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## Canada

### Retail Foods

## An Updated Overview of the Retail Sector in Canada

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**Report Highlights:**

In 2014, Canada's 35.1 million consumers were estimated to have generated C\$505 billion (US\$434 billion in December 31, 2014 dollars) in retail sales, representing a 4.6 percent increase from 2013. Food and beverage sales in Canada contributed more than 22 percent of the retail landscape. At the end of 2014, food and beverage sales were C\$110.8 billion (US\$95 billion). This report provides an overview of the Canadian retail food sector for U.S. food producers that are exploring opportunities to export their products to Canada. This report does not include information on alcoholic beverages. This subject is addressed in the GAIN Report on Exporting Alcoholic Beverages into the Canadian Market.

**Post:**

Ottawa

# Table of Contents

- Overview of U.S. Agricultural Products in Canada ..... 3
- Section 1: Market Summary ..... 4
  - 1A. The Food Sector in Canada’s Retail Landscape ..... 4
  - 1B. Imported Foods in Canada ..... 7
  - 1C. The Canadian Shopper..... 8
  - 1D. Trends Driving Grocery Purchases..... 10
- Section 2: Road Map for Market Entry..... 14
  - 2A. Overview..... 14
  - 2B. Market Structure and Retail Food Distribution Channel..... 20
- Section 3: The GRID on Leading U.S. Products and the Competition..... 28
  - Products Imported in Canada Facing Significant Barriers ..... 32
- Section 4: Best Product Prospects..... 35
  - 4A. Food Products with Good Sales Potential ..... 35
  - 4B. Narrative on Products Facing Significant Barriers and Vigorous Regulations ..... 36
- Section 5: Further Canadian Contacts and FAS/Canada Contacts ..... 39
  - 5A. Government Organizations ..... 39
  - 5B. Industry Associations..... 40
  - 5C. Trade Publications ..... 41
  - 5D. FAS/Canada Contacts ..... 43

## Overview of U.S. Agricultural Products in Canada

In 2014, U.S. agricultural exports to Canada exceeded \$21.9 billion, reflecting an added increase of almost \$1 billion from 2013. U.S. agricultural exports to Canada account for about 15 per cent of the total U.S. food and agricultural exports. Consumer-oriented agricultural products comprise 79% of the total U.S. food and agricultural product sales to Canada, with fresh fruits and vegetables, snack foods, processed fruits and vegetables and red meat products as the category leaders. American value added products account for about 64% of Canada's total agricultural imports.

During FY 2014, the majority of consumer-oriented agricultural categories such as fresh fruits, red meats, snack foods, fresh vegetables, breakfast cereals, pet foods, wine and beer, tree nuts, posted record annual sales to Canada. The top five categories were prepared foods (\$1.90 billion), fresh vegetables (\$1.85 billion), fresh fruits (\$1.78 billion), snack foods (\$1.35 billion), non-alcoholic beverages (\$1.24 billion), and beef & beef products (\$1.02 billion).

Canada is also an important market for U.S. fish and forestry exports. Canada is the second largest export market for U.S. fishery products, and exports reached \$951 million in CY 2014. Despite being a major producer and world exporter of forest products, Canadian imports of U.S. forest products reached \$2.45 billion in CY 2014. Combined U.S. agricultural, fishery, and forestry product exports to Canada reached \$26.7 billion.

The United States and Canada have the world's largest bilateral trading relationship. During CY 2014, two-way merchandise trade of all goods was valued at US\$760 billion, representing \$2.4 billion worth of goods and services crossing the border every day. Of the 50 U.S. states, 35 of them counted Canada as their number one export market during CY2014.

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. Since that time, U.S. agricultural exports have more than tripled in value.<sup>1</sup> However, an issue that could affect the flow of U.S. goods to Canada is the retaliation for the United States' Country of Origin Labelling (COOL) legislation. Canada has been granted permission by the World Trade Organization to introduce tariffs on some U.S. goods. While a list of goods to be possibly targeted for increased tariffs has been circulated, nothing has yet been finalized. Tariffs could be in place between late 2015 and early 2016.

Trade with Canada is facilitated by proximity, common culture, language, similar lifestyle pursuits, and the ease of travel among citizens for business and pleasure. Many U.S. products have gained an increased competitive edge over goods from other countries as the result of the FTA/NAFTA. Also U.S. manufacturers generally have a competitive advantage over Canadian manufacturers in the scale of production. 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.

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<sup>1</sup> 1998 U.S. agricultural exports to Canada were valued at \$6.8 billion.

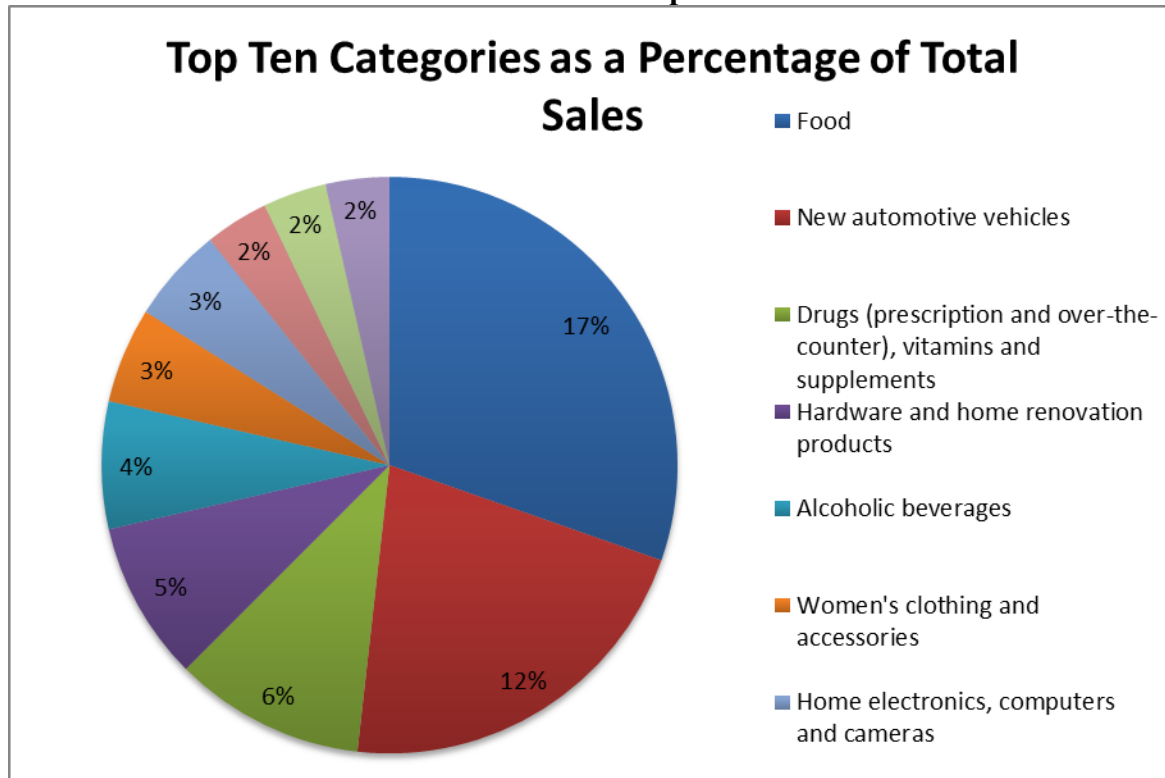
## Section 1: Market Summary

### 1A. The Food Sector in Canada's Retail Landscape

In 2014, Canada's 35.1 million consumers were estimated to have generated C\$505 billion (US\$434 billion in December 31, 2014 dollars) in retail sales, representing a 4.6 percent increase from 2013. Food and beverage sales in Canada contributed more than 22 percent of the retail landscape. At the end of 2014, food and beverage sales were C\$110.8 billion (US\$95 billion).

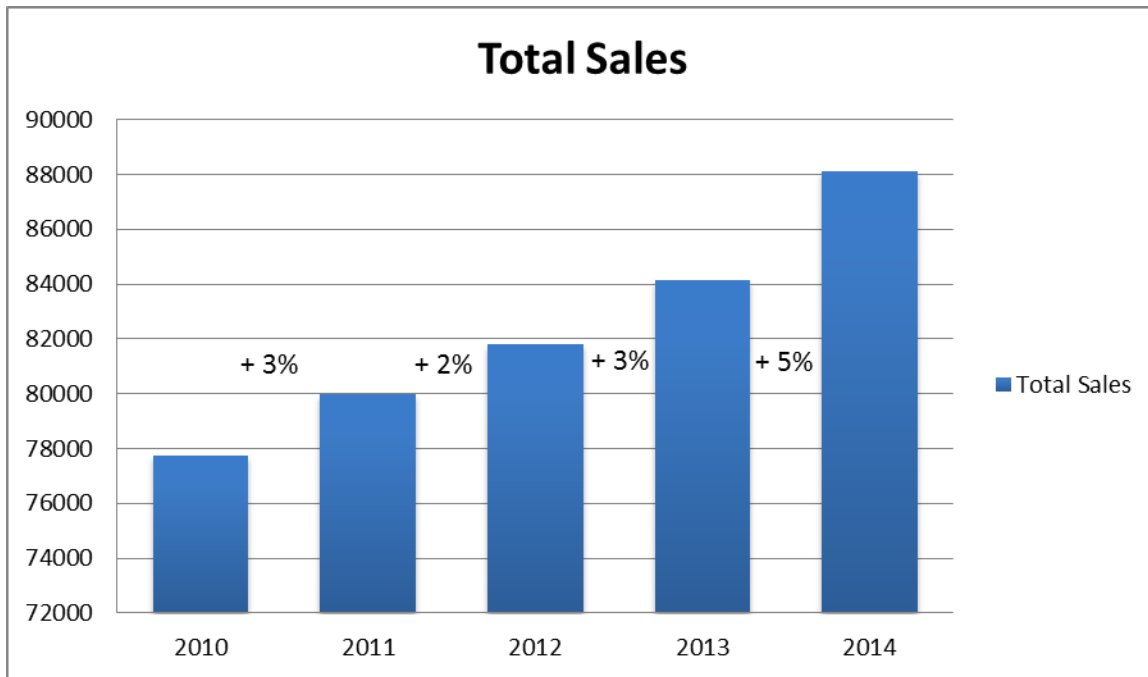
The Office of Consumer Affairs of Canada reports the retail landscape has changed considerably as there has been a shift from the independent to chain stores. The recent influx of major U.S. retail chains into the Canadian market has made it extremely challenging and competitive for all suppliers. Due to the strong presence of U.S. franchises and their stores, most Canadians are receptive to American products and services. A majority of Canadians recognize and are familiar with U.S. products and services due to the geographical proximity and cultural similarities.

**Table 1: Food Sales in Canada's Retail Landscape in 2014**



Source: Statistics Canada, Retail store sales by selected commodity

**Table 2: Five Year Trend in Retail Food Sales in Millions of C\$**



Source: Statistics Canada, Retail store sales by selected commodity

In 2014, approximately 60 percent of food sales were through chains, with independents making up the rest. Walmart Canada and Costco along with other non-grocery retailers including Dollarama, Alimentation Couche-Tard, and Shoppers Drug Mart, have been strategic in placing more food products on their store shelves, making it convenient for customers to spend some of their food dollars in these channels.

**Table 3: Definition of Retail Channels**

Type of Channel	Description
<b>Grocery Store</b>	Any retail store selling a line of dry groceries, canned goods or non-food items plus perishable items.
<b>Supermarkets</b>	A full-line, self-service grocery store with annual sales of C\$2 million or more.
Mass Merchandiser	A retailer of soft and hard goods wherein the selling of grocery products have been an add-on and not traditionally the prime focus of the retail format.
Warehouse Clubs	A store with more than 1,500 items, primarily dry groceries with some perishables. These stores are typically 100,000 square feet or more and feature a majority of general merchandise, as well as a grocery line dedicated to large size and bulk sales.
Convenience Stores	A compact store offering a limited line of high-convenience items. Many sell gasoline and fast food. They are usually less than 2,400 square feet in size and are open long hours.
Drug Stores	Stores (often chain) with retail pharmacies and specializing in Over-the-Counter (OTC) medications and selling health and beauty aid products. Offering a limited range of convenient groceries.
Specialty Stores	Small specialized stores, often approximately 3,000 square feet or less specializing

	in a specific food market sector, such as meats or health foods.
Gas Stations	Convenience stores operating under or in conjunction with a gasoline banner.

Source: Canadian Grocer 2014

**Table 4: Breakdown of the Top Food Retailers in Canada**

Retailer	Estimated 2014 Food Sales (C\$)
Loblaw Cos. Ltd.	\$45,133,000,000
Sobeys Inc.	\$24,498,000,000
Metro Inc.	\$11,678,000,000
Costco Canada Inc.*	\$ 8,634,000,000
Walmart Canada Corp.*	\$ 6,050,000,000
Co-ops	\$ 3,435,000,000
Overwaitea Food Group	\$ 2,998,000,000
Alimentation Couche-Tarde*	\$ 2,051,000,000
North West Company*	\$ 1,240,000,000
Target Canada* (No longer present in market)	\$ 750,000,000
Dollarama	\$ 450,000,000
Longo's	\$ 350,000,000

Source: Canadian Grocer Who's Who 2015

\*indicates food sales only

**The Discount Retail Channel:** Since 2008, the number of discount retailers has grown and is likely to increase further as they account for more than one-third of grocery purchases. In order to compete with the discount stores, traditional grocery stores have been quick to respond by offering special discounts on selected food products to lure shoppers into their establishments. Retail prices remain competitive between the two groups and forecasts illustrate the discount segment will remain competitive with the traditional grocery segment.

**Table 5: Average Retail Prices on Selected Grocery Items**

Selected Food Items	Unit	Average Retail Prices in C\$ October 2014	Average Retail Prices in C\$ October 2015
Round Steak	1 kg	17.51	19.32
Ground Beef , regular	1 kg	11.74	13.23
Wieners	450 g	4.17	4.25
Processed cheese food slices	250 g	2.88	3.00
Bread	675 g	2.81	2.99
Macaroni	500 g	1.39	1.62
Corn Flakes	675 g	4.89	5.00
Apples	1 kg	3.90	4.14
Grapefruits	1 kg	3.06	3.63
Oranges	1 kg	3.11	3.55
Canned Apple Juice	1.36 liter	2.05	2.10
Orange juice, tetra-brick	1 l.	4.00	4.06

Carrots	1 kg	1.66	1.76
Celery	1 kg	1.83	2.55
Onions	1 kg	1.79	1.91
Baked beans, canned	398 ml	1.36	1.36
Tomatoes, canned	796 ml	1.58	1.58
Roasted Coffee	300 g	6.24	6.48
Canned Soup	284 ml	1.01	1.09
Peanut Butter	500 g	3.46	3.69
Soft drinks, lemon-lime type	2 l	1.86	1.86
<i>Source: Statistics Canada, Food and other selected items, average retail prices October 2014 Exchange Rate \$1USD=.1.21CAD</i>			

## 1B. Imported Foods in Canada

The Conference Board of Canada once again recognized the value of imported foods as “the global food supply chains allow (Canadians) to eat fresh fruits and vegetables year-round with the use of transportation equipment and storage facilities with the right temperature and environment to optimize freshness and taste.” The report also added that “trading foods doesn’t imply compromising on the quality, nutrition, and safety of what we eat.”<sup>2</sup>

Some of the leading imports into Canada were fresh fruits and vegetables. In the last two decades, Canadians have changed their eating habits to include more fruits, vegetables, cereal products and nuts.

**Table 6: Global Consumer Oriented (CO) Agricultural Imports into Canada and Canadian Retail Sales**

Year	Total Canadian CO Imports (C\$ Millions)	Total Retail Food and Beverage Sales (C\$ Millions)
2010	20,241.8*	104,238.1
2011	23,267.6*	104,906.7
2012	24,232.8*	106,660.2
2013	27,337.8*	107,720.7
2014	30,538.4*	110,827.2
<i>Source: Statistics Canada (Retail sales by industry, unadjusted) and Global Trade Atlas *converted from USD using Dec 31 exchange rate of each year</i>		

**Table 7: 2014  
Canada’s  
World  
Imports – Top  
10 Food Groups**

Product	Total (CAD Millions)
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<sup>2</sup> Conference Board of Canada. July 2013. *Liberalization’s Last Frontier: Canada’s Food Trade*

Fruits, nuts and vegetables	7,682.2
Meat Products	3,997.3
Alcoholic Beverages	3,844.4
Prepared and Packaged Seafood Products	2,493.2
Coffee and Tea	1182.4
Fresh, frozen and canned fruit and vegetable juices	1094.1
Dairy Products	1071.9
Animal Feed	1020.7
Bottle water, carbonated soft drinks and other beverages	898.6
Fish, shellfish and other fishery products	698.0
<i>Source: Statistics Canada, CANSIM, table 228-0059.</i>	

## 1C. The Canadian Shopper

The changing attitudes and demographics in the last ten years are largely responsible for the types and choices of foods found in retail stores today.

### ***Demographics***

#### Graying Population

Canada has an aging population whereby 40 % of the population is 45 years or older. By 2026 this segment will increase, representing 48 % of Canadians. As there are more seniors and fewer children in the home, the types of food people eat and buy changes. Older Canadians are likely to have health related issues associated with aging. The National Institute of Nutrition rated heart/cardiovascular disease, cancer, diet, weight, diabetes, and lack of exercise are the leading issues among seniors. Recent scientific studies prove that a healthy diet can influence in how a person ages and influence their quality of life.

#### Household Size and Women in the Labor Force

The average number of family members per household has decreased from almost 4 in 1970 to less than 3 people per household in 2008. Today, there are more single-person households than ever before. This has created market opportunities for retailers and food manufacturers to offer single portion sizing foods. In addition, the number of working mothers with children under the age of 16 has increased from 39.1 % in 1976 to 72.9 % in 2009. The added time constraints on working women and mothers, who still remain the primary decision makers in grocery purchases, has increased the demand for convenient meal options.



## Ethnic Diversity

Cultural diversity is a critical force in the retail marketplace and many retailers are responding to this change. The arrival of new immigrants into the country has helped to boost Canada's population. Consumers of Chinese, Pilipino, and South Asian backgrounds make up the largest ethnic groups residing mostly in the provinces of Ontario, Quebec, British Columbia, and Alberta. Statistics Canada projects that by 2031, ethnic shoppers will represent 31% of the consumers in Canada and market research firm. Furthermore, Nielsen estimates that by 2017 this segment of the market is forecasted to contribute by 2017 C\$5 billion in total grocery sales.

## ***Canadian Purchasing Attitudes***

In the last several years, the Foreign Agricultural Service has conducted consumer surveys to evaluate Canadian attitudes and determine the influencers that drive grocery purchases. They are: taste/freshness, price, quality, nutrition, and safety.

## Taste/Freshness

Historically, taste continues to be the driving force influencing most Canadians in their selection of grocery purchases. In more affluent households, shoppers are willing to pay a premium on tasty foods which has given rise to the popularity of a number of gourmet products. Also, freshness is becoming synonymous with quality among Canadians as it implies good taste, nutrition, and more natural (not processed). The consumption of fruits and vegetables by Canadians has increased significantly over the last decade. Agriculture and Agri-Food Canada report Canadians have added 10.9 % more vegetables to their diets.

## Price

Many Canadian consumers have become bargain shoppers due to the slow economic recovery and rising food prices since 2011. These factors have caused shoppers to remain cautious in their spending habits and develop cost-saving measures, such as seeking on-line discount offers and using coupons. The Royal Bank of Canada recently reported the average Canadian spends C\$ 411 per month on groceries and that 57% of shoppers are now comparing food prices and buying less impulse purchases.<sup>3</sup>

## Health/Nutrition

Canadians are becoming informed of the health benefits and the risk associated with the foods they eat. This healthy consumer is likely to take the time to read food labels and evaluate the list of ingredients on a food product. Health Canada reported Canadians have reduced their intake of daily calories from 2,500 in 2001 to 2,358 in 2010. Also the rising incidents of childhood obesity have tripled in the last 30 years. Foods that address the health concerns of younger and older consumers with appealing taste will continue to show promise in the marketplace. Healthy eating in Canada as in the U.S. has become 'mainstream' and there is increasing focus on teaching children how to eat as it is referred to 'food literacy.'

## Safety

While 88% of Canadians are somewhat confident in the overall safety of their food supply in Canada, as reported by *Food Safety News*, there are more Canadians interested in learning more about what the government is doing to ensure all foods are safe. As a result the Canadian government established the Safe Food Act in 2012 to develop a framework to review and update current food regulations.

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<sup>3</sup> CNW, May 16, 2013. 'Canadians more frugal due to rising food prices: RBC Canadian Consumer Outlook.'

## 1D. Trends Driving Grocery Purchases

### Value

**Discount Shopping:** Higher food prices have caused consumers to switch to cheaper brands and cheaper grocery stores.<sup>4</sup>

**Promotional Priced Products:** A growing number of Canadian shoppers browse their store flyer for lower-priced specials and search the internet for coupons.<sup>5</sup> This trend is expected to grow through 2015. While Canadians are price conscious shoppers they will not sacrifice quality for price.

**Private Label:** Traditionally, private label had been seen as lower quality and generally less desirable than national brands but this has changed. In 2011, private label represented C\$11.3 billion in sales and has continued to increase since that time.

**Economical Meal Solutions:** A resurgence of traditional products that offer value such as dehydrated soups.

### Quality/Freshness

**Fresh Foods:** Consumers are switching to fresh foods for they equate "fresh" with better value that offers taste, health and nutrition. Agriculture and Agri-Food Canada reports that Canadians have added 10.9 % more vegetables into their diets.

**Frozen Foods:** Retail sales of frozen foods grew by 3% and are predicted to increase as new technology helps to improve the flavor of frozen food. Microwavable frozen meals that offer steam packaging have become popular.

### Convenience

**Ready to Heat and Eat Foods:** Women continue to do the majority of food purchasing, preparation and clean up. As a result, the demand for foods that are easy and quick to prepare yet tasty, fresh and nutritiously sound continues to grow.

**One Dish Meals:** Growth in quick one-dish meal kits; i.e. stir-fries and stew, is expected.

**Custom Quick Food:** Consumers do not spend an extensive amount of time preparing meals; but it still is important to feel that they have contributed something to the preparation. Therefore, opportunities exist for ready meals or kits, which allow the persons preparing them to add their own personal touch.

**Smaller Food Portions and Packages:** Individual portions sizes are in demand as there are more single-person households.

**Flexible and Portable Packaging:** Eating in vehicles or "Dashboard Dining," as well as eating lunches at the work desk is more common.

**Snacks and Mini Meals:** Canadians eat more snacks than Americans. Eating patterns are changing from eating three main meals a day to eating several smaller meals throughout the day. Convenient, nutritious snacks or mini meals will increase in demand (i.e. breakfast bars, wraps, sports drinks).

**Innovation:** Convenience foods will continue to be popular but the key to success will be innovation.

**Physical and Emotional Energy:** Stressed out consumers that are seeking energy, power and performance from food are turning to sports drinks, energy bars and snacks.

### Health and Wellness

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<sup>4</sup> 2011 Ipsos Survey reported in a sample population that 44% of Canadian grocery shoppers switched to a cheaper brand and 36% switched to a cheaper grocery store.

**Correcting Condition:** Food and food ingredients continue to increase in popularity as a method for self-medication and disease prevention. As a result, the demand for functional and natural foods will continue to increase and new products will be developed.

**Healthy Foods for Kids:** Approximately 26 % of Canadian children ages 2-17 years old are currently obese.

**Gluten-Free:** Sales of gluten free products has grown by 43.8% since 2010 and its' total sales were C\$311.4 million in 2014.

**Low Sodium:** Canadian consumers are becoming conscious about the level of sodium in prepackaged processed foods and in restaurant meals. Health Canada is currently reviewing new recommended target levels of sodium intake.

**Low Sugar:** *Canada's Food Guide* recommends moderate consumption of sugar, glucose, fructose, and various kinds of syrups, as they are the major contributors to weight gain.

**Low Calorie:** Interest in weight loss products and lower calorie foods continues to be high among Canadians.

**Organics:** Canadian Grocer reports the sales of organic foods and beverages has tripled from C\$586.3 million in 2006 to C\$1.35 billion in 2012. <sup>6</sup>

**Trans Fats and Saturated Fats:** Canadians are continually concerned about fat intake and health concerns associated with trans and saturated fats. As a result, low-fat cereals, dairy products and frozen meals are rising.

### Pleasure/Ethnic Foods

Economic growth and rising disposable income has made Canadians more confident about spending for products and services that make their lives easier or provide pleasure.

**Indulgence or Comfort Foods:** Although Canadians are concerned about the nutritional value of foods, they still are reaching out for tasty snacks that are high in fat, sugar and salt. The demand for these foods continues to be high for they are often considered a reward for healthy eating or surviving the stresses of everyday life.

**Gourmet products of Meal Excitement:** New, unique, high quality and expensive products will be small indulgences for consumers who are seeking meal entertainment.

**Regional Cuisine:** Consumers are becoming more interested in seasonal, regional and high flavor foods.

**Ethnic Foods:** Immigration to Canada and the number of minority groups has increased dramatically. Consumers, both ethnic and non-ethnic groups are flocking to healthy and flavorful foreign cuisines such as Asian and Mediterranean foods where the emphasis is on ingredients such as vegetables, grains and fish.

### Ethical Buying

A small but growing number of Canadians are making buying choices based on where and how their foods are grown. This trend goes beyond taste and health concerns and into the realm of green politics and anti-globalization. It includes the concepts of "fair trade", "sustainable practices", and "food miles."

**Buy Local Products:** Consumers want to support their local economy and seek foods locally grown. Although, U.S. foods are clearly not viewed as local, there is a perception as an imported food and preference for U.S. foods over other imported products. Also, Canadians view U.S. products as safer and of better quality than imports from other countries.

**Recycled and Biodegradable Food Packaging:** Most Canadian cities have instituted recycling programs for their citizens and businesses. Each sector is looking to maintain a 'green image.'

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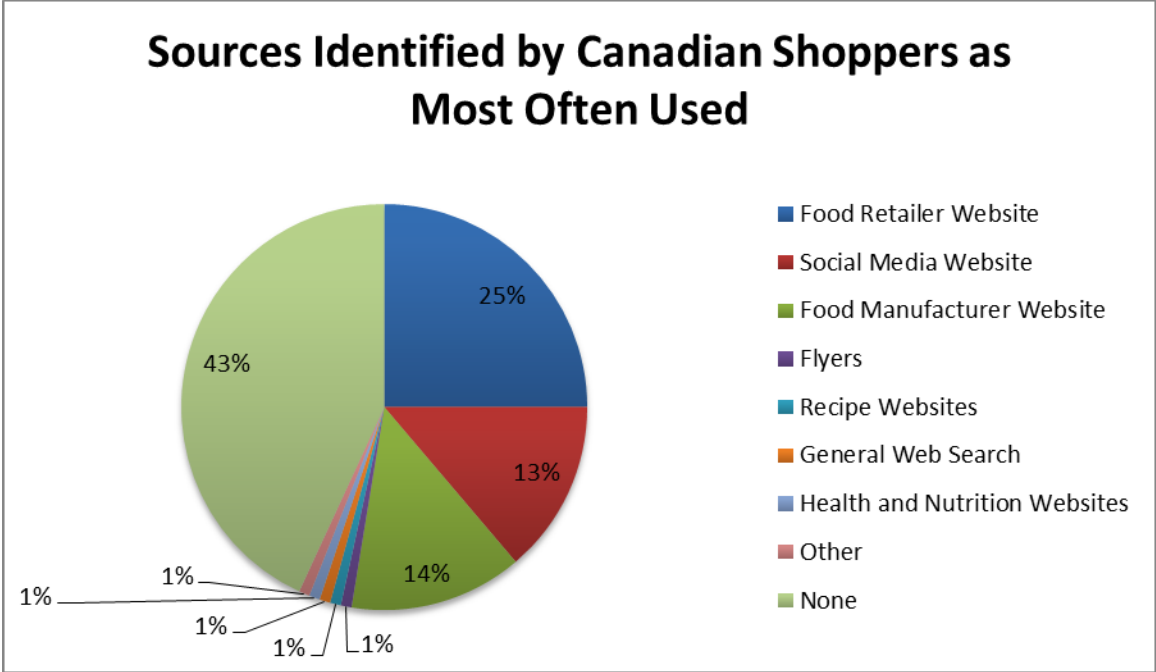
<sup>6</sup> Canadian Grocer, September 2013. 'Organic Makes a Move.'

**Sustainable growing practices:** A small segment of the population like buying foods that incorporate practices that are green and leave a lower carbon imprint on the earth.

Non-Traditional Media Influencers

In the past year, a number of research finding indicate that more and more shoppers, particular the Millennials in their late twenties and early thirties, are using technology to influence their purchases. The Foreign Agricultural Service in Canada commissioned a consumer survey in 2015 and learned that 50% of the respondents are using a number of websites to assist them in their making food choices. The most common types of information users are seeking are promotions/coupons (22%), nutritional information (17%) and recipes (9%). The results below not only illustrate the importance of developing and maintaining an active company website but also highlight the impact that the internet and various forms of social media will continue to have in the coming years as more Millennials become primary shoppers.

**Table 8: Canadian Grocery Shoppers and Social Media**



Source: 2015 LegerWeb Survey Commissioned by FAS Canada

**Table 9: Advantages and Challenges Facing U.S. Exporters**

Advantages	Challenges
Canadian consumers enjoy a high disposable income, coupled with a growing interest in global cuisine.	Competitive pricing as the cost of doing business in Canada for retailers and distributors are higher than in the United States pushing food prices up.

U.S. food products closely match Canadian tastes and expectations.	Tariff rate quotas for certain products.
Fruit and vegetable consumption in Canada is substantially higher than that in the United States. Except for its greenhouse industry Canada's horticulture production is limited. This provides opportunities for U.S. producers in the off seasons. Canadian retailers rely heavily on imports to supply the domestic market all year round.	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 and the U.S. share a 3,145-mile of border with 2/3 of the Canadian population living within 200 miles of the U.S. border. This geographical proximity facilitates 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 U.S. companies with media campaigns in U.S. cities bordering on Canada.	Canada has a very high ethnic population with specific dietary preferences. [The three largest cities consist of more than 1/3 new Canadians]. This consumer ethnic diversity tends to be a challenge for some large scale mass marketing companies with products and marketing campaigns more targeted at the U.S. market. On the other hand the different ethnic markets in Canada can create niche opportunities for smaller companies.
Canada's strong dollar is an advantage for U.S. exporters.	Retailers and brokers/distributors may charge high listing/placement fees.
Canadian ethnically diverse population provides opportunities for specialty products in populated centers.	Food labeling, including bilingual packaging requirement, and nutritional content claims are highly regulated and frequently differ from the United States.
Retail consolidation favors large-scale suppliers and increases sales efficiency with fewer retailers to approach.	Retailers are interested in category extension, not cannibalization. Products entering the market must be innovative; not duplicative.
Duty free tariff treatment for most products under NAFTA	Differences in Food Standards may require special production runs and packaging due to Canadian standard package sizes.
High U.S. quality and safety perceptions.	Differences in approved chemicals and residue tolerances.
Private label presents opportunities for custom packers of high quality products.	Private label brands continue to grow in many categories; sometimes taking shelf space from American national brands.
	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 United States.

## Section 2: Road Map for Market Entry

### 2A. Overview

#### Entry Strategy

Food product manufacturers from the United States seeking to enter the Canadian marketplace have a number of opportunities. The United States is Canada's primary trading partner – with more than 77 % of Canada's processed food imports originating from the United States. The demand for U.S. foods can be attributed to many factors, such as; proximity to the market, reliable shipping methods, similar business practices and similar food tastes between Canadians and Americans.

Although, Canadians are looking for new and innovative U.S. products, there still are a number of challenges U.S. exporters must prepare for and learn to manage. The main challenges include currency, customs procedures, regulatory compliancy, and labeling requirements.

Overcoming these obstacles is possible with the right tools. FAS together with agricultural partners facilitate the exporting process and we recommend the following as first steps when entering the Canadian market:

Contact your state regional trade office or the international specialist of your State Department of Agriculture.

Thoroughly research the Canadian retail landscape and identify your product's market position. Locate a Canadian partner, such as a broker/distributor/importer to help in identifying key Canadian accounts.

Learn Canadian government standards and regulations that pertain to your product.

#### *Step 1. Contact your State Regional Trade Group/State Regional Office*

State Regional Trade Groups (SRTG) are non-profit organizations that offer many services to U.S. food/agricultural product exporters. They are comprised of representatives from their region's Department of Agriculture and work together in supporting U.S. food companies. Primarily, they assist in providing privileged information about the various food sectors in a respective global market. Also, key contact information on buyers and specifics about important trade and consumer shows in Canada is available for potential exporters. Through the SRTG, branded food products and agricultural commodities can be promoted with assistance from Market Access Program (MAP) funds administered by USDA's Foreign Agricultural Service.

Packaging and label modifications, product tasting/demonstrations, in-store promotions, point-of-sale materials, advertising, and trade show participation, are some of the activities for which eligible participants can obtain partial reimbursements.

**Table 10: State Regional Trade Groups**

State Regional Trade Group	Web Site	States
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Food Export USA Northeast	<a href="http://www.foodexportusa.org">http://www.foodexportusa.org</a>	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Food Export Association of the Midwest USA	<a href="http://www.foodexport.org">http://www.foodexport.org</a>	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Southern U.S. Trade Association (SUSTA)	<a href="http://www.susta.org">http://www.susta.org</a>	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico, Virginia, West Virginia
Western U.S. Agricultural Trade Association (WUSATA)	<a href="http://www.wusata.org">http://www.wusata.org</a>	Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming
National Association of State Departments of Agriculture (NASDA)	<a href="http://www.nasda.org/cms/7195/8617.aspx">http://www.nasda.org/cms/7195/8617.aspx</a>	State Directory of the State Departments of Agriculture

**Step 2:** Thoroughly research the Canadian retail landscape and identify your product’s market position. A thorough understanding of consumer trends and needs are required in developing an effective market strategy in Canada. There are many organizations in Canada with extensive information available to U.S. food manufacturers that will help in understanding 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](http://www.canadiangrocer.ca)) and *Grocery Business* ([www.grocerybusiness.ca](http://www.grocerybusiness.ca)). Both publications closely follow key developments in the food retail industry in Canada.

**Table 11: Organization and Data Sources within Canada**

Organization	Function/Purpose	Website
Agriculture and Agri-food	Provides information, research and	<a href="http://www.agr.gc.ca">www.agr.gc.ca</a>

Canada, Agri-Trade Food Service	technology policies and programs. Also provides access to statistics. This department is the counterpart to the U.S. Department of Agriculture.	
Food & Consumer Products of Canada (FCPC)	FCPC is national, non-profit organization representing the food and consumer products industry in Canada.	<a href="http://www.fcpc.ca">www.fcpc.ca</a>
Canadian Federation of Independent Grocers (CFIG)	CFIG represents Canada's independently owned and franchises supermarkets.	<a href="http://www.cfig.ca">www.cfig.ca</a>
Canadian Restaurant and Foodservices Association(CRFA)	The largest foodservice and hospitality association in Canada.	<a href="http://www.crfa.ca">www.crfa.ca</a>
Centre of Food in Canada	A non-profit organization addressing issues related to food and its impact on Canadians.	<a href="http://www.conferenceboard.ca">www.conferenceboard.ca</a>
Consumers' Association of Canada	Represents consumers to all levels of government and to all sectors of society.	<a href="http://www.consumer.ca">www.consumer.ca</a>
Industry Canada	Trade databases.	<a href="http://www.ic.gc.ca">www.ic.gc.ca</a>
<b>Organization</b>	<b>Function/Purpose</b>	<b>Website</b>
Statistics Canada	The official source for Canadian social and economic statistics.	<a href="http://www.statcan.gc.ca">www.statcan.gc.ca</a>
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.	<a href="http://www.iecanada.com">www.iecanada.com</a>

**Step 3: Locate a Canadian Food Partner- Broker/Distributor/Importer**

It is recommended that most new entrants to the Canadian market consider appointing a broker or develop a business relationship with a distributor/importer to enter the Canadian market. As the market is smaller than that of the United States, food companies are urged to closely evaluate their Canadian business partners well before entering into a contractual arrangement. Factors such as work experience, the Canadian firm's financial stability, product familiarity, account base, sales force, executive team commitment, and other considerations should all be taken into account prior to appointing the Canadian partner and or a entering into a future business transactions.

A partial listing of Canadian food brokers is available on our latest brokers report, Agent/Broker Directory – Central Canada (CA 11025) available online at: <http://gain.fas.usda.gov>

FAS/Canada can provide some assistance in identifying a broker/distributor/importer but is not in a position to endorse any Canadian firm. Furthermore, companies are encouraged to visit and/or participate in specific trade shows in Canada (see <http://www.ats-sea.agr.gc.ca/eve/eve-can-eng.htm> for a complete listing of trade shows in Canada) as this will help in evaluating the market and meeting potential Canadian partners.



FAS/USDA recommends a number of Canadian food Shows. FAS/USDA endorses one of the largest food shows in Canada, [SIAL Canada](#). The event alternates between Montreal, Quebec and Toronto, Ontario. The show takes place in Montreal the even years and in Toronto the odd years. In 2016, the show will open its doors in Montreal from Wednesday, April 13th to Friday, April 15th. This year, SIAL Canada has named the United States its “[Country of Honour](#)”. The USA will be featured at various events throughout the show. The USA Pavilion provides added support to exhibitors, such as an educational briefing breakfast on the Canadian market. U.S. food companies wanting to exhibit in the USA Pavilion may contact Sharon Cook, USDA/FAS Washington, DC at [sharon.cook@fas.usda.gov](mailto:sharon.cook@fas.usda.gov)

For those U.S. firms that choose to sell directly into the retail or food service market, then FAS/Canada recommends they closely assess whether the type of store account will encourage or detract from future sales into the market. For example, selling the same brand into a discount chain may discourage future sales in a high-end or specialty shop. Also, selling directly to a large retailer or mass merchandiser may require the U.S. firm meet certain supply quantity guarantees.

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

FAS annually publishes the GAIN Report a Practical Handbook to Exporting to Canada and the Food and Agricultural Import Regulations and Standards Country Report that reviews the various regulations in Canada. Updated versions of both of these reports will be available shortly.

Currently, there are several acts and regulations which govern the sale and distribution of food and beverage products in Canada. It is important to note that Canada is currently in the process of modernizing its food and beverage regulation system and eventually all of the acts listed below will become a part of the Safe Food for Canadians Regulations. These regulations have not yet been published, but a draft is expected in the early part of 2016. For more information on these changes please visit the CFIA’s [Overview: Safe Food for Canadians Action Plan](#) page or contact [agottawa@fas.usda.gov](mailto:agottawa@fas.usda.gov) to be added to our news distribution list.

Some of the key governing acts and regulations currently in place include:

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

Another issue that could affect the flow of U.S. goods to Canada is the retaliation for the United States’ Country of Origin Labelling (COOL) legislation. Canada has been granted permission by the World Trade Organization to introduce tariffs on some U.S. goods. While a list of goods to be possibly targeted for increased tariffs has been circulated, nothing has yet been finalized. However, tariffs could be in place between late 2015 and early 2016.

Canadian agents, distributors, brokers, and/or importers are often the best equipped to assist exporters through the import regulatory process. The best entry method depends on the food product and the sub-sector identified as appropriate for each food product. Government and industry import policies and

trade acts regulate each sub-sector. Each U.S. export opportunity must be thoroughly investigated relative to the legislation that exists for the product requesting entry.

**Table 12: Canadian Government Organizations Related to Food Regulations**

<b>Canada Border Services Agency</b>	<a href="http://www.cbsa-asfc.gc.ca/menu-eng.html">http://www.cbsa-asfc.gc.ca/menu-eng.html</a>
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<b>Canadian Food Inspection Agency</b>	
Home Page	<a href="http://www.inspection.gc.ca">http://www.inspection.gc.ca</a>
Automated Import Reference System (AIRS) (obtain tariff classifications )	<a href="http://www.inspection.gc.ca/plants/imports/airs/eng/1300127512994/1300127627409">http://www.inspection.gc.ca/plants/imports/airs/eng/1300127512994/1300127627409</a>
Acts and Regulations	<a href="http://www.cfia-acia.agr.ca/english/reg/rege.shtml">http://www.cfia-acia.agr.ca/english/reg/rege.shtml</a>
<i>Guide to Food Labelling and Advertising</i>	<a href="http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml">http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml</a>
Meat & Poultry Inspection Regulations	<a href="http://www.inspection.gc.ca/english/fssa/meavia/meaviae.shtml">http://www.inspection.gc.ca/english/fssa/meavia/meaviae.shtml</a>
Fish Import Program Policy	<a href="http://www.inspection.gc.ca/food/fish-and-seafood/imports/documents/fish-import-program-policy/eng/1360859473208/1360859694298">http://www.inspection.gc.ca/food/fish-and-seafood/imports/documents/fish-import-program-policy/eng/1360859473208/1360859694298</a>

<b>Health Canada</b>	
Home Page	<a href="http://www.hc-sc.gc.ca/index-eng.php">http://www.hc-sc.gc.ca/index-eng.php</a>
Food and Drugs Act	<a href="http://laws.justice.gc.ca/en/F-27/">http://laws.justice.gc.ca/en/F-27/</a>
Nutrition Labeling	<a href="http://www.hc-sc.gc.ca/fn-an/label-etiquet/nutrition/index_e.html">http://www.hc-sc.gc.ca/fn-an/label-etiquet/nutrition/index_e.html</a>

Natural Health Products	<a href="http://www.hc-sc.gc.ca/dhp-mps/pubs/natur/index-eng.php">http://www.hc-sc.gc.ca/dhp-mps/pubs/natur/index-eng.php</a>
Food Allergen Labeling	<a href="http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/index-eng.php">http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/index-eng.php</a>
Novel Foods	<a href="http://www.hc-sc.gc.ca/fn-an/gmf-agm/index-eng.php">http://www.hc-sc.gc.ca/fn-an/gmf-agm/index-eng.php</a>

<b>Department of Foreign Affairs, Trade and Development Canada</b> <i>Subject on Controlled Products</i>	<a href="http://www.international.gc.ca/controls-controles/prod/index.aspx">http://www.international.gc.ca/controls-controles/prod/index.aspx</a>
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The Canadian Food Inspection Agency (CFIA) has prepared a [Guide to Food Labelling and Advertising](#) and is accessible through the internet. The guide details the regulatory requirements for selling packaged foods and beverages in Canada. The CFIA has the authority to refuse entry, detain, return, or remove from retail shelves any imported processed food product that does not meet the federal food labeling requirements.

The CFIA Guide includes information on:

- Basic Labeling Requirements \*
- Advertising Requirements
- Claims as to the Composition, Quality, Quantity and Origin of Foods
- Nutrition Labeling \*
- Nutrient Content Claims \*
- Health Related Claims \*
- New regulations on food allergens \*
- Other Product Specific Requirements as alcoholic beverages, processed fruits and vegetables, honey, meat and poultry, fish and supplementary products.

\*Regulations differ from the United States and require adherence for retail sales in Canada.

For more information on food labeling regulations and other information useful to U.S. food exporters, refer to the Export Guide: A Practical Guide on Canada available online at: <http://gain.fas.usda.gov>.

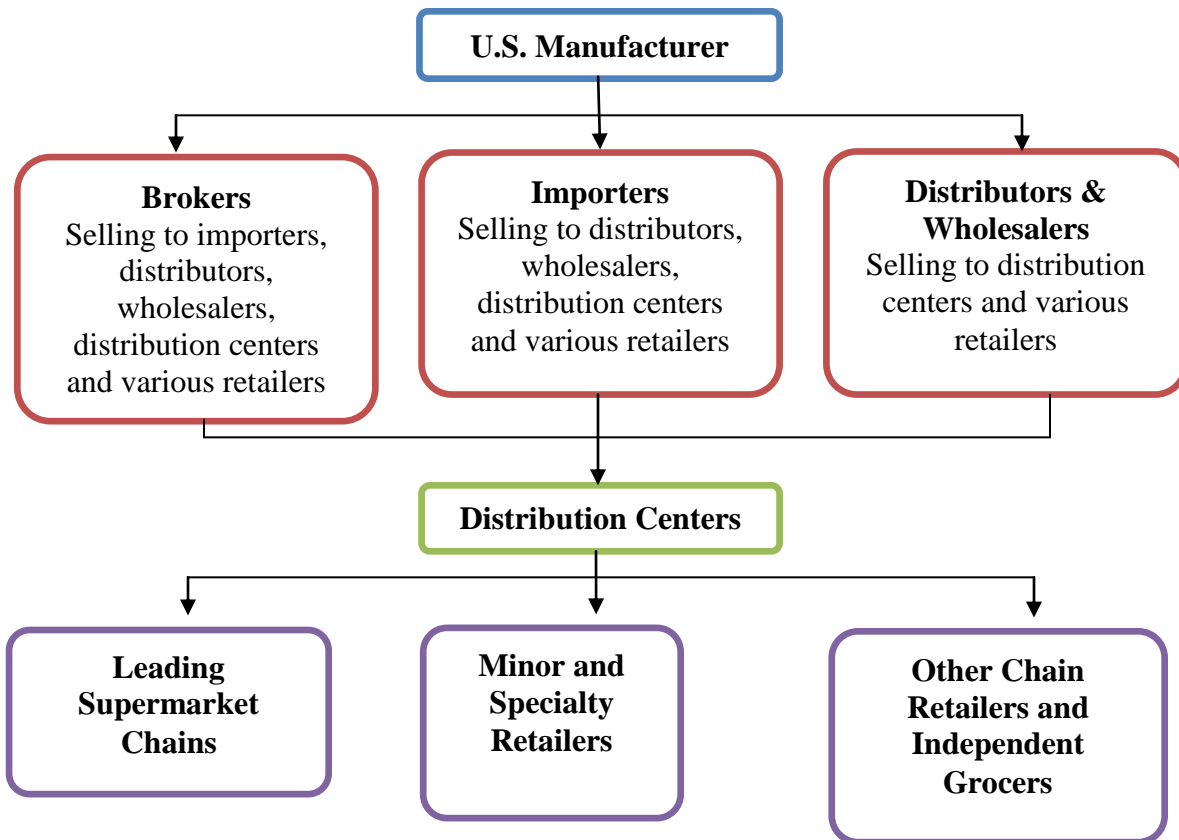
In order to assist exporters to Canada, the Canadian Food Inspection Agency and the Canada Border Services Agency have established two regional **Import Service Centers** in Canada. The staff at these centers can be contacted to obtain pertinent information on specific import requirements and documentation.

**Table 13: Canadian Import Service Centers**

Import Service Center	Open	Contact
Eastern Canada ISC	7 a.m. to 11 p.m. [local time]	Telephone: 1-877-493-0468 or 514-493-0468 Fax: 1-613-773-9999

Central Canada ISC	7 a.m. to 3:00 a.m. [local time]	Telephone: 1-800-835-4486 or 289-247-4099 Fax: 1-613-773-9999
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## 2B. Market Structure and Retail Food Distribution Channel



Imported food products into the Canadian marketplace may be sold directly to the retailer or to importers, brokers, distributors and wholesalers. A significant amount of U.S. agricultural and food products are shipped as an intra company transfer to the Canadian corporate entity as a branch or subsidiary operation.

Traditional supermarket outlets are split between chains and independent stores. All the larger Canadian retail chains are involved in wholesaling and retailing operations. They maintain sizable distribution centers strategically located across Canada. These distribution centers not only supply their own store outlets but may also supply to franchised stores and independent grocers. Some independent grocers may be affiliated with a wholesaler through a voluntary buying group. Wholesalers and the distribution arm of a leading grocery retailer often supply convenience stores and smaller grocery retail chains. Importers, distributors and some wholesalers can sell a specific category or line of products to the chain distribution centers, as these centers will breakdown the quantities to ship to their individual stores. In addition, as in the U.S., some brokers, distributors, and importers sell directly to specified chain units by

providing a direct store delivery. However, the product and designated stores must be approved by the chain's head office.

Larger chains have the ability to procure directly from the foreign supplier, particularly for large quantities of perishable products, such as dairy, produce, meat, poultry and some packaged goods. Some retailers, such as Loblaw Co. Ltd. and Sobeys Inc., employ procurement offices in the United States for this sole purpose and educate U.S. suppliers to meet all government and store regulations. On the grocery side of the business, most retailers rely on brokers, importers and distributors, particularly to identify unique products from less recognized food suppliers to sell in their stores.

Both retailers and suppliers are seeking efficiencies to reduce operational and labor costs in their operations. As in other business sectors, the category buyers of larger retailers are looking to reduce their list of food suppliers they work with and prefer working with representatives that carry an extensive line of products offering a range SKUs.<sup>7</sup> In response to this trend, the broker/distributor industry is making an effort to consolidate products while introducing unique novel products into the market. Larger brokerage/distribution firms are acquiring smaller specialty brokers/distributors either to offer national coverage or enhance the company's product offerings. For example, U.S. firm, UNFI in Toronto, a leading distributor of natural, organic, and specialty retail products acquired food service operators in 2012 specializing in more hard to find specialty products. Brokers and distributors focus on selling to the appropriate category buyer of at each head office while larger brokerage or distribution firms will additionally offer added services to their food manufacturers, like merchandising store checks. Merchandising staff will help to monitor the placement and turnover of the products, as well as help negotiate sampling opportunities with the store chain.

The food distribution sector continues to be consolidated among larger players. Consequently, in an effort to consolidate costs, Loblaw moved to acquire Shoppers Drug Mart (1095 units) in December of 2013 while Sobeys acquired 213 Canada Safeway stores in Western Canada. This continuing consolidation of the food sector is likely to place pressure on suppliers to deliver quality products at lower prices while at the same time offering new and innovative lines.

### **Broker/Distributor/Importer Arrangements**

U.S. firms, particularly small to medium sized firms are recommended to partner with a Canadian food broker/distributor/importer. Most distributors and importers will import and take title of the product. The product will likely be stored in their warehouse and then sold to various store units. While the product may be added to the distributor's catalog of goods you may still be responsible for establishing new store accounts if the product is not ordered by the distributor/importers' customers.

Brokers on the other hand, usually do not take title of the goods but act as your sales persons pitching the unique product features to potential buyers and possibly setting up a network of various food distributors. Usually they charge a percentage of the product sales revenue, ranging from 3% to 10%. The percentages are influenced by several factors: the type of product line, expected sales volume, additional special services such as planning promotions or data collection. In the beginning, a broker may request a monthly retainer fee until monthly sales are well established as they must pioneer the new products. Once a targeted sales volume is reached then the broker will switch to a percentage-of-sales as mentioned earlier. All fees are negotiated between the principal and the broker prior to future transactions.

In an effort to introduce a new product and obtain a product listing, a broker will call on the head office of key store chains and wholesale groups. Once a product listing is secured, there may be a listing fee on new products unless the retailer views the product as a "must have" item. This fee will vary and will

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<sup>7</sup> SKUs- Stock Keeping Unit.

be determined by the product's uniqueness, the demand for the item, along with the advertising and promotional expenditures required to launch the product in a store.

## **i. Retail Grocery Sector**

### **Grocery Stores/Supermarkets/Superstores**

The majority of retail foods continue to be sold through Canada's traditional grocery retailers. Canadian-based retailers Loblaw Co., Ltd., The Empire Company Ltd. (parent company of Sobeys's) and Metro Inc., are responsible for 73% of retail food sales in the country. These market leaders have positioned themselves as the food specialists over their mass-merchandising competitors. They offer discount banner stores that compete with some of the merchandisers. In the last year, the price differential on certain foods has been minimal among stores, indicating retailers are responding to a price conscious Canadian shopper. All three companies have been aggressive in developing their private label brands, including their discounted store brand. As mentioned earlier, both Loblaw and Sobeys have made strategic acquisitions for the purpose of capturing higher margins and simply more food sales. It is forecasted that due to the stiff competition with the mass merchandisers and a frugal shopper, food prices will likely rise only slightly in the next year. Retail leaders will continue to offer discount promotions, specials and other amenities through store loyalty programs to entice new customers and maintain loyal shoppers.

Loblaw Company Limited is the largest grocery retailer in the country with 1,192 grocery stores across the country and 41% share of the food market. (With the recent acquisition of drug chain, Shopper Drug Mart, the company now has approximately 2,300). The company's 24 banners cover the complete spectrum in types of stores as they include: large Superstores selling one third general merchandise products, conventional supermarkets, discount units, convenience and club stores. The company has earned a strategic advantage among their competitors with their control-label brands or more commonly referred to their private label brands. Some of their brands compete head-to-head with the national brands. Among their 13 private label brands, their most recognizable are "President's Choice (PC)" and the "No Name" discounted brand representing over 5,200 products. (As a note of interest selected PC brands are now widely distributed in certain regions in the U.S.) At the high end of the price spectrum, Loblaw offers its "Black Label" products which primarily include specialty products, such as artisan-style croutons and cherry Shiraz jelly. At the lower priced end, the retailer offers their "No Name" brand. The last few holiday seasons, this brand was aggressively promoted in large urban centers through television advertisements. Also, the company has invested more than \$700 million in store improvements over the last two years on 200 of their existing retail units. Some of the improvements included added floor space to their produce and seafood departments, along with more counter space for meals on the go. To reach the growing Asian market, Loblaw acquired T & T Supermarkets in Canada in 2009. These stores offer Asian food products not found elsewhere. Today, there are 23 stores located primarily in British Columbia and in Ontario. Additionally, Loblaw is targeting the very health conscious shoppers.

Sobeys is ranked behind Loblaw with 22% share of the retail food market; however, they offer more grocery stores than its leading competitor; 1,404 locations across the country, not including their convenience store offerings. The outlet numbers are boosted by the company's recent acquisition of Western Safeway. The Financial Post reports the acquisition will not only help the company to penetrate the market but it will also save up to \$200 million in operational costs. Not only has Sobeys' success been largely attributed to geographical store locations but specifically real estate presence. About five years ago, as the country continues to become more urbanized and denser in its major five cities, Sobeys introduced a smaller urban store called "Urban Fresh," to appeal to single/double households and apartment dwellers. The stores are smaller but efficient with frequent turnover of

product. Sobeys also moved to expand its private label category and now offers seven brands with their “Sensations Complements” line being the most recognizable on their store shelves. To capture the ethnic and discount shopper, Sobeys moved to rebrand their former banner store, “Price Shopper” and converted the stores to “Fresco” in 2010. The new stores were redesigned to display more produce, baked goods and meats as well as provide more shelf space to ethnic packaged goods. Lastly, the forecast for increased sales looks promising for Sobeys as its wholesale division is the primary supplier of frozen, dairy and dry goods to Target Canada.

Metro Inc., represents 11% of the market as they operate a total 871 food and convenience stores. The conventional supermarkets make up most of Metro’s portfolio of stores however the company also operates discount stores under the Food Basics banner in Ontario and Super C in Quebec. The company as well, increased their number of private label products to eight. The most recognizable store brand is “Irrestibles” and “Selection.” Recently they offer a new label to target healthy shoppers called “Sans Gluten Free,” and “Irresistibles-Bio Organics.” A few years ago, Metro Inc, partnered with Quebec based Marche Adonis, an ethnic food retailer offering Middle Eastern and Mediterranean style foods. The company opened its two stores that are 30-40,000 square feet in size in 2013 in the suburbs of Toronto and Montreal and have gained a loyal following of both ethnic and non-ethnic shoppers. Although, Loblaw, Sobeys and Metro continue to be the market leaders, there are regional retailers that should not be overlooked by a U.S. exporter. As getting a product listed in one of the regional partners may be more attainable when establishing a company’s initial presence in Canada. For example, the Overwaitea Food Group in Western Canada with 129 stores in Alberta and Canada has made a significant headway in offering 7,000 Asian food products to their customers. Longos in the Greater Toronto Area, owned by the Longo Brothers Fruit Markets has opened up three sizable stores in the market including two with a full-service restaurant menu so that shoppers will truly enjoy their shopping experience. A few of the ethnic retailers have grown from mom and pop family stores to upscale operations. Nations Fresh Food Market with six locations in Toronto opened its flagship store of 55,000 square feet in downtown Hamilton. This retailer that traditionally catered to the Asian population now offers a range of product offerings for every segment of the population in their Hamilton store that is known “*Where East meets West.*”

### **Club Stores**

Warehouse Clubs stores such as Costco Canada and Loblaw Real Canadian Wholesale Club Stores have left a permanent foothold in Canada’s retail landscape. Nielsen Canada reports that Canadians are making fewer grocery trips and some consumers prefer loading up once a week. Despite higher grocery bills with single store visits. While the warehouse format does not offer many frills, at times it does offer competitive unit pricing as a bulk package. Club products carry an average profit margin of about 11 %, while other retailers mark up their goods anywhere from 25 to 50%. Additionally, stores such as Costco lure their customers to buy more with regular demos and product sampling.

### **Mass Merchandisers**

Walmart Canada is the largest mass merchandiser in the country. In comparison to the market leaders, the company’s share of the grocery receipts is only six percent. However, food sales have grown exponentially for Walmart Canada from \$ 130 million in 2006 to \$6.05 billion in 2013. In February of 2014, Walmart announced it was opening 35 new stores in the market and adding more fresh food in 19 of the stores. A significant gain was made in the last few years as the company introduced frozen foods and produce into their stores, making it convenient for time conscious shoppers to pick up all their items in a single shopping trip.

Target Canada or *Tar-zhay* as Canadians refer to the chain, opened their initial stores in Ontario and in Alberta in March of 2013 and had opened 133 outlets by the end of 2014. Sales fell well short of

company's expectation, due in part to a hastily planned supply chain. By January 2015, Target had announced plans to exit the Canadian market.

## ii. Convenience Stores, Mini Marts, and Gas Stations

The Canadian Convenience Store Association reported 10.4 million visits are made each day to Canada's 23,000 convenience stores and gas stations. The sector was up by 3.28% in 2012 and has done well with certain categories, particularly beverages that can account for up to 23.5% of the store's grocery offerings. Floor space for new food products such as some fresh produce, sushi, baked goods and snacks is growing and many store units are expanding their premises to accommodate these products. The focus continues to be equipping stores with equipment, such as beverage stands and well stocked high quality convenience foods, like snack foods and confectionary items. Much like the supermarket sector, products that are perceived to be healthy, fruits like apples, oranges and low trans-fat chips are now becoming readily available in these types of stores.

## iii. Drug Chains

Grocery sales through the drug stores remains small in comparison to the other retail channels however, a few drug store chains have expanded their grocery section and have been aggressive in offering price specials on basic grocery commodities, like boxed cereal and milk. With Loblaw acquisition of Shoppers Drug Mart in 2013, the country's largest drug store chain, industry specialists forecast new products offerings of healthy foods will appear in some of these units.

## iv. On-Line Shopping

Grocery on-line shopping has been slow to take off in Canada as compared to the United States and historically has been operating regionally rather than nationally. In the U.S. on-line food sales is estimated at 2.5% while in Canada it is approximately less than 1% of the total retail food sales. The regional players are: IGA, which is operated by Sobeys in selected areas in Quebec; Metro Glebe operated by Metro in Ottawa; and Grocery Gateway, owned by Longo Brothers Fruit Market, Inc., operating in Toronto and its suburbs. There are operations in smaller communities servicing Vancouver Island in British Columbia by Quality Foods and, Tele Grocer in the southern part of Ontario.

Amazon and Walmart Canada introduced their respective lines of mostly dry packaged goods. Trade journal, *Grocery Business* reported Amazon is offering 15,000 grocery items on its on-line menu of goods which include a range of specialty food products. While Walmart Canada announced in early 2014 it will invest \$31 million dollars to match Amazon's offering and more in the next two years.

The following table lists the leading retail chains and their major respective banner store as reported at the end of 2014.

### Provinces Abbreviations:

AB: Alberta

BC: British Columbia

MB: Manitoba

NB: New Brunswick

NL: Newfoundland and Labrador

NWT: Northwest Territories

NS: Nova Scotia

NU: Nunavut

ON: Ontario

PE: Prince Edward Island

QC: Quebec

SK: Saskatchewan

YT: Yukon



Canadian Regions:

Eastern: NB, NS, PEI, NL

Central: ON & QC

Western and Prairies: AB, BC, MB, SK

Store Type:

SS: Superstore

SM: Supermarket

Price Category:

D: Discount

L: Low

M: Medium

W: Wholesale

U: Upper

SC: Super Centre

C: Convenience

**Table 14: Top 3 Grocery Chains with Banners and Locations**

Retailer	Name of banner	No units	Location
Loblaw Companies Ltd. loblaw.ca  Total Sales: CDN\$ 45.1 B			
	Atlantic Superstore	53	Atlantic
	Dominion	15	Atlantic
	Extra Foods	55	BC/YT/NT/NU, Prairies, ON
	Fortinos	23	ON
	Freshmart	58	ON, Atlantic
	IGA (Atlantic)	3	Atlantic
	L'Intermarche	53	QC
	Loblaw	130	ON, QC
	Lucky Dollar	13	BC/YT/NT/NU, ON
	Maxi	106	QC
	NoFrills	168	Prairies, ON, Atlantic
	Provigo	70	QC
	Real Canadian Superstore	109	BC/YT/NT/NU, Prairies, ON, QC
	Real Canadian Wholesale Club	32	BC/YT/NT/NU, Prairies, ON, Atlantic
	Save Easy		
	Shop Easy Foods	53	BC/YT/NT/NU, Prairies
	Shopper's Drug Mart		
	Super Valu	2	Atlantic
	Super Value	20	BC/YT/NT/NU, Prairies
	T & T	23	BC/YT/NT/NU, Prairies, ON
Valu-Mart	58	ON	
Your Independent Grocer	98	ON, Atlantic	
Zehrs	50	ON	

Retailer	Name of banner	No units	Location
Sobey's (div. of Empire Company Ltd.) sobeys.com  Total Sales: CDN\$ 24.5 B			
	Boni Choix	89	QC
	Boni Soir	210	QC
	Family Foods	68	BC/YT/NT/NU, Prairies, ON
	Foodland	200	ON, Atlantic
	Food Town	22	ON
	FreshCo	87	ON
	IGA	183	BC/YT/NT/NU, Prairies, QC
	IGA Extra	124	QC
	Kwik-Way	65	ON
	Needs	129	Atlantic
	Price Chopper	3	ON
	Safeway	192	BC/YT/NT/NU, Prairies, ON
	Sobeys	265	BC/YT/NT/NU, Prairies, ON, Atlantic
Thrifty Foods	29	BC/YT/NT/NU	
Tradition	37	QC	

Retailer	Name of banner	No units	Location
Metro Inc. metro.ca  Total Sales: CDN\$ 11.7 B			
	Ami	81	QC
	Extra	197	QC
	Food Basics	122	ON
	Metro/Metro Plus	348	ON, QC
	Service	37	QC
Super C	86	QC	

### Section 3: The GRID on Leading U.S. Products and the Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>FRESH FRUITS &amp; VEGETABLES</b></p> <p><b>VEGETABLES:</b> CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$2.4. BILLION</p>	<p>VEGETABLES:</p> <p>U.S.: 66% Mexico: 26% Peru: 2%</p>	<p>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.</p> <p>Among imports, U.S. fruits and vegetables are viewed by most Canadians as their number one choice to other imports.</p> <p>Mexico maintained the same level of market share in Canada for the last three years. They remain a major competitor due to lower prices, along with some Canadian produce companies with winter operations in Mexico. Their leading products are tomatoes, cucumbers, asparagus, raspberries/blackberries/strawberries, peppers, avocados, watermelons, papayas, lemons/ limes.</p> <p>Peru is competitive with their asparagus, avocados, artichokes and some citrus products.</p>	<p>Lettuce, onions, carrots, tomatoes, potatoes, cauliflower, and spinach are the leading vegetables sold in the fresh market.</p> <p>Apples are the largest production item, followed by blueberries, cranberries, grapes and peaches.</p> <p>Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June.</p> <p>The ‘Buy Local’ campaigns are well supported by grocery retailers starting in June through October.</p>
<p><b>FRUIT:</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$3.6 BILLION</p>	<p>FRUIT:</p> <p>U.S.: 47% Mexico: 14% Chile: 9%</p>	<p>There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixes fruits, and variety of processed vegetables.</p> <p>U.S. is a major player in the market with established process brands in the market.</p> <p>China’s products are dried and prepared vegetables and fruits.</p> <p>Mexico supplies prepared and frozen strawberries and other prepared fruits and vegetables.</p>	<p>Canadian companies process a wide range of canned, chilled, and frozen products.</p> <p>Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies adopted more than 5 new technologies in their operations.</p> <p>Higher manufacturing and operation costs than in the U.S.</p>
<p><b>PROCESSED FRUITS AND VEGETABLES</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$2.3 BILLION</p>	<p>U.S.: 62% China: 7% Mexico: 4%</p>	<p>There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixes fruits, and variety of processed vegetables.</p> <p>U.S. is a major player in the market with established process brands in the market.</p> <p>China’s products are dried and prepared vegetables and fruits.</p> <p>Mexico supplies prepared and frozen strawberries and other prepared fruits and vegetables.</p>	<p>Canadian companies process a wide range of canned, chilled, and frozen products.</p> <p>Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies adopted more than 5 new technologies in their operations.</p> <p>Higher manufacturing and operation costs than in the U.S.</p>

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>SNACK FOODS</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$1.7 BILLION (excluding peanuts)</p>	<p>1. U.S.: 59%</p> <p>2. Mexico: 6%</p> <p>3. Belgium: 5%</p>	<p>The U.S. dominates this category with snack breads, pastry cakes, pretzels, chips, cookies, and dried fruits, Competitors vary by sub category with the main competitor and sub category as follows: Mexico: cookies and biscuits; Belgium: chocolate and confections. U.K. Germany and Switzerland; chocolate, along with confection and non-confection items.</p>	<p>Canada's snack food imports have grown by U.S. \$95 million since 2012. 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.</p> <p>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 to the number of new products in the category, such as a variety of crackers and other products targeted at specific ethnic groups</p> <p>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.</p>
<p><b>RED MEATS</b> (Fresh/Chilled/Frozen)</p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$1.8 BILLION</p> <p><b>RED MEATS</b> (Prepared/Preserved)</p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$1.BILLION</p>	<p>U.S.: 71%</p> <p>Australia: 13%</p> <p>New Zealand: 8%</p> <p>U.S.: 93%</p> <p>Thailand 3%</p> <p>3. Brazil 2%</p>	<p>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).</p> <p>Many parts of South America remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons.</p> <p>U.S. competitors are limited by a beef quota.</p>	<p>Canada maintains a narrow acquired feed cost advantage.</p> <p>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.</p> <p>The industry has worked its way out of the inventory surge from the BSE trade disruption.</p> <p>Canadian per capita basis consumption has declined since 2009, falling by .7% to 23.4 kg.</p>

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>FISH &amp; SEAFOOD</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$2.7 BILLION</p>	<p>1. U.S.: 34%</p> <p>2. China 15%</p> <p>3. Thailand: 11%</p>	<p>Leading U.S. exports to Canada are live lobsters, salmon and prepared and preserved fish.</p> <p>Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment.</p> <p>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.</p> <p>A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors.</p> <p>More than two-thirds of seafood is sold by retailers.</p>	<p>Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade.</p> <p>Lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada.</p> <p>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.</p> <p>Frozen processed seafood grew by 6% in the past year with demand for premium products offering hormone-free and free of antibiotic variants.</p>
<p><b>BREAKFAST CEREALS/PANCAKE MIXES</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$522 MILLION</p>	<p>U.S.: 93%</p> <p>U.K.: 2%</p> <p>Belgium: 1%</p>	<p>Breakfast cereal imports have grown by over US\$103 million since 2010. The U.S. continues to dominate imports with ready to serve product that are popular.</p> <p>Although, the U.K.'s share of the market is small they have a couple of well-established brands in the market.</p>	<p>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.</p> <p>Breakfast cereals are expected to shrink by 1% in volume in the coming years as consumers choose other breakfast options, as yoghurts and protein shakes and bars.</p>

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<b>FRUIT &amp; VEGETABLE JUICES</b>  CANADIAN GLOBAL IMPORTS (2014):  U.S. \$698 MILLION	1. U.S.: 62% 2. Brazil 17% 3. China 6%	Although Canada's imports from both the world and from the U.S. decreased slightly, fresh orange juice showed a small increase Brazil is the leader in frozen orange juice concentrate China's major juice export to Canada is fortified apple juice; China represents 88% of its imports for this category	Canada is a major per capita consumer of citrus juices but is unable to grow these products. It will 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.
<b>NUTS</b>  CANADIAN GLOBAL IMPORTS (2014):  Tree Nuts U.S. \$656 MILLION  Peanuts U.S. \$117 MILLION	Tree Nuts 1. U.S.: 63% 2. Turkey: 11% 3. Vietnam: 8%  Peanuts 1. U.S. : 79% 2. China: 14% 3. Nicaragua: 3%	This category continues to put in a strong showing in Canada. Tree nuts grew by 17% from 2013 to 2014, probably helped the increased interest in healthy snacking 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 in cashew nuts. Growing trend of nut allergies in Canadians caused the Canadian Food Inspection Agency and Health Canada to set specific allergen labeling regulations for all suppliers in 2012.	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.
<b>PET FOOD</b> ( Dog and Cat)  CANADIAN GLOBAL IMPORTS (2014):  U.S. \$659 MILLION	1. U.S.: 93% 2. China: 3% 3. Thailand: 2%	U.S. imports of dog and cat food registered at U.S. \$614 million in 2014, a 3% increase from 2013 Canadians regard U.S. pet foods as a trusted and quality product. Demand for premium pet foods is helping drive the growth in this category.	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
<p><b>POULTRY MEAT</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$437 MILLION</p>	<ol style="list-style-type: none"> <li>1. U.S.: 90%</li> <li>2. Brazil: 7%</li> <li>3. Chile: 1%</li> </ol>	<p>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. Many imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP).</p>	<p>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.</p> <p>The Canadian industry has significantly increased surveillance since the A.I. outbreaks in B.C. in 2004 and has continuously improved bio-security measures.</p>





**Products Imported in Canada Facing Significant Barriers**

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>EGGS &amp; EGG PRODUCTS</b></p> <p>CANADIAN GLOBAL IMPORTS (2014):</p> <p>U.S. \$150 MILLION</p>	<p>U.S.: 96%</p> <p>China: 2%</p> <p>New Zealand: 1%</p>	<p>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.</p>	<p>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.</p> <p>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.</p>

## Section 4: Best Product Prospects

### 4A. Food Products with Good Sales Potential

**Table 15: High Physical Growth**

Category	Growing	
	+4 % to 10%	Over 10%
<b>Beverages</b>	Premium fruit / vegetable juices (5%)	Chilled smoothies (28%) Coffee (15%) Hot Beverages (6%)
<b>Confectionery</b>	Chocolate (4%)	Confectionery (3%)
<b>Dry Grocery</b>	Asian Sauces (4%) Thai Sauces (8%)  Tortillas & Wraps (5%) Cracker Chips (4%)  Sweet and Savory Snacks (4%) Nuts (5.9) Natural snack bars (6.1%)	Stir – fry sauces (24%) Indian Sauces (22%) Filipino Sauces (26%) Asian chili sauces (59%)  Bagels (6%) High fibre pasta (15%) Naturally health snack bars (6%) Granola / muesli bars (6.6%)
<b>Chilled and Frozen Foods</b>	Chilled and natural based – soy based desserts (5%) Chilled noodles (4%) Frozen oven baked potato chips (4%) Frozen processed vegetables (4%)	Chilled Soup (7%) Thin crust pizza (6%) Single/Double serving (27%)  Refrigerated salad dressings (5%)  Naturally health soy milk (11%) Home Meal Replacement (8%) Processed Meat (6%)
<b>Produce</b>	Bagged Salads (5%) Onions (5%)	Kale (77%) Yams (40%) Kohlrabi (34%) Artichokes (32%) Okra (27%) Vegetables (10%)

<b>Refrigerated &amp; Dairy</b>	Yogurt (9%)	Natural / Organic / Greek (40%)
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Source: Euromonitor International 2013, Canadian Grocer Category Captains 2013, Canadian Grocer Executive Report 2014-2015

#### 4B. Narrative on Products Facing Significant Barriers and Vigorous Regulations

Exporters from the United States are urged to familiarize themselves with the Canadian food laws and regulations as this will help them evaluate their product's market potential and ensure their products can be legally sold in Canada. To learn more about these regulations, please read the GAIN report (CA 13076) on [Food and Agricultural Import Regulations and Standards](#). The Canadian Food Inspection Agency (CFIA) is responsible for the inspection of food products at all levels of trade. Below are some key barriers and challenges in the market.

##### Tariffs and Tariff Rate Quotas (TRQs)

Effective January 1, 1998 the tariff provisions of the U.S.- Canada Free Trade Agreement (FTA) removed all tariffs between the two countries with the exception of those products for which Canada implemented tariff rate quotas on January 1, 1995. The provisions of the FTA were incorporated into the NAFTA to which Mexico is also a signatory. The NAFTA came into effect on January 1, 1994. In 1995, under the World Trade Organization (WTO) agreement, Canada replaced import quotas on certain agricultural products with Tariff Rate Quotas (TRQs). Under the TRQ system, imports that are within quotas are subject to low or free rates of duty, until the quota limit has been reached. Once quota limits have been reached, over quota imports are subject to significantly higher Most-Favored-Nation (MFN) rates of duty. To import and market TRQ commodities, a business must be a registered Canadian business entity and must be in possession of an import permit. These companies are referred to as 'quota holders.' For most commodities, TRQs are already allocated with only a few available for new Canadian businesses. The Department of Foreign Affairs and International Trade (Export and Import Controls Bureau) is responsible for administering Canada's Tariff Rate Quotas for agricultural products. For more information go to: <http://www.dfait-maeci.gc.ca/trade/eicb/agric/agric-en.asp> Canada administers TRQs that affect exporters of the following U.S. agricultural commodities:

- Broiler Hatching Eggs & Chicks
- Chicken and Chicken Products
- Turkey and Turkey Products
- Table Eggs
- Milk & Dairy Products
- Cheese
- Margarine

The Canadian Department of Foreign Affairs, Trade and Development (DFATD) is responsible for the administration of all such TRQs. Import permits are required and are allocated annually, free of charge, to several groups of qualified Canadian importers (such as historical, processors, distributors, and food service entities) who use the permits throughout the year. DFATD charges a small [processing fee](#) for the issuance of permits and makes the list of the importing companies (quota holders), as well as other TRQ related information, publicly available on its [website](#).

Under Canada's trade agreements, U.S. exporters enjoy duty-free access for the amounts of supply managed products shipped under the quantitative limits of the TRQs. A number of Canadian importers solicit U.S. exporters to pay considerable amounts of money so they can recover the so called "price of import permits". These requested amounts can represent more than 50 % of the value of the product being exported. Canadian importers justify this as their cost of purchasing import permits from the original companies that received the permits from DFATD and which do not intend to use them. While U.S. exporters have the latitude to engage in business transactions that they deem appropriate, Canadian importers often overcharge US businesses in their efforts to pass the cost of the import permits to the suppliers while collecting additional "rent". The price differential between the strictly controlled Canadian and the open U.S. markets is typically amply sufficient to allow importers to recover the so called "price of import permits" without U.S. exporters paying any additional amount.

***Important note for U.S. meat exporters:*** Canada has further TRQs that affect both the level and the tariff rates of imports from non-NAFTA origin of pork, beef, and wheat, barley and their products, but they do not apply to imports of U.S. origin (or Mexican origin when eligible).

Detailed Information is located at the link below:

[http://www.international.gc.ca/controls-controles/prod/agri/index.aspx?menu\\_id=3&menu=R](http://www.international.gc.ca/controls-controles/prod/agri/index.aspx?menu_id=3&menu=R)

## **Pesticides and Other Contaminants**

Some agricultural chemicals approved for use in the United States are not registered in Canada. As a result, these pesticides are deemed to have a zero tolerance in Canada and imported foods which contain unregistered pesticide residues above 0.1 parts per million are deemed to be adulterated under Section B.15.002 (1) of Canada's Food and Drug Regulations. The goods are subject to detention, destruction, or return.

Canada is currently reviewing its policy of the 0.1 ppm default level. A discussion document issued by Health Canada on this policy review is available at:

[http://www.hc-sc.gc.ca/cps-spc/pest/part/consultations/\\_dis2006-01/index-eng.php](http://www.hc-sc.gc.ca/cps-spc/pest/part/consultations/_dis2006-01/index-eng.php)

## **Health Canada**

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

All foods sold in Canada are subject to the Food and Drugs Act and Regulations, which contains health and safety requirements, labeling requirements and provision 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, bottled water and maple syrup.

The Food and Drug Regulations (FDR) outline the 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 FDR, food additives must conform to specification in the Food Chemical Codex (as required by section B.01.045 of the FDR). There are differences between Canadian and United States rules. A list of food additives permitted for use in

Canada can be found archived at: [http://www.hc-sc.gc.ca/fn-an/securit/addit/diction/dict\\_food-alim\\_add-eng.php](http://www.hc-sc.gc.ca/fn-an/securit/addit/diction/dict_food-alim_add-eng.php).

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

**Vitamin and Mineral Fortification:** Fortification in Canada is under review. Health Canada has signaled it is looking at expanding discretionary fortification but with restrictions on which vitamins and minerals and what amounts would be permissible. However, differences remain such as the folic acid exclusion on milled grain and bakery products. More information on fortification can be seen: [www.hc-sc.gc.ca/fn-an/nutrition/vitamin/index\\_e.html](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 per cent of the total fat content and to limit the trans-fat content for all other foods to 5 per cent, 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. Trans fat regulations are outlined at: <http://www.hc-sc.gc.ca/fn-an/nutrition/gras-trans-fats/index-eng.php>.

**Novel Foods (Foods Containing Genetically Modified Crops):** Health Canada defines novel foods as: products that have never been used as a food; foods that result from a process that has not been previously used for food; or foods that have been modified by genetic manipulation (i.e., from foods containing genetically modified (GM) crops).

Under the Novel Foods Regulations, such foods can only be sold in Canada once approved by Health Canada. To learn more go to: *GM Foods and Other Novel Foods*: <http://www.hc-sc.gc.ca/fn-an/gmf-agm/index-eng.php>

**Diet-Related Health Claims:** The Canadian Food Inspection Agency enforces specific regulations regarding health claims that can be made about a product or ingredient. These regulations are in place to ensure accuracy and validity. For exact wording, visit <http://www.inspection.gc.ca/english/fssa/labeti/guide/ch8e.shtml#8.4>.

**Packaging and Container Regulations:** Canadian regulations govern specific package sizes for fruits, vegetables, processed horticultural products and processed meats stipulate standardized package sizes that may differ from U.S. sizes. The standards of identity and the container sizes are generally stipulated in the regulations encompassing agriculture and food products. Electronic access to all Canadian food-related regulations is available through: <http://www.inspection.gc.ca/english/reg/rege.shtml>

**Allergen Labeling Regulations on Pre-packaged Foods:** Health Canada has added gluten sources, mustard, and sulphites to the list of Priority Food Allergens list (see table below). As of August 4, 2012, the Canadian Food Inspection Agency (CFIA) and Health Canada will require most pre-packaged products containing these allergenic ingredients be noted on the label in a list or in a statement such as “*Allergy and Intolerance Information*”; *Contains (name the allergen)*. The new regulations also require manufacturers to use common names, for example spelt and kamut are to be declared as wheat for allergen labeling purposes.

Health Canada provides the following reference guidance to food companies:

*Food Allergen Labelling Guidance for Industry*

[http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/guide\\_ligne\\_direct\\_indust-eng.php](http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/guide_ligne_direct_indust-eng.php)

**Organic Standards:** As of June 30, 2009, the Organic Products Regulations require mandatory certification to the revised National Organic Standard for agricultural products represented as organic in international and inter-provincial trade, or that bear the federal organic agricultural product legend (or federal logo). Due to the equivalency agreement with the United States, the USDA organic certification is fully recognized in Canada and there is no need for further certification in Canada for USDA-certified organic products. The CFIA has more information on regulations for organic products on their website at: <http://www.inspection.gc.ca/food/organic-products/eng/1300139461200/1300140373901>.

**Revised Compositional Standards for Cheese:** New cheese compositional standards came into force on December 14, 2008. These standards impose limitations on the dairy ingredients that can be used in cheese making and also bring in a regulatory scheme designed to make cheese importers more accountable for ensuring that imported product complies with the new regulations. The regulations limit dairy ingredients by requiring “minimum %age of casein from milk” categories, and the requirement of cheeses to meet the minimum ratios. To determine whether or not cheese to be imported complies with Canadian compositional standards, refer to an official copy of the regulations, available at: <http://www.inspection.gc.ca/food/dairy-products/imports-interprovincial-trade/composition-licensing/eng/1359103014709/1359460807028>

## Section 5: Further Canadian Contacts and FAS/Canada Contacts

### 5A. Government Organizations

Table 16

Organization	Contact Information
Agriculture and Agri-Food Canada	1341 Baseline Road Ottawa, Ontario K1A 0C5 Telephone: 613-773-1000 Fax: 613-773-2772 TDD/TTY: 613-773-2600 Email: info@agr.gc.ca Web: <a href="http://www.agr.gc.ca/index_e.php">http://www.agr.gc.ca/index_e.php</a>
Statistics Canada	150 Tunney’s Pasture Driveway Ottawa, Ontario K1A 0T6 Online requests: <a href="mailto:infostates@statcan.gc.ca">infostates@statcan.gc.ca</a> <a href="http://www.statcan.gc.ca">www.statcan.gc.ca</a> Telephone: 1-800-263-1136 or 613-951-8116 Fax: 1-877-287-4369 or 613-951-0581 TTY-1-800-363-7629 Web: <a href="http://www.statcan.gc.ca">www.statcan.gc.ca</a>
Department of Foreign Affairs and International Trade	125 Sussex Drive Ottawa, ON, Canada K1A 0G2

	<p>Facsimile: 613-996-9709  Email: enqserv@international.gc.ca  Telephone: 1-800-267-8376 (toll-free in Canada)  613-944-4000 (in the National Capital Region and  outside Canada)  Web: www.international.gc.ca</p>
Canada Border Services Agency	<p>Canada Border Services Agency  Ottawa ON, K1A 0L8  Call within Canada:  Service in English: 1-800-461-9999  Service in French: 1-800-959-2036</p> <p>Calls outside Canada:  Service in English: 204-983-3500 or 506-636-5064  Service in French: 204-983-3700 or 506-636-5067  Contact@cbsa.gc.ca  Web: www.cbsa.gc.ca</p>
Canadian Food Inspection Agency	<p>1400 Merivale Road  Ottawa, Ontario K1A 0Y9  Tel: 1-800-442-2342 / 613-225-2342  TTY: 1-800-465-7735  Fax: 613-228-6601  Web: www.inspection.gc.ca</p>
Health Canada	<p>Address Locator 0900C2  Ottawa, Ontario K1A 0K9  Tel. 613-957-2991  Toll free 866-225-0709  Email. info@hc-sc-gc.ca  Web: www.hc-sc.gc.ca</p>
Industry Canada	<p>C.D. Howe Building  235 Queen Street  Ottawa, Ontario K1A 0H5  Telephone: 613-954-5031  Toll-free: 1-800-328-6189 (Canada)  TTY (for hearing-impaired only): 1-866-694-8389 (toll-free)  Fax: 613-954-2340  Online: info@ic.gc.ca, Web: www.ic.gc.ca</p>

## 5B. Industry Associations

Table 17

Organization	Contact Information
Canadian Health Food Association	<p>CHFA  235 Yorkland Blvd., Suite 302  Toronto, Ontario M2J 4Y8</p>



	<p>Tel: (416) 497-6939 / 1-800-661-4510  Fax: (416) 497-3214  Email: <a href="mailto:info@chfa.ca">info@chfa.ca</a>  Web: <a href="http://www.chfa.ca">www.chfa.ca</a></p>
Canadian Federation of Independent Grocers	<p>CFIG  2235 Sheppard Ave. East, Suite 902  Willowdale, ON M2J 5B5  Tel: (416) 492-2311 or 800-661-2344  Fax: (416) 492-2347  Email: <a href="mailto:info@cfig.ca">info@cfig.ca</a>  Web: <a href="http://www.cfig.ca">www.cfig.ca</a></p>
Canadian Produce Marketing Association [CPMA]	<p>CPMA  162 Cleopatra Drive  Ottawa, ON K2G 5X2  Tel: (613) 226-4187  Fax: (613) 226-2984  Email: <a href="mailto:question@cpma.ca">question@cpma.ca</a>  Web: <a href="http://www.cpma.ca">www.cpma.ca</a></p>
Food and Consumer Products of Canada (FCPC )	<p>FCPC  100 Sheppard Avenue East, Suite 600  Toronto, Ontario M2N 6N5  Tel. (416) 510-8024  Fax.(416) 510-8043  Email. <a href="mailto:info@fcpc.ca">info@fcpc.ca</a>  Web: <a href="http://www.fcpc.ca">www.fcpc.ca</a></p>
Fruit and Vegetable Dispute Resolution Corporation (FVDRC)	<p>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: <a href="mailto:info@fvdrc.com">info@fvdrc.com</a>  Web: <a href="http://www.fvdrc.com/en/home.aspx">http://www.fvdrc.com/en/home.aspx</a></p>
Food and Consumer Product Manufactures of Canada	<p>FPCMC  885 Don Mills Rd. Suite. 301  Toronto, ON M3C 1V9  Tel: (416) 510-8024  Fax: (416) 510-8043  Email: <a href="mailto:info@fcpmc.com">info@fcpmc.com</a> Web: <a href="http://www.fcpmc.com">www.fcpmc.com</a></p>

## 5C. Trade Publications

**Table 18**

Publications	Contact Information
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Canadian Natural Health Retailer	<p>CNHR  5707 Forgets Road  Wyebridge, Ontario L0K 2E0  Tel. (705) 526-8444  Tel. 705-526-8444  Email: <a href="http://www.cnhr.ca/contact-us.html">http://www.cnhr.ca/contact-us.html</a>  Web: <a href="http://www.chra.ca">www.chra.ca</a></p>
Food in Canada	<p>Food in Canada ( Business Media Group)  80 Valleybrook Drive  Toronto, ON M3B 2S9  Tel: (416) 510-6775  Fax: (416) 510-5140  Email: <a href="mailto:IEilbracht@foodincanada.com">IEilbracht@foodincanada.com</a>  Web: <a href="http://www.foodincanada.com">www.foodincanada.com</a></p>
Canada Grocer	<p>Canadian Grocer/Rogers Media  One Mount Pleasant Rd.  Toronto, ON M4Y 2Y5  Tel: 1-800-268-9119, ext. 1441  Fax: (416) 764-1523  Email: <a href="mailto:michelle.iliescu@rci.rogers.com">michelle.iliescu@rci.rogers.com</a>  Web: <a href="http://www.canadiangrocer.com">www.canadiangrocer.com</a></p>
Foodservice and Hospitality	<p>Foodservice and Hospitality /Kostuch Media  101-23 Lesmill Road  Toronto, ON M3B 3P6  Tel: (416) 447-0888  Fax: (416) 447-5333  Subscription: <a href="http://www.kostuchmedia.com/subscribe.html">http://www.kostuchmedia.com/subscribe.html</a>  Web: <a href="http://www.kostuchmedia.com/magazines/65-magazines/951-foodservice-and-hospitality-magazine.html">http://www.kostuchmedia.com/magazines/65-magazines/951-foodservice-and-hospitality-magazine.html</a></p>
Grocery Business	<p>Grocery Business  390 Queen's Quay West  P.O. Box 4085  Toronto, ON M5V 3A6  Tel. 416-561-4744  Email. <a href="mailto:Info@grocerybusiness.ca">Info@grocerybusiness.ca</a>  Web:<a href="http://www.grocerybusiness.ca">www.grocerybusiness.ca</a></p>
C-Store Canada	<p>C-Store Canada/Mercury Publications Ltd.  1740 Wellington Avenue  Winnipeg, MB R3H 0E8  Tel: (204) 954-2085, ext. 223 or (800) 337-6372  Fax: (204) 954-2057  Email: <a href="mailto:sheilah@mercury.mb.ca">sheilah@mercury.mb.ca</a>  Web: <a href="http://www.c-storecanada.com">www.c-storecanada.com</a></p>
Western Grocer	<p>Western Grocer/Mercury Publications Ltd.  1740 Wellington Avenue</p>

	Winnipeg, MB R3H 0E8 Tel: (204) 954-2085, ext. 215 or (800) 337-6372 Fax: (204) 954-2057 Email: <a href="mailto:Melanie@mecury.mb.ca">Melanie@mecury.mb.ca</a> Web: <a href="http://www.mercury.mb.ca">www.mercury.mb.ca</a>
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## 5D. FAS/Canada Contacts

USDA/FAS Canada endorses and organizes a U.S. pavilion at SIAL Canada every year. The next SIAL Canada show is scheduled for April 2 – 4 in Montreal.

Office of Agricultural Affairs

U.S. Embassy, Canada

P.O. Box 5000, MS-30

Ogdensburg, NY 13669-0430

Telephone: (613) 688-5267

Fax: (613) 688-3124

Email: [agottawa@fas.usda.gov](mailto:agottawa@fas.usda.gov)

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Lewiston, NY 14092-0135

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Email: [agtoronto@fas.usda.gov](mailto:agtoronto@fas.usda.gov)

Maria A. Arbulu, Senior Marketing Specialist

### Find us on the World Wide Web

FAS publishes timely information on the agricultural economy and market conditions in foreign countries. For a complete listing of other Post reports and of FAS' worldwide agricultural reporting, visit the FAS GAIN web page and be sure to insert the report number at:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

**Table 19: Other available GAIN Reports on Canada:**

CA15100	Fresh Deciduous Fruit Annual	10/27/2015
CA15099	Grain and Feed Update	10/26/2015
CA15091	Dairy Annual	10/15/2015
CA15089	It's a Date! Medjool Dates Win Prize for Innovation at Canada's Grocery	10/13/2015

	Innovations 2015	
CA15085	Potato Products Annual	10/08/2015
CA15084	Canadian Labelling Requirements for Fresh Fruits and Vegetables	09/23/2015
CA15082	Livestock Annual	09/17/2015
CA15076	Biofuels	07
CA15074	Pesticides and MRLs in Canada	08/07/2015
CA15073	Poultry Annual	08/07/2015
CA15071	United States Top Market for Canadian Agricultural Exports	08/06/2015
CA15070	Canada Concludes FTA Negotiations with Ukraine	08/06/2015
CA15067	Grain and Feed	
CA15062	Biotechnology Annual	07/13/2015
CA15058	Proposed Changes to Nutrition Labelling Regulations Published	06/23/2015
CA15055	Update on Canadian Imports of Spent Fowl	06/09/2015
CA15051	Food Labelling Modernization Initiative Enters Second Phase	05/25/2015
CA15049	US Loses Appeal on COOL	05/19/2015
CA15048	Export Accomplishment Report Helping Job Growth through the U.S. Exports of 'Natural Delights' Medjool Dates	05/19/2015
CA15045	Preliminary Text of Proposed SFCA Regulations Available for Comment	05/07/2015
CA15043	2015 Ontario Budget Summary	05/06/2015
CA15041	2015 Budget-Increased Spending for Agricultural Exports	04/30/2015
CA15040	Container Size Regulations	04/24/2015
CA15039	Ontario Proposes Restrictions On Neonicotinoid-Treated Seeds	04/24/2015
CA15035	LLP Policy Revised	04/09/2015
CA15033	Grain and Feed	04/01/2015
CA15032	Oilseeds Annual	04/01/2015
CA15026	Canada Top Market for U.S. High-Value Agricultural Exports	03/19/15
CA15022	Reforms to Grain Act Stalled	03/02/2015
CA15021	Agricultural Growth Act Now Law	03/02/2015
CA15019	Livestock Semi-Annual	02/27/2015
CA15018	Detroit-Based Firm Finds Success in Exporting	02/26/2015
CA15013	The Canada-Korea Free Trade Agreement (CKFTA)	02/04/2015
CA15012	Outlook of 2015 Canadian Food and Beverage Trends	01/30/2015
CA15011	Grain and Feed Quarterly Update - January	01/30/2015
CA15006	FAS/Canada assisting in Relieving Hunger in Canada	01/07/2015
CA15004	Changes to Grain Act May Help Level the Playing Field	01/22/2015
CA15003	CDC Lowers Support Price for Skim Milk Powder	01/22/2015

CA15002	U.S. Ethanol Exports to Canada – Opportunities and Challenges	01/13/2015
CA15001	Changes to Canada’s Maple Products Regulations	01/08/2015