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Report Highlights:

Canada continues to be the largest export market for U.S. consumer-oriented products. In 2021, U.S. consumer-oriented exports to Canada reached \$18 billion, doubling the amount exported to the second largest market, Mexico. The Canadian food service industry is slowly recovering from covid-related travel and business restrictions. The food service industry is now confronted with inflationary pressures and labor shortages. Canada's 2021 food service sales reached \$62.8 billion.

Market Fact Sheet: Canada

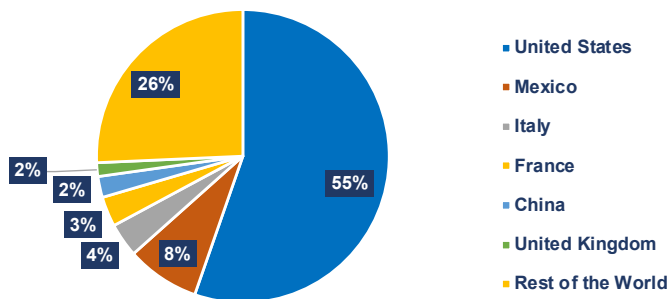
Executive Summary

Approximately 90 percent of Canada's 38 million people live within 100 miles of the U.S. border. In 2021, Canada was the third largest market for U.S. agricultural exports at \$25 billion. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports \$153 million worth of daily two-way trade in food and agricultural products. Canada's food service sales in 2021 reached \$62.8 billion. Despite a relatively strong U.S. dollar and a mature market, opportunities for U.S. food and beverage food sales have remained strong in Canada.

Canadian Imports of Consumer-Oriented Products

U.S. exports of consumer-oriented products to Canada reached \$18 billion in 2021 representing 55 percent of Canada's total agricultural 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.

2021 Canadian Imports of Consumer - Oriented Products



Canada's food service market is mature and a major contributor to the country's economy, accounting for over three percent of Canada's Gross Domestic Product (GDP). The food service industry is divided into two segments: Commercial (restaurants, caterers, and drinking establishments) and Non-commercial (hotels, institutional, retail, and other foodservice operations). In 2021, the Commercial segment accounted for 83 percent while the non-commercial segment accounted for 17 percent.

Canada Quick Facts 2021

Global Exports of Consumer-Oriented Goods to Canada

\$32 billion

U.S. Exports of Consumer-Oriented Goods to Canada

\$18 billion

List of Top 10 U.S. Consumer-Oriented Products Exports to Canada (\$ millions)

- 1) Bakery Goods, Cereals, and Pasta (\$2,314)
- 2) Fresh Vegetables (\$1,992)
- 3) Fresh Fruit (\$1,744)
- 4) Food Preparations (\$1,220)
- 5) Non-alcoholic Beverages (\$1,184)
- 6) Pork and Pork Products (\$952)
- 7) Dairy Products (\$854)
- 8) Chocolate and Cocoa Products (\$812)
- 9) Beef and Beef Products (\$773)
- 10) Tree Nuts (\$717)

Food Industry Sales by Channel (\$ billions)

Total Food and Beverage Industry	\$198.6
Food Service Sales	\$62.8
Retail Food and Beverage Sales	\$110.0
Processing Food and Beverage Sales	\$25.8

Top 10 Restaurant Chains (Market Share Percentage)

- 1) Restaurant Brands International, Inc. (18.1)
- 2) McDonalds Corporation (15.1)
- 3) A&W Food Services of Canada (4.2)
- 4) Doctor's Associates/Subways (4.0)
- 5) Starbucks Corporations (3.3)
- 6) Yum! Brands (3.3)
- 7) Boston Pizza International (2.3)
- 8) Wendy's (1.8)
- 9) Recipe Unlimited Corporation (1.4)
- 10) Pizza Pizza Ltd (1.3)
- 11) Dairy Queen (1.3)

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 consumer preferences.	Strong U.S. dollar, inflationary pressures.
Opportunities	Threats
Duty-free tariff treatment for most products and acceptance of new innovative products.	Increasing third-country competition, and strong 'buy local' consumer sentiment.

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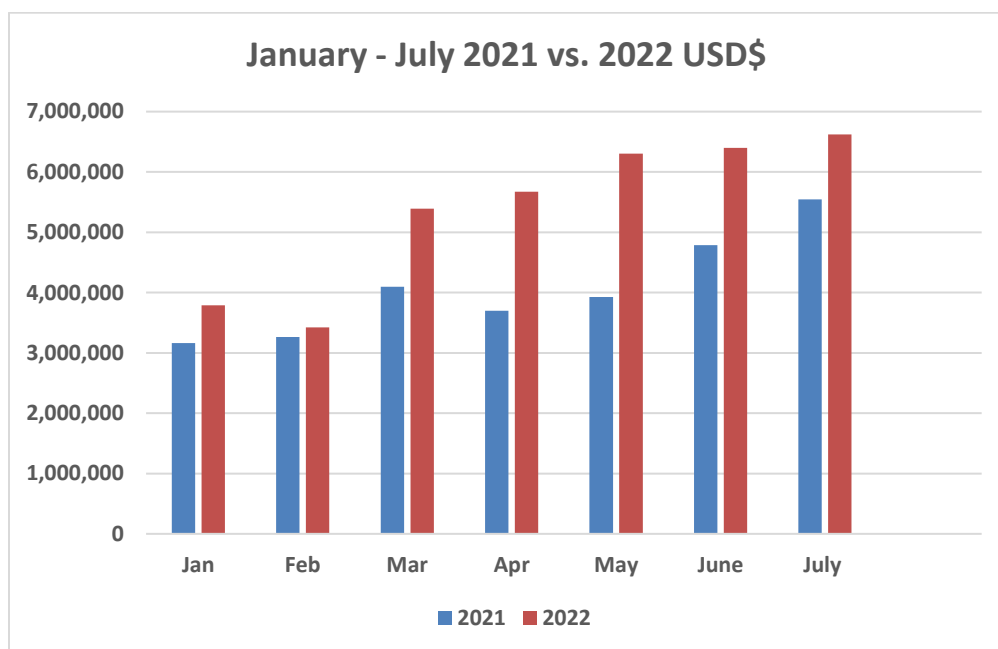
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Section I: Market Summary

I.A. Overview of the Canadian Food Service Landscape

Canada's 2021 total food service sales were valued at \$62.8 billion¹, representing a 16 percent increase over 2020². Even though food service sales are forecast to return to pre-pandemic levels (\$75 billion) in 2022, traffic to food service outlets was still below pre-pandemic levels in 2021. According to an annual report published by Restaurants Canada, pent-up demand, fewer cases of COVID-19, and a sense of wanting to return to normal resulted in more people returning to restaurants in 2021. Further, for the first six months of 2022, total food service sales increased 32 percent relative to 2021.

Table 1: Food Service Sales in Canada January-July (2021 vs 2022)



Source: Statistics Canada

The food service sector is comprised of two major segments: Commercial and Non-commercial subsectors. The commercial food service subsector, which includes quick-service restaurants, full-service restaurants, caterers, and drinking establishments, represented 83 percent of total food service sales at \$52.2 billion in 2021, an 18.2 percent increase over 2020. The non-commercial subsector, which includes accommodation food service, institutional food service, retail food service, vending machines, and other entities, represented 17 percent of total food service sales at \$10.6 billion in 2021, a 12 percent increase over 2020.

¹ CAD\$78.7 billion. The average annual exchange rate for 2021 was CAD/USD 0.7977. All dollar amounts expressed in this report are USD.

² Source: Restaurants Canada, Statistics Canada, fsStreategy Inc., and CBRE Hotels

Future Forecast for Canada's Food Service Sector

According to a report from Restaurants Canada, annual commercial food service sales are forecast to increase to \$58.4 billion in 2022, or approximately 12 percent. A return in consumer confidence, stable business operations, and tourism travel will all help Canada's food service industry recover but now the sector is confronted with inflationary prices for ingredients and supplies, as well as labor shortages. Menu prices in Canada are forecast to increase by 5.2 percent in 2022 following an estimated 3.3 percent increase in 2021. According to the same Restaurants Canada report, food service owners are operating at an average of 80 percent of their normal capacity due to labor shortages. Statistics Canada reports 271,000 individuals (e.g., managers, chefs, supervisors, bartenders, etc) have left the food service sector since 2019. To cope with the labor shortages, operators are increasing hours worked by ownership and management-level staff, reducing hours of operation, and raising wages.

I.B. Market Trends in Food Service Sector

The pandemic has forever changed the behavior of food service consumers, and inflation and labor shortages challenges will continue to impact the consumers' experience. Operators continue to look for new ways to grow sales, including launching takeout and delivery options, promoting themselves on social media, and implementing online ordering through a restaurant website or mobile app. New mobile apps and third-party platforms, such as Doordash, UberEats, and SkipTheDishes, are increasing popular and are now readily used by many Canadians. Nearly half of Canadians report ordering online at least once a week, which creates opportunities for online promotions and marketing. FAS Canada believes digital trends and new applications will continue to shape the food service sector for the foreseeable future, and we encourage U.S. exporters to work with food service operators on digital promotion and online promotion opportunities.

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

- **Generational change:** According to a survey conducted by Angus Reid in 2022, Canadians aged 18-34 are nearly twice as likely as those aged over 55 to say they are "very interested" or "somewhat interested" in ordering plant-based meats. Though, 83 percent of respondents aged over 55 are "very interested" or "somewhat interested" in ordering foods that promote health and wellness, compared to 78 percent of the 18-34 age group.
- **Increasingly multicultural population:** Ethnic diversity and multiculturalism are contributing to a more diverse Canadian food service sector. According to the same Angus Reid study, 87 percent of the younger 18-34 age group was interested in globally inspired foods and flavours. Only 74 percent of those aged over 55 were interested in globally inspired foods.
- **Labor costs and shortage:** Of all major industries in Canada, food service is the hardest hit by the current labor shortage. In July of 2022, Canada's unemployment remained low at 4.9 percent, which indicates labor will continue to be a challenge for the food service industry for the foreseeable future.
- **Technology in food service:** Technology is redefining the dining experience in Canada, whether it be the way consumers' order food or how they pay. Restaurants Canada data indicate that more than four in ten Canadians base their dining choice on whether the restaurant is 'connected' through online ordering and delivery services. Understanding how technology impacts consumer

behavior will be important for food service operators, as well as their supplies.

- **Social media:** *Discerning Diner Report* notes sharing pictures through various social media platforms (e.g., Instagram) can be a powerful mechanism for influencing younger patrons’ decision on where they dine. Partnering with food service operators on promotions could help drive traffic to the food service operation and impact what consumers order.
- **Promotion for local:** During the pandemic, many restaurants opted for local ingredients out of necessity and are now permanently purchasing ingredients from local growers. According to the Angus Reid report mentioned above, over 90 percent of all respondents, regardless of age, stated they were looking for food sourced from local farmers.

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

Advantages	Disadvantages
Canadian consumers have a relatively high disposable income and are well-positioned to purchase high quality products.	The strong U.S. dollar.
Canada's ethnically diverse population provides opportunities for specialty products. Canadians are increasingly demanding diverse flavors and greater access to global cuisines.	Canada's population is approximately a tenth of the United States and more geographically dispersed, causing marketing and distribution costs to be higher than in the United States.
Per-capita produce consumption is relatively high. Retailers and food service operators have developed efficient supply chains to import fruits and vegetables from the United States year-round to satisfy their customers.	There is growing competition from other exporting countries, such as Mexico, Peru, South Africa, and others.
Consumers value the strong, diverse, and innovative food culture in the United States	Tariff rate quotas apply to supply managed commodities such as dairy, poultry and eggs
Duty-free, tariff-free treatment for more than 98 percent of U.S. products under USMCA (entered into force July 1, 2020).	Landing costs are higher than in the U.S. as they include taxes and custom clearance charges.
U.S. food products are generally aligned with Canadian tastes and are familiar to Canadian consumers.	“Buy local” campaigns are increasingly popular.
Canadian consumers acknowledge U.S. quality and safety standards.	Established vendors and distributors have strong leverage in negotiations.

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 exporters study the food service landscape well. As the markets are consolidated, exporters are encouraged to familiarize themselves with the major distributors, such as Gordon Food Service, SYSCO, Defl Blue Food Innovations, and a few others. Also, there a handful of food brokers that specialize in food service.

1) FAS/Canada offers several [Global Information Agricultural Network \(GAIN\) Reports](#), such as this report and many others that can be found at the bottom of the Canada webpage under FAS [resources](#).

2) These resources will inform you of the various regulations and compliance requirements that a company must meet to sell in Canada.

3) After studying the Canadian market regulatory and compliance requirements, individual companies are encouraged to inquire about the various export programs supported by USDA and administrated by the [State-Regional Trade Groups \(SRTGs\)](#) and other [Cooperators](#). The SRTGs provide one-on-one counseling and seminars to U.S. businesses on how to enter the Canadian market, including the food service sector. Small-and medium-sized firms (SMEs) may qualify for financial support to promote their brands in Canada and other foreign markets around the world under the [Branded Program](#) / [CostShare Program](#) / [FundMatch Program](#). If a potential exporter's product(s) meets the minimum of 50 percent U.S. origin, then they may apply to the program that covers up to 50 percent of export costs, such as label modification or exhibiting at international and U.S. trade shows. To learn more about these resources contact your international trade specialist with your department of agriculture.

4) By participating in the various export programs offered by the SRTGs and USDA's Cooperators, U.S. companies will be able to locate a Canadian partner and identify key Canadian accounts and partners. FAS Canada recommends attending Canadian trade shows to showcase your products and meet with potential Canadian partners. Key shows can be found [here](#). The two largest food service trade shows in Canada are:

- [Restaurants Canada, Toronto, Ontario](#) (April 10-12, 2023)
- [SIAL Canada](#), Toronto, Ontario (May 9-11, 2023) USA Pavilion offered

FAS Canada organizes a USA Pavilion at SIAL Canada every year. For further information, please contact USDA's trade show partner, IMEX Management. FAS Canada's current point of contact is Claire Gros (ClaireG@imexmanagement.com). For those companies participating in the USDA's Market Access Program (MAP) some of the exhibition costs may be covered.

II.B. Food Service Market Structure

The food service sector is comprised of two major segments: Commercial and Non-commercial subsectors.

Commercial Food Service

The commercial food service sub-sector accounted for \$52.2 billion of the total \$62.8 billion food service sales in 2021. Quick service restaurants (QSR) represent 51 percent of the commercial market, while full-service restaurants (FSR) represent 40 percent. Close to 80 percent of QSR sales are driven by national chains, such as McDonald's, Starbucks, Tim Hortons, and other chain entities.

Restaurants Canada forecasts sales in the commercial food service sector to increase by 21 percent in 2022, with the FSR forecast to experience the greatest growth of approximately 32 percent.

Table 2: Commercial Food Service Sales and Forecast in Canada

	2019	2020	2021	2022 forecast*
	<i>Millions of Dollars</i>	<i>Millions of Dollars</i>	<i>Millions of Dollars</i>	<i>Millions of Dollars</i>
Quick-service restaurants	\$26,910.25	\$23,110.17	\$26,728.61	\$29,132.16
Full-service restaurants	\$27,352.89	\$17,292.46	\$21,122.94	\$27,909.45
Caterers	\$5,031.01	\$2,644.85	\$3,148.60	\$4,630.73
Drinking places	\$2,149.24	\$1,135.53	\$1,243.93	\$1,720.32
Total commercial	\$61,443.40	\$44,183.01	\$52,244.09	\$63,392.66

Source: Statistics Canada; *denotes a forecast by Restaurants Canada; exchange rate used was 0.7977

Non-commercial Foodservice

A return in stable business operations, tourism travel, and in-person education will all help Canada's non-commercial food service sector recover. The sector reached sales of \$10.5 billion in 2021, which is down 27 percent from pre-pandemic levels. This past September, the Government of Canada removed covid-related travel requirements and as such U.S. and other international travelers are again starting to visit Canada, which has had an impact on hotel and institutional food service sales. Institutional sales to hospitals, schools, military, and other organizations represent 43 percent of the non-commercial sector, followed by hotel and other travel accommodation food service sales at 19 percent.

Table 3: Non-commercial Food Service Sales and Forecast in Canada

	2019	2020	2021	2022 forecast*
	<i>Millions of Dollars</i>	<i>Millions of Dollars</i>	<i>Millions of Dollars</i>	<i>Millions of Dollars</i>
Accommodation food service	\$5,699.57	\$1,898.53	\$2,034.14	\$
Institutional food service	\$4,430.67	\$4,287.16	\$4,521.28	\$
Retail food service	\$1,918.07	\$1,848.27	\$1,993.69	\$
Other food service	\$2,476.38	\$1,669.11	\$1,961.15	\$
Total commercial	\$14,524.68	\$9,703.06	\$10,510.26	\$12,669.47

Source: Statistics Canada; *denotes a forecast by Restaurants Canada; exchange rate used was 0.7977

II.C. Import Procedures

U.S. exporters are urged to review FAS/Canada [FAIRS Reports](#) to better understand the Canadian import regulations and standards that apply to their product(s). 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), along with the 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, which consolidated 14 sets of existing regulations. 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 by reviewing the [Getting started: Toolkit for businesses](#).

For those U.S. companies shipping their product into Canada as a [non-resident importer \(NRI\)](#), you will be required to apply for [Safe Foods Canada import license](#). The purpose of this license is so that the Canadian government can trace back the food supplier should there be a food safety issue. Before applying for the import license, exporters are directed to Revenue Canada to obtain a 9-digit [Business Number \(BN\)](#). This will take between two to six weeks to complete. With the Canadian business number, exporters can then apply on-line for the [import license through CFIA](#). This process is free of charge to U.S. and other foreign importers.

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 produce, 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.

Sysco and Gordon Food Service are the largest national food service distributors in Canada, handling the majority of food service distribution for the Canadian market. Smaller regional and specialty product distributors, also 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, and/or 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 promoting 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 in the smaller, consolidated Canadian market and the experience of the broker is an asset.

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 promote the product to prospective food service operators.

Table 4: Top Food Service Restaurant Chains, Hotel Chains, and Distributors

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

Source: Euromonitor & Restaurant Canada

Section III: Competition

Producers and exporters from the United States have captured a large share of the Canadian prepared foods market with more than 78 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 63 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 operators, and institutional buyers have come to rely on to ensure quality and safe foods to their patrons, patients, and clients.

Table 5: Top 10 U.S. Consumer-Oriented Food Imports to Canada in 2021 (Billions)

Consumer-Oriented Products	Top 10 Imports from the United States	Canada Total Imports from World	U.S. Market Share
Bakery Goods, Cereals, & Pasta	2.3	3.0	73%
Fresh Vegetables	1.9	2.9	58%
Fresh Fruit	1.7	4.2	38%
Soup & Other Food Preparations	1.2	1.9	78%
Pork & Pork Products	0.9	1.1	81%
Chocolate & Cocoa Products	0.8	1.4	50%
Tree Nuts	0.7	1.0	70%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	1.2	1.0	70%
Beef & Beef Products	0.7	1.1	63%

Source: Trade Data Monitor

Section IV. Best Products

Table 6: Restaurant Trends

Source: Foodservice and Hospitality

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.

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.

TOP 10 Trends
Non-plastic, eco-friendly delivery and take-out packaging
Meatless and vegetarian menu items
In-house made condiments and sauces
Immune Boosting Ingredients, ex., root vegetables, turmeric, ginger, garlic
Upcycled Ingredients, includes imperfect vegetables
Food waste reduction and management
Fermenting/fermented foods
Food smoking
Locally sourced foods
Sustainably sourced food items

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:

Foreign Agricultural Service (FAS) Ottawa

Telephone: (613) 688-5267
 Email: AgOttawa@usda.gov

Attachments:

No Attachments

Attachments:

No Attachments