Required Report: Required - Public Distribution **Date:** December 31,2019

Report Number: CA2019-0046

Report Name: Exporter Guide

Country: Canada

Post: Ottawa

Report Category: Exporter Guide

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Report Highlights:

Importing more than $16 billion of U.S. high-value, consumer-oriented goods, Canada was the number one overseas market for U.S. food and agricultural exports in 2018. Unparalleled regulatory cooperation, sophisticated transportation logistics and financial markets, geographic proximity, similar consumer preferences, and relatively affluent consumers are part of the reason why Canada continues to offer excellent export opportunities for new-to-export small- and medium-sized U.S. companies.

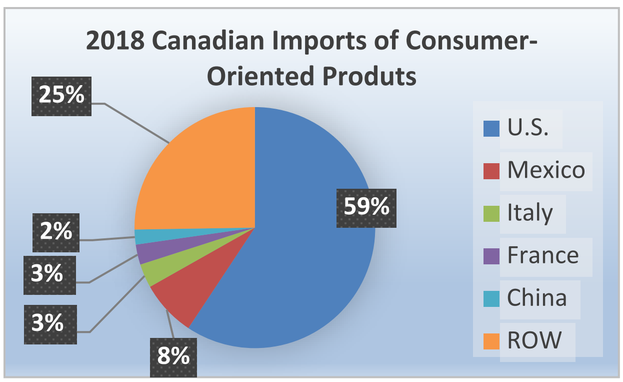
Market Fact Sheet: Canada

Executive Summary

The population of Canada is approximately 37.5 million and 90 percent of Canadians live within 100 miles of the U.S. border. In 2018, Canada was the leading export destination for U.S. agricultural exports. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports $120 million worth of daily two-way trade in food and agricultural products. In 2018, Canada's food and beverage sector was valued at $230 billion, providing opportunities across retail, food service, and food and beverage processing sectors for U.S. food and beverage companies.

Imports of Consumer-Oriented Products

Canada sources nearly 60 percent of total consumer-oriented product imports from the United States. U.S. products are the most prevalent imported goods in the Canadian market, but free trade agreements with the European Union (CETA) and Pacific nations (CPTPP) will increase competition for Canadian consumer spending. U.S. exports of consumer-oriented products to Canada exceeded $16.2 billion in 2018, nearly double the value of the next largest market.



Food Processing Sector

Canada's food and beverage processing sector is sophisticated, diverse and a vital contributor to Canada's economy. In 2018, Canadian food manufacturing sales reached $81 billion, while the beverage manufacturing industry reached $6 billion. There are approximately 6,500 food processing establishments in Canada, employing approximately 250,000 workers. In 2018, Canadian processed food exports were $26 billion. The Government of Canada has prioritized continued export growth, growing demand for imported and domestically sourced inputs.

Food Retail Sector

Canada's retail market is mature and consolidated, with five major entities (three traditional grocers and two general merchandisers) commanding 77 percent ($58 billion) of the market. The Canadian food market displays a dichotomy of demand, with low-priced, value items as well as premium and specialty food items.

Food Service Sector

Total foodservice sales were more than $68 billion in 2018, with five percent growth from the previous year. Millennials represent the largest category of foodservice spenders in Canada. Many households are turning to foodservice as they look for convenience and value.

Quick Facts CY 2018

Imports of Consumer-Oriented Products
$25.9 billion

List of Top 10 Growth Packaged Food Products in Canada

1) Biscuits/Snack bars/Fruit Snacks	2) Savory Snacks
3) Spreads	4) Edible Oils
5) Rice/Pasta/Noodles	6) Confectionary
7) Baked Goods	8) Processed Fruits/Veg.
9) Sauces/Dressings/Condiments	10) Packaged Foods

Food Industry by Channels (U.S. billion) 2018

Total Food & Beverage Industry	**$230**
Retail	$75.0
Food Service	$68.0
Food & Beverage Processing Sales	$87.0
- Processed Food Exports	$28.0
- Processed Food Imports	$24.8

Top 10 Canadian Food Processors (by retail sales)

1) Saputo Inc.
2) McCain Foods Ltd.
3) Agropur Cooperative
4) Maple Leaf Foods
5) Cott Corporation
6) Kraft Canada Inc.
7) PepsiCo Inc.
8) Nestlé Canada Inc.
9) Parmalat Canada Ltd.
10) Weston Foods

GDP/Population
Population: 37.5 million
GDP: $1,530 billion USD

Data and Information Sources: Global Trade Atlas, GATS, Statistics Canada, Conference Board of Canada and Euromonitor International, OECD.

Strengths / Weaknesses / Opportunities / Threats

Strengths	Weaknesses
Similar cultures, tastes and preferences with unparalleled market access.	Stronger U.S. dollar, smaller population, and a consolidated retail sector.
Opportunities	**Threats**
Canadians buyers are familiar and welcome new innovative products and fresh produce to the market.	Increasing foreign competition from 3rd country competitors that vie for Canadian consumer dollars

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SECTION I. MARKET OVERVIEW

Canada continued to be the top agricultural trading partner for the United States in 2018, with U.S. exports topping $20.8 billion and total two-way agricultural trade exceeding $44 billion.[1] The United States and Canada maintain the world's largest bilateral trading relationship as $120 million worth of food and agricultural products cross the U.S.-Canada border both ways every day.

In 2018, U.S. products represented 59 percent of Canada's global imports of agricultural products. High-value products accounted for $16.2 billion these products, representing 80 percent of the total value of U.S. exports to Canada. The five leading consumer-oriented agricultural categories were meat/poultry fresh and processed products ($2.1 billion), prepared foods ($1.9 billion), fresh vegetables ($1.9 billion), fresh fruits ($1.6 billion), snack foods ($1.4 billion).

The population of Canada is approximately 37 million and 90 percent of Canadians live within 100 miles of the U.S. border; the majority of consumers are concentrated among a handful of metropolitan areas. The retail sector is concentrated among five major companies, and transportation costs within Canada (the second largest country in the world in terms of land mass) can be relatively high. An effort to diversify Canadian import suppliers, a strong and growing "buy local" movement, and a relatively strong dollar can present challenges to U.S. companies. However, stable financial markets, sophisticated logistics networks, a well-developed food safety regulatory structure, and broad market access secured under the North American Free Trade Agreement and retained in the signed (but not yet in force) U.S.-Mexico-Canada Agreement continue to make Canada an excellent for U.S. new-to-market and new-to-export firms.

Trade between Canada and the U.S. has increased four-fold under 1988 U.S.-Canada Free Trade Agreement (later incorporated into the North American Free Trade Agreement), which eliminated tariffs on most agricultural products. Though Canadian retaliatory tariffs (10 percent on certain food products) were in place through May 2019 and the U.S. dollar remained strong, U.S. food and agricultural exports remained robust. Much of this can be attributed to the strong business relationships between Canadian buyers and their commitment to their U.S. clients and principals.
As similar as the United States and Canada are, there are still differences that exporters must recognize and remember. As in any foreign market, understanding the nuances of the marketplace is critical to long-term and consistent sales in Canada.

Canadian Market Overview Summary	
Advantages	**Challenges**
Proximity	Sophisticated selection of products already available in the Canadian market
Wide exposure to U.S. culture	Bilingual (English and French) labeling required for retail products
Similar consumption and shopping patterns	Differences in standard package sizes and nutritional labeling
High U.S. brand awareness	Higher landed costs, especially small shipments

[1] All values are reported in U.S. dollars unless otherwise noted.

Key Demographic Trends

The distinctive characteristics and consumption behaviors of each age group in Canada help to shape the market for food and agricultural products. Some major characteristics of the Canadian population are highlighted below:

- **Graying population:** There are more Canadians over 65 than under 15.
- **Baby boomers:** Canadians born between 1946 and 1966 represent 26 percent of the population.
- **Family structure:** Smaller households; the average household size is 2.5.
- **Ethnic Diversity:** According to the 2016 Canadian Census, the multi-ethnic population made up 41 percent of the total population.

Market Sector Reports

Listed below are research reports published by the Offices of Agricultural Affairs in Ottawa and Toronto. For a complete list of USDA reports from Canada and the rest of the world, please visit the FAS GAIN webpage.

FAS/Canada GAIN Report Highlights from 2019

REPORT#	Title of Report	Date
CA18069	Food and Agricultural Import Regulations and Standards	12/27/2018
CA19004	Canada Number One Market for Agricultural Exports	3/13/2019
CA19007	Food and Beverage Processing Sector in Canada	6/07/2019
CA19021	Canada Repeals Retaliatory Tariffs on U.S. Ag Products	5/24/2019
CA19022	Retail Foods Guide	6/30/2019
CA19023	Ontario Expands Alcohol Distribution	6/14/2019
CA19031	Ontario Wine Report	8/30/2019
CA19032	Quebec Wine Report	8/30/2019
CA19036	Foodservice Sector Report	9/30/2019

SECTION II. EXPORTER BUSINESS TIPS

U.S. exporters are encouraged to look at Canada as a country of five regional markets and develop market entry strategies for each region: Ontario, Quebec, Atlantic Canada, Prairies and Western Canada. As the market is consolidated, in both retail and foodservice sectors, it is important for new exporters to understand the banners, operators, and Canadian processors in each regional market to secure long-term success. Though nearly 80 percent of total retail beverage and food sales in 2018 were attributed to just five companies (Loblaws, Sobeys, Metro, Walmart, and Costco), there are more than 7,000 independent retailers across Canada, including convenience stores, ethnic and natural food stores, that represents excellent opportunities for new-to-market products looking to establish a presence in the Canadian market.

Market Access

FAS/Canada recommends the following steps when entering the Canadian market:

1. Contact an international specialist through your State Department of Agriculture.
2. Conduct a thorough research on the competitive marketplace.
3. Locate a Canadian partner help identify key Canadian accounts.
4. Learn Canadian government standards and regulations that pertain to your product.

FAS/Canada recommends that exporters looking to enter the Canadian market consider appointing a broker or develop a business relationship with a distributor or importer. Some retailers, and even distributors, prefer working with a Canadian firm instead of working directly with U.S. companies unfamiliar with doing business in Canada. U.S. companies are urged to closely evaluate their business options and evaluate all potential Canadian business partners before entering into a contractual arrangement. Factors such as previous experience, the Canadian firm's financial stability, product familiarity, account base, sales force, executive team commitment, and other factors should be considered when identifying a Canadian business partner. FAS/Canada can provide assistance in identifying a broker, distributor, importer or marketing company for U.S. businesses to reach out to, but FAS/Canada cannot endorse any particular firm. To obtain these listings, please contact agottawa@usda.gov or agtoronto@fas.usda.gov.

More than 40 U.S. agricultural trade associations and organizations implement USDA-funded marketing programs in Canada. For the full list of participating U.S. organizations, please contact agottawa@fas.usda.gov or agtoronto@fas.usda.gov.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS

There are three authorities responsible for Canada's food safety under the Minister of Health: Health Canada (HC), the Public Health Agency of Canada (PHAC) and the Canadian Food Inspection Agency (CFIA). Agriculture and Agri-Food Canada (AAFC) oversees non-food safety agricultural activities of the CFIA, such as animal and plant health.

CFIA has published several Regulations in the past few years that have and will continue to affect the agricultural and food business for Canadian and foreign producers such as the Safe Food for Canadian Regulation (SFCR) and Consumer Packaging and Labelling Regulations. For more information on the Canadian import food standards and regulations, please see the latest Food and Agricultural Import Regulations and Standards (FAIRS) GAIN report.

Export Services and Customs Brokers:

FAS and its agricultural partners offer a variety of export marketing services. U.S. firms new to exporting may access the FAS Getting Started webpage.

To move goods across border, a number of U.S. firms use the services of a Canadian customs broker (a private company operating as a logistics facilitator). According to the Canadian Society of Customs Brokers, close to 80 percent of Canadian imports are cleared by a customs broker. These companies assist exporters in complying with Canadian import requirements, handling border transactions, and ensuring the release of goods from Canadian Customs. The Canada Border Services Agency (CBSA) licenses customs brokers to carry out customs related responsibilities on behalf of their clients.

For detailed information on import procedures, please see the step-by-step guide of importing food on the Canadian Food Inspect Agency website.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Overall Business Climate and Consumption Trends

Canada's relatively affluent population (a little more than one-tenth the size of the U.S. population) is spread across an enormous area, resulting a market with promising consumer demand and fewer potential partners and retailers. For more information on business trends, please see FAS/Canada GAIN Report CA18071.

- **Market of Regions**: Rather than one single market, the country is viewed as five regional markets: Ontario, Quebec, Atlantic Canada, Prairies, and Western Canada. Development efforts should focus on one regional market at a time.
- **Price Conscious:** Canadian consumers tend to be price conscious, supporting strong demand for private label and promotionally priced products.
- **Label Conscious:** There is a growing awareness of product ingredients and nutritional facts as more Canadians are reading product labels and making purchasing decisions accordingly. Clean labels, lower sodium and sugar content, and 'functional' ingredients continue attract health-conscious consumers.
- **Ethical Buying:** The demand for locally produced foods continued to grow in 2018. Industry reports show that nearly one-half of Canadian would pay up to 30 percent more to buy locally produced foods and 87 percent would buy more expensive local products if they were more readily available.
- **Online Shopping:** Although, direct home delivery of on-line grocery goods is still slow to grow as compared to the U.S., more and more shoppers are ordering on line and picking up their groceries at their local retailer. By 2025, this type of internet shopping is expected to grow from less than two percent to a little over five percent.

Food Processing Sector:
The food and beverage processing industry is vital to the Canadian economy and ranks as the second largest economic sector, accounting for 17 percent of Canadian manufacturing. Across Canada there are 6,500 food

and beverage processing establishments, contributing to the Canada's total food and beverage manufacturing shipments of $87 billion. Canadian food processors continue to rely on imported raw, semi-processed, and processed ingredients to grow their operations, though a strong 'buy local' ethos drives Canadian companies to source locally whenever possible.

The Canadian government has proposed mandatory front-of-package labeling requirements. Foods with higher sodium, sugar, and saturated fat levels would be expected to be identified through symbols on the front label. A more in-depth analysis of the Canadian food processing and ingredients market is available in the FAS/Canada Food Processing Ingredients GAIN Report Food Processing Report.

Retail Food Sector:
Canada's retail market is mature and consolidated with five major stores that include three traditional grocers and two general merchandisers that command 77 percent of the $75 billion market. Retail sales among the traditional grocers have been flat since 2015, but Costco, Walmart and other general retailers (including dollar stores) have contributed to $3.4 billion to grocery sales.

The Canadian food market displays a dichotomy of demand. One for low priced quality foods and the other for premium and specialty food items. Some premium consumer packaged food products can sell for three times the U.S. retail price. U.S. companies offering natural, organic, or specialty foods tend to create product demand and to generate sales through smaller, independent retailers before tackling the majors. Proven sales in Canada can be important when persuading major retailer category buyers to list new products. A more in-depth analysis of the Canadian retail food market is available in the FAS/Canada Retail Food Report

Food Service Sector:
In 2018, total foodservice sales exceeded $68 billion, with a growth of five percent from the previous year. The Canadian foodservice industry includes both commercial and non-commercial foodservice establishments, and the industry is organized into three main subsectors: restaurants, accommodation foodservice, and institutional foodservice. The largest subsector growing within the restaurant channel are grocery sales from prepared meals for takeout and their own foodservice sales from their own dining space located in their stores. A more in-depth analysis of the Canadian foodservice sector is available in the FAS/Canada Food Service Report.

SECTION V. AGRICULTURAL AND FOOD IMPORTS

Among the consumer-oriented products exported to Canada in 2018, fresh fruits and vegetables remain in top with a combined value of $3.4 billion, followed by fresh, processed and meats and selected poultry items at $ 2.1 billion, prepared foods at $1.9 billion, and snack foods at $1.4 billion.

Packaged Food			
Product Category	**Growth**	**Subcategory**	**Growth**
Cooking Ingredients and Meals	19%	Edible Oils	25%
		Ready Meals	21%
		Sauces, Dressing and Condiments	20%
		Sweet Spreads	23%

Packaged Food			
Product Category	**Growth**	**Subcategory**	**Growth**
Snacks	18%	Confectionery	19%
		Savory Snacks	25%
		Sweet Biscuits, Snack Bars and Fruit Snacks	17%
Staple Foods			
Baked Goods	15%	Bread	16%
		Cakes	16%
		Dessert Mixes	8%
		Frozen Baked Goods	21%
		Pastries	13%
Processed Fruits & Vegetables	13%	Frozen Processed Fruit & Vegetables	22%
Pasta, Rice & Noodles	20%	Rice	31%
		Noodles	25%
		Pasta	13%
Breakfast Cereal	4%	Hot Cereals	26%
Processed Meat & Seafood	11%	Processed Seafood	20%
		Meat Substitutes	85%
Beverages/Soft Drinks			
Beverages/ Soft Drinks	18%	Ready-to-drink Coffee	113%
		Ready-to-drink Tea	53%
		Energy Drinks	34%
		Concentrates	18%
		Sports Drinks	14%

Produce			
Product Category	**Growth**	**Subcategory**	**Growth**
Fruits	1%	Grapes	6%
Vegetables	9%	Tomatoes	6%
		Potatoes	9%
		Peppers	9%
		Onions	20%
		Cucumbers	8%

Source: Euromonitor International, Nielsen Data

The demand for organic, healthy, and natural products market in Canada is growing briskly. Prospects are excellent for organic and natural ingredients, consumer-ready processed foods and beverages and fresh organic fruits and vegetables. Canadian health-conscious consumer are continuously looking for products that are all natural; no artificial colors; low sugar/sugar free; no artificial flavors; and low fat/fat free. For more information on the organic market in Canada, please Canada Organic Trade Association website.

U.S. Exports of Consumer Oriented Agricultural Products by product categories

Product	2013	2014	2015	2016	2017	2018
	(Value in Million U.S. Dollars)					
Consumer Oriented Total	16,967	17,306	16,865	16,222	16,371	16,218
Prepared Food	1,939	1,901	1,909	1,889	1,906	1,930
Fresh Vegetables	1,856	1,853	1,871	1,807	1,878	1,884
Fresh Fruit	1,834	1,786	1,649	1,633	1,609	1,533
Snack Foods NESOI	1,309	1,352	1,332	1,315	1,357	1,408
Non-Alcoholic Beverages (ex. juices)	1,198	1,247	1,192	1,156	1,087	1,070
Pork & Pork Products	842	304	778	798	792	765
Beef & Beef Products	1,177	1,029	900	758	791	746
Chocolate & Cocoa Products	662	702	725	749	748	713
Condiments & Sauces	545	631	698	704	710	686
Tree Nuts	564	661	686	598	642	698
Dog & Cat Food	614	630	602	597	641	650
Dairy Products	569	591	554	630	637	641
Processed Vegetables	581	623	618	591	613	600
Wine & Beer	616	645	613	585	611	567
Processed Fruit	456	502	474	461	474	486
Poultry Meat & Prods. (ex. eggs)	617	590	594	510	459	405
Breakfast Cereals	465	501	540	472	450	467
Fruit & Vegetable Juices	573	545	486	435	412	395
Other Consumer Oriented	240	240	234	223	241	245
Meat Products NESOI	202	221	224	214	210	211
Eggs & Products	107	152	183	98	102	121

Source: Global Agricultural Trade System

For additional information on U.S. agricultural and related product exports to Canada, please visit the Global Agricultural Trade System at: https://apps.fas.usda.gov/gats/default.aspx

Canadian Consumer Oriented Agricultural Products Imports and Share of Market

Partner Country	2016	2017	2018	2016	2017	2018	% Change
	(Value in Million U.S. Dollars)			% Share			2017/2016
World	25,310	25,296	25,892	100	100	100	2.4
United States	15,815	15,431	15,338	62.4	61.0	59.2	-0.6
Mexico	1,723	1,870	1,953	6.8	7.4	7.5	4.0
Italy	701	786	848	2.7	3.1	3.2	7.8
France	575	636	698	2.2	2.51	2.7	9.7
China	524	549	573	2.1	2.2	2.2	4.3
Chile	442	386	422	1.7	1.5	1.6	9.3
Australia	384	383	421	1.5	1.5	1.6	9.9
New Zealand	319	358	361	1.3	1.4	1.4	0.8
Spain	301	306	345	1.2	1.2	1.3	12.7

Source: Global Agricultural Trade System

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS) in Canada offers a wide variety of activities and services to help develop U.S. agricultural interest in Canada. If you need assistance exporting to Canada or have any inquiry, please contact us:

Office of Agricultural Affairs
U.S. Embassy, Ottawa
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Office of Agricultural Affairs
U.S. Consulate General – Toronto
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Email: agtoronto@fas.usda.gov

Main Trade Shows in Canada:
Agriculture and Agri-Food Canada, USDA's Canadian counterpart, maintains a list of trade shows on this webpage. FAS/Canada is providing funding support for U.S. companies to participate in the following trade shows:

- Canadian Health Food Association Trade Show
- Canadian Produce Marketing Association and Convention Show
- SIAL Canada
- Canadian Restaurant and Beverage Show
- Vancouver International Wine Festival
- National Women's Show
- Live the Smart Way Expo

Useful Canadian Websites
The following is a listing of important Canadian institutions and their website:

- Canada Border Services Agency
- Canadian Food Inspection Agency
- Global Affairs Canada
- Bank of Canada. Daily Currency Convertor
- Innovation, Science and Economic Development Canada
- Health Canada

APPENDIX

Key Trade and Demographic Information

Agricultural Imports from All Countries in 2018 / U.S. Market Share [1]	$38 billion / 56 percent
Consumer Food Imports from All Countries in 2018 / U.S. Market Share [1]	$25.8 billion / 59.2 percent
Total Population, July 2019[2] Canada's three major urban centers [2] Toronto Montreal Vancouver	37.5 million 6.3 million 4.3 million 2.6 million
Urban Population / Rural Population[2]	29.1 mil./6.9mil 81 percent urban/19 percent rural
Number of Metropolitan Areas Over 100,000 [2]	51
Per Capital Gross Domestic Product 2018 [3] Gross Domestic Product Growth Rate[3]	$46,226 1.9 percent
Unemployment Rate (November 2019)[4]	5.9 percent
Average Household Retail & Foodservice Food and Drink Spending[5]	$617 monthly $7,404 annually
Total Employment - Full & Part Time; November 2018 [4]	15.1 million
Exchange Rate, average annual 2018 [6]	$1USD = $1.30 CAD (0.772)

Footnotes:

[1]/Global Trade Atlas
[2]/Stats Canada, based on 2016 Census boundaries
[3]/ Stats Canada
[4]/ Canada: Economic and Financial Data, Statistics Canada
[5]/ 2011 Survey of Household Spending Statistics Canada/based on 19.5 million households
[6]/ Bank of Canada and www.ofx.com and Statistics Canada

Attachments:

No Attachments