Canadian Confectionery Industry

A highly concentrated industry with eight enterprises producing close to 90 percent of the value of shipments

Prior to the mid 1980s, the Canadian confectionery subsector had, primarily, focused on serving the domestic market. In 1988, less than 12 percent of shipments were exported, whereas imports accounted for about 24 percent of the domestic market (see table 1).

However, changes in the structure and performance of the Canadian confectionery industry occurred with the global integration of economies that began to intensify in the late 1980s. These changes, stimulated by global trade liberalization, were formalized in the Canada-United States Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA) and multilateral negotiations that led to the formation of the new World Trade Organization (WTO). The initial impetus for change came in response to escalating competition from imports (particularly European chocolates and hard candies), but the industry also became more aware of the potential for exploiting emerging export opportunities. At the same time, the domestic market was exhibiting limited growth. By 1996, exports represented about 28 percent of confectionery shipments.

Historically, many Canadian confectionery manufacturers have faced scale disadvantages compared with American and European firms. At the same time, Canadian exporters, including subsidiary operations of multinational enterprises with product mandates for the U.S. market, have enjoyed a relative production cost advantage in a key ingredient, sugar. Canadian sugar refiners are unique among those of other industrialized countries in that they purchase most of their raw sugar on the world market. Prices on the world market are normally low and are reflected in lower prices for refined sugar in Canada.

Other competitiveness factors relate to global brand-ownership rights and taste differences that necessitate special formulations for the domestic market. These characteristics have helped separate the U.S. and Canadian markets to some extent.

The growth of retail gourmet candy shops, such as Laura Secord in the late 1980s, pointed to a new consumer trend toward purchasing high-quality, specialty products at premium prices. Many retail shops sell imported merchandise; however, domestic producers also began to supply the market for quality chocolates and their products, too, have been accepted by consumers.

Overall, the confectionery industry has adapted well to the more open global trading environment through a series of rationalizations which have resulted in more efficient and specialized operations.

SIGNIFICANCE

As with many other industries in the Canadian food and beverage processing sector, the manufacturing of confectionery products progressed from what was, essentially, a cottage industry in the 19th century to a modern, concentrated industry by the middle of this century. Today, confectionery manufacturing is a growing and dynamic segment of the food and beverage processing sector, representing 3–4 percent of the total value of shipments, number of establishments and number of employees.

The confectionery industry shipped product valued at more than $1.6 billion in 1996. About $1.25 billion of this was sugar and chocolate confections (25% sugar and 75% chocolate) and about $37 million was chewing gum. Value added in confectionery manufacturing is approximately 53 percent of the total value of shipments, considerably higher than the food processing sector average of 36 percent.