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Canada

Food Processing Ingredients

Food and Beverage Processing Sector Overview - 2017

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Report Highlights:
The Canadian food processing industry was valued at $85 billion in 2016. Canada remains one of the top destinations by value for U.S. agricultural exports, with opportunities to expand U.S. exports into the food processing sector. The following report highlights the performance of segments of Canada's food and beverage processing industry.

Key Words: Canada, CA17052, food processing, ingredients, manufacturing

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Section I: Market Summary

Overview of the Canadian Food Processing Market

Opportunities exist to expand U.S. food product sales to Canada's food and beverage processing sector. In this industry, with total sales worth approximately $84.8 billion (C$112 billion)[1], demand is increasing for many U.S. raw and processed horticultural products, other processed ingredients, and food flavorings.

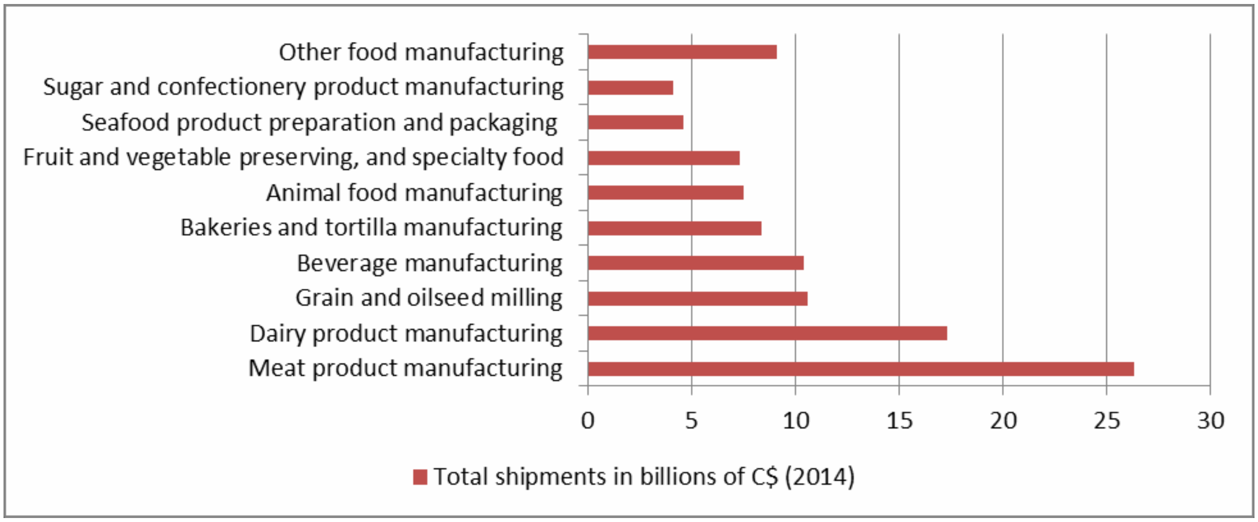
Effective January 16, 2017, a customs tariff order repealed or amended approximately 200 different tariffs on imported food ingredients used in the agri-food processing industry, including certain fruits and vegetables, cereals and grains, spices, fats and oils, food preparations, and chocolate products.

Lower agricultural commodity prices in 2016 and 2017 improved food processing industry profit margins. However, an increasingly competitive Canadian retail landscape has made it challenging for food manufacturers to pass on costs to grocers.

The Canadian government is in the process of banning partially hydrogenated oils in food, the ban is expected to come into effect in September 2018. In addition, front-of-package labeling requirements are being developed for foods high in sodium, sugar, and saturated fat. The Canadian government is in the process of updating the national Food Guide, including recommendations for regular intake of vegetables, fruit, whole grains and protein-rich foods, especially plant-based sources of protein. The Canadian government is significantly adjusting its approach to nutritional regulation and communication. U.S. companies need to be aware of these changes, which can reflect and affect consumer preferences as well as creates new export opportunities.

Food and beverage processing is a sophisticated and vital contributor to Canada's economy. In 2016, sales in Canada's food and beverage manufacturing industry reached $84.8 billion. In terms of value of production, food and beverage processing is one of the largest manufacturing industries, accounting for two percent of Canada's gross domestic product (GDP). With sales up 43 percent over the past decade, food manufacturing has been the strongest performer in the overall manufacturing sector, with grain and oilseed milling as key drivers of growth. The industry is the largest buyer of agricultural products and supplies 75 percent of the processed food and beverage products available in Canada. In 2016, Canadian exports of manufactured food and beverage products reached $25.4 billion, with 74 percent of that total going to the United States. The food and beverage processing sector is the largest manufacturing employer, with approximately 250,000 workers. Meat product manufacturing is the largest segment in terms of the value, contributing about one quarter of the value of total production.

[1] All values in this report are expressed in U.S. dollars unless otherwise specified. The 2016 yearly average exchange rate of $1 USD : $1.32 CAD has been applied for 2016 data. Source: www.x-rates.com



Source: Agriculture and Agri-Food Canada, *Significance of the Food and Beverage Processing Sector in Canada*.
Note: Beverage processing includes soft drinks and bottled water manufacturing, wineries, breweries and distilleries.

While the food processing sector is the largest manufacturing industry in most provinces, the majority of food manufacturers are located in Ontario, the most populous province in Canada. Ontario and Québec together account for 65 percent of total sales of processed food, British Columbia and Alberta adding up to 21 percent, and the remaining provinces accounting for 14 percent.

Sales (shipments) of goods manufactured, food manufacturing (excluding beverages), by province and territory. Unadjusted NAICS 311					
	2011 ...	**2013**	**2014**	**2015**	**2016**
Billions of dollars CAD					
Canada	**84.4**	**86.6**	**89.9**	**92.1**	**98.1**
Newfoundland and Labrador	1.6	x	x	x	x
Prince Edward Island	0.7	x	x	x	x
Nova Scotia	2.1	x	x	2.4	2.4
New Brunswick	2.1	x	x	x	x
Québec	20.3	18.9	20.9	21.5	22.9
Ontario	32.7	35.7	35.4	35.6	37.9
Manitoba	4.5	4.6	4.5	3.2	4.1
Saskatchewan	2.6	3.3	x	3.3	4.1
Alberta	11.3	11.5	12.7	13.3	13.6
British Columbia	6.5	6.7	7.1	7.7	8.1
Yukon	T	T	T	T	T
Northwest Territories	T	T	T	T	T
Nunavut	T	T	T	T	T

x : suppressed to meet the confidentiality requirements of the ***Statistics Act.*** Suppression of data may be applied for product-specific reasons due, typically, to the size of the product and/or the constraints of the media on which the product is being disseminated. T: Series Terminated

Source: Statistics Canada, CANSIM tables 304-0014 and 304-0015. Last modified: 2017-06-27.

In Ontario, Québec, Alberta, and British Columbia, meat product manufacturing is the largest food processing industry. Grain and oilseed milling are the dominant food processing industries in Manitoba and Saskatchewan, while seafood is the biggest food processing industry in New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland.

Overview of the Canadian Beverage Processing Market

Canada’s soft drink and ice manufacturing industry (NAICS 31211) is highly concentrated and produces a variety of non-alcoholic carbonated beverages such as colas, ginger-ales, ginger beers, fruit-flavored drinks, soda and tonic waters, ice teas and coffees, as well as sport and energy drinks. The increasing consumer demand for healthier beverage products has steered the industry towards innovative, ready-to-drink low calorie beverages as well as vitamin and coconut waters.   Ontario is the leading province for non-alcoholic beverage manufacturing with the presence of both Coca Cola and PepsiCo.

The Canadian alcoholic beverages sector includes the wine, beer, and spirits sub-sectors. Beer brewing is one of Canada’s oldest industries and domestic brewers hold approximately 89 percent of the market share in Canada. A majority of the breweries are found in Ontario, British Columbia and Québec. The beer industry (NAICS 31212) is dominated by three major multinational companies, which controlled approximately 90 percent of retail sales in 2012; 2012 data is the most recent available. Canada is a net importer of beer, with approximately 25 percent of total imports coming from the United States. The United States is also Canada’s largest export market, consuming approximately 96 percent of total exports.

Canada’s wine industry (NAICS 31213) is internationally recognized for its ice-wine production. Ontario and British Columbia are by far the largest wine producing provinces. A smaller number of establishments are also operating in Québec despite a less favorable climate for wine production. It is worth noting that the bulk of Canadian wine production is from blending and bottling operations rather than products made from 100 percent Canadian grapes. Canada is a net importer of wine. In 2016, Canadian total imports of wine reached nearly $1.8 billion and exports topped $71 million. The United States is by far the largest export market for Canadian wine (97 percent). The majority of imports come from the United States, (21 percent), France (20.7 percent), and Italy (20.6 percent).

Sales (shipments) of goods manufactured, beverage manufacturing (excluding food), by province and territory. Unadjusted **NAICS 3121**		
	2015	**2016**
Billions of dollars CAD		
Canada	**10.8**	**11.2**
Newfoundland and Labrador	x	x
Prince Edward Island	x	0.05
Nova Scotia	x	x
New Brunswick	x	x
Québec	x	x
Ontario	x	x
Manitoba	x	x
Saskatchewan	x	x
Alberta	x	0.97
British Columbia	1.4	1.7
Yukon	T	T
Northwest Territories	T	T
Nunavut	T	T

x : suppressed to meet the confidentiality requirements of the ***Statistics Act***. Suppression of data may be applied for product-specific reasons due, typically, to the size of the product and/or the constraints of the media on which the product is being disseminated.

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Source: Statistics Canada, CANSIM, tables 304-0014 and 304-0015. Last modified: 2017-06-27.

Canadian Exports of Processed Food and Beverage Products

Canadian exports of processed food and beverage products stood at $25.4 billion in 2016, up seven percent over 2015. As in other segments of the Canadian agri-food sector, the United States commands a dominant share of Canadian processed food and beverage exports. In 2016, 87 percent of processed food and beverage exports went to three major markets: the United States (74 percent), China (7 percent), and Japan (6 percent).

Canadian Food and Beverage Manufacturing NAICS 311 & NAICS 3121		2012	2013	2014	2015	2016
Shipments	C$ Billions	94.6	96.6	100.3	102.9	109.3
	Change (%)	0.7%	2.1%	3.6%	2.5%	5.9%
Imports	C$ Billions	24.9	26.3	28.9	31.8	32.6
	Change (%)	7.3%	5.2%	9.1%	8.9%	2.5%
Exports	C$ Billions	24.6	25.3	27.8	31.3	33.5
	Change (%)	5.1%	2.8%	9%	11%	6.7%
Domestic Market	C$ Billions	94.9	97.7	101.4	103.4	108.4
	Change (%)	0.7%	2.8%	3.7%	2%	4.6%

Sources: Trade Data, Statistics Canada, NAICS 311 and 3121 and Statistics Canada, CANSIM, tables 304-0014. Last modified: 2017-06-27.

Imports of Ingredients for the Canadian Food and Beverage Processing Industry

Canadian food and beverage processors utilize both raw and semi-processed ingredients from imported and domestic sources. No data exists on the total value of imported ingredients destined for the Canadian processed food and beverage industry. Imported ingredients are vital inputs to Canadian manufacturers as imported ingredients cover virtually all food categories. For example, whole raw products such as strawberries, semi-processed products such as concentrated juices, and fully prepared products such as cooked meat products, are essential to processors in Canada. Some ingredients, such as tropical and sub-tropical products, are entirely imported while substantial imports of numerous other products may also be required. These products include spices, food manufacturing aids and flavorings. For example, 90 percent of the Canadian sugar supply is imported and 40 percent of the demand for flour, edible oils and breakfast cereals is supplied by imports.

Advantages and Challenges Facing U.S. Products in Canada

Advantages	Challenges
Canadian consumers enjoy a high disposable income, coupled with a growing interest in premium, high-quality products and 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.	The total population of Canada is slightly smaller than California and much more spread out, making marketing and distribution costs generally higher than in the United States.
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 Canadian off season. 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 and 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.
The Canadian ethnically diverse population provides opportunities for specialty products.	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.	Tariff rate quotas apply for certain products, including dairy and poultry.
High U.S. quality and safety perceptions.	Differences in approved chemicals and residue tolerances, and differences in Food Standards may require special production runs and packaging due to Canadian standard package sizes.
The success of private label offerings in major retail channels presents opportunities for U.S. custom packers.	Private label brands continue to grow in many categories; sometimes taking shelf space from American national brands.

Section II: Road Map for Market Entry

A. Entry Strategy

Food product manufacturers from the United States seeking to enter the Canadian marketplace have a number of opportunities. Although Canadians continue to look for new and innovative U.S. products, there are a number of challenges U.S. exporters must be prepared to meet. Some of them include exchange rate fluctuation, customs procedures, regulatory compliance, and labeling requirements. To facilitate initial export success, FAS/Canada recommends the following steps when entering the Canadian market:

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

Step 1: **Contact an international trade specialist through your state department of agriculture.**

FAS/Canada relies on the State Regional Trade Groups (SRTG) and the U.S. state departments of agriculture they represent to provide one-on-one export counseling. These offices and their staff specialize in exporting food and agricultural products around the world. Their export assistance programs have been recognized by third party auditors to be highly effective in guiding new-to-market and new-to export U.S. companies.

Some of the services available through SRTGs and state departments of agriculture include: one-on-one counseling, business trade missions, support for participation in selected tradeshows, and identification of potential Canadian partners. Through their Canadian market representatives, SRTGs offer a service that strictly targets the food channels in Canada, similar to the U.S. Commercial Service's International Partner Search. Under the Market Access Program (MAP) Branded Program / Brand Promotion Program / FundMatch, financial assistance for small- and medium-sized firms may be available to promote their brands in Canada and other foreign markets. This assistance may include partial reimbursement for marketing/merchandising promotions, label modifications, tradeshow participation, and advertising.

To reach an international trade specialist, please visit the appropriate SRTG website and/or the local state department of agriculture website by navigating through the National Association of State Departments of Agriculture (NASDA) website below.

Organization	Website	States
Food Export USA Northeast	https://www.foodexport.org	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Food Export Association of the Midwest USA	https://www.foodexport.org	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Southern United States Trade Association (SUSTA)	https://www.susta.org	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico, Virginia, West Virginia
Western United States Agricultural Trade Association (WUSATA)	https://www.wusata.org	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)	http://www.nasda.org/9383/States.aspx	State Directory of State Departments of Agriculture

***Step 2:* Thoroughly research the competitive marketplace.**

For those new to exporting, SRTGs offer a number of resources that are available on-line and through special requests. These resources cover a range of exporting topics, from exporting terms to labelling information. Some of the SRTGs retain in-country, Canadian representatives that can help in a number of ways, including providing market intelligence specific to a particular product category. This type of information may help a potential U.S. exporter price their products to the market and identify the most appropriate food channel for their company. In coordination with SRTG services, FAS/Canada publishes numerous market and commodity reports available through the Global Agricultural Information Network (GAIN).

***Step 3*: Locate a Canadian partner to help identify key Canadian accounts.**

FAS/Canada recommends that exporters looking to enter the Canadian market consider appointing a broker or develop a business relationship with a distributor or importer. Some retailers, and even distributors, prefer working with a Canadian firm instead of working directly with U.S. companies unfamiliar with doing business in Canada. U.S. companies are urged to closely evaluate their business options and evaluate all potential Canadian business partners before entering into a contractual arrangement. Factors such as previous experience, the Canadian firm's financial stability, product familiarity, account base, sales force, executive team commitment, and other considerations should all be taken into account before appointing a Canadian partner and or entering into a business relationship. FAS/Canada encourages U.S. exporters to be clear in their objectives and communications to avoid confusion.

A partial listing of Canadian food brokers is available in GAIN Report CA11025. FAS/Canada can provide assistance in identifying a broker, distributor, or importer, but cannot endorse any particular firm. Canadian business partners may request certain aspects of a product and/or a level of commitment from a U.S. exporter. Some of these criteria may include: product UPC coding; a proven track record of retail sales and regional distribution in the United States; production growth capacity; and commitment to offer a trade promotion program for Canada.

SRTGs offer services that can help vet potential partners, though these services are not an endorsement and we strongly recommend U.S. companies scrutinize the background of each potential Canadian partner and obtain referrals from the potential partner. Another avenue to identify potential business partners is to visit and/or participate in trade shows in Canada. Agriculture and Agri-Food Canada, USDA's Canadian counterpart, maintains a list of trade shows on this webpage.

USDA endorses SIAL Canada, one of the largest food trade shows in Canada. The annual event alternates between Montreal and Toronto. The next iteration will be in Montreal on May 2 – 4, 2018 at the Palais des Congrès. Interested U.S. food companies can contact USDA's show contractor, IMEX Management and ask for Ms. Claire Gros at 704-733-7211 or the USDA Foreign Agricultural Service's Ms. Yolanda Starke at 202-690-2148.

FAS/Canada recommends that U.S. firms electing to sell directly to retail or food service accounts, first evaluate the Canadian accounts to avoid future strategic conflicts. For example, selling a brand into a discount chain could limit that brand's ability to enter higher-end retail outlets. In addition, large grocers and mass merchandisers may demand minimum quantity orders from U.S. exporters.

Step 4: Learn Canadian government standards and regulations that pertain to your product.

Start by reviewing the latest FAS/Canada FAIRS Reports (CA17049 and CA17050) for information on Canadian import policies pertaining to your product. In addition, the Canadian Food Inspection Agency (CFIA) provides extensive information on the programs and services it offers for importing commercial foods into Canada, including a Guide to Importing Food Products Commercially. In addition, the CFIA Automated Import Reference System (AIRS) provides specific import requirements for food items by the Harmonized System (HS) classification, and detailed by place of origin (i.e., a specific U.S. state), destination in Canada (i.e., a specific province) and end use of the food item (e.g., for animal feed, for human consumption, etc.). The CFIA Contact Us webpage covers a range of issues, including contact information for regional offices and the National Import Service Centre, which can help ensure customs paperwork accuracy and facilitate pre-clearance of some goods.

Canadian National Import Service Centre
7:00 a.m. to 3:00 a.m. (Eastern Time)
Telephone and EDI (electronic data interchange: 1-800-835-4486 (Canada or U.S.A.)

1-289-247-4099 (local calls and all other countries)
Fax: 1-613-773-9999

Canadian agents, distributors, brokers, and/or importers are also able to assist exporters through the import regulatory process.

Tariff Rate Quota (TRQ)

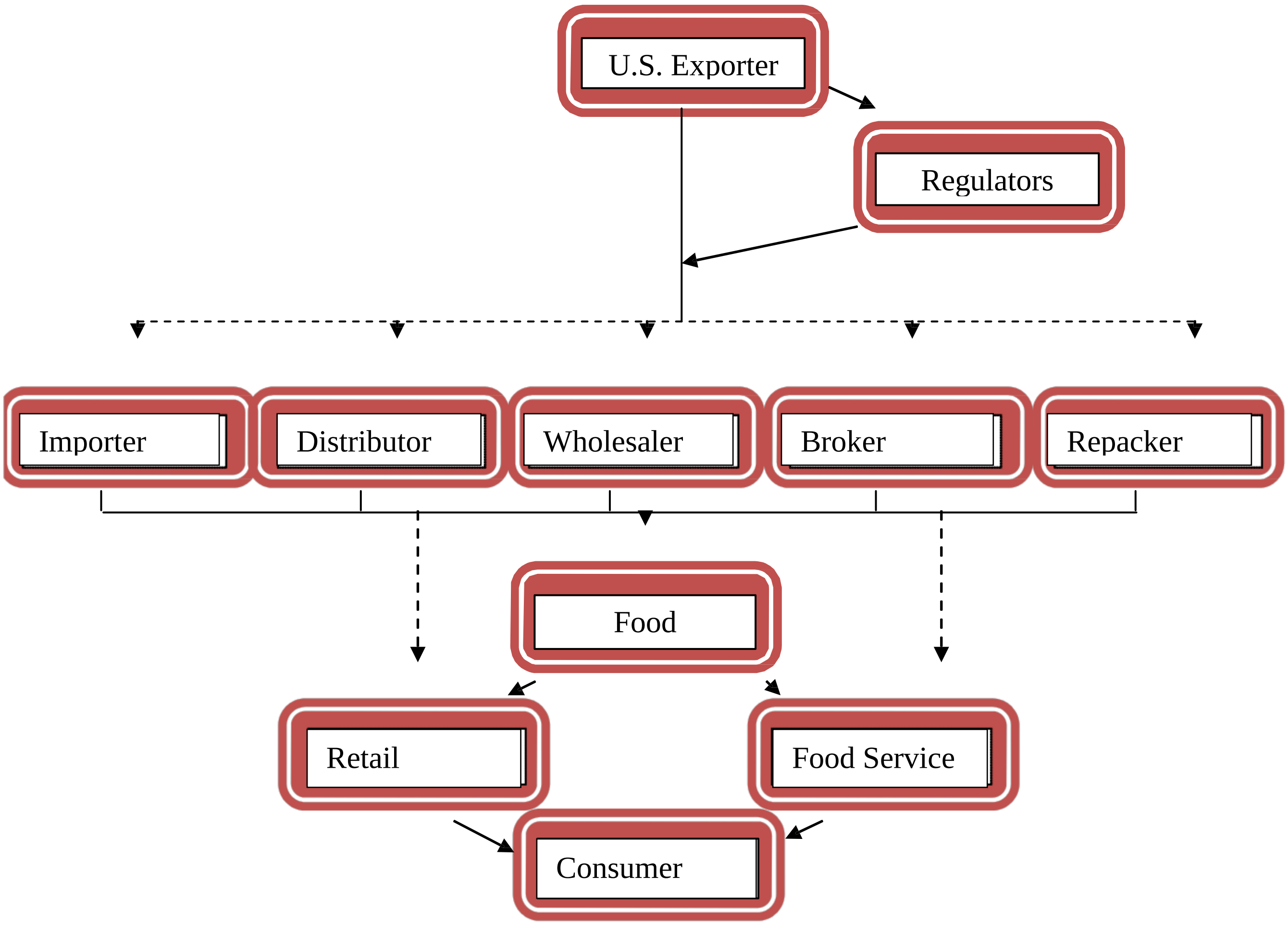
A number of agricultural products are import controlled by Global Affairs Canada, meaning the access to the Canadian market is limited to a specified annual volume and the import conditions are strictly regulated. Canada uses a series of Tariff Rate Quotas (TRQs) negotiated under several international trade agreements to regulate imports of certain agricultural products. Import permits are issued by the Canadian government to selected importing companies (i.e., import quota holders).

The list below includes the agricultural commodities most relevant to U.S. exporters. For each of the product groups below, the linked webpage includes information on which exact HS lines are covered by the import control rules and TRQ as well as import quota holders and import quota utilization rates:

- Broiler Hatching Eggs & Chicks
- Chicken & Chicken Products
- Dairy Products (including Cheese)
- Eggs & Egg Products
- Margarine
- Turkey & Turkey Products

Since Canada does not control the importation of all dairy and poultry products (e.g., certain processed dairy and poultry products), exporters should confirm the market access status of their product in advance. To avoid difficulties at the border, companies may request CBSA provide an Advance Ruling for Tariff Classification to ensure proper tariff classification. An advance ruling is binding until it is revoked or amended by CBSA.

B. Market Structure



Consolidation of the Canadian food and beverage industry has eliminated numerous intermediary procurement processes. Most food and beverage processing companies now prefer to import directly. Buying direct reduces handling costs, expedites shipments and generally reduces product costs, provided that volumes are large enough to benefit from a full truck load or consolidated shipments. Small volumes (less than a truckload) are usually procured locally from a Canadian wholesaler, importer, broker or agent. Procurement methods do vary from company to company and from product to product. However, regardless of the method of procurement, all products must be in alignment with government import regulation and meet minimum Canadian standards.

Consolidation of the Canadian retail and food service industry has meant that U.S. food and beverage processing companies face increasingly demanding buyers with significant market power. Aside from the continuous pressure on margins, processors are being asked to assist retail and food service companies to help define points of differentiation.

C. Company Profiles

Top 10 Canadian Food and Beverage Processors 2015

Company (Product T	Revenues (CDN	End-use chann	Production Location (#)	Procurement Chan
Saputo (dairy products snack cakes)	9,23 3	Consumer HRI	Canada (25) USA (25) Argentina (2) Australia (3)	Direct
McCain Foods (potato, snacking, dessert)	7,59 2	Consumer	Canada (9) USA (10) 41 total globally	Direct
Agropur (Dairy)	4,66	Consum	Agropur Canada (22) Ultima Foods Inc. (2) USA (12)	Direct - Producers
PepsiCo (Canada)	3,33	Consum HRI	Canada (14) Franchise-Owned Bottling/Distributing Operators (13)	Direct
Maple Leaf Foods (Meat products, bread)	3,15	Consum	Canada (29) Sales offices globally	Direct (Winnipeg)
Nestlé Canada (confectionary, coffee, pet, beverages, frozen dessert)	2,36	Consum HRI	Canada (21)	Direct
Parmalat Canada (milk, dairy, fruit juice, spreads)	2,23	Consum HRI	Canada (17)	Direct
Canada Bread Now div. of Bimbo (Bread)	1,40	Consum HRI	Canada (17)	Direct

SunOpta (beverages, snacks, grains, coffee)	1,374	Consumer Processors HRI	Canada (2 admin/distribution only) USA (22) China Ethiopia Bulga	Direct
General Mills Canada (snacks, pizza, cereal, yogurt, dessert, ready to eat, Mexican)	1,274	Consumer HRI	Global	Direct

Sources: Conference Board of Canada – Canadian Industrial Outlook Canada's Food Manufacturing Industry Summer 2015 and Company Corporate Sites

Company Share Retail Sales of Packaged Food, % Share

Company Name	2016
Loblaw Cos Ltd	6.2
Saputo Inc	5.4
Nestlé Canada Inc	4.2
Agropur Cooperative Ltd	4.0
Parmalat Canada Ltd	3.5
Kraft Canada Inc	3.3
Frito-Lay Canada	3.0
General Mills Canada Corp	2.7
Artisanal	6.0
Others	61.6

Source: Euromonitor International, 2017

Industry Canada maintains a more complete company directory on their website.

D. Sector Trends

U.S. food exporters face a well-informed and demanding Canadian buyer and consumer. To be successful in the Canadian marketplace, U.S. exporters are urged to study the business channels and current food trends. For an expansive discussion of Canadian food and beverage sector trends, please see the most recent Exporter Guide CA17051.

Section III: Competition

Leading U.S. Products and the Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FRESH FRUITS, NUTS & VEGETABLES **VEGETABLES**: (HS 07) CANADIAN GLOBAL IMPORTS (2016): $3.0 BILLION	1. U.S.: 61% 2. Mexico: 25% 3. China: 4.6%	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. Among imports, U.S. fruits and vegetables are preferred by most Canadians. Mexico maintained the same level of market share in Canada since 2012. They remain a major competitor due to lower prices, along with some Canadian produce companies with winter operations in Mexico. Their leading products are tomatoes, cucumbers, asparagus, raspberries / blackberries / strawberries, peppers, avocados, watermelons, papayas, lemons/ limes.	Advantages: Lettuce, onions, carrots, tomatoes, potatoes, cauliflower, and spinach are the leading vegetables sold in the fresh market. Year-round fresh supply is not feasible exclusively from Canadian growers. Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June. Disadvantages: The 'Buy Local' campaigns are well supported by grocery retailers starting in June through October.
FRUIT AND NUTS: (HS 08) CANADIAN GLOBAL IMPORTS (2016): $4.5 BILLION	1. U.S.: 45% 2. Mexico: 13% 3. Chile: 6.8%		
PROCESSED FRUITS AND VEGETABLES (HS 20) CANADIAN GLOBAL IMPORTS (2016): $2.2 BILLION	1. U.S.: 65.7% 2. China: 5.7% 3. Brazil: 5.69%	There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixed fruits, and a variety of processed vegetables. The United States is a major player with many established processed brands in the market. China's main products include dried and canned vegetables and fruits.	Canadian companies process a wide range of canned, chilled, and frozen products. Adoption of advanced technologies in food processing has been fairly extensive among Canadian processors. Statistics Canada reported almost 50% companies adopted more than 5 new technologies in their operations. Higher manufacturing and operation costs than in the United States.

Product Category *(continued)*	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
SNACK FOODS Chocolate and Other Food Preparations Containing Cocoa (HS 1806) CANADIAN GLOBAL IMPORTS (2016): $964 MILLION	1. U.S.: 61.8% 2. Switzerland: 6.3% 3. Mexico: 5.6%	The U.S. dominates these categories with snack breads, pastry cakes, pretzels, chips, and cookies. Competitors vary by sub category with the main competitor and sub category as follows: Mexico: cookies and biscuits; Belgium: chocolate and confections. U.K. Germany and Switzerland; chocolate, along with confection and non- confection items.	Canada's snack food market is continuously growing. The category includes chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popcorn, pretzels, and extruded cheese snacks, seed snacks, mixed nuts, peanuts and peanut butter, as well as pork rinds. The snack food industry is served primarily by domestic manufacturers, however, a number of new products in the category, such as a variety of crackers and other products targeting specific ethnic groups are
Bread, Pastry, Cakes, Biscuits and Other Baker's Wares (HS 1905) CANADIAN GLOBAL IMPORTS (2016): $1.4 BILLION	1. U.S.: 77.6% 2. Mexico: 3.5% 3. United Kingdom: 2.4%		
RED MEATS Fresh/Chilled/Frozen. (Group 29) CANADIAN GLOBAL IMPORTS (2016): $1.47 BILLION	1. U.S.: 65.6% 2. Australia: 12.4%: 3. New Zealand: 9.7%	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). Many parts of South America remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons. U.S.	Advantages: Canadian beef herd continues to decline. Feed cost advantage that Canada has held has been narrowing through the end of 2017 and may trend to favoring the U.S. Canadian imports of U.S. cattle and beef increasing. Canadian imports of U.S. swine and pork increasing. Decline in Canadian consumption of red meat is stabilizing and trending towards a reversal. Disadvantages: Canadian swine sector is in
Prepared/Preserved (Group 28): CANADIAN GLOBAL IMPORTS (2016): $989 MILLION	1. U.S.: 91.3% 2. Thailand: 3.0% 3. Italy: 2.2%		

PORK Fresh/Chilled/Frozen/Prepared/Preserved (HS 0203) CANADIAN GLOBAL IMPORTS (2016): $875 MILLION	1. U.S.: 87% 2. Spain: 2.52% 3. Germany: 2.51%	competitors are limited by a beef quota. Europe is seeing an increased market share among Canadian pork imports.	expansion and sow productivity is increasing.

Product Category *(continued)*	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FISH & SEAFOOD (HS 03) CANADIAN GLOBAL IMPORTS (2016): $2.1 BILLION	1. U.S.: 41.0% 2. China: 16.4% 3. Vietnam: 6.6%	Leading U.S. exports to Canada are live lobsters, salmon and prepared and preserved fish. Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment. 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. A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors. More than two-thirds of seafood is sold by retailers.	Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade. In 2015, lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada. At approximately 50 lbs. per person, Canadian consumption of fish is significantly higher than in the U.S. 16.5 lbs. per person (2015), making Canada an excellent export market for U.S. exporters. Import of fish and seafood grew by 1.9% in 2015 year with high demand for premium products, including options of hormone-free and free of antibiotic
BREAKFAST CEREALS (HS 1904) CANADIAN GLOBAL IMPORTS (2016): $520 MILLION	1. U.S.: 7.9% 2. Mexico: 6.1% 3. United Kingdom: 1.6%	Breakfast cereal imports have decreased 7.5 % since 2015. The United States continue to dominate imports with ready- to-serve products that are increasingly popular. Although, the U.K.'s share of the market is small they have a couple of well- established brands in the market.	Sales and manufacturing in Canada is largely controlled by U.S. based companies. Domestic non-U.S. owned competitors tend to be in the specialty or organic breakfast cereal business. Breakfast cereals are expected to continue to shrink by 1% in volume in the coming years as consumers choose other
FRUIT & VEGETABLE JUICES (HS 2009) CANADIAN GLOBAL IMPORTS (2016): $622 MILLION	1. U.S.: 57.4% 2. Brazil: 19.9% 3. China: 6.0%	Although Canada's imports in 2016 from both the world and from the U.S. decreased, 6.8 % and 10.9% respectively, fresh orange juice showed a small increase. Brazil is the leader in frozen orange juice concentrate. China's major juice export to Canada is concentrated apple juice; China represents 88% of its imports for this category	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. 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.

Product Category *(continued)*	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
NUTS Tree Nuts excl. Peanuts (Group 20) CANADIAN GLOBAL IMPORTS (2016):	1. U.S. : 54.8% 2. Turkey: 15.2% 3. Vietnam: 12.5%	This category continues to put in a strong showing in Canada, probably helped by the increased interest in healthy snacking. U.S. peanuts and almonds is preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards consistently. Turkey is a competitive supplier of Hazelnuts, Vietnam competes in cashew nuts.	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.
Peanuts (Group 47) CANADIAN GLOBAL IMPORTS (2016): $122 MILLION	1. U.S.: 79.7% 2. China: 17.1% 3. Nicaragua: 1.5%		
PET FOOD Dog and Cat (HS 230910) CANADIAN GLOBAL IMPORTS (2016): $624 MILLION	1. U.S.: 93.7% 2. Thailand: 2.9% 3. China: 1.4%	U.S. exports of dog and cat food to Canada registered at C$624 million in 2016, a 17% decrease from 2015.	Pet food sector is largely U.S. owned multinationals. Canada has approximately 17 (non-raw) pet food manufacturers.

Source: Global Trade Atlas, January 2017

Imported Products Facing Significant Barriers

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
POULTRY MEAT Fresh/Chilled/Frozen (Hs 0207) CANADIAN GLOBAL IMPORTS (2016): $403 MILLION Prepared/Preserved (HS 1602) $171 MILLION	1. U.S.: 87.2% 2. Brazil: 8.3% 3. Hungary: 2.9 % 1. U.S.: 79.2% 2. Thailand: 17.6% 3. Germany: 2.6%	The U.S. is the world's largest producer of poultry meat. Due to its close proximity to Canada, the U.S. is able to ship fresh poultry to Canada, which is considered a premium quality product. Brazil is the largest exporter of poultry meat and can often land product in Canada at a lower cost compared to the U.S., however the product is frozen. Some Canadian plants are reluctant to source poultry from Brazil, not wanting to take the risk of commingling U.S. and Brazilian origin product which would result in being unable to sell processed products to the U.S. Many imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP) and the Duties Relief Program (DRP)	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. The Canadian industry has significantly increased surveillance since the A.I. outbreaks in B.C. in 2004 and has continuously improved bio-security measures.
EGGS & EGG PRODUCTS (Group 24) CANADIAN GLOBAL IMPORTS (2016): $97 MILLION	1. U.S.: 94.4% 2. China: 3.9% 3. Thailand: 0.9%	The U.S. egg industry traditionally fills Canada's needs for table eggs when supply is seasonally low. There are significant increases in U.S. imports following Avian Flu outbreaks in Canada to both avert shortages in the market and rebuild the hatching egg supply. The United States is also supplying eggs for processing, and in recent years has become a supplier of organic eggs to Canada.	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. 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 Egg Farmers of Canada has a sustained media campaign focused on the health benefits of eggs to support retail movement.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
DAIRY (HS 04, 17, 21, 35): CANADIAN GLOBAL IMPORTS (2016): $608 MILLION Of which Cheese (HS 0406): $242MILLION	1. U.S.: 51.6% 2. New Zealand: 8.4% 3. Italy: 8.0% 1. U.S.: 27% 2. Italy: 20% 3. France: 17%	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. 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). The finalized CETA free trade agreement between Canada and the EU consolidates this advantage. A new bilateral quota of 17,700 metric tons of cheese will open for the EU. Moreover, 800 metric tons of high quality cheese will be added through a technical adjustment to the EU portion of an existing WTO TRQ. The effective total will more than double the current export of EU cheese to Canada, corresponding to more than 4% of the Canadian market. 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.	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. 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. 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.

Source: Global Trade Atlas, January 2017

Section IV: Best Product Prospects

Among the consumer oriented products exported to Canada, fresh fruits and vegetables remain in top with a combined value of $3.4 billion, followed by prepared foods at $1.9 billion, red meats at $1.8 billion, snack foods at $1.3 billion, and non-alcoholic beverages (excluding juices) at $1.2 billion. Following is a breakdown of products within the packaged food category with the highest forecasted sales growth for the period of 2016-2021.

Category	Growth Change
	+4 % to 10%
Beverages	Premium fruit / vegetable juices (5%)
Confectionery	Chocolate (4%) Candies snacks (31%)
Dry Grocery	Super grains, such as quinoa, chia seeds and buckwheat (4%) Natural High Fibre Bread (4%) Nuts (4%) Dry fruits (6%) Meat sticks (16%) Baked Desserts Vinegar and cooking wines (5%)
Chilled and Frozen Foods	Natural health frozen meat substitutes (6.2%) Meat patties (11% by volume) Frozen seafood (6%)
Produce	Cauliflower (12% by volume) Yams (10% by volume) Zucchini (8% by volume) Asparagus (7% by volume) Bagged salads (7% by volume) Broccoli (6% by volume) Beets (6% by volume) Avocadoes (23% by volume) Nectarines (12%) Limes (8%) Tangerines/clementines/mandarins (6% by volume) Kiwi (4%)
Snack Foods	Naturally healthy fruit and granola bars (16% in retail sales) Chips and other savory snacks (5%)
Non-dairy	Non-dairy milk alternatives, such as soy milk and other milk alternatives (9% in retail sales)

Source: Euromonitor International, 2016

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