USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 3/13/2019
GAIN Report Number: CA18071

Canada

Exporter Guide

2018

Approved By:
Evan Mangino, Agricultural Attaché
Prepared By:
Neveen Zeit, Agricultural Marketing Specialist

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 2017. 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.

Keywords: CA18071, Canada, Exporter Guide

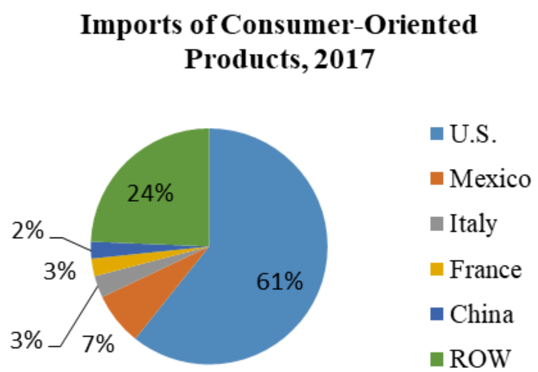
Market Fact Sheet: Canada

Executive Summary

The population of Canada is approximately 37 million and 90 percent of Canadians live within 100 miles of the U.S. border.
In 2017, Canada was the leading destination for U.S. 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 2017, Canada's total food and beverage sector was valued at nearly a quarter of a trillion dollars, creating opportunities to expand U.S. food and beverage product sales.

Imports of Consumer-Oriented Products

Canada sources more than 60 percent of total consumer-oriented products 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 billion in 2017, nearly double the value of the next largest market.



Food Processing Industry

Canada's food and beverage processing sector is sophisticated, diverse and a vital contributor to Canada's economy. In 2017, Canadian food and beverage manufacturing sales were $85 billion. There are approximately 6,500 food processing establishments in Canada, employing approximately 250,000 workers. Though no data exists on the value of ingredients imported for processing, imported ingredients are vital to Canadian manufacturers.

Food Retail Industry

Canada's retail market is mature and consolidated, with five major entities (three traditional grocers and two general merchandisers) commanding 80 percent ($59.5 billion) market share. The Canadian retail food market exhibits a demand dichotomy, with both low-priced, value items and premium / specialty food items.

Food Service Industry

In 2017, total foodservice sales exceeded $84 billion growing by five percent, with real growth of three percent after accounting for menu inflation. Millennials represent the largest category of foodservice spenders in Canada. Many households seeking convenience and value continue to turn to foodservice and home meal replacement options instead of cooking at home.

Quick Facts CY 2017

Imports of Consumer-Oriented Products
$25.9 billion

Top 10 Packaged Food Products (by sales growth)

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 in 2017

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.	Weaker Canadian dollar, a smaller population, and a consolidated retail sector.
Opportunities	**Threats**
USDA supports expanding into Quebec, where U.S. goods are underrepresented.	Increasing competition from 3rd-country competitors for Canadian consumer spend.

Contact:
Office of Agricultural Affairs – Ottawa
Telephone: (613) 688-5267
Email: agottawa@fas.usda.gov

Office of Agricultural Affairs – Toronto
Telephone: (614) 646-1656
Email: agtoronto@fas.usda.gov

Canada continued to be the top agricultural trading partner for the United States in 2017, with U.S. exports to Canada exceeding $20.5 billion and total two-way agricultural trade topping $43 billion. The United States and Canada maintain the world's largest bilateral trading relationship with more than $120 million worth of food and agricultural products crossing the U.S.-Canada border every day.

In 2017, U.S. products represented 60 percent of Canada's total imports of food and agricultural products. High-value, consumer-oriented products accounted for more than $16 billion of total U.S. exports, representing 80 percent of the total value of U.S. exports to Canada in 2017. The five leading consumer-oriented agricultural categories were prepared foods ($1.9 billion), fresh vegetables ($1.9 billion), fresh fruits ($1.6 billion), snack foods ($1.4 billion) and non-alcoholic beverages (1 billion).

The population of Canada is approximately 37 million and 90 percent of Canadians live within 100 miles of the U.S. border; 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 supplier, 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.

As similar as the United States and Canada may appear, appreciation of nuances and subtle differences are essential to successfully launching products in the Canadian market.

Canadian Market Overview Summary	
Advantages	**Challenges**
Geographic 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
High U.S. brand awareness	Differences in nutritional labeling

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:** the average household size is two, which has nearly halved over the last 50 years.
- **Immigration:** 23 percent of the total population were reported to be born outside of Canada in 2017.

Seniors make up the fastest growing age group in Canada and are increasing the demand for healthy food and smaller meal portions, easy-to-open and single-serve packages with easy-to-read labels. On the other hand, the younger generations (millennials and generation Z) are gradually increasing the demand for snacks, online grocery shopping, private label products and ethical products.

Overall Business Climate and Consumption Trends

- **Market Size:** Although demand is promising, U.S. exporters are reminded that the Canadian market is approximately one-tenth the size of the U.S. food market. Compared to the United States, there are fewer potential partners and retailers.
- **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 Consumers:** Canadian consumers tend to be price conscious, supporting strong demand for private label and promotionally priced products.
- **Convenience Food:** While price remains a determining factor for consumers, a growing segment of the population is willing to pay more for convenient, time-saving meal options, including ready-to-eat or heat-and-eat products, one-dish meals and mini meals.
- **Organic Products:** According to 2017 data from Canada Organic Trade Association, millennials are key drivers of demand for organic food and beverages. In addition, households with children are more likely to buy organic than households without children.
- **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.
- **Ethnic Foods:** Ethnic consumers continue to expand the Canadian retail grocery landscape, as major grocery chains strive to meet the needs of ethnic shoppers. Established ethnic supermarkets that once catered to immigrant communities are reaching out to non-immigrant consumers seeking new products.
- **Buying Local:** The demand for locally produced foods continued to grow in 2017. Industry reports showed 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:** Interest in online grocery shopping has been rising. Major, and even emerging, retailers are responding to this demand by developing innovative online platforms.

More Canadians are also using mobile shopping apps during in-store grocery shopping experiences.

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 Related GAIN Reports in 2018

REPORT#	Title of Report	Date
CA18061	75 Days to Comprehensive Regulatory Update	11/2/2018
CA18046	Canada Announces Final List of Ag Products in Response to U.S. Tariffs	6/29/2018
CA18045	Proposed Regulations for Front-of-Package Labels	6/26/2018
CA18040	Canada Publishes Final Food Safety Regulations	6/13/2018
CA18039	Retail Report	6/26/2018
CA18026	Canada changes label requirements for wines blended in Canada	4/11/2018
CA18023	2018 Food Processing Ingredients	3/29/2018

SECTION II. EXPORTER BUSINESS TIPS

U.S. exporters are encouraged to look at Canada as a country of five regional markets: Ontario, Quebec, Atlantic Canada, Prairies and Western Canada. Each market presents its own opportunities, trade relationships, and category structure, even though 80 percent of total retail beverage and food sales are attributed to just five companies: Loblaws, Sobeys, Metro, Walmart, and Costco. U.S. companies are encouraged to study the regional markets carefully when developing their product launch strategy.

Market Access

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

1. Contact an international trade specialist through your state department of agriculture.
2. Thoroughly research the competitive marketplace.
3. Locate a Canadian partner to help identify key Canadian accounts.
4. Learn Canadian government standards and regulations that pertain to your product.

FAS/Canada recommends 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 considerations should be considered when identifying a Canadian business partner.

FAS/Canada can provide assistance in identifying a broker, distributor, importer or marketing companies for U.S. business to reach out to, but cannot endorse any particular firm. To obtain these listings, please contact agottawa@fas.usda.gov or agtoronto@fas.usda.gov.

More than 30 U.S. agricultural trade associations / 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.

On January 15, 2019, the Safe Food for Canadians Regulations (SFCR) entered into force, consolidating a wide range of Canadian food safety rules and requirements under one regulatory document. Please refer to FAS/Canada's Food and Agricultural Import Regulations and Standards (FAIRS) report as well as the SFCR website for the latest information on Canadian food safety, labelling, and other requirements essential to accessing the Canadian market.

On July 1, 2018, Canada imposed a 10 percent tariffs on a range of U.S. food and agricultural products in response to U.S. tariffs on certain steel and aluminum products from Canada. Please refer to GAIN Report CA18046 for more information on which products are affected.

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. For a detailed description of customs brokers, please refer to the FAS/Canada 2017 Exporter Guide (CA17051). 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

Retail Food Sector:

Canada's retail market is mature and consolidated, with five "majors" (three traditional grocers and two general merchandisers) commanding 80 percent of the $74 billion market. Retail sales among traditional grocers have been flat in recent years and much of the market growth has come from general merchandisers, led by Costco and Walmart. The remaining 20 percent ($14.5 billion) of retail food sales is represented by 7,000 independents and convenience stores across the country. Of note, the 'dollar store' segment of general merchandisers are significantly expanding their food offerings, with 12 percent sales growth in 2017 as they stocked more low-priced food items.

The Canadian food market contains a dichotomy of demand, with both low-priced items appealing to value-oriented shoppers and premium/specialty food items appealing to more affluent consumers and those looking to treat themselves. Some premium consumer packaged food products in Canada 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 Foods GAIN report (CA18039).

Food Processing Sector:

The Canadian food and beverage processing sector is sophisticated, has well-established supply chains, and is a vital contributor to Canada's economy. In 2017, Canadian food and beverage manufacturing sales were $85 billion. The Government of Canada has set a target for agricultural exports to reach $75 billion CAD by 2025; total exports were $58 billion CAD in 2017. Exports of high-value, consumer-oriented products will be vital to achieving that goal. In 2017, Canadian exports of manufactured food and beverage products were $34 billion CAD.

The Canadian government is significantly adjusting its approach to nutritional regulation and communication. U.S. companies need to be aware of these changes, which can reflect and affect consumer preferences as well as create new export opportunities. Symbolically, Canada released a new national Food Guide in January 2019 emphasizing: fresh fruits and vegetables; less sodium, fat, and sugar overall; less processed foods; and more plant proteins. The Food Guide perspective is reflected in a range of regulations, including proposed front-of-package labeling, proposed restrictions on marketing "unhealthy" food to children, and the September 2018 banning of partially hydrogenated oils in food.

A more in-depth analysis of the Canadian food processing and ingredients market is available in the FAS/Canada Food Processing Ingredients GAIN report (CA18023).

Foodservice Sector:

In 2017, total foodservice sales in Canada were $65 billion, representing three percent real growth over 2016 after accounting for menu price inflation. The foodservice sector has been a dynamic, highlight of the Canadian economy, with new foodservice establishment openings outpacing population growth in recent years. Smaller, regional foodservice distributors support the few national foodservice distributors that dominate the Canadian market. The Ontario food service market is more than twice as large as the next largest province, posting over $20 billion in sales in 2017. Quebec, British Columbia, and Alberta (listed in order of market value) generated more than $25 billion of foodservice sales combined in 2017.

A more in-depth analysis of the Canadian foodservice sector is available in the FAS/Canada Foodservice GAIN report (CA18060).

SECTION V. AGRICULTURAL AND FOOD IMPORTS

U.S. Exports of Consumer Oriented Agricultural Products to Canada

Product	2013	2014	2015	2016	2017
	(Value in Million U.S. Dollars)				
Consumer Oriented Total	16,967	17,306	16,865	16,222	16,371
Prepared Food	1,939	1,901	1,909	1,889	1,906
Fresh Vegetables	1,856	1,853	1,871	1,807	1,878
Fresh Fruit	1,834	1,786	1,649	1,633	1,610
Snack Foods NESOI	1,309	1,352	1,332	1,315	1,357
Non-Alcoholic Bev. (ex. juices)	1,198	1,247	1,192	1,156	1,087
Pork & Pork Products	842	904	778	798	792
Beef & Beef Products	1,177	1,029	900	758	791
Chocolate & Cocoa Products	662	702	725	749	748
Condiments & Sauces	545	631	698	704	710

Source: Global Agricultural Trade System

For additional information on U.S. agricultural and related product exports to Canada, please visit the USDA Global Agricultural Trade System database.

Canadian Consumer Oriented Agricultural Products

Partner Country	2015	2016	2017	2015	2016	2017	% Change
	(Value in Million U.S. Dollars)			% Share			2017/2016
World	25,559	25,215	25,938	100	100	100	2.87
United States	16,191	15,600	15,732	63.35	61.87	60.65	0.85
Mexico	1,517	1,707	1,856	5.93	6.77	7.15	8.70
Italy	688	684	779	2.61	2.71	3.00	13.96
France	549	556	617	2.15	2.21	2.38	10.90
China	536	548	593	2.10	2.17	2.29	8.15
Chile	439	442	392	1.72	1.75	1.51	- 11.36
Australia	467	384	386	1.83	1.52	1.49	0.36
New Zealand	348	320	360	1.36	1.27	1.39	12.56
Spain	276	301	325	1.08	1.19	1.25	8.10

Source: Global Trade Atlas

Best High Value Products Prospects

Among the consumer-oriented products exported to Canada in 2017, fresh fruits and vegetables remained the top value products with a combined value of $3.5 billion, followed by prepared foods at $1.9 billion, snack foods at $1.4 billion and non-alcoholic beverages at $1 billion.

The demand for organic, healthy, and natural products market in Canada is growing. There are excellent prospects for products with organic or natural ingredients, consumer-ready processed foods and beverages, and organic, fresh 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.

Following is a breakdown of products with the highest forecasted sales growth in Canada during the 2017 – 2023 period.

<table>
<tr><th rowspan="2">Category</th><th colspan="2">Percentage Growth Rate
2017 - 2023</th></tr>
<tr><th>4 – 7%</th><th>8% and Higher</th></tr>
<tr><td>Beverages</td><td>Organic soft drinks (5%)
Organic juices (7%)
Ready to drink (RTD) teas (6%)
Premium Fruit/vegetable juices (5%)</td><td>Low-alcoholic beverages (10%)
Smoothies (16%)
Organic teas (9%)</td></tr>
<tr><td>Confectionery</td><td>Organic confectionery (7.3%)
Chocolate (4%)</td><td>Plant-based desserts (38%)
Candies snacks (31%)</td></tr>
<tr><td>Dry Grocery</td><td>Halal packaged foods (7%)
Dry fruits (6%)
Dips of clean ingredients (5%)
Edible oils (5%)
Natural cereal bars (5%)
Savory snacks w/ clean ingredients (5%)
Vegetarian / Vegan Packaged foods (5%)
Super grains, such as quinoa, chia seeds and buckwheat (4%)
Natural High Fibre Bread (4%)
Dry Beans (4%)
Nuts (4%)
Baked Desserts

Organic Packaged Foods (6%)
Organic savory snacks (5%)
Organic breakfast cereals (6%)
Organic packaged foods (5%)
Organic edible oils (7%)
Organic ready meals (4%)
Organic sauces, dressings, and condiments (5%)
Organic soups (6%)
Organic sweet biscuits, snack bars, and fruit snacks (9%)</td><td>Meat sticks (16%)
RTD Coffees (14%)
Natural fruit and nut bars (7%)
Tofu (9%)
Organic Spreads (9%)</td></tr>
</table>

Category	Percentage Growth Rate 2017 - 2023	
	4 – 7%	8% and Higher
	Plant-based salty snacks (6%) Processed fruits and vegetables (4%) Processed seafood (4%) RTD Teas (6%) Spreads (5%) Sweet biscuits, snack bars, and fruit snacks (5%) Cat food (4%) Premium wet cat food (4%) Dog food (5%) Premium wet dog food (4%) Dog treats (7%)	
Chilled and Frozen Foods	Meat patties (11% by volume) Natural health frozen meat substitutes (6.2%) Chilled lunch kits (5%) Chilled ready meals (5%) Frozen processed fruits and vegetables (6%) Seafood (6%) Frozen seafood (6%)	Meat patties (18%) Frozen fruit (11%) Soy cheese (10%) Yogurt (34%) Organic Spreads (9%)
Produce	Asparagus (7%) Bagged salads (7% by volume) Beets (6%) Broad leaf bagged vegetables (7%) Tangerines/clementines/mandarins (6% by volume) Broccoli (6% by volume) Corn (6%) Garlic (6%) Kiwi (4%)	Avocados (23% by volume) Cauliflower (12%) Nectarines (12%) Yams (10%) Zucchini (8%) Limes (8%)
Prepared Foods	Prepared Foods (6%)	
Snack Foods	Naturally healthy fruit and granola bars (16% in retail sales) Chips and other savory snacks (5%)	
Non-dairy		Non-dairy milk alternatives, such as soy milk and other milk alternatives (9%)

Source: Euromonitor International, Nielsen Product Insider 2017

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 an inquiry, please contact us:

Office of Agricultural Affairs
U.S. Embassy, Ottawa
Mailing Address: P.O. Box 5000, MS-30
Ogdensburg, NY 13669-0430
Telephone: (613) 688-5267
Email: agottawa@fas.usda.gov

Office of Agricultural Affairs
U.S. Consulate General - Toronto
Mailing Address: P.O. Box 135
Lewiston, NY 14092-0135
Telephone: (416) 646-1656
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/2017/U.S. Market Share [1]	$33.6 billion/ 60 percent
Consumer Food Imports/from All Countries/2017/U.S. Market Share [1]	$26 billion/ 61 percent
Total Population, July 2018 [2] Canada's three major urban centers [2] • Toronto • Montreal • Vancouver	37.1 million 6.3 million 4.1 million 2.6 million
Urban Population / Rural Population / Percent Urban/2011 [2]	27.1 mil./6.3mil/ 81 percent urban/ 19 percent rural
Number of Metropolitan Areas Over 100,000 [2]	35
Per Capital Gross Domestic Product (U.S. dollars), per capita; 2016 [3/estimate] Gross Domestic Product Growth Rate[3]	$48,400 3 percent
Unemployment Rate (November 2018)[4]	5.6 percent
Average Household Spending on food and drink, retail/foodservice, 2017 (estimate); (U.S. dollars) [5]	$617 monthly/ $7,404 annually
Total Employment / Full & Part Time; November 2018 [4]	18.8 million
Exchange Rate, average annual 2017 [6]	$1 = $1.30CAD

Footnotes:
[1]/Global Trade Atlas
[2]/Statistics Canada
[3]/ CIA World Fact Book
[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 http://www.usforex.com/