

# The Canadian Market for Coffee

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Unless otherwise specified, all currency is in Canadian dollars.

# 1 Introduction

TFO Canada offers a series of product-specific market reports to exporters in client countries identified by the Canadian Government. This list of countries and the reports are available through [TFO Canada](#) or on request by writing to TFO Canada. They are also distributed through export promotion organizations and Canadian embassies in the client countries as well as through client country embassies accredited to Canada.

The market reports are intended to provide the exporter with background information on the Canadian market for a product; advice on how to go about finding a Canadian importer; and suggestions on what to do once he or she is found. The reports offer exporters enough information to pursue the Canadian market on their own and to seek further details from suggested sources through websites, electronic mail, fax, mail or telephone. These reports are intended for the experienced exporter who is serious about trying to enter the Canadian market. Canada is not the market to test your first export experience; a history of exporting to a market closer to home is invaluable before attempting this one. Show the potential importer that you have done your homework and are serious about a long-term relationship. Research, planning and commitment are essential in establishing a good reputation in trade with this country.

Exporters are encouraged to use this report in parallel with TFO Canada's *Access Canada: A Guide on Exporting to Canada*. The Guide provides information on how to deal with an importer along with other practical information on trading with this country. As well, TFO Canada provides market information on a variety of other consumer sectors that are of interest to exporters from TFO Canada client countries. These are all available free to members registered on our [website](#).

In January 2019, Canada's population estimated at 37.6 million. Nearly 80% of Canadians live within 160 kilometres of the border with the United States, mainly in large urban centres throughout the central and western parts of the country. According to the 2016 Census, [six cities](#) had over a million inhabitants: Toronto (6.1 mi.), Montréal (4.1mi.), Vancouver (2.5 mi.), Calgary (1.4 mi.), Ottawa-Gatineau (1.3 mi.), and Edmonton (1.3 mi.).

Canada's two official languages are English and French. More information on Canada's population is available through [Statistics Canada](#).

## Industry Terms

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The following terms are commonly used in Canada, like in many other coffee markets around the world<sup>1</sup>:

**Acidity:** The tartness, brightness or liveliness perceived on the palate when drinking coffee. Along with body and aroma they make up the three essential components on which coffee is evaluated and categorised.

**Aeropress:** A device for manually brewing coffee. Coffee is steeped in hot water before the plunger is pressed through a filtered tube. Popular for camping.

**Arabica:** A species of coffee tree that accounts for 70% of the world's coffee.

**Blade grinder:** Machine that uses propeller like blades to grind coffee. Considered inferior to a Burr Grinder.

**Blend:** A mix of two or more single origin coffee beans.

**Bloom:** The rapid release of CO<sub>2</sub> gas when hot water comes into contact with ground coffee beans. Coffee blooming refers to the process of dampening the coffee grounds prior to brewing to maximise the release of CO<sub>2</sub> gas and flavor.

**Body:** The impression of the weight of the coffee in your mouth. Ranges from thin to medium to full.

**Burr Grinder:** A Burr grinder is a machine that uses two adjustable revolving surfaces (burrs) in between which coffee beans are ground. Considered far superior to a blade grinder.

**Caffeine:** Natural compound found in coffee that is a stimulant to your nervous system.

**Coffee cupping (or coffee tasting):** is the practice of observing the tastes and aromas of brewed coffee. A standard procedure involves deeply sniffing the coffee, then loudly slurping the coffee so it spreads to the back of the tongue.

**Coffee pod:** term for individual serves of coffee pre-prepared in small capsules for use in single-serve coffee machines.

**Cold Brew:** Ground coffee beans steeped in chilled or room temperature water for several hours. A smooth coffee style, especially popular during summer months.

**Dark Roast:** Almost black beans with high levels of oil on the surface. Thinner flavour, higher bitterness, low acidity.

**Decaffeinated coffee:** Coffee with at least 97% of caffeine removed.

**Drip Coffee:** A style of coffee where the flavour comes from the beans coming in contact with water not under pressure. Percolators, countertop coffee makers and filters fit in this category.

**E.S.E. pods:** Easy Serving Espresso pods are small packed pre-ground coffee pods encased in a paper filter. Created by Illy in the 1970s they are considered environmentally friendly.

**Ethical Sourcing:** The process of ensuring that coffee is sourced from responsible and sustainable methods or sources. It is usually verified by independent certification specialists to make sure it meets stringent economic, environmental and social standards for the coffee farmers/growers.

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<sup>1</sup> Unless stated otherwise, these definitions were taken in the Glossary of Coffee Terminology at: [www.creatorscoffee.com/coffee-terminology](http://www.creatorscoffee.com/coffee-terminology)

**Extraction:** The brewing process whereby flavour is drawn from the coffee grounds.

**Filter basket:** A metal round container with a perforated floor in which ground coffee is placed and tamped for preparing espresso. Can be dual walled (pressurized) or single walled (non-pressurized).

**Filter Coffee:** Any style of coffee where water filters through ground coffee. Drip coffee made with a cone lined with paper is a commonly known type of filter coffee.

**Flavour:** The flavour of coffee is the combination of aroma, acidity and body.

**French Press:** Coffee made by steeping ground coffee in hot water in a (usually) glass cylinder. A strainer plate is pushed down once extracted to separate the grounds from the coffee. Also known as a press pot or plunger pot.

**Green beans:** Unroasted coffee beans.

**Grind:** The size of the ground coffee beans. The ideal grind will vary depending on the brewing method used.

**Hopper:** The container on top of a grinder where beans are stored before they are ground.

**Light Roast:** Lighter body, no oil, often cinnamon in colour. More flavour of origin comes through.

**Medium Roast:** Milk chocolate in colour with little oil. More depth of flavour with less acidity.

**Non-Pressurized (single walled) Filter Basket:** Original style filter basket. Coffee extracted directly into the cup. Quality of the grind and tamp are more important factors to produce a consistent high-quality espresso.

**Organic Coffee:** Coffee certified to have been grown and processed without the use of pesticides or herbicides.

**Pressurized (Dual Wall) Filter Basket:** Filter basket with a double base. Extracted coffee is forced through the filter basket into a second chamber with one small hole through which the espresso is extracted. The second chamber creates a greater level of pressure.

**Puck:** The spent coffee from a portafilter.

**Roast:** The process whereby green coffee beans are heated to create flavours that are extracted during brewing.

**Robusta:** A species of coffee tree that produces coffee considered of inferior quality. Most commonly used in instant coffee and pre-ground coffee.

**Single cup:** Coffee machines that brew a single cup of coffee at a time. Examples include Nespresso and Keurig machines.

**Specialty Coffee:** The SCAA (Specialty Coffee Association – USA) defines **specialty coffee** in its green stage as **coffee** that is free of primary defects, has no quakers, is properly sized and dried, presents in the cup free of faults and taints and has distinctive attributes. In practical terms this means that the **coffee** must be able to pass aspect grading and cupping tests<sup>2</sup>.

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<sup>2</sup> [Specialty Coffee Association News](#) – March 17, 2017.

## Scope of the Report

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This report covers product groups classified under the Harmonized System (HS) by Statistics Canada, as outlined in the following tables. Exporters should note that the Canada Border Services Agency (CBSA) requires individual imports to be identified by 10-digit HS codes. The first 6 digits of these 10-digit codes are the same for all countries and the last 4 digits are country specific. Importers may be fined if these are not provided. Current codes are available from [CBSA](#) or from your potential importer.

The Report uses “Exporter” when referring to the organization located in country who sells the coffee. This incorporates farmers, farmer cooperatives or other associations and exporters (or intermediaries) who buy from farmers. Similarly, the report uses “importer” to designate the person making the purchase of coffee beans. The term importer can sometimes be used interchangeably with wholesaler.

This report provides statistics using 6-digit HS codes and incorporates the following categories:

- Coffee, not roasted, not decaffeinated (HS 090111);
- Coffee, not roasted, decaffeinated (HS 090112);
- Coffee, roasted, not decaffeinated (HS 090121);
- Coffee, roasted, decaffeinated (HS 090122).

Since most coffee imported from TFO Canada client countries is in the form of green beans, the report focuses on that category.

It does **not** include the following categories:

- coffee husks and skins, and coffee substitutes including coffee in any proportion (HS 090130, HS 090140 and HS 090190);
- coffee extracts, essences & concentrates and preparations thereof (HS 210110, HS 210111 and HS 210112);
- chicory and coffee substitutes, roasted, extracts, essences and concentrates thereof (HS 210130)

For a full list of reports produced by TFO Canada, visit our [website](#).

Readers should also note that this report was prepared during the first 9 months of the COVID-19 pandemic. Therefore, it is difficult to predict the extent to which coffee supply and demand will be affected in the continuation and aftermath of the pandemic. However, TFO Canada will be updating this report periodically to reflect its impact.

All dollar figures are in Canadian dollars unless stated otherwise. At the time of writing this report, 1 USD is worth \$ 1,278 CAD<sup>3</sup>.

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<sup>3</sup> OANDA. Currency converter (rate on December 7<sup>th</sup>, 2020)

# 2 The Canadian Market

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## Market Size

Canadians are big coffee drinkers; although coffee doesn't grow in Canada, the country relies solely on coffee imports (coffee cannot be farmed in Canada because of its rigid climate). There is even reference to coffee being drunk in North America since the 16<sup>th</sup> century<sup>4</sup>. In 2019, market size, based on imported volumes of both green coffee beans and roasted coffee beans, reached 277 million Kgs. Green beans represented 75% of that figure, or 209 million Kgs. Most organic certified coffee comes in the form of green beans. In 2019, the market size for organic green beans reached 130 million Kgs, or 62% of all green beans imported into Canada<sup>5</sup>.

The market has been growing steadily since 2015 at an annual average rate of almost 4%<sup>6</sup>. In terms of dollar value, over the five years to 2019, imports have been relatively stable, with figures in 2015 and 2019 being the same, at \$1.587 billion.

In 2019, Canadians consumed 4.6 million (60kg bags), making Canada (despite a small population of 37.5 mi) one of the largest consumers of coffee in the world, behind the EU, the United States, Japan and Russia. Canadians are coffee lovers, with the majority of consumers enjoying a cup of coffee during breakfast, which is the time of day with highest consumption. On a per capita basis, Canadians are heavier coffee drinkers than American and British consumers<sup>7</sup>.

### Market Facts<sup>8</sup>:

- Coffee is the most popular beverage among Canadians over the age of 16
- The average number of coffee cups Canadians drink per day: 2.8. / Canadians drink on average 2.8 cups of coffee per day.
- Drinking 3 to 4 cups of coffee per day may be associated with living longer and less chance of developing heart failure. The U.S.-based John Hopkins School of Medicine list 10 [benefits](#) of drinking coffee.
- Unsweetened coffee is listed as 1 of 4 healthy drink options other than water under the Canadian Government's new [Canada Food Guide](#)<sup>9</sup>.
- Five % of Canadians purchase ready-to-drink coffee in bottles or cans. This percentage has more than doubled over the 2014-2018 period.
- Canadians under 35 are more likely to drink "gourmet" coffee beverages: espresso-based (espresso, cappuccinos, macchiatos, americanos...) than non espresso-based beverages (nitro, cold brew, frozen blended).
- Seventy two percent of Canadians aged between 16 and 79 drank coffee yesterday (compared to 63% of Americans).

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<sup>4</sup> ACME Cafe Vancouver. [The Canadian coffee culture](#).

<sup>5</sup> Statistics Canada's Canadian Import Merchandise Trade – Imports by Selected Products 2015-2019.

<sup>6</sup> *ibid*

<sup>7</sup> Coffee Business Intelligence. [Coffee in Canada: habits and innovation](#)

<sup>8</sup> [The Coffee Association of Canada](#) – Industry Facts – 2019

<sup>9</sup> Canada's food guide. [Make water your drink of choice](#). 2019

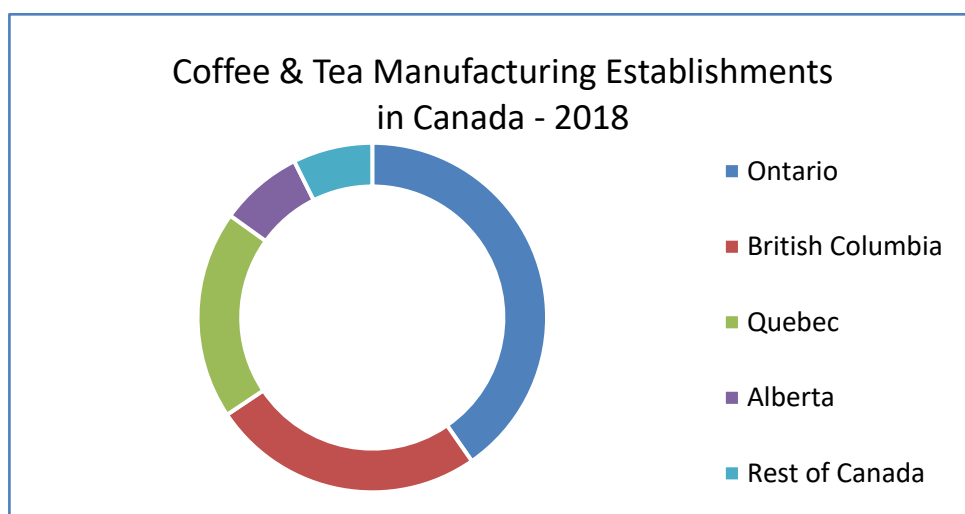
## Business during the COVID-19 pandemic:

While it is difficult to predict the long-term effect the COVID-19 pandemic will have on market demand and consumer coffee consumption, the year 2020 will most certainly be characterized by a drastic decline in market growth. Coffee shops, one of the major segments of the coffee market in Canada, are expected to decline by 22% in 2020 (expected revenues of \$9.5 billion) in comparison to 2019 (sales of \$12 billion) <sup>10</sup>.

This contraction in sales will likely have a major effect on future import volumes and value of green coffee beans and reduced buyer commitments with coffee exporters. Some importers interviewed indicated a decrease of 50% in volume.

## Domestic Production

Since all coffee beans are imported into Canada, production in Canada largely consists of roasting and packaging for retail. The market is characterized by large numbers of micro roasters who roast for their own facilities, sell to retailers and online. It is also characterized by a small number of larger roasting companies who roast the green beans for large retailers. Popular, mass-market coffee brands in Canada include Tim Horton's, McCafé (McDonalds), Folgers, Starbucks, Van Houtte, Nespresso, Melitta. Many of these have retail outlets for people to eat and drink. The micro-roasting phenomenon is approximately 10 years old and very much resembles the micro-brewery or micro-alcohol making phenomena that has eroded in many countries around the world. A list of smaller roasters is provided later in this report. Several large coffee chain retailers have their own roasting facilities. In 2018, Canada had 285 coffee and tea manufacturing establishments as per the following chart <sup>11</sup>: the province of Ontario (115 establishments), the province of British Columbia (72 establishments), the province of Quebec (55 establishments), the province of Alberta (22 establishments) and 22 establishments in the other Canadian provinces <sup>12</sup>.



<sup>10</sup> Global Coffee Report. [Canada branded coffee shops segment on track for recovery despite \\$2billion decline](#). October 2020.

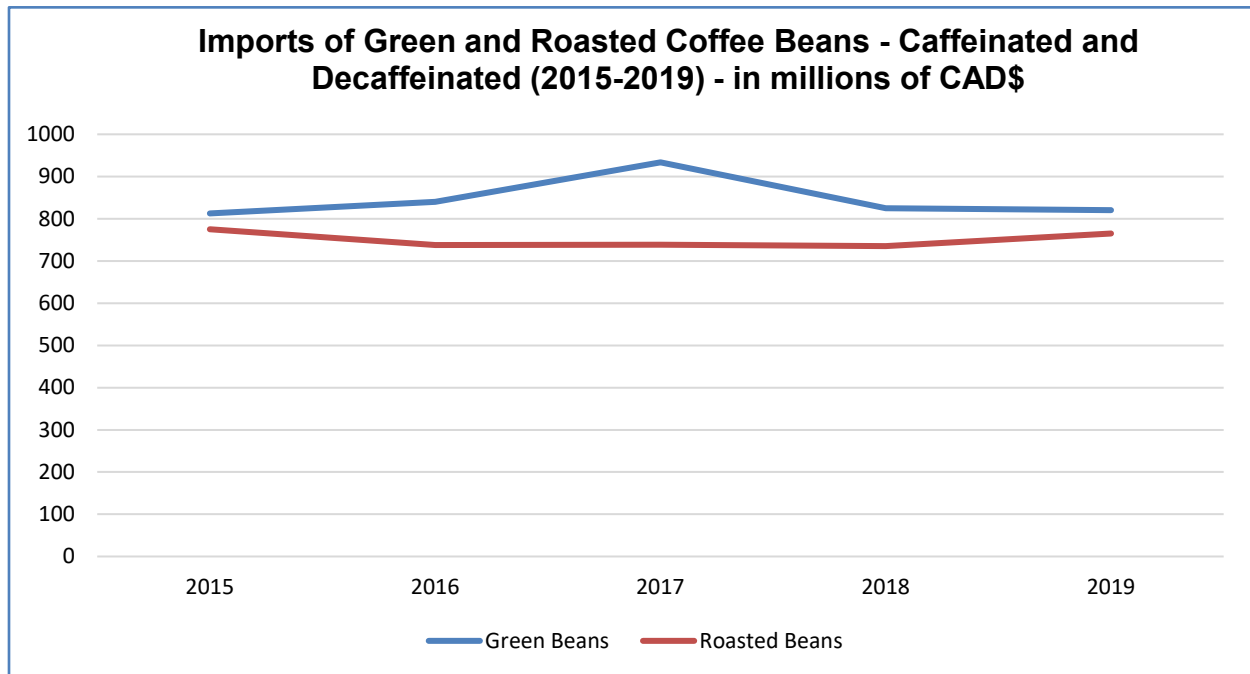
<sup>11</sup> A breakdown of coffee establishments is not available.

<sup>12</sup> StatInvestor. [Coffee Market in Canada Statistics](#).

## Imports

Unless otherwise indicated, all statistics in this section are taken from Statistics Canada's Canadian International Merchandise Trade – Imports by Product 2015-2020 (mostly using the HS #090111 product category)<sup>13</sup>.

As the Chart and Table below demonstrates, the dollar value of Canadian imports of coffee beans has remained relatively flat over the past 5 years, reaching CAD\$ 1.586 bi. in 2019, with green beans imports peaking in 2017. Imports for 2020 (January to August) totalled CAD\$ 1.048 bi, representing approximately the same value of imports for the same period in 2019 (or 2/3 of the total annual import value of 2019).



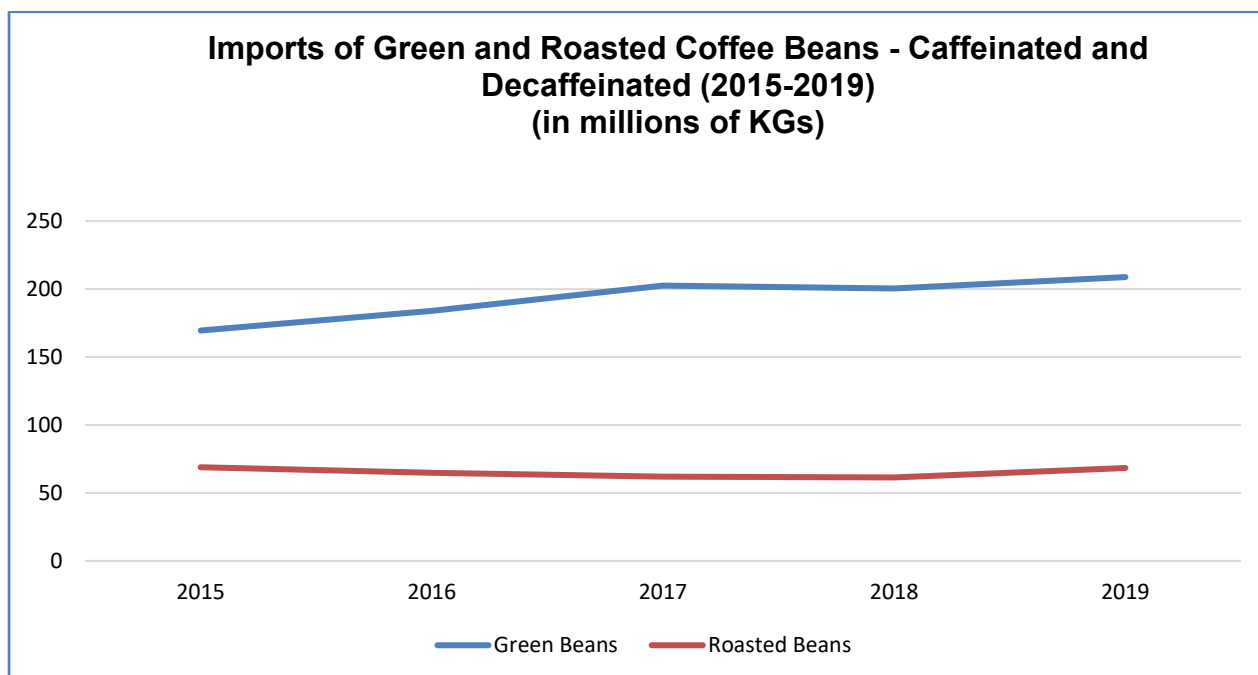
Industry Canada, [Trade Data Online](#), October 2020

<sup>13</sup> Statistic Canada, [Canadian International Merchandise Trade Database](#).

| Imports of Coffee Beans (Caffeinated and decaffeinated) to Canada 2015-2019<br>(in millions of CAD\$) |                                      |                                        |                                       |                                         |         |
|-------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------|---------|
| YEAR:                                                                                                 | Green Beans, Caffeinated (HS#090111) | Green Beans, Decaffeinated (HS#090112) | Roasted Beans Caffeinated (HS#090121) | Roasted Beans Decaffeinated (HS#090122) | TOTAL:  |
| 2015                                                                                                  | 798.3                                | 14.3                                   | 735.0                                 | 40.1                                    | 1,587.6 |
| 2016                                                                                                  | 825.0                                | 15.4                                   | 703.0                                 | 34.7                                    | 1,578.1 |
| 2017                                                                                                  | 917.9                                | 15.7                                   | 695.9                                 | 42.4                                    | 1,672.0 |
| 2018                                                                                                  | 181.0                                | 17.9                                   | 685.7                                 | 49.5                                    | 1,560.0 |
| 2019                                                                                                  | 805.2                                | 15.5                                   | 715.0                                 | 50.3                                    | 1,586.0 |
| 2020 (Jan-Aug)                                                                                        | 543.7                                | 9.9                                    | 465.3                                 | 29.2                                    | 1,048.0 |

Industry Canada, [Trade Data Online](#), October 2020

In looking at the different categories in the Table above, the dollar value for imported green beans in 2019 is higher than the dollar value of imported roasted beans. The dollar value of imported green beans was CAD\$ 821 in 2019 while the dollar value of imported roasted beans was CAD 765 million. While the dollar value is heavily Influenced by fluctuations in world coffee prices and in Canadian exchange rate, the imported volume provides a more accurate picture of actual market size.



| Imports of Coffee Beans to Canada 2015-2019 (in millions of KGs) |                                      |                                        |                                       |                                         |        |
|------------------------------------------------------------------|--------------------------------------|----------------------------------------|---------------------------------------|-----------------------------------------|--------|
| YEAR:                                                            | Green Beans, Caffeinated (HS#090111) | Green Beans, Decaffeinated (HS#090112) | Roasted Beans Caffeinated (HS#090121) | Roasted Beans Decaffeinated (HS#090122) | TOTAL: |
| 2015                                                             | 166.5                                | 3.0                                    | 66.0                                  | 2.9                                     | 238.4  |
| 2016                                                             | 181.0                                | 3.0                                    | 62.4                                  | 2.5                                     | 248.9  |
| 2017                                                             | 199.6                                | 3.0                                    | 58.4                                  | 3.5                                     | 264.5  |
| 2018                                                             | 196.7                                | 3.7                                    | 56.9                                  | 4.5                                     | 261.8  |
| 2019                                                             | 205.6                                | 3.2                                    | 64.1                                  | 4.3                                     | 277.2  |
| 2020 (Jan-Aug)                                                   | 126.1                                | 1.9                                    | 40.6                                  | 2.6                                     | 171.2  |

Over 277 million KGs were imported into Canada in 2019, a substantially higher volume than 5 years earlier as the above table shows. Slightly over  $\frac{3}{4}$  of these imports were green beans (both caffeinated and decaffeinated) and less than  $\frac{1}{4}$  were roasted beans (both caffeinated and decaffeinated). Therefore, the volume of coffee beans entering the Canadian market has been growing steadily over the past 5 years. Interestingly, imports of decaffeinated beans, whether green or roasted have amounted to very little both in dollar value and volume.

### Competition

Canadian consumers have access to a variety of coffee beans, coming from all over the world, making Canada an intensely competitive marketplace. In 2019, over 60 countries exported unroasted, caffeinated green beans to Canada <sup>14</sup>. The top 15 countries are listed below. Imports from Latin America dominate the list of top supplier countries, with Colombia, Brazil, Guatemala, Peru and Honduras being the top suppliers in 2019. The same trend can be observed in 2018 and earlier.

| Imports of Green, Caffeinated Coffee Beans by Major Country - 2019 |                               |                              |
|--------------------------------------------------------------------|-------------------------------|------------------------------|
| Country                                                            | Quantity (in millions of KGs) | Value (in millions of CAD\$) |
| <b>World Total:</b>                                                | <b>205.6</b>                  | <b>805.1</b>                 |
| Colombia                                                           | 63.4                          | 244.4                        |
| Brazil                                                             | 49.2                          | 158.6                        |
| Guatemala                                                          | 26.1                          | 106.9                        |
| Peru                                                               | 13.6                          | 61.0                         |
| Honduras                                                           | 12.1                          | 48.0                         |
| Indonesia                                                          | 5.9                           | 39.8                         |
| Nicaragua                                                          | 6.5                           | 25.9                         |
| Mexico                                                             | 5.7                           | 23.9                         |
| Ethiopia                                                           | 2.9                           | 16.8                         |
| Viet Nam                                                           | 5.6                           | 12.8                         |
| Costa Rica                                                         | 1.7                           | 9.9                          |
| Kenya                                                              | 1.4                           | 7.7                          |
| Uganda                                                             | 1.6                           | 6.7                          |
| Timor-Leste                                                        | 0.9                           | 5.9                          |
| China                                                              | 1.4                           | 4.7                          |

Most **organic** coffee imported into Canada consists of green beans. In 2019, the volume of imported organic green beans was 130 million KGs, or 63% of all green imports, certified organic or not <sup>15</sup>. Major players in imports of organic certified green beans are in order of importance (import dollar value): Peru (CAD\$ 34.8 million), Colombia (CAD\$ 17.4 million), Honduras (CAD\$ 16.6 million), Indonesia (CAD\$ 16 million), Guatemala (CAD\$ 8.2 million) and Brazil (CAD\$ 3.8 million). Once again, Latin America is a strong player in the import of organic green beans <sup>16</sup>.

<sup>14</sup> Statistics for decaffeinated green beans are not included given they are negligible in comparison to caffeinated green beans.

<sup>15</sup> TFO Canada's Organic Global & Fair-Trade Foods Report, 2020.

<sup>16</sup> Ibid

Interestingly, when looking at imports of caffeinated roasted beans<sup>17</sup>, the top 15 countries are different than those supplying green caffeinated beans as the table below demonstrates. The United States and the European Union (Switzerland, Italy and Germany) are Canada's top suppliers as the Table below demonstrates. Sixty-five countries exported over 1000 KGs of roasted, caffeinated beans to Canada in 2019. This shows yet again how competitive the marketplace in Canada is. Whereas green coffee beans are roasted in Canada, roasted beans come in as branded products at premium prices (almost 3 times higher than the average unit price of green beans imports).

| Imports of Roasted, Caffeinated Coffee Beans by Major Country - 2019 |                               |                              |
|----------------------------------------------------------------------|-------------------------------|------------------------------|
| Country                                                              | Quantity (in millions of KGs) | Value (in millions of CAD\$) |
| <b>World</b>                                                         | <b>64.1</b>                   | <b>715.0</b>                 |
| United States                                                        | 45.4                          | 46.2                         |
| Switzerland                                                          | 2.7                           | 105.6                        |
| Italy                                                                | 5.2                           | 59.1                         |
| Germany                                                              | 1.1                           | 20.2                         |
| Malaysia                                                             | 1.0                           | 18.8                         |
| Brazil                                                               | 4.6                           | 17.2                         |
| Colombia                                                             | 0.9                           | 4.8                          |
| Portugal                                                             | 0.2                           | 3.1                          |
| Nicaragua                                                            | 0.5                           | 1.6                          |
| Mexico                                                               | 0.2                           | 1.6                          |
| Israel                                                               | 0.1                           | 1.5                          |
| Guatemala                                                            | 0.2                           | 1.4                          |
| Netherlands                                                          | 0.1                           | 1.4                          |
| Viet Nam                                                             | 0.04                          | 1.3                          |
| Lebanon                                                              | 0.01                          | 1.3                          |

## Imports of Coffee by major Region

### Africa:

| Imports of Green Beans, caffeinated from Africa – 2019 |                               |                              |
|--------------------------------------------------------|-------------------------------|------------------------------|
| Country                                                | Quantity (in millions of KGs) | Value (in millions of CAD\$) |
| Ethiopia                                               | 2.9                           | 16.8                         |
| Kenya                                                  | 1.4                           | 7.7                          |
| Uganda                                                 | 1.6                           | 6.7                          |
| Tanzania, United Republic of                           | 1.0                           | 4.2                          |
| Rwanda                                                 | 0.7                           | 3.2                          |
| Burundi                                                | 0.3                           | 0.8                          |
| Congo, Democratic Republic                             | 0.1                           | 0.3                          |
| Guinea                                                 | 0.03                          | 0.2                          |
| Congo, Republic of                                     | 0.03                          | 0.2                          |
| Zambia                                                 | 0.03                          | 0.2                          |
| Zimbabwe                                               | 0.03                          | 0.2                          |
| Nigeria                                                | 0.03                          | 0.2                          |
| Madagascar                                             | 0.06                          | 0.1                          |
| Other Countries:                                       | 0.06                          | 0.3                          |
| <b>Total Imports from Africa:</b>                      | <b>8.3</b>                    | <b>41.0</b>                  |

As depicted in the last Table, Ethiopia and Kenya together account for slightly more than ½ the volume of imports of green beans from the African continent and 60% of the import value. Other important players are Uganda, Tanzania and Rwanda.

<sup>17</sup> Statistics for decaffeinated roasted beans are not included given they are negligible in comparison to roasted, caffeinated beans.

### Asia-Pacific:

Indonesia is the leading supplier in the Asia-Pacific region with exports of green caffeinated beans of close to 6 million KGs in 2019, or close to CAD\$ 40 million. Vietnam and Timor-Leste are also important suppliers. Asia-Pacific is the second region of importance in exports of caffeinated green beans to Canada.

| Imports of Green Beans, caffeinated from Asia-Pacific – 2019 |                               |                              |
|--------------------------------------------------------------|-------------------------------|------------------------------|
| Country                                                      | Quantity (in millions of KGs) | Value (in millions of CAD\$) |
| Indonesia                                                    | 5.9                           | 39.8                         |
| Vietnam                                                      | 5.6                           | 12.8                         |
| Timor-Leste                                                  | 0.9                           | 5.9                          |
| China                                                        | 1.4                           | 4.7                          |
| India                                                        | 1.3                           | 3.9                          |
| Papua New Guinea                                             | 0.7                           | 3.4                          |
| Thailand                                                     | 0.1                           | 1.1                          |
| Laos                                                         | 0.4                           | 1.0                          |
| Singapore                                                    | 0.2                           | 0.8                          |
| Malaysia                                                     | 0.1                           | 0.4                          |
| Other Countries <sup>18</sup> :                              | --                            | 0.1                          |
| <b>Total Imports from Asia and Pacific:</b>                  | <b>16.7</b>                   | <b>73.8</b>                  |

### Latin America & the Caribbean:

Latin America has been and remains the most important exporting region of caffeinated green beans to Canada, with Colombia leading the way. Historically, Colombia was the first major supplier of coffee to the Canadian market, after having used an effective and strong marketing and advertising campaign. It remains to this day the most important supplier to the Canadian market. In 2019, over 87% of the volume of imported green, caffeinated beans originate from this region, or 85% of the total import value as the Table on the next page shows.

| Imports of Green Beans, caffeinated from Latin America and the Caribbean– 2019 |                               |                              |
|--------------------------------------------------------------------------------|-------------------------------|------------------------------|
| Country                                                                        | Quantity (in millions of KGs) | Value (in millions of CAD\$) |
| Colombia                                                                       | 63.3                          | 244.4                        |
| Brazil                                                                         | 49.2                          | 158.6                        |
| Guatemala                                                                      | 26.1                          | 106.9                        |
| Peru                                                                           | 13.6                          | 61.0                         |
| Honduras                                                                       | 12.1                          | 48.0                         |
| Nicaragua                                                                      | 6.5                           | 25.9                         |
| Mexico                                                                         | 5.7                           | 23.9                         |
| Costa Rica                                                                     | 1.7                           | 9.9                          |
| El Salvador                                                                    | 1.3                           | 4.5                          |
| Bolivia                                                                        | 1.3                           | 0.8                          |
| Panama                                                                         | 0.8                           | 0.6                          |
| Dominican Republic                                                             | 0.7                           | 0.5                          |
| Jamaica                                                                        | 0.02                          | 0.4                          |
| Other Countries:                                                               | 0.02                          | 0.2                          |
| <b>Total Imports from Latin America &amp; the Caribbean:</b>                   | <b>179.9</b>                  | <b>685.6</b>                 |

### Other Developing Countries:

TFO Canada supports a number of developing countries that export coffee to Canada. The following client countries are those not previously mentioned that do export small quantities of caffeinated green beans to Canada.

<sup>18</sup> Other countries include countries with very small volumes and import value in 2019.

| TFO Canada Client Countries with small exports of caffeinated green coffee beans to Canada - 2019 |        |        |
|---------------------------------------------------------------------------------------------------|--------|--------|
| COUNTRY                                                                                           | KGs    | CAD \$ |
| Djibouti                                                                                          | 38,400 | 132969 |
| Haiti                                                                                             | 9,900  | 74014  |
| Yemen                                                                                             | 3,400  | 73610  |
| Somalia                                                                                           | 19,200 | 72942  |
| Myanmar                                                                                           | 4,100  | 39104  |
| Turkey                                                                                            | 1,900  | 26858  |
| Philippines                                                                                       | 3,300  | 24464  |
| Cuba                                                                                              | 1,500  | 14161  |
| Nepal                                                                                             | 1,000  | 13839  |
| Malawi                                                                                            | 500    | 10950  |
| Antigua and Barbuda                                                                               | 1,300  | 9364   |
| South Africa, Republic of                                                                         | 400    | 3784   |
| Guyana                                                                                            | 100    | 914    |
| Suriname                                                                                          | 100    | 682    |
| Cameroon                                                                                          | 100    | 574    |
| Senegal                                                                                           | 100    | 273    |

## Trends and Opportunities

Some general and sector-specific trends affect consumer preferences and purchasing patterns. These in turn affect the kinds of products sought out by consumers and importers alike. They also affect the way Canadians make purchasing and consumption decisions. Some of the more relevant ones are described below:

- Canadian consumers are increasingly choosing healthier eating and drinking options and prioritising health. This means that their dietary needs are reflected in buying products that are sugar-free, fat-free, cholesterol-free, organic, GMO-free and are beneficial to their general health. Coffee is one of the beverages that meets this need.
- Single-serving coffee pods have been dominating the home market for the past 7 to 8 years, with Keurig, Nespresso and Tassimo leading the way.
- Nowadays, the Canadian coffee consumer's mindset is hyper-focused on quality and taste whereas it used to be all based on flavours (mint, caramel). Emphasis is now placed on the coffee itself: respecting the bean, the roasting process and the work of the farmer. The value of roasted imported coffee beans continues to decline while the imports of unroasted beans is increasing as the previous section demonstrates. This trend is synonymous with the increase in the number of local coffee roasters throughout Canada<sup>19</sup>. Natural drying of the bean inside the cherry has become popular in comparison to the traditional washed process; as a result, the coffee is fruitier, creamier and more distinctive.
- Espresso-based specialty coffees are driving the growth occurring in the coffee category, with millennials (Canadians in the 20 to 39 age group – representing 27% of the Canadian population, or 9.8 million Canadians) are fuelling the popularity of specialty beverages. This indicates that specialty coffees are an important component of the coffee market in Canada<sup>20</sup>.
- Younger consumers are increasingly purchasing their coffee online through a phone app offering delivery and loyalty card usage<sup>21</sup>. A consumer survey done by the Coffee Association of Canada revealed that 7% of past-day coffee drinkers ordered coffee through an app in the 7 days prior; 5% had their coffee delivered in the 7 days prior and 20% used a consumer loyalty card when ordering coffee in the 7 days prior.

<sup>19</sup> Canadian Organic Trade Association (COTA), The Organic Food Processing State of the Industry Report (2018).

<sup>20</sup> Food Service and Hospitality. [The 2019 Coffee and Tea Report](#), August 2019

<sup>21</sup> Coffee Association of Canada – [Canadian Coffee Consumption Facts 2019](#)

- Ethical sourcing, fair trade, organic certification, sustainability gender equity and other socially conscious factors are increasingly important in Canadian consumers' decision making and this extends to coffee as well. Of all the organic food imports to Canada, organic coffee is by far the most important and sought-after product.
- Iced coffee continues to be a popular sub-segment of the specialty-coffee category. Cold brew is also steadily growing in popularity. Consumers do not only consume these in coffee shops or take out but are setting up cold brew at home.
- Dairy substitutes are increasingly popular, and include soy-based, oat-based and other unsweetened, non-dairy alternatives.
- While these sub-segments of growth are exciting, traditional coffee still reigns at the top. Traditional coffee is still the most widely used among the mass market.
- Online purchasing of coffee beans is also increasingly popular where consumers buy directly from local roasters and from other internet sites that offer beans from a variety of different roasters.
- The niche market for specialty types such as cold brew and nitro is growing but remains relatively small. This means that they may present good opportunities for micro-lot producers or those with some export experience wanting to focus on smaller shipments. Roasters in general will tend to want smaller volumes to integrate into their blends.

These trends in the industry offer exporters the possibility to reflect and determine what can be done to capitalize on these and take advantage of the opportunities. How can they use these to adapt their product offer and come up with something distinctive, unique, that will attract the importer's attention to want to know more about the offer?

## Corporate Social Responsibility (CSR)

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Corporate Social Responsibility (CSR) consists of voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner. The purpose of corporate social responsibility is to reduce harms and ensure sustainable business practices for the environment and people. CSR activities usually include CSR reports, monitoring and evaluation and third-party audits to ensure progressive implementation of CSR goals. Certifications like Fairtrade and Organic inherently include socially responsible policies and processes that protect the environment and health and safety of consumers above and beyond legal requirements. While CSR processes may increase costs, there is evidence that consumers are likely to spend more on for a product that is considered ethical and sustainable. More information on certifications can be found in the next section.

There is probably no other industry where CSR plays a bigger role than in the coffee industry. This is true from one end of the value chain to the other: from farm to the consumer's palate.

Certainly, at the micro level and short of adopting formal CSR policies, there are different measures that are taken to demonstrate socially responsible commitment: it can be with the involvement of the exporter in the village, area or community through a wide variety of programmes. These programmes can range from education to women empowerment to water purification in the community, the variety is endless. Within the exporting company, many initiatives can also be put in place to enhance worker conditions so they can better access services available in the community at large, enhance sustainability and environment considerations.

Coffee importers often engage in developing CSR programmes in the countries they deal with to help the communities where farming is done. These programmes form an integral part of their business strategy. A good example of this is TFO Canada's partnership with Tim Hortons which started in 2014 with the objective to expand the Tim Hortons Coffee Partnership program in Guatemala. With financial support from the Canadian government (through Global Affairs Canada) and ongoing financial contributions from Tim Hortons, the program was developed to improve the businesses and lives of smallholder coffee farmers in regions where Tim Hortons sources its coffee.

The program's focus is:

- To open discussions about gender inequality and increasing female participation in the decision-making in coffee farming households
- To allow youth to realize their full potential by helping them develop technical skills, understand career opportunities, and learn basic life skills that will help them plan for a brighter future.

Further information on the Tim Hortons Partnership with TFO Canada can be found on TFO Canada's [website](#).

### **Gender Equality**

One of the important factors in the coffee industry is its work towards achieving gender equality. Historically and still today, there have been gender injustices in the coffee industry. For instance, there are usually pay gaps in income and salary where men earn far more than women; when it comes to land access men have had the advantage; men have had more access to resources such as fertilizers and financial resources; and men are often provided more leadership position in within cooperatives and other SMEs coffee supply chains.

These issues have become an industry concern, prevalent across the entire coffee supply chain. Canadian consumers, specifically younger (millennials) are looking for coffee beans that are responsibly and sourced. These factors influence consumer behaviours so much that it has become part of the fabric of the industry at all levels and all types of intermediaries, be it small roasters or large corporations, consumers are looking for ethical practices in this sector.

Research has shown that policies and initiatives that favour gender equality throughout the supply chain enable women to better access finances, human and social capital and production assets<sup>22</sup>. This in turn helps in enhancing sustainability through more efficient production, higher yields, and farm profits. Women with an income and decision-making role within the family unit are more likely to invest their income in the family's health, nutrition and education with the ultimate goal of poverty alleviation.

There are several organizations that have programmes to empower women at the production or supply level. The following is a shortlist of [organizations](#) working towards the empowerment of women:

- [The International Women's Coffee Alliance](#) (IWCA)
- [Grounds for Health](#)
- [Café Feminino Foundation](#)
- [The Partnership for Gender Equity \(PGE\)](#)
- [United Nations Women](#)
- [Food 4 Farmers](#)
- [Coffee Kids](#)

Similarly, at the exporting end of the spectrum, some organizations are also working towards closing the gender gap<sup>23</sup>. Gender equality in coffee is a priority topic for many organisations today and many companies are making changes and trying to close the gender gap. The US-based [Bloomberg philanthropies](#)<sup>24</sup>, for example, invested through its Women Economic Development program in coffee initiatives in Rwanda and the Democratic Republic of Congo.

The IWCA has also invested time and effort in the fight for equal rights in coffee sourcing and spent resources in creating awareness of the importance of women's roles in the supply chain<sup>25</sup>. As mentioned earlier, the TFO Canada – Tim Hortons project in Central America is another clear example of the

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<sup>22</sup> Nespresso. [Gender Equality in Coffee](#).

<sup>23</sup> Coffee Bros NY. [Gender equality in coffee: Are women fairly represented?](#) June 2019

<sup>24</sup> Bloomberg Philanthropies. [Transforming lives through effective programs and partnerships](#).

<sup>25</sup> Coffee Bros NY. [Gender equality in coffee: Are women fairly represented?](#) June 2019

importance of women participation in the farming and harvesting among a major Canadian retail chain wanting to incorporating gender inclusive practices that ensure the participation of women. But the gender gap is wider along the distribution chain (when the coffee is sold), both in the producing country as well as in the importing country.

While a lot of attention was placed on the gender equality issue, there lacked quantitative data to really see where the disparities lies. In 2019, Roast Magazine<sup>26</sup> did a survey in collaboration with the Partnership for Gender Equity (PGE)<sup>27</sup> to find out that although there was interest in reducing the gender gap at the importer, retailer and consumer levels, more work needed to be done in these areas. The survey targeted companies that purchase coffee from importers, from roasters and/or directly from producers in country and focused on how gender equality was important in the purchasing decision. The survey results indicated that while efforts are done at this end of the chain, more still needs to be done. One of the goals of the survey was to share the results with the companies making the purchasing decisions. By doing so, PGE sparked interest about how reducing the gap in gender is good for business. Some 30% of the survey respondents went back to their suppliers asking them whether they had gender programs.

Popular programs include offering “women’s coffee”<sup>28</sup>, masculinities training, family equity training and greater parity at coffee quality trainings. One of the highlights of the [Roast Magazine](#) survey was that 20% of the respondents had a gender strategy or gender policy surrounding their purchasing.

[The Specialty Coffee Association](#) (SCA) has several studies on minimizing gender disparity available on the SCA website.

### **Sustainability and Environmental Considerations:**

Equally as important as gender equity but more all encompassing is how the environment has come to play a crucial role in the global coffee industry. Sustainability is closely linked to environmental considerations in that it is part of the entire framework allowing enterprises to work towards being sustainable while at the same time being environmentally friendly and conscious.

For many Canadians, sustainability and environmental considerations are also a big factor that drive consumer demand. Consequently, they are quickly forming integral part of buying requirements. According to a recent A.C. Nielsen study<sup>29</sup> on sustainability and environmental considerations, consumers are not simply asking the suppliers to make changes in products for a better environment, they themselves are making changes to achieve that end. Majority of consumers surveyed in that study (73%) revealed they would or probably change their consumption habits to reduce their impact on the environment. Sustainability was also one of the top factors driving consumer preferences according to a study by the Best New (food) Products Awards 2020 research<sup>30</sup>. Other top factors included taste, health and convenience.

At the importer level, efforts are also being done to source environmentally friendly coffees (in addition to ethical, organic, fair trade...sourcing). Some importers are partnering up with environmental project management enterprises to develop projects focusing on areas such as reforestation, programs to offset carbon emissions, waste and pollution management, conversion projects (from conventional to organic harvesting), water purification and treatment projects and landscaping management. This type of involvement demonstrates to consumer the growing commitment that can be witnessed at the importer level. The importers contacted for this report agreed that, although efforts are evident, more is clearly needed for the environmental impact to be in line with global goals and expectations.

### **Innovations and the environment:**

While the sales of single-use plastic or aluminum capsules (pods) in Canada are growing, they are not growing as quickly as natural roasted beans<sup>31</sup> as Canadian consumers remain sensitive to the impact of

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<sup>26</sup> Roast Magazine. [Gender Equality in the Coffee Value Chain](#). January/February 2020. .

<sup>27</sup> Equal Origins. [Gender equity is the key to healthy families, vibrant farming communities and resilient supply chains](#). 2020

<sup>28</sup> Defined as coffee grown and processed by women.

<sup>29</sup> Nielson. [UNPACKING THE SUSTAINABILITY LANDSCAPE](#). September 2018.

<sup>30</sup> Canadian Grocer. [Taste still tops for food shoppers, but health and environment not far behind: Study](#). March 2020.

<sup>31</sup> Euromonitor. [Coffee in Canada Executive Summary](#). 2020

using these capsules on the environment. This, combined with other considerations, are likely one of the reasons why growth is not as strong as the growth in demand for natural specialty coffee. Companies offering capsules such as Keurig and Nespresso are eager to appeal to consumer groups to change their perceptions by offering recyclable capsules and recycling programs to their customer base. For instance, Nespresso sends recycling bags by post to its customers in an effort to make the capsules environmentally friendly. Used capsules are now recyclable in household recycling facilities and programmes (until recently, used capsules had to be returned to Nespresso recycling centres across major cities in Canada). Nestlé Canada has teamed up with Starbucks earlier this year to launch coffee capsules that are compatible with Nespresso's proprietary coffee and system technology.

There also exist competing capsules on the Canadian market that roasters use to market their own blends that are fully compostable, certified by the [Biodegradable Products Institute](#) (BPI). This is again proof of the importance of environmental concerns in the industry.

McDonald's Canada has teamed up with Rainforest Alliance in 2019 to offer coffee made exclusively from Rainforest Alliance Certified (more information is available in the Certifications section later in this report) arabica beans for forest protection, wildlife conservation and community support in harvesting regions throughout the coffee producing world<sup>32</sup>.

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<sup>32</sup> In Halton. [McDonald's Canada Announces New Changes to McCafé Ingredients](#). July 2019

# 3 Trade Practices

## Price and Markups

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The price of green coffee beans is determined in large part by international market trading. The International Trade Centre (ITC)'s The Coffee Guide to international coffee prices<sup>33</sup> broadly divides coffee trading in the following categories:

- Physicals - prices for green or physical coffee.
- Indicators - prices that track broad groups of comparable coffees.
- Futures - that project prices forward for standard qualities.
- Differentials – a system linking physical prices to futures prices.

**Day-to-day physical coffee prices** are determined by supply and demand. Price setting criteria are mostly quality (what is the quality of a given coffee or origin), and availability (how much or how little is being offered of a particular type of coffee). This underlines the fact that coffee beans are not the same and vary by region and type. In fact, each bean is unique with regard to its characteristics, flavour and quality and hence attracts a different price. Other factors also play a role, for example market expectations, speculative actions, changes in currency exchange rates and so on. However, by grouping comparable types of coffee together, average prices can be calculated and even traded<sup>34</sup>. More information regarding price indicators, futures and differentials can be found by going to ITC's [The Coffee Guide](#). This means that coffee prices, within a specific period can be highly volatile and change from let's say from one month to another. Consequently, this volatility will also be passed on throughout the entire distribution chain, right until the beans are roasted and reach the consumer retail level. there are important fluctuations which in turn affect prices up to the consumer level.

Price is one of the most important factors in the import decision, and especially for large volume, commercial transactions. But price alone cannot be the only factor that differentiates an exporter's beans from the competition. There needs to be other factors to be considered such as quality, the unique product properties, certifications, CSR and environmental concerns.

To get an idea of retail prices, exporters can go to the following retail chains' website to search for different coffee products and determine the unit price per 100 grams. These chains are mid-range and representative of where the majority of middle-class Canadians shop on a regular basis. There are other lower-end chains as well as high-end specialty stores that would offer both lower-priced items and high-end products respectively to satisfy the needs of their customer base.

Retail Supermarket Chains (mid-range, mass):

[Loblaws](#)  
[Metro](#)  
[IGA](#)

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<sup>33</sup> International Trade Centre. [The Coffee Guide](#)

<sup>34</sup> *ibid*

There are no fixed markups in Canada and often, the margins will in part be determined by the volume imported by the importer. Generally, green coffee will typically demand a lower markup and than coffee that has been roasted, branded and packaged in country before being shipped.

Certain higher-end European brands such as Illy and Lavazza will typically be higher priced and have higher markups than some of the lower-end, mass brands found in the marketplace. The more unique or specialized the coffee, the higher the price and the more room there is for higher markups.

Markups at the retail level can range anywhere from between 30% and 50% and retailers often offer rebates on beverages like soft drinks to attract customers so retailers may get lower margins for these products. At the importer level, markups will usually be in the vicinity of 10% to 15% of the manufacturer's selling price depending on the specific transactions and volume of goods being shipped. Brokers and agents can charge upwards of 4% for their services of acting on behalf of a supplier. Exporters should only take this information as a general guideline and not expect to get these rates.

Canadian (importers, agents, retailers) take several factors into consideration when making a purchasing decision. Although cost and suggested retail price remain important, importers also place a strong emphasis on quality, exclusivity and the previous track records of their suppliers. During the negotiation process, they will want to know if suppliers can meet the volume and time requirements of the order and who will cover the shipping costs and be responsible for the goods during shipment.

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## Quality Standards

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The California-based Specialty Coffee Association ([SCA](#)) is a leading association in terms of developing standards for specialty green coffee, water, brewing and cupping. The SCA has a Standards committee which issues recommendations related to these specific areas through testing. It provides grading through quantifiable and qualifiable results. This grading system is widely used by most industry players.

To obtain a SCA grade for green coffee beans, the Association has very specific requirements related to allowable defects, lighting, sample size, table surface, and water activity measurements.

Cupping standards include coffee to water ratio, cupping vessel requirements related to materials, dimensions and volumes, water requirements, grinding requirements, roasting requirements, spoon requirements, room dimensions, table dimensions

The SCA also has specific water for brewing standards as well as standards for brewing. These are available on the SCA website. The [Canadian Coffee Guild](#) is the Canadian Chapter of the SCA.

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## Certifications

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Certifications are often a solid way to show that exporters' processes and products adhere to internationally recognized standards. Most are voluntary but show a certain rigidity that has come to be highly appreciated and required on the demand side. Exporters can certainly look at using some of these to make their export offer more distinctive in comparison to the competition they face.

The following is a list of commonly used certification in the coffee industry. It is by no means exhaustive.

### Fair Trade Certification:

Generally, Fair Trade is concerned with alleviating poverty through greater equity in international trade. The main body responsible for fair trade is Fairtrade International (FLO). In Canada, the label is licensed by Fairtrade Canada. It is particularly popular among younger coffee consumers as well as throughout the distribution chain.

Information on certification can be found by going to the [FLO](https://www.fairtrade.ca/) website. There are specific rules applicable to fair trade coffee<sup>35</sup>. The FLO website also has valuable statistics on world fair-trade data related to coffee production.



### Organic Certification:

Canada has its own certification programme: Canada Organic. Regulated by the Canadian Government's [Canadian Food Inspection Agency](https://www.inspection.gc.ca/) (CFIA), [the Canada Organic Logo](https://www.inspection.gc.ca/) is only permitted on products that have an organic content that is greater than or equal to 95% and have been certified according to the requirements of the [Canada Organic Regime](https://www.inspection.gc.ca/) (also available in the CFIA website). The Canada Organic logo is available to organic operators through accredited organic certifying bodies that are accredited by the Canadian Food and Inspection Agency.



### Use of other organic logos

Canada has an agreement with several countries whereby organic certifications from these is recognized and accepted in Canada. These are: United States, the European Union, Japan, Costa Rica and Switzerland. These logos are included in COTA's online [Guide to Organic Labelling in Canada](https://www.cota.ca/). Such logos include the following:



### The Rainforest Alliance Certification:

The Rainforest Alliance provides a range of programmes to promote sustainability. The Alliance's [agriculture programme](https://www.rainforestalliance.org/) certifies coffee crops. Not only is it an environmental program but it also covers a number of ecological issues as well as issues related to the community and fair treatment of the workforce. A scoring system is used to obtain the accreditation.<sup>36</sup>



<sup>35</sup> Fairtrade International. [Coffee](https://www.fairtrade.ca/).

<sup>36</sup> Coffee Habitat. [Quick guide to coffee certification](https://www.coffeehabitat.org/). November 2020

### **HACCP Certification:**

'HACCP', which stands for Hazard Analysis Critical Control Points, is a systematic and preventative system.

It forms the basis of Food Safety Plans worldwide. HACCP is applied to processes throughout every stage of the food supply chain, including production, preparation, packaging and distribution, and is used to manage [food safety](#) across many types of food businesses<sup>37</sup>. Suppliers to Canada are normally required to demonstrate they have HACCP certification or similar.



### **Other:**

There are several other certifications applicable to sub-segments of the industry, including Kosher, Swiss Water Process (for decaffeination), and the widely known ISO certifications (ISO 22000) being one of the most widely used nowadays.

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## **Packaging and Labelling**

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### **Consumer Products**

All packaged coffee products sold at the consumer level in Canada must comply with Canada's [Consumer Packaging and Labelling Act](#). Two sets of regulations falling under this Act: Consumer Packaging and Labelling Regulations and Safe Food for Canadians Regulations. Exporters can access detailed requirements using the Competition Bureau's [Worksheet for Consumer Packaging and Labeling](#).

The underlying principle of these regulations is that labels and packages for all food products must accurately reflect the product and not make false or misleading claims. There are specific labelling requirements pertain to:

- Common name
- Country of origin
- Bilingual labelling
- Date markings and storage instructions
- Name and principal place of business
- Irradiated foods
- Legibility and location
- List of ingredients and components
- Net quantity
- Nutrition labelling
- Sweeteners
- Food additives
- Fortification
- Grades
- Standards of identity

#### **The province of Quebec Language Requirements**

Under the [Charter of the French Language](#), products sold in Quebec are subject to additional language requirements. French must be used for all inscriptions on the product container and packaging, as well as for catalogues, brochures, leaflets, commercial directors, order forms, invoices and receipts. English or another language may also be used, as long as the French occupies at least the same amount of space.

These requirements are administered by the Canadian Food Inspection Agency (CFIA). For full details, exporters can go to the CFIA [website](#) CFIA provides a checklist for exporters to better understand these requirements.

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<sup>37</sup> Canadian Institute of Food Safety. [Everything You Need to Know About HACCP](#).

## Promotion and Industry Events

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In times other than with the current COVID-19 pandemic (when the majority of trade events either were postponed or happened online), one of the better ways for exporters to create awareness and promote their coffee is to get an opportunity to come into contact with potential importers. Industry events, big and small are often good venues to do so.

The main [event](#) in the industry is the Specialty Coffee Association (SCA)'s annual Expo, (which was cancelled in 2020), it is scheduled to take place in September 2021. Details are available by going to the Association's website ([sca.coffee/events](https://sca.coffee/events)). The SCA also organizes an annual world coffee championship usually located in the EU.

On Canadian soil several industry events are worth exploring, especially since they are smaller events that showcases locally roasted products. One such show is the [Annual Coffee and Tea Show](#) held in September of each year in Toronto. Local roasters usually showcase their products at this show and these would be good contacts for exporters, especially those who want to target smaller roasters.

The Coffee Association of Canada also holds an [Annual Conference](#) for its members. In addition, the Association has a [calendar](#) of events happening in North America.

Short of being able to attend physical events, participating in some of the trade associations' events online may be a way to get in touch with potential importers. This may be an option particularly viable during the COVID-19 pandemic when international travel is limited.

# 4 Route-to-Market

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## Market Entry Strategy

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Exporters must ensure they fully understand the Canadian marketplace before entering the market. Companies should establish connections in Canada and become familiar with Industry Associations and all relevant regulations prior to entry. Short of attending an industry event, exporters can certainly access information on the web. Doing the proper research to understand the trends in the fast-changing coffee sector (and the larger beverage sector) is crucial. Your market entry strategy should ensure that the product is well positioned for your target consumer and capitalizes on the trends and opportunities that exist in the Canadian marketplace.

As mentioned earlier, the coffee market is a price-driven and highly competitive market; instead of competing in the commercial, high-volume segment of the international market, newcomers to the Canadian market should really focus on smaller-volume, specialty coffees and develop proper marketing strategies to differentiate their coffee the competition. They may also consider penetration pricing (attractive pricing to introduce one's coffee to the market). Having a unique and different product mix is essential to standing out. Different certifications will help in creating an export offer that is different, and stands out from the competition (the bean's unique characteristics, CSR, environmental consideration). Telling a story behind the beans is also crucial and unique; making it stand out from what already exists in the marketplace. Roasters in Canada will generally be a good source of information and inspiration.

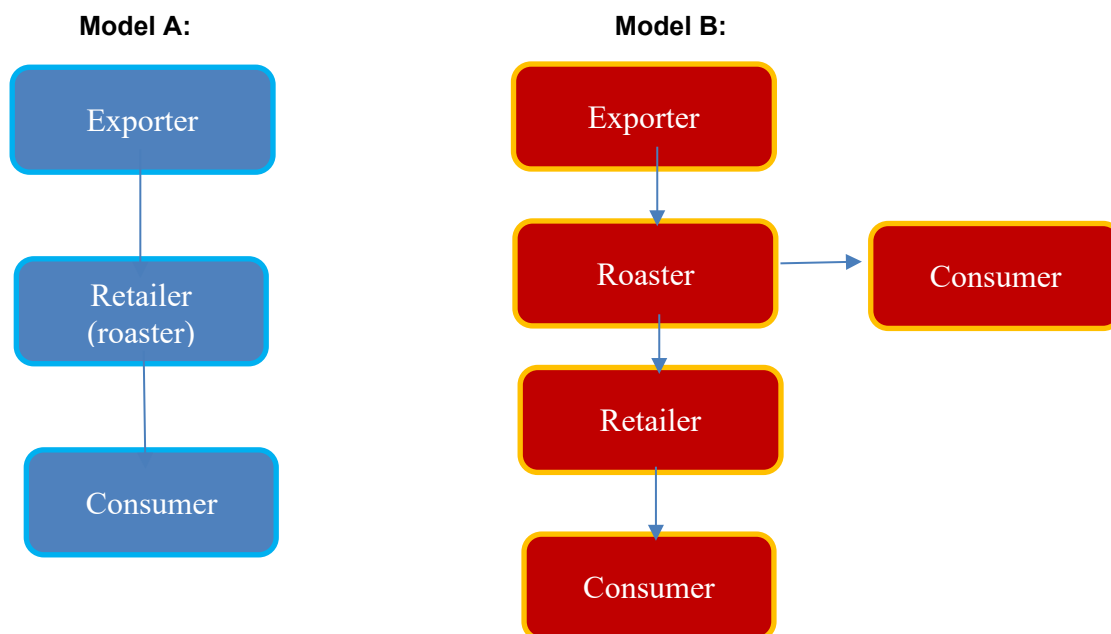
Many roasters in Canada, especially smaller ones prefer to source their green coffee beans directly through exporters or farms abroad as opposed to dealing with larger importers in the United States or Canada. This gives them a competitive edge over what is available in the Canadian marketplace. Even though this may represent smaller quantities to start with, it is probably one of the better ways to start. It is equally as important to look at developing a strategic partnership, a long-term relationship with a roaster. This is key to a sound market penetration strategy. A [list](#) of coffee roasters in Canada can be found in the coffee beaned [website](#). The site also lists importers in the United States who likely sell to larger roasting houses in Canada.

## Distribution Channels

There are several ways coffee beans can make their way to the market in Canada. The distribution chain will largely depend on the strategy chosen by the exporter as to the type of buyer sought. Different options are available:

### 1. Selling to Specialty Coffee Retail Chains

Depending on the size of the retail chain, exporters can opt to sell their green beans directly to chains that have their own batch roasting facilities. Examples of retail coffee chains selling throughout Canada that roast their own coffee are Tim Horton's and Second Cup. Alternatively, smaller coffee retail chains (including individual retail coffee houses) can also get their roasted coffee beans from independent roasting companies located in Canada. There are 2 main models of distribution that go through roasters who then sell to consumers and specialty stores:



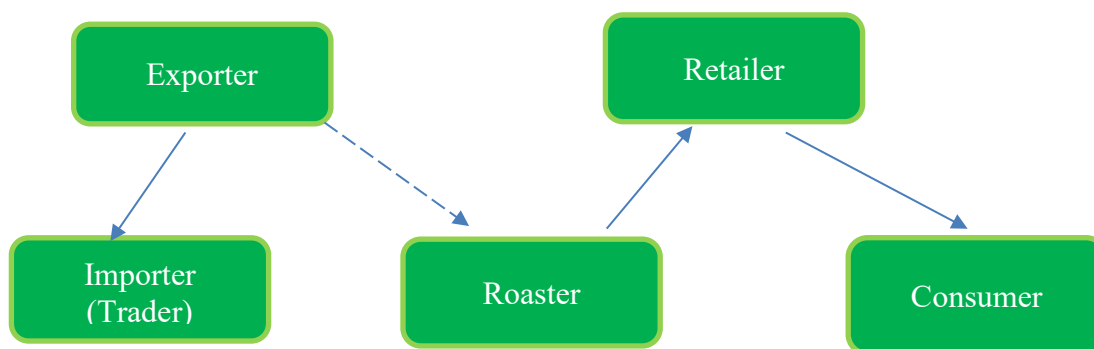
In Model A, consumers can usually drink their coffee in house in retail stores or buy it to take away. Model B is similar but has an extra player in the distribution chain: the roaster. Roasters can also sell to independent retailers or directly to end consumers online. Examples of Canadian coffee roasters are Monogram Coffee, 49<sup>th</sup> Parallel Coffee Roasters, Pilot Coffee Roasters and Kittel Coffee.

## 2. Selling through an importer

Another, more traditional chain, usually involving large quantities is to sell through an importer specialized in trading coffee, based in either the United States or Canada<sup>38</sup>. The coffee is contracted through the importer who becomes owner of the coffee beans once the transaction is done. Before the shipment is made, the importer will require samples of the shipment to be sent to the roaster for approval (dotted line from exporter to roaster below). Once approved, the importer is notified, and the shipment is sent directly to the roaster. The importer usually arranges the loading of the container and vessel details with the exporter and advised these details to the roaster.

The importer is responsible for clearing the coffee at entry into Canada before the shipment reaches the roaster's designated warehouse for an arrival approval process. This is done to ensure the order specifications meet the roaster's requirements. The transaction is not finalized, and ownership not transferred from the importer to the roaster until this approval takes place. Typically, the model is as follows:

<sup>38</sup> [The Coffee Association of Canada](#)



Once roasted, the coffee usually goes to retailers that are either large supermarket chains, specialized food or coffee chains. It is also possible that the coffee is sold to the food services segment of the market and be sent to restaurants or hotel chains, for instance.

## Logistics and Transportation

Given the large size of Canada, it is common practice for exporters to ship to Canada's three primary consumer markets: Toronto in the province of Ontario, Montreal in the province of Quebec and Vancouver in the province of British Columbia (on the Pacific Ocean). For most new exporters, the main entry doors to Canada are in the provinces of Ontario and Quebec, while exporters from Asia may wish to target Vancouver in British Columbia on the west coast (Pacific Ocean) due to its geographic proximity, although Asian goods are increasingly shipped to ports on the Atlantic Ocean. The major distribution hubs for intra-Canadian trade are also Toronto (covering Ontario, Quebec and Atlantic Canada), Montréal (covering Quebec, Atlantic Canada and Ontario) and Vancouver (covering the province of British Columbia, the province of Alberta, the Prairies provinces and the Territories).

### Canada is larger than you think!

As the 2<sup>nd</sup> largest land surface in the world, Canada encompasses 9 million square kilometers. This means the United Kingdom would fit into Canada over 40 times! Be aware of travel time and transportation costs across the regions of Canada. It takes up to eight hours to fly from Halifax (in the east of Canada, on the Atlantic Ocean) to Vancouver in Western Canada on the Pacific Ocean. This is further than to fly from Toronto, Montreal or Halifax to London, United Kingdom.

International transport of merchandise can be costly. It is important to understand how to properly store, pack and transport products in order to minimize costs and maintain the quality of the shipment in terms of design, dimensions and shipment specifications. In general, high-grade soft fruits and vegetables should be packed in single-layer wooden or cardboard boxes or in boxes containing thin plastic trays molded to hold each item individually. The cases should protect produce from damage and should have adequate ventilation (too much ventilation would result in wilting). Efforts to pack produce carefully and as soon as possible after harvest will result in less waste and higher profits for producers.

In general, packing must be labelled in English and French with the following information:

- Product name and type
- Weight of case in pounds and kilograms and the number of items per container;
- Grade (if applicable);
- Size of box/bag;
- Country (and region if applicable) of origin;
- Name and address of manufacturer or exporter to allow easy trace-back in case of problems – this is critical for organic foods;
- UPC/PLU or other bar code, identical to the one on the individual products;
- Lot number (to identify individual shipments).

Consistency in quality and delivery of the product with ordered specifications are crucial to maintaining Canadian orders.

Continuity of supply is a key factor in the importer's, wholesaler's and retailer's commitment to marketing imported goods in Canada. Sporadic shipments will damage the exporter's reputation and chance of success in Canada.

There should be the consistency of packaging and package sizes, an orderly loading of containers, shipping marks on the master pack and article numbers on the inner packs. Shipping containers must be clearly stamped or stencilled on a minimum of two sides with all code markings, and in food grade and waterproof ink. Since importers generally use the same packaging to ship products out of their warehouse, the packages should be sturdy enough for multiple handling. Reusable rather than disposable packaging also addresses environmental concerns. Proper packaging is vital since sub-standard packaging may damage the product and create problems for the importer in clearing and marketing the goods. The importer will then refuse to do further business with that supplier.

Potential pest infestation by wood packaging material and dunnage is controlled by the [CFIA](#). As of April 2013, the Asian Long-horned Beetle was eradicated from Canada. This means that tree materials, including nursery stock, trees, logs, lumber, wood, and bark chips from tree species that are susceptible to the Asian Long-horned Beetle, may once again be freely moved out of, or through, previously infested areas.

Further information can be obtained by referring to the [Memorandum D11-3-1: Marking of Imported Goods](#).

The most common form of packaging green coffee beans for export is in burlap bags made from jute plant (also referred to as jute bags). The most common sizes are 60 Kgs or 70 Kgs. Details regarding detailed specifications will usually be worked out between the exporter and the importer in Canada who will, often, have preferences in terms of size, type of bag and design. Some importers may for instance prefer to ship the green beans in plastic bags inside the jute to minimize damage or waste. Jute or burlap is not appropriate for roasted coffee beans as the oil of the bean could be compromised with the jute fabric. Synthetic jute is used in some cases as well.

Each bag of green beans has a specific identifier, referred to as the [ICO](#) mark, indicating where the coffee comes from (country code, harvester/grower/exporter code and lot number).

Equally important is the design of the bags. Even though these are used for transport and storage, they are also used for marketing and display purposes – either to highlight the country of origin or the harvester/grower/ exporter.

# 5 Import Regulations

## Importing and Inspection

The [Canadian Border Services Agency](#) (CBSA) is responsible for inspecting food products imported at the border on behalf of other government departments to ensure they comply with laws and regulations for health, consumer safety and fair business practices. Exporters can consult CBSA's guidance on [Importing Goods into Canada](#) for more information on documentation requirements and the release of shipments. CBSA's [Database of Forms](#) provides templates and instructions for completing each type of document.

### Types of Documents

Depending on the product and country of origin, required documents may include:

1. **Bill of Lading or Airway Bill:** Contract for carriage issued by the ocean or air carrier. Gives title to the goods and signed copies are proof of ownership.
2. **Cargo Control Document:** Used by carriers to report shipments to CBSA (first record of shipment's arrival). Also used for shipments moved in-bond to an inland CBSA office, sufferance warehouse or bonded warehouse.
3. **Certificate of Origin (Form A):** Required by CBSA to establish where goods were manufactured and to determine the applicable rate of customs duty, including any claims for preferential rates of duty. More information can be found in [Memorandum D11-4-2](#).
4. **Canada Customs Coding Form (Form B):** Used to account for goods regardless of the value imported for commercial use in Canada. An [example](#) of the form is available from CBSA.
5. **Commercial Invoice:** Used by the exporter to charge payment of goods to the Canadian importer. Exporters can provide either a [Canada Customs Invoice](#) (CCI) or their own forms that include all necessary standard information. CBSA uses the invoice to apply duties and other import taxes (e.g., GST). Avoid later reassessments by ensuring your invoice has enough detail to identify the goods, determine the quantity and establish the tariff classification correctly, including: date of issue, name and address of buyer and seller, contract number, description of goods, unit price, number of units per package, total weight and terms of delivery and payment.
6. **Export Permits:** Permits may be required by some countries where shipment originates, such as those for endangered species, and are issued by the exporter's home government.
7. **Packing List:** May be required to supplement a commercial invoice and is provided by the shipper. Identifies the shipper, the shipping company and the importer.
8. **Insurance Documents:** Issued by the insurance underwriter and provides proof that the goods are insured as they are being transported.

Products new to the Canadian market are sampled on entry until the Canadian Food Inspection Agency (CFIA) is satisfied that safety, wholesomeness and identity requirements are satisfactory. Shipments subjected to sampling and examination are detained and only released if they meet requirements. Suppliers with good compliance records could ask their importer to recommend them for placement on an 'A' list by CFIA. An 'A' list supplier is subjected to less frequent inspections, thus moving product to market faster. Failure to meet inspection requirements will mean removal from the 'A' list and placement on an 'Import Alert or [Mandatory Inspection](#)' list; reinstatement to the 'A' list could be difficult. This can seriously damage your reputation here and cause difficulties with the importer who recommended you. All shipments on the

'Import Alert' list is subject to inspection and products cannot be moved or sold following such inspections without CFIA's consent.

## Tariffs

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The coffee products under review can enter the Canadian market free of duty. This applies to both green beans and roasted coffee, caffeinated or not, organic or not.

For a complete list of tariffs applicable for all products in Canada, exporters should consult the [Canada's Custom Tariffs 2020](#). The tariffs depend on both the product's Harmonised System (HS) code and supplying country's applicable tariff treatment. As a consumer product, food products are also subject to GST or HST taxes at the point of sale which ranges from 13-15% based on the [province](#) of sale.

Exporters from least developed countries (LDCs) are eligible for duty-free and quota-free exports of most export products to Canada.

### Anti-Dumping

The CBSA anti-dumping investigations aim to protect Canada's domestic industry from potential harm of unfair foreign competition from subsidized, low-price goods being dumped into the Canadian market. If dumping has been found, a special tariff protection (i.e., countervailing duty) may be applied against dumped imports from another country through legal proceedings under the Canadian International Trade Tribunal.

More information on Canada's Tariffs can be found at the following:

- Countries with [trade agreements with Canada](#)
- [General Preferential Tariff and Least Developed Country Tariff](#) (Schedule 2)

They can also refer to TFO Canada's [Access Canada: A Guide on Exporting to Canada](#) and [Canadian Market Access Guide for LDCs](#).

### Tariff Look-Up Tool

TFO Canada recently launched a [Tariff Look-up Tool](#) that allows exporters to easily search the Canadian Customs Tariff. To find the applicable tariff for your product, use the tool to search by product keywords or HS code. The tool is available online to registered members.

# 6 Useful Resources

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## Blogs

[Alexandermills.ca](http://Alexandermills.ca)  
[Planetroasters.com](http://Planetroasters.com)  
[Vancouvercoffeesnob.com](http://Vancouvercoffeesnob.com)

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## Associations and shows

- Coffee Association of Canada – [www.coffeeassoc.com](http://www.coffeeassoc.com)
- The Canadian Roasting Society – [www.canadianroastingsociety.ca](http://www.canadianroastingsociety.ca)
- The Canadian Coffee and Tea Show – [www.coffeeteashow.ca](http://www.coffeeteashow.ca)
- The Canadian Coffee Guild (Canadian Chapter of the Specialty Coffee Association) – [www.canadiancoffeeguild.com](http://www.canadiancoffeeguild.com)
- The Specialty Coffee Association – [www.sca.coffee/](http://www.sca.coffee/)
- The Canadian Organic Trade Association (COTA) – [www.canada-organic.ca/](http://www.canada-organic.ca/)

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## Publications

Daily Coffee News – [www.dailycoffeenews.com](http://www.dailycoffeenews.com)  
Roast Magazine – [www.roastmagazine.com](http://www.roastmagazine.com)  
Sprudge (online) – [www.sprudge.com](http://www.sprudge.com)

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## Government Departments

Canada Border Services Agency – [www.cbsa-asfc.gc.ca](http://www.cbsa-asfc.gc.ca)  
Statistics Canada – Canadian Import Merchandise Trade - <https://www5.statcan.gc.ca/cimt-cicm/>  
Innovation, Science and Economic Development Canada's Trade Data Online – [www.ic.gc.ca/eic/site/tldo-dcd.nsf/eng/Home](http://www.ic.gc.ca/eic/site/tldo-dcd.nsf/eng/Home)  
Canadian Food Inspection Agency – [www.inspection.gc.ca](http://www.inspection.gc.ca)

### Important Note

If you have at least one year of export experience, be sure that you are taking full advantage of TFO Canada's free promotional services. This includes direct promotion of your company and products to Canadian importers via our monthly *Import Info E-Newsletter* and inclusion in our online searchable

Please check your current profile with us by signing in to our website and going to your "Exporter Profile." Ensure that all your information is correct and that you have accurately completed Step 2 of the registration process including entering one or more of your exported products.

Note that while Step 3—uploading additional information such as photos, price lists etc.—is optional, we recommend that you take the time to complete it since it serves as another free website for your products.

In the event that you are not registered with TFO Canada, please [register with us](#) by accurately completing Steps 1 and 2, and as explained above, the optional Step 3.

[www.tfocanada.ca](http://www.tfocanada.ca)