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Canada

Food Service - Hotel Restaurant Institutional

HRI Market Report

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Report Highlights:

In 2015, Canada regained the position as the top destination by value for U.S. agricultural exports; a total of \$21 billion. As global exports declined last year, the Canadian market remained resilient with a minimal slowdown in U.S. exports of -4.2% compared to the double-digit percent slowdown experienced in other leading foreign export markets. More importantly, of the total U.S. exports to Canada, \$16.5 billion is made up of high-value products, double the amount exported to the second leading market, Mexico, and equal to the combined Asian markets of Japan, Hong Kong, South Korea, China and Taiwan. There are over 94,000 food service units in Canada and 18 million visits by Canadians daily to restaurants. For those U.S. food firms with unique and competitively priced products, the food service sector offers promising export opportunities.

Post:

Ottawa

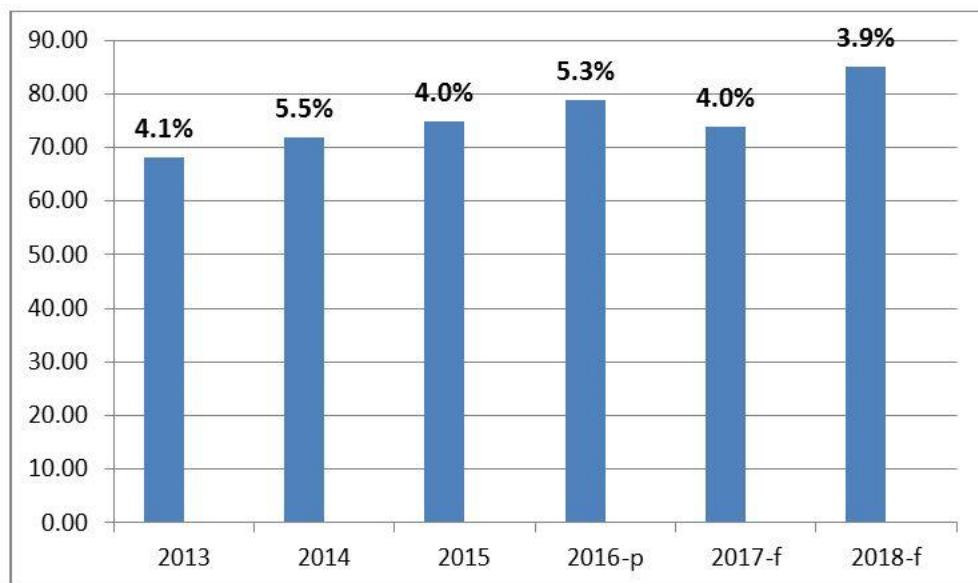
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Section I: Market Summary

Restaurants Canada, the national association for the industry estimates total food service sales at the end of 2016 will reach to C\$78 billion (USD\$58)¹, an increase of 5.3 percent from 2015. The industry is important to Canada's economy as the sector accounts for 4% of the national GDP and employs 1.2 million Canadians. For many young Canadians, the food service sector offered them their first job experience. There are slightly over 94,000 food service units across the country with 18 million visits to restaurants by Canadians per day. The expected growth for the industry in the coming years is promising as steady growth is predicted.

Total Annual Estimated Food Service Sales in Canadian Dollars (Billions)



Source: Food Service Facts 2016

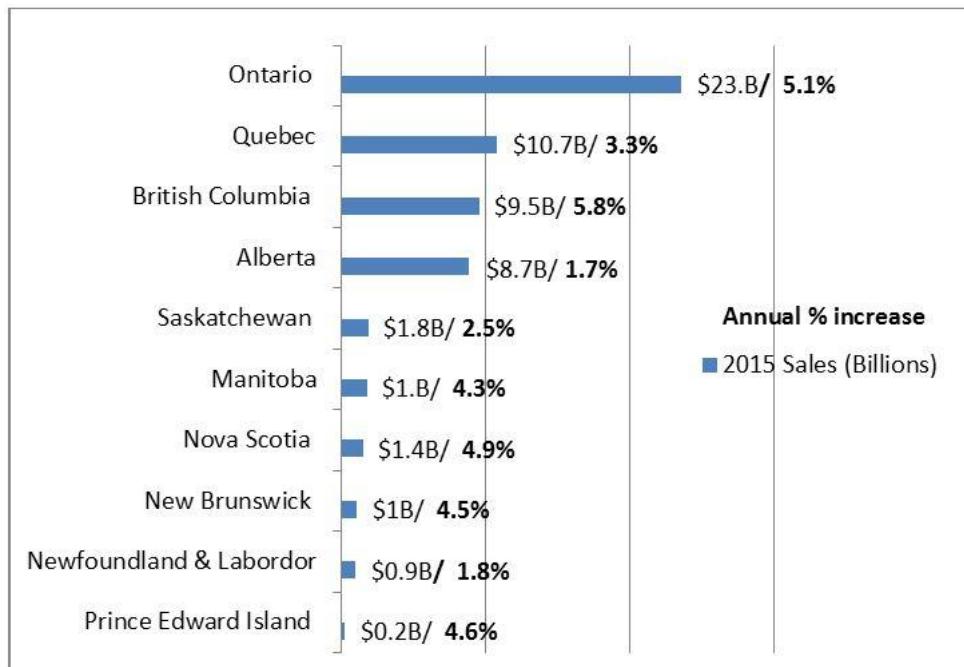
All percentages based on Canadian Dollars

^{1 1 1} Based on USD exchange rate \$1 USD = \$1.32 CAD/.74 (for the last 12 months November 30, 2015 to December 1, 2016).

Breakdown of HRI Food Sales in Canada by Province and by Sub-Sector for 2015/16

Both Ontario and Quebec combined represents 57 percent of the total food service sales, with C\$23.5 billion (USD\$17.4B) and C\$10.7 billion (USD\$8B) respectively for each province. Combined, these two provinces reflect the largest share of the market. In the last 12 months, British Columbia and Ontario posted increased revenue sales of over 5 percent, leading the country in sales growth.

Food Service Sales by Province



Source: Restaurants Canada

- **Food Service Subsectors**

The industry falls into three main subsectors. They are hotels and resorts, restaurants, and the institutional food service sector.

Hotels and Resorts

Canada attracts over 16 million international visitors from around the world with 75 percent of them from the United States. The growing number of visitors help fuel the growth of food service in this sector. The Hotel Association of Canada reports there are 8,178 hotels, motels and resorts that generated revenues of close to C\$17.5 billion(USD\$13B) in 2015 and accommodation food service sales reached C\$6 billion(USD\$4.5B).² The weak Canadian dollar has caused more Canadians to travel domestically and international tourists to visit popular Canadian destinations. In the first six months of 2016, visitors from the U.S. rose by 10.7% and those from other countries rose by 8.4%. As a result, tourism spending on food and beverage services increased to C\$6.3 billion(USD\$4.6B). With the

² 2015 Canadian Institutional Foodservice Market Report by fsStrategy, p. 10

Canadian dollar expected to remain depressed, industry specialists are forecasting 2017 will be a healthy year for Canadian tourism.

Some of Canada's most profitable hotel chains are, Four Seasons Hotels and Resorts, Fairmont Hotels International, Starwood Hotels & Resorts Worldwide, Marriott Hotels of Canada (acquired Delta Hotels), Wyndham Hotel Group, Invest REIT, and Best Western International.

Restaurants

Canada is home to 94,292 restaurants, bars and caterers who generate C\$60 billion (US\$45 billion) in annual sales.³ The 2015 growth rate in this segment was 4.3%. Fifty-six percent of the establishments are independents while 44 percent are franchised or part of a national or local corporate chain. Restaurants Canada reports chain restaurants command 79% share of the dollar revenues, a percentage that has steadily risen in the last five years with independents representing 21% of the dollar share. Lunch continues to be the meal occasion most often consumed away from home, accounting for 25 percent of the restaurant visits. More recently, snacking has developed into an eating occasion for consumers away from home. The rise in independent and chain coffee establishments is partly responsible for creating an ideal venue for Canadians to meet friends for a quick snack occasion and in some circumstances even serve as a work space for a number of small businesses. This in turn has spurred the demand for lite and healthy food service options.

Quick-service restaurants (QSR) continue to show growth in this commercial segment as they are the most popular units with a 5.1% increase in 2015. The *fast casual* dining format, is a bit more upscale than other QSR units as they provide a high-quality menu with healthier and fresher choices to the wellness conscious consumer that is willing to pay more for their meals.

Market research firm, Techonomic reports this sector grew by 8.4% last year and is expected to continue to grow in the coming years. Certain formats, such as the pizza fast-casual have done exceedingly well with a growth rate of 121% in the last 12 months.

Online ordering and takeout meals have traditionally been dominated by take away franchise operations, such as QSR pizza delivery and fast food chains, accounting for 28% to 46% of these types of restaurant sales. However, with the introduction of UberEats in Toronto last December, more and more restaurants, including fine dining establishments are starting to cash in on the home delivery segment.

Another factor changing the restaurant industry landscape is the growth in home-meal replacements (HMR). HMR sales have grown by 17% in the last five years as reported by trade journal, *Foodservice and Hospitality*. The lines between the grocer and restauranteur continue to blur as more and more retailers become 'grocerants,' and restauranteurs begin to offer take-away meals and even retail products, such as consumer packaged bar-b-cue sauces and condiments for sale in their units.

Institutional

The institutional food service sector in Canada reached C\$4.3 billion (USD\$3.2). The sector consists of hospitals, residential care facilities, schools, prisons, factories, remote facilities and offices, including patient and inmate meals at correction facilities and represents 6% of the total food service segment.

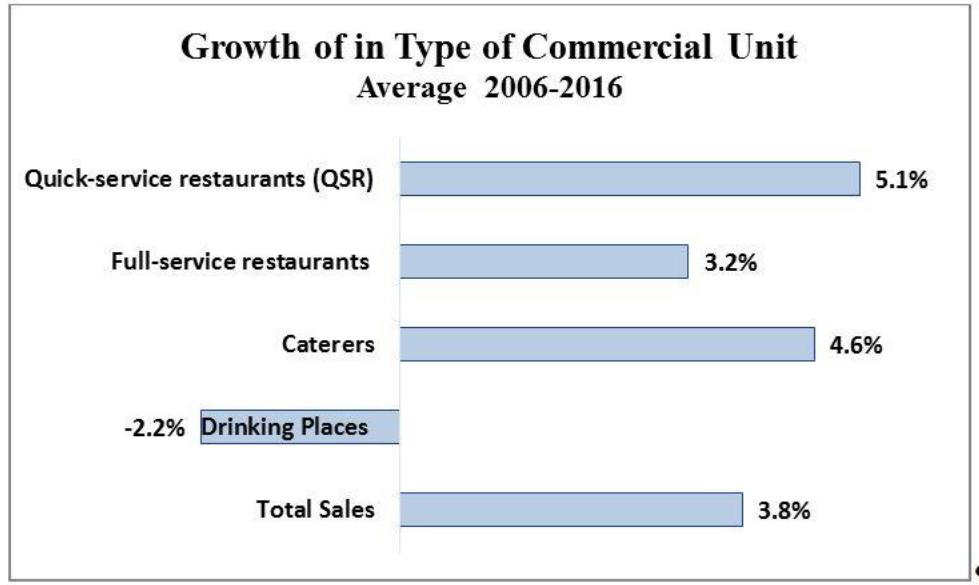
³ 2016 Food Service Facts 2016

This past year institutional food service sales increased by 2.4%. Food sales destined to retirement facilities and hospitals grew by less than one percent, however sales in long-term facilities segment grew by 10.1 percent. In the last decade, more and more institutions have started to contract out their food service requirements to caterers and other food service suppliers.

Breakdown of HRI Food Sales in Canada by Sub-sector

	2014 Final	percent Change '14/13	2015 Prelimin ary	percent Change '15/14	2016 Forecas t	percent Change '16/'15						
Quick-service Restaurants	\$25,332. 5	5.6 percent	\$26,835.2	5.9 percent	\$26,186 .7	5.0 percent						
Full-service Restaurants	\$25,086. 9	5.8 percent	\$25,925.4	3.3 percent	\$27,034 .5	4.3 percent						
Caterers	\$ 4,876.1	6.4 percent	\$ 5,094.2	4.5 percent	\$ 5,254.8	3.2 percent						
Drinking Places	\$ 2,292.4	-0.4 percent	\$ 2,181.7	-4.8% percent	\$ 2,166.8	-0.7 percent						
Total Commercial	\$57,588. 0	5.5 percent	\$60,036.5	4.3 percent	\$62,642 .7	4.3 percent						
Accommodation Food service	\$ 5,909.0	5.1 percent	\$ 6,090.0	3.1 percent	\$ 6,359.0	4.4 percent						
Institutional Food service	\$ 4,342.0	2.7 percent	\$ 4,452.6	2.5 percent	\$ 4,559.3	2.4 percent						
Retail Food service	\$ 1,636.8	21.1% percent	\$ 1,784.6	9.0 percent	\$ 1,848.8	3.7 percent						
Other Food service*	\$ 2,848.0	2.8 percent	\$ 2,558.5	3.0 percent	\$ 2,630.1	2.8 percent						
Total Non-commercial	\$14,371. 8	5.5 percent	\$14,885.7	3.6 percent	\$15,397 .3	3.4 percent						
Total Food service	\$71,959. 8	5.5 percent	\$74,992.2	5.0 percent	\$78,040 .0	4.2 percent						
Menu Inflation	2.0 percent		2.8 percent		2.7 percent							
Real Growth	3.5 percent		1.3 percent		1.5 percent							
Source: Restaurants Canada's InfoStats, Statistics Canada, and, fsSTRATEGY Inc.												
All dollar amounts above in Canadian millions,												
Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74												
*Includes vending, sports and private clubs, movie theatres, stadiums, and other seasonal or entertainment operations												

Expected Growth Rate by Commercial Sub-Sector (2015-2018)



Source: Food Service Facts 2016

Global and Canadian Imports of Consumer Oriented Foods

	Total Global Imports (US\$ millions)	Total U.S. Food Imports (US\$ millions)	U.S. Share of Market	Total Food service Sales in Canada (US\$ millions)
2011	22,818	14,297	62 percent	65,950
2012	24,314	15,535	62 percent	65,261
2013	25,563	16,420	64 percent	66,160
2014	26,265	16,817	64 percent	69,000
2015	26,301	16,452	64 percent	59,000
2016-p	25,700	16,318	63 percent	58,000

Source: Global Atlas Trade and BICO

Consumer-oriented Foods are value added products which include portion control meats, fruits, rice, food service packaged vegetables, etc.

*The drop in food service sales in Canada is due to the rate fluctuation for the last 12 months.

Advantages and Challenges for U.S. HRI Food Products

Canadian Market Overview Summary	
Advantages	Challenges
Similar eating and buying patterns	A sophisticated selection of product is already available in the Canadian market
Wide exposure to U.S. culture	Dairy and Poultry product imports are controlled and limited by a tariff rate quota system
Geographical proximity provides an advantage in shorter transit delivery times	Higher landed costs, particularly on small shipments
High U.S. brand awareness	More competitive pricing in food service than retail
Frequent business and personal trips to United States by Canadians	Conversion of measurements to metric system required
Ease of business travel to Canada	Standard Canadian English required
Duty free tariff treatment for most products under NAFTA	Differences in nutrition labelling. Not required on food service products but helpful for food service operators.
High U.S. quality and safety perceptions	Differences in chemical residue tolerances

U.S. origin top choice among imported foods	Higher landed costs, particularly on small shipments
Canada's wide ethnic diversity provides a broad specialty cuisine opportunities	Strong U.S. dollar

Section II. Road Map for Market Entry and Business Tips

Entry Strategy

Food product manufacturers from the United States seeking to enter the Canadian marketplace have a number of opportunities. The United States is Canada's primary trading partner – with more than 64 percent of Canada's processed food imports originating from the United States. The demand for U.S. foods 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 are a number of challenges U.S. exporters must be prepared to meet. Some of them include currency, customs procedures, regulatory compliancy, and labeling requirements.

Overcoming these hurdles 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. Conduct a thorough research on the competitive marketplace.
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 Office or the international specialist of your State Department of Agriculture.

FAS/Canada relies on the State Regional Trade Group (SRTG) based in the U.S. to provide further export counseling. These offices are supported through USDA government funding and their staff solely specializes in exporting agricultural and food products around the world. Their export assistance programs have been acknowledged by third party audit/consulting groups to be highly effective in guiding new-to-market and new-to-export U.S. companies. Their programs include a number of services as; one-on-one counseling, participation in business trade missions, support to Canadian and certain

selected international trade shows in the U.S., and identification of potential Canadian partners.⁴ Under the **Branded Market Access Program (MAP)** there is financial assistance for small and medium sized firms that meet the U.S. government's criteria for assistance. This assistance may include partial reimbursements for; marketing/merchandising promotions and point-of-sale reimbursements, package and label modifications, tradeshows, and advertising. U.S. exporters are encouraged to either contact their State Department of Agriculture's International representative or their regional SRTG office. Click below to identify the SRTG covering a specific region:

State Regional	Web Site	States
Food Export USA Northeast	https://www.foodexportusa.org	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Food Export Association of the Midwest USA	https://www.foodexport.org	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin
Southern U.S. Trade Association (SUSTA)	https://www.susta.org	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico, Virginia, West Virginia
Western U.S. Agricultural Trade Association (WUSATA)	https://www.wusata.org	Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming
National Association of State Departments of Agriculture (NASDA)	http://www.nasda.org/9383/States.aspx	State Directory of the State Department of Agriculture

Get Export Ready

For those new to exporting, each respective SRTG offers a number of resources that are available on-line and through special requests. These resources cover a range of exporting topics, from exporting terms to labelling information.

Some of these resources are available at the following links:

Food Export USA Northeast: *Export 101* - <https://www.foodexport.org/get-started/export-101/>

⁴ The SRTG's export assistance programs in Canada, offers through their Canadian representatives a similar service to that of the U.S. Foreign Commercial Service's Agent/Distributor Search(ADS) that strictly targets the food channels in Canada.

Food Export Association Midwest: Export 101 <https://www.foodexport.org/get-started/export-101/>

Southern United States Trade Association: *Know Before You Go:*

<https://www.wusata.org/whatwedo/exporteducation/>

Western United States Agricultural Trade Association: *Export Education:*

<https://www.wusata.org/whatwedo/exporteducation/>

Step 2: Research the competitive marketplace

The State Regional Trade Groups will often have available information on specific markets. Some of the SRTGs maintain Canadian representatives that can help in providing specific market intelligence to a particular product category. This type of information is invaluable as this may help a potential U.S. export to price their products accordingly and identify the food channel most appropriate for their company. In coordination with the SRTG's services, FAS/Canada publishes over fifty market and commodity reports that are available through the Global Agriculture Information Network (GAIN) for a number of commodities. To access these reports go to: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

Step 3: Locate a Canadian partner - broker/distributor/importer

It is recommended that new exporters to the Canadian market consider appointing a broker or develop a business relationship with a distributor/importer to enter the Canadian market. Some retailers and even distributors prefer U.S. companies appointing a broker that will set up a distribution network. 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 engaging a Canadian partner and/or entering into a future business transactions. We encourage U.S. exporters to be clear in their objectives and communications to avoid confusion on both parties.

A partial listing of Canadian food brokers is available on our latest brokers report, Agent/Broker Directory – Central Canada 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. A number of Canadian companies may look for a certain requirements on the product and the level of commitment by the U.S. firm. Some of these criteria may include product; UPC coding, a proven track record of retail sales and regional distribution in the U.S., production capabilities to grow, and commitment to offer a trade promotion program for Canada.

The respective SRTGs offer services that can help vet potential partners with the appropriate background for a line of product. But once again, these services are not an endorsement and strongly recommend firms to scrutinize the background of each potential Canadian partner. U.S. firms are encouraged to obtain referrals from the potential partner and visit and/or participate in specific trade shows in Canada. A complete listing is offered at: <http://www.agr.gc.ca/eng/industry-markets-and-trade/agriculture-and-food-trade-show-service/canada/?id=1410072148326> as this may help in the partner evaluation process.

FAS/USDA recommends a number of Canadian food shows. 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. Next year's show will take place in Toronto from Tuesday, May 2nd to Thursday, May 4th the Enercare Centre in Toronto. Interested U.S. food companies can contact FAS/USDA's show contractor, IMEX Management and ask for Kelly Wheatley at kellyw@imexmanagement.com / T. 704-365-0041 or Rishan Chaudhry at Rishan.Chaudhry@fas.usda.gov

For those U.S. firms that choose to sell directly into the retail or food service market, then FAS/Canada recommends they closely assess whether the account will encourage or detract from future sales into the market. For example, selling the same brand into a discount chain may discourage future sales in a high-end or specialty shop. Large grocers and mass merchandisers are likely to demand from the U.S. exporter larger quantity orders which may be initially challenging for small U.S. food processors.

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

Review this Exporter Guide for Canadian government standards and regulations that pertain to your product. FAS/Canada recommends contacting the [Canadian National Import Service Centre](#) to ensure all customs paperwork is accurate and allow for pre-clearance of exported goods from the U.S. Canadian agents, distributors, brokers, and/or importers are also very adept to assisting exporters through the import regulatory process.

Canadian National Import Service Centre

7:00 a.m. to 3:00 a.m. (Eastern Time)

Telephone and EDI(electronic data interexchange: 1-800-835-4486 (Canada or U.S.A.)

1-289-247-4099 (local calls and all other countries)

Fax: 1-613-773-9999

Mailing Address:

1050 Courtney Park Drive East
Mississauga, Ontario L5T 2R4

The best entry method depends on the food product and the sub-sector identified. 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. For additional information on the broadest Canadian regulations see the Food and Agricultural Import Regulations and Standards (FAIRS) Country Report and the FAIRS Export Certificate Report available online at: <http://gain.fas.usda.gov>

Frequently Asked Questions and their Answers

The following are some of the common questions asked by U.S. food and agricultural product exporters of the staff at the Office of Agricultural Affairs in Ottawa.

1. Question: Where can I get information on my labels?

Answer: The Canadian Food Inspection Agency recently created an industry labelling tool for food manufacturers that clearly outlines the three required components for all retail food labels must demonstrate. To access this tool go to:

Industry Labelling Tool
<http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939>

The CFIA maintains regional locations across Canada, for follow-up questions, food manufacturers may contain these offices with specific questions.

Most U.S. firms engage the services of a labelling specialist to ensure all required compliancy have been met as regulations may be difficult to interpret for a manufacturer unfamiliar with these requirements. In the coming year, with the proposed labelling changes being introduced possibly in 2016 by Health Canada and CFIA, FAS Canada is urging firms to pay particular attention that all label modifications are current with the changes.

For those U.S. exporters that meet the criteria to receive export assistance by their respective State Trade Regional Group (SRTG), then these costs may qualify for partial reimbursement as noted on page 15. The marketing section of FAS/Canada maintains a list of established Canadian labelling service companies that provide these services for a fee.

2. Question: How do I find a broker or distributor?

Answer: The USDA/FAS Office of Agricultural Affairs, U.S. Embassy and Toronto U.S. Consulate in Canada can provide marketing lists in helping U.S. companies identify a potential broker/distributor. However, as mentioned earlier, we urge U.S. firms to access the export assistance programs of the SRTGs as they provide services that help vet potential Canadian partners.

3. Question: I know that Canada has a tariff rate quota for certain dairy and poultry products. How do I know if my particular dairy or poultry product is going to be affected by Canadian tariff rate quotas?

Answer: For a determination as to whether or not the product you intend to export into Canada is within the scope of Canada's tariff rate quota (TRQ), contact Canada Border Services Agency. Contact information can be found at the following webpage:

<http://cbsa-asfc.gc.ca/publications/dm-md/d10/d10-18-1-eng.html>

4. Question: How do I identify the major Canadian importers of my product(s)?

Answer: Industry Canada (IC) maintains a database of major Canadian importers by product type. To access the database, go to IC's web page at
<https://www.ic.gc.ca/app/scr/ic/sbms/cid/searchProduct.html?lang=eng>

5. Question: Will there be import duties on my food products entering Canada?

Answer: Under provisions of the U.S./Canada Free Trade Agreement and the North American Free Trade Agreement (NAFTA), the majority of Canadian import duties on all U.S. food and commercial products have been phased out with a few exceptions like over-quota tariffs on dairy and poultry products. There are federal excise taxes and surcharges on alcoholic beverages. If using the services of a customs broker, there will be clearance and handling fees and these should not be confused for duty charges.

6. Question: I've heard that U.S. fruit and vegetable exporters can't sell apples or potatoes to Canada. Is this true?

Answer: There are package-size regulations restricting bulk imports if Canadian supplies are available, but imports in consumer and wholesale sized packages are permitted. In fact, US apple exports to Canada averaged \$162 million in 2015. Commonly referred to as Canada's "bulk waiver" requirement (or ministerial exemption), processors or packers must apply to the Canadian Food Inspection Agency (CFIA) for a special exemption to import bulk products. In late 2007, the United States and Canada established an arrangement to facilitate bilateral potato trade. The arrangement will provide U.S. potato producers with predictable access to Canadian Ministerial exemptions.

7. Question: My company is new to exporting. Can I test market my product(s) in Canada with my U.S. label? I don't want to produce a label for the Canadian market until I know it will be successful.

Answer: Canada offers a test marketing provision; however, this provision has certain limitations and is specifically designed to facilitate those products that are highly unique and not currently found in Canada. This provision **does not apply to U.S. brand introductions** into Canada for processed foods commonly found on retail shelves. We highly encourage U.S. exporters to work with their respective State Regional Trade Group to see if they qualify for export assistance programs as some of the costs on packaging and labeling modifications may be covered.

Section III. Key Contacts and Helpful Websites

Key Contacts - Office of Agricultural Affairs

U.S. Embassy, Canada
P.O. Box 5000, MS-30
Ogdensburg, NY 13669-0430
Telephone: (613) 688-5267
Fax: (613) 688-3124
Email: agottawa@fas.usda.gov

Holly Higgins, Agricultural Minister-Counselor
Jeff Zimmerman, Agricultural Attaché & Director of Marketing
Mihai Lupescu, Senior Agricultural Specialist
Lina Urbisci, Agricultural Specialist
Vacant, Marketing Specialist
Joyce Gagnon, Administrative Assistant

Foreign Agricultural Service
U.S. Consulate General Toronto
P.O. Box 135
Lewiston, NY 14092-0135
Telephone: (416) 646-1656
Fax: (416) 646-1389
Email: agtontario@fas.usda.gov

Maria Arbulu, Senior Agricultural Marketing Advisor

Canadian Government Standards and Regulations

The Canadian Government has multiple acts and regulations that govern the importation and sale of foods. Currently there are 13 sets of regulations that are listed below. Under, the [Safe Food for Canadians Act](#) that was adopted in 2012, the Canadian Government has moved to overhaul these food and beverage regulations to avoid confusion in locating the regulations and eliminating duplications. The Canadian government will consolidate these various regulations under one single framework that will be recognized as the *Safe Food for Canadian Regulations* (SFCR). Under this single framework, the emphasis will be on food safety and mitigating potential risk to the public. U.S. exporters will be expected to work with their Canadian buyers to put in place a Preventative Control Plan (PCP). This new framework is expected to be in place late 2017 or early 2018.

For now, some of the most important laws in place are:

Acts

- [Canada Agricultural Product Act](#)
- [Consumer Packaging and Labelling Act](#)
- [Meat Inspection Act](#)
- [Fish Inspection Act](#)
- [Importation of Intoxicating Liquors Act](#)

Regulations

- [Processed Products Regulations](#)
- [Consumer Packaging and Labelling Regulations](#)
- [Meat Inspection Regulations](#)
- [Fish Inspection Regulations](#)
- [Fresh Fruit and Vegetable Regulations](#)
- [Organic Products Regulations](#)
- [Dairy Products Regulations](#)
- [Egg Regulations](#)
- [Processed Egg Regulations](#)
- [Honey Regulations Maple Products Regulations](#)

U.S. exporters are urged to review the GAIN Export Guide (CA16055) that helps to further breakdown regulations and steps to doing business in Canada.

Import documentation or an official inspection certificate is required for meat, poultry, dairy, egg, fresh fruit and vegetable. Information on these certificates may be obtained through the 2016 GAIN FAIRS Export Certification Requirements for Canada (CA16059). All temporary and commercial import requirements may be reviewed through the Automated Import Reference Systems (AIRS) of the Canadian Food Inspection Agency (CFIA) at:

CFIA - Automated Import Reference System
<http://inspection.gc.ca/english/imp/airse.shtml>

Selected Labelling Exemptions for Food Service products

Products destined for the HRI segment are exempt from bilingual labeling companies and nutritional facts table. This is noted here:

Foods for Commercial or Industrial Enterprise or Institution

Exemption of Nutrition Fact Table (NFT) labelling

<http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/nutrition-labelling/additional-information/restaurants-and-food-service-establishments/eng/1409850385603/1409850437890>

Exemption of bilingual labelling – Shipping Containers – Commercial/Industrial/Institutions

<http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/bilingual/eng/1328121549968/1328121616816?chap=1#s2c1>

Although, food service products are exempted from the submitting nutrition information in a NFT (format), food manufacturers are expected to provide nutrition information. This nutrition information may be adhered to the outside of the container or inserted in the container. Also, if the mandatory information is not displayed on the outside of containers then the information will need to be displayed on the respective food service packages inside the container.

The required mandatory information is:

- 1. Information in one official Language**
2. Common Name
3. Country of Origin or
4. Identity and Principal Place of Business (manufacturer/Canadian dealer, noted “imported for/importé pour”).
5. Date Markings and Storage Instructions (includes durable life date)
6. Irradiated Foods
7. Net Quantities expressed in Metric Units
8. Legibility and Location
9. List of Ingredients and Allergens
10. Nutrition Information
11. Sweeteners

These requirements can be further reviewed at:

Industry Labelling Tool

<http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939>

Summary of Useful Websites

The following is a listing of the major Canadian websites mentioned in the body of this report:

Canada Border Services Agency	http://www.cbsa-asfc.gc.ca/menu-eng.html
Canadian Food Inspection Agency	
Home Page	http://www.inspection.gc.ca
Acts and Regulations	http://www.cfia-acia.agr.ca/english/reg/rege.shtml
Food Labelling and Advertising Industry Labelling Tool	http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml
Steps for Choosing a Nutrition Facts Table	http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/nutrition-labelling/nutrition-facts-table-formats/eng/1389209684841/1389210023155?chap=2
Meat & Poultry Inspection Regulations	http://www.inspection.gc.ca/english/fssa/meavia/meaviae.shtml
Fish Import Program Policy	http://www.inspection.gc.ca/food/fish-and-seafood/imports/documents/fish-import-program-policy/eng/1360859473208/1360859694298
New Regulatory Framework for Federal Food Inspection	http://www.inspection.gc.ca/about-the-cfia/accountability/consultations/federal-food-inspection/overview-of-proposed-regulations/eng/1400451508255/1400451811916
Department of Foreign Affairs and International Trade	http://www.international.gc.ca/international/index.aspx

Bank of Canada <i>Daily Currency Convertor</i>	http://www.bankofcanada.ca/rates/exchange/daily-converter/
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Industry Canada	
Home Page	http://www.ic.gc.ca/eic/site/ic1.nsf/eng/home
Canadian Importers Database	http://www.ic.gc.ca/eic/site/cid-dic.nsf/eng/home
Trade Data Online	http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home

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
Proposed Changes to Format Requirement on Nutrition	http://www.hc-sc.gc.ca/fn-an/consult/2014-format-requirements-exigences-presentation/index-eng.php
Novel Foods	http://www.hc-sc.gc.ca/fn-an/gmf-agm/index-eng.php

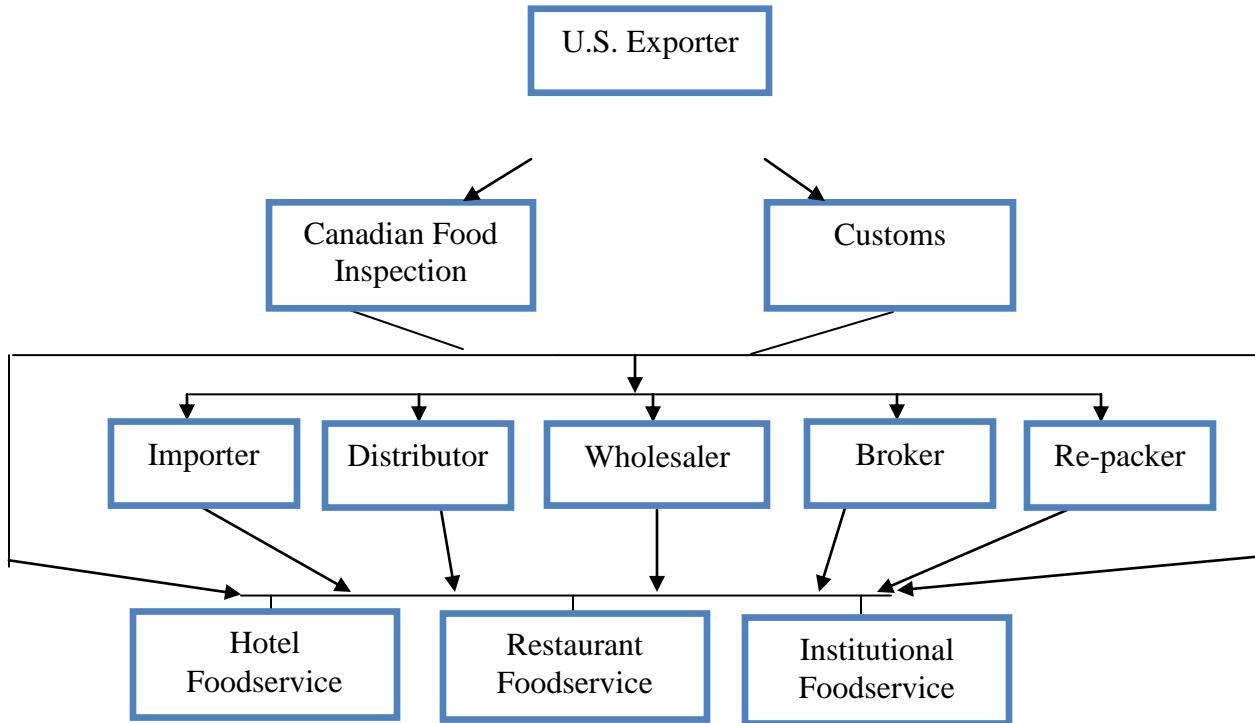
Justice Department	
Home Page	http://www.justice.gc.ca

Pest Management Regulatory Agency	
Maximum Residue Levels	http://www.pmra-arl.gc.ca/english/aboutpmra/about-e.html

Key Trade Shows	
Canadian Health Food Association and Show	https://www.chfa.ca/en/index.html
Canadian Produce Marketing Association and Convention Show	http://convention.cpma.ca/
SIAL Canada	http://sialcanada.com/en/
Restaurants Canada	https://www.restaurantscanada.org/en/Events

Media Publications and Associations	
Canadian Lodging News	http://www.canadianlodgingnews.com/lodging
Hotelier Magazine	http://www.hoteliermagazine.com/
MENU – Canada's Foodservice Magazine	http://menumag.ca/
National Foodservice Distributors Association (Canada)	http://nfda.ca/our-members
Restaurants Canada Association	https://restaurantscanada.org/
Restaurants Canada Foodservice Buyers Guide	http://buyersguide.restaurantscanada.org/Categories.aspx

Section IV. Market Structure and Food Service Distribution Channel



Food Service Distributors

Domestic and imported food products in the Canadian market may be shipped directly to food service establishments but a most imports from the U.S. are filtered and managed through importers, brokers, food distributors, wholesalers and/or re-packers. These types of distributors are selling directly to the HRI accounts. The two largest and national food service distribution chains in Canada are Gordon Food service and Sysco. However, there are a number of regional food service distributors and some have specialized in niche products as natural food products. Large HRI chains may choose to purchase directly through customized growing agreements, contract purchasing, central procurement office or from a chain-wide designated distributor.

Canadian Partners - Broker/Food Distributor/Importer Arrangements

U.S. firms, particularly small to medium sized firms are recommended to partner with a Canadian food broker/food distributor/importer. Most food distributors and importers will import and take title of the shipment. In turn, the shipment is likely to be stored in their warehouse facility and then sold to various food service accounts. Brokers on the other hand, usually do not take title of the goods but act as a sales people to help pioneer a product, list the product and build distributor network as well as establish major accounts. There are some brokers that simply specialize in brokering food service products while others work both retail and food service channels. Exporters are recommended to inquire a prospective's business partner's split between food service and retail to help them assess if the Canadian firm has

sufficient expertise in the HRI segment. Their expertise will help develop the market and establish key food service accounts for the U.S. exporter. Usually brokers take a percentage of the product sales revenue, ranging from 3 percent to 10 percent. The percentage is influenced by several factors: the type of product category, market niche potential, expected sales volume, additional services like merchandising or data collection. In the beginning, a broker may request a monthly retainer fee as they must ‘pioneer’ the product to prospective food service accounts and distributors. Once targeted sales volumes are reached then the broker will switch to a percentage of the established sales. All fees are negotiated between the principal and the broker prior to future transactions.

Sub-Sector Profiles

Hotels and Resorts

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Four Seasons Hotels and Resorts	Toronto, ON	98	C\$4,538.9
Fairmont Raffles Hotels International	Toronto, ON	115	C\$4,135.9
Marriott Hotels of Canada	Mississauga, ON	130	C\$1,384.5
Starwood Hotels and Resorts Worldwide Inc.	Stamford, CT	69	C\$ 999.1
Wyndham Hotel Group	Parsippany, NJ	511	C\$ 859.0
IHG (InterContinental Hotels Group)	Atlanta, GA	170	C\$ 762.5
Hilton Canada Co.	Mississauga, ON	115	C\$ 708.0
InnVest REIT	Mississauga, ON	109	C\$ 553.4
Best Western International	Phoenix, AZ	200	C\$ 542.7
Choice Hotels Canada Inc.	Mississauga, ON	319	C\$ 538.4
Atlific Hotels	Montreal, ON	60	C\$ 480.0
SilverBirch Hotels & Resorts	Vancouver, BC	28	C\$ 366.2

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Coast Hotels &Resorts	Vancouver, BC	28	C\$ 220.7
O'Neil Hotels & Resorts Ltd.,	Vancouver, BC	83	C\$ 250.6
Sandman Hotel Group(Northland Properties)	Vancouver, BC	51	C\$ 230.1
Superior Lodging/Master Built Hotels	Calgary, AB	142	C\$ 201.0
<p><i>Source: Hotel Association of Canada Hotel Industry Fact Sheet (2015)</i> All dollar amounts above in Canadian millions Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74</p>			

In 2015, the accommodation sector in Canada generated C\$18.4 (US\$13.6) billion in revenue. The occupancy rate for 2015 is projected to reach 64 percent while the average daily rate of expenditure is estimated at C\$141 (US\$104).

Restaurants

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Tim Horton's Inc.*	Oakville, ON	4,413	C\$8,055.8
McDonald's Restaurants of Canada Ltd.	Toronto, ON	1,443	C\$3,896.0
Subway (Doctor's Associates Inc.)	Milford, CT	3,240	C\$1,534.4
Starbucks Coffee Canada Inc.	Toronto, ON	950	C\$1,200.0
A&W Foodservices of Canada Inc.	Vancouver, BC	854	C\$1,093.4
Coldstone Creamery (Kahala Corporation)	Scottsdale, AZ	1,253	C\$ 624.8
KFC (Yum Restaurants International Canada company)	Vaughan, ON	633	C\$ 630.7
Wendy's Restaurants of Canada**	Oakville, ON	354	C\$ 623.7

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Swiss Chalet (Cara Operations)*	Vaughan, ON	217	C\$ 566.0
Keg Restaurants Ltd.*	Richmond, BC	101	C\$ 579.0
Pizza Pizza*	Toronto, ON	636	C\$ 451.0
Burger King Restaurants of Canada, Inc. **	Mississauga, ON	281	C\$ 370.0
St. Hubert BBQ*	Laval, QC	120	C\$ 359.0
Pizza Hut (PH Company)	Vaughan, ON	370	C\$ 332.8
Harvey's (Cara Operations)	Vaughan, ON	268	C\$ 296.0
Pita Pit*	Kingston, ON	586	C\$ 296.0
Montana's (Cara Operations)	Vaughan, ON	99	C\$ 239.0
Moxie's Grill & Bar*	Vancouver, BC	65	C\$ 208.9
Domino's Pizza of Canada	Windsor, ON	408	C\$ 272.5
Jack Astor's (Sir Corp)	Burlington, ON	30	C\$ 191.7

Source: Foodservice and Hospitality, June 2016 /Top 100, Euromonitor Consumer Foodservice 2016

* Canadian owned company

** Sales estimated

Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74

Top Five Fast-Casual Restaurants

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Pita Pit*	Kingston, ON	586	C\$ 296.0
Thai Express* (MTY Food Group, Inc.)	St. Laurent, QC	281	C\$ 98.1
Mucho Burrito* (MTY Food Group Inc.)	St. Laurent, QC	96	C\$ 62.7
Five Guys Burgers and Fries*	Lorton, VA	62	C\$ 60.0
Famoso Neapolitan Pizzeria (Famoso Inc.)	Richmond, BC	28	C\$ 42.6

Source: Foodservice and Hospitality, June 2016 /Top 100 and Ontario Top 50 Chains

* Canadian owned company whose operations outside Canada are reflected in revenues and units

** Sales estimated

Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74

Top Five Sub/Sandwich Chains

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Subway (Doctor's Associates Inc.)	Milford, CT	3,240	C\$1,534.4
Country Style Food Services, Inc. *	Richmond Hill, ON	442	C\$ 220.1
Quiznos Canada Restaurant Corp.	Oakville, ON	332	C\$ 166.0
Mr. Sub (MTY Group)**	Windsor, ON	291	C\$ 83.0
Coffee Time Donuts Inc.*(Chairman's Brands Corp.)	Toronto, ON	137	C\$ 54.6

Source: Foodservice and Hospitality, June 2016 /Top 100 and Ontario Top 50 Chains
 * Canadian owned company whose operations outside Canada are reflected in revenues and units
 ** Sales estimated
 Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74

Top Five International/Ethnic Chains

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Pita Pit*	Kingston, ON	586	C\$ 226.0
Taco Time (Kahala Franchising, LLC)	Scottsdale, AZ	268	C\$ 145.9
Mandarin Restaurant Franchise Corporation*	Brampton, ON	23	C\$ 125.0
Trattoria di Mikes	Montreal, QC	73	C\$ 100.6
Thai Express (MTY Group)*	St-Laurent, QC	281	C\$ 98.1

Source: Foodservice and Hospitality, June 2015/Top 100 and Ontario Top 50 Chains
 * Canadian owned company
 ** Sales estimated
 Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74

Top Five Coffee/Pastry Chains

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Tim Horton's Inc.*	Oakville, ON	4,413	C\$8,055.8
McDonald's Restaurants of Canada Ltd.**	Toronto, ON	1,443	C\$3,896.0
Starbucks Coffee Canada Inc.	Toronto, ON	1,358	C\$1,200.0
Second Cup Ltd.*	Mississauga, ON	310	C\$ 174.0
Country Style Food Services, Inc. *	Richmond Hill, ON	404	C\$ 130.7

Source: Foodservice and Hospitality, June 2015/Top 100 and Ontario Top 50 Chains

* Canadian owned company
 ** Sales estimated
 Exchange rates from November 30, 2015 to December 1, 2016 - \$1 USD = \$1.32 CAD/.74

Institutional

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
Compass Group Canada	Mississauga, ON	2,220 (focus on educational institutions, hospitals, airports, businesses)	C\$1,450.0
Aramark Canada Ltd.	Toronto, ON	1,500 (focus on health-care, educational, public and remote-market businesses)	C\$ 959.0
Sodexo Canada Ltd.**	Burlington, ON	750 (focus on educational institutions, hospitals and corporate businesses)	C\$ 530.1
Dana Hospitality Inc.	Oakville, ON	80 (residential and educational foodservice, resource industries, seniors' market)	C\$ 48.54

Company Name	Head Office Location	Number of Outlets	Sales †(\$ Mil)/2015
ClubLink Corporation	King City, ON	34 (Golf Courses)	C\$ 35.63

* Canadian owned company whose operations outside Canada are reflected in revenues and units
 ** Sales estimated

Partial Listing of Food Service Distributors

Company Name	Head Office	Geographical Coverage	Website
Associated Food Distributors	Newmarket, ON	National	www.newmarketgroup.com/
Sysco s of Canada, Inc.	Toronto, ON	National	www.sysco.ca
Gordon F. Service	Milton, ON	National	www.gfscanada.com
Belmont Meats	Toronto, ON	Greater Toronto Area	www.belmontmeats.com
Beverage World	Stoney Creek, ON	Ontario	www.beverageworld.ca
Classic Gourmet Coffee	Concord, ON	Ontario	www.classiccoffee.ca
Colabor (Summit Foods)	Boucherville, QC	Quebec, Ontario & Atlantic Canada	www.colabor.com
Food Supplies Co., Inc.	Concord, ON	Ontario	www.foodsupplies.ca
Flanagan Foodservice	Kitchener, ON	Ontario	www.flanagan.ca
Freshpoint (Division of Sysco/Produce)	Vancouver, BC	Western Canada	www.freshpoint.com
Ideal Foodservice	Sydney, NS	Nova Scotia	www.idealfoods.ca

Company Name	Head Office	Geographical Coverage	Website
International Pacific Sales Ltd.	Richmond, BC	Western Canada	www.internationalpacificsales.com
I-D Foods Corp.	Laval, QC	Ontario & Quebec	www.idfoods.com
J & D Foodservices	Edmonton, ON	Alberta	www.jdfoodservices.ca
Reliable Food Supplies	Mississauga, ON	Greater Toronto Area	www.reliablefoods.com
Stewart Foodservice Inc.	Barrie, ON	Ontario	www.stewartfoodservice.com
Pratts Foodservice	Winnipeg, MB	Alberta & Manitoba	www.pratts.ca
Willoughby Distribution Inc.	Don Mills, ON	Ontario	www.willoughbydistribution.ca
PepsiCo Canada	Mississauga, ON	National	www.pepsico.ca
Qualifirst Foods Ltd.	Rexdale, ON	Ontario & Quebec	www.qualifirst.com
Seacore Seafood Inc.	Woodbridge, ON	Ontario	www.seacore.ca
UNFI Canada (Foodservice Division)	Concord, ON	National	www.unfi.com
<i>Source: Canadian Scotts Directories and Canadian Chains Directory 2015</i>			

Section V. 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
FRESH FRUITS & VEGETABLES VEGETABLES: CANADIAN GLOBAL IMPORTS (2015): USD \$2.4. BILLION	VEGETABLES: 1. U.S.: 66% 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 and some South American countries, like Chile over the last five years have established themselves as market leaders behind the fruits. However, countries like Morocco have shown double digit growth, in their shipments of mandarins and oranges and grapes. Peru has made significant into the market in their grape shipments with a 36% increase from the previous year. ▪ Mexico remains a major competitor due to lower prices, along with some Canadian produce companies with winter operations in Mexico. Their leading products are avocados, various types of berries, tomatoes, cucumbers and watermelon. 	<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. ▪ 'Buy Local' is well supported by the restaurant trade as more and more menus highlight local produce and meats.
FRUIT: CANADIAN GLOBAL IMPORTS (2015): USD\$3.4 BILLION	FRUIT: 1. U.S.: 46% 2. Mexico: 15% 3. Chile: 7%		
PROCESSED FRUITS AND VEGETABLES CANADIAN GLOBAL IMPORTS (2014): U.S. \$2.3 BILLION	1. U.S.: 62% 2. China: 7% 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, like Conagra Foods and French's Foodservice. ▪ 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.

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers												
FOOD PREPARATIONS CANADIAN GLOBAL IMPORTS (2015): USD\$2.1 BILLION	1. U.S.: 81% 2. China: 3% 3. India: 2%	<ul style="list-style-type: none"> ▪ The U.S. dominates this category with mostly food preparations destined for further processing and some food service products as mixes, doughs, baking powders and ingredients.. ▪ China competes with some vegetable SAPs and extracts and other processing ingredients. 	<ul style="list-style-type: none"> ▪ Canada has a plentiful supply of quality raw ingredients and innovative processing. ▪ Maintains a rigorous food and manufacturing standards offering high standards in food safety. ▪ Canada offers the Scientific Research and Experimental Development Tax Incentive Program (SRED); one of the most aggressive programs in the world which encourages manufacturing innovation. 												
SNACK FOODS CANADIAN GLOBAL IMPORTS (2015): USD \$1.9 BILLION	1. U.S.: 80% 2. Mexico: 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: Mexico: cookies and biscuits; U.K. , cookies, wafers, and pastry cakes. 	<ul style="list-style-type: none"> ▪ Canada's snack food imports have grown by USD \$122 million since 2013. The category includes breads, pastry cakes, nuts, and prepared potatoes. ▪ 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 to the number of new products in the category, such as a variety of crackers and other products 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 (2015): USD\$1.6 BILLION RED MEATS (Prepared/Preserved) CANADIAN GLOBAL IMPORTS (2015): USD\$1 BILLION	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">1. U.S.: 65%</td> <td style="width: 50%;">▪ Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes).</td> </tr> <tr> <td>2. Australia: 15%:</td> <td></td> </tr> <tr> <td>3. New Zealand: 11%</td> <td></td> </tr> </table> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">1. U.S.: 93%</td> <td style="width: 50%;">▪ Many parts of South America remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons.</td> </tr> <tr> <td>2. Thailand: 4%</td> <td></td> </tr> <tr> <td>3. Italy: 1%</td> <td>▪ U.S. competitors are limited by a beef quota.</td> </tr> </table>	1. U.S.: 65%	▪ Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes).	2. Australia: 15%:		3. New Zealand: 11%		1. U.S.: 93%	▪ Many parts of South America remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons.	2. Thailand: 4%		3. Italy: 1%	▪ U.S. competitors are limited by a beef quota.		<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. ▪ The industry has worked its way out of the inventory surge from the BSE trade disruption. ▪ Canadian per capita basis consumption has declined since 2009, falling by .7% to 23.4 kg. ▪ The strong U.S. dollar, along with the growing sentiment of 'Buy Local,' has influenced a number of restaurant independents to be loyal to Canadian suppliers.
1. U.S.: 65%	▪ Beef imports fall into two distinct categories. The largest portion of imports being chilled cuts traditionally from the U.S. Midwest heavily destined for the Ontario region. The other part is frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes).														
2. Australia: 15%:															
3. New Zealand: 11%															
1. U.S.: 93%	▪ Many parts of South America remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons.														
2. Thailand: 4%															
3. Italy: 1%	▪ U.S. competitors are limited by a beef quota.														

Product Category <i>(continued)</i>	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FISH & SEAFOOD CANADIAN GLOBAL IMPORTS (2014): U.S. \$2.7 BILLION	1. U.S.: 34% 2. China 15% 3. Thailand: 11%	<ul style="list-style-type: none"> ▪ Leading U.S. exports to Canada are live lobsters, salmon and prepared/preserved fish. ▪ Fish filleting is extremely labor intensive, which accounts for the rapid penetration of China and Thailand in this segment. ▪ With ocean catches having peaked, aquaculture is becoming a more important source of product and China is the dominant producer of farmed fish and seafood in the world. ▪ A growing concern among consumers and retailers for sustainable production practices may help some U.S. fish processors. ▪ More than two-thirds of seafood is sold by retailers. 	<ul style="list-style-type: none"> ▪ Declining fish stocks have led to almost zero growth in fish and seafood catch over the last decade. ▪ Lobster, crab and shrimp comprise 67% of the landed value of all fish and shellfish harvested in Canada. ▪ At approximately 50 lbs. per person, Canadian consumption of fish is significantly higher than in the U.S. 16.5 lbs. per person, making Canada an excellent export market for U.S. exporters. ▪ Frozen processed seafood grew by 6% in the past year with demand for premium products offering hormone-free and free of antibiotic variants.
BREAKFAST CEREALS/PANCAKE MIXES CANADIAN GLOBAL IMPORTS (2015): USD\$563 MILLION	1. U.S.: 93% 2. U.K.: 2% 3. Mexico: 1%	<ul style="list-style-type: none"> ▪ Breakfast cereal imports have grown by over US\$83 million since 2013. The U.S. continues to dominate imports with ready to serve products that are popular. ▪ Although, the U.K.'s share of the market is small they have a couple of well-established brands in the market, as McCann's Irish oatmeal. 	<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. ▪ Cold breakfast cereals have decreased by 7% in volume as consumers choose other breakfast options, as yogurts, protein shakes and bars.

Product Category <i>(continued)</i>	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
FRUIT & VEGETABLE JUICES CANADIAN GLOBAL IMPORTS (2015): USD\$667 MILLION	1. U.S.: 60% 2. Brazil: 18% 3. China: 5%	<ul style="list-style-type: none"> ▪ Although Canada's imports from both the world and from the U.S. decreased slightly, fresh orange juice showed a small increase. ▪ U.S. commands 74% of the fresh juice market while Brazil commands 78% of the frozen orange juice concentrate market. ▪ China's major juice export to Canada is fortified apple juice; China represents 49% of the imports for this category. 	<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.
NUTS CANADIAN GLOBAL IMPORTS (2015): Tree Nuts USD\$729 MILLION Peanuts USD\$115 MILLION	Tree Nuts 1. U.S.: 57% 2. Turkey: 14% 3. Vietnam: 10% Peanuts 1. U.S.: 81% 2. China: 15% 3. Nicaragua: 2%	<ul style="list-style-type: none"> ▪ This category continues to grow largely due to the healthy snacking push. Despite a slowdown in total exports to Canada, tree nuts continued to grow shipping a total volume of 43 tonnes. ▪ 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 and Vietnam competes in cashew nuts. ▪ Growing trend of nut allergies in 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.

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
POULTRY MEAT CANADIAN GLOBAL IMPORTS (2015): USD\$477 MILLION	1. U.S.: 88% 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 co-mingling U.S. and Brazilian origin which would prohibit sales to the U.S. ▪ Many imports of U.S. chicken are due in part to imports under the Canadian Import for Re-Export Program (IREP). 	<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 prices. 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
DAIRY CANADIAN GLOBAL IMPORTS (2015): (excluding cheese): USD\$324 MILLION (Cheese) : USD\$243 MILLION	1. U.S.: 63% 2. New Zealand: 16% 3. Argentina: 8% 1. U.S. 28% 2. Italy 18% 3. France 17%	<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, European exports are expected to rise. New Zealand has a cost leadership advantage. Low costs of production due to the availability of year-round pasture 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-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 which are not captured by the dairy TRQ.

Products Imported in Canada Facing Significant Barriers			
Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
EGGS & PROCESSED EGG PRODUCTS CANADIAN GLOBAL IMPORTS (2015): USD\$181 MILLION	1. U.S.: 96% 2. China: 2% 3. Thailand: <1%	<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 VI. Growing Trends

Diet Friendly

Healthy eating continues to grow as Restaurants Canada recently reported 92% of Canadians feel it is important to know about the nutrition in the foods they eat. Canadians have become more selective in what they choose on the menu. As a result, more and more menus highlight offerings that are lite in calories and provide nutritional information. In response to consumer interest, one province in Canada, British Columbia created a program that was launched a few years ago called [Informed Dining](#) whereby on-line nutrition information is provided from menus of 10,000 participating restaurants.

As mentioned earlier, consumers have shifted from traditional QSR to more fast-casual restaurants in search of wellness options of fresh, made-to-order salads, wraps, soups and rice bowls. Demand for foods that are free of gluten, trans-fats, sugar and/or lactose are slowly becoming a permanent feature on menus. Functional foods and organics are gaining popularity as well. Voluntary sodium reductions are taking place across the industry.

Snacking

Snacking continues to grow in importance in the Canadian market. In Technomic's "Canadian Snacking Consumer Trend Report," 56 percent of respondents revealed that they snack at least twice per day. Food service outlets are responding by altering their menus. As an example, McDonald's now offers snack wraps. Snacking has caused lines to be blurred from breakfast to lunch options, such as extending the hours for breakfast items. Additionally, restaurants are offering smaller portions to their patrons.

Fruits and Vegetables

Fruits and vegetables continue to be in demand. In 2016, vegetables ranked among the top 10 food trends as more Canadians, an estimated 33% of the population reported reducing their consumption of protein. Dishes offering pulses like dry beans, dry peas, and chickpeas were popular in 2016. This is continuation of healthy eating will grow as more Canadians get older and want to eat better. Leafy greens, such as kale and mustard greens continue to grow with berries and pears in higher demand.

Ethnic Foods

The interest in new ingredients and bolder flavors continue to grow exponentially among Canadians. However, some flavors are too strong and some processors have modified their flavors while keeping the integrity of original taste in an effort to appeal to the Canadian palate. Asian foods will continue to be in demand in the coming year as well as Latin inspired foods. More recently Filipino, Korean, and Middle-eastern fare and a fusion of these foods appear on menus throughout Canadian cities. An example is Persian minestrone referred to as Ash-e-Reshteh, a mix of European and Middle Eastern cuisine.

Section VII. Top Menu Trends and Items Predicted for 2017

	Menu Trends
1	Fewer choices on the menu
2	Authentic ethnic cuisine
3	Vegan entrees

4	Do-it-yourself ingredients (e.g. house-made preserves, pickles, sausage, hot sauce)
5	Healthy kids meals

Source: Restaurants Canada – 2016 Canadian Chef Survey Results

Up and Coming Menu Items	
1	House-made condiments / sauces
2	Ancient grains (e.g. kamut, spelt, amaranth, freekeh)
3	Alternative “pulse proteins (e.g. pigeon peas, cranberry beans, beluga lentils)
4	Inexpensive / underused cuts of meat (e.g. beef cheek, brisket, pork shoulder)
5	Micro-distilled / artisan liquor
6	Ethnic/street food inspired appetizers (e.g. tempura, taquitos)
7	Chef-driven fast-casual concepts
8	Unusual/uncommon herbs (e.g. chervil, lovage, papalo, lemon balm)
9	Ethnic cheeses (e.g. queso fresco, paneer, labneh, halloumi)
10	House-made/artisan pickles

Source: Restaurants Canada – 2016 Canadian Chef Survey Results

Market Sector Reports

Listed below are the food sector and marketing reports published by the Office of Agricultural Affairs in Ottawa and Toronto, Canada. For a complete listing of other Post reports and of FAS' worldwide

agricultural reporting, visit the FAS GAIN web page and be sure to insert the report number at:
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

AGR REPORT#	Title of Report	Date
CA 16055	Canada Exporter Guide: A Practical Guide	12/21/16
CA 16048	Health Canada Consults on Front-of-Page Nutrition Labeling	11/15/16
CA 16046	Quebec Proposes Changes to Various Alcoholic Beverages Regulations	10/28/16
CA 16046	Quebec Proposes Changes to Various Alcoholic Beverage Regulations	10/28/16
CA 16030	Recently Approved Novel Foods in Canada	05/24/16
CA 16023	What's Cooking in Canadian Food Trends for 2016	05/03/16
CA 16012	New Canadian Halal Labeling Requirements Come Into Force	03/23/16
CA 16009	City Scope Report on Montreal Market	03/11/16
CA 16008	City Scope Report on Toronto Market	03/11/16
CA 16007	Canada Number One Market for U.S. Agricultural Exports	03/07/16

Appendix A. Trade and Demographic Information

Agricultural Imports/from All Countries/2015/U.S. Market Share ¹	\$35 billion/ 61 percent
Consumer Food Imports/from All Countries/2015/U.S. Market Share ¹	\$25.7 billion/ 64 percent
Total Population, July 2015 ² Canada's three major urban centers ² <ul style="list-style-type: none"> • Toronto • Montreal • Vancouver 	36.2 million 6.1 million 4.1 million 2.5 million
Urban Population / Rural Population / Percent Urban/2011 ²	27.1 mil./6.3mil/ 81 percent urban/ 19 percent rural
Number of Metropolitan Areas Over 100,000 ²	33
Per Capita Gross Domestic Product (U.S. dollars), per capita; 2015 ^{3/estimate}	\$45,600
Unemployment Rate (October 2016) ¹	7 percent
Average Household Spending on food and drink, retail/food service, 2014; (U.S. dollars) ^{4/}	\$612 monthly/ \$7,343 annually <ul style="list-style-type: none"> • \$5,324/Retail • \$2,091/Food service
Total Employment / Full & Part Time; November 2015 ⁵	17.9 million
Exchange Rate, average annual 2015 ⁶	\$1USD = \$1.28 CAD
Exchange Rate, average rate based on last 12 months between November 30, 2015 to December 1, 2016 ^{6/estimate}	\$1USD = \$1.32 CAD/.75

Footnotes:

¹/Global Trade Atlas

²/Statistics Canada

³/ CIA World Factbook/October 2016

⁴/ 2011 Survey of Household Spending Statistics Canada/based on 19.5 million households

⁵/ Canada: Economic and Financial Data, Statistics Canada

⁶/ Bank of Canada and <http://www.usforex.com/>

Appendix B. Summary of Key Resources

Agricultural and Agri-Canada. (2015). Canadian *Consumers*.
Bank of Canada
BICO Reports/USDA (2016)
Canadian Chains Directory (2015 – 2016)
Canadian Research Data Centre Network
Canadian Food Inspection Agency
Canadian Institutional Foodservice Market Report by *fsStrategy*. (2015)
Canadian Institutional Foodservice Market Report by *fsStrategy*. (2016)
Centre for Science in the Public Interest (CSPI)
CIA World Fact Book (2015)
GE Canadian Chain Restaurant Industry Review
Department of Justice (Canada) (2016)
Euromonitor International. *Consumer Foodservice in Canada*
FoodService and Hospitality. The 2015 Top 100 (June 2015)
FoodService and Hospitality. The Big Black Book (2014)
Global Trade Atlas (2016)
Health Canada
Hotel Association of Canada. Fact Sheet (2014/2015)
Restaurants Canada. *Foodservice Facts* (2016), *Foodservice Industry Forecast* (2016), *2016 Canadian Chef Survey Results*
Statistics Canada (2015)
The Conference Board of Canada/ *Valuing Food: the Economic Contribution of Canada's Food Sector*(2016)