# CONSUMER INSIGHTS

**March 2020**

## COUNTRY FOCUS REPORT: CANADA

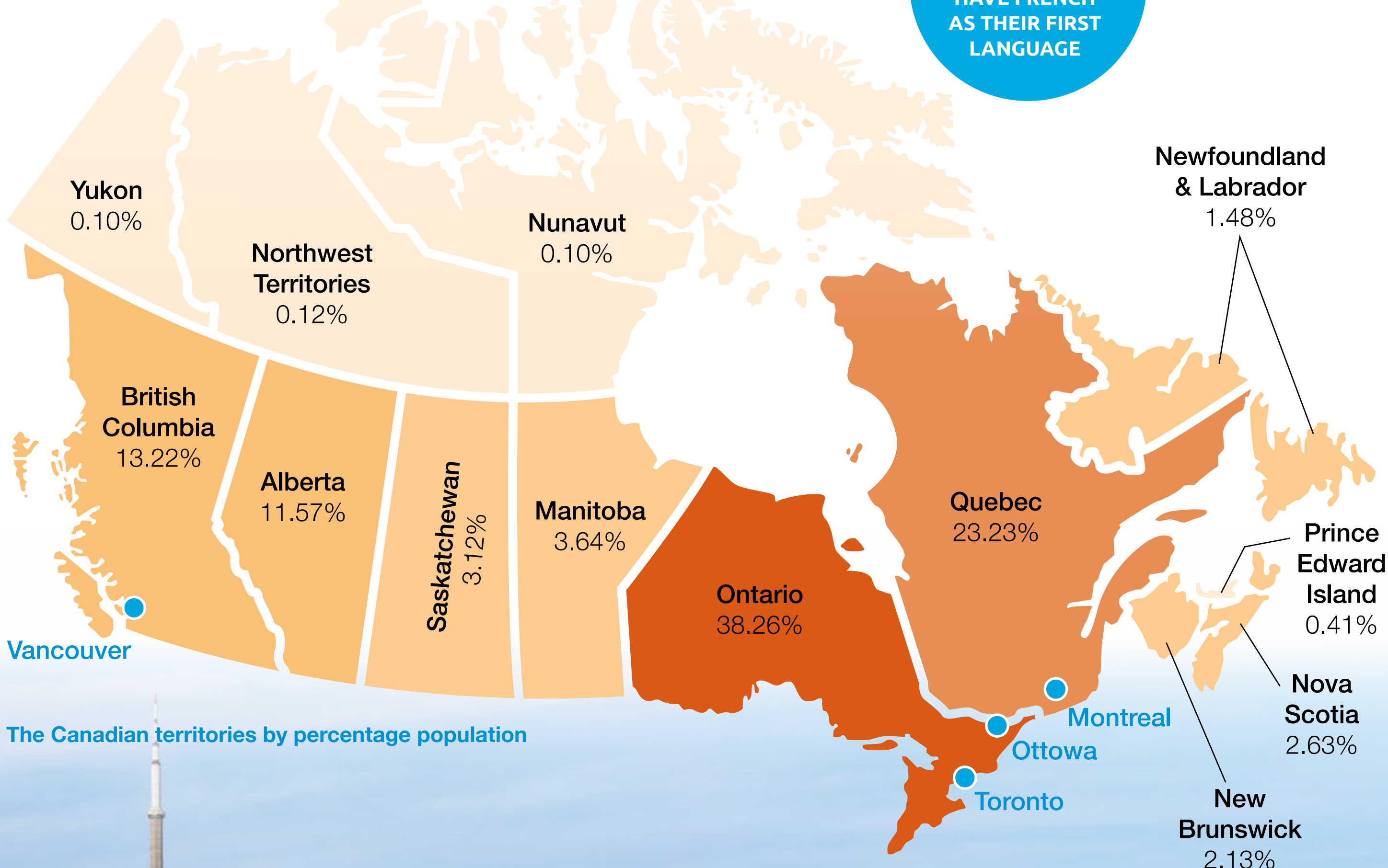
Canada's economy is among the largest in the world, with a GDP of US$1.7 trillion and expected growth rate of 1.7% in 2020. It is the second-largest country in the world in terms of area, with much of the land used in agriculture. It is one of the world's top exporters of wheat and rapeseed, as well as other cereal crops.

Canada's population is expected to grow from the current 37 million people, driven mostly by migration. Much of the country is sparsely populated, as over 80% of its population live in urban areas, such as Toronto, Vancouver and Montreal. This makes these cities key targets for exporters. The country is an attractive destination for exports, with per capita meat consumption 2.4 times the global average and sales are expected to grow 3.7% each year.

**37 million** population

**USD $45,030** GDP PER CAPITA

**22%** HAVE FRENCH AS THEIR FIRST LANGUAGE




The Canadian territories by percentage population

Canada is a diverse and liberal country, welcoming immigrants from all over the world. Ethnic diversity and multiculturalism have a profound influence on the foods purchased and eaten in Canada. Official languages are French and English, making it a bilingual country. Therefore, labelling in both languages is the norm and will help to appeal to wider audiences. Most French-speaking citizens are concentrated in Quebec, where 85% of the population have it as their first language. Several other languages are spoken by a minority, including Chinese and Punjabi.

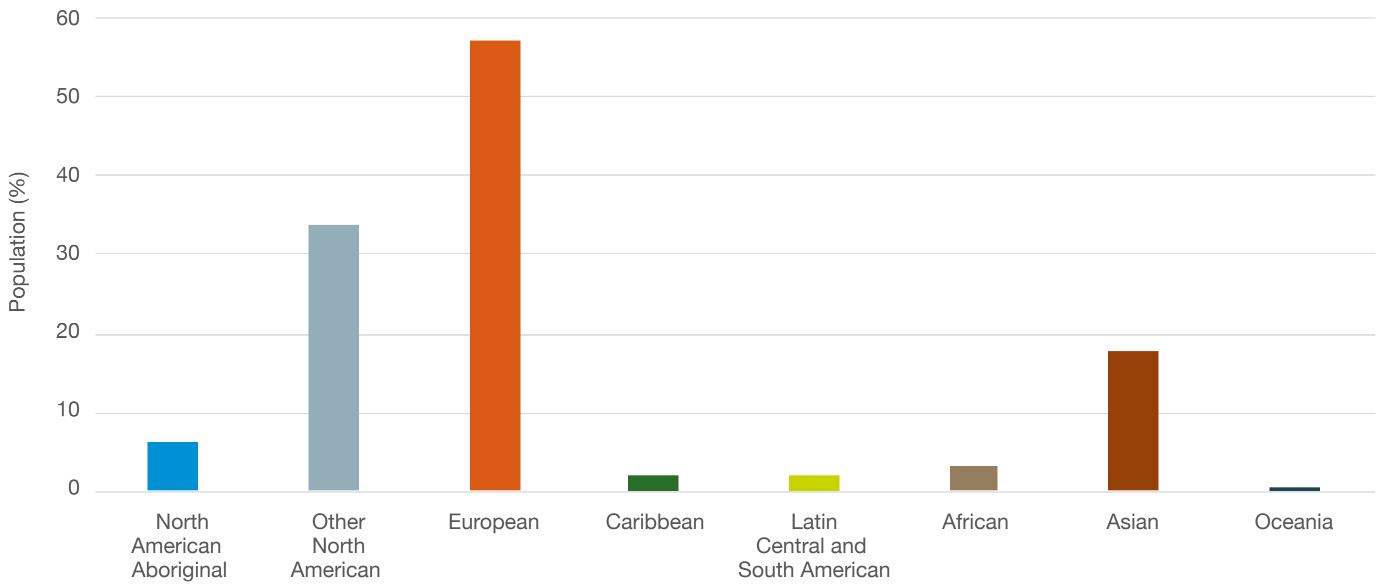



**Figure 1. Ethic origin of Canadian population**

Source: Canada Statistics

Note: totals may add to more than 100% as people may tick more than one option

## CONSUMER TRENDS

### Price

Price is a top concern for Canadian consumers and has been for several years, as well as keeping healthy food affordable. In addition, 64% of Canadian consumers say they are concerned with the rising cost of food and half try to spend as little as possible on dairy (Source: GlobalData). As British products are likely to be sold at a premium price in Canada, it is important to highlight their unique offering in order to justify the additional expenditure to price-conscious consumers.

However, there are more affluent consumers who are willing to pay extra for superior taste and texture. Therefore, manufacturers can target these shoppers through premium cuts of meat accompanied by luxury marinades and sauces. In the dairy sector, cheeses with a craft feel and longer maturation time may appeal to those seeking a premium experience. Clearly communicating these quality messages is key. Within the meat sector, quality is measured by product appearance, as well as taste and freshness. In dairy, it's all about freshness, taste and the potential health benefits.

### Health

According to GlobalData, 96% of Canadian consumers say healthy eating is important – inspiring many new product launches. The dairy category has led the way, with on-pack claims and marketing to appeal to those looking to cut back on sugar, increase their protein intake or reduce calories.

'Food-minus' claims, such as reduced salt and fat, feature strongly in the meat sector and are predicted to contribute more than US$380 million to the category in the next five years. Messaging around food intolerances, such as gluten-free, also feature on pack. Most health and wellness claims are found on chilled packaged meats and, to a lesser extent, on some ambient products.

### Convenience

Convenience is important in terms of both meal options and shopping experience, as many Canadian consumers are time-poor. Nine out of ten consumers are interested in products which save time and effort – with half saying they already buy them (Source: GlobalData). On-the-go products are popular, especially those which are easy to consume while commuting. Ready meals, frozen pizzas and meal kits are all forecast growth in value and volume over the next five years, showing a real need for convenient meal options.

The concept of creating an easy shopping experience has become a priority for several retailers. Innovations such as intelligent shopping carts (which scan and weigh products as they are placed in the trolley) and scan-and-go options are already being trialled by major retailers.

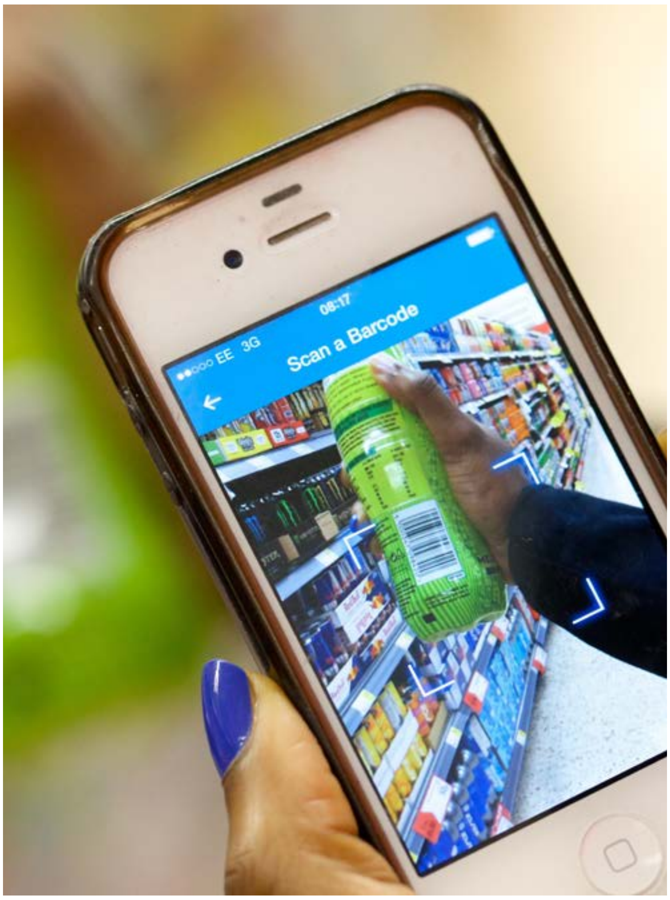
### Trust and transparency

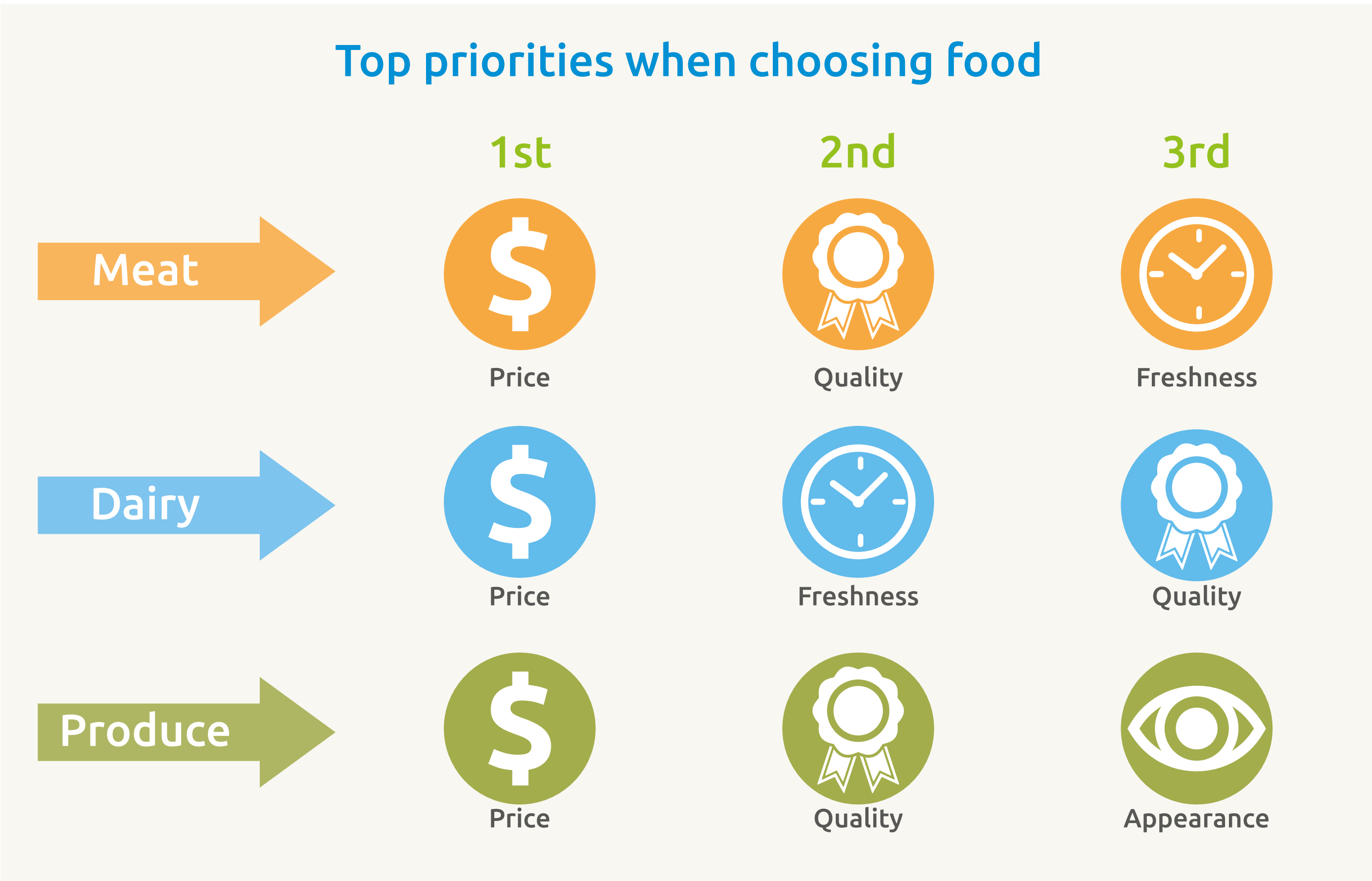
As most consumers live in urban environments, many have limited knowledge of how food is produced, with 91% saying they know little or nothing about farming practices (Source: Canadian Centre for Food Integrity). However, 46% are concerned by the use of hormones in farm animals and the use of pesticides in crop production. Although regulated, hormones are used in the production of Canadian meat and increased concern among consumers has boosted demand for hormone-free and organic grass-fed meat. Therefore, there is an opportunity for UK producers to promote production-method credentials and origin of meat.

The total organic market in Canada was worth C$5.4billion in 2017, up from C$3.5 billion in 2012. Food items accounted for over 80% of organic sales and were bought by 66% of shoppers on a weekly basis (Source: Canadian Organic Trade Association).

### Environment

Similar to the UK, sustainable living is an emerging trend in Canada, with growing awareness of the environmental impact of plastic and food waste. Climate change is a top concern for over half of Canadian consumers. Eight out of ten Canadian consumers believe recyclable packaging is important (Source: GlobalData).




**Canada's top priorities when choosing food**

Source: AHDB, International research, November 2017, Ranking among top five priorities

## MEAL FOCUS

Canadian food is highly influenced by the US, as much of the media and advertising is the same. However, there are some points of difference. Poutine is the national dish of Canada, originating in the Quebec region of the country. Foods eaten in home are also influenced by family background and ethnicity, with strong trends in Eastern European as well as Far Eastern cuisines. Many independent and speciality retailers have been set up to supply these consumers.

Like the US, Canadians have a Thanksgiving. It occurs on the second Monday in October, although many Canadians have a celebratory meal over the weekend. Food eaten is similar to that at a US Thanksgiving or a British Christmas, such as turkey or ham, stuffing, mashed potato and gravy. For Easter celebrations, ham is the traditional meat, with little lamb being consumed in the country.

The Canadian meat sector is forecast to grow 3.7% in value each year between 2018 and 2023, driven by rising disposable personal incomes, which will boost meat spend (Source: GlobalData). Most meat in Canada is purchased loose in supermarkets. Beef bought over the counter has the biggest spend of any meat cut but has smaller volume of sales than chicken. Like their American neighbours, pre-prepared burgers and grills are also a popular choice from the supermarket. Most pre-packed meats, including fresh, frozen and ambient, are branded, with a much smaller proportion being sold private label, compared with the UK.

Bacon is one of the most profitable cuts in Canada, being the third-highest selling cut, with a value of US$1.5 billion. Despite cured back bacon sometimes being referred to as ‘Canadian bacon’, the biggest seller is actually streaky bacon.

**Poutine – national dish of Canada. A base of French fries and cheese curds topped with gravy**

**Streaky bacon – served with the typically Canadian maple syrup and American-style pancakes**

**Burgers and grills are the fourth-most popular cut of meat by volume sold in supermarkets according to GlobalData**

## RETAIL CONTEXT

### Channel focus

Supermarkets are the main channel, with 44% share of the grocery market (Source: IGD, 2019), followed by hypermarkets. Supermarkets and hypermarkets are expected to remain the most popular channels among Canadian consumers, with growth expected over the next five years due to the high stock volume and ability to set lower prices. Aggressive promotional activity will remain an important part of the channel's strategy. However, they are predicted to lose market share slightly in favour of discounters and online channels.

Although still small, growing environmental concern has led to grocery stores opening in Toronto and Vancouver with plastic-free or zero-waste claims, with the majority of products sold loose or in reusable packaging.

### Retail focus

Many retailers are driving improvements in efficiency to maintain profitability and to compete with discount stores. Optimising data and use of analytics play a key part in this, as well as rationalising stores and products which are not profitable. Companies with several retail outlets are consolidating, providing their pharmacy, convenience and food-to-go offerings within each store or under the same branding.

Areas where retailers are expanding their offering is in world and ethnic cuisines. As mentioned, Canada's population is diverse and, with immigration forecast to grow, tapping in to these markets is important for retailers. Some are seeking to compete with more specialist retailers in this space and some have made additional acquisitions to boost their presence and credibility.

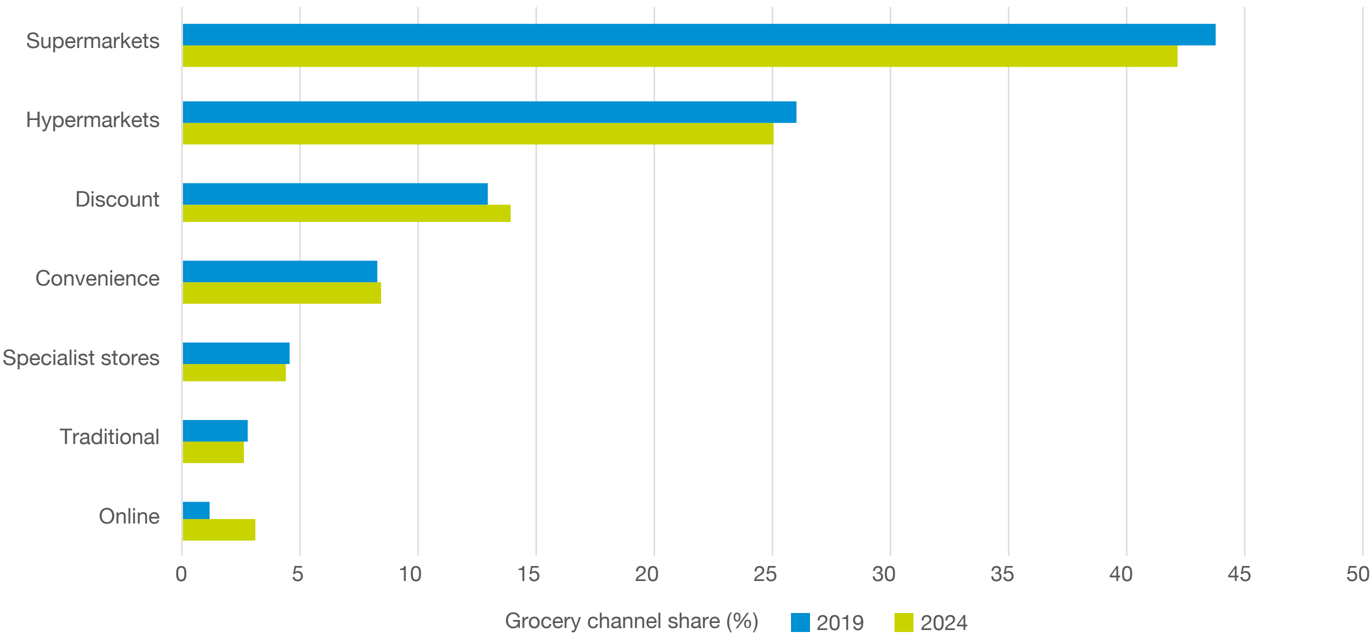



**Figure 2. Grocery channel share by value**

Source: IGD

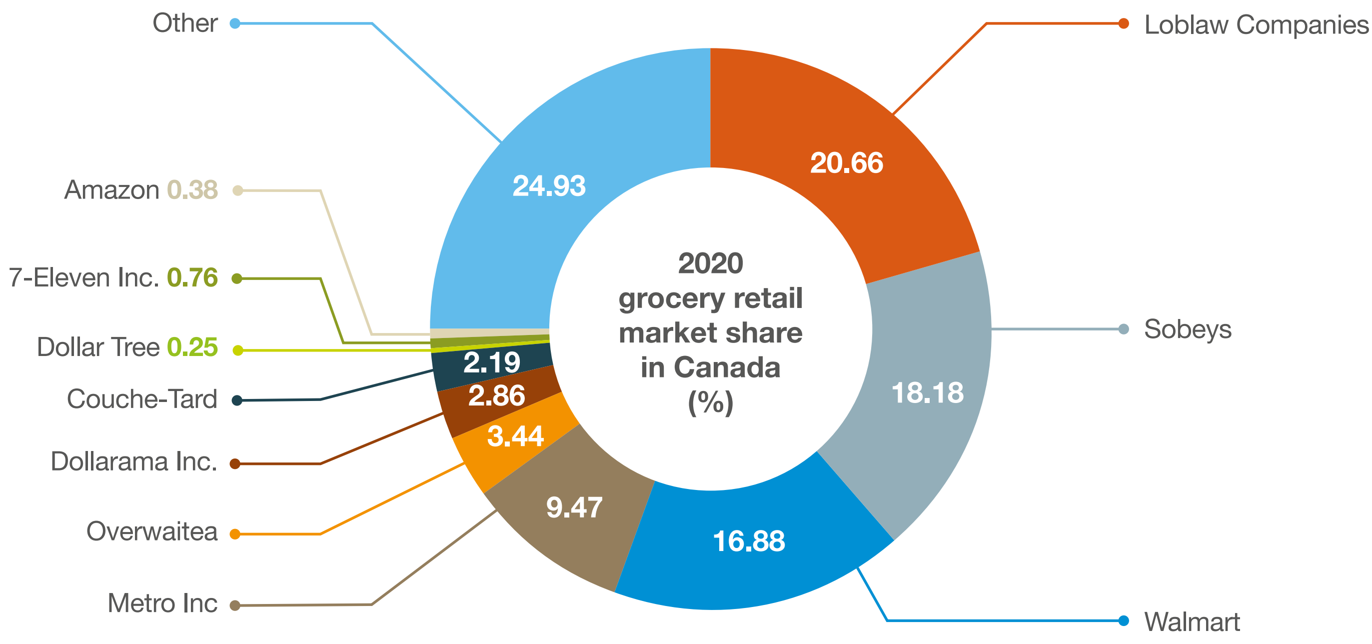



**Figure 3. Grocery retail market share 2020**

Source: IGD

## Online shopping

In July 2017, the government launched a new US$1.3 billion Strategic Innovation Fund to encourage technological development and growth. The country has a high network readiness and IT literacy; however, use of online retail channels for food shopping is still limited.

However, this is a growing area of the market and retailers are looking to improve the efficiency of their models, as well as compete with tech companies moving into the grocery arena. Many run both click-and-collect and home-delivery models, although some are restricted within certain provinces or regions.

Ocado, the world's largest dedicated online grocery retailer, announced a partnership with Sobeys in Canada in January 2018. A customer fulfilment centre based in Toronto is being built over the next two years to expand its online business into Ontario. Loblaws recently launched an online marketplace, which will expand its online offering to a range of brands across home and kitchen categories. It will be looking to use the marketplace to advance its e-commerce strategy in Canada. It has built a leadership position in online grocery, with over 700 stores offering pickup. It has also partnered with Instacart to offer home delivery.

# MARKET OPPORTUNITIES

## Trade agreements

**Table 1. Trade and consumption of meat and dairy in Canada**

| Sheep meat | Beef | Pig meat* | Dairy |
|---|---|---|---|
| Total consumption | | | |
| 36,830 | 885,570 | 794,880 | 3,576,840 |
| Total imports | | | |
| 20,137 | 136,256 | 242,388 | 137,293** |
| Exports from UK to Canada | | | |
| 18 | 32 | 114 | 1,526 |

* includes processed and offal
** uses estimated conversions for liquid milk

Source: Consumption (carcase weight equivalent) – OECD; Total Imports – IHS Maritime & Trade—Global Trade Atlas ®/Canada Statistics; UK Exports – HMRC, tonnes, 2018

The UK currently sends very small volumes of meat and dairy to Canada, although there are some inconsistencies in the trade data, with Canada reporting more imports from the UK than HMRC. Latest trade data shows the UK has started to send significantly more meat to Canada than in 2018, with exports of some cuts increasing tenfold. The US is Canada's biggest trading partner and supplies 58% of total beef imports, 89% of total pork imports and 73% of total dairy imports (Source: Canada Statistics). New Zealand and Australia supply 93% of Canada's lamb imports.

The Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU was completed in 2017, which removed some barriers to trade and increased tariff rate quotas (TRQs). This particularly influenced the TRQ for cheese, which increased significantly. Therefore, there are opportunities for British exporters to send products to Canada, but those hoping to export meat will have to go through a process of inspections before they are able to send meat to Canada. CETA will apply during the Brexit transition period but will not be automatically rolled over, so another deal would need to be negotiated or exporters would need to pay the set tariffs.

### Eating-out market

The eating-out market in Canada is showing strong growth and there are opportunities for British products to enter this market. Full- and quick-service restaurant channels lead the Canadian foodservice profit sector, generating a combined 63.8% of total revenue in 2017 – dominated by chain operators (Source: GlobalData). Demand for global flavours has influenced menu trends in Canada as consumers look to experiment with world cuisines. Cuts which consumers might not be confident cooking at home can do well in foodservice. As British products are likely to be sold at a premium, opportunities are more readily available in full-service restaurants. Beef steaks, skirts and oxtail may do well in these restaurants.

## MARKET CHALLENGES

### British context

Many Canadians are of British origin, with many having historic British roots or having emigrated to the country. This has led to many similarities between the cuisines and traditions of the two countries. However, from our research, Canadians don't often view British products, particularly meat, dairy and vegetables, as being high quality.

When it comes to provenance, Canadian followed by American products are the top choices. In fact, 47% of Canadian consumers claim to have never bought a product of British origin, with the majority who have only doing so for special occasions, and a few doing so on impulse (Source: AHDB/ICM, 2017). This ties in with research from the Canadian Centre for Food Integrity which says 58% of Canadian consumers trust Canadian food more than food produced elsewhere.

However, the UK has high welfare standards – a top priority for many Canadian consumers. Therefore, it is more important to highlight the production methods on pack than country of origin. Claims such as organic, free-range, grass-fed and hormone-free could help British products to stand out and convey the quality, which can justify the higher price tag.

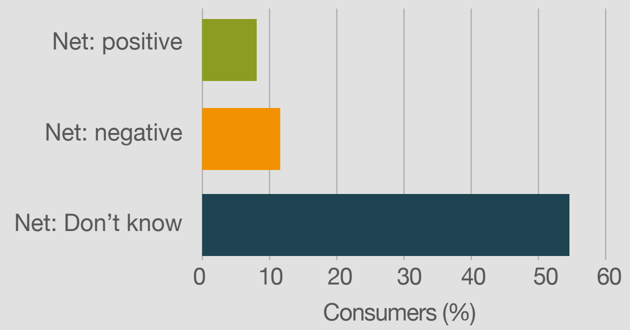



**Figure 4. Thinking about British food, what words and phrases come to mind?**

Source: AHDB/ICM International Consumer Research, November 2017


**There are nearly 97,000 restaurants, bars and caterers across the country, with 22 million visits to restaurants every day**

Source: Restaurants Canada, 2018

**AHDB's export team works collaboratively with government, industry organisations and other levy boards to secure access to new markets which have the potential to provide our farmers, growers and exporters with a variety of opportunities overseas. The team travels the world promoting beef, lamb, pork, dairy products, cereals and oilseeds, and potatoes through a coordinated and targeted export programme. Working closely with AHDB's Consumer Insight enables the export team to not only identify emerging and priority markets but also gain a better understanding of the needs of different markets, consumer eating habits around the world and buying behaviour – all of which helps industry capitalise on lucrative markets.**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## Ask the analyst

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