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Report Name: Food Service - Hotel Restaurant Institutional

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Report Highlights:

In 2020, Canadian food sales amounted to US\$49 billion, a decrease of 34 percent from the previous year. This includes commercial and non-commercial national sales. The impact of COVID -19 caused the closure of non-essential businesses with a number of small to medium sized restaurants permanently closing their businesses. Restricted seating capacity, along with limitations on local and international travel drove sales down. The Canadian restaurant association; Restaurants Canada estimated a loss of up to US\$20 billion in 2020.

Market Fact Sheet: Canada

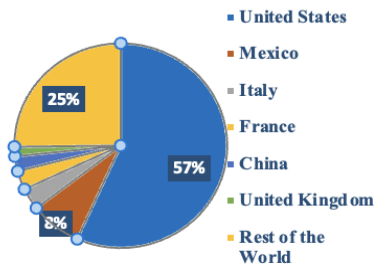
Executive Summary

The population of Canada is approximately 38 million. In 2020, Canada was the second leading export destination for U.S. agricultural products. Canada's 2020 food service sales amounted to \$49 billion (\$55 billion CAD), a 34 percent decrease from 2019. Food service sales are not expected to return to 2019 levels until 2022.

Imports of Consumer-Oriented Products

Canada is the number one market for high-value consumer-oriented U.S. products. U.S. exports of consumer-oriented products to Canada hit \$17.1 billion in 2020. This segment of agricultural and food products includes snack food, breakfast cereals, sauces, confectionery, pet food and wine, spirits, beer, and soft drinks.

2020 Canadian Imports of Consumer - Oriented Products



Food Processing Industry

In 2020, food and beverage processing sales reached \$91.7 billion with food processing accounting for 90 percent of total sales and beverage processing accounting for the remaining 10 percent. The leading food manufacturing sectors were meat processing (\$22.9 billion) and dairy product manufacturing (\$13 billion).

Food service Industry

In January and February 2020, just before the Covid pandemic, monthly food service sales peaked at \$6.3 billion. The food service industry is divided into two segments: Commercial (restaurants, caterers, and drinking establishments) and Non-commercial (hotels, institutional, retail, and other food service operations).

Quick Facts CY 2020

Imports of Consumer-Oriented Products

\$27.5 billion

Top 10 Packaged Food Products (by sales growth)

- Baked/Bakery Goods
- Cereals/Pasta/Rice
- Processed Fruits/Veg.
- Non-alcoholic Beverages
- Dog & Cat Food
- Beef & Beef Products
- Pork & Pork Products
- Chocolate & Cocoa Products
- Tree Nuts Products
- Sauces/Dressings/Condiments

Food Industry by Channels (2019, Billion USD)

Total Food & Beverage Industry	\$240
Retail (including alcoholic beverages)	\$106.8
Food Service	\$ 41.3
Food & Beverage Processing Sales	\$ 91.7
- Food Processing	\$ 82.1
- Beverage Processing	\$ 9.6

Top 10 Food Processors & Restaurant Chains

Food Processors	Food service chains
1) Loblaw	1) Restaurants Brands International, Inc (18.1%)
2) Saputo	2) McDonalds Corporation (15.1%)
3) Kraft Heinz Canada	3) A&W Food Services of Canada (4.2%)
4) Agropur Cooperative Ltd	4) Doctor's Associates Inc./Subways (4.0%)
5) Nestlé Canada	5) Starbucks Corporations (3.3%)
6) Lactalis Canada	
7) Frito-Lay Canada	
8) General Mills Canada	
9) Sobeys	
10) Schneider Corporation	

GDP/Population

Population: 38 million
 GDP: \$1,843 billion USD (2019 est.)
 GDP per capita: \$49,031 USD (2019 est.)

Note: The exchange rate \$1 USD : 1.3415 CAD has been applied for 2020.

Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
Relatively high consumer disposable income levels	Strong U.S. dollar and high levels of household debt
Opportunities	Threats
Duty free tariff treatment for most products	COVID measures and shifting consumer behavior

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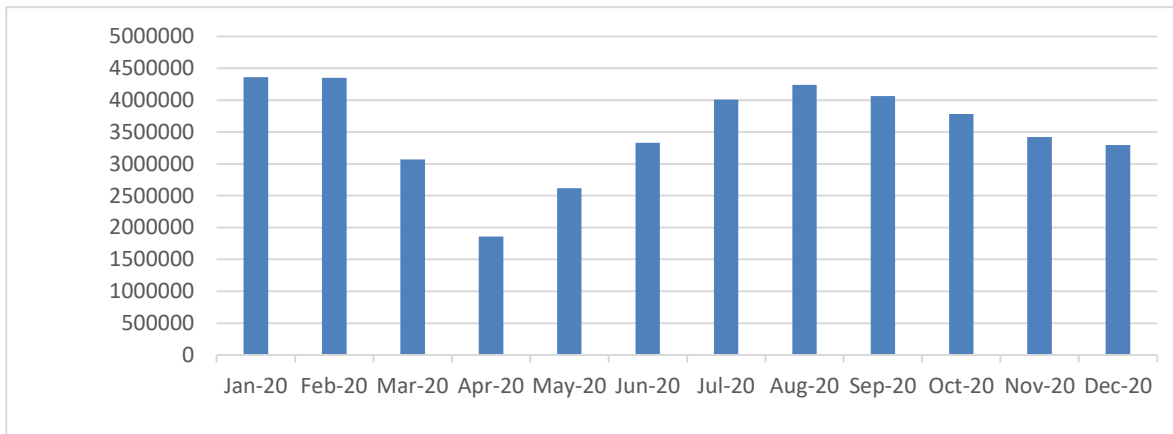
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Section I: Market Summary

.A. Overview of the Canadian Food Service Landscape

Canada's 2020 total food service sales amounted to \$49 billion, representing a 34 percent decrease from 2019. Food service sales are not expected to return to 2019 levels until 2022. The industry comprises of two major segments: Commercial and Non-commercial subsectors. The commercial food service sub sector includes quick-service restaurants, full-service restaurants, caterers, and drinking establishments, representing 80 percent of total food service sales. In 2020, Statistics Canada reported commercial sales amounted to US\$41 billion. The non-commercial subsector, mainly driven by the tourism industry includes hotels and motels, health care facilities, universities, grocery retailers offering hot prepared foods to go and other food service operations reached over US\$8 billion in 2020.

Table 1: Food service Sales in Canada in 2020



Source: Statistics Canada

COVID Impact on the Foods Service sector in 2020

Since COVID-19, Canada's food service sector is forecasted to recover and grow to US\$59¹ (C\$74b) billion in 2021. According to a Restaurants Canada report, the percentage of sales for off-premise dining – including delivery, drive-thru, and take-out – accounted for 53 percent of total sales for the quick-service segment down 13.4 percent from 2019. Full-Service restaurants and drinking places reported the sharpest declines as many were closed temporarily and were unable to offer takeout or delivery. As the lockdown and physical distancing measures began in mid-March and continued in April, overall food service sales dropped to \$2.4 billion in April. This dramatic decrease marked the lowest monthly sales figure in over two decades.

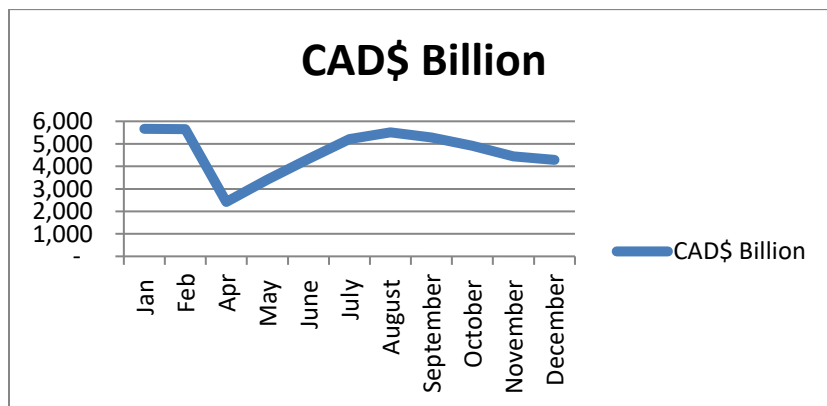
In the wake of comprehensive and ongoing COVID-19 mitigation measures in 2020, the industry lost US\$20 billion in sales. In May 2020, 38 percent of full-service and 20 percent of quick-service restaurants closed their doors temporarily. Commercial food service sales fell sharply for the month of April 2020 compared to the previous year of 2019 - a total drop of 61 percent, as provincial authorities

¹ Forecast exchange rate for 2021 CAD .7994 to USD\$1.00

mandated COVID-related measures. Measures included the closure of non-essential businesses, restrictions on local and international travel, and other measures to limit public interactions.

In May, some provinces gradually allowed restaurants and bars to reopen at reduced capacity and under strict social distancing and public health protocols (see GAIN report [CA2020-0057](#) for more information). While restrictive measures remain in place across Canada, food service sales have steadily recovered as Canada has kept COVID case counts relatively low across the country, contributing to consumer confidence. June 2020 commercial food service and drinking establishment monthly sales had recovered to 65 percent of June 2019 levels, despite being nearly 40 percent lower than February 2020’s pre-COVID sales total.

Table 2: Food service Sales in Canada in 2020



Source: Statistics Canada

I.B. Market Trends in Food service Sector

In 2019, on-premise orders accounted for more than half of total restaurant sales. In April 2020, they dropped to 4 percent. The pandemic dramatically changed consumer spending behaviors. The pandemic led to a major increase in sales through off premise channels. By the end of April 2020, the drive-thru channel accounted for nearly half (47 percent) of all revenue at quick-service restaurants. Meanwhile, takeout and delivery generated 27 percent and 24 percent of total quick-service restaurant sales, respectively. Drive-thru sales were 16 percent higher in April 2020 than the previous year, while delivery sales more than doubled during that same period. Full-service restaurants saw a 68 percent increase in takeout sales, which surged to 28 percent of total sales.

I.B.1 Other Market Trends in the Food service Sector

- Generational Change:** Canadians under the age of 40 are seeking more eating-away-from-home or food delivery options. However, as these generations do not yet have the same disposable income of their Boomer and Gen X parents, their spending decisions are more heavily concentrated at lower price points and include less alcohol than preceding generations.

- **Increasingly Multicultural Population:** Ethnic diversity and multiculturalism are contributing to a more diverse food environment. The number of ethnic restaurants has been on the rise, keeping pace with immigrant population growth; 22 percent of Canada's total population was born in another country.
- **Labor Costs and Shortage:** Of all major industries in Canada, food service was the hardest hit by the pandemic. Food service accounts for 25 percent of all jobs lost due to COVID-19. In May 2020 the industry recovered 41,900 jobs but it is forecasted to take years for employment in the food service sector to reach pre pandemic levels.
- **Food Technology:** Technology is redefining dining decisions, convenience, and payment options. Restaurants Canada data indicates that more than four in ten Canadians base their dining choice on whether the restaurant is 'connected' through online ordering and delivery services.

I.C. Advantages and Challenges Facing U.S. Products in the Food service Sector

Advantages	Disadvantages
Canadian consumers enjoy high disposable income, coupled with growing interest in premium, high-quality products and global cuisine.	Higher import costs for food service buyers and distributors due to the relatively weak Canadian dollar, pushing food prices up.
Canada's ethnically diverse population provides opportunities for specialty products. Canadians are exposed to diverse flavors and their palate is developed.	Total population of Canada is smaller than California and more dispersed, making marketing and distribution costs generally higher than in the United States.
Per capita fruit and vegetable consumption is higher than in the United States. Food service operators rely heavily on imports to meet produced demand all year round.	Buyers are constantly looking to reduce price, improve product quality, and extend the product range.
Duty free, tariff free treatment for 98 percent of U.S. products under USMCA (implemented July 1, 2020).	Tariff rate quotas apply for supply managed commodities, dairy, poultry, and eggs
U.S. food products closely match Canadian tastes and are familiar to Canadian consumers.	Differences in chemical / residue tolerances as well as food standards may require special production runs.
Canadian consumers highly rate U.S. quality and safety measures.	Consumers increasingly value locally produced and locally sourced products.

Section II: Road Map for Market Entry

II.A. Entry Strategy

To facilitate initial export success, the Foreign Agricultural Service in Canada (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 Canada market, including identifying target demographics, city-markets, and competition.
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 works with State-Regional Trade Groups (SRTGs) and the respective U.S. state departments of agriculture to provide one-on-one export counseling, support for participation in selected tradeshows and trade missions, and identification of potential Canadian partners. Small-and medium-sized firms may qualify for financial support to promote their brands in Canada and other foreign markets under the [Branded Program](#) / [Cost Share Program](#) / [FundMatch Program](#) administered by the SRTGs and funded in part by the USDA Market Access Program (MAP).

For more information on entering the Canadian market, interested parties should consult the FAS/Canada [Exporter Guide](#). The best entry method depends on the specific food product and the particular market sub-sector. FAS/Canada encourages companies to research their product category and the various channels they intend to target in Canada, as some categories are more challenging than others.

Attending Canadian trade and consumer shows can help U.S. exporters familiarize themselves with the market. A partial list of Canadian trade shows can be found on the [Agriculture and Agri-Food Canada website](#). There are three large food service trade shows in Canada:

- The [Canadian Restaurant & Bar Show](#) (November 2021)
- The [Restaurants Canada Show](#) (February 27 – March 1, 2022); and
- SIAL Canada (April 20-22, 2022).

[SIAL Canada](#): Currently (as of October, 2021), the SIAL show will be held in-person in 2021. USDA endorses SIAL Canada by coordinating a USA Pavilion with its tradeshow partner, [IMEX Management](#). This annual event alternates between Montreal and Toronto. Interested U.S. food companies can contact USDA's show contractor, Ms. Clair Gros of IMEX Management at ClaireG@imexmanagement.com.

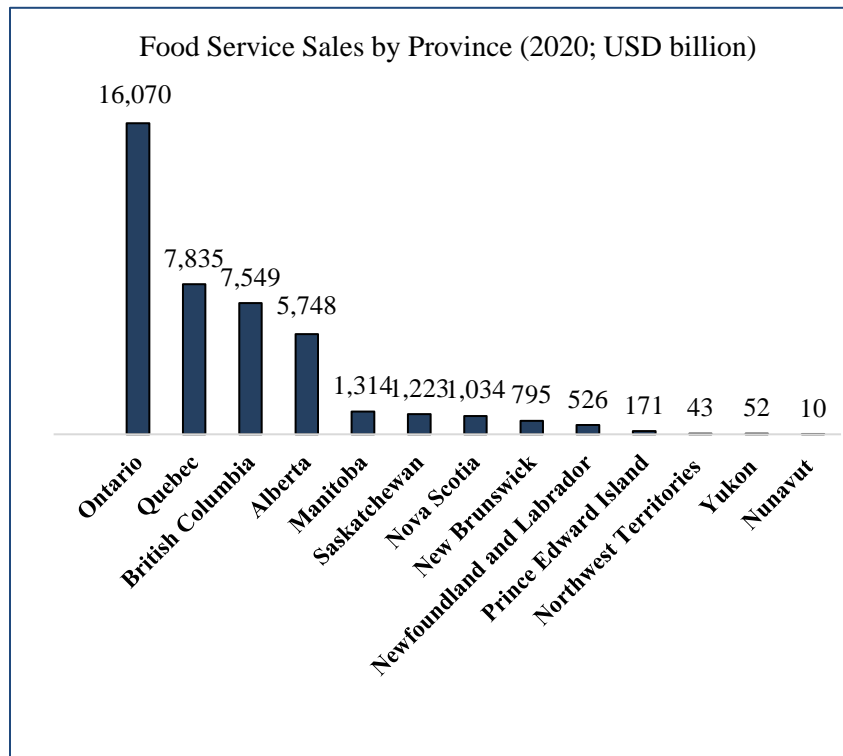
II.B. Food service Market Structure

Commercial Food service

The Commercial food service sub-sector drives the market with sales of US\$41 billion for 2020. Quebec was the hardest hit province with a 32 percent decrease in annual sales. All other provinces saw negative food service sales growth in 2020. Rising menu prices and pandemic restrictions checked consumer spending and food service sales in 2020. Overall, provinces with the highest number of confirmed COVID-19 cases generally saw the largest declines in economic activity.

Tables 3 and 4: Commercial Food Service

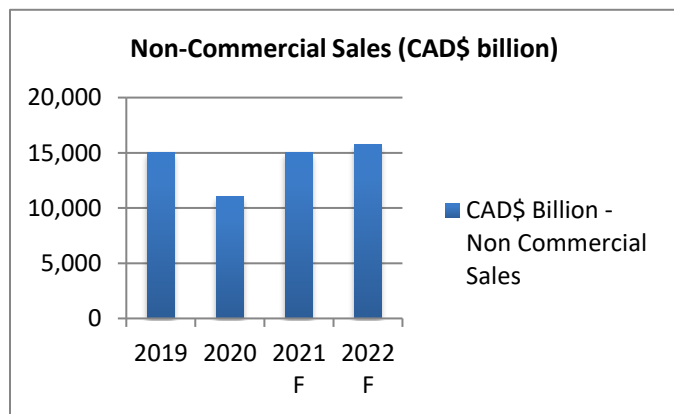
Revenue Growth by Province (2020)	
Canada	-28%
Newfoundland & Labrador	-19%
Prince Edward Island	-29%
Nova Scotia	-24%
New Brunswick	-19%
Quebec	-32%
Ontario	-32%
Manitoba	-22%
Saskatchewan	-18%
Alberta	-25%
British Columbia	-25%



Source: Restaurants Canada

Non-commercial Food service

Sales growth in the non-commercial food service segment was down in 2020 by 40 percent from the previous year due to a reduction of food service operations in institutions. For example, international travel dropped by 52 percent leaving hotels virtually empty of customers. Total non-commercial food service sales in Canada for 2020 reached C\$11 billion (US\$8 b²), accounting for 20 percent of the food service industry. The sector consists of hotel/motel food sales, institutional, retail onsite, and other food service institutions, e.g., health care facilities.



² Forecast exchange rate for 2021 CAD .7994 to USD\$1.00

Strong retail food service sales are forecast to continue as more convenience stores and grocery stores compete with restaurants to offer prepared hot meals and snacks convenient and affordable for consumers.

II.C. Import Procedures

U.S. exporters are urged to review FAS/Canada [FAIRS Reports](#) to understand better the Canadian import regulations and standards that apply to their product. The Canadian Food Inspection Agency (CFIA) provides extensive information on the [programs and services](#) it offers for importing commercial foods into Canada, including a [Guide to Importing Food Products Commercially](#). In addition, the CFIA [Automated Import Reference System](#) (AIRS) provides specific import requirements for food items by the Harmonized System (HS) classification, and detailed by place of origin (i.e., a specific U.S. state), a destination in Canada (i.e., a specific province) and end-use of the food item (e.g., for animal feed, for human consumption, etc.).

U.S. exporters should be aware that the [Safe Food for Canadian Regulations](#) (SFCR) has been in effect since January 15, 2019, and 14 sets of existing regulations were consolidated. Many of the regulations will directly impact the Canadian importers that U.S. exporters are working with. U.S. food processors are encouraged to understand how the SFCR may apply to them as new requirements may affect them doing business in Canada at [Getting started: Toolkit for businesses](#).

II.D. Market Access Channels in Canada

The bulk of Canadian food service products are imported by large importers, brokers, food service distributors, or through intra-company sales among international restaurant chains.

Perishable and specialty items, such as fresh meat products and fruits/vegetables, are imported and distributed by food service distributors. Below is a list of the top companies importing and/or distributing commodities and products in the Canadian food service sector.

Table 6: Top Food service Restaurant Chains, Hotel Chains, and Distributors

Restaurant Chains	Hotel Chains	Distributors
Restaurant Brands International	Four Seasons Hotels & Resorts	Sysco
McDonald's Corporation	Fairmount Raffles Hotels	Gordon Food Service International
Recipe Unlimited Corporation	Marriott Hotels of Canada	Associated Food Distributors
Doctor's Associates Inc. Worldwide	Starwood Hotels & Resorts	Colobar Foods
A&W Food Services of Canada	Wyndham Hotel Group	Flanagan Food service
Yum! Brands Inc.	Intercontinental Hotel Groups (IHG)	Belmont Meat
Starbucks Corporation	Hilton Canada Company	Beverage World
Boston Pizza International Inc.	InnVest REIT	
MTY Food Group Inc.	Best Western International	
Pizza Pizza Ltd	Choice Hotels Canada Inc.	

Source: Euromonitor & Restaurant Canada

Sysco and Gordon Food Service are the largest national food service distributors in Canada, representing approximately 40 percent of the market. Smaller regional and specialty commodity/product distributors play an important role in meeting food service sector needs and present opportunities for imported products with smaller production volumes.

It is recommended that small- to medium-sized U.S. companies form a partnership with a Canadian food broker/distributor/importer. Most food service distributors are not in the business of pioneering or finding new food service accounts for U.S. firms. Instead, Canadian distributors prefer to warehouse products that have a steady turnover rate.

Food service brokers do not take possession of the goods but act as sales representatives and work at pioneering the product and establishing new food service accounts with restaurants, hotels, and other institutional buyers. They establish a distribution network throughout the country or designated region. U.S. companies should seek a potential food broker with expertise and contacts in the food service sector, as competition and pricing can be challenging within a smaller, consolidated Canadian market.

Food brokers take a percentage of the product sales revenue ranging generally between three and six percent. The percentage is determined by several factors, including product category, market niche potential, expected sales volume, and additional requested services (e.g., data collection). A broker may request a monthly retainer fee as they pitch the product to prospective food service operators.

Section III: Competition

Producers and exporters from the United States have captured a large share of the Canadian prepared foods market with more than 80 percent of total imports. This important category consists of products such as flavoring extracts, cocktail mixes, syrups, single fruit juices, pastry, pizzas/quiches, and dough mixes – all essential products to the food service industry. Much of the competition for U.S. exporters is from other U.S. and Canadian food companies already established in the market.

Another area in which food service operators rely on imports is red meats, of which U.S. imports have captured almost 70 percent of the share of total imports. These meat products will range from portion control meats for fine dining to deli meats for sandwich shops and cafés. U.S. meat processors are recognized for maintaining high food safety standards and maintaining product handling standards that Canadian chefs, restaurateurs, food and beverage directors, and institutional buyers have come to rely on to ensure quality and safe foods to their patrons, patients, and clients.

Table 7: Top 10 U.S. Consumer-Oriented Food Exports to Canada in 2020 (Billions)

Consumer-Oriented Products	Top 10 Imports from the United States	Canada Total Imports from World	U.S. Market Share
Bakery Goods, Cereals, & Pasta	2.2	3.0	73%
Fresh Vegetables	1.6	2.7	59%
Soup & Other Food Preparations	1.5	1.9	79%
Fresh Fruit	1.5	2.3	65%
Pork & Pork Products	0.8	1.0	80%
Dog & Cat Food	0.8	.9	89%
Chocolate & Cocoa Products	0.7	1.3	54%
Tree Nuts	0.7	1.0	70%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	0.7	1.0	70%
Beef & Beef Products	0.7	1.1	64%

Source: Trade Data Monitor

Section IV. Best Products Categories and Trends

As part of Canada's growing health consciousness, consumers are increasingly wary about the food and beverages they consume, particularly in terms of the quality of ingredients and the incorporation of unwanted, unnatural, or artificial agents. Moreover, as consumer awareness of the need for sustainably produced and packaged products increases, they are more inclined to seek organic options. These two trends are particularly relevant to a younger demographic with increasing spending power.

In the quest for healthy eating, there is increased demand for more plant-based protein options. Research by Restaurants Canada shows that 63 percent of Canadians aged 18 to 34 and 42 percent of those 50 years of age or older are at least slightly interested in ordering plant-based burgers and sausages. According to Mintel research, 75 percent of consumers would like to include additional plant-based protein products in their diets. Today's consumers are trending toward reducing the amount of red meat they consume.

Restaurateurs are always looking for products that save them time and money and ultimately increase profit margins. As [minimum-wages have recently increased](#) across Canada, restaurateurs have become more price-sensitive and will continue to look for lower priced products to meet their needs while maintaining food quality.

Table 8: Top Food service Trends in Foods, Menu and Food and Beverage Orders

HOT TREND

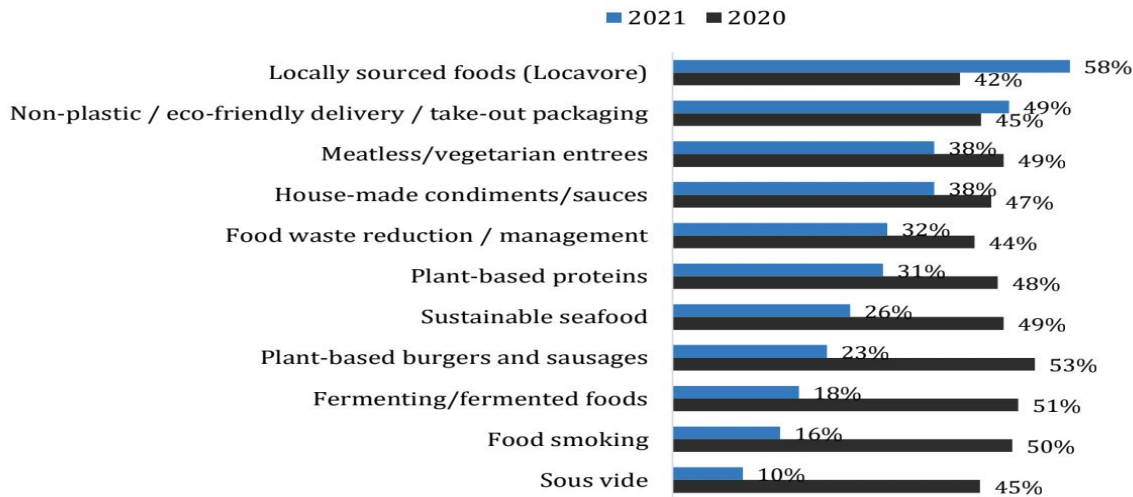


Table 9: Top Food Trends in Food Orders

TOP 10 Food Orders	2019 % Food Orders	2020 % Food Orders
French Fries, Potato, Sweet Potato, Onion Rings	15.1%	17.5%
Breakfast Item	11.0%	10.1%
Burger	9.1%	13.4%
Sandwich, Subs	8.0%	7.7%
Chicken	7.5%	6.8%
Breads	4.3%	3.1%
Salad	4.2%	Not a trend in 2020 (Replaced by Doughnuts, Beignets)
Pizza, Panzerotti, Calzone	4.1%	5.9%
Cake, Squares, Muffins	3.7%	5.1%
Vegetarian Item	3.2%	3.5%

Source: Restaurants Canada 2020 Food Service Facts

Forecast for 2021 and 2022

Recent consumer polls indicate 89 percent of Canadians are looking forward to eating out with family and friends. With new COVID-19 measures and certain restrictions lifting for in-person dining, the end of 2021 looks promising. Restaurants Canada expects sales will increase by C\$17 billion (US\$13.5b) in the fourth financial quarter of this year. In 2022, commercial food service sales are forecasted to grow to C\$75 billion, a 22 percent increase from 2021 levels. Canada remains an important market for most U.S. exporters and in the coming year, sales to Canada are likely to increase and will continue to serve as excellent market for new and innovative products from new-to-market and new-to-export U.S. firms.

Section V: Key Contacts and Further Information

Please refer to the FAS/Canada [Exporter Guide](#) for links to additional information sources, including Canadian government agencies, Canadian databases, and industry organizations.

For further information, please contact the FAS/Canada staff at: Please refer to the FAS/Canada [Exporter Guide](#) for links to additional information sources, including Canadian government agencies, Canadian databases, and industry organizations.

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Attachments:

No Attachments