

Voluntary - Public

Date: 8/19/2009

GAIN Report Number: CA 9047

Canada

Post: Ottawa

Canada Retail Food Sector Report 2009

Report Categories:

Retail Food Sector

Approved By:

Robin Tilsworth

Prepared By:

Matthew John Thoren

Report Highlights:

In CY2008 Canada's 33.5 million consumers generated overall retail sales totaling C\$425.3 billion, representing a 3.4 percent increase over 2007. Food sales (excluding those from beer, wine and liquor stores) registered an annual sales increase of 3.9 percent over 2007 to reach C\$79 billion or 18.5 percent of total retail sales. This report provides a snapshot of the Canadian retail food sector to assist U.S. food producers who wish to explore the possibilities of exporting to Canada, the largest market for U.S. agricultural products.

Executive Summary:

In CY2008 Canada's 33.5 million consumers generated overall retail sales totaling C\$425.3 billion, representing a 3.4 percent increase over 2007. Food sales (excluding those from beer, wine and liquor stores) registered an annual sales increase of 3.9 percent over 2007 to reach C\$79 billion or 18.5 percent of total retail sales. This report provides a snapshot of the Canadian retail food sector to assist U.S. food producers who wish to explore the possibilities of exporting to Canada, the largest market for U.S. agricultural products.

General Information:

Overview

Total U.S. agricultural exports to Canada reached a record-high of US\$ 16.2 billion in 2008, a 15 percent increase over the previous year. Consumer-oriented agricultural products accounted for 75 percent of total U.S. food and agricultural product sales to Canada during CY2008, with fresh and processed fruits and vegetables, snack foods, and red meat products as the category leaders. Canada is the largest market for U.S. agricultural exports, and American products accounted for 62 percent of total Canadian agricultural imports in 2008.

In 2008, the U.S. grouping of farm, fish and forestry exports to Canada reached \$19.2 billion, \$2.6 billion more than same category exports to Mexico, the next biggest market for U.S. agricultural products after Canada.

Canada accounted for 14 percent of total U.S. food and agricultural product exports of \$115 billion during 2008. Of the more than \$43 billion in U.S. consumer-oriented agricultural product exports, \$12 billion, almost 28 percent was destined for Canada. Of Canada's \$1.9 billion in seafood imports, 37 percent or \$700 million were from the United States.

Consumption:

In 2008, Canada's 33.5 million consumers generated overall retail sales totaling C\$425.3 billion, representing a 3.4 percent increase over 2007. Food sales (excluding those from beer, wine and liquor stores) registered an annual sales increase of 3.9 per cent over 2007 to reach C\$79 billion or 18.5 per cent of total retail sales.

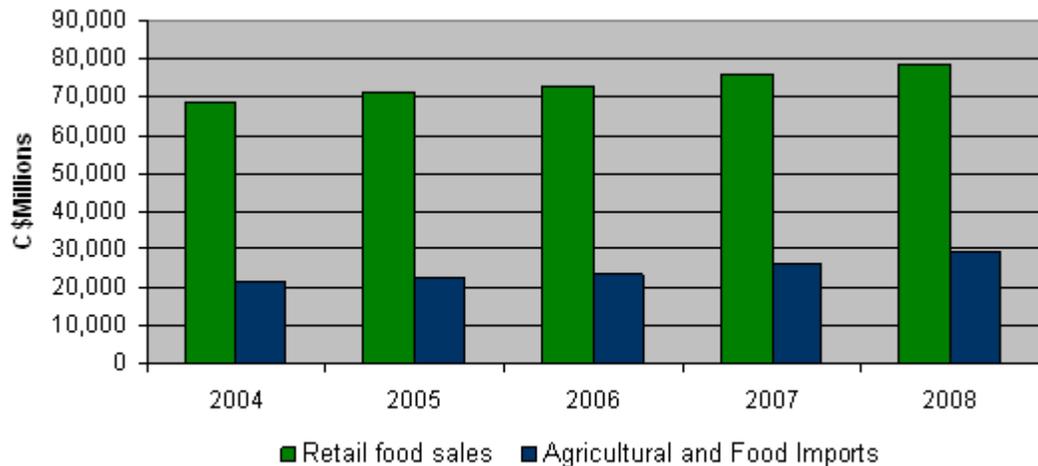
Canada's retail sales have increased 14.8 percent over the past five years. Total food imports however, have increased 35.7 percent.

Imported vs. Total Food Sales in Canada

	Agricultural and Food Imports (000 C\$)	Total Retail Food Sales (000 C\$)
2008	28,996.5	78,695.9
2007	26,061.1	75,727.5
2006	23,538.4	73,089.3
2005	22,153.4	71,324.9
2004	21,364.2	68,567.8

Source: Statistics Canada

Imported vs. Total Food Sales



Statistics Canada, WTA

The vast majority of retail food sales in Canada are through supermarkets representing over 75 percent of total retail food sales in 2008. General merchandise stores, which sell dry goods, household goods, apparel and food, are estimated to have sold 9.1 percent of food sold at retail in 2008. Other channels include specialty food stores, drug stores and gas stations.

Chain store share of total retail food sales has steadily increased from 69.5 percent in 2002 to approximately 72 percent in 2007. Sales through group independent stores have decreased from over 27 percent of total food sales in Canada in 2002 to just over 25 percent in 2008. Canadian food sales through unaffiliated independents have varied from 3.2 percent to 3.8 percent of total sales since 2002.

Store types may be defined as below:

Supermarket	Any full-line self-serve grocery store with an annual sales volume of \$2 million or more
General Merchandise	Any full-line vendor of household, hardware and food items, over 125,000 sq. ft.
Specialized Food Stores	Small store, often under 3,000 sq. ft specializing in a specific food market sector, such as health foods or organic foods.
Convenience	Any full-line, self-service grocery store offering limited line of high-convenience items. Open long hours and provides easy access. Many sell gasoline with an annual sales of \$2 million or more.
Drug Stores	Stores (often chain) with retail pharmacies and specializing in OTC medication and other health care related items and toiletries, now retailing an increasing number of general merchandise and food items.
Gas	Convenience store operating under or in conjunction

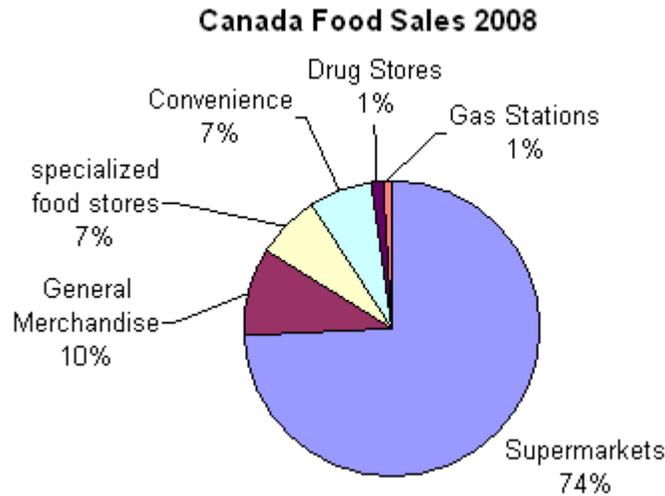
Stations/Petroleum-Based Convenience Store	with a gasoline sales banner
--	------------------------------

The latest estimates from Canadian Grocer and Statistics Canada shows that there were 22,870 food stores in Canada in 2007 with C\$79 billion in total sales.

Canada: Retail Food Channels 2008

	2004		2008	
	C\$Millions	share	C\$millions	share
Supermarkets	51,425.9	75.0	58,430.2	74.2
General Merchandise	6,227.6	9.1	7,544.2	9.6
specialized food stores	4,686.8	6.8	5,547.2	7.0
Convenience	4,622.5	6.7	5,325.3	6.8
Drug Stores	963.0	1.4	1,109.4	1.4
Gas Stations	642.0	0.9	739.6	0.9
TOTAL	68,567.8	100.0	78,695.9	100.0

*Post Estimates based on Statistics Canada Retail Trade, Canadian Grocer's 2008 Survey of Chains and Groups



2008 Post Estimate: C\$78,695 million

Trade:

	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers

<p>FRUITS & VEGETABLES</p> <p>VEGETABLES:</p> <p>2008 IMPORTS U.S.\$1.9 BILLION</p> <p>FRUIT*:</p> <p>2008 IMPORTS US \$3.4 BILLION</p> <p>*includes nuts</p>	<p>VEGETABLES:</p> <ul style="list-style-type: none"> • U.S.: 69 percent • Mexico: 18 percent • China: 4 percent <p>FRUIT:</p> <ul style="list-style-type: none"> • U.S.: 50 percent • Chile: 9 percent • Mexico: 8 percent 	<ul style="list-style-type: none"> • 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. • Mexico is a competitive supplier of warm climate produce, including avocados, mangos and limes. • Chile is competitive with a southern hemisphere growing season. Leading exports include grapes and berries. 	<ul style="list-style-type: none"> • Potatoes, sweet corn, green peas, beans and carrots are the most extensively grown vegetables in Canada. • Canada produces approximately C\$2.5 in vegetables annually, approximately 30 percent of which are greenhouse grown. • Apples are Canada's most widely produced fruit in terms of tonnage, but with decreasing prices, blueberries are the most valuable crop. • Seasonality poses a constraint to growers; Canada imports approximately 80 percent of its fresh vegetables between November and June.
<p>SNACK FOODS</p> <p>2008 IMPORTS: U.S. \$ 356.7 MILLION</p>	<ul style="list-style-type: none"> • U.S. 85 percent • China 4 percent • U.K. 2 percent 	<ul style="list-style-type: none"> • The U.S. dominates this category considering the more perishable and bulky nature of some of these products such as chips, which adds significantly to shipping cost. • Competitors vary by sub- category with the main competitor and sub category as follows: Chips, Mexico; Salted & roasted nuts, China; cookies & crackers, U.K.; confection: non chocolate, Mexico; chocolate, Switzerland; cacao, Brazil. 	<ul style="list-style-type: none"> • Canada's snack food imports have doubled since 2004. The category includes chocolate and non-chocolate confectionary, cookies, crackers, potato chips, corn chips, popped 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 domestic market share is being lost to imports. The rapid increase in imports is due both to the strengthening Canadian dollar and a number of new products in the category, many targeted at specific ethnic groups.

Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
<p>BREAKFAST CEREALS</p> <p>2008 IMPORTS: U.S. \$353 MILLION</p>	<ul style="list-style-type: none"> • U.S.:87 percent • Ireland: 5 percent • Germany: 2 percent 	<ul style="list-style-type: none"> • Breakfast cereal imports have increased over 25 percent since 2004. The U.S. continues to dominate imports although a variety of competitors are all growing small niche positions. • Canada represents the largest market for U.S. breakfast cereals accounting for approximately half of U.S. exports. 	<ul style="list-style-type: none"> • Canada does have domestic raw materials for the grain based products but has to import sugar, chocolate, cacao, and nuts for manufacturing and is not competitive on dairy and egg ingredients used in some of the processing. • • • • 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. • Latest Statistics Canada data shows that retail sales of breakfast cereal grew 4 percent in 2007 and sales of hot cereals grew 5 percent.
<p>RED MEAT</p> <p>2008 IMPORTS: U.S. \$1.1 BILLION</p>	<ul style="list-style-type: none"> • U.S. 87 percent • New Zealand 6 percent • Australia 3 percent 	<ul style="list-style-type: none"> • Beef imports fall into two distinct categories. The largest portion of imports is 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). South 	<ul style="list-style-type: none"> • Canadian red meat producers are facing a cost-price squeeze and production fell by an estimated 1.5% in 2008. • The industry has worked its way out of the inventory surge from the BSE trade disruption, but exports remain sluggish due in part to a strong Canadian dollar. • Canada continues to grow as a key U.S. pork export market. Canadian hog production numbers are in significant decline across the country and U.S. pork imports are increasing due to market

		<p>America, except for Uruguay and Chile remain largely ineligible for entry to Canada due to sanitary reasons.</p> <ul style="list-style-type: none"> U.S. competitors are limited by a beef quota of 76,409 mt. 	<p>structures and the stronger Canadian dollar.</p> <ul style="list-style-type: none"> Drought in western Canada is keeping feed grain costs high.
<p>FISH & SEAFOOD</p> <p>2008 IMPORTS: U.S. \$1.9 BILLION</p>	<ul style="list-style-type: none"> U.S.: 37 percent Thailand: 16 percent China: 15 percent Chile: 5 percent 	<ul style="list-style-type: none"> Two major categories make up approximately half of the imports: Crustaceans (including lobster, crab, shrimp and prawn) totaling U.S. \$ 455 million (U.S. share 38%, Thailand 18%) and fish fillets \$306 million (China share 29%, Chile share 24%, U.S. Share 20%). Fish filleting is extremely labor intensive, which accounts for the rapid penetration by China. Ocean catches have peaked; aquaculture is becoming a more important source of product and China is the lead producer of farmed seafood in the world. 	<ul style="list-style-type: none"> Declining fish stocks have lead to almost zero growth in fish and seafood catch over the last decade. In total, the capture fishery accounts for 76 percent of total fish and seafood production in Canada. Lobster, crab and shrimp account for approximately two-thirds of landed value. Aquaculture is increasing in importance. Key products include farmed salmon, trout, oysters and clams. At approximately 9.5 kg. per person, Canadian consumption of fish is significantly higher than the U.S. 7.4 kg/person.
Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
<p>FRUIT & VEGETABLE JUICE</p> <p>2008 IMPORTS: U.S. \$773 MILLION</p>	<ul style="list-style-type: none"> U.S.: 65 percent Brazil 12 percent China 8 percent 	<ul style="list-style-type: none"> The U.S. leads in the largest juice category, fresh orange juice. Brazil is the leader in frozen orange juice concentrate, the second largest 	<ul style="list-style-type: none"> 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

		<p>Imported juice category, with 88 percent of the import share.</p> <ul style="list-style-type: none"> China's major juice export to Canada is fortified apple juice; China holds 71 percent of this import market share. 	<p>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.</p>
<p>BEVERAGES</p> <p>2008 IMPORTS: U.S. \$3.7 BILLION</p> <p>(INCLUDING \$1.5 BILLION OF WINE)</p>	<ul style="list-style-type: none"> U.S.: 33 percent France: 15 percent Italy: 10 percent Australia: 7 percent <p>Wine share</p> <ul style="list-style-type: none"> France 26 percent Italy 19 percent Australia 17 percent U.S. 14 percent 	<ul style="list-style-type: none"> The United States holds a competitive share in the imported wine market. France and Italy have been historically strong wine exporters. Combined with Australia, the three countries supply 62% of Canada's imported wine. 	<ul style="list-style-type: none"> Canada's system of provincial liquor control boards places extensive and complicated restrictions on introducing products into the market as well as driving consumer prices significantly above those of the United States. Canada is strong in beer production, supplying approximately 95% of the market, but this share is decreasing. Imported wines have grown much faster than domestic wines with domestic whites faring significantly better than reds against imports due to Canada's cooler climate.
<p>NUTS</p> <p>2008 IMPORTS: U.S. \$467 MILLION</p>	<ul style="list-style-type: none"> U.S.: 61 percent Turkey: 8 percent Vietnam 8 percent 	<ul style="list-style-type: none"> U.S. product, lead by peanuts and almonds is preferred by Canadian importers as it meets Canadian sanitary and phytosanitary standards more consistently. Turkey is a competitive supplier of Hazelnuts. Vietnam is a competitive supplier of cashew nuts. 	<ul style="list-style-type: none"> 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. Health Canada announced in Sept 2007 that it is reviewing the "may contain" wording on products with potential allergens. As of August 2009 this was

Product Category	Major Supply Sources by Value	Strengths of Key Supply Countries	Advantages/disadvantages of Local Suppliers
<p>NURSERY PRODUCTS</p> <p>2008 IMPORTS: U.S. \$366 MILLION</p>	<ul style="list-style-type: none"> • U.S.: 46 percent • Colombia: 17 percent • Netherlands: 14 percent 	<ul style="list-style-type: none"> • The U.S. is a leader in world production and marketing of flowers, cut foliage, potted plants, bedding plants and turf grass. • Colombia is very strong in cut flowers with 51% share of Canada's market for imports. • The Netherlands is strong as a bulb supplier. 	<p>still in review. The new label may be more restrictive. U.S. exporters are advised to watch for the change.</p> <ul style="list-style-type: none"> • Floriculture has experienced steady growth in Canada estimated to have exceeded \$2 billion in revenue.
<p>PET FOOD [DOG & CAT]</p> <p>2008 IMPORTS: U.S. \$474 MILLION</p>	<ul style="list-style-type: none"> • U.S.: 96 percent • China: 2 percent 	<ul style="list-style-type: none"> • US exports of dog and cat food and dog and cat biscuits exceeded \$474 million in 2008. 	<ul style="list-style-type: none"> • Most of Canada's pet food capacity is concentrated in Ontario. • New pet food importation requirements have been put in place as of June 30, 2009. • Canada's dog and cat food manufacturing industry was valued at approximately US\$ 730 million in 2008.
<p>POULTRY</p> <p>IMPORTS: U.S. \$402 MILLION</p>	<ul style="list-style-type: none"> • U.S.: 87 percent • Brazil: 8 percent • Thailand: 3 percent 	<ul style="list-style-type: none"> • The U.S. is the world's largest producer of poultry meat. Brazil is the largest exporter of poultry meat and can land product in Canada at a lower cost compared to the U.S. Brazil has rapidly expanded its share of the Canadian broiler market except 	<ul style="list-style-type: none"> • The Canadian poultry industry is tariff regulated with live bird and meat prices well above those of 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

		<p>with Canadian further processing plants that do not want to take the risk of commingling U.S. and Brazilian origin which would result in being unable to sell processed products to the U.S.A.</p> <ul style="list-style-type: none"> • U.S poultry can be shipped fresh as well as frozen. • Increases in imports of U.S. chicken are due in part to imports under the Import for Re-export Program (IREP). 	<p>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.</p> <ul style="list-style-type: none"> • The Canadian industry has significantly increased surveillance since the avian flu outbreaks in British Columbia and has continuously improved bio-security measures.
<p>EGGS & EGG PRODUCTS</p> <p>IMPORTS: U.S. \$64 MILLION</p>	<ul style="list-style-type: none"> • U.S.: 96 percent • China: 3 percent 	<ul style="list-style-type: none"> • The U.S. egg industry traditionally fills Canada's needs when supply is seasonally low. There were significant increases in U.S. imports following the avian flu outbreaks in British Columbia to both avert shortages in the market and rebuild the hatching egg supply. • The United States has also become a supplier of organic eggs to Canada. 	<ul style="list-style-type: none"> • 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 70 percent of Canada's total egg production is sold for the table market, while the remaining 30 percent 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 egg marketing agency is promoting omega-3 eggs to address consumer worries about cholesterol in conventional eggs.
<p>DAIRY</p>	<ul style="list-style-type: none"> • U.S.: 36.3percent 	<ul style="list-style-type: none"> • The U.S.'s close proximity to 	<ul style="list-style-type: none"> • The Canadian dairy market operates under a

2008
IMPORTS:
U.S. \$436
MILLION

- New Zealand: 16.2 percent
- Italy: 12.5 percent

market, speedy delivery, and significant freight advantage has allowed it to be competitive in an 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. As a result, and despite the significant trade barriers protecting the Canadian dairy industry, the U.S. maintains the number one import position for fluid milk and whey powder, as well as the third in terms of value for imported cheese.

- 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). In 2008, Italy overtook France as Canada's largest imported cheese supplier.
- New Zealand has a cost leadership advantage. Low costs of production due to

tightly controlled 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 Import for Re-export Program (IREP), which allows Canadian processors to import dairy products used in manufacturing provided the product is exported. For example in 2006 Canada issued permits for 8556 MT of fluid milk imports outside the TRQ under the IREP program. The U.S. was the primary beneficiary due to the perishable nature of the product. IREP accounted for 29% of total dairy imports in 2007.
- Canadian tariff rate quotas stipulate a 50 percent 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

		<p>the availability of year-round pastures have helped New Zealand achieve a leading share of world dairy exports, however rising demand is putting upward pressure on prices of New Zealand's exports. New Zealand has an additional advantage on butter imports into Canada as it has been given country specific butter allocation of 2000 mt. This is due to the AoA and represents 61% of Canada's butter import quota.</p>	<p>which are not captured by the dairy TRQ. For example U.S. milk albumin from whey concentrates destined for Canada increased 20% in value during CY 2008.</p>
--	--	--	---

Policy:

Products Facing Significant Barriers

For a full review of Canada's food laws and regulations and how those might present barriers to U.S. food imports, see the latest Food and Agricultural Import Regulations (FAIRS) report. Due to the complexity of the legislative requirements, it is recommended to contact a Canadian Food Inspection Agency (CFIA) Import Service Centre (contact information below) to obtain complete and current information regarding your specific product. The Canadian Food Inspection Agency is responsible for the inspection of food products at all levels of trade. Following are some of the key restrictions that could inhibit certain products from entering the country:

Tariff Rate Quota [TRQ]:

Under the General Agreement on Tariffs and Trade [GATT], Canada is permitted to control and limit certain imports under its supply management system. With the signing of the World Trade Organization's [WTO] Agreement on agriculture in December 1993, Canada converted its existing agricultural quantitative import controls to a system of tariff rate quotas [TRQs] that came into effect in 1995.

Under the TRQ system, product up to a certain volume is imported at the "within access

commitment” tariff rate. Over this permitted level the “over-access commitment” tariff rate escalates. These higher tariffs enable Canada to maintain its system of orderly supply management for certain agricultural products.

In Canada the method for establishing the allocation of import access quantities is prescribed in the Export and Import Permits Act and administered by the Export and Import Controls Bureau [EICB] of the Department of Foreign Affairs and International Trade [DFAIT]. Documentation on the allocation system and principle of TRQ allocation, together with data on permits issued can be found at: <http://www.dfait-maeci.gc.ca/eicb/>

Issuance and control of import quota is administered by the EICB in collaboration with the customs section of Revenue Canada.

U.S. products that fall into this category include:

<ul style="list-style-type: none">• Broiler hatching chicks and eggs• Turkey• Cheese• Milk and Cream• Yoghurt	<ul style="list-style-type: none">• Chicken• Butter• Buttermilk• Dairy Blends• Margarine• Eggs
---	---

Health Canada

Health Canada continues to develop standards and policies for the safety of the food supply, which are applied by the Canadian Food Inspection Agency.

All foods sold in Canada are subject to the *Food and Drugs Act and Regulations*, which contains health and safety requirements, labeling requirements and provisions preventing deception and fraud. However, many agricultural and fish products are also subject to other legislation. Consequently, the need for licensing, permits and certificates depends upon the type of food being imported and, in some cases, on the country or area from which the food is imported. It should be noted that in some provinces there are additional requirements for certain foods, such as dairy products, margarine, bottled water and maple syrup.

The *Food and Drug Regulations* outlines specifications and further requirements for standardized and non-standardized products. The following are just a few examples of regulatory issues, which could pose a barrier for some United States food companies attempting to sell in Canada

Food Additives: In the absence of specifications under the *Food and Drug Regulations*, food additives must conform to specifications in the Food Chemicals Codex.

This is required by Section B.01.045 of the Food and Drug Regulations of Canada which can be found here.

http://laws.justice.gc.ca/en/showdoc/cr/C.R.C.-c.870/bo-ga:l_B/20090721/en#anchorbo-ga:l_B

Food Color: Synthetic food colors are the only additives that must be certified by the Health Products and Food Branch, Health Canada before being used in foods. Regulations concerning food colors are listed in Division 6, and Table III of Division 16 of the *Food and Drugs Regulation*.

Diet-Related Health Claims: Only five food health claims are permitted:

- Diet low in sodium high in potassium
- Diet adequate in calcium and vitamin D
- Diet low in saturated fat and trans fat
- Diet rich in vegetables and fruits
- Minimal fermentable carbohydrates in gum and candy

For wording see: <http://www.inspection.gc.ca/english/fssa/labeti/guide/ch8e.shtml#8.4>

Vitamin and Mineral Fortification: Fortification in Canada is under review. Health Canada has signaled that it is looking at expanding discretionary fortification but with restrictions on which vitamins and minerals and what amounts. However, differences remain such as the folic acid exclusion on milled grain and bakery products. For more information on fortification see: http://www.hc-sc.gc.ca/fn-an/nutrition/vitamin/index_e.html

Trans Fats: In July 2007, Health Canada announced that it is adopting the Trans Fat Task Force's recommendation on trans fats, but will ask industry to voluntarily limit the trans fat content of vegetable oils and soft, spreadable margarines to 2 percent of the total fat content, and to limit the trans fat content for all other foods to 5 percent, including ingredients sold to restaurants. Canada also requires that the levels of trans-fat in pre-packaged food be included on the mandatory nutrition label. For an electronic copy of the Task Force Report see: http://www.hc-sc.gc.ca/fn-an/nutrition/gras-trans-fats/tf-ge/tf-gt_rep-rap_e.html

Organic Standards:

Currently, about 80 percent of the demand for organic produce and approximately 90 percent of the demand for organic grocery products in Canada is met by imports from the United States. Canada has implemented new organic regulations (previously voluntary) in June of 2009. Details on the regulations can be found at the following site.

<http://www.gazette.gc.ca/rp-pr/p2/2009/2009-06-24/html/sor-dors176-eng.html>

Novel Foods:

Health Canada defines novel foods as: products that have never been used as a food; foods, which result from a process that has not previously been used for food; or, foods that have been modified by genetic manipulation. Novel Foods regulations cover a variety of new food processes including the addition or deletion of genes (commonly referred to as genetically modified foods). For example Health Canada has reviewed;

- food produced by chemical mutagenesis of seed combined with traditional breeding,
- the use of new food processing techniques to extend shelf life and improve food quality and
- the use of natural coloring products introduced to food for purposes other than coloring.

The Novel Foods Regulation requires that the company, who wants to sell the product, prior to the marketing or advertising of a novel food, make notification to Health Products and Food Branch (HPFB). For more information on the novel food regulations and approval procedures see: http://www.hc-sc.gc.ca/fn-an/gmf-agm/index_e.html

Pesticides and Other Contaminants:

Some agricultural pesticides approved for use in the United States are not registered for use in Canada. Foods which are found to contain unregistered residues over 0.1 parts per million are deemed to be adulterated. For further information see:

<http://www.pmr-arla.gc.ca/english/legis/maxres-e.html>

Other Specific Standards:

Marketing:

Sector Trends

There are some key product trends which appear to be prominent in the Canadian food market. The two key considerations/demands among consumers accounting for many of the trends are health and convenience.

Functional Food demand and product offerings are visible in virtually every product category. Functional products, enriched with nutraceuticals ranging from vitamins, fibre and calcium to omega-3, probiotics and antioxidants, include yogurt, frozen juice, breakfast cereals, frozen yogurt, juice, tea, ready-to-drink tea, soy milk, bottled water, energy drinks, bread, eggs, condiments, chicken and pork products. The market is estimated to reach \$15 billion in value by 2010.

Products with "Better-for-You" claims have been reported as successful in addressing many consumer demands such as those for food which are low and/or no-calorie, and low in fat, sugar and salt. In response for lighter and diet options, significant numbers of successful products are claiming whole grain content, high fiber and calcium.

Also addressing consumer demand for healthy alternatives is an increase in portion controlled products. Such sectors include portion controlled packages of cookies, chips, crackers, popcorn, chocolate, muffins, yogurt, granola snacks, carbonated soft drinks, milk and chocolate milk.

Canada's demand for organic food products has increased substantially to become a market worth over \$2 billion with estimated annual growth of 15-20 percent. The most significant category of organics is fresh produce with supermarkets starting to integrate organic produce with conventional produce in merchandising. Packaged organic products include beverages, cut salads and bagged vegetables, breakfast cereals, yogurt, dressings and pasta sauces.

Canadian supermarkets are also seeing an increase in the number of ready-made meals available to consumers. Those showcased at Canadian trade shows included premium dishes with high quality ingredients, ethnic meals (Chinese, Indian and Thai dishes) and a number of functional and better-for-you alternatives. Many are sold in oven or microwave safe and ready packages that are ready for consumption after 60 seconds to 10 minutes of heating.

Other trends showing momentum at Canadian retail shows and in supermarkets are an increased demand for green tea and products with green tea ingredients, ethnic foods, artisan foods, and dietetic products.

Following outbreaks of listeriosis and salmonella in Canada's cheese industry and a listeriosis outbreak in a Maple Leaf foods plant in 2008, Canadians have become more cautious about food origins, ingredients and tractability. In response, food manufacturers and retailers are finding ways to communicate food origins and ingredients to consumers to build trust.

Another trend in the retail food sector is the blurring of the lines between food and non-food retailers. Pharmacies, dollar stores, and gas station and convenience stores are increasingly selling food items and thus compete with traditional grocery stores.

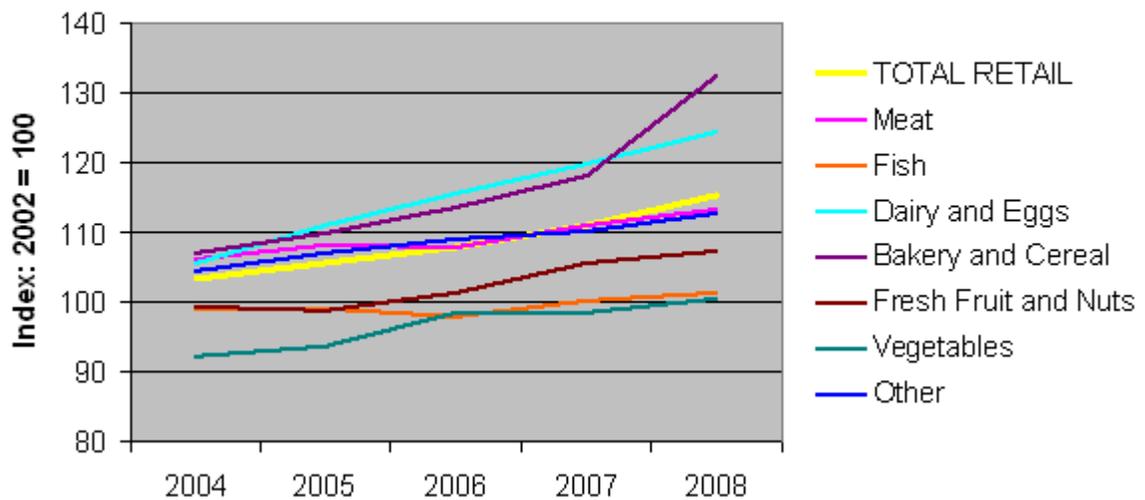
MVI-insights estimates the following compound annual growth rates of Canadian retail sales formats. Among the lowest growth rates are mass-merchandisers, department stores, supermarkets and cash and carry. The highest growth rates are convenience stores, category specialists and drugstores.

Format	CAGR(%)
	2007-2010 Est.
Hypermarket	31.1
Non-Store retail	10.7
Convenience	7.8
Category Specialist	7.5
Drug	7.2
Discounter	5.8
Cash and Carry	2.7
Supermarket	2.6
Department	-1.1
Mass Merchandise	-1.8

Source: MVI-Insights

Finally, there is inflation in most of the retail food sub-sectors. Dairy and egg prices have increased nearly 25 percent from 2002 levels and bakery and cereal prices have increased over 30 percent since that time. Much of the price increase is due to the degree of supply management in the Canadian food industries.

Canada Retail Food Price Index



Statistics Canada

Source:

Opportunities and Challenges Facing U.S. Exporters

Opportunities	Challenges
Canadian consumers enjoy a high disposable income, coupled with a growing interest in global cuisine.	Private label brands continue to grow in many categories; sometimes taking shelf space from American national brands.
U.S. food products match Canadian tastes and expectations.	Continuing retail consolidation forces competitive pricing.
Fruit and vegetable consumption in Canada is substantially higher than that in the U.S. Canada's non-greenhouse horticulture production is restricted to a few months a year; retailers rely heavily on imports to supply the	With consolidation, sellers often face one national retail buyer per category; this buyer will often purchase for all banners under the retailer. Buyers are constantly looking to reduce price, improve product quality and extend the

domestic market.	product range with new entrants.
Proximity: Canada and the U.S. share 3,145 miles of border with virtually all major Canadian cities in close proximity to the border, thereby facilitating communication and transportation. There is also significant overflow of U.S. television and print media in most Canadian centers, which can reduce advertising costs for American companies with media campaigns in U.S. cities bordering on Canada.	Canada has a very high ethnic population with specific dietary preferences. [The three largest cities consist of more than 1/3 new Canadians]. This consumer ethnic diversity tends to be a challenge for some large scale mass marketing companies with products and broad marketing campaigns. On the other hand the different ethnic markets in Canada can create niche opportunities for smaller companies.
Canada's strengthening dollar is an advantage for U.S. exporters.	Retailers and brokers/distributors charge high listing/placement fees.
Canadian ethnically diverse population provides opportunities for specialty products in populated centers.	Food labeling, including bilingual packaging requirement, and nutritional content claims are highly regulated and frequently differ from the United States.
Retail consolidation favors larger-scale suppliers and increases sales efficiency with fewer retailers to approach. U.S. suppliers have an advantage with larger scale.	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.	Differences in food standards may require special production runs and packaging due to Canadian standard package sizes.
High U.S. quality and safety perceptions.	Differences in approved chemicals and residue tolerances.
Private label presents opportunities for custom packers of high quality products.	Tariff rate quotas for certain products.
	The total population of Canada is slightly less than California and more dispersed, making marketing and distribution costs generally higher than in the United States.

Market Entry Overview

For U.S. food product manufacturers seeking to export, the Canadian marketplace presents vast opportunities. Canada is the U.S.'s primary trading partner – more than 59 percent of Canada's food and agriculture imports originate from the United States. This is a result of a number of factors, including a convenient shipping corridor and a familiarity with consumer tastes and expectations.

Although Canadians are always on the lookout for new and innovative U.S. products, there are a

number of obstacles U.S. exporters must overcome before exporting to Canada. These may include currency fluctuations, customs procedures and labeling requirements.

However, these obstacles are manageable. Following are the main steps to take for U.S. exporters entering the Canadian market:

1. Contact your state regional trade office.
2. Research the competitive marketplace.
3. Locate a broker/distributor.
4. Understand Canadian government standards and regulations that pertain to your product.

Market Entry Steps

1. **Contact your state regional trade office.**

State Regional Trade Groups (SRTG) are non-profit groups that offer many services to U.S. food/agricultural product exporters. Primarily, they assist with privileged information about the various food sectors. Information on key distributors, buyers, and specifics about important trade and consumer shows are also made available. Through these STRGs, branded food products and agricultural commodities can be promoted with assistance from Market Access Program funds administered by USDA's Foreign Agricultural Service.

Product tasting/demonstrations, in-store promotions, point-of-sale materials, advertising, and trade show participation, are some of the activities for which eligible participants can obtain partial financial assistance.

U.S. STATE REGIONAL OFFICES

STATE REGIONAL	STATES REPRESENTED	WEB SITE
Food Export USA Northeast	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont	www.foodexportusa.org
Food Export Association of the Midwest USA	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin	www.foodexport.org
Southern United States Trade Association [SUSTA]	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and the Commonwealth of Puerto Rico	www.susta.org
Western U.S. Agricultural Trade Association	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington, Nevada and	www.wusata.org

WUSATA]	Wyoming
---------	---------

2. Research the competitive marketplace.

A thorough understanding of consumer trends and needs are required in developing a market strategy. The Internet offers a wealth of information for U.S. exporters interested in researching the many aspects and particularities of the Canadian food sector. Though some consumer data can only be obtained with a fee, there are several industry specific publications that continuously report on specific developments of interest for U.S. exporters. These publications are **Canadian Grocer** (www.canadiangrocer.ca), a magazine that closely follows key developments in the Canadian grocery industry, and **Food Service and Hospitality** (www.foodserviceworld.com), a periodical that continuously offers updated information on the status of the food service industry in Canada.

Sources of information:

Organization	Function/Purpose	Information
Statistics Canada	The official source for Canadian social and economic statistics and products.	www.statcan.gc.ca
Food and Consumer Products of Canada (FCPC)	An industry association representing approximately 130 Canadian-operated member companies that make and market retailer and national brands sold through grocery, drug, convenience, mass merchandise and foodservice distribution channels.	www.fcPMC.com
Canadian Council of Grocery Distributors (CCGD)	Represents Canadian distributors of food and grocery-related products.	www.ccgD.ca/
Canadian Restaurant and Foodservices Association (CFRA)	The largest hospitality association in Canada.	www.crfA.ca
Canadian Federation of Independent Grocers (CFIG)	Represents Canada's independently owned and franchised supermarkets.	www.cfiG.ca
Consumers' Association of Canada	Represents consumers to all levels of government and to all sectors of society.	www.consumer.ca
Agriculture & Agri-Food Canada, Agri-Trade Food Service	Provides information, research and technology policies and programs. Also provides access to statistics.	www.agr.gc.ca

3. Locate a Broker/Distributor

It is recommended that most new entrants to the Canadian market secure the services of a

broker and/or distributor.

Local representation provides exporters with a domestic advantage to understanding the local, regional and national markets and opportunities available. Brokers and distributors provide guidance on best business practices, sales contacts, market development, logistics and government regulations. Many also provide merchandising and marketing programs and their volume purchasing power can help reduce retail slotting fees.

A partial listing of leading Canadian food brokers is available in the latest brokers report on the FAS website. The Toronto, Ontario-based Canadian Association of Importers and Exporters (CAIE) is Canada's key source of information on Canadian customs and trade policy. It provides Canadian importers with critical and timely information and effective representation to government agencies. See www.importers.ca.

4. **Understand Canadian government standards and regulations that pertain to your product.**

The Canadian Government has multiple acts that govern importation and sales of foods. Some of the most important are:

- Canada Agricultural Products Act and Associated Regulations
- Consumer Packaging and Labeling Act
- Fish Inspection Act
- Food and Drug Act
- Importation of Intoxicating Liquors Act
- Meat Inspection Act
- Weight and Measures Act

The Canadian Food Inspection Agency, Health Canada, and the Canadian Department of Foreign Affairs and International Trade are the main government bodies U.S. exporters can contact for specific information when studying regulations with which they need to comply. Though Canada and the U.S. share many consumer trends, cultural similarities and lifestyles; nutritional facts, ingredient declarations and health claim labeling regulations are different.

Government Bodies	Function	Information
Canadian Food Inspection Agency (CFIA)	Government of Canada's regulator for food safety [along with Health Canada], animal health and plant protection.	www.inspection.gc.ca
Canada Customs and Revenue	Its mission is to promote compliance with Canada's tax,	www.ccra-adrc.gc.ca

Agency (CCRA)	trade, border legislation and regulations.	
Canadian Food and Drug Act	A regulatory document provided by Health Canada, which outlines information regarding specific food import restrictions.	laws.justice.gc.ca/en/F-27/
Health Canada	Administers the Food Safety Assessment Program, which assesses the effectiveness of the Canadian Food Inspection Agency's activities related to food safety.	www.hc-sc.gc.ca
Foreign Affairs and International Trade (DFAIT), Export & Import Controls Bureau	Responsible for allocating tariff rate quotas to importers.	www.international.gc.ca/controls-controles/index.aspx
Measurement Canada	Administers and enforces the Weights and Measures Act for food labeling purposes.	www.strategis.ic.gc.ca

For more information on these food labeling regulations and other information useful to U.S. food exporters, refer to the Canada 2009 Exporter Guide on the FAS web site: www.fas.usda.gov. The information exporters need to understand about the new labeling regulation can be found in the following sites:

Nutrition Labeling Resource Page:

www.inspection.gc.ca/english/fssa/labeti/nutrition-page.shtml

This page includes links to:

- Nutrition Labeling Toolkit
- Questions and Answers
- Information Letters
- E-mail Notification of Food & Nutrition Labeling Updates

The latest guide to Food Labeling and Advertising can be found at:

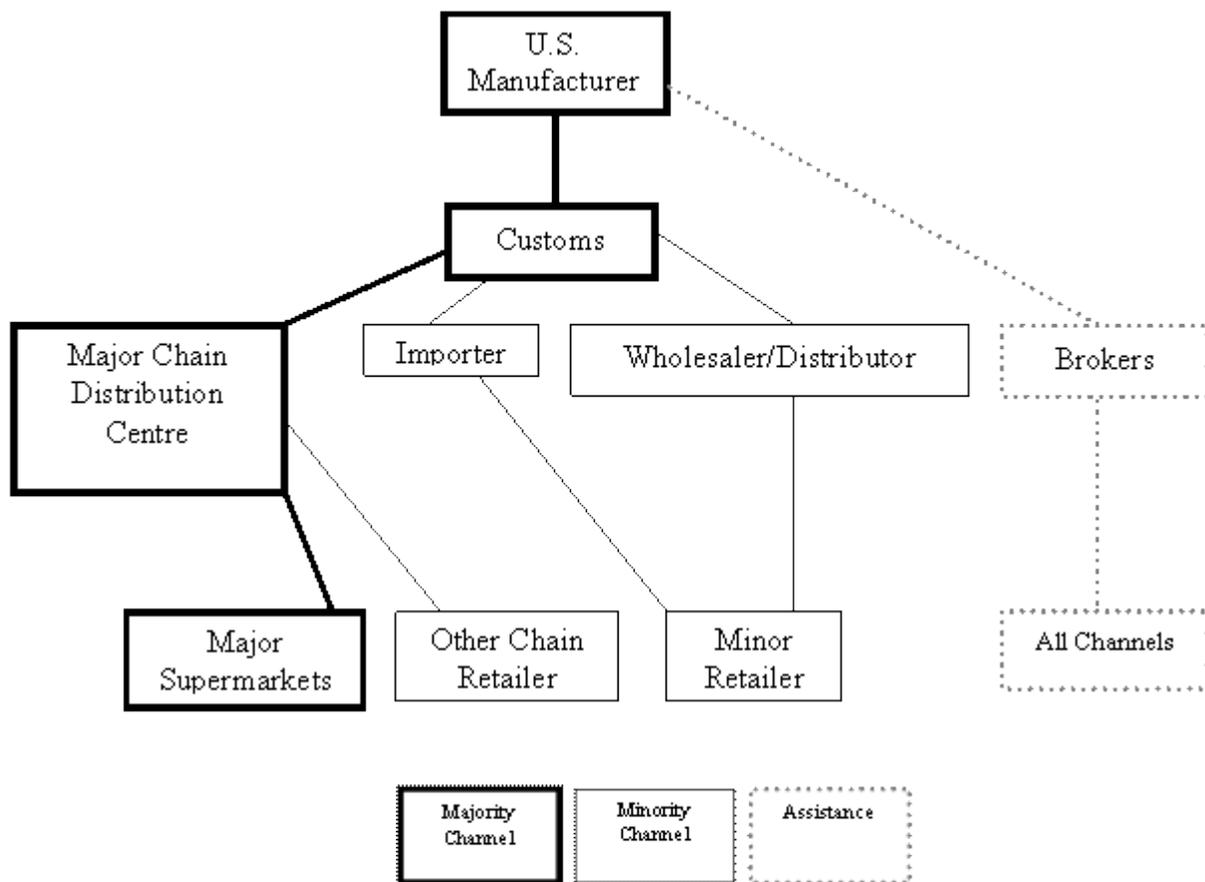
www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml

In order to supply more and better information, several regional **Import Service Centers** function across the country. The staff at these centers can be contacted to obtain pertinent

information on specific import requirements and documentation.

Import Service Center	Open	Contact
Eastern ISC	7 a.m. to 11 p.m. [local time]	Telephone: 1-877-493-0468 [within Canada or U.S.] Fax: 1-514-493-4103
Central ISC	7 a.m. to 12 a.m. [local time]	Telephone: 1-800-835-4486 [within Canada or U.S.] Fax: 1-416-661-5767
Western ISC	7 a.m. to 12 a.m. [local time]	Telephone: 1-888-732-6222 [within Canada or U.S.] Fax: 1-604-666-1577

Distribution Channels



Food products imported into the Canadian marketplace may route directly to the retailer or filter through importers, distributors and wholesalers. A significant amount of U.S. agricultural and

food products entering Canada is in the form of intra company transfer by major supermarkets. In such cases where volumes are large enough, U.S. products are transported directly from the manufacturer to the distribution centers of major supermarkets. All major Canadian supermarket chains are involved in wholesaling and retailing operations. Chain owned warehouses supply not only the chain's outlets, but may also supply franchised stores and independent grocers. Some independent grocers are affiliated with a wholesaler through a voluntary buying group.

Convenience stores and smaller grocery retail chains are often supplied by the wholesale and distribution arm of a major grocery retailer.

The larger retailers all approach the decision of when to buy direct and when to use a intermediary differently; however, the decision is often dependent on the sub-category of the product, its volume and the distribution pattern of the item.

Perishable products, such as dairy, produce, meat, poultry and value-added items, are often procured directly by the larger retailers. Some retailers, such as Loblaw Co. Ltd. and Sobeys Inc., employ procurement offices in the United States for this purpose. Larger supermarkets merit the volume needed to purchase and transport directly from the United States efficiently.

Smaller retailers are more likely to rely heavily on brokers, importers and distributors. To partner with a broker/distributor, food manufacturers pay a percentage of the product sales revenue. These costs vary significantly depending on the type of product line and expected sales volume. For example, fees can range from 3 percent to 10 percent depending on the volume and the amount of labor required. Commission rates are usually negotiated along with fees for special services such as the planning of promotions or data collection. Pioneering product lines may have significant monthly fees until the products generate enough sales volume to switch fully to a percentage-of-sales format. Depending on the type and specialty, a broker may be able to assist at any point in the distribution system, but services revolve around the brokers' contacts and knowledge; they do not actually handle the product

Today's growing non-traditional channels are forcing brokers/distributors to focus additional specialized sales teams on drug stores, convenience, grocery stores clubs and mass merchandisers. However, to become more competitive, leading non-traditional retailers are setting up central distribution centers for food products.

Trends Driving Canadian Consumers

Convenience

The top convenience trends are:

- **Ready-to-Eat-Foods:** Women continue to do the majority of food purchasing,

preparation and clean up. As a result, the demand for foods that are easy and quick to prepare yet tasty, fresh and nutritiously sound continues to grow.

- **One-Dish Meals:** Growth in quick one-dish meal kits such as stir-fries and stew are expected to grow.
- **Custom Quick Food:** Consumers do not spend an extensive amount of time preparing meals; but it still is important to feel that they have contributed something to the preparation. Therefore, there will be an opportunity for ready meals or kits, which allow the person preparing to add their own personal touch.
- **Portability:** Eating in vehicles or "Dashboard Dining" as well as eating at your work desk is becoming common. Portability and single service packaging are on the rise to meet the need "eat-where-you-are."
- **Snacks and Mini Meals:** Canadian eating patterns are changing from eating three main meals a day to eating several smaller meals through out the day. Convenient, nutritious snacks or mini meals will increase in demand (i.e. breakfast bars, wraps, sports drinks).
- **Innovation:** Convenience foods will continue to be popular but the key to success will be innovation.

Health and Wellness

Key trends within health and wellness include:

- **Trans Fats and Saturated Fats:** Canadians are continually concerned about fat intake and health concerns associated with trans and saturated fats. As a result, consumption of low-fat cereals, dairy products and frozen meals are rising.
- **Correcting Condition:** Food and food ingredients continue to increase in popularity as a method for self-medication and disease prevention. As a result, the demand for functional and nutraceuticals foods will continue to increase and new products will be developed.
- **Weight Loss Products:** Interest in weight loss products continues to be high. The number of obese Canadians has increased rapidly over the last few years causing wide public concerns.
- **Food Safety:** Consumers are increasingly interested in food products that provide reassurances about food safety.
- **Organics:** Health conscious consumers are also increasing the demand for organic and natural products.
- **Food & Allergies:** Food intolerance and food allergy consumers represent a niche market that is growing.
- **Low Sodium:** Canadian consumers are becoming conscious about the level of sodium in prepackaged processed foods and in restaurant meal foods.

Pleasure/Indulgence Foods

- **Ethnic Foods:** Immigration to Canada and the number of visible minority groups have increased dramatically. Consumers are flocking to healthful and flavorful ethnic cuisines

such as Asian and Mediterranean foods where the emphasis is on ingredients such as vegetables, grains and fish.

- **Indulgence or Comfort Foods:** Although Canadians are concerned about nutritional value of food, they still are reaching out for tasty snacks that are high in fat, sugar and salt. The demand for these foods continues to be high for they are often considered a reward for healthy eating or surviving the stresses of everyday life.
- **Gourmet Products of Meal Excitement:** New, unique, high quality and expensive products will be small indulgences for consumers who are seeking meal entertainment.
- **Regional Cuisine:** Consumers are becoming more interested in seasonal, regional and high flavor foods.

Value

Canadian consumers are demanding increased variety and high quality at very reasonable prices. Wholesale clubs and “wholesale club” sections of major supermarkets are addressing this need.

Key value trends are:

- **Fresh Foods:** Consumers are switching to fresh foods for they equate "fresh" with better taste, health and nutrition.
- **Physical Energy, Functional Foods:** Consumers seeking power and performance from food are turning to sports drinks, energy bars and snacks.
- **Private Label:** Traditionally, private label has been seen as lower quality and generally less desirable than national brands. However, in recent years, private label has changed dramatically. Stores are starting to introduce premium private label products. Store brands lower price attracts customers while the improved packaging and quality is retaining them and developing brand loyalty. This differs from the United States where private labels still are generally associated with lower quality.

Category A: Products Present in the Market That Have Good Sales Potential

Product Category	Market Size*	Imports	5 yr Avg. Annual Import Growth	key constraints over market development	Market Attractiveness for U.S.
Organic Produce	C\$1 billion	C\$ 0.8 billion	20 percent	Price premium	Demand growth exceeds domestic supply
Edible Fruit and Nuts	C\$4.2 billion	C\$3.4 billion	6 percent		Proximity, growing season advantage
Fresh Vegetables	C\$4.0 billion	C\$1.9 billion	4 percent		Proximity, growing season advantage
Baking Related	\$650 million	C\$1.4 billion	6 percent		Proximity, similar tastes

Preserved Food	\$2.1 billion	C\$1.0 billion	4 percent		
Cereals	\$1.2 billion	C\$376 million	9 percent		Chiefly Corn Exports

*Post estimates based on Statistics Canada Retail Sales Data and Industry Canada

Category B: U.S. Products not present in Significant Quantities in the Market That Have Good Sales Potential

Product Category	Market Size	Imports	5 yr Avg. Annual Import Growth	Key Constraints over market development	Market Attractiveness for U.S.
Alcoholic Beverages	C\$18.9 billion	C\$3.3 billion	9.8 percent	Provincial control over procurement and sale of ABVs	Avg. annual market value growth of 5%
Ethnic Segment Varietals	C\$4 million	undef.	20 percent	Competition from original country suppliers	Proximity, diverse consumer base in Canada

Category C: U.S. Products with Little or No Presence in the Market Because They Face Significant Barriers

Product Category	Market Size	Imports	5 yr Avg. Annual Import Growth	Key Constraints over market development
Dairy Products	C\$12.2B	C\$465M	2.6 percent	TRQ on Imports
Chicken	C\$1.9B	C\$293M	10.2 percent	TRQ on Imports
Eggs	C\$ 823M	C\$62M	9.8 percent	TRQ on Imports

Retail Sub-Sectors

Supermarkets/Superstores, Mass Merchandisers and Club Warehouse

Each of the three major Canadian retailers continues to strengthen their positions through an increase in store sizes, number of stores or methods for differentiation.

Loblaw and company owned banners are reporting a number of strategies for 2009 to stay competitive in Canada's retail food business. The company has improved quality assurance,

sourcing, inspection and perishables presentation in an effort to refocus the business on food following a failed attempt at general merchandise expansion. The store reports a commitment to offering value, through weekly price checking of 1,000 key items. The company has earned a strategic advantage in control-label brands with over 5,200 products under the "President's Choice" and "No Name" brands which compete head-to-head with national brands. Sales of control-label brands increased 7.2 percent year-over-year in 2008. The company has placed an emphasis on shop keeping with close monitoring of inventory under the new "Always Available" program. In 2007, the company began converting its Extra Foods stores in Western Canada to its Ontario hard discounter No Frills. In 2009 Loblaw plans to keep converting Extra Foods into the No Frills discount banner in an effort to meet the needs of discount shoppers.

Unlike Loblaw, Sobeys and Metro have stayed very focused on the food business. Sobeys has grown store numbers to increase total retail floor area by 127,000 square feet in 2008. The company is focused on fresh item management to determine consumer patterns and track quantities of fresh items purchased throughout the day. Sobeys management reports that this initiative reduces shrink which is a major drain on profitability. Like Loblaw, the company is also focused on sustaining a competitive price position. The ability to do so relies heavily on controlling and cutting costs and increasing productivity in distribution centers, administrative offices and stores.

In 2008, Sobeys continued to expand its private label "Compliments" line with a co-branded launch of a kids' line, "Compliments Junior Disney" with 100 new products including burgers, tater tots and dried fruit snack mix. More than 75 percent of the line meets the Heart and Stroke foundation's nutrient criteria for healthy choices and bear the Health Check symbol. The company has also launched a "Compliments Organic" line.

Metro supermarkets operates a number of banners in Ontario and Quebec. In 2008, the company completed the acquisition of A&P Canada and is working to consolidate five supermarket banners in Ontario under the Metro name. When this is complete, the Metro network will consist of 380 supermarkets in Quebec and Ontario. Metro differentiates its stores in part through contemporary design, warm ambience, direct lighting and a specialty boutique layout. From autumn of 2007, Metro replaced an array of brand with their new private labels "Irresistibles" and "Selection" to harmonize offerings across Quebec and Ontario. The company also launched a line of "Certified Allergen Control" (CAC) products to respond to the needs of consumers with food allergies.

The expansion of Wal-Mart in Canada is causing some delay in passing the rapidly increasing world commodity prices along to consumers. Much of the food inflation cost push which is now occurring throughout the world is being mitigated in Canada by reduced retail margins and in some cases losses by both suppliers and retailers as companies attempt to hold or grow market share. Competing with traditional Canadian supermarkets, Wal-Mart has announced plans to

invest C\$115 million into a state-of-the-art refrigerated distribution center in Alberta. This is part of C\$220 in the last year to expand on a distribution network of 312 stores across Canada.

Canadian supermarkets are not only feeling the pressure from Wal-Mart, but also from Warehouse Clubs stores such as Costco. Today's warehouse clubs stock some smaller sizes and also sell a wider range of services and more luxury products. Clubs undersell other stores by cutting expenses and buying large quantities directly from manufacturers. In addition, club products carry an average profit margin of about 11 percent, while other retailers mark up goods 25 to 50 percent. Clubs make their profits on membership fees; price markups cover operating expenses and other overhead.

The latest data from Nielsen through Canadian Grocer indicates that grocery sales through warehouse clubs grew 5 percent in 2007 whereas grocery sales through supermarkets grew only 2 percent. The average dollar sales per household trip at warehouse clubs, C\$54.27, was more than double that of grocery supermarkets.

Supermarkets/Superstores

Retailer	Primary Banner	Type	Sales (C\$)	No.	Location
Loblaw Companies Ltd.	All Banners		31.7 B		Across Canada
	Atlantic Superstore	SS		51	ATLANTIC
	Axep	SM		128	QC
	Dominion (Atlantic Wholesaler)	SM		15	ATLANTIC
	Extra Foods	SM		104	WESTERN, ON, NT
	Fortinos	SS		20	ON
	Freshmart	SM		58	ON, ATLANTIC
	IGA	SM		3	MARITIMES
	L'Intermarché	SM		63	QC
	Loblaws	SM/SS		129	ON, QC
	Lucky Dollar	SM		165	BC, YT, NT, NU, PRAIRIES, ON,
	Maxi	SM		106	QC
	No Frills	SM		134	ON
	Provigo	SM/SS		95	QC
	Real Canadian Superstore	SS		101	ON, WESTERN, YT, NT, NU,
	Real Canadian Wholesale Club	SS		32	WESTERN, YT, ON, ATLANTIC

	Save Easy	SM		58	ATLANTIC
	Shop Easy	SM		63	WESTERN
	Super Value	SM		36	WESTERN, ATLANTIC
	Valu-Mart	SM		66	ON
	Your Independent Grocer	SM		53	ON
	Zehrs	SM/SS		50	ON
Retailer	Primary Banner	Type	Sales (C\$)	No.	Location
Sobeys Inc.	All Banners		15.6 B		
	Boni Choix	SM		97	QC
	Boni Soir	SM		236	QC
	Clover Farm	SM		14	ATLANTIC
	Foodland	SM		183	ATLANTIC, ON, QC
	Food Town	SM		30	QC
	Garden Market (IGA)	SM/SS		49	WESTERN
	IGA	SM		249	QC, ON, WESTERN,
	IGA Extra	SS		84	QC
	Kwik -Way	SM		1365	ON, ATLANTIC
	Le Dépanneur	SM		109	QC
	Needs	SM		148	ATLANTIC
	Price Chopper	SM		116	ON, ATLANTIC, WESTERN
	Sertard	SM		37	QC
	Sobeys	SM/SS		271	ATLANTIC, ON, WESTERN
	Thrifty Foods	SM		22	WESTERN
	Tradition	SM		32	QC

Retailer	Primary Banner	Type	Sales (C\$)	No.	Location
Metro Inc.	All Banners		11.9 B		
	AMI	SM		85	QC
	Brunet	SM		120	QC
	Clini Plus	SM		70	QC
	Dominion	SM		43	ON
	Extra	SM		104	QC
	Food Basics	SM		117	ON
	Gem	SM		252	QC
	Les 5 Saisons	SM		2	QC
	Loeb	SM		32	ON

	Richelieu	SM		105	QC
	Metro	SM		221	QC
	Service	SM		45	QC
	SOS	SM		13	QC
	Super C	SM		61	QC
	The Barn	SM		8	ON
Retailer	Primary Banner	Type	Sales (C\$)	No.	Location
Canada Safeway	All Banners		6.8 B		
	Family Foods	SM		63	BC, TY, NT, NU, PRAIRIES, ON
	Safeway	SM/SS		223	BC, TY, NT, NU, PRAIRIES, ON

Retailer	Primary Banner	Type	Sales (C\$)	No.	Location
Overwaitea Food Group	All Banners		2.7 B		
	Bulkley Valley Wholesale	WS		50	BC
	Overwaitea Foods	SM		16	BC
	Buy Low Foods	WS		24	BC, AB
	Save-On-Foods	SM		72	BC, AB
	Cooper's Food	SM		11	BC
	Urban Fare	SM		2	BC
	Price Smart Foods	SM		9	BC

Canadian Grocer, Who's Who, 2009

Club Warehouse

Retailer	Primary Banners	Type	Sales (C\$)	No.	Location
Costco Canada Inc. (Foreign Ownership)	Costco Wholesale	CW	5.0 B	68	ACROSS CANADA

Canadian Grocer, Who's Who, 2009

Mass Merchandiser

Retailer	Primary Banners	Type	Sales (C\$)	No.	Location
Buck or Two Extreme Retail Inc.	Buck or Two	MM	N/A	160	ACROSS CANADA

Canadian Tire Corporation, Limited	Canadian Tire	MM	7.2 B	468	ACROSS CANADA
Dollarama Stores	Dollarama	MM	N/A	560	WESTERN, ON, QC, ATLANTIC
Everything for a Dollar (Canada) Inc.	Everything for a Dollar	MM	N/A	72	ACROSS CANADA, EXCEPT QC AND SK
Giant Tiger Stores Limited	Giant Tiger	MM	1 B	185	PRAIRIES, ON, QC, NB
Great Canadian Dollar Store (1939) Ltd.	Great Canadian Dollar Store	MM	N/A	120	WESTERN, ON, NB, NS, PE, NF, YT
The North West Company	All Banners	MM	849.6 M	142	WESTERN, ON, QC, NU, NT, YT, NF
	Northern	MM		127	WESTERN, ON, QC, NU, NT, YT, NF
	North Marts	MM		6	MB, SK, NF, NU
	Quickstop	MM		25	MB, NF, ON, NU
Wal-Mart Canada Corp.	Wal-Mart Canada	MM/SC	3.3B*	304	WESTERN, ON, QC, ATLANTIC, NT, YT
Zellers Inc. - A Division of Hudson's Bay Company	Zellers	MM	N/A	276	WESTERN, ON, QC, ATLANTIC

Canadian Grocer, Who's Who, 2009

**Food Sales*

Convenience Stores, Gas Marts, Kiosk

Canadian grocer reported in 2007 that there were 7,841 chain convenience stores in Canada. Compound annual growth rates of convenience stores sales are expected to lead all store types at over 7 percent per year. The sector is expected to continue performing well for the coming years, although at a slower rate. This growth has attracted newcomers and forced established players to reinvent themselves to keep their position in the market. Convenience store floor space is also growing as many stores are expanding their premises in order to accommodate an increasing number of products and services.

Focus on equipment to prepare and stock higher quality convenience foods that can be stored and retain quality for longer periods of time.

Much like the trend in the supermarket sector, products that are perceived to be healthy are

experiencing growth in sales. Convenience stores are stocking more sushi, baked goods and snacks (in place of fried), diet soft drinks, fresh fruit and energy bars.

Convenience Retailers

Retailer	Primary Banners	Sales (C\$)	No.	Location
Alimentation Couche-Tard Inc.	All Banners	15.3B	2062	WESTERN, QC, ON
	Couche-Tard		246	QC
	Sept-Jours		143	QC
	Mac's		876	WESTERN, ON
	Winks		32	WESTERN, ON
	Daisy Market		204	ON
	Mike's Mart		1	ON
Avondale Stores Limited	Avondale	N/A	107	ON
Fas Gas Oil	All Banners	N/A	428	WESTERN, YT, NT, ON
Good Neighbour Stores	Good Neighbour Stores	N/A	61	ATLANTIC
Hasty Market Corp.	All Banners	300M	265	ON
	Hasty Market		185	ON
	Min-A-Mart		80	ON

Husky Oil Marketing Company	All Banners	300 M	478	WESTERN, ON, NT, YT,
	Husky		313	WESTERN, ON, NT, YT,
	Mohawk		165	WESTERN, ON
Imperial Oil C-Stores	All Banners	N/A	589	ACROSS CANADA
	On The Run		344	AB, BC, NB, NS, ON, QC, SK
	Tiger Express		95	BC, NB, NL, NS, ON, QC, SK, MB
	Tiger Compliance		68	BC, ON, QC,
Irving Convenience Stores	Irving	N/A	232	QC, ATLANTIC
The Kitchen Table	The Kitchen Table	N/A	5	ON
Little Short Stop Stores Limited	Little Short Stop Stores Ltd.	N/A	35	ON
Petro-Canada C-Store Division	SuperStop	N/A	1430	BC, SK, MB, ON, QC, MARITIMES

Pronto Food Marts	Pronto Food Marts	N/A	16	ON
-------------------	-------------------	-----	----	----

Quickie Convenience Stores	Quickie Convenience Store	N/A	49	ON, QC
Red Circle Limited	Red Circle	25 M	29	NF
7-Eleven Canada, Inc. (Foreign Ownership)	7-Eleven	N/A	462	WESTERN, ON
Shell Canada Products Limited	All Banners	N/A	798	WESTERN, ON, QC, NB, NS
	Shell		651	WESTERN, ON, QC, NB, NS
	Turbo		57	WESTERN
	Payless		32	BC
	Beaver		58	ON

Canadian Grocer, Who's Who, 2009

Provinces Abbreviations:

AB: Alberta

BC: British Columbia

MB: Manitoba

NB: New Brunswick

NL: Newfoundland and Labrador

NT: Northwest Territories

NS: Nova Scotia

NU: Nunavut

ON: Ontario

PE: Prince Edward Island

QC: Quebec

SK: Saskatchewan

YT: Yukon

Canadian Regions:

WESTERN: AB, BC, MB, SK

PRAIRIES: AB, MB, SK,

ATLANTIC: NB, NS, PE, NL

MARITIMES: NB, NS, PE

Author Defined:

Other Resources

GOVERNMENT ORGANIZATIONS

Agriculture and Agri-Food Canada	Agriculture and Agri-Food Canada Sir John Carling Building 930 Carling Ave. Ottawa, ON K1A 0C5 Tel.: (613) 759-1000 Fax: (613) 759-6726 Email: info@agr.gc.ca Web: www.agr.gc.ca
Canadian Food Inspection Agency (CFIA)	Canadian Food Inspection Agency 59 Camelot Dr. Ottawa, ON K1A 0Y9
Statistics Canada	Statistical Reference Centre (National Capital Region) R.H. Coats Building, Lobby Holland Ave. Ottawa, ON K1A 0T6 Tel: (613) 951-8116 Fax: (613) 951-0581 Email: infostats@statcan.ca Web: www.statcan.ca
Department of Foreign Affairs and International Trade (DFAIT)	Department of Foreign Affairs and International Trade 125 Sussex Dr. Ottawa, ON K1A 0G2 Tel: (613) 944-4000 Fax: (613) 996-9709 Email: engserv@dfait-maeci.gc.ca Web: www.dfait-maeci.gc.ca
Canada Customs and Revenue Agency	Commissioner of the CCRA 555 MacKenzie Ave., 6th Floor Ottawa ON K1A 0L5 Tel: (613) 952-3741 Fax: (613) 941-2505 Web: www.ccr-aadrc.gc.ca
Industry Canada	Enquiry Services Communications and Marketing Branch, Industry Canada C.D. Howe Building, Second Floor, West Tower 235 Queen St. Ottawa ON K1A 0H5 Tel: (613) 954-5031 Fax: (613) 954-2340 Email: info@ic.gc.ca

Web: www.ic.gc.ca

Health Canada

Health Canada
A.L. 0900C2
Ottawa, ON K1A 0K9
Tel: (613) 957-2991
Fax: (613) 941-5366
Email: info@hc-sc.gc.ca
Web: www.hc-sc.gc.ca

INDUSTRY ASSOCIATIONS

Canadian Federation of
Independent Grocers

Canadian Federation of Independent Grocers
2235 Sheppard Ave. East, Suite 902
Willowdale, ON M2J 5B5
Tel: (416) 492-2311
Fax: (416) 492-2347
Email: info@cfgi.ca
Web: www.cfgi.ca

Canadian Council of Grocery
Distributors

Canadian Council of Grocery Distributors
6455 Jean-Talon East, Suite 402

Montreal, QC H1S 3E8
Tel: (514) 982-0267
Fax: (514) 982-0659
Web: www.ccgd.ca

Canadian Produce Marketing
Association [CPMA]

Canadian Produce Marketing Association
162 Cleopatra Drive
Ottawa, ON K2G 5X2
Tel: (613) 226-4187
Fax: (613) 226-2984
Email: question@cpma.ca
Web: www.cpma.ca

Fruit and Vegetable Dispute
Resolution Corporation
[FVDRC]

Fruit and Vegetable Dispute Resolution Corporation
Building 75, Central Experimental Farm
930 Carling Avenue
Ottawa, ON K1A 0C6
Tel: (613) 234-0982
Fax: (613) 234-8036
E-mail: info@fvdrc.com
Web: www.fvdrc.com

Food and Consumer Product
Manufactures of Canada

Food and Consumer Product Manufactures of Canada
885 Don Mills Rd. Suite. 301
Toronto, ON M3C 1V9
Tel: (416) 510-8024
Fax: (416) 510-8043
Email: info@fcPMC.com
Web: www.fcPMC.com

ACNielsen Canada	ACNielsen Canada 160 McNabb Street Markham, ON L3R 4B8 Tel: (905) 475-3344 Fax: (905) 475-8357 Email: webmaster.ca@nielsen.com Web: www.acnielsen.ca
------------------	--

PUBLICATIONS

Food in Canada	Food in Canada Rogers Media One Mount Pleasant Rd., 7th Floor Toronto, ON M4Y 2Y5 Tel: (416) 764-1502 Fax: (416) 764-1755 Email: seagle@rmpublishing.com Web: www.bizlink.com/food.htm
Canada Grocer	Canadian Grocer Rogers Media One Mount Pleasant Rd. 7 th Floor Toronto, ON M4Y 2Y5 Tel: 1-800-268-9119 Fax: (416) 764-1523 Email: jerry.tutunjian@canadiangrocer.rogers.com Web: www.bizlink.com/cangrocer.htm
Foodservice and Hospitality	Foodservice and Hospitality 101-23 Lesmill Road Toronto, ON M3B 3P6 Tel: (416) 447-0888 Fax: (416) 447-5333 Email: rcaira@foodservice.ca Web: www.foodservice.ca
C-Store Canada	C-Store Canada 1839 Inkster Blvd. Winnipeg, MB R2X 1R3 Tel: (204) 954-2085 Fax: (204) 954-2057 Email: dan_votredepanneur@mercury.mb.ca Web: www.c-storecanada.com
Western Grocer	Western Grocer 1740 Wellington Avenue Winnipeg, MB R3H 0E8 Tel: (204) 954-2085 Fax: (204) 954-2057 Email: mp@mercury.mb.ca Web: www.mercury.mb.ca

Foreign Agriculture Service (FAS) Ottawa

Another trade show USDA/FAS endorses is The Canadian Restaurant and Foodservice Association Show which is scheduled for March 7-9, 2010 in Toronto, Ontario. USDA/FAS also endorses SIAL Canada scheduled for April 21-23, 2010 in Montreal, Quebec.

For further information please contact:

Office of Agricultural Affairs

Embassy of the United States of America

P.O. Box 866, Station B

Ottawa, Ontario.

Telephone: 613-688-5267; Fax: 613-688-3124; Email agottawa@usda.gov

Robin Tilsworth, Minister-Counselor for Agricultural Affairs

Robin Gray, Agricultural Attaché

Darlene Dessureault, Agricultural Specialist

Amanda Jones, Marketing Specialist

Joyce Gagnon, Administrative Assistant

Find us on the World Wide Web:

Visit FAS home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting. To access these reports, click on "Attaché Reports". If you have the report number, search by Option 3, inserting the AGR # in the appropriate field.

Marketing Reports on Canada available:

AGR REPORT#	Title of Report	Date
CA5061	Kosher Report	09/26/05
CA5068	Food Brokers Report	10/06/05
CA6006	HRI Food Service Sector Report	02/14/06
CA6019	Private Label Report	04/28/06
CA6040	Canada Connect Matchmaker Program	09/09/05
CA7004	Organic Regulations	02/06/07
CA7006	Exporting Wine to Canada	02/06/07
CA7037	Food & Agriculture Import Regulations & Standards (FAIRS) Technical Requirements for the Canadian Food Market	01/08/07
CA7051	Food & Agriculture Import Regulations & Standards (FAIRS) Export Certificate Report	10/09/07
CA7054	Canadian Beer Market for U.S. Exporters	10/09/07
CA7066	Exporter Guide	01/07/08
CA8043	GST/HST and How it Applies to Food/Agriculture	06/12/08
CA8048	HRI Food Service Sector Report	7/02/08

CA8050	Food Processing Ingredients Sector Report	07/22/2008
CA8055	Food & Agriculture Import Regulations & Standards (FAIRS) Technical Requirements for Canadian Food Market Report	08/08/2008
CA8069	Food & Agriculture Import Regulations & Standards (FAIRS) Export Certificate Report	09/23/2008
CA8087	Guidance Documentation on Exporter Compliance with Canadian Cheese Standards	12/15/08
CA9039	Organics Annual	7/14/09
CA9042	Exporter Guide	8/19/09