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Report Highlights:

Canada is the largest overseas market for U.S. high-value, consumer-oriented products, with exports reaching nearly \$18 billion in 2021 – representing 23 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 accounting for 76 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

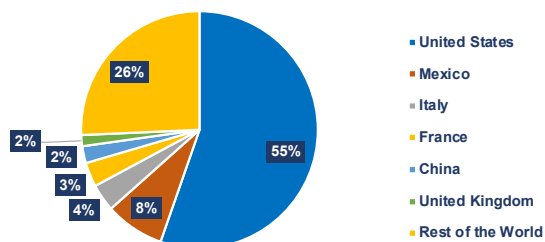
Executive Summary

Approximately 90 percent of Canada's nearly 37 million consumers live within 100 miles of the U.S. border. In 2021, Canada was the #3 market for U.S. agricultural exports at \$25 billion. For new-to-market and new-to-export firms, Canada offers stable financial markets and a sophisticated logistics network that supports \$153 million worth of daily two-way trade in food and agricultural products. Canada's food and alcoholic beverage retail sales in 2021 reached \$110 billion – a modest 1 percent increase from the previous year. Despite a relatively strong U.S. dollar and a mature market, opportunities for U.S. food and beverage food sales have remained strong in Canada.

Canadian Imports of Consumer-Oriented Products

U.S. exports of consumer-oriented products to Canada reached \$18 billion in 2021 representing 55 percent of Canada's total category imports from abroad. This segment of agricultural and food products includes snack food, breakfast cereals, sauces, confectionery, pet food, wine, spirits, beer, and soft drinks. The top three consumer-oriented agricultural product categories were bakery goods, cereals, and pasta (\$2.2 billion), fresh vegetables (\$1.7 billion), and fresh fruits (\$1.6 billion). 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.

2021 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 – holding nearly 76 percent of market share. The remainder of the market is represented by smaller regional retail chains, including 6,800 independents and 27,000 small and independent convenience stores across the country. Ontario, Quebec, and British Columbia represent 61 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 approaching larger accounts. Proven sales in Canada are important to help convince category buyers to list new products.

Canada Quick Facts 2021

Global Imports of Consumer-Oriented Products

\$32 billion

U.S. Imports of Consumer-Oriented Products

\$18 billion

List of Top 10 Growth Packaged Food Products in Canada

- 1) Ready Meals/Dinner Mixes
- 2) Meat and seafood substitute
- 3) Prepared salads
- 4) Fruit and nut bar
- 5) Dry Nuts, Seeds, Trail mixes
- 6) Vegetable, pulses and bread chips
- 7) Energy drinks
- 8) Salty & Savory Snacks
- 9) Ready-to-drink Tea & Coffee
- 10) Nut and seed-based spreads

Grocery & Combination Store Sales Share by Province – 2020

- 1) Ontario – 36%
- 2) Quebec – 25%
- 3) British Columbia (+Yukon, N.W.T & Nunavut) – 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) – 2020

- 1) Loblaws/Shoppers Drug Mart (28%)
- 2) Sobeys/Safeway (20%)
- 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 2021

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.	Increasing third-country competition, and strong 'buy local' consumer sentiment.

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Section I: Market Summary

Overview of the Canadian Retail Landscape

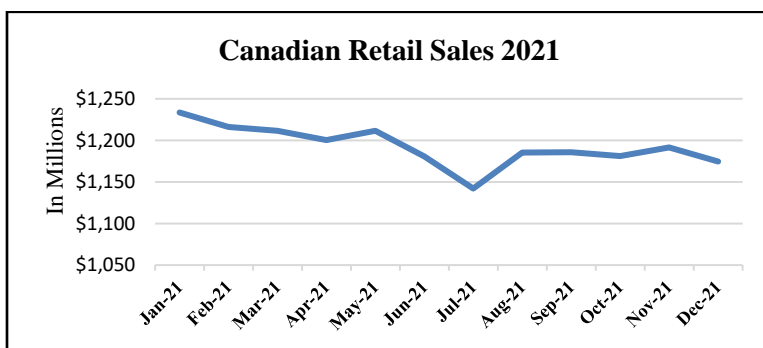
Over 80 percent of Canadians live in the country's 15 largest cities, making urban centers the nuclei of retail activity. As larger grocery banners focus their efforts on population-dense areas, smaller communities are serviced by smaller format retailers as well as independent and specialty retailers. While sophisticated, transportation logistics across Canada (i.e., west-east) can be relatively expensive. 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 accounting for nearly 76 percent of grocery sales in 2021 – their main subsidiary banners and share of the total Canadian market are as follows:



Source: Who's Who Report 2021 (Canadian Grocer)

In 2021, Canada's food, beverage, and alcohol retail sales reached \$110 billion, including alcohol sales of \$20 billion – a modest 1 percent increase from the previous year compared to the record 11 percent we witnessed in 2020 relative to 2019. The modest increase is due to the substantive reduction in consumer stockpiling of essential and bulk commodities, the reduction in the number of meals prepared at home, and food service outlets operating at full capacity. As consumers moved back to pre-COVID-19 norms, growth in monthly retail sales stabilized over the 2021 calendar year (CY21).



Source: Statistics Canada and Euromonitor International

Adaptation and flexibility have been the buzzwords embodying the volatile nature of the grocery retail sector in 2021. The retail industry continues to manage supply chain, labor, and inflation challenges. Retail trends that have emerged over the last two years include:

- Marketing to a value-conscious, healthier consumer.
- Elevated consumer expectations for omnichannel.
- An increased emphasis on sustainability.
- Strategic workforce planning and investment in tech and analytics.
- The growing importance of ecosystems and partnerships.

The steady shift from brick-and-mortar to e-commerce retailing continued in 2021 (growth in e-commerce peaked during the first two quarters of 2021), given that for half of the year consumers expressed modest hesitation with shopping in brick-and-mortar. Consumers continued to enjoy the convenience of shopping online (e.g., click-and-collect retail). In the second half of 2021 however, as Canada's provincial and territorial governments removed covid-related restrictions, consumers seemed to again be comfortable with shopping in brick-and-mortar. The digital sales we witnessed in 2020 and early 2021 plateaued, according to McKinsey data. Currently, 12 percent of the grocery retail sales volume comes from e-commerce transactions.

As growth of the grocery retail e-shopping market stabilized, retailers continued to invest into developing e-commerce platforms and services. According to a Euromonitor report, both Loblaw and Sobeys have taken significant steps in amplifying their digital presence. Loblaw continued to increase its e-commerce offerings and expand its click-and-collect online grocery shopping service in different store brands. Meanwhile, Nova Scotia-based Sobeys launched an online grocery business (Voilà, an automated warehouse as its fulfillment center) in partnership with UK-based e-commerce company [Ocado](#) in June 2020 – rolled out across the Greater Toronto Area in subsequent weeks, and then expanded the service to Ottawa and major cities across Quebec.

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. In addition, small-to-medium-sized food companies have 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 substantially.

Key Marketing Drivers and Trends

The Rise of E-Commerce Investment persists: As growth of the grocery e-commerce sales in the second half of 2021 stabilized, the major traditional retail banners continued to invest aggressively in the grocery digital landscape and online fulfillment capabilities as a way to maintain a competitive edge over their competitors. A more robust digital presence and broader product offering have become critical strategies for retailers seeking to capture market share in the growing sector, especially as online offerings from new entrants like Amazon present increased competition. Loblaw and Sobeys have taken significant steps in this direction, as highlighted in the market summary.

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 such as purchase patterns and flavor profiles. 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 prevalent in Canadian consumer buying patterns.

Warehouse clubs & Price-Conscious Consumers: The already notorious price-sensitive Canadian consumer amplified its efforts in looking for value in 2021 and saw the benefits of buying in bulk at warehouse clubs such as Costco. According to Euromonitor, in 2021, Costco experienced a healthy gain in the first half of the year and dominated the warehouse clubs' space during that year. According to the Passport Report Survey from Euromonitor, the cost-conscious Canadian consumer considers price a key purchasing factor, with 53 percent prioritizing "low price" when buying food and drinks – significantly higher than global averages.

Healthy Eating: Health consciousness, concerns over obesity, and an aging population are driving demand for health-related products and increased interest in 'clean' and natural products. Perceptions of healthy living transcend medical health to include food, exercise, mental wellbeing, and broader lifestyle issues. According to a Euromonitor survey in 2021: 45 percent of survey participants, comprised of various age groups, take natural health supplements once or twice a week and consider food to be a major factor in maintaining a healthy life.

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 in Canada
Geographic proximity reduces 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 for 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 greater than 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
Retailers rely on imported fruits and vegetables	Strong 'buy local' movement across Canada

Advantages	Challenges
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 retail 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;
- Learn Canadian government standards and regulations that pertain to your product; and
- Contact the FAS/Canada Office in the U.S. Embassy in Ottawa for support

For more information on entry strategy, please consult the FAS/Canada [Exporter Guide](#). FAS/Canada offices in Ottawa, Montreal, and Toronto also offer customized support and further detailed guidance for U.S. exporters.

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 and targeted sales levels. This will allow exporters, and their products, to acquire sales momentum and help to broaden distribution and maintain long-term success in the market.

Review 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

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.

The bulk of Canadian food imports are imported directly by large brokers, distributors, or wholesalers; perishable items and multinational food companies ship directly to retailers' distribution centers, with a smaller portion being sold through terminal markets for independent retailers. Retail category buyers from larger retail chains often 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 exclusively, they typically oversee several hundred SKUs and handle products with inventory that will turn over quickly. Brokers are also focused on building a product's brand and managing retail account relationships. Most brokers will handle between 10 to 25 brands at a time unless they are a larger national firm. Brokers will focus on establishing the distribution network and developing new retail accounts. Often, brokers are in a good position to give companies the required sales attention needed to develop sustainable 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 highly mature market. Canada's population and economy are 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, but other provinces such as Nova Scotia, Alberta, Saskatchewan, Manitoba, and New Brunswick present opportunity for new to market specialty products. 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.

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](#) (SRTGs) 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 - Global	CO Imports - U.S. Value	CO Imports - U.S. Share	Total Retail Food Sales
2019	\$28,288	\$16,138	57%	\$99,839
2020	\$29,139	\$16,525	57%	\$109,307
2021	\$31,784	\$17,585	55%	\$110,110

Source: Trade Data Monitor and Statistics Canada

Table 2: 2021 Imports of Leading Consumer-Oriented Products (in Million U.S. Dollars)

Description	CO Imports Global \$	C.O. Imports U.S. Share		Leading Competitors
		\$	%	
Bakery Goods, Cereals, & Pasta	3,037	2,232	73%	Italy, China, and Mexico
Fresh Vegetables	2,897	1,734	60%	Mexico, China, and Guatemala
Fresh Fruit	4,212	1,637	39%	Mexico, Guatemala, and Peru
Soup & Other Food Preparations	1,957	1,559	80%	China, Sweden, and Taiwan
Dog & Cat Food	1,064	958	90%	Thailand, China, and Italy
Pork & Pork Products	1,151	924	80%	Germany, Italy, and Spain
Chocolate & Cocoa Products	1,475	799	54%	Switzerland, Belgium, and Germany
Beef & Beef Products	1,140	757	66%	Mexico, New Zealand, and Australia
Non-Alcoholic Bev. (ex. juices, coffee, tea)	1,047	734	70%	France, Switzerland, and Italy
Dairy Products	1,215	728	60%	Italy, New Zealand, and France
Tree Nuts	1,075	702	65%	Vietnam, Turkey, and Philippines
Processed Vegetables	1,275	678	53%	China, Italy, and Spain
Condiments & Sauces	884	664	75%	Italy, China, and Thailand
Processed Fruit	1,341	574	43%	Mexico, China, and Thailand
Wine & Related Products	2,326	497	21%	France, Italy, and Spain

Source: Trade Data Monitor

Section IV: Best Product Prospects Categories

Among the consumer-oriented products exported to Canada in 2021, the top three consumer-oriented agricultural product categories were bakery goods, cereals, & pasta (\$3.0 billion), fresh vegetables (\$2.9 billion), and fresh fruits (\$4.2 billion).

Over the next five years, the dinner mixes category is expected to grow by 23 percent, making this category the most opportunistic for U.S. suppliers. Moreover, convenience trends continue to drive the meal-kit concept in 2021. Various Canadian banners saw sales of ready-to-eat meals and meal-kits increase during the pandemic. This trend continued in 2021. Another category expected to grow is the ready-to-drink tea and coffee category. According to Euromonitor, alcohol consumption in Canada continues to fall, and coffee consumption is on the rise among young people. Premium products that offer authenticity and quality will be key drivers of demand.

Post-pandemic consumer shopping behaviors are constantly adapting and changing. Ordinarily price-conscious Canadian consumers are expected to remain cautious in the near term, driving sales of private label products and tempering the pace of “premiumization” (i.e., consumers upgrading to more premium branded products).

Table 3: Best Forecasted Growth Product Categories (2021 – 2026)

Product Category	Sales Growth 2020 / 2021	5-year CAGR-Growth Forecast	Subcategories	Sales Growth 2020 / 2021
Packaged Food	-0.2%	2.9%		
Cooking Ingredients & Meals	2%	5.2%	Dinner Mixes	23%
			Prepared Salads	7%
			Chilled Ready meals	6%
			Frozen Soups	4%
			Sunflower Oil	4%
Snacks	1%	2.8%	Confectionery	1%
			Savory Snacks	2%
			Vegetable, Pulse and Bread Chips	9%
			Snack Bars (no artificial ingredients)	8%
			Nuts, Seeds, and Trail Mixes (no artificial ingredients)	7%
Fruit Snacks	2%			
Staple Foods	-2%	0.7%		
Baked Goods	-1%	1.4%	Unpackaged Flat Breads	9%
			Unpackaged Pastries	2%
			Packaged Flat bread	2%
Processed Fruits & Vegetables	-2%	-1.4%	Frozen Vegetables	-2%
Pasta, Rice & Noodles	-6%	-0.7%	Noodles	-7%
			Rice	-2%
Meat and seafood substitutes	17%	21%		
Pet Food	1%	4.7%	Dog and Cat Foods	1%
Beverages/Soft Drinks				
Beverages/Soft Drinks	-1%	2.7%	Carbonated Ready-to-drink Tea and Kombucha	19%

Product Category	Sales Growth 2020 / 2021	5-year CAGR-Growth Forecast	Subcategories	Sales Growth 2020 / 2021
			Ready-to-drink Coffee	6%
			Ready-to-drink Tea	4%
			Energy Drinks	5%

Source: Euromonitor International

Products with Positive Sales Potential

Ready meals – Dinner mixes: As highlighted in Table 3, dinner mixes had the greatest increase in growth in the packaged products category: a 23 percent increase. The chilled meal-kits category (dinner mixes, prepared salads, and chilled ready meals) – products that generally have shorter shelf lives and align with the overall well-being consumer trend – experienced positive sales growth in 2021. Increased consumer mobility and a return to pre-pandemic conditions in the second half of 2021 contributed to the category's expansion. In addition, consumers' demand for meal-kits with added health benefits and clean labels continues to be a driving factor for strong sales. Canadian consumers are consistently looking for products that enhance health and are increasingly prioritizing the reduction of red meat consumption.

Plant-Based Diets & Alternative Proteins: Health and environmental consciousness are driving the demand for plant-based products. The trend was exacerbated by the COVID-19 pandemic, where health became the primary concern for most Canadians – more prevalent among Canada's aging population as well as among Gen-Z consumers.

Healthy living standards are transcending medical health to include food, exercise, mental well-being, and broader lifestyle issues – where food and supplements are no longer distinct. Many companies are looking to jump on this trend. For example, in mid-2021, Kraft Heinz introduced a plant-based line of single-serve dishes for its PürGrains brand.

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.

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