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Report Highlights:

Canada is the largest overseas market for U.S. high-value, consumer-oriented products, with exports reaching nearly \$17 billion in 2020 – representing 25 percent of the total value of U.S. consumer-oriented exports worldwide, more than doubling the value of the next largest market. Canada’s retail market is mature and largely consolidated, with five retailers comprising more than 75 percent of the total retail grocery market. The remainder of the market is represented by smaller regional retail chains that include 6,800 independents and 27,000 small and independent convenience stores.

Market Fact Sheet: Canada

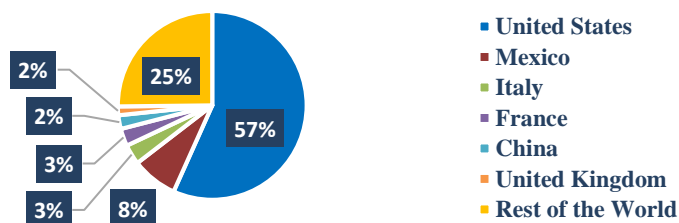
Executive Summary

Approximately 90 percent of Canada's nearly 38 million consumers live within 100 miles of the U.S. border. In 2020, Canada was the #2 market for U.S. agricultural exports at \$22.1 billion. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports \$130 million worth of daily two-way trade in food and agricultural products. Canada's food and alcoholic beverage retail sales in 2020 reached \$109 billion – a record 10 percent increase from the previous year. Despite a relatively strong U.S. dollar and a mature market, opportunities U.S. food and beverage food sales have remained strong in Canada.

Canadian Imports of Consumer-Oriented

U.S. exports of consumer-oriented products to Canada reached \$17 billion in 2020 representing 60 percent of total category imports from abroad. This segment of agricultural and food products includes snack food, breakfast cereals, saucers, confectionery, pet food, wine, spirits, beer, and soft drinks. The top three consumer-oriented agricultural product categories were bakery goods, cereals, & pasta (\$2.2 billion), fresh vegetables (\$1.9 billion), and fresh fruits (\$1.6 billion). U.S. products dominate in imported goods in the Canadian market, but recently implemented Canadian trade agreements with 3rd country trading blocs – CETA (Canada-European Union Comprehensive Economic and Trade Agreement) and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) – have contributed to increased agricultural export competition in the Canadian market.

2020 Canadian Imports of Consumer - Oriented Products



Canada's retail market is mature and consolidated with five leading retailers – three traditional grocers and two general merchandisers – commanding more than 75 percent of the market. The remainder of the market is represented by smaller regional retail chains that also include 6,800 independents and 27,000 small and independent convenience stores across the country. Ontario, Quebec, and British Columbia represent 75 percent of Canada's retail market and are the provinces in which most of the convenience, drug, grocery, and mass merchandise stores are located.

The Canadian food market displays a dichotomy of demand, one for low priced quality foods and the other for premium and specialty food items. Some premium consumer-packaged food products are sold in Canada at three times the comparable U.S. retail price. Customarily, U.S. companies selling natural, organic, or specialty foods will create demand and sales among the independents before tackling larger accounts. Proven sales in Canada are important to help persuade category buyers to list new products.

Canada Quick Facts 2020

Global Imports of Consumer-Oriented Products

\$29 billion

U.S. Imports of Consumer-Oriented Products

\$17 billion

List of Top 10 Growth Packaged Food Products in Canada

- | | |
|------------------------------------|----------------------------|
| 1) Ready Meals | 2) Savory Snacks |
| 3) Frozen Baked Goods | 4) Savory Snacks (natural) |
| 5) Rice/Pasta/Noodles | 6) Confectionary |
| 7) Nuts, Seeds, Trail mixes | 8) Processed Fruits/Veg. |
| 9) Ready to drink coffees and teas | 10) Pet Foods |

Grocery & Combination Store Sales Share by Province

- 1) Ontario – 36%
- 2) Quebec – 25%
- 3) British Columbia - 14%
- 4) Alberta – 12%
- 5) Manitoba – 4%
- 6) Saskatchewan – 3%
- 7) Nova Scotia – 3%
- 8) New Brunswick – 2 %
- 9) Newfoundland & Labrador – 2%
- 10) Prince Edward Island – 0.4%

Top 10 Canadian Food Retailers (by retail sales)

- 1) Loblaws/Shoppers Drug Mart (27%)
- 2) Sobeys/Safeway (22%)
- 3) Metro/Jean Coutu (11%)
- 4) Costco (9%)
- 5) Walmart (8%)
- 6) Overwaitea Food Group (4%)
- 7) Co-ops (3%)
- 8) Couch-Tard (2%)
- 9) North West Company Inc. (1%)
- 10) Dollarama (1%)

Note: The \$1 USD : \$1.30 CAD exchange rate has been applied for 2020
 Source: *Who's Who (Canadian Grocer)*, *Trade Data Monitor*, *Statistics Canada* and *Euromonitor International*

Strengths / Weaknesses / Opportunities / Threats

Strengths	Weaknesses
Relatively high consumer disposable income levels and similar cultures, tastes, and preferences.	Strong U.S. dollar, high levels of household debt, and a consolidated retail sector.
Opportunities	Threats
Duty-free tariff treatment for most products, Canadian buyers' familiarity with U.S. products, and acceptance of new innovative products.	COVID measures, increasing third-country competition, and strong 'buy local' consumer sentiment.

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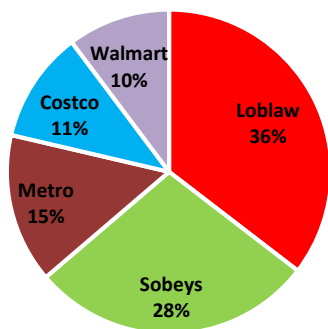
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Section I: Market Summary

Overview of the Canadian Retail Landscape

By surface area, Canada is the second-largest country, but over 80 percent of Canadians live in the country's 15 largest cities, making urban centers the nuclei of retail activity. As larger grocery banners focus their efforts on population dense areas, smaller communities are serviced by smaller format retailers as well as independent and specialty retailers. While sophisticated, transportation logistics across such a large can be relatively expensive moving East-West. Product distribution channels routinely flow North-South, reinforcing the importance of imports from U.S. suppliers. The Canadian retail market is highly consolidated, with five major retailers commanding over 75 percent of grocery sales in 2020 – their main subsidiary banners, and share of the total Canadian market are as follows:



In 2020, Canada's food and beverage retail sales surged by a record 10 percent from the previous year – reaching \$109 billion, including alcohol sales of \$20 billion – as COVID-19 response measures drove double digit losses in food service. Following consumer stockpiling of essential and bulk commodities early in the pandemic, the number of meals prepared at home remained high throughout the year as food service outlets were reduced to take out or limited dining operations. Unsurprisingly, retail sales outpaced foodservice sales in all areas during 2020.

Moreover, various Canadian banners saw their sales rise during the lockdown by capitalizing on the growing popularity of ready-to-eat meals and meal kits, respectively. Conversely, convenience stores and especially smaller format retailers suffered declines in sales due to a significant reduction in consumer mobility and less frequent shopping trips. Consumers bought more groceries at the larger banners, which offered ‘one-stop’ shopping.

Canadian retailers continue to rely on imported foods to not only fill their shelves but to help introduce new and innovative products. Canada offers a sophisticated integrated food supply chain with many existing large U.S. food manufacturers. For smaller to medium-sized food companies, there are excellent warehousing and distribution channels to get new products to retail stores. Consumer demand and established distribution channels with U.S. suppliers continue to fuel produce sales growth, with Canadians spending 21 percent more on fruits and vegetables than U.S. consumers. Additionally, demand for consumer-packaged goods recognized as organic, natural, and with clean ingredients continues to rise.

Key Marketing Drivers and Trends

The Rise of E-Commerce: The transition towards online shopping had been growing significantly in Canada before COVID-19, but the pandemic intensified and expanded the consumer trend during periodic lockdowns pushing online sales up 105 percent over 2019. Grocery retailers had to quickly ramp up online fulfillment capabilities at the onset of COVID-19, as even the largest players struggled to meet surging demand during a period of supply chain disruptions and bottlenecks. While e-commerce is expected to lose market share of total grocery sales as vaccination campaigns accelerate and more pre-pandemic grocery shopping resumes, e-commerce is expected to retain a much larger portion of total retail sales relative to 2019 as consumer comfort with the channel has matured rapidly. Investment in e-commerce will be vital to keeping up with consumer demand, and several of Canada's largest retailers announced new supplier fees in 2020 to offset the cost of fulfillment center investments. Unable to develop online fulfillment capabilities independently, many smaller grocery retailers also partnered with delivery platforms (e.g., Instacart) or offered in-store pick-up services.

Loyalty Programs Powered by Data: The rise in e-commerce has also led to an increase in data and loyalty memberships. Data collected from individual purchases establishes a clear purchasing profile for every customer collected across multiple parameters: purchase patterns, sales, flavor profiles, and customer expectations. The success of loyalty programs has been attributed to the customization of promotional outreach (e.g., newsletters, coupons) to targeted customer demographics. [KPMG's 2019 Customer Loyalty Report](#) underscored this fact before the pandemic, noting how Canadian consumer loyalty programs like Air Miles, Triangle Rewards, and P.C. Optimum are enmeshed in Canadian consumer culture.

Retail Consolidating Power: Canada's leading grocery retailers continue to consolidate ownership of the segment and increase their bargaining power relative to suppliers, enabling retailers to set more favorable terms, fees, and requirements. The consolidating nature has left multiple suppliers feeling pressured and powerless in their relationships and contract negotiations with grocers. Following new fees suppliers' associations and politicians began calling for a legislated retail grocery [code of conduct](#) to restore greater balance to negotiations with retailers. Some retailers have been advocating for a voluntary code rather than have one imposed upon them.

Private Labels & Price-Conscious Consumers: Due to the increased financial insecurity resulting from COVID-19, consumers will continue to remain highly price-sensitive. As a result, already popular private label products are expected to post strong sales performance. Essential items, including rice, pasta, and bread as well as snack-based products should continue to sell well.

Advantages	Challenges
Canadian consumers enjoy high disposable income, coupled with a growing interest in premium, high-quality products, and global cuisine	Sophisticated selection of products already available on Canadian store shelves
Geographic proximity reducing transportation costs	Geographic scale of Canada and costly shipping from East-West / coast-to-coast
U.S. food products are generally aligned with Canadian tastes and are familiar to Canadian consumers	Bilingual (English and French) labeling, differences in nutrition fact panels and other labeling requirements
Canada's ethnically diverse population exposes Canadians to increasingly diverse flavors and cuisines	A stronger U.S. dollar makes competitive pricing challenging, especially in specialty foods
Strong demand for natural, organic, gourmet, specialty food products	Differences in chemical/residue tolerances, as well as food standards, may require special production runs
Duty-free, tariff-free treatment for >98 percent of U.S. products under USMCA (entered into force July 1, 2020)	Tariff rate quotas apply for supply-managed commodities, dairy, poultry, and eggs
Foodservice operators rely on imported fruits and vegetables year-round.	Strong 'buy local' movement across Canada
Well-established financial institutions and trading relationships	Differences in standard package sizes and units of measurement (metric vs. imperial)
AIRS , Industry Labelling Tool , and National Import Service Centre provide regulatory guidance to facilitate trade	Retailers and distributors often prefer working through a Canadian broker

Section II: Road Map for Market Entry

Market Entry Strategy

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

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

For more information on these steps, please consult the FAS/Canada [Exporter Guide](#) and contact FAS/Canada offices in Montreal, Ottawa, and Toronto to obtain customized support and a further detailed guide for targeting the retail sector in Canada.

U.S. companies need to assess their “export readiness” before entering the Canadian market. This includes determining how well established their brand is in the United States and if the company currently has available resources and staff capacity to launch a product in Canada. Once the product is on the store shelf, all companies should focus on achieving realistic targeted sales levels. This will allow their products to acquire sales momentum and help to broaden distribution and maintain long-term success in the market.

Continue by reviewing the latest FAS/Canada Food and Agricultural Import Regulations and Standards Report ([FAIRS Report](#)) to understand relevant Canadian import requirements. The Canadian Food Inspection Agency (CFIA) provides extensive [programs and services](#), including a [Guide to Importing Food Products Commercially](#). The CFIA [Automated Import Reference System](#) (AIRS) helps businesses identify the appropriate Harmonized System (HS) codes and the import requirements for their products. The Canadian [National Import Service Centre](#) can guide U.S. exporters through compliance questions and help facilitate cross-border shipments. FAS/Canada recommends that first-time exporters engage a [Canadian customs broker](#), as 80 percent of all shipments into Canada are handled and cleared by an appointed custom broker.¹

The bulk of Canadian food imports are imported directly by a large importer, broker, distributor, or wholesaler; perishable items and multinational food companies ship directly to a national retail chain’s distribution center, with a smaller portion being sold through terminal markets for independent retailers. Unlike in the United States, retail category buyers from the larger chains can rely on food brokers, distributors, and importers to identify new products. More importantly, they also rely on these intermediaries to manage the relationship with U.S. companies and to guide U.S. companies through required compliance steps, the nuances of the Canadian retail market, and the development of promotional strategies to help sell the product in Canada.

While distributors can sell some select brands, they typically oversee several hundred SKUs and handle products where inventory will turn over quickly. On the other hand, brokers are focused on managing a product's brand and retail account relationships. Most brokers will handle between 10 to 25 brands at a time unless they are a national firm. Brokers will focus on establishing the distribution network and developing new retail accounts. Often, they are in a better position to give companies the required sales attention needed to develop established long-term sales. Average commission fees usually range around five percent. It is not unusual for the broker to request a retainer fee for new accounts, as much time is spent ‘pioneering’ the brand to new accounts. Once sales targets are achieved, brokers typically transition to commission-based fees.

When targeting the Canadian market, it is essential to keep the following facts in mind: Canada is a small and mature market and has a much smaller consumer base, roughly one-tenth of the United States. Accessing a smaller Canadian consumer base can be expensive as major population groups are concentrated in cities that are spread out along the vast U.S.-Canada border. There are typically three major geographic regions to consider: Ontario, Quebec, and British Columbia. For companies looking to launch on a smaller scale, a more manageable approach would be to focus on one province (or even city) at a time.

¹ A “customs broker” works with Canada Border Services Agency to clear goods at the border. A “food broker” serves as an in-country sales representative for a U.S. company exporting to Canada.

Attending Canadian trade and consumer shows can help U.S. exporters better understand the market. A partial list of Canadian trade shows can be found [here](#). USDA endorses [SIAL Canada](#), the largest food trade show in Canada. FAS/Canada works with [State Regional Trade Groups](#) (SRTG) to administer [USDA Market Access Program](#) funding to those U.S. companies that qualify. Once a U.S. firm qualifies with their regional SRTG, then some of their trade show expenses will be partially reimbursed.

Section III: Competition

As a mature market with a highly integrated supply chain, much of the competition for Canadian market share is with other U.S. and Canadian food products already established in the market.

Table 1: Canadian Imports of Consumer-Oriented (CO) Products (in Million U.S. Dollars)

Year	CO Imports - Total	CO Imports - U.S. Value	CO Imports - U.S. Share	Total Retail Food Sales
2018	\$27,843	\$16,060	58%	\$96,747
2019	\$28,288	\$16,138	57%	\$99,839
2020	\$29,139	\$16,525	57%	\$109,307

Source: Trade Data Monitor and Statistics Canada

Table 2: 2020 Imports of Leading Consumer-Oriented Products (in Million U.S. Dollars)

Description	CO Imports - Total \$	C.O. Imports - U.S. (\$+Percentage)		Leading Competitors
Bakery Goods, Cereals, & Pasta	2,954	2,187	74%	Italy, China, and Mexico
Fresh Vegetables	2,748	1,642	60%	Mexico, China, and Guatemala
Soup & Other Food Preparations	1,868	1,549	83%	China, Mexico, and Switzerland
Fresh Fruit	3,769	1,481	39%	Mexico, Guatemala, and Costa Rica
Pork & Pork Products	962	823	86%	Italy, Germany, and Denmark
Dog & Cat Food	898	821	91%	Thailand, China, and Italy
Chocolate & Cocoa Products	1,365	744	54%	Switzerland, Belgium, and Germany
Tree Nuts	1,060	722	68%	Vietnam, Turkey, and China
Non-Alcoholic Bev. (e.g., juices, coffee, tea)	989	715	72%	Switzerland, France, and Italy
Beef & Beef Products	1,135	714	63%	New Zealand, Australia, and Uruguay
Processed Vegetables	1,208	653	54%	China, Italy, and Spain

Description	CO Imports Total \$	C.O. Imports U.S. Share (\$ and %)		Leading Competitors
Dairy Products	1,066	630	59%	Italy, New Zealand, and France
Condiments & Sauces	820	622	76%	Italy, China, and the United Kingdom
Processed Fruit	1,203	535	44%	Mexico, China, and Chile
Wine & Related Products	2,042	445	22%	France, Italy, and Australia

Source: Trade Data Monitor

Section IV: Best Product Prospects Categories

Among the consumer-oriented products exported to Canada in 2020, the top three consumer-oriented agricultural product categories were bakery goods, cereals, & pasta (\$2.2 billion), fresh vegetables (\$1.9 billion), and fresh fruits (\$1.6 billion). Over the next five years, the pet foods category is expected to grow by 13.2 percent, making this category the most opportunistic one for U.S. suppliers. As the pandemic continues to evolve consumer shopping behaviors will continue to adapt to it. With COVID-related financial insecurity in the country, normally price conscious Canadian consumers are expected to remain cautious in the near term, driving sales of private label products and tempering the pace of “premium-ization” (i.e., consumers upgrading to more premium products). Essential items, including rice, pasta, and bread as well as snack-based products will continue to perform well.

Table 3: Best Forecasted Growth Product Categories (2020 – 2024)

Product Category	Sales Growth 2019 / 2020	5-year Growth Forecast	Subcategory with Best Prospects	Sales Growth 2019 / 2020
Packaged Food	9%	4 %		
Cooking Ingredients & Meals	12%	4%	Edible Oils	14%
			Herbs and spices	14%
			Chili Sauces	15%
			Ready Meals	12%
			Pasta Sauces (clean ingredients)	12%
Snacks	4%	6%	Confectionery	1%
			Savory Snacks	7%
			Savory Snacks (natural ingredients)	15%
			Snack Bars (no artificial ingredients)	8%
			Nuts, Seeds, and Trail Mixes (no artificial ingredients)	9%
			Fruit and Nut Bars	13%
Staple Foods	12%	5%		
Baked Goods	7%	7%	Bread	7%
			Flat Breads	16%
			Frozen Baked Goods	5%

Product Category	Sales Growth 2019 / 2020	5-year Growth Forecast	Subcategory with Best Prospects	Sales Growth 2019 / 2020
			Packaged Pastries	11 %
Processed Fruits & Vegetables	12%	-10%	Frozen Processed Fruits & Vegetables (natural)	14%
Pasta, Rice & Noodles	30%	-10%	Noodles	30%
			Rice	30%
Processed Meat & Seafood	13%	12%	Meat Substitutes	31%
Pet Food	7%	13%	Dog and Cat Foods	7%
Beverages/Soft Drinks				
Beverages/ Soft Drinks	3%	12%	Ready-to-drink Coffee	18%
			Ready-to-drink Tea	9%
			Energy Drinks	8%

Source: Euromonitor International

Products with Positive Sales Potential

Pet Food: The category had a healthy retail sales growth from 2019 to 2020 and one of the highest growth projections – 13.2 percent over the five-year forecasted period. A national Abacus survey from June 2021 stated that 56 percent of Canadians have at least one pet in their household, with dogs and cats being the most popular. Pet ownership is higher in Quebec, Atlantic Canada, and Ontario and less likely in the Prairies and B.C. According to the Abacus survey, the COVID-19 pandemic fueled the trend: almost 1 million Canadians became new pet owners since the start of the pandemic – representing 3 percent of the population.

Plant-Based Diets & Alternative Proteins: Health and environmental consciousness are driving increased demand for plant-based products. Healthy living standards are transcending medical health to include food, exercise, mental wellbeing, and broader lifestyle issues – where food and supplements are no longer distinct. The trend accelerated during the COVID-19 pandemic, where health became the primary concern for most Canadians – more prevalent among Canada's aging population as well as Gen-Z consumers. A by-product of this trend is increased demand for plant-based proteins and meat alternatives, as consumers look to ‘do right’ by the planet and their bodies. According to a recent study by The Hartman Group, nearly 50 percent of consumers look for products labeled as “plant-based.” Another Mintel report stated that 75 percent of Canadian consumers would like to include additional plant-based protein products in their diets.

Ethical living and Sustainable Packaging: Canadian consumers’ increasing concern for environmental issues is also driving demand for eco-friendly, sustainable, and energy-efficient products. Consumers increasingly make purchasing decisions based on their perception of environmental friendliness, sustainability, animal welfare, and a desire to positively impact communities and people. Reflected in Canada’s [Zero Plastic Waste](#) initiative, sustainable product packaging that supports a ‘circular economy’ is increasingly a selling point, as consumers take a more comprehensive view of the products they purchase.

Alcoholic Drinks: Canada's wealthy consumer base provides substantial growth opportunities for higher-priced premium products, including wine and craft spirits. U.S. exporters are encouraged to consult a beverage alcohol agent specializing in their product category and in the target market (by province, as provincial practices and regulatory requirements vary widely). Though on-premise alcohol sales declined sharply early on in the pandemic, most provinces have relaxed alcohol sales regulations, expanding opportunities for consumption and export sales. Please consult directly with FAS Offices in Toronto, Ottawa, or Montreal for more detailed reports on accessing the Ontario and Quebec beverage alcohol markets.

Section V: Key Contacts and Further Information

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Please refer to the FAS/Canada [Exporter Guide](#) for links to additional sources of information.

Attachments:

No Attachments