

A “Hot” Import Market in a Cold Country

In this issue:

It’s been a particularly long and cold winter in most parts of Canada this year. Indeed in most of the country the ground is frozen for over five months of the year. That leaves Canadian farmers with a very short growing season. As a result, Canadian consumers and retailers rely heavily on imported food products: nearly a third of all the food purchased by Canadians is imported! And ever increasingly those food products are sourced from developing countries.

In this edition of the TFO Quarterly we highlight several segments of the Canadian food market. This is appropriate because Montreal and Vancouver will host the two most important food sector trade fairs in Canada in April: SIAL Canada in Montreal for processed and manufactured foods, and the

Canadian Produce and Marketing Association (CPMA) trade show in Vancouver for fresh produce. TFO Canada will be on hand at both events supporting and promoting exporters from Honduras, Indonesia, Panama, Peru and Tunisia.

The processed and manufactured food sector, in particular, is becoming increasingly diversified with respect to product choice for the consumer and supplier choice for retailers and importers. This is good news for companies with a quality product seeking to enter the Canadian market. We share in this issue the journey of one such company, Secrets of Panama, which used the SIAL trade show in 2013 as a platform to enter the Canadian market and, with support from TFO Canada to find the right buyer, has now begun shipping their flavourful hot sauces to Canadians.

In this issue of the Quarterly, we also highlight the market for processed fruits and vegetables where import growth in the past year has been an impressive 10%; and we also share trends from the dried fruits, nuts and spices market where growth has also been in the double-digits. Those observations are but a few arising from our recently updated Market Information Papers for each of those food sectors.

It may still be cold outside here in Canada, but as Secrets of Panama aptly discovered for their sauce, there are hot opportunities in Canada’s manufactured and processed food markets.

Brian Mitchell
Executive Director
TFO Canada

| | |
|--|---|
| <i>Canadian Specialty Food Market</i> | 1 |
| <i>Upcoming Webinars</i> | 1 |
| <i>Processed Fruits and Vegetables 2014</i> | 2 |
| <i>Dried Foods, Nuts and Spices 2014</i> | 3 |
| <i>Guidelines for Importing</i> | 3 |
| <i>Latest in the Canadian Market</i> | 4 |
| <i>Upcoming Trade Events</i> | 4 |
| <i>Snapshot of TFO Canada</i> | 5 |
| <i>Panama Hot Sauce Producer Spices up Canadian Market</i> | 6 |

Canadian Specialty Food Market

The Canadian specialty food market has grown steadily over the past five years, on average 2.7% annually.

The specialty food market includes ethnic foods, allergen-free products, religious foods produced in compliance with dietary laws and health conscious choices such as organic products. Small local stores have gained market share from traditional supermarkets which still dominate with an 89.9% market share. However the increased immigration to Canada has continued to create a higher demand for ethnic foods. The Canadian food industry has also encountered polarisation over the past years due to the global recession. The impacts of raised food prices have created a higher demand for discount retailers. Strong growth has therefore been seen in both low priced products as well as high-end products. In the future products such as noodles, sweet and savory snacks, and pasta are expected to grow rapidly in volume and demand.

(Continued on page 5)

Upcoming Webinars

TFO Canada is pleased to host a webinar in English:

How Personal Care Products are Regulated in Canada
April 29, 2014 at 10:00 am (GMT - 5:00)

TFO Canada will also be hosting three webinars to inform newly registered exporters on how to use the online services available on TFO Canada’s website:

TFO Canada Online Services:

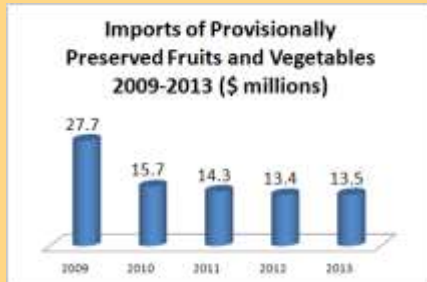
English - April 24, 2014 at 10:30 am (GMT - 5:30)
French - May 15, 2014 at 10:30 am (GMT - 5:30)
Spanish - June 27, 2014 at 10:30 am (GMT - 5:30)

If you are interested in participating, please send an e-mail to: webinar@tfocanada.ca indicating the webinar in which you want to participate.

Processed Fruits and Vegetables 2014

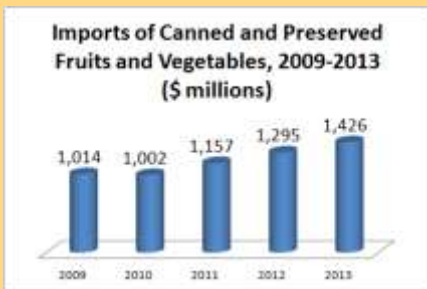
Provisionally Preserved Fruits and Vegetables Not Suitable for Immediate Human Consumption

Imports of provisionally preserved fruits and vegetables that require further processing for conversion into consumable products rose by 0.8% between January 2013 and January 2014. This slight increase builds on the \$100,000 rise noted between 2012 and 2013, as shown in the adjacent chart. Nonetheless, imports have declined significantly from a five year high of \$27.7 million in 2009 to \$13.5 million in 2013. Imports of provisionally preserved fruits and vegetables declined over the past five years with the exception of cherries and vegetable mixtures, which rose by 10.6% and 5.7% respectively between 2012 and 2013. In 2013, the majority of imports arrived in Québec (\$7.6 million), Ontario (\$4.9 million), and British Columbia (\$0.9 million), sourced mainly from Spain (\$3.5 million), the United States (\$2.7 million) and Italy (\$2.0 million).



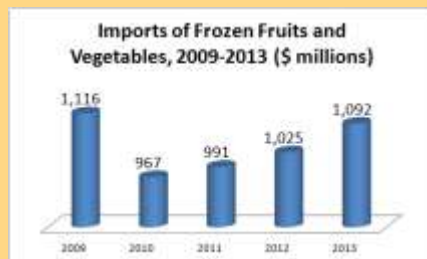
Canned and Preserved Fruits and Vegetables

In contrast to provisionally preserved fruits and vegetables not suitable for human consumption, imports of canned and preserved fruits and vegetables that are suitable for immediate consumption rose to a five year high of \$1.4 billion in 2013. A year-to-date rise of 10.1% in January 2014 indicates another potential annual increase. In 2013, the majority (\$762 million) of imports consisted of uncooked preparations of fruits, nuts, and edible plants, while the least (\$7 million) consisted of products preserved by sugar. Imports of pickled products (preserved by vinegar) amounted to \$146 million, while imports of cooked products such as jams and jellies amounted to \$71 million. Ontario (\$793 million), British Columbia (\$293 million), and Québec (\$185 million) were the major importers in 2013, sourcing mainly from the United States (\$909 million), China (\$99 million) and Thailand (\$59 million).



Frozen Fruits and Vegetables

Improved technology, harvesting and processing methods are resulting in better quality frozen produce which feeds the cycle of demand for healthy dietary options for Canadians. After a significant decline in 2010, imports rose over the next four years to a four year high of \$1.09 billion. Imports are on track for another rise in 2014, as January 2014 import levels increased by 6.5% over the same period in 2013.



This information has been extracted from the new Market Information Paper "Processed Foods and Vegetables 2014", which will be available soon to registered members at www.tfocanada.ca.

Dried Foods, Nuts and Spices 2014

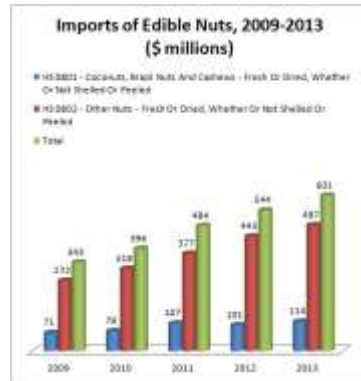
Dried Vegetables, Roots, and Tubers

Imports of dried vegetables, manioc, sweet potatoes, arrowroot, and salep rose to \$293 million in 2013, the highest level in five years. Buyers in Ontario, British Columbia and Québec purchased most of these products. While the major suppliers to this market were the United States (\$170.9 million), China (\$52.2 million) and Australia (\$7.2 million), other TFO Canada client countries gained a top ten supplier position in 2013.

Dried Fruit

Imports of dried fruit also reached a five year high in 2013, at \$1.47 billion, up from \$1.26 billion in 2009. Imports of citrus fruits led these purchases at \$495.9 million. The majority (\$601.2 million) of these purchases were made by buyers in Ontario, followed by those in British Columbia (\$273.8 million), and Québec (\$207.5 million).

Edible Nuts



At \$601 million, imports of edible nuts reached their highest five year level in 2013. In that year, imports of coconuts, Brazil nuts and cashews increased by 13.9% over 2012 values, while those of other nuts rose by 10.6% over the same 2012-2013 period. Buyers in Ontario purchased just over half of these imports, followed by buyers in Québec and British Columbia

Dried Legumes

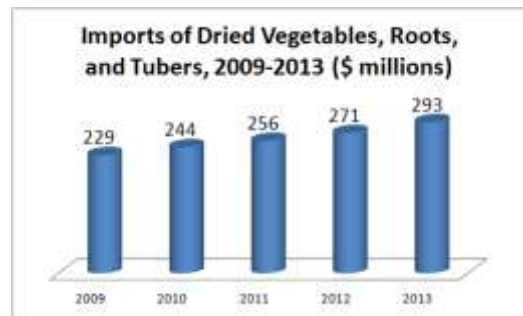
Like the other products covered in this report, imports of dried legumes, including dried peas, chickpeas, beans, and lentils, also peaked after five years, at \$120.6 million in 2013. The increase from the previous year was 10.1%, reflecting more use as alternative proteins in healthy diet options for Canadians.

Rice

After reaching a high of \$342 million in 2009, imports of rice declined to a low of \$304 million in 2011 and 2012 before climbing back to \$339 million in 2013.

Spices, Herbs, and Spice Extractives

Imports of spices, herbs, and spice extractives rose significantly (by 17.7%) between 2012 and 2013 to reach a five year high in 2013 of \$168 million. Peppers (\$77.2 million) and spices such as ginger, saffron, curry and thyme (\$55 million) were the most popular products imported in 2013, mainly by buyers in Ontario (\$94 million), Québec (\$43.4 million) and British Columbia (\$25.9 million).



This information has been extracted from the new Market Information Paper “Dried Foods, Nuts and Spices 2014”, which will be available soon to registered members at www.tfocanada.ca.

Guidelines for Importing Food and Plant Products for Trade Fairs and Shows in Canada

The [Import Guide for Food and Plant Products for Trade Fairs and Shows in Canada](#) provides exhibitors with the special conditions that apply to importing food and horticultural products for a show or trade fair. The Canadian Food Inspection Agency sets out the import guidelines, provides important legislative requirements by product categories, and the process for exhibitors to adhere to when bringing these goods into Canada for exhibitions.

Access to Market Information Papers Online

To access our [Market Information Papers](#), your company needs to be registered with TFO Canada.

It's easy: just go to www.tfocanada.ca, click on “Register Now” and follow the steps.

Once you are registered with us you will have access to our rich content online, including detailed information related to your sector, in addition to our promotional services.

Latest in the Canadian Market

[Harper Government Introduces Legislation to Implement Free Trade Agreement with Honduras](#)

January 30, 2014

Today the government introduced the Canada-Honduras Economic Growth and Prosperity Act to implement the Canada-Honduras Free Trade Agreement as well as agreements on labour and environmental cooperation.

The Honourable Ed Fast, Minister of International Trade, and José Adonis Lavaire, Minister of Industry and Commerce for Honduras, signed the agreements in Ottawa on November 5, 2013. Domestic debate and ratification processes will now take place in Canada and Honduras to bring the agreements into force.

Since 2006, Canada has concluded free trade agreements with nine countries: Colombia, Jordan, Panama, Peru, the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) and Honduras. Most recently, Canada reached an agreement-in-principle with the 28-nation European Union, the largest and most lucrative market in the world.

[Canada's December Trade Deficit Widens to C\\$1.66 B on Record Imports](#)

February 06, 2014

Canada posted a much larger-than-expected trade deficit of C\$1.66 billion (\$1.49 billion) in December, the biggest gap since November 2012, as imports hit a record because of higher prices, Statistics Canada data indicated on Thursday. November's gap was also revised sharply upward.

The deteriorating trade balance came despite a fall in the volume of imports and a rise in

the volume of exports. Import prices rose 1.6%, partly because of the weaker Canadian dollar, while volumes fell 0.4%. Export volumes rose by 0.8% while prices rose 0.1%.

[Canadian International Merchandise Trade](#)

March 10, 2014

Canada's merchandise imports declined 1.6% while exports edged up 0.2% in January. As a result, Canada's trade deficit with the world narrowed from \$922 million in December to \$177 million in January.

Imports declined to \$40.8 billion as volumes were down 2.6% while prices were up 1.0%. The main contributors to the overall decline in imports were motor vehicles and parts as well as energy products.

Exports edged up to \$40.6 billion, as an increase in energy products was mostly offset by decreases in motor vehicles and parts as well as metal ores and non-metallic minerals. Overall, prices were up 5.8% while volumes were down 5.3%.

Exports to countries other than the United States grew 1.3% to \$10.0 billion, as increases in exports to the principal trading area "all other countries" (+9.3%) were partially offset by declines to Japan (-20.1%). Imports from countries other than the United States declined 1.2% to \$13.8 billion. Lower imports of crude oil and crude bitumen from Norway led to an 8.6% decrease in imports from the principal trading area "other Organisation for Economic Co-operation and Development countries". This decline was partially offset by a 5.4% increase in imports from the European Union. As a result, Canada's trade deficit with countries other than the

United States narrowed from \$4.1 billion in December to \$3.8 billion in January.

[2015 CFIA Rule Changes Mean Federal Licenses Required for all Canadian Food Companies](#)

March 12, 2014

Huge changes to Canada's food and beverage sector coming in 2015 will have the CFIA (Canada Food Inspection Agency) enforcing federal licensing for all food makers, importers and exporters in the country.

A standardized set of inspection criteria for all food products, as well as an expanded list of goods that fall under the watchful eye of inspectors, are also on the way. As part of the CFIA's efforts to modernize, many of these new regulations will replace regulations that date back to the 1940s.

Says Candace Sider, director of regulatory affairs with customs brokerage and trade consultancy Livingston International Inc.: "They call it

modernization, (but) it's really kind of an alignment with other key government agencies to transform the way that they do business today."

Ushered in with the Safe Food for Canadians Act in 2012, the modernization program calls for all companies to develop and implement scalable preventative control plans.

"In the broader sense, the key elements of that safe foods plan is the requirement for quality management, quality control programs, safety programs, prevention control plans, food traceability (and) mandatory record keeping requirements," adds Sider.

Up until now, such programs were voluntary. And while Sider does believe that many companies already have many of these requirements in place – now the CFIA is going to enforce them. For everyone. Another component of modernization is increased CFIA oversight and inspection that will see a single model used across the board.

Upcoming Trade Events in Canada

| APRIL | |
|--|--|
| SIAL CANADA 2014 | April 2 - April 4, 2014 Montreal |
| CPMA's Annual Convention Show 2014 | April 2 - April 4, 2014 Vancouver |
| Grocery Showcase West | April 6 - April 7, 2014 Vancouver |
| Canadian Health Food Association - West Show | April 12 - April 13, 2014 Vancouver |
| MAY | |
| Luggage, Leathergoods, Handbags & Accessories Show | April 27 - April 29, 2014 Toronto |
| Esthetique Spa International | May 4 - May 5, 2014 Toronto |
| Bakery Showcase 2014 | May 4 - May 6, 2014 Toronto |
| SIDIM - International Design Show | May 22 - May 25, 2014 Montreal |

Canadian Specialty Food Market

(Continued from page 1)

Canada's large ethnically diverse population has created a high demand for ethnic foods and religious foods produced in compliance with dietary laws, such as Halal and Kosher products. The ethnic food market is expected to grow steadily in the future as the visible minority groups in Canada are expected to surpass 11.4 million people in 2031 and grow both in size and diversity. The largest ethnic group at the

moment is the South Asian and Chinese population but the fastest growing segment is Canada's Muslim population. Overall the interest towards ethnic foods is growing among all Canadians.

The ageing population in Canada and the growing interest towards health consciousness are another important factor in the specialty food market. Organic products, healthier options (such as low-in-sodium or low-in-fat products) and local ingredi-

ents and products have increased their popularity in smaller specialty stores and farmer's markets. There is also a greater demand for allergen-free products such as gluten-free, nut-free and lactose-free products. Gourmet and artisan foods continue to be popular among Canadians with middle-higher incomes.

These long-term trends and special dietary restrictions can create various opportunities for exporters to Canada and food producers.

Overall the specialty food market is expanding rapidly and it will likely remain in high demand in the future as well.

Sources:

Packaged Goods in Canada (2014), Euromonitor International

The Specialty Food Market in North America (2012), Agriculture and Agri-Food Canada

Snapshot of TFO Canada Events

TFO Canada Trade Representative Awarded for Excellence in International Trade

TFO Canada congratulates Alma Farias on receiving this award-the highest award out of three awards bestowed by Organization of Women in International Trade (OWIT)-Toronto on the occasion of its Annual Award Gala honouring women in international trade. Alma is TFO Canada's Trade Representative for Toronto with over 18 years of experience in international trade.

This award recognizes an outstanding woman in Ontario who, through her business and personal networks, acts as a trade advocate and mentor for women, fostering opportunities that actively support women entrepreneurs or professionals to achieve success in international business.



Successful Burkina Faso Buyer's Mission for Women's Shea Butter Consortium

February 3rd through the 7th marked the TFO Canada North American Shea Butter Buyers Mission to Burkina Faso. This buyer's mission was the last major activity of a joint TFO Canada-CESO Shea Butter Group Marketing project which helped form the GIE-Karité du Burkina Faso shea butter consortium, comprised of six women-led companies and associations. Three Ontario based buyers participated in the mission led by TFO Associate, Mr. Bertrand Walle and local partner Maison de l'Entreprise du Burkina Faso.

The first day was dedicated to partner, producer and buyer presentations. The rest of the week was dedicated to familiarizing the buyers with the producers through production site visits of all six producers in the vicinity of Ouagadougou and in Léo. The final day of the mission included individual buyer-to-consortium meetings at which time orders were generated.



From Training to Trade Show Participation: Honduran SMEs ready for SIAL and CPMA shows

Processed food exporters from Honduras are expected to come to Montreal to participate in Salon International de L'alimentation (SIAL) from April 2 to 4, to learn for themselves how dynamic our market is and to also network with potential importers. Similarly, a select group of producers of fresh produce will be participating in the annual Canadian Producers and Marketing Association (CPMA) show in Vancouver during that same time.

Their participation is a result of a market intervention organized by TFO Canada under the Canada-Americas Trade-related Technical Assistance program in cooperation with FIDE Honduras (TFO Canada's partner in Honduras for export promotion), CESO and IICA. In January 2014, TFO Canada and its partners organized a series of seminars in Tegucigalpa and San Pedro Sula for SMEs specialized in the agro food business (fresh produce and processed foods). The seminars were attended by over 60 com-

panies involved in this sector. The objective of these seminars was to provide an introduction to the Canadian market for these companies, the majority of which were not familiar with our market. Our team of Canadian experts covered topics such as regulations, market access and general market characteristics.

Following the seminars, company representatives had the opportunity to meet with our experts to get feedback on their individual product offerings. Following these meetings, a small group of companies were selected to take part in a follow-up activity involving a training program and market familiarization visit to Canada.

Both trade show activities are part of a responsive program funded by the Canadian Government to assist SMEs in Honduras benefit from the Canada Honduras Free Trade Agreement expected to be fully in place later this year.



Panama Hot Sauce Producer Spices up Canadian Market

Marianela Martinez de Alvarado realized a career change was in order after one of her clients failed to find Panamanian culinary gifts to take back home. As her Canadian counterpart expressed disappointment about the generic hot sauces lining the shelves of the local supermarket, the former international lawyer recognized a gap she wanted to fill.

Two years later, Alvarado is the proud owner of Secrets of Panama, a small business that produces hotCHOMBO. The hot sauce is 100 per cent natural and made from local ingredients like the famous Habanero pepper, the hottest chili pepper in the world. Rum is also added in homage to the region's Caribbean influence.

"It's the heaven combination,"

Alvarado says of her recipe, which was handed down from her grandmother.

Before long, Alvarado was looking to expand her company's reach to foreign

markets. The burgeoning entrepreneur joined eight other Panamanian small and medium enterprises at the annual Salon International de L'Alimentation (SIAL) Canada show, which was hosted in Toronto from April 30th to May 2nd, 2013.

TFO Canada was enlisted to develop a four-day Market Orientation Tour that provided opportunities to engage with potential buyers and to learn about the Canadian market. Activities included seminars on Canadian regulations, a tour of a Loblaws supermarket, and scheduled business meetings with Canadian buyers at the SIAL show.

Alvarado succeeded in finding an importer for her product after TFO Canada organized an additional interview outside of SIAL at the business of a small Canadian company that specializes in upscale gourmet products.

She says working with an agency that connected her company with an interested importer was crucial for landing a buyer.



hotCHOMBO's range of hot sauces

"A fair without meetings is most difficult. It's the business appointment that's key and TFO Canada made that part happen."

Secrets of Panama sent its first shipment of hotCHOMBO to Canada in January, and plans to send a second one in April. Right now, the product can be purchased at seven Canadian locations, including grocery stores and specialty shops.

Alvarado will attend the SIAL conference again this year in

Montreal on April 2nd to 4th. Now that she has a Canadian importer, she is eager to focus more on promoting her product and connecting with buyers across the country.

"The world doesn't end with your country. The world is open to your business, and you need to work hard to find a part of the world that loves your product,"

Alvarado says of what drives her to the Canadian market.



Experts in trade for developing countries
Experts en commerce au service des pays en développement
Expertos en comercio al servicio de los países en desarrollo

56 Sparks Street, Suite 300 Ottawa, ON
Canada K1P 5A9
1.613.233.3925 (tel.)
1.613.233.7860 (fax.)
1.800.267.9674 (toll-free)
E-mail: newsletter@tfoCanada.ca

TFO Canada confronts the challenge of global poverty by promoting sustainable economic development through export information, advice and contact. We facilitate access to the Canadian marketplace and share Canadian trade expertise for the benefit smaller exporters in developing countries. Founded in 1980, TFO Canada is a non-governmental, non profit organization.

This newsletter is produced with the financial support of the Government of Canada provided through the Department of Foreign Affairs, Trade and Development Canada (DFATD)

© Trade Facilitation Office Canada / Bureau de promotion du commerce Canada 2014