



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 3/22/2004

**GAIN Report Number:** CA4019

## Canada

### HRI Food Service Sector

### Annual

### 2004

**Approved by:**

Gary Groves  
U.S. Embassy

**Prepared by:**

Marilyn Bailey

---

**Report Highlights:**

Self-operated institutional foodservice, full-service and limited-service restaurants, as well as healthy style foods, lead Canadian foodservice opportunities.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Ottawa [CA1]  
[CA]

**Table of Contents**

**SECTION I. MARKET SUMMARY..... 3**  
**SECTION II. ROAD MAP FOR MARKET ENTRY..... 7**  
    A. ENTRY STRATEGY .....7  
    B. MARKET STRUCTURE..... 11  
    C. SUB-SECTOR PROFILES ..... 12  
**SECTION III. COMPETITION.....13**  
**SECTION IV. BEST PRODUCT PROSPECTS/TRENDS.....14**  
    Products Facing Significant Barriers: ..... 17  
**SECTION V. POST CONTACT AND FURTHER INFORMATION.....18**

## SECTION I. MARKET SUMMARY

Total foodservice sales for 2002 reached C\$42.7 billion<sup>1</sup>, a 3.9 percent jump over 2001, but still minimal growth when accounting for inflation. Significant increases in sales did not occur in 2003. However, some rebound was noted in October 2003, largely as a result of strong gains in the full-service restaurant sector where sales jumped 6.6%. Going into 2004, trade sources project industry-wide growth of 4.2 percent, with the greatest gains expected in the social catering sector and full-service restaurants.

Global and domestic problems continue to affect the industry. Elements that have challenged the foodservice industry of late include weak economic growth in the U.S., which has spilled over to Canada's economy and the rising Canadian dollar. A drop in airline traffic and the SARS outbreak resulted in a dismal tourist season for many parts of Canada in 2003, especially the Toronto area. Tourism accounts for approximately 21% of total foodservice sales in Canada.

In the U.S. where consumers have higher average disposable incomes and pay no Goods and Services Tax (GST), spending at restaurants accounts for 42% of the household food dollar, compared to 30.3% in Canada. Demographic changes will continue to shape the Canadian foodservice industry over the next 10 years. By 2011, 35% of Canadians will be aged 50 or over, up from only 20% in 2001. At the same time, the number of Canadians under the age of 14 will drop by nearly 575,000.

Self-operated foodservice in institutional settings was the top performing foodservice sector of 2003 as sales grew a projected 5.7% or \$2.7 billion. This was driven by higher per-patient foodservice costs by health care institutions, increased military activity overseas, and education and remote foodservice gains. Full-service and limited-service restaurants present the greatest opportunities for U.S. agri-food exporters in the Canadian restaurant market. Demand for healthier food options, organic foods, low fat diets, low carbohydrate – high protein diets, and vegetarianism are all on the rise -- driven primarily by the aging baby boomers.

The Canadian food service sector has two dominant segments, the Commercial segment (restaurants and bars) and the Non-commercial segment (hotels and other institutions). Within both of the key segments are the following sub-segments.

Commercial Sub Sector (78% of total food service sales)

- a) Full Service Restaurants: This segment is the largest of the segments with 39% of commercial sales. It includes establishments licensed to service liquor (fine dining, family and informal dining) and unlicensed establishments (quick service restaurants that have seats).
- b) Limited service restaurants: This segment represents 28% of the commercial market. It includes quick-service restaurants, cafeterias, food courts and take-out and delivery establishments.
- c) Caterers: Caterers represent 7% of commercial sales. It includes contract caterers supplying foodservice to airlines, railways, and institutions and at recreational facilities, and social caterers providing foodservices for special events.

---

<sup>1</sup> Canadian Restaurant & Foodservices Association (CRFA)

## Comparison of Commercial Foodservice Sub-Sectors (Millions C\$)

Facility	1999	2000	2001	2002	2003 Projection	2004 Forecast	% Change 2004/2003
Full Service Restaurant	13,283 .5	14,331 .3	15,671 .3	16,316. 3	\$16,667.3	\$17,385. 9	4.3%
Limited-Service Restaurant	10,583 .3	11,134 .9	11,625 .0	11,788. 2	\$12,259.2	\$12,618. 8	2.9%
Contract & Social Caterers	2,238. 7	2,567. 9	2,653. 9	2,789.0	\$2,649.9	\$2,782.3	5.0%
Pubs, Taverns & Nightclubs	2,038. 3	2,210. 3	2,280. 9	2,241.2	\$2,115.5	\$2,171.4	2.6%
Total Commercial	28,143 .9	30,244 .4	32,231 .1	33,134. 7	\$33,691.9	\$34,958. 4	3.8%

## Commercial Foodservice Units and Sales, by Province 2002

Province	Foodservice Units	Sales (Cdn. \$'000)	Real Growth 2002/2001	Average Sales Per Unit
Newfoundland/Labrador	1,039	\$ 341,790	-4.8%	\$395,133
Prince Edward Island	319	\$ 134,429	-2.9%	\$499,736
Nova Scotia	1,675	\$ 949,942	8.0%	\$522,613
New Brunswick	1,522	\$ 666,536	-3.9%	\$468,402
Quebec	16,302	\$6,593,402	3.5%	\$481,376
Ontario	22,257	13,103,688	1.7%	\$674,717
Manitoba	1,951	\$872,017	-1.1%	\$496,028
Saskatchewan	1,832	\$935,969	-1.6%	\$571,061
Alberta	6,881	\$4,310,221	-6.5%	\$723,434
British Columbia	9,414	\$5,101,205	-4.6%	\$631,103
CANADA	63,367	\$33,134,692	-0.3%	\$602,712

Source: Statistics Canada and Industry Canada

The number of commercial foodservice units in 2002 was 63,367, down from 63,879 in 2001. Weak foodservice sales and a slowdown in unit expansion resulted in a decline in the number of units, with taverns, bars and nightclubs reporting the largest drop. Although independent restaurant units outnumber chain units by nearly two to one, the top 50 foodservice chains account for more than 50% of total sales.

## Non Commercial Sub-Sector (22% of total food service sales)

- a) Accommodation represents 10% of non-commercial sales. This sub-segment represents all the food sold through hotels, motels and resorts including fine dining, catering and quick service.
- b) Institutional Foodservice: This segment represents 6% of non-commercial sales. This segment represents foodservice in hospitals, residential care facilities, schools, prisons, factories and offices. It includes patient and inmate meals.
- c) Retail Foodservice represents 2% of this sector and includes department store cafeterias and restaurants.
- d) Other Foodservice, which includes the vending machine segment, sports and private clubs, movie theatres, stadiums and other seasonal, or entertainment operation, represents 4% of the non-commercial sector.

## Comparison of Non-Commercial Foodservice Sub-Sectors (Millions C\$)

Facility	1999	2000	2001	2002	2003 Projection	2004 Forecast	% Change 2004/2003
Accommodation Foodservice	3,968. 0	4,213. 0	4,147. 0	4,342.0	\$4,187.0	\$4,456.0	6.4%
Institutional Foodservice *	2,098. 7	2,219. 6	2,404. 2	2,577.7	\$2,724.7	\$2,788.5	2.3%
Retail Foodservice **	573.8	671.5	676.1	774.4	\$815.5	\$853.0	4.6%
Other Foodservice ***	1,659. 1	1,731. 1	1,799. 9	1,871.4	\$1,897.3	\$1,985.1	4.6%
Total Non Commercial	8,299. 6	8,835. 2	9,027. 2	9,565.6	\$9,624.5	\$10,082. 6	4.8%
Total Foodservice	36,443 .5	39,079 .6	9,027. 2	9,565.6	\$43,316.4	\$45,041. 0	4.0%
Real Growth		5.1%	2.4%	0.4%	-1.0%		1.9%

Source: CRFA's InfoStats, Statistics Canada, Geoff Wilson & Associates Inc. and Pannell Kerr Foster

\*Includes education, transportation, health care, correctional, remote, private and public sector dining and military foodservice.

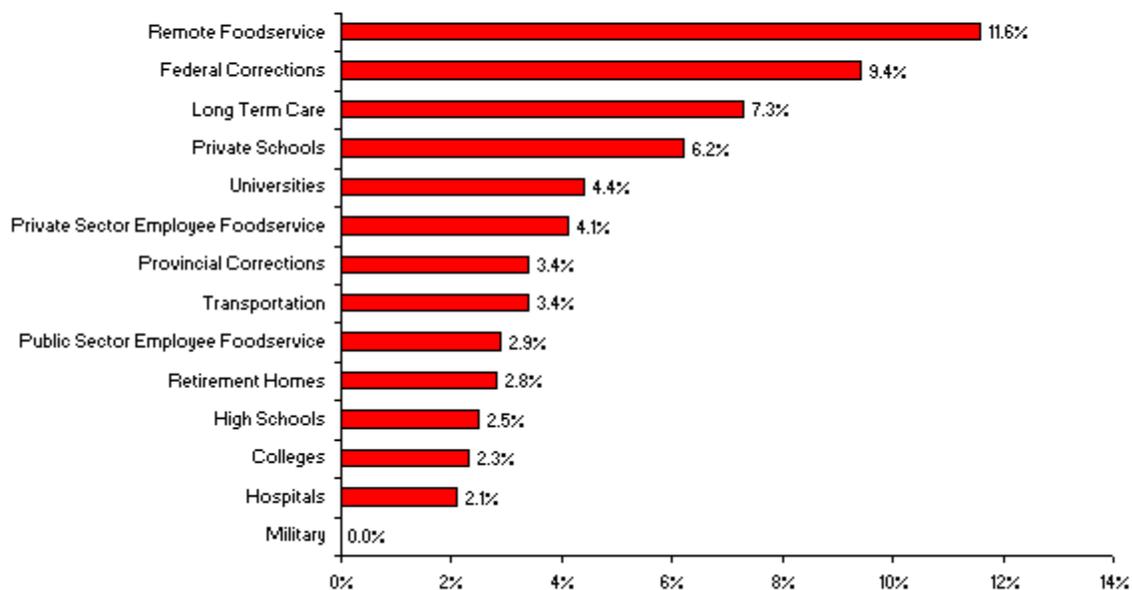
\*\* Includes foodservice operated by department stores, convenience stores and other retail establishments.

\*\*\* Includes vending, sports and private clubs, movie theatres, stadiums and other seasonal or entertainment operators.

The Hotel Association of Canada has reported that in 2002, there were 6,526 hotel properties in Canada with 367,271 rooms. Limited hotels (limited foodservice and meeting space), accounted for 39.7% of hotels and 35.8% of rooms while full serve hotels (full complement of food and beverage options including room service and other hotel amenities which may include meeting rooms, health club swimming pool(s) and retail outlets) accounted for 18.1% of hotels and 40.8% of rooms.

Remote foodservice is forecast to be one of the fastest growing institutional foodservice categories. Foodservice sales and expenditures in this category, which includes food and beverage service for remote camps supporting mining, forestry, oil and gas, is forecast to increase by 11.6% in 2003.

**Year-Over-Year Change in Institutional Foodservice  
Sales and Expenditures - 2003  
(combined self-operated and managed services providers)**



Source: geoff wilson & associates inc.

#### Advantages and Challenges Facing U.S. Products In Canada

Advantages	Challenges
U.S. product enters Canada duty free under NAFTA	Most dairy and poultry product imports are controlled and limited under a system of tariff rate quotas (TROs). See section <i>Products Facing Significant Barriers</i> for further details.
High quality, consistency and perception of safety of U.S. product.	Food service predisposition to buy Canadian first means a unique competitive advantage is necessary.
Geographical proximity gives U.S. exporters an advantage	Geographical vastness encourages regional distribution
Familiarity and confidence in Canadian based U.S. chains (hotels, restaurants and fast food) establishments	Competition from domestic producers and other countries
Canada's wide ethnic diversity provides broad specialty cuisine opportunities	Products that benefit by their identification with the U.S. in some foreign markets do not necessarily enjoy the same marketing advantage in Canada.
The Canadian dollar is strengthening against the U.S. dollar.	Products must be differentiated in new and unique ways to attract Canadian buyers.
Canadian consumers enjoy a high disposable income, coupled with a growing interest in global cuisine	Canadian personal disposable income is significantly less than that of the U.S. Only 3% of dinners eaten at home are sourced from restaurants – less than half of the rate in the U.S.
U.S. food products match Canadian tastes and expectations	

To meet current Canadian demand, the U.S. is the main supplier of organic food to Canada at 85-90% of the market.	The sophisticated selection of product already available in the Canadian market.
---	--

### Economic Factors Affecting the Canadian Foodservice Industry

Notwithstanding the persistent pessimism from 9/11, 2003 began on a fairly positive note, with a rather robust Canadian economy compared to the U.S. The economic climate gradually faltered as businesses increasingly downsized and cut back on their travel budgets, and tourism to Canada began to weaken. This was followed up with the war on Iraq, followed by the SARS outbreak, mad cow, corporate scandals, stock-market instability, layoffs, forest fires and the "big blackout", adding up to a less than stellar year in 2003. Predictions for 2004 suggest significant recovery.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. ENTRY STRATEGY

U.S. food product manufacturers seeking to enter the Canadian marketplace have vast opportunities. Canada is the U.S.'s primary trading partner – more than 64 percent of Canada's manufactured food imports originate from the U.S. This is a result of a number of factors, including a convenient shipping corridor and a familiarity between consumer tastes and expectations.

Although Canadian's are always on the lookout for new and innovative U.S. product, there are a number of obstacles U.S. exporters must overcome before exporting to Canada. These may include currency, customs procedures and labeling requirements.

Overcoming these obstacles is simple with the right tools. Following are the main steps to take for U.S. exporters entering the Canadian market:

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

Step One: Contact your State Regional

The State Regional Trade Group offices exist to help promote the export of food and agricultural products from specific geographical regions of the country and can in some cases provide financial assistance as well as marketing advice. Contact the office in your area.

State Regional	Web Site	States
Food Export USA	<a href="http://www.foodexportusa.org">http://www.foodexportusa.org</a>	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont
Mid-American International Agri-Trade Council (MIATCO)	<a href="http://www.miatco.org">http://www.miatco.org</a>	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

Southern U.S. Trade Association (SUSTA)	<a href="http://www.susta.org">http://www.susta.org</a>	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Puerto Rico
Western U.S. Agricultural Trade Association (WUSATA)	<a href="http://www.wusata.org">http://www.wusata.org</a>	Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington, Wyoming

#### Step Two: Research the competitive marketplace

The State Regional Offices will often have information on specific markets that they can provide to aid in market research. Additionally, the CANADA CONNECT program provides an element to assist in determining the acceptance of your product in Canada. (See information on CANADA CONNECT program in next section). Another means of conducting market research in the Canadian foodservice market, as well as aiding in finding a broker/distributor to represent you in this market is by exhibiting in the US Pavilion at the Canadian Food & Beverage Show, the largest foodservice show in Canada, held in February of each year in Toronto. Other trade shows in Canada that may prove beneficial for this purpose is the SIAL Montreal Show, which is held every other year. The next show is April 2005. Information on both of these shows is available on-line.

#### Step Three: Locate A Broker/Distributor

Since entry on the Canadian scene of U.S. giants Sysco and Gordon Foodservice, all indications are that the majority of foodservice purchases are made through these large foodservice distributors. Foodservice buyers still rely on the smaller distributors to secure specialty and niche market products. Large foodservice distributors may be interested in U.S. product that can demonstrate a market or uniqueness. Foodservice establishments with a high volume buying ability often request their distributor carry particular products of interest. Also, products are often carried on a co-label basis.

The USDA/FAS Office of Agricultural Affairs, U.S. Embassy Canada can provide assistance in locating a broker/distributor. Services available to help exporters locate appropriate brokers/distributors include USDA endorsed pavilions at various Canadian trade shows and a matchmaker program entitled, CANADA CONNECT, (see FAS Report CA2129 on the FAS Web Site: [www.fas.usda.gov](http://www.fas.usda.gov)) for details on this program that provides market information and meetings with potential, pre-screened, buyers.

A partial listing of Canadian food brokers is available through The Association of Sales and Marketing Companies [www.asmc.org](http://www.asmc.org). or on the FAS Web Site, Report CA2114.

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

There are a number of federal acts and regulations that govern the importation of food into Canada. The primary federal agencies involved are the Canadian Food Inspection Agency (CFIA), the Department of Foreign Affairs and International Trade (DFAIT) and Health Canada (HC). For more information on the various regulations, please refer to the agency web sites.

The Canadian Food Inspection Agency (CFIA):

The CFIA provides all federal inspection services related to food safety, economic fraud, trade-related requirements, and animal and plant disease and pest programs. The CFIA administers, among others, the following acts:

- Canada Agricultural Products Act and associated regulations  
<http://www.inspection.gc.ca/english/reg/rege.shtml>
- Canadian Food Inspection Agency Act  
<http://laws.justice.gc.ca/en/C-16.5/index.html>
- Consumer Packaging and Labeling Act  
<http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml>
- Customs Act  
<http://laws.justice.gc.ca/en/c-52.6/45587.html>
- Export and Import Permits Act  
<http://laws.justice.gc.ca/en/e-19/55728.html>
- Food and Drug Act  
<http://laws.justice.gc.ca/en/f-27/60010.html>
- Importation of Intoxicating Liquors Act  
<http://laws.justice.gc.ca/en/i-3/63962.html>
- Meat Inspection Act  
<http://laws.justice.gc.ca/en/m-3.2/81330.html>
- Weight and Measures Act  
<http://laws.justice.gc.ca/en/w-6/106103.html>

All federally mandated food inspection and quarantine services for domestic and imported foods are consolidated into the Canadian Food Inspection Agency (CFIA) (<http://www.inspection.gc.ca>). They coordinate the requirements of Agriculture and Agri-Food Canada, Health Canada, Industry Canada and the Department of Fisheries and Oceans Canada. The responsibility of food safety policy and risk assessment remains with Health Canada. For information on the regulations that pertain to your product, contact one of the CFIA Import Service Centers across Canada:

<b>Import Service Center</b>	<b>Operational</b>	<b>Contact</b>
Eastern Import Service Center	7:00 a.m. to 11:00 p.m. (local time)	Telephone: 1-877-493-0468 (inside Canada/U.S.) Facsimile: 1-514-493-4103
Central Import Service Center	7:00 a.m. to 12:00 a.m. (local time)	Telephone: 1-800-835-4486 (inside Canada/U.S.) Facsimile: 1-905-612-6280
Western Import Service Center	7:00 a.m. to 12:00 a.m. (local time)	Telephone: 1-888-732-6222 (inside Canada/US) Facsimile: 1-604-270-9247

The Food and Drug Act and Regulations are the primary legislation that applies to all food sold in Canada, whether imported or domestic. This legislation sets out minimum health and safety requirements, as well as provisions preventing fraud or deception (labeling, packaging, treatment, processing, sales and advertising).

<http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml>

Food products sold for foodservice must comply with all of the same regulations as other food products; however labeling information is not required in both official languages, English and French. Language regulations are less stringent for food/beverage items intended exclusively for foodservice. If the shipping container and its contents are not for resale as one unit prepackaged product to the consumer at the retail level only one of two official languages is required, depending on its destination. In the province of Quebec, French language labeling is required. In most other areas of Canada English is accepted. See regulation B.01.012 in the Food and Drug Regulations:

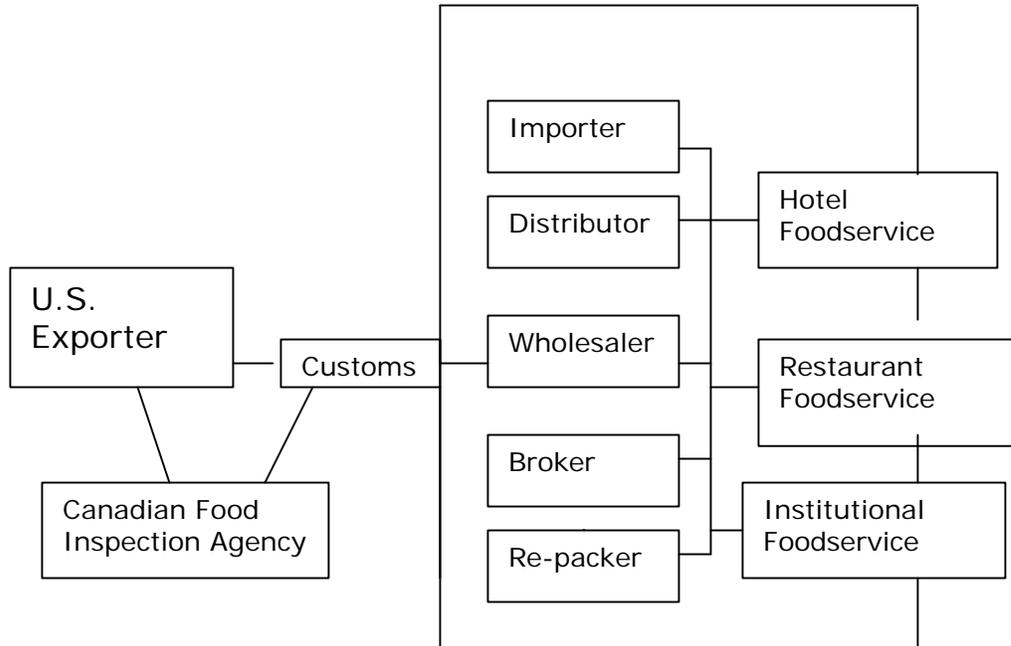
<http://www.inspection.gc.ca/english/fssa/labeti/guide/toce.shtml>

<b>Government Regulatory Organizations</b>	<b>Function</b>	<b>Information</b>
Canadian Food Inspection Agency (CFIA)	Government of Canada's regulator for food safety (as well as Health Canada), animal health and plant protection	<a href="http://www.inspection.gc.ca">www.inspection.gc.ca</a>
Canada Customs and Revenue Agency (CCRA)	Compliance with Canada's tax, trade, border legislation and regulations	<a href="http://www.ccra-adrc.gc.ca">www.ccra-adrc.gc.ca</a>
Canadian Food and Drug Act	A regulatory document provided by Health Canada which outlines information regarding specific food import restrictions	<a href="http://www.hc-sc.gc.ca/food-aliment/">www.hc-sc.gc.ca/food-aliment/</a>
Foreign Affairs and International Trade (DFAIT) Export & Import Controls Bureau	Responsible for allocating tariff rate quotas to importers	<a href="http://www.dfait-maeci.g.ca/eiccb">www.dfait-maeci.g.ca/eiccb</a>
Measurement Canada	Administers and enforces the Weights and Measures Act for food labeling purposes	<a href="http://www.strategis.ic.gc.ca">www.strategis.ic.gc.ca</a>

Canadian agents, distributors, brokers, and/or importers are often the best equipped to assist exporters through the regulatory import 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.

**B. MARKET STRUCTURE**

**Distribution Channel Flow Chart for Market Entry into Canada**



Domestic, as well as imported food product in the Canadian marketplace may route directly to the foodservice establishment but more often it filters through importers, brokers, distributors, wholesalers and/or re-packers. For the smaller restaurants or hotel foodservice establishments most foodservice purchases would be made through a wholesaler or distributor, while large chains could choose to purchase directly, through customized growing agreements, contract purchasing, through a central buying office, or from a chain wide designated distributor. Most foodservice establishments choose to purchase the majority of product through the large foodservice distributors like Gordon Food Service and Sysco. Specialty and niche products are purchased through the smaller distributors.

The Food Marketing and Distribution Sector of Canada, a publication available from Agriculture & Agri-food Canada is available on line with helpful information: <http://www.agr.gc.ca/food/industryinfo/distribution/distribution.pdf>

<p>Gordon Food Service                  2999 James Snow Parkway                  Milton, Ontario L9T 4Y9                  Tel: (800)268-0159                  (905)864-3700                  Fax: (905)864-3845                  General Email Inquiries:  <a href="mailto:Canada@gfs.com">Canada@gfs.com</a></p>	<p>SYSCO SERCA Food Services                  302 The East Mall, Suite 102                  Toronto, Ontario L5S 1Y7                  Tel: (416)234-2666                  Fax: (416)234-2650                  For a list of other Canadian offices:                  Web Site: <a href="http://www.sysco.com">www.sysco.com</a>                  Offices across Canada.</p>
---	---

Web Site: <a href="http://www.gfs.com">www.gfs.com</a> In Quebec the company is called Distal Distributors.	
Bridgebrand Food Service (a gfs company) 1802 Centre Avenue Calgary, Alberta T2E 0A6 BC & Saskatchewan Toll Free: 1-800-661-7090 Alberta Toll Free: 1-800-332-1118 Bob Russell, President Email: <a href="mailto:russellb@bridgebrand.ca">russellb@bridgebrand.ca</a> Web site: <a href="http://www.bridgebrand.com">www.bridgebrand.com</a>	National Importers Inc. 1376 Cliveden Avenue Annacis Business Park New Westminster, BC V3M 6K2 Tel: 604-520-1555 Fax: 604-520-0827 Ron Hodgkinson, Market Development Email: <a href="mailto:ronhodgkinson@nationalimporters.com">ronhodgkinson@nationalimporters.com</a>
Inform Brokerage 1230 West 7 <sup>th</sup> Avenue Vancouver, BC V6P 3G3 Tel: 604-324-0565 Fax: 604-324-4424 Web Site: <a href="http://www.informbrokerage.com">www.informbrokerage.com</a> Contact: Randy Kahlon, Product Manager	

### C. SUB-SECTOR PROFILES

Commercial Sub Sector

Restaurants

Top 5 Family Restaurant Chains of 2002

Restaurant	Revenue in Millions C\$
Kelsey's	\$373.0
Prime Restaurants	\$313.9
Keg Restaurants	\$277.0
SIR Corp.	\$178.3
Northland Properties	\$172.6

Source: Foodservice & Hospitality Magazine, Top 100 Report, July 2003

#### Non-Commercial Sub Sector:

Hotel & Resort Sector:

Top 10 Hotel Companies in Canada by Revenue, 2001

Company	Revenue (in millions C\$)	Company Type
Four Seasons Hotels	\$2,805.9	Management
Fairmont Hotels & Resorts	\$2,589.3	Management, Owning
Starwood Hotels & Resorts	\$733.0	Franchising, Management
Legacy Hotels Real Estate	\$606.8	Owning
Best Western International	\$537.0	Non-Profit Association
Westmont Hospitality Group	\$500.0	Franchising, Management
Choice Hotels Canada	\$472.1	Franchising
Six Continents Hotels	\$363.9	Franchising
Marriott Hotels of Canada	\$339.9	Management, Owning
AFM Hospitality	\$339.0	Franchising, Management

Source: Hotel Association of Canada

Institutional Sector:

Key Ontario based Institutional Foodservice Operators in 2002

Company	Revenue in Millions C\$
ARAMARK	\$700
Compass	\$615
Sodexo	\$286.6

See report CA2074, An Overview of the Institutional Foodservice Market in Canada, 2002, for a more complete look at the Institutional foodservice industry in Canada.

### SECTION III. COMPETITION

The Canadian foodservice industry generally prefers to use Canadian product whenever possible but are open to new and innovative products whether local or imported. The foodservice markets in Eastern and Western Canada have different orientations when it comes to import sourcing. In Eastern Canada the orientation is a combination of Europe and the U.S., with a very strong U.S. presence. In the West there is little orientation to Europe and a much closer relationship with U.S. market import sourcing.

U.S. dominance in the Canadian market can be attributed to several factors:

- Proximity (90% of the Canadian population is within 100 miles of the U.S. border)
- A similar culture, eating habits and food trends
- Common restaurant and hotel chains
- Generally higher levels of food production efficiency in the U.S.
- Similar social trends driving food demand, including time poverty
- NAFTA, which resulted in the elimination of import duties for most products

Competition in the Canadian Market for U.S. Product 2003

Product Category (HS Code) & Total Import Market	Major Supply Sources	Advantages & Disadvantages
Fish & Seafood (03) US\$1083 Million	1. U.S. 46% 2. China 11% 3. Thailand 9%	
Meat (02) US\$933 Million	1. U.S. 53% 2. NZ 16% 3. Australia 12%	
Prepared Meat, Fish, etc. (16) US\$573 Million	1. U.S. 66% 2. Thailand 22%	
Fruits & Nuts (08) US\$1808 Million	1. U.S. 53% 2. Chili 8% 3. Mexico 6% 4. Costa Rica 6%	
Vegetables (07) US\$1337 Million	1. U.S. 76% 2. Mexico 12%	
Bakery Related Products (19) US\$1131 Million	1. U.S. 81% 2. Italy 3% 3. UK 2%	
Dairy, Eggs, Honey (04)	1. U.S. 28%	Marketing Boards and TRQ's

US\$348 Million	2. NZ 21% 3. France 11% 4. Italy 9%	control the import of these products (see section: Products Facing Significant Barriers).
Prepared Foods (20) US\$917 Million	1. U.S. 62% 2. Brazil 8% 3. China 5%	
Wine (2204) US\$825 Million	1. France 33% 2. Italy 19% 3. Australia 16% 4. U.S. 12% 5. Chili 5%	Cultural/Ethnic preferences, cost and aggressive promotional campaigns by some countries, place U.S. wine in a less favorable light.

#### SECTION IV. BEST PRODUCT PROSPECTS/TRENDS

Trends expected to affect the foodservice sector in the year ahead are driven by a desire for healthier food options. This trend, like so many others before it, is being driven largely by the aging baby boomers forced into lighter living, often because of health reasons.

Trends on the rise:

- Organic foods
- Low fat diets
- Low carbohydrate/ High protein diets
- Vegetarianism
- Lighter meals and less food on the plate
- Increased awareness and demand for higher-quality ingredients with specific origins, prepared authentically, not over-processed
- Convenient foods

People are into food and consumers are becoming more educated on food:

- Chefs' tables
- Wine makers' dinners
- Cooking lessons
- Cooking show

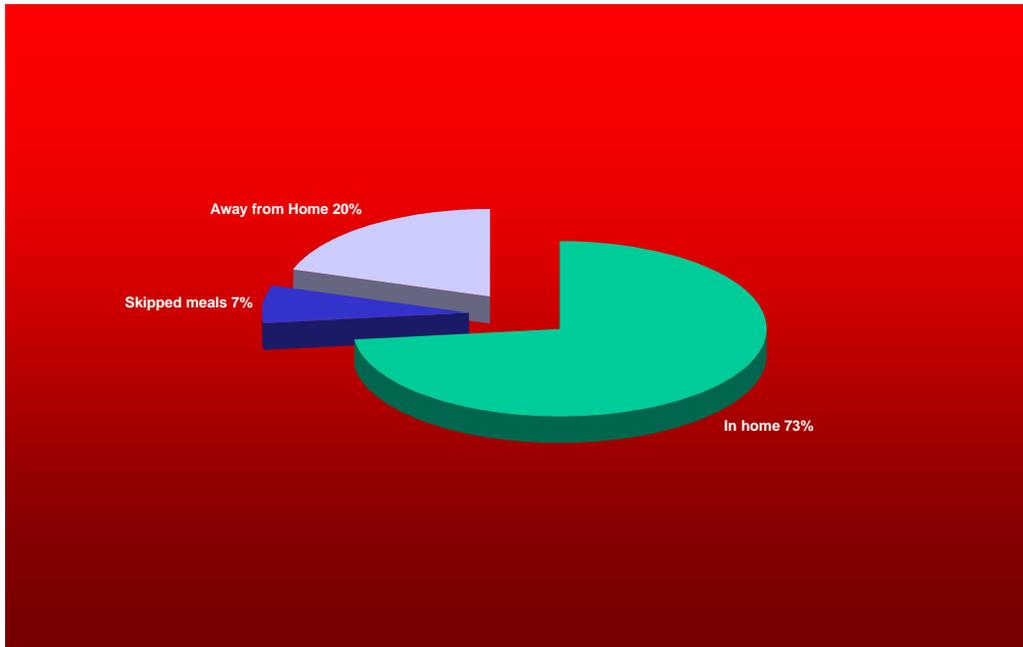
Food/beverage products on the rise:

- Wild game meats
- High-end vegetables: exotic mushrooms, white asparagus, etc.
- Soy product
- Meat dishes
- Replacements for pasta, rice & potatoes: spaghetti squash, etc.
- Processed foods that will enhance fresh product
- Red wine over white
- Aperitifs
- Healthy snacks; juice, bottled water, natural snacks, fruit snacks, etc.
- Julienne snow peas, carrots, etc.
- Low carb foods: pizza crust, tortillas, etc.

- In the quest for healthier food options (and because of a higher awareness of food allergies), consumers are becoming increasingly conscious of what goes into their food. The foodservice sector is responding by providing more detailed nutritional information on menus, including ingredient breakdowns and fat content.

- Takeout and delivery is expected to continue to grow over the coming years. People are looking for a better dining experience in their own home. Taking “fast food” home, where you can sit down with your family, helps provide that experience.

## Where Canadians Eat Their Meals



Source: NPD Group Eating Patterns in Canada Report, October 2002

In Home – Total 73%

- In-home sourced from retail 69%
- In-home sourced from restaurants 3%
- In-home home meal replacement 1%

Away From Home – Total 20%

- Carried from home 8%
- At a restaurant 7%
- All other 6%

Although past years data is not available, The Canadian Restaurant & Foodservices Association verified that very little change has occurred over the past several years.

### Share of Meal Occasions By On-Premise and Off-Premise

	2000	2001	2002
Total	100%	100%	100%
On-Premise	43.0%	40.5%	41
Off-Premise	57.0%	59.5%	59.0%
- Telephone Delivery	6.3%	6.0%	5.9%
- Drive Through	15.9%	18.1%	18.3%
- Takeout	35.0%	35.5%	35.0%

Source: CREST/NPD Foodservice Information Group

## Share of Meal Occasions by Daypart

Meal	2000	2001	2002
Breakfast/Morning Snack	17.1%	18.5%	18.7%
Lunch	28.8%	29.2%	28.6%
Supper	38.0%	36.0%	36.1%
PM Snack	15.3%	15.4%	15.6%

The breakfast/morning snack category has grown from only 15.5% of meal occasions in 1996 to 18.7% in 2002, due to increased consumer demand for convenience and product innovation by restaurateurs. Despite the growing popularity of breakfast and snacks at restaurants, supper remains the dominant mealtime, accounting for more than one in three meal occasions.

Source: CREST/NPD Foodservice Information Group

## Top 10 Foods

2002 Rank	Food Category	2002 Share of Occasions	1998 Share of Occasions
1	French Fries	22%	24%
2	Hamburgers	11%	12%
3	Unsweetened Baked Goods	11%	12%
4	Salads	11%	12%
5	Chicken	10%	11%
6	Pizza	10%	12%
7	Sandwiches	8%	9%
8	Sweetened Baked Goods	7%	6%
9	Desserts*	6%	N/a
10	Ice Cream/Frozen Yogurt	5%	5%

**Unsweetened Baked Goods:** croissants, sliced bread/toast, English muffins, bagels, dinner rolls/buns, crackers, bread sticks, melba and other breads; **Chicken:** excludes chicken sandwiches. **Sweetened Baked Goods:** muffins, doughnuts, cinnamon rolls/buns, Danishes and other sweet rolls/buns; **Desserts:** brownies, cakes, pastries, pies, cheesecakes, cookies and other desserts.

\*Because of a change in methodology, a direct comparison between 1998 and 2002 cannot be made.

Source: Crest/NPD Foodservice Information Group and Canadian Restaurant and Foodservices Association.

## Top 10 Beverages

2002 Rank	Beverage Category	2002 Share of Occasions	1998 Share of Occasions
1	Regular Coffee	21%	22%
2	Regular Soft Drink	16%	18%
3	Diet Soft Drink	4%	5%
4	Hot Tea	4%	4%
5	Juice	3%	3%
6	Milk/Chocolate Milk	3%	3%
7	Beer	2%	3%
8	Iced Tea	2%	1%
9	Wine	2%	2%
10	Espresso/Cappuccino/Specialty Coffee	2%	2%

Source: CREST/NPD Foodservice Information Group and CRFA

## What's Growing ... and What's Slowing?

	<b>Growing</b>		<b>Slowing</b>
1	Regular Coffee	1	Cakes/Pastry
2	Salads*	2	Rice
3	Traditional fries and poutine*	3	Shakes/malts
4	Muffins	4	Pies
5	Subs	5	Pudding
6	Bagels	6	Tomato/vegetable juice
7	Juices (orange/other)	7	Cereal
8	Iced Tea	8	Mexican
9	Chicken nuggets and strips	9	Gelatin
10	Bottled water	10	Mashed potato

Source: CREST/NPD Foodservice Information Group and Canadian Restaurant and Foodservices Association.

\* Poutine is fries topped with gravy and cheese curds.

\*Main-dish salads are the fastest growing segment enjoying 17% growth in quick service restaurants. Canadians are trying to live healthier and a big part of that is eating high-quality food. Taste, nutrition and convenience are the key elements.

### Products Facing Significant Barriers:

Due to the complexity of the legislative requirements, it is recommended to contact a Canadian Food Inspection Agency Import Service Centre to obtain complete and current information regarding your specific product. The Canadian Food Inspection Agency is responsible for the inspection of food products at all levels of trade. Following are the restrictions that could inhibit certain products from entering the country:

#### Tariff Rate Quota [TRQ]:

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

Under the TRQ system, product up to a certain volume is imported at the "within access commitment" tariff rate. Over this permitted level the "over-access commitment" tariff rate escalates. These higher tariffs enable Canada to maintain its system of orderly supply management for certain agricultural products.

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

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

Products that fall into this category include:

<ul style="list-style-type: none"> <li>▪ Broiler hatching chicks and eggs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Chicken</li> <li>▪ Butter</li> </ul>
--	---

<ul style="list-style-type: none"> <li>▪ Turkey</li> <li>▪ Cheese</li> <li>▪ Milk and Cream</li> <li>▪ Yogurt</li> <li>▪ Ice Goods</li> </ul>	<ul style="list-style-type: none"> <li>▪ Buttermilk</li> <li>▪ Dairy Blends</li> <li>▪ Margarine</li> <li>▪ Eggs</li> </ul>
---	---

## SECTION V. POST CONTACT AND FURTHER INFORMATION

Prepared by:  
Office of Agricultural Affairs  
Embassy of the United States of America  
Ottawa, Canada  
Telephone: (613) 688-5267  
Facsimile: (613) 688-3124  
Email: [AgOttawa@usda.gov](mailto:AgOttawa@usda.gov)

### Find Us on the World Wide Web:

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

### Related FAS/Ottawa reports:

AGR#	Title of Report	Date
CA0135	Private Label Grocery Opportunities	09/11/00
CA0174	Pet Food Industry Product Brief	11/06/00
CA1126	Exploring Canada's Food Manufacturing Industry	09/18/01
CA2001	Organic Food Industry Report	01/04/02
CA2002	Convenience & Non-Traditional Grocery Outlets Report	01/04/02
CA2021	Quebec as a Market for U.S. Wines	02/05/02
CA2026	Controversial Quebec Plan for Wine Marketing	03/15/02
CA2037	Quebec Beer Industry Overview	04/15/02
CA2048	Kosher Foods Market	09/20/02
CA2075	An Overview of the Institutional Foodservice Market in Canada	07/10/02
CA2078	Canadian Seafood Industry	07/10/02
CA2100	Exporting U.S. Wine to Ontario	08/20/02
CA2114	Canadian Food Brokers	09/30/02
CA2115	Vending Machine Food Distribution in Canada	10/24/02
CA2124	Asian-Style Foods in the Canadian Market	10/23/02
CA2125	An Overview of Selected Segments of the Canadian Frozen Food Industry	10/24/02
CA2129	Canada Connect Matchmaker Program	11/07/02
CA2132	Marketing In Canada Handbook	11/18/02
CA3001	Canada Introduces Mandatory Nutrition Labeling	01/03/03
CA3006	Snack Food Market In Canada	01/24/03
CA3041	Food & Beverage Shows	07/14/03
CA3074	Retail Sector Report	11/06/03
CA3075	Packaging & Retailing Trends in Fresh Produce	11/20/03