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Canada

Food Service - Hotel Restaurant Institutional

An Updated Overview of the Hotel, Restaurant and Institutional Sector in Canada

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Report Highlights:
Canada remains the top U.S. agricultural export destination for consumer-oriented products with plenty of opportunities for companies interested in exporting. As a well established market, in Fiscal Year 2013 (October 2012 to September 2013), U.S. agricultural exports to Canada grew by US $1.4 billion dollars, or 7 percent over FY2012. Companies in the United States enjoy advantages made possible by an established shipping corridor, similar consumer preferences and expectations as well as favorable duty rates under NAFTA.

Post:
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It is projected that for the first time since 2008, every segment of the foodservice sector will post gains this year. Growing disposable income should encourage more spending in the market, though higher household debt in Canada could restrain this somewhat.
Commercial foodservice is expected to grow in every province with Saskatchewan (5.1%), British Columbia (5.0%) and Alberta (4.9%) projected to show the largest increases.
Snacking is increasingly popular. Between 2008 and 2012, morning snacks (15.2%) and afternoon snacks (11.1%) posted the highest growth of all dayparts in Canada. Lunch is still the most popular time to visit a foodservice establishment in Canada, accounting for 25.6 per cent of visits.

Hotels and Resorts

According to a report by the Hotel Association of Canada, the Canadian hotel and resort sector consisted of 8,538 establishments in 2012. These establishments accounted for 464,376 rooms. The distribution of rooms reflects population distribution with the greatest number of rooms found in Ontario (133,336), Quebec (104,442), British Columbia (80,503) and Alberta (72,073). Total revenue for this sector equaled C$16.4 billion, with over C$2.8 billion of that resulting from food and beverage sales (this excludes alcoholic beverages.)

Restaurants

Canada is home to 81,400 restaurants, bars and caterers who generate C$65 billion in annual sales, or 4 percent of Canada's total GDP. Of these establishments, 61 percent are independent while 39 percent are part of a chain. Canadians make approximately 18 million restaurant visits daily.

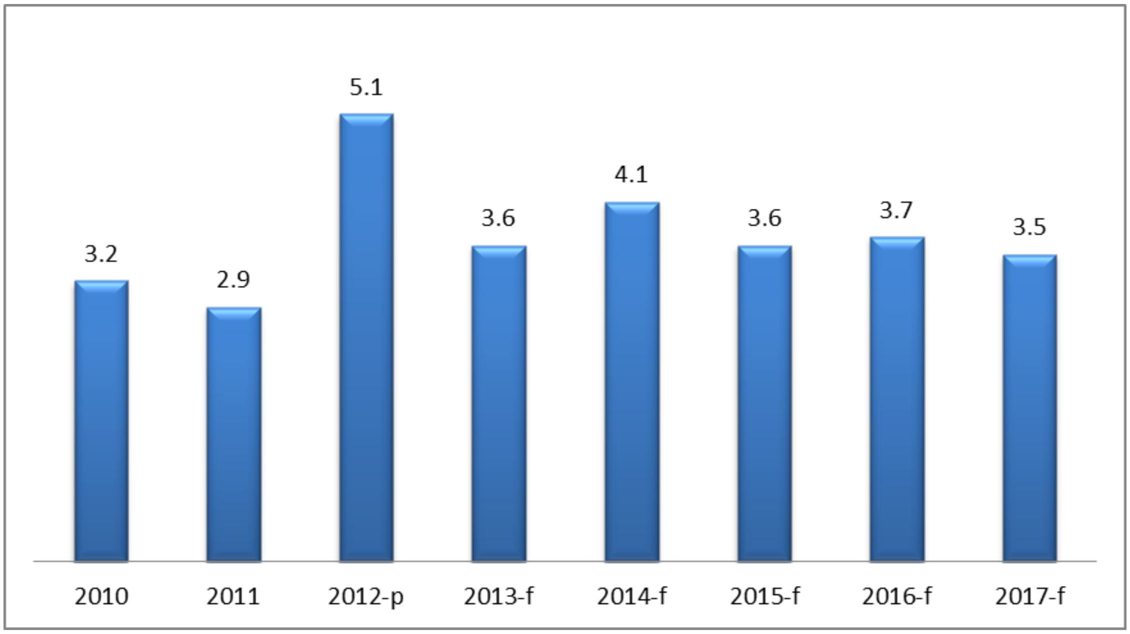
Institutional

The Institutional foodservice sector in Canada totaled approximately C$3.7 billion in 2012. This total was expected to climb 4.5 percent in 2012 to reach almost C$3.9 billion. The institutional sector consists of hospitals, residential care facilities, schools, prisons, factories, remote facilities and offices, including patient and inmate meals.

Breakdown of HRI Food Sales in Canada by Sub-sector

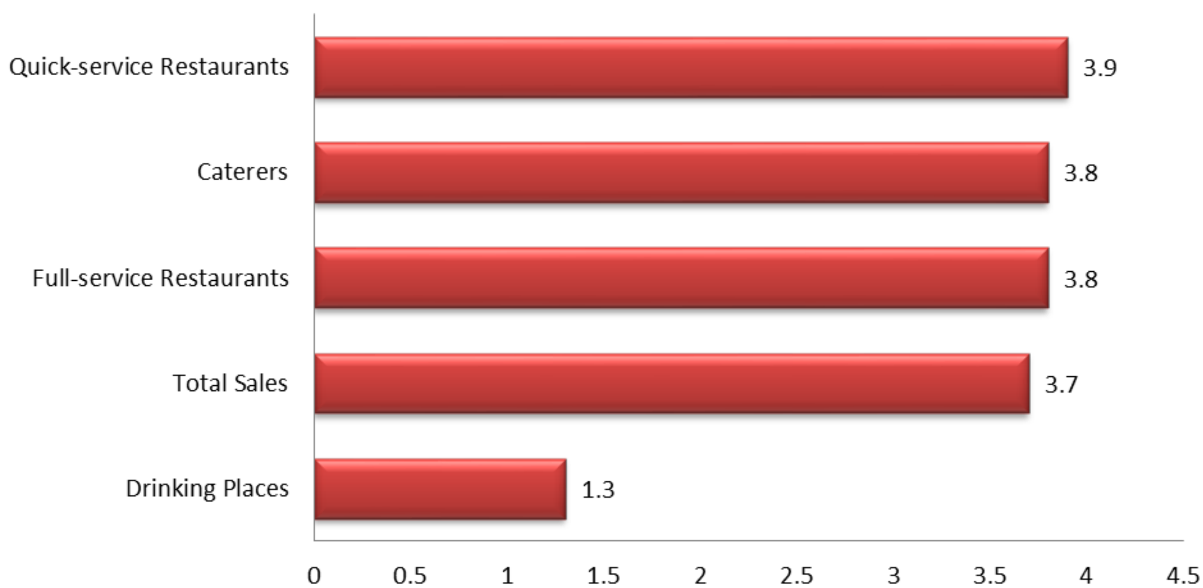
	2011 Final	% Change '11/'10	2012 Preliminary	% Change '12/'11	2013 Forecast	% Change '13/'12
Quick-service Restaurants	$ 21,962.00	3.5	$ 23,144.60	5.4	$ 24,024.10	3.8
Full-service Restaurants	$ 21,486.00	2.6	$ 22,693.20	5.6	$ 23,487.40	3.5
Caterers	$ 4,213.50	5.4	$ 4,395.80	4.3	$ 4,602.40	4.7
Drinking Places	$ 2,362.40	-4.3	$ 2,351.30	-0.5	$ 2,358.30	0.3
Total Commercial	**$ 50,024.00**	**2.9**	**$ 52,584.80**	**5.1**	**$ 54,472.20**	**3.6**
Accommodation Foodservice	$ 5,235.00	0.6	$ 5,544.00	5.9	$ 5,794.00	4.5
Institutional Foodservice	$ 3,561.80	3.6	$ 3,698.10	3.8	$ 3,863.50	4.5
Retail Foodservice	$ 1,267.60	-1.4	$ 1,314.50	3.7	$ 1,367.10	4.0
Other Foodservice[1]	$ 2,304.40	2.2	$ 2,362.00	2.5	$ 2,416.30	2.3
Total Non-commercial	**$ 12,368.80**	**1.9**	**$ 12,918.40**	**4.4**	**$ 13,440.90**	**4.0**
Total Foodservice	**$ 62,392.70**	**2.6**	**$ 65,503.20**	**5.0**	**$ 67,913.10**	**3.7**
Menu Inflation		2.9		2.5		2.5
Real Growth		**-0.3**		**2.5**		**1.2**
Source: CRFA's InfoStats, Statistics Canada, fsSTRATEGY Inc. and Pannell Kerr Foster						
All dollar amounts in millions of Canadian dollars						
[1]Includes vending, sports and private clubs, movie theatres, stadiums, and other seasonal or entertainment operations						

Commercial Foodservice Sales Forecast (Percent, year-over-year change)



Notes:
p=preliminary f=forecast
Growth rates in nominal terms
Source: Statistics Canada and CRFA's Restaurant Industry Forecast

Expected Growth Rate by Sub-Sector (2014-2017)



Notes:

Hotel, Restaurant and Institutional Sector
Canada - 2013
Expressed in percent growth
Growth rates are in nominal terms
Sources: CRFA's Restaurant Industry Forecast

U.S. Exports to Canada

Product	2009	2010	2011	2012	% Change '11/'12
Bulk (includes wheat, grains, coffee, sugar etc.)	901,345	799,230	904,913	808,026	-11
Intermediate (includes oils, seeds, live animals etc.)	2,819,109	2,949,263	3,340,241	3,732,487	12
Consumer-oriented (includes snack food, meat, dairy, fruits, vegetables, wine etc.)[1]	12,840,528	14,139,104	15,892,723	17,220,385	8
Agricultural Products Total	**16,560,982**	**17,887,597**	**20,137,877**	**21,760,898**	**8.0**

Notes:
In thousands of U.S. dollars
Consumer-oriented has been amended to include distilled spirits and seafood products
Source: U.S. Census Bureau Trade Data, BICO HS-10

Advantages and Challenges for U.S. HRI Food Products

Advantages	Challenges
Familiarity and confidence in Canadian based U.S. hotel, restaurant and fast food establishments	Dairy and poultry product imports are controlled and limited by a tariff rate quota system
Canadian consumers have a very good perception of U.S. products and prefer them to products of different origins when Canadian products are not available	Foodservice industry predisposition to buy Canadian first means a unique competitive advantage is necessary
Geographical proximity gives U.S. exporters an advantage in terms of transit time and cost as well as speed after ordering	Geographical vastness encourages regional production and distribution
Majority of U.S. products enter Canada duty free under NAFTA	Competition from domestic producers and other countries
Canada's wide ethnic diversity provides broad specialty cuisine opportunities	A sophisticated selection of product is already available in the Canadian market
The Canadian dollar is near parity with the U.S. dollar providing a significant boost to U.S. products	Requirements for labeling, formulation and sizing are different than in the United States
Canadian consumers enjoy a high disposable income compared to the rest of the world	
U.S. foods match Canadian tastes and expectations	
Canadian organic food demand exceeds current domestic production stimulating significant imports from the United	

States. Mutual recognition of each other's organic certification procedures enables U.S. producers to export with a USDA certification.	

Section II: Road Map for Market Entry

Entry Strategy

Canada remains the top U.S. agricultural export destination for consumer-oriented products with plenty of opportunities for companies interested in exporting. As a well established market, in Fiscal Year 2013 (October 2012 to September 2013), U.S. agricultural exports to Canada grew by US $1.4 billion dollars, or 7 percent over FY2012. Companies in the United States enjoy advantages made possible by an established shipping corridor, similar consumer preferences and expectations as well as favorable duty rates under NAFTA.
Canadians are always on the lookout for new and innovative U.S. products, but each sector and product can pose its own challenges. These obstacles can include currency, labeling and customs. With the right tools, these can be overcome. Following are the main steps for U.S. exporters who are looking to enter the Canadian market.

1) **Contact your State Regional Trade Group or Commodity Group**

State Regional Trade Groups (SRTGs) are non-profit organizations representing state agricultural promotion agencies that use federal, state and industry resources to promote the export of food and agricultural products. They can help qualifying exporters to obtain partial reimbursement for some marketing costs. In addition, they help oversee the branded product program funding targeting small and medium U.S. exporters that reimburses some marketing costs for products of the U.S.A. In 2013, USDA's Market Access Program cooperators will spend over $7 million on generic and brand promotion activities in Canada.

Food Export Association of the Midwest USA	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin	www.foodexport.org 309 West Washington Suite 600 Chicago, IL 60606 USA Phone (312) 334-9200 Fax (312) 334-9230
Food Export USA Northeast	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont	www.foodexport.org One Penn Center 1617 JFK Blvd Suite 420 Philadelphia, PA 19103 USA Phone (215) 829-9111 Fax (215) 829-9777
Southern United	Alabama, Arkansas, Florida, Georgia, Kentucky,	www.susta.org

States Trade Association	Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, the Commonwealth of Puerto Rico	701 Poydras Street Suite 3725 New Orleans, LA 70139 Phone: (504) 568-5986 Fax: (504) 568-6010
Western United States Agricultural Trade Association	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming	www.wusata.org 4601 NE 77th Ave Suite 240 Vancouver, WA 98662 Tel: (360) 693-3373 Fax: (360) 693-3464

Additionally, many commodities have their own marketing associations which may be able to provide additional, product specific information. A listing of the groups who are active in Canada be found here: http://www.tasteus.ca/about/listing-of-cooperators/

2) Research the Competitive Marketplace

A thorough understanding of consumer trends and needs is vital to developing a 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 and beverage market. 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. Some of these resources are listed in the table below.

The Foreign Agricultural Service (FAS) publishes reports on Canada throughout the year. These reports can be found at http://gain.fas.usda.gov . Additionally, FAS Canada has launched a new website targeted at Canadian consumers. It also contains links to the State Regional Trade Groups and cooperators as well as articles that may be of interest to U.S. exporters. The website can be found at www.tasteus.ca.

The Canadian government has recently passed the "Safe Food for Canadians Act" which will result in changing regulations for food products entering the Canadian market. It will be important to monitor changes caused by this act over the coming year. FAS Canada puts out regular updates on changes in Canada in its "This Week in Canadian Agriculture" (TWICA) newsletters. To be added to this list, please contact the FAS Canada office at agottawa@fas.usda.gov.

Canadian Government Market Information Resources:

Agriculture and Agri-Food Canada	Provides information and research on policies and programs. Also provides access to statistics. This Ministry is the counterpart to the USDA.	www.agr.gc.ca
Industry Canada	Information on specific sectors, as well as company profiles and other databases	www.ic.gc.ca
Statistics Canada	The official source for Canadian social and economic statistics.	www.statcan.gc.ca

Industry Associations:

Canadian Restaurant and Foodservices Association	The largest hospitality association in Canada.	www.crfa.ca
Hotel Association of Canada	National resource for the Hotel and Lodging Industry in Canada.	www.hotelassociation.ca
I.E. Canada (Canadian Association of Importers and Exporters)	I.E. Canada is a national, non-profit organization committed to providing services to develop and enhance the international trade activity and profitability of importers and exporters.	www.iecanada.com
Restaurant Central	Research site maintained by the CRFA	http://www.restaurantcentral.ca/

Industry Publications:

Canadian Grocer	Focus is on retail, but contains good information on market trends.	www.canadiangrocer.com/
Canadian Restaurant and Foodservice News	Bi-monthly publication by the CRFA.	www.crfa.ca
Food in Canada	Focus in on manufacturing, but contains good information on changing requirements and industry developments.	www.canadianmanufacturing.com/food
Foodservice and Hospitality	Monthly magazine focusing on the Hospitality Industry in Canada.	www.foodserviceworld.com
Hotelier Magazine	Published 8 times per year, focuses on hotel industry in Canada	www.hoteliermagazine.com

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 the 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 Foreign Agricultural Service offices in Ottawa and Toronto can provide assistance in locating a broker or distributor by assembling lists of potential partners. Contacts can be made while exhibiting at the USDA endorsed pavilion at SIAL Canada. The office has also assembled a partial list of industry brokers and distributors in central Canada.

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

The Canadian Government has multiple acts that govern the importation and sales of foods. As previously noted, the Canadian government is overhauling its food and beverage regulations and will eventually combine them all into one larger price of legislation. For now, some of the most important laws in place are:

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

A more thorough outline of applicable acts and regulations can be found on the Canadian Food Inspection Agency's website at: www.inspection.gc.ca.

The Canadian Food Inspection Agency, Health Canada and the Department of Foreign Affairs and International Trade are the main government ministries 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, many regulations differ – including nutrition facts, ingredient declarations and health claim labeling. Moreover, as previously mentioned, Canada is in the process of drafting several major regulatory changes. Exporters should make an effort to stay abreast of the latest developments.

Canada Border Services Agency	The Canada Border Services Agency (CBSA) ensures the security and prosperity of Canada by managing the access of people and goods to and from Canada.	www.cbsa.gc.ca
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 Revenue Agency	The Canada revenue Agency (CRA) administers tax laws for the Government of Canada and for most provinces and territories as well as various social and economic benefit and incentive programs delivered through the tax system.	www.cra-arc.gc.ca
Department of Foreign Affairs and International Trade (DFAIT)	The mandate of Foreign Affairs and International Trade is to manage Canada's diplomatic and consular relations and to encourage the country's international trade. DFAIT manages all tariff rate quotas and supplemental import permits for controlled products (primarily dairy and poultry).	www.international.gc.ca

Department of Justice Canada – Justice Laws Website	Online consolidation of PDFs of Canadian Government Acts and regulations.	http://laws-lois.justice.gc.ca/eng/
Health Canada	Administers the Food Safety Assessment Program, which assesses the effectiveness of the CFIA's activities related to food safety.	www.hc-sc.gc.ca

For more information on food labeling and other information useful to U.S. food exporters, refer to the Canada 2013 Exporter Guide on the FAS Website at http://gain.fas.usda.gov.
Information exporters need to understand about labeling regulations can be found on the following sites:

Nutrition Labelling Resource Page
http://www.inspection.gc.ca/english/fssa/labeti/quest/gengene.shtml

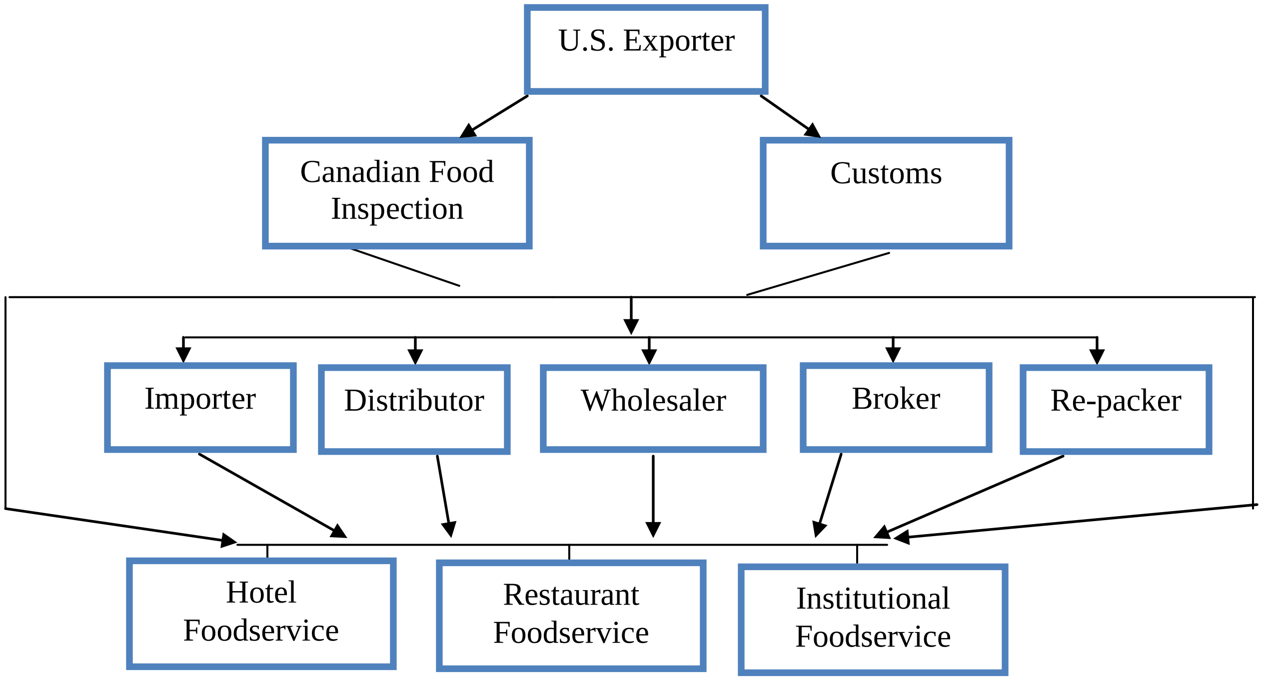
The Guide to Food Labelling and Advertising
http://www.inspection.gc.ca/food/labelling/guide-to-food-labelling-and-advertising/eng/1300118951990/1300118996556

In order to better provide information, the CFIA maintains a National Import Service Centre (NISC), which handles telephone inquiries regarding import requirements and inspections, in addition to processing import documentation and data. The contact information of the NISC is as follows:
7:00 a.m. to 03:00 a.m. (Eastern Time)
Telephone and EDI: 1-800-835-4486 (Canada or U.S.A.)
1-289-247-4099 (local calls and all other countries)
Facsimile: 1-613-773-9999

5) SIAL Canada

The USDA and FAS Canada endorse and organize a U.S. pavilion at SIAL Canada every year. The next SIAL Canada show is scheduled for April 2nd to 4th, 2014 in Montreal, Quebec. For further information, please contact:
Office of Agricultural Affairs
Embassy of the United States of America
P.O. Box 866, Station B
Ottawa, Ontario
Phone: (613) 6885267
Fax: (613) 6883124
Email: agottawa@fas.usda.gov

Market Structure



Domestic and imported food products in the Canadian market may route directly to foodservice establishments but most filter through importers, brokers, distributors, wholesalers and/or re-packers. Smaller restaurants or hotel foodservice establishments make food service purchases through a wholesaler or distributor. Large chains may choose to purchase directly through customized growing agreements, contract purchasing, central procurement office or from a chain-wide designated distributor. Many Canadian foodservice establishments purchase the majority of product through the large foodservice distributors like Gordon Food Service and Sysco. Specialty and niche products are often purchased through smaller distributors.
FAS Canada has assembled a partial list of industry brokers and distributors in a report entitled Agent and Broker Directory – Central Canada. Additionally, Western Grocer also maintains a list of brokers on its website. These companies primarily handle retail outlets, but some deal with foodservice as well.

Sub-Sector Profiles

Hotels and Resorts

Company Name	Head Office Location	Number of Outlets	Sales (C$ Mil)/2012
Four Seasons Hotels and Resorts	Toronto ON	90	$ 4,100.0
Fairmont Raffles Hotels International[23]	Toronto ON	104	$ 3,670.0
Starwood Hotels and Resorts Worldwide Inc.	Stamford CT	60	$ 897.0
Wyndham Hotel Group	Parsippany NJ	494	$ 734.0
IHG (InterContinental Hotels Group)	Atlanta GA	164	$ 715.0
Marriott Hotels of Canada	Mississauga ON	74	$ 640.5
InnVest REIT	Mississauga ON	136	$ 609.5
Best Western International	Phoenix AZ	191	$ 538.7
Hilton Canada Co.	Mississauga ON	86	$ 532.0
Delta Hotels	Toronto ON	41	$ 500.0
Source: Hotel Association of Canada Hotel Industry Facts Sheet			

In 2012, the accommodation sector in Canada generated C$17 billion in revenue. For 2013, the occupancy rate was projected to reach 62 percent while the average daily rate was expected to be C$132.

Restaurants

Company Name	Head Office Location	Number of Outlets	Sales (C$ Mil)/2012
Tim Horton's Inc.[1]	Oakville ON	4,240	$ 6,439.0
McDonald's Restaurants of Canada Ltd.	Toronto ON	1,405	$ 3,751.0
Subway (Doctor's Associates Inc.)	Milford CT	2,870	$ 1,600.0
Starbucks Coffee Canada Inc.	Toronto ON	1,181	$ 978.0
Boston Pizza International Inc.[1]	Mississauga ON	347	$ 943.0
A&W Food Services of Canada Inc.	North Vancouver BC	773	$ 850.6
KFC (Yum Restaurants International Canada company)[2]	Vaughan ON	650	$ 649.0
Wendy's Restaurants of Canada[2]	Oakville ON	369	$ 642.0
Swiss Chalet (Cara)	Vaughan ON	219	$ 515.9
International Dairy Queen Canada Inc.	Burlington ON	648	$ 510.0

Source: Foodservice and Hospitality Magazine Top 100 Report
1 - Canadian owned company whose operations outside Canada are reflected in revenues and units
2 - Sales estimated

Quick-service restaurants (QSRs) in Canada have been upgrading the quality and nutrition of their food, specifically items such as coffee, pizza and burgers. The sector has been making gains on the casual dining sector in Canada. QSRs have also been upgrading their interiors to help bolster customer experience.

Institutional

Company Name	Head Office Location	Number of Outlets	Sales (C$ Mil)/2012

Company Name	Head Office Location	Number of Outlets	Sales (C$ Mil)/2012
Compass Group Canada	Mississauga ON	2,228 (focus on educational institutions, hospitals, airports, businesses)	$ 1,500.0
Aramark Canada Ltd.	Toronto ON	1,500 (focus on health-care, educational, public and remote-market businesses)	$ 988.0
Sodexo Canada Ltd.[2]	Burlington ON	750 (focus on educational institutions, hospitals and corporate businesses)	$ 546.0
Dana Hospitality Inc.	Oakville ON	109 (residential and educational foodservice, resource industries, seniors' market)	$ 50.0
ClubLink Corporation	King City ON	34 (Golf Courses)	$ 36.7
byPeterandPauls.com	Vaughan ON	7 (catering and banquet halls)	$ 27.0
Source: Foodservice and Hospitality Magazine Top 100 Report 1 - Canadian owned company whose operations outside Canada are reflected in revenues and units 2 - Sales estimated			

Section III: Leading U.S. Products and the Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FRESH FRUITS & VEGETABLES **VEGETABLES**: CANADIAN GLOBAL IMPORTS (2012): U.S.$2.1 BILLION	VEGETABLES: 1. U.S.: 67% 2. Mexico: 26% 3. China: 2%	▪ Canada is the largest foreign buyer of U.S. fruits and vegetables. The U.S. benefits from relatively unimpeded export access into Canada during Canada's winter or non-growing months. ▪ Among imports, U.S. fruits and vegetables are viewed by most Canadians as their number one choice to other imports. ▪ Mexico gained significant share of the market due to lower prices. Their leading products are tomatoes, peppers, avocados, mangos, and limes. Strawberries are a recent addition. ▪ Chile is competitive with their leading exports of grapes, berries. They offer apples and cherries as well.	▪ Dry onions, carrots, lettuce, sweet corn, cabbage are the leading vegetables sold in the fresh market. ▪ Apples are the largest production item, followed by blueberries, cranberries, grapes and peaches. ▪ Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June. ▪ The 'Buy Local' campaigns are well supported by grocery retailers starting in June through October.
FRUIT: CANADIAN GLOBAL IMPORTS (2012): U.S. $3.4 BILLION	FRUIT: 1. U.S.: 49% 2. Mexico: 12% 3. Chile: 9%		
PROCESSED FRUITS AND VEGETABLES CANADIAN GLOBAL IMPORTS (2012): U.S. $ 2.1 BILLION	1. U.S.: 60% 2. China: 8% 3. Thailand: 3%	▪ There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixes fruits, and variety of processed vegetables. ▪ U.S. is a major player in the market with established process brands in the market. ▪ China has seen a 15% growth in the category of dried fruits and vegetables. ▪ Thailand's major products are pineapples and fruit mixtures.	▪ Canadian companies process a wide range of canned, chilled, and frozen products. ▪ Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies reported adopted more than 5 new technologies in their operations. ▪ Higher manufacturing and operation costs than in the U.S.

Product Category *(continued)*	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
SNACK FOODS CANADIAN GLOBAL IMPORTS (2012): U.S. $ 1.5 BILLION (excluding nuts)	1. U.S.: 58% 2. Germany: 5% 3. Belgium: 5 %	▪ The U.S. dominates this category considering the more perishable and bulky nature of some products such as chips, which adds significantly to shipping costs. ▪ Competitors vary by sub category with the main competitor and sub category as follows: Germany: cocoa, confectionaries and chocolate; Belgium: chocolate and confections. U.K. and Switzerland; chocolate, along with confection and non-confection items.	▪ Canada's snack food imports have grown by U.S. $ 316 million since 2006. The category includes chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popped popcorn, pretzels, and extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, as well as pork rinds. ▪ The snack food industry is served primarily by domestic manufacturers however domestic market share is being lost to imports. The rapid 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.
RED MEATS (Fresh/Chilled/Frozen) CANADIAN GLOBAL IMPORTS (2012): U.S. $1.9 BILLION **RED MEATS** (Prepared/Preserved) CANADIAN GLOBAL IMPORTS (2012): U.S. $890 MILLION	1. U.S.: 79% 2. New Zealand: 9% 3. Australia: 9% 1. U.S.: 93% 2. Brazil 2% 3. Thailand 2%	▪ 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). ▪ Many parts of South America, remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons. ▪ U.S. competitors are limited by a beef quota.	▪ Canada maintains a narrow acquired feed cost advantage. ▪ Canada continues to grow as a key U.S. pork export market. Canadian hog production numbers have been declining across the country and U.S. pork imports are up 16% due to market structures and the Canadian strong dollar. ▪ The industry has worked its way out of the inventory surge from the BSE trade disruption. Canadian exports have been sluggish due to a strong Canadian dollar but increased by 10% in 2012. ▪ Canadian per capita basis consumption has declined since 2006 from 31 kg to 29 kg.

Product Category *(continued)*	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FISH & SEAFOOD CANADIAN GLOBAL IMPORTS (2012): U.S. $ 2.4 BILLION	1. U.S.: 36% 2. Thailand: 17% 3. China: 15%	▪ Two major categories make up approximately half of the imports ▪ Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment. ▪ With ocean catches having peaked, aqua culture is becoming a more important source of product and China is the dominant producer of farmed fish and seafood in the world. ▪ A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors. ▪ More than two-thirds of seafood is sold by retailers.	▪ Declining fish stocks have lad to almost zero growth in fish and seafood catch over the last decade. ▪ In total, the capture fishery accounts for 76 percent of total fish and seafood production in Canada. ▪ Lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada. ▪ Aquaculture is increasing in importance. Key products include farmed salmon, trout, steelhead, arctic char, blue mussels, oysters and manila clams. ▪ At approximately 50 lbs. per person, Canadian consumption of fish is significantly higher than in the U.S. 16.5 lbs. per person, making Canada an excellent export market for U.S. exporters.
BREAKFAST CEREALS/PANCAKE MIXES CANADIAN GLOBAL IMPORTS (2012): U.S. $ 463 MILLION	1. U.S.: 93% 2. U.K.: 2% 3. Spain: 1%	▪ Breakfast cereal imports have grown by over US $150 million since 2006. The U.S. continues to dominate imports although a variety of competitors are all growing small niche positions. ▪ Canada represents the largest market for U.S. Breakfast cereals accounting for approximately half of U.S. exports.	▪ Sales and manufacturing in Canada is largely controlled by U.S. based companies. ▪ Domestic non-U.S. owned competitors tend to be in the specialty or organic breakfast cereal business. ▪ Canadian consumption of breakfast cereals reached an annual 9 lbs per person. ▪ Three key trends in cereal consumption have driven continues growth, reduced sugar, high fiber whole wheat, and hot cereals.

Product Category *(continued)*	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FRUIT & VEGETABLE	1. U.S.: 59%	▪ U.S. imports to Canada increased and fastest	▪ Canada is a major per capita consumer of citrus juices but is unable to grow these products. It will

JUICES CANADIAN GLOBAL IMPORTS (2012): U.S. $757 MILLION	2. Brazil 16% 3. China 9%	growing juice category, fresh orange juice. ▪ Brazil is the leader in frozen orange juice concentrate, the second largest imported juice category, with 70% of the import share. ▪ China's major juice export to Canada is fortified apple juice; China represents 89% of this import market.	continue to be an exceptional value added market for the U.S. ▪ Both Canada and the U.S. have experienced major penetration by Chinese apple juice due to the major shift of Chinese agriculture toward labor-intensive crops and labor intensive processing.
NUTS CANADIAN GLOBAL IMPORTS (2012): Tree Nuts U.S. $ 544 MILLION Peanuts U.S. $ 137 MILLION	Tree Nuts 1. U.S. 57% 2. Turkey 16% 3. Vietnam 8% Peanuts 1. U.S. 65% 2. China 20% 3. Argentina 7%	▪ From 2011 and 2012 U.S. imports of peanuts increased 2%. Tree nuts increased 16% during the same period. ▪ US products lead with peanuts and almonds is preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards consistently. ▪ Turkey is a competitive supplier of Hazelnuts. ▪ Vietnam competes with cashew nuts. ▪ Growing trend of nut allergens by Canadians has caused the Canadian Food Inspection Agency and Health Canada to set specific allergen labeling regulations for all suppliers.	▪ Canada has areas of Ontario, which can grow peanuts, but it has not done so in commercial quantities as the returns are not competitive with other crop alternatives. Similarly British Columbia and other provinces produce small quantities of a number of tree nuts including hazelnuts. However, in general, Canada is not price competitive.
PET FOOD (Dog and Cat) CANADIAN GLOBAL IMPORTS (2012): U.S. $ 579 MILLION	1. U.S.: 93% 2. China: 3% 3. Thailand: 3%	▪ U.S. imports of dog and cat food registered at U.S. $ 541 million in 2012. ▪ Canadians regard U.S. pet foods as a trusted and quality product.	▪ Pet food sector is largely U.S. owned multinationals. ▪ Canada has approximately 17 (non-raw) pet food manufacturers. ▪ New pet food importation requirements have been in place as of June 2009. ▪ More than 322,000 tonnes of pet food is sold in Canada.

Products Imported in Canada Facing Significant Barriers			
Product Category *(continued)*	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
POULTRY MEAT CANADIAN GLOBAL IMPORTS (2012): U.S. $453 MILLION	1. U.S.: 88% 2. Brazil: 9 % 3. Chile: 2 %	▪ 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. ▪ Increases in imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP).	▪ 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 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. in 2004 and has continuously improved bio-security measures.

Products Imported in Canada Facing Significant Barriers			
Product Category	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
DAIRY CANADIAN GLOBAL IMPORTS (2012): (excluding cheese): U.S. $ 305 MILLION (Cheese) : U.S. $ 266 MILLION	1. U.S.: 60% 2. New Zealand: 16 % 3. Argentina: 9% 1. U.S. 25% 2. Italy 21% 3. France 19%	▪ The U.S.'s close proximity to market, speedy delivery, and significant freight advantage has allowed it to be competitive in the Canadian 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. ▪ The European Union 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). Though details of the CETA free trade agreement between Canada and the EU have yet to be finalized, it is expected that this advantage will either increase or be maintained. ▪ 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 and hold 61% of Canada's import quota for butter.	▪ 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 Tariff-rate-quota (TRQ) and over quota imports are subject to high tariffs. ▪ American suppliers have taken advantage of the Import for Re-export Program (IREP), which allows Canadian processors to import dairy products used in manufacturing provided the product is exported. The U.S. is the largest user of this program due to the perishable nature of the products. ▪ 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.

Products Imported in Canada Facing Significant Barriers			
Product Category	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
EGGS & EGG PRODUCTS CANADIAN GLOBAL IMPORTS (2012): U.S. $ 84 MILLION	1. U.S.: 95% 2. China: 3%	▪ The U.S. egg industry traditionally fills Canada's needs when supply is seasonally low. There were significant increases in U.S. imports following the Avian Flu outbreaks in B.C. to both avert shortages in the market and rebuild the hatching egg supply. ▪ The U.S. has also become a supplier of organic eggs to Canada.	▪ Canada's egg industry operates under Supply Management, which is designed to encourage production of a sufficient volume of eggs to meet market needs without creating surplus. The market is protected by high tariffs. Today, about 75% of Canada's total egg production is sold for the table market, while the remaining 25% is used in the manufacturing of value-added food and other products (liquid, frozen or dried form). These supplies are supplemented by imports and a Tariff Rate Quota system. ▪ The Canadian industry has made considerable inroads at retail with differentiated egg offerings such as "free range", Omega 3, and Organic all of which are sold at a premium.. The Canadian Egg Marketing Agency has a sustained media campaign focused on the health benefits of eggs to support retail movement.

Best Product Prospects

Top 10 Foods on Canadian Restaurant Menus

1. French Fries	• 2011: 15% • 2012: 15%
2. Chicken/Poultry Entrees	• 2011: 14% • 2012: 13%
3. Burgers	• 2011: 11% • 2012 11%
4. Salads	• 2011: 9% • 2012; 9%
5. Seafood/Fish	• 2011: 6% • 2012: 6%

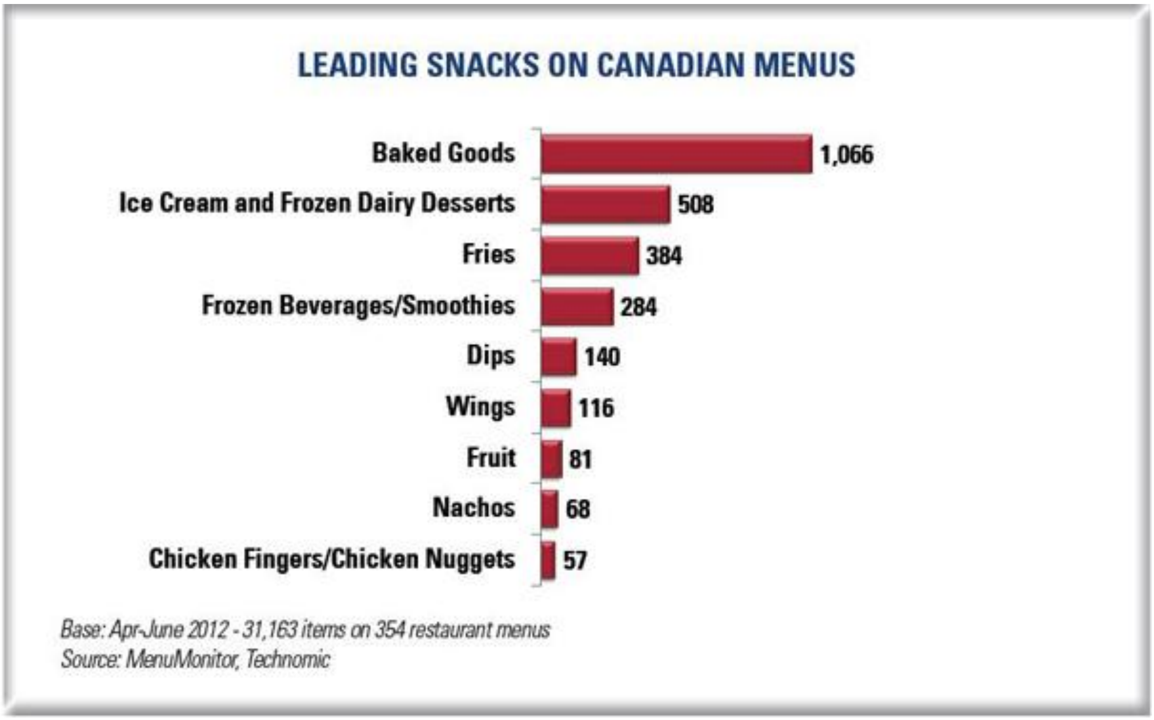
Source: CRFA's Foodservice Facts 2013
Note: Menu Importance is defined as the percentage of meals and snacks that included a particular food item. Data are for the 12 months ending November each year.

Diet Friendly

Healthy eating has been a growing trend in Canada over the last several years. As a result, many Canadians have become more aware of what their food contains and have identified certain ingredients they would like to exclude. Demand for foods that are free of gluten, trans-fats, sugar and/or lactose is growing. Functional foods and organics also continue to be popular. Voluntary sodium reductions are taking place in processed products of all kinds to take advantage of this trend.

Snacking

Snacking continues to grow in importance in the Canadian market. In Technomic's 2012 "Canadian Snacking Consumer Trend Report," 56 percent of respondents revealed that they snack at least twice per day. Foodservice outlets are responding by altering their menus, McDonald's snack wraps are an example. Snacking also blurs the line between traditional dayparts, which has caused some outlets to extend their service to allow for late-night options, longer breakfast hours, etc. As an extension of this, small plates and sharing meals are also becoming more popular in foodservice outlets.



Vegetables

Vegetables are moving to the center of the plate in Canada and are no longer treated as solely side dishes. This is a continuation of the trend toward healthy eating, which is now seeing more consumers embrace "flexitarian" choices that do not always include meat. Leafy greens, such as kale and mustard greens, are particularly expected to grow further in popularity in 2014.

Ethnic Foods

Asian food is projected to continue to grow in popularity in the coming year. While Southeast Asian cuisine will again be popular, there will also be a focus on more traditional and regional offerings from China and Japan. In many cities in Canada, izakayas (casual, Japanese drinking establishments) as well as noodle and ramen bars are popping up. In addition, meals that are a fusion of cuisines (i.e. Vietnamese and Italian) will become more common.

Post Contact and Further Information

Conversion Rate
Per the most recent Bank of Canada noon rate, on 9 December 2013, 1.00 Canadian Dollar(s) = 0.94 U.S. dollar(s), at an exchange rate of 0.9398 (using nominal rate).

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Market Sector Reports:

Listed below are the food sector and marketing reports published by FAS Canada. For a complete listing of other Post reports and of FAS' worldwide agricultural reporting, visit the FAS GAIN web page at http://gain.fas.usda.gov.

Additionally, *This Week in Canadian Agriculture* is a periodic newsletter containing summaries of developments in the Canadian market, including regulatory changes. To be added to the distribution list, please contact FAS Canada at agottawa@fas.usda.gov.

CA13060	Deciduous Fruit	11/12/2013
CA13059	Grain and Feed Update – Fall 2013	11/04/2013
CA13057	Dairy and Dairy Products Report	10/24/2013
CA13053	2013 Potatoes Annual	10/04/2013
CA13050	Increased Competition Brings Changes in Canadian Grocery Market	10/01/2013
CA13049	United States Food and Drug Administration Fall 2013 Outreach Session with Canadian Food Industry Stakeholders	09/30/2013
CA13046	2013 Livestock Annual	09/06/2013
CA13045	CFIA Releases Food Safety Forum Consultation Report	08/21/2013
CA13042	Wine & Spirits	07/26/2013
CA13041	Grain and Feed Annual	07/26/2013
CA13040	Poultry Annual	07/24/2013
CA13039	CFIA Consults on Fertilizers Regulations Modernization	07/19/2013
CA13037	CFIA Announces New Deadline in Food Safety Consultations	07/08/2013
CA13036	Biotechnology Annual	07/05/2013
CA13034	Biofuels Annual	06/28/2013
CA13031	CFIA Launched Consultations on New Food Regulations	06/11/2013
CA13018	CFIA Consults on Inspection Modernization and Sets the Stage for Future Food Regulations	04/03/2013
CA13016	Grain and Feed Annual	04/02/2013
CA13015	Oilseeds and Products Annual	03/22/2013
CA13013	Overview of BTB and RCC Roundtable on Food and Consumer Products	03/11/2013
CA13012	Livestock – Semi-annual	03/01/2013
CA13008	Canadian Consumer Insights	02/08/2013
CA13004	Grain and Feed Update	1/28/2013
CA13001	Retail Food Sector Report	1/22/2013