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Message from Executive Director

Key Trends and Regulation in the Canadian Apparel and Textile Sector

In Canada, the Fall season is a time of many transitions: the days are shorter as the sun sets earlier, leaves turn to vibrant colours of yellow, red and orange, children are back in school, and people start to prepare themselves for the cold season that is upon us. For some, preparing for the “temperature drop” involves turning their attention to new clothing that will keep them warm when the mercury dips below zero degrees Celsius.

This edition of TFO Canada’s newsletter highlights the apparel and textile sector – one that can be very interesting for many of our subscribers. Understanding key trends and regulations is essential for the success of small and medium enterprises (SMEs) from developing countries looking to enter the Canadian apparel and textile market. For starters, the Canadian market is highly competitive, with a growing demand for sustainable and ethically produced textiles. Consumers are increasingly seeking products that are eco-friendly and socially responsible. This has led to a rise in the popularity of organic cotton, recycled materials, and fair-trade products. Aligning with these trends can offer a significant competitive advantage for SMEs aiming to penetrate this market.

In terms of regulations, Canada has stringent import requirements that must be carefully navigated. The [Canadian Customs Tariff](#) outlines

the applicable duties for various textile products, and it’s crucial for exporters to be aware of these to avoid unexpected costs. In addition, the [Canada Consumer Product Safety Act](#) (CCPSA) governs the safety standards for apparel, including labeling requirements, flammability standards, and the use of specific chemicals. Non-compliance with these regulations can result in severe penalties, including the seizure of goods.

Other opportunities for exporting SMEs are the various trade agreements as well as preferential tariff treatments that Canada has in place for many countries. These can be very beneficial to businesses looking to export their products, providing the rules of origin requirements are met.

To succeed in the Canadian market, SMEs from developing countries must prioritize compliance with these regulations and align their products with current consumer trends. By doing so, they can gain access to a lucrative market and build a reputation for quality and ethical production, which are increasingly valued by Canadian consumers.



Steve Tipman
Executive Director
TFO Canada



"To successfully enter the Canadian apparel and textile market, small and medium enterprises should focus on understanding local consumer preferences and trends and leverage digital marketing tools to reach a broader audience. Building partnerships with local distributors and retailers can also help navigate regulatory requirement"

Trends and Regulations in the Canadian Apparel and Textile Industry

By Myriam Laroche, TFO Canada Associate

The Canadian apparel and textile industry is undergoing a seismic shift. As consumers become increasingly conscious of the environmental and social impacts of their purchasing decisions, companies are being pressured to adopt more sustainable practices.

Ethical and Transparent Supply Chains

One of the most prominent trends in the industry is a growing emphasis on ethical and transparent supply chains. More and more, consumers are demanding to know where their clothes come from, how they are made, and the conditions under which they are produced. This has led to a surge in interest in blockchain technology, like a garment digital passport, which can be used to track the journey of a garment from raw material to finished product, ensuring that ethical and environmental standards are maintained throughout the supply chain.

Retailers and manufacturers are also facing growing pressure to provide more information about the materials used in their products and the processes involved in their production. This includes details about the number of hands that have touched a garment and the conditions under which it was made. As consumers become more discerning, suppliers will need to offer greater transparency and traceability in their products.

Circular Economy Practices

The concept of a circular economy, which aims to minimize waste and maximize resource efficiency, is gaining traction in the apparel and textile industry. Companies are exploring ways to extend the life of their products through recycling,

repurpose used garments are becoming more common.

The popularity of second-hand clothing and rental services is also on the rise, reflecting a shift in consumer attitudes towards more sustainable consumption. By embracing circular economy practices, companies can reduce their environmental footprint and meet the demands of increasingly conscious consumers.

Regulatory Landscape

The regulatory landscape for the apparel and textile industry is evolving to address environmental and social concerns. While Canada currently lacks national or provincial Extended Producer Responsibility (EPR) programs for textiles, there is growing momentum towards implementing such regulations. European countries like the Netherlands have already introduced EPR schemes, requiring manufacturers to take responsibility for the recycling and re-use of their products.

As Canada moves towards a more sustainable future, it is imperative that similar regulations are introduced promptly. Garment producers and retailers must proactively prepare for this new reality by implementing take-back programs, designing products for easier recycling, offering repair and alteration services, and sourcing materials that are made from waste. This will ensure they are aligned with consumer trends.



The time for action is now. The future of the Canadian apparel and textile industry depends on a collective commitment to sustainability. By embracing ethical practices, promoting circular economy principles, and supporting regulatory.

Apparel and Textiles Market Information Paper

By Myriam Laroche, TFO Canada Associate

The Canadian apparel industry has faced notable fluctuations in recent years, largely influenced by the COVID-19 pandemic. In 2019, retail sales peaked at \$37.2 billion, but the pandemic's impact in 2020 caused a sharp drop to \$28.0 billion due to lockdowns and shifting consumer behavior. However, the sector began recovering in 2021, with sales climbing to \$33.5 billion, followed by a strong resurgence in 2022, reaching \$40.4 billion. By 2023, the market hit an all-time high of \$42.1 billion, signalling robust growth and resilience.

E-commerce remains a critical channel for apparel retailing, accounting for 19.4% of apparel sales in 2023. However, the e-commerce market decreased by 2.2% to C\$6.9 billion in the same year, marking the second consecutive year of decline. According to a report by [Trendex North America](#), online apparel sales are projected to increase by 0.9% in 2024 and by 6.1% from 2023 to 2027, while total apparel sales are expected to grow by 2.5% and 13.0% during these periods, respectively.

Large retailers dominate

Large retailers, such as Winners, remain dominant players in the market, with the 10 largest apparel retailers accounting for close to 35% of total sales. H&M and Lululemon Canada recorded the largest sales increases in 2023, with growth rates of 8.9% and 10.5%, respectively. In the same year, 13 foreign apparel retailers entered the Canadian market, up from nine in 2022. Retailers saw their

gross margins rise from 48.3% in 2020 to 49.5% in 2021, while their initiatives, we can create a more responsible and sustainable fashion landscape for generations to come.

Operating profit margins increased from 4% to 7.1% over the same period. Similarly, wholesalers experienced growth, with their gross margins climbing from 33.9% in 2020 to 35.4% in 2021, and their operating profit margins improving from 4.9% to 6.7%. ([Retail Insider](#)) The top three apparel exporters to Canada continue to be China, Bangladesh, and Vietnam. These countries have strategically maintained their market share by offering competitive prices and quality with minimal supply chain disruptions.

Emerging apparel trends

Emerging trends in the Canadian apparel sector include:

- The rise of shapewear: Shapewear is becoming increasingly popular in the Canadian market, driven by brands like Knix, Spanx, and Skims. This trend aligns with the body positivity movement, which embraces natural curves and is bolstered by high-profile celebrity endorsements.
- Gender-neutral comfort: The rise of gender-neutral apparel is transforming the fashion industry by offering inclusive options for men, women, and non-binary individuals. This shift, driven by the pandemic and the focus on remote work, emphasizes comfort and practicality.
- Denim: Denim remains a staple in the Canadian market due to its durability and sustainability. The growing demand for eco-friendly options presents opportunities for manufacturers to invest in recycled denim and organic cotton. As consumers increasingly prioritize sustainability, denim's iconic status, including the '[Canadian Tux](#),' continues to be a versatile and timeless choice.

- Innovation - virtual garments: Software innovations like CLO 3D and Myr are revolutionizing the apparel industry by enabling digital design, prototyping, and production. These tools significantly reduce the need for physical samples, thereby lowering carbon emissions and waste.

The Canadian apparel industry is navigating a complex landscape of fluctuating sales, shifting consumer preferences, and emerging trends. While challenges remain, the sector is poised for recovery and growth through innovation, sustainability, and strategic market positioning.

The market information paper will be available online in English, French, and Spanish on the TFO Canada website beginning on October 7th. Access the full document through your account.

Featured Trade Support Institution Partners in the 2nd quarter of 2024



Program Updates

TFO Canada - in collaboration with our Trade Support Institutions (TSIs) and partners - has been hard at work in the third quarter of 2024, helping small and medium-sized enterprises from Africa, Asia, the Middle East, and Latin America to achieve their export goals. Get ready to dive into the exciting events unfolding and discover what's in store for the future.

Happy reading!

Capacity Building & Skills Development

TFO Canada's mission is to empower small and medium enterprises (SMEs) and Trade Support Institutions (TSIs) in developing countries, equipping them with the knowledge and skills they need to succeed in international trade. With a focus on promoting gender equality and social inclusion, as well as tackling the challenges presented by climate change and environmental considerations, TFO Canada works in countries across Latin America and the Caribbean, the Middle East, Africa, and Asia, helping to transform lives and communities, one step at a time.

Our team in action:

Creating a new pool of trade-trained trainers in Jordan - July 2024

The Export Launchpad Jordan (ELJ) project launched on May 7, 2024 aims to empower Jordanian SMEs to take advantage of international trade opportunities and contribute to sustainable economic development and employment generation. Funded by the International Islamic Trade Finance Corporation (ITFC) of the Islamic Development Bank (IsDB) group under the Aid for Trade Initiative for the Arab States (AFTIAS 2.0) program as well as Global Affairs Canada (GAC)

through its *Women in Trade for Inclusive and Sustainable Growth* (WIT) project, the program is conducted in partnership with the Jordan Enterprise Development Corporation (JEDCO). It focuses on providing trade training and export-focused support services to SMEs and potential exporters in Jordan. This initiative is particularly focused on the Dead Sea cosmetic and processed foods sectors, empowering women-owned and/or -led SMEs to take advantage of the Canada-Jordan Free Trade Agreement and other Canadian and international market opportunities.

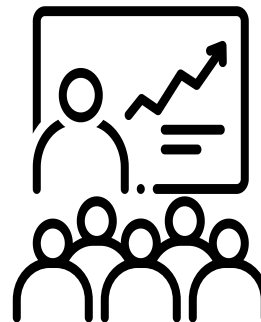
The first component of this project was completed in July 2024 and involved the development and delivery of an export training program through a "training of trainers" (ToT) approach to 27 new trainers (11 men and 16 women) from 11 Jordanian Trade Support Institutions (TSIs)/Trade Promotion Organizations (TPOs)/Business Support Organizations (BSOs). A further 39 new SMEs (18 women-led SMEs) were trained. By participating in ELJ, SMEs are equipped with the necessary tools and capacity to thrive in the global market and ensure a brighter future for themselves and their communities.

27
Representatives
16 Women

From Trade Support Institutions completed the training

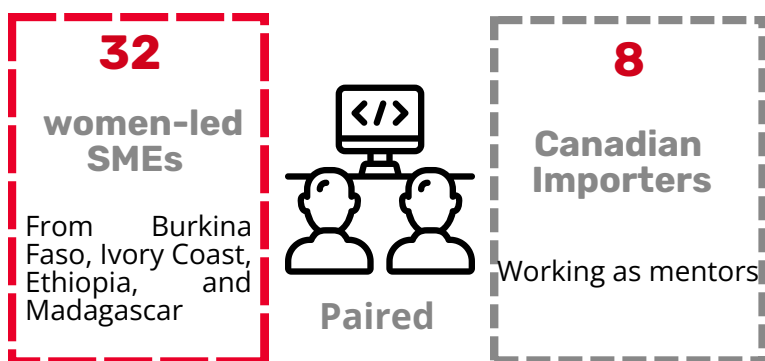
39 Jordanian SMEs
18 Women - led SMEs

Equipped with tools and capacities to thrive in the global market



Lead Buyer Program in Burkina Faso, Ivory Coast, Ethiopia, and Madagascar

TFO Canada is implementing the Lead Buyer program, an initiative of the *Women in Trade for Inclusive and Sustainable Growth* (WIT) project, in Burkina Faso, Ivory Coast, Ethiopia and Madagascar, in collaboration with Chambre de Commerce et d'Industrie du Burkina Faso (CCI-BF), Côte d'Ivoire PME (CI-PME), Chambre de Commerce et d'Industrie d'Antananarivo (CCIA), and the Center for Accelerated Women's Economic Empowerment (CAWEE). The program paired eight women-led (WL) SMEs from each country with two Canadian importers, who are working as mentors for the SMEs over three months, to adapt and improve their products for the Canadian market.



Webinar: Preventive Control Plan: Complying with Canadian Requirements

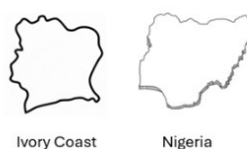
TFO Canada hosted a September 11, 2024 webinar titled Preventive Control Plan: Complying with Canadian Requirements. The webinar provided guidelines to exporters on the importance of a Preventive Control Plan, how to conduct internal audits of food safety programs, and how to understand the policies, procedures, and records to ensure alignment with Canadian regulations. 27 women and 24 men representing 51 SMEs from the agri-food sector from Asia, Africa, and Latin America participated. In addition, 2 representatives of TSIs and 4 representatives of embassies in Latin America, Asia, and Africa attended.

Improving the Export Readiness of SME Exporters in Haiti, Burkina Faso, Ivory Coast and Nigeria

In July 2024, TFO Canada, in partnership with the Chambre de Commerce des Femmes Entrepreneurs d'Haïti (CCFEH), provided technical training on export readiness to 33 women-led small and medium-sized enterprises (SMEs) from the agri-food sector. This training was a great opportunity for CCFEH staff to put into practice the knowledge they had recently acquired during the train-the-trainer program under the Women in Trade for Inclusive and Sustainable Growth project.

Additional training on environment and climate change, responsible business practices, packaging, and logistics (specifically on the role of freight forwarders and customs brokers) were provided to 32 SMEs (22 WL) in Burkina Faso, 35 SMEs (20 WL) in Ivory Coast, and 40 SMEs (38 WL) from the agri-food sector in Nigeria, with the support of Chambre de commerce et Industry de Burkina Faso (CCI-FB), Agence Côte D'Ivoire PEM and Abuja Chamber of Commerce and Industry respectively.

The knowledge acquired will allow SMEs to better prepare themselves to enter the international markets and to develop their export plan activities in a structured and efficient manner. In particular, they can now assess their current situation and implement appropriate measures to take advantage of the international market potential.



Market Access Activities

TFO Canada provides comprehensive support to SMEs in developing countries seeking to enter new markets. By leveraging expertise in industry research, entry strategies, trade promotion events, and networking opportunities, we support SMEs navigating the complexities of international trade and maximize their growth potential.

Canadian Buyers Mission to Peru in the Agrifood sector, September 2024

TFO Canada led a Canadian Buyers Mission to Lima, Peru from September 23-25 in collaboration with PromPeru. The delegation participated in a food workshop, where they were able to learn about Peruvian offers (ingredients and products). More than 69 B2B meetings were facilitated between eight Canadian importers and 19 SMEs from Peru, opening new avenues and product offerings!

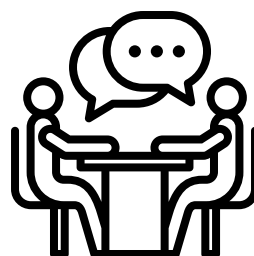
The delegation also participated in Expoalimentaria, one of the most important food and beverage trade fairs in Latin America. It is the main business platform used as a meeting point. Over the next 12 months, export sales are estimated to be more than CAD \$ 1.63 million.



B2B Meeting between Peruvian Exporter - Quillacao and Canadian Importer - Zazubean Organic at Retail Week, Lima, Peru, September 2024.

Preparation Underway for Trade Missions

With the support of TSIs, TFO Canada has carefully assessed, coached, and selected a group of SMEs in various sectors to participate in market access activities throughout this quarter. A total of **61 SMEs** from Vietnam, Jordan, and Zambia in the agri-food, apparel, and cosmetics sectors were prepared in key areas, such as regulatory compliance, production capabilities improvement, and international market entry strategies development to participate in trade missions targeting the Canadian and South African markets



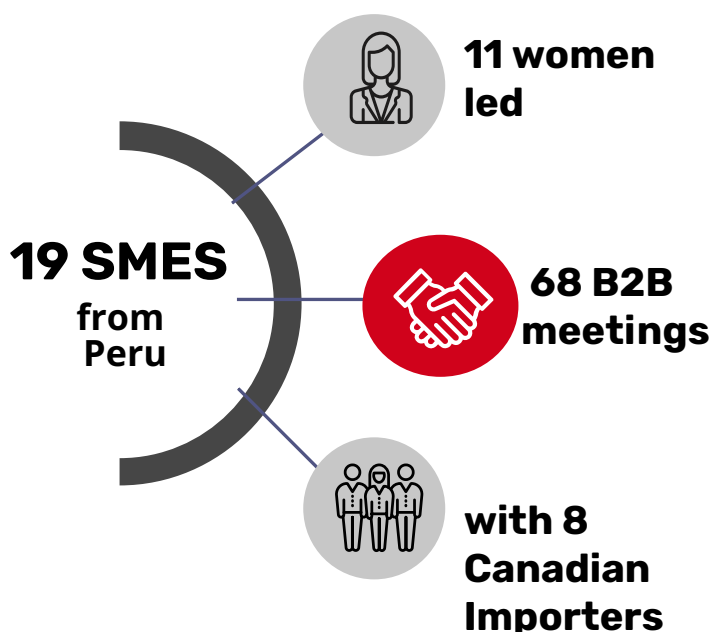
61 SMEs

40 SMEs from Agri-food sector

6 SMEs from Apparel sector

15 SMEs from Cosmetics sector

Prepared in key areas



Trade Facilitation

Improving the risk management of import control and inspection system of Fish Quarantine and Inspection Agency in Indonesia 2024

As an implementing partner of the Global Alliance for Trade Facilitation (the Alliance), TFO Canada successfully completed the execution of a trade facilitation project in Indonesia ([Enhancing risk management | Global Alliance for Trade Facilitation](#)) in August 2024. The objective of the project was to improve risk management in the import control and inspection system for fish and fishery products by Indonesia's current competent authorities: Marine and Fisheries Quality Assurance Agency (MFQAA) of the Ministry of Marine Affairs and Fisheries (MMAF) in Indonesia and Indonesia Quarantine Agency (IQA). This was done by introducing pre-border validation, improving at-border inspection and introducing post-border/at-market surveillance system, based on both Food Safety & Quality (FSQ) and Bio-Security/Fish Disease (BS/FD) and Hazard Analysis Critical Control Point (HACCP) based risk considerations. The final component of this project was a strategic workshop (August 5-7, 2024) to assess the implementation status of the revised risk management system and to make recommendations for a more effective and sustainable operationalization of the revised risk management system



Utake Coffee: Brewing Success in the Global Market

With the support of TFO Canada, businesses like Utake Coffee Limited are gaining the tools and international exposure needed to tackle any barriers and succeed in global markets. Through the Women in Trade for Sustainable Growth (WIT) Project, TFO Canada has helped women-led SMEs like Utake Coffee overcome the challenges of expanding abroad.

Founded in 2018 in the Nairobi Area of Kenya, Utake Coffee Limited is a women-owned company recognized for its high-quality Kenyan coffee and commitment to sustainability. Under the leadership of Mbula Musau, the company has rapidly transitioned from a local supplier to an international exporter. Utake Coffee's success is based on focusing on sustainable, social, and governance practices. The company has invested significant resources into research and development.

In 2022, it launched its Specialty Kenyan Coffee Drip Bag, an eco-friendly, biodegradable product that has been praised for its convenience and sustainability. This innovation earned Utake Coffee the Sustainability Award at the 2023 Kenya Beverage Awards. "What that means is that we are not just about trading coffee; we're about giving back to farmers by paying them better than the average price, helping to fulfill the goals of our farmers and their families," says Mbula Musau, CEO of Utake Coffee. In a single thought: Utake ensuring fair compensation for farmers while promoting environmentally friendly products.

While Utake Coffee's focus on sustainability and innovation is central to its mission, the company's global expansion would not have been possible without TFO Canada's support. Through its WIT program, TFO Canada provided Utake Coffee with guidance and resources to navigate the complexities of international business. The business has been exporting since 2018 to the USA, Germany and China markets. A key moment came in May 2024 when Utake participated in the SIAL 2024 Show in Montreal, a crucial platform for expanding into the Canadian market.)"

Reflecting on the experience, Mbula explains: "We thank TFO Canada for giving us the opportunity to be here at SIAL 2024 to showcase Kenyan specialty coffee. This exhibition will give us a chance to penetrate the Canadian market and ensure that our product is available on a bigger scale. We're thankful for the hand-holding and the partnerships that are really important to ensuring success in this kind of mission." In less than three months, Utake was able to sell USD \$17,000 in the Canadian market.

However, entering the Canadian market came with its own set of hurdles. The diversity of consumer preferences in Canada meant that Utake Coffee had to carefully tailor its marketing strategies and product offerings to meet the demands of different market segments. Understanding the cultural differences and purchasing behaviors required the company to go through a steep learning curve, involving trial and error, as they refined their products and adjusted their market approach. To

support Utake Coffee better understanding the Canadian market and adapting its products to market demands and trends, the company was selected to be the beneficiary of an MBA Market Entry Study to be developed with the support of TFO Canada and Concordia University.

Thanks to the exposure and connections made through TFO Canada's support, Utake Coffee has laid a solid foundation for sustainable growth in the Canadian market. The company's dedication to excellence, both in terms of product quality and environmental stewardship, is at the heart of its success. Looking to the future, Utake Coffee plans to scale up production of its innovative drip coffee bags, further reduce its carbon footprint, and consolidate its operations to enhance efficiency.

By staying true to its core values of quality, sustainability, and empowerment, Utake Coffee is well on its way to becoming a leader in the global specialty coffee industry with the value proposition: "Coffee that empowers!".



Mbula Musau, CEO and owner of Utake Coffee, at SIAL Canada, May 2024



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TFO Canada improves lives through the creation of sustainable trade partnerships for exporters from developing countries with Canadian and foreign buyers. We facilitate access to the Canadian marketplace and share Canadian trade expertise for the benefit of smaller male and female owned/managed exporters from developing countries and for the men and women they employ.

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 Global Affairs Canada.