B.C. Agrifoods Trade Overview

Water

Focus on Japan and China

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A federal-provincial-territorial initiative

Water – British Columbia Exports

British Columbia (B.C.) exports of water have been relatively consistent since 2009, with a slight decrease in 2010 to $16.7 million. In 2013, B.C. exported $24.6 million worth of water, with 75 per cent of exports as 'ice, snow and potable waters' and 25 per cent as 'mineral and aerated waters'. The B.C. portion of this report does not include information on sweetened or functional water.

B.C. Exports – Water (CAD$)[1]

Product	2009	2010	2011	2012	2013
Ice, snow & potable waters[2]	$2,260,215	$8,600,393	$13,063,685	$15,907,069	$18,383,701
Mineral & aerated waters[3]	$20,533,185	$8,138,129	$11,360,556	$4,137,276	$6,202,446
Total	**$22,793,400**	**$16,738,522**	**$24,424,241**	**$20,044,345**	**$24,586,147**

Volume exports of water have followed a similar pattern as value over the past five years, with a high of 101.7 million litres in 2009. In 2013, B.C. exported 95.8 million litres of water, with 84 per cent of exports as 'ice, snow and potable waters' and 16 per cent as 'mineral and aerated waters'.

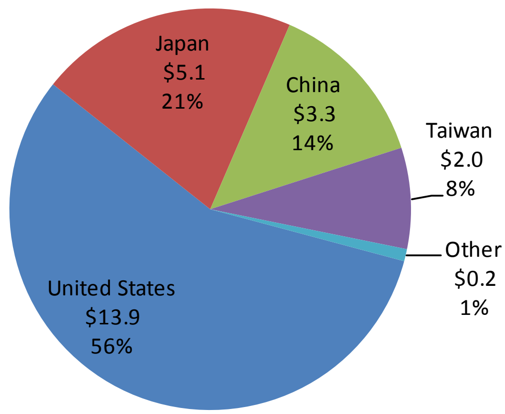
B.C. Exports – Water (L)[1]

Product	2009	2010	2011	2012	2013
Ice, snow & potable waters	15,144,493	51,431,818	66,284,608	71,828,511	80,512,779
Mineral & aerated waters	86,577,206	27,972,858	33,088,433	11,899,809	15,314,789
Total	**101,721,699**	**79,404,676**	**99,373,041**	**83,728,320**	**95,827,568**

[1] CATSNET and Global Trade Atlas, accessed May 2014.
[2] HS Code 220190
[3] HS Code 220110

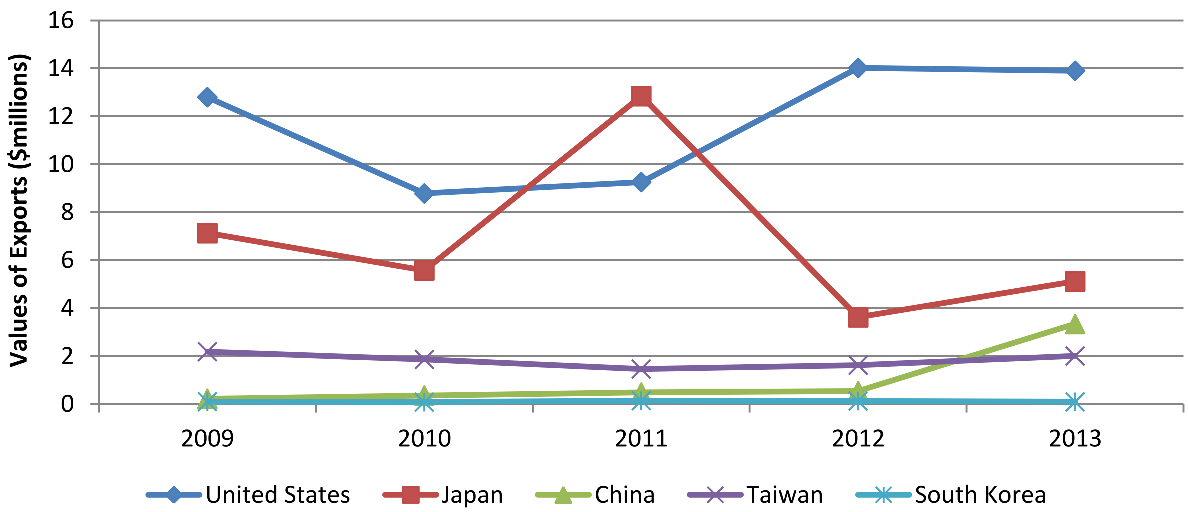
B.C. Exports of Water by Market – 2013

In 2013, B.C. exported water to 18 markets throughout the world. The majority of B.C. water was exported to the United States (US) ($13.9 million), followed by Japan ($5.1 million), China ($3.3 million) and Taiwan ($2.0 million).[4]



Top Five Markets – 2009 – 2013

The top five markets for B.C. water exports in 2013 were the US, Japan, China, Taiwan and South Korea. The US has historically been the recipient of the majority of B.C.'s water exports, other than in 2011 when Japan was the top market. Combined in 2013, these five markets total $24.4 million and represent over 99 per cent of the province's total water exports.[4]



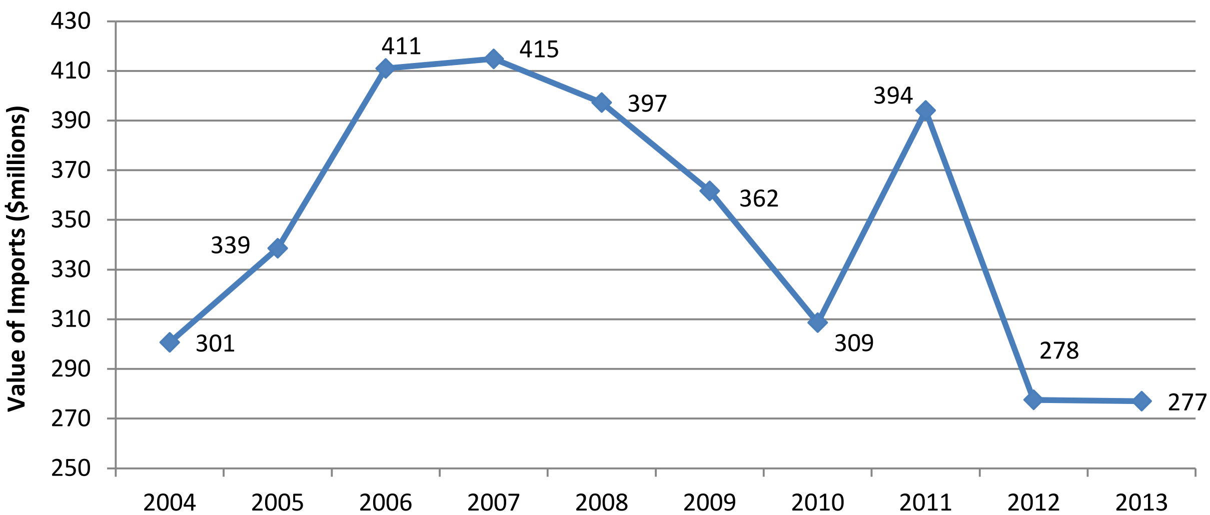
[4] CATSNET and Global Trade Atlas, accessed May 2014.

Export Market Analysis – Bottled Water in Japan and China

JAPAN

In terms of total volume sales, bottled water in Japan saw a growth of one per cent from 2012 to 2013, reaching 4,118 million litres. Projections for 2012 to 2017 are for a CAGR[5] of one per cent in total volume terms.[6] In terms of import value, other than 2011, water into Japan has been decreasing since 2006, with a total of $277 million in imports in 2013 (see chart below). Of these imports, 83 per cent were mineral and aerated waters. These imports include water in any form, not necessarily only bottled water.

Japan Imports of Water – 2005 to 2013[7]



As a result of the 2011 Tohoku earthquake and tsunami, bottled water sales grew by 26 per cent in total volume terms. This was due to contaminated tap water from the leaking Fukushima power plant, accompanied by relaxed regulations on imported water by the Japanese government. Bottled water sales are expected to continue to grow, as consumers now have changed their perceptions of bottled water and view the commodity as something worth purchasing. As consumers view bottled water as a way to replace tap water, there is no brand loyalty. This causes intense competition between retailers, and the unit prices of bottled water have continued to decline.[6]

Also after the Tohoku earthquake and tsunami, sales of gallon-sized bottled water have increased. This is especially evident among families with children as well as budget-conscious consumers. Environmental consciousness is also increasing among consumers, with PET bottles and thinner labels growing in popularity. Many consumers are aware of renewability of water sources and sustainable packaging with their bottled water purchases.[6]

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[5] Compound Annual Growth Rate, meaning the growth rate from the initial year to the final year assuming constant growth each year.

[6] Euromonitor International, 'Bottled Water in Japan', July 10, 2013.

[7] CATSNET and Global Trade Atlas, accessed May 2014.

Suntory Holdings dominated bottled water sales in Japan, with 25 per cent total volume share in 2012. This is due to the efficient sales of Tennunsui, their leading domestic brand. Suntory Holdings also grew in popularity due to their delivery services and their home water cooler rentals.[8]

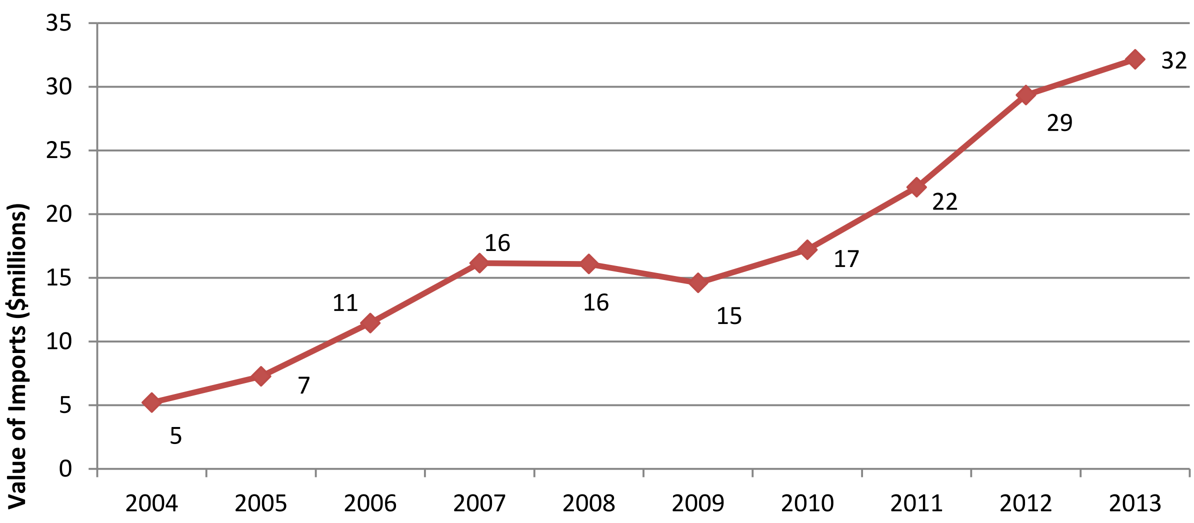
In general, with more players entering the Japanese bottled water market, the direct selling market will increase in competitiveness. To be successful in this market, a strategy may be to offer value-added services. Consumers are also looking for less expensive options, which has historically created a struggle for international brands who are able to offer less of a discount than domestic brands.[8]

CHINA

Bottled water sales in China reached 28.2 billion litres in 2012 after a growth of 11 per cent over 2011. This growth was mainly due to growing urbanization and increased health awareness. Water contamination problems have also caused consumers in low-tier areas to pay more attention to bottled water. Intense marketing campaigns by bottled water companies in China have also contributed to increased sales. Between 2012 and 2017, bottled water sales are projected to grow by nine per cent total volume CAGR. This is due to accelerating urbanization, population growth, and improving health consciousness among consumers.[8]

Imports of water into China have generally been increasing since 2006, showing a 540 per cent increase since 2004 (see below chart). While imports have increased to $32 million, the value amount of imports is only about one tenth the size of Japan's import value. In 2013, 76 per cent of the value of China's bottled water imports were mineral and aerated waters. These imports include water in any form, not necessarily only bottled water.

China Imports of Water – 2005 to 2013[9]



The second highest growth of all bottled water categories in 2012 was 'still bottled water' (after functional bottled water, or water claiming enhanced nutritional benefits). This was due to a growth in

[8] Euromonitor International, 'Bottled Water in China', April 10, 2013.
[9] CATSNET and Global Trade Atlas, accessed May 2014.

still natural mineral water, mainly as a result of those with strong purchasing power paying more attention to the quality of their drinking water. Also, the amount of competition amongst low-end bottled water companies caused some players to turn to mid or high level markets.[10]

The average unit price of bottled water in China increased by five per cent in 2012. This was mainly due to the increasing of production and raw materials costs. This growth is expected to continue, as costs of transportation and packaging also increase. Water sold in larger formats used for water dispensers has seen increased sales in offices and homes due to the convenience of delivery and competitive pricing.[10]

The leader of bottled water sales in China for 2012 was Hangzhou Wahaha Group, with 13 per cent total volume share. This company benefits from their affordable pricing and their advantages with distribution networks throughout China, especially in rural areas. Domestic companies have historically seen significantly more sales over international companies, due to advantages in localized operation and manufacturing, and are preferred by government and public organizations. International companies have been competitive due to product design, product packaging and brand imaging. Manufacturers typically focus on marketing campaigns regarding environmental protection rather than developing new product lines. [10]

[10] Euromonitor International, 'Bottled Water in China', April 10, 2013.