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Report Highlights:

Canada, which imported more than $18.2 billion of U.S. high-value, consumer-oriented goods in 2021, continues to be a top market for U.S. exporters. Unparalleled regulatory cooperation, sophisticated transportation logistics and financial markets, geographic proximity, similar consumer preferences, and relatively affluent consumers are the primary reasons why Canada continues to offer excellent export opportunities for new-to-export small- and medium-sized U.S. companies.

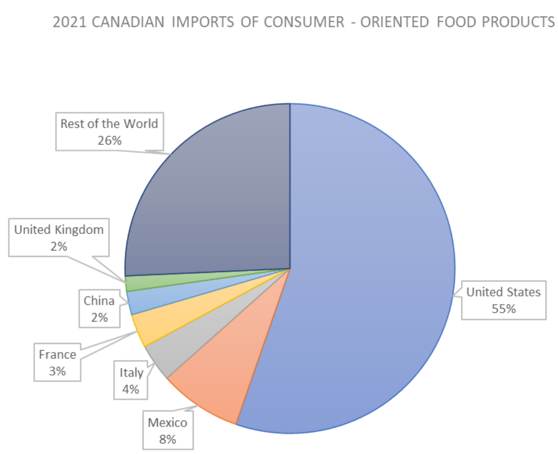
Market Fact Sheet: Canada

Executive Summary

The population of Canada is approximately 38.9 million, the vast majority of whom live within 100 miles of the U.S. border. In 2021, Canada was the leading destination for U.S. exports of consumer-oriented food products. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports $153 million worth of daily two-way trade in food and agricultural products. Canadian households spent $149 billion on food and agricultural products in 2021, creating opportunities to expand U.S. food and beverage product sales.

Canadian Imports of Consumer-Oriented Products

Canada sources 55 percent of its total consumer-oriented products from the United States. While products from the United States are currently the most prevalent imported food items in the Canadian market, free trade agreements with the European Union (CETA) and Pacific nations (CPTPP) have increased competition for Canadian consumer spending. U.S. exports of consumer-oriented products to Canada exceeded $18.2 billion in 2021, nearly double the value of the next largest market.



Year after year, top categories of high-value, consumer-oriented food products include fresh and processed fruits and vegetables, meats, prepared foods, baked goods, cereals and pasta, and soft drinks. In 2021, most of the U.S. exports to Canada of high value, consumer-oriented foods reached record levels.

Canada Quick Facts 2021

Global Imports of Consumer-Oriented Goods into Canada
$32 billion

U.S. Exports of Consumer-Oriented Goods to Canada
$18 billion

List of Top 10 U.S. Consumer-Oriented Products Exports to Canada ($ millions)

1) Bakery Goods, Cereals, and Pasta ($2,314)
2) Fresh Vegetables ($1,992)
3) Fresh Fruit ($1,744)
4) Food Preparations ($1,220)
5) Non-alcoholic Beverages ($1,184)
6) Pork and Pork Products ($952)
7) Dairy Products ($854)
8) Chocolate and Cocoa Products ($812)
9) Beef and Beef Products ($773)
10) Tree Nuts ($717)

Food Industry Sales by Channel ($ billions)

Total Food and Beverage Industry	**$198.6**
Food Service Sales	$62.8
Retail Food and Beverage Sales	$110.0
Processing Food and Beverage Sales	$25.8

Top 10 Restaurant Chains (Market Share Percentage)

11) Loblaws/Shoppers Drug Mart (28%)
12) Sobeys/Safeway (20%)
13) Metro/Jean Coutu (11%)
14) Costco (9%)
15) Walmart (8%)
16) Overwaitea Food Group (4%)
17) Co-ops (3%)
18) Couch-Tard (2%)
19) North West Company Inc. (1%)
20) Dollarama (1%)

Source: Global Trade Atlas, Global Agricultural Trade System, Trade Data Monitor, Statistics Canada and Euromonitor International

Strengths / Weaknesses / Opportunities / Threats

Strengths	Weaknesses
Relatively high consumer disposable income levels and similar consumer preferences.	Strong U.S. dollar, inflationary pressures.
Opportunities	**Threats**
Duty-free tariff treatment for most products and acceptance of new innovative products.	Increasing third-country competition, and strong 'buy local' consumer sentiment.

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SECTION I. MARKET OVERVIEW

Canada continued to be a top agricultural trading partner for the United States in 2021, with U.S. agricultural exports to Canada exceeding $25.3 billion and total two-way agricultural trade topping $56.4 billion. The United States and Canada maintain the world's largest bilateral trading relationship with more than $153 million worth of food and agricultural products crossing the U.S.-Canada border every day. Canada offers regulatory cooperation, comparable food safety systems, a sophisticated transportation network, and established financial markets. It's geographic proximity, similar consumer preferences, and relatively affluent consumers are among the reasons why Canada continues to offer excellent export opportunities for new-to-export small- and medium-sized U.S. companies.

Canada and the United States implemented the Canada-U.S. Free Trade Agreement (FTA) in 1989, which provided for elimination of tariffs on most goods, including agricultural products. The FTA was replaced by the North American Free Trade Agreement (NAFTA) in 1994, when Mexico joined. On July 1, 2020, NAFTA was replaced by the United States-Mexico-Canada Trade Agreement (USMCA).

The population of Canada is approximately 38.9 million, the vast majority of whom live within 100 miles of the U.S. border. Consumers are concentrated among a handful of metropolitan areas. Canada's three largest cities – Toronto, Montreal, and Vancouver – are in the provinces of Ontario, Quebec, and British Columbia, respectively. Although 75 percent of national economic activity and population are currently concentrated in these three provinces, 2021 data shows record growth in the Maritime provinces, and a strong interprovincial migration of young people out of Ontario. Projections show that the population will grow by 15 percent over the next 20 years, driven predominantly by immigration. In 2021, Canada welcomed over 405,000 newcomers, from 175 countries - a record in a single year. The Government will continue their effort to growth the economy through immigration, by welcoming 465,000 permanent residents in 2023, 485,000 in 2024 and 500,000 in 2025. The top foreign countries where immigrants are originating from are India, Philippines, China, Syria, Nigeria, and the United States. Declining birth rates and an increase in life expectancy will continue to push the median age up, from its current 41.7 years.

According to Statistics Canada household disposable income, in local currency, was $91,686 in 2021, with household final consumption expenditure at $84,215. Statistics Canada reports housing, transportation, and food as the top household expenditures with an average of $16, 645 spent on food costs, representing 20 percent of total expenditure per household. Canada's annual inflation rate, as of October of 2022, was 6.9 percent, with food inflation reaching a value of 10.1 percent. Higher food prices coupled with the increase in household disposable income tracking below the inflation rate will influence consumer purchasing behavior.

Table 1: Canadian Market Overview Summary

Advantages	Disadvantages
Canadian consumers have a relatively high disposable income and are well-positioned to purchase high-quality products.	Bilingual (English and French) labeling is required for retail products.
Canada's ethnically diverse population provides opportunities for specialty products. Canadians are increasingly demanding diverse flavors and greater access to global cuisines.	Canada's population is approximately a tenth of the United States and more dispersed, making marketing and distribution costs generally higher than in the United States.
Per-capita produce consumption is relatively high. Retailers and food service operators have developed efficient supply chains to import fruits and vegetables year-round to satisfy their customers.	There is growing competition from other exporting countries offering produce at lower prices, such as Mexico, Peru, South Africa, and others.
Retailers are continually looking for innovative and new brands.	Canada's retail sales network is different from that of the U.S. market. Retailers rely on Canadian brokers and distributors to find new products and assist their U.S. exporters with pricing, compliance, and logistics.
Duty-free, tariff-free treatment for more than 98 percent of U.S. products under USMCA (entered into force July 1, 2020).	Tariff rate quotas apply for supply-managed commodities (i.e., dairy, poultry, and eggs).
U.S. food products are generally aligned with Canadian tastes and are familiar to Canadian consumers.	"Buy local" campaigns are increasingly popular.

SECTION II. EXPORTER BUSINESS TIPS

U.S. exporters are encouraged to look at Canada as a country of five regional markets and develop market entry strategies for each region: Ontario, Quebec, Atlantic Canada, Prairies, and Western Canada. As the market is consolidated in both the retail and the food service sector, new exporters need to familiarize themselves with the major retail banners, operators, and Canadian processors in each regional market to secure long-term success. Nearly 76 percent of total retail beverage and food sales in 2021 were attributed to five companies: Loblaws, Sobeys, Metro, Walmart, and Costco. More than 6,800 independents and 27,000 small and independent convenience stores, including ethnic and natural food stores, represent an excellent opportunity for new-to-market products to establish a presence in the Canadian market but will also require greater due diligence and oversight.

FAS/Canada recommends the following steps before entering the Canadian market:

1. Contact an international specialist through your State Department of Agriculture.
2. Conduct thorough research on the competitive marketplace.
3. Locate a Canadian partner to help identify key Canadian accounts.

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

To be successful in Canada's retail sector, FAS Canada suggests familiarizing yourself with the Canadian broker network. Several Canadian retailers and distributors prefer working through a Canadian broker because many U.S. companies are unfamiliar with doing business in Canada and require the additional service a broker can provide. According to the Canadian Society of Customs Brokers, close to 80 percent of Canadian imports are cleared by a customs broker. These companies assist exporters in complying with Canadian import requirements, handling border transactions, and ensuring the release of goods from Canadian Customs. The Canada Border Services Agency (CBSA) licenses customs brokers to carry out customs related responsibilities on behalf of their clients. Retailers and distributors do not have time to guide U.S. exporters through many aspects of selling food products in Canada such as regulatory compliance, labelling, pricing, shipping and logistics, and possible retailer listing fees. Companies are urged to consider their business options and evaluate all potential Canadian business partners before entering a contractual arrangement. Factors such as previous experience, the Canadian firm's financial stability, product familiarity, the firm's sales and marketing teams, and other factors should be considered when identifying a Canadian business partner. FAS Canada and our industry partners, Food Export USA, Southern United States Trade Association (SUSTA), and the Western U.S. Trade Association (WUSATA) can help identify a broker, distributor, importer, or marketing company for U.S. businesses. To obtain these listings, please contact AgOttawa@state.gov, AgToronto@state.gov, or AgMontreal@state.gov. More than 45 U.S. agricultural trade associations and organizations offer USDA-funded marketing programs in Canada to support U.S. firms in their marketing efforts. For the full list of active U.S. organizations, please contact AgOttawa@state.gov, AgToronto@state.gov, or AgMontreal@state.gov. U.S. firms new to exporting may access the FAS Getting Started webpage.

SECTION III. IMPORT FOOD STANDARDS & REGULATIONS

There are three authorities responsible for Canada's food safety under the Minister of Health: Health Canada (HC), the Public Health Agency of Canada (PHAC) and the Canadian Food Inspection Agency (CFIA). Agriculture and Agri-Food Canada (AAFC), also through the CFIA, oversees non-food safety agricultural activities such as animal and plant health. CFIA offers the Automated Import Reference System online that permits any user to review the importing requirements for various agricultural and food products. In addition, CFIA publishes several regulations that may affect agricultural and food businesses such as the Safe Food for Canadian Regulation (SFCR) and Consumer Packaging and Labelling Regulations. For more information on the Canadian import food standards and regulations, please see the latest Food and Agricultural Import Regulations and Standards (FAIRS) GAIN report. For detailed information on import procedures, please see the step-by-step guide of importing food on the Canadian Food Inspect Agency website.

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

Key Demographic Trends

The distinctive characteristics and consumption behaviors of each age group in Canada help to shape the market for food and agricultural products. Some major characteristics of the Canadian population are highlighted below:

- **Aging population:** There are more Canadians over 65 than under 15.
- **Declining family size:** The average household size in Canada is on the decline from 4.2 in 1931 to 2.9 in 2021. In addition, 2021 census data reports the number of Canadians living alone reached 4.4 million in 2021, up from 1.7 million in 1981.
- **Immigration:** 23 percent of the population reportedly born outside of Canada.

Seniors make up the fastest growing age group in Canada and are increasing the demand for healthy food and smaller meal portions, easy-to-open and single-serve packages with easy-to-read labels. On the other hand, the younger generations (millennials and generation Z) are gradually increasing the demand for snacks, online grocery shopping, private label products. The growing immigrant population will increase Canadian appetite for ethic products.

Table 2: Percent Price index change by product group from October 2021 - October 2022

Product groups	October 2021 - October 2022	Products and product groups	October 2021 - October 2022
All Foods	10.1	**Pasta products**	27.4
Food purchased from stores	11	**Flour and flour-based mixes**	23.2
Meat	5.5	**Fruit, fruit preparations and nuts**	8.8
Fish, seafood, and other marine products	7.5	**Nuts and seeds**	4.5
Dairy products and eggs	10.9	**Vegetables and vegetable preparations**	12.7
Bakery and cereal products (excluding baby food)	16.9	**Sugar and confectionery**	7.6
Food purchased from restaurants	7.7	**Edible fats and oils**	22.7
Food purchased from fast food and take-out restaurants	8.3	**Coffee and tea**	13.1
Non-alcoholic beverages	16.3	**Condiments, spices and vinegars**	12.8

Source: Statistic Canada

Overall Business Climate and Consumption Trends

Market Size: Although demand is promising, U.S. exporters are reminded that the Canadian market is approximately one-tenth the size of the U.S. market. Compared to the United States, there are fewer potential partners and retailers.

Price Conscious Consumers: Canadian consumers tend to be price conscious; this trend will be exasperated due to record food inflation numbers.

Convenience Food: While price remains a determining factor for consumers, a growing segment of the population is willing to pay more for convenient, retail ready or time-saving meal kits.

Label Conscious: There is growing awareness of product ingredients and nutritional facts as more Canadians are reading product labels and making purchasing decisions accordingly. Clean labels (e.g., lower sodium and sugar content) continue attract health-conscious consumers. In July 2022, the Canadian government implemented mandatory front-of-package labelling requirements for foods high in sodium, sugar, and saturated; manufacturers have been given until January 1, 2026, to make the necessary changes.

Ethnic Foods: Ethnic consumers continue to expand the Canadian retail grocery landscape, as major grocery chains strive to meet the needs of ethnic shoppers. Established ethnic supermarkets that once catered to immigrant communities are reaching out to non-immigrant consumers seeking new products.

Online Shopping: Interest in online grocery shopping has been rising. Retail value sales increased by 59 percent in 2021. Major, and even emerging, retailers are responding to this demand by developing innovative online platforms. In Canada, an estimated $12 billion has been committed to online interface over the next 5 years. According to a recent survey conducted by Dalhousie University in partnership with Caddle, 8.4 percent of Canadians subscribe to a meal kit service provider.

SECTION V. AGRICULTURAL AND FOOD IMPORTS

Table 3: 2021 Imports of Leading Consumer-Oriented Products (in million U.S. Dollars)

Product Category	World	U.S.	2021 U.S. Market Share (%)	Percent Change 2020/2021	Leading Competitors
Bakery Goods, Cereals, & Pasta	3,037	2,232	73	-1.4	Italy, China, and Mexico
Fresh Vegetables	2,897	1,734	60	0.4	Mexico, China, and Guatemala
Fresh Fruit	4,212	1,637	39	-0.7	Mexico, Guatemala, and Peru
Dog & Cat Food	1,064	958	90	-1.6	Thailand, China, and Italy
Tree Nuts	1,075	702	65	-4.6	Vietnam, Turkey, and Philippines
Condiments & Sauces	884	664	75	-1.1	Italy, China, and Thailand
Wine & Related Products	2,326	497	21	-3.6	France, Italy, and Spain

Source: Trade Data Monitor

Table 4: Best Forecasted Growth Product Categories (2021 – 2026)

Product Category	Sales Growth 2020 / 2021	5-year Growth Forecast	Subcategory with Best Prospects	Sales Growth 2019 / 2020
Packaged Food	-0.2%	2.9%		
Cooking Ingredients & Meals	2%	5.2%	Dinner Mixes	23%
			Chilled Meat and Seafood Substitutes	19%
			Unpackaged Ice cream	17%
			Puffed Snacks	10%
			Vegetable, Pulse and Bread Chips and Flat Breads	9%
Snacks	1%	2.8%	Single Portion Ice Cream	8%
			Edible Oil	7%
			Nuts and Seeds Spreads	6%
			Dried Fruit	5%
Staple Foods	-2%	0.7%		
Baked Goods	-1%	1.4%	Bread	7%
			Flat Breads	16%
			Frozen Baked Goods	5%
			Packaged Pastries	11 %
Processed Fruits & Vegetables	-2%	-1.4%	Frozen Processed Fruits & Vegetables (natural)	14%
Pasta, Rice & Noodles	-6%	-0.7%	Noodles	30%
			Rice	30%
Processed Meat & Seafood	17%	21%	Meat Substitutes	21%
Pet Food	1%	4.7%	Dog and Cat Foods	1%
Beverages/Soft Drinks				
Beverages/ Soft Drinks	-1%	2.7%	Carbonated Ready-to-drink Tea and Kombucha	19%
			Ready-to-drink Coffee	6%
			Liquid Concentrate	6%
			Energy Drinks	5%
			Ready-to-drink Tea	4%

Source: Euromonitor International

Table 5: Canadian Consumer-Oriented Product Imports/Share of Market by Country

Partner Country	Value in Million U.S. Dollars			% Share 2021	% Change 2020/2021
	2019	2020	2021		
World	$28,295	$29,161	$31,784	100	0
United States	$16,142	$16,525	$17,584	55.3	-2.4
Mexico	$2,152	$2,299	$2,571	8.1	2.6
Italy	$930	$1,001	$1,187	3.7	8.8
France	$863	$870	$1,055	3.3	11.3
China	$645	$681	$731	2.3	-1.5

Source: Trade Data Monitor 2022

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS) in Canada offers a wide variety of services to help develop U.S. agricultural exports to Canada. If you need assistance or have a trade-related inquiry, please contact us:

OTTAWA	MONTREAL	TORONTO
U.S. Embassy, Ottawa Tel.: (613) 688-5267 AgOttawa@state.gov	U.S. Consulate General, Montreal Tel.: (514) 908-3761 AgMontreal@state.gov	U.S. Consulate General, Toronto Tel.: (416) 649-8683 AgToronto@state.gov

Main Trade Shows in Canada:

Agriculture and Agri-Food Canada, USDA's Canadian counterpart, maintains a list of trade shows on this webpage. USDA provides funding support for U.S. companies to participate in the following trade shows:

- Canadian Health Food Association Trade Show
- Canadian Produce Marketing Association and Convention Show
- SIAL Canada
- Canadian Restaurant and Beverage Show
- Vancouver International Wine Festival
- National Women's Show

Useful Canadian Websites:

The following is a listing of important Canadian institutions and their website:

- Canada Border Services Agency
- Canadian Food Inspection Agency

- Global Affairs Canada
- Bank of Canada. Daily Currency Convertor
- Innovation, Science and Economic Development Canada
- Health Canada

Market Sector Reports

Listed below are research reports published by the Offices of Agricultural Affairs in Ottawa and Toronto. For a complete list of USDA reports from Canada and the rest of the world, please visit the FAS GAIN webpage.

FAS/Canada Related GAIN Reports in 2022

REPORT#	Title of Report	Date
CA2022-0034	Guidance and Resources on Canada's Supplemented Foods	November 10, 2022
CA2022-0032	Food Service - Hotel Restaurant Institutional	November 01, 2022
CA2022-0031	Guidance and Resources on Canada's Front of Package Nutrition Labels	September 29, 2022
CA2022-0024	Canada Publishes New Regulations for Supplemented Foods	July 27, 2022
CA2022-0022	Canada Publishes Front-of-Package Nutrition Labelling and Other Food Labelling Regulations	July 25, 2022
CA2022-0020	Food and Agricultural Import Regulations and Standards Export Certificate Report	August 08, 2022
CA2022-0018	Retail Foods	July 14, 2022
CA2022-0017	Food and Agricultural Import Regulations and Standards Country Report	July 13, 2022
CA2022-0016	Canada Publishes Final Regulations Banning Single-Use Plastics	June 22, 2022
CA2022-0012	Canada Import Requirements for Pet Chews from Animal Products and By-Products	April 25, 2022
CA2022-0005	Canada Allows Higher Vitamin D Fortification in Milk and Margarine	February 04, 2022

Attachments:

No Attachments