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Canada

Food Processing Ingredients

An Updated Overview of the Canadian Food Processing Sector

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Report Highlights:

Opportunities exist to expand U.S. food product sales to Canada's food and beverage processing sector. In this approximately C\$90 billion industry, demand is increasing for many U.S. raw and processed horticultural products, other processed ingredients and food flavorings. The following report highlights the performance of the various sectors of Canada's food and beverage processing industry.

Post:

Ottawa

SECTION 1: MARKET SUMMARY

OVERVIEW OF CANADIAN MARKET

Opportunities exist to expand U.S. food product sales to Canada's food and beverage processing sector. In this approximately C\$90 billion industry, demand is increasing for many U.S. raw and processed horticultural products, other processed ingredients and food flavorings. The following report highlights the performance of the various sectors of Canada's food and beverage processing industry.

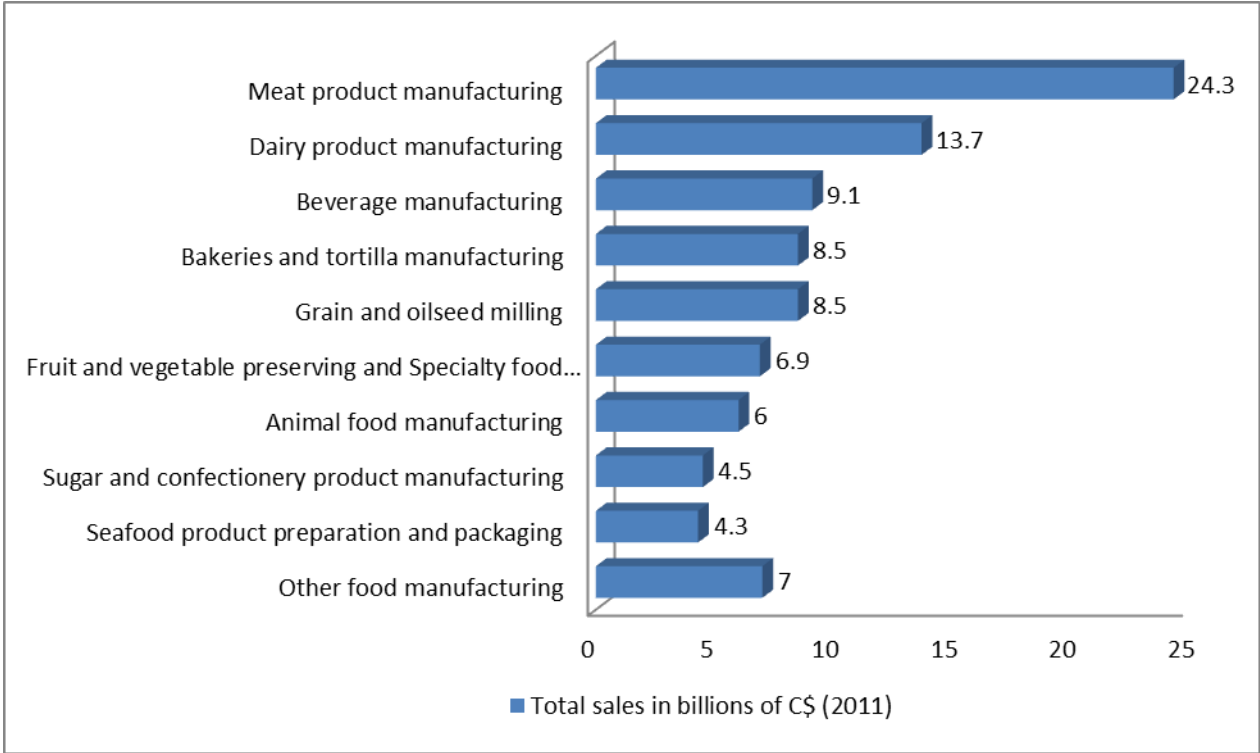
In 2013, U.S. agricultural exports to Canada reached a record C\$21.3 billion. Exports to Canada accounted for 14.8 percent of total U.S. food and agricultural products, which reached C\$144 billion. American products account for approximately 61.5 percent of Canada's total agricultural imports. In the first three quarters of CY2014, U.S. agriculture exports to Canada have increased by 2 percent over the same time frame last year and already stand at C\$22.3 billion.

Under the tariff elimination provision of the North American Free Trade Agreement (NAFTA), the majority of U.S. agricultural products have entered Canada duty-free since January 1, 1998. Trade with Canada is facilitated by proximity, similar culture, language, common lifestyle pursuits, and the ease of travel among citizens for business or pleasure. Many American products have gained an increased competitive edge over goods from other countries as the result of the FTA/NAFTA. Canada's grocery product and food service trades have been quick to seize opportunities under FTA/NAFTA, which permitted them to expand their geographical sourcing area to include the United States. Declining import duties under the trade agreements and an easing of Canadian packaging requirements for processed horticultural products for the food service market have resulted in significant gains in the Canadian market for U.S. consumer-ready foods and food service products.

Food and beverage processing in Canada began in the mid-1800's and has successfully evolved into a sophisticated and vital contributor to Canada's food, agriculture and economic sectors. In 2012, the food and beverage processing industry produced shipments worth C\$97 billion, two percent of Canada's total GDP. The industry supplies 75 percent of the processed food and beverage products available in Canada. Exports in 2012 reached \$24.6 billion, with 67 percent of that total going to the United States.

Food and beverage processing is an important contributor to the Canadian economy. In 2014, employment in the sector was expected to increase by 4.7 percent to approximately 265,000. In 2011, Agriculture and Agri-Food Canada estimated that the Canadian food and beverage processing industry supplied approximately 80 percent of the processed food and beverage products available in Canada. Beverage processing includes soft drinks and bottled water manufacturing, wineries, breweries and distilleries.

A breakdown of the manufacturing industry from 2011, is as follows. Agriculture and Agri-Food Canada has more information on the food and beverage processing industry on their website at: <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1171288446081&lang=eng>.



Source: Agriculture and Agri-Food Canada "[Significance of the Food and Beverage Processing Sector in Canada](#)"

The majority of food manufacturers are located in Ontario, the most populous province in Canada.

Manufacturing sales, by province and territory					
	2009	2010	2011	2012	2013
	\$ millions				
Canada	488,075.7	529,071.4	569,155.7	588,536.1	590,400.8
Newfoundland and Labrador	4,377.5	5,174.1	5,481.2	7,190.3	6,266.4
Prince Edward Island	1,329.8	1,207.8	1,227.5	1,302.5	1,455.7
Nova Scotia	8,999.8	9,675.3	10,695.4	10,537.3	9,481.5
New Brunswick	14,332.7	17,297.3	19,907.6	19,609.0	20,313.9
Quebec	127,046.9	132,605.1	139,273.2	139,129.7	137,279.5
Ontario	218,784.6	242,057.4	256,493.5	270,412.0	270,514.7
Manitoba	14,669.3	14,366.8	15,228.7	15,398.4	15,428.0
Saskatchewan	11,269.1	10,829.6	12,720.3	14,305.5	15,697.0
Alberta	54,252.7	60,112.4	69,855.3	71,675.4	73,793.2
British Columbia	32,964.3	35,702.3	38,226.1	38,913.8	40,117.7
Yukon	28.3	31.4	37.6	42.3	29.1
Northwest Territories	15.9	6.9	5.4	x	x
Nunavut	4.9	5.1	3.8	x	x
x : suppressed to meet the confidentiality requirements of the Statistics Act Source: Statistics Canada, CANSIM, tables 304-0014 and 304-0015 . Last modified: 2014-12-16.					

CANADIAN EXPORTS OF PROCESSED FOOD AND BEVERAGE PRODUCTS

Canadian exports of processed food products stood at C\$24.3 billion in 2013, up 3 per cent from 2012. Canadian processed food products are exported all over the world; however a significant portion is focused in a small number of countries. In 2013, 86 percent of those exports went to three major markets; the United States (75 per cent), China (8 percent) and Japan (3 percent). As of October 2014, these three markets were on track to again be Canada's largest export destinations for agricultural products, with exports to the U.S. growing 2.4 per cent over the same period in 2013. Exports to China have decreased while exports to Japan have grown slightly overall.

Canadian Food and Beverage Industry NAICS 311		2011	2012	2013
Shipments	C\$ Million	80,575	82,181	84,657 (est.)
	Change (%)	3	2	3
Imports	C\$ Million	19,106	20,700	21,787
	Change (%)	11	8	5
Exports	C\$ Million	22,464	23,644	24,258
	Change (%)	13	5	3
Domestic Market	C\$ Million	77,217	79,237	82,186
	Change (%)	2	3	4

Sources: Industry Canada, Trade Data Online and StatsCan CANSIMtable 304-0014

IMPORTS OF INGREDIENTS FOR THE CANADIAN FOOD PROCESSING INDUSTRY

Canadian food 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; however imported ingredients are vital inputs to Canadian manufacturers. 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 have proven to be 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 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.	Tariff rate quotas for certain products.
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 off seasons. 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; 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.
Canada and the U.S. share a 3,145-mile of border with 2/3 of the Canadian population living within 200 miles of the U.S. border. This geographical proximity facilitates communication and transportation. There is also significant over flow of U.S. television and print media in most Canadian centers, which can reduce advertising costs for U.S. 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 marketing campaigns more targeted at the U.S. market. On the other hand the different ethnic markets in Canada can create niche opportunities for smaller companies.
Canada's strong dollar is an advantage for U.S. exporters.	Retailers and brokers/distributors may 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 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	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.	Private label brands continue to grow in many categories; sometimes taking shelf space from American national brands.
	The total population of Canada is slightly less than California and much more spread out, making marketing and distribution costs generally higher than in the United States.

SECTION 2: ROAD MAP FOR MARKET ENTRY

Entry Strategy

Food and beverage companies from the United States seeking to enter the Canadian marketplace have a number of opportunities. The United States is Canada's primary trading partner and the demand for U.S. products can be attributed to many factors, such as; proximity to the market, reliable shipping methods, similar business practices and similar food tastes between Canadians and Americans.

Although, Canadians are looking for new and innovative U.S. products, there still are a number of challenges U.S. exporters must prepare for and learn to manage. The main challenges include currency, customs procedures, regulatory compliancy, and labeling requirements.

Overcoming these obstacles is possible with the right tools. FAS together with agricultural partners facilitate the exporting process and we recommend the following as first steps when entering the Canadian market:

1. Contact your state regional trade office or the international specialist of your State Department of Agriculture.
2. Thoroughly research the Canadian retail landscape and identify your product's market position.
3. Locate a Canadian partner, such as a broker/distributor/importer to help in identifying key Canadian accounts.
4. Learn Canadian government standards and regulations that pertain to your product.

➤ **Step 1.** *Contact your State Regional Trade Group/State Regional Office*

State Regional Trade Groups (SRTGs) are non-profit organizations that offer many services to U.S. food/agricultural product exporters. They are comprised of representatives from their region's Department of Agriculture and work together in supporting U.S. food companies. Primarily, they assist in providing privileged information about the various food sectors in a respective global market. Also, key contact information on buyers and specifics about important trade and consumer shows in Canada is available for potential exporters. Through the SRTG, branded food products and agricultural commodities can be promoted with assistance from Market Access Program (MAP) funds administered by USDA's Foreign Agricultural Service.

Packaging and label modifications, 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 reimbursements.

State Regional Trade Groups

State Regional Trade Group	Web Site	States
Food Export USA Northeast	http://www.foodexportusa.org	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Food Export Association of the Midwest USA	http://www.foodexport.org	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Southern U.S. Trade Association (SUSTA)	http://www.susta.org	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico, Virginia, West Virginia
Western U.S. Agricultural Trade Association (WUSATA)	http://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/cms/7195/8617.aspx	State Directory of the State Departments of Agriculture

Additionally, many commodities have their own marketing associations which may be able to provide

additional, product specific information. A listing of the groups who are active in Canada be found here: <http://www.tasteus.ca/about/listing-of-cooperators/>

- **Step 2:** Thoroughly research the Canadian market and identify your product’s market position.

A thorough understanding of consumer trends and needs are required in developing an effective market strategy in Canada. There are many organizations in Canada with extensive information available to U.S. food manufacturers that will help in understanding the many aspects and particularities of the Canadian food sector.

Organization and Data Sources within Canada

Organization	Function/Purpose	Website
Agriculture and Agri-food Canada, Agri-Trade Food Service	Provides information, research and technology policies and programs. Also provides access to statistics. This department is the counterpart to the U.S. Department of Agriculture.	www.agr.gc.ca
Food & Consumer Products of Canada (FCPC)	FCPC is national, non-profit organization representing the food and consumer products industry in Canada.	www.fcpc.ca
Centre of Food in Canada	A non-profit organization addressing issues related to food and its impact on Canadians.	www.conferenceboard.ca
Canadian Institute of Food Science and Technology	A national association for food industry professionals advocating and promoting the quality, safety and wholesomeness of the food supply through the application of science and technology by linking food science professionals from industry, government and academia.	http://www.cifst.ca/default.asp?id=72
Consumers' Association of	Represents consumers to all levels of government and to all	www.consumer.ca

Canada	sectors of society.	
Industry Canada	Trade databases.	www.ic.gc.ca
Canadian Manufacturers and Exporters	Canada's largest trade and industry association advocating for manufacturers and exporters.	www.cme.mec.ca
Food Processors of Canada	Food Processors of Canada is the business association supporting executives managing food processing companies in Canada	www.foodprocessors.ca/
Statistics Canada	The official source for Canadian social and economic statistics.	www.statcan.gc.ca
I.E. Canada (Canadian Association of Importers and Exporters)	I.E. Canada is a national, non-profit organization committed to providing services to develop and enhance the international trade activity and profitability of importers and exporters.	www.iecanada.com
Food in Canada	Food and Beverage Processing Magazine	www.canadianmanufacturing.com/food

➤ **Step 3:** *Locate a Canadian Food Partner- Broker/Distributor/Importer*

Although not a necessity for ingredient companies selling to manufacturers, some new entrants to the Canadian market consider appointing a broker or develop a business relationship with a distributor/importer to enter the Canadian market. Some Canadian manufacturers prefer to deal directly with suppliers. As the market is smaller than that of the United States, food companies are urged to closely evaluate their Canadian business partners well before entering into a contractual arrangement. Factors such as work 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 prior to appointing the Canadian partner and or a entering into a future business transactions.

A partial listing of Canadian food brokers is available on our latest brokers report, Agent/Broker Directory – Central Canada (CA 11025) available online at: <http://gain.fas.usda.gov>

FAS/Canada can provide some assistance in identifying a broker/distributor/importer but

is not in a position to endorse any Canadian firm. Furthermore, companies are encouraged to visit and/or participate in specific trade shows in Canada (see <http://www.ats-sea.agr.gc.ca/eve/eve-can-eng.htm> for a complete listing of trade shows in Canada) as this will help in evaluating the market and meeting potential Canadian partners.

FAS/USDA endorses one of the largest food shows in Canada, [SIAL Canada](#). The event alternates between Montreal, Quebec and Toronto, Ontario. The show takes place in Montreal the even years and in Toronto the odd years. The next SIAL Canada show is scheduled for April 28th to 30th 2015 in Toronto, Ontario. The USA Pavilion provides added support to exhibitors, such as an educational briefing breakfast on the Canadian market. U.S. food companies wanting to exhibit in the USA Pavilion may contact Sharon Cook, USDA/FAS Washington, DC at sharon.cook@fas.usda.gov

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

The Canadian Government has multiple acts that govern the importation and sales of foods. As previously noted, the Canadian government is overhauling its food and beverage regulations and will eventually combine them all into one larger piece of legislation under the Safe Foods for Canadians Act. For now, some of the most important laws in place are:

- [Canada Agricultural Product Act and Associated Regulations](#)
- [Consumer Packaging and Labelling Act](#)
- [Fish Inspection Act](#)
- [Food and Drug Act](#)
- [Food and Drug Regulations](#)
- [Importation of Intoxicating Liquors Act](#)
- [Meat Inspection Act](#)
- [Weight and Measures Act](#)

Canadian agents, distributors, brokers, and/or importers are often the best equipped to assist exporters through the import regulatory process. The best entry method depends on the food product and the sub-sector identified as appropriate for each food product. Government and industry import policies and trade acts regulate each sub-sector. Each U.S. export opportunity must be thoroughly investigated relative to the legislation that exists for the product requesting entry.

Canadian Government Organizations Related to Food Regulations

Canada Border Services Agency	http://www.cbsa-asfc.gc.ca/menu-eng.html
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Canadian Food Inspection Agency	
Home Page	http://www.inspection.gc.ca
Automated Import Reference System (AIRS) (obtain tariff classifications)	http://www.inspection.gc.ca/plants/imports/airs/eng/1300127512994/1300127627409
Acts and Regulations	http://www.cfia-acia.agr.ca/english/reg/rege.shtml
<i>Guide to Food Labelling and Advertising</i>	http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml
Meat & Poultry Inspection Regulations	http://www.inspection.gc.ca/english/fssa/meavia/meaviae.shtml
Nutrition Labelling Resource Page	http://www.inspection.gc.ca/english/fssa/labeti/quest/gengene.shtml
Fish Import Program Policy	http://www.inspection.gc.ca/food/fish-and-seafood/imports/documents/fish-import-program-policy/eng/1360859473208/1360859694298

Health Canada	
Home Page	http://www.hc-sc.gc.ca/index-eng.php
Food and Drugs Act	http://laws.justice.gc.ca/en/F-27/
Nutrition Labeling	http://www.hc-sc.gc.ca/fn-an/label-etiquet/nutrition/index_e.html
Natural Health Products	http://www.hc-sc.gc.ca/dhp-mps/pubs/natur/index-eng.php
Food Allergen Labeling	http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/index-eng.php
Novel Foods	http://www.hc-sc.gc.ca/fn-an/gmf-agm/index-eng.php

Department of Foreign Affairs and International Trade <i>Subject on Controlled Products</i>	http://www.international.gc.ca/controls-controles/prod/index.aspx
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The Canadian Food Inspection Agency (CFIA) has prepared a [Guide to Food Labelling and Advertising](#) and is accessible through the internet. The guide details the regulatory requirements for selling packaged foods and beverages in Canada. The CFIA has the authority to refuse entry, detain, return, or remove from retail shelves any imported processed food product that does not meet the federal food labeling requirements.

The CFIA Guide includes information on:

- Basic Labeling Requirements *
- Advertising Requirements
- Claims as to the Composition, Quality, Quantity and Origin of Foods
- Nutrition Labeling *
- Nutrient Content Claims *
- Health Related Claims *
- New regulations on food allergens *
- Other Product Specific Requirements as alcoholic beverages, processed fruits and vegetables, honey, meat and poultry, fish and supplementary products.

*Regulations differ from the United States and require adherence for retail sales in Canada.

For more information on food labeling regulations and other information useful to U.S. food exporters, refer to the Export Guide: A Practical Guide on Canada available online at: <http://gain.fas.usda.gov>.

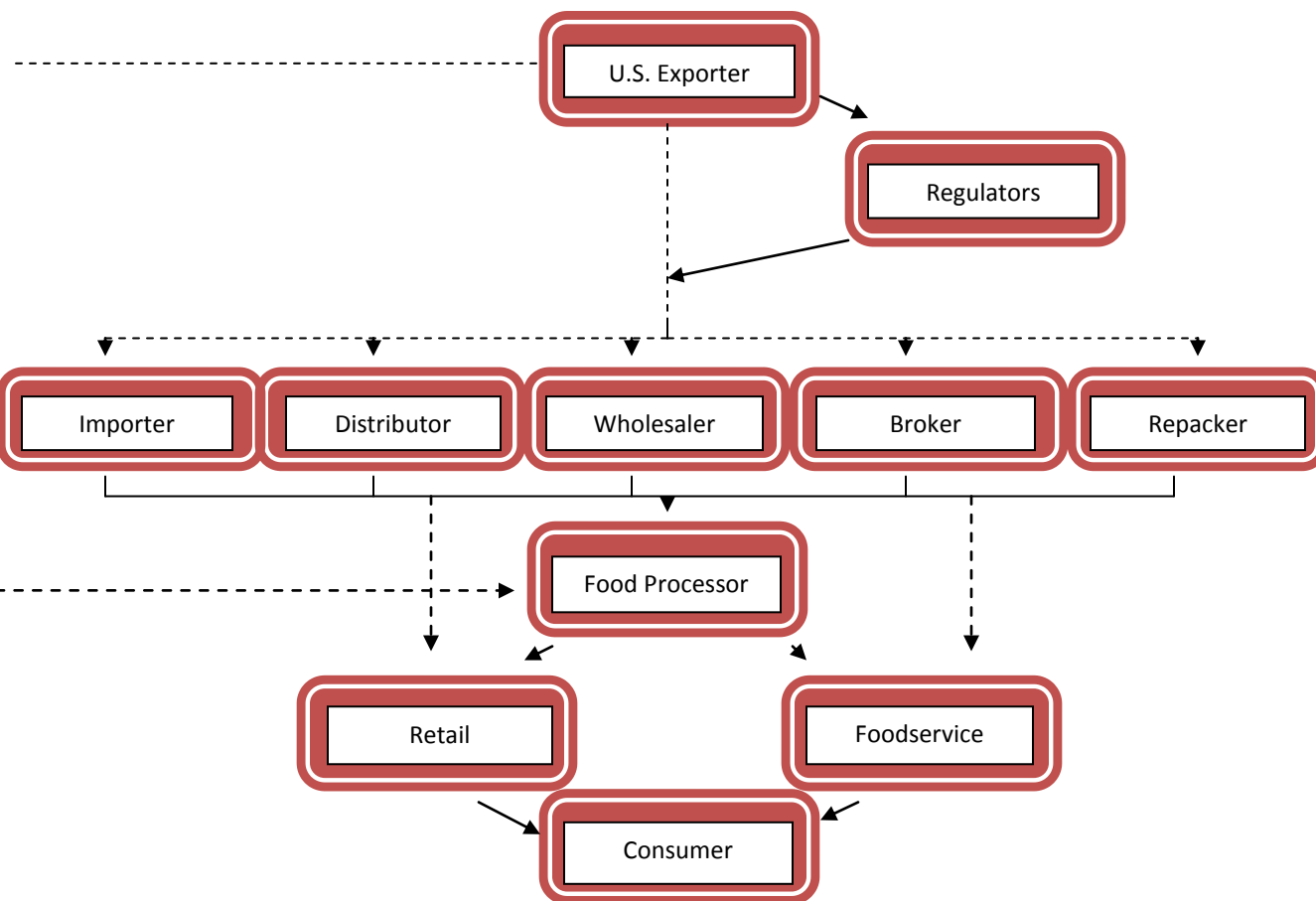
In order to assist exporters to Canada, the Canadian Food Inspection Agency and the Canada Border Services Agency have established two regional **Import Service Centers** in Canada. The staff at these centers can be contacted to obtain pertinent information on specific import requirements and documentation.

Canadian Import Service Centers

Import Service Center	Open	Contact
Eastern Canada ISC	7 a.m. to 11 p.m. [local time]	Telephone: 1-877-493-0468 or 514-493-0468 Fax: 1-613-773-9999
Central Canada ISC	7 a.m. to 3:00 a.m. [local time]	Telephone: 1-800-835-4486 or 289-247-4099 Fax: 1-613-773-9999

For more information on food labeling and other information useful to U.S. food exporters, refer to the Canada 2014 Exporter Guide on the FAS Website at <http://gain.fas.usda.gov>.

MARKET STRUCTURE



Consolidation of the Canadian food industry has eliminated numerous intermediary procurement processes. Most food and beverage processing companies now prefer to import directly. Buying direct reduces handling, 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. New products that truly address specific consumer needs are the best means for processors to stave off the inevitable demand to produce private label product for retail

and food service operators.

Processors should be aware that there is a heightened interest in food safety and information about ingredients including the origin of major ingredients and processing methods. Food service and retail operators are also seeking longer shelf life to deal with both the consumer trend toward fresh products and the geographic challenges of distribution in Canada. Opportunities are increasing in Canada for export ready processors able to meet the rapidly evolving consumer demands and having strong logistics capabilities.

COMPANY PROFILES

Top 10 Canadian Food and Beverage Processors

Company (Product Types)	Revenues (CDN\$ Millions)	End-use channels	Production Location (#)	Procurement Channels
Saputo (dairy products and snack cakes)	7,299	Consumer Processors HRI Sector	Canada (25) USA (26) Argentina (1) Australia (1)	Direct
McCain Foods (potato, snacking, dessert)	6,600	Consumer HRI Sector	Canada (9) USA (9) South America (3) UK & Europe (15) S. Africa (3) Asia & Oceania (8)	Direct
Maple Leaf Foods (Meat products, bread)	4,503	Consumer	Canada (29) Sales offices globally	Direct (Winnipeg)
Agropur coopérative (Dairy)	3,800	Consumer	Canada (23) USA (12)	Direct - Producers
PepsiCo (Canada)	3,195	Consumer HRI	Canada (12) 13 Bottling Partners	Direct
Nestlé Canada	2,320	Consumer	Canada (21)	Direct

(confectionary, coffee, pet, beverages, frozen dessert)		HRI		
Parmalat Canada (milk, dairy, fruit juice, speards)	2,178	Consumer HRI	Canada (17)	Direct
Canada Bread (Bread)	1,468	Consumer HRI	Canada (28) USA (4) UK (4)	Direct
SunOpta (beverages, snacks, grains, coffee)	1,217	Consumer Processors HRI	Canada – admin only USA (30) China (1) Ethiopia (2) Bulgaria (1) The Netherlands (1)	Direct
General Mills Canada (snacks, pizza, cereal, yogurt, dessert, ready to eat, Mexican)	1,215	Consumer HRI	Global	Direct

Sources: Conference Board of Canada – Canadian Industrial Outlook Canada’s Food Manufacturing Industry Summer 2014 and Company Corporate Sites

Industry Canada maintains a more complete company directory on their website. A directory of food manufacturing companies can be found at:

<http://strategis.ic.gc.ca/app/ccs/sld/cmpny.do?letter=A&lang=eng&profileId=1461&naics=311>.

A listing of beverage manufacturing companies can be found at:

<http://strategis.ic.gc.ca/app/ccs/sld/cmpny.do?letter=A&lang=eng&profileId=1461&naics=312>

Sector Trends

Consumer trends have always created opportunities for food manufacturers. However, more recently consumer trends have affected choice and source of ingredients used in food manufacturing. Some of the more important drivers of change influencing consumer trends and manufacturing opportunities include:

- Aging population, obesity and the health care crisis leading to the wellness trend
- Increasing reliance on imported foods and growing worries of food contamination raising the organic, natural and local food trend
- Global warming and other serious environmental challenges driving the ethical

- eating trends
- Traceability
- Ethnic shoppers
- Food allergies

GENERAL HEALTH AND WELLNESS

As consumers get older, their desire to lead healthy and active lives is of increasing importance to them. In response to initiatives by governments, health organizations and consumers, 88 percent of manufacturers report that they are planning to release new products with specific nutritional benefits in the next two to three years. Already, 61 percent of manufacturers have reformulated products to make them healthier. Companies will continue to work to lower the amount of sodium, sugar and high-fructose corn syrup in their products.

One of the fastest growing areas under wellness is functional foods. The market in Canada is currently valued at C\$4 billion. Functional foods are conventional foods that have had healthy ingredients added to them that go beyond regular nutritional functions. Examples of functional foods include probiotic yogurts (added bacteria cultures to promote health in the gastrointestinal tract); omega-3 fortified eggs, and beverages with added vitamins and minerals. The market for functional foods is large and growing as more and more people are beginning to see the benefits of making small changes to their diets. The market is expected to continue to grow rapidly as consumers gain a better understanding of the relationship between diet and health and as the aging population increasingly turns to preventative health initiatives. For more information on functional foods and nutraceuticals in Canada, visit <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1170856376710&lang=eng>.

ORGANIC AND NATURAL

The Canadian Organic Trade Association recently estimated that the Canadian market for organic products reached C\$3.5 billion in 2012. Their full report can be found at <https://www.ota.com/canada-ota/what-cota-does/market-analysis>. The following is a breakdown of the market:

- 1) Organic food and beverages - \$2.9 billion
 - a. Fruits and vegetables – 40 per cent
 - b. Beverages – 16 per cent
 - c. Dairy and eggs – 15 per cent
- 2) Organic alcohol - \$135 million

3) Organic pet food - \$4.1 million

The Canadian introduction of retail chain giant Whole Foods has solidified an industry commitment to healthy eating alternatives. As of December 2014, Whole Foods Canada has ten stores (5 in the Greater Toronto Area, 4 in Vancouver and one in Ottawa) with plans to open 1-2 more stores per year for the next five years.

The number of organic items carried in mainstream supermarkets is rising steadily and many of the largest companies, including major U.S. food processors, have now launched organic products under some of Canada's best known brands. An example of this is the new organic line of products from Kraft Foods.

Products that claim attributes such as "no antibiotics", "no hormones", and "100% vegetarian feed" do not command the same price premiums as those labeled as certified organic. However, these products are growing because they serve the store interest of differentiation and still carry a 10% to 20% premium compared to regular products while being generally more affordable than organics.

ETHICAL/ENVIRONMENTAL EATING

Experts are suggesting that the trend is destined to have the most impact on the food processing industry is the growing interest in sustainability. This trend overlaps with the wellness and organic foods, however ethical eating goes beyond taste and health concerns and into the realm of green politics and anti-globalization. It includes concepts of "fair trade" and "sustainable" and also "food miles" which bring together the related concepts of locality and seasonality. Good farming practices in terms of the treatment of livestock are also part of this trend.

Multinational food processors are actively involved in the sustainability movement with many seeking sustainability certifications from third party organizations such as Ocean Wise, administered by the Vancouver Aquarium, or the Marine Stewardship Council for seafood products. For other products, organizations like the World Wildlife Federation (WWF) and the Forest Stewardship Council (FSC) can provide certification that products were produced in a sustainable fashion. Large companies such as Loblaw, McDonald's and Wal-Mart are beginning to make sustainability an important part of their business plans throughout their entire supply chains.

TRACEABILITY

As seen in the growing "Buy Local" movement in Canada, consumers increasingly care

about where their food comes from. Reasons for this include concern for the local economy and environmental concerns regarding how far food must travel before it reaches the consumers. The concern is also being driven by high profile food safety breaches some of which are related to imported foods as well as issues raised under the wellness and ethical eating headings. However, it is also a food trend in its own right as traditionally certain foods from certain areas were considered to be the gold standard in taste or health. This trend can be an opportunity for U.S. producers since Canadian consumers view products from the United States as safer and of better quality than imports from other countries. Consumers in the internet age no longer accept anything less than transparency. As is the case for the ethical food and organic trend, the ability to prosper from this trend will be closely tied to the ability to track, trace and verify product.

This represents more changes for food processors as it requires an ability to know one's supply chain to a far greater degree than is the case today. Significant improvements have been made in technologies to assist with trace back and product verification. For example, Sobey's (major Canadian supermarket chain) has launched an initiative that allows consumers to enter a code found on the packaging of their seafood on the Sobey's website to find out exactly when, where and how their fish was caught, right down to the name of the fisherman who landed the fish.

ETHNIC SHOPPERS

Ethnic food markets in Canada are worth an estimated C\$65 billion today and are growing by an approximate 15 to 20 percent annually. They are projected to reach C\$128 billion by 2020. By 2031, 72 percent of the population growth in Canada will be driven by people who are visible minorities. Consumers of South Asian and Chinese backgrounds make up the largest ethnic groups and are projected to continue growing. Immigration from Europe accounts for a smaller percentage than it traditionally has. Within immigrants from the Americas, origin is shifting from the United States and Caribbean to Mexico and South America.

FOOD ALLERGIES

In Canada, the priority allergens are: peanuts, tree nuts, sesame seeds, wheat and triticale, milk, eggs, fish, crustaceans, shellfish, soybeans, mustard seeds, grains containing gluten, and added sulphites. Beginning August 4, 2012 these allergens must be listed on a product label, more information on food allergens and labeling can be found at: <http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/list-of-ingredients-and-allergens/eng/1383612857522/1383612932341>

SECTION 3: LEADING U.S. PRODUCTS AND THE COMPETITION

Section 3: The GRID on Leading U.S. Products and the Competition

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>FRESH FRUITS & VEGETABLES</p> <p>VEGETABLES: CANADIAN GLOBAL IMPORTS (2013): U.S.\$2.4. BILLION</p>	<p>VEGETABLES:</p> <ol style="list-style-type: none"> 1. U.S.: 67% 2. Mexico: 26% 3. China: 2% 	<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. • Among imports, U.S. fruits and vegetables are viewed by most Canadians as their number one choice to other imports. • Mexico maintained the same level of market share in Canada for the last three years. 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. 	<ul style="list-style-type: none"> • Lettuce, onions, carrots, tomatoes, potatoes, cauliflower, and spinach are the leading vegetables sold in the fresh market. • Apples are the largest production item, followed by blueberries, cranberries, grapes and peaches. • Seasonality poses a constraint to growers; Canada imports 80% of its fresh vegetables between November and June. • The ‘Buy Local’ campaigns are well supported by grocery retailers starting in June through October.
<p>FRUIT:</p> <p>CANADIAN GLOBAL IMPORTS (2013): U.S. \$3.5 BILLION</p>	<p>FRUIT:</p> <ol style="list-style-type: none"> 1. U.S.: 48% 2. Mexico: 13% 3. Chile: 9% 	<ul style="list-style-type: none"> • Chile is competitive with their leading exports of grapes, berries. They offer apples and cherries as well. 	
<p>PROCESSED FRUITS AND VEGETABLES</p> <p>CANADIAN GLOBAL IMPORTS (2013): U.S. \$2.2 BILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 61% 2. China: 8% 3. Mexico: 4% 	<ul style="list-style-type: none"> • There is a full range of prepared and frozen products. Major products are prepared potatoes, tomato paste, mixes fruits, and variety of processed vegetables. • U.S. is a major player in the market with established process brands in the market. • China’s products are dried and prepared vegetables and fruits. • Mexico supplies prepared and frozen strawberries and other prepared fruits and vegetables. 	<ul style="list-style-type: none"> • 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 U.S.
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Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
SNACK FOODS CANADIAN GLOBAL IMPORTS (2013): U.S. \$1.8 BILLION (excluding peanuts)	1. U.S.: 79% 2. Germany: 3% 3. U.K.: 2%	<ul style="list-style-type: none"> The U.S. dominates this category with snack breads, pastry cakes, pretzels, chips, cookies, and dried fruits, Competitors vary by sub category with the main competitor and sub category as follows: Germany: cocoa, confectionaries and chocolate; Belgium: chocolate and confections. U.K. and Switzerland; chocolate, along with confection and non-confection items. 	<ul style="list-style-type: none"> Canada's snack food imports have grown by U.S. \$236 million since 2011. 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 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.
RED MEATS (Fresh/Chilled/Frozen) CANADIAN GLOBAL IMPORTS (2013): U.S. \$1.8 BILLION	1. U.S.: 79% 2. Australia: 8% 3. New Zealand: 8%	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Canada maintains a narrow acquired feed cost advantage. Canada continues to grow as a key U.S. pork export market. Canadian hog production numbers have been declining across the country and U.S. pork imports are up 16% due to

<p>RED MEATS (Prepared/Preserved)</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$987 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 93% 2. Thailand 2% 3. Brazil 1% 	<p>frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes).</p> <ul style="list-style-type: none"> • 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. competitors are limited by a beef quota. 	<p>market structures and the Canadian strong dollar.</p> <ul style="list-style-type: none"> • The industry has worked its way out of the inventory surge from the BSE trade disruption. Canadian exports have been sluggish due to a strong Canadian dollar. • Canadian per capita basis consumption has declined since 2006 from 31 kg to 29 kg.
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Product Category <i>(continued)</i>	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>FISH & SEAFOOD</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$2.6 BILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 35% 2. China 15% 3. Thailand: 14% 	<ul style="list-style-type: none"> • Two major categories make up approximately half of the imports • 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. <ul style="list-style-type: none"> ▪ A growing concern among consumers and retailers for sustainable production 	<ul style="list-style-type: none"> • Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade. • In total, the capture fishery accounts for 76 % of total fish and seafood production in Canada. • Lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada. • Aquaculture is increasing in importance. Key products include farmed salmon, trout, steelhead, arctic char, blue mussels, oysters and manila clams. • At approximately 50 lbs. per person, Canadian consumption of fish is significantly higher than in the U.S. 16.5 lbs. per person, making Canada an excellent export market for U.S. exporters.

		<p>practices may help some U.S. fish processors.</p> <ul style="list-style-type: none"> ▪ More than two-thirds of seafood is sold by retailers. 	
<p>BREAKFAST CEREALS/PANCAKE MIXES</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$ 480 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 93% 2. U.K.: 2% 3. Spain: 1% 	<ul style="list-style-type: none"> • Breakfast cereal imports have grown by over US \$ 202 million since 2007. 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 66% of U.S total exports. 	<ul style="list-style-type: none"> • 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. • Canadian consumption of breakfast cereals reached an annual 9 lbs per person. • Three key trends in cereal consumption have driven continues growth, reduced sugar, high fiber whole wheat, and hot cereals.

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>FRUIT & VEGETABLE JUICES</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$721 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 63% 2. Brazil 16% 3. China 8% 	<ul style="list-style-type: none"> ▪ U.S. imports to Canada increased with the continued growth of juice products, particularly fresh orange juice and other mixed fruit and vegetable juices. ▪ Brazil is the leader in frozen orange juice concentrate, with 55% share of the market which has incrementally decreased since 2011. ▪ China's major juice export to Canada is fortified apple juice; China represents 89% of this import market. 	<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 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>NUTS</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>Tree Nuts U.S. \$582 MILLION</p> <p>Peanuts U.S. \$113 MILLION</p>	<p>Tree Nuts</p> <ol style="list-style-type: none"> 1. U.S.: 60% 2. Turkey: 14% 3. Vietnam: 9% <p>Peanuts</p> <ol style="list-style-type: none"> 1. U.S. : 80% 2. China: 16% 3. Nicaragua: 2% 	<ul style="list-style-type: none"> ▪ From 2012 and 2013 while the amount of U.S. imports marginally increased by 1% their share of market in Canada increased by 23%. Tree nuts increased 14% during the same period. ▪ US products lead with 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 with cashew nuts. ▪ Nicaragua provides shelled peanuts to Canadians. ▪ Growing trend of nut allergens by Canadians caused the Canadian Food Inspection Agency and Health Canada to set specific allergen labeling regulations for all suppliers in 2012. 	<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.

<p>PET FOOD (Dog and Cat)</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$643 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 93% 2. China: 3% 3. Thailand: 3% 	<ul style="list-style-type: none"> ▪ U.S. imports of dog and cat food registered at U.S. \$595 million in 2013, a 10% increase from 2012. . ▪ Canadians regard U.S. pet foods as a trusted and quality product. ▪ Demand for premium pet foods is helping drive the growth in this category. 	<ul style="list-style-type: none"> • Pet food sector is largely U.S. owned multinationals. • Canada has approximately 17 (non-raw) pet food manufacturers. • New pet food importation requirements have been in place as of June 2009. • More than 322,000 tonnes of pet food is sold in Canada.
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Products Imported in Canada Facing Significant Barriers

Product Category <i>(continued)</i>	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>POULTRY MEAT</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$467 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 89% 2. Brazil: 9 % 3. Hungary:: 1 % 	<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 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. ▪ Increases in imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP). 	<ul style="list-style-type: none"> • 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.

Products Imported in Canada Facing Significant Barriers

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
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<p>DAIRY</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>(excluding cheese): U.S. \$345 MILLION</p> <p>(Cheese/Processed & Prepared) : U.S. \$265 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 65% 2. Argentina: 11% 3. NewZealand:9% <ol style="list-style-type: none"> 1. U.S. 26% 2. Italy 21% 3. France 19% 	<ul style="list-style-type: none"> • 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). Though details of the CETA free trade agreement between Canada and the EU have yet to be finalized, it is expected that this advantage will either increase or be maintained. • 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. 	<ul style="list-style-type: none"> • 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.
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Products Imported in Canada Facing Significant Barriers

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
EGGS & EGG PRODUCTS CANADIAN GLOBAL IMPORTS (2013): U.S. \$105 MILLION	1. U.S.: 96% 2. China: 3%	<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 B.C. to both avert shortages in the market and rebuild the hatching egg supply. The U.S. 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 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 Canadian Egg Marketing Agency has a sustained media campaign focused on the health benefits of eggs to support retail movement.

SECTION 4: BEST PRODUCT PROSPECTS

High Physical Growth

Category	Declining	Growing	
	<0%	+4% to 10%	Over 10%
Beverages	Flavour Enhanced/Flavoured Water (-8%)	Convenience Size Water (+3%) Bulk Packaged Water (+5%) Light Fruit Juices, Drinks and Nectars (+6%)	Sparkling Water (+10%) Single Serve Coffee (+25%)

		Smoothies (+8%)	
Dry Grocery	Pita and Naan Bread (-1%) White Bread (-2%) Wheat Bread (-4%)	Tortillas and Wraps (+6%) Bagels (+6%) Higher Health Bread* (+5%)	
Frozen Foods			
Perishables		Non-Organic Fresh Fruit (+3%) Organic Fresh Fruit (+4%) Non-Organic Fresh Vegetables (+5%) Organic Fresh Vegetables (+5%)	
Prepared Foods			
Refrigerated & Dairy			Greek Yogourt (+11%)

*Higher Health=Grains+Dietary Needs + Organic Bread

Sources: Canadian Grocer Category Captains 2014 Report and Nielsen Homescan

SECTION 5: REGULATORY ENVIRONMENT

For a more in-depth review of Canada's food laws and regulations and how they may affect U.S. food exporters, please see FAS Canada's Food and Agricultural Import Regulations (FAIRS) Report. Due to the complexity of legislative requirements, it is recommended to contact a Canadian Food Inspection Agency (CFIA) Import Service Centre to obtain complete and current information regarding your specific product. The CFIA 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, applicable products up to a certain volume are 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 supply management for certain agricultural products.

The method for establishing the allocation of import access quantities is prescribed in the Exports and Import Permits Act and is administered by the Export and Import Controls Bureau (EICB) of Foreign Affairs, Trade and Development Canada (DFATD).

Documentation on the allocation system and principle of TRQ allocation, together with data on permits issued can be found at: <http://www.international.gc.ca/controls-controles/index.aspx>.

Issuance and control of import quota is administered by the EICB in collaboration with the Canada Border services Agency.

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

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- | | |
|------------------------------------|----------------|
| • Broiler hatching chicks and eggs | • Chicken |
| • Turkey | • Butter |
| • Cheese | • Buttermilk |
| • Milk and Cream | • Dairy Blends |
| • Yogurt | • Margarine |
| • Eggs | |
-

OTHER INFORMATION AFFECTING IMPORTS OF FOOD INGREDIENTS

The Canadian Government has multiple acts that govern the importation and sales of foods. Under the Canadian Food Inspection Agency's modernization initiative, these acts will eventually be combined into a single piece of legislation. To receive updates on changes in the Canadian regulatory system, please email agottawa@fas.usda.gov and ask to be added to the mailing list for Current Canadian Agricultural News.

Currently, some of the most important acts for companies involved in the food and beverage industry include:

- [Canada Agricultural Product Act and Associated Regulations](#)
- [Consumer Packaging and Labelling Act](#)

- [Fish Inspection Act](#)
- [Food and Drug Act](#)
- [Food and Drug Regulations](#)
- [Importation of Intoxicating Liquors Act](#)
- [Meat Inspection Act](#)
- [Weight and Measures Act](#)

Health Canada

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

All foods sold in Canada are subject to the Food and Drugs Act and Regulations which contains health and safety requirements, labeling requirements and provision preventing deception and fraud. However, many agricultural and fish products are also subject to other legislations. 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, bottled water and maple syrup.

The Food and Drug Regulations (FDR) outline the 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: Canadian regulations pertaining to food additives differ from those in the U.S. Please visit Agriculture and Agri-Food Canada's [Food Additives page](#) for more information. Health Canada's list of permitted food additives can be found at <http://www.hc-sc.gc.ca/fn-an/securit/addit/list/index-eng.php>.

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

Diet-Related Health Claims: The Canadian Food Inspection Agency enforces specific regulations regarding health claims that can be made about a product or ingredient.

These regulations are in place to ensure accuracy and validity. For exact wording, visit <http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/health-claims/eng/1392834838383/1392834887794>.

Agricultural Pesticide 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. Specific acceptable Maximum Residue Limits (MRLs) exist for registered pesticides. For further information see: <http://www.hc-sc.gc.ca/cps-spc/pest/part/protect-proteger/food-nourriture/mrl-lmr-eng.php>.

Vitamin and Mineral Fortification: Fortification in Canada is under review. Health Canada has signaled 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: www.hc-sc.gc.ca/fn-an/nutrition/vitamin/index_e.html.

Trans Fats: Canada is one of the few countries of the world to require labelling of products containing trans fats. Reducing the amount of trans fats in food products is voluntary, but many manufacturers are looking for ingredients that will help them achieve this goal. For more information on trans fat regulations, visit <http://www.hc-sc.gc.ca/fn-an/nutrition/gras-trans-fats/index-eng.php>.

Sodium: Similar to the action taken with trans fats, Canada has begun efforts to reduce the amount of sodium found in food and beverage products. More information can be found at <http://www.agr.gc.ca/eng/industry-markets-and-trade/food-regulations/food-policy-and-regulatory-issues/current-food-policy-and-regulatory-issues/sodium/?id=1264777758642>.

Organic Standards: As of June 30, 2009, the Organic Products Regulations require mandatory certification to the revised National Organic Standard for agricultural products represented as organic in international and inter-provincial trade, or that bear the federal organic agricultural product legend (or federal logo). Due to the equivalency agreement with the United States, the USDA organic certification is fully recognized in Canada and there is no need for further certification in Canada for USDA-certified organic products. The CFIA has more information on regulations for organic products on their website at: <http://www.inspection.gc.ca/food/organic-products/eng/1300139461200/1300140373901>.

Novel Foods: Health Canada defines novel foods as products that have never been used as 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. Canada's novel foods regulations require that the company, who wants to sell the products, 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 procedure, see: www.hc-sc.gc.ca/fn-an/gmf-agm/index_e.html.

POST CONTACT AND FURTHER INFORMATION

CONVERSION RATE

Per the most recent Bank of Canada noon rate, on 11 December 2014,
1.00 Canadian Dollar(s) = 0.87 U.S. dollar(s), at an exchange rate of 0.8669 (using nominal rate).

FOREIGN AGRICULTURAL SERVICE (FAS) OTTAWA

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MARKET SECTOR REPORTS:

Listed below are the food sector and marketing reports published by FAS Canada. For a complete listing of other Post reports and of FAS' worldwide agricultural reporting, visit the FAS GAIN web page at <http://gain.fas.usda.gov>.

Additionally, *Current Canadian Agricultural News* is a periodic newsletter containing summaries of developments in the Canadian market, including regulatory changes. To be added to the distribution list, please contact FAS Canada at agottawa@fas.usda.gov.

CA14113	FAIRS Export Certificate Report	12/05/2014
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CA14111	Govt Mandated Grain Volumes for Rail Movement Extended Thru Winter	12/04/2014
CA14109	Biofuels report	
CA14105	Canadian Rail Transportation Update	11/10/2014
CA14103	Entering Canada with Products for a Show or Trade Fair	11/07/2014
CA14100	Deciduous Fruits Annual	11/06/2014
CA14098	Grain and Feed Quarterly 2014	10/31/2014
CA14091	Prince Rupert Grain Terminal	10/14/2014
CA14090	Potato Annual	10/10/2014
CA14088	Livestock Annual	10/07/2014
CA14087	Canada Announces Consultations on Standards of Identity for Beer	10/07/14
CA14078	Poultry Annual	08/21/2014
CA14077	Additional CFIA Webinar on New Food Regulations	08/15/2014
CA14075	CFIA Webinar on New Food Regulations	08/08/2014
CA14073	Canadian Grain Transportation Regulations	08/06/2014
CA14072	Nutrition Labeling – Additional Consultation Documents	08/05/2014
CA14070	Grain and Feed Update	07/31/2014
CA14068	Health Canada Consults on Nutrition Information on Food Labels	07/24/2014
CA14062	Biotechnology Annual	07/14/2014
CA14057	Additional Consultations Launched by CFIA	06/05/2014
CA14055	CFIA Launches a New Series of Consolations on Food Safety and Inspection Modernization	05/29/2014
CA14054	Turkey Meat in Canada – Market Brief	05/28/2014
CA14046	Grain and Feed Update – May 7 2014	05/07/2014
CA14040	Oilseeds	
CA14037	Canada Unveils Labeling Assistance for Exporters	03/31/2014
CA14036	Grain and Feed Annual	03/31/2014
CA14032	Livestock and Products Semi-Annual	03/17/2014
CA14031	Canada Acts to Ease Grain Backlog	03/14/2014
CA14027	National Full Pig Traceability Becomes Mandatory	03/03/2014
CA14025	Ontario Government Proposes Farmers' Market Sales for Local Wines	02/27/2014
CA14024	Canadians to Consume More Poultry Meat in 2014	02/27/2014
CA14023	Canada to Extend Administrative Monetary Penalties to the Meat Sector	02/27/2014
CA14021	Retail Foods – Canada	02/19/2014
CA14017	Canada Top Market for U.S. High Value Agricultural Exports	02/10/2014
CA14014	Grain and Feed Quarterly Update - January	01/31/2014
CA14012	Government Programs Announced for Livestock Producers Price Insurance for Western Livestock Producers * Marketing Support for Canadian Pork Producers * Saskatchewan Livestock	01/27/2014

	and Forage Research Receive Government Support * Compensation Program for Livestock and Crop Losses Due to Wildlife	
CA14009	Polar Vortex May Create Opportunities for U.S. Wines	01/22/2014
CA14005	CFIA Releases Report on Feeds Renewal Pre-Consultations	01/13/2014
CA14004	Profile of the Canadian Farm Population	01/10/2014

