United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** March 13, 2024

Report Number: CA2024-0002

Report Name: Starter Guide for Food and Beverage Suppliers

Country: Canada

Post: Toronto

Report Category: Exporter Guide

Prepared By: Maria Arbulu

Approved By: Tyler Babcock

Report Highlights:

This report aims to educate U.S. food manufacturers on the unique and subtle differences in doing business in Canada, relative to the United States. The guide addresses challenges and opportunities in the market and provides a guideline of common basic business practices in Canada.

Table of Contents

Introduction......3
Part II. Retail and Food Service Sectors......5
Part III: Mechanics of Doing Business in Canada......5
Part IV: What the Canadian Trade is looking for......8

Introduction

This guide aims to educate U.S. companies on the unique and subtle differences in procuring, marketing, and selling food and beverage products in Canada relative to the United States. Recognizing these business differences can directly impact the long-term success of a potential exporter.

Part I: Similarities and Differences

A. Similarities

Canadian and U.S. business practices are similar in many regards. Business communication is often conducted in English, contractual terms and key performance indicators (KPIs) in both countries are specific, well-defined, and critical for evaluating the success of any business relationship, and industry advancements and business trends mirror those of the United States. It takes effort, commitment, and resources to be successful in Canada, as it does in the United States.

Taste preferences and food trends, especially in Canada's major cities, are similar to those of the United States. Consumer preferences are influenced by the United States given the large amount of Canadians traveling into the United States every year. (Approximately 24 million trips were taken by Canadian residents into the United States in 2023.[1] Similarly, 21.2 million U.S. residents traveled into Canada in 2023.)

B. Differences

The biggest differences between the two markets are labeling regulations, the broker and distributor network, and the retailer-supplier relationship. The Canadian retail sector is highly concentrated with five major retailers controlling approximately 75 percent of the food and beverage retail market. In contrast, the 20 largest food retailers in the United States account for approximately 65 percent of total food sales.[2] The relatively high retailer concentration in Canada provides the large retailers with pricing power, and limits supplier options to reach the end-consumer. The broker and distributor network is prevalent in Canada, whether your target market is the food processing, food service, or food retail sector. Meeting with brokers and distributors, and clearly understanding their role in importing, marketing, and distributing your product(s), is critical in Canada. Brokers and distributors in Canada often assume the role of interfacing with U.S. companies in providing guidance on regulatory compliance, promotional strategies, and distribution and storage options.

---

[1] Travel by Canadian residents in Canada and abroad by trip purpose (statcan.gc.ca)

[2] USDA ERS - Retail Trends

	SIMILARITIES	DIFFERENCES
Language	English is widely used throughout Canada.	Canada's official languages are English and French. For 76 percent of the population, English is their first official language spoken, and for 22 percent of the population French is their first official language. For 2 percent, neither English nor French. [3]
Market size	Per capita GDP in Canada is USD $55,000, slightly below the U.S. per capita GDP of $76,000. [4]	Canada's GDP is roughly a tenth of the United States, $2.1 and $25.4 trillion respectively.
Retail sector	Costco, Walmart, Whole Foods, and Safeway are all present in Canada.	The Canadian retail sector is highly concentrated with five major retailers controlling approximately 75 percent of the food and beverage retail market.
Consumer preferences	Consumers value product innovation, trust the safety of products produced in the United States and Canada, and appreciate convenient to consume products.	Canadian consumers are label conscious, often scrutinizing a product's listed ingredients to make sure all ingredients are known.
Costs	Given the competitive landscape and the price conscious consumer in both countries, retailers encourage promotion of product and attempt to bring value to the consumer.	U.S. products will be marginally more expensive in Canada given the distribution, broker, and shelving costs built into the final retail price.

[3] Statistics on official languages in Canada - Canada.ca
[4] [4] Source: IMF World Economic Outlook, April 2022

Part II. Retail and Food Service Sectors

A. Retail

U.S. exporters need to be keenly aware that retail category buyers will not allocate resources to mentoring suppliers on regulatory compliance, pricing, marketing and promotion, and/or importation processes. Rather, retailer buyers will refer your business to brokers and agents to assist.

Large Canadian retailers prefer to work with companies that can demonstrate some level of success and experience in either the Canadian or U.S. market. For those companies new to the Canadian market, consider selling your product to smaller independent stores first to generate reports of success and then expand into larger accounts. The Canadian Federation of Independent Grocers is a great resource for identifying potential independent grocers to work with. U.S. suppliers must be prepared to present a clear market development strategy, be able to meet request order volumes, and be able to financially provide product support once the product is listed.

B. Foodservice Landscape

The largest national food service distributors in Canada are Sysco and Gordon Food Service. Sysco maintains 28 distribution facilities covering 4,220 thousand square feet in Canada, which is proportional to their presence in the United States (192 facilities with 41,583 thousand square feet in the United States[5]). Gordon Food Service has 9 distribution centers in Canada relative to 16 in the United States[6].

While Canada does not have many truly nation-wide food service distributors, there are several well-established regional, provincially focused distributors that are important to work with. U.S. exporters are recommended to identify a distributor for your focus market, whether that be Western, Central, or Atlantic Canada. Food service distributors tend to specialize in the products they cover so U.S. suppliers should conduct proper due diligence to find the most appropriate distribution partner for your product.

Part III: Mechanics of Doing Business in Canada

FAS Canada urges U.S. exporters to read through the Global Agriculture Information Network (GAIN) reports offered online through the USDA, FAS library of reports, free of charge.

---

[5] Annual Reports – Sysco

[6] About Us | Gordon Food Service (gfs.com)

Launching a Product in Canada

A. Scale

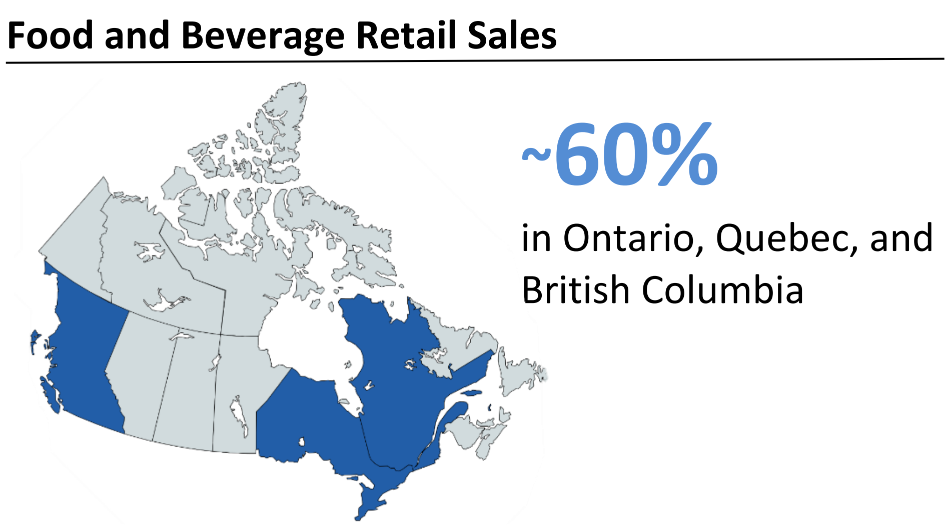
U.S. small-to-medium sized food and beverage suppliers new to the Canadian market should target independent grocers, small regional distributors, and boutique brokers. The smaller partners are more willing to introduce a new line and are known to provide targeted customer service in managing your product. Large retail buyers, major distributors, and large brokerage firms are pressured to source high-margin products with a high turnover rate, which could result in your product being overlooked. Further, working with smaller regional partners initially will provide the time and experience needed to understand shipping times, import processes, and better enable you to understand demand, manage order quantities, and improve forecasting.

B. National, regional, and provincial markets

The Canadian market should be looked at from a local, regional, provincial, and then national level. Midwestern, southern, and northeastern companies should consider targeting the markets of Toronto, Montreal, or Ottawa first as these are the largest cities in Canada, with populations of 2.8, 1.8, and 1 million, respectively.

Western U.S. companies should consider their initial export efforts in the Vancouver, Calgary, and Saskatoon markets given proximity to those markets. Distribution across Canada (e.g., from Quebec to British Columbia) is not common because of regulatory difficulties in shipping across provincial borders. We have heard from importers and distributors that it is easier to source product from the United States and bring products north, rather than moving product east to west.

Ontario, Quebec and British Columbia represent 61 percent of total food sales in Canada.



C. The Broker Network

Over the last 50 years, the Canadian broker network has developed and become an essential part of the trade. Canadian retail buyers rely on brokers to introduce them to a portfolio of new and innovative products. For new to market businesses, the Canadian broker is often responsible for launching the product and meeting annual sales targets.

Some U.S. entrepreneurs view brokers as an extra layer of cost. While brokers do add an additional cost, they also bring value, especially for new to market products. FAS Canada highly recommends working with a broker at least until a thorough understanding of the market is obtained. Like U.S. brokers, their Canadian counterparts do not take ownership of the product. The service they provide is to mentor, provide guidance on regulatory compliance, develop key accounts, market and promote your product, and, when needed, develop pricing plans for your product in Canada. Critical to developing important business ties in Canada, brokers are an on-the-ground representative that can follow-up on leads in real time.

D. Trade Margins and Retail Pricing

Typically, broker fees range from five to 10 percent once target volumes are obtained for the upcoming years. It is not unusual for a broker to ask for a retainer fee at the start of a broker arrangement. On average, developing initial product sales takes three months, meaning it could be up to a year before an exporter ships the first pallet of product to Canada. Distributors typically work on a 25 percent margin. But the margin may go up to 30 percent depending on if the product requires refrigeration or freezer space. Retailer margins vary on the product and may range from 30 to 40 percent. High end specialty stores, offering premium and unique products not found elsewhere, may command a higher margin.

Most retailers and distributors will use a pegged foreign exchange rate to ensure the Canadian buyer is protected due to daily or weekly fluctuations. All retail pricing is set in Canadian dollars not in U.S. dollars.

E. Meeting Canadian Compliance and Export Certificates

The Canadian Food Inspection Agency (CFIA) governs labeling compliance for all food products. The primary differences suppliers need to be aware of are 1) required bilingual labeling, 2) certain ingredients and additives may be restricted in Canada, and 3) the nutrition panel is structured differently that what is commonly used in the United States. To learn more, please go to Page 7 of the Food and Agricultural Import Regulations and Standards Country Report (FAIRS Annual CA2023-0025).

Exporting select products, such as fresh fruit, fresh meat, and fresh seafood, will require export certificates issued by USDA. To check if your product falls into this category, go to GAIN Reports - FAIRS, 2023 Export Certificate Annual (CA 2023-0025).

F. Shipping Products to Canada

The most important document required from a U.S. exporter is a properly completed Canada Customs Invoice or its equivalent for all commercial shipments imported into Canada. The exporter can use their own form if the required information is provided (e.g., unit cost, number of cartons, content, designee to whom the shipment is consigned to, etc).[7] Over 80 percent of shipments coming into Canada are cleared by a customs broker. [8] Most courier firms, such as UPS, FEDEX, Purolator can serve as the custom broker, but this must be clearly written on the waybill. If the customer broker is not listed, the shipment will be held by Canadian Customs and will cost either the U.S. exporter or Canadian customer delays. A qualified Customs Broker can assist a firm in determining the tax, duties, and clearance charges prior to shipment.

All food shipments coming into Canada require an importer of record. This will either be the U.S. business that registers as a non-resident importer or the importer that is taking title of the goods. To learn more about these requirements please go to pages 4 and 5 of the FAIRS, 2023 Export Certificate Annual (CA 2023-0025).

Part IV: What the Canadian Trade is looking for

The FAS Canada office has met with Canadian importers, brokers, retailers, and distributors to better understand what food and beverage products are in demand. Below is a summary list of the feedback we received.

Product composition

- Unique, innovative, and specialty products
- Food Products offering "clean" and easy to understand ingredients
- Healthy snack products
- Products with low sodium, sugar, and fat
- Products with unique and international flavors (e.g., curry, ube)
- Probiotics
- Private label products

Product packaging

- Products with sustainable and environmentally friendly packaging; recyclable
- Convenient

Product supplier

- U.S. companies with an established record of food sales in the United States (usually Canadian companies will ask to meet with suppliers with over $1 million in sales)
- U.S. companies that are "export ready"
- U.S. companies willing to dedicate resources to developing their presence in Canada, and willing to provide customer and product support
- U.S. companies willing to financially support marketing and promotion efforts, including in-store tastings, flyers, point of purchase displays, etc. An estimated budget for promotional efforts ranges but is typically 10 percent of sales.
- U.S. companies willing to modify the product for the Canadian market

[7] Canada - Import Requirements and Documentation (trade.gov)
[8] Customs Broker handles all exporting and importing documents. Not to be confused with food brokers.

FAS Canada encourages existing exporters and new-to-market companies to apply for financial support to promote their own brands in Canada under the USDA Market Access Program. This program is administered by the State Trade Regional Groups (SRTGs). These programs come under various names, such as the: Branded Program / Cost Share Program / Fund Match Program. To qualify, the exporter's product(s) must meet the minimum of 50 percent U.S. origin. Once approved, the program can cover up to 50 percent of export related costs, such as label modification or exhibiting at international and select U.S. trade shows. The program only covers merchandising expenses[9] mentioned above. To learn more about these resources, companies can contact their respective international trade specialists in their state's department of agriculture or the SRTGs directly.

Attachments:

No Attachments.

[9] The SRTG / USDA Branded programs only cover promotional costs, not capital or operating costs.