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Food Service – Hotel, Restaurant, Institutional

HRI Food Service Annual Report 2010

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Report Highlights:

Canada's restaurant and food service industry plays a key role in Canada's economy. With over C\$60 billion in sales, the food service industry accounts for nearly 4.0 percent of Canada's gross domestic product. It also employs over one million people and accounts for 6.4 percent of Canada's workforce. With 80,800 establishments, including restaurants, cafeterias, snack bars, pubs, or caterers, the food service industry generates investments, jobs, tourism, and a sense of community in cities and towns across Canada. Following a tough year in 2009, when real food service sales fell by an estimated 4.7 percent, a healthy recovery in Canada's economy combined with rising disposable income is expected to raise food service sales by \$1.9 billion, or 3.1 percent, to \$62.1 billion as consumer confidence increases. Best prospects include low sodium foods, functional foods/superfoods, organics, gluten-free products, pre-packaged foods with low trans fats, overall snack foods and products associated with a clean (simple ingredients) diet.

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SECTION I: MARKET SUMMARY

Market Overview

Canada's restaurant and food service industry plays a key role in Canada's economy. With over C\$60 billion in sales, the food service industry accounts for nearly 4.0 percent of Canada's gross domestic product. It also employs over one million people and accounts for 6.4 percent of Canada's workforce. With 80,800 establishments, including restaurants, cafeterias, snack bars, pubs, or caterers, the food service industry generates investments, jobs, tourism, and a sense of community in cities and towns across Canada.

In addition, Canada's food service industry also indirectly employs approximately 210,000 people, including product and service providers. It is the fourth-largest industry employer in Canada, employing more people than agriculture, forestry, automotive manufacturing and mining, oil, and gas extraction combined. Almost half of the workforce, 462,000 employees between the ages of 15 and 24, are employed in this field. Every dollar spent at a restaurant creates an additional \$1.91 of spending in the rest of the economy, a value-add well above the average for other industries, and every one million dollars spent at a restaurant creates nearly 27 jobs, making food service one of the countries' top job creators.

Following a tough year in 2009, when real food service sales fell by an estimated 4.7 percent, a healthy recovery in Canada's economy combined with rising disposable income is expected to raise real sales by 0.7 percent in 2010. In 2010, food service sales are expected to grow by \$1.9 billion to \$62.1 billion as consumer confidence increases. As a result, total food service sales are expected to increase by 3.1 percent in CY2010. Disposable income is expected to grow by 3.1 percent following a more modest 1.8 percent growth in 2009. This will help to boost food service sales; however, rising consumer debt combined with increased interest rates may restrict some sales growth. Despite rising food service sales, the industry is still expected to lose market share as more Canadians decide to eat at home. The food service share of total food dollar is expected to fall slightly to 36.9 percent as competition from pre-packaged and pre-cooked meals from grocery stores continues to post impressive sales.

Table 1. U.S. Agricultural Exports to Canada 2005-2009

Year	U.S. Agricultural, Fish, & Forestry Products Export (millions of U.S. dollars)	Consumer-oriented Agricultural Products Export (millions of U.S. dollars)
2005	13,364	8,129
2006	14,818	9,285
2007	17,038	10,652
2008	19,263*	12,016*
2009	18,209	11,937

Source: BICO Report

* Denotes Highest Export Levels Since CY1970

Food Service Industry Outlook

All food service segments are expected to see improved sales in the coming year as a stronger economy and rising disposable income puts more money in the pockets of consumers. According to the Canadian Restaurant and Foodservices Association (CRFA), in the first quarter of 2010 consumer confidence in Canada hit its highest level since the first quarter of 2008. Accommodation food service, food service in hotels, motels, and resorts, saw the largest decline of any other sector in 2009 due to a drop in tourist spending. An increase in consumer spending and business travel will position accommodation food service as the fastest growing segment in 2010 with 3.7 percent growth. After reporting a sharp decline in sales in 2009, caterers will lead the commercial food service sector, businesses whose primary focus is food service, with a 3.5 percent sales increase in the coming year.

Table 2. Total Food Service Industry Sales and Forecast 2008-2010

	2008 Final (Millions of Dollars)	Percent Change '08/'07	2009 Preliminary (Millions of Dollars)	Percent Change '09/'08	2010 Forecast (Millions of Dollars)	Percent Change '10/'09
Full- Service restaurants	\$22,117.8	3.7	\$22,983.8	-3.0	\$21,413.8	3.0
Limited- Service restaurants	\$20,813.7	6.2	\$22,654.3	1.6	\$21,086.3	2.9
Contract and social caterers	\$4,114.3	3.6	\$4,209.3	-4.5	\$3,940.8	3.5
Drinking places	\$2,717.1	1.1	\$2,835.1	-2.6	\$2,608.1	1.7
TOTAL COMMERCIAL	\$49,762.9	4.6	\$52,682.6	-1.2	\$49,049.0	2.9
Accommodation food service	\$6,032.5	2.7	\$6,045.7	-6.4	\$5,672.2	3.7
Other food service ¹	\$7,127.3	4.0	\$7,871.5	3.1	\$7,364.4	3.4
TOTAL NON- COMMERCIAL	\$13,159.8	3.4	\$13,917.2	-1.3	\$13,036.6	3.6
TOTAL FOOD SERVICE	\$62,922.7	4.3	\$66,599.8	-1.2	\$62,085.6	3.1
Menu Inflation		2.5		3.5		2.4
REAL GROWTH		1.8		-4.7		0.7

Source: CRFA's InfoStats, Statistics Canada, fsSTRATEGY Inc., and Pannell Kerr Forster

¹ Includes Institutional, retail, and other food services

Outlook for Commercial Food Sectors

The recession weakened sales across all segments in 2009 as consumers, businesses, and international

tourists cut back on spending. Caterers and full-service restaurants were most severely affected as consumers shifted spending to limited-service restaurants and grocery stores. Stronger consumer demand is anticipated to help increase sales across all segments in 2010, with caterers and full-service restaurants leading the commercial food service industry in growth. Despite this positive outlook, full-service restaurants account for seven out of 10 commercial food service bankruptcies in Canada, due to a low profit margin. With consumer focus on convenience, value, and quality, limited-service restaurants lead the industry with a sales increase of 45 percent since 2000, compared to only 27 percent at full-service restaurants and 30 percent for caterers. Since 2000, the number of drinking places has fallen by more than 32 percent due to an aging population and changing consumer tastes. As a result, there are now 2,900 fewer taverns, bars, and nightclubs in Canada. This is the only sector to post a decline in sales between 2000 and 2009, with a 1.3 percent decline.

Table 3. Performance by Segment (Commercial Food Service)

	Real Sales Forecast 2010/2009 ¹ (percent change)	2009 Sales (in millions) ²	Average Unit Volume ³	Units	Chain Share of Units ⁴ (percent)	Independent Share of Units ⁴ (percent)	Pre-tax Profit (percent of operating revenue) ⁵	Bankruptcy Rate (percent)
Full-Service Restaurants	0.5	\$22,983.8	\$763,516	36,390	15.2	84.8	3.2	1.2
Limited-Service Restaurants	0.6	\$22,654.3	\$696,997	31,911	60.2	39.8	5.6	0.3
Contract and Social Caterers	1.1	\$4,209.3	\$531,582	6,447	n.a.	n.a.	4.9	0.5
Drinking Places	-.07	\$2,835.1	\$563,277	6,096	n.a.	n.a.	4.2	0.6
Canada, total	0.5	\$52,682.6	\$697,925	80,844	36.5	63.5	4.4	0.7

Source: Statistics Canada, CRFA's Long Term Forecast, and CREST and ReCount/NPD Group

¹ Growth rates are adjusted for inflation.

² Includes full-service restaurants, limited-service restaurants, contract and social caterers, and drinking places. Data are estimates based on CRFA's economic model of the food service industry.

³ Data are based on sales and unit counts from the Monthly Survey of Food Services and Drinking Places.

⁴ 2009 data that includes food service from restaurants and retail stores only.

⁵ 2008 data.

Food Service Industry Long-term Forecast

Between 2011 and 2014, commercial food service sales in Canada are expected to increase by an average of 3.6 percent per year according to CRFA. This is slightly less than the 4.1 percent average annual growth seen between 2005 and 2008. The slower pace reflects softer increases in disposable income over the coming years due to weaker wage growth. Adjusted for menu inflation, real food service sales will rise by an average of 1.1 percent, roughly matching the pace of population growth. Limited-service restaurants will lead the commercial food service industry with average annual real growth of 1.3 percent between 2011 and 2014, because of the categories focus on convenience and value. Resurgence in Canada's natural resource industries, combined with gains in health care and education, will result in average annual real food service growth of 1.2 percent for caterers from 2011 to 2014. After struggling in 2009, full-service restaurants are expected to grow a solid 1.2 percent over the long term due to higher disposable incomes. Drinking places is the only segment that is expected to post an average annual decline between 2011 and 2014 due to fewer units in the market and weak consumer demand.

Table 4. Advantages and Challenges for U.S. HRI Food Products in Canada

Advantages	Challenges (<i>Barriers to U.S. Export</i>)
Majority of U.S. products enter Canada duty free under NAFTA.	Dairy and poultry product imports are controlled and limited by a tariff rate quota system.
High quality, consistency, and perception of safety of U.S. products.	Food service industry predisposition to buy Canadian first means a unique competitive advantage is necessary.
Geographical proximity gives U.S. exporters an advantage.	Geographical vastness encourages regional production and distribution.
Familiarity and confidence in Canadian based U.S. hotel, restaurant, and fast food establishments.	Competition from domestic producers and other countries.
Canada's wide ethnic diversity provides broad specialty cuisine opportunities.	Products that benefit by their identification with the United States in some foreign markets do not necessarily possess the same marketing advantage in Canada.
The Canadian dollar is near parity with the U.S. dollar providing a significant competitive boost to U.S. products.	Canadian personal disposable income is less than that of the United States.
Canadian consumers enjoy a high disposable income compared to the rest of the world, coupled with a growing interest in global cuisine.	A sophisticated selection of product is already available in the Canadian market.
U.S. foods match Canadian tastes and	

expectations.	
Canadian organic food demand exceeds current domestic production stimulating significant imports from the United States.	

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Food product manufacturers from the United States seeking to enter the Canadian marketplace have vast opportunities. Canada is the United States' primary trading partner. More than 61 percent of Canada's manufactured food imports originate from the United States. This is a result of a number of factors, including a convenient shipping corridor and a familiarity between consumer tastes and expectations.

Although Canadians are always on the lookout for new and innovative U.S. products, there are a number of obstacles U.S. exporters must overcome before exporting to Canada. These may include currency and customs procedures.

Overcoming these obstacles is simple with the right tools. Following are the main steps for U.S. exporters can use to facilitate entry into the Canadian market:

1. Contact your State Regional Trade Group office.
2. Research the competitive marketplace.
3. Locate a broker/distributor.
4. Understand Canadian government standards and regulations that pertain to your product.

Step 1: Contact your State Regional Trade Group office.

The State Regional Trade Group (SRTG) offices exist to help promote the export of U.S. food and agricultural products from specific geographical regions of the United States and can in some cases provide financial assistance as well as marketing advice. Contact the SRTG office covering your state.

State Regional	Web Site	States
Food Export USA Northeast	http://www.foodexportusa.org	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Food Export Association of the Midwest USA	http://www.foodexport.org	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Southern U.S. Trade Association (SUSTA)	http://www.susta.org	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico, Virginia, West Virginia
Western U.S. Agricultural Trade	http://www.wusata.org	Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho,

Association (WUSATA)	Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming
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Step 2: Research the competitive marketplace.

The State Regional Offices will often have information on specific markets that they can provide to aid in market research. Furthermore, the USDA/FAS Office of Agricultural Affairs, U.S. Embassy, Canada publishes market reports through the Global Agriculture Information Network (GAIN) for certain agriculture and food products and industry sectors. See <http://gain.fas.usda.gov/>

Step 3: Locate a broker/distributor.

It is recommended that most new entrants to the Canadian market secure the services of a broker and/or distributor.

The USDA/FAS Office of Agricultural Affairs, U.S. Embassy Canada can provide some assistance to U.S. companies in locating a broker/distributor. Services available to help U.S. exporters locate appropriate brokers/distributors include USDA-endorsed pavilions at two Canadian trade shows (see http://www.ats.agr.gc.ca/events/events_canada-e.htm for a complete listing of trade shows in Canada) and referrals to the appropriate State Regional Trade Group.

A partial listing of Canadian food brokers is available on our latest brokers report, Canadian Food Brokers (CA9052) available online at: <http://gain.fas.usda.gov>

USDA also endorses two trade shows in Canada each year. The Canadian Restaurant and Foodservices Association (CRFA) show, a food service, trade only show held annually in Toronto, Ontario and SIAL Canada, primarily a retail trade show, held in Toronto, Ontario on even years and Montreal, Quebec in odd years. The next CRFA trade show will be held on March 6-8, 2011, and the next SIAL Canada will be held on May 11-13 2011. Contact Sharon Cook, USDA/FAS Washington, DC at sharon.cook@fas.usda.gov for further details on participation in the USA Pavilion at these shows. Trade shows provide an opportunity to exhibit products and meet potential buyers, distributors, and brokers.

Sample Products

Food samples for research, evaluation, or display at trade shows and food exhibitions are permitted entry into Canada, but may not be offered for commercial sale. For meat, poultry, dairy or egg, and fruits and vegetable samples, it is recommended that exhibitors apply for an import permit and declare that the food is not for resale. The Canadian Food Inspection Agency (CFIA) will direct inquiries for permits to the appropriate office. Contact the nearest CFIA Import Service Centre, locations are available at the following site: <http://www.inspection.gc.ca/english/imp/importe.shtml>

Entry at the border will be facilitated if U.S. exporters show proof of their food exhibition participation and that the products are of U.S. origin. In general, up to 10 samples are permitted entry, but the weight of each may not exceed 100 kilograms (about 220 pounds). Entries for personal consumption are generally restricted to 20 kilograms. Regulations vary by product. More information is available by searching specific commodities on the Automated Import Reference System (AIRS) available here: <http://inspection.gc.ca/english/imp/airse.shtml>

Step 4: Understand Canadian government standards and regulations that pertain to your product.

Review the Foreign Agricultural Service Exporter Guide, which can be found at <http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide%20Ottawa%20Canada%2010-19-2010.pdf>, for an introduction to Canadian government standards and regulations that pertain to your product. You can also contact the [Canadian National Import Service Centre](#) listed below for further information.

Canadian National Import Service Centre

7:00 a.m. to 03:00 a.m. (Eastern Time)

Telephone and EDI: 1-800-835-4486 (Canada and USA)

1-905-795-7834 (local calls and all other countries)

Fax: 1-905-795-9658

Mailing Address:

1050 Courtney Park Drive East

Mississauga, Ontario L5T 2R4

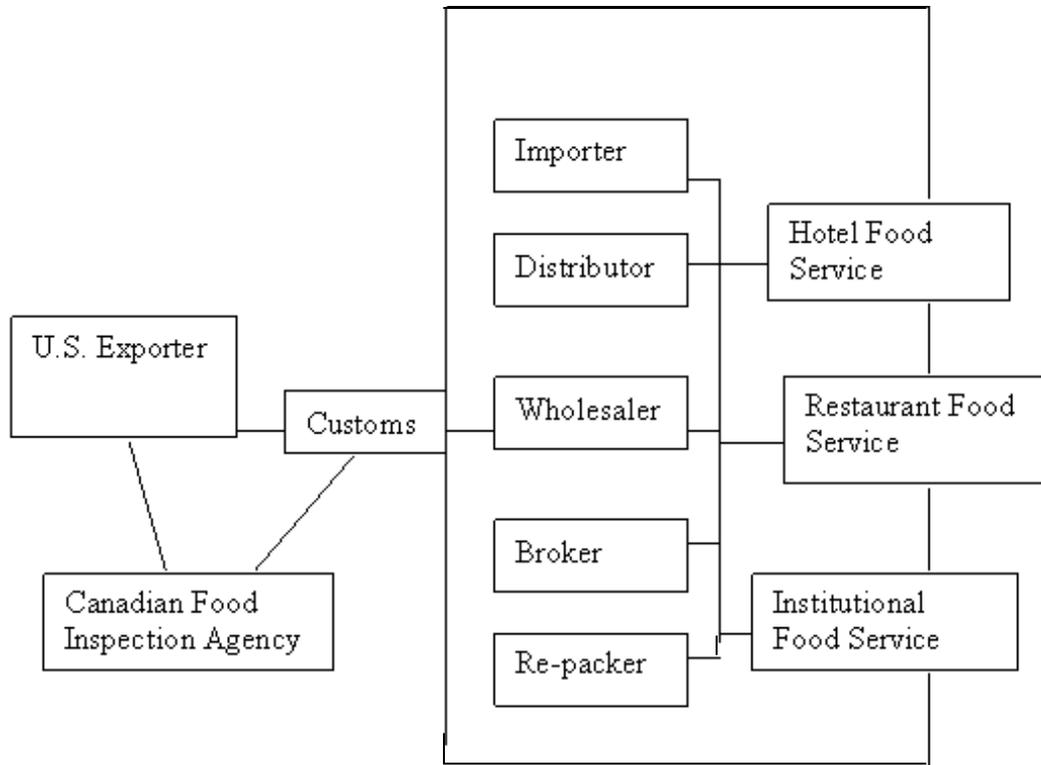
Canadian agents, distributors, brokers, and/or importers are generally well equipped to assist exporters with the import regulatory process. The best entry method depends on the food product and the sub-sector market identified as appropriate for each food product. Government and industry import policies and trade acts regulate each sub-sector. Each U.S. export opportunity must be thoroughly investigated relative to the legislation that exists for the product requesting entry. For additional information on the broadest Canadian regulations see the Food and Agricultural Import Regulations and Standards (FAIRS) Country Report and the FAIRS Export Certificate Report available online at:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Ottawa%20Canada%209-29-2009.pdf> and

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification%20Ottawa%20Canada%201-15-2010.pdf>

Market Structure

Distribution Channel Flow Chart for Market Entry into Canada



Domestic and imported food products in the Canadian market may route directly to the food service establishments but most filter through importers, brokers, distributors, wholesalers and/or re-packers. Smaller restaurants or hotel food service establishments make food service purchases through a wholesaler or distributor. Large chains may choose to purchase directly through customized growing agreements, contract purchasing, a central procurement office, or from a chain-wide designated distributor. Many Canadian food service establishments purchase the majority of product through the large food service distributors like Gordon Food Service and Sysco. Specialty and niche products are often purchased through smaller distributors.

Partial Listing of Food Service Brokers and Distributors in Canada

Gordon Food Service 2999 James Snow Parkway North	SYSCO SERCA Food Services 21 Four Seasons Place
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Milton, Ontario, L9T 5G4 Tel: (905) 864-3700 Toll-Free: 1-800-268-0159 Fax: (905) 864-3844 Website: http://www.gfscanada.com	Suite 400 Toronto, Ontario, M9B 6J8 Tel: (416) 234 - 2666 Fax: (416) 234 - 2650 Website: http://www.sysco.com Offices across Canada
C.W. Shasky & Associates Ltd 8181 Jane Street, Unit 1 Vaughn, Ontario L4K 5P2 Tel: (905) 760-9411 Fax: (905) 760-7715 Website: http://www.shasky.com For General Inquiries Contact Kristina at: (905) 760-9411	National Importers Inc. 120 – 13100 Mitchell Road Richmond, British Columbia V6V 1M8 Tel: (604) 324-1551 Toll-Free: 1-888-894-6464 Fax: (604) 324-1553 Website: http://www.nationalimporters.com
Inform Brokerage 2286 Holdom Avenue Burnaby, British Columbia V5B 4Y5 Tel: (604) 324-0565 Fax: (604) 324-1292 Website: http://www.informbrokerage.com	Flanagan Foodservice 100 Sasaga Drive Kitchener, Ontario N2C 2G7 Tel: (519) 748-6878 Toll-Free: 1-800-265-6550 Fax: (519) 748-1155 Website: http://www.flanagan.ca

Sub-Sector Profiles

Stand-alone food service locations are the most dominant consumer food service type in Canada according to Euromonitor International. Most Canadians live in suburban areas, where stand-alone outlets are the most popular. In 2009, 68 percent (or 50,997 units) of all consumer food service outlets consisted of stand-alone locations, while 6 percent were in retail locations, 11 percent were travel locations, 6 percent were in leisure locations and 10 percent were in lodging locations. In terms of transactions, 71 percent of all food service transactions took place in stand-alone locations while retail consisted of 7 percent, travel consisted of 12 percent, leisure 5 percent and lodging 6 percent. Sales were spread in similar ratios with 68 percent (or \$32,756,910) occurring in stand-alone locations, while 7 percent of all sales happened in retail locations, 11 percent in travel locations, 5 percent in leisure locations and 10 percent of all sales occurred in lodging locations. These ratios are all similar to the ratios observed recently with only minor shifts.

As the economy recovers, the Canadian food service industry as a whole is projected to see positive growth for a few years in terms of sales, transaction numbers and outlets. In addition to anticipated revival of away-from-home dining, successful food service operators will accommodate several trends which include an ageing population, healthier menus and an increase in demand for exotic and cultural cuisine.

Table 5. Consumer Food Service Sales by Location: Food Service Value 2004-2009

\$ millions	2004	2005	2006	2007	2008	2009
Stand-alone	37,966.8	35,586.9	34,841.7	34,332.4	35,076.4	3,7456.9

Leisure	2,367.3	2,636.2	2,512.3	2,473.6	2,477.4	2,595.2
Retail	3,255.0	3,157.0	3,223.3	3,305.8	3,299.0	3,696.8
Lodging	6,046.5	5,801.5	5,499.2	5,368.4	5,462.7	5,713.4
Travel	6,025.7	6,142.7	5,980.4	5,772.0	5,770.9	5,977.3
Consumer Food Service	55,661.0	53,324.2	52,056.8	51,252.2	52,086.4	55,439.5

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Hotels and Resorts

There were approximately 8,447 star-rated, boutique, and resort hotels with a combined 452,189 rooms in Canada in 2009. Major concentrations of these establishments were in Ontario (2,229 hotels and 130,694 rooms), Quebec (2,274 hotels with 104,815 rooms), British Columbia (1,121 hotels with 78,289 rooms), and Alberta (1,123 hotels with 68,304 rooms). In 2009, Canadian hotels had estimated revenues of about \$4.9 billion coming from food and beverage sale alone. Like many sectors in Canada, the hotel industry was negatively impacted by the recession but is expected to bounce back in the coming years. Full-service restaurants have a strong presence through many types of locations with 20 percent located in lodging locations like hotels. Within the accommodation sector, full-service restaurants are the most popular type as they serve the needs of the leisure and business travelers seeking more formal dining in hotels.

Table 6. Consumer Food Service Sales through Lodging: Food Service Value 2004-2009

\$ millions	2004	2005	2006	2007	2008	2009
Cafés/Bars	451.5	432.9	430.7	470.6	489.8	518.6
Fast Food	264.8	301.7	339.3	355.4	360.3	394.4
Full Service Restaurants	5,330.0	5,066.9	4,729.1	4,542.3	4,612.6	4,800.4
Lodging	6,046.5	5,801.5	5,499.2	5,368.4	5,462.7	5,713.4

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Restaurants

With around 50,997 units and capturing 71 percent of all food service transactions, stand-alone restaurants are the most dominant food service type in Canada. This is led by franchisor Tim Hortons, which has around 3,000 outlets across Canada. With consumers trending towards at home meals to save

money, restaurants have had to find creative ways to keep their customer base. The entire Canadian food services sector decreased in terms of sales, outlet, and transaction growth in 2009 mostly due to the effects of the economic recession. Prior to 2009 sales, outlet, and transaction growth was positive for the duration of the review period beginning in 2004. In 2009, Canadian consumers tightened budgets and began to treat eating out as a luxury instead of a normal occurrence. Subsequently, many food service operators saw sales weaken. A tough operating environment led to the closure of some outlets, especially independents that had fewer resources to adapt to the changing conditions, and many chained operators curtailed expansion plans.

Various franchisees accounted for the leading share of sales through food service outlets in Canada. Among the franchisors, Prizm Brandz Inc. captured the top spot with its portfolio including KFC, Pizza Hut, Pizza Hut express, and Taco Bell. However, looking at the Canadian food service landscape from the perspective of global brand ownership, Tim Hortons remains the top food service operator in Canada, ahead of even McDonald's. An iconic name in Canada, Tim Hortons utilizes a variety of marketing strategies to retain and grow its leading position from menu option development, selling Coldstone Creamery ice cream, and pricing to successful campaigns, like "Roll up the Rim to Win" for prizes of cars, cash, computers, and food.

As the recession has made dining out a less frequent activity for Canadian household, consumers are tending to choose the branded or chained variety of restaurant as opposed to the independent. This is due in part to when Canadians go out to eat, they tend to prefer quality and consistency, two factors that chained restaurants provide alongside more competitive menu pricing than independents.

**Table 7. Consumer Food Service Sales through Stand-Alone Locations
Food Service Value 2004-2009**

\$ millions	2004	2005	2006	2007	2008	2009
100 percent Home Delivery	1,808	1,692	1,672	1,681	1,751	1,896
Cafés/Bars	3,637	3,551	3,604	3,634	3,702	3,935
Fast Food	16,069	15,167	14,910	14,613	14,835	16,241
Full Service Restaurants	15,225	14,006	13,545	13,336	13,701	14,237
Self-Service Cafeterias	674	635	590	554	565	608
Street Stalls/Kiosks	554	535	522	514	523	540
Stand-alone	37,967	35,587	34,842	34,332	35,076	37,457

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Institutional

Institutional food service locations are expected to bring in \$7.3 billion in revenue and account for 12 percent of the total food service market share in 2010. There has been strong expansion in health care and education services which extends into food offerings. Canadian government agencies responsible for these institutions are increasingly contracting out the preparation of meals served. Remote-feeding

services, in which meals are prepared and pre-portioned off the premises, have also become more popular in government-run institutions. These new methods pose new logistical challenges and opportunities for providers of innovative food service solutions. While it is difficult to estimate how much those establishments will spend in the years to come, the general view is that severe cuts in public spending at all levels of government will have a negative impact on demand.

Table 8. Leading Chained Consumer Food Service Brands by Number of Units 2009

	Global Brand Owner	outlets
Tim Hortons	Various franchisees	3,010
Subway	Various franchisees	2,457
Esso Shop	Exxon Mobil Corp	1,681
Mac's	Alimentation Couche-Tard Inc	1,063

Starbucks	Starbucks Coffee Canada Inc	1,051
Petro-Canada	PetroCanada Inc	1,024
McDonald's	Various franchisees	1,023
Couche-Tard	Alimentation Couche-Tard Inc	993
A&W	Various franchisees	700
Pizza Pizza	Various franchisees	627
Dairy Queen	Various franchisees	574
7-Eleven	Various franchisees	462
KFC	Priszm Brandz Inc	450
Quiznos	Various franchisees	441
McDonald's	McDonald's Restaurants of Canada Ltd	404
Mr Sub	Various franchisees	400
Pizza Hut	Priszm Brandz Inc	375
Husky/Mohawk	Husky Energy Inc	372
Second Cup	Various franchisees	360
Country Style	Various franchisees	343
Boston Pizza	Various franchisees	330
Yogen Früz	Various franchisees	302
KFC	Various franchisees	281
Domino's Pizza	Various franchisees	278
Mr Tube Steak	Mr Tube Steak Canada Ltd	258
Wendy's	Various franchisees	237
Pizza Hut Express	Priszm Brandz Inc	225
Little Caesar's Pizza	Various franchisees	186
Willy Dog	Willy Dog	174
Booster Juice	Booster Juice	170
Others	Others	11,841
Total	Total	32,092

Source: Trade associations, trade press, company research, trade interviews, Euromonitor

SECTION III. COMPETITION

The Canadian food service industry generally prefers to use Canadian product whenever possible but it is open to new and innovative products whether local or imported. The food service markets in eastern and western Canada have different orientations when it comes to import sourcing. In eastern Canada the product sourcing is a combination of Europe and the United States, with a strong U.S. preference. In the west there is little orientation to Europe and a much closer relationship with U.S. market sourcing.

U.S. dominance in the Canadian market can be attributed to several factors:

- Proximity (90 percent of the Canadian population lives within 100 miles of the U.S. border),
- Similar culture, eating habits and food trends,
- Common restaurant and hotel chains,
- Generally higher levels of food production efficiency in the United States, and
- NAFTA, which resulted in the elimination of import duties for most products.

Barriers to Liberalized International Food & Agricultural Trade

Currently, Canadian imports of dairy and poultry products are severely restricted by tariff rate quotas (TRQ). Canada protects its dairy and poultry industries with a supply managed program allowed by the World Trade Organization (WTO).

With the implementation of the United States – Canada Free Trade Agreement (FTA) and later North America Free Trade Agreement (NAFTA), most tariffs between Canada and the United States (and Mexico) were removed with the exception of those products for which Canada implemented TRQs. Under the TRQ system, imports that are within quota are subject to low or free rates of duty, until the quota limit has been reached. Once quota limits have been reached, over-quota imports are subject to significantly higher Most-Favored-Nation (MFN) rates of duty. The Canadian importer must be in possession of an import permit to import TRQ commodities. At present over-import duties, or MFN rates, on dairy and poultry products can be as much as 300 percent.

The Canadian Restaurant and Foodservices Association (CRFA) is one of the largest business associations in Canada. Since its founding in 1944, CRFA has grown to more than 30,000 members, representing restaurants, bars, cafeterias and social and contract caterers, as well as accommodation, entertainment and institutional food service. CRFA is a member of the Global Alliance for Liberalized Trade in Food and Agriculture, an alliance of 38 organizations that has called on WTO member countries to commit to achieving a comprehensive agreement on agriculture. Member countries are advocating the removal of barriers to further liberalize international food and agricultural trade. The group also promotes the creation of an international trading environment free from trade distortions and unfair trading practices, including the Canadian practices of supply management, which protects Canada's dairy and poultry sector, and adversely impacts U.S. exporters of these products. However, the Canadian federal government is under domestic pressure from the dairy and poultry sectors, which represents about 10 percent of Canadian farms, to retain the supply management regime.

For more information on Canada's Tariff Rate Quotas (TRQ) for Agricultural Products, visit the Department of Foreign Affairs and International Trade (Export and Import Controls Bureau) web site: www.dfait-maeci.gc.ca/trade/eicb/agric/agric-en.asp

Canada has additional TRQs that affect both the level and tariff rates of imports from non-NAFTA origin of pork, beef and wheat, barley and barley products, but which do not apply to imports of U.S. origin. U.S./Canada beef trade has virtually normalized since the first detections of bovine spongiform encephalopathy (BSE) in North America in 2003. Canada accepts U.S. beef and beef products derived from cattle of all ages. An AMS Export Verification (EV) program is no longer required for the export of beef and beef products to Canada, but because U.S. BSE regulations do not apply to bison or buffalo, meat and meat products derived from these species for export to Canada must be produced under an approved AMS EV program. For additional information see:

<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateP&navID=GradingCertificationandVerification&leftNav=GradingCertificationandVerification&page=LSEVProgram>

Table 9. Competition in the Canadian Market for U.S. Products

Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
EGGS & EGG PRODUCTS 2009 IMPORTS: \$73.8 MILLION	<ul style="list-style-type: none"> USA: 96 percent China: 3 percent 	<ul style="list-style-type: none"> The U.S. egg industry traditionally fills Canada’s needs when supply is seasonally low. There were significant increases in U.S. imports following the avian flu outbreaks in British Columbia to both avert shortages in the market and rebuild the hatching egg supply. The United States has become a supplier of organic eggs to Canada. 	<ul style="list-style-type: none"> Canada’s egg industry operates under supply management, which is designed to encourage domestic production of a sufficient volume of eggs to meet market needs without creating surplus. The market is protected by high tariffs. Today, about 70 percent of Canada’s total egg production is sold for the table market, while the remaining 30 percent is used in the manufacturing of value-added food and other products (liquid, frozen or dried form). These supplies are supplemented by imports and a Tariff Rate Quota (TRQ) system. The Egg Farmers of Canada is promoting omega-3 eggs to address consumer worries about cholesterol in conventional eggs.
Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
FRUITS & VEGETABLES VEGETABLES: 2009 IMPORTS: \$1.8 BILLION FRUIT*: 2009	VEGETABLES: <ul style="list-style-type: none"> USA: 72 percent Mexico: 20 percent Peru: 2 percent FRUIT: <ul style="list-style-type: none"> USA: 49 	<ul style="list-style-type: none"> Canada is the largest foreign buyer of U.S. fruits and vegetables. The U.S. benefits from relatively unimpeded export access into Canada during Canada’s winter or non-growing months. Mexico is a competitive supplier of warm climate produce including avocados, mangos and limes. 	<ul style="list-style-type: none"> Potatoes, sweet corn, green peas, beans and carrots are the most extensively grown vegetables in Canada. Canada produces approximately \$2.6 billion in vegetables annually, approximately 30 percent of which are greenhouse grown. Apples are Canada’s most widely produced fruit in terms of tonnage but with decreasing prices, blueberries have become the most valuable crop. Seasonality poses a constraint to

<p>IMPORTS: \$2.6 BILLION</p> <p>*includes nuts</p>	<p>percent</p> <ul style="list-style-type: none"> • Mexico: 10 percent • Chile: 9 percent 	<ul style="list-style-type: none"> • Chile is competitive with a southern hemisphere growing season. Leading exports include grapes and berries. 	<p>growers; Canada imports approximately 80 percent of its fresh vegetables between November and June.</p>
<p>SNACK FOODS</p> <p>2009 IMPORTS: \$1.2 BILLION</p>	<ul style="list-style-type: none"> • USA: 58 percent • Germany: 5 percent • UK: 5 percent 	<ul style="list-style-type: none"> • The United States dominates this category, especially with more perishable and bulky products such as chips, which adds significantly to shipping cost. • Competitors vary by sub- category with the main competitor and sub category as follows: Mexico, chips; China, salted & roasted nuts; UK, cookies & crackers; Mexico, confection: non chocolate; Switzerland, chocolate; Brazil, cacao. 	<ul style="list-style-type: none"> • Canada’s snack food imports have doubled between 2004 and 2009. The category includes: chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popped popcorn, pretzels, and extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, and pork rinds. • The snack food industry is served primarily by domestic manufacturers, however, domestic market share is decreasing. The rapid increase in imports is due to the strengthening Canadian dollar and a number of new products in the category, many targeted at specific ethnic groups in Canada. • Canada does have domestic raw materials for the grain based products but has to import sugar, chocolate, cacao, and nuts for manufacturing. Additionally, it is not competitive on dairy and egg ingredients used in some of the processing.
<p>Product Category</p>	<p>Major Supply Sources by Value</p>	<p>Strengths of Key Supply Countries</p>	<p>Advantages/disadvantages of Local Suppliers</p>
<p>BREAKFAST CEREALS</p> <p>2009 IMPORTS: \$399 MILLION</p>	<ul style="list-style-type: none"> • USA: 93 percent • UK: 1 percent • Mexico: 1 percent 	<ul style="list-style-type: none"> • Breakfast cereal imports have increased over 25 percent between 2004 and 2009. The United States continues to dominate imports although several competitors are growing small niche positions. • Canada represents the largest market for U.S. breakfast cereals exports accounting for approximately half of 	<ul style="list-style-type: none"> • Sales and manufacturing in Canada is largely controlled by U.S. based companies. • Domestic non-U.S. owned competitors tend to be in the specialty or organic breakfast cereal business. • Latest Statistics Canada data shows that consumption of breakfast cereal grew 38% since 1990.

		U.S. exports.	
RED MEAT 2009 IMPORTS: \$1.2 BILLION	<ul style="list-style-type: none"> • USA: 75 percent • New Zealand: 14 percent • Australia: 7 percent 	<ul style="list-style-type: none"> • Beef imports fall into two distinct categories. The largest portion of imports is chilled cuts traditionally from the U.S. Midwest, primarily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (for specific manufacturing purposes). South America, except for Uruguay and Chile, remain largely ineligible for entry to Canada due to sanitary reasons. • U.S. competitors are limited by a beef quota of 76,409 mt. annually. 	<ul style="list-style-type: none"> • Canadian red meat producers have rebounded from the decline in 2009 and show signs of recovery. • The industry has worked its way out of the inventory surge from the BSE trade disruption, but exports remain sluggish due in part to a strong Canadian dollar. • Canada continues to grow as a key U.S. pork export market. Canadian hog production numbers are in significant decline across the country and U.S. pork imports are increasing due to market structures and the stronger Canadian dollar.
FISH & SEAFOOD 2009 IMPORTS: \$1.9 BILLION	<ul style="list-style-type: none"> • USA: 36 percent • Thailand: 16 percent • China: 16 percent 	<ul style="list-style-type: none"> • Two major categories make up approximately half of the imports: Crustaceans (including lobster, crab, shrimp and prawn) imports totaling \$467 million (USA share: 36 percent, Thailand: 18 percent) and fish fillets imports of \$413 million (China: 39 percent, USA: 19 percent, Chile: 18 percent). • Fish filleting is labor intensive, which China has capitalized on. • Ocean catches have peaked; aquaculture is becoming a more prevalent source of product. China is the top exporter of seafood in the world. (Global Trade Atlas) 	<ul style="list-style-type: none"> • Declining ocean fish stocks have led to almost zero growth in fish and seafood catch over the last decade. • In total, the capture fishery accounts for 76 percent of total fish and seafood production in Canada. • Lobster, crab and shrimp account for approximately two-thirds of landed value. • Aquaculture is increasing in importance. Key products include farmed salmon, trout, oysters and clams. • At approximately 9.5 kg per person, Canadian consumption of fish is significantly higher than the U.S. 7.4 kg/person.
Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
FRUIT & VEGETABLE	<ul style="list-style-type: none"> • USA: 66 percent 	<ul style="list-style-type: none"> • The United States leads the largest juice 	<ul style="list-style-type: none"> • Canada is a major per capita consumer of citrus juices but is

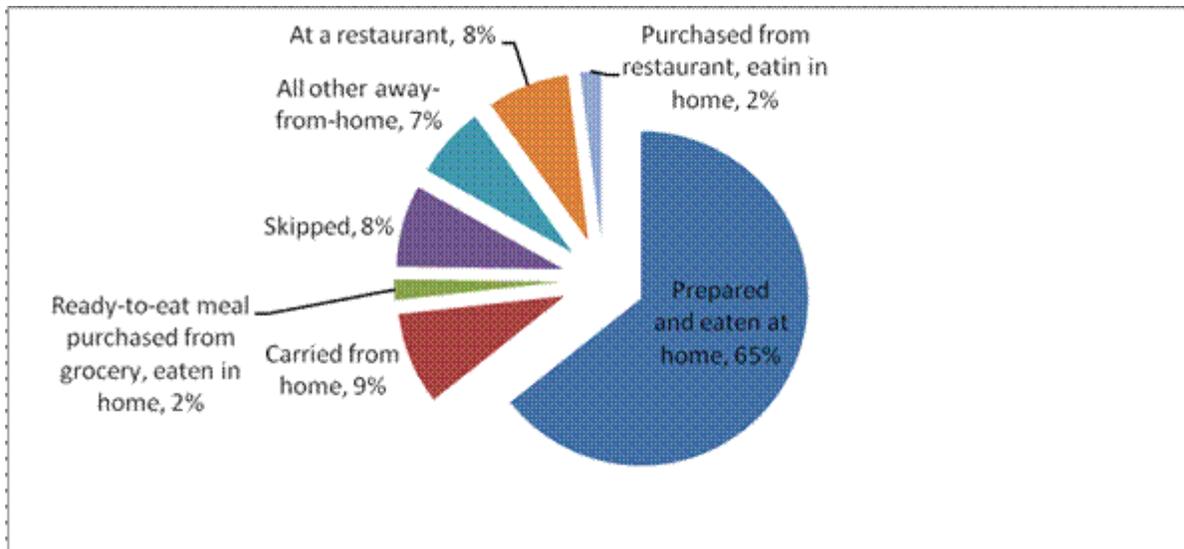
<p>JUICE</p> <p>2009 IMPORTS: \$613 MILLION</p>	<ul style="list-style-type: none"> • Brazil: 13 percent • China: 6 percent 	<p>category: fresh orange juice.</p> <ul style="list-style-type: none"> • Brazil is the leader in frozen orange juice concentrate, the second largest imported juice category, with 79 percent of the import market share. • China’s major juice export to Canada is fortified apple juice with 76 percent of this import market share. 	<p>unable to grow these products. It will continue to be an exceptional value added market for the United States.</p> <ul style="list-style-type: none"> • Both Canada and the United States have experienced major penetration by Chinese apple juice due to the major shift of Chinese agriculture toward these labor-intensive crops and processing.
<p>BEVERAGES</p> <p>2009 IMPORTS: \$3.5 BILLION</p> <p>(INCLUDING \$1.5 BILLION OF WINE)</p>	<ul style="list-style-type: none"> • USA: 33 percent • France: 15 percent • Italy: 10 percent <p>Wine share:</p> <ul style="list-style-type: none"> • France: 24 percent • Italy: 20 percent • Australia: 15 percent • USA: 14 percent 	<ul style="list-style-type: none"> • The United States holds a competitive share in the imported wine market. • France and Italy have been historically strong wine exporters. Combined with Australia, the three countries supplied 59 percent of Canada’s imported wine in 2009. 	<ul style="list-style-type: none"> • Canada’s system of provincial government liquor monopolies creates extensive and complicated restrictions on introducing products into the market and driving consumer prices significantly above those in the United States. • Canada is strong in beer production, supplying approximately 95 percent of the domestic market, but this share is decreasing. • Imported wine market share have grown much faster than domestic wines. Domestic whites have fared significantly better than reds against imports due to Canada’s cooler climate.
<p>NUTS</p> <p>2009 IMPORTS: \$305 MILLION</p>	<ul style="list-style-type: none"> • USA: 54 percent • Turkey: 15 percent • Vietnam 8 percent 	<ul style="list-style-type: none"> • U.S. products, led by peanuts and almonds, are preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards more consistently than other foreign suppliers. • Turkey is a competitive supplier of hazelnuts. • Vietnam is a competitive supplier of cashew nuts. 	<ul style="list-style-type: none"> • The province of Ontario, which can grow peanuts, has not done so in commercial quantities as the returns are not competitive with other crop alternatives. Similarly British Columbia and other provinces produce small quantities of a number of tree nuts including hazelnuts. In general, Canada is not price competitive. • Health Canada announced in September 2007 that it is reviewing the “may contain” wording on products with potential allergens. As of June 2010 this was still in review. The new label may be more restrictive. U.S. exporters are advised to watch for possible changes.

Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
<p>DAIRY</p> <p>2009 IMPORTS: \$428 MILLION</p>	<ul style="list-style-type: none"> • USA: 44 percent • Italy: 12 percent • France: 10 percent 	<ul style="list-style-type: none"> • The United States' close proximity to market, speedy delivery, and significant freight advantage has allowed it to be competitive in the small Import for Re-Export Program (IREP) which allows U.S. dairy product to be imported into Canada duty free then used in further processing, provided the product is subsequently exported. As a result, despite the significant trade barriers protecting the Canadian dairy industry, the U.S. maintains the number one import position for fluid milk and whey powder, as well as third in terms of value for imported cheese. • The European Union has a distinct advantage in the cheese trade since it holds 66 percent of Canada's cheese quota as a result of the 1994 Agreement on Agriculture (AoA). In 2008, Italy overtook France as Canada's largest imported cheese supplier. • New Zealand has a cost leadership advantage. Low costs of production due to the availability of year-round pastures have helped New Zealand achieve a leading share of world dairy exports, however rising demand is putting upward 	<ul style="list-style-type: none"> • The Canadian dairy market operates under a tightly controlled supply management system, which attempts to match domestic supply with domestic demand while paying producers on a cost of production related formula. This system has tended to price dairy products above prevailing world levels. Imports are controlled under Tariff-rate-quota (TRQ) and over quota imports are subject to high tariffs. • American suppliers have taken advantage of Import for Re-export Program (IREP), which allows Canadian processors to import dairy products used in manufacturing provided the product is exported. For example in 2009 Canada allowed for 25,588 mt of fluid milk imports outside the TRQ under the IREP program. The U.S. was the primary beneficiary due to the perishable nature of the product. IREP accounted for 16 percent of total dairy imports in 2009. • Canadian tariff rate quotas stipulate a 50 percent dairy content guideline for imported product, resulting in the creation of ingredients and blend products that are designed to circumvent this guideline. Butter-oil-sugar blends were the first major products to be imported tariff-free, displacing Canadian milk for ice cream. More recently there has been an increase in flavored milks imported as "beverages" and a number of milk proteins which are not captured by the dairy TRQ.

		<p>pressure on prices of New Zealand’s exports. New Zealand has an additional advantage with butter imports into Canada as it has been given country specific butter allocation of 2000 mt. This is due to the AoA and represents 61 percent of Canada’s butter import quotas.</p>	
Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
<p>POULTRY IMPORTS: \$304 MILLION</p>	<ul style="list-style-type: none"> • USA: 84 percent • Brazil: 14 percent • Chile: 2 percent 	<ul style="list-style-type: none"> • The U.S. is the world’s largest producer of poultry meat. Brazil is the largest exporter of poultry meat and can land product in Canada at a lower cost compared to the U.S. Brazil has rapidly expanded its share of the Canadian broiler market except with Canadian further processing plants that do not want to take the risk of commingling U.S. and Brazilian origin which would result in being unable to sell processed products to the United States. • U.S poultry can be shipped fresh as well as frozen. • Increases in imports of U.S. chicken are due in part to imports under the Import for Re-export Program (IREP). 	<ul style="list-style-type: none"> • Because of the supply management system, the Canadian poultry industry is tariff regulated with live bird and meat prices well above those of the world market. The Canadian strategy has been to differentiate the product particularly at retail through air chilling and such additional attributes as “vegetable grain fed chicken” However the scale of plant operations in Canada remains relatively small due to the supply managed system. In an effort to mitigate this and to offset difficulty obtaining labor, Canadian processing plants are among the most highly mechanized sectors in Canadian agriculture and employ the latest in robotics. • The Canadian industry has significantly increased surveillance since the avian flu outbreaks in British Columbia in 2009 and has continuously improved bio-security measures.

SECTION IV. BEST PRODUCT PROSPECTS AND TRENDS

Where Canadians Source Their Meals



Source: NET Canada, NPD Group, 2009

Canada's wholesale, retail, and food service industries follow in food products and trends in the United States with acute interest developments. While there are differences in the consumption patterns of selected food items in the two countries, there is a growing demand in Canada for new value-added foods that are market-proven in the United States.

During 2009, a number of consumer-oriented agricultural product categories posted record sales to Canada. The top five categories were fresh vegetables (\$1.5 billion), fresh fruit (\$1.4 billion), snack foods (\$1.4 billion), processed fruits and vegetables (\$971 million), and red meat (\$913 million).

Combined, items in these categories accounted for more than half of total U.S. exports consumer-oriented agricultural product to Canada.

Low Sodium Foods

Canadian consumers are becoming more conscious about the level of sodium in prepackaged processed foods and in restaurant meal foods. A Canadian coalition of health groups is urging the Canadian government to set graduated targets for sodium according to food categories and to monitor food industry's compliance. Figures from Statistics Canada show that the average Canadian consumes in excess of 3,100 mg of sodium a day with the major source identified as processed foods. Health Canada (like the U.S. National Academy of Sciences) has determined that an appropriate daily intake for a healthy adult is 1,200 mg to 1,500 mg of sodium. Canada's Minister of Health announced the establishment of a Sodium Working Group on October 25, 2007, as a first step towards the development of a long-term national strategy to reduce dietary sodium levels. The Sodium Working Group has since set a target of 33 percent reduction in average sodium intake to 2300 mg/day by year 2016. To date sodium reduction remains voluntary for Canadian food industry, but this may change in the future.

Functional Foods/Superfoods

Functional foods, often referred to as superfoods are gaining wide popularity among Canadian consumers focused on choosing foods that may help prevent disease and aging. Blueberries, almonds,

yogurt, kefir, and even dark chocolate are some of the foods that are gaining favor in Canada as the new superfoods. Antioxidants as immune boosting foods are receiving special attention as well.

Organics

Sales of organic foods continue to increase, and Canada is an important market for U.S. organic exports. The United States supplies about 74 percent of the total market in Canada for prepackaged organic foods. Canadian organic production has concentrated on exports, mostly of bulk grains and oilseeds. In Canada, organic food sells at a price premium and sales are forecasted to rise, especially as quality and availability increasingly matches that of conventionally produced foods. The total retail market is estimated to be over \$2 billion in value and growing at 15 – 20 percent per year.

Gluten-Free

With an estimated 1 in every 133 Canadians affected by Celiac Disease, there has been a strong push in Canada to offer more gluten-free food products. Celiac Disease is a medical condition in which the absorptive surface of the small intestine is damaged by gluten. Gluten is a protein commonly found in wheat, rye, triticale, and barley. This has led towards growing popularity in ancient grains that are gluten-free like millet, sorghum, taro, and yams. Other popular gluten-free foods include: soybeans, corn, potatoes, rice, and tapioca. There is also growing evidence that a gluten-free diet may improve other chronic health issues.

Pre-packaged Foods with Low Levels of Trans Fats

Canada was the first country to require that the levels of trans fat in pre-packaged food be included on the mandatory nutrition facts table. That requirement took effect on December 12, 2007. It was intended, in part, to act as an incentive for the food industry to decrease the trans fat content of foods. Health Canada (HC) says that the requirement has clearly had the desired effect as demonstrated by the significant number of products on the Canadian market that have been reformulated. In June 2007, the HC called on industry to voluntarily reduce the levels of trans fat in the Canadian food supply to the lowest levels recommended by the Trans Fat Task Force and announced that the Canadian government would monitor the progress. Canada's Trans Fat Task Force recommended a trans fat limit of 2 percent of the total fat content for all vegetable oils and soft margarines, and a limit of 5 percent of the total fat content for all other foods, including ingredients sold to restaurants. HC has asked the industry to show significant progress to reduce trans fats levels, or it will introduce regulations to ensure the levels are met. HC has been monitoring trans fat levels in Canada and released its fourth report in December 2009. The fourth set of data is the last data set for the two-year Trans Fat Monitoring Program. Currently, Health Canada is analyzing the impact of the two year monitoring program on the average trans fat intake of Canadians to determine the best ongoing approach to reach the targets recommended by the Trans Fat Task Force. The results are available on the HC website at: http://www.hc-sc.gc.ca/fn-an/nutrition/gras-trans-fats/tfa-age_tc-tm_e.html

Snack Foods

Snacking is an important contributor to Canadians' daily food consumption. It is estimated that 67 percent of Canadians eat 1-2 snacks daily. Controlled portions like 100 calorie snacks are growing in popularity. Consumers are seeking both traditional snack foods and healthy options.

Clean Diet

Clean diet is a trend that is feeding from Canadian mothers as primary caregiver for their family and children. A clean diet focuses on eating foods and food ingredients that the average consumer can pronounce. The objective is to reduce the consumption of artificial preservatives and non-natural occurring food products.

Table 10. Top 10 Lists of Foods and Beverages

Top 10 Foods	Menu Importance (percent)		Top 10 Beverages	Menu Importance (percent)	
	2009	2008		2009	2008
1. French fries	15.7	16.7	1. Hot coffee	29.2	28.2
2. Chicken/Poultry entrees	14.9	15.1	2. Carbonated soft drinks	21.3	22.2
3. Burgers	10.5	10.2	3. Alcoholic beverages	6.5	6.3
4. Salads	9.8	10.5	4. Tap water	6.1	6.2
5. Seafood/fish	7.2	7.4	5. Hot tea	5.9	5.6
6. Potatoes (excl. French fries)	6.6	6.0	6. Juice	5.5	5.8
7. Pizza	6.3	6.9	7. Bottled water	4.2	4.5
8. Chinese/Cantonese/Szechwan	6.2	6.7	8. Milk	3.7	3.6
9. Donuts	6.0	5.7	9. Iced tea	3.2	3.2
10. Hot Chicken sandwich	5.3	5.2	10. Iced/Frozen/Slush coffee	2.3	1.5

Source: The NPD Group, Foodservice, CREST, Total Canada, YE November 2009

Note: Menu importance is defined as the percentage of restaurant meals and snacks that include a particular item.

Table 11. Menu Trends

Fastest Growing	What's Slowing
The 10 fastest growing menu items in 2009 over 2008*	The 10 steepest declining menu items in 2009 over 2008*
1. Thai/Korean/Vietnamese/Other	1. French fries
2. Hot coffee	2. Carbonated soft drinks
3. Potatoes (excluding French fries)	3. Salads
4. Iced/Frozen/Slush coffee	4. Pizza
5. Muffins	5. Chinese/Cantonese/Szechwan
6. Donuts	6. Juice
7. Hot Tea	7. Chicken/Poultry entrees
8. Burgers	8. Bottled water
9. Frozen/Slushed soft drinks	9. Bacon/Sausage
10. All other appetizers	10. Pastries/Turnovers/Danishes

Source: The NPD Group Inc., Foodservice, CREST, Total Canada, YE November 2009

* Data are for the 12 months ending November of each year.

Top 10 Hot Trends on Canadian Menus	Top 10 Up-and-Coming Canadian Menu Trends
1. Locally sourced food	1. Ancient grains (e.g. kamut, spelt, aramath)
2. Sustainability	2. Gluten-free beer
3. Organics	3. Vegan entrees
4. Artisanal cheeses	4. Organic alcohol
5. Simplicity / back to basics	5. African cuisine
6. Nutritional / healthy cuisine	6. New / fabricated cuts of meat
7. Free-range poultry / pork	7. Gluten-free cuisine
8. Small plates/ tapas / mezze / dim sum	8. Middle eastern cuisine
9. Bite size / mini desserts	9. Quinoa
10. Superfruits (e.g. acia, goji berry, mangosteen)	10. 3-way tie: Non-traditional fish, Micro-distilled/ artisan liquor, Meatless/vegetarian entrees

Source: The above results are based on a survey of professional chefs conducted for the Canadian Restaurant and Foodservice Association, in collaboration with the Canadian Culinary Foundation, by independent market research firm BrandSpark International between January and February, 2010.

SECTION V. POST CONTACT AND OTHER INFORMATION

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Market Sector Reports:

Listed below are the food sector and marketing reports published by the Office of Agricultural Affairs, Ottawa, Canada. For a complete listing of other Post reports and of FAS' worldwide agricultural reporting, visit the FAS GAIN web page at <http://gain.fas.usda.gov>. Each report will be located in one of the two databases, depending on the date it was produced. Additional information is provided on the webpage.

AGR REPORT#	Title of Report	Date
CA0036	Canada Exporter Guide Annual 2010	10/19/10
CA0033	FAIRS Export Certificate Report	09/29/10
CA9052	FAIRS Country Report	09/29/09
CA9048	Canadian Food Brokers	08/26/09
CA9046	Canada Retail Food Sector Report 2009	08/28/09
CA9039	Organics Annual	07/21/09
CA8087	Guidance Document on Exporter Compliance with Canadian Cheese Standards	12/12/08
CA8071	Fishery Products Annual	10/09/08
CA8050	Food Processing Sector Report	07/22/08
CA8043	GST/HST and How it Applies to Food/Agriculture	05/12/08
CA7054	Canadian Beer Market for U.S. Exporters	10/09/07
CA7006	Exporting Wine to Canada	02/06/07
CA6019	Private Label Report	04/28/06
CA5061	Kosher Report	09/26/05

