



# Canadian Beverage Association's Balance Calories Initiative.

2017 Tracking Report

## At a Glance

- In October 2015, the Canadian Beverage Association (CBA) launched the Balance Calories Initiative (BCI) with the goal of reducing the calories that Canadians obtain from liquid refreshment beverages (LRBs).
- The BCI targets a 20 per cent reduction in Canadians' LRB Calories/capita/day between 2015 and 2025.
- The baseline LRB Calories/capita/day in 2014 was 142.5. In 2015, this metric had fallen to 133.9 and in 2016 dropped further to 128.0.
- Average Calories in beverages are highly variable from year to year. Hence, it is difficult to say whether these improvements can be sustained over the life of the BCI.
- The main driver of lower LRB Calories/capita/day has been a switch from full-calorie beverages to lower-calorie plain and flavoured waters.

## **Executive Summary**

**In October 2015, the Canadian Beverage Association (CBA) launched the Balance Calories Initiative (BCI). The initiative set out to reduce the calories that Canadians obtain from liquid refreshment beverages (LRBs).**

The BCI targets a 20 per cent reduction in Canadians' LRB Calories/capita/day between 2015 and 2025. The 2014 baseline was 142.5 LRB Calories/capita/day. So, the BCI is effectively targeting a reduction to 114 LRB Calories/capita/day by 2025.

### **Purpose**

The purpose of this report is to assess the most recent market data (provided by GlobalData) to determine the extent to which the Balance Calories Initiative is on track to achieve its objective.

### **Topline Results**

The top-line data show that there has been a continuation of a trend toward lower LRB Calories/capita/day. This trend has existed for a decade. LRB Calories/capita/day dropped by almost 10 Calories between the 2014 baseline and 2016.

The long-term trend of decreasing LRB Calories/capita/day continued in 2015 and 2016. In fact, the 2016 number is well below both the benchmark report's market forecast and target trend. This means the BCI is well on the way to achieving its objective.

### **Performance Drivers**

The greatest year-over-year decrease in average LRB Calories (per 237 ml serving) since 2012 was seen in 2016. GlobalData's market statistics allow us to understand the forces driving lower LRB Calories/capita/day by showing changes in total volumes and how volumes are divided between beverages with different calorie profiles.

Daily per capita volumes have stabilized at 0.6 litres/capita/day. So the trend toward lower LRB Calories/capita/day is primarily driven by consumers switching from full- to low-calorie beverages. Between 2014 and 2016, the market volumes for low-calorie beverages ( $\leq 40$  kcal per 237 ml serving) increased by 457.5 million litres, compared with a drop of 248.4 million litres for full-calorie beverages ( $> 40$  kcal per 237 ml serving).

History shows that average LRB calories are highly variable from year to year. Hence, it is difficult to know the extent that lower-calorie beverages will continue to drive performance over the time frame of the BCI.

The most important market trend driving lower LRB Calories/capita/day is a movement from full-calorie juices and carbonates toward low- and no-calorie plain, enhanced, and flavoured waters. In 2000, plain waters only accounted for about 16 per cent of carbonate volumes. Today, packaged waters sell almost as much as carbonates. A decade ago, lower LRB Calories/capita/day were more likely to be driven by a movement within the carbonate category from full to low calorie. Now, it is more likely to be driven by a movement across categories, from carbonates to waters.

## **Implications**

Given that the average Calories per million litres of LRB is quite variable over time, it is difficult to say whether the gains made since 2014 are sustainable over the longer term.

Market data tell us the “what” of consumer preferences, but do not tell us the “why.” The “why” may be explained by a combination of consumer characteristics (age), preferences, and industry initiative. We need to understand how these forces combine to explain the variability and calories in volumes before we can say whether the recent gains are likely to continue and whether further industry efforts are required to meet the BCI goal.

## Introduction

**In October 2015, the Canadian Beverage Association (CBA) informally launched the Balance Calories Initiative (BCI). This announcement came after discussion with government stakeholders in late 2014, early 2015. The goal of the initiative is to reduce the calories that Canadians obtain from liquid refreshment beverages (LRBs). The BCI targets a 20 per cent reduction in Canadians' LRB Calories/capita/day<sup>1</sup> between 2015 and 2025.**

LRBs range from bottled water to soft drinks (carbonates), juice, and energy drinks. Included are many of the packaged beverages that Canadians consume. Notably, LRBs exclude dairy beverages (milk) and alcoholic beverages (beer, wine, and spirits).

The CBA asked The Conference Board of Canada to monitor the BCI over its 10-year duration. The monitoring began with a report, published in October 2016, that established a baseline for the initiative.<sup>2</sup> The baseline report verified the industry's estimate of 142.5 LRB Calories/capita/day for Canada in 2014. This was over 20 per cent less than 10 years earlier.

In fact, this progress has been corroborated by findings from the Canadian Community Health's nutrition survey, which also show significant decreases in the calories Canadians ingested from beverages between its 2004 and 2015 nutrition survey cycles. In fact, the survey shows that per capita daily calories have dropped. Indeed, sugars and carbohydrates consumption per capita has dropped by closer to 15 per cent. The surveys show that, over time, Canadians are, on average, consuming fewer calories and that those calories are more likely to come

1 In this briefing, we use "Calorie" to refer to what is also called a "large calorie" or "kilocalorie" (kcal): the amount of energy needed to raise the temperature of 1 kilogram of water through 1°C.

2 Grant, *Canadian Beverage Association*. The discussion here draws on the analysis of this report.

from fats and proteins. LRBs are not significant sources of fats and proteins, as most of their calories come from sugars.

With a starting point of 142.5 LRB Calories/capita/day, a 20 per cent reduction implies that the BCI effectively targets a reduction to 114 LRB Calories/capita/day by 2025. A key question is whether the historical trend toward lower LRB Calories/capita/day is sufficient to meet the BCI target without any additional effort from the industry.

There are good reasons to believe that a continuation of the historical trend will be insufficient to meet the BCI target. One reason is that most of the reduction in LRB Calories has been driven by consumers substituting full-calorie beverages for low-calorie beverages. Yet, most of this substitution had occurred by 2008, with further reductions in LRB Calories/capita/day being driven by reduced volumes.

A second reason is that market projections provided by GlobalData (formerly Canadean) suggest that future consumption will result in LRB Calories/capita/day being 13.6 Calories above the target by 2024. This means only a 10.5 per cent reduction can be expected through market trends versus the 20 per cent reduction that BCI targets.

In the baseline report, the Conference Board calculated a target trend line for LRB Calories/capita/day that would result in the target being met by 2025. In September 2017, GlobalData provided the Conference Board with its estimate of LRB consumption for 2015 and 2016.

## **About this Report**

The purpose of this report is to assess the most recent market data from GlobalData to determine the extent to which the BCI initiative is on track to achieve its objective of a 20 per cent reduction in Canadians' LRB Calories/capita/day between 2015 and 2025.

In addition to assessing the top-line performance, the report will delve into the factors that either support or detract from the achievement of the BCI target. GlobalData market statistics allow us to understand consumer preferences in terms of total volumes and calorie profiles. What it does not allow us to understand are the underlying forces (e.g., gender, age, dietary habits) that drive these preferences. Hence,

this tracking report will be complemented by a “deep dive” report that explores these underlying forces.

The next section of the report assesses top-level performance of the BCI for 2015 and 2016. This is followed by an analysis of the underlying forces driving performance. The report concludes with key findings and works through the implications for the LRB industry.

## Top-Level Trends

Our analysis begins with a computation of LRB Calories/capita/day for 2015 and 2016. As explained in the baseline report, GlobalData provided the Conference Board with an estimate of Canadian market volumes broken down into beverage categories.<sup>3</sup> These beverage categories are further segmented into low-calorie ( $\leq 40$  kcal per 237 ml serving) and full-calorie ( $> 40$  kcal per 237 ml serving) categories. An estimate of total average calories is also provided.

Using these data, we computed LRB Calories/capita/day using Statistics Canada's estimate for the Canadian population on July 1, 2017.<sup>4</sup> Table 1 shows this calculation for the baseline year (2014) and for the latest data (2015 and 2016).<sup>5</sup>

As the target metric is based on consumption per day, it is important to recognize that 2016 was a leap year, so consumption is averaged over 366 days instead of 365. The top-line data show that there has been a continuation of the trend toward lower LRB Calories/capita/day, which dropped by over 10 Calories between the 2014 baseline and 2016.

3 GlobalData, “Canadian Calorie Consumption.”

4 Statistics Canada, CANSIM Table 051-0001.

5 GlobalData estimates consumption based on domestic beverage shipments.

Table 1

**Computation of Baseline and Changes in LRB Calories Per Capita Per Day, Canada**

	2014 (Baseline)	2015	2016
A. Reported total volume (millions of litres)	7,811.7	7,947.8	8,020.8
B. Low-calorie volumes, ≤ 40 kcal per 237 ml serving (millions of litres)	3,311.8	3,577.8	3,769.4
C. Full-calorie volumes, > 40 kcal per 237 ml serving (millions of litres)	4,499.8	4,370.0	4,251.4
D. Average kcal for low-calorie volumes (per litre)	2.0	2.2	2.9
E. Average kcal for full-calorie volumes (per litre)	409.3	399.0	397.1
F. Total low calorie, kcal (B x 1,000,000 x D)	6,679,327,047.0	7,900,612,974.5	10,990,688,296.6
G. Total full calorie, kcal (C x 1,000,000 x E)	1,841,787,082,194.1	1,743,439,960,863.8	1,688,195,271,149.9
H. Total kcal (F + G)	1,848,466,409,241.0	1,751,340,573,838.3	1,699,185,959,446.5
F. Population	35,535,348.0	35,832,513.0	36,264,604.0
G. kcal/per capita (H/F)	52,017.7	48,875.7	46,855.2
H. Days in year	365	365	366
I. kcal/per capita/day (G/H)	142.5	133.9	128.0

Sources: The Conference Board of Canada; GlobalData; Statistics Canada, CANSIM 051-0001.

In the baseline report, we developed a target trend line for LRB Calories/capita/day that would result in the achievement of the BCI target. We compared this trend with the calorie projections based on the GlobalData market forecast for Canada. That comparison shows that forecast market trends will not achieve the BCI target by 2025. Now that there are actual data for the first two years of the BCI, we can compare initial performance with the market forecast and the target trend. (See Table 2.)

Table 2

**Trend Versus Target**

(LRB)

	Baseline										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GlobalData forecast	142.5	138.8	135.5	132.9	130.9	129.4	128.5	127.7	127.3	127.2	127.6
Target trend	142.5	138.6	135.3	132.5	129.7	126.9	124.1	121.3	118.5	115.7	114.0
Actual	142.5	133.9	128.0	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Difference		-4.7	-7.3								

Sources: GlobalData; The Conference Board of Canada.

The actual data for 2015 and 2016 are below both the GlobalData market forecast and the target trend. This suggests that the BCI is well on its way to achieving its goal. The target metric has declined by over 10 per cent between 2014 and 2016.

The actual data are much more variable than either the market forecast or target trend suggest. As such, it is unlikely that the actual data will align to either the forecast or the trend. But the main interest of the BCI is to lower actual LRB Calories/capita/day by 2025, and the trajectory does not matter as much as the final outcome. And the short-term data suggest that the BCI is on track to meet its target.

## Performance Drivers

To some extent, GlobalData market statistics allow us to understand the forces driving lower LRB Calories/capita/day. It does so by showing changes in total volumes and how volumes are divided between beverages with different calorie profiles. The data do not, however, allow us to explain changing beverage preferences or how beverage choices are related to the core problem of excess weight. Yet it is still worthwhile to consider how consumer beverage preferences drive lower LRB Calories/capita/day.

Lower LRB Calories/capita/day can be driven by some combination of two forces—lower volumes or fewer calories in consumed beverages. The GlobalData market data help us to understand the contribution of these two forces.

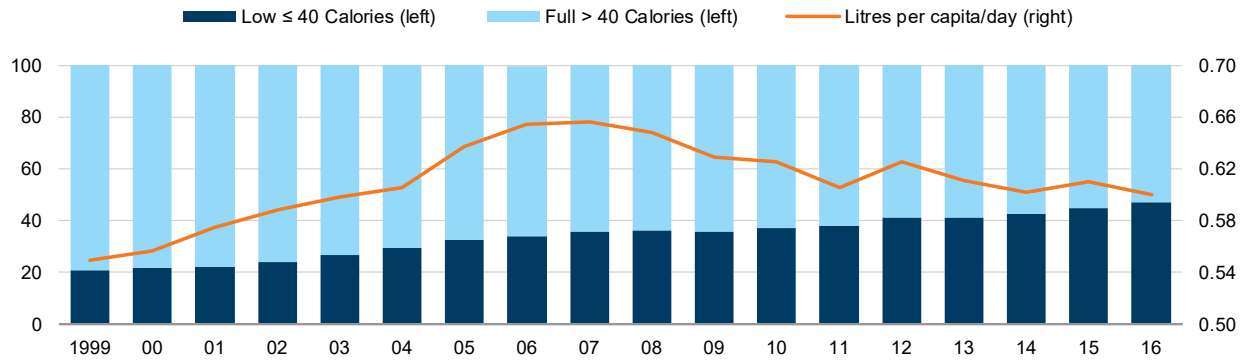
Chart 1 shows that daily per capita volumes have stabilized at 0.6 litres/capita/day. The main driver of lower LRB Calories/capita/day has, in fact, been the adoption of lower-calorie beverages.



Chart 1

**Daily Per Capita LRB Consumption and Calorie Category Share of Market**

(Calorie content, per cent; consumption, litres)



Sources: GlobalData; The Conference Board of Canada.

In the baseline report, we were skeptical that the adoption of lower-calorie beverages, on its own, could drive the BCI toward its target.<sup>6</sup> The report noted that declining LRB Calories/capita/day was initially driven by the introduction and adoption of lower-calorie beverages. These beverage categories increased their market share by 15 percentage points between 1999 and 2009. But the rate of adoption slowed from 2009 to 2014. Although average calories per litre in 2014 were 28 per cent lower than in 1999, about three-quarters of the improvement had occurred by 2008.

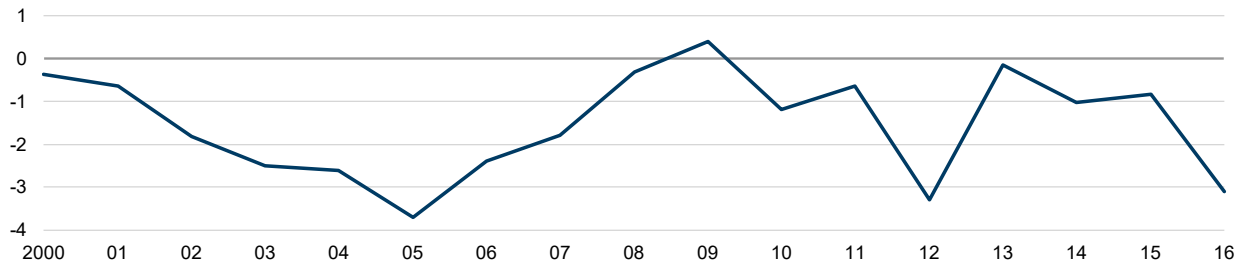
Yet, 2016 saw the greatest year-over-year decrease in average LRB calories (per 237 ml serving) since 2012. (See Chart 2.) However, history shows that average LRB Calories are highly variable from year to year. Hence, it is difficult to know how much lower-calorie beverages can be counted on to help the BCI reach its target.

6 Grant, *Canadian Beverage Association*, 23.

Chart 2

**Year-Over-Year Change in Average LRB Calories**

(Calories)



Sources: GlobalData; The Conference Board of Canada.

Each of the 10 beverage categories tracked by GlobalData has a unique volume and calorie profile. Some beverages, like juices, nectars,<sup>7</sup> and sports drinks, are overwhelmingly consumed in full-calorie formats, whereas the opposite is the case for plain and flavoured waters. Carbonates (soft drinks) are offered in both full- and low-calorie formats and account for the largest market share of the 10 LRBs. Therefore, decreases in LRB Calories/capita/day are usually driven by greater market share for either waters or low-calorie carbonates.

Between 2014 and 2016, the market volumes for low-calorie beverages ( $\leq 40$  kcal per 237 ml serving) increased by 457.5 million litres, compared with a drop of 248.4 million litres for full-calorie beverages ( $> 40$  kcal per 237 ml serving). Table 3 shows how specific beverage categories contribute to these volume changes.

7 "Nectars" is a term that Canada has adopted from the United Kingdom to describe juice-based beverages.

**Table 3**  
**Changes in Market Volumes Between 2014 and 2016**  
(millions of litres)

Beverages	Per 237 ml serving	
	≤40 kcal	> 40 kcal
Carbonates	-39.4	-79.6
Packaged water, plain	365.9	0.0
Enhanced and flavoured packaged water	49.2	-15.2
Juice	0.0	-106.5
Nectars	14.5	-34.2
Iced/ready-to-drink tea	7.4	15.4
Still drinks	-19.4	-3.1
Sports drinks	34.2	0.1
Energy drinks	2.7	3.7
Iced/ready-to-drink coffee	0.0	4.5

Sources: GlobalData; The Conference Board of Canada.

The most important market trend driving lower LRB Calories/capita/day is a movement from full-calorie beverages (e.g., juices and full-calorie carbonates) toward low- and no-calorie plain, enhanced, and flavoured waters. In 2000, plain waters only accounted for about 16 per cent of carbonate volume. Today, packaged waters (plain, enhanced, and flavoured) sell almost as much as carbonates. A decade ago, lower LRB Calories/capita/day were more likely to be driven by a movement within the carbonate category from full- to low-calories. It is now more likely to be driven by a movement toward waters.

Other trends that have also helped lower LRB Calories/capita/day are the movement away from full-calorie juices, the adoption of lower-calorie sports drinks, and, to a lesser extent, the adoption of nectars. Some beverage categories, like pure fruit juice, are less amenable to removing calories, as the sugars come directly from the fruit as opposed to being added as part of the production process. But even here, industry innovation can find solutions, such as mixing juices with lower-calorie coconut water.

## Implications

The analysis of GlobalData market data shows a continuation of the trend toward lower LRB Calories/capita/day. The BCI has eight more years to drop LRB Calories/capita/day by 14 Calories. To put this in context, the target metric has dropped 14.5 Calories between 2014 and 2016.

Yet, given that the average of LRB Calories is quite variable over time, it is difficult to say whether the gains made since 2014 are sustainable over the longer term or even if they can be reversed. Market data tell us the “what” of consumer preferences but do not tell us the “why.” The “why” may be explained by some combination of consumer characteristics (such as age), weather, changing preferences, and industry initiatives. We need to understand how these forces combine to explain the variability in volumes and calories before we can say whether the recent gains are likely to continue, and whether further industry efforts are required to meet the BCI goal.

Understanding the underlying forces driving beverage consumption, the calories gained from beverages, and the relationship between beverage consumption and weight are, in our view, key to the BCI. The Conference Board will continue to explore these relationships over time.

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## APPENDIX A

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**Canadian Beverage Association's Balance Calories Initiative:  
2017 Tracking Report**

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To cite this briefing: Grant, Michael. *Canadian Beverage Association's Balance Calories Initiative: 2017 Tracking Report*. Ottawa: The Conference Board of Canada, 2017.

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PUBLICATION 9319  
PRICE: Complimentary