



## The Walking Bread: A Look Into Canada's Baking Industry

### Description

*By Cameron Conway*

Every week people across the country go into their local grocery stores to pick up a fresh loaf of their favorite bread. As you know, there are so many different brands to choose from — and each brand has a wide variety of types to choose from, be it white, whole grain, or even wheat bran. Most of those loaves we see in the grocery store come from two homegrown companies, **Canada Bread** (TSX:CBY) and **Weston Foods**.

#### Canada Bread

Canada Bread is a 6,400-person-strong company that stretches across Canada, into the U.S. and also has a presence in the U.K. It's primarily owned by **Maple Leaf Foods** ([TSX:MFI](#)), which holds a 90% share of the company; last week, [Maple Leaf announced plans to sell its bakery business by early 2014](#).

Most people wouldn't recognize the corporate name, but would likely recognize its abundance of product lines such as Dempster's, Olafson's, POM, Ben's, Villaggio, Bon Matin, and Olivieri (which was just sold).

#### Weston Foods

The other big player in the baking sector is Weston Foods, which employs 6,000 people across 40 facilities. Like Canada Bread, most people are unaware of the brand reach of Weston Foods, which includes Weston, Wonder, Gadoua, Country Harvest, Ready Bake, Weight Watchers, Moulin Rouge, D'Italiano, Pataks, Casa Mendosa, and Sarsfield. It is also a supplier of Girl Scout cookies in the United States.

Weston Foods is owned, along with a still sizeable stake in **Loblaws**, by **George Weston Limited** ([TSX:WN](#)). Weston Foods may seem to be overshadowed by its fellow subsidiary, but it's able to carry its weight in the WN portfolio. Contributing only 5% of George Weston's total sales, Weston Foods is able to deliver 16% of GWL's operating income.

## Changing appetites

With fluctuating commodity prices and ever-changing consumer preferences, both companies have found meeting the demands of customers to be a challenge and competition between the two is intense.

Canada Bread, for example, has been forced to close three production facilities so far this year: Its Edmonton facility, which produced raisin and garlic bread, as well as foodservice products; its Grand Falls, New Brunswick, facility, which produced cake products and sweet goods; and the Shawinigan, Quebec bakery, which produced a variety of snack cakes under the Chevalier, Cadbury, and Obsession brands. All production has been relocated to other facilities at a cost of 185 employees.

On the Weston front, its sales numbers for fresh and frozen bakery goods have dropped 2%, while biscuit sales (wafers, ice-cream cones, cookies, and crackers) increased 9% in 2012.

## Conclusion

Taking advantage of Canada's rich agricultural resources, both companies have been able to develop many of the brands we enjoy regularly. From staples like bread to tortillas all the way to cookies and confections, both Canada Bread and Weston Foods strive to deliver the needs and desires of consumers. This duopoly of sorts has done a good job of continually adopting to changing consumer tastes – time will tell how the adoption of a new owner for Canada Bread might impact this rather cozy market.

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*Fool contributor Cameron Conway does not own shares of any companies mentioned. The Motley Fool has no positions in the stocks mentioned above at this time.*

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1. Investing

## TICKERS GLOBAL

1. TSX:WN (George Weston Limited)

**Category**

1. Investing

**Date**

2025/08/25

**Date Created**

2013/10/25

**Author**

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