

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Canada

### Retail Foods

### Retail Food Sector Report

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**Report Highlights:**

In 2012, Canada's 34.4 million consumers were estimated to have generated C\$ 470 billion (US\$ 469 billion) in retail sales, representing a three percent increase from 2011. Food sales in Canada contributed close to 19 percent of the retail landscape. At the end of 2012, projected food sales were C\$ 87 billion (excluding alcoholic beverages and liquor store sales). From 2006 to 2011, sales increased by 17 percent and are forecasted to grow at a constant compound annual growth rate (CAGR) of 2 % through 2016. 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:**

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

In 2012, U.S. agricultural exports to Canada exceeded \$ 20 billion, reflecting an increase of 8% over 2011. 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 77 % 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 products account for about 60% of Canada's total agricultural imports.

In 2012, the majority of US 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 in Canada. The top five categories were red meat (\$2.2 billion), fresh fruits (\$1.8 billion), snack foods (\$1.7 billion), fresh vegetables (\$1.6 billion), and processed fruits and vegetables (\$1.3 billion).

Canada is also an important market for U.S. fishery products. Canada is the second largest export market for U.S. fish and seafood products, with sales exceeding \$900 million in 2012. Furthermore, U.S. fish and seafood products dominate Canadian imports and represent more than one-third of the country's total imports.

Under the tariff elimination provision of the North American Free Trade Agreement (NAFTA), the majority of U.S. agricultural products have entered Canada duty-free since January 1, 1998. On December 4, 1998 the United State and Canada signed a Record of Understanding, an agreement to further open Canadian markets to U.S. farm and ranch products. Since that time, U.S. agricultural exports have tripled in value.<sup>1</sup>

Trade with Canada is facilitated by proximity, similar culture & language, common lifestyle pursuits, and the ease of travel among citizens for business or pleasure. Many American products have gained an increased competitive edge over goods from other countries as the result of NAFTA. Canada's grocery product and food service trades have been quick to seize opportunities under NAFTA, which permitted 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 sector have resulted in significant gains in the Canadian market for U.S. consumer-ready foods and food service products.

### **Section 1: Market Summary**

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

In 2012, Canada's 34.4 million consumers were projected to have generated C\$ 470 billion (US\$ 469 billion) in retail sales, representing a three percent increase from 2011. A modest growth of 2.7% is expected for 2013. Although, sales in Canada are smaller than those in the U.S., retail spending per capita in Canada equals that of the United States.

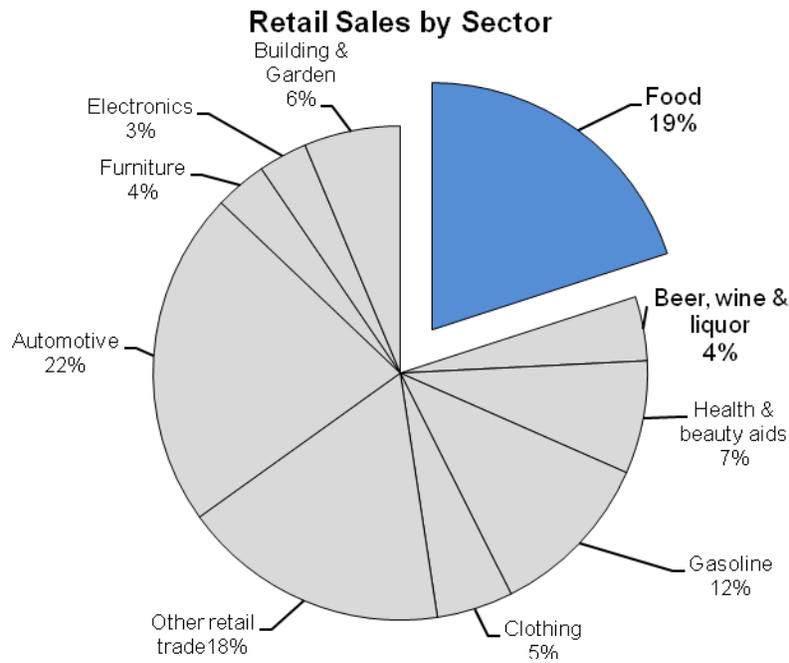
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<sup>1</sup> 1998 U.S. agricultural exports to Canada were valued at \$ 6.8 billion.

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 strong presence of U.S. franchises and their chain stores have resulted in a high receptivity to American products and services. Also, most consumers recognize and are familiar with U.S. products and services due to the geographical proximity and cultural similarities.

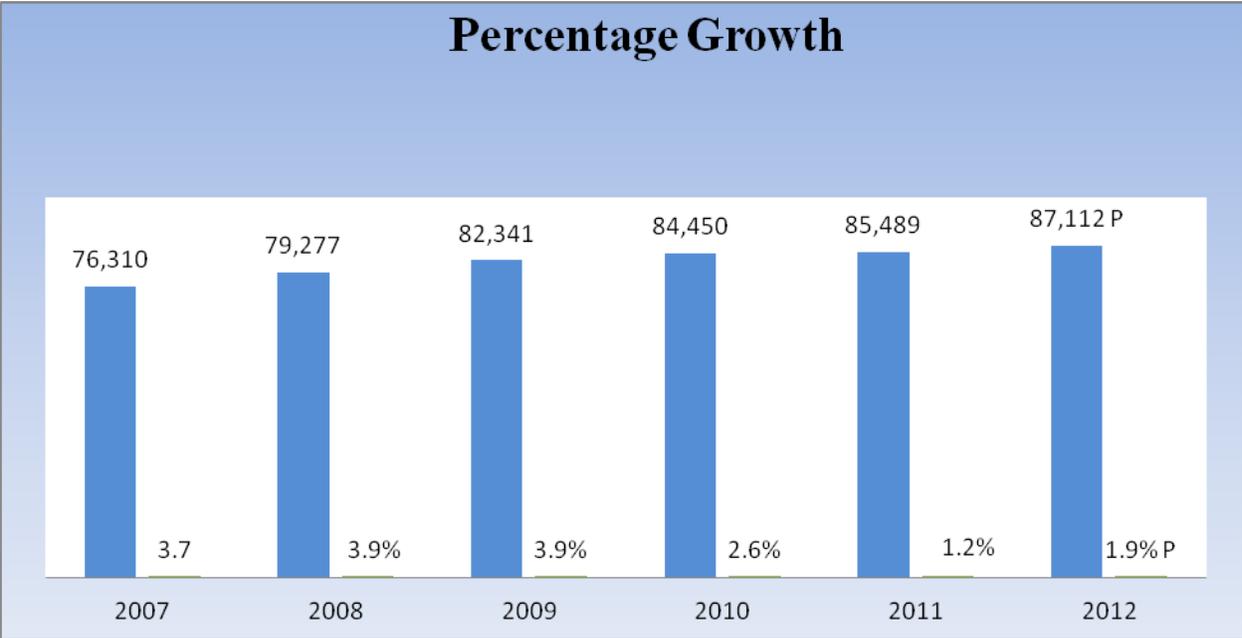
Food sales in Canada contributed 19 percent to the retail landscape in 2011. Projected sales for 2012 are C\$ 87 billion (excluding alcoholic beverages and liquor store sales). From 2006 to 2011, sales increased by 17 percent and are forecasted to grow at a constant value of 2 % CAGR\* through 2016.

**Table 1: Food Sales in Canada’s Retail Landscape in 2012**



Source: Statistics Canada  
 \*Compound Annual Growth Rate

**Table 2: Six Year Trend in Food Sales**



Source: Statistics Canada

\*P = Projected

There are 20,661 stores in Canada selling food products, the vast majority of sales continue to be through grocery stores and supermarkets, representing 63 percent of the total food sales in 2012. Foods sales through non-traditional food retailing channels such as general merchandise stores, club stores, convenience stores, drug stores, specialty stores and gas stations have grown from 33% in 2010 to 36% in 2012. Walmart Canada and Costco along with other non-grocery retailers including Canadian Tire, Shoppers Drug Mart, and London Drugs 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
Grocery Store	Any retail store selling a line of dry groceries, canned goods or non-food items plus perishable items.
Supermarkets	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 membership retail/wholesale hybrid with a varied selection and limited variety of products presented in warehouse-type atmosphere. 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 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 2012

**Table 4: Breakdown of the Retail Channels in Canada**

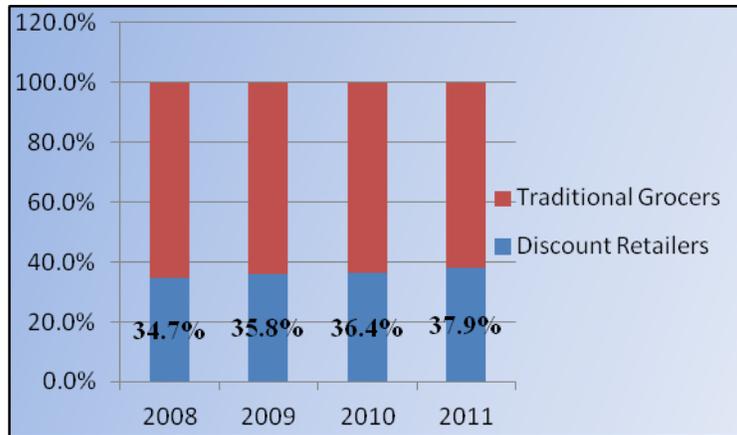
Channel	2010		2011		2012P	
	Sales (C\$ Millions)	Market Share	Sales (C\$ Millions)	Market Share	Sales (C\$ Millions)	Market Share
Grocery Stores/ Supermarkets	56,412.6	66.8%	55,567.9	65.0%	55,490.3	63.7%
Mass Merchandiser	8,951.7	10.6%	9,232.8	10.8 %	9,756.5	11.2%
Warehouse Clubs	5,911.5	7.0%	6,753.6	7.9%	7,230.3	8.3%
Drug stores	5,320.4	6.3%	5,642.3	6.6%	5,923.6	6.8%
Convenience stores	4,982.6	5.9%	5,043.9	5.9%	5,139.6	5.9%
Specialty Sores	1,689.0	2.0%	1,709.8	2.0%	2,003.5	2.3%
Gas Stations	1,182.3	1.4 %	1,538.8	1.8 %	1,568.2	1.8%
<b>Total</b>	<b>84,450</b>	<b>100%</b>	<b>85,489</b>	<b>100%</b>	<b>87,112</b>	<b>100%</b>

Post estimates based on Statistics Canada, 2013 Who's Who Directory, ACNielsen Banner Share, Euromonitor, Canadian Grocer-Executive Report

**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 to their shoppers by offering

discounts on selected food products. Retail prices remain competitive between the two groups and forecasts indicate the discount segment of the market will continue to grow.

**Table 5: Growth of Discount Retailers in Retail Food Sector**



Source: Executive Report Canadian Grocer (2012-2013) -Nielsen Homescan Retailer Grocery Watch

**1B. Imported Foods in Canada**

The Centre for Food in Canada detailed the contribution that imported foods have had in the Canadian diet. In 2011 the total amount of imports registered at C\$ 22.5 billion, represented 24 percent of the total food sales. The leading imports into Canada were fresh fruits and vegetables, followed by fish products. In the last two decades, Canadians have changed their eating habits to include more fruits, vegetables, cereal products and nuts.

**Table 6: Top Food Imports of Final Goods in 2012P**

Product	Percentage of Total Canadian Food Imports	Total (C\$ Millions)
Fresh Fruit, excluding tropical	6.5 %	1,495
Other vegetables, fresh or chilled	5.1 %	1,173
Tropical fruit	4.2 %	966
Fish and seafood products, canned or otherwise preserved	2.3 %	529
Chocolate confectionary	2.3 %	529
(continued)		
Product	Percentage of Total Canadian Food Imports	Total (C\$ Millions)
Fruit juices, excluding frozen concentrates	2.3 %	

		529
All other miscellaneous food products	2.2 %	506
Other confectionery	2.1 %	483
Other bakery products	1.9 %	437
Prepared meat products	1.8 %	414
Fish and seafood products, fresh, chilled, or frozen	1.7 %	391
Roasted coffee	1.4 %	322
Frozen fruit and juice concentrates	1.3 %	299
Nuts	1.3 %	299
Pickles, relishes, and other sauces	1.3 %	299
Biscuits	1.3 %	299
Beef, fresh chilled, or frozen	1.2 %	276
Other fruit products, including dried fruit and fruit peel	1.2 %	276
Pasta products, excluding dry pasta	1.2 %	276
Breakfast cereal products	1.0 %	230
Food snacks, excluding potato chips and nuts	0.9 %	207
Poultry, fresh, chilled or frozen	0.9 %	207
Cheese	0.9 %	207
Other preserved vegetables	0.9 %	207
Fish and seafood (except animal aquaculture) live, fresh, chilled or frozen	0.8 %	184

Source: Statistics Canada. List does not include alcoholic beverages

**Table 7: Total Consumer Oriented Agricultural Imports into Canada**

<b>Year</b>	<b>Total Imports (C\$ Millions)</b>	<b>Total Retail Food Sales (C\$ Millions)</b>
2007	18,167.0	76,310.0
2008	19,950.1	79,277.0
2009	20,936.0	83,341.0
2010	20,848.0	84,450.0
2011	22,590.1	85,489.0
2012	23,000.1 P	87,112.0 P

Source: Statistics Canada and Global Trade Atlas

\*P = Projected

## **1C. The Canadian Shopper**

The changing attitudes and demographics that have taken place in the last ten years in Canada are responsible for the types and choices of foods that most Canadians buy and thereby influence the foods that are found in retail stores today.

### ***Demographics***

#### ○ Graying Population

Canada has an aging population whereby 40 percent of the population is 45 years or older and by 2026 this will increase to 48 percent. As there are more seniors and fewer children in the home, the types of food people eat and buy changes. Furthermore, as Canadians get older there is an increase of 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. Scientific studies show the foods people eat have a direct benefit to their health and the trend indicates that older Canadians are changing their diets in order to live better lives.

#### ○ 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. There are more single-person households than ever before. This has created market opportunities for retailers and food manufacturers to introduce smaller sized food packaging offering single portions. In addition, the number of working mothers with children under the age of 16 has increased from 39.1 percent in 1976 to 72.9 percent in 2009. 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 South Asian and Chinese backgrounds make up the largest ethnic groups. Statistics Canada projects that by 2031, ethnic shoppers will represent 31% of the consumers in Canada.

### ***Canadian Purchasing Attitudes***

In a survey conducted by Agriculture and Agri-Food Canada, the top four attributes influencing Canadian shoppers in their selection of (in order of importance) are: price, quality, freshness and health/nutrition.

- Price

Many Canadian consumers have become bargain shoppers due to a slow economic recovery and rising food prices in 2011, which increased by 4.4 percent. These factors have caused shoppers to remain cautious in their spending habits. A recent audit conducted by Deloitte Canada for the leading trade magazine, *Canadian Grocer*, predicts 'the consumer will remain just as price conscious as ever, with little to no evidence of change.'<sup>2</sup>

- Quality

Consumers associate quality with freshness, nutrition, safety, appearance and flavor. Although, the annual average household expenditures on food have decreased from 18.7 percent from 1969 to 10.2 percent in 2009, real spending per person has increased. Shoppers are buying high-value and quality items. Post estimates the annual average spent on groceries per person in 2010 was C\$ 3,494. In response to these buying preferences, retailers are offering more specialty and gourmet foods to their customers.

- Freshness

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 percent more vegetables into their diets. In 2010 Walmart Canada recognized this trend and introduced fresh produce into their stores. Also, noted earlier in Table 6 on Canada's top leading food imports, fresh fruits and vegetables were ranked #1 and #2 at the top of the list.

- Health/Nutrition

Consumers are informed about the many health benefits and risk associated with diet and many have become conscious of reading food labels to check their nutritional value and list of ingredients. Although Health Canada reports Canadians have reduced their intake of daily calories from 2,500 in 2001 to 2,358 in 2009, the incidents of childhood obesity have tripled in the past 30 years. Foods that address the health concerns of younger and older consumers with appealing taste will continue to show promise in the marketplace.

## **1D. Trends Driving Grocery Purchases**

### *Value*

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<sup>2</sup> Canadian Press. December 14, 2011. *Food Industry Weathered Economic Report*.

- **Discount Shopping:** Higher food prices have caused consumers to switch to cheaper brands and cheaper grocery stores.<sup>3</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>4</sup> This trend is expected to grow through 2013. Although 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 continued to increase in 2012.
- **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. Canadian Grocer reports that Target Canada will offer a limited selection of fresh products at a reasonable range to the consumer.
- **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 such as stir-fries and stew are expected to grow.
- **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).

<sup>3</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.

<sup>4</sup> Brandspark International reported the 93% of Canadian grocery shoppers browse flyers while 54% subscribe to a coupon website.

- **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*

- **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 nutraceuticals foods will continue to increase and new products will be developed.
- **Healthy Foods for Kids:** Approximately 26 percent of Canadian children ages 2-17 years old are currently obese.
- **Food Safety:** Consumers are increasingly interested in food products that provide reassurances about food safety.
- **Gluten-Free:** The demand for gluten-free products will continue to grow and it has more than doubled since 2005.
- **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:** The value of organic food products is estimated at C\$ 2 billion and is predicted to grow steadily.
- **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 are flocking to healthful and flavorful ethnic cuisines such as Asian and Mediterranean foods where the emphasis is on ingredients such as vegetables, grains and

fish. In 2010, ethnic food markets generated C\$ 65 billion in food sales and are projected to increase 15 -20 percent annually.

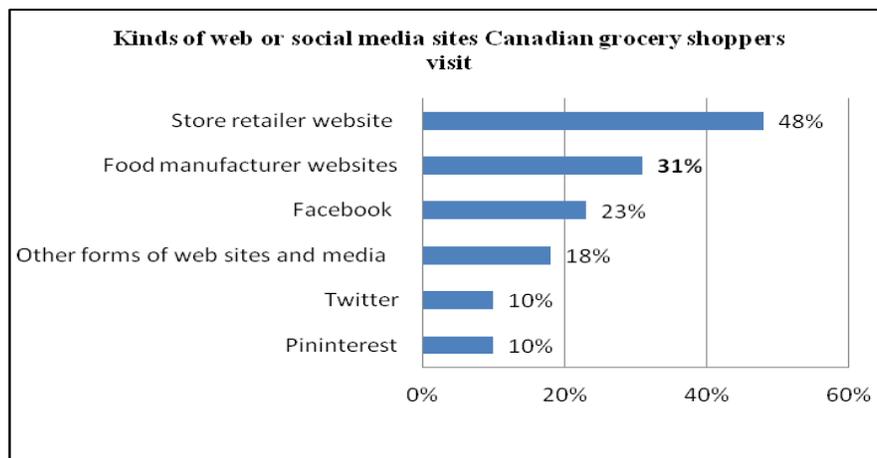
### Ethical Buying

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 concern 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 are concerned for their local economy and where their foods come from. Although, U.S. foods are not viewed as local this may present opportunities for U.S. food companies. 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.’

### Non-Traditional Media Influencers

- *Canadian Grocer* recently reported that more than half of all shoppers use some form of technology before or during their shopping trips to the grocery store. Research findings show that most shoppers look for coupons, email offers from retailers, recipes and other valuable information about the product from manufacturers’ websites. The Foreign Agricultural Service in Canada commissioned a consumer survey in 2012 and learned that 48% of the respondents will use “apps” and research a number of websites to assist them in their making food choices. The results below not only illustrate the importance of developing and maintaining an active company website but also highlights the impact that information technology will continue to have in the coming years, particularly with younger shoppers.



Source: 2012 Leger Marketing, 1505 Canadian respondents surveyed.

**Table 8: 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

US food manufacturers seeking to enter the Canadian marketplace have many opportunities. The United States is Canada's largest trading partner with 63% per cent market share of Canada's manufactured food imports originating from the United States. This is a result of a number of factors, including a convenient shipping corridor and a familiarity with consumer tastes and expectations, and most importantly the North American Free Trade Agreement (NAFTA). There are a number of challenges U.S. exporters must meet before exporting to Canada. Some of these include currency, customs procedures and labeling requirements.

To meet these market challenges, we recommend that U.S. exporters entering the Canadian market take the following steps:

- 1) Contact your State Regional Trade Group,
- 2) Research the market for your particular product,
- 3) Locate a Canadian partner: broker/distributor/importer, and
- 4) Understand the 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 targeted foreign countries. Also, key contact information on buyers and specifics about important trade and consumer shows in Canada is available for potential exporters. Through the SRTGs, 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 9: State Regional Trade Groups**

State Regional Trade Group	Web Site	States
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: Research the Market for Your Specific Product**

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 a wealth of information for U.S. exporters interested in researching the many aspects and particularities of the Canadian food sector. Fortunately, as Table 7 indicates, much of that information is available via the internet. Though some consumer data can only be obtained with a fee, there are several trade publications that continuously report on current 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)), closely follow upcoming trends in the food retail industry in Canada.

**Table 10: Organization and Data Sources within Canada**

Organization	Function/Purpose	Website
Agriculture and Agri-food Canada, Agri-Trade Food Service	Provides information, research and technology policies and programs. Also provides access to statistics. This department is the counterpart to the U.S. Department of Agriculture.	<a href="http://www.agr.gc.ca">www.agr.gc.ca</a>
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>
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 strongly consider securing the services of a broker/distributor/importer. Local representation provides exporters with a domestic advantage to understanding the local, regional and national markets and opportunities available. Brokers and distributors provide guidance on best business practices, sales contacts, market development, logistics and government regulations. Many also provide merchandising and marketing programs and their volume purchasing power can help reduce retail slotting fees.

For companies planning to export US food and beverage products to Canada, please contact FAS/Canada (see table 23) for a partial listing of Canadian food brokers. Exporters from the United States are advised to consult with their regional SRTG as their export assistance may be helpful when evaluating appropriate Canadian partners.

FAS/Canada can provide some assistance in identifying a broker/distributor/importer. In addition, 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). These events provide an opportunity to exhibit products and meet potential buyers, brokers, distributors, and importers.

FAS/USDA also endorses one of the largest food shows in Canada, [SIAL Canada](#). The event rotates between Montreal, Quebec in the even years and Toronto, Ontario in the odd years. This year the show takes place in Toronto, April 30 to May 2, 2013. 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)

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

FAS annually publishes the GAIN Report on Exporting to Canada and the Food and Agricultural Import Regulations and Standards (FAIRS) Country Report that reviews the various regulations in Canada. Some of the key governing acts and regulations are the following:

- 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

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 11: Canadian Government Organizations Related to Food**

Government Bodies	Function	Information
Canadian Food Inspection Agency (CFIA)	Government of Canada's regulator for food safety, animal health and plant protection.	<a href="http://www.inspection.gc.ca">www.inspection.gc.ca</a>
Canada Customs and Revenue Agency (CCRA)	Its mission is to promote compliance with Canada's tax, trade, border legislation and regulations.	<a href="http://www.ccra-adrc.gc.ca">www.ccra-adrc.gc.ca</a>
Canadian Food and Drug Act	A regulatory document provided by Health Canada, which outlines information regarding specific food import restrictions.	<a href="http://www.hc-sc.gc.ca/food-aliment">www.hc-sc.gc.ca/food-aliment</a>
Health Canada	Administers the Food Safety Assessment Program, which assesses the effectiveness of the Canadian Food Inspection Agency's activities related to food safety.	<a href="http://www.hc-sc.gc.ca">www.hc-sc.gc.ca</a>
Foreign Affairs and International Trade (DFAIT), Export & Import Controls Bureau	Responsible for allocating tariff rate quotas to importers.	<a href="http://www.dfait-maeci.gc.ca/eicb">www.dfait-maeci.gc.ca/eicb</a>
Measurement Canada	Administers and enforces the Weights and Measures Act for food labeling purposes.	<a href="http://www.strategis.ic.gc.ca">www.strategis.ic.gc.ca</a>

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.

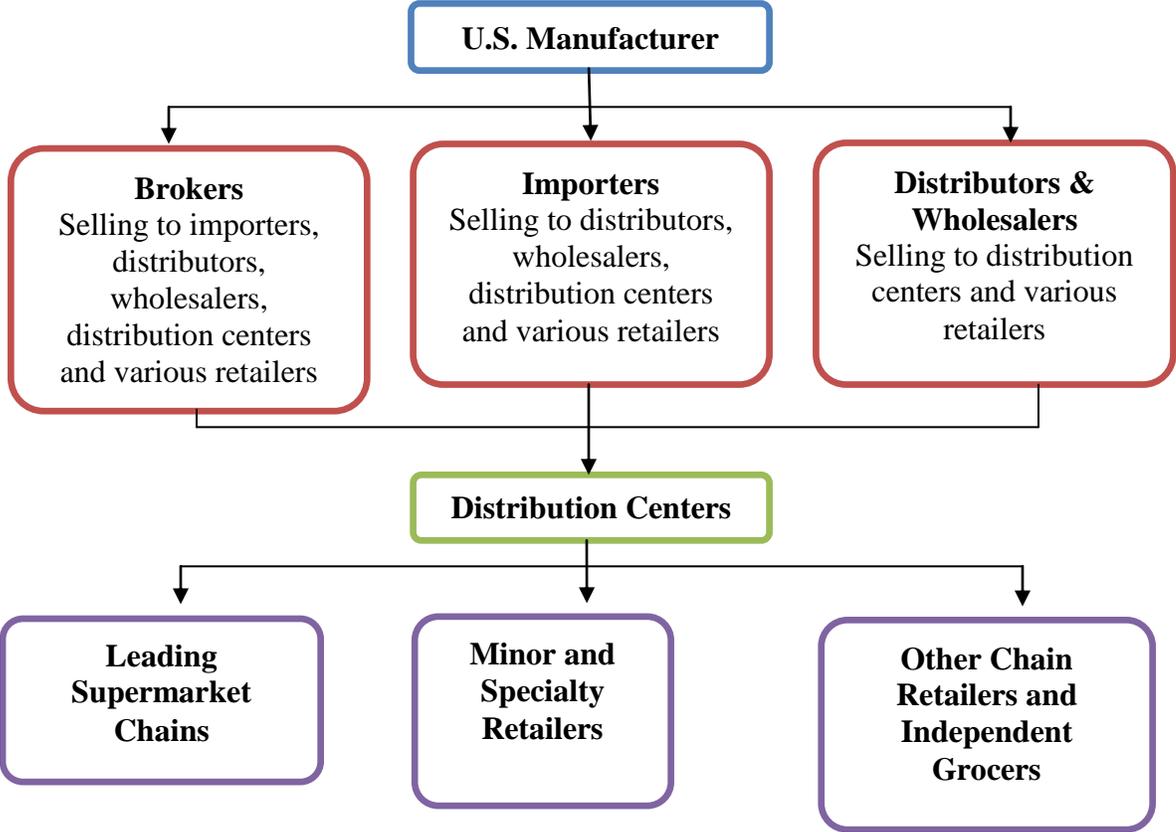
For more information on food labeling regulations and other information useful to U.S. food exporters, refer to the Export Guide: A Practical Guide on Canada available online at: <http://gain.fas.usda.gov>.

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 12: Canadian Import Service Centers**

<b>Import Service Center</b>	<b>Open</b>	<b>Contact</b>
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 12 a.m. [local time]	Telephone: 1-800-835-4486 or 289-247-4099 Fax: 1-613-773-9999

**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 major Canadian supermarket 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 they will breakdown the quantities to ship to their 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 retailers often procure perishable products, such as dairy, produce, meat, poultry and value-added items, directly. Some Canadian retailers, such as Loblaw Co. Ltd. and Sobeys Inc., employ procurement

offices in the United States for this purpose. On the grocery side of the business, most retailers rely on brokers, importers and distributors, particularly to identify unique products to sell in their stores.

Both retailers and suppliers are seeking efficiencies to reduce costs in their operations. Among some of the strategies is reducing the number of vendors that category buyers work with. In response to this trend, the broker/distributor industry is making efforts to consolidate products while introducing unique novel products into the market. Larger firms are purchasing smaller brokers/distributors to offer national coverage, while regional organizations are forming alliances across the country to stay competitive by securing national coverage. Brokers and distributors focus on selling to the appropriate category buyer of a head office. Larger brokerage or distribution firms offer merchandising services to help in monitoring product movement and placement, as smaller companies will outsource these services.

Consolidation in the food distribution sector has an important impact on the rest of the agri-food system as fewer buyers control more of the business through selected suppliers. This may place greater pressure on suppliers to deliver quality products at lower prices as well as continuously updating the product line with new offerings.

The food distribution sector is playing an increasingly important role in the Canadian agri-food sector by generating significant economic activity and contributing to the provision of one of the world's most affordable food supply system.

Today's growing non-traditional channels are forcing brokers/distributors to focus on specialized sales teams to call on drug stores, c-stores, grocery stores (g-stores) clubs and mass merchandisers. Furthermore, with new technologies being introduced at the home office and store level, some brokerage and distribution firms are offering value-added services to their suppliers/principals. Services such as promotional and sampling support, merchandising, computerized ordering, logistical support, and data collection remain competitive in the market.

To partner with a broker/distributor, food manufacturers pay a percentage of the product sales revenue. Fees can range from 3% to 10% depending on the volume and the amount of time and labor is required. 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. Pioneering new product lines may have a monthly retainer fees until the products generate enough sales volume to switch to a percentage-of-sales format. All fees are negotiated between the principal and the broker prior to future transactions.

In trying 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 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 Sub Sectors**

##### Grocery Stores/Supermarkets/Superstores, Club Warehouse Outlets and Mass Merchandisers

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. (referred to as Sobeys's) and Metro Inc., are responsible for 43% 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 private label. In the coming year, it is forecasted that these retail leaders will aggressively compete with one another by offering discount promotions and enticing shoppers with customer loyalty programs that offer award points and specials on groceries.

Loblaw Company Limited is the largest grocery retailer in the country with 1,027 stores across the country and 20% share of the food market. The company's 22 banner stores 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. Loblaw's reported they attracted 14 million customers to their stores in 2010. 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. Last year management launched over 1,200 new control brand products. Among their 13 private label brands, their most recognizable are "President's Choice (PC)" and the "No Name" 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.) On the high end of the price spectrum, Loblaw's offers its "Black Label" products which primarily include specialty products, such as artisan-style croutons and cherry shiraz jelly. While at the other end, the retailer offers their "No Name" brand to compete with rising food prices and competition. During the 2012 holiday season this discounted brand was aggressively promoted in large urban centers through television advertisements. In addition, the company has invested more than \$ 700 million in store improvements 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's acquired T & T Supermarkets in Canada in 2009. The stores offer Asian food products not found elsewhere. Today, there are 22 stores, primarily located in British Columbia and in Ontario.

Today, Sobeys, is behind Loblaw's with 13% share of the retail market; however, they offer more stores than its leading competitor; 1,334 locations across the country. Between 2008 and 2011, the company reported a 14% growth rate. In 2011, their sales topped over \$ 16 billion. The company's success has largely been attributed to real estate choices and responding to the country's changing demographics. For example, with Canada's population residing in dense urban areas, along with the growing number of single and double person households, Sobeys introduced a new banner store called "Urban Fresh." The stores are smaller but efficient. They are located in high traffic neighborhoods next to high-rise apartments and condominiums, catering to singles and smaller families living in downtown areas. 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 "FreschCo" 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 will become the primary supplier of frozen, dairy and dry goods to Target Canada.

Metro Inc., represents 9% of the market as they operate a total 564 food stores, along with 257 drug and convenience stores in Ontario and Quebec. 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 under the "Irrestibles" and "Selection" brands. To attract shoppers with food allergens, Metro Inc., partnered with the Quebec Association of Food Allergies (AQAA) to identify certain Metro brands as

“Certified Allergen Control” (CAC) products. Metro recently partnered with Quebec based Marche Adonis, an ethnic food retailer offering Mediterranean style foods. The company intends to open stores in the Ontario markets and capture more business from the growing ethnic market.

Although, Loblaws, Sobeys and Metro continue to be the market leaders, there are regional stores that should not be overlooked. They are U.S. based Canada Safeway and Overwaitea Food Group in Western Canada, along with Federated Co-ops stores in Alberta. Many of these retailers are also moving forward with similar corporate strategies that reflect the changing demographics in the country. For instance, Overwaitea Food Group with 124 stores offers an impressive selection of international foods that includes 7,000 Asian food products to its customers. There are some regional based grocery chains that have a loyal customer base and have aggressively opened up stores in downtown locations as family owned firm, Longo’s. This past November Longo’s opened up its 26<sup>th</sup> store in the Greater Toronto Area (GTA). The latest store includes cooking classes and a full-service restaurant on its 48,000 square foot premise.

Warehouse Clubs stores such as Costco Canada have left a permanent foothold in Canada’s retail landscape. With fewer weekly shopping trips made by Canadians, some shoppers, particularly younger shoppers prefer the convenience of loading up on their groceries even if it means spending more on their grocery bill in a single store visit. The warehouse format does not offer many frills but does offer competitive prices by buying larger quantities directly from manufacturers. Club products carry an average profit margin of about 11 percent, while other retailers mark up their goods anywhere from 25 to 50%. Stores such as Costco actively engage their customers by sampling all kinds of food products in their stores on a regular basis.

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 grew exponentially for Walmart Canada from \$ 130 million in 2006 to \$5.2 billion in 2011. A significant gain was made in the last two years as they introduced frozen foods and produce in their stores, making it convenient for time conscious shoppers to pick up all their items in a single shopping trip.

Target Canada, another merchandising giant, is to set to open 126 stores in 2013 with the first stores opening in Ontario and Alberta. In addition to providing produce and chilled/frozen foods in their stores, Target will offer both the national brands and their store brands called “Market Pantry” and “Archer Farms.” Canadian Grocer forecasts that in its first few months, Target’s priority will likely not be on food. However, competitors’ remain watchful as Target’s food and pet supplies categories have grown by 5% in the last four years in the United States, and Target will surely put pressure on Canadian grocery prices.

## **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 is expected to continue to grow at a steady pace. This growth has attracted newcomers and forced players to reinvent themselves to keep their position in the market. Floor space for food products such as sushi, baked goods and snacks is growing as many stores are expanding their premises to accommodate the increasing number of products and services. The focus has been on equipment to prepare and stock high quality convenience foods, particularly chilled items such as soft drinks. Much like the trend in the supermarket sector, products that are perceived to be healthy 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 will continue to increase their food sales. Although, food prices are for the most part higher in drug stores, retailers such as Shoppes Drug Mart have been aggressive in offering price specials on items like boxed cereal and other basic groceries. These tactics are done to capture more food dollars from their regular shoppers.

The following table lists the leading retail chains and their major respective banner store as reported at the end of 2011.

Provinces Abbreviations:

AB: Alberta	NS: Nova Scotia	
BC: British Columbia	NU: Nunavut	
MB: Manitoba	ON: Ontario	
NB: New Brunswick	PE: Prince Edward Island	
NL: Newfoundland and Labrador	QC: Quebec	
NWT: Northwest Territories	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	SC: Super Centre
SM: Supermarket	C: Convenience

Price Category:

D: Discount	M: Medium	U: Upper
L: Low	W: Wholesale	

**Table 13: Grocery Stores/Supermarkets/Superstores Banners**

<b>Retailer</b>	<b>Name of banner</b>	<b>Store type</b>	<b>Price category</b>	<b>No units</b>	<b>Location</b>
Loblaw Companies Ltd. loblaw.ca	Total Chain Sales = C\$ 32.4 B.				

<b>Retailer</b>	<b>Name of banner</b>	<b>Store type</b>	<b>Price category</b>	<b>No units</b>	<b>Location</b>
Eastern Canada	Atlantic Superstore	SS	D	51	NB, NS, PEI
	Dominion	SM	M	11	NL
	Save Easy Foods	SM	D	45	NB, NS, PEI, NL
Central Canada	Cash & Carry	SM	D	15	ON, NS
	Fortinos	SM/SS	M	20	ON
	L'Intermarche	SM	M	64	QC
	Loblaws	SM/SS	M	75	ON, QC
	Maxi	SM	D	90	QC
	Maxi & Cie	SM	D	16	QC
	NoFrills	SM	D	173	BC, AB, ON, NB, NS, NL, PEI
	Presto	SM	M	12	QC
	Provigo	SM/SS	M	76	QC
	Real Canadian Superstore	SS	D	110	BC, YT, AB, SK, MB, ON
	Real Canadian Wholesale Club	SS	D	36	BC, AB, SK, MB, ON
	Valu-Mart	SM	M	61	ON
	Your Independent Grocer	SM	M	53	ON
Western Canada/ Prairies	Zehrs	SM/SS	M	45	ON BC, YT, NT, AB, SK, MB, ON
	Extra Foods	SM	D	78	BC, AB, SK, MB, ON
	Real Canadian Wholesale Club	SS	D	36	BC, AB, SK, MB, ON
	Shop Easy Foods	SM	D	34	BC, AB, SK, MB
	SuperValu	SM	D	19	BC, YT, SK
	T & T	SM	M	20	BC, AB, ON
Sobeys (Empire Company Ltd.) Sobeys.com	Total Chain Sales = C\$ 17 B.				
All Provinces	Sobeys	SM	M	281	BC, AB, SK, MB, ON, NB, NS, PEI, NL
	Cash & Carry	SM	W	6	NB, NS, NL, MB
	Foodland	SM	M	197	ON, NB, NS, NL

<b>Retailer</b>	<b>Name of banner</b>	<b>Store type</b>	<b>Price category</b>	<b>No units</b>	<b>Location</b>
	Freshco	SM	L/M	27	ON
	IGA Extra	SM	M	98	QC, NB
	Marché Bonichoix	SM	M/U	89	QC, NB
	Les Marché Tradition	SM	M/U	31	QC
	Price Chopper	SM	D	110	ON, MB, NB, NS, PE, NL
	Rachelle-Bery (Natural Health Foods)	SM	M/U	19	QC
Total Chain Sales = C\$ 12.13 B.					
Metro Inc. Metro.ca					
Central Canada	Food Basics	SM	D	115	ON
	Marché Richelieu	SM	M	86	QC (1 in ON)
	Metro	SM	L/M	371	ON, QC
	Super-C	SM	D	78	QC
Total Chain Sales = C\$5.3 B.					
Canada Safeway Safeway.ca					
All provinces	Family Foods	SM	M		BC, AL, SK, MB
	Safeway	SM	M		BC, AB, MB, ON
Total Chain Sales = C\$ 3.35 B.					
Federated Co-Operatives Ltd. coopconnection.ca					
Central /Western/ Prairies  Federated Co- operatives Ltd.	Bigway Foods	SM	M		BC, AB, SK, MB, ON, YT
	Cash & Carry Depots	SM	W		AB, BC
	Co-op Food Store	SM	M		BC, AB, SK, MB
	Super A Foods	SM	M		BC, AB, SK, MB, NWT, YT, ON
	The Grocery People	SM	M		BC, NWT, YT
	TAGS	SM	M		AB, SK, YT

Retailer	Name of banner	Store type	Price category	No units	Location
Overwaita Food Group Owfg.com	Total Chain Sales = C\$ 2.92 B.				
Western	Bulkley Valley Wholesale	SM	D/W		BC
	Cooper's Foods	SM	M		BC
	Overwaita Foods	SM	M		BC
	PriceSmart Foods	SM	L/M		BC
	Save-On-Foods	SM	M		BC, AB
	Urban Fare	SM	M		BC
<i>Source: Canadian Grocer, Who's Who (2012) (2013) and 2012 Directory of Retail Chains in Canada.</i>					

**Table 14: Club Warehouse Store Banner**

Retailer	Name of Banner	Store Type	Price Category	No. Units	Location
Costco Canada Inc. Costco.ca	Total Chain Sales = C\$ 7.8 B *				
	Costco	CW	W	82	BC, AB, SK, MB, ON, QC, NS, NB, NL
<i>Source: Canadian Grocer, Who's Who (2012) (2013) and 2012 Directory of Retail Chains in Canada.</i>					
* Food sales 2011					

**Table 15: Mass Merchandisers**

Retailer	Name of Banner	Sales (C\$ 000)	No. Units	Location		
Banner	Type	Category	(C\$ 000)			
Canadian Tire Corporation	Canadian Tire	MM	MM	0C\$10.3 B.	487	All provinces
Dollar Tree Canada	Dollar Giant	MM	D	N/A	101	BC, AB, SK, MB, ON
Dollarama Stores	Dollarama	MM	D	C\$ 1.4 B.	667	All provinces, mostly ON and QC
Giant Tiger Stores	Giant Tiger	MM	D	C\$ 1.4 B.	196	All provinces
The Northwest Company	Northern	MM	M	C\$ 1.4 B.	196	All provinces
	North Marts		L/M			
	QuickStop		L/M			
Wal-Mart Canada Corporation	Wal-mart	MM/SC	D	C\$ 5.2 B. *	328	All provinces
	Supercenters		D		146	
Zellers Inc.- A Division of Hudson's Bay Company	Zellers	MM	L/M	C\$ 5.9 B	279	All provinces

Source: Canadian Grocer, Who's Who 2012 and 2012 Directory of Retail Chains in Canada

\* Food sales 2011

**Table 16: Convenience Stores, Mini Marts, and Gas Stations**

Alimentation Couche-Tard, Inc.	Couché-Tard	\$ 1.2 B*	1000	QC
	Becker's		12	ON, MB
	Daisy Mart		203	ON
	Dépanneur 7 jours		392	QC
	Mac's		1,171	BC, NWT, SK, MB, ON
	Tabatout		23	QC
	Winks		19	Western Canada
Husky Oil Marketing Company	Husky and Mohawk		500	BC, AB, SK, ON
Metro	Marché Ami	N/A	84	QC
	Marché Extra		209	QC
	Servi-Express		94	QC
Sobeys	Needs	N/A	140	Eastern Canada
Parkland Industries LP	Fas Gas Fas Gas Plus Short Stop Short Stop Express	N/A	150	BC, AB, SK, MB
Petro Canada	SuperStop SuperStop Express	N/A	1,421	All provinces
Quickie Convenience Stores	Quickie	N/A	50	ON, QC
7-Eleven Canada Inc.	7-Eleven	N/A	468	BC, AB, SK, MB, ON
Shell Canada Products Limited	Select	N/A	632	All provinces
<i>Source: Canadian Grocer, Who's Who 2012 and 2012 Directory of Retail Chains in Canada</i> <i>* Food sales 2011</i>				

**Table 17: Leading Drug Chain**

Retailer	Name of Banner	Sales (C\$ 000)	No. Units	Location
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Shoppers Drug Mart	Shoppers Drug Mart	\$ 620 M *	1257	All provinces
<i>Source: Canadian Grocer, Who's Who 2012 and 2012 Directory of Retail Chains in Canada</i> <i>* Food sales 2011</i>				

#### iv. On-Line Shopping

Grocery on-line shopping has been slow to take off in Canada as compared to the United States. Most shoppers that order on-line, shop occasionally or have challenges in getting to their stores. Very few retailers have invested in this sales channel and their service is localized to a limited geographical area. The more recognized on-line grocers 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.

In an effort to increase on-line sales and highlight the convenience of shopping on-line, retailers such as Grocery Gateway and Quality Foods have introduced new 'apps' for both the internet and mobile devices. For example, in the autumn of 2012, Grocery Gateway partnered with Unata, a digital marketing firm to offer a mobile app to its customers with smart phones. The app permits customers to order their groceries and schedule a convenient delivery time. The increased use of mobile devices, along with growing time constraints on shoppers may help to boost on-line sales in the future.

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

Table 18

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>VEGETABLES: CANADIAN GLOBAL IMPORTS: U.S.\$2.2 BILLION</p>	<p>VEGETABLES: 1. U.S.: 66% 2. Mexico: 25% 3. China: 2%</p>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Among imports, U.S. fruits and vegetables are viewed by most Canadians as their number one choice to other imports.</li> <li>▪ Mexico gained significant share of the market due to lower prices. Their leading products are tomatoes, peppers, avocados, mangos, and limes. Recently, are offering strawberries.</li> <li>▪ Chile is competitive with their leading exports of grapes, berries. They offer apples and cherries as well.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dry onions, carrots, lettuce, sweet corn, cabbage are the leading vegetables sold in the fresh market.</li> <li>▪ Apples are the largest production item, followed by blueberries, cranberries, grapes and peaches.</li> <li>▪ Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June.</li> <li>▪ The ‘Buy Local’ campaigns are well supported by grocery retailers starting in June through October.</li> </ul>
<p><b>FRUIT:</b> CANADIAN GLOBAL IMPORTS: U.S. \$3.2 BILLION</p>	<p>FRUIT: 1. U.S.: 48% 2. Mexico: 11% 3. Chile: 10% 4. Costa Rica: 6%</p>		
<p><b>PROCESSED FRUITS AND VEGETABLES</b></p> <p>CANADIAN GLOBAL IMPORTS: U.S. \$ 1.9 BILLION</p>	<p>1. U.S.: 59% 2. China: 9% 3. Thailand: 4%</p>	<ul style="list-style-type: none"> <li>▪ The U.S imports amounted to U.S\$ 1.2 billion. There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixes fruits, and variety of processed vegetables.</li> <li>▪ U.S. is a major player in the market with established process brands in the market.</li> <li>▪ China has seen a 15% growth in the category of dried fruits and vegetables.</li> <li>▪ Thailand major products are pineapples and fruit mixtures.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Canadian companies process a wide range of canned, chilled, and frozen products.</li> <li>▪ Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies reported adopted more than 5 new technologies in their operations.</li> <li>▪ Higher manufacturing and operation costs than in the U.S.</li> </ul>

Product Category ( <i>continued</i> )	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p><b>SNACK FOODS</b></p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>U.S. \$ 1.5 BILLION (excluding nuts)</p>	<ol style="list-style-type: none"> <li>1. U.S.: 58%</li> <li>2. Germany: 5%</li> <li>3. Belgium: 5%</li> </ol>	<ul style="list-style-type: none"> <li>▪ The U.S. dominates this category considering the more perishable and bulky natures of some products such as chips, which adds significantly to shipping costs.</li> <li>▪ Competitors vary by sub category with the main competitor and sub category as follows: Germany: cocoa, confectionaries and chocolate; Belgium: chocolate and confections. U.K. and Switzerland; chocolate, along with confection and non-confection items.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Canada’s snack food imports have grown by U.S. \$ 316 million since 2006. The category includes chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popped popcorn, pretzels, and extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, as well as pork rinds.</li> <li>▪ The snack food industry is served primarily by domestic manufacturers however domestic market share is being lost to imports. The rapid increase in imports is due both to the strengthening Canadian dollar and a number of new products in the category, many targeted at specific ethnic groups</li> <li>▪ 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.</li> </ul>
<p><b>RED MEATS</b> (Fresh/Chilled/Frozen)</p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>U.S. \$1.7 BILLION</p> <p><b>RED MEATS</b> (Prepared/Preserved)</p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>U.S. \$739 MILLION</p>	<ol style="list-style-type: none"> <li>1. U.S.: 79%</li> <li>2. New Zealand: 12%</li> <li>3. Australia: 6%</li> </ol> <ol style="list-style-type: none"> <li>1. U.S.: 94%</li> <li>2. Thailand: 2%</li> <li>3. Brazil: 2%</li> </ol>	<ul style="list-style-type: none"> <li>▪ 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). South America, except for Uruguay, which is beginning to make inroads in the manufacturing market, remains ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons.</li> <li>▪ U.S. competitors are limited by a beef quota.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Canada maintains a narrow acquired feed cost advantage.</li> <li>▪ 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 6.5% due to market structures and the Canadian strong dollar.</li> <li>▪ The industry has worked its way out of the inventory surge from the BSE trade disruption. Canadian exports have been sluggish due to a strong Canadian dollar but increased by 1% in 2011.</li> <li>▪ Canadian per capita basis consumption has declined since 2006 from 31 kilograms to 29 kilograms.</li> </ul>

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: U.S. \$ 2.4 BILLION</p>	<ol style="list-style-type: none"> <li>1. U.S.: 36%</li> <li>2. China: 16%</li> <li>3. Thailand: 16%</li> </ol>	<ul style="list-style-type: none"> <li>▪ Two major categories make up approximately half of the imports: Crustaceans (including lobster, crab, shrimp and prawn) totaling U.S.\$ 876 million with the U.S. representing 36% market of the share; Thailand's share is 16% and China's is 16%. The other category is fresh and frozen fish fillets. Canada world imports are U.S.\$ 1 billion with the U.S. share at 24% followed by China at 24%, Thailand at 14%, and Chile at 10%.</li> <li>▪ Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment.</li> <li>▪ 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.</li> <li>▪ A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors.</li> <li>▪ More than two-thirds of seafood is sold by retailers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade.</li> <li>▪ In total, the capture fishery accounts for 76 percent of total fish and seafood production in Canada.</li> <li>▪ Lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada.</li> <li>▪ Aquaculture is increasing in importance. Key products include farmed salmon, trout, steelhead, arctic char, blue mussels, oysters and manila clams.</li> <li>▪ 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.</li> </ul>
<p><b>BREAKFAST CEREALS/PANCAKE MIXES</b></p> <p>CANADIAN GLOBAL IMPORTS: U.S. \$ 424 MILLION</p>	<ol style="list-style-type: none"> <li>1. U.S.: 93%</li> <li>2. U.K.: 2%</li> <li>3. Spain: 1%</li> </ol>	<ul style="list-style-type: none"> <li>▪ Breakfast cereal imports have grown by over US \$150 million since 2006. The U.S. continues to dominate imports although a variety of competitors are all growing small niche positions.</li> <li>▪ Canada represents the largest market for U.S. Breakfast cereals accounting for approximately half of U.S. exports.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales and manufacturing in Canada is largely controlled by U.S. based companies.</li> <li>▪ Domestic non-U.S. owned competitors tend to be in the specialty or organic breakfast cereal business.</li> <li>▪ Canadian consumption of breakfast cereals reached an annual 9 lbs per person.</li> <li>▪ Three key trends in cereal consumption have driven continues growth, reduced sugar, high fiber whole wheat, and hot cereals.</li> </ul>

Product	Major	Strengths of Key Supply	Advantages and Disadvantages of Local
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Category (continued)	Supply Sources	Countries	Suppliers
<b>FRUIT &amp; VEGETABLE JUICES</b>  CANADIAN GLOBAL IMPORTS:  U.S. \$740 MILLION	1. U.S.: 60% 2. Brazil 15% 3. China 8%	<ul style="list-style-type: none"> <li>▪ U.S. imports to Canada increased and fastest growing juice category, fresh orange juice.</li> <li>▪ Brazil is the leader in frozen orange juice concentrate, the second largest imported juice category, with 70% of the import share.</li> <li>▪ China's major juice export to Canada is fortified apple juice; China represents 89% of this import market.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> </ul>
<b>NUTS</b>  CANADIAN GLOBAL IMPORTS:  U.S. \$609 MILLION  (U.S. \$ 488 M. Tree Nuts U.S. \$ 121 M. Peanuts)	1. U.S.: 58% 2. Turkey: 12% 3. Vietnam 7%	<ul style="list-style-type: none"> <li>▪ In 2010 and 2011 U.S. imports of almonds, peanuts and walnuts increased between 26% to 28% from the previous year.</li> <li>▪ US products lead with peanuts and almonds is preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards consistently.</li> <li>▪ Turkey is a competitive supplier of Hazelnuts.</li> <li>▪ Vietnam competes with cashew nuts.</li> <li>▪ Growing trend of nut allergens by Canadians has caused the Canadian Food Inspection Agency and Health Canada to set specific allergen labeling regulations for all suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Canadian per capita consumption of peanuts and tree nuts increased respectively from 2.4 to 2.7 kg and 1.2 to 1.3 kg from 2005 to 2006.</li> <li>▪ 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.</li> </ul>
<b>PET FOOD (Dog and Cat)</b>  CANADIAN GLOBAL IMPORTS:  U.S. \$ 536 MILLION	1. U.S.: 94% 2. China: 2% 3. Thailand: 2%	<ul style="list-style-type: none"> <li>▪ U.S. imports of dog and cat food registered at U.S. \$ 506 million in 2011.</li> <li>▪ Canadians regard U.S. pet foods as a trusted and quality product.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pet food sector is largely U.S. owned multinationals.</li> <li>▪ Canada has approximately 17 (non-raw) pet food manufacturers.</li> <li>▪ New pet food importation requirements have been in place as of June 2009.</li> <li>▪ More than 322,000 tonnes of pet food is sold in Canada.</li> </ul>

**PRODUCTS IMPORTED INTO CANADA FACING SIGNIFICANT BARRIERS**

<b>Product Category (continued)</b>	<b>Major Supply Sources</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<p><b>POULTRY MEAT</b></p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>U.S. \$331 MILLION</p>	<p>1. U.S.: 85%</p> <p>2. Brazil: 12 %</p> <p>3. Chile: 2 %</p>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ Increases in imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP).</li> </ul>	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ The Canadian industry has significantly increased surveillance since the A.I. outbreaks in B.C. in 2004 and has continuously improved bio-security measures.</li> </ul>

**PRODUCTS IMPORTED INTO CANADA FACING SIGNIFICANT BARRIERS**

<b>Product Category</b>	<b>Major Supply Sources</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<p><b>DAIRY</b></p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>(excluding cheese) : U.S. \$ 306 MILLION</p> <p>(Cheese) : U.S. \$265 MILLION</p>	<p>1. U.S.: 61%</p> <p>2. New Zealand: 17 %</p> <p>3. Argentina: 9%</p> <p>1. Italy.: 23%</p> <p>2. France: 21%</p> <p>3. U.S.: 21%</p>	<p>1. The U.S.’s close proximity to market, speedy delivery, and significant freight advantage has allowed it to be competitive in the Canadian Import for Re-export Program (IREP) which allows U.S. dairy product to be imported into Canada duty free, and used in further processing, provided the product is subsequently exported.</p> <p>2. The European Union has a distinct advantage in the cheese trade since it has been allocated 66% of Canada’s cheese quota as a result of the 1994 Agreement on Agriculture (AoA). Italy recently surpassed France as the largest supplier of cheese from the E.U.</p> <ul style="list-style-type: none"> <li>▪ New Zealand has a cost leadership advantage. Low costs of production due to the availability of year-round pasturage have helped New Zealand achieve a 30% share of world dairy exports. New Zealand has an additional advantage on butter imports into Canada and hold 61% of Canada’s import quota for butter.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Canadian dairy market operates under a supply management system, which attempts to match domestic supply with domestic demand while paying producers on a cost of production related formula. This system has tended to price dairy products above prevailing world levels. Imports are controlled under Tariff-rate-quota (TRQ) and over quota imports are subject to high tariffs.</li> <li>▪ American suppliers have taken advantage of the Import for Re-export Program (IREP), which allows Canadian processors to import dairy products used in manufacturing provided the product is exported. The U.S. is the largest user of this program due to the perishable nature of the products.</li> <li>▪ Canadian tariff rate quotas stipulate a 50-per-cent dairy content guideline for imported product, resulting in the creation of ingredients and blend products that are designed to circumvent this guideline. Butter-oil-sugar blends were the first major products to be imported tariff-free, displacing Canadian milk for ice cream. More recently there has been an increase in flavored milks imported as “beverages” and a number of milk proteins which are not captured by the dairy TRQ. For example milk albumin from whey concentrates destined for dairy manufacturing increased by U.S. \$ 10 million between 2010 to 2011.</li> </ul>

**PRODUCTS IMPORTED INTO CANADA FACING SIGNIFICANT BARRIERS**

<b>Product Category</b>	<b>Major Supply Sources</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
<p><b>EGGS &amp; EGG PRODUCTS</b></p> <p>CANADIAN GLOBAL IMPORTS:</p> <p>U.S. \$75 MILLION</p>	<ol style="list-style-type: none"> <li>1. U.S.: 94%</li> <li>2. China: 4%</li> </ol>	<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.</p> <p>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 19: High Physical Growth – Year 2012**

Category	Growing	
	+4 % to 10%	Over 10%
<b>Beverages</b>	Instant coffee (6%) Traditional ground coffee (7%)	Chilled fruit juices, drinks and nectars (24%) <ul style="list-style-type: none"> <li>Smoothies (27%)</li> </ul> Coffee (28%) <ul style="list-style-type: none"> <li>Single serve (163%)</li> <li>Whole bean ( 15%)</li> </ul>
<b>Confectionery</b>	Chocolate (6%) Candy (6%)	Mints (10%)
<b>Dry Grocery</b>	Cake Mixes ( 7%) Cereals (3.9%) Hot sauces ( 9%) Sweet and savory snacks (4.3%) Snack bars (4.6%) Specialty artisan breads (7 %) Dog Treats (5%)	Asian Foods <ul style="list-style-type: none"> <li>Indian bread (17%)</li> <li>Indian food (37%)</li> <li>Sauces in glass jars (8%)</li> </ul> Crackers (12%) Preserves (113%)
<b>Chilled and Frozen Foods</b>	Chilled coated fish/seafood (4.2%) Chilled fresh cut fruits (5%) Chilled and frozen noodles (5 %) Chilled Soups (6%) Chilled soups (6%) Chilled/fresh pasta (7%) Frozen fish/seafood (5%) Frozen baked potato chips and oven baked potato products (4%) Ready-to-steam vegetable packs (4%) Thin Crust Pizza (7%)	Pizza – one-to-two serving size format (26%) Pizza – thick crust (15%)
<b>Poultry &amp; Meat</b>		Luncheon meat (13%)
<b>Prepared Foods</b>	Dips (6%)	Hummus dips (19.1%)
<b>Produce</b>	Pre-packaged salads (5%)	
<b>Refrigerated &amp; Dairy</b>	Yogurt (4%)	Natural/Organic/Greek yogurt (60%)

Source: Euromonitor International 2012, Canadian Grocer Category Captains 2012

#### **4B. Products Facing Significant Barriers and Regulatory Challenges**

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 11073) 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

***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 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 percentage 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://laws.justice.gc.ca/en/showtdm/cr/SOR-79-840> (English)

<http://laws.justice.gc.ca/fr/showtdm/cr/DORS-79-840> (French)

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

### 5A. Government Organizations

<b>Table 20</b>	
<b>Organization</b>	<b>Contact Information</b>
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: <a href="mailto:info@agr.gc.ca">info@agr.gc.ca</a> <a href="http://www.agr.gc.ca">www.agr.gc.ca</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> Telephone: 1-800-263-1136 or 613-951-8116 Fax: 1-877-287-4369 or 613-951-0581 TTY-1-800-363-7629 <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 Facsimile: 613-996-9709 Email: <a href="mailto:enqserv@international.gc.ca">enqserv@international.gc.ca</a> Telephone: 1-800-267-8376 (toll-free in Canada) 613-944-4000 (in the National Capital Region and outside Canada) <a href="http://www.international.gc.ca">www.international.gc.ca</a>
Canada Border Services Agency	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  Calls outside Canada: Service in English: 204-983-3500 or 506-636-5064 Service in French: 204-983-3700 or 506-636-5067 <a href="mailto:Contact@cbsa.gc.ca">Contact@cbsa.gc.ca</a> <a href="http://www.cbsa.gc.ca">www.cbsa.gc.ca</a>
Canadian Food Inspection Agency	1400 Merivale Road Ottawa, Ontario K1A 0Y9 Tel: 1-800-442-2342 / 613-225-2342 TTY: 1-800-465-7735 Fax: 613-228-6601 <a href="http://www.inspection.gc.ca">www.inspection.gc.ca</a>

Health Canada	<p>Address Locator 0900C2  Ottawa, Ontario  K1A 0K9  Email: <a href="mailto:Info@hc-sc.gc.ca">Info@hc-sc.gc.ca</a>  Telephone: 613-957-2991  Toll free: 1-866-225-0709  Facsimile: 613-941-5366  Teletypewriter: 1-800-267-1245 (Health Canada)  <a href="http://www.hc-sc.gc.ca">www.hc-sc.gc.ca</a></p>
Industry Canada	<p>C.D. Howe Building  235 Queen Street  Ottawa, Ontario K1A 0H5  Canada    Online: <a href="mailto:info@ic.gc.ca">info@ic.gc.ca</a>  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  <a href="http://www.ic.gc.ca">www.ic.gc.ca</a></p>

**5B. Industry Associations**

**Table 21**

Organization	Contact Information
Canadian Federation of Independent Grocers	<p>Canadian Federation of Independent Grocers  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>Canadian Produce Marketing Association  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>Food and Consumer Products of Canada  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)	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@fvdr.com">info@fvdr.com</a> Web: <a href="http://www.fvdr.com">www.fvdr.com</a>
Food and Consumer Product Manufactures of Canada	Food and Consumer Product Manufactures of Canada 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>

## 5C. Publications

**Table 22**

<b>Publications</b>	<b>Contact Information</b>
Food in Canada	Food in Canada 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>
Canada Grocer	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>
Foodservice and Hospitality	Foodservice and Hospitality 101-23 Lesmill Road Toronto, ON M3B 3P6 Tel: (416) 447-0888 Fax: (416) 447-5333 Email: <a href="mailto:rcaira@foodservice.ca">rcaira@foodservice.ca</a> Web: <a href="http://www.foodservice.ca">www.foodservice.ca</a>
Grocery Business	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>
C-Store Canada	C-Store Canada 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>
Western Grocer	Western Grocer 1740 Wellington Avenue Winnipeg, MB R3H 0E8 Tel: (204) 954-2085, ext. 215 or (800) 337-6372 Fax: (204) 954-2057 Email: <a href="mailto:Melanie@mercury.mb.ca">Melanie@mercury.mb.ca</a> Web: <a href="http://www.mercury.mb.ca">www.mercury.mb.ca</a>

## 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 30 to May 2, 2013 in Toronto.

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)

Scott Reynolds, Agricultural Minister-Counselor  
Robin Gray, Agricultural Attaché  
Sonya Jenkins, Marketing Specialist  
Darlene Dessureault, Senior Agricultural Specialist  
Erin Danielson, Agricultural Specialist  
Mihai Lupescu, Agricultural Specialist  
Joyce Gagnon, Administrative Assistant

U.S. Consulate General Toronto  
P.O. Box 135  
Lewiston, NY 14092-0135  
Telephone: (416) 646-1656  
Fax: (416) 646-1389  
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 23: Available GAIN Reports on Canada:**

<b>AGR REPORT#</b>	<b>Title of Report</b>	<b>Date</b>
CA 12052	Food Processing Ingredients Update	12/28/12
CA 12051	Food Service – Hotel Restaurant Institutional 2012	12/27/12
CA 12049	Export Guide: A Practical Guide	12/21/12
CA 12046	The New Legislative Framework for Animal Traceability	12/03/12
CA 12041	Fresh Deciduous Fruit Annual	11/02/12
CA 12042	The Grain and Feed Annual	10/30/12
CA 12039	Dairy Annual	10/15/12
CA 12037	Potatoes Annual	10/01/12
CA 12036	Livestock Annual	09/11/12
CA 12034	Poultry and Products Annual	08/16/12
CA 12030	FAIRS Country Report	07/27/12
CA 12039	Biotechnology Annual	07/20/12
CA 12027	Biofuels Annual 2012- update	07/20/12
CA 12024	Biofuels Annual 2012	06/29/12
CA 12011	Retail Food Sector for Canada	03/08/12
CA 12006	Northern Trends – Winter 2012	02/03/12
CA 11048	Northern Trends – Fall 2011	09/15/11
CA 11033	Northern Trends – Spring 2011	06/02/11
CA 11032	Top Ten U.S. Fresh Vegetables Exports to Canada	05/27/11
CA 11025	2011 Agent/Broker Directory – Central Canada	05/02/11
CA 11017	Exporting Alcoholic Beverages into the Canadian Market	04/08/11
CA 0047	Canada Trends – Natural/Health Foods	12/01/10
CA 0042	HRI Food Service Annual Report	11/01/10

## 5E. Summary of Key Resources

- Agricultural and Agri-Canada. (2010). *Canadian Consumers*.
- Colliers International. (2011). *The Retail Report Canada Fall Edition*
- Canadian Council of Food and Nutrition. (2009).  
*Tracking Nutrition Trends 20 Year History Report*.
- Canadian Grocer. (2012). *Category Captains*
- Canadian Grocer. (2010-2011/2012-2013). *Executive Report*.
- Canadian Grocer Who's Who. (2012 & 2013) . *Annual Directory of Chains and Groups in Canada*
- Canadian Press for Canadian Grocer. (December 14, 2011)  
*Food Industry Weathered Economic Storm*
- The Conference Board of Canada. (June 2011).  
*Valuing Food: The Economic Contribution of Canada's Food Sector*.
- Dun and Bradstreet Canadian Business Directory 2012
- Euromonitor International. (January 2012). *Grocery Retailers in Canada*.
- Euromonitor International. (April 2011.). *Grocery Retailers in Canada*.
- Grocery Business. (November 2012). *Taking a Flyer*.
- Global Trade Atlas. (2006-2011)
- Industry Canada, Office of Consumer Affairs. (August and September 2011)  
*State of the Industry- Grocery Business*.
- Ipsos Research (May 2011). *Every Penny Counts Synovate Research Shows Canadian Grocery Shoppers Favor Discount Coupons to offset Rising Grocery Prices*.
- Leger Marketing (September 2012). *National tasteUS! Survey*.
- Rogers Media. (2012). *Directory of Retail Chains in Canada*.
- Statistics Canada. (2010). *Retail Sales by type of Stores*.
- The Nielsen Company. (2010). *Keeping it 'Fresh' in the New Economy*.
- The Nielsen Company. (2011). *Homescan Retailer Grocery Watch*
- U.S.D.A. /FAS. (2006-2011). *Global Agricultural Trade System*.