F&B Market in Canada

SOME KEY INSIGHTS
Market Highlights

- Population of 37 million limits the market size
- Agriculture and Agro-processing are important components in Canada
- Canada is a major food producer and exporter
- Canadian F&B Retail market was worth $120 billion in 2020
- F&B imports over $36 billion
- Large immigrant population
  - Diversity of food choices
  - Ethnic Foods are a growing segment
- Sophisticated Market
  - Quality Conscious and regulated
  - High Awareness
- Canadian food processors rely on imported raw, semi-processed, and processed ingredients
- A strong ‘buy local’ ethos
- Major Multi-national brands are well-established in Canada
- 99% of the 6,500 F&B processing units in Canada are MSMEs
- Demand for Healthy Foods
- E-Commerce is growing
- Import of food items from India is growing
Post-Pandemic Picture

- E-commerce is here to stay
- 93% of Canadians plan to either do more online shopping or the same amount post-pandemic.
- Rising food costs will affect consumer behavior in terms of what – and where – they purchase food.
- Interest in vegan products continues to climb.
- At the same time, 78% of Canadians are yearning for comfort food after pandemic stress.
- The health and wellness trend has shifted from niche to mainstream.

Based on TFO Surveys and Reports
## Market Break-up

<table>
<thead>
<tr>
<th>Description</th>
<th>Imports from World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Preparations &amp; Misc. Bev. *</td>
<td>$4.1 B</td>
</tr>
<tr>
<td>Misc. edible preparations</td>
<td>$2.8 B</td>
</tr>
<tr>
<td>Other processed food, ingredients &amp; beverage bases</td>
<td>$1.4 B</td>
</tr>
<tr>
<td>Baking Inputs, mixes and doughs</td>
<td>$656 m</td>
</tr>
<tr>
<td>Pasta, cooked or not cooked or stuffed</td>
<td>$377 m</td>
</tr>
<tr>
<td>Mixes and doughs for preparation</td>
<td>$222 m</td>
</tr>
<tr>
<td>Fresh fruit</td>
<td>$3.6 B</td>
</tr>
<tr>
<td>Fresh vegetables</td>
<td>$2.6 B</td>
</tr>
<tr>
<td>Preparations of vegetables, fruit, nuts, and other parts of plants</td>
<td>$2.3 B</td>
</tr>
<tr>
<td>Vegetable oils</td>
<td>$724 m</td>
</tr>
<tr>
<td>Essential oils</td>
<td>$587 m</td>
</tr>
</tbody>
</table>

Except Fresh Fruits and Vegetable Oils, United States has more than 60% share in all categories.
## Major Canadian Players
(Revenues reflect 2018 figures)

### Top 10 Canadian Food and Beverage Manufacturers

<table>
<thead>
<tr>
<th>Company</th>
<th>Annual Revenues (CAD)</th>
<th>Number of Employees in Canada</th>
<th>Product Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saputo Inc.</td>
<td>$11.6 B</td>
<td>12,800</td>
<td>Dairy products</td>
</tr>
<tr>
<td>McCain Foods Ltd.</td>
<td>$8.5 B</td>
<td>19,000</td>
<td>Packaged goods</td>
</tr>
<tr>
<td>Agropur Cooperative</td>
<td>$6.4 B</td>
<td>8,300</td>
<td>Dairy products</td>
</tr>
<tr>
<td>Maple Leaf Foods</td>
<td>$3.4 B</td>
<td>11,200</td>
<td>Packaged &amp; Meat</td>
</tr>
<tr>
<td>Cott Corporation</td>
<td>$3.0 B</td>
<td>200</td>
<td>Beverage</td>
</tr>
<tr>
<td>Kraft Canada Inc</td>
<td>$3.0 B</td>
<td>500</td>
<td>Packaged</td>
</tr>
<tr>
<td>Pepsico Canada</td>
<td>$2.7 B</td>
<td>10,699</td>
<td>Packaged and Beverage</td>
</tr>
<tr>
<td>Nestle Canada</td>
<td>$2.6 B</td>
<td>3,700</td>
<td>Packaged</td>
</tr>
<tr>
<td>Parmalat Canada</td>
<td>$2.5 B</td>
<td>2,900</td>
<td>Dairy products</td>
</tr>
<tr>
<td>Weston Foods</td>
<td>$2.0 B</td>
<td>5,000</td>
<td>Baked goods</td>
</tr>
</tbody>
</table>
Top 10 Canadian Grocery Retailers (by Market Share)

1) Loblaws/Shoppers Drug Mart (29%)
2) Sobeys/Safeway (21%)
3) Costco (11%)
4) Metro (10.8%)
5) Walmart (7.5%)
6) Co-ops (3.5%)
7) Overwaitea Food Group (3%)
8) Couch-Tard (1.4%)
9) North West Company Inc. (1%)
10) Dollarama (0.5%)
Leading Regional Retailers

1) Longo Brothers / Grocery Gateway (ON)
2) Buy-Low Foods (AB & BC)
3) Rabba Fine Foods (ON)
4) Kitchen Food Fair (ON)
5) H.Y. Louie Co., Ltd. (BC)
6) Farm Boy (ON)
7) Kin’s Farm Market (BC)
8) Whole Foods / Amazon (BC & ON)
9) Kitchen Food Fair (ON)
10) North West Company (rural Canada)
## Advantages and Challenges

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proximity and Integration with North American market (Addendum to exports to US market)</td>
<td>Geographical Distance makes exports expensive</td>
</tr>
<tr>
<td>Similarity with US and EU markets</td>
<td>Differences in shopping patterns and culinary tastes from India (Except for Diaspora and Indian population)</td>
</tr>
<tr>
<td>Short Canadian growing season for fresh produce</td>
<td>Demand for Very High Quality</td>
</tr>
<tr>
<td>Consumer willingness to pay more for higher quality</td>
<td>Higher standards of approved chemicals and residue tolerances</td>
</tr>
</tbody>
</table>
Indian exporters must understand the Canadian import regulations and standards.

Canadian Food Inspection Agency (CFIA) provides extensive information including a Guide to Importing Food Products Commercially.

CFIA Automated Import Reference System (AIRS) provides specific import requirements for food items by the Harmonized System (HS) classification.

Do note that the Safe Food for Canadian Regulations (SFCR) came into effect on January 15, 2019 whereby 14 sets of existing regulations were consolidated. Much of the regulations directly impact the Canadian food importers.

Some of these measures have assumed greater significance in post COVID-19 scenario.
Food Exporters need to be aware of

- **Traceability** - Rules for tracking the movement of food in the supply chain.
- **Food packing** - How to make sure food stays safe during packaging.
- **Labeling Requirements** - The labelling requirements for consumer packaging and foods.
- **Safety standards and guidelines** - Guidance by food type, additives, maximum residue limits.
- **Safety investigation and recall process** - Triggers for an investigation which could lead to a recall.
- **Testing bulletins** - Results of sampling and testing to detect food safety risks.
- **Food incident response process** - Process for food incidents and foodborne illness outbreaks.
- **Foodborne Illness Outbreak Response Protocol (FIORP)** - Working together during large foodborne illness outbreaks.

- Check out the Canadian Government’s Tool Kit for Food Importers.
- Also refer to the Safe Food for Canadians Act (SFCA) and Safe Food for Canadians Regulations (SFCR).
- Food exports must meet applicable requirements of the Food and Drugs Act and Food and Drug Regulations.
- Provincial and territorial regulations may also apply.
Additional Government Regulation

- New regulatory initiative have come into effect from December 2021.
- Require consumer-packaged foods high in sodium, sugar, and/or saturated fats to carry front-of-package labels.
- Requirement also to display Serving Size, Percentage daily value calculations, Vitamins A & C removed, Amount in mg for potassium, calcium & iron etc.
- Requirement for record of traceability of all food imported into Canada.
- For more information, please refer to the Food Imports Guide website of Government of Canada.
New Labeling Requirements

**Original Nutrition Facts**

**Valeur nutritive Valeur nutritive**

<table>
<thead>
<tr>
<th>Amount</th>
<th>% Daily Value</th>
<th>Teneur</th>
<th>% valeur quotidienne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calories / Calories 110</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fat / Lipides 0 g</td>
<td>0 %</td>
<td>Saturés 0 g</td>
<td>0 %</td>
</tr>
<tr>
<td>+ Trans / trans 0 g</td>
<td>0 %</td>
<td>Cholestérol 0 mg</td>
<td>0 %</td>
</tr>
<tr>
<td>Sodium / Sodium 0 mg</td>
<td>0 %</td>
<td>Carbohydrate / Glucides 26 g</td>
<td>9 %</td>
</tr>
<tr>
<td>Fibre / Fibres 0 g</td>
<td>0 %</td>
<td>Sugars / Sucres 22 g</td>
<td>22 %</td>
</tr>
<tr>
<td>Protein / Protéines 2 g</td>
<td>0 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vitamin A / Vitamine A</td>
<td>0 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vitamin C / Vitamine C</td>
<td>120 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calcium / Calcium</td>
<td>2 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron / Fer</td>
<td>0 %</td>
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**New Nutrition Facts**

**Valeur nutritive**

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<td></td>
<td></td>
</tr>
<tr>
<td>Iron / Fer</td>
<td>0 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potassium 450 mg</td>
<td>10 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calcium 30 mg</td>
<td>2 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron / Fer 0 mg</td>
<td>0 %</td>
<td></td>
<td></td>
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Requirement to have Bi-lingual labeling in English and French
Distribution Channels

- Large multinationals leverage vendors that are part of their global supply chain logistics.

- Small- to medium-sized Canadian manufacturers source their ingredients from specialized Canadian food ingredient brokers or distributors.

- If their volumes are high enough, some Canadian processors may import directly from India.

- Indian exporters may benefit by partnering with a Canadian ingredient broker or distributor.

- Food distributor would import, take title of, and warehouse the product.

- Most distributors are not inclined to pioneering products or finding new manufacturing or industrial accounts.

- Ingredient brokers generally take a percentage of the ingredient product sales revenue, ranging from three to six percent. ‘Commission’ rate depends on:
  - Type of product, Category, Market niche potential, Expected sales volume, Any additional services
  - May also demand retainer fees
  - Negotiate to get best bargains

- Indian firms and trade bodies need to advertise and market their goods better.

- E-Commerce makes it possible to sell directly to consumers.
Competition and Market Restrictions

- Market dominated by United States - 60% of Canadian market (by value)
- China, France, and India are next with less than 7% of import share
- Strong ‘buy local’ movement drives Canadian consumers and food processors to source locally produced ingredients
- Dairy and Poultry sectors are heavily protected and regulated to benefit local producers
- Certification of Organic Foods
- Certification of Marine Foods
Consumer Tastes and Choices

- Canada’s consumer Food Guide reinforces these trends
- Growth in demand for plant-protein-based meat alternatives (8% increase in sales last year)
- Ethically conscious with acute awareness of climate change
  - Demand for companies to reduce waste and environmental impact
  - Reduction of plastic packaging
  - Enhanced animal welfare
  - Reduced utilization of antibiotics and hormones in animal agriculture
- Environmental sustainability of agricultural production
Consumer Values

- **Consumer values** - such as halal, kosher, vegetarian, organic, fair trade, and non-GMO

- **Healthy Life Style Choices** - Low Fat, Low Sodium, Natural foods, Low glycemic, Diabetes friendly);

- **Environmental awareness** - Standards such as FairWild Standard, Marine Stewardship Council Standards, Carbon Trust Standard)

- **Animal welfare** - such as free range, cage-free, and international "Dolphin Safe" standards.

Source - Agriculture and Agri-Food Canada report on Emerging Food Innovation: Trends and Opportunities
Advertising and Branding

- **Canada is a competitive market** - Branding is important. Information needs to reach audience through traditional media relations targeting media lists, press kits, crisis management, outreach, radio, TV, newspapers and more.

- **Promotional Campaigns** - Shaping audience behavior.

- **Digital Campaigns** - With a strategic digital campaign approach, brands can reach the right audience at the right moment. Social Media, Food Blogs, Lifestyle Influencers.

- **Video & Radio** - Messaging needs to heard loud and clear.

- **Industry and Lifestyle publications** -

- **In-Store Advertising** - Designed to catch the consumer’s attention. Driving interest at point-of-sale through striking design and clear messaging.
Branding

- Sponsorship of events
- Celebrity endorsements
- Contests and sales promotions
- Social media
  - Facebook, Twitter, Pinterest, Snapchat, Instagram
- Commercials
  - TV, Radio, Internet, Movies
- Product placement
  - TV shows, Movies
- Targeted marketing
  - Age and gender, Purchasing history, Web browsing history
Consumer trends motivating Canadian F&B market

- Consumer demand for healthy eating
- Reducing waste in operations and packaging
- Ethical manufacturing reputation
- Demand for Organic and Natural Products
- Regulations for Quality, Origin, Ingredients and Labelling
Growth Sectors

- Canada is a major per capita consumer of citrus juices
  - US dominates fruit and vegetable juices
  - Brazil (frozen orange juice concentrate)
  - China (88% of apple juice concentrate)
- Dairy, Poultry & Egg markets operate under “supply management” system - restricts imports to control supply & maintain artificially high prices
- Growth in demand for plant-protein-based meat alternatives
  - 8% increase in sales last year
- Ethnic Foods
  - Ethnic foods market in Canada estimated to be over $7 billion (2020)
  - Growth nearly at 13-14% YoY
  - Forecast to reach $14 billion in five years.
- Organic foods are in great demand
  - Organic food market valued at over $3.5 billion per year
  - Organic whole foods outperform packaged, prepared and snack food categories
  - Fruit and vegetables categories lead with over 40% of total sales
- Rice consumption is growing
## Indian Rice Exports to Canada

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada's imports from India</td>
<td>65,614</td>
<td>80,335</td>
<td>95,539</td>
<td>51,158</td>
</tr>
<tr>
<td>Canada’s Imports from the World</td>
<td>355,879</td>
<td>412,913</td>
<td>444,706</td>
<td>253,059</td>
</tr>
</tbody>
</table>

- India was the 3rd largest exporter of rice to Canada in 2020 with a share of 21.48% of the total exports
- From 2018-2020, Indian rice exports grew at ~18% CAGR
- US and Thailand held the top two positions respectively
Advantage India - Diversity of Produce

- Varied geography and climatic conditions
- Great Diversity of produce
- Largest producer of spices, pulses, milk, tea, cashew and jute
- Second largest producer of wheat, rice, fruits and vegetables, sugarcane, cotton and oilseeds.
- Fourth largest producer of agrochemicals
- Largest livestock population (535.8 million) or 31% of world’s livestock

Source: IBEF Website
Advantage India—Sustainable Producer

- India has the largest number of organic producers in the world
- Several Indian Organic food exporters have USFDA clearance
- We are working to get direct approval of Canadian Food Inspection Agency
Entry Strategy

- Thoroughly research the competitive marketplace
- Wholesalers, Franchising, Direct Sales
- Locate Canadian partners to help identify Canadian opportunities
- Adhere to Canadian government standards and regulations
- For more information on these steps, please consult the FAS/Canada Exporter Guide. The best entry method depends on the specific food product and the particular sub-sector.
- We encourage Indian companies to participate in Canadian trade and consumer shows, to help them evaluate the market.
- A partial list of Canadian trade shows can be found under Local Trade Events in Canada.
- SIAL Canada is the largest food trade show in Canada which alternates between Montreal and Toronto.
- Trade associations and Chambers provide excellent networking opportunities
- Our Mission and Consulates provide export counseling and advise on organizing business trade missions, support for selected tradeshows, and identification of potential Canadian partners.
Contact us for more information

Commercial Wing
High Commission of India,
10, Springfield Road,
Ontario, Canada K1M 1C9,
Ottawa

com.ottawa@mea.gov.in

www.hciottawa.gov.in/
twitter.com/HCI_Ottawa
facebook.com/hciottawa/