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Report Highlights:

Canada is, by far, the largest overseas market for U.S. high-value, consumer-oriented products, with exports reaching \$15.7 billion in 2019. Canada offers great advantages for new-to-export and new-to-market firms, making it a natural international venture for U.S. companies. Canada's retail market is mature and largely consolidated with five major retailers comprising more than 60 percent of the total retail grocery market. The remainder of the market is represented by smaller regional retail chains that also include 6,800 independents and 27,000 small and independent convenience stores across the country.

Market Fact Sheet: Canada

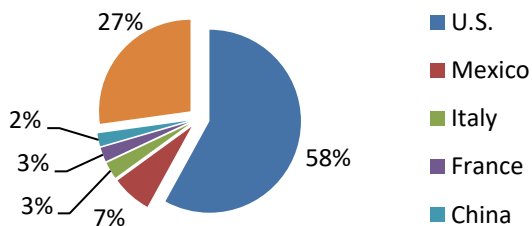
Executive Summary

The population of Canada is approximately 37.5 million and 90 percent of Canadians live within 100 miles of the U.S. border. In 2019, Canada was the leading export destination for U.S. agricultural exports. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports \$120 million worth of daily two-way trade in food and agricultural products. Canada's food and alcoholic beverage retail sales in 2019 reached \$97 billion. In Canadian dollars, the retail sector increased by 2% from the previous year in 2018. Despite a strong U.S. dollar and a mature market, opportunities U.S. food and beverage food sales have remained strong in Canada.

Canadian Imports of Consumer-Oriented

U.S. exports of consumer-oriented products to Canada reached \$15.7 billion in 2019, nearly double the value of the next largest export market which is Mexico. The top U.S. export categories of value added include fresh fruit and vegetables, red meats prepared foods, snack foods and processed fruits and vegetables.

Imports of Consumer-Oriented Products, 2019



Canada's retail market is mature and consolidated with five major stores that include three traditional grocers and two general merchandisers commanding 75 percent of the market. Ontario, Quebec and British Columbia represent 74 percent of Canada's retail market and are the provinces in which most of the convenience, drug, grocery and mass merchandise stores are located.

The Canadian food market displays a dichotomy of demand, one for low priced quality foods and the other for premium and specialty food items. Some premium consumer-packaged food products are sold in Canada at three times the comparable U.S. retail ticketed price. Customarily, U.S. companies selling natural, organic, or specialty foods will create demand and sales among the independents before tackling larger accounts. Proven sales in Canada are important to help persuade category buyers to list an unknown product.

Canada Quick Facts 2019

Global Imports of Consumer-Oriented Products

\$26.8 billion

U.S. Imports of Consumer-Oriented Products

\$15.7 billion

List of Top 10 Growth Packaged Food Products in Canada

- | | |
|------------------------------------|----------------------------|
| 1) Meat substitutes | 2) Savory Snacks |
| 3) Frozen Baked Goods | 4) Savory Snacks (natural) |
| 5) Rice/Pasta/Noodles | 6) Confectionary |
| 7) Nuts, Seeds, Trail mixes | 8) Processed Fruits/Veg. |
| 9) Ready to drink coffees and teas | 10) Pet Foods |

Grocery & Combination Store Sales Share by Province

- 1) Ontario – 32.6%
- 2) Quebec – 25.5%
- 3) British Columbia - 15.5%
- 4) Alberta – 12.7%
- 5) Manitoba – 3.8%
- 6) Saskatchewan – 2.9%
- 7) Nova Scotia – 2.8%
- 8) New Brunswick – 2.0 %
- 9) Newfoundland & Labrador – 1.8%
- 10) Prince Edward Island – 0.4%

Top 10 Canadian Food Retailers (by retail sales)

- 1) [Loblaws/Shoppers Drug Mart](#) (27.2%)
- 2) [Sobeys/Safeway](#) (21%)
- 3) [Metro/Jean Coutu](#) (11%)
- 4) [Costco](#) (8.4%)
- 5) [Walmart](#) (7.8%)
- 6) [Overwaitea Food Group](#) (3.7%)
- 7) [Co-ops](#) (3.2%)
- 8) [Couch-Tard](#) (1.5%)
- 9) [North West Company Inc.](#) (0.9%)
- 10) [Dollarama](#) (0.6%)

Note: The \$1 USD : \$1.32 CAD exchange rate has been applied for 2019
 Source: *Who's Who (Canadian Grocer)*, *Trade Data Monitor*, *Statistics Canada* and *Euromonitor International*

Strengths / Weaknesses / Opportunities / Threats

Strengths	Weaknesses
Stable economy and high disposable income	Strong U.S. dollar and high levels of household debt
Opportunities	Threats
Duty-free treatment for most products under USMCA	Trade deals with agricultural competitors

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Section I: Market Summary

Overview of the Canadian Retail Landscape

In 2019, food and beverage sales in Canada rose by two percent, reaching \$97¹ billion, with alcohol sales representing \$18 billion. The grocery channel represents 81 percent of retail sales followed by alcoholic beverages at 19 percent. Canadian retailers continue to rely on imported foods to not only fill their shelves, but to help introduce new and innovative products. Canada offers a sophisticated integrated food supply chain with many existing large U.S. food manufacturers. For smaller to medium-sized food companies, there are excellent warehousing and distribution channels to get new products to retail stores. Consumer demand and established distribution continue to fuel produce sales growth, with Canadians spending 21 percent more on fruits and vegetables than U.S. consumers. Additionally, demand for consumer packaged goods that are recognized as organic, natural, and with clean ingredients continues to rise.

The Canadian retail market is highly consolidated, with five grocery “majors” commanding nearly 62 percent of the retail market. The three major grocery chains – Loblaw, Sobeys and Metro – command 47 percent of retail grocery sales. However, as Costco and Walmart have continued to expand their share of the retail market, the three major grocery chains have expanded offerings across their discount banners, a channel that grew by four percent in 2019. The largest banners within the three grocery majors’ stables are as follows:

- Loblaws – Provigo, The Real Canadian Superstore, Nofrills, Maxi, Fortinos, Zehrs Markets, and Shopper’s Drug Mart
- Sobeys – IGA, Thrifty Foods, Safeway, FreshCo, Foodland, Lawtons, and Farm Boy
- Metro – Food Basics, Marché Adonis, Super C, and Jean Coutu

Key Marketing Drivers and Trends

Price-Conscious Consumers: Canadian consumers, especially those in the lower-income and middle-class households, tend to be price conscious regarding food and drink purchases. In 2019, food prices increased by 3.5 percent, driving more and more shoppers to buy groceries at discount banners that offer basic items such as canned soups, peanut butter, hamburger meat and cooking oils at lower prices than traditional grocery stores. Selected specialty items have also transitioned to the discount channel.

Private Labels: Large and medium-sized retailers continue to offer more items under their store brands. While some brands are lower priced, others like Loblaw’s Black Label Brand offer premium products at a higher price point. In the produce category, store brands have grown at a faster pace than private brands offering fresh packaged goods to customers, such as packaged fresh bell peppers, carrots, and sliced mixed vegetables, and bagged salads.

¹ All values are expressed in U.S. dollars unless otherwise specified. The \$1 USD: \$1.3269/.7536 CAD exchange rate has been applied for 2019.

‘Clean’ products: Natural, specialty, and organic products have become standard ‘center aisle’ products in larger grocery outlets. Euromonitor reports that packaged goods claiming natural ingredients are expected to grow by 7.5 percent in the next five years.

Ethnic Grocery Stores: Established ethnic grocery stores that once catered to immigrant communities are attracting more and more non-immigrant shoppers largely due to their expansion, location, and consumers’ changing eating habits. In an effort to attract new shoppers, discount banners have invested in larger selections of ethnic foods.

Convenience Stores: There are over 27,000 convenience stores across Canada. While food sales have grown marginally in this channel, convenience stores continue to introduce new products, both in the conventional and healthy snack categories; fresh produce offerings have expanded in some stores.

Online Shopping: According to Nielsen Research, food by far leads the growth in online shopping by double to that of non-food and health and beauty items. In order to compete with Amazon Canada in processed foods which today exceeds 20,000 grocery items, other major Canadian chains have invested in their on-line systems to offer pick up their groceries at their local store, which include fresh and packaged items.

Advantages	Challenges
Relatively affluent consumers concentrated in major metropolitan areas	Sophisticated selection of products already available on Canadian store shelves
Geographic proximity reducing transportation costs	Geographic scale of Canada and costly shipping from West to East coasts
Similar culinary tastes and preferences	Bilingual (English and French) labeling required and other differences in nutritional and labeling
High U.S. brand awareness	A stronger U.S. dollar makes competitive pricing challenging, especially in specialty foods
Strong demand for natural, organic, gourmet, specialty food products	Smaller volume shipments (smaller distribution and consumer base) may drive up landed costs
Duty-free access for most products	Import restrictions on dairy and poultry products
Consumer confidence in U.S. food safety and food quality	Particular ingredients or food additives may not be approved for use in Canada
High fruit / vegetable consumption and limited Canadian production	Strong ‘buy local’ movements across Canada
Well-established financial institutions and trading relationships	Differences in standard package sizes and units of measurement (metric vs. imperial system)
AIRS , Industry Labelling Tool , and National Import Service Centre provide regulatory guidance to facilitate trade	Retailers and distributors often prefer working through a Canadian broker

Section II: Road Map for Market Entry

Market Entry Strategy

To facilitate initial export success, FAS/Canada recommends the following steps when entering the Canadian market:

- Contact an international trade specialist through your state department of agriculture.
- Thoroughly research the competitive marketplace.
- Locate a Canadian partner to help identify key Canadian accounts.
- Learn Canadian government standards and regulations that pertain to your product.

For more information on these steps, please consult the FAS/Canada [Exporter Guide](#) and contact FAS/Canada offices in Ottawa and Toronto to obtain a further detailed guide for targeting the retail sector in Canada.

It is important for U.S. companies to assess their “export readiness” before entering the Canadian market. This includes determining how well established their brand is in the United States and if the company currently has available resources and staff capacity to launch a new brand in Canada. Once the product is on the store shelf, all companies should ultimately focus on achieving realistic targeted levels of sales. This will allow their products to achieve sales momentum and help to broaden distribution and maintain long-term success in the market.

Continue by reviewing the latest FAS/Canada Food and Agricultural Import Regulations and Standards Report ([FAIRS Report](#)) to understand relevant Canadian import requirements. The Canadian Food Inspection Agency (CFIA) provides extensive [programs and services](#), including a [Guide to Importing Food Products Commercially](#). The CFIA [Automated Import Reference System](#) (AIRS) helps businesses identify the appropriate Harmonized System (HS) codes as well as the import requirements for their products. The Canadian [National Import Service Centre](#) can guide U.S. exporters through compliance questions and help facilitate cross border shipments. FAS/Canada recommends that first-time exporters engage a [Canadian customs broker](#), as 80 percent of all shipments into Canada are handled and cleared by an appointed custom broker.²

The bulk of Canadian food imports are imported directly by a large importer, broker, distributor or wholesaler; perishable items and multinational food companies ship directly to a national retail chain’s distribution center with a smaller portion being sold through terminal markets for independents. Unlike in the United States, a number of retail category buyers from the larger chains rely on food brokers, distributors, and importers to identify new products. More importantly, they also rely on these intermediaries to manage the relationship with U.S. companies and to guide U.S. companies through required compliance steps, the nuances of the Canadian retail market, and development of promotional strategies to help sell the product in Canada.

² A “customs broker,” works with Canada Border Services Agency to clear goods at the border. A “food broker” serves as an in-country sales representative for a U.S. company exporting to Canada.

While distributors are able to sell some select brands, they typically oversee several hundred SKUs and handle products where inventory will turn over quickly. On the other hand, brokers are focused on managing a product’s brand as well as retail account relationships. Most brokers will manage between 10 to 25 brands at a time, unless they are a national firm. Brokers will focus on establishing the distribution network and developing new retail accounts. Oftentimes, they are in a better position to give companies the required sales attention needed to develop establish long-term sales. Average commission fees usually range around five percent. For new accounts, it is not unusual for the broker to request a retainer fee, as much time is spent ‘pioneering’ the brand to new accounts. Once sales targets are achieved, brokers typically transition to commission-based fees.

When targeting the Canadian market, it is important to keep the following facts in mind: Canada has a much smaller consumer base, roughly one tenth of the United States. Accessing a smaller Canadian consumer base can be expensive as major population groups are concentrated in cities that are spread out along the vast U.S.-Canada border. There are typically three major geographic regions to consider: the Greater Toronto Area, Montreal, and British Columbia. For companies that are looking to launch on a smaller scale, a more manageable approach would be to focus on one region at a time.

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

Section III: Competition

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

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

Year	CO Imports - Total	CO Imports - U.S.	CO Import - U.S. Share	Total Retail Food Sales
2017	\$25,941	\$15,600	60%	\$89,319
2018	\$25,453	\$15,731	59%	\$93,780
2019	\$26,850	\$15,584	58%	\$96,754

Source: Trade Data Monitor and Statistics Canada

Table 2: 2019 Imports of Leading Consumer-Oriented Products (in Million U.S. Dollars)

Description	CO Imports - Total	CO Imports - U.S. (Value/ Percentage)		Leading Competitors
Food Preparations *	\$4,303.9	\$3,516.04	82%	China, Italy, and Mexico
Fresh Fruit	\$3,653.20	\$1,377.53	38%	Mexico, Chile and Guatemala
Fresh Wine & Beer	\$2,577.37	\$517.72	20%	France, Italy, and Australia
Fresh Vegetables	\$2,794.59	\$1,730.21	62%	Mexico, China, and Peru
Chocolate and Cocoa Products	\$1,377.68	\$700.54	52%	Switzerland, Mexico, and Germany
Processed Vegetables	\$1,153.00	\$670.94	58%	China, Spain, and Italy
Processed Fruit	\$1,135.97	\$516.37	45%	China, Mexico, and Chile
Tree Nuts	\$1,036.38	\$681.85	66%	Vietnam, Turkey, and Philippines
Beef & Beef Products	\$928.49	\$640.63	69%	Australia, New Zealand, and Uruguay
Pork & Pork Products	\$889.17	\$773.70	87%	Italy, Denmark, and Poland
Snack Foods	\$882.20	\$447.06	51%	Mexico, UK, and Germany
Condiments and Sauces	\$780.66	\$610.00	78%	Italy, China, and UK
Coffee, Roasted and Extracts	\$728.11	\$467.59	64%	Switzerland, Italy, and Germany
<i>*Includes food preparations, food concentrates, fruit syrups, extracts, flavoring powders, cocktail mixes, etc.</i>				

Source: Trade Data Monitor

Section IV: Best Product Prospects Categories

Among the consumer-oriented products exported to Canada in 2019, fresh fruits and vegetables remained the top value products with a combined value of \$3.5 billion, red meats at \$2.2 billion, prepared foods at \$2 billion, snack foods at \$1.3 billion and processed fruits and vegetables at \$1.1 billion.

Over the next five years, packaged foods are expected to grow by 3.2 percent, while those products with natural, organic, and/or free from artificial ingredients are projected to grow by 7.5 percent.

Table 3: Best Forecasted Growth Product Categories (2020 – 2024)

Product Category	5-year Growth Forecast	Subcategory with Best Prospects	Sales Growth 2018 / 2019
Packaged Food			
Cooking Ingredients & Meals	18.7%	Edible Oils	5.7%
		Herbs and spices	6.3%
		Chili Sauces	6.7%
		Ready Meals	4.3%
		Pasta Sauces (clean ingredients)	4.7%

Product Category	5-year Growth Forecast	Subcategory with Best Prospects	Sales Growth 2018 / 2019
Snacks	20.3%	Confectionery	3.0%
		Savory Snacks	4.7%
		Savory Snacks (natural ingredients)	5.7%
		Snack Bars (no artificial ingredients)	9.7%
		Nuts, Seeds and Trail Mixes (no artificial ingredients)	6.4%
		Fruit and Nut Bars	8.9%
Staple Foods			
Baked Goods	17%	Bread	2.9%
		Flat Breads	8.2%
		Frozen Baked Goods	4.0%
		Packaged Pastries	5.2 %
Processed Fruits & Vegetables	10%	Frozen Processed Fruits & Vegetables (natural)	7.6%
Pasta, Rice & Noodles	15.2%	Noodles	5.1%
		Rice	5.7%
Processed Meat & Seafood	16.1%	Meat Substitutes	17.2%
Pet Food	26.3%	Dog and Cat Foods	4.8%
Beverages/Soft Drinks			
Beverages/ Soft Drinks	16.8%	Ready-to-drink Coffee	14.8%
		Ready-to-drink Tea	6.6%
		Energy Drinks	4.3%

Source: Euromonitor International

Products with Good Sales Potential

Alcoholic Drinks: Canada's alcoholic drinks market is well developed. Its wealthy consumer base provides strong growth opportunities for higher-priced premium products, which include wine and craft spirits. However, the [Importation of Intoxicating Liquors Act](#) gives power over the sale and distribution of alcoholic products to provincial liquor boards or commissions, which implement their own policies and regulations. These policies can serve multiple policy objectives including public health and promotion of local alcoholic beverage industries. Apart from Alberta, most wine and beer sales historically occurred in provincial monopoly retail outlets, but recent developments have expanded grocery retail wine and beer sales in Ontario, British Columbia, and Quebec. In Ontario alone, retail grocery alcohol sales totaled \$246.7 million in 2019. To enter the market, U.S. companies must work with an agent licensed by the provincial liquor control board as import rules, taxes and fees in each province can be challenging to understand.

Organic, Healthy and Natural Products: The demand for organic, healthy, and natural products in Canada continues to grow. Nielsen reports that consumer growth of plant-based alternatives to meat and dairy products grew by 14 percent in 2019. Products such as quinoa, tofu, and meatless entrees

continue to grow. Surveys show that 55 percent of Canadians believe plant-based proteins are not a fad but are here to stay. Those companies that offer products free from artificial ingredients and additives have excellent prospects in Canada.

Sustainable Packaging: In line with Canada's [Zero Plastic Waste Initiative](#), products with innovative and sustainable packaging formants that offer convenience and reduced waste continue to attract attention as more and more shoppers make sustainable choices.

Products with Limited Presence Because of Significant Barriers

Canadian dairy, poultry, and egg markets operate under the umbrella of 'supply management,' which restricts imports to control supplies and maintain artificially high prices. The European Union has an advantage in the cheese trade because of Uruguay Round provisions as well as the Comprehensive and Economic Trade Agreement (CETA) that entered into force in September 2017. New Zealand's low production cost as well as being a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that entered into force in December 2018, support its dominant position (>60 percent) in Canada's butter market. Under the [United States-Mexico-Canada Agreement](#) that enters into force July 1, 2020, U.S. access to Canadian dairy poultry and egg markets will expand over the next 19 years.

Section V: Key Contacts and Further Information

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

Attachments:

No Attachments