

COUNTRY PROGRESS REPORT

Country: Canada

Product: Grapefruit, Grapefruit Juice, and Orange Juice

I. Market Assessment Update – September 2022

The U.S. is the largest exporter by value of orange juice, grapefruit juice, and fresh grapefruit to Canada. As such, Canada is one of the most important markets for U.S. citrus (and specifically Florida Citrus). In 2021-22, due to the continued effects of the COVID-19 pandemic and supply-related issues, exports of all U.S. citrus products, excluding grapefruit juice, declined. Despite the decline, U.S. and Florida Citrus still command a strong position in the Canadian market.

In 2021-22, the U.S. exported 97.8 million liters of orange juice to Canada valued at \$124.2 million. This represented a 7.1% decline in volume and a 3.4% decline in value compared to the year prior. For Florida Orange Juice specifically, exports to Canada decreased to a total volume of 57.4 million liters valued at \$76.5 million—a decrease of 11.6% and 7.9% respectively. Positively, Florida continued to be the most represented state in the Canadian market, accounting for around 60% of total U.S. orange juice value and volume. U.S. orange juice faces its fiercest competition in Canada from Brazilian orange juice, which is 35% cheaper on average. However, even with that competitive advantage and a higher volume of product available in the market, the U.S. remained the preferred origin for orange juice, leading Brazilian exports by over \$10 million in sales.

In terms of grapefruit juice, the U.S. has remained the top supplier in the market by a large margin. In 2021-22, U.S. origin grapefruit juice reported a market share of over 90% by value. To detail, U.S. grapefruit juice exports totaled 6.4 million liters valued at \$7.5 million; an increase of 19% in value and 8% in volume from the previous year. The total value of Canadian grapefruit juice imports also increased by 19% in value and around 7.2% in volume in comparison to the 2020-21 program year, illustrating that inflation and subsequent higher prices on U.S. juice products played a role in increasing the total value of the market disproportionately to the growth of total volume. Contributing to import growth was growth in imports of South Africa origin grapefruit juice by over 1000% in volume and value. South Africa origin grapefruit juice previously had a negligible presence in the market. However, one key contributing factor to the drastic growth was the outbreak of the war in Ukraine. The invasion led South Africa to immediately cease grapefruit juice exports to Russia, which had historically accounted for over 8% of total South African grapefruit juice exports. With the unexpected surplus, South Africa's presence in both the Canadian and the U.S. markets has increased dramatically.

Altogether, 2021-22 marked a year of recovery for the Canadian grapefruit juice market, with imports now returned to pre-pandemic levels. This development indicates that the effects of the COVID-19 pandemic have grown less pronounced as recovery measures take effect, paving the way for further growth moving forward. The U.S. has remained the largest supplier of both orange and grapefruit juice in the Canadian market, even as Canadian consumer perception of juice products has fluctuated. Before the COVID-19 pandemic, both 100% orange and grapefruit juice suffered lower demand year-to-year due to concerns about sugar content. Recent changes in policy and official messaging from health authorities have reinforced existing challenges for 100% juice. To detail, Health Canada released an updated food guide in July 2022 which replaced all recommendations for 100% fruit juice with a recommendation for a glass of water and a serving of fresh fruit instead. Similarly, the new

food guide redefined the nutritional value of 100% fruit juice; a half glass of juice is no longer equivalent to one recommended serving of fruits and vegetables. Despite these classification changes, the Florida Department of Citrus and its partners will continue to advocate for the health benefits of orange and grapefruit juice with Health Canada. As a result of the COVID-19 pandemic, demand for immune system boosting food and beverage products has risen among Canadian consumers. A lack of additives and preservatives in 100% juice, along with its high-quality reputation, presents an opportunity for U.S. orange and grapefruit juice exports in the near future.

Fresh grapefruit exports have historically not received the same amount of public scrutiny as grapefruit juice products in Canada since fresh products do not face the same sugar issue. In 2021-22, U.S. fresh grapefruit exports to Canada decreased to a total volume of 7,532 MT valued at \$9.73 million, resulting in the U.S. reporting a market share of 24% in terms of value. Canada imported \$3.3 million worth of fresh grapefruit from Florida, a decrease of 14.9% from 2020-21. Lower production volumes and the endemic presence of citrus greening disease were the leading contributors to the lower export volume. For the first time, South Africa surpassed the U.S. in terms of the volume of exported fresh grapefruit, despite a slight decrease in the volume of South African exports. The U.S., however, remained the largest origin by value. Since the South African grapefruit harvest is counter seasonal to U.S. grapefruit, exports from South Africa do not compete directly with the U.S. Another notable supplier of grapefruit to Canada was Israel, which reported a market share of 18.3%. Israel remains the largest direct competitor to U.S. origin grapefruit, as Israel's grapefruit season coincides with the U.S. season. In addition, Israel has increased its market share by 2% each year since 2019. That said, the growth of Israel's market share of fresh grapefruit exports is primarily due to a steady increase in price; the total volume of exports has not increased in parallel.

Overall, U.S. citrus maintained a strong position within the Canadian market in the 2021-22 program year. Market growth in Canada for fresh grapefruit and orange juice has declined in recent years, but the decline has slowed, and rebounded in the case of grapefruit juice. This stabilization of the Canadian market along with the market's size and relative proximity to Florida present a prime opportunity for long-term growth once domestic production issues have been rectified.

II. Financial allocations and resources

MAP - \$732,078

FDOC - \$36,200

III. Trade Results Tables

Fresh Grapefruit

	Export Goal		Actual Exports	
	Value	Quantity (c/n)	Value	Quantity (c/n)
2019/20	\$7,462,723	277,173	\$5,291,683	314,993
2020/21	\$9,304,171	320,324	\$3,935,732	218,884
2021/22	\$5,841,161	329,234	\$3,348,465	163,172

Source: FDOC Fresh Shipment Report

Grapefruit Juice

	Export Goal		Actual Exports	
	Value	Quantity (SSE)	Value	Quantity (SSE)

2019/20	\$3,332,342	778,317	\$3,098,482	580,454
2020/21	\$2,008,316	386,896	\$1,917,344	448,316
2021/22	3,197,894	547,137	\$1,117,580	275,256

Source: FDOC Processor data

Orange Juice

	Export Goal		Actual Exports	
	Value	Quantity (SSE)	Value	Quantity (SSE)
2019/20	\$104,777,500	16,526,916	\$63,264,724	12,495,710
2020/21	\$105,378,744	16,621,752	\$83,090,204	17,149,331
2021/22	\$59,580,155	9,397,783	\$76,493,551	15,162,121

Source: US Department of Commerce

IV. Evaluation findings

SECTOR: CONSUMER (middle to upper income health-conscious women between the ages of 25 and 49)			
CONSTRAINT:			
<u>Lack of awareness of Florida as a premium product</u> – Most consumers consider all grapefruit, grapefruit juice, and orange juice to be the same and do not pay attention to origin-specific distinguishing qualities. Increasing awareness of Florida’s best-in-class taste attributes is a key opportunity to increase demand for Florida Citrus products and justify premium pricing. <u>Decreasing relevance of orange juice as an essential part of the diet</u> – To further expand Florida Orange Juice exports to Canada, the FDOC must continue educating consumers on the health benefits of Florida Orange Juice and its role in a healthy diet, emphasizing the nutritional benefits and the fact that it has no added sugar. <u>Decreasing relevance in the produce category</u>– In an increasingly competitive and crowded market for fruits and vegetables, grapefruit has become less top-of-mind over the last decade. Relevance has especially declined for consumers under the age of 40. <u>Lack of awareness of grapefruit versatility</u> – Grapefruit is commonly associated with breakfast, but many consumers do not eat grapefruit at other times of the day, failing to take advantage of Florida Grapefruit’s versatility in food and beverage applications.			
PERFORMANCE MEASURES	2020/21 BENCHMARK	2021/22 GOAL	2021/22 ACTUAL
Percentage of <u>grapefruit consumers</u> who, in the last six months, have used grapefruit at home as a topping on a salad, in a recipe, or to make fresh-squeezed juice	19	24	21
Percentage of consumers who are aware of Florida as a grapefruit supplier and identify Florida as their favorite origin of grapefruit	42	45	39
Percentage of consumers who are aware of Florida as a grapefruit supplier and associate superior sweetness and juiciness with Florida Grapefruit	33	34	33
Percentage of consumers who are more willing to purchase grapefruit if it is from Florida	55	55	54

Percentage of consumers who are willing to pay more for grapefruit if it is from Florida	38	34	37
Percentage of consumers who are aware of Florida as an OJ supplier and identify Florida as their favorite origin of OJ	61	57	53
Percentage of consumers who are aware of Florida as an OJ supplier and associate superior taste and quality with Florida OJ	46	50	60
Percentage of consumers who are more willing to purchase OJ if it is from Florida	50	53	48
Percentage of consumers who are willing to pay more for OJ if it is from Florida	30	29	29
Percentage of consumers that report drinking OJ on a daily basis	12	16	13
Percentage of consumers who say the nutrient content of OJ overrides concerns about sugar	53	50	54
Percentage of consumers who say they feel good serving OJ to their families and friends	74	72	71
Percentage of consumers who consider OJ a great source of vitamins and nutrients	86	85	84

Source: FDOC Annual Performance Measure Study

Results of evaluations/impact on constraint or opportunity

The primary objective of FDOC's consumer marketing campaigns in Canada has been to educate consumers on the premium quality and health benefits of Florida Citrus. By marketing the exceptional taste and versatility of Florida Citrus products, FDOC hopes to inspire daily use among millennial consumers (especially parents) who have emerged as a promising target demographic. The marketing strategies employed during the 2021-22 promotional campaign for both Florida Grapefruit and Orange Juice allowed for progress in most performance measures against baselines established in the previous program year. Despite the effects of the COVID-19 pandemic continuing to challenge progress for some performance measures. This has mainly affected those addressed via in-store sampling such as a willingness to buy Florida Citrus based on its origin and to pay a premium for Florida Citrus. There were some noteworthy bright spots however, the most notable change in consumer preferences was a significant increase in the association of Florida Orange Juice with superior taste and quality. The performance measure reported an increase of 14% during the program year — surpassing the established goal by 10%. Overall sentiments about the health benefits of orange juice were also positive, with a majority of consumers reporting that the nutritional content of 100% orange juice overrode their concerns about its sugar content. Additionally, over 70% of consumers still viewed orange juice as a good source for vitamins and nutrients and felt comfortable serving it to their friends and family.

FDOC employed a variety of tactics to achieve progress on all performance measures during the 2021-22 program year. Of those tactics, social media was an essential tool in delivering messaging to FDOC's target audiences. For all Florida Citrus products, posts across Facebook and Instagram informed consumers of the nutritional benefits and availability of Florida Citrus. A new strategic priority during the 2021-22 program year was to drive consumers from social media platforms onto

the FDOC Canada website. This new focus had great success. The click through rates more than doubled on both platforms with a total of 23,024 click throughs; however, it is vital to note that Facebook commanded the majority of click-throughs, with 22,631 recorded.

For Florida Orange Juice, FDOC created a variety of unique social media content for Canada highlighting orange juice as “The Original Wellness Drink.” The campaign aimed to spread positive messaging about the nutritional benefits of orange juice along with how it can best be integrated into a healthy diet. Content was released during three themed advertising initiatives, which included: Raise a Glass, Be 100%, and Orange State of Mind. Eight influencers created content throughout the program year. An additional 3 influencers, along with twelve nano-influencers (between 100 and 10,000 followers), were brought in for FDOC’s principal promotion, National Orange Juice Day, which took place in May 2022. Altogether, there were 38 pieces of content and 27 accompanying stories created across the campaign for Florida Orange Juice. Across all platforms, social media content for all FDOC products garnered over 8.9 million impressions and promoted engagement with 238,560 consumers.

Beyond online campaigns, FDOC partnered with four registered dietitians to participate in television interviews across multiple provinces. During the interviews, the dietitians highlighted Florida Orange Juice’s nutritional value and excellent taste and presented selected creative citrus recipes to viewers. The reach of the interviews was estimated to be over 2 million viewers. Sponsored content on leading Canadian media outlets was another promotional avenue employed by FDOC. Three advertisements for Florida Orange Juice appeared in *The Kit*, *Best Health*, and *Vita Daily*. Each piece emphasized a different theme from FDOC’s “The Original Wellness Drink” campaign and all were published at the height of the corresponding theme’s promotional push. Together, the advertisements promoted the benefits of adding Florida Orange Juice as a daily part of a healthy lifestyle to over 600,000 readers.

In response to continued negative perceptions of the sugar content in orange juice, FDOC’s issues management program was largely successful during the 2021-22 program year. Issues management activities retained a proactive approach in addressing negative messaging in the media and from health authorities, while simultaneously promoting the health benefits of 100% orange juice. One trend identified by this program that may prove beneficial to Florida Orange Juice in the future was the rise in popularity of functional beverages in the Canadian market. This category of products includes beverages that purport to offer consumers a shortcut to a healthy lifestyle while circumventing additional costs or requiring behavior change. Included in the classification are energy drinks, fortified juices, fortified waters, sports drinks, dairy beverages, dairy alternative drinks, tea, and coffee. Given the broadness of the category, there is a prime opportunity for Florida Orange Juice to distinguish itself from its competitors via “The Original Wellness Drink” narrative. Unlike some other functional beverages, 100% orange juice has no added sugars or other additives, which aligns well with consumer preferences.

Lastly, FDOC arranged a total of 72 2-day in-store sampling events for fresh Florida Grapefruit at Metro Ontario and Longo’s Ontario stores. Demonstrators handed out sealed samples and taught shoppers how to “supreme” Florida Grapefruit; which is a slicing technique that removes the rind as well as the membrane from the fruit, leaving only the flesh behind. Longo’s Ontario also ran a two-week fresh Florida Grapefruit branded flyer ad in support of the sampling program. In addition to typical in-store sampling programs, FDOC employed a new strategy for promotions with major retailers. In May, FDOC presented “Navigating the Myths about 100% Orange Juice” to the registered dietitians of the Loblaws grocery chain. Loblaws was ranked as the fifth largest grocery

chain in North America by Supermarket News in 2022 and has over 2,400 locations across Canada. The presentation aimed to educate the chain's dietitians on the health and economic benefits of adding 100% orange juice to consumers' diets. The seminar was given in person, and available virtually, and had 95% of the company's registered dietitians in attendance. The dietitians provide Loblaw's customers with one-on-one consultations, arrange in-store demonstrations, and lead online webinars. Since these activities have built great trust between dietitians and the public, the impact of the presentations is expected to be far-reaching.

Conclusion

FDOC's marketing efforts in Canada were largely successful in 2021-22. While the lingering impacts of the COVID-19 pandemic presented challenges, more than 50% of performance measure results remained stable or reported growth from the year prior. For the performance measures that reported a decline, all but one decreased by no more than 2% since the 2020-21 program year. Promotion on social media platforms with influencers, strategic advertising through traditional media outlets, and unique engagement with retailers proved to be effective tactics to disseminate messaging about the health benefits and superior quality of Florida Citrus to the Canadian public. Nevertheless, the sugar content of 100% juice remains the primary factor limiting demand within the Canadian market. In response to the volatility COVID-19 and the global inflation crisis have introduced into the Canadian market, FDOC will continue to reevaluate and update the established goals for all performance measures as needed. However, no changes to the constraint or performance measures beyond this are needed at this time.

V. Overall Market Recommendations

Florida Citrus's reputation in Canada remains strong, the market continues to be a priority for the industry. Addressing concerns over the sugar content of orange juice, and the interaction of grapefruit juice with medications will remain top priorities for FDOC going forward. In addition, the recent reclassification of 100% juice in Health Canada's Food Guide has made established programming even more vital for the health of the citrus export market going forward. To combat these challenges, FDOC Canada will increase engagement with dietitians and other trusted sources to promote the health benefits of all Florida Citrus products to Canadian consumers.

Additionally, FDOC's social media strategy will continue to evolve. This will include increasing the amount of video content produced, as videos pull in greater views and hold consumers' attention for longer than static content. Employing nano-influencers for the promotion of specific events and initiatives will also be leveraged to stimulate a short-term boost of awareness across the market. These promotional strategies will assist in boosting Florida Citrus' relevance to consumers in order to support increased exports to Canada in the near and long term.