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Canada

Retail Foods

An Overview of the Canadian Retail Landscape

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Report Highlights:

In 2013, Canada's 35.1 million consumers were estimated to have generated C\$ 483 billion (US\$ 463 billion) in retail sales, representing a 2.7 percent increase from 2012. Food sales in Canada contributed close to 19 percent of the retail landscape. At the end of 2013, projected food sales were C\$89 billion (excluding alcoholic beverages and liquor store sales). From 2007 to 2012, sales increased by 19.5 percent and are forecasted to grow at a constant compound annual growth rate (CAGR) of 1.2 percent through 2017. This report provides an overview of the Canadian retail food sector for U.S. food producers that are exploring opportunities to export their products to Canada. This report does not include information on alcoholic beverages. This subject is addressed in the GAIN Report on Exporting Alcoholic Beverages into the Canadian Market.

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Overview of U.S. Agricultural Products in Canada

In 2013, U.S. agricultural exports to Canada exceeded \$21 billion, reflecting an added increase of \$1 billion from 2012. U.S. agricultural exports to Canada account for about 15 per cent of the total U.S. food and agricultural exports. Consumer-oriented agricultural products comprise 78% of the total U.S. food and agricultural product sales to Canada, with fresh fruits and vegetables, snack foods, processed fruits and vegetables and red meat products as the category leaders. American value added products account for about 64% of Canada's total agricultural imports.

During FY 2013, the majority of consumer-oriented agricultural categories such as fresh fruits, red meats, snack foods, fresh vegetables, breakfast cereals, pet foods, wine and beer, tree nuts, posted record annual sales to Canada. The top five categories were red meat (\$2.2 billion), prepared foods (\$1.9 billion), fresh fruits (\$1.8 billion), fresh vegetables (\$1.8 billion), other snack foods (\$1.3 billion), and non-alcoholic beverages (\$1.2 billion).

Canada is also an important market for U.S. fish and forestry exports. Canada is the second largest export market for U.S. fishery products, and exports reached \$906 million in CY 2013. Despite being a major producer and world exporter of forest products, Canadian imports of U.S. forest products reached \$2.6 billion in CY 2013. Combined U.S. agricultural, fishery, and forestry product exports to Canada reached \$26 billion.

The United States and Canada have the world's largest bilateral trading relationship. During CY 2013, two-way merchandise trade of all goods was valued at US\$587 billion, representing \$1.6 billion worth of goods and services crossing the border every day. For 50 of the U.S. states, on average 38 of them count Canada as their number one export market. Total bilateral agricultural trade between the United States and Canada reached \$4 billion in CY2013, or approximately \$120 million per day.

Under the tariff elimination provisions of the North American Free Trade Agreement (NAFTA), the majority of U.S. agricultural products have entered Canada duty-free since January 1, 1998. Since that time, U.S. agricultural exports have more than tripled in value.¹

Trade with Canada is facilitated by proximity, common culture, language, similar lifestyle pursuits, and the ease of travel among citizens for business and pleasure. Many U.S. products have gained an increased competitive edge over goods from other countries as the result of the FTA/NAFTA. Also U.S. manufacturers generally have a competitive advantage over Canadian manufacturers in the scale of production. Canada's grocery product and food service trades have been quick to seize opportunities under FTA/NAFTA, which permit 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 foods.

Section 1: Market Summary

1A. The Food Sector in Canada's Retail Landscape

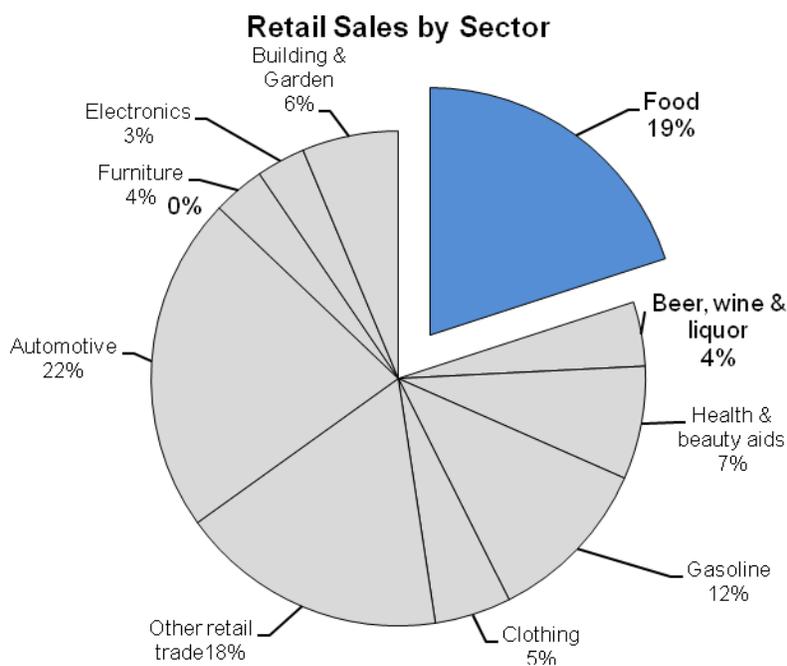
¹ 1998 U.S. agricultural exports to Canada were valued at \$6.8 billion.

In 2013, Canada’s 35.1 million consumers were projected to have generated C\$483 billion (US\$ 463 billion) in retail sales, representing a 2.7% % increase from 2012. A growth of 2.8 % is expected for 2014.² Although, sales in Canada are smaller than those in the U.S., retail spending per capita in Canada equals to that of the United States.

The Office of Consumer Affairs of Canada reports the retail landscape has changed considerably as there has been a shift from the independent to chain stores. The recent influx of major U.S. retail chains into the Canadian market has made it extremely challenging and competitive for all suppliers. Due to the strong presence of U.S. franchises and their stores, most Canadians are receptive to American products and services. A majority of Canadians recognize and are familiar with U.S. products and services due to the geographical proximity and cultural similarities.

Food sales in Canada contributed 19 % to the retail landscape in 2012. Projected sales for 2013 are C\$89.4 billion (excluding alcoholic beverages and liquor store sales). From 2007 to 2012, sales increased by 19.5% and are forecasted to grow at a constant value of 1.2% CAGR* through 2017.

Table 1: Food Sales in Canada’s Retail Landscape in 2013

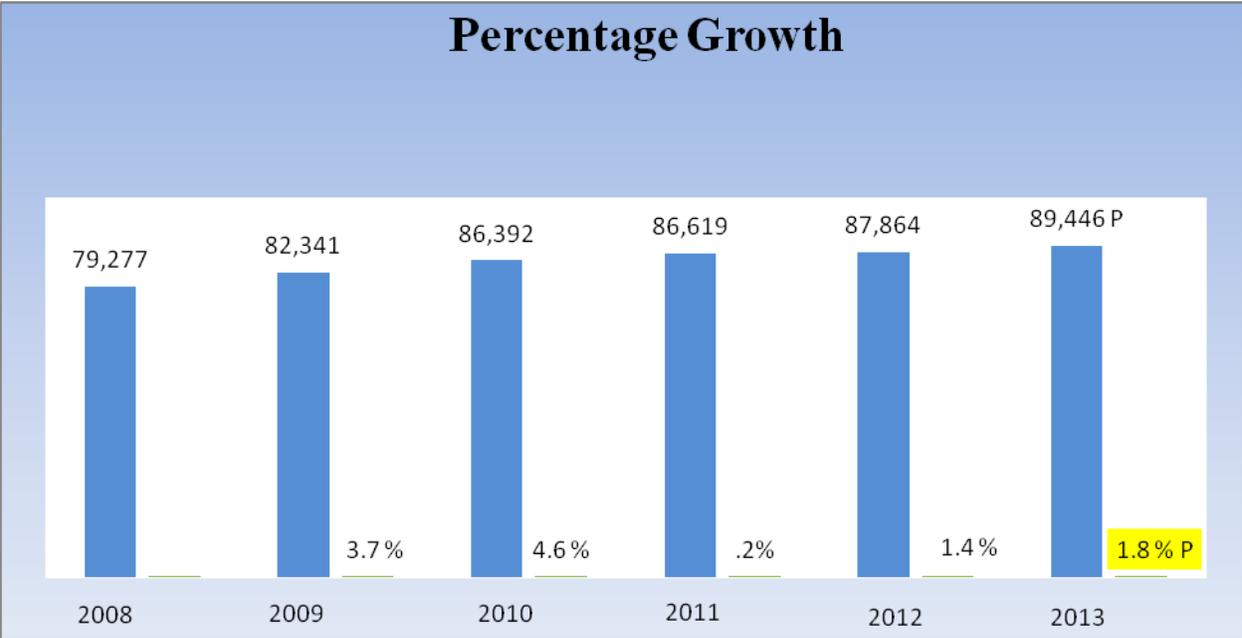


Source: Statistics Canada

*Compound Annual Growth Rate

Table 2: Six Year Trend in Retail Food Sales in C\$

² Average estimation by TD Bank Financial Group



Source: Statistics Canada
P = Projected

There are 23,957 stores in Canada selling food products, the vast majority of sales continue to be through grocery stores and supermarkets, representing 64 % of the total food sales in 2012. Foods sales through non-traditional food retailing channels such as general merchandise stores, club stores, convenience stores, drug stores, specialty stores and gas stations have grown from 32.8% in 2011 to a projected 37.1% in 2013. Walmart Canada and Costco along with other non-grocery retailers including Target, Alimentation Couche-Tard, and Shoppers Drug Mart, have been strategic in placing more food products on their store shelves, making it convenient for customers to spend some of their food dollars in these channels.

Table 3: Definition of Retail Channels

Type of Channel	Description
Grocery Store	Any retail store selling a line of dry groceries, canned goods or non-food items plus perishable items.
Supermarkets	A full-line, self-service grocery store with annual sales of C\$2 million or more.
Mass Merchandiser	A retailer of soft and hard goods wherein the selling of grocery products have been an add-on and not traditionally the prime focus of the retail format.
Warehouse Clubs	A store with more than 1,500 items, primarily dry groceries with some perishables. These stores are typically 100,000 square feet or more and feature a majority of general merchandise, as well as a grocery line dedicated to large size and bulk sales.
Convenience Stores	A compact store offering a limited line of high-convenience items. Many sell gasoline and fast food. They are usually less than 2,400 square feet in size and are open long hours.

Drug Stores	Stores (often chain) with retail pharmacies and specializing in Over-the-Counter (OTC) medications and selling health and beauty aid products. Offering a limited range of convenient groceries.
Specialty Stores	Small specialized stores, often approximately 3,000 square feet or less specializing in a specific food market sector, such as meats or health foods.
Gas Stations	Convenience stores operating under or in conjunction with a gasoline banner.

Source: Canadian Grocer 2014

Table 4: Breakdown of the Retail Channels in Canada

Channel	2011		2012		2013P	
	Sales (C\$ Millions)	Market Share	Sales (C\$ Millions)	Market Share	Sales (C\$ Millions)	Market Share
Grocery Stores/ Supermarkets	58,208	67.2%	56,672	64.5%	56,172	62.8%
Mass Merchandise	8,315	9.6%	9,489	10.8%	10,018	11.2%
Warehouse Clubs	7,016	8.1%	7,644	8.7%	7,961	8.9%
Convenience Stores & Gas Stations	6,150	7.1%	6,326	7.2%	6,977	7.8%
Specialty Stores	4,504	5.2%	5,184	5.9%	5,546	6.2%
Drug Stores	2,425	2.8%	2,548	2.9%	2,773	3.1%
Total	86,619	100%	87,864	100%	89,446	100%

Post estimation based on food sales only. References: Statistics Canada, 2014 Who's Who Directory, ACNielsen Banner Share, Euromonitor, Canadian Grocer- Executive Report, George Morris Centre/Grocery Trade Review, and BrandSpark International.

The Discount Retail Channel: Since 2008, the number of discount retailers has grown and is likely to increase further as they account for more than one-third of grocery purchases. In order to compete with the discount stores, traditional grocery stores have been quick to respond by offering special discounts on selected food products to lure shoppers into their establishments. Retail prices remain competitive between the two groups and forecasts illustrate the discount segment will remain competitive with the traditional grocery segment.

Table 5: Growth of Discount Retailers in Retail Food Sector



Source: Executive Report Canadian Grocer (2012-2013)
Nielsen Homescan Retailer Grocery Watch

Table 6: Average Retail Prices on Selected Grocery Items

Selected Food Items	Unit	Average Retail Prices in C\$ December 2013
Round Steak	1 kg	\$ 14.57
Ground Beef	1 kg	\$ 9.57
Wieners	450 g	\$ 3.63
Processed cheese food slices	250 g	\$ 2.82
Bread	675 g	\$ 2.85
Macaroni	500 g	\$ 1.34
Corn Flakes	675 g	\$ 5.03
Apples	1 kg	\$ 3.83
Grapefruits	1 kg	\$ 2.78
Oranges	1 kg	\$ 3.12
Canned Apple Juice	1.36 liter	\$ 2.10
Orange juice, tetra-brick	1 l.	\$ 4.04
Carrots	1 kg	\$ 1.65
Celery	1 kg	\$ 2.41
Onions	1 kg	\$ 1.79
Baked beans, canned	398 ml	\$ 1.24
Tomatoes, canned	796 ml	\$ 1.47
Roasted Coffee	300 g	\$ 5.75
Canned Soup	284 ml	\$ 1.00
Peanut Butter	500 g	\$ 3.57
Soft drinks, lemon-lime type	2 l	\$ 1.87
<i>Source: Statistics Canada, 2013 Exchange Rate \$1USD=.96 CAD</i>		

1B. Imported Foods in Canada

The Conference Board of Canada once again recognized this past year the value of imported foods as “the global food supply chains allow (Canadians) to eat fresh fruits and vegetables year-round with the use of transportation equipment and storage facilities with the right temperature and environment to optimize freshness and taste.” The report also added that “trading foods doesn’t imply compromising on the quality, nutrition, and safety of what we eat.”³

In 2012 the total amount of food imports registered at C\$24.3 billion, representing 27% of the total retail foods sales in Canada. Some of the leading imports into Canada were fresh fruits and vegetables. In the last two decades, Canadians have changed their eating habits to include more fruits, vegetables, cereal products and nuts.

Table 7: Global Consumer Oriented Agricultural Imports into Canada

³ Conference Board of Canada. July 2013. *Liberalization’s Last Frontier: Canada’s Food Trade*

Year	Total Imports (C\$ Millions)	Total Retail Food Sales (C\$ Millions)
2008	19,950.1	79,277
2009	20,936.0	83,341
2010	20,848.0	84,450
2011	22,590.1	85,489
2012	24,312.6	87,864
2013	25,565.6	89,446 P
<i>Source: Statistics Canada and Global Trade Atlas</i>		
<i>*P = Projected</i>		

Table 8: 2013 Canada's World Imports – Leading Food Groups

Product	Total (US\$ Millions)
Food Preparations*	1,301
Fresh, Chilled, Frozen Meat of Bovine (including cuts with bone and boneless)	1,140
Bread, Pastry, Cakes, Puddings, etc.	1,045
Fresh, Chilled, Frozen Meat of Bovine (including cuts with bone)	932
Coffee, Roasted (caffeine and decaffeinated)	655
Dog and Cat Food	643
Cocoa Preparations	509
Fresh and chilled lettuce (including head lettuce)	414
Nonalcoholic Beverages	448
Fresh Grapes	439
Sauces, mixed condiments and seasonings	385
Fresh or Chilled Swine Meat	374
Sugar Confection	368
Fresh Strawberries	351
Fresh and Chilled Chicken cuts & Edible Offal	345
<i>(continued)</i>	
Product	To Total (US\$ Millions)
Water- aerated, flavored or sweetened	341
Prepared foods, roasted and cereal products	331
Fresh and chilled tomatoes	302

Apples	278
Raspberries, Blackberries, Mulberries, Logan berries	258
Mixes & doughs and other preparations for Bakers	250
Nuts and seeds(except peanuts)	249
Cookies	225
Cheese, including Cheddar and Colby	224
Prepared or preserved chicken meat	190
Fresh Oranges	182
Fresh Cherries	138
*Food Preparations cover ingredients for food manufacturing, e.g. concentrates, fruit syrups used in beverages, sweeteners, flavorings, and other manufacturing ingredients. <i>Source: Global Atlas. List does not include alcoholic beverages</i>	

1C. The Canadian Shopper

The changing attitudes and demographics in the last ten years are largely responsible for the types and choices of foods found in retail stores today.

Demographics

- Graying Population

Canada has an aging population whereby 40 % of the population is 45 years or older. By 2026 this segment will increase, representing 48 % of Canadians. As there are more seniors and fewer children in the home, the types of food people eat and buy changes. Older Canadians are likely to have health related issues associated with aging. The National Institute of Nutrition rated heart/cardiovascular

disease, cancer, diet, weight, diabetes, and lack of exercise are the leading issues among seniors. Recent scientific studies prove that a healthy diet can influence in how a person ages and influence their quality of life.

- Household Size and Women in the Labor Force

The average number of family members per household has decreased from almost 4 in 1970 to less than 3 people per household in 2008. Today, there are more single-person households than ever before. This has created market opportunities for retailers and food manufacturers to offer single portion sizing foods. In addition, the number of working mothers with children under the age of 16 has increased from 39.1 % in 1976 to 72.9 % in 2009. The added time constraints on working women and mothers, who still remain the primary decision makers in grocery purchases, has increased the demand for convenient meal options.

- Ethnic Diversity

Cultural diversity is a critical force in the retail marketplace and many retailers are responding to this change. The arrival of new immigrants into the country has helped to boost Canada's population. Consumers of Chinese, Pilipino, and South Asian backgrounds make up the largest ethnic groups residing mostly in the provinces of Ontario, Quebec, British Columbia, and Alberta. Statistics Canada projects that by 2031, ethnic shoppers will represent 31% of the consumers in Canada and market research firm. Furthermore, Nielsen estimates that by 2017 this segment of the market is forecasted to contribute by 2017 C\$5 billion in total grocery sales.

Canadian Purchasing Attitudes

In the last three years, the Foreign Agricultural Service conducted three consumer surveys to evaluate Canadian attitudes and determine the influencers that drive grocery purchases. They are: taste/freshness, price, quality, nutrition, and safety.

- Taste/Freshness

Historically, taste continues to be the driving force influencing most Canadians in their selection of grocery purchases. In more affluent households, shoppers are willing to pay a premium on tasty foods which has given rise to the popularity of a number of gourmet products. Also, freshness is becoming synonymous with quality among Canadians as it implies good taste, nutrition, and more natural (not processed). The consumption of fruits and vegetables by Canadians has increased significantly over the last decade. Agriculture and Agri-Food Canada report Canadians have added 10.9 % more vegetables to their diets.

- Price

Many Canadian consumers have become bargain shoppers due to the slow economic recovery and rising food prices since 2011. These factors have caused shoppers to remain cautious in their spending habits and develop cost-saving measures, such as seeking on-line discount offers and using coupons. The Royal Bank of Canada recently reported the average Canadian spends C\$ 411 per month on groceries and that 57% of shoppers are now comparing food prices and buying less impulse purchases.⁴

- Health/Nutrition

Canadians are becoming informed of the health benefits and the risk associated with the foods they eat. This healthy consumer is likely to take the time to read food labels and evaluate the list of ingredients on a food product. Health Canada reported Canadians have reduced their intake of daily calories from

⁴ CNW, May 16, 2013. 'Canadians more frugal due to rising food prices: RBC Canadian Consumer Outlook.'

2,500 in 2001 to 2,358 in 2010. Also the rising incidents of childhood obesity have tripled in the last 30 years. Foods that address the health concerns of younger and older consumers with appealing taste will continue to show promise in the marketplace. Healthy eating in Canada as in the U.S. has become 'mainstream' and there is increasing focus on teaching children how to eat as it is referred to 'food literacy,'

- Safety

While 88% of Canadians are somewhat confident in the overall safety of their food supply in Canada, as reported by *Food Safety News*, there are more Canadians interested in learning more about what the government is doing to ensure all foods are safe. As a result the Canadian government established the Safe Food Act in 2012 to develop a framework to review and update current food regulations.

1D. Trends Driving Grocery Purchases

Value

- **Discount Shopping:** Higher food prices have caused consumers to switch to cheaper brands and cheaper grocery stores.⁵
- **Promotional Priced Products:** A growing number of Canadian shoppers browse their store flyer for lower-priced specials and search the internet for coupons.⁶ This trend is expected to grow through 2015. While Canadians are price conscious shoppers they will not sacrifice quality for price.
- **Private Label:** Traditionally, private label had been seen as lower quality and generally less desirable than national brands but this has changed. In 2011, private label represented C\$11.3 billion in sales and has continued to increase since that time.
- **Economical Meal Solutions:** A resurgence of traditional products that offer value such as dehydrated soups.

Quality/Freshness

- **Fresh Foods:** Consumers are switching to fresh foods for they equate "fresh" with better value that offers taste, health and nutrition. Agriculture and Agri-Food Canada reports that Canadians have added 10.9 % more vegetables into their diets.
- **Frozen Foods:** Retail sales of frozen foods grew by 3% and are predicted to increase as new technology helps to improve the flavor of frozen food. Microwavable frozen meals that offer steam packaging have become popular.

Convenience

- **Ready to Heat and Eat Foods:** Women continue to do the majority of food purchasing, preparation and clean up. As a result, the demand for foods that are easy and quick to prepare yet tasty, fresh and nutritiously sound continues to grow.
- **One Dish Meals:** Growth in quick one-dish meal kits such as stir-fries and stew are expected to grow.

⁵ 2011 Ipsos Survey reported in a sample population that 44% of Canadian grocery shoppers switched to a cheaper brand and 36% switched to a cheaper grocery store.

⁶ Brandspark International reported the 93% of Canadian grocery shoppers browse flyers while 54% subscribe to a coupon website.

- **Custom Quick Food:** Consumers do not spend an extensive amount of time preparing meals; but it still is important to feel that they have contributed something to the preparation. Therefore, opportunities exist for ready meals or kits, which allow the persons preparing them to add their own personal touch.
- **Smaller Food Portions and Packages:** Individual portions sizes are in demand as there are more single-person households.
- **Flexible and Portable Packaging:** Eating in vehicles or “Dashboard Dining,” as well as eating lunches at the work desk is more common.
- **Snacks and Mini Meals:** Canadians eat more snacks than Americans. Eating patterns are changing from eating three main meals a day to eating several smaller meals throughout the day. Convenient, nutritious snacks or mini meals will increase in demand (i.e. breakfast bars, wraps, sports drinks).
- **Innovation:** Convenience foods will continue to be popular but the key to success will be innovation.
- **Physical and Emotional Energy:** Stressed out consumers that are seeking energy, power and performance from food are turning to sports drinks, energy bars and snacks.

Health and Wellness

- **Correcting Condition:** Food and food ingredients continue to increase in popularity as a method for self-medication and disease prevention. As a result, the demand for functional and natural foods will continue to increase and new products will be developed.
- **Healthy Foods for Kids:** Approximately 26 % of Canadian children ages 2-17 years old are currently obese.
- **Gluten-Free:** Sales of gluten free products has grown by 26.6% since 2008 and its’ total sales of C\$458 million in 2013 is set to double by 2017.
- **Low Sodium:** Canadian consumers are becoming conscious about the level of sodium in prepackaged processed foods and in restaurant meals. Health Canada is currently reviewing new recommended target levels of sodium intake.
- **Low Sugar:** *Canada’s Food Guide* recommends moderate consumption of sugar, glucose, fructose, and various kinds of syrups, as they are the major contributors to weight gain.
- **Low Calorie:** Interest in weight loss products and lower calorie foods continues to be high among Canadians.
- **Organics:** Canadian Grocer reports the sales of organic foods and beverages has tripled from C\$586.3 million in 2006 to C\$1.35 billion in 2012.⁷
- **Trans Fats and Saturated Fats:** Canadians are continually concerned about fat intake and health concerns associated with trans and saturated fats. As a result, low-fat cereals, dairy products and frozen meals are rising.

Pleasure/Ethnic Foods

Economic growth and rising disposable income has made Canadians more confident about spending for products and services that make their lives easier or provide pleasure.

⁷ Canadian Grocer, September 2013. ‘Organic Makes a Move.’

- **Indulgence or Comfort Foods:** Although Canadians are concerned about the nutritional value of foods, they still are reaching out for tasty snacks that are high in fat, sugar and salt. The demand for these foods continues to be high for they are often considered a reward for healthy eating or surviving the stresses of everyday life.
- **Gourmet products of Meal Excitement:** New, unique, high quality and expensive products will be small indulgences for consumers who are seeking meal entertainment.
- **Regional Cuisine:** Consumers are becoming more interested in seasonal, regional and high flavor foods.
- **Ethnic Foods:** Immigration to Canada and the number of minority groups has increased dramatically. Consumers, both ethnic and non-ethnic groups are flocking to healthy and flavorful foreign cuisines such as Asian and Mediterranean foods where the emphasis is on ingredients such as vegetables, grains and fish.

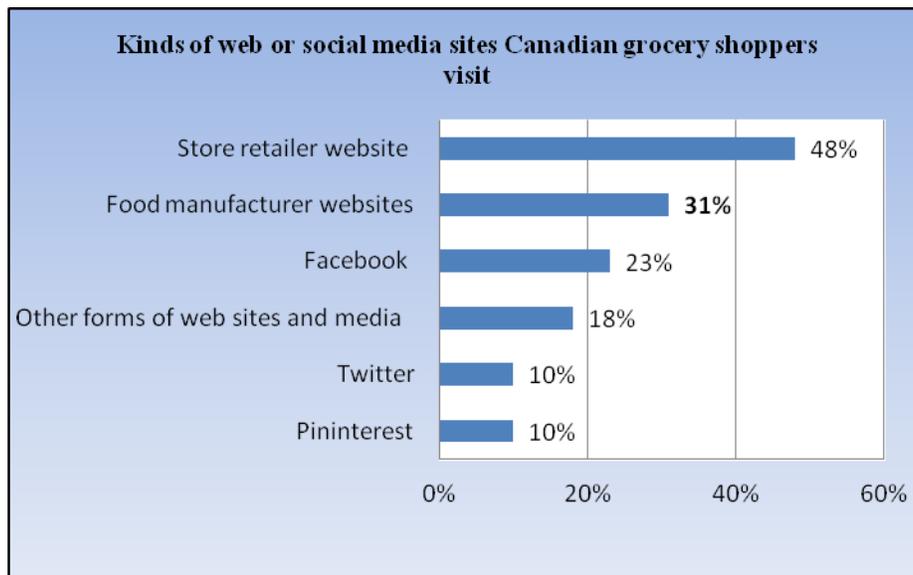
Ethical Buying

A small but growing number of Canadians are making buying choices based on where and how their foods are grown. This trend goes beyond taste and health concerns and into the realm of green politics and anti-globalization. It includes the concepts of “fair trade”, “sustainable practices”, and “food miles.”

- **Buy Local Products:** Consumers want to support their local economy and seek foods locally grown. Although, U.S. foods are clearly not viewed as local, there is a perception as an imported food and preference for U.S. foods over other imported products. Also, Canadians view U.S. products as safer and of better quality than imports from other countries.
- **Recycled and Biodegradable Food Packaging:** Most Canadian cities have instituted recycling programs for their citizens and businesses. Each sector is looking to maintain a ‘green image.’
- **Sustainable growing practices:** A small segment of the population like buying foods that incorporate practices that are green and leave a lower carbon imprint on the earth.

Non-Traditional Media Influencers

- In the past year, a number of research findings indicate that more and more shoppers, particularly the Millennials in their late twenties and early thirties, are using technology to influence their purchases. The Foreign Agricultural Service in Canada commissioned a consumer survey in 2012 and learned that 48% of the respondents are using “apps” and a number of websites to assist them in their making food choices. The most common types of information users are seeking are coupons, retail offers, recipes, nutritional and product information. The results below not only illustrate the importance of developing and maintaining an active company website but also highlight the impact that the internet and various forms of social media will continue to have in the coming years as more Millennials become primary shoppers.



Source: 2012 Leger marketing, 1505 Canadian respondents surveyed.

Table 9: Advantages and Challenges Facing U.S. Exporters

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

2A. Overview

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 77 % 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 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 (SRTG) 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.

Table 10: 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

- **Step 2:** Thoroughly research the Canadian retail landscape 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. Though some consumer data can only be obtained with a fee, there are several industry specific publications that continuously report on specific developments of interest for U.S. exporters. These publications are *Canadian Grocer* (www.canadiangrocer.ca) and *Grocery Business* (www.grocerybusiness.ca). Both publications closely follow key developments in the food retail industry in Canada.

Table 11: 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
Canadian Federation of Independent Grocers (CFIG)	CFIG represents Canada’s independently owned and franchises supermarkets.	www.cfig.ca
Canadian Restaurant and Foodservices Association(CRFA)	The largest foodservice and hospitality association in Canada.	www.crfa.ca
Centre of Food in Canada	A non-profit organization addressing issues related to food and its impact on Canadians.	www.conferenceboard.ca
Consumers' Association of Canada	Represents consumers to all levels of government and to all sectors of society.	www.consumer.ca
Industry Canada	Trade databases.	www.ic.gc.ca
Organization	Function/Purpose	Website
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	www.iecanada.com

	of importers and exporters.	
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➤ **Step 3: Locate a Canadian Food Partner- Broker/Distributor/Importer**

It is recommended that most new entrants to the Canadian market consider appointing a broker or develop a business relationship with a distributor/importer to enter the Canadian market. 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 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. This year the show will open its doors in Montreal from on Wednesday, April 2nd to Friday, April 4th of 2014. 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

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 type of store 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. Also, selling directly to a large retailer or mass merchandiser may require the U.S. firm meet certain supply quantity guarantees.

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

FAS annually publish the GAIN Report a Practical Handbook to Exporting to Canada (CA 13069) and the Food and Agricultural Import Regulations and Standards (FAIRS/CA 23076) Country Report that reviews the various regulations in Canada. Some of the key governing acts and regulations are the following:

- Canada Agricultural Products Act and Associated Regulations
- Consumer Packaging and Labeling Act
- Customs Act
- Fish Inspection Act

- Food and Drug Act
- 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.

Table 12: 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
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.

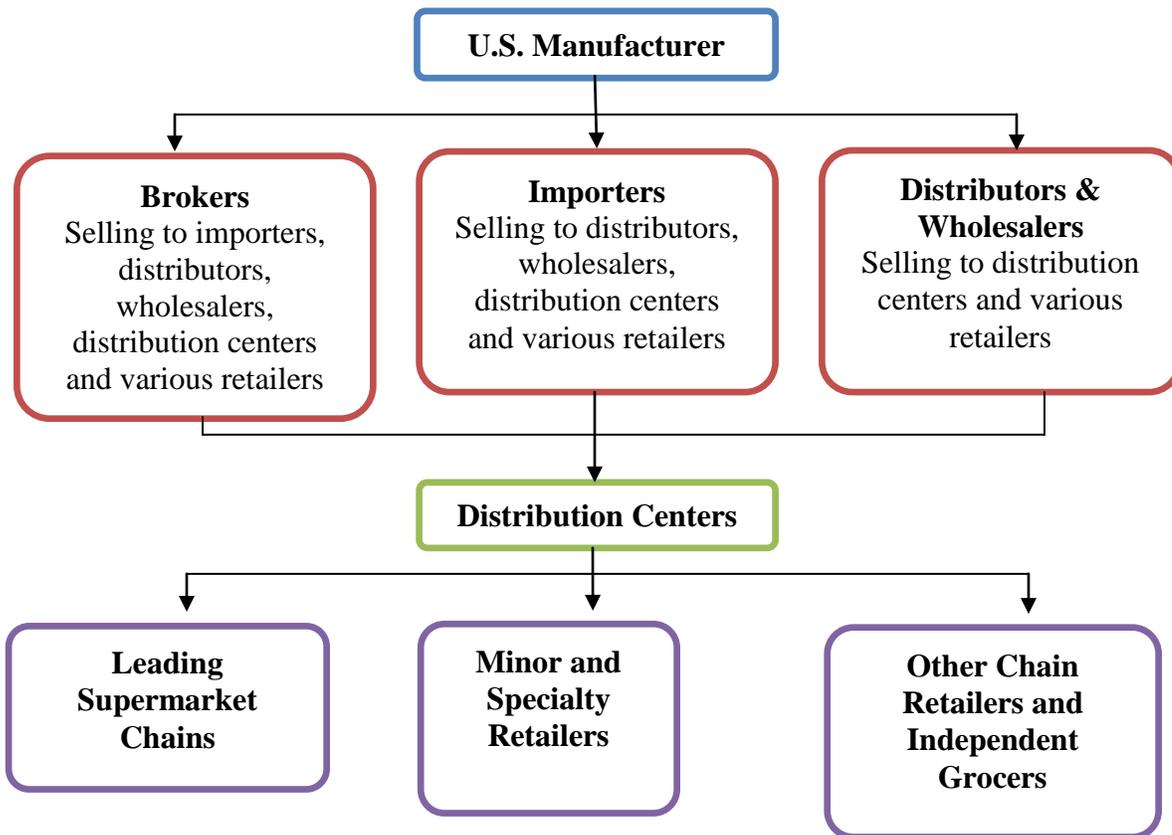
For more information on food labeling regulations and other information useful to U.S. food exporters, refer to the Export Guide: A Practical Guide on Canada available online at: <http://gain.fas.usda.gov>.

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.

Table 13: 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

B. Market Structure and Retail Food Distribution Channel



Imported food products into the Canadian marketplace may be sold directly to the retailer or to importers, brokers, distributors and wholesalers. A significant amount of U.S. agricultural and food products are shipped as an intra company transfer to the Canadian corporate entity as a branch or subsidiary operation.

Traditional supermarket outlets are split between chains and independent stores. All the larger Canadian retail chains are involved in wholesaling and retailing operations. They maintain sizable distribution centers strategically located across Canada. These distribution centers not only supply their own store outlets but may also supply to franchised stores and independent grocers. Some independent grocers may be affiliated with a wholesaler through a voluntary buying group. Wholesalers and the distribution arm of a leading grocery retailer often supply convenience stores and smaller grocery retail chains.

Importers, distributors and some wholesalers can sell a specific category or line of products to the chain distribution centers, as these centers will breakdown the quantities to ship to their individual stores. In addition, as in the U.S., some brokers, distributors, and importers sell directly to specified chain units by providing a direct store delivery. However, the product and designated stores must be approved by the chain's head office.

Larger chains have the ability to procure directly from the foreign supplier, particularly for large quantities of perishable products, such as dairy, produce, meat, poultry and some packaged goods. Some retailers, such as Loblaw Co. Ltd. and Sobeys Inc., employ procurement offices in the United States for this sole purpose and educate U.S. suppliers to meet all government and store regulations. On the grocery side of the business, most retailers rely on brokers, importers and distributors, particularly to identify unique products from less recognized food suppliers to sell in their stores.

Both retailers and suppliers are seeking efficiencies to reduce operational and labor costs in their operations. As in other business sectors, the category buyers of larger retailers are looking to reduce their list of food suppliers they work with and prefer working with representatives that carry an extensive line of products offering a range SKUs.⁸ In response to this trend, the broker/distributor industry is making an effort to consolidate products while introducing unique novel products into the market. Larger brokerage/distribution firms are acquiring smaller specialty brokers/distributors either to offer national coverage or enhance the company's product offerings. For example, U.S. firm, UNFI in Toronto, a leading distributor of natural, organic, and specialty retail products acquired food service operators in 2012 specializing in more hard to find specialty products. Brokers and distributors focus on selling to the appropriate category buyer of at each head office while larger brokerage or distribution firms will additionally offer added services to their food manufacturers, like merchandising store checks. Merchandising staff will help to monitor the placement and turnover of the products, as well as help negotiate sampling opportunities with the store chain.

The food distribution sector continues to be consolidated among larger players. The entry of another U.S. mass merchandiser into the Canadian retail landscape, Target Canada with 124 stores and nine new stores in 2014, is exacerbating the situation both among grocers and suppliers for competitive pricing. Consequently, in an effort to consolidate costs, Loblaws moved to acquire Shoppers Drug Mart (1095 units) in December of 2013 while Sobeys acquired 213 Canada Safeway stores in Western Canada. This continuing consolidation of the food sector is likely to place pressure on suppliers to deliver quality products at lower prices while at the same time offering new and innovative lines.

Broker/Distributor/Importer Arrangements

U.S. firms, particularly small to medium sized firms are recommended to partner with a Canadian food broker/distributor/importer. Most distributors and importers will import and take title of the product. The product will likely be stored in their warehouse and then sold to various store unit. While the product may be added to the distributor's catalog of goods you may still be responsible for establishing new store accounts if the product is not ordered by the distributor/importers' customers.

Brokers on the other hand, usually do not take title of the goods but act as your sales persons pitching the unique product features to potential buyers and possibly setting up a network of various food distributors. Usually they charge a %age of the product sales revenue, ranging from 3% to 10%. The %ages are influenced by several factors: the type of product line, expected sales volume, additional special services such as planning promotions or data collection. In the beginning, a broker may request a monthly retainer fee until monthly sales are well established as they must pioneer the new products.

⁸ SKUs- Stock Keeping Unit.

Once a targeted sales volume is reached then the broker will switch to a %age-of-sales as mentioned earlier. All fees are negotiated between the principal and the broker prior to future transactions.

In an effort to introduce a new product and obtain a product listing, a broker will call on the head office of key store chains and wholesale groups. Once a product listing is secured, there may be a listing fee on new products unless the retailer views the product as a “must have” item. This fee will vary and will be determined by the product’s uniqueness, the demand for the item, along with the advertising and promotional expenditures required to launch the product in a store.

i. Retail Grocery Sector

Grocery Stores/Supermarkets/Superstores

The majority of retail foods continue to be sold through Canada’s traditional grocery retailers. Canadian-based retailers Loblaw Co., Ltd., The Empire Company Ltd. (referred to as Sobeys’s) and Metro Inc., are responsible for 41% of retail food sales in the country. These market leaders have positioned themselves as the food specialists over their mass-merchandising competitors. They offer discount banner stores that compete with some of the merchandisers. In the last year, the price differential on certain foods has been minimal among stores, indicating retailers are responding to a price conscious Canadian shopper. All three companies have been aggressive in developing their private label brands, including their discounted store brand. As mentioned earlier, both Loblaws and Sobeys have made strategic acquisitions for the purpose of capturing higher margins and simply more food sales. (To learn more on these acquisitions please refer to GAIN Report Number CA 13050/Increased Competition Brings Changes in Canadian Grocery Market). In the coming year, it is forecasted that due to the stiff competition with the mass merchandisers and a frugal shopper, food prices will likely rise only by 1.23% in 2014 as forecasted by the University of Guelph. Retail leaders will continue to offer discount promotions, specials and other amenities through store loyalty programs to entice new customers and maintain loyal shoppers.

Loblaw Company Limited is the largest grocery retailer in the country with 1,053 grocery stores across the country and 20% share of the food market. (With the recent acquisition of drug chain, Shopper Drug Mart, the company will have 2,324 units). The company’s 21 banner stores cover the complete spectrum in types of stores as they include: large Superstores selling one third general merchandise products, conventional supermarkets, discount units, convenience and club stores. The company has earned a strategic advantage among their competitors with their control-label brands or more commonly referred to their private label brands. Some of their brands compete head-to-head with the national brands. Last year management launched over 1,200 new control brand products. Among their 13 private label brands, their most recognizable are “President’s Choice (PC)” and the “No Name” discounted brand representing over 5,200 products. (As a note of interest selected PC brands are now widely distributed in certain regions in the U.S.) At the high end of the price spectrum, Loblaws offers its “Black Label” products which primarily include specialty products, such as artisan-style croutons and cherry shiraz jelly. At the lower priced end, the retailer offers their “No Name” brand. The last few holiday seasons, this brand was aggressively promoted in large urban centers through television advertisements. Also, the company has invested more than \$700 million in store improvements over the last two years on n 200 of their existing retail units. Some of the improvements included added floor space to their produce and seafood departments, along with more counter space for meals on the go. To reach the growing Asian market, Loblaws acquired T & T Supermarkets in Canada in 2009. These stores offer Asian food products not found elsewhere. Today, there are 22 stores located primarily in British Columbia and in Ontario. Additionally, Loblaws is targeting the very health conscious shoppers. This past fall, Loblaws introduced a new store format, called - Nutshell Live Life Well located in

downtown Toronto that offer shoppers a selection of fresh and natural products, along with the opportunity to connect with professional dieticians, and other health care professionals.

Sobeys, is ranked behind Loblaws with 12% share of the retail food market; however, they offer more grocery stores than its leading competitor; 1,218 locations across the country. With the acquisition of Western Safeway, the company will provide a total 1,425 grocery store units to its shoppers. The Financial Post reports the acquisition will not only help the company to penetrate the market but it will also save up to \$200 million in operational costs. Not only has Sobeys' success been largely attributed to geographical store locations but specifically real estate presence. About five years ago, as the country continues to become more urbanized and denser in its major five cities, Sobeys introduced a smaller urban store called "Urban Fresh," to appeal to single/double households and apartment dwellers. The stores are smaller but efficient with frequent turnover of product. Sobeys also moved to expand its private label category and now offers seven brands with their "Sensations Complements" line being the most recognizable on their store shelves. To capture the ethnic and discount shopper, Sobeys moved to rebrand their former banner store, "Price Shopper" and converted the stores to "FreschCo" in 2010. The new stores were redesigned to display more produce, baked goods and meats as well as provide more shelf space to ethnic packaged goods. Lastly, the forecast for increased sales looks promising for Sobeys as its wholesale division is the primary supplier of frozen, dairy and dry goods to Target Canada.

Metro Inc., represents 9% of the market as they operate a total 424 food stores, along with 257 drug and convenience stores in Ontario and Quebec. The conventional supermarkets make up most of Metro's portfolio of stores however the company also operates discount stores under the Food Basics banner in Ontario and Super C in Quebec. The company as well, increased their number of private label products to eight. The most recognizable store brand is "Irrestibles" and "Selection." Recently they offer a new label to target healthy shoppers called "Sans Gluten Free," and "Irresistibles-Bio Organics." A few years ago, Metro Inc, partnered with Quebec based Marche Adonis, an ethnic food retailer offering Middle Eastern and Mediterranean style foods. The company opened its two stores that are 30-40,000 square feet in size in 2013 in the suburbs of Toronto and Montreal and have gained a loyal following of both ethnic and non-ethnic shoppers.

Although, Loblaws, Sobeys and Metro continue to be the market leaders, there are regional retailers that should not be overlooked by a U.S. exporter. As getting a product listed in one of the regional partners may be more attainable when establishing a company's initial presence in Canada. For example, the Overwaitea Food Group in Western Canada with 129 stores in Alberta and Canada have made a significant headway in offering 7,000 Asian food products to their customers. Longos in the Greater Toronto Area, owned by the Longo Brothers Fruit Markets has opened up three sizable stores in the market including two with a full-service restaurant menu so that shoppers will truly enjoy their shopping experience. A few of the ethnic retailers have grown from mom and pop family stores to upscale operations. Nations Fresh Food Market with six locations in Toronto opened its flagship store of 55,000 square feet in downtown Hamilton. This retailer that traditionally catered to the Asian population now offers a range of product offerings for every segment of the population in their Hamilton store that is known "*Where East meets West.*"

Club Stores

Warehouse Clubs stores such as Costco Canada and Loblaws Real Canadian Wholesale Club Stores have left a permanent foothold in Canada's retail landscape. Nielsen Canada reports that Canadians are making fewer grocery trips and some consumers prefer loading up once a week, despite higher grocery bills with single store visits. While the warehouse format does not offer many frills, at times it does offer

competitive unit pricing as a bulk package. Club products carry an average profit margin of about 11 %, while other retailers mark up their goods anywhere from 25 to 50%. Additionally, stores such as Costco lure their customers to buy more with regular demos and product sampling.

Mass Merchandisers

Walmart Canada is the largest mass merchandiser in the country. In comparison to the market leaders, the company's share of the grocery receipts is only six %. However, food sales have grown exponentially for Walmart Canada from \$ 130 million in 2006 to \$6.7 billion in 2013. In February of 2014, Walmart announced it was opening 35 new stores in the market and adding more fresh food in 19 of the stores. A significant gain was made in the last few years as the company introduced frozen foods and produce into their stores, making it convenient for time conscious shoppers to pick up all their items in a single shopping trip.

Target Canada or *Tar-zhay* as Canadians refer to the chain, opened their initial stores in Ontario and in Alberta last year but anticipate all 124 stores will be operating by the end of 2014. Anticipated sales fell short of company's expectations and much of the focus has been on general merchandise rather than on their grocery aisles. However, the company's private brands, "Market Pantry" and "Archer Farms," are sure to make inroads in the coming year. Despite Target's slow start in Canada, retail competitors remain watchful as to their pricing strategy in the market.

ii. Convenience Stores, Mini Marts, and Gas Stations

The Canadian Convenience Store Association reported 10.4 million visits are made each day to Canada's 23,000 convenience stores and gas stations. The sector was up by 3.28% in 2012 and has done well with certain categories, particularly beverages that can account for up to 23.5% of the store's grocery offerings. Floor space for new food products such as some fresh produce, sushi, baked goods and snacks is growing and many store units are expanding their premises to accommodate these products. The focus continues to be equipping stores with equipment, such as beverage stands and well stocked high quality convenience foods, like snack foods and confectionary items. Much like the supermarket sector, products that are perceived to be healthy, fruits like apples, oranges and low trans fat chips are now becoming readily available in these types of stores.

iii. Drug Chains

Grocery sales through the drug stores remains small in comparison to the other retail channels however, a few drug store chains have expanded their grocery section and have been aggressive in offering price specials on basic grocery commodities, like boxed cereal and milk. With Loblaws acquisition of Shoppers Drug Mart in 2013, the country's largest drug store chain, industry specialists forecast new products offerings of healthy foods will appear in some of these units.

iv. On-Line Shopping

Grocery on-line shopping has been slow to take off in Canada as compared to the United States and historically has been operating regionally rather than nationally. In the U.S. on-line food sales is estimated at 2.5% while in Canada it is approximately less than 1% of the total retail food sales. The regional players are: IGA, which is operated by Sobeys in selected areas in Quebec; Metro Glebe operated by Metro in Ottawa; and Grocery Gateway, owned by Longo Brothers Fruit Market, Inc.,

operating in Toronto and its suburbs. There are operations in smaller communities servicing Vancouver Island in British Columbia by Quality Foods and, Tele Grocer in the southern part of Ontario.

Last October, to the industry's surprise, Amazon and Walmart Canada introduced their respective lines of mostly dry packaged goods. Trade journal, *Grocery Business* reported Amazon is offering 15,000 grocery items on its on-line menu of goods which include a range of specialty food products. While Walmart Canada announced in early 2014 it will invest \$31 million dollars to match Amazon's offering and more in the next two years.

The following table lists the leading retail chains and their major respective banner store as reported at the end of 2011.

Provinces Abbreviations:

AB: Alberta	NS: Nova Scotia
BC: British Columbia	NU: Nunavut
MB: Manitoba	ON: Ontario
NB: New Brunswick	PE: Prince Edward Island
NL: Newfoundland and Labrador	QC: Quebec
NWT: Northwest Territories	SK: Saskatchewan
	YT: Yukon

Canadian Regions:

Eastern: NB, NS, PEI, NL
Central: ON & QC
Western and Prairies: AB, BC, MB, SK

Store Type:

SS: Superstore	SC: Super Centre
SM: Supermarket	C: Convenience

Price Category:

D: Discount
L: Low
M: Medium
W: Wholesale
U: Upper

Table 14: Grocery Stores/Supermarkets/Superstores Banners

Retailer	Name of banner	Store type	Price category	No units	Location
Loblaw Companies Ltd. loblaw.ca	Total Chain Sales = C\$32.2 B.				
Eastern Canada	Atlantic Superstore	SS	D	51	NB, NS, PEI
	Dominion	SM	M	11	NL
	Save Easy Foods	SM	D	44	NB, NS, PEI, NL
Central Canada	Cash & Carry	SM	D	15	ON, NS
	Fortinos	SM/SS	M	21	ON
	L'Intermarche	SM	M	64	QC
	Loblaws	SM/SS	M	77	ON, QC
	Maxi	SM	D	89	QC
	Maxi & Cie	SM	D	21	QC
	NoFrills	SM	D	203	BC, AB, ON, NB, NS, NL, PEI
	Presto	SM	M	11	QC
	Provigo	SM/SS	M	81	QC
	Real Canadian Superstore	SS	D	111	BC, YT, AB, SK, MB, ON
	Real Canadian Wholesale Club	SS	D	34	BC, AB, SK, MB, ON
	Valu-Mart	SM	M	61	ON
	Your Independent Grocer	SM	M	55	ON
	Zehrs	SM/SS	M	43	ON
Western Canada/ Prairies	Extra Foods	SM	D	72	BC, YT, NT, AB, SK, MB, ON
	Real Canadian Wholesale Club	SS	D	36	BC, AB, SK, MB, ON
	Shop Easy Foods	SM	D	34	BC, AB, SK, MB
	SuperValu	SM	D	17	BC, YT, SK
	T & T	SM	M	22	BC, AB, ON

Retailer	Name of banner	Store type	Price category	No units	Location
Sobeys (Empire Company Ltd.) Sobeys.com					
Total Chain Sales = C\$19.1B.					
All Provinces	Sobeys	SM	M	289	BC, AB, SK, MB, ON, NB, NS, PEI, NL
	Cash & Carry	SM	W	9	NB, NS, NL, MB
	Foodland	SM	M	204	ON, NB, NS, NL
	Freshco	SM	L/M	76	ON
	IGA	SM	M/U	192	BC, AB, SK, MB, QC
	IGA Extra	SM	M	115	QC
	Marché Bonichoix	SM	M/U	89	QC, NB
	Les Marché Tradition	SM	M/U	28	QC
	Price Chopper	SM	D	1	ON
	Rachelle-Bery (Natural Health Foods)	SM	M/U	19	QC
	Thrifty Foods, Inc.	SM	M	31	BC
Metro Inc. Metro.ca					
Total Chain Sales = C\$12. B.					
Central Canada	Food Basics	SM	D	116	ON
	Marché Richelieu	SM	M	75	QC (1 in ON)
	Metro / Metro Plus	SM	L/M	147	ON, QC
	Super-C	SM	D	85	QC
	Adonis	SM	M	2	ON & QC
Canada Safeway Safeway.ca					
Total Chain Sales = C\$5.4 B.					
All provinces	Family Foods	SM	M	73	BC, AL, SK, MB
	Safeway	SM	M	223	BC, AB, MB, ON

Retailer	Name of banner	Store type	Price category	No units	Location
Federated Co-Operatives Ltd. coopconnection.ca	Total Chain Sales = C\$3.35 B.				
Central /Western/ Prairies	Bigway Foods	SM	M	90	BC, AB, SK, MB, ON, YT
	Co-op Food Store	SM	M	250	BC, AB, SK, MB
	Super A Foods	SM	M	24	BC, AB, SK, MB, NWT, YT, ON
	The Grocery People	SM	M	13	AB, NWT, YT
	Cash and Carry Depots	SM	D	5	AB,BC,
	TAGS	SM	M	14	AB, SK, YT
Co-op Atlantic Coopatlantic.ca	Co-op Stores	SM	M	66	Atlantic Canada
	Country Stores	SM	M	13	Atlantic Canada
	Valu Foods	SM	M	22	Atlantic Canada
	Village Stores	SM	M	7	Atlantic Canada
Overwaitea Food Group Owfg.com	Total Chain Sales = C\$2.7 B.				
Western	Bulkley Valley Wholesale	SM	D/W	1	BC
	Cooper's Foods	SM	M	15	BC
	Overwaitea Foods	SM	M	13	BC
	PriceSmart Foods	SM	L/M	16	BC
	Save-On-Foods	SM	M	79	BC, AB
	Urban Fare	SM	M	5	BC
H.Y. Louie Company marketplaceIGA.com	Total Chain Sales = C\$607 M.				
	IGA	SM	M	39	BC
	Cash & Carry	SM	D	3	BC
	Fresh St.	SM	M	1	BC

Retailer	Name of banner	Store type	Price category	No units	Location
	Market				
Regional and/or Privately Owned Retail Chains					
Rabba Fine Foods Rabba.com	Rabba Foods	SM	M/U	35	ON
Kin's Farm Market Kinsfarmmarket.com	Kin's Farm Market	SM	M	28	BC
Longo Brothers Fruit Market Inc. Longos.com	Longos	SM	M/U	26	ON
Farmboy Inc.	Farmboy	SM	M/U	14	ON
Quality Foods	Quality Foods	SM	M	11	BC
Whole Foods Market	Whole Foods	SM	M/U	8	BC & ON
Source: Canadian Grocer, Who's Who (2014) and Directory of Retail Chains in Canada (2013). *Food Sales for 2013					

Table 15: Club Warehouse Store Banner

Retailer	Name of Banner	Store Type	Price Category	No. Units	Location
Costco Canada Inc. Costco.ca	Total Chain Sales = C\$7.8 B *				
	Costco	CW	W	82	BC, AB, SK, MB, ON, QC, NS, NB, NL
Source: Canadian Grocer, Who's Who (2014) and Directory of Retail Chains in Canada (2013). * Food sales 2013					

Retailer	Name Banner	Store Type	Price Category	Sales (C\$ 000)	No. Units	Location
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Table 16: Mass Merchandisers

Canadian Tire Corporation	Canadian Tire	MM	MM	C\$7.8 B	511	All provinces
Dollar Tree Canada	Dollar Giant	MM	D	N/A	140	BC, AB, SK, MB, ON
Dollarama Stores	Dollarama	MM	D	C\$1.86 B	735	Mostly located in ON & QC
Giant Tiger Stores	Giant Tiger	MM	D	N/A	200	All provinces
The Northwest Company	Northern	MM	M	C\$775 M.	123	All provinces
	North Marts		L/M			
	QuickStop		L/M			
Target	Target	MM	L/M	-	125	BC,SK,MB,ON,QC,NS,NB,PE
Walmart Canada Corporation	Walmart	MM/SC	D	C\$6.7 B. *	381	All provinces
	Su%ers		D		231	
Your Dollar Store with More	Your Dollar Store with More	MM	L/M		126	BC, YT, AB,SK, MB,ON, NS

Source: Canadian Grocer, Who's Who (2014) and Directory of Retail Chains in Canada (2013).

*Food Sales for 2013

Table 17: Convenience Stores, Mini Marts, and Gas Stations

Retailer	Name of Banner	Sales (C\$ 000)	No. Units	Location
Alimentation Couche-Tard, Inc.	Couché-Tard	\$1.29 B*	1,496	Across Canada
Metro	Marché Ami	N/A	81	QC
	Marché Extra		205	QC
	Mohawk Stop 'N' Go		54	BC,AB,SK,MB,QC
Sobeys	Needs	N/A	123	Eastern Canada
Quickie Convenience Stores	Quickie	N/A	50	ON, QC
7-Eleven Canada Inc.	7-Eleven	N/A	470	BC, AB, SK, MB, ON
Husky Oil Marketing Company	Husky Food Stores/ Husky Market	N/A	272	BC, AB, SK, ON
Suncor Energy (Petro Canada)	SuperStop	N/A	1,135	All provinces
Shell Canada Products Limited	Select	N/A	632	All provinces
Imperial Oil Ltd.	On the Run	N/A	424	All province
Parkland Industries LP	Fas Gas Fas Gas Plus Short Stop Short Stop Express	N/A	341	BC, AB, SK, MB
<p><i>Source: Canadian Grocer, Who's Who (2014) and Directory of Retail Chains in Canada (2103).</i> <i>*Food Sales for 2013</i></p>				

Table 18: Leading Drug Chain

Retailer	Name of Banner	Sales (C\$ 000)	No. Units	Location
Shoppers Drug Mart	Shoppers Drug Mart	\$620 M *	1,271	All provinces
PharmaSave	Pharmasave	N/A	437	BC,AB,SK,MB, ON,NB,NS
Katz Group Canada Ltd.	Rexall / Rexall Pharma Plus	N/1	420	BC, AB, SK, MB, ON, MB

*Source: Canadian Grocer, Who's Who (2014) and Directory of Retail Chains in Canada (2013).
Food Sales for 2013

Table 19: On-Line Shopping

Retailer	Name of Banner	Estimated Customers	Location
Longo's Brothers Fruit Markets	Grocery Gateway.com	50,000	Greater Toronto Area Only
Amazon	Amazon.ca	N/A	All Canadian Provinces
Walmart Canada Corporation	Walmart.ca	N/A	All Canadian Provinces

Source: Grocery Business/December 2013 and Canadian Grocer/November 2013

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. ▪ Chile is competitive with their leading exports of grapes, berries. They offer apples and cherries as well. 	<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. 	<ul style="list-style-type: none"> ▪ The ‘Buy Local’ campaigns are well supported by grocery retailers starting in June through October.
<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.

Product Category (continued)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>SNACK FOODS</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$3.3 BILLION (excluding peanuts)</p>	<ol style="list-style-type: none"> 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.
<p>RED MEATS (Fresh/Chilled/Frozen)</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$1.8 BILLION</p> <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.: 79% 2. Australia: 8% 3. New Zealand: 8% <ol style="list-style-type: none"> 1. U.S.: 93% 2. Thailand 2% 3. Brazil 1% 	<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 frozen manufacturing meat from Australia (for grinding) and New Zealand (largely for specific manufacturing purposes). ▪ Many parts of South America, remain ineligible for entry to Canada (except as a supplier of cooked and canned beef) due to sanitary reasons. ▪ U.S. 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. Canadian hog production numbers have been declining across the country and U.S. pork imports are up 16% due to market structures and the Canadian strong dollar. ▪ 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.

Product Category (continued)	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>	<p>1. U.S.: 35%</p> <p>2. China 15%</p> <p>3. Thailand: 14%</p>	<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. ▪ 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. ▪ 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>BREAKFAST CEREALS/PANCAKE MIXES</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$ 480 MILLION</p>	<p>1. U.S.: 93%</p> <p>2. U.K.: 2%</p> <p>3. Spain: 1%</p>	<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
FRUIT & VEGETABLE JUICES CANADIAN GLOBAL IMPORTS (2013): U.S. \$721 MILLION	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.
NUTS CANADIAN GLOBAL IMPORTS (2013): Tree Nuts U.S. \$582 MILLION Peanuts U.S. \$113 MILLION	Tree Nuts 1. U.S.: 60% 2. Turkey: 14% 3. Vietnam: 9% Peanuts 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.
PET FOOD (Dog and Cat) CANADIAN GLOBAL IMPORTS (2013): U.S. \$643 MILLION	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.

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>	<p>1. U.S.: 89%</p> <p>2. Brazil: 9%</p> <p>3. Hungary: 1%</p>	<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
<p>DAIRY</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>(excluding cheese): U.S. \$345 MILLION</p> <p>(Cheese) : U.S. \$265 MILLION</p>	<p>1. U.S.: 65%</p> <p>2. Argentina: 11%</p> <p>3. NewZealand:9%</p> <p>1. U.S. 26%</p> <p>2. Italy 21%</p> <p>3. France 19%</p>	<p>1. 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.</p> <p>2. 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.</p> <p>3. 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.</p>	<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.

Products Imported in Canada Facing Significant Barriers

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
<p>EGGS & EGG PRODUCTS</p> <p>CANADIAN GLOBAL IMPORTS (2013):</p> <p>U.S. \$105 MILLION</p>	<ol style="list-style-type: none"> 1. U.S.: 96% 2. China: 3% 	<p>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.</p> <p>The U.S. has also become a supplier of organic eggs to Canada.</p>	<p>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.</p> <p>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.</p>

Section 4: Best Product Prospects

4A. Food Products with Good Sales Potential

Table 21: High Physical Growth – Year 2013

	Growing
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Category	+4 % to 10%	Over 10%
Beverages	Premium fruit / vegetable juices (5%)	Chilled smoothies (28%) Coffee (15%)
Confectionery	Chocolate (4%)	
Dry Grocery	Asian Sauces (4%) <ul style="list-style-type: none"> ▪ Thai Sauces (8%) Tortillas & Wraps (5%) Cracker Chips (4%) Sweet and Savory Snacks (4%) <ul style="list-style-type: none"> ▪ Nuts (5.9) Natural snack bars (6.1%)	Stir – fry sauces (24%) Indian Sauces (22%) Filipino Sauces (26%) Asian chili sauces (59%) Bagels (6%) High fibre pasta (15%) Naturally health snack bars (6%) <ul style="list-style-type: none"> ▪ Granola / muesli bars (6.6%)
Chilled and Frozen Foods	Chilled and natural based – soy based desserts (5%) Chilled noodles (4%) Frozen oven baked potato chips (4%) Frozen processed vegetables (4%)	Chilled Soup (7%) Thin crust pizza (6%) Single/Double serving (27%) Refrigerated salad dressings (5%) Naturally health soy milk (11%)
Produce	Bagged Salads (5%) Onions (5%)	Kale (77%) Yams (40%) Kohlrabi (34%) Artichokes (32%) Okra (27%)
Refrigerated & Dairy	Yogurt (9%)	Natural / Organic / Greek (40%)

Source: Euromonitor International 2013, Canadian Grocer Category Captains 2013

4B. Narrative on Products Facing Significant Barriers and Vigorous Regulations

Exporters from the United States are urged to familiarize themselves with the Canadian food laws and regulations as this will help them evaluate their product's market potential and ensure their products can be legally sold in Canada. To learn more about these regulations, please read the GAIN report (CA

13076) on [Food and Agricultural Import Regulations and Standards](#). The Canadian Food Inspection Agency (CFIA) is responsible for the inspection of food products at all levels of trade. Below are some key barriers and challenges in the market.

- Tariffs and Tariff Rate Quotas (TRQs)

Effective January 1, 1998 the tariff provisions of the U.S.- Canada Free Trade Agreement (FTA) removed all tariffs between the two countries with the exception of those products for which Canada implemented tariff rate quotas on January 1, 1995. The provisions of the FTA were incorporated into the NAFTA to which Mexico is also a signatory. The NAFTA came into effect on January 1, 1994.

In 1995, under the World Trade Organization (WTO) agreement, Canada replaced import quotas on certain agricultural products with Tariff Rate Quotas (TRQs). Under the TRQ system, imports that are within quotas are subject to low or free rates of duty, until the quota limit has been reached. Once quota limits have been reached, over quota imports are subject to significantly higher Most-Favored-Nation (MFN) rates of duty. To import and market TRQ commodities, a business must be a registered Canadian business entity and must be in possession of an import permit. These companies are referred to as 'quota holders.' For most commodities, TRQs are already allocated with only a few available for new Canadian businesses. The Department of Foreign Affairs and International Trade (Export and Import Controls Bureau) is responsible for administering Canada's Tariff Rate Quotas for agricultural products. For more information go to: <http://www.dfait-maeci.gc.ca/trade/eicb/agric/agric-en.asp>

Canada administers TRQs that affect exporters of the following U.S. agricultural commodities:

- Broiler Hatching Eggs & Chicks
- Chicken and Chicken Products
- Turkey and Turkey Products
- Table Eggs
- Milk & Dairy Products
- Cheese
- Margarine

The Canadian Department of Foreign Affairs, Trade and Development (DFATD) is responsible for the administration of all such TRQs. Import permits are required and are allocated annually, free of charge, to several groups of qualified Canadian importers (such as historical, processors, distributors, and food service entities) who use the permits throughout the year. DFATD charges a small [processing fee](#) for the issuance of permits and makes the list of the importing companies (quota holders), as well as other TRQ related information, publicly available on its [website](#).

Under Canada's trade agreements, U.S. exporters enjoy duty-free access for the amounts of supply managed products shipped under the quantitative limits of the TRQs. A number of Canadian importers solicit U.S. exporters to pay considerable amounts of money so they can recover the so called "price of import permits". These requested amounts can represent more than 50 % of the value of the product being exported. Canadian importers justify this as their cost of purchasing import permits from the original companies that received the permits from DFATD and which do not intend to use them. While U.S. exporters have the latitude to engage in business transactions that they deem appropriate, Canadian

importers often overcharge US businesses in their efforts to pass the cost of the import permits to the suppliers while collecting additional “rent”. The price differential between the strictly controlled Canadian and the open U.S. markets is typically amply sufficient to allow importers to recover the so called "price of import permits" without U.S. exporters paying any additional amount.

Important note for U.S. meat exporters: Canada has further TRQs that affect both the level and the tariff rates of imports from non-NAFTA origin of pork, beef, and wheat, barley and their products, but they do not apply to imports of U.S. origin (or Mexican origin when eligible).

Detailed Information is located at the link below:

http://www.international.gc.ca/controls-controles/prod/agri/index.aspx?menu_id=3&menu=R

- Vigorous Regulations

Pesticides and Other Contaminants

Some agricultural chemicals approved for use in the United States are not registered in Canada. As a result, these pesticides are deemed to have a zero tolerance in Canada and imported foods which contain unregistered pesticide residues above 0.1 parts per million are deemed to be adulterated under Section B.15.002 (1) of Canada's Food and Drug Regulations. The goods are subject to detention, destruction, or return.

Canada is currently reviewing its policy of the 0.1 ppm default level. A discussion document issued by Health Canada on this policy review is available at:

http://www.hc-sc.gc.ca/cps-spc/pest/part/consultations/_dis2006-01/index-eng.php

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 legislation. Consequently, the need for licensing, permits and certificates depends upon the type of food being imported and in some cases on the country or area from which the food is imported. It should be noted that in some provinces, there are additional requirements for certain foods, such as dairy products, 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: In the absence of specifications under the FDR, food additives must conform to specification in the Food Chemical Codex (as required by section B.01.045 of the FDR). There are differences between Canadian and United States rules. A list of food additives permitted for use in Canada can be found archived at: http://www.hc-sc.gc.ca/fn-an/securit/addit/diction/dict_food-alim_add-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.

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 would be permissible. However, differences remain such as the folic acid exclusion on milled grain and bakery products. More information on fortification can be seen: www.hc-sc.gc.ca/fn-an/nutrition/vitamin/index_e.html.

Trans Fats: In July 2007, Health Canada announced that it is adopting the Trans Fat Task Force's recommendation on trans fats, but will ask industry to voluntarily limit the trans fat content of vegetable oils and soft, spreadable margarines to 2 per cent of the total fat content and to limit the trans fat content for all other foods to 5 per cent, including ingredients sold to restaurants. Canada also requires that the levels of trans fat in pre-packaged food be included on the mandatory nutrition label. Trans fat regulations are outlined at: <http://www.hc-sc.gc.ca/fn-an/nutrition/gras-trans-fats/index-eng.php>.

Novel Foods (Foods Containing Genetically Modified Crops): Health Canada defines novel foods as: products that have never been used as a food; foods that result from a process that has not been previously used for food; or foods that have been modified by genetic manipulation (i.e., from foods containing genetically modified (GM) crops).

Under the Novel Foods Regulations, such foods can only be sold in Canada once approved by Health Canada. To learn more go to: *GM Foods and Other Novel Foods*: <http://www.hc-sc.gc.ca/fn-an/gmf-agm/index-eng.php>

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/english/fssa/labeti/guide/ch8e.shtml#8.4>.

Packaging and Container Regulations: Canadian regulations govern specific package sizes for fruits, vegetables, processed horticultural products and processed meats stipulate standardized package sizes that may differ from U.S. sizes. The standards of identity and the container sizes are generally stipulated in the regulations encompassing agriculture and food products. Electronic access to all Canadian food-related regulations is available through: <http://www.inspection.gc.ca/english/reg/rege.shtml>

Allergen Labeling Regulations on Pre-packaged Foods: Health Canada has added gluten sources, mustard, and sulphites to the list of Priority Food Allergens list (see table below). As of August 4, 2012, the Canadian Food Inspection Agency (CFIA) and Health Canada will require most pre-packaged products containing these allergenic ingredients be noted on the label in a list or in a statement such as “*Allergy and Intolerance Information*”; *Contains (name the allergen)*. The new regulations also require manufacturers to use common names, for example spelt and kamut are to be declared as wheat for allergen labeling purposes.

Health Canada provides the following reference guidance to food companies:

Food Allergen Labelling Guidance for Industry

http://www.hc-sc.gc.ca/fn-an/label-etiquet/allergen/guide_ligne_direct_indust-eng.php

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>.

Revised Compositional Standards for Cheese: New cheese compositional standards came into force on December 14, 2008. These standards impose limitations on the dairy ingredients that can be used in cheese making and also bring in a regulatory scheme designed to make cheese importers more accountable for ensuring that imported product complies with the new regulations. The regulations limit dairy ingredients by requiring “minimum %age of casein from milk” categories, and the requirement of cheeses to meet the minimum ratios. To determine whether or not cheese to be imported complies with Canadian compositional standards, refer to an official copy of the regulations, available at: <http://www.inspection.gc.ca/food/dairy-products/imports-interprovincial-trade/composition-licensing/eng/1359103014709/1359460807028>

Section 5: Further Canadian Contacts and FAS/Canada Contacts

5A. Government Organizations

Table 22

Organization	Contact Information
Agriculture and Agri-Food Canada	1341 Baseline Road Ottawa, Ontario K1A 0C5 Telephone: 613-773-1000 Fax: 613-773-2772 TDD/TTY: 613-773-2600 Email: info@agr.gc.ca Web: http://www.agr.gc.ca/index_e.php
Statistics Canada	150 Tunney’s Pasture Driveway Ottawa, Ontario K1A 0T6 Online requests: infostates@statcan.gc.ca www.statcan.gc.ca Telephone: 1-800-263-1136 or 613-951-8116 Fax: 1-877-287-4369 or 613-951-0581 TTY-1-800-363-7629 Web: www.statcan.gc.ca
Department of Foreign Affairs and International Trade	125 Sussex Drive Ottawa, ON, Canada K1A 0G2 Facsimile: 613-996-9709 Email: enqserv@international.gc.ca Telephone: 1-800-267-8376 (toll-free in Canada) 613-944-4000 (in the National Capital Region and outside Canada)

	Web: www.international.gc.ca
Canada Border Services Agency	Canada Border Services Agency Ottawa ON, K1A 0L8 Call within Canada: Service in English: 1-800-461-9999 Service in French: 1-800-959-2036 Calls outside Canada: Service in English: 204-983-3500 or 506-636-5064 Service in French: 204-983-3700 or 506-636-5067 Contact@CBSA.gc.ca Web: www.cbsa.gc.ca
Canadian Food Inspection Agency	1400 Merivale Road Ottawa, Ontario K1A 0Y9 Tel: 1-800-442-2342 / 613-225-2342 TTY: 1-800-465-7735 Fax: 613-228-6601 Web: www.inspection.gc.ca
Health Canada	Address Locator 0900C2 Ottawa, Ontario K1A 0K9 Tel. 613-957-2991 Toll free 866-225-0709 Email. info@hc-sc.gc.ca Web: www.hc-sc.gc.ca
Industry Canada	C.D. Howe Building 235 Queen Street Ottawa, Ontario K1A 0H5 Telephone: 613-954-5031 Toll-free: 1-800-328-6189 (Canada) TTY (for hearing-impaired only): 1-866-694-8389 (toll-free) Fax: 613-954-2340 Online: info@ic.gc.ca Web: www.ic.gc.ca

5B. Industry Associations

Table 23

Organization	Contact Information
Canadian Health Food Association	CHFA 235 Yorkland Blvd., Suite 302 Toronto, Ontario M2J 4Y8 Tel: (416) 497-6939 / 1-800-661-4510 Fax: (416) 497-3214 Email: info@chfa.ca

	Web: www.chfa.ca
Canadian Federation of Independent Grocers	CFIG 2235 Sheppard Ave. East, Suite 902 Willowdale, ON M2J 5B5 Tel: (416) 492-2311 or 800-661-2344 Fax: (416) 492-2347 Email: info@cfig.ca Web: www.cfig.ca
Canadian Produce Marketing Association [CPMA]	CPMA 162 Cleopatra Drive Ottawa, ON K2G 5X2 Tel: (613) 226-4187 Fax: (613) 226-2984 Email: question@cpma.ca Web: www.cpma.ca
Food and Consumer Products of Canada (FCPC)	FCPC 100 Sheppard Avenue East, Suite 600 Toronto, Ontario M2N 6N5 Tel. (416) 510-8024 Fax.(416) 510-8043 Email. info@fcpc.ca Web: www.fcpc.ca
Fruit and Vegetable Dispute Resolution Corporation (FVDR)	Fruit and Vegetable Dispute Resolution Corporation Building 75, Central Experimental Farm 930 Carling Avenue Ottawa, ON K1A 0C6 Tel: 613 234-0982 Fax: 613 234-8036 E-mail: info@fvdr.com Web: http://www.fvdr.com/en/home.aspx
Food and Consumer Product Manufactures of Canada	FCPMC 885 Don Mills Rd. Suite. 301 Toronto, ON M3C 1V9 Tel: (416) 510-8024 Fax: (416) 510-8043 Email: info@fcPMC.com Web: www.fcPMC.com

5C. Trade Publications

Table 24

Publications	Contact Information
Canadian Natural Health Retailer	CNHR 5707 Forgets Road

	<p>Wyebridge, Ontario L0K 2E0 Tel. (705) 526-8444 Tel. 705-526-8444 Email: http://www.cnhc.ca/contact-us.html Web: www.chra.ca</p>
Food in Canada	<p>Food in Canada (Business Media Group) 80 Valleybrook Drive Toronto, ON M3B 2S9 Tel: (416) 510-6775 Fax: (416) 510-5140 Email: IEilbracht@foodincanada.com Web: www.foodincanada.com</p>
Canada Grocer	<p>Canadian Grocer/Rogers Media One Mount Pleasant Rd. Toronto, ON M4Y 2Y5 Tel: 1-800-268-9119, ext. 1441 Fax: (416) 764-1523 Email: michelle.iliescu@rci.rogers.com Web: www.canadiangrocer.com</p>
Foodservice and Hospitality	<p>Foodservice and Hospitality /Kostuch Media 101-23 Lesmill Road Toronto, ON M3B 3P6 Tel: (416) 447-0888 Fax: (416) 447-5333 Subscription: http://www.kostuchmedia.com/subscribe.html Web: http://www.kostuchmedia.com/magazines/65-magazines/951-foodservice-and-hospitality-magazine.html</p>
Grocery Business	<p>Grocery Business 390 Queen's Quay West P.O. Box 4085 Toronto, ON M5V 3A6 Tel. 416-561-4744 Email. Info@grocerybusiness.ca Web:www.grocerybusiness.ca</p>
C-Store Canada	<p>C-Store Canada/Mercury Publications Ltd. 1740 Wellington Avenue Winnipeg, MB R3H 0E8 Tel: (204) 954-2085, ext. 223 or (800) 337-6372 Fax: (204) 954-2057 Email: sheilah@mercury.mb.ca Web: www.c-storecanada.com</p>
Western Grocer	<p>Western Grocer/Mercury Publications Ltd. 1740 Wellington Avenue Winnipeg, MB R3H 0E8 Tel: (204) 954-2085, ext. 215 or (800) 337-6372</p>

	Fax: (204) 954-2057 Email: Melanie@mercury.mb.ca Web: www.mercury.mb.ca
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5D. FAS/Canada Contacts

USDA/FAS Canada endorses and organizes a U.S. pavilion at SIAL Canada every year. The next SIAL Canada show is scheduled for April 2 – 4 in Montreal.

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

Kathryn Ting, Agricultural Minister-Counselor
 Jeff Zimmerman, Agricultural Attaché
 Sonya Jenkins, Marketing Specialist
 Darlene Dessureault, Senior Agricultural Specialist
 Mihai Lupescu, Agricultural Specialist
 Joyce Gagnon, Administrative Assistant

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

Maria A. Arbulu, Senior Marketing Specialist

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<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

Table 25: Other available GAIN Reports on Canada:

CA14004	Profile of the Canadian Farm Population	1/10/2014
CA 13076	FAIRS Narrative Country Report	12/24/2013
CA 13074	An Overview of the Food Processing Sector in Canada	12/20/2013
CA 13072	FAIRS Export Certificate Report	12/20/2013

CA13069	Canada Exporter Guide: Practical Handbook	12/11/2013
CA13060	Deciduous Fruit	11/12/2013
CA13059	Grain and Feed Update – Fall 2013	11/04/2013
CA13057	Dairy and Dairy Products Report	10/24/2013
CA13053	2013 Potatoes Annual	10/04/2013
CA13050	Increased Competition Brings Changes in Canadian Grocery Market	10/01/2013
CA13049	United States Food and Drug Administration Fall 2013 Outreach Session with Canadian Food Industry Stakeholders	09/30/2013
CA13046	2013 Livestock Annual	09/06/2013
CA13045	CFIA Releases Food Safety Forum Consultation Report	08/21/2013
CA13042	Wine & Spirits	07/26/2013
CA13041	Grain and Feed Annual	07/26/2013
CA13040	Poultry Annual	07/24/2013
CA13039	CFIA Consults on Fertilizers Regulations Modernization	07/19/2013
CA13037	CFIA Announces New Deadline in Food Safety Consultations	07/08/2013
CA13036	Biotechnology Annual	07/05/2013
CA13034	Biofuels Annual	06/28/2013
CA13031	CFIA Launched Consultations on New Food Regulations	06/11/2013
CA13018	CFIA Consults on Inspection Modernization and Sets the Stage for Future Food Regulations	04/03/2013
CA13016	Grain and Feed Annual	04/02/2013
CA13015	Oilseeds and Products Annual	03/22/2013
CA13013	Overview of BTB and RCC Roundtable on Food and Consumer Products	03/11/2013
CA13012	Livestock – Semi-annual	03/01/2013
CA13008	Canadian Consumer Insights	02/08/2013
CA13004	Grain and Feed Update	1/28/2013
CA13001	Retail Food Sector Report	1/22/2013

5E. Summary of Key Resources

Angus – Reid (2011). Commissioned FAS Consumer Survey Study
BrandSpark International (2013). Commissioned FAS Consumer Survey Study
Colliers International. (2011). *The Retail Report Canada Fall Edition*
Canadian Grocer. (2013). *Category Captains*
Canadian Grocer. (2012-2013). *Executive Report*.
Canadian Grocer Who's Who. (2014). *Annual Directory of Chains and Groups in Canada*.
Canadian Press for Canadian Grocer. (December 14, 2011)
Food Industry Weathered Economic Storm
Colliers International. *2013 Fall Retail Report and Forecast* (December 2013)
The Conference Board of Canada.
Valuing Food: The Economic Contribution of Canada's Food Sector. (June 2011)
Liberalization' Last Frontier Canada's Food Trade (July 2013)
Enough for All: Household Food Security in Canada (August 2013)
Improving Food Literacy in Canada. (October 2013)
Directory of Retail Chains in Canada (2013).

Dun and Bradstreet Canadian Business Directory 2013
Euromonitor International. (March 2013). *Grocery Retailers in Canada.*
Euromonitor International. (February 2013). *Packaged Food in Canada*
Euromonitor International. (September 2013). *Naturally Healthy Packaged Food in Canada*
Food Safety News. (January 2013). *Food Safety Top Concern for Canadians*
Grocery Business. (November 2012). *Taking a Flyer*
Grocery Business. (November – December 2013). *The Ultimate Disrupter Amazon*
Global Trade Atlas. (2006-2014)
Industry Canada, Office of Consumer Affairs. (August and September 2011)
State of the Industry- Grocery Business.
Ipsos Research (May 2011). *Every Penny Counts Synovate Research Shows Canadian Grocery Shoppers Favor Discount Coupons to offset Rising Grocery Prices.*
Leger Marketing (September 2012). Commissioned FAS Consumer Study.
The Nielsen Company. (2013). *Ethnic Opportunity*
The Nielsen Company. (2013). *Fresh Produce*
The Nielsen Company. (March 2013). *Market Track*
Rogers Media. (2012). *Directory of Retail Chains in Canada.*
Statistics Canada. (2012-2013). *Retail Sales by type of Stores.*
TD Financial Bank Group (2013)