties have poor grain processing quality. Hulless oats are part of crop rotations and are gaining in popularity recently for being viewed as an important crop in the development of its agricultural economy. In recent years, farmers and government have recognized the importance of oats for their high feeding value and environmental conservation function. China has recently invested in collaborative research projects with Canada to expand oat production in China (Ren, 2012).

### Oat Consumption in China

According to the Australian Bureau of Agriculture and Resource Economics and Science, preliminary 2018/19 forecasts for harvest area and yield will be reduced due to drought-damage in Eastern Australia and early dryness in Western Australia. Global oat trade is down 400,000 tonnes to 2.1 million tonnes, with lower supplies in Australia and the European Union. In the tables below we can see there has been a rise in Chinese oat production, oat imports, and consistent use of oats in feed and food, seed and industrial consumption with some fluctuation due to supply. In 2018/19, about 42 per cent of oats were used for domestic feed and 58 per cent of oats were used in food, seed and industrial consumption. China is the fastest growing market for oats and imports will continue to increase over the next five years. China is focusing on raw oat imports and domestic processing of those oats.

**Table 2 – Oat Consumption Crop Year 2013/14-2018/19**

Attribute	Unit	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Production	1000 MT	235	255	265	290	300	305
World Import	1000 MT	116	162	172	278	500	400

**Table 3 – Oat Consumption Crop Year 2013/2014-2018/19**

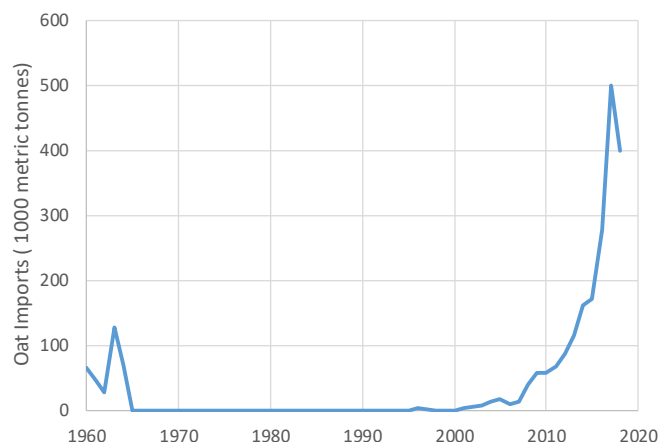
Attribute	Unit	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Feed Dom. Consumption	1000 MT	170	170	170	300	520	200
Food, Seed & Industrial Consumption	1000 MT	180	230	250	260	260	280
Total Domestic Consumption	1000 MT	350	400	420	560	780	480

Source: USDA

## China Oat Imports

### Graph 2 – China Raw Oat Imports

China's international imports of raw oats have grown exponentially, from 3,000 tonnes in 2001 to 500,000 tonnes in 2017. Its oat imports in 2018 were 400,000 tonnes, down by 20 per cent from 2017. Currently, China imports oat cereals and flakes but not raw oats from Canada.



Source: Index Mundi

Australia is the main oat supplier to China accounting for 97.5 per cent of Chinese imports, compared to Canada's 0.2 per cent. In 2017, China imported 384,455 tonnes or CAD\$115 million in raw oats from Australia (view table 4).

**Table 4 – Top Raw Oat Supplier to China**

Top Supplier	Unit	2015		2016		2017	
		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
World	T	64,377,307	154,582	85,046,931	191,440	122,313,656	394,310
Australia	T	61,508,072	148,358	80,648,056	182,584	114,640,278	384,455
Canada	T	0	0	809,930	1,094	4,762,944	5,824
United States	T	393,442	499	1,270,256	1,648	2,719,092	3,386

**Table 5 – Ports of Entry - Raw Oats from the World**

District	Unit	2015		2016		2017	
		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
All Districts	T	64,377,307	154,582	85,046,931	191,440	122,313,656	394,310
Tianjin	T	30,566,210	72,194	36,493,063	81,001	33,184,286	86,821
Huangpu	T	18,615,322	45,960	20,343,546	46,265	31,256,269	106,675
Guangzhou	T	0	0	88	0	30,140,808	128,556

- Global raw oat imports to China mainly come through the Tianjin port.
- In 2017, China imported CAD\$122.3 million in raw oats or 394,310 tonnes. Of those raw oats, CAD\$7.7 million or 9,462 tonnes were oat seeds.
- Over the same period, China imported CAD\$11.7 million or 17,894 tonnes processed oats from the world.

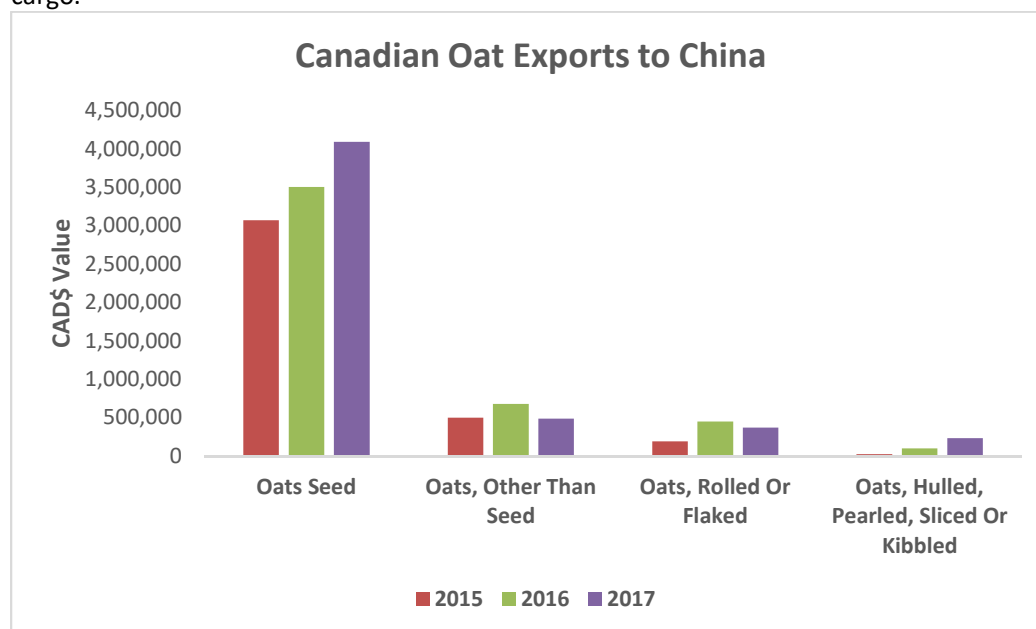


## Canadian Oat Export to China

In 2017, Canada exported 9,000 tonnes or CAD\$4 million in oat seeds. Over the same period, Canada exported 966 tonnes or CAD\$605,135 in processed oats. In the graph and tables below we can see the majority of oats exported to China are oat seeds for sowing.

### Graph 3 & Table 6 – Canadian Oat Exports to China

Note, imports and exports do not equal due to reporting differences due to dates, exchange rate, re-export or diverted cargo.



Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1104.12	Oats, Rolled Or Flaked	190,891	451,420	371,353	323	607	555
1104.22	Oats, Hulled, Pearled, Sliced Or Kibbled	25,300	102,028	233,782	37	152	411
1104	Total Processed Oats	216,191	553,448	605,135	360	759	966

Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1004.10	Oats Seed	3,071,408	3,506,216	4,091,396	5,838	7,268	8,192
1004.90	Oats, Other Than Seed	501,325	678,906	486,791	785	1,720	1,181
1004	Total Raw Oats	3,572,733	4,185,122	4,578,187	6,623	8,988	9,373

Source: Global Trade Atlas

Canada accounts for 56 per cent of total global oat exports but remains a non-player in the Chinese market due to a lack of market access for raw oats. In November 2017, the former General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) and the Canadian Food Inspection Agency (CFIA) signed a market access work plan, which identified a number of areas where Canada and China agreed to work together, including oats. The first step to secure access is for China to conduct a risk assessment. In June 2018, Canada submitted a technical questionnaire, intended to evaluate the sanitary and phytosanitary risks associated with the import of Canadian oat grains into China. Following the review of the questionnaire, China will likely request an inspection visit to Canada, the negotiation of export conditions and the signing of a bilateral protocol. Based on previous technical negotiations, China's approval process for oats for food and feed use is expected to be a lengthy process and could take several years. China has not indicated timelines for completing its approval process.

## Oat Feed in China

The Chinese government bans most forms of gambling except in Macau, a special administrative region on the south coast of China. China officially allows two types of lotteries, the predictions of international soccer matches and some horse racing. The central government has previously refrained from promoting horse racing. However, in recent years' horse racing has grown quickly in China. China's central government has decided to start promoting and encouraging the further development of sports lotteries. China's equestrian industry is growing, providing new and higher value feed export opportunities. China's interest in horse racing has resulted in the investment of horses and feed for those horses. Oats are recognized as a suitable feed for horses due to their palatability, oil and better protein quality than other cereals.

### Possible Challenges:

- China's mainstream domestic oat production is hulless oats. However, China is ramping up its domestic hay production and this could impact the future oat market.
- Chinese feed manufactures mainly use wheat and corn in feed, especially when there's a surplus in production or oversupply of low-grade grains due to weather conditions. When these cereals are grown extensively, it has led to the reduction in oat area and depressed the market for feed oats. Despite the competition, oats are still grown in China.

## Oat Processing in China

- There are close to 80 major oat processors in China with 21 in Hebei and 16 in Guangdong. The remaining processors are located in Beijing, Jiangsu, Shanxi, Zhejiang, Gansu, Inner Mongolia, Shandong, Jilin and Fujian (Ren et al., 2011).
  - Major oat processors include COFCO Group, Quaker Oats, Nestle, Shanghai Yinglian Foods & Beverage, Ernst foods, Kellogg's, AB Food & Beverage, Cereals partnership worldwide, Guangdong YASHILI Group etc.
- Major oat processors manufacture a wide variety of oat food products in one of the following five categories:
  - Oat flour milling and products, including oat flour, oat noodle, instant noodle, puffs, and oat crust, accounting for about 80 per cent of the total oat processing capacity.
  - Oatmeal, accounting for 10-15 per cent total processing capacity.
  - Oat rice, a relatively new product made of hulled and roasted oats used for cooking oat porridge or mixed with rice for making oat rice.
  - Oat drinks, including oat milk, fermented oat drink, oat beer, and oat spirit.
  - Other value-added products, including oat bran, oat cosmetics, oat capsules, and oat extracts ( $\beta$ -glucan and diet fibre), accounting for five per cent of the total processing capacity.

Oat processors in northern China (e.g., Hebei) are mainly focused on manufacturing oat flour, oatmeal, oat noodle and oat rice, whereas those in southern China (e.g., Guangdong) are focused on more value-added products including oat dietary fibre, oat milk, oat alcohol, oat tea, oat beverage, and oat nutraceuticals.

Automation in China's oat processing industry is relatively low compared to those in more developed countries (e.g., Australia, USA, and Canada), as many processors operate on a small scale. With the modernization of China's food industry, many oat processors have begun to upgrade their equipment, improve production efficiency and increase competitiveness. Modernization may open up opportunities for more imports of raw materials and innovative value-added products.

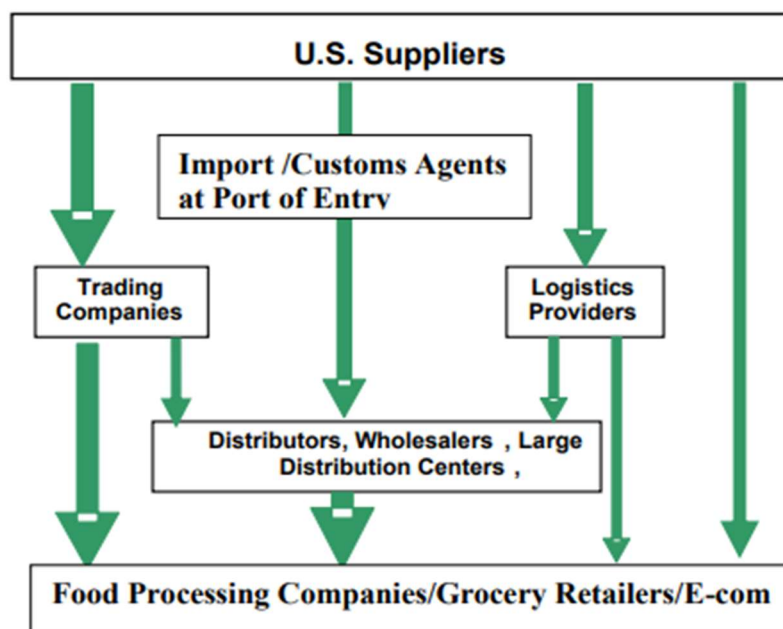
In China, hulless oats are favoured by processors, compared to hull oats. Using hulless oats increases the grain utilization ratio by 30 per cent, reduces energy consumption by 25 per cent, and decreases equipment investment by 30 per cent while reducing storage and transportation demands (Hu et al., 2009).

Major brands have gradually become the first choice for Chinese consumers, and brand consolidation has further enhanced the concentration of the oatmeal processing industry. With their stronger bargaining power in the supply

chain, large oatmeal companies have better cost control capabilities. As China tightens up its food safety regulations, smaller oat food companies are forced to withdraw from the market due to difficulties in meeting standards.

Major oat food companies exercise safety stock plans or lock in purchase prices in advance to reduce the impact of oat price fluctuations and to mitigate potential impacts of national/international trade policies and domestic and/or global oat production.

**Table 7 – Chinese Market Structure**



Source: USDA & ATO Guangzhou

- Many state-owned companies in China rent their import authority to other companies;
- These companies act as large-scale importers who in-turn wholesale to local distribution companies that are too small to warrant direct import<sup>1</sup>;
  - Some well established companies may provide import services such as, custom clearance, marketing strategies, networking opportunities with manufactures, facilitate government inspection and certification processes, and relay payment for imported products from real importers;
  - Note, newly established and inexperienced import specialists are not familiar with import documentation and customs processing.
- Multiple large processors, manufacturers and e-commerce platforms have incentive to directly source products from exporting countries;
  - Retailers are able to better trace purchased products and reduce costs by 20-30 percent.

### Tier System in China

China is geographically segmented into a tier-system (view table 8). Consumers from cities in the same tier-system report similar income levels, behaviours, and trends. High quality and premium priced food products, including imported food products are expected to continue its success in first-tier cities, while retailers are looking to expand efforts on imported food sales in second and third-tier cities.

<sup>1</sup> China Food Ingredients, USDA, 2017

**Table 8: China Tier-System**

Tier	Cities	Number of cities
Tier 1	Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin	5
Tier 2 (Upper-range)	Hangzhou, Nanjing, Jinan, Chongqing, Qingdao, Dalian, Ningbo, Xiamen	8
Tier 2 (Mid-range)	Chengdu, Wuhan, Harbin, Shenyang, Xi'an, Changchun, Changsha, Fuzhou, Zhengzhou, Shijiazhuang, Suzhou, Foshan, Dongguan, Wuxi, Yantai, Taiyuan	16
Tier 2 (Lower-range)	Hefei, Nanchang, Nanning, Kunming, Wenzhou, Zibo, Tangshan	7
Tier 3	Urumqi, Guiyang, Haikou, Lanzhou, Yinchuan, Xining, Hohhot, Quanzhou, Baotou, Nantong, Daqing, Xuzhou, Weifang, Changzhou, Erdos, Shaoxing, Jining, Yancheng, Handan, Linyi, Luoyang, Dongying, Yangzhou, Taizhou, Jiaxing, Cangzhou, Yulin, Zhenjiang, Kunshan, Jiangyin, Zhangjiagang, Yiwu, Jinhua, Baoding, Jilin, Anshan, Tai'an, Yichang, Zhongshan, Huizhou, Nanyang, Weihai, Dezhou, Liaocheng, Changde, Zhangzhou, Binzhou, Maoming, Huaian, Jiangmen, Wuhu, Zhanjiang, Langfang, Heze, Liuzhou, Baoji, Zhuhai, Mianyang	60

## Oat Food Distribution in China

### Definitions:

- Marketing channel refers to the entire system required for getting products from the point of production to the point of consumption; this includes people, organizations and all the required activities.
- Distribution channel refers to the chain of intermediaries through which the product passes until it reaches the end consumer.
- Offline marketing refers to any advertising strategy that is published and released outside of the internet.

Oat foods are fast-moving consumer goods with high repeat purchase rates and are dependent on marketing channels. The number of marketing channels and regional locations determine demand in that region. Marketing channels have a major impact on the business development of oat food companies and are the core of business operations. At present, the marketing channels of the oat food industry mainly include large chain supermarkets, food retail stores and e-commerce channels. According to the Chinese National Bureau of Statistics, as of 2015, the total number of chain retail business in China reached 209,812. China's offline marketing channels are large in scale and are in continuous development, which has a greater driving force for the sales of oat foods and provides a guarantee for the stable development of the oat food industry.

Large chain supermarkets are the most suitable sales channel for oat food products, largely due to their strategic geographical locations, large traffic volumes, fast product turnovers and wide distribution of outlets. Major oat food manufacturers in China distribute their products to large-scale chain stores across the country, forming a multi-level and wide-coverage marketing network, gaining a huge market share.

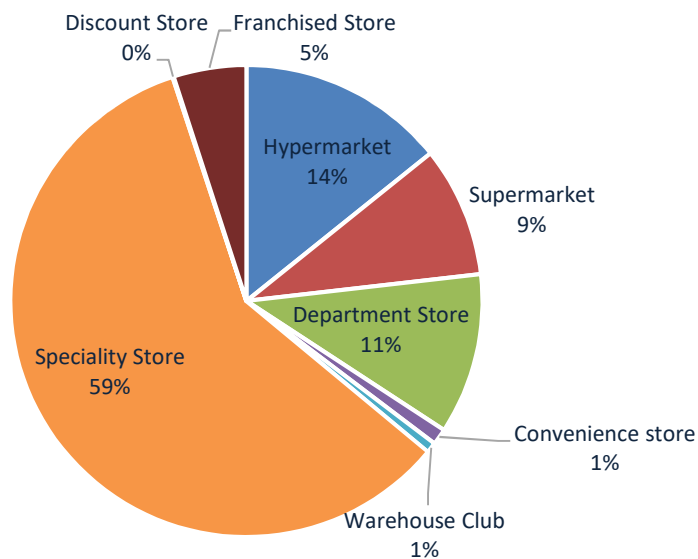
- Supermarkets and hypermarkets are the main distribution channels for packaged foods in China<sup>2</sup>. Specialty retail markets such as organic stores also have a predominant presence in the country, appealing to affluent, wealthy consumers in China<sup>3</sup>.

<sup>2</sup> AAFC, Market Overview – China, 2018

<sup>3</sup> USDA Gains Report, Annual Retail Foods Report – China, 2017

- The majority of hypermarkets, supermarkets and e-grocery stores sell imported food products; therefore, an understanding of these distribution channels is essential for Canadian oat exporters and value-added oat products.
- Local food retail stores are often sought after by small oatmeal food processors which have difficulties in gaining a competitive advantage in the process of channel competition. They rely on retail stores in their surrounding regions to develop local markets.

**Graph 4: Food Retail Sales (2015)**



Source: USDA Gains Report, Annual Retail Foods Report – China, 2017

The leading retailers selling consumer packaged products include China Resources Vanguard, RT-Mart, Walmart, Lianhua, Carrefour, Yonghui, Nonggongshang, Haihang, Bubugao, Wu-mart, Metro and AEON China. High-end retail chains include Ole, BLT, Sam's Club, Bravo and BHG<sup>4</sup>.

**Table 9: Leading Supermarkets and Hypermarkets in China**

Retailer	Description
China Resources Vanguard	Vanguard has over 5,000 and over 50 Ole and BLT stores in China. These two companies are under CR-Vanguard group but operated separately, targeting high-end consumers in first and second-tier cities, and expatriates. China Resources Vanguard's online platform is EWJ Zone.
RT-Mart	RT-Mart had 318 hypermarkets. Unlike other retailers, 68 per cent of RT-Mart are located in third and fourth-tier cities, and only nine per cent of stores are located in first-tier cities. RT-Mart and Auchan had a joint venture, Sun Art Retail Group Ltd. The company's online platform is Feiniu and offers a wide-range of international food products.
Walmart	Walmart entered into Shenzhen in 1996 and owns 436 stores in 166 cities. Main retail formats include Walmart supercenters and Sam's Club membership stores. There are 14 Sam's Clubs in China, mostly in first-tier cities, targeting more high-end consumers who have stronger purchasing power. Walmart and JD.com, China's largest e-commerce company have partnered to serve consumers across China.
Lianhua	There are 4,325 Lianhua stores mainly located in the east region. The company's online platform is Lianhua Yigou.
Carrefour	Carrefour has 240 stores, located in 73 cities.
Yonghui	Yonghui owns 500 supermarkets in 144 cities, mostly in cities in the Northeast. Bravo YH is Yonghui's high-end retail store with 47 stores in China.
Nonggongshang	The company has over 2,500 outlets, mainly in Shanghai, Zhejiang, Jiangsu, as well as an online platform.
Haihang	Haihang has over 500 retail stores.
Bubugao	452 stores, mostly in Hunan, Guangxi, Jiangxi, and Sichuan. Bubugao's online platform is Yunhou and offers imported food.
Wu-Mart	Wu-Mart has over 700 stores, primarily located in first-tier and second-tier cities.
Metro	This Cash & Carry membership chain from Germany has 88 stores in 59 cities. Metro's target consumers are small and medium restaurants and members who have a higher income. Metro stores are in the east, including Shanghai, Jiangsu, and Zhejiang. The stores in the west (10) are in Yunnan, Sichuan, and Chongqing. In the south, there is nine Metro in Guangdong, four in Fujian and three in Hunan. Metro also has an online platform.
Beijing Hualian BHG	This high-end brand under Beijing Hualian has a total of 121 outlets in China, half in Beijing.

**Note:** The store counts noted above are referenced from 2015.

Source: USDA Gains Report, Annual Retail Foods Report – China, 2017

**Table 10: Retail Sales and Growth Rate in China**

Note, CAGR is compound annual growth rate.

Retailer	Retail Sales in 2016	CAGR (%) 2014-2016
China Resources Holdings Co. Ltd.	USD\$23.94B	No data
Auchan Group SA	USD\$14.63B	2.50%
Wal-Mart Stores Inc.	USD\$10.65B	1.90%
Yonghui Superstores Group	USD\$7.10B	9.80%
Carrefour SA	USD\$4.75B	-6.8%
Wumart Stores Inc.	USD\$3.31B	4.20%

<sup>4</sup> USDA Gains Report, Annual Retail Foods Report – China, 2017

**Table 11 - Leading E-Grocery Stores in China**

Companies	Online Store	CAGR (%) 2014-2016
Alibaba Group Holding Ltd.	Taobao, Tmall	38.7%
JD.com Inc.	JD, YiHaoDian (YHD)	69.6%
Suning Commerce Group Co. Ltd.	Suning	84.8%
Vipshop Holdings Ltd.	Vipshop	65.1%
GOME Electrical Appliances Holding Ltd.	GOME	79.4%
Amazon.com Inc.	Amazon	37.5%
Dangdang.com	Dangdang	11.3%
China National Cereals, Oils & Foodstuffs Imp & Exp Corp. (COFCO)	Womai.com	49.2%
MecoxLane Inc.	M18	8.1%
Shanghai Media Group (SMG)	OCJ	7.1%
Jiuxianwang E-commerce Corp.	Jiuxianwang	6.1%
Newegg.com Inc.	Newegg	-12.1%
Tencent Holdings Ltd.	Icson, WeChat	-81.3%
Xingyin Information Technology (Shanghai) Co. Ltd.	Xiaohongshu (Little Red Book)	No data
Walmart Stores Inc.	Walmart	No data

Source: AAFC, E-grocery Market in China, 2017

- Internet retailing is increasing dramatically because of its convenience and easy access.
- Analysis of online purchase behaviours help businesses understand and meet market demand. With improving information technology and logistics infrastructure, China's food manufacturers, including oat processors are integrating e-commerce as part of standard business operation.
- China is the largest e-grocery market in the world valued at USD\$23.9 billion in 2016. China's e-grocery sales reported a compound annual growth rate of 52.9 per cent from 2012 to 2016 and is forecasted to grow by 12.7 per cent by 2021<sup>5</sup>.
- In 2016, e-grocery sales for breakfast cereals category accounted for nine per cent of packaged food sales and recorded a compound annual growth rate of 72.4 per cent from 2012; this highlights the opportunity for oats in this category for the e-grocery market.
- In a 2016 Mintel consumer survey, 39 per cent of food and drink purchases were made via computer, 40 per cent via mobile, and 66 per cent via in-store.
- The target consumer group for this distribution channel is the 'Middle-Class', for whom price comparison is essential to the purchasing decision.
- Alibaba, JD.com, Suning and Vipshop are the top four e-grocery retailers in China, with combined retail sales of USD\$254.8 billion in 2016. These retailers are focusing their efforts on importing food for their online grocery.

<sup>5</sup> AAFC, E-grocery Market in China, 2017

## Export Considerations for Canadian Companies

- The One Belt One Road initiative strives to enhance infrastructure connectivity between China and its trading partners, presenting new opportunities for exporters.
- Additionally, the Black Sea region (Russia and Ukraine), the world's largest oat producing region could potentially have improved transport infrastructure into China.
- Most Canadian exporters do not deal directly with retailers, instead work with importers or distributors who have a strong network of contacts among the various types of retail channels, such as supermarkets and hypermarkets<sup>6</sup>.
- Importers or distributors help in negotiating logistics, but Canadian exporters still need to be aware of laws and regulations<sup>7</sup>.
- While there is great opportunity throughout China, exporters can face challenges. A few of these challenges are listed below:
  - There are currently market access issues surrounding the export of raw oats to China for human consumption and feed, limiting opportunities for Canadian exporters.
  - Canadian exporters need to understand how Chinese business relationships are developed and navigate the bureaucracy with local partners and government officials.
  - Package size, labelling and regulatory requirements can also pose a challenge while exporting to retailers.
  - There is also intense competition from other countries, particularly from Australia for oats due to proximity to China.
  - Working with a Chinese partner/distributors can be risky as there is potential to lose control of the brand. Intellectual property must be managed appropriately to avoid third party infringement.
  - Export Development Canada conducted a Trade Confidence Index survey and the top five challenges identified by Canadian businesses include:
    - 28 per cent - conforming with local standards and regulations;
    - 21 per cent - language and cultural differences;
    - 21 per cent - protecting intellectual property;
    - 20 per cent - building relationships;
    - 16 per cent - obtaining market information.

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<sup>6</sup> IGD, 2010

<sup>7</sup> GrokChina LLC, 2010



## Resources

Exporters who are interested in exporting oat seeds and processed oats can acquire their import permit through the General Administration of Customs of China. For information on maximum residue levels please refer to the Chinese Ministry of Agriculture and Rural Affairs website:

[http://www.moa.gov.cn/govpublic/ZZYGLS/201806/t20180604\\_6151081.htm](http://www.moa.gov.cn/govpublic/ZZYGLS/201806/t20180604_6151081.htm)

It is our understanding China's import requirements for oat seeds *could include* the following elements (also listed on import permits):

Free from soil, stored product pests, and the pathogens below:

- Ambrosia Spp
- Aphelenchoides Fragariae-
- Centaurea Repens-
- Clavibacter Michiganensis Subsp. Michiganensis
- Ditylenchus Dipsaci
- Liriomyza Trifolii- Berlese
- Lolium Temulentum
- Longidorus Spp (Nematode)
- Machlomovirus Maize Chlorotic Mottle Virus-
- Maize Chlorotic Mottle Virus
- Meloidogyne Coeldi
- Paratrichodorus Siddiqu
- Oat Mosaic Bymovirus
- Pratylenchus Filipjev
- Pseudocercosporella Herpotrichoides
- Tomato Black Ring Nepovirus
- Wheat Streak Mosaic Virus
- Stagonospora Avenae F.Sp. Triticea
- Trichodorus-
- Xiphinema

Note, import conditions including the pest list could differ between import permits from China.

It is our understanding that China's import requirements for processed oats include the following elements.

- Free from soil and stored product pests.

Note, the information included in this message constitutes our best understanding of the situation and that there might be additional export requirements which are not listed. Importers and exports themselves, must ensure requirements are met.

## Breakfast Cereal Market in China

China will account for approximately 13 per cent of the world's breakfast cereals market by the end of 2019 (China oats market, 2018). The breakfast cereals segment in China, including muesli and other grain-based breakfast products (e.g., corn flakes and oatmeal), reported revenue of USD\$1.1 billion in 2018.

China's growing middle class is prioritizing safety, nutrition and functionality of food. There is growing interest in the health benefits of oatmeal and other cereals. Consumption of ready-to-eat and fibre-rich oatmeal continues to grow among the young and elderly population. Food safety has been prioritized by the oatmeal industry to minimize the breach of consumer trust which affects the brand promotion and ultimately sales. Breakfast cereals have become trendy among young generation Chinese, partly due to busier life-styles and convenience. This new trend for breakfast cereals is especially popular in mega-city areas including Hong Kong, Shanghai and Beijing. With the growing demand for breakfast cereals, the number of cereal products in China has also grown rapidly. China is a mature food ingredient industry, providing various ingredients for making oatmeal products that meet different flavour, taste and quality needs of consumers.

Due to increasing health concerns in China, many cereal manufacturers have moved away from high-in-sugar cereals to cereals with fortified ingredients. There is a niche market in China for specialty breakfast cereals, including sugar-free products for the elders, and calcium- and vitamin-enriched products for children (Canada Trade Commissioner Services, 2018). A recent study (Wen, 2015) found Chinese consumers value the taste and brand of oatmeal products, over flavour and nutritional value.

**Table 12 - Oatmeal consumer preferences in China**

Consumer preferences are graded on a scale of one to five, one being the least important and five being the most important.

The first level of consumer demand	The second level of consumer demand	The third level of consumer demand	The importance
Satisfying oatmeal products	Sensorial	Flavor	3
		Taste	5
		Color	4
		Package	4
	Services	Retailer	4
		Brand	5
		Availability	3
	Functions	Nutrition	4
		convenience	3

Source: A Demand Chain Design for Chinese Oatmeal Companies

Sales of hot cereals increase during China's traditional holidays, partly, due to strong advertising and marketing campaigns from food businesses. In addition, sales of hot cereals are often higher in the winter and spring seasons, as oatmeal is consumed as a warm meal. The oatmeal market in China is characterized by its periodicity, regionality, and seasonality:

- **Periodic:** The price of oatmeal will fluctuate within a certain range for various reasons, its sales are relatively stable, its correlation with the economic cycle is not obvious, and there is no obvious periodicity.
- **Regional:** Oat food has been in China for many years and is well received by consumers. Its market area is widely distributed. However, due to the wide geographical area and large span of China, the economic development is not balanced. The taste, flavour and nutritional mix of oatmeal foods vary from place to place, and the consumption of each region is also different. The eastern coastal areas and other economically developed areas are significantly higher in consumption.
- **Seasonal:** Oatmeal consumption is affected by seasonality. During traditional holidays such as the Mid-Autumn Festival, National Day, New Year's Day, Spring Festival and Lantern Festival, oatmeal food companies usually

increase sales promotion, sales will be significantly higher than other periods. The edible characteristics of the oatmeal foods (generally based on hot brewing) also make its consumption concentrated in the winter and spring seasons.

In 2017, packaged food sales for baked goods, sweet biscuits and breakfast cereals were valued at USD\$28 billion, USD\$5.0 billion and USD\$1.0 billion. Over 2013-2017, baked goods, sweet biscuits and breakfast cereals recorded a compound annual growth rate of nine per cent, one per cent and eight per cent, respectively.

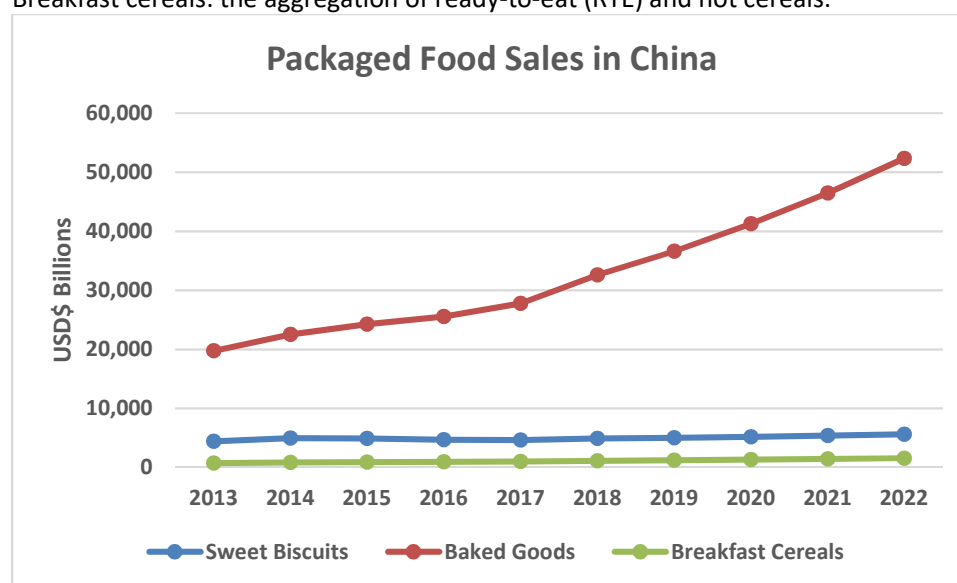
#### Graph 5: Packaged Food Sales in China (USD)

Baked goods: the aggregation of bread, pastries, dessert mixes, frozen baked goods and cakes.

Sweet biscuits: the aggregation of chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and wafers.

Sweet biscuits also include snacks bars and fruit snacks.

Breakfast cereals: the aggregation of ready-to-eat (RTE) and hot cereals.



Source: Euromonitor

By 2022, packaged food sales for baked goods, sweet biscuits and breakfast cereals are forecasted to grow to USD\$52 billion, USD\$6.0 billion and USD\$1.6 billion at a compound annual growth rate of 13 per cent, three per cent and eight per cent, respectively over 2018-2022.

#### Consumer Trends

- Consumers of imported retail products can be segmented into four consumer groups: expatriate, affluent consumers, middle-class consumers and young consumers. These consumer groups are the target market for value-added processed oats imported from Canada.
- Expatriate: Foreign nationals living in China looking for familiar food products and are willing to pay premium prices. Chain retailers such as BHG and Ole, and small local specialty retailers such as Jenny Lou's, City Super and Corner's Deli target this consumer group.
- Affluent Consumers: Consumers who purchase high-quality food products that portray an image of status. Labelling, brand image and special health claims are important to these consumers. High-end retail chains such as Sam's Club, Taste, Great, and Treat target those consumers.
- Middle-Class Consumers: Consumers who purchase the same high-quality food products as the affluent and foreign national consumers but are price-sensitive, comparing several brands before making a final purchase decision. Easy-to-prepare and consistent product quality is also of importance to these consumers.

- Young Consumers: Imported food products, healthy eating and convenience are of importance to these consumers. Younger consumers purchase food products from hypermarkets, supermarkets, and e-grocery stores<sup>8</sup>.

The Chinese population is experiencing increased rates of diabetes, high blood pressure and high cholesterol. The National Health and Family Planning Commission of the People's Republic of China has published dietary guidelines which recommend having a nutritious and balanced breakfast containing high levels of protein, fibre and vitamins.

This concept, paired with internet retailing, has made granola and muesli a popular option due to health and textural reasons. Multinational companies such as Nestlé, Kellogg, Calbee and ICA have launched granola products and accelerated their promotion in the Chinese marketplace. Kellogg's sponsored China Victoria's Secret show and invited the famous Chinese star Yang Mi to represent its leading granola products in 2017. Calbee granola has consistently ranked amongst the top five in major Chinese online platforms such as JD.com and Tmall. After witnessing the success of granola amongst international companies, local companies such as Fushiduo and COFCO have entered this market.

Women are a large consumption group for breakfast cereals, partially thanks to their desire for a slim waist and interest in snacks. Women with families are often the main purchasers of family food, making them an important demographic to cereal companies. Manufacturers release new products with prettier packaging and more woman-friendly flavors. Nestlé's new flavour red bean and purple sweet potato has been developed to nourish blood for women and enhance their intestinal movements.

Due to easy consumption, hot cereals are becoming popular among the elderly and middle-aged adults. Over 2012-2017, hot cereals grew a compound annual growth rate of nine per cent and reached sales of USD\$754 million (view table 13 and 14). Chinese consumers concerned about their health have replaced regular rice meals with oats. To cater to this demand, manufacturers have released more low-sugar or sugar-free cereal products.

**Table 13 – Chinese Packaged Food Market (Oats) 2012-2017 Historic Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2012 - 2017 CAGR %
Snack Bars	6.4
Sweet Biscuits	2.1
Bread	10.0
Cakes	10.5
Pastries	10.4
Hot Cereals	9.0
RTE Cereals	10.5
Muesli & Granola	10.7

<sup>8</sup> USDA Gains Report, Annual Retail Foods Report – China, 2017

**Table 14 - Chinese Packaged Food Market (Oats) 2012-2017 Historic Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2012	2013	2014	2015	2016	2017
Snack Bars	27.1	31.5	36.2	37.6	36.4	37.0
Sweet Biscuits	4,187.5	4,436.5	4,968.8	4,936.8	4,720.4	4,651.3
Bread	3,033.1	3,549.9	4,010.6	4,278.1	4,435.6	4,893.1
Cakes	7,185.8	8,460.3	9,771.5	10,461.0	11,087.3	11,830.4
Pastries	6,465.1	7,405.7	8,354.8	9,122.3	9,654.5	10,616.3
Hot Cereals	489.1	561.9	631.3	688.1	706.8	753.9
RTE Cereals	153.9	175.1	196.1	216.3	229.6	253.8
Muesli & Granola	67.7	77.0	86.3	95.2	101.3	112.7

Note, Muesli & Granola are part of the RTE Cereal Segment

Over 2013-2017, China released 349 new hot cereal products using oats as an ingredient (view table 15). The top three 2017 claims for packaged food products containing oats included time/speed (25.8%), no additives/preservatives (20.7%), and high/added fiber (19.1%)<sup>9</sup>. Furthermore, Pepsi Co. (Quaker) held a 24 per cent market share. Quaker is the number one player in hot cereals, its sales revenue is mainly generated from first-tier cities and developed provinces where people are well educated and easily embrace international brands. Quaker prices their hot cereal between USD\$2.00 – USD\$5.00. The next leading brand Australia Seamild held a 14 per cent market share (view table 16). Sea Mild oatmeal has recently become popular amongst middle-aged adults and elderly people. Sea Mild has dominated sales in mid-China, their hot cereals are priced between USD\$2.00 – USD\$15.00.

**Table 15 – China new packaged food releases over 2013-2017 using oats as an ingredient**

China Top 5 Sub-categories	2013	2014	2015	2016	2017	Total
Hot Cereals	66	90	59	68	66	349
Sweet Biscuits/Cookies	12	79	35	33	45	204
Malt & Other Hot Beverages	51	35	12	18	7	123
Cold Cereals	2	3	13	26	39	83
Snack/Cereal/Energy Bars	2	10	11	8	22	53
Other	63	100	102	64	106	435
<b>Total</b>	<b>196</b>	<b>317</b>	<b>232</b>	<b>217</b>	<b>285</b>	<b>1,247</b>

<sup>9</sup> AAFC, Commodity Innovation Series - Snapshot of opportunities in China's oat sector, 2016

**Table 16 – 2017 Major players in the Chinese Packaged Foods Market (Oats)**

Category	Company Name	2017 Market Share %
Hot Cereals	PepsiCo Inc. (Quaker)	24.3
Hot Cereals	Australia Seamild (Group) Co Ltd	14.3
Hot Cereals	Cereal Partners Worldwide SA	5.9
Hot Cereals	Acesfood Network Pte Ltd	3.5
Hot Cereals	Viz Branz Ltd	2.9
Hot Cereals	Tenwow International Holdings Ltd	1.0
Hot Cereals	China Mengniu Dairy Co Ltd	0.9
Hot Cereals	Black Cow Food Co Ltd	0.3
Hot Cereals	Others	47.0
Hot Cereals	Total	100.0

Over 2018-2023, hot cereals are expected to grow a compound annual growth rate of seven per cent and reach sales of USD\$1.2 billion by 2023 (view table 17 & 18). The Chinese hot cereal market is concentrated, but there are opportunities for Canadian exporters to target breakfast cereals, baked goods, hot beverages and biscuit product categories for oats. Canada has a strong reputation among Chinese consumers for safe and nutritious foods, oats can be marketed as a healthy ingredient to consumers, as well as, a breakfast product that is quick and convenient to eat.

**Table 17 – Chinese Packaged Food Market (Oats) 2018-2023 Forecasted Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2018 - 2023 CAGR %
Snack Bars	4.3
Sweet Biscuits	3.7
Bread	13.0
Cakes	12.7
Pastries	12.5
Hot Cereals	6.9
RTE Cereals	11.7
Muesli & Granola	14.7

**Table 18 - Chinese Packaged Food Market (Oats) 2018-2023 Forecasted Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2018	2019	2020	2021	2022	2023
Snack Bars	40.1	41.7	43.6	45.5	47.4	49.4
Sweet Biscuits	4,925.6	5,038.9	5,208.0	5,404.5	5,638.7	5,909.1
Bread	5,853.9	6,591.8	7,458.9	8,429.3	9,527.1	10,767.8
Cakes	13,828.0	15,496.1	17,469.7	19,690.8	22,221.0	25,101.7
Pastries	12,467.6	14,025.9	15,833.5	17,824.8	20,039.1	22,493.0
Hot Cereals	849.2	913.2	982.6	1,051.2	1,119.8	1,187.4
RTE Cereals	295.1	329.0	368.3	411.7	459.9	513.7
Muesli & Granola	133.6	152.4	175.0	200.9	230.9	265.8

Source: Euromonitor & Mintel

In North China, sales of cereals are sluggish as the region is less developed and people prefer a traditional Chinese breakfast. Whereas in developed cities, ready to eat cereals are flourishing as people are too busy to cook breakfast at home.

Currently, Canada has market access to China for oat seed (for propagation) and pre-processed oats. Based on current global oat market shares, if the Chinese market opens by 40 per cent market share, Canadian oat exports could reach USD\$89 million in five years. Access to the Chinese market is important for the diversification of Canadian exports. The Chinese market represents an attractive opportunity for Canadian growers and exporters alike, but Canada needs to develop synergies with Chinese food companies, research institutions and the government.

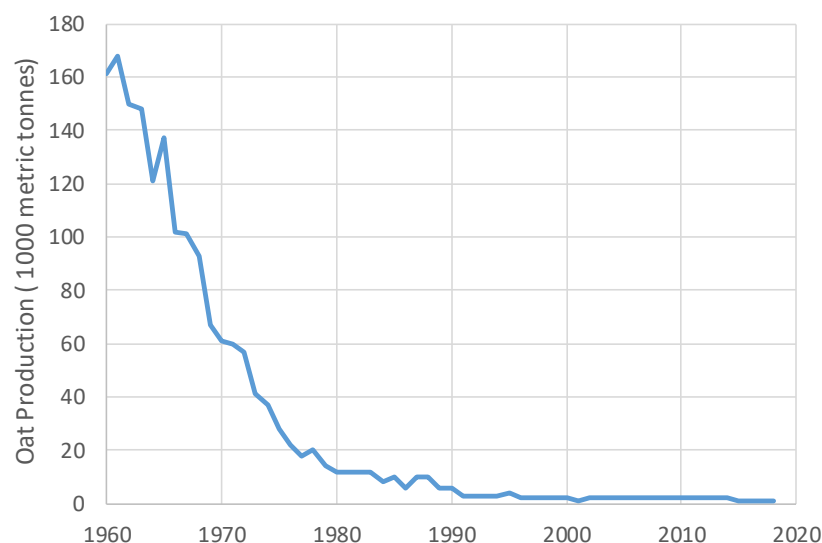
## Japanese Market

- Japan is the third-largest packaged food market in the world; however, this sector is seeing marginal growth, a trend that is expected to continue in the upcoming years.
- Japan has a rapidly ageing population, with over 35 million people above 65 years of age, accounting for 28 per cent of the population.
- Health and wellness products are of importance to this ageing population and this category is anticipated to grow at compound annual growth rate of two per cent from 2018 to 2022 or USD\$21.3 billion to USD\$22.7 billion.
- Japan's food self-sufficiency rate is 39 per cent and is declining due to an ageing farm population. The country is highly dependent on foreign food supply<sup>10</sup>.
- Japanese consumers place significant importance on consuming safe, high-quality food, and perceives Canada as a country that produces food with these characteristics<sup>11</sup>.

### Oat Production in Japan

Japan grows oats for fodder and forage, with major production on its northern island Hokkaido. Its oat for grain production has been below 2,000 metric tonnes over the past five years, which places imports as a major source of supply for its livestock and food industries (view graph 6).

**Graph 6 – Oat Production from 1960-2020**



Source: Index Mundi

### Oat Consumption in Japan

The table below highlights oat production and food, seed and industrial consumption has stayed consistently low over the last several years. Japanese oat imports and oats used for domestic feed has remained high. In 2018/19, approximately 91 per cent of oats are used in domestic feed consumption, while nine per cent of oats are used in food, seed and industrial consumption (view table 19 & 20).

<sup>10</sup> USDA Gains Report, Annual Retail Foods Report – Japan, 2017

<sup>11</sup> Agriculture and Agri-Food Canada (AAFC), Market Overview – Japan, 2018



**Table 19 – Oat Consumption in Japan Crop Year 2013/14-2018/19**

Attribute	Unit	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Production	1000 MT	2	2	1	1	1	1
World Imports	1000 MT	46	47	50	49	45	50

**Table 20 – Oat Consumption in Japan Crop Year 2013/14-2018/19**

Attribute	Unit	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Feed Dom. Consumption	1000 MT	45	45	45	46	40	49
Food, Seed & Industrial Consumption	1000 MT	5	5	5	5	5	5
Total Domestic Consumption	1000 MT	50	50	50	51	45	54

Source: USDA

### Japan Oat Imports

Canada is Japan's largest supplier of raw oats, accounting for approximately half of imports. In 2017, Japan imported CAD\$11 million or 25,000 tonnes of raw oats from Canada (view table 21), primarily to feed its horse industry. Global, raw oats mainly came through Tomakomai and Tokyo's ports (view table 22). Over the same period, Japan imported CAD\$54.7 million or 61,690 tonnes in processed oats from the world.

**Table 21 – Top Supplier of Raw Oats to Japan**

Top Supplier	Unit	2015		2016		2017	
		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
World	T	28,910,339	50,129	26,952,155	47,086	24,880,468	47,335
Canada	T	15,533,644	31,400	15,347,632	32,207	11,481,195	24,667
Australia	T	8,168,464	14,712	7,372,237	11,645	10,084,846	20,203
United States	T	2,310,574	1,635	1,731,628	1,250	1,918,113	1,250

**Table 22 - Port of Entry - Raw Oats from the World**

Port	Unit	2015		2016		2017	
		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
All Ports	T	28,910,339	50,129	26,952,155	47,086	24,880,468	47,335
Tomakomai	T	13,384,161	24,180	12,613,327	22,869	11,350,259	22,809
Tokyo	T	4,086,140	7,671	3,858,836	7,700	3,702,509	7,624
Otaru	T	1,966,629	1,880	2,244,195	1,850	2,330,362	1,881
Nagoya	T	2,094,309	3,869	1,850,196	3,802	1,664,195	3,441
Kobe	T	1,765,459	2,707	1,531,297	2,719	1,645,165	2,882

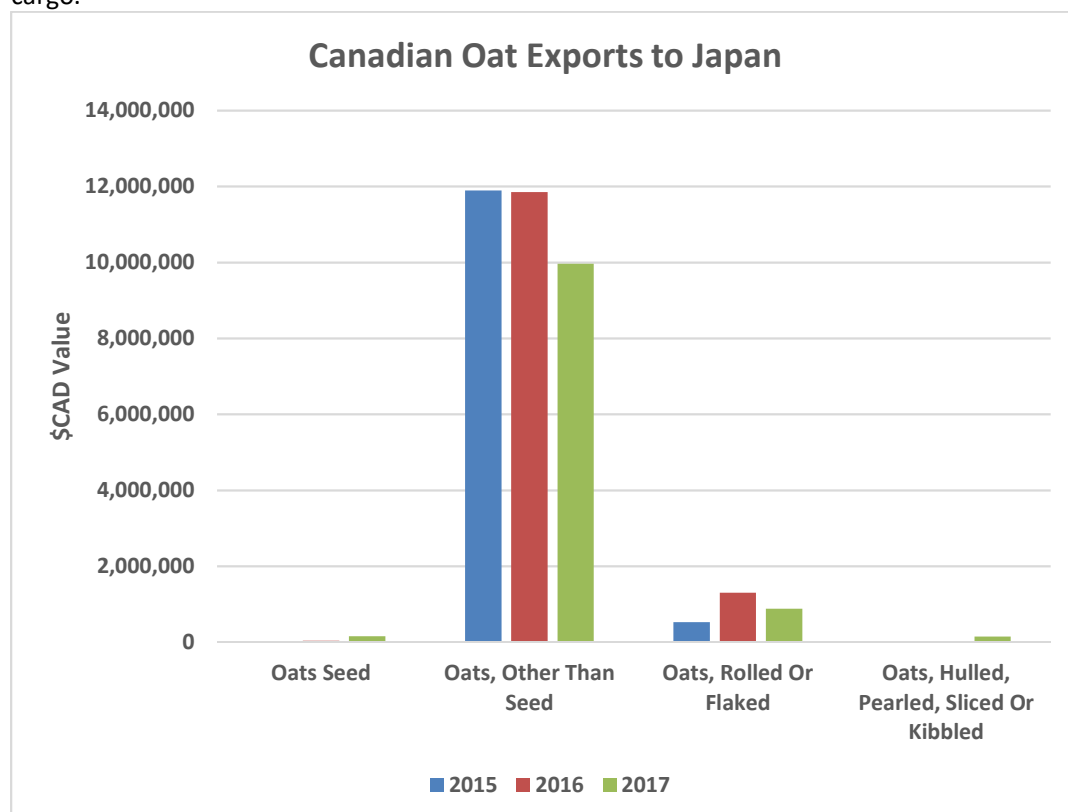
Source: Global Trade Atlas

## Canadian Oat Export to Japan

In 2017, Canada exported 27,000 tonnes or CAD\$10 million in raw oats. Over the same period, Canada exported 1,820 tonnes or CAD\$1.0 million in processed oats to Japan (view graph 7 and table 23). As we can see from the export tables below, the majority of exports from Canada are raw oats (non-seed).

### Graph 7 & Table 23 – Canadian Oat Exports to Japan

Note, imports and exports do not equal due to reporting differences due to dates, exchange rate, re-export or diverted cargo.



Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1004.10	Oats Seed	0	33,244	153,534	0	82	339
1004.90	Oats, Other Than Seed	11,890,560	11,850,699	9,966,083	29,567	29,347	26,236
1004	Total Raw Oats	11,890,560	11,883,943	10,119,617	29,567	29,429	26,575

Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1104.12	Oats, Rolled Or Flaked	522,218	1,301,154	876,187	949	2,455	1,545
1104.22	Oats, Hulled, Pearled, Sliced Or Kibbled	0	0	147,010	0	0	275
1104	Total Processed Oats	522,218	1,301,154	1,023,197	949	2,455	1,820

Source: Global Trade Atlas

Japan has increased its import of processed oats (rolled or puffed) for production of breakfast cereals and oatmeals, primarily through major trading houses and trading firms. Imported oats are sold to domestic processors, but there are a few food processors whose operation size is large enough to import oats directly. Little is known about which importers sell to which processor.

Japanese importers prefer to directly deal with exporters who have their own cleaning and processing facilities rather than having a middleman to procure products. Importers feel it is important they can communicate requests directly with exporters to ensure product quality, as Japanese buyers are often very stringent (Canada Trade Commissioner Services, 2018).

### Oat Feed in Japan

The horse industry is prominent throughout Asia, especially in Japan, China, Malaysia, Korea, Philippines, and Singapore. Japan pays a premium for pony feed, the pony oat market is very different from the feed oats market. Feed oats are almost any colour, weight or moisture, whereas pony oats must have good colour, weight and specific moisture contents. The difference is reflected in the price; feed oats prices range USD\$2.25 – USD\$2.95 per bushel while pony oats prices range USD\$3.25 – USD\$3.50 per bushel. Feed oats are primarily used as a feed ingredient for calves and non-competitive horses, while pony oats serve the competitive and high-end racehorse markets.

Demand for high quality hay is growing in Japan. Interest in oat hay for the dairy, feedlot and horse industries has increased due to the improvements in hay quality standards and increased demand for milk products and red meat. Hay exports are driven by four key considerations: Japanese customers' preference, product quality, product form and export requirements.

1. Consumer preference: Canadian growers should reach out to hay processors; familiarize themselves with market demand, standards for raw materials and contract options and then choose a processor to do business with.
2. Product Quality: Colour, aroma, sweet taste, fine texture and nutritional value are important to Japanese buyers. The high cost of transportation to reach distant markets drives processors' demands for high quality forages. Shipping low quality roughages at high freight rates is economically unsound.<sup>12</sup>
3. Product form: Baled forage destined for the export market is usually densified or compressed which reduces shipping costs.<sup>13</sup>
4. Export requirements: Canada has an inspection protocol with Japan. The protocol allows shipments of baled forage to be inspected by a Canadian Food Inspection Agency inspector or designated inspector. If certified free from prohibited material, a phytosanitary certificate is issued, and the shipment will be allowed access to Japan. However, Japanese inspectors will also visually inspect all shipments and can refuse entry if they discover any prohibited material. Entry refusal initiates a trace-back protocol established in Canada.<sup>14</sup>

Markets for compressed forages are continuing to expand. In addition to the Japanese market, demand is increasing from China, Vietnam, Indian and Middle East countries. Competition is strong from Australia and eastern European countries, some of which have a freight advantage to Canada. Canadian producers must continue to produce a consistent, high-quality forage to meet our export customers' demands.<sup>15</sup>

### Leading Retailers in Japan

- Japan can be geographically segmented into eight different regions: The Hokkaidō region, the Tōhoku region, the Kantō region, the Chūbu region, the Kansai or Kinki region, the Chūgoku region, the Shikoku region and the Kyūshū region.
- The three most important regions – the Kantō region, the Kansai region and the Chūbu region.

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<sup>12</sup> Alberta Agriculture and Forestry

<sup>13</sup> Alberta Agriculture and Forestry

<sup>14</sup> Alberta Agriculture and Forestry

<sup>15</sup> Alberta Agriculture and Forestry

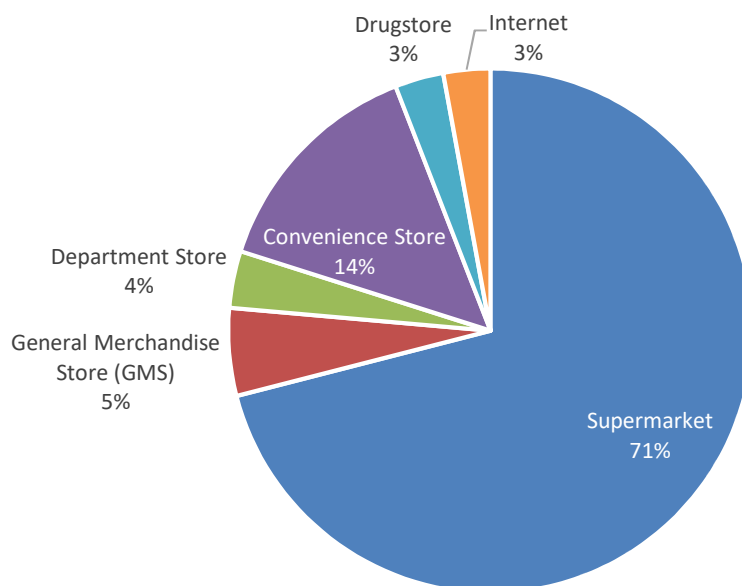
**Table 24 - Regional Segmentation**

Region	Major Cities in Region	Description
Kantō region	Tokyo, Chiba, Kawasaki, Saitama and Yokohama	This region represents the economic, political, cultural and media heart of Japan and produces 40 per cent of Japan's economic strength. It is also the most populous region of Japan and foreign companies often decide to start their business activities in the Kantō region.
Kansai or Kinki region	Kobe, Kyoto and Osaka	The Kansai region produces around 16 per cent of Japan's gross domestic product. Consumers in the Kansai region are considered to be receptive to new ideas, though in general they prefer a more Japanese cuisine.
Chūbu region	Nagoya	The Chūbu region is the main centre of the Japanese processing industry and many companies have relocated their headquarters away from Tokyo to the Chūbu area.

*Source: Tastes of Europe, Food and Beverage Market Entry Handbook to Japan, 2016*

- Approximately half of breakfast cereals in Japan are sold through supermarkets. Supermarkets held the largest distribution share for breakfast cereals in 2015, followed by convenience stores and specialist health retailers.
- Furthermore, unlike in most other food market segments, breakfast cereal growth at e-grocery stores is not as significant<sup>16</sup>.
- Supermarkets and other distributors are now stocking wider selections of imported cereals, albeit with a limited amount of store space dedicated to this. Many supermarket retailers have relatively well-integrated distribution systems and are receptive to imported products that are in demand and offer high margins, especially if these are relatively small chains that are geographically concentrated.
- The above reasons highlight that supermarkets are the primary distribution channel for Canadian oat exporters interested in entering the Japanese markets.

<sup>16</sup> Tastes of Europe, Food and Beverage Market Entry Handbook to Japan, 2016

**Graph 8: Food Retail Sales, 2017**

Source: USDA Gains Report, Japan Retail Food Sector, 2017

### Supermarkets

- Supermarkets are being affected by the ageing population as elderly consumers prefer to buy their groceries close to home, at convenience stores, rather than travel a long distance to the supermarket.
- The largest retail group in Japan is AEON Co. The second largest is Ito-Yokado, part of the Seven and I group that also owns the top convenience store, 7-Eleven.
- Costco and Walmart are also successful in Japan. Costco opened its first warehouse in Japan in 1999 and is now operating 25 outlets. Walmart purchased Seiyu supermarket chain in 2005 and currently operates 341 retail stores in Japan, using the more familiar name, Seiyu.
- There are also specialty supermarkets in Japan that carry premium imported food products. Their stores include Kinokuniya Co., Meidi-ya, Seijo Ishii, Dean & DeLuca, Queens Isetan, Kaldi Coffee, National and Nissin World Delicatessen.

## Convenience Stores

- The number of convenience stores has increased by 59 per cent from 2010 to 2017 and food sales grew 62 per cent to USD\$67 billion.
- Convenience stores are increasingly popular due to the ageing population and the fast-paced lifestyle of the Japanese consumer.
- Convenience stores target the working consumers throughout the day from morning breakfast items to ready-to-eat meals. Ready-to-eat meals are a popular food category sold at convenience stores and can be consumed anywhere. Healthy food items are also sold at convenience stores to target seniors.
- 7-Eleven is the top convenience store chain in Japan with more 7-Eleven locations than anywhere else in the world. There are a total of 20,392 stores in Japan, with 2,665 stores in Tokyo alone.
- FamilyMart Uny is Japan's second-largest convenience store operator with about 16,700 locations. FamilyMart and Uny, which had owned convenience store chain Circle K Sunkus, merged in 2016 to join forces against 7-Eleven Japan<sup>17</sup>.

**Table 25 - Convenience Stores and Outlets**

Convenience Store	Outlets
Seven & I Holdings	20,392
Family Mart	16,700
Lawson	11,384
Mini Stop	4902
Three-F	558
Poplar	525

## E-Grocery Stores

- Online grocery store sales are expected to grow by nine per cent from 2015 to 2020<sup>18</sup>.
- The e-grocery sales for food and beverage are closing in on sales volumes of Department Stores and Drugstores<sup>19</sup>.

## Retail Challenges in Japan

- Generally, Japanese retailers will not import directly; distribution will include at least one importer and one wholesaler.
- Supermarkets purchase through similar distribution channels, although they mainly purchase from wholesalers, whereas the major national chains rely on more direct routes.
- The nationwide supermarket chains such as Aeon and Ito-Yokado purchase their food primarily through three channels:
  - Directly from the importers;
  - Directly from the manufacturers and processors;
  - Wholesalers and distributors;
- Convenience store chains use trading companies or wholesalers, depending on the type of product. Due to limited shelf space, convenience stores can only hold a few brands per category. Because of this, product performance is continuously reviewed, and products which show little or declining sales are quickly replaced, ensuring the highest turnover possible<sup>20</sup>.

<sup>17</sup> USDA Gains Report, Annual Retail Foods Report – Japan, 2017

<sup>18</sup> AAFC, An Overview of E-Commerce Trends in Japan, 2015

<sup>19</sup> USDA Gains Report, Annual Retail Foods Report – Japan, 2017

<sup>20</sup> Tastes of Europe, Food and Beverage Market Entry Handbook to Japan, 2016

- Convenience store chains require Canadian exporters to:
  - Modify product taste and specifications to Japanese consumer tastes
  - Update and introduce new products frequently
- Additionally, Japan faces significant economic challenges, including stagnant economic growth.

## Japan Resources

### Phytosanitary Import Requirements:

For Japan, hay must be:

- Free from quarantine pests (e.g. Hessian fly);
- Free from visible pests other than Hessian fly;
- Free from hosts of Hessian fly, including straw, culm (stem), and leaves of wheat, barley, rye, and wheatgrasses
- Free from soil (including plants with soil).
- Free from Parasite plants (e.g. Loranthaceae, Cassytha sp., Rafflesia sp., Cuscuta sp., Pedicularis sp. and Orobanchaceae).
- Must have the appropriate Phytosanitary Certificate (issued by the plant quarantine authority of the country of origin).
- Limitation of places where the articles are unloaded and imported.
- Successful results of inspection conducted by the Plant Protection Station.

Source: Canadian Food Inspection Agency – Canadian Hay Certification & Market Access Secretariat

### Labelling information:

- Please view the Handbook for Agricultural and Fishery Products Import Regulations  
[https://www.jetro.go.jp/ext\\_images/en/reports/regulations/pdf/agri2009e.pdf](https://www.jetro.go.jp/ext_images/en/reports/regulations/pdf/agri2009e.pdf)

### Maximum residue levels:

- Agricultural chemicals can be found using the following website: <http://db.ffcr.or.jp/front/>  
 We understand "oats" are included in the "Other Cereal Grain" group.

## Breakfast Cereal Market in Japan

- Traditional Japanese breakfast options are gradually being replaced by more convenient alternatives.
- In 2017, retail packaged food sales for baked goods, sweet biscuits and breakfast cereals were valued at USD\$20 billion, USD\$4.0 billion and USD\$697 million, and grew a compound annual growth rate of negative three per cent, positive one per cent and eight per cent, respectively over 2013-2017 (view graph 9).
- Japan is the 22 largest importer of baked goods in the world, and accounts for 20 per cent of the Asia-Pacific biscuit market<sup>21</sup>.
- The breakfast cereals subcategory is broken down into three main segments: children breakfast cereals, family breakfast cereals, and hot cereals. Family breakfast cereals hold approximately 86 per cent of the total retail volume within this category, followed by children's breakfast cereals at 13 per cent, and hot cereals at one per cent<sup>22</sup>.
- The top claims for hot cereal products are time and speed claims (51 per cent), described as microwaveable (38 per cent) or easy to use (25 per cent).

<sup>21</sup> AAFC, Commodity Innovation Series - Snapshot of Opportunities in Japan's Grain Sector, 2017

<sup>22</sup> Euromonitor International, 2016.

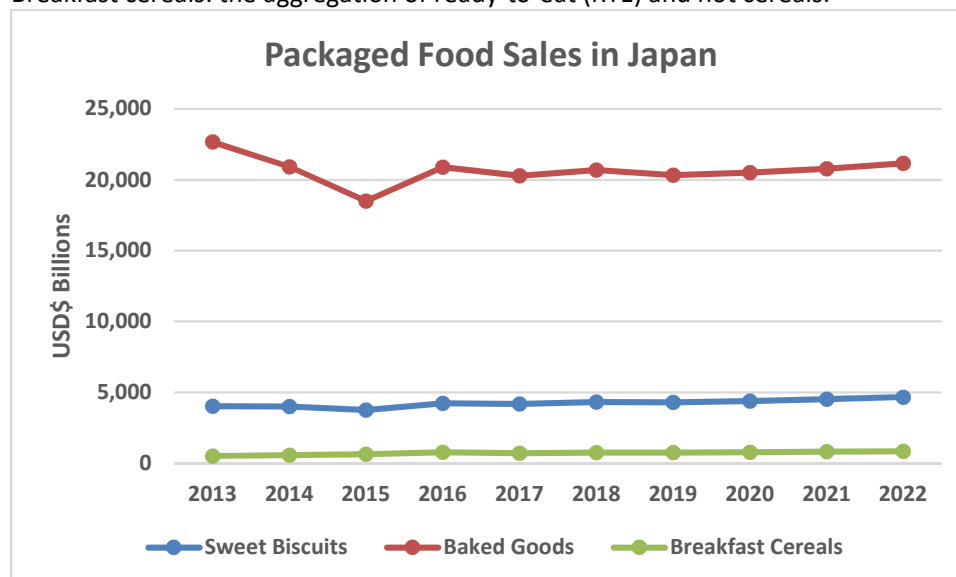
### Graph 9 - Packaged Food Sales in Japan (USD)

Baked goods: the aggregation of bread, pastries, dessert mixes, frozen baked goods and cakes.

Sweet biscuits: the aggregation of chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and wafers.

Sweet biscuits also include snacks bars and fruit snacks.

Breakfast cereals: the aggregation of ready-to-eat (RTE) and hot cereals.



Source: Euromonitor International, 2018

- The chart above indicates there are opportunities for Canadian exporters to target breakfast cereals, baked goods, snack bars and biscuit product categories for oats. In addition, oats can be marketed as a healthy ingredient to Japanese consumers, as well as, a breakfast product that is quick and convenient to eat.
- By 2022, packaged food sales for baked goods, sweet biscuits and breakfast cereals are forecasted to grow to USD\$21 billion, USD\$5.0 billion and USD\$834 million at a compound annual growth rate of one per cent, two per cent and three per cent, respectively over 2018-2022.
- However, it is important to note, that although there are opportunities for Canadian oat exporters in the Japanese market, oat imports have declined over the last four years by negative four per cent, demonstrating declining consumption. Additionally, the Japanese market is significantly small in comparison to the Chinese market for oat imports, which could potentially be a larger market opportunity.

### Consumer Trends

- Consumers can be segmented into two main groups: seniors and young consumers.
- Seniors require easier-to-use packaging and smaller portions, as well as health-related products, indicating there is an opportunity for food products with oats as an ingredient.
- The senior population is served by locally adapted supermarkets, convenience stores and drug stores. The retail response has come in the form of delivery services, mobile operations, expanded internet shopping, smart phone market integration and products developed targeting this consumer group<sup>23</sup>.
- Furthermore, following the successful expansion of muesli in the Japanese market, older consumers and families with young children are increasingly motivated to purchase breakfast cereals; previous perceptions of breakfast cereals as dull and unhealthy have been replaced by appreciation for nutritional value and taste.
- Young consumers: Recent indicators show consumption spending increasing among 20 and 30 year olds. Young consumers with an on-the-go lifestyle can be drawn to breakfast cereal as a way to save time.

<sup>23</sup> USDA Gains Report, Annual Retail Foods Report – Japan, 2017



- While the country's rapidly aging demographics, the Tokyo area is seeing significant population growth, primarily due to an influx of younger people<sup>24</sup>.

Traditionally, Japanese consumers eat miso soup, rice, grilled fish and pickled vegetables for breakfast. However, traditional breakfast options are gradually being replaced by more convenient alternatives such as cereal due to busier lifestyles. Over 2012-2017, ready-to-eat (RTE) cereal grew a compound annual growth rate of five per cent and reached sales of USD\$692 million in 2017 (view table 26 & 27).

**Table 26 – Japanese Packaged Food Market (Oats) 2012-2017 Historic Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2012 - 2017 CAGR %
Snack Bars	-3.8
Sweet Biscuits	-3.4
Bread	-5.7
Cakes	-6.8
Pastries	-6.1
Hot Cereals	-8.0
RTE Cereals	4.6
Dog & Cat Food	-5.5
Muesli & Granola	23.2

**Table 27 - Japanese Packaged Food Market (Oats) 2012-2017 Historic Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2012	2013	2014	2015	2016	2017
Snack Bars	768.1	636.7	615.8	566.3	652.3	632.3
Sweet Biscuits	4,955.3	4,022.2	4,000.1	3,750.8	4,221.1	4,170.4
Bread	4,861.9	3,984.3	3,737.4	3,286.7	3,672.4	3,621.6
Cakes	14,289.6	11,489.2	10,438.1	9,219.8	10,419.6	10,048.7
Pastries	8,845.9	7,014.9	6,576.5	5,858.6	6,642.6	6,456.9
Hot Cereals	7.0	5.7	5.1	4.4	4.8	4.6
RTE Cereals	552.3	501.6	569.8	629.4	766.6	692.3
Dog & Cat Food	4,624.7	3,795.3	3,601.1	3,182.3	3,566.8	3,485.0
Muesli & Granola	160.7	197.7	308.0	412.2	525.7	456.7

Note, Muesli & Granola are part of the RTE Cereal Segment

In previous years, cereal was seen as an option for kids. However, cereal has become popular with adults. Granola was the main driver for growth in the ready-to-eat cereal segment. Granola is more popular than muesli and cornflakes due to its nutritious and sophisticated image. The growing popularity of granola and fast-paced lives have encouraged many manufacturers to take action on this trend. Over 2012-2017, muesli and granola grew a compound annual growth rate of 23 per cent and reached sales of USD\$457 million in 2017 (view table 27).

Calbee's Frugra brand, in particular, has seen great success. In 2017, Calbee held a 33 per cent market share, other major players included Kellogg's with 32 per cent market share and Nissin Foods with a 17 per cent market share (view table 28). Calbee prices their ready-to-eat cereals between USD\$2.00 - USD\$6.00. While, Kellogg and Nissin Food prices their ready-to-eat cereal between USD\$2.00 – USD\$3.00.

<sup>24</sup> USDA Gains Report, Annual Retail Foods Report – Japan, 2017

**Table 28 – 2017 Major players in the Japanese Packaged Foods Market (Oats)**

Category	Company Name	2017 Market Share %
RTE Cereals	Calbee Foods Co Ltd	33.0
RTE Cereals	Kellogg Co	32.2
RTE Cereals	Nissin Foods Holdings Co Ltd	16.9
RTE Cereals	Nihonshokuhin Ltd	0.2
RTE Cereals	Private Label	3.6
RTE Cereals	Others	14.1
RTE Cereals	Total	100.0

Calbee positioned their cereal as being versatile and good for digestive health. Frugra's granola features local flavours and ingredients to cater to Japanese taste. Calbee mainly targets the family segment but observed its top-selling fruit cereal was stagnating in 2017. Calbee decided to expand its reach to middle-aged consumers, they saw growth potential in a rapidly ageing Japanese society. In 2018, Calbee developed a new promotional strategy, aiming to support a "100-Year Life Society". Calbee promoted having granola for breakfast as an easy way to reduce salt intake. Japanese-style breakfasts are typically high in salt, which can cause high blood pressure, an ongoing concern for middle-aged consumers. Calbee also started a three-year collaborative research with Juntendo University to scientifically verify the health benefits of its Frugra (fruit granola). Its continuous efforts are likely to succeed in expanding customer segments and lead to higher sales.

In 2018, Nissin Foods and Kellogg's changed the packaging of their children's breakfast cereals from a bag-in-box to a stand-up pouch. The stand-up pouch is easier to open without spilling and keeps the cereal fresh for longer. The new packaging has been well received by consumers who value efficiency and ease in their busy lives. The introduction of new packaging and active promotional campaigns boosted sales.

Kellogg's is also transforming its business strategy to go beyond breakfast, introducing new eating occasions, creating the perception cereal can be consumed at any time of day (e.g. snack or dinner). For instance, Kellogg's has collaborated with cafés and offered guilt-free desserts using its healthier products in response to health-conscious female consumers.

Over 2013-2017, 408 new packaged foods have been released using oats as an ingredient. The top five sub-categories were cereal, sweet biscuits/cookies, dry dog food, snack bars and baked goods (view table 29). Sales of ready-to-eat cereals are expected to grow a compound annual growth rate of three per cent and reach USD\$859 million by 2023. Sales of muesli and granola are expected to grow a compound annual growth rate of four per cent USD\$589 million by 2023 (view table 30 & 31).

**Table 29 – Japan new packaged food releases over 2013-2017 using oats as an ingredient**

Japan Top 5 Sub-categories	2013	2014	2015	2016	2017	Total
Cold Cereals	9	13	23	20	29	94
Sweet Biscuits/Cookies	5	21	17	6	15	64
Dog Food Dry	3	22	4	18	1	48
Snack/Cereal/Energy Bars	1	4	12	10	12	39
Cakes, Pastries & Sweet Goods	8	10	10	6	3	37
Other	23	29	25	25	24	126
<b>Total</b>	<b>49</b>	<b>99</b>	<b>91</b>	<b>85</b>	<b>84</b>	<b>408</b>

Continued marketing efforts from large companies positioning their breakfast products as convenient, nutritious, and sophisticated suggest there is projected growth for years to come. Manufacturers should consider introducing limited edition granola in Japan featuring ingredients that are popular during certain seasons. This will tap into consumer interest in new items and desire for domestic interpretation of western dishes.

**Table 30 – Japanese Packaged Food Market (Oats) 2018-2023 Forecasted Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2018 - 2023 CAGR %
Baby Food	0.3
Snack Bars	0.8
Sweet Biscuits	2.3
Bread	1.1
Cakes	0.5
Pastries	1.1
Hot Cereals	0.0
RTE Cereals	3.1
Dog and Cat Food	2.1
Muesli & Granola	3.7

**Table 31 - Japanese Packaged Food Market (Oats) 2018-2023 Forecasted Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2018	2019	2020	2021	2022	2023
Baby Food	946.8	918.8	920.2	929.4	944.3	963.3
Snack Bars	642.4	629.2	633.8	642.6	654.5	668.1
Sweet Biscuits	4,312.8	4,294.2	4,393.1	4,518.3	4,664.0	4,821.1
Bread	3,704.1	3,646.1	3,686.9	3,748.1	3,824.6	3,908.9
Cakes	10,197.3	9,970.1	10,020.8	10,132.9	10,291.9	10,475.7
Pastries	6,642.5	6,554.6	6,635.7	6,747.5	6,882.9	7,029.0
Hot Cereals	4.7	4.5	4.5	4.6	4.6	4.7
RTE Cereals	736.8	747.2	772.9	800.1	829.0	858.7
Dog & Cat Food	3,579.8	3,674.5	3,739.8	3,814.9	3,893.0	3,964.8
Muesli & Granola	490.7	501.6	522.4	543.9	566.3	589.2

Source: Euromonitor & Mintel

The Japanese cereal market is concentrated, however, there are opportunities for Saskatchewan producers through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Currently, Canadian raw and processed oats are subject to a 12 per cent tariff, which will be removed within six and eleven years respectively.

## Singaporean Market

- Singapore is dependent on international trade, over 90 per cent of its food is imported. Affluent Singaporeans are willing to spend more on food and pay premium prices for specific items.
- Singapore is recognised as a trendsetter and an important gateway to the region. Singapore tends to be a strategic entry point for key exporters interested in entering Asian markets<sup>25</sup>.
- Singapore's role in regional trade is demonstrated by the fact that re-exports comprise 45 to 50 per cent of total exports<sup>26</sup>.
- Countries such as the United States and Canada are generally perceived as exporting quality, safe food products that are responsibly produced and harvested<sup>27</sup>.

### Singapore Oat Imports

Singapore imports the majority of its raw and processed oats from Malaysia and Australia (view table 32). However, Singapore imports small amounts of raw oats due to the lack of manufacturing and processing in the market. Malaysia made up 60 per cent of rolled or flaked oat imports while Canada made up 0.07 per cent of rolled or flaked oat imports. In 2017, Singapore imported CAD\$2,040 in raw oats from Canada. Over the same period, Singapore imported 131 tonnes or CAD\$363,832 in processed oats from Canada (view table 32).

**Table 32 - Top Supplier of Processed Rolled or Flaked Oats to Singapore**

Canada was ranked Vietnam's fourth largest supplier of rolled and flaked oats in 2017

Top Supplier	Unit	2015		2016		2017	
HS: 1104.12		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
World	T	4,996,251	6,314	5,281,294	2,788	5,576,125	3,019
Malaysia	T	2,691,842	5,296	2,771,338	1,715	3,314,230	2,015
Australia	T	883,795	495	939,535	459	915,908	469
Canada	T	372,428	148	448,173	162	363,832	131

**Table 33 - Top Supplier of Processed Hulled, Pearled, Sliced or Kibbled Oats to Singapore**

Canada was ranked Vietnam's thirteenth largest supplier of hulled, pearled, sliced or kibbled oats in 2016

Top Supplier	Unit	2015		2016		2017	
HS: 1104.22		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
World	T	285,386	109	374,534	149	317,736	141
Sweden	T	72,628	50	133,476	83	143,445	89
Malaysia	T	94,173	25	102,540	30	72,695	21
Australia	T	52,951	14	51,721	13	62,240	16
Canada	T	0	0	8,184	3	0	0

Source: Global Trade Atlas

<sup>25</sup> AAFC, Market Overview – Singapore, 2017

<sup>26</sup> USDA Gains Report, Annual Retail Foods Report – Singapore, 2017

<sup>27</sup> AAFC, The Food & Beverage Market Sector in Singapore, 2017

## Canadian Oat Export

In 2017, Canada exported two tonnes in raw oats or CAD\$859 from Canada. Most of the oats consumed in Singapore are in a value-added packaged form. Consumption of processed oats products in breakfast cereals, snacks and confectionery are increasing due to the push for healthy food products.

## Oats Feed in Singapore

Horse racing is popular in Singapore. Horses that are imported, exported or transshipped to Singapore are mainly used for racing, polo or equestrian events. The Agri-Food and Veterinary Authority of Singapore (AVA) regulates all import, manufacture, processing and sale of animal feed in Singapore. Popular feed and hay manufactures exporting to Singapore are Bluefrog (UK), German Horse (EU), Bedmax (UK), Standlee (USA), Anderson (USA) and Redmills (UK). Common hay for horses are Timothy, Alfalfa, Oat and Germuda Hay.

## Retail Opportunities for Oats

- In 2015, Singapore imported USD\$40.9 million in breakfast cereals; of which, 26 per cent was sourced from Malaysia and 22 per cent was sourced from the United States.
- Brands such as Kellogg's and Post from the United States dominate in this category, their products are imported directly from the United States or from regional facilities<sup>28</sup>.
- Singapore does not produce breakfast cereals. Imports in the breakfast cereal category are anticipated to grow by six per cent in the next five years.
- In 2017, packaged food sales for baked goods, sweet biscuits and breakfast cereals were valued at USD\$316 million, USD\$128 million and USD\$38 million. Over 2013-2017, baked goods, sweet biscuits and breakfast cereals recorded a compound annual growth rate of two per cent, one per cent and one per cent, respectively.

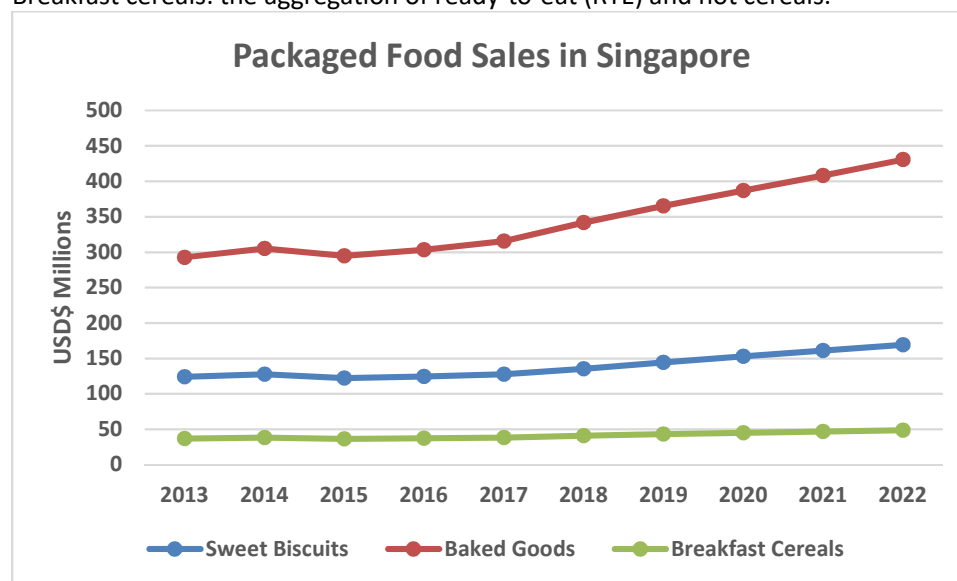
### Graph 10 - Packaged Food Sales in Singapore (USD)

Baked goods: the aggregation of bread, pastries, dessert mixes, frozen baked goods and cakes.

Sweet biscuits: the aggregation of chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and wafers.

Sweet biscuits also include snacks bars and fruit snacks.

Breakfast cereals: the aggregation of ready-to-eat (RTE) and hot cereals.



Source: Euromonitor

<sup>28</sup> Global Trade Atlas, 2016

- By 2022, packaged food sales for baked goods, sweet biscuits and breakfast cereals are forecasted to grow to USD\$431 million, USD\$169 million and USD\$49 million at a compound annual growth rate of six per cent, six per cent and five per cent, respectively over 2018-2022.
- The Singapore government has introduced the “Healthier Choice” symbol on packaged food products to signify healthier product options to consumers. Since the symbol has penetrated Singapore, Euromonitor notes that about 70 per cent of Singaporeans use this symbol to assist them in making healthier food choices, and that food processors are also taking this opportunity to improve their profits by introducing healthier packaged food variants.

## Consumer Trends

- Singapore is one of the wealthiest markets in South East Asia, and is a key location for expatriate families to reside in East Asia.
- Singaporeans are well-traveled and have a modern diet that includes a wide range of foreign concept foods.
- Health consciousness consumers and the need for quick breakfasts drive demand for breakfast cereals.
- Much of the recent population explosion is due to immigration policies, resulting in a high number of wealthy expatriates and foreigners working in Singapore, creating a demand for diverse food products.
- Singapore has a small lower income group.
- E-grocery store consumers: According to iPrice data, the majority of Singaporean online shoppers are aged 25 – 34, also known as millennials, coming in at 38 per cent of the market. Millennials will soon become the largest consumer group in Singapore. They generally make informed buying decisions based on online research, social media and peer recommendations.

## Leading Retailers

- The Singapore’s retail sector is highly developed and competitive, and total sales were USD\$6.0 billion in 2016. The four major categories of retailers are: supermarkets and hypermarkets, convenience retailers, traditional stores and specialty stores.
- The preference is towards modern grocery retailers, such as supermarkets and hypermarkets; such stores offer one-stop shopping for consumers.
- Singapore’s distribution channels for consumer-ready foods are dominated by supermarkets and hypermarkets, and the two leading convenience store chains, i.e. 7-Eleven and Cheers, which are also owned and operated by the two leading supermarket operators, FairPrice Cooperative and Dairy Farm International Holdings.
- Much like the other major markets in the Association of Southeast Asian Nations (ASEAN) region, wet markets are popular in Singapore’s rural areas and even urban neighbourhoods. However, over the last decade households are turning to supermarkets for their food product requirements.
- According to Planet Retail, Singapore’s modern retailers now control up to 60 per cent of the sales of retail packaged food and drinks.

**Table 34 - Major Retailers**

Retailer	Outlet Type	2016 Annual Sales (%)	Outlets
Fairprice (cooperative)	Super, hyper, convenience, and online retailing	34 per cent	285
Dairy Farm International	Super, hyper, convenience, and online retailing	16 per cent	848

Source: USDA Gains Report, Annual Retail Foods Report – Singapore, 2017

### National Trades Union Congress (NTUC) FairPrice Cooperative

- FairPrice Cooperative is the leading grocery retailer with a market share of 34 per cent. National Trades Union Congress has a network comprising 112 Fairprice supermarkets, 16 Finest stores, eight Fairprice Xtra (hypermarkets), 160 Cheers convenience stores and 23 Fairprice Xpress convenience stores.
- Warehouse Club, a first membership-only retail warehouse was launched in 2015 by National Trades Union Congress offering bulk groceries and consumables.
- Competitive pricing is one of the main factors determining whether a new product should be procured for the National Trades Union Congress Fairprice stores. The items are priced ten to fifteen per cent lower than comparable products.
- National Trades Union Congress Fairprice supermarket chain procures its food products from consolidators, distributors and local importers. The National Trades Union Congress Fairprice chain is the most extensive, in terms of consumer reach, geographically, and across all income segments. Importers who require their products to be distributed island-wide and with the focus on the mass market prefer to work with National Trades Union Congress Fairprice.
- The primary target market is low to middle income consumers; National Trades Union Congress also reaches out to the middle income consumers through its Finest stores.

### Dairy Farm International Holdings (DFI)

- The largest supermarket chain in terms of number of stores is the Dairy Farm International Holdings with 126 supermarket stores, comprising of 52 Cold Storage Supermarket retail stores, nine Premier Market Place stores, five Specialty stores, 27 Giant Express, 25 Giant Supermarkets and eight hypermarkets.
- Dairy Farm International Holdings operates 7-eleven convenience stores and the 152 Guardian Pharmacy outlets.
- Dairy Farm International Holdings procures its food products from consolidators, distributors and local importers as well as sources directly from supplier countries to eliminate middlemen and pass along savings to customers.
- A large percentage of products on their shelves are western-type products from Europe, Australia, New Zealand and the United States found in their marketplaces in upper middle-income residential areas. Customers close to outlets are principally expatriates and upper middle-income residents.
- The items are, on average, priced 10 to 15 per cent lower than comparable products.
- Dairy Farm International Holdings targets each consumer segment from the high income consumers to discounts stores with their different store formats.
  - The Cold Storage Supermarket stores which cater to the middle to upper income group.
  - The Market Places and Jason's Gourmet Grocer Specialty stores focus on high and upper middle income consumers.
  - The Giant brand targets the lower income segment and or the budget conscious customers.

### E-Grocery Stores

- According to Euromonitor, internet retailing in Singapore is growing with forecast sales of USD\$1.0 billion in 2016 to USD\$2.0 billion by year 2020, and an estimated ten per cent of internet retail sales are expected to come from online grocers in 2016.
- Online grocery retailing used to be dominated by major supermarket retailers Cold Storage and National Trades Union Congress Fairprice; however, Redmart, a new competitor offers consumers the choice of same day grocery delivery within two hour timeslots. Honestbee is another new competitor.
- In 2017, Amazon's grocery delivery service, Amazon Fresh entered the Singapore Market.

## Retail Challenges in Singapore

- Singaporeans are price sensitive when it comes to buying food products; this is reinforced by imported food price inflation over the past five years, and it provided opportunities for Association of Southeast Asian Nations (ASEAN) - made and Chinese suppliers to increase their market shares at the expense of exporters such as the United States and Australia.
- The rapid pace of development and progress has also dramatically increased the cost of living and doing business in Singapore, and as a result, many consumers are now much more price sensitive when making food purchase decisions.
- The retail market in Singapore is maturing rapidly and there is less room for growth. The physical size of the market also limits the expansion of retailers who have to deal with increasing product variety but shrinking shelf space in their stores.
- The retail market is highly competitive and not easy to penetrate. Poorly differentiated products that are not well supported with marketing activities face challenges in gaining market presence.
- Singapore importers, retailers and end consumers work in a way that closely meets specific requirements and expectations such as on order sizes, packaging and formats, taste, pricing that “fits” the market and need for promotional support. This could potentially be a challenge to Canadian exporters.
- Many agri-food exporters have logistical challenges in exporting to a smaller market like Singapore and often need to consolidate their shipments to achieve economies of scale and to gradually build a critical mass of products to be commercially viable<sup>29</sup>.

## Breakfast Cereal Market in Singapore

As Singaporeans become more health-conscious, the consumption of healthier foods containing whole grain, fortified or organic ingredients is rising. The interest in whole grain products drives the demand for oats, muesli and granola, which are perceived to be high in fibre and benefit the digestive system. Influences from western trends are creating more interest in cereal as a breakfast option. Major Manufacturers such as Nestle, Kellogg’s and Quaker have released new cereals and snacks made with oats, granola, nuts, chocolate or dried fruit.

Most Singaporeans perceive cereals to be high in sugar and unhealthy, however, the popularity of local dishes like butter cereal prawn has pushed consumers to try unconventional cereal dishes. The combination of cereal with other healthy ingredients have inspired consumers to create their own unique breakfast bowls. To further heighten interest, manufacturers are suggesting a wider variety of recipes that incorporate cereals. For instance, Kellogg Asia has encouraged anytime consumption of breakfast cereals. Kellogg’s also features recipes on social media using their breakfast cereal in a variety of dishes such as cookies and fish balls. Over 2012-2017, ready-to-eat (RTE) cereals grew a compound annual growth rate of two per cent and reached USD\$30 million (view table 35 & 36). Within 2013-2017, 59 new ready-to-eat cereals were released using oats as an ingredient (view table 37).

<sup>29</sup> AAFC, The Food & Beverage Market Sector in Singapore, 2017



**Table 35 – Singapore Packaged Food Market (Oats) 2012-2017 Historic Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2012 - 2017 CAGR %
Snack Bars	1.5
Sweet Biscuits	1.5
Bread	1.8
Cakes	3.5
Pastries	3.4
Hot Cereals	1.2
RTE Cereals	1.5
Muesli & Granola	2.1

**Table 36 – Singapore Packaged Food Market (Oats) 2012-2017 Historic Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2012	2013	2014	2015	2016	2017
Snack Bars	8.8	9.3	9.7	9.4	9.5	9.5
Sweet Biscuits	118.4	123.9	127.8	122.3	124.5	127.6
Bread	181.0	187.4	194.7	186.8	191.3	197.9
Cakes	52.6	55.4	58.2	56.8	59.3	62.4
Pastries	42.9	45.1	47.5	46.6	48.3	50.6
Hot Cereals	7.9	8.2	8.5	8.0	8.2	8.4
RTE Cereals	27.8	28.8	29.7	28.5	29.1	29.9
Muesli & Granola	6.3	6.5	6.7	6.5	6.7	7.0

Note, Muesli & Granola are part of the RTE Cereal Segment

A busy and health-conscious population has created more breakfast opportunities, consumers are turning to snack bars and instant oatmeal. Over 2012-2017, snack bars grew a compound annual growth rate of two per cent and reached sales of USD\$10 million in 2017 (view table 35 & 36). Over the same period, hot cereals grew a compound annual growth rate of one per cent and reached sales of USD\$8.0 million in 2017. Within 2013-2017, 105 new snack bars were released using oats as an ingredient. While 28 new hot cereals were released using oats as an ingredient (view table 37). With the new releases, manufacturers are providing convenience alternatives through smaller and on the go packaging. Quaker has released several different oatmeal selections such as apple and cranberries, and honey and almond variants. Manufactures have elevated their product health profiles through the addition of fruits or nuts, reduced sugar content or fortification. Hectic lifestyles and a need for nutrition will continue to drive innovation in breakfast cereals.

**Table 37 – Singapore new packaged food releases over 2013-2017 using oats as an ingredient**

Singapore Top 5 Sub-categories	2013	2014	2015	2016	2017	Total
Snack/Cereal/Energy Bars	22	23	18	15	27	105
Sweet Biscuits/Cookies	12	15	15	15	20	77
Cold Cereals	7	15	12	19	6	59
Hot Cereals	1	5	9	3	10	28
Cakes, Pastries & Sweet Goods	2	6	3	2	1	14
Other	15	19	30	16	27	107
<b>Total</b>	<b>59</b>	<b>83</b>	<b>87</b>	<b>70</b>	<b>91</b>	<b>390</b>

International players, such as Nestle Singapore are expected to continue to lead retail sales in breakfast cereals. In 2017, they held a market share of 37 per cent. Nestlé prices their ready-to-eat cereal between two and eight dollars. Nestlé Singapore benefits from active marketing strategies and constant promotional activities. Nestlé's brands have a long presence in Singapore households. Koko Krunch, Honey Stars and Milo are household brands and constantly consumed in children's facilities, such as nurseries. The next leading competitors are Post Holdings with 30 per cent market share and Kellogg's with a 22 per cent market share (view table 38). The top claims on ready-to-eat cereals are whole grain (86 per cent), eco-friendly packaging (71 per cent) and no additives or preservatives (71 per cent).

**Table 38 – 2017 Major players in the Singapore Packaged Foods Market (Oats)**

Category	Company Name	2017 Market Share %
RTE Cereals	Cereal Partners Worldwide (Nestle)	37.0
RTE Cereals	Post Holdings Inc	29.8
RTE Cereals	Kellogg Co	21.8
RTE Cereals	Nature's Path Foods Inc	1.4
RTE Cereals	PepsiCo Inc	1.0
RTE Cereals	Private Label	0.3
RTE Cereals	Others	8.6
RTE Cereals	Total	100.0

International manufacturers are constantly engaged in research and development of new products, they are in the best position to introduce a greater variety of products and variants. Ready-to-eat cereals are forecasted (2018-2023) to grow a compound annual growth rate of four per cent and reach sales of USD\$40 million by 2023. Over the same period, hot cereals are expected to grow a compound annual growth rate of four per cent and reach sales of USD\$11 million by 2023. Lastly, snack bars are expected to grow a compound annual growth rate of nine per cent and reach sales of USD\$15 million by 2023 (view table 39 & 40). The Singapore ready-to-eat cereal market is concentrated. However, Canada has a good reputation for food safety, which supports brand awareness and confidence in Canadian products.

**Table 39 – Singapore Packaged Food Market (Oats) 2018-2023 Forecasted Per Cent Growth**

CAGR is the compound annual growth rate.

Category	2018 - 2023 CAGR %
Snack Bars	8.7
Sweet Biscuits	5.5
Bread	4.9
Cakes	8.1
Pastries	7.0
Hot Cereals	4.1
RTE Cereals	4.4
Muesli & Granola	6.4

**Table 40 - Singapore Packaged Food Market (Oats) 2018-2023 Forecasted Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2018	2019	2020	2021	2022	2023
Snack Bars	10.2	11.1	12.0	13.0	14.1	15.4
Sweet Biscuits	135.5	144.5	153.0	161.1	169.2	177.3
Bread	213.0	225.7	236.9	247.5	258.6	270.4
Cakes	68.6	74.7	80.7	86.9	93.6	101.1
Pastries	55.3	59.6	63.7	67.9	72.5	77.6
Hot Cereals	8.9	9.4	9.8	10.2	10.5	10.9
RTE Cereals	32.0	33.8	35.3	36.7	38.1	39.6
Muesli & Granola	7.6	8.1	8.7	9.2	9.7	10.3

Source: Euromonitor & Mintel

All processed oat products including oatmeal and rolled oats in Singapore are being imported, mainly from Australia, United States, Canada, Malaysia, China, Ireland, New Zealand, and Taiwan. The products are distributed through major local channels. National Trades Union Congress FairPrice Co-operative is the largest grocery store chain in Singapore and operates 100 superstores across the island and an online shopping platform (<https://www.fairprice.com.sg>). Currently, there are 65 oat food products listed on the FairPrice market, including 20 products with organic oats. The top claims on hot cereals were microwavable (100 per cent), heart health (100 per cent), and eco-friendly packaging (75 per cent). The dominant brand is Quaker, supplying instant and quick cook oatmeal priced between USD\$2.00 – USD\$9.00. Other brands include Captain Oats, Kellogg's, Cow Head, Anzen, and Stoked Oats. The latter three brands are labelled as a product of Canada.



Opportunities for Canada are in the form of value-added confectionery and snacks that have oats as the main ingredient, and the best channel would be for the suppliers to either approach the retailers directly or go through a distributor (Canada Trade Commissioner Services, 2018).

Currently, Singapore has a zero tariff on oat exports. Once the Comprehensive and Progressive Pacific Trans-Partnership enters force, we do not expect to see any additional growth in oats other than from market factors. The Comprehensive and Progressive Trans-Pacific Partnership will complement Singapore's existing bilateral free trade agreements, and further, strengthen trade among countries in the Asia-Pacific.

## Vietnamese Market

- The Vietnamese packaged food market continues to grow and is expected to reach a value of US\$12.9 billion by 2020.<sup>30</sup>
- With growing disposable incomes, Vietnamese consumers are seeking products that offer convenience.
- Top packaged food companies in Vietnam include Vietnam Dairy Products JSC (Vinamilk), Masan Group and Royal Friesland Campina.
- Food processing is another sector experiencing rapid growth partially due to foreign investments and favourable tax policies for those investors<sup>31</sup>.

### Vietnam Oat Imports

Vietnam imports the majority of its cereal grains including processed oats from Malaysia and Australia (view table 41). Vietnam imports virtually no raw oats; very little manufacturing or processing is done in the market for this commodity.

**Table 41 – Top Suppliers of processed *cereal grains* to Vietnam**

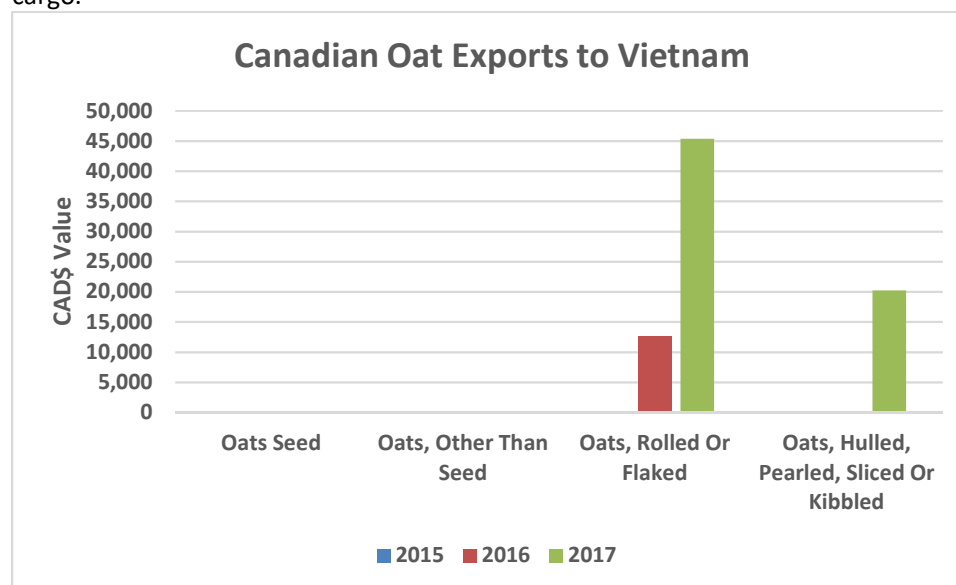
Note, no data on global quantity and unable to further segment down to processed oats

Top Suppliers	CAD\$ Value - Annual Year		
	2015	2016	2017
World	1,119,935	1,783,159	2,088,956
Malaysia	589,000	771,775	724,119
Australia	96,637	361,397	601,005
United States	165,475	394,492	532,168
Canada	9,267	31,771	72,809

Source: Trade Map

### Graph 11– Canadian Oat Exports to Vietnam

Note, imports and exports do not equal due to reporting differences due to dates, exchange rate, re-export or diverted cargo.



In 2017, Canada exported CAD\$66 thousand or 95 tonnes in processed oats to Vietnam and no raw oats.

<sup>30</sup> Vietnam Overview, Agri-Food Canada, 2016

<sup>31</sup> Vietnam Food Processing Industry, Food Navigator, 2019

**Table 42 – Canadian Oat Exports to Vietnam**

Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1104.12	Oats, Rolled Or Flaked	0	12,699	45,353	0	16	69
1104.22	Oats, Hulled, Pearled, Sliced Or Kibbled	0	0	20,194	0	0	26
1104	Total Processed Oats	0	12,699	65,547	0	16	95

Source: Global Trade Atlas

## Oat Feed in Vietnam

According to the Canadian Trade Commission Service in Vietnam, there is a heavy dependence on feed ingredient imports for their sizable livestock industry. However, the cattle industry is struggling to further expand due to the hot weather conditions and lack of grazing areas. According to the Vietnam Animal Husbandry Association, the number of cows and buffaloes raised in Vietnam has dropped to five million in 2017 from nearly seven million in 2006. Despite lower cattle numbers, there is a rising demand for beef and dairy products. Vietnam should take advantage of this opportunity by importing high quality breeding stock, accelerate animal feed production, and adopt new production technology. Cattle in Vietnam are mainly fed soybean and corn feed, but oats can be used in feed for cows. Most medium to large scale farmers usually use industrial feed to raise cows, while small farms make their own feed. During the winter, oat forage is an important resource for cows in Northern Vietnam as it allows higher milk yields while reducing feed cost, compared to traditional roughage diets. By developing each stage of the production chain, from feed production to breeding and slaughtering, Vietnam could cut its reliance on imported beef.

## Food Processing

- The Vietnamese food processing industry has been growing at seven per cent over the last five years;
- Progress in food technology, marketing innovations, growing domestic demand, and exports of processed food have contributed to Vietnam's increasing demand for food ingredients.
- Food processors in Vietnam use locally produced and imported food ingredients for their inputs.
- Large processors tend to directly import specific ingredients, such as wheat flour, milk powder, and malt. Processors usually purchase minor ingredients, additives, flavours, or preservatives through importers or distributors.<sup>32</sup>
- Leading multinationals have established food processing operations in Vietnam, and are able to offer a range of western-style products at reasonable prices;<sup>33</sup>

**Table 43 – Major Food Processing and Food Ingredient Trading Companies**

Confectionary Products and Breakfast Cereals	Website
Mondelez Kinh Do Vietnam	<a href="http://www.kinhdo.vn/">http://www.kinhdo.vn/</a>
Nestlé Vietnam Ltd.	<a href="http://www.nestle.com.vn/">http://www.nestle.com.vn/</a>
Bibica Joint Stock Company (Bibica)	<a href="http://www.bibica.com.vn/">http://www.bibica.com.vn/</a>
Orion Food Vina Food Co., Ltd.	<a href="http://www.haihaco.com.vn/">http://www.haihaco.com.vn/</a>
Hai Ha Confectionery Jsc. (Hahaco)	<a href="http://www.haihaco.com.vn/">http://www.haihaco.com.vn/</a>
Trang An Confectionery Company	<a href="http://www.trangan.com.vn/">http://www.trangan.com.vn/</a>

Source: USDA

<sup>32</sup> Food Processing Ingredients Vietnam, USDA, 2018<sup>33</sup> Food Processing Ingredients Vietnam, USDA, 2018

## Retail Opportunities for Oats

- In 2016, global breakfast cereal exports to Vietnam was USD\$9.1 million.
- In 2017, packaged food sales for baked goods, sweet biscuits and breakfast cereals were valued at USD\$793 million, USD\$345 million and USD\$7.0 million. Over 2013-2017, baked goods, sweet biscuits and breakfast cereals recorded a compound annual growth rate of eight per cent, eight per cent and 13 per cent, respectively.

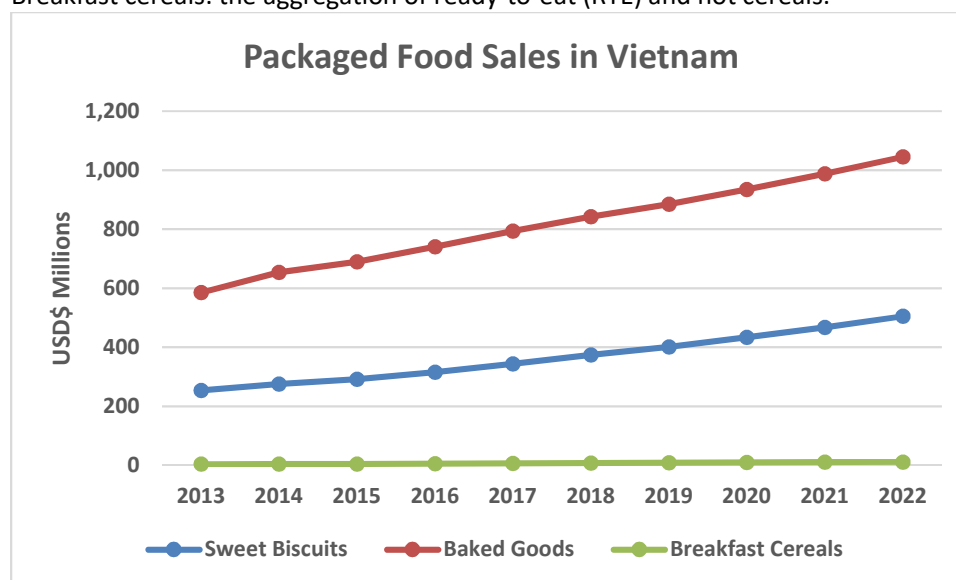
### Graph 12 - Packaged Food Sales in Vietnam (USD)

Baked goods: the aggregation of bread, pastries, dessert mixes, frozen baked goods and cakes.

Sweet biscuits: the aggregation of chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and wafers.

Sweet biscuits also include snacks bars and fruit snacks.

Breakfast cereals: the aggregation of ready-to-eat (RTE) and hot cereals.



Source: Euromonitor

- By 2022, packaged food sales for baked goods, sweet biscuits and breakfast cereals are forecasted to grow to USD\$1.0 billion, USD\$505 million and USD\$12 million at a compound annual growth rate of six per cent, eight per cent and 10 per cent, respectively over 2018-2022.
- Strong economic growth, benefits from free trade agreements, a growing middle class, rapid urbanization, and concerns about food safety are major factors fueling the retail food sector.

## Consumer Trends

- Demand for packaged food products is increasing in response to busier lifestyles and exposure to Western culture, as well as the perception of packaged food being safer.
- Consumers increasingly require traceability and production information.
- Retail sales of sweet biscuits, snack bars, and fruit snacks continue to rise due to increasing consumer demand for these products as gifts.
- Demand for sugar-free and diet biscuits remain insignificant, instead, there has been a rise for fruit snacks.
- Vietnam remains a price-sensitive market, but more consumers are willing to pay higher for quality products, especially imported products.

## Retailers & Distribution

- Vietnam's modern retail food sector is dominated by small traditional traders;
- Modern retail channels are expanding and competition in that sector is growing;
- Modern retail food chains have gradually enlarged their market share by expanding their distribution networks in first tier cities (Hanoi and Ho Chi Minh City), second tier cities and provinces across the country.
- New players continue to invest in the Vietnamese retail food sector to take advantage of the growing market.
- Sales of packaged food in modern channels such as convenience stores, supermarkets, and hypermarkets are increasing.
- Sales of packaged food to foodservice channels has also been rising due to the booming number of fast food chains, restaurants, cafes, bars, and pubs.

**Table 44 – Top Hyper and Supermarket Chains**

Retailer	Outlet Type	Outlet # (2018)
Aeon Mega Mart	Hypermarkets	6
Aeon Fivimart	Supermarkets	23
Aeon Citimart	Supermarkets	29
Auchan	Supermarkets	20
Big C	Hypermarkets & Supermarkets	35
Co.Opmart	Supermarkets	96
K-Mart	Supermarket	60
Lotte Mart	Supermarket	14
MM Mega Mart	Wholesales stores	19
Vincom	Department stores	54
Vinmart	Supermarkets	63

**Table 45 – Top Convenience Stores**

Convenience Store	Outlet # (2018)
7-Eleven	18
Annam Gourmet	5
Bach Hoa Xanh	384
B's Mart	168
Circle K	278
Co-opFood	210
Co-op Smile	76
Family Mart	120
Foodcomart	38
Hapromart	20
Ministop	120
Qmart+	7
Satrafood	180
Shop & Go	121
Vinmart +	812

## Retail Challenges

- Exporters face competition from other countries who have a free trade agreement with Vietnam;
- Competition between imported and locally produced consumer-oriented products is growing through free trade agreements.
- Vietnam's food retail sector is experiencing an inflow of capital from other Asian countries such as Thailand, Japan, and South Korea. This has resulted in the proliferation of Asian-branded products on the shelves of food retail outlets across Vietnam.<sup>34</sup>

## Resources

According to the Vietnam Trade Commission service, exporters should be aware that:

- Processed and pre-packaged food and beverage require pre-import registration of brands.
- New feed additives or complete feed mix subject to long approval process.

Challenges include:

- Complex import regulations;
- Vietnam increased focus on food import control is leading to the introduction of new regulations;
- Lack of clarity and transparency in product inspections;
- Consumers are price sensitive. Other competitors of quality food benefit from zero or lower tariff rates.

Please find below general food labelling requirements that apply for processed oats:

- Mandatory contents on labels:
  - Name of products;
  - Name and address of the organization responsible for the product;
  - Origin of products;
  - Other mandatory contents including weight, date of manufacture, date of expiry, ingredients, instruction for use/storage, information on genetically modified content or irradiation if any.
- Language: mandatory information must be written in Vietnamese (as original labels or as supplementary labels affixed on packages).

## Breakfast Cereal Market in Vietnam

Breakfast cereals are not traditionally consumed by Vietnamese consumers. Breakfast cereals entered Vietnam through foreign visitors and Vietnamese people who previously lived abroad. Traditional breakfast options range from Vietnamese style subs (banh mi), rice or soups, which are very different from breakfast cereals. Vietnamese consumers perceive Western lifestyles as signifying affluence and success. As more consumers pursue western lifestyles, we can expect the consumption of Western cuisine such as breakfast cereals to grow. Banh mi is an example of how a Western food item gradually became part of Vietnamese cuisine. Banh mi was introduced by the French and was customized to suit the local taste preferences of consumers.

Similarly, consumer education and product customization will be important for breakfast cereals to succeed over the forecast period, and manufacturers are expected to combine flavour and taste innovations within breakfast cereals. Over 2012-2017, ready-to-eat (RTE) cereals grew a compound annual growth rate of 15 per cent and reached sales of USD\$7.0 million by 2017. Over the same period, children's breakfast cereals grew a compound annual growth rate of 18 per cent and reached sales of USD\$5.0 million by 2017 (view table 46 and 47).

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<sup>34</sup> Retail Foods Vietnam, USDA, 2018



**Table 46 – Vietnamese Packaged Food Market (Oats) 2012-2017 Historic Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2012 - 2017 CAGR %
Baby Food	9.4
Sweet Biscuits	8.4
RTE Cereals	14.8
Children's Breakfast Cereals	18.2
Muesli & Granola	10.7

**Table 47 - Vietnamese Packaged Food Market (Oats) 2012-2017 Historic Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2012	2013	2014	2015	2016	2017
Baby Food	914.9	1,109.8	1,287.7	1,333.6	1,393.0	1,434.4
Sweet Biscuits	230.0	254.2	276.2	291.7	315.5	344.5
RTE Cereals	3.5	4.2	4.8	5.2	6.1	7.0
Children's Breakfast Cereals	2.1	2.7	3.1	3.5	4.2	4.9
Muesli & Granola	0.1	0.1	0.1	0.2	0.2	0.2

Note, Muesli & Granola are part of the RTE Cereal Segment and there was no information available for hot cereals

Over 2013-2017, 29 new ready-to-eat cereals using oats as an ingredient was released (view table 48). Children's breakfast cereals accounted for the majority of sales in the ready-to-eat cereal segment. The category of children's breakfast cereals offers a wide range of products and packaging. Claims of nutritional value and fortified ingredients for child development can be found on the packaging to influence parental purchasing decisions.

**Table 48 – Vietnam new packaged food releases over 2013-2017 using oats as an ingredient**

Vietnam Top 5 Sub-categories	2013	2014	2015	2016	2017	Total
Sweet Biscuits/Cookies	2	5	13	15	15	50
Hot Cereals	4	11	9	17	7	48
Cold Cereals	8	5	1	6	9	29
Baby Cereals	18	1	6	0	0	25
Malt & Other Hot Beverages	3	1	6	4	4	18
Other	20	13	10	16	24	83
<b>Total</b>	<b>55</b>	<b>36</b>	<b>45</b>	<b>58</b>	<b>59</b>	<b>253</b>

In 2017, the breakfast cereal market was concentrated with only international players. Kellogg's held 47 per cent of market share, following closely was Nestle with 42 per cent market share (view table 49). Kellogg's prices their ready-to-eat- cereal between USD\$0.50 cents – USD\$5.00. Nestle prices their ready-to-eat cereals between USD\$1.00 - USD\$4.00. The top claims on ready-to-eat cereals were ease of use (75 per cent), whole grain (58 per cent) and high in fibre (50 per cent). Kellogg's successfully maintained its leading position across all categories. Kellogg's' offers a wide range of products and its brands perform well in children and family breakfast cereals. Kellogg distribution network is widespread and growing, with its products available in most convenience stores and supermarkets across the country.

**Table 49 – 2017 Major players in the Vietnamese Packaged Foods Market (Oats)**

Category	Company Name	2017 Market Share %
RTE Cereals	Kellogg Co	46.3
RTE Cereals	Cereal Partners Worldwide (Nestle)	42.4
RTE Cereals	Others	11.3
RTE Cereals	Total	100.0

Traditional retailers are the more popular option for packaged foods sold. Modern retailers also play a significant role in breakfast cereals. The target consumer group for manufacturers of breakfast cereals is middle to high-income Vietnamese who are exposed to Western lifestyles and trends. Modern retailers are usually located in shopping centres, which allows manufacturers to advertise effectively as both the end consumer and decision maker are likely to visit these stores. The modern retailing channel is growing quickly in Vietnam, with retailers such as Big C supermarkets, AEON supermarkets, 7-eleven, and GS25 entering the country in recent years.

With the expansion of modern trade channels, the popularity of breakfast cereals amongst the more affluent is set to grow over the forecast period. Vietnamese consumers believe that products sold via modern retailers are of better quality, which is important given the increasing focus on food safety.

Over 2018-2023, ready-to-eat cereals (RTE) are expected to grow a compound annual growth rate of ten per cent and reach sales of USD\$13 million by 2023. Over the same period, children cereal is expected to grow a compound annual growth rate of 11 per cent and reach sales of USD\$10 million by 2023 (view table 50 and 51). Manufacturers are expected to invest more in children cereals, before moving on to generalized breakfast cereals for families as consumers become more accustomed to consuming breakfast cereals.

**Table 50 – Vietnamese Packaged Food Market (Oats) 2018-2023 Forecasted Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2018 - 2023 CAGR %
Baby Food	2.4
Sweet Biscuits	7.8
RTE Cereals	9.7
Children's Breakfast Cereals	11.0
Muesli & Granola	7.2

**Table 51 - Vietnamese Packaged Food Market (Oats) 2018-2023 Forecasted Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2018	2019	2020	2021	2022	2023
Baby Food	1,484.9	1,515.7	1,554.6	1,593.6	1,632.5	1,672.3
Sweet Biscuits	374.7	401.8	433.6	467.9	505.1	545.2
RTE Cereals	7.9	8.8	9.7	10.7	11.6	12.6
Children's Breakfast Cereals	5.8	6.5	7.3	8.1	8.9	9.7
Muesli & Granola	0.2	0.2	0.2	0.2	0.3	0.3

Source: Euromonitor & Mintel

Currently, Vietnam has a 20 per cent tariff on processed oats and will be eliminated to zero over four years as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) is now in force. The CPTPP will assist Canada in securing a more competitive position against Australia who is Vietnam's main source of imported oats.

However, Saskatchewan export opportunities to Vietnam might be limited due to non-tariff barriers. A common Canadian weed, also known as Canadian Thistle or Creeping Thistle is prohibited in Vietnam. Canadian Thistle has recently been found in wheat and pea shipments. It is not commercially practical to guarantee shipments “free from” for something as common as Canada Thistle.

On November 13th, 2018, Canadian officials participated in a video conference call with Vietnam's Plant Protection Department (PPD) to continue the dialogue on Canadian shipments affected by thistle. During this meeting, Vietnam Plant Protection confirmed its intention to reject any shipments found affected with creeping thistle, regardless of their country of origin, as early as January 1, 2019.

Since May 2018, Vietnam's Plant Protection Department has intercepted more than 150,000 metric tonnes of Canadian wheat affected with thistle. Although to date, the presence of this pest has been detected in Canadian wheat and peas only, Vietnam Plant Protection confirmed they will continue to closely monitor all shipments of grains and oilseeds, including Canadian soybeans. Should there not be any improvement in the level of detections, Vietnam Plant Protection did not rule out the possibility of suspending grain imports from Canada.

## Malaysian Market

- The Malaysian bakery & cereals sector was valued at USD\$968 million in 2017 and is forecasted to grow to USD\$1.3 billion by 2022, at a compound annual growth rate of four per cent.
- The consumption of bakery & cereals is higher among males than females. Furthermore, kids and babies (0-15 years) accounted for the highest consumption of bakery & cereals with 33 per cent volume share in 2016.<sup>35</sup>
- Health and wellness claims such as “naturally healthy” and “general wellbeing” are the most sought attributes in the Malaysian bakery & cereals sector during 2017–2022.

### Malaysia Oat Imports

In 2017, Malaysia imported CAD\$8.6 million or 27,000 tonnes of raw oats. 99 per cent of raw oats came from Australia. Furthermore, Malaysia imports the majority of its processed oats from Australia and the United Kingdom. In 2017, Australia made up 82 per cent of rolled or flaked oat imports while Canada made up 34 per cent. Malaysia imported CAD\$743,564 or 684 tonnes in rolled or flaked oats and no raw oats from Canada (view table 52)

**Table 52 – Top Supplier of Rolled or Flaked Oats to Malaysia**

Canada was ranked Malaysia’s third largest supplier of rolled and flaked oats in 2017

Top Supplier	Unit	2015		2016		2017	
HS Code: 1104.12		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
World	T	18,173,665	20,570	21,709,145	23,070	22,101,713	23,222
Australia	T	14,033,402	16,015	16,706,217	17,998	18,124,502	19,069
United Kingdom	T	1,229,713	1,575	2,328,667	2,773	1,278,839	1,702
Canada	T	462,172	454	525,323	470	743,564	684

**Table 53 – Top Supplier of Hulled, Pearled, Sliced or Kibbled Oats to Malaysia**

Canada was ranked Malaysia’s seventh largest supplier of hulled, pearled, sliced or kibbled oats in 2016

Top Supplier	Unit	2015		2016		2017	
HS Code: 1104.22		CAD\$	Quantity	CAD\$	Quantity	CAD\$	Quantity
World	T	1,777,820	1,386	1,429,433	456	2,421,607	663
Taiwan	T	1,371,438	1,087	1,177,661	240	1,907,413	436
United States	T	32,310	26	79,709	118	336,815	159
Finland	T	77,532	54	42,458	27	70,636	43
Australia	T	55,143	36	23,523	11	63,529	10
Canada	T	99,433	58	94,870	52	0	0

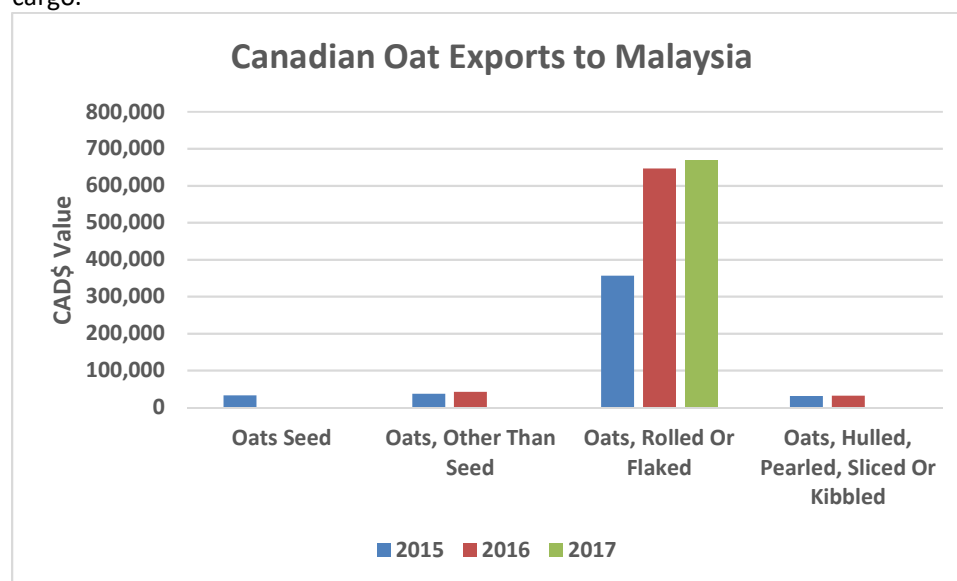
Source: Global Trade Atlas

<sup>35</sup> Global Data, Country Profile: Bakery & Cereals in Malaysia, 2018

## Canadian Oat Exports to Malaysia

### Graph 13 & Table 54 – Canadian Oat Exports to Malaysia

Note, imports and exports do not equal due to reporting differences due to dates, exchange rate, re-export or diverted cargo.



In 2017, Canada exported CAD\$669,270 or 864 tonnes of processed oats to Malaysia and no raw oats.

Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1004.10	Oats Seed	32,507	0	0	70	0	0
1004.90	Oats, Other Than Seed	36,921	42,084	0	90	86	0
1004	Total Raw Oats	69,428	42,084	0	160	86	0

Oat Type		CAD\$ Value			Tonnes		
HS Code	Description	2015	2016	2017	2015	2016	2017
1104.12	Oats, Rolled Or Flaked	356,546	646,410	669,270	449	894	864
1104.22	Oats, Hulled, Pearled, Sliced Or Kibbled	31,139	31,312	0	52	48	0
1104	Total Processed Oats	387,685	677,722	669,270	501	942	864

Source: Global Trade Atlas

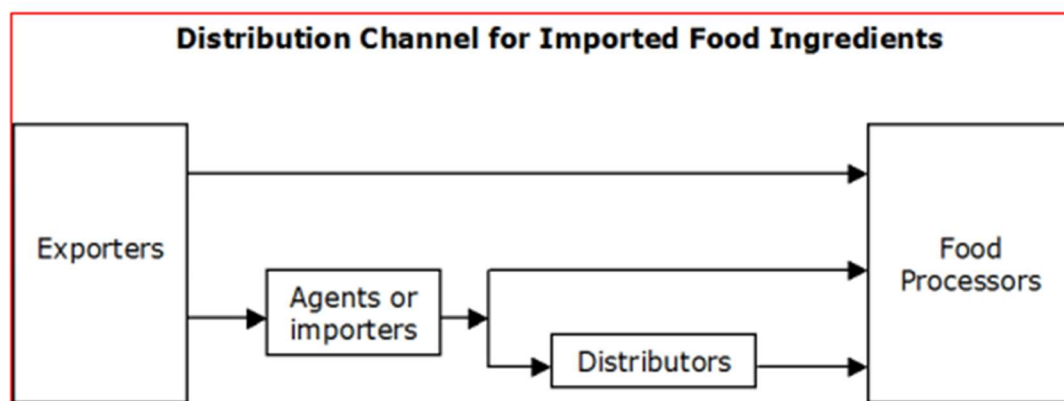
## Oats Feed in Malaysia

Horseracing is popular in Malaysia, most imported horses are for horseracing and equestrian events. Malaysia's main importer and wholesaler of animal feed is Pony Feed Mills (local company), they supply to farmers, retailers and manufacturers. Pony Feedmill offers a comprehensive range of animal feeds such as corn, wheat grain, wheat pollard, soybean meal and much more. Most commercial feeds also include sorghum, oats and barley. Whereas, local feed production uses common ingredients such as rice, bran, copra cake, palm kernel cake, oil palm, sagro, tapioca, and broken rice suit.

## Food Processing

- The Malaysian food processing industry represents 12 per cent of the country's manufacturing output and is growing roughly at three percent per year.<sup>36</sup>
- Several multi-nationals have regional production facilities in and around Kuala Lumpur.
- Key Food manufacturing inputs must be imported, including wheat, soybeans, sugar, dairy products, nuts, dried fruits, and flavorings.

**Table 55 –Distribution Channel for Imported Food Ingredients**



- Raw food materials can be imported directly by the food manufacturer, agents or importers.
- Food products purchased in high volume are imported directly by the food manufacturer.
- Food products purchased in small volume are imported through agents or importers.
  - Importers and agents sell directly to the food manufacturer or through distributors.
  - Distributors are used to supply smaller food manufacturers that are located far away from agents or importers.
- Local producers of raw food materials sell directly to the food manufactures but will use distributors to supply to the smaller food manufacturers.

## Retail Opportunities for Oats

- In 2017, Malaysia imported USD\$734 thousand in processed cereal products from the world.
- In 2017, packaged food sales for baked goods, sweet biscuits and breakfast cereals were valued at USD\$493 million, USD\$118 million and USD\$74 million. Over 2013-2017, baked goods, sweet biscuits and breakfast cereals recorded a compound annual growth rate of negative four per cent, negative two per cent and negative three per cent, respectively.

<sup>36</sup> Food Processing Ingredients Vietnam, USDA, 2018

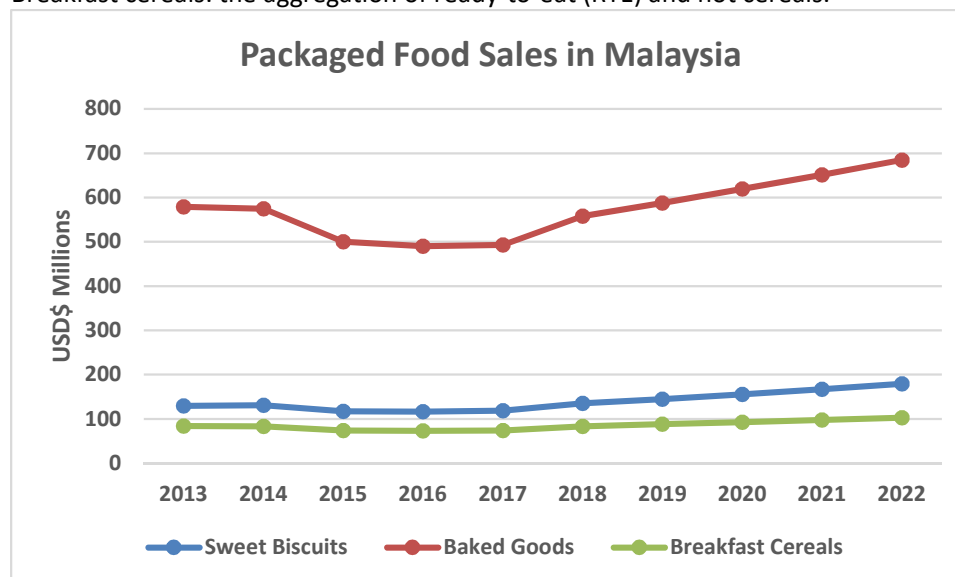
**Graph 14 - Packaged Food Sales in Malaysia (USD)**

Baked goods: the aggregation of bread, pastries, dessert mixes, frozen baked goods and cakes.

Sweet biscuits: the aggregation of chocolate coated biscuits, cookies, filled biscuits, plain biscuits, and wafers.

Sweet biscuits also include snacks bars and fruit snacks.

Breakfast cereals: the aggregation of ready-to-eat (RTE) and hot cereals.



- By 2022, packaged food sales for baked goods, sweet biscuits and breakfast cereals are forecasted to grow to USD\$685 million, USD\$179 million and USD\$103 million at a compound annual growth rate of five per cent, seven per cent and five per cent, respectively over 2018-2022.

### Consumer Trends

- Rising disposable income, modern lifestyles and changes in eating habits, lead to more consumption of imported food and beverages from western countries.
- Healthy and organic products are becoming very popular;
- The growing Malaysian hotel, restaurant and institutional industry, retail and food processing sectors require a wide range of imported food products and ingredients;
- Local and international Muslim tourists look for halal-certified products in establishments.
- Malaysia's young and educated populations frequently enjoy eating out.
- A large number of western-style restaurants and cafés operate in major cities, enabling new-to-market opportunities for western products.

### Retail & Distribution

- 56 per cent of total retail food sales are channeled through traditional stores e.g. provision stores, grocery stores, specialty food stores and other sundry shops.
- Modern stores include supermarkets, hypermarkets and department stores with supermarkets making up 43 per cent of the Malaysian retail food market.
- Modern stores are generally located in the major cities, urban centers and larger towns in Malaysia, where most middle to high-income consumers reside.<sup>37</sup>
- Convenience stores make up about one per cent in the Malaysian retail food market.

<sup>37</sup> Food Processing Ingredients Vietnam, USDA, 2018

**Table 56 – Major Retailers involved with Supermarket and hypermarket Operations**

Retailer Name & Outlet Type	# of Outlets	Location	Purchasing Agent Type
Cold Storage/ Giant/Jason/Mercato	21 Cold Storage supermarkets and 119 Giant hypermarkets	Nation-wide	Direct sourcing preferred with a number of preferred agents
Aeon Big	21 hypermarkets	Major cities	Group sourcing direct from suppliers is preferred
AEON	37 department store, with a significantly large super-market section	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders
Tesco	56 Tesco hypermarkets and Tesco Extra hypermarkets; 9 Tesco Express convenience stores	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders
Jaya Grocer/Hock Choon	22 upmarket supermarkets; also own Hock Choon Super-market that caters to expatriate communities	Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local and overseas suppliers
Sam's Groceria	6 supermarkets	Penang, Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local importers
Village Grocer	13 upmarket supermarkets	Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local and overseas suppliers

Source: USDA

- Online retailing is gaining traction in Malaysia. It is popular among the urban population in big cities such as Kuala Lumpur, Penang and Johor Bahru typically among professional married couples aged 25 to 40 years old.
- In 2014, TESCO allowed its customers to purchase online and have groceries delivered to their doorsteps. Since then, most major retailers have followed suit.
- Online trading websites like Lazada, 11street and MilkADeal offer non-perishable food products.
- Retailers also partner with e-hauling providers such as Uber and Grab Car to offer delivery of seasonal gifts. For example, Jaya Grocer partnered with Uber to offer special delivery of cooked turkey to customers for Thanksgiving and Christmas (2016).

### Retail Challenges

- Malaysia, Australia, New Zealand, France, China, India and other ASEAN countries continue to be strong competitors in the food retail market.<sup>38</sup>
- Importers purchase based on price as consumers are price sensitive.
- Strong local products and brands dominate their markets to the near exclusion of imported products. E.g. chocolates, biscuits and cookies, cereal-based snacks etc.
- Some Western products do not fit into the local food culture, to expand demand, Malaysians need to be educated on the best way to consume or prepare such products and localize taste and packaging size.

### Breakfast Cereal Market in Malaysia

As living costs rise in Malaysia, consumers are increasingly price sensitive and have smaller budgets for food. Breakfast cereals cost more than conventional breakfast options such as fried noodles, rice dishes, and packaged bread. Over 2012-2017, ready-to-eat cereal grew a compound annual growth rate of negative two per cent and reached sales of USD\$54 million in 2017. Over the same period, other oat categories such as snack bars and hot cereals grew a compound annual growth rate of negative two and negative three per cent, and reached sales of USD\$5.0 million and USD\$19 million respectively (view table 57 and 58).

Manufacturers that produce cereal locally were subject to the weakening of the Malaysian Ringgit in 2017 and 2018, as well as the high cost of imported raw materials (grains and oats). Manufacturers were forced to pass on the higher costs to the consumer. The Malaysian Ringgit is expected to strengthen over the forecast period. However, consumers will need to be incentivized to purchase breakfast cereals with aggressive pricing and promotional tactics, especially with the high number of substitutes available.

<sup>38</sup> Food Processing Ingredients Vietnam, USDA, 2018



In addition, the unit selling price for muesli and granola and other ready-to-eat (RTE) cereals are anticipated to increase over the forecast period as most of the brands are imported or are set to incur higher raw material costs for grains and oats globally. Over 2018-2023, ready-to-eat cereal is expected to grow a compound annual growth rate of five per cent and reach sales of USD\$78 million by 2023 (view table 57 and 58).

**Table 57 – Malay Packaged Food Market (Oats) 2012-2017 Historic Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2012 - 2017 CAGR %
Snack Bars	-2.1
Sweet Biscuits	-1.3
Hot Cereals	-3.1
RTE Cereals	-1.9
Muesli & Granola	-3.2

**Table 58 - Malay Packaged Food Market (Oats) 2012-2017 Historic Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2012	2013	2014	2015	2016	2017
Snack Bars	5.2	5.3	5.4	4.8	4.6	4.7
Sweet Biscuits	126.5	129.6	131.2	116.9	116.3	118.3
Hot Cereals	22.7	22.9	22.8	19.8	19.4	19.4
RTE Cereals	59.6	60.6	60.7	53.7	53.4	54.1
Muesli & Granola	0.7	0.7	0.7	0.6	0.6	0.6

Note, Muesli & Granola are part of the RTE Cereal Segment

Over 2013-2017, Malaysia introduced 383 new packaged foods using oats as an ingredient (view table 59). The top claims for ready-to-eat cereals were whole grain (67 per cent), added vitamins or minerals (67 per cent) and added calcium (33 per cent). The top claims for hot cereals were ease of use (75 per cent), wholegrain (75 per cent) and fast (50 per cent). The top claims for snack bars were added or high in protein (50 per cent), added or high in fibre (50 per cent) and added vitamins or minerals (50 per cent). Manufacturers are increasingly diversifying the use of oats into other food categories. Manufacturers are innovating cereal bars aggressively, adding nutrients such as protein and superfoods, reducing or eliminating sugar content, and offering vegetarian and vegan options.

**Table 59 – Malaysia new packaged food releases over 2013-2017 using oats as an ingredient**

Malaysia Top 5 Sub-categories	2013	2014	2015	2016	2017	Total
Sweet Biscuits/Cookies	9	13	21	25	17	85
Snack/Cereal/Energy Bars	6	12	21	16	8	63
Hot Cereals	5	17	6	4	19	51
Cold Cereals	13	7	5	8	16	49
Malt & Other Hot Beverages	6	7	8	6	4	31
Other	23	17	20	30	14	104
<b>Total</b>	<b>62</b>	<b>73</b>	<b>81</b>	<b>89</b>	<b>78</b>	<b>383</b>

Gradually, cereal bars have been replacing breakfast cereals. New oat-related products are expected to threaten the growth of breakfast cereals over the forecast period, especially products that provide greater convenience for on-the-go consumers. Breakfast cereals players are expected to focus on other categories, especially cereal bars as they are more affordable compared to breakfast cereals. Furthermore, consumers are likely to indulge in cereal bars as they

contain, similar ingredients to breakfast cereals. Over 2018-2023, snack bars are expected to grow a compound annual growth rate of seven per cent and reach sales of USD\$8.0 million by 2023 (view table 62 & 63).

In 2017, ready-to-eat breakfast cereal players Kellogg's and Nestle lead the market with 44 per cent market share and 42 per cent market share respectively (view table 60). Kellogg prices their ready-to-eat cereal between USD\$3.00 – USD\$4.00. Nestle prices their ready-to-eat cereal between USD\$1.00 – USD\$5.00. Kellogg's and Nestle compete by catering their products to health-conscious consumers while treating breakfast cereals as an indulgent product. Kellogg Asia uses high-quality whole grains and oats providing high fibre, calcium and protein.

Breakfast cereal manufacturers are expected to improve their products by adding fortified ingredients such as vitamins, collagen and calcium to cater to consumers who are concerned about beauty, bone and joint health. Other natural ingredients such as honey, dried fruits and superfoods are expected to be added into breakfast cereals. In addition, manufacturers are likely to improve their brand image by obtaining a Healthier Choice Logo from the Ministry of Health (Malaysia) to reassure consumers that the new breakfast cereals are safe.

**Table 60 – 2017 Major players in the Malay RTE Cereal Market (Oats)**

Category	Company Name	2017 Market Share %
RTE Cereals	Kellogg Co	44.4
RTE Cereals	Cereal Partners Worldwide (Nestle)	42.2
RTE Cereals	Post Holdings Inc	2.1
RTE Cereals	PepsiCo Inc	1.2
RTE Cereals	Associated British Foods Plc	0.1
RTE Cereals	Others	9.9
RTE Cereals	Total	100.0

**Table 61 – 2017 Major players in the Malay Hot Cereal Market (Oats)**

Category	Company Name	2017 Market Share %
Hot Cereals	PepsiCo Inc (Quaker)	66.4
Hot Cereals	Cereal Partners Worldwide (Nestle)	13.1
Hot Cereals	Federal Oat Mills Malaysia	10.1
Hot Cereals	Private Label	3.5
Hot Cereals	Others	6.8
Hot Cereals	Total	100.0

Domestic player Federal Oats Mills has established themselves in the hot cereals market with a 10 per cent market share in 2017 (view table 61). Federal Oat Mill prices their hot cereals between USD\$1.00 - USD\$3.00. Federal Oat Mills has attracted many loyal consumers, particularly older adults due to their affordable and quality hot cereals. Federal Oat Mills has shifted their marketing efforts to the young generation by organizing various marketing campaigns such as Snap and Win contests through social media and free samples. Federal Oat Mills is also looking to further expand their operations to meet the high demand for hot cereals domestically and internationally.

Domestic players are likely to gradually expand their distribution to internet retailing as breakfast cereals have a long shelf life and consumers increasingly shop for groceries online, given the convenience. In addition, Federal Oats Mills is likely to follow Kellogg Asia, and venture into cereal bars as consumers are increasingly replacing breakfast cereals with this product. Moreover, Quaker improved its hot cereals with added fibre, protein and beta-glucan. Over the forecast period (2018-2023), hot cereals are expected to grow a compound annual growth rate of six per cent and reach sales of

CAD\$29 million by 2023 (view table 62 & 63).

**Table 62 – Malay Packaged Food Market (Oats) 2018-2023 Forecasted Per Cent Growth**

Note, oats are not tracked as a stand-alone category, below are packaged food categories that may contain oats. CAGR is the compound annual growth rate.

Category	2018 - 2023 CAGR %
Snack Bars	7.3
Sweet Biscuits	7.3
Hot Cereals	5.7
RTE Cereals	5.0
Muesli & Granola	4.5

**Table 63 - Malay Packaged Food Market (Oats) 2018-2023 Forecasted Retail Sales**

Note, tables are retail sales, USD millions, year-over-year exchange rates and current prices.

Category	2018	2019	2020	2021	2022	2023
Snack Bars	5.4	5.7	6.2	6.6	7.1	7.6
Sweet Biscuits	135.4	144.9	155.5	167.0	179.3	192.3
Hot Cereals	22.0	23.2	24.5	25.9	27.4	29.0
RTE Cereals	61.4	64.8	68.4	71.9	75.3	78.4
Muesli & Granola	0.7	0.7	0.8	0.8	0.8	0.9

Source: Euromonitor & Mintel

Currently, Malaysia has a zero per cent tariff rate on oats. Once the CPTPP enters force, we do not expect to see any additional growth in oats other than from market factors. Canadian manufactures could expand into internet retailing as cereal products have a stable shelf life.

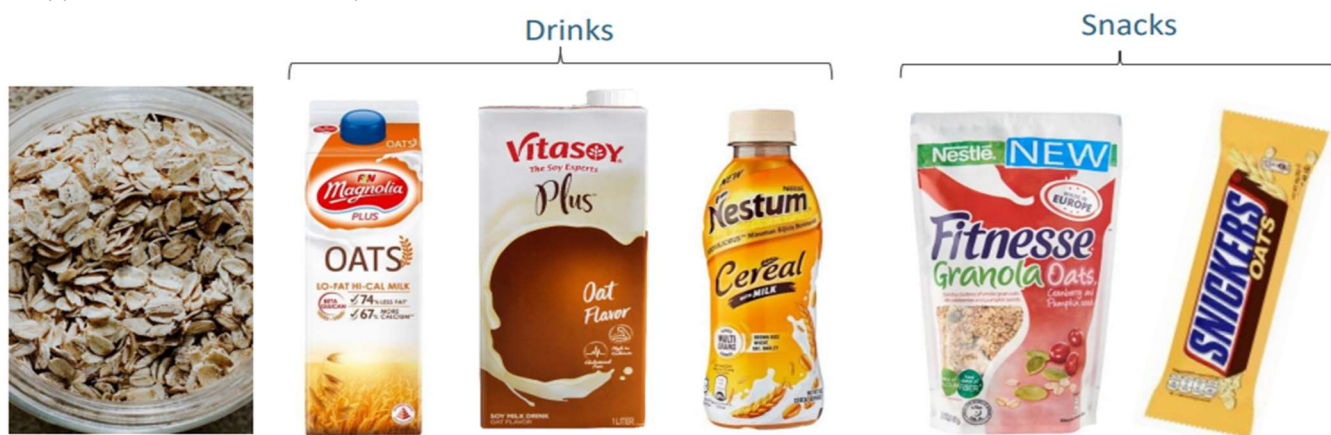
The importation of foods in general (including oats) must comply with the Malaysian Food Act of 1983 and its regulations, especially pertaining to its safety, standards and labelling requirements. Importation clearance is done electronically through the Food Safety Information System of Malaysia (FoSIM), a web-based system which is interfaced with the Customs Information System (CIS/SMK). Additional details related to Malaysian import procedures can be found at the following URL: <http://fsq.moh.gov.my/v6/xs/page.php?id=197>.

Please note, in Malaysia, oats are considered an allergen that can cause hypersensitivity, and must be declared as such, along with cereals containing gluten, nut products, fish, lactose, etc. There are also regulations at play with respect to calculating the nutritional content of protein derived from oats. Here is a guide on labelling requirements in Malaysia: <http://www.mfca.org.my/articles/Information%20on%20Food%20Labeling%20Requirements%20in%20Malaysia.pdf>

## Oat Trends and News

### New Oat Packaged Food Trends

Oat products have expanded beyond the cereal segment. Several brands have released dairy and non-dairy beverages with a thicker consistency to satisfy hunger on any occasion. Non-dairy beverages available in the market are promoted as being smooth. Few non-dairy beverages describe their product as chunky or chewy, which could be an area of opportunity for brands. For instance, Quaker oat drink with granules described their beverage as chewy and delicious. It is a light sweet drink made from whole oats, advertised to aid digestion. Another notable release is the Snickers oats bar, which is advertised as a healthier way to “kill your hunger”. Snicker oats are formulated with oats, peanuts, caramel and nougat, coated with milk chocolate. The new bar has been launched across Asia, including Malaysia, Philippines, South Korea and Japan.



Source: Euromonitor & Mintel

Oat milk starting to grow in Asia as another plant-based alternative to dairy milk. Oat milk is made from soaked steel cut oats or whole groats that have been blended and then strained. Oat milk is a good choice for people who are allergic or intolerant to dairy and/or nuts. Oat milk is creamier and has a sweet taste, it is low in fat, contains vitamins and minerals, boosts immunity and lowers cholesterol.

Oat rice has been gaining popularity with health-conscious consumers in China and Japan. Oat rice is a nutritious replacement to white or brown rice and is high in protein and fiber. Oat rice smells like oats and has a soft oat and rice texture. Oat rice helps to normalize blood sugar, decrease blood cholesterol, reduce the risk of cardiovascular disease and boosts the immune system.



Source: oteliafood.com

## Oat News

Coming June 2019, news publishers, Food Navigator Asia and Nutra Ingredients Asia organized the Health Ageing APAC Summit. The summit focuses on nutrition and food solutions to meet Asia-Pacific's population challenges. The Asia-Pacific region makes up 60 per cent of the world's population of senior citizens (60+ years), the number of seniors is expected to double from 547 million in 2016 to 1.3 billion by 2050. The demand for nutrition and food products suitable for seniors will surge, while younger populations are becoming more health conscious as they age.

Major manufacture speakers from Nestle, Blackmores, Swisse, and Nutri company, as well as academic experts from Singapore's Clinic Nutrition Research Centre and the Japan Anti-Aging Society, will be attending. The event will be held at the Hilton Singapore and will be accompanied by networking opportunities. For more information, please visit <https://www.healthyageingsummit-asiapacific.com/>

## Hay Trends

The current trade standoff between China and the US could have a positive impact for Canadian hay producers. Prior to the trade war, China had an eight per cent tariff on US hay but recently added an additional 25 per cent. China purchases about 1.2 million metric tonnes of American hay per year with alfalfa being the number one import hay. The demand for hay mostly comes from dairies in China. During the summer months' hay trade is often down as China produces their own hay, but relies on the United States in the fall and winter. As the trade war continues, China may look to Canada for hay alternatives. Once Canada is approved to export to China, the market potential is very large for Canadian producers. This could also bring other forage export opportunities to China including Timothy and Oaten hay. Canada produces some of the best hay and processed by-products in the world, with primary forage exports being Timothy and Alfalfa.

Canadian forage exports were valued at CAD\$360.8 million in 2017. Continued expansion into markets like China, Japan, Malaysia, Vietnam and Singapore will provide additional market opportunities for Canadian farmers. Japan is regarded as a stable and mature market, possible challenges are declining beef and dairy cow numbers. Whereas, China and Vietnam are driven by the demand for beef and dairy products. Possible challenges for China is the consolidation of its dairy industry. Possible challenges for Vietnam is they are working towards being more self-reliant. Malaysia is also working towards being self-reliant, the Malaysian government provides funding for companies to purchase cattle and equipment to increase the production and quality of milk and meat. Possible challenges for Malaysia - farmers are producing their own in-house ruminant feeds for their cattle or selling it as supply to other breeders. However, Malaysia will continue to import some high-quality feeds. Lastly, Singapore has a small agricultural sector. Singapore mainly imports most of its goods, including feed and forage for their livestock.

## Additional Resources

### Import Requirements

Exporters are recommended to work with their importers to identify and confirm foreign import requirements. Exporters are also encouraged to contact their local Canadian Food Inspection Agency (CFIA) for additional information on export conditions, certification and documentation that apply.

### Pesticide requirements

Exporters are recommended to use a pesticide database to learn more about maximum residue levels (<https://www.globalmrl.com/home/features.html>). There is a subscription fee to use Global MRL but it is a great tool to compare maximum residue levels across the globe.

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