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**Report Highlights:**

Canada is the largest overseas market for U.S. high-value, consumer-oriented products, with exports reaching nearly \$19.7 billion in 2022 – representing 24 percent of the total value of U.S. consumer-oriented exports worldwide, more than doubling the value of the next largest market. Canada's retail market is mature and largely consolidated, with five retailers comprising nearly 74 percent of the total retail grocery market. The remainder of the market is represented by smaller regional retail chains that include 6,900 independents and 27,000 small and independent convenience stores.

## Market Fact Sheet: Canada

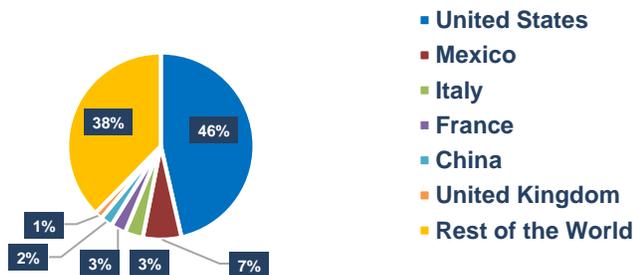
### Executive Summary

Approximately 90 percent of Canada's nearly 38 million consumers live within 100 miles of the U.S. border. In 2022, Canada was the third largest market for U.S. agricultural exports at \$28.3 billion. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports \$180 million worth of daily two-way trade in food and agricultural products. Canada's food and alcoholic beverage retail sales in 2022 reached \$112 billion – a modest 2 percent increase from the previous year. Despite a relatively strong U.S. dollar and increased competition, opportunities for U.S. food and beverage food sales have remained strong in Canada.

### Canadian Imports of Consumer-Oriented

U.S. exports of consumer-oriented products to Canada reached \$19.7 billion in 2022, representing 55 percent of total category imports from abroad. This segment of agricultural and food products includes snack food, breakfast cereals, sauces, confectionery, pet food, wine, spirits, beer, and soft drinks. The top three consumer-oriented agricultural product categories were bakery goods, cereals, and pasta (\$2.6 billion), fresh vegetables (\$2.1 billion), and fresh fruits (\$1.7 billion). U.S. products dominate in imported goods in the Canadian market, but recently implemented Canadian trade agreements with trading blocs – CETA (Canada-European Union Comprehensive Economic and Trade Agreement) and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) – have contributed to increased agricultural export competition in the Canadian market.

#### 2022 Canadian Imports of Consumer - Oriented Products



Canada's retail market is mature and consolidated with five leading retailers – three traditional grocers and two general merchandisers – commanding nearly 75 percent of the market. The remainder of the market is represented by smaller regional retail chains that also include 6,900 independents and 27,000 small and independent convenience stores across the country. Ontario, Quebec, and British Columbia represent 61 percent of Canada's retail market and are the provinces in which most of the convenience, drug, grocery, and mass merchandise stores are located.

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 are sold in Canada at three times the comparable U.S. retail price. Customarily, U.S. companies selling natural, organic, or specialty foods will create demand and sales among the independents before tackling larger accounts. Proven sales in Canada are important to help attract category buyers to list new products.

## Canada Quick Facts 2022

**Global Imports of Consumer-Oriented Products**  
\$34.8 billion

**U.S. Imports of Consumer-Oriented Products**  
\$19.7 billion

#### List of Top 10 Growth Packaged Food Products in Canada

- 1) Vegetable, pulses, and bread chips
- 2) Meat and seafood substitute
- 3) Prepared Salads
- 4) Frozen Soups
- 5) Seasonal Chocolate
- 6) Nuts, Seeds, and Trail Mixes
- 7) Fruits and Nut bar
- 8) Flat bread
- 9) Ice Cream
- 10) Bottled water

#### Grocery & Combination Store Sales Share by Province – 2021

- 1) Ontario – 36%
- 2) Quebec – 25%
- 3) British Columbia (includes Yukon, N.W.T. & Nunavut) – 14%
- 4) Alberta – 12%
- 5) Manitoba – 4%
- 6) Saskatchewan – 3%
- 7) Nova Scotia – 3%
- 8) New Brunswick – 2%
- 9) Newfoundland & Labrador – 2%
- 10) Prince Edward Island – 0.4%

#### Top 10 Canadian Food Retailers (by retail sales) – 2021

- 1) Loblaws/Shoppers Drug Mart (27%)
- 2) Sobeys/Safeway (19%)
- 3) Metro/Jean Coutu (11%)
- 4) Costco (9%)
- 5) Walmart (8%)
- 6) Overwaitea Food Group (4%)
- 7) Co-ops (3%)
- 8) Couch-Tard (2%)
- 9) North West Company Inc. (1%)
- 10) Dollarama (1%)

**Note:** The \$1 USD: \$1.30 CAD exchange rate has been applied for 2022  
*Source: Who's Who (Canadian Grocer), Trade Data Monitor, Statistics Canada and Euromonitor International*

### Strengths / Weaknesses / Opportunities / Threats

Strengths	Weaknesses
Relatively high consumer disposable income levels and similar cultures, tastes, and preferences.	Strong U.S. dollar, high levels of household debt, and a consolidated retail sector.
Opportunities	Threats
Duty-free tariff treatment for most products, Canadian buyers' familiarity with U.S. products, and acceptance of new innovative products.	Increasing third-country competition, and strong 'buy local' consumer sentiment.

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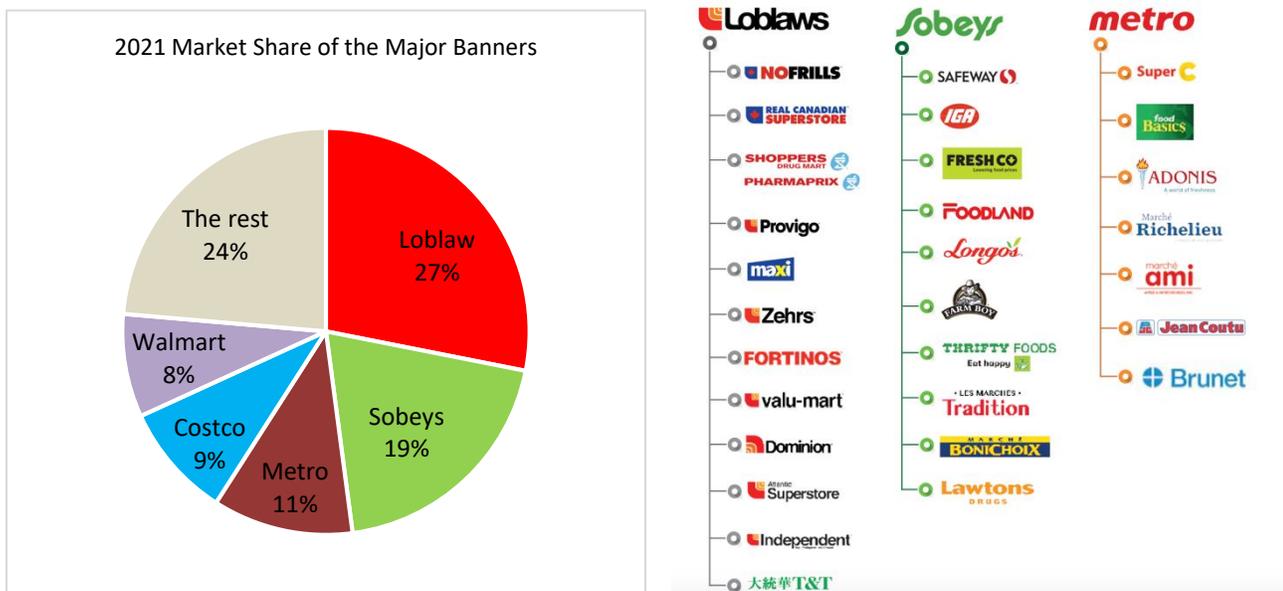
## Section I: Market Summary

### Overview of the Canadian Retail Landscape

Over 80 percent of Canadians live in the country's 15 largest cities, making cities the center of retail activity. As larger grocery banners focus efforts on densely populated areas, smaller rural communities are commonly serviced by independent and specialty retailers. While sophisticated, transportation logistics across such a large country is relatively expensive. Product distribution channels routinely flow north-south, rather than west-east, reinforcing the importance of trade with U.S. suppliers.

In 2022, Canada's food and alcoholic beverage retail sales reached \$112 billion USD, including alcohol sales of \$21 billion. The 2022 figure is a modest two percent increase over 2021 sales, which is a considerably slower rate of increase relative to the record 11 percent witnessed in 2020 when inflation was its strongest. As inflation started to weigh on cost of living in the second half of 2022, the food retail market slowed. High food prices caused by inflation impacted consumer shopping behavior, encouraging consumers to utilize lower-priced channels such as discount retailers and supermarkets.

The Canadian retail market is highly consolidated with five major retailers commanding nearly 75 percent of grocery retail sales. Canada's three largest grocers—Loblaws, Sobeys, and Metro—collectively reported more than 77 billion USD in sales, recording more than 2.7 billion USD in profits. Loblaws and Sobeys have stores nationwide while Metro operates only in Canada's two largest provinces: Ontario and Quebec. All three companies have over 1,000 stores each, including franchised locations. Costco and Walmart are the next largest grocers in Canada. While both companies have different business models and sell more than just food, they compete with Loblaws, Sobeys, and Metro for grocery sales. According to the [Canadian Federation of Independent Grocers](#), about 6,900 independent grocery stores exist in Canada. Independent and Specialty stores differentiate their offerings from the major retailers by focusing on [imported and international food](#).



Source: Who's Who Report (Canadian Grocer), Retail Grocery Market Study Report (Competition bureau), \*Sobeys/Costco/Loblaws/Walmart 2022 Annual Financial report.

Canadian retailers continue to rely on imported foods to help introduce new and innovative products, and to supplement products sourced domestically. Many large U.S. food manufacturers have production facilities in both the United States and Canada, while many small-to-medium-sized food suppliers utilize sophisticated warehousing and distribution channels to get new products to the Canadian market.

## **Key Marketing Drivers and Trends**

**Loyalty programs drive consumer decisions:** Most major grocery retailers have [loyalty programs](#) that allow customers to earn points or rewards that can then be used to purchase groceries and other products at a later date. According to the [Retail Grocery Market Study Report](#) from the [Competition Bureau](#) (an independent law enforcement agency), loyalty programs significantly influence consumer behavior. In a survey conducted by the agency, roughly three in five Canadians (61 percent) report that they are more likely to shop at a grocery store where they can earn rewards points. Industry contacts report to FAS Canada that customer loyalty programs are an effective way for U.S. exporters to communicate with new Canadian customers and boost sales among returning customers. In recent years, Canada's major retailers have increased focus on developing loyalty programs to gain an edge over competing retailers. U.S. exporters looking to utilize loyalty programs to promote products are strongly encouraged to work with U.S. State and Regional Trade Groups (SRTGs), such as Food Export, SUSTA, and WUSATA, on applying for promotional funding under the [Branded Program](#).

**The decline in locally made sales:** In 2022, Canadian consumers' strong sentiments toward locally made products declined. According to the [Food and Beverage report](#) from Food Credit Canada, purchases of Canadian-made food in 2022 reverted to the volumes observed before the pandemic. During the pandemic, consumers strongly supported local businesses and locally made products, and in 2022, a more significant percentage of food dollars was spent on imported foods. The share of domestically made products vs. imported declined by 2 percent in 2022.

**Sustainably produced and packaged products:** An increased concern for environmental issues continues to drive demand for sustainably produced and packaged products in Canada. In an effort to align with [Canada's Zero Plastic Waste](#) initiative, retailers are actively working to make supply chains and packaging more sustainable, including a shift away from plastic checkout bags and other single-use items. In May 2022, [Walmart announced](#) its decision to no longer offer single-use plastic bags in its stores and in June 2022, Loblaw also announced an intent to [remove single-use plastic bags](#) from its network of stores.

**[Retail Code of Conduct:](#)** On July 2021, Federal, Provincial, and Territorial Ministers called for an industry-led process to develop a broad consensus around a proposal to improve transparency, predictability, and balance in the supplier-retailer relationship while also ensuring Canadians continue to have access to a reliable grocery supply at affordable prices. The effort followed concerns from processors, producers, and independent grocers regarding increased retailer fees on suppliers. A 10-person steering committee of representatives from across the industry was formed to draft a Grocery Retail Code of Conduct. The industry anticipates the [code of conduct](#) to be in place by the end of 2023.

Advantages	Challenges
Relatively high disposable income	Many products already available in Canada
Geographic proximity resulting in reduced transportation costs	Geographic scale of Canada and difficulty with shipping west-east
U.S. food products are generally aligned with Canadian tastes and are familiar to Canadian consumers	Bilingual (English and French) labeling, differences in nutrition fact panels, and other labeling requirements
Canada's ethnically diverse population exposes Canadians to many global cuisines	Strong U.S. dollar makes U.S. products relatively more expensive
Strong demand for natural, organic, gourmet, and specialty food products	Concentrated retailer sector gives retailers strong buying power
Duty-free, tariff-free treatment for most U.S. products under USMCA (entered into force July 1, 2020)	Tariff rate quotas apply for supply-managed commodities (dairy, poultry, and eggs)
Retailers rely on imported fruits and vegetables during Canada's winter months	Strong "buy local" sentiment
Well-established and sophisticated financial institutions to support trade	Differences in standard package sizes and units of measurement (metric vs. imperial)
<a href="#">AIRS</a> , <a href="#">Industry Labelling Tool</a> , and <a href="#">National Import Service Centre</a> provide regulatory guidance to facilitate trade	Retailers and distributors often prefer working through a Canadian broker

## Section II: Road Map for Market Entry

### Market Entry Strategy

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

- Contact an international trade specialist within your [State Department of Agriculture](#).
- Attend a trade show in Canada to meet contacts and learn about the market.
- Thoroughly research competition and consumer preference for your product in Canada.
- Locate a Canadian partner to help identify potential Canadian accounts.
- Study Canadian government standards and regulations that pertain to your product.

For more information on these steps, please consult the FAS Canada [Exporter Guide](#) and contact FAS Canada offices in Montreal, Ottawa, and Toronto. Our offices can provide further guidance specific to your product upon request.

U.S. companies need to assess export readiness before entering the Canadian market. This includes determining how well established your brand is in the United States and if your company currently has available resources and staff capacity to launch a product in Canada. Companies are encouraged to focus on achieving realistic, targeted, and specific sales goals. Further, companies should approach the Canadian market with patience and commitment. Targeted promotions and sales efforts will help products gain momentum and is the best way to develop long term success.

Review the latest FAS Canada Food and Agricultural Import Regulations and Standards Report ([FAIRS Report](#)) to understand relevant Canadian import requirements. The Canadian Food Inspection Agency (CFIA) provides extensive [programs and services](#), including a [Guide to Importing Food Products Commercially](#), that all exporters should review. The CFIA [Automated Import Reference System](#) (AIRS) helps businesses identify the appropriate Harmonized System (H.S.) codes and import requirements for their products. The Canadian [National Import Service Centre](#) can guide U.S. exporters through compliance questions and help facilitate cross-border shipments. FAS Canada recommends that first-time exporters engage a [Canadian customs broker](#), as 80 percent of all shipments into Canada are handled and cleared by an appointed custom broker.

The bulk of Canadian food imports are imported via a broker, distributor, or wholesaler. Some perishable item (e.g., fruits) suppliers and multinational food companies ship directly retail distribution centers or through terminal markets for independent retailers. Unlike in the United States, retail category buyers from the larger chains can rely on food brokers, distributors, and importers to identify new products. More importantly, they also rely on these intermediaries to manage the relationship with U.S. companies and to guide U.S. companies through required compliance steps, the nuances of the Canadian retail market, and the development of promotional strategies to help sell the product in Canada.

Distributors typically oversee several hundred SKUs and handle products with high inventory turnover. Brokers, on the other hand, are focused on managing the product's brand and retail account relationships. Most brokers will handle between 10 to 25 brands at a time unless they are a larger national firm, in which case they will manage a larger number of brands. Brokers will focus on establishing the distribution network and developing new retail accounts. Often, brokers are in the best position to give U.S. exporters the required attention needed to develop established long-term sales. Broker commission fees, on average, are approximately five percent of sales. It is not unusual for the broker to request a retainer fee for new accounts, as much time is spent promoting the brand to new accounts. Once sales targets are achieved, brokers typically transition to commission-based fees.

When targeting the Canadian market, it is essential to keep the following facts in mind: Canada is a relatively small and highly mature market with a consumer base roughly one-tenth of the United States. Accessing a smaller Canadian consumer base can be expensive as major population groups are concentrated in cities that are spread out along the vast U.S.-Canada border. There are typically three major geographic regions to consider: Ontario, Quebec, and British Columbia. For companies looking to launch on a smaller scale, a more manageable approach would be to focus on one province (or even city) at a time.

Attending Canadian trade and consumer shows can help U.S. exporters better understand the market. A partial list of Canadian trade shows can be found [here](#). USDA endorses [SIAL Canada](#), the largest food trade show in Canada. FAS/Canada works with [State Regional Trade Groups](#) (SRTG) to administer [USDA Market Access Program](#) funding to those U.S. companies that qualify. Once a U.S. firm qualifies with its regional SRTG, then some of its trade show expenses will be partially reimbursed.

### Section III: Competition

As a mature market with a highly integrated supply chain, much of the competition for Canadian market share is with other U.S. and Canadian food products already established in the market.

**Table 1: Canadian Imports of Consumer-Oriented (C.O.) Products** (in Million U.S. Dollars)

Year	CO Imports - Global	CO Imports - U.S. Value	CO Imports - U.S. Share	Total Retail Food Sales
2019	\$28,288	\$16,138	57%	\$99,839
2020	\$29,139	\$16,525	57%	\$109,307
2021	\$31,784	\$17,585	55%	\$110,110
2022	\$34,773	\$19,195	55%	\$112,145

Source: Trade Data Monitor and Statistics Canada

**Table 2: 2022 Imports of Leading Consumer-Oriented Products** (in Million U.S. Dollars)

Description	CO Imports Global \$	C.O. Imports U.S. Share		Leading Competitors
		\$	%	
Bakery Goods, Cereals, & Pasta	3,595	2,622	73%	Italy, China, and Mexico
Fresh Vegetables	3,041	1,838	60%	Mexico, China, and Guatemala
Fresh Fruit	4,355	1,610	37%	Mexico, Guatemala, and Peru
Soup & Other Food Preparations	2,117	1,716	81%	China, Mexico, and Taiwan
Dog & Cat Food	1,259	1,102	88%	Thailand, China, and France
Pork & Pork Products	1,081	840	78%	Germany, Italy, and Spain
Chocolate & Cocoa Products	1,599	830	52%	Belgium, Switzerland, and Germany

Beef & Beef Products	1,275	822	65%	Australia, Mexico, and New Zealand
Non-Alcoholic Bev. (ex. juices, coffee, tea)	1,108	732	66%	Switzerland, France, and Italy
Dairy Products	1,443	897	62%	Italy, New Zealand, and France
Tree Nuts	1,033	681	66%	Vietnam, Turkey, and China
Processed Vegetables	1,414	745	53%	China, Italy, and Spain
Condiments & Sauces	973	737	76%	Italy, China, and Thailand
Processed Fruit	1,485	631	42%	China, Mexico, and Chile
Wine & Related Products	2,345	493	21%	France, Italy, and Australia

Source: Trade Data Monitor

#### Section IV: Best Product Prospects Categories

Among the \$19.7 billion consumer-oriented products exported to Canada in 2022, the top three consumer-oriented agricultural product categories were bakery goods, cereals, & pasta (\$2.6 billion), fresh vegetables (\$2.1 billion), and fresh fruits (\$1.7 billion).

Euromonitor reports that after the unprecedented increase in demand in 2020 due to bulk purchases in the early stages of the COVID-19 pandemic, demand for cooking ingredients and meals declined in volume terms in 2022, even if overall sales levels remained well above 2019 levels. Convenience trends continue to drive the meal kit concept in 2022 as retailers have scrambled to meet the high demand. As consumers return to workplaces and resume busy lifestyles, demand for meals and soups is driven by a need for convenience. As Canadian consumers have been cooking more since the outbreak of COVID-19 owing to lockdowns and public health measures in coping with the pandemic, meal-preparation fatigue, and the desire for something interesting, new, and authentic have been growing. Meal kits, as a category, continue to perform well in 2022,

Post-pandemic consumer shopping behaviors continue to adapt and change. With post-COVID-related financial insecurity and inflation in the country, price-conscious Canadian consumers are expected to remain cautious in the near term, driving sales of private label products and tempering the pace of "premiumization" (i.e., consumers upgrading to more premium products).

**Table 3: Best Forecasted Growth Product Categories (2022 – 2027)**

Product Category	Sales Growth 2021 / 2022	5-year CAGR-Growth Forecast	Subcategories	Sales Growth 2021 / 2022
<b>Packaged Food</b>				
Cooking Ingredients & Meals	-0.8%	3.5%	Chilled Meat and Seafood Substitutes	10.3%
			Frozen Meat and Seafood Substitutes	7.1%
			Prepared Salads	6.3%
			Frozen Soup	4.6%
			Chilled Pizza	1.9%
Snacks	0.9%	3.8%	Vegetable, Pulse, and Bread Chips	11%
			Seasonal chocolate	4.6%
			Nuts, Seeds, and Trail Mixes (no artificial ingredients)	4.2%
			Single Portion Dairy Ice Cream	4%
			Fruit and Nut Bars	3.1%
			Other Savory Snacks	3%
<b>Staple Foods</b>				
Baked Goods	0.5%	0%	Flat Breads	4.9%
			Cakes	1.9%
			Pastries	2%
Processed Fruits & Vegetables	-1.8%	1%	Frozen fruits	-0.3%
Pasta, Rice & Noodles	-1.5%	3%	Noodles	-5.5%
			Rice	-3.6%
Meat and seafood substitutes	9.8%	8.8%		
Pet Food	1.8%	3.7%	Dog and Cat Foods	1.8%
<b>Beverages/Soft Drinks</b>				
Beverages/ Soft Drinks	-0.01%	2.3%	Soft Drinks	5.5%
			Bottled Water	4.5%
			Energy Drinks	-4.9%
			Sports Drinks	-5%

Source: Euromonitor International

### Products with Positive Sales Potential

**Ready made meals – prepared salads and frozen soups:** The meal kit category (dinner mixes, prepared salads, and chilled ready meals) – products that generally have a shorter shelf life, with added health benefits and clean labels experienced positive sales growth in 2022. Canadian consumers are consistently looking for products that enhance their immunity and digestive health and prioritize the reduction of red meat consumption. As highlighted in Table 3, prepared salads and frozen soups had positive growth in the packaged products category: 6.3 and 4.6 percent increase, respectively.

**Healthy Eating and wellness trend on sales of snacks:** As highlighted in Table 3, vegetable, pulse, and bread chips topped the category in overall growth. Health concerns over obesity and an aging population continue to drive demand for health-related products, including snacks. According to Euromonitor, healthy snacking remained a significant revenue stream for convenience retailers, with shoppers looking for healthy quick on-the-go options. Retailers are addressing the spike in demand with more nutritious food and drink snack options.

**Plant-based diets and alternative proteins:** Health and environmental consciousness are driving the demand for plant-based products. The trend was exacerbated by the COVID-19 pandemic, where health became the primary concern for most Canadians – more prevalent among Canada’s aging population and Gen-Z consumers. Healthy living standards transcend medical health to include food, exercise, mental well-being, and broader lifestyle issues – where food and supplements are no longer distinct.

### **Section V: Key Contacts and Further Information**

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Please refer to the FAS/Canada [Exporter Guide](#) for links to additional sources of information.

**Attachments:**

No Attachments