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Canada

Food Processing Ingredients Sector

Food Processing Sector Report

2008

Approved by:
Lisa Anderson
U.S. Embassy

Prepared by:
Alba Montiel

Report Highlights:
Many opportunities exist for U.S. food ingredient suppliers seeking to enter the Canadian marketplace. Canada is the U.S.'s primary trading partner (more than 64 percent of Canada's manufactured food imports originate from the U.S.) This is the result of a number of factors, including a convenient shipping corridor and familiarity between consumer tastes, expectations and most importantly, the North American Free Trade Agreement (NAFTA).

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Table of Contents

Section I. Market Summary

Canada's Overview

Opportunities exist to expand U.S. food product sales to Canada's food processing sector. In this C$70 billion food processing market, demand is increasing for U.S. raw and processed horticultural products, other processed ingredients and food flavorings. The following report highlights the performance of the various sectors of Canada's food processing industry.

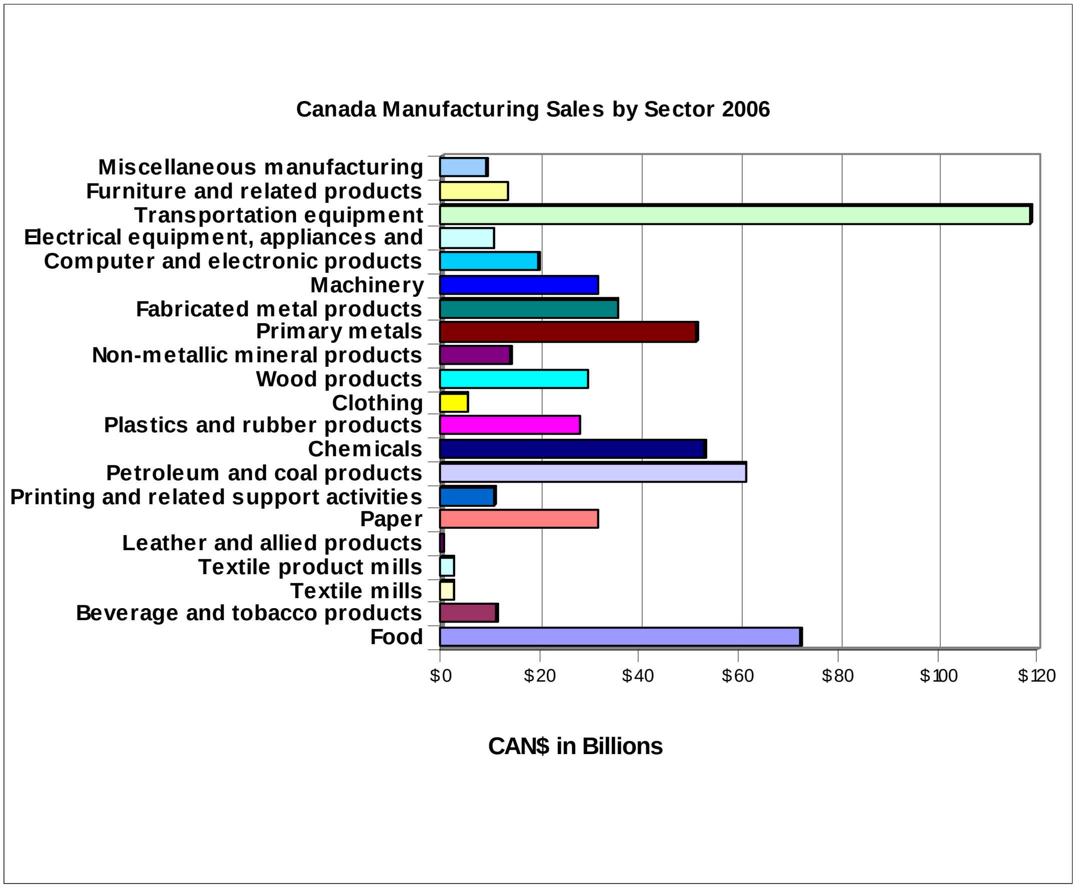
Canada is the No. 1 market for U.S. agricultural exports. In 2006, U.S. agricultural exports to Canada reached a record $11.9 billion. U.S. agricultural exports to Canada accounted for 17% of total U.S. food and agricultural product exports of $71.0 billion. Consumer-oriented agricultural products accounted for 78% of total U.S. food and agricultural product sales to Canada in 2006, with fresh and processed fruits and vegetables, snack foods, breakfast cereals, processed horticultural products, and red meat products as the category leaders. American products account for more than 60% of total Canadian agricultural imports.

Canada is also an important market for U.S. fish and forestry exports. Canada is the No. 2 market for U.S. fish and seafood exports with sales during 2006 reaching $658 million. Despite being a major producer and world exporter of forest products, Canadian imports of U.S. forest products reached $2.2 billion in 2006. Combined, total U.S. farm, fish and forestry product exports to Canada reached a record $14.8 billion during 2006, $3.3 billion more than to Mexico, the next largest market destination. Total bilateral agricultural trade between the U.S. and Canada reached $25.4 billion in 2006, almost $70 million per day. Two-way truck traffic alone exceeds 7,000 trucks per day. That's an average of almost one truck, every other minute, 24 hours a day.

Under the tariff elimination provisions of the North American Free Trade Agreement (NAFTA), the majority of U.S. agricultural products have entered Canada duty-free since January 1, 1998. On December 4, 1998 the United States and Canada signed a Record of Understanding, an agreement to further open Canadian markets to U.S. farm and ranch products. Some tangible benefits of the agreement are already accruing to the U.S. agricultural industry.

Trade with Canada is facilitated by proximity, common culture, language, similar lifestyle pursuits, and the ease of travel among citizens for business or pleasure. Many American products have gained an increased competitive edge over goods from other countries as the result of the FTA/NAFTA. Canada's grocery product and food service trades have been quick to seize opportunities under FTA/NAFTA, which permit them to expand their geographical sourcing area to include the United States. Declining import duties under the trade agreements and an easing of Canadian packaging requirements for processed horticultural products for the food service market have resulted in significant gains in the Canadian market for U.S. consumer-ready foods and food service foods.

Food and beverage processing began in Canada in the mid 1800's and has successfully evolved into a sophisticated and vital contributor to Canada's food, agriculture and economic sectors. Food processors are Canada's second largest sector within the manufacturing industries after transportation.

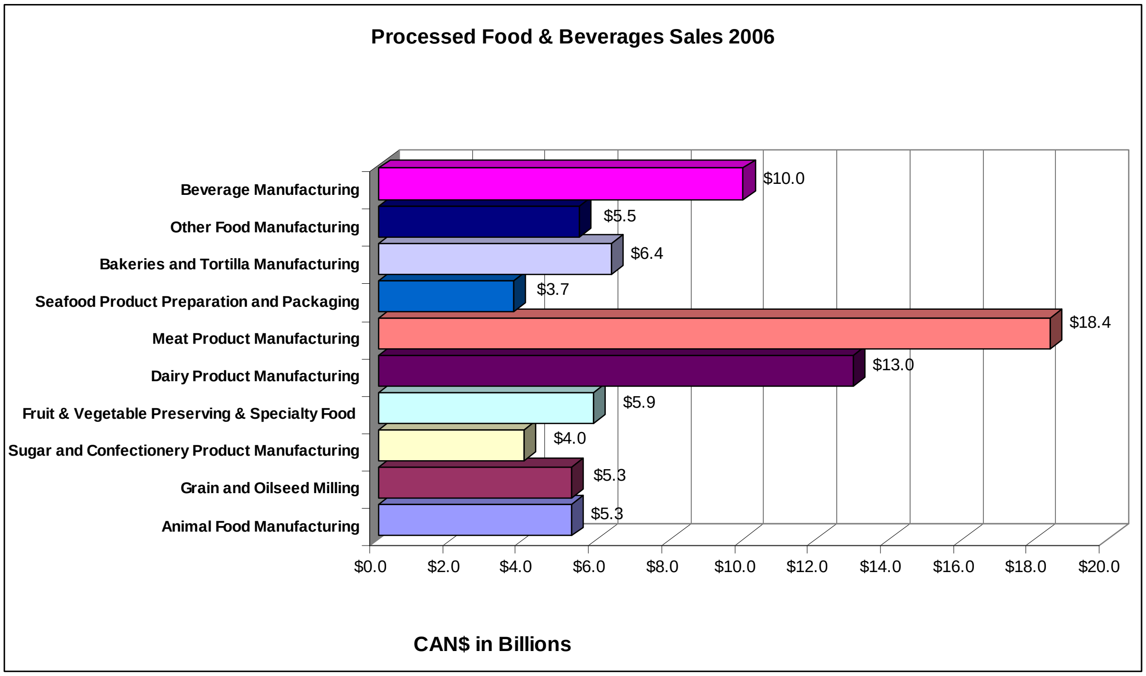


Source: Statistics Canada

In 2006, the food and beverage industry had sales of CAD $78 billion. Food processing is an important industry to the Canadian economy. The food industry employs approximately 268,000 people. In 2006, the food processing industry alone had sales valued at $70 billion. According to Agriculture and Agri-Food Canada, the Canadian food and beverage processing industry supplies approximately 80% of processed food and beverage products available in Canada.

Beverage processing includes soft drinks and bottled water manufacturing, wineries, breweries and distilleries. It employs approximately 32,000 people and in 2006, it sales were valued at approximately $8.0 B.

The largest food processing industry is meat product manufacturing which accounted for 24% of all shipments or $18.4 billion in sales in 2006. Dairy product manufacturing is the second largest industry with sales of $13 billion, followed by beverage manufacturing with sales of $10 billion. Other industries include: bakeries and tortilla manufacturing ($6.4B), fruit and vegetable preserving and specialty food manufacturing ($5.9B), grain and oilseed milling ($5.3B), animal food manufacturing ($5.3B), sugar and confectionery product manufacturing ($4B), seafood product preparation and packaging ($3.7B) and other food manufacturing ($5.5B).



Source: Statistics Canada and Industry Canada

The food processing industry is the largest manufacturing industry in most provinces. Although food processing is important to the economies of all provinces, Ontario and Quebec account for most of the production with approximately 63% of sales, the western provinces account for 27% and the Atlantic Provinces for the remaining 10%. In 2005, meat was the most significant food industry in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia; dairy was the largest food industry in Quebec; while seafood was the most important in New-Brunswick, Nova-Scotia and Newfoundland.

Approximately 60% of food and beverage manufacturing sales are accounted for by domestically owned firms. In 2003, there were approximately 6,000 food and beverage processing establishments in Canada, with most being small. Small establishments (less than 50 employees), accounted for 81% of all food and beverage establishments but only totaled 16% of production. Alternately, only 5% of establishments were large (more than 200 employees), but accounted for over half of the entire industry's production. The Canadian food and beverage industry is by far the largest buyer of agricultural production, using approximately 44% of its output.

Fish and seafood
Canada is surrounded by the Arctic, Atlantic and Pacific Oceans and is home to the Great Lakes. Canada has the world's longest coastline (244,000 km), representing 25 per cent of the entire coastline in the world. With more than 755,000 square kilometers of fresh water, Canada has 16 per cent of the world's area of fresh water and four of the largest lakes in the world.

In total the capture fishery accounts for 76 percent of total fish and seafood production in Canada. Lobster, crab and shrimp comprise 67 percent of the landed value of all fish and shellfish harvested in Canada.

The Atlantic fishery accounts for 80 percent of total landings. Value leaders include lobster, crab, shrimp and scallops. The Pacific fishery accounts for 16 per cent of total landings. Value leaders are salmon, clams, ground fish, and herring roe. The freshwater fishery accounts for 4 per cent of total Canadian landings. Value leaders include pickerel, yellow perch, whitefish, northern pike and lake trout.

Canada's aquaculture sector continues to increase in importance. Key products are farmed salmon (Atlantic, Coho and Chinook), trout, steelhead, Arctic char, blue mussels, oysters and manila clams. New species such as halibut and cod are on the way.

Canada has one of the world's most valuable commercial fishing industries, worth more than $5 billion a year. It is now the world's fourth-largest exporter of fish and seafood products, with exports to more than 130 countries. In 2006, Canada's fish and seafood exports were valued at $4.3 billion. Canada exports an estimated 85 per cent, by value, of its fish and seafood production. Seafood imports have stayed at around $2 billion, resulting in significant annual trade surpluses.

Canadian Exports of Processed Food

Exports of processed food and beverage products stood at $17.7 billion in 2006, down 5% from 2005.

In 2006, processed food and beverage product exports (excluding seafood products) exceeded the value of agricultural product exports (e.g., grains, livestock) for the eighth consecutive year, accounting for 54% of agriculture and agri-food products (down from 60% in 2005).

Canadian processed food and beverage products are exported to some 180 countries; although a significant proportion is exported to only a few countries. In 2006, 83% of the total went to four major markets, namely: United States (70%), Japan (8%), China (3%) and Mexico (2%). The balance of trade in processed food and beverage products has been positive since 1995, and grew consistently through time until 2003 when the balance of trade contracted by 11% from the previous year. In 2006, the balance of trade stood at $1.2 billion after contracting by 74% during the last two years, from its record value of $4.8 billion in 2004.

Imports of Ingredients for the Canadian Food Processing Industry

The value of processed food imported by Canada in 2007 was $16.1B. The U.S. was the main supplier providing 56 percent of this amount, or what is equal to $9.0 B. The next three countries supplying processed food to Canada were France, Italy and China in that order and their share of the market were 3.98 percent, 3.86 percent and 3.53 percent respectively

Canadian food processors utilize both raw and semi processed ingredients from imported and domestic sources. No data exist on the total value of imported ingredients destined for the Canadian processed food industry; however, imported ingredients are vital inputs to Canadian food manufacturers. Imported ingredients cover virtually all food categories. For example whole raw products such as strawberries, semi processed product such as concentrated juices, and fully prepared product such as cooked poultry have proven to be essential to processors in Canada. Some ingredients such as tropical and sub tropical products are entirely imported whereas manufacturers require substantial imports of numerous other products for example spices, food manufacturing aids, and flavorings.

Canadian food processors are now searching the globe for low cost ingredients, a development that presents challenges for U.S. exporter who currently are the largest supplier of ingredients to Canada. Food processors have increasingly turned to developing countries for ingredients. For example ten years ago, China ranked as the 12th most important food supplier to Canada, slightly ahead of Germany and Guatemala. By 2007, China ranked as the 6th most important supplier to the Canadian market for food and agricultural products behind France (5th) and Brazil (4th). The 5-year (2003-2007) average annual growth rate of Chinese agricultural and food product is 17%, unsurpassed by any other supplier to the Canadian market. Mexico currently the No. 2 supplier of Canadian imports of food and agricultural products after the U.S. had the second highest annual growth of 16% over the last 5 years, only slightly behind China. For more information see our report CA8040 titled “China & Mexico Challenge U.S. Exports in Canadian Horticultural Markets”.

Advantages and Challenges Facing U.S. Products in Canada

ADVANTAGES	CHALLENGES
Canadian consumers enjoy a high disposable income, coupled with a growing interest in global cuisine.	Private label brands continue to grow in many categories pushing processors to continually search for cheaper ingredients. .
U.S. food products match Canadian tastes and expectations.	Differences in approved chemicals and residue tolerances
The Canadian government has created an extremely friendly environment for foreign companies, including a well-educated labor force, a high standard of living at a low cost, and the legal and governmental infrastructure to move it all along smoothly.	The total population of Canada is slightly less than California and much more spread out, making marketing and distribution costs generally higher than in the U.S.
Proximity: Canada and the U.S. share 3,145 miles of border with virtually all major Canadian cities in close proximity to the border, thereby facilitating communication and transportation. There is also significant over flow of U.S. television and print media in most Canadian centers, which can reduce advertising costs for American companies with media campaigns in U.S. cities bordering on Canada.	Continuing retail consolidation is also forcing competitive pricing. With consolidation, sellers often face one national retail buyer per category; this buyer will often purchase for all banners under the retailer. Buyers are constantly looking to reduce price, improve product quality and extend the product range with new entrants.
Canada's strengthening dollar is an advantage for U.S. exporters.	Tariff rate quotas for certain products
Canadian ethnically diverse population provides opportunities for specialty products in populated centers increasing the need for imported ingredients	Food labeling, including nutritional content claims and differences in food standards can affect ingredients used by food processors.
Duty free tariff treatment for most products under NAFTA. This boosts the advantages that US exporters already have in the Canadian market. Therefore, third-country competition tends to be far less prevalent than in most other international markets.	Canada's domestic products are the primary source for the food processing Industry in Canada.
High U.S. quality and safety perceptions	
Canadian legal system, along with the business practices and attitudes are extremely similar to those in the United States.	
Canada and the U.S. have congruent time zones, a straightforward regulatory regime, and a common language.	
The Canadian growing season is limited and the processing sector requires a continuous supply of ingredients through out the year. Many ingredients can be supplied fresh from the southern U.S. or from large stocks of frozen ingredients such as vegetables from the U.S. Mid West.	

Section II. Road Map for Market Entry

Overview

U.S. food ingredient suppliers seeking to enter the Canadian marketplace have many opportunities. Canada is the U.S.'s primary trading partner (more than 64 per cent market of Canada's manufactured food imports originate from the U.S.); this is a result of a number of factors, including a convenient shipping corridor and a familiarity between consumer tastes, expectations and most importantly the North American Free Trade Agreement (NAFTA).

There are a number of obstacles U.S. exporters must overcome before exporting to Canada. These may include currency, customs procedures and labeling requirements.

Overcoming these obstacles is simple with the right tools. Following are the main steps to take for U.S. exporters entering the Canadian market:

1. Contact your state regional trade office.
2. Research the competitive marketplace
3. Locate a broker/distributor/importer.
4. Understand Canadian government standards and regulations that pertain to your product.

A. Market Strategy

1. Contact your state regional trade office.

State Regional Trade organizations are non-profit groups representing state agricultural promotion agencies that use federal, state, and industry resources to promote the export of food and agricultural products within specific states. They can help qualifying exporters to obtain partial reimbursement for some marketing costs.

U.S. STATE REGIONAL OFFICES

STATE REGIONAL	STATES REPRESENTED	WEB SITE
Food Export USA Northeast	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont	www.foodexportusa.org
Food Export Association of the Midwest USA	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin	www.foodexport.org
Southern United States Trade Association [SUSTA]	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the Commonwealth of Puerto Rico	www.susta.org
Western U.S. Agricultural Trade Association [WUSATA]	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington, Nevada and Wyoming	www.wusata.org

2. Research the competitive marketplace

A thorough understanding of consumer trends and needs are required in developing your market strategy. The Internet offers a wealth of information for U.S. exporters interested in researching the many aspects and particularities of the Canadian food sector. Though some consumer data can only be obtained with a fee, there are several industry specific publications that continuously report on specific developments of interest for U.S. exporters. These publications are ***Canadian Grocer*** (www.canadiangrocer.ca), a magazine that closely follows key developments in the Canadian grocery industry, and ***Food Service and Hospitality*** (www.foodserviceworld.com), a periodical that continuously offers updated information on the status of the food service industry in Canada.

Sources of information:

ORGANIZATION	FUNCTION / PURPOSE	INFORMATION
Statistics Canada	The official source for Canadian social and economic statistics and products.	www.statcan.ca
Food and Consumer Products of Canada (FCPC)	An industry association representing approximately 130 Canadian-operated member companies that make and market retailer and national brands sold through grocery, drug, convenience, mass merchandise and foodservice distribution channels.	www.fcpmc.com
Canadian Council of Grocery Distributors (CCGD)	Represents Canadian distributors of food and grocery-related products.	http://www.ccgd.ca/
Canadian Restaurant and Foodservices Association	The largest hospitality association in Canada.	www.crfa.ca
Canadian Federation of Independent Grocers (CFIG)	Represents Canada's independently owned and franchised supermarkets.	www.cfig.ca
Consumers' Association of Canada	Represents consumers to all levels of government and to all sectors of society.	www.consumer.ca
Agriculture & Agri-Food Canada, Agri-Trade Food Service	Provides information, research and technology policies and programs. Also provides access to statistics.	www.agr.gc.ca

3. Locate a Broker / Distributor / Importer

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

Local representation provides exporters with a domestic advantage to understanding the local, regional and national markets and opportunities available. Brokers and distributors provide guidance on best business practices, sales contacts, market development, logistics and government regulations. Many also provide merchandising and marketing programs and their volume purchasing power can help reduce retail slotting fees.

The USDA/FAS Office of Agricultural Affairs, U.S. Embassy Canada can provide assistance in locating a broker/distributor. Services available to help exporters locate appropriate brokers/distributors include USDA endorsed pavilions at various Canadian trade shows and a matchmaker program entitled, CANADA CONNECT, (see FAS Report CA5060 on the FAS Web Site: www.fas.usda.gov for details on this program that provides market information and meetings with potential, pre-screened, buyers.

A partial listing of Canadian food brokers is available on our report CA5068 on the FAS web site.

BROKER/DISTRIBUTOR RESOURCES

ORGANIZATION	SERVICE	CONTACT
Foreign Agricultural Service [FAS]	Designed for U.S.-export-ready companies, the FAS program "Canada Connect" matches prospective exporters with appropriate Canadian brokers/distributors or buyers by accurately expediting entry into Canada through market research, competitive analysis and the scheduling of buyer appointments.	Canada Connect representatives in Canada: Branded food products and agricultural commodities: Faye Clack Communications Inc. 905-206-0577 www.fayeclack.com Email: info@fayeclack.com Wine/beer products: Ketchin Sales & Marketing 705-444-5255 rketchin@ketchin.com
The Grocery Manufacturers of America [GMA]	GMA is a Washington, DC-based voluntary member trade association promoting the interests of approximately 450 sales and marketing agencies and 140 manufacturers in the United States, Canada and abroad. Its web site includes a Canadian database of approximately 30 brokers/distributors.	http://www.gmabrands.com/
The Canadian Importers and Exporters Association	The Toronto, ON-based CAIE is Canada's key source of information on Canadian customs and trade policy. It provides Canadian importers with critical and timely information and effective representation to government agencies.	www.importers.ca

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

The Canadian Government has multiple acts that govern importation and sales of foods. Some of the most important ones are:

- Canada Agricultural Products Act and Associated Regulations
- Consumer Packaging and Labeling Act
- Fish Inspection Act
- Food and Drug Act
- Importation of Intoxicating Liquors Act
- Meat Inspection Act
- Weight and Measures Act

The Canadian Food Inspection Agency, Health Canada, and the Department of Foreign Affairs and International Trade are the main government bodies U.S. exporters can contact for specific information when studying regulations with which they need to comply. Though Canada and the U.S. share many consumer trends, cultural similarities and lifestyles; nutritional facts, ingredient declarations and health claim labeling regulations are different.

GOVERNMENT BODIES	FUNCTION	INFORMATION
Canadian Food Inspection Agency (CFIA)	Government of Canada's regulator for food safety [along with Health Canada], animal health and plant protection.	www.inspection.gc.ca
Canada Customs and Revenue Agency (CCRA)	Its mission is to promote compliance with Canada's tax, trade, border legislation and regulations.	www.ccra-adrc.gc.ca
Canadian Food and Drug Act	A regulatory document provided by Health Canada, which outlines information regarding specific food import restrictions.	www.hc-sc.gc.ca/food-aliment
Health Canada	Administers the Food Safety Assessment Program, which assesses the effectiveness of the Canadian Food Inspection Agency's activities related to food safety.	www.hc-sc.gc.ca
Foreign Affairs and International Trade (DFAIT), Export & Import Controls Bureau	Responsible for allocating tariff rate quotas to importers.	www.dfait-maeci.gc.ca/
Measurement Canada	Administers and enforces the Weights and Measures Act for food labeling purposes.	www.strategis.ic.gc.ca

For more information on these food labeling regulations and other information useful to U.S. food exporters, refer to the Canada 2007 Exporter Guide (CA7066) on the FAS web site: www.fas.usda.gov. Information exporters need to understand the new labeling regulation can be found in the following sites:

Nutrition Labeling Resource Page:
www.inspection.gc.ca/english/fssa/labeti/nutrition-pagee.shtml

Information on labeling requirements for bulk export can be found at the following site:
http://www.inspection.gc.ca/english/fssa/labeti/nutrikit/secthe.shtml#h1

This page includes links to:

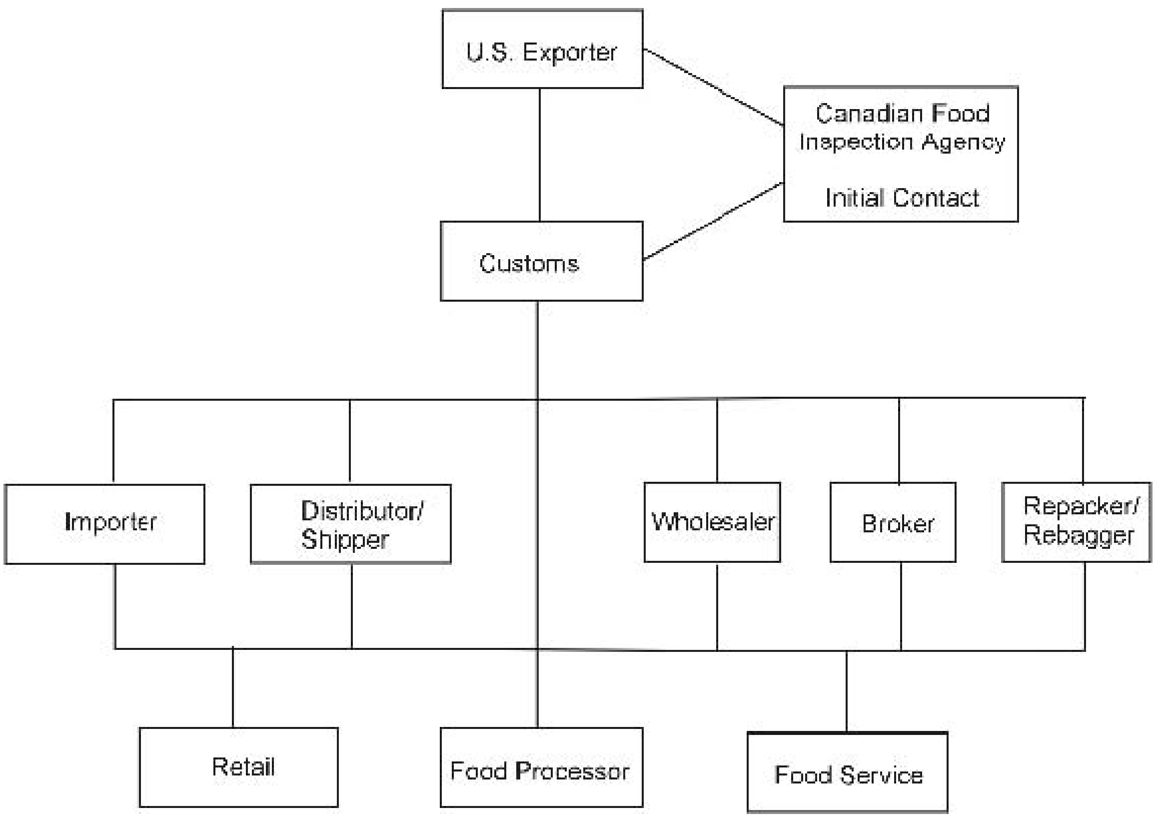
- Nutrition Labeling Toolkit
- Questions and Answers
- Information Letters
- E-mail Notification of Food & Nutrition Labeling Updates

The 2003 Guide to Food Labeling and Advertising guide can be found at:
www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml

In order to supply more and better information, several regional ***Import Service Centers*** function across the country. The staff at these centers can be contacted to obtain pertinent information on specific import requirements and documentation.

IMPORT SERVICE CENTER	OPEN	CONTACT
Eastern ISC	7 a.m. to 11 p.m. [local time]	Telephone: 1-877-493-0468 [within Canada or U.S.] Fax: 1-514-493-4103
Central ISC	7 a.m. to 12 a.m. [local time]	Telephone: 1-800-835-4486 [within Canada or U.S.] Fax: 1-416-661-5767
Western ISC	7 a.m. to 12 a.m. [local time]	Telephone: 1-888-732-6222 [within Canada or U.S.] Fax: 1-604-666-1577

B. Market Structure



Consolidation of the Canadian food industry has eliminated numerous intermediary procurement processes. Most food and beverage processing companies, now prefer to import directly. Buying direct reduces handling, expedites shipments, and generally reduces product costs, provided volumes are large enough to benefit from full truck load or consolidated shipments. Small volumes (less than a truckload) are usually procured locally from a Canadian wholesaler, importer, broker, or agent. Procurement methods do vary from company to company and from product to product however regardless of the method of procurement all products must be in alignment with government import regulation and meet minimum Canadian standards.

Consolidation of the Canadian retail and food service industry has meant that US food and beverage processing companies face increasingly demanding buyers with significant market power. Aside from the continuous pressure on margins, processors are being asked to assist retail and food service companies to help define points of differentiation. Processors that are well advanced with Efficient Consumer Response (ECR) can enjoy considerable growth potential by using shared processor and store data to bring significant consumer insight to bear on the differentiation process. New products that truly address specific consumer needs are the best means for processors to stave off the inevitable demand to produce private label product for retail and food service operators.

Processors should be aware that there is a heightened interest in food safety and information on ingredients including origin of major ingredients and processing methods. Food Service and retail operators are also seeking longer shelf life to deal with both the consumer trend toward fresh product and the geographic challenges of distribution in Canada. Opportunities are increasing in Canada for export ready processors able to meet the rapidly evolving consumer demands and having strong logistics capabilities.

C. Company Profiles

TOP 25 FOOD PROCESSING COMPANIES IN CANADA

COMPANY	2006 SALES (000'S)	TYPE OF PRODUCT PROCESSED	END-USE CHANNELS	PRODUCTION LOCATIONS	PROCUREMENT CHANNELS	WEBSITE
Maple Leaf Food Inc.	$5,900,000	Processed meats, fresh entrees, deli and canned meats, frozen grocery products, fresh baked products, fresh and filled pasta and sauces, frozen unbaked, par-baked and fully baked breads.	Retail and HRI	Across Canada/ U.S. (Illinois, Virginia, California)/ UK	Importers/ Distributors/ Direct	www.mapleleaf.ca
McCain Foods Limited	$5,553,000	French fried potatoes, appetizers, pizzas, vegetables, desserts, entrees, oven meals, and quality frozen foods.	Retail and HRI	55 processing facilities across the world, including 16 in Canada	Importers/ Distributors/ Direct	www.mccain.com
George Weston Limited	$4,350,000	Weston Foods Division is engaged in baking and dairy products. While Loblaw division is Canada's largest food distributor, and a leading provider of general merchandise, drugstore and financial products and services.	Retail and HRI	Across North America	Importers/ Distributors/ Direct	www.weston.ca
Saputo Inc.	$4,022,210	Bakery and dairy products.	Retail and HRI	Total of 47 processing facilities. 26 across Canada and the rest in	Importers/ Distributors/ Direct	www.saputo.com

Company	2006 Sales (000's)	Type of Product Processed	End-Use channels	Production Locations	Procurement Channels	Website
				the U.S., Argentina, Germany and the United Kingdome		
La Coop fédéréé	$3,175,705	Pork and poultry meat, farm products, petrol.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.coopfed.qc.ca
Agropur Co-operative	$2,300,000	Dairy products.	Retail and HRI	26 plants across Canada, the United States and Argentina	Importers/ Distributors/ Direct	www.agropur.com
Parmalat Canada	$2,000,000	Dairy products.	Retail and HRI	18 processing facilities across the Canada	Importers/ Distributors/ Direct	www.parmalat.ca
Cott Corporation	$1,879,457	Water, energy drinks, fruit juices, and teas.	Retail and HRI	21 processing facilities, 6 in Canada, 12 in the U.S. and 3 in the U.K.	Importers/ Distributors/ Direct	www.cott.com
Molson Canada	$1,788,826	Beers	Retail and HRI	5 processing plants located in Toronto, Montreal, Vancouver, Moncton, and St. John	Importers/ Distributors/ Direct	www.molson.com
Nestle Canada Inc.	$1,600,000	Baby food, sport nutrition products, chocolates, waters, coffee, beverages, frozen meals, dairy, ice cream and frozen treats, pet food, and foodservice products.	Retail and HRI	Over 500 processing facilities in 83 countries, 25 are in Canada	Importers/ Distributors/ Direct	www.nestle.ca
Pepsi-QTG Canada	$1,450,269	Oatmeal, juices, energy drinks.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.pepsi-qtg.com
Connors Bros. Income Fund	$987,438	Canned and refrigerated seafood, canned chicken and meat products.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.connors.ca
Fishery Products Interna-tional	$752,850	Fish and seafood products.	Retail and HRI	4 processing plants in Canada located in Toronto,	Importers/ Distributors/ Direct	http://fisheryproducts.com

Company	2006 Sales (000's)	Type of Product Processed	End-Use Channels	Production Locations	Procurement Channels	Website
				Montreal, Vancouver and Calgary		
Export Packers Company Limited	$660,000	Seafood and poultry products.	Retail and HRI	Trading company with head quarters in Brampton, Ontario	Importers/ Distributors/ Direct	www.exportpackers.com
Campbell Soup Company of Canada	$645,000	Canned and tetra packed soups, pasta sauces, vegetable juices,	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.campbellsoup.ca
SunOpta inc.	$629,467	Healthy beverages and snacks made of organic non-GMO and IP grains, as well as, grain based animal feed.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.sunopta.com
Lylidale Inc.	$479,000	Chicken and turkey products, deli meats, and sausages	Retail and HRI	7 processing facilities in Alberta, British Columbia, Saskatchewan and Quebec	Importers/ Distributors/ Direct	www.lylidale.com
Breton Foods Canada Inc.	$395,000	Pork products, prepared meats, prepared meals, cheeses, pasta sauces, stews, eggs, animal feed.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.abreton.com
Van Houtte	$377,600	Coffees and waters.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.vanhoutte.com
Barry Callebaut Canada Inc.	$370,000	Cocoa, chocolate, and confectionary products.	Retail and HRI	40 processing facilities in 25 countries, two of them in Quebec, Canada	Importers/ Distributors/ Direct	www.barry-callebaut.com
Lassonde Industries Inc.	$353,318	Fruit juices and drinks, corn on the cob, fondue products, meat sauces and marinades, and imported wines.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.lassonde.com
Gay Lea Foods Co-operative Limited	$351,000	Dairy products.	Retail and HRI	Production facilities in are all in Ontario at	Importers/ Distributors/ Direct	www.gayleafoods.com

Company	2006 Sales (000's)	Type of Product Processed	End-Use Channels	Production Locations	Procurement Channels	Website
				Toronto, Mississauga, Guelph, and Teeswater		
Lantic Sugar Limited	$330,665	Sugar products.	Retail and HRI	1 refinery in Montreal, Quebec	Importers/ Distributors/ Direct	www.lantic.ca
Clearwater Seafood Ltd. Partnership	$315,736	Seafood products.	Retail and HRI	N/A	Importers/ Distributors/ Direct	www.clearwater.ca
Danone Inc.	$290,000	Yogurt and water based beverages.	Retail and HRI		Importers/ Distributors/ Direct	www.danone.ca

Source: Food in Canada, Our Annual Too 100 Canadian Food and Beverage Processors/FAS.

Consumers Trends Affecting Food Manufacturers Ingredient Acquisition

Consumer trends have always created opportunities for food manufacturers. However, more recently consumer trends have affected choice and source of ingredients used in food manufacturing. Some of the more important drivers of change influencing consumers trends and manufacturing opportunities include:

- the aging population, obesity and the health care crisis leading to the wellness trend,
- the increasing reliance on imported foods and growing worries of food contamination raising the organic, natural and local food trend,
- global warming and other serious environmental challenges raising the ethical eating trend,
- Provenance.

1. Wellness

As consumers get older, their desire to lead healthy and active lives is of increasing importance to them. The vast majority of Canadians (76%) agree that there is an important link between what they eat and their health; and that diet is an important priority at any age (80% agree).

- In response to Governments, health organizations and consumers, food companies are reinventing themselves as “wellness” companies producing foods that require different ingredients: lower salt, less unhealthy fats, more whole grains and fibers and more functional ingredients.

- One of the fastest growing areas under wellness is functional foods. Functional foods are conventional foods that have had healthy ingredients added to them that go beyond regular nutritional functions. Examples of functional foods include probiotic yogurts (added bacteria cultures to promote health in the gastrointestinal tract); omega fortified eggs, and beverages with added vitamins and minerals. The market for functional foods is big and growing, as more and more people are beginning to see the benefits of making small changes to their diets. The market is expected to continue to grow rapidly as consumers gain a better understanding of the relationship between diet and health, and as the aging population increasingly turns to preventive health initiatives.

2. Organic and Natural

The Canadian introduction of retail chain giant, Whole Foods, has solidified an industry commitment to healthy eating alternatives. There is increasing interest for food grown under a production system that prohibits the use of synthetic chemicals, and also promotes soil health, biodiversity, low stress treatment of animals and sound environmental practices. Although the natural and organic market represents a fraction of overall food spending, the market is growing at a rate of 20 percent annually and will represent, some experts say, the largest potential for growth in retail in the upcoming years.

- The number of organic items carried in main stream supermarkets is rising steadily and many of the largest companies including major U.S. food processors have now launched organic products under some of Canada's best known brands. An example of this is the new organic line of products from Kraft Foods.

- Products claiming attributes including "no antibiotics", "no hormones" and "100% vegetarian feed" do not command the same price premiums as those labeled as organic. However, these products are growing because they serve the store interest of differentiation and carrying a 10% to 20% premium to regular products are generally more affordable than organics.

3. Ethical/Environmental eating

Experts are suggesting that the trend is destined to have the most impact on the food processing industry is the growing interest in sustainability. This trend overlaps with wellness and organic foods. However, ethical eating goes beyond natural taste and health and into the realms of green politics and anti-globalization. It includes concepts of 'Fair trade' and 'sustainable' and also 'food miles', which bring together the related concepts of locality and seasonality. Good farming practices in terms of the treatment of livestock are also part of this trend. There has been a noticeable increase in "green" products and it is possibly the next great wave of food development. This, however, represents more changes for food processors as it requires an ability to know ones supply line to a far greater degree than is the case today. Significant improvements are required in technologies to assist with trace back and production verification. Multinational food processors are actively involved in the sustainability movement with many seeking sustainability ratings such as the Dow Jones Sustainability Index.

4. Provenance

Consumers increasingly care about where their food comes from. The concern is being driven by high profile food safety breaches mainly related to imported foods as well as issues raised under the wellness and ethical eating headings. However it is also a food trend in its own right as traditionally certain foods from certain areas were considered to be the gold standard in taste or health. This trend can be an opportunity for processors who can make a virtue about where their raw materials come from or where it was processed. Consumers in the Internet age no longer accept anything less than transparency. As is the case for the ethical food and organic trend the ability to prosper from this trend will be closely tied to the ability to track, trace and verify product.

D. Sector Trends

The strengthening Canadian, versus U.S. dollar, combined with several of the previously mentioned trends has caused many Canadian processed food companies to turn to the U.S. for ingredients in order to remain competitive. Canadian processors are buying more intermediate and further processed ingredients from the U.S. to take full advantage of the stronger Canadian currency. This shift to importing more ingredients in various stages of process is evident in the weakening Canadian balance of trade in a number of sectors of the food processing business.

Red Meat industry

Canada's red meat and meat products industry includes beef, pork and lamb, but also venison and bison and is the largest sector of the Canadian food manufacturing industry. Manufacturing shipments for this industry group increased from $12.2 billion in 1994 to $18.6 billion in 2003, or at an average compound annual rate of 4.8% per year. Between 2002 and 2003, manufacturing shipments decreased by -1.3%.

The meat industry has been under increasing pressure from the strengthening Canadian dollar and labour shortages, particularly in western Canada. Beef processing has also struggled with added costs and market restrictions due to the discovery of BSE in 2003.

Canada's meat processing companies make a wide variety of meat products ranging from fresh or frozen meat to processed, smoked, canned and cooked meats, as well as sausage and deli meats. About 70% of processed meats in Canada, such as sausages or cold cuts, are made with pork.

Consumption: Consumption of red meat on a per capita basis in Canada has been declining while consumption of poultry has been rising, increasing the need to export pork and beef.

Exports: Canada's beef exports rose about 1% over 2004 to 458,377 metric tons in 2005. Sales to the U.S. increased 5%, while shipments to Mexico declined 38%. Exports of beef and beef products to all countries are estimated at $1.85 billion.

Imports: Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes). South America, except for Uruguay, which is beginning to make inroads in the manufacturing market, remains ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons.

Canadian hog production numbers are in a steep decline encouraged by a sow reduction program. At the same time record numbers of Canadian hogs have been moving to the U.S. for feeding leaving the Canadian processing industry struggling to fill capacity. As a result pork imports from the U.S. have been steadily rising to fill manufacturing, retail and H.R.I. requirements. The only other significant source of pork imports is from Denmark but that is largely in the form of pork ribs for the summer and slaughter BBQ season.

In addition to its red meat exports, Canada can provide halal-certified, kosher and a wide range of natural and organic meat and products, as well as game meat such as venison and bison.

Poultry Industry

Poultry is a supply regulated industry in Canada with live bird and meat prices well above world prices. Chicken and turkey meat dominate the Canadian poultry industry. However, it also includes less traditional bird production such as ostriches, emus and rheas which are raised for their red-colored meat, hide, feathers and oils (used in the cosmetics industry). Ducks, geese and game birds such as pheasant, partridge, guinea fowl, quail and squab are also raised commercially in Canada. Canada can also provide halal-certified, kosher and a wide range of organic meat and poultry products.

Poultry production and processing are among the most highly mechanized sectors in agriculture. One person can operate a unit of 50,000 broiler chickens, which, with seven lots per year, will provide 640 metric tons of meat annually. Poultry processing plants can slaughter and prepare 25,000 broiler chickens for market per hour.

In 2004, according to the poultry marketing agencies, there were 2,787 regulated chicken producers and approximately 538 registered turkey producers in Canada. They produced poultry products worth $1.9 billion, contributing 5 per cent of the Canadian total farm cash receipts. Canada's commercial chicken and turkey meat production totaled 1,115,000 metric tons, and the country produced 970,000 metric tons of chicken, more than 65% of which was produced in Quebec and Ontario.

According to Statistics Canada, Canada exported over 19 million live birds worth $41.9 million in 2005. These birds consisted of chicks, domestic fowl, turkeys, poults (young turkeys), ducks, geese and guinea fowl and were exported to 26 countries. Canada also exported 116 million kilograms of poultry meat and edible by-products (fresh, chilled, frozen) worth more than $163 million to 78 countries.

Poultry imports are controlled by a Tariff rate quota. After Mexico and the Russian Federation, Canada is the third most important export market for U.S. poultry meat. In 2006, U.S. poultry meat exports to

Canada reached $322 million, 4.9% above the $307 million exported during 2005. 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 U.S.A. U.S poultry has a significant advantage in being able to ship fresh as well as frozen poultry to Canada. For more information on this industry see our 2007 annual "Poultry and Products" report, CA7043.

One major difference between the U.S. and Canadian chicken and turkey industry is that most of the retail chicken sales and a portion of the high end food service business in Canada require air chilled processing. In addition there has been a move by some processors to eliminate antibiotics and animal by-products from the bird to meet growing consumer demand

Eggs Industry

The most popular breed of chicken for egg production in Canada is the white leghorn. The average Canadian flock size is 17,100 hens, but five farms in Canada have flocks larger than 100,000 hens. The average laying hen produces about 285 eggs per year

In 2005, Canadians produced 7 billion eggs with a market value of $717 million. Ontario produced 38 per cent of these eggs, while Quebec produced 19 per cent. The western provinces had a combined egg production of 36 per cent, while the eastern provinces produced 7 per cent.
In the last two decades, as demand for easy-to-use ingredients has increased, the processed egg industry has expanded steadily. Today, about 70% of Canada's total egg production is sold for the table market while the remaining 30% is used in the manufacturing of value-added food and other products (liquid, frozen or dried eggs form).

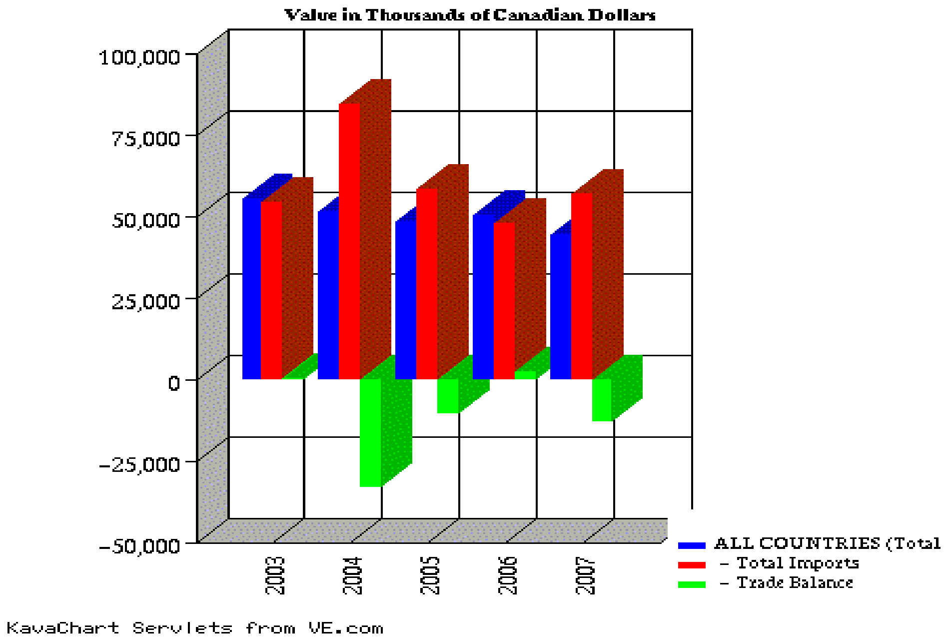
In 2006, there were 276 federally registered egg grading stations and 18 federally registered processing egg establishments in Canada.

Because of changing dietary habits, annual total egg consumption in Canada has dropped from 23 dozen per person in 1960 to 14.4 dozen in 1995. However, in the past few years, mainly due to the processing egg sector increasing demand, egg consumption has increased and in 2006, it reached 15.6 dozens per person. Since 1995, the process egg per capita consumption increased by 52%.

Egg processing includes the production of whole egg, albumen and egg yolks in frozen, dried or liquid form but also omelet's. Processed eggs are sold at retail, to hotels, restaurants and institutions, are sold to further processors for the manufacturing of many foods (bakery products, mayonnaise, noodles, etc.) and specialty items such as shampoo, pet foods and adhesives.

Important biochemicals are also derived from eggs, including avidin and ovomucoid, two highly purified proteins used in various tests for drugs such as cocaine and marijuana in blood and urine. In addition, ovalbumin and conalbumin are used in geriatric feeding formulas.

During the past five years Canada had gone through trade balance deficits and surpluses on eggs and eggs products as it can be seen on the graph below. In the year 2007 Canada had a trade balance deficit of CAD -$12.6 millions on eggs and eggs products. During this year Canada exported CAD $44.7 million of these products and imported CAD $57.2 million. The year 2006 the trade balance was a positive CAD $2.5 million surplus, while in 2005 there was deficit of CAD $10.0 million.



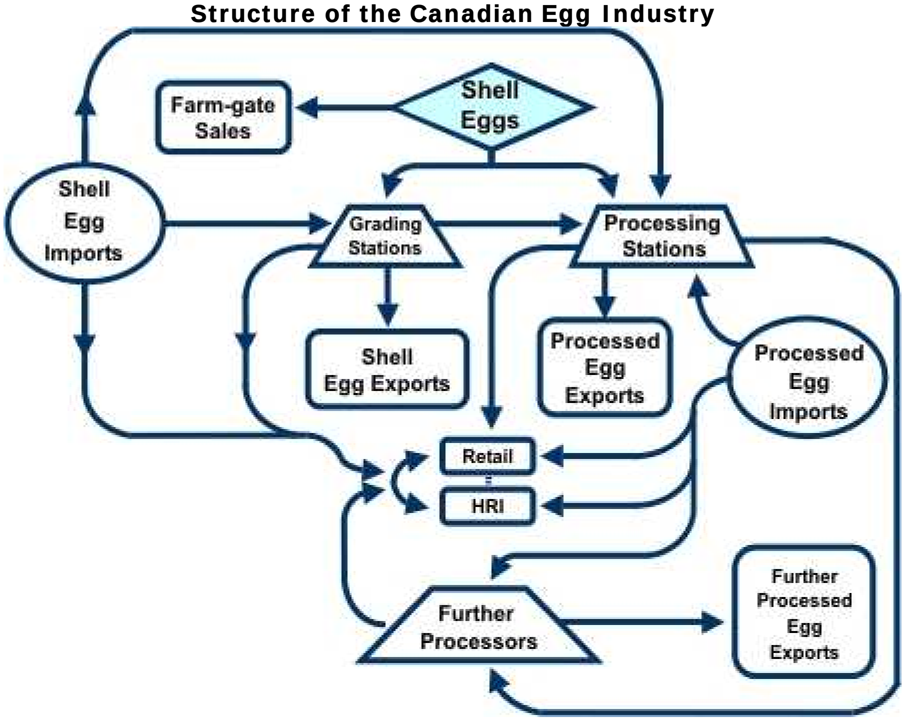
Source: Strategis, Trade Data Online

Canada imports liquid and dried processed egg. Imports of processed egg in 2000 totalled $10 million, 98% from the U.S. Small quantities of liquid egg and egg preparations are imported from the United Kingdom and several Asian countries. Between 80 to 90% of processed egg imports are destined for further processing companies.

Imports for 2007, World Trade Atlas Data

HS Code	Description	Kg	$
0408111000	Egg yolks, dried, within access commitment	0	0
0408112000	Egg yolks, dried, over access commitment	0	0
0408191000	Eggs yolks, except dried, within access commitment	508,433	680,000
0408192000	Eggs yolks, except dried, over access commitment	0	0
0408911000	Eggs, bird, not in shell, dried, within access commitment	231,369	553,000
0408912000	Eggs, bird, not in shell, dried, over access commitment	7,083	15,000
0408991010	Eggs, bird, not in shell, frozen, within access commitment	9,088	15000
0408991090	Eggs, bird, not in shell, nes, within access commitment	386,715	382,000
0408992000	Eggs, bird, not in shell, nes, over access commitment	35,747	76,000
2106905100	Egg preparations, within access commitment	801,343	1,795,000
2106905200	Egg preparations, over access commitment	19,439	44,000
3502111000	Egg albumin, dried, within access commitment	36,441	318,000
3502112000	Egg albumin, dried, over access commitment	0	0
3502191000	Egg albumin, except dried, within access commitment	1,239,556	801,000
3502192000	Egg albumin, except dried, over access commitment	1,551	1,000

Structure of the Canadian Egg Industry



Source: Agriculture and Agri-Food Canada. Poultry Market Place: Profile of the Canadian Processed Egg Industry

Processed and Further Processed Egg Products

Processed egg products include liquid, frozen and dried egg - whole, yolk or albumin - and with or without additives. It also includes boiled or pickled whole eggs, and egg preparations such as scrambled egg mix. Processed eggs are also used to prepare proteins and pharmaceutical products.

List of products available from Canadian processed egg companies

Product	Use	Properties
Liquid Whole Egg	Bakery products, Omelet mix, Pie Filling etc	
Liquid Egg White (Albumen)	Bakery products, high protein foods, sausages etc	Binding, whipping
Liquid Egg Yolk (Yellow)	Salad Dressings, Sauces, Mayonnaise	Emulsifying
Frozen Salted Yolk	Salad Dressings, Sauces, Mayonnaise	Emulsifying
Frozen Salted Whole	Salad Dressings, Sauces, Mayonnaise	Emulsifying
Frozen Sugared Yolk	Bakery Items	Emulsifying
Frozen Whole Egg	Replacement for Shell or Liquid Egg	
Dried Egg Whites	Replacement for Fresh Egg White in bakery products, high protein foods, sausages etc	Binding, whipping

Product	Use	Properties
Dried Egg Yolks	Replacement for liquid or frozen yolks	Emulsifying
Dried Whole Egg	Replacement for liquid or frozen whole egg	
Hard Boiled Eggs	Salads, hors d'oeuvres etc	
Pickled Hard Boiled Eggs	Salads, hors d'oeuvres etc	
Egg Pellets		

Non-food Products from Eggs

Emulsa	Sauces	Stabilizer
Inovapure - standardized and refined preparation of lysozyme from fresh egg white	Selected processed foods	Extended shelf life by inhibiting or destroying spore forming and non spore-forming spoilage organisms
Avidin and Streptavidin - specific binding of egg white and biotin	Immunochemistry	Immunoassays, receptor studies, immunocytochemical staining protein and isolation
Ovalbumin from egg white	Cell culture systems and in the diagnostic industry where enzymes and hormones require stability to maintain their functional integrity	Stabilizer, binding protein, transport protein and growth media supplement

Source: Agriculture and Agri-Food Canada. Profile of the Canadian Processed Egg Industry

According to the Canadian Poultry and Egg Processors Council this growing sector transforms shell eggs into liquid egg, powdered egg, frozen products and ready to eat items. This sector purchases from the Canadian Egg Marketing Agency some 80 million dozen eggs for use within Canada and in export markets. These purchases are supplemented by purchases of imported shell eggs or liquid egg product totaling the equivalent of another 13 million dozen and Canadian off-grades estimated at approximately 8 million dozen. This translates into total purchases of some 100 million dozens, or $70 million dollars of shell eggs or liquid eggs for further processing. The wholesale selling values for the fully processed products sold by this sector total approximately $95 million. In addition, processors imported the equivalent of 12 million dozens under special supplementary permits for processing and re-export.

Sector members are continuing their research into the "fractionalization" of eggs for various uses. Examples include the extraction of enzymes from eggs for use as processing aids in food processing, and the extraction of other egg components which are used as ingredients in pharmaceutical products 5% of Canada's eggs. This grew to almost 20% by 1997, and projections for the next decade indicate strong further growth.

Fish and Seafood Processing Industry

This industry comprises establishments primarily engaged in canning seafood, including soup; smoking, salting and drying seafood; preparing fresh fish by removing heads, fins, scales, bones and entrails; fish freezing (e.g., blocks, fillets, ready-to-serve products), shucking and packing fresh shellfish; processing marine fats and oils; and freezing seafood. Establishments known as *floating factory ships* that are engaged in shipboard processing of seafood are also included.

Other forms of processing include:

- Seafood dinners (e.g., fish and chips), frozen, manufacturing
- Seaweed processing (e.g., dulse)

According to the Department Of Fisheries and Oceans, Canada imported 179,938 metric tones of fresh fish and seafood products from the U.S. in 2006, valued at C$ 797 million. The average price per kilogram decreased from C$4.62/Kg in 2005 to C$4.43/Kg in 2006.

Manufacturing shipments for this industry increased from $2.9 billion in 1994 to $4.6 billion in 2003, or at an average compound annual rate of 5.2% per year. Between 2002 and 2003, manufacturing shipments increased by 1.9%

In total the capture fishery accounts for 76 percent of total fish and seafood production in Canada. Together, lobster, crab and shrimp comprise 67 percent of the landed value of all fish and shellfish harvested in Canada. The Atlantic fishery accounts for 80 percent of total landings. Value leaders include lobster, crab, shrimp and scallops. The Pacific fishery accounts for 16 per cent of total landings. Value leaders are salmon, clams, groundfish, and herring roe. The freshwater fishery accounts for 4 per cent of total Canadian landings. Value leaders include pickerel, yellow perch, whitefish, northern pike and lake trout. Canada is a major producer of farmed Atlantic salmon, blue mussels, manila clams, and Atlantic and Pacific oysters.

Canadian aquaculture is a rapidly growing industry and a sustainable food source. Aquaculture products are grown in managed culture settings. Commercially available aquaculture species include salmon, trout, mussels, oysters, clams, steelhead, cod, halibut, sea urchins, wolfish, eel, scallops and kelp.

Canada is now the world's fourth-largest exporter of fish and seafood products, with exports to more than 130 countries. In 2006, Canada's fish and seafood exports were valued at $4.3 billion. Canada exports an estimated 85 per cent, by value, of its fish and seafood production.

Dairy Processing Industry

In 2005, total net farm cash receipts from the dairy sector stood at $4.8 billion. Over 81 per cent of Canada's dairy farms are in Ontario and Quebec. In 2005, 1.05 million cows on 16,224 dairy farms produced more than 75 million hectoliters of milk. Dairy products shipped from approximately 463 processing plants were valued at $11.5 billion, accounting for 15.9 per cent of all processing sales in the food and beverage industry in Canada.

There are two markets for domestic milk in Canada: the fluid market (table milk and fresh cream) and the industrial market (manufactured dairy products such as butter, cheese, yogurt and ice cream).

In 2005:
Canadian cheddar cheese production was 131,872 metric tons.
Specialty cheese production was 219,952 metric tons.
Mozzarella accounted for over 55 per cent of total specialty cheese production.
Butter production was 83,519 metric tons.
Ice cream and ice products output was 562 million liters.
Frozen yogurt production was 7.8 million liters

Overall, Canada produces more than 450 different varieties of fine cheeses including raw milk cheeses and goat and sheep cheeses. Yogurt production continued to grow, totaling 233 million kilograms, a 45 per cent increase from 2001.

The market for functional dairy products is very promising. Several products have already been developed, such as probiotic yogurts and dairy products containing Omega-3 fatty acids. Production of organic milk is steadily increasing in Canada. It reached 35.3 million liters in 2004-2005, which represents less than 1 per cent of total dairy output.

Canada exports higher-value dairy products to traditional and new markets. These products include aged cheddar cheese, specialty cheeses, ice-cream, and dairy beverages. Canada also exports easily stored products such as butter, milk powders, and condensed and evaporated milk to developing countries. Canada imported $597.6 million worth of dairy products in 2005 with cheeses being by far the major imported item. For more information on this industry see our 2007 annual report on "Dairy and Products", CA7061

Processed Fruit and Vegetable Industry

The processed fruit and vegetable industry in Canada produces canned, preserved and frozen fruit and vegetables, as well as fruit juices. This industry also produces and markets a wide range of value-added products, including traditional ones such as pickles, relishes, jams, soups, sauces and other items that incorporate a mix of vegetables or juices. Frozen fruits and vegetables are sold in a wide-range of product formats such as mixed frozen vegetables, ready made stir fries, concentrated fruit juices and french fries. Frozen potato products are the largest product group within the Canadian frozen fruit and vegetable sector. Frozen fruits and vegetables are also incorporated as ingredients in ready-to-serve meals including TV dinners, pizza and other entrees.

Manufacturing shipments for this industry group increased from $3.9 billion in 1994 to $5.9 billion in 2003, or at an average compound annual rate of 4.7% per year. Canada's fruit and vegetable processing and frozen food industry shipped $6.7 billion worth of products in 2005.

Confectionery and Chewing Gum Industry

The confectionery industry includes manufacturers of sugar confectionery, chocolates and other cocoa-based products, as well as producers of chewing gum. Commercial chocolate operations manufacture mostly major products: boxed chocolates and chocolate bars.

Commonly boxed or packaged chocolates are sold as gifts for special occasions. While the chocolate bar market is steady year-round. A chocolate bar that can capture four to five per cent of the market is considered successful. The top 10 chocolate bar brands today have been among the top 10 for over 60 years.

Sugar confectionery companies are for the most part small or mid-sized. They produce a variety of products such as hard candy, gummy bears, licorice, jujubes and toffee. They also manufacture an assortment of hard and soft candies for specialty and novelty markets. Sugar-free confectionery continues to be a fast growing market segment. Newly developed blended ingredients and sweetener systems allow for greater diversity and stability in the finished product.

Foreign ownership of the confectionery industry is high. Therefore foreign-controlled enterprises account for the majority of industry shipments. Firms in the confectionery industry compete on the basis of brand name, product advertising and promotion, specialty products, quality and cost of production.

The growth in both market size and consumer demand is reflected in the value of shipments. From 1994 to 2004, the value of chocolate confectionery shipments grew from $1 billion to $1.8 billion, while sugar confectionery shipments increased from $520 million to $1.3 billion.

Grain-Based Products Industry

Canada's grain-based industry includes the flour milling, pasta, baking, biscuit and cereal manufacturing sectors.

Flour Milling

The flour milling industry includes firms that mill wheat and other cereal grains into flour, mill feed for animals and other products. Some firms also blend flour into bakery mixes. The industry is closely linked with the baking, biscuit and breakfast cereal manufacturing industries, which collectively use a significant portion of the milled cereal products consumed in Canada. The major ingredient for the flour milling industry is wheat however the quantity of wheat imported is insignificant. Small quantities of other ingredients are imported for milling, the major one being rice which is largely supplied from the U.S. Canada produces abundant durum wheat, which is the primary ingredient in pasta.

Dry Pasta

The dry pasta industry involves the manufacturing of products often referred to as long goods or short goods depending on their shape. Long goods include spaghetti, capilli, linguini, vermicelli, angel hair and fettuccini. Short goods include macaroni, penne, rigatoni, fusilli and ziti. There are also many specialty or novelty shapes such as bow ties, shells, cannelloni, lasagna and wheels. In addition, some pasta now includes spinach and other vegetable ingredients, meat and cheeses. The key ingredient for pasta is durum wheat flour. Canada is a major world exporter of durum wheat and therefore does not import any significant quantity of durum wheat or flour for pasta.

Baked Goods

The bakery industry is divided into the wholesale and retail sub-sectors. Wholesale bakers manufacture all types of bread, rolls, pizza dough/crusts, cakes, pies, doughnuts, muffins, pastries (uncooked, refrigerated/frozen), wafers and matzo baking. Retail bakers produce and sell on the premises and cater to the demand for fresh-baked goods such as bread, rolls and pastries.

The Canadian biscuit and cracker industry manufactures products that include mallows and sandwich-type biscuits, snaps, soda biscuits, packaged cookies, crackers, fruit bars, graham wafers, ice cream cones and sugar wafers.

Breakfast Cereal and Prepared Flour Mix

The prepared flour mix sector manufactures cookies, cake, doughnut, pancake and pastry mixes. The breakfast cereal sector manufactures cereals, either uncooked or ready-to-eat. Cake and pastry flour is milled from soft, white wheat. All-purpose flour is milled from hard wheat. Blends of wheat are used extensively in these sectors.

As the benefit of “good carbs” has become more widely known the industry has begun to recover from the negative effect of the low-carb diet trend. The industry has reformulated old products and introduced new products to meet the consumer demand for such things as whole grain breads and breakfast cereals, trans-fat-free granola bars, and sodium reduced snack crackers as examples.

Grains and Oilseeds

Canada produces a wide variety of grains and oilseeds, which are used in breads, pasta, breakfast cereals, cooking oils, and other food products. The main grain crops produced in Canada are wheat, barley, oats, corn and rye, Coarse grains, such as barley and corn, are used both for human consumption and as livestock and poultry feed. Canada is also a leading producer of malting barley and barley malt.

In 2004-2005 Canada produced 25.9 million metric tons of wheat and 13.2 million metric tons of barley. Wheat exports totaled 14.5 million metric tons valued at $3.0 billion, while barley exports totaled 1.2 million metric tons valued at $227 million, and consisted mostly of malting barley.

The main Canadian oilseed export crops are canola, soybean and flaxseed. Canada exports not only the oilseeds but also the vegetable oils and feed meals resulting from their crush. In 2004-2005 Canada also produced 7.7 million metric tons of canola, 3 million metric tons of soybeans and 500,000 metric tons of flax. The big story in Canadian grains and oilseed has been the significant expansion of Canola in response to world demand for vegetable oil. This in turn has created new opportunities for the U.S. shippers of corn to Canada as a replacement for animal feed barley.

Snack Food Industry

The snack food industry in Canada includes manufacturers of potato chips, corn chips, popped popcorn, pretzels, extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, as well as pork rinds. Key commodity inputs needed to make snack food products include potatoes, cornmeal, cereal grains, nuts, seeds, oils and seasonings. The bulk of raw inputs for this industry, potatoes and oil, are supplied domestically.

The majority of snack food manufacturing takes place in Ontario and Quebec. However, large plants are also located in Western Canada and the Maritimes. There are also many small and medium Canadian-owned firms located across the country serving regional markets. The snack food industry in Canada has grown steadily. Snack food manufacturing shipments went from $1.2 billion in 1999 to $1.6 billion in 2003. This is a growth of 41 percent in 4 years

In 2003, A.C. Nielsen data reported Canadian sales of snack foods at major grocery retail outlets totaling $716 million. Potato chips led in this category with about 49 per cent of total retail sales, followed by tortillas and corn chips (24 per cent), shelled nuts (14 per cent), extruded snacks (7 per cent), pretzels (4 per cent), and popped popcorn (1 per cent).

Products that offer novelty flavors, shapes, or unique ingredients have been introduced. There is also an increased selection of organic snack foods and low fat and reduced sodium versions of common snacks.

Alcoholic Beverages Industry

Brewery

The Canadian beer industry produces a variety of beer, lager, ale, porter and stout as well as draught and seasonal beer. Beer is the leading alcoholic beverage, followed by distilled spirits. An estimated 10 million Canadians drink beer, making it the number one consumed alcoholic beverage in Canada.
Quality improvement is an ongoing process in which the entire malting barley/brewery value chain works together for the mutual benefit of all participants. Innovative products, such as low-alcohol beer, malt-based coolers, and ales, are gaining in popularity, both in Canada and abroad.

In 2004, beer exports were valued at more than $300 million. Manufacturing shipments of beer totaled almost $3.3 billion in 1995 and increased 17 per cent to a value of almost $3.9 billion in 2003.
In 2004, per capita consumption of beer in Canada was 82.5 liters.

Wine

Innovative products, such as low-alcohol wine coolers and fruit wine coolers are gaining in popularity, both in Canada. Canada's wine industry is perhaps best known internationally for Canadian Icewine, which relies on high quality grapes harvested in early winter and pressed while still frozen.

In 2004, Canada's exports of wine totaled more than $40 million. Of this amount, about $24.6 million included products other than grape wines, such as fermented beverages, cider, fruit wines, sherry, mead and hard lemonades. Manufacturing shipments of wine totaled $322 million in 1995 and more than doubled in 2003 to a value of $767 million.

Distillery

Canadian distilling industry produces a variety of spirits, including whisky, rum, vodka, gin, brandy, liqueurs and spirit coolers. Measured by value, distilled spirits shipments make up about 10.4 per cent of all alcoholic and non-alcoholic beverage production in Canada and 16.4 per cent of all alcoholic beverage production. Canada's distinctive rye-flavored, high quality Canadian whisky is distilled in Canada from cereal grains, aged in oak barrels for a minimum of three years, and contains 40 per cent alcohol by volume. Innovative products, such as low-alcohol coolers and ready-to-drink products, are gaining in popularity, both in Canada and abroad. There are 805 domestic spirit brands and 4,553 imported spirit brands available in Canada.

In 2004, Canada exported nearly $529 million in distilled spirits. Manufacturing shipments of distilled spirits totaled $851.4 million in 1995 and increased by almost 7 per cent to a value of $907.7 million in 2003. Per capita consumption of spirits in Canada has been rising since 1995, when it was 5.5 liters, reaching 7.7 liters in 2004.

Tea and coffee

Canadians drink more than seven billion cups of tea each year. In 2005, the per capita consumption of tea in Canada was 69.98 liters. That equates to 280 cups for each Canadian. Canadian per capita tea consumption increased 43 percent between 1996 and 2005, from 48.9 liters to 69.98 liters. The preference for tea rose during the nineties to peak in 2004, along with the growing availability of specialty teas. Tea houses are becoming popular in some metropolitan centers and some coffee establishments are now serving steeped tea.

In 2005, the Canadian tea market was worth about $305 million. The approximate provincial breakdowns are: Ontario $130 Million, Quebec $43 Million, Maritimes $22 Million, Manitoba and Saskatchewan $23 Million, Alberta $42 Million, BC $45 Million

Canadians drank 86 liters of coffee in 2006, up 6.5 liters from 1997, the most recent low. The enjoyment of traditional and specialty coffees available from a number of coffee shops has fuelled coffee use.

Organic Industry

Organics is the fastest growing sector in agriculture, with sales increasing at 20% per year. Fresh vegetables account for 25% of all supermarket organic food sales. Total annual retail sales of certified organic products in Canada are more than $1 billion, with about 40% moving through mainstream supermarkets.

In 2005, Canada had 3618 certified organic producers. Another 241 farmers were making the transition from conventional to organic farming. Over 1.3 million acres (530,919 ha) of land in Canada is used to grow organic food. Another 118,500 acres (47,955 ha) is in transition to certification. Certified organic farms account for approximately 1.5% of the total number of farms in Canada. Organic fruit and vegetable farms lead the way at about 2.3%. Organic livestock is one of the fastest growing sectors.

Between 2004 and 2005 the number of certified organic processors and handlers increased by 47%. The largest increases occurred in British Columbia and Quebec. This represents the second year of dramatic growth in this processing sector. Between 2003 and 2004, the number of processors jumped by 48% with most of the gains occurring in Ontario and Manitoba.

Organic farm operations reflect the bioregional diversity across the country in the same way as conventional agriculture. For example, the majority of the organic farms on the Prairies are producing grains and pulses, organic dairy producers are found primarily in Ontario and Quebec and most of the certified organic tree fruit production occurs in central British Columbia.

Saskatchewan is home to close to one-third of all certified organic producers in Canada. Wheat is Canada's largest organic crop with over 187,000 acres (75,816 ha). Organic livestock production is increasing dramatically. From 2004 to 2005, the beef herd increased by 30%, sheep numbers by 19%, layers by 20% and broilers by 56%.

New Organic Products Regulations make certification in accordance with the National Standard for Organic Agriculture mandatory for all organic products. Canada is pursuing agreements with its trading partners to facilitate the unfettered trade of organic products.

Food Ingredients Commonly Used in the Food Processing Industry in Canada

Amino acid ingredients

Adenosine	Casein peptides	Glycine
Alanine	Co-enzyme Q10	Methionine
Arginine	Cysteine	Methionine
Asparagine	Glutamine	Valine

Anti-oxidant ingredients

Ascorbic acid	Butylated hydroxytoluene (BHT)	Grape seed extract
Butylated hydroxyanisole (BHA)	Gallate	Rosemary extract

Bakery ingredients

Bake stable flavors	Bakery mixes	Dough
Bakery concentrates	Bakery yeast	Maturing agents
Bakery emulsifiers	Baking powder	Sourdough conditioners
Bakery enzymes	Bread improvers	
Bakery fillings	Bulking agents	

Botanical ingredients

Agar Agar	Devils Claw Root	Papaya Leaf
Agrimony Herb	Dill Seed	Paprika
Alfalfa Leaf	Dill Weed	Parsley Leaf
Allspice Berry	Dong Quai Root	Parsley Root
Aloe	Dulse Leaf	Passion Flower Leaf
Angelica Root	Echinacea Angustifolia Herb	Patchouli Leaf
Anise Seed	Echinacea Angustifolia Root	Pau DArco Bark
Anise Seed Star	Echinacea Purpurea Herb	Pennyroyal Herb
Arnica Flowers	Echinacea Purpurea Root	Pepper Black
Arrowroot	Elder Berries	Pepper Rainbow Blend
Artichoke Leaf	Elder Flowers	Pepper White
Asafoetida	Elecampane Root	Peppercorns Green
Ashwagandha Root	Eleuthero Root	Peppercorns Pink
Astragalus Root	Eucalyptus Leaf	Peppermint Leaf
Barberry Bark	Eyebright	Pipsissewa Herb
Barley Grass	False Unicorn Root	Plantain Leaf

Basil Leaf
Bay Leaf
Bayberry Root Bark
Beet Root
Benzoin Gum
Bilberries
Bilberry Leaf
Birch Bark
Black Cohosh Root
Black Currant Leaf
Black Haw Bark
Black Radish Root
Black Walnut Hull
Black Walnut Leaf
Blackberry Leaf
Bladderwrack
Blessed Thistle Herb
Blood Root
Blue Cohosh Root
Blue Flag Root
Blue Violet Leaf
Bogbean Herb
Boldo Leaf
Boneset Herb
Borage Herb
Buchu Leaf
Buckthorn Bark
Burdock Root
Butchers Broom
Butternut Bark
Calamus Root
Calendula Flowers
Caraway Seed
Cardamon Pods
Cardamon Seeds
Carob Roasted
Cascara Sagrada Bark
Catnip Leaf
Cats Claw Bark
Cayenne Pepper
Cedar Berry
Fennel Seed
Fenugreek Seed
Feverfew Leaf
Flax Seed
Fo-Ti Root
Frankincense Tears
Garlic deodorized
Garlic grans/minced/pwd
Gentian Root
Ginger Root
Gingko Leaf
Ginseng
Ginseng Root Panax
Ginseng Root Quinquefolium
Golden Rod Herb
Goldenseal Leaf
Goldenseal Root
Gotu Kola Herb
Grapefruit Peel
Gravel Root
Guarana Seed
Gymnema Sylvestre Leaf
Hawthorn Berries
Hawthorn Flowers Leaves
Henna Black
Henna Natural
Henna Red
Hibiscus Flowers
Hops Flowers
Horehound Herb
Horny Goat Weed
Horseradish Root
Hydrangea Root
Hyssop Leaf
Irish Moss
Jasmine Flowers
Juniper Berries
Kava Kava Root
Kelp Atlantic
Kola Nut
Kudzu Root
Pleurisy Root
Poke Root
Poppy Seed
Prickly Ash Bark
Psyllium Husks 85%
Psyllium Husks 95%
Psyllium Seed
Pumpkin Seed
Pygeum Africanus Bark
Queen-of-the-Meadow Herb
Red Clover Blossoms
Red Raspberry Leaf
Red Root
Reishi Mushrooms
Rhodiola Root
Rhubarb Root
Rose Buds
Rosehips
Rosemary Leaf
Safflower
Sandalwood
Sarsaparilla Root
Sassafras Leaf
Sassafras Root Bark
Savory Leaf Summer
Saw Palmetto Berry
Schisandra Berries
Scullcap Herb
Senna Leaf
Sesame Seeds
Shavegrass Herb
Sheep Sorrel Herb
Shepards Purse Herb
Shitake Mushroom
Slippery Elm Bark
Spearmint Leaf
Squawvine Herb
St. Johns Wort Herb
Stevia Leaf
Stone Root
Strawberry Leaf

Celandine Herb
Celery Seed
Centaury Herb
Chamomile Flowers
Chamomile Flowers Roman
Chaparral Leaf
Chaste Tree Berries
Chia Seed
Chickweed Herb
Chicory Root roasted
Chili Pepper
Chili Powder
Chives
Cinnamon
Cinquefoil Herb
Cleavers Herb
Clove Buds
Coltsfoot Leaf
Comfrey Leaf
Comfrey Root
Coriander Seed
Cornsilk
Couchgrass Root
Cramp Bark
Cranesbill Root
Cream of Tartar
Cubeb Berries
Cumin Seed
Curry Powder
Damiana Leaf
Dandelion Leaf
Dandelion Root raw
Dandelion Root roasted

Lavender Flowers
Lemon Balm Leaf
Lemon Grass
Lemon Peel
Lemon Verbena Leaf
Licorice Root
Lobelia Herb
Lovage Root
Maca Root
Mace
Mandrake Root
Marjoram Leaf
Marshmallow Root
Milk Thistle Seeds
Motherwort Herb
Mugwort Herb
Muira Puama Chips
Mullein Leaf
Mustard Seed Brown
Mustard Seed Yellow
Myrrh Gum
Neem Leaf
Nettle Leaf
Nettle Root
Noni Fruit
Nutmeg
Oatstraw
Olive Leaf
Onion chopped/grans/pwd
Orange Peel
Oregano
Oregon Grape Root
Orris Root peeled

Suma Root
Tansy Herb
Tarragon Leaf
Tea Black
Tea Green
Thyme Leaf
Tribulus Fruit
Turmeric
Uva Ursi Leaf
Valerian Root
Vanilla Beans Bourbon
Vanilla Powder
Vervain Herb Blue
Watercress Herb
Wheat Grass
White Oak Bark
White Sage
White Willow Bark
Wild Cherry Bark
Wild Lettuce Herb
Wild Yam Root
Wintergreen Leaf
Witch Hazel Leaf
Wolfberry
Wood Betony Herb
Woodruff Herb
Wormwood Herb
Yarrow Flowers
Yellow Dock Root
Yerba Mate Leaf
Yerba Santa Leaf
Yohimbe Bark
Yucca Root

Cereal ingredients

Barley
Buckwheat
Cottonseed
Dinkel
Flax

Maize
Malt
Malt extract
Malt extract powder
Millet

Quinoa
Rice
Rye
Teff
Triticale

Kamut	Oat	Wheat

Cocoa related ingredients

Almond nut paste (marzipan)	Chocolate paste	Couverture
Chocolate coating	Cocoa butter	Fudge
Chocolate decorations	Cocoa liquor	Jelly
Chocolate filling	Cocoa powder	Sprinkles
Chocolate flakes	Confectionery	

Colour ingredients

Annatto	Carmine	Elderberry
Anthocyanin	Carotene	Lycopene
Capsanthin (paprika extract)	Chlorophyll	Malt
Caramel	Curcumin	Nettle

Culture and fermentation ingredients

Bakery yeast	Egg cultures	Vegetables cultures
Brewing yeast	Meat cultures	Wine cultures
Dairy cultures	Probiotics	

Dairy related ingredients

Buttermilk powder	Frozen yoghurt	Milk powder
Casein	Ice cream powder	Whey permeate
Colostrum	Lactoferrin	Whey powder
Dairy blends	Lactose	Whey protein

Egg ingredients

Columbus eggs	Egg liguid	Whole eggs
Egg albumen	Egg powder	
Egg frozen	Egg yolk	

Emulsifier ingredients

Gms (Mono- and di-glycerides of fatty acids)	Polyglycerol	Polysorbate
Lecithin		

Enzyme ingredients

Amylase	Lactase	Pectinase
Amyloglucosidase	Lipase	Protease
Chymosin	Papain (protease	Xylanase)

Fibre ingredients

Apple fiber	Oat fiber	Rice fiber
Beet fiber	Oligosaccharides	Soya fiber
Inulin	Pea fiber	Wheat fiber
Maize fiber	Potato fiber	

Food additive ingredients

Acesulfame Potassium (ace K)	Guar Gum	Propionic Acid
Acetic Acid	Hydrogen Peroxide	Propylene Glycol
Adipic Acid	Karaya Gum	Riboflavin
Aluminum Sulfate	Lactic Acid	Saccharin
Ammonium Bicarbonate	Lecithin	Sodium Acetate
Ammonium Chloride	Locust Bean Gum	Sodium Benzoate
Ammonium Hydroxide	Magensium Carbonate	Sodium Bicarbonate
Ammonium Phosphate	Magnesium Hydroxide	Sodium Bisulfite
Ammonium Sulfate	Magnesium Oxide	Sodium Carbonate Monohydrate
Arabic Gum	Magnesium Phosphate	Sodium Carboxymethylcellulose
Ascorbic Acid	Magnesium Stearate	Sodium Chloride
Aspartame	Magnesium Sulfate	Sodium Chlorite
Benzoic Acid	Malic Acid	Sodium Citrate
Bone Meal	Maltodextrin	Sodium Cyclamate
Calcium Acetate	Methionine	Sodium Diacette
Calcium Ascorbate	Menthol	Sodium Erythorbate
Calcium Carbonate	Methyl Salicylate	Sodium Ferrocyanide
Calcium Chloride	Monosodium Glutamate	Sodium Gluconate
Calcium Citrate	Niacin	Sodium Metabisulfite
Calcium Cyclamate	Oleic Acid	Sodium Nitrate
Calcium Hydroxide (lime)	Pectin	Sodium Phosphate
Calcium Phosphate	Phosphoric Acid	Sodium Propionate
Calcium Propioonate	Potassium Benzoate	Sodium Pyrophosphate
Calcium Stearate	Potassium Bicarbonate	Sodium Saccharin
Calcium Sulfate	Potassium Bitrate	Sodium Tartrate

Carrageenan	Potassium Carbonate	Sodium Tripolyphosphate
Citric Acid	Potassium Chloride	Sorbic Acid
Cream of Tarter	Potassium Hydroxide	Sorbitol
Dextrose	Potassium Iodate	Stearic Acid
Disodium EDTA	Potassium Iodide	Tannic Acid
Erythorbic Acid	Potassium Metabisulfite	Tartaric Acid
Ethyl Vanillin	Potassium Nitrate	Taurine
Ferrous Sulfate	Potassium Phosphate	Titanium Dioxide
Formic Acid	Potassium Sorbate	Vanillin
Glycerol	Potassium Tartrate	Whey Powder
Glycine	Pottassium Citrate	Xanthan Gum

Fruit Ingredients

Apple concentrates	Dried Elderberry	Guava (pink) puree
Apple powder	Dried Figs	Guave (white) concentrates
Apple puree	Dried Grape (concord)	Guave (white) powder
Apricot concentrates	Dried Grape (red)	Guave (white) puree
Apricot powder	Dried Grape (white)	IQF Apple
Apricot puree	Dried Grapefruit (pink)	IQF Apricot *
Banana concentrates	Dried Grapefruit (white)	IQF Banana *
Banana powder	Dried Guanabana	IQF Blackberry *
Banana puree	Dried Guava (pink)	IQF Blueberry *
Blackberry concentrates	Dried Guave (white)	IQF Boysenberry *
Blackberry powder	Dried Kiwifruit	IQF Cherry (Dark Sweet)*
Blackberry puree	Dried Lemon	IQF Cherry (Morello) *
Blueberry concentrates	Dried Lime	IQF Cherry (Red Sour)*
Blueberry powder	Dried Mandarin	IQF Chokeberry *
Blueberry puree	Dried Mango	IQF Coconut *
Boysenberry concentrates	Dried Orange	IQF Cranberry *
Boysenberry powder	Dried Papaya	IQF Currant *
Boysenberry puree	Dried Passionfruit	IQF Elderberry *
Cherry (Dark Sweet) concentrates	Dried Peach	IQF Figs *
Cherry (Dark Sweet) powder	Dried Pear	IQF Grape (concord) *
Cherry (Dark Sweet) puree	Dried Pineapple	IQF Grape (red) *
Cherry (Morello) concentrates	Dried Plum	IQF Grape (white) *
Cherry (Morello) powder	Dried Pomegranate	IQF Grapefruit (pink) *
Cherry (Morello) puree	Dried Prune	IQF Grapefruit (white) *
Cherry (Red Sour) concentrates	Dried Raisin	IQF Guanábana *
Cherry (Red Sour) powder	Dried Strawberry	IQF Guava (pink) *
Cherry (Red Sour) puree	Elderberry concentrates	IQF Guave (white) *

Chokeberry concentrates
Chokeberry powder
Chokeberry puree
Coconut concentrates
Coconut powder
Coconut puree
Cranberry concentrates
Cranberry powder
Cranberry puree
Currant concentrates
Currant powder
Currant puree
Dehydrated Apple
Dehydrated Apricot
Dehydrated Banana
Dehydrated Blackberry
Dehydrated Blueberry
Dehydrated Boysenberry
Dehydrated Cherry (Dark Sweet)
Dehydrated Cherry (Morello)
Dehydrated Cherry (Red Sour)
Dehydrated Chokeberry
Dehydrated Coconut
Dehydrated Cranberry
Dehydrated Currant
Dehydrated Elderberry
Dehydrated Figs
Dehydrated Grape (concord)
Dehydrated Grape (red)
Dehydrated Grape (white)
Dehydrated Grapefruit (pink)
Dehydrated Grapefruit (white)
Dehydrated Guanabana
Dehydrated Guava (pink)
Dehydrated Guave (white)
Dehydrated Kiwifruit
Dehydrated Lemon
Dehydrated Lime
Dehydrated Mandarin
Dehydrated Mango
Dehydrated Orange

Elderberry powder
Elderberry puree
Figs concentrates
Figs powder
Figs puree
Frozen Apple
Frozen Apricot
Frozen Banana
Frozen Blackberry
Frozen Blueberry
Frozen Boysenberry
Frozen Cherry (Dark Sweet)
Frozen Cherry (Morello)
Frozen Cherry (Red Sour)
Frozen Chokeberry
Frozen Coconut
Frozen Cranberry
Frozen Currant
Frozen Elderberry
Frozen Figs
Frozen Grape (concord)
Frozen Grape (red)
Frozen Grape (white)
Frozen Grapefruit (pink)
Frozen Grapefruit (white)
Frozen Guanabana
Frozen Guava (pink)
Frozen Guave (white)
Frozen Kiwifruit
Frozen Lemon
Frozen Lime
Frozen Mandarin
Frozen Mango
Frozen Orange
Frozen Papaya
Frozen Passionfruit
Frozen Peach
Frozen Pear
Frozen Pineapple
Frozen Plum
Frozen Pomegranate

IQF Kiwifruit*
IQF Lemon *
IQF Lime *
IQF Mandarin *
IQF Mango *
IQF Orange *
IQF Papaya *
IQF Passionfruit *
IQF Peach *
IQF Pear *
IQF Pineapple *
IQF Plum *
IQF Pomegranate *
IQF Prune *
IQF Raisin *
IQF Strawberry *
Kiwifruit concentrates
Kiwifruit powder
Kiwifruit puree
Lemon concentrates
Lemon powder
Lemon puree
Lime concentrates
Lime powder
Lime puree
Mandarin concentrates
Mandarin powder
Mandarin puree
Mango concentrates
Mango powder
Mango puree
Orange concentrates
Orange powder
Orange puree
Papaya concentrates
Papaya powder
Papaya puree
Passionfruit concentrates
Passionfruit powder
Passionfruit puree
Peach concentrates

Dehydrated Papaya	Frozen Prune	Peach powder
Dehydrated Passionfruit	Frozen Raisin	Peach puree
Dehydrated Peach	Frozen Strawberry	Pear concentrates
Dehydrated Pear	Grape (concord) concentrates	Pear powder
Dehydrated Pineapple	Grape (concord) powder	Pear puree
Dehydrated Plum	Grape (concord) puree	Pineapple concentrates
Dehydrated Pomegranate	Grape (red) concentrates	Pineapple powder
Dehydrated Prune	Grape (red) powder	Pineapple puree
Dehydrated Raisin	Grape (red) puree	Plum concentrates
Dehydrated Strawberry	Grape (white) concentrates	Plum powder
Dried Apple	Grape (white) powder	Plum puree
Dried Apricot	Grape (white) puree	Pomegranate concentrates
Dried Banana	Grapefruit (pink) concentrates	Pomegranate powder
Dried Blackberry	Grapefruit (pink) powder	Pomegranate puree
Dried Blueberry	Grapefruit (pink) puree	Prune concentrates
Dried Boysenberry	Grapefruit (white) concentrates	Prune powder
Dried Cherry (Dark Sweet)	Grapefruit (white) powder	Prune puree
Dried Cherry (Morello)	Grapefruit (white) puree	Raisin concentrates
Dried Cherry (Red Sour)	Guanabana concentrates	Raisin powder
Dried Chokeberry	Guanabana powder	Raisin puree
Dried Coconut	Guanabana puree	Strawberry concentrates
Dried Cranberry	Guava (pink) concentrates	Strawberry powder
Dried Currant	Guava (pink) powder	Strawberry puree

** IQF: Individually Quick Frozen*

<u>Herbs, spices and seasonings ingredients</u>

Cayenne powder	Frozen herbs	Meat seasonings
Chilli powder	Ginger powder	Mustard powder
Dried herbs	Ginseng powder	Nutmeg powder
Fish marinades	Herbs paste	Poultry marinades
Fish seasonings	Meat marinades	Poultry seasonings

<u>Hydrocolloids and stabilizers ingredients</u>

Agar agar	Gelatine	Shellac
Alginate	Guar gum	Stabilizers
Carrageenan	Gum arabic	Tragacanth gum
Cellulose	Pectin	Xanthan gum

Nutraceutical and functional ingredients

Aloa vera	Echinacea	Momordica
Bilberry	Flavonoids	Policosanol
Carnitine	Ginkgo biloba	St-John's wort

Nuts and seeds ingredients

Almond butter	Coconut cream	Nougat
Almond nut	Hazelnut paste	Oilseeds
Amaranth flour	Linseed	Sesame seeds
Brazil nut	Macadamia nut	Sunflower kernel
Cashew nut	Mustard seeds	Tahini

Oils and vinegar ingredients

Animal oils	Vegetable oils	Vinegar
Olive oils		

Oleoresins ingredients

Aroma chemicals	Fermentation derived flavours	Natural extracts
Artificial flavour	Fish extracts	Natural flavour
Beverage flavours	Flavoring extracts	OleoresinsFlavours
Botanical extracts	Flavour enhancers	Paste flavours
Cheese flavours	Herbal oils	Smoke flavours
Confectionery flavours	Liquid flavours	Vanilla flavours
Dairy flavours	Meat extracts	Yeast flavours
Essential oils	Meat flavours	

Starch and starch derivates ingredients

Dextrose	Modified starch	Tapioca starch
Glucose syrup	Pea starch	Wheat starch
Maize starch	Potato starch	
Maltodextri	Rice starch	

Soya ingredients

Organic soya	Soya flakes	Soya milk
Soya beans	Soya flour	Soya sauce

Soya bran	Soya grits

Sugar related ingredients

Brown sugar	Lactose	Molasses
Dehydrated honey	Liquid honey	Oligosaccharides
Fructose	Maltitol	Sorbitol
Glucose syrup	Mannitol	Sugar syrup
Invert sugar	Maple sugar	White sugar
Isomalt	Maple syrup	Xylitol

Sweeteners ingredients

Acesulfame	Aspartame	Saccharinn

Vegetable ingredients

Artichoke powder	Dried Carrots	IQF Artichoke *
Artichoke puree	Dried Cauliflower	IQF Asparagus *
Asparagus powder	Dried Celery	IQF Bamboo Shoots *
Asparagus puree	Dried Collard Greens	IQF Bean *
Bamboo Shoots powder	Dried Corn	IQF Beets
Bamboo Shoots puree	Dried Cucumber	IQF Broccoli
Bean powder	Dried Eggplant	IQF Brussels Sprouts *
Bean puree	Dried Escarole	IQF Cabbage *
Beets powder	Dried Garlic	IQF Carrots *
Beets puree	Dried Horseradish	IQF Cauliflower *
Broccoli powder	Dried Kale	IQF Celery *
Broccoli puree	Dried Leek	IQF Collard Greens *
Brussels Sprouts powder	Dried Lentils	IQF Corn *
Brussels Sprouts puree	Dried Lettuce	IQF Cucumber *
Cabbage powder	Dried Mushrooms	IQF Eggplant *
Cabbage puree	Dried Okra	IQF Escarole *
Carrots powder	Dried Olives	IQF Garlic *
Carrots puree	Dried Pea	IQF Horseradish *
Cauliflower powder	Dried Peas	IQF Kale *
Cauliflower puree	Dried Pepper	IQF Leek *
Celery powder	Dried Potato	IQF Lentils *
Celery puree	Dried Pumpkin	IQF Lettuce *
Collard Greens powder	Dried Radishes	IQF Mushrooms *
Collard Greens puree	Dried Shallots	IQF Okra *

Corn powder
Corn puree
Cucumber powder
Cucumber puree
Dehydrated Artichoke
Dehydrated Asparagus
Dehydrated Bamboo Shoots
Dehydrated Bean
Dehydrated Beets
Dehydrated Broccoli
Dehydrated Brussels Sprouts
Dehydrated Cabbage
Dehydrated Carrots
Dehydrated Cauliflower
Dehydrated Celery
Dehydrated Collard Greens
Dehydrated Corn
Dehydrated Cucumber
Dehydrated Eggplant
Dehydrated Escarole
Dehydrated Garlic
Dehydrated Horseradish
Dehydrated Kale
Dehydrated Leek
Dehydrated Lentils
Dehydrated Lettuce
Dehydrated Mushrooms
Dehydrated Okra
Dehydrated Olives
Dehydrated Pea
Dehydrated Peas
Dehydrated Pepper
Dehydrated Potato
Dehydrated Pumpkin
Dehydrated Radishes
Dehydrated Shallots
Dehydrated Spinach
Dehydrated Squash
Dehydrated Sweet Potato
Dehydrated Tomato
Dried Artichoke
Dried Spinach
Dried Squash
Dried Sweet Potato
Dried Tomato
Eggplant powder
Eggplant puree
Escarole powder
Escarole puree
Frozen Artichoke
Frozen Asparagus
Frozen Bamboo Shoots
Frozen Bean
Frozen Beets
Frozen Broccoli
Frozen Brussels Sprouts
Frozen Cabbage
Frozen Carrots
Frozen Cauliflower
Frozen Celery
Frozen Collard Greens
Frozen Corn
Frozen Cucumber
Frozen Eggplant
Frozen Escarole
Frozen Garlic
Frozen Horseradish
Frozen Kale
Frozen Leek
Frozen Lentils
Frozen Lettuce
Frozen Mushrooms
Frozen Okra
Frozen Olives
Frozen Pea
Frozen Peas
Frozen Pepper
Frozen Potato
Frozen Pumpkin
Frozen Radishes
Frozen Shallots
Frozen Spinach
IQF Olives *
IQF Pea *
IQF Peas *
IQF Pepper *
IQF Potato *
IQF Pumpkin *
IQF Radishes *
IQF Shallots *
IQF Spinach *
IQF Squash *
IQF Sweet Potato *
IQF Tomato *
Kale powder
Kale puree
Leek powder
Leek puree
Lentils powder
Lentils puree
Lettuce powder
Lettuce puree
Mushrooms powder
Mushrooms puree
Okra powder
Okra puree
Olives powder
Olives puree
Pea powder
Pea puree
Peas powder
Peas puree
Pepper powder
Pepper puree
Potato powder
Potato puree
Pumpkin powder
Pumpkin puree
Radishes powder
Radishes puree
Shallots powder
Shallots puree
Spinach powder

Dried Asparagus	Frozen Squash	Spinach puree
Dried Bamboo Shoots	Frozen Sweet Potato	Squash powder
Dried Bean	Frozen Tomato	Squash puree
Dried Beets	Garlic powder	Sweet Potato powder
Dried Broccoli	Garlic puree	Sweet Potato puree
Dried Brussels Sprouts	Horseradish powder	Tomato powder
Dried Cabbage	Horseradish puree	Tomato puree

** IQF: Individually Quick Frozen*

Yeast related ingredients

Bakery yeast	Dehydrated yeast	Fresh yeast
Brewing yeast		

Section III. Competition

PRODUCT CATEGORY	MAJOR SUPPLY SOURCES BY VALUE	STRENGTHS OF KEY SUPPLY COUNTRIES	ADVANTAGES/DISADVANTAGES OF LOCAL SUPPLIERS
RED MEAT Domestic Manufacturing U.S. 10.2 billion (2003) Imports U.S. $1.0 billion (2003) U.S. $ 1.2 billion (2006)	1. U.S.: 77 % 2. New Zealand: 11% 3. Australia: 6.4%	▪ Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes). South America, except for Uruguay, which is beginning to make inroads in the manufacturing market, remains ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons. ▪ Manufacturing beef referred to in Canada as "oceanic beef" is under Tariff Rate Quota. Imports were affected by large supplies of over thirty month domestic beef in Canada due to BSE access restrictions in key markets.	▪ Canada and the U.S. are both classified as having a BSE. "Controlled risk "status by the O.I.E. Despite that both countries have suffered from access restrictions. Canada was also significantly impacted by U.S. restrictions on beef and until recently on cattle. These issues combined with the rapidly strengthening Canadian dollar and labor shortages have led to declining slaughter in Canada, plant closures and increased U.S. meat imports in 2007. ▪ There is a significant preference in Western Canada for Canadian beef however the support for local beef is weaker in the large Ontario market. The two large beef processors in Canada are U.S. companies who try to optimize cross border trade. ▪ 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 as a direct result of the stronger Canadian dollar.
POULTRY Domestic Manufacturing U.S. $3 billion (2003) Imports U.S. $255 million (2003) U.S. $343 million (2006)	1. U.S.: 85% 2. Brazil: 10.5% 3. Thailand : 2.5%	▪ 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	▪ The Canadian poultry industry is a Tariff Regulated Industry with live bird and meat prices well above 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

		processed products to the U.S.A. ▪ U.S poultry has the advantage of being able to be shipped fresh as well as frozen	mechanized sectors in Canadian agriculture and employ the latest in robotics ▪ The Canadian industry has significantly increased surveillance since the A.I. outbreaks in B.C. and has continuously improved bio-security measures.
FISH & SEAFOOD PRODUCTS Domestic Manufacturing U.S. $3.3 billion Imports: U.S. $1.1 billion (2003) U.S. $1.5 billion (2006)	1. U.S.: 24% 2. China: 21% 3. Thailand: 16%	▪ Two major categories make up approximately half of the imports: Lobster, crab, shrimp and prawn totaling U.S. $ 453 million (U.S. share 47%, Thailand 16%) and fish fillets $308 million (U.S. share 24% and China 42%) ▪ Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment. ▪ With ocean catches having peeked, aqua culture is becoming a more important source of product and China is the dominant producer of farmed fish and seafood in the world	▪ In total, the capture fishery accounts for 76 percent of total fish and seafood production in Canada. With declining ocean catches reliance on aqua culture production is increasing. However, despite having ¼ of the world's coastline, climate makes aqua culture less efficient than in some other countries, thereby leaving increasing import opportunities. ▪ At approximately 9.4 kg. per person, Canadian consumption of fish is significantly higher than the U.S. 7.4 kg/person, making Canada an excellent import market. ▪ Canada is the 5th largest seafood exporter in the world and has a strong reputation for fishery research which helps to underpin sustainability.
DAIRY Domestic Manufacturing U.S. $7.4 billion (2003) Imports: U.S. $396 million (2003) U.S. $476 million (2006)* **(U.S. $539 million including certain dairy derived ingredients under other tariff codes)*	1. U.S.: 39% 2. New Zealand: 16% 3. France: 11%	▪ The U.S.'s close proximity to market, speedy delivery, and significant freight advantage has allowed it to be competitive in an Import for Re-export Program (IREP) which allows U.S. dairy product to be imported into Canada duty free, and used in further processing, provided the product is subsequently exported. As a result, and 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 the second largest share for imported cheese. .	▪ The Canadian dairy market operates under a 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 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 2006 Canada issued permits for 8556 MT of fluid milk imports out side the TRQ under the IREP program. The U.S. was the primary beneficiary due to the perishable nature of the

		▪ The E.U. has a distinct advantage in the cheese trade since it has been allocated 66% of Canada's cheese quota as a result of the 1994 Agreement on Agriculture (AoA). France remains the largest supplier of cheese from the E.U. ▪ New Zealand has a cost leadership advantage. Low costs of production due to the availability of year-round pasturage have helped New Zealand achieve a 30% share of world dairy exports. New Zealand has an additional advantage on butter imports into Canada as it has been given country specific butter allocation of 1840 tones. This is due to the AoA and represents 61% of Canada's butter import quota. New Zealand has the second largest Canadian market share, after the U.S., of whey powder and non-fat milk solids in various formats.	product. IREP accounted for 55% of total dairy imports in 2006. ▪ Canadian tariff rate quotas stipulate a 50-per-cent 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. For example milk albumin from whey concentrates destined for dairy manufacturing increased by 8 million U.S. dollars between 2005 and 2006.
PREPARED FRUITS AND VEGETABLES Domestic Manufacturing U.S. $4.2 billion (2003) Imports: U.S. $1.4 billion (2003) U.S.$2.0 billion (2006)	1. U.S.: 64% 2. China: 6% 3. Brazil: 5%	▪ U.S. suppliers have been exceptionally well positioned to take advantage of the rapidly growing consumer demand for fresh cut prepackage vegetables and fruits. The demand for prepackaged fresh-cut fruits and vegetables has soared in recent years According to ACNielsen, national grocery sales for prepackaged vegetables and fruit products exceeded $365 million over a 52- week period spanning 2004-2005. ▪ According to Agriculture Canada "prepackaged vegetables, and in	▪ Many firms produce a variety of traditional value-added products, such as pickles, relishes, jams, soups, sauces and other items that incorporate a mix of vegetables or juices. However the traditional processing industry has been hit by a consumer preference moving away from traditional Canadian vegetables such as potato, squash, beans etc. in favor of the type grown in California. At the same time there has been a shift to fresh cut fruits and vegetables which has benefited U.S. suppliers ▪ Canada has a large greenhouse sub sector. In 2006, for the first time, more vegetables were produced in greenhouses than were flowers. The

		particular salads, represent the largest segment of this market, with salad sales reaching $308 million in the same period. ▪ Prepackaged fresh-cut fruit is a smaller portion of total prepared fruit and vegetable market, but sales increased 61% in 2005 to reach nearly $7 million". U.S. advantage of year round supply proximity to market and advanced packing and processing operations has made this a particularly good market for U.S. processors compared to other competitors. ▪ Concern is growing regarding the safety of imported fruit and vegetables. To the extent U.S. exporters can position their products as leaders in this area, there will be growing market opportunities over other countries.	Leamington Ontario area claims to have more production under glass than the entire U.S.A. greenhouse industry. However, the strengthening Canadian dollar and higher energy cost is creating increasing opportunity for U.S. suppliers
OILSEED PRODUCTS Domestic Manufacturing U.S. $1.9 billion (2003) Imports U.S. $606 million (2003) U.S.$824 million (2006)	1. U.S.: 70% 2. Italy: 12% 3. Malaysia: 5%	▪ The U.S. is a leading world supplier of a number of vegetable oils and as freight makes up a significant portion of the landed cost it is not surprising that U.S. suppliers enjoy close to 100% of the Canadian imports of soy oil, ground nut oil, sunflower oil, cotton seed oil and canola oil. ▪ Italy has the majority of olive oil imports and Malaysia dominates palm and coconut oil imports as the U.S. is not a major supplier of these oils	▪ Canada and the U.S participate in a highly integrated vegetable oil market with the U.S. dominating Canadian imports in a number of oil varieties as indicated in the previous column. At the same time Canada is a major producer and exporter of oilseed and has a large and growing oilseed processing industry. Canada exports over 900,000 tons of canola oil with the U.S. being the largest market. ▪ There will be additional challenges and opportunities for processors in both markets as consumers and food manufacturers move to healthier oils and demand grows for non traditional uses for oil such as bio-diesel.
CONFECTIONARY PRODUCTS	1. U.S.: 57% 2. Belgium: 5% 3. Brazil: 4%	▪ U.S. processors dominate both confectionary products from cocoa and	▪ According to Agriculture Canada most sugar confectionery companies in Canada are small or mid-

Domestic Manufacturing U.S. $2.2 billion (2003) Imports: U.S. $800 million (2003) U.S. 1.0 billion (2006)		chocolate as well as non chocolate confectionary manufacturing. ▪ Many of the major U.S brands and companies are well established in the Canadian market and some have benefited from U.S. television and print media advertising readily available to Canadians ▪ There is no other country with a significant share of Canadian imports in this category although there is a long and growing list of competitors occupying some of the many niche products, many benefiting from the growing interest in pure chocolate products	sized and produce a wide variety of candy. Foreign ownership of the confectionery industry in Canada is high. Foreign controlled enterprises located in Canada account for the majority of industry shipments ▪ Many of the chocolate manufacturers are also foreign owned. The chocolate bar segment is very resistant to change with most of the top 10 brands today being the same as they were over the last 60 years. ▪ The area of greatest opportunity is the rapidly growing sugar free confectionary segment.
BAKED GOODS (including dough, flour mixes, breads, cookies, crackers, dry pasta) Domestic Manufacturing U.S. $3.5 billion Imports: U.S. $600 million (2003) U.S. 769 MILLION	1. U.S. 74% 2. Italy 6% 3. U.K. 3%	▪ Imports have been growing at an exceptional pace, increasing U.S. $169 million alone between 2003 and 2006 ▪ Between 2003 and 2006 U.S. shipments to Canada grew by over 50% in commercial bakery products, frozen bakery products, cookies and crackers. ▪ In the same time period the import categories of dry pasta, flour mixes and dough grew by over 100% and U.S. shipments to Canada out performed the category growth. ▪ Many of these products have a limited shelf life and have a high cube ratio from a freight perspective giving the U.S. a considerable advantage.	▪ Canadian manufacturers have been very competitive and Canada has run positive trade balances on commercial bakery products and frozen bakery products, cookies, crackers, flour mixes and dough. The bakery industry in Canada has been a rapid adaptor of new technology particularly in the frozen bakery and dough categories. There is also an exceptional variety of specialty breads and bakery goods available fresh from commercial bakeries in the frozen dough and par bake format. ▪ Canada is a rapidly growing net importer of baked pasta products. Although not captured in the data in the section U.S pizza manufacturers for example have steadily increased their share of the Canadian market due to both strong brands and lower cost dairy ingredients.
SNACK FOOD	1. U.S.: 82% 2. India: 4% 3. China: 4%	▪ Canada accounts for approximately 30% of total U.S. snack food exports. The U.S. dominates Canadian	▪ The majority of snack food manufacturing takes place in Ontario and Quebec ▪ The snack food industry is served primarily by domestic

Domestic Manufacturing U.S. $1.2 billion Imports: U.S. 131 million (2003) U.S. 248 million (2006)		snack food imports both due to strong brands and the perishable and bulky nature of many of the products which magnifies the freight advantage. ▪ Competitors vary by sub category with the main competitor and sub category as follows: Chips, Mexico; Salted & roasted nuts, China; Cookies & crackers, U.K.; confection: non chocolate, Mexico, chocolate, Switzerland, cacao, Brazil	manufacturers however domestic market share is being rapidly lost to imports. Canada's trade deficit on snack food has grown from U.S. $17 million in 2003 to U.S. 125 million in 2006. The increase in imports is due both to the strengthening Canadian dollar and a number of new products in the category, many targeted at specific ethnic groups. ▪ Canada does have domestic raw materials for the grain based products but has to import sugar, chocolate, cacao, and nuts for manufacturing and is not competitive on dairy and egg ingredients used in some of the processing
BEVERAGES Domestic Manufacturing: U.S. $5.8 billion Imports: U.S. $1.3 billion (2003) U.S. $2.0 billion (2006) WINE: U.S. $880 million (2003) U.S. $1.35 billion (2006) BEER: Imports: U.S. $242 million (2003) U.S. $422 million (2006) SOFT DRINKS Imports: U.S. $197 million (2003) U.S.$257 million (2006)	Wine 1. France: 27% 2. Australia: 19% 3. Italy: 18.5% Beer 1. Mexico: 22% 2. Netherlands 21% 3. U.S.: 18% Soft Drinks 1. U.S.: 64% 2. France: 12% 3. Italy: 8%	▪ Total beverage imports have grown by $700 million from 2003 to 2006 with nearly half a billion dollars of that growth coming from wine alone. ▪ Canada is the largest export market for California wine. ▪ Of the top 4 wine exporting countries to Canada the U.S. and Australia grew their market share between 2003 and 2008 while Italy remained unchanged and France lost significant share. ▪ On a forward looking basis the weaker U.S dollar against the Euro and the Australian dollar when combined with rising freight rates is strengthening the competitive position of U.S. shippers	▪ Canada has a rapidly increasing trade deficit on beverages with U.S. $2.0 billion in imports and only $500 million in exports. ▪ Imported wines have grown much faster than domestic wines with domestic whites faring significantly better than reds against imports ▪ The acquisition of Vincor International one of Canada's largest wineries by U.S. based Constellation Brands provides a significant additional window to the Canadian market. ▪ Beer consumption, which makes up about 80% of all alcoholic beverages consumed, rose to 77 liters per person (over 15 years of age) in 2006. Wine has continued to increase reaching 13.9 liters, ▪ Imported beer is outgrowing domestic beer. ▪ With the merger of Molson and Coors there are no Canadian owned large national brewers left. Canadian owned domestic competition continues at the local level.

Section IV. Best Product Prospects

PRODUCTS PRESENT IN THE MARKET WITH GOOD SALES POTENTIAL

HIGH PHYSICAL GROWTH – YEAR 2005

CATEGORY	GROWING	
	+4 TO +10 %	OVER 10 %
Beverages	Cordial and Syrups Juices & Drinks – Refrigerated Ready-to-drink Iced Tea Cans Vegetable Juices	Cocktail Mixes Flat Water
Dry Grocery	Baking Mixes – Remaining Baking Nuts Bread Crumbs & Corn Flakes Cake Mixes Sugar Substitutes Tortilla Shells - Fresh	Icing Products
Frozen Foods	Baked Desserts Confections Meat Patties Pizza Snacks Seafood Water Based Freezable Confections	Frozen Food – Remaining Fruits Pizza & Subs – Frozen & Refrigerated Puff Pastry & Dough Yogurt
Perishables		Broad Leaf Vegetables - Bagged Prepared Salads – Bagged Salads – Bagged Salad Mixes – Boxed Sausages
Prepared Foods	Bouillon Products Grated Cheese Products Meat Spreads Mexican Dinner Kits and Shells Mexican Salsa Dips & Garnishes Pancake and Waffle Mixes Peas & Beans Rice – Regular Vegetables	Batters & Batter Mixes Chili con Carne Couscous Retortable Pouches
Refrigerated & Dairy	Meat Pies Pasta Pasta Sauce Soya Drinks Yogurt Products	Entrees Milkshakes & Eggnogs Rice Drinks

Canadian Grocer Executive Report 2006 - 2007

A report titled "*What's Hot and What's Not: A Look at Canada's Food Market in 2006*" published by Agriculture and Agri-Food Canada on their website contained the table shown below. This table shows the food products with the highest sale growth in Canada in 2006. Food ingredient opportunities are significantly affected by which foods are hot or not

WHAT PRODUCTS ARE HOT IN 2006

PRODUCT	SALES	% CHANGE 2006 VS. 2005	TYPE PERISHABLE / DRY
Olive oil	$ 17,996,866.00	69	Dry grocery
Frozen vegetables[1]	$ 28,817,320.00	34	Perishable
Muffins	$ 48,165,229.00	27	Perishable
Garlic bread	$ 12,109,250.00	26	Perishable
Retortable rice	$ 13,991,740.00	25	Dry grocery
Fresh berries	$410,560,309.00	25	Perishable
Whole bean coffee	$ 35,126,354.00	25	Dry grocery
Crispy snacks (marshmallow)	$ 37,678,207.00	24	Dry grocery
Family-size canned puddings	$ 3,580,158.00	23	Dry grocery
Frozen unprepared fillets	$ 82,880,601.00	23	Perishable
Canned & bottled mushrooms	$ 43,688,497.00	23	Dry grocery
Iced tea mixes	$ 29,465,621.00	22	Dry grocery
Ready to serve iced tea, not in cans	$ 40,844,109.00	21	Dry grocery
Bottled water	$436,960,084.00	21	Dry grocery
Ice cream and related products[2]	$ 2,627,818.00	21	Perishable
Liquid & replacement egg products	$ 18,398,408.00	20	Perishable
Infant formula[3]	$ 2,406,085.00	20	Dry grocery
Fresh potatoes	$411,542,752.00	20	Perishable
Grain bread[4]	$ 41,469,930.00	19	Perishable
Snacks[5]	$ 21,354,430.00	19	Perishable
Rice drinks	$ 9,710,955.00	19	Perishable
Shelf stable juice[6]	$156,517,103.00	18	Dry grocery
Prepackaged natural cheese[7]	$352,658,448.00	17	Perishable
Ready-to-eat gelatin	$ 12,667,377.00	17	Dry grocery
Frozen fruit	$ 93,027,997.00	17	Perishable

Agriculture and Agri-Food Canada

Notes:
[1] *Excluding broccoli, cauliflower, corn, beans, peas, onions, spinach, potatoes, and mixed*
[2] *Excluding ice cream, ice milk, sherbet, and dairy desserts*
[3] *Excluding milk-based, soy-based and specialty*
[4] *Excluding Bran, Flax, Multigrain, Oatbran, Oatmeal, and Sunflower*
[5] *Excluding potato chips, corn chips, tortilla chips, extruded, popcorn, pretzels, party mix, and lunch packs*
[6] *Excluding apple, orange, pineapple, and grape*
[7] *Excluding cheddar and mozzarella*

Products Facing Significant Barriers

For a full review of Canada's food laws and regulations and how those might present barriers to U.S. food imports, see FAS's 2007 food and Agricultural Import Regulations (FAIRS) (CA7037). Due to the complexity of the legislative requirements, it is recommended to contact a Canadian Food Inspection Agency Import Service Centre to obtain complete and current information regarding your specific product. The Canadian Food Inspection Agency is responsible for the inspection of food products at all levels of trade. Following are some of the key restrictions that could inhibit certain products from entering the country:

Tariff Rate Quota [TRQ]:
Under the General Agreement on Tariffs and Trade [GATT], Canada is permitted to control and limit certain imports under its supply management system. With the signing of the World Trade Organization's [WTO] Agreement on agriculture in December 1993, Canada converted its existing agricultural quantitative import controls to a system of tariff rate quotas [TRQs] that came into effect in 1995.

Under the TRQ system, product up to a certain volume is imported at the "within access commitment" tariff rate. Over this permitted level the "over-access commitment" tariff rate escalates. These higher tariffs enable Canada to maintain its system of orderly supply management for certain agricultural products.

The method for establishing the allocation of import access quantities is prescribed in the Export and Import Permits Act and administered by the Export and Import Controls Bureau [EICB] of the Department of Foreign Affairs and International Trade [DFAIT]. Documentation on the allocation system and principle of TRQ allocation, together with data on permits issued can be found at: http://www.dfait-maeci.gc.ca/eicb/

Issuance and control of import quota is administered by the EICB in collaboration with the customs arm of Revenue Canada.

U.S. products that fall into this category include:

▪ Broiler hatching chicks and eggs ▪ Turkey ▪ Cheese ▪ Milk and Cream ▪ Yoghurt ▪ Ice Goods	▪ Chicken ▪ Butter ▪ Buttermilk ▪ Dairy Blends ▪ Margarine ▪ Eggs

Other Information Affecting Imports of Food Ingredients

Health Canada
Health Canada continues to develop standards and policies for the safety of the food supply, which are applied by the Canadian Food Inspection Agency.

All foods sold in Canada are subject to the *Food and Drugs Act and Regulations*, which contains health and safety requirements, labeling requirements and provisions preventing deception and fraud. However, many agricultural and fish products are also subject to other legislation. Consequently, the need for licensing, permits and certificates depends upon the type of food being imported and, in some cases, on the country or area from which the food is imported. It should be noted that in some provinces there are additional requirements for certain foods, such as dairy products, margarine, bottled water and maple syrup.

The *Food and Drug Regulations* outlines specifications and further requirements for standardized and non-standardized products. The following are just a few examples of regulatory issues, which could pose a barrier for some United States food companies attempting to sell in Canada

Food Additives: In the absence of specifications under the *Food and Drug Regulations*, food additives must conform to specifications in the Food Chemicals Codex (as required by Section B.01.045 of the Food and Drug Regulations). There are differences between Canadian and United States rules. For example, potassium bromate, a bread improver is not allowed in Canada but is permitted for use in baked goods in the United States with the exception of the state of California.

Food Color: Synthetic food colors are the only additives that must be certified by the Health Products and Food Branch, Health Canada before being used in foods. Regulations concerning food colors are listed in Division 6, and Table III of Division 16 of the *Food and Drugs Regulation*.

Diet-Related Health Claims: There are only five permitted food health claims covering:

- Diet low in sodium high in potassium
- Diet adequate in calcium and vitamin D
- Diet low in saturated fat and trans fat
- Diet rich in vegetables and fruits
- Minimal fermentable carbohydrates in gum and candy

For wording see: http://www.inspection.gc.ca/english/fssa/labeti/guide/ch8e.shtml#8.4

Agricultural Pesticide and other Contaminants: some agricultural pesticides approved for use in the United States are not registered for use in Canada. Foods which are found to contain unregistered residues over 0.1 parts per million are deemed to be adulterated. For further information see:
http://www.pmra-arla.gc.ca/english/legis/maxres-e.html

Vitamin and Mineral Fortification: Fortification in Canada is under review. Health Canada has signaled that it is looking at expanding discretionary fortification but with restrictions on which vitamins and minerals and what amounts. However, differences remain such as the folic acid exclusion on milled grain and bakery products.
For more information on fortification see:
http://www.hc-sc.gc.ca/fn-an/nutrition/vitamin/index_e.html

Trans Fats: In July 2007, Health Canada announced that it is adopting the Trans Fat Task Force's recommendation on trans fats, but will ask industry to voluntarily limit the trans fat content of vegetable oils and soft, spreadable margarines to 2 percent of the total fat content, and to limit the trans fat content for all other foods to 5 percent, including ingredients sold to restaurants. Canada also requires that the levels of trans fat in pre-packaged food be included on the mandatory nutrition label. For an electronic copy of the Task Force Report see:
http://www.hc-sc.gc.ca/fn-an/nutrition/gras-trans-fats/tf-ge/tf-gt_rep-rap_e.html

Organic Standards: Currently, about 80% of the demand for organic produce and approximately 90% of the demand for organic grocery products in Canada is met by imports from the United States. Canada has published new organic regulations with Implementation scheduled for December 21 2008. It would be prudent for suppliers to review the Organic Production Standards available from the Canadian General Standards Board's website:
http://www.pwgsc.gc.ca/cgsb/on_the_net/organic/index-e.html

Novel Foods: Health Canada defines novel foods as: products that have never been used as a food; foods, which result from a process that has not previously been used for food; or, foods that have been modified by genetic manipulation. Novel Foods regulations cover a variety of new food processes including the addition or deletion of genes (commonly referred to as genetically modified foods). For example Health Canada has reviewed food produced by chemical mutagenesis of seed combined with traditional breeding, the use of new food processing techniques to extend shelf life and improve food quality and the use of natural coloring products introduced to food for purposes other than coloring. The Novel Foods Regulation requires that the company, who wants to sell the product, prior to the marketing or advertising of a novel food, make notification to Health Products and Food Branch (HPFB). For more information on the novel food regulations and approval procedure see:
http://www.hc-sc.gc.ca/fn-an/gmf-agm/index_e.html

Government Organizations

Agriculture and Agri-Food Canada	Agriculture and Agri-Food Canada Sir John Carling Building 930 Carling Ave. Ottawa, ON K1A 0C5 Tel.: (613) 759-1000 Fax: (613) 759-6726 Email: info@agr.gc.ca Web: www.agr.gc.ca
Statistics Canada	Statistical Reference Centre (National Capital Region) R.H. Coats Building, Lobby Holland Ave. Ottawa, ON K1A 0T6 Tel: (613) 951-8116 Fax: (613) 951-0581 Email: infostats@statcan.ca Web: www.statcan.ca
Department of Foreign Affairs and International Trade	Department of Foreign Affairs and International Trade 125 Sussex Dr. Ottawa, ON K1A 0G2 Tel: (613) 944-4000 Fax: (613) 996-9709 Email: enqserv@dfait-maeci.gc.ca Web: www.dfait-maeci.gc.ca
Canada Customs and Revenue Agency	Commissioner of the CCRA 555 MacKenzie Ave., 6th Floor Ottawa ON K1A 0L5 Tel: (613) 952-3741 Fax: (613) 941-2505 Web: www.ccra-adrc.gc.ca
Industry Canada	Enquiry Services Communications and Marketing Branch, Industry Canada C.D. Howe Building, Second Floor, West Tower 235 Queen St. Ottawa ON K1A 0H5 Tel: (613) 954-5031 Fax: (613) 954-2340 Email: info@ic.gc.ca Web: www.ic.gc.ca
Canadian Food Inspection Agency	Canadian Food Inspection Agency 59 Camelot Dr. Ottawa, ON K1A 0Y9 Tel: (613) 225-2342 Fax: (613) 228-6125 Email: cfiamaster@inspection.gc.ca Web: www.inspection.gc.ca
Health Canada	Health Canada A.L. 0900C2 Ottawa, ON K1A 0K9 Tel: (613) 957-2991 Fax: (613) 941-5366 Email: info@hc-sc.gc.ca Web: www.hc-sc.gc.ca

Industry Associations

Canadian Federation of Independent Grocers	Canadian Federation of Independent Grocers 2235 Sheppard Ave. East, Suite 902 Willowdale, ON M2J 5B5 Tel: (416) 492-2311 Fax: (416) 492-2347 Email: info@cfig.ca Web: www.cfig.ca
Canadian Council of Grocery Distributors	Canadian Council of Grocery Distributors 6455 Jean-Talon East, Suite 402 Montreal, QC H1S 3E8 Tel: 514-982-0267 Fax: 514-982-0659 Web: www.ccgd.ca
Canadian Produce Marketing Association [CPMA]	Canadian Produce Marketing Association 162 Cleopatra Drive Ottawa, ON K2G 5X2 Tel: (613) 226-4187 Fax: (613) 226-2984 Email: question@cpma.ca Web: www.cpma.ca
Fruit and Vegetable Dispute Resolution Corporation [FVDRC]	Fruit and Vegetable Dispute Resolution Corporation Building 75, Central Experimental Farm 930 Carling Avenue Ottawa, ON K1A 0C6 Tel: 613 234-0982 Fax: 613 234-8036 E-mail: info@fvdrc.com Web: www.fvdrc.com
Food and Consumer Product Manufactures of Canada	Food and Consumer Product Manufactures of Canada 885 Don Mills Rd. Suite. 301 Toronto, ON M3C 1V9 Tel: (416) 510-8024 Fax: (416) 510-8043 Email: info@fcpmc.com Web: www.fcpmc.com
ACNielsen Canada	ACNielsen Canada 160 McNabb Street Markham, ON L3R 4B8 Tel: (905) 475-3344 Fax: (905) 475-8357 Email: webmaster.ca@nielsen.com Web: www.acnielsen.ca

Publications

Food in Canada	Food in Canada Rogers Media One Mount Pleasant Rd., 7th Floor Toronto, ON M4Y 2Y5 Tel: (416) 764-1502 Fax: (416) 764-1755 Email: seagle@rmpublishing.com Web: www.bizlink.com/food.htm
Canada Grocer	Canadian Grocer Rogers Media One Mount Pleasant Rd. 7th Floor Toronto, ON M4Y 2Y5 Tel: 1-800-268-9119

	Fax: (416) 764-1523 Email: jerry.tutunjian@canadiangrocer.rogers.com Web: www.bizlink.com/cangrocer.htm
Foodservice and Hospitality	Foodservice and Hospitality 101-23 Lesmill Road Toronto, ON M3B 3P6 Tel: (416) 447-0888 Fax: (416) 447-5333 Email: rcaira@foodservice.ca Web: www.foodservice.ca
C-Store Canada	C-Store Canada 1839 Inkster Blvd. Winnipeg, MB R2X 1R3 Tel: (204) 954-2085 Fax: (204) 954-2057 Email: dan_votredepanneur@mercury.mb.ca Web: www.c-storecanada.com
Western Grocer	Western Grocer 1740 Wellington Avenue Winnipeg, MB R3H 0E8 Tel: (204) 954-2085 Fax: (204) 954-2057 Email: mp@mercury.mb.ca Web: www.mercury.mb.ca

Section V. FAS/Canada Contacts

USDA/Foreign Agricultural Service endorses and organizes a U.S. pavilion at SIAL Montreal every other year. The next SIAL Montreal show is scheduled for April 23-25, 2008.

Another trade show USDA/FAS endorses is The Canadian Food & Beverage Show and HostEx. This show takes place every year. The next CF&BS will take place March 2-4 2008.

For further information please contact:
Office of Agricultural Affairs
Embassy of the United States of America
P.O. Box 866, Station B
Ottawa, Ontario.
Telephone: 613-688-5267; Fax: 613-688-3124; Email agottawa@usda.gov

Find Us on the World Wide Web:

Visit FAS home page at http://www.fas.usda.gov for a complete listing of FAS' worldwide agricultural reporting. To access these reports, click on "Attaché Reports". If you have the report number, search by Option 3, inserting the AGR # in the appropriate field.

Marketing Reports on Canada available:

AGR REPORT#	Title of Report	Date
CA0174	Pet Food Industry Product Brief	11/06/00
CA1126	Exploring Canada's Food Manufacturing Industry	09/18/01
CA2001	Organic Food Industry Report	01/04/02
CA2002	Convenience & Non-Traditional Grocery Outlets Report	01/04/02
CA2021	Quebec as a Market for U.S. Wines	02/05/02
CA2026	Controversial Quebec Plan for Wine Marketing	03/15/02
CA2037	Quebec Beer Industry Overview	04/15/02
CA2075	An Overview of the Institutional Foodservice Market in Canada	07/10/02
CA2078	Canadian Seafood Industry	07/10/02
CA2100	Exporting U.S. Wine to Ontario	08/20/02
CA2115	Vending Machine Food Distribution in Canada	10/24/02
CA2124	Asian-Style Foods in the Canadian Market	10/23/02
CA2125	An Overview of Selected Segments of the Canadian Frozen Food Industry	10/24/02
CA3001	Canada Introduces Mandatory Nutrition Labeling	01/03/03
CA3006	Snack Food Market In Canada	01/24/03
CA3041	Food & Beverage Shows	07/14/03
CA3075	Packaging & Retailing Trends in Fresh Produce	11/20/03
CA5061	Kosher Report	09/26/05
CA5068	Food Brokers Report	10/06/05
CA6006	HRI Food Service Sector Report	02/14/06
CA6019	Private Label Report	04/28/06
CA6040	Canada Connect Matchmaker Program	09/09/05
CA7004	Organic Regulations	02/06/07
CA7006	Exporting Wine to Canada	02/06/07
CA7037	Food & Agriculture Import Regulations & Standards (FAIRS) Technical Requirements for the Canadian Food Market	01/08/07
CA7051	Food & Agriculture Import Regulations & Standards (FAIRS) Export Certificate Report	10/09/07
CA7054	Canadian Beer Market for U.S. Exporters	10/09/07
CA7066	Exporter Guide	01/07/08
CA8043	GST/HST and How it Applies to Food/Agriculture	05/12/08
CA8048	HRI Report	07/02/08