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Canada

Retail Foods

Retail Sector Overview - 2018

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Report Highlights:

Canada is, by far, the largest overseas market for U.S. high-value, consumer-oriented products, with exports exceeding \$16 billion in 2017. Though the Canadian retail market is largely consolidated, the dominant major outlets and nearly 7,000 independent retailers provide excellent opportunities for new-to-export / new-to-market U.S. companies.

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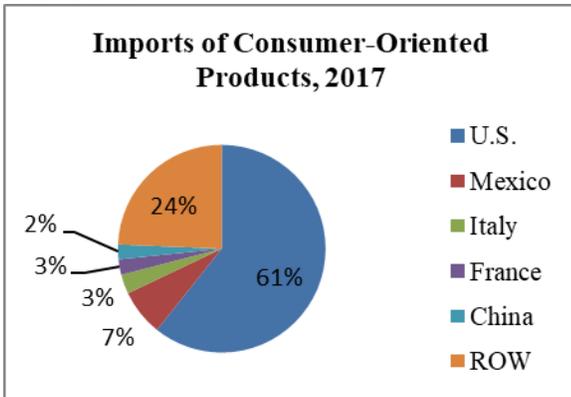
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Market Fact Sheet: Canada

The population of Canada is approximately 37 million and 90 percent of Canadians live within 100 miles of the U.S. border. In 2017, 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 alcohol beverage retail sales were \$92 billion in 2017, a four percent annual increase. Opportunities to expand U.S. food and beverage sales exist, but U.S. food processors should study the market well in advance.

U.S. exports of consumer-oriented products to Canada exceeded \$16.3 billion in 2017, nearly double the value of the next largest market, Mexico. The top U.S. export categories of value-added included: prepared foods, fresh vegetables, red meats, fresh fruits, and snack foods.



Canada's retail market is mature and consolidated, with five "major" stores (including three traditional grocers and two general merchandisers) commanding 80 percent (\$59.5 billion) of the market. Retail sales among traditional grocers have been flat in recent years and much of the sector growth has come from general merchandisers, such as Costco and Walmart with 11 percent and 8 percent market shares, respectively. Some 7,000 independents and convenience stores across Canada make up the remaining 20 percent (\$14.5 billion) of retail food sales. More recently, Canadian "Dollar" stores have expanded low-priced food product offerings, posting 12 percent sales growth in 2017.

The Canadian food market displays a dichotomy of demand: one for low-priced, value-oriented foods and the other for premium and specialty food items. Some premium consumer packaged food products in Canada retail for three times the U.S. retail price. Customarily, U.S. companies selling natural, organic, or specialty foods build broader market demand and generate sales among independent retailers before seeking distribution by one of the "majors." Proven sales in Canada help persuade "major" category buyers to make an initial listing in their stores.

Strengths	Weaknesses
High economic growth and disposable income	Stronger U.S. dollar and high household debt levels
Opportunities	Threats
Duty free tariff treatment for most products	Canadian trade deals with U.S. export competitors

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Section I: Market Summary

IA. Overview of the Canadian Retail Landscape

Total Canadian food and beverage sales rose four percent to \$92 billion in 2017, with alcoholic beverages comprising approximately \$18 billion. Canada retailers rely on imported foods to fill their shelves for consumers with relatively high disposable income. Through access to established global food supply chains, fresh produce and many iconic U.S. brands are readily available throughout the year. Basic grocery items, such as canned soups, peanut butter, hamburger meat and cooking oils compete on [price](#). The demand for healthy, nutritious, and ‘clean’ products has grown over the last decade due to the changing demographics of a graying population, smaller families, and a more sophisticated millennial buyer.¹ Natural, specialty and/or organic products have become standard ‘center aisle’ products in larger grocery outlets, and independent retailers specifically targeting those market segments are currently outperforming standard food retailers.

The Canadian government introduced several new labelling measures in December 2016 and is considering [front-of-package labeling](#) requirements for foods high in sodium, sugars, and saturated fats; companies will have until December 14, 2022 to comply with these new regulations. Some of the [key changes](#) are the daily value, serving sizes, list of nutrients on the nutrition facts table and the format in which ingredients are listed, particularly on sugars. Health claims used on packaged products in the United States may not be permissible in [Canada](#). On May 31, 2018, Canada [proposed retaliatory tariffs](#) on selected processed foods to take effect from July 1, 2018.

IB. Advantages and Challenges Facing the U.S. Products in Canada

Advantages	Challenges
Relatively affluent consumers concentrated in major metropolitan areas	Sophisticated selection of products already available on Canadian store shelves
Geographic proximity can reduce transportation costs	Geographic scale of Canada and difficulty shipping from West to East coasts
Similar culinary tastes and preferences	Bilingual (English and French) labeling required
High U.S. brand awareness	A stronger U.S. dollar makes competitive pricing challenging, especially for specialty food products
Strong demand for natural, organic, gourmet, specialty food products	Smaller volume shipments (smaller distribution and consumer base) drive up landed costs
Duty free access for most products	Import restrictions on dairy and poultry products

¹ [Business Development of Canada](#) reports 31 percent are willing to pay more for premium health/ wellness products.

Consumer confidence in U.S. food safety and food quality	Particular ingredients or food additives may not be approved for use in Canada
Advantages	Challenges
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

IIA. Entry Strategy

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

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

For more information on these steps, please consult the FAS/Canada [Exporter Guide](#). The best entry method depends on the specific food product and the particular sub-sector. FAS/Canada encourages companies to research their product category and associated Canadian retail channels. 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. Companies interested in exhibiting at SIAL Canada in Toronto in 2019 (April 30 - May 2) should contact [Ms. Claire Gros](#) of IMEX Management at 704-733-7211. FAS/Canada works with State Regional Trade Groups (SRTG) and U.S. state departments of agriculture to support small- and medium-sized firms entering the Canadian market.

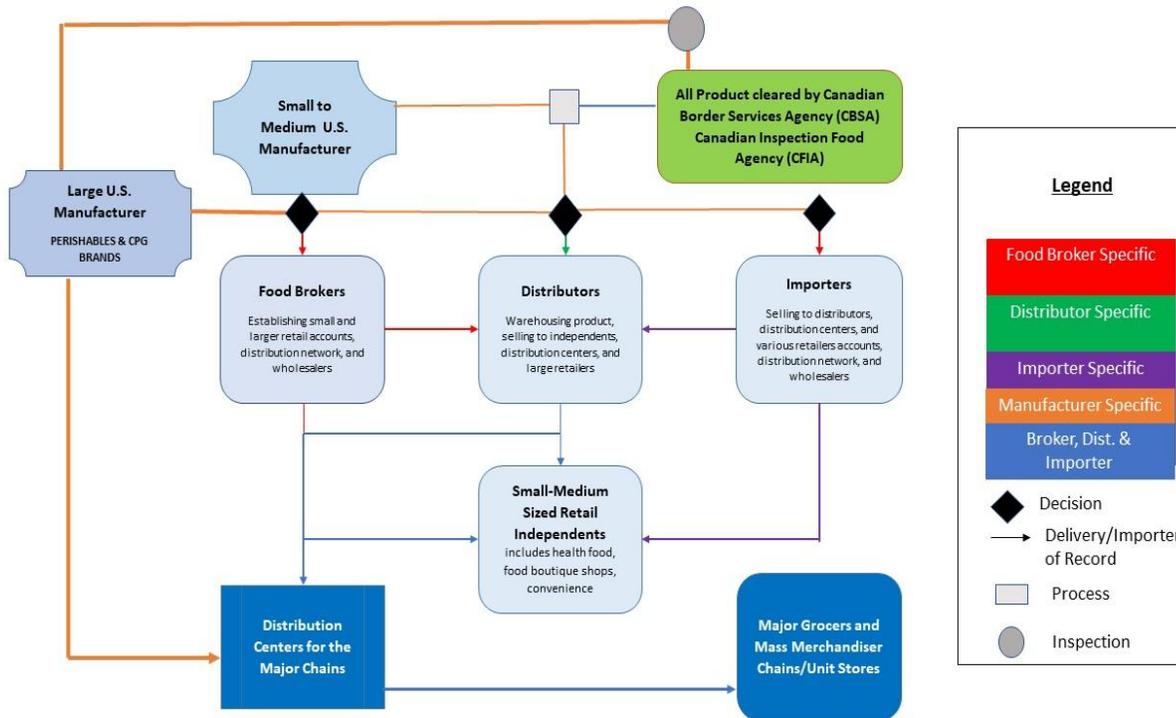
IIB. Import Procedures

Start by reviewing the latest FAS/Canada FAIRS Reports ([CA17049](#) and [CA17050](#)) to better understand relevant Canadian import regulations and standards. 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

IIC. Market Channels for U.S. Food Manufacturers

U.S. Food Manufacturer



The Canadian retail market is highly consolidated, with five grocery “majors” commanding nearly 80 percent of the retail share of market (SOM): [Loblaws](#) (owns national drug chain [Shoppers](#)), [Sobeys/Safeway](#), [Costco](#), [Metro](#) (Ontario and Quebec only) and [Walmart](#). The remaining SOM is represented by 7,000 smaller outlets, ranging from independent convenience stores to high-end specialty food markets. Smaller independent and regional grocers should not be overlooked, as some have sizable annual food sales in excess of C\$8 billion.

The bulk of Canadian food imports are predominantly imported directly by a large importer, broker, distributor or wholesaler; perishable items and multinational food companies may ship directly to a national retail chain’s distribution center. Some online platforms, such as Amazon.ca, are working with vendors in the United States to ship dry goods directly to Canadian distribution centers. As online grocery sales have been slow to take off in Canada, the majors have promoted in-store pick-up

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.

to increase on-line food orders. However, growing, online retail sales represented 1 percent of total Canadian food retail sales in 2017.

Retail category buyers from the larger chains may rely on food brokers, distributors, and importers to manage and assist U.S. companies in navigating the retail and regulatory landscape. Category buyers are limited on time and rely on food brokers and distributors to introduce new, innovative products. For more information on Canadian food brokers, distributors and importers, please refer to the [Exporter Guide](#).

IID. Company Profiles

Top 10 Canadian Grocery Retailers

- 1) [Loblaws/Shoppers Drug Mart](#) (29%)
- 2) [Sobeys/Safeway](#) (21%)
- 3) [Costco](#) (11%)
- 4) [Metro](#) (10.8%)
- 5) [Walmart](#) (7.5%)
- 6) [Co-ops](#) (3.5%)
- 7) [Overwaitea Food Group](#) (3%)
- 8) [Couch-Tard](#) (1.4 %)
- 9) [North West Company Inc.](#) (1%)
- 10) [Dollarama](#) (0.5%)

Leading, Regional Canadian Grocery Retailers

- 1) [Longo Brothers / Grocery Gateway Online](#) (32 units, ON)
- 2) [Buy-Low Foods](#) (87 u, AB & BC)
- 3) [Rabba Fine Foods](#) (35 u, ON)
- 4) [Kitchen Food Fair](#) (69 u, ON)
- 5) [H.Y. Louie Co., Ltd.](#) (31 u, BC)
- 6) [Farm Boy](#) (23 u, ON)
- 7) [Kin’s Farm Market](#) (29 u, BC)
- 8) [Whole Foods / Amazon](#) (10 u, BC & ON)
- 9) [Kitchen Food Fair](#) (69 u, ON)
- 10) [North West Company](#)(138 u, rural CAN)

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: Imports of Consumer Oriented Foods (CO)

Year	Total Canada CO Imports	Canada Imports of U.S. CO	U.S. Share of Canada CO Market	Total Retail Foods Sales in Canada
2013	25,287	16,120	64%	72,362
2014	26,118	16,562	63%	75,769
2015	25,558	16,200	63%	67,362
2016	25,215	15,731	62%	69,750
2017	26,000	15,731	61%	74,250

* Decreases in the retail market size in Canada reflects annual exchange rate fluctuations, as the U.S. dollar has appreciated significantly against the Canadian dollar.

Canadian poultry and egg markets operate under the umbrella of ‘supply management,’ which restricts imports to control supply and maintain artificially high prices. The Canadian dairy industry also operates under the supply management system. The European Union has an advantage in the cheese trade because of Uruguay Round provisions and the Comprehensive and Economic Trade Agreement that entered into force in September 2017. New Zealand’s low production cost supports its dominant position (>60 percent) in Canada’s butter market.

Table 2: Major Competitors for Consumer Oriented Product Categories

Product	U.S. Share of Market	Leading Competitors
Food preparations	80%	China, India, and Germany
Condiments and sauces	81%	Italy, France, and China
Red meats	71%	Australia, New Zealand, and Uruguay
Snack foods	56%	Mexico, UK, and China
Fresh vegetables	63%	Mexico
Fresh fruits	42%	Mexico, Guatemala, and Chile
Cocoa and cocoa preparation	56%	Mexico, UK, and China
Juices, non-alcoholic beverages	53%	Brazil and China

More information on specific categories and leading competitors is available, beginning on page 31, in the 2017 Retail Foods GAIN Report [CA17054](#).

Table 3: 2017- Canada's Imports from the World and U.S. Suppliers

Product	Canada's World Imports (Millions)	Major Imports from U.S. (Millions)
Wines less than 2 liters	1,873.4	389.7
Food Preparations*	2,325.0	1,864
Bread / Pastries (biscuits and bakery products)	1,485.4	1,122
Cocoa and cocoa preparations	1,522.0	733.0
Dog and Cat Foods	670.0	626.2
Beer made from malt	570.3	157.8
Coffee, roasted, not decaffeinated	732.7	507.0
Sauces, mixed condiments and seasonings	812.2	670.4
Fresh and chilled meats (bovine)	835.7	590.3
Non-alcoholic beverages	389.2	214.4
*Includes food preparations, food concentrates, fruit syrups, extracts, flavoring powders, cocktail mixes, etc. Source: GATS 2017		

Section IV: Best Products Categories

The demographics of a graying population, along with the rise of health conscious millennials and baby-boomers has increased demand for products that address the health and wellness concerns. Major food brands are introducing natural, organic and ‘better-for-you’ products to compete with small- to medium-sized companies offering innovative products with ‘clean’ ingredient lists. Smaller meals and snacking continue to be growing trends; an estimated 67 percent of Canadians eat 1-2 snacks daily. 2016 Ipsos research highlighted the fastest growing categories for afternoon snacks were cheese, snack beverages, fresh cut vegetables and dips/sauces/salsas. Nielsen recently reported that 55 percent of Canadians want to eat ‘clean,’ versus 51 percent of U.S. consumers.

Table 4: Product Categories with Increased Sales in Canada (2016 - 2020 proj.)

Category	Percentage Growth Rate	
	4 – 7%	8% and Higher
Beverages	Organic soft drinks (5%) Organic juices (7%) Ready to drink (RTD) teas (6%)	Low-alcoholic beverages (10%) Smoothies (16%) Organic teas (9%)
Confectionery	Organic confectionery (7.3%)	Plant-based desserts (38%)
Dry Grocery	Dry Beans (4%) Dips of clean ingredients (5%) Edible oils (5%) Halal packaged foods (7%) Natural cereal bars (5%) Savory snacks w/ clean ingredients (5%) Vegetarian / Vegan Packaged foods (5%) Organic Packaged Foods (6%) Organic savory snacks (5%) Organic breakfast cereals (6%) Organic packaged foods (5%) Organic edible oils (7%) Organic ready meals (4%) Organic sauces, dressings, and condiments (5%) Organic soups (6%) Organic sweet biscuits, snack bars, and fruit snacks (9%) Plant-based salty snacks (6%) Processed fruits and vegetables (4%) Processed seafood (4%)	Natural fruit and nut bars (7%) Tofu (9%) Organic Spreads (9%) RTD Coffees (14%)

Category	Percentage Growth Rate	
	4 – 7%	8% and Higher
	RTD Teas (6%) Spreads (5%) Sweet biscuits, snack bars, and fruit snacks (5%) Cat food (4%) Premium wet cat food (4%) Dog food (5%) Premium wet dog food (4%) Dog treats (7%)	
Chilled and Frozen Foods	Chilled lunch kits (5%) Chilled ready meals (5%) Frozen processed fruits and vegetables (6%) Seafood (6%)	Meat patties (18%) Frozen fruit (11%) Soy cheese (10%) Yogurt (34%) Organic Spreads (9%)
Produce	Asparagus (7%) Beets (6%) Broad leaf bagged vegetables (7%) Broccoli (6%) Corn (6%) Garlic (6%)	Avocados (23%) Cauliflower (12%) Nectarines (12%) Yams (10%) Zucchini (8%)
Prepared Foods	Prepared Foods (6%)	

Source: Euromonitor International, Nielsen Product Insider 2017

Reported 2018 General Trends

- Occasional indulgences (e.g., cakes, pies)
- Dual-purpose ingredients
- Fermented foods
- Reduced sugar items
- Breakfast items with a twist
- Meal kits
- Meatless / Vegan options
- Game meat
- Smoked
- Preserved seafood
- Citrus
- Protein powders for smoothies
- Root and stem produce
- Sparkling beverages
- Plant-based chips
- Paleo diet products
- Dried fruits

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, including Canadian government agencies, Canadian databases and industry organizations.