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Organic Products

ORGANIC FOOD INDUSTRY REPORT

2002

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Report Highlights:
There is a growing market for organic products in Canada. The Canadian organic industry is experiencing rapid growth paralleling the United States. The US is the main supplier of organic food to Canada at 85 to 90 percent of the market. US organic exporters are encouraged to further develop this market as Canadian consumers continue to increase the demand for what is perceived to be a healthy, environmentally-friendly alternative to conventional foods.

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CANADA
ORGANIC FOODS INDUSTRY REPORT
TABLE OF CONTENTS

I. Market Summary

There is a growing market for organic products in Canada. The Canadian organic industry is experiencing rapid growth paralleling the United States. The US is the main supplier of organic food to Canada at 85 to 90 per cent of the market. US organic exporters are encouraged to further develop this market. Canadian consumers continue to increase the demand for what is perceived to be a healthy, environmentally-friendly alternative to conventional and genetically modified foods.

The Canadian domestic organic market is expected to continue growing at a steady pace. The Federal government has shown its support of the domestic organic industry by providing approximately $2.8 million for various projects. In a June 2001 press release, the Agriculture and Agri-Food Minister, Lyle Vanclief, announced $600,000 in federal funding for the organic sector and $1.3 million in support for regional projects. In July 2001, the Minister committed an additional $854,700 in federal funding for a national - "Organic Agriculture Center of Canada", based at Nova Scotia Agriculture College (NSAC) in Truro, Nova Scotia. As well, $27,000 has been allocated to development strategies for improving the domestic market and competition in international markets.

Agriculture and Agri-Food Canada (AAFC) regards Canada as an ideal country for producing organic food because of its land base and its cold climate that reduces pests and disease. Organic production consists of foods that avoid the use of chemicals, synthetic pesticides, irradiation, and foods that are not derived through genetic engineering.

Canadian Organic Farmers

Province	**Number of Farmers**
Alberta	229
British Columbia	439
Manitoba	99
Newfoundland	9
New Brunswick	32
Nova Scotia	72
Ontario	316
Quebec	360
Prince Edward Island	29
Saskatchewan	324
Yukon and Northwest Territories	3
Total in Canada	1912

Source: Inforganics, www.inforganics.com

There are two key national organizations in Canada - Canadian Organic Advisory Board (COAB) and Canadian Organic Growers (COG) - which helped develop the National Standard for Organic Agriculture. Many local organizations exist in each of the major producing provinces. The National Standard of Canada for Organic Agriculture was approved in June 1999. This is a voluntary standard to which Certification Bodies may certify organic products. Certification Bodies inspect growers/processors for compliance to a particular standard that may differ from one Certification Body to another. Each certification body has its own trademark that appears on the label of certified product. If US organic products meet the standards of major US Certification Bodies, they are likely to meet the Canadian Standards except in British Columbia and

Quebec which have their own mandatory provincial standards in place. For organic reference standards for these 2 provinces, please refer to the following provincial associations for further information:

Quebec	British Columbia
Quebec Accreditation Board www.caqbio.org	Certified Organic Associations of British Columbia www.certifiedorganic.bc.ca

The Standards Council Of Canada (SCC), and its recognized partners, are the authorities in Canada for accrediting Certification Bodies according to International Organization for Standardization (ISO) 65 guidelines. Quebec's accreditation system also meets the ISO guidelines general requirements for bodies operating product certification systems. The Canadian Food Inspection Agency (CFIA), under its regulatory framework, has the authority to invoke appropriate enforcement action in cases where a claim concerning an organic product sold in Canada is deemed misleading under subsection 5(1) of the Food and Drugs Act (FDA) or section 7 of the Consumer Packaging and Labeling Act (CPLA). The CFIA's mandate under the FDA and CPLA does not extend to organic products destined for export.

Under the Canadian Adaptation and Rural Development Fund (CARD), Agriculture and Agri-Food Canada (AAFC) announced in June 2001, funding of more than $600,000 to help organic growers seize market opportunities. Funding was provided for three complementary projects:

a. $375,000 organic accreditation assistance program;
b. $130,000 to publish the Organic Field Crop Handbook, featuring information on growing organics according to the Canadian standard; and
c. $100,000 to partially fund the August 2002 International Federation of Organic Agriculture Movements World Congress in Victoria, British Columbia, which is expected to attract 1,000 delegates representing the organic movement from around the world.

The Organic Accreditation Assistance Program will encourage Certifying Bodies to apply for accreditation under the National Standard of Canada for Organic Agriculture. The program will reimburse certifying bodies 50% of the cost of applying to the SCC, up to $25,000 each. To be eligible for assistance, organizations must be successfully accredited by the SCC by December 31, 2003.

Sub-sector Comparison

Produce - The report, “Factors that influence farm business behavior” (2000) estimates that almost five per cent of the farms in Canada consider themselves organic. Farms are small - the majority being less than five acres. Organic farms account for approximately 1.9 per cent of the commercial fruit area and about 1.6 per cent of the commercial vegetable area in transition. According to the Ontario Ministry of Agriculture, Food and Rural Affairs, the “transition period” is when the soil, insect and weed populations adjust to the new system or organic farming. It can take a “transition” farmer five to ten years to become totally and certifiably organic. As of 2001, British Columbia, Ontario and Quebec are the three main areas of organic fruit and vegetable production, according to Statistics Canada.

The number of commercial fruit and vegetable producers are relatively low and unevenly distributed across the country.

Estimated Number of Organic Produce Farms & Area

Estimated Number of Organic Farms			Estimated Organic Area (Acres)	
Location	Fruit	Vegetable	Fruit	Vegetable
Quebec	55	75	515	600
Ontario	85	140	995	2,025
British Columbia	175	415	1,350	1,340
Newfoundland			N/A	N/A
Canada	365	415	4,300	4,200

Source: “Factors that influence farm business behavior” VISTA, September 2000
Note:
2. organic farms producing both fruits and vegetables are included in each column
3. the numbers have been rounded to the nearest 5 farms or 5 acres

British Columbia has the largest number of producers adopting the organic system of production. British Columbia also claims the largest percentage of total commercial area. Ontario’s proportion of organic production is higher despite a slightly lower area of production.

Estimated Area of Selected Organic Fruits and Vegetables in British Columbia

British Columbia Vegetable Area			British Columbia Fruit Area		
	Organic (acres)	Total (acres)		Organic (acres)	Total (acres)
Broccoli	124	1,440	Apples	719	15,750
Carrots	75	785	Peaches	66	1,195
Leeks	8	40	Pears	60	825
Lettuce	46	760	Raspberries	100	4,985
Shallots	33	90	Strawberries	53	1,600
Spinach	27	135			
Radish	19	120			
Squash & Zucchinis	43	345			
Tomatoes	19	185			

Source: “Factors that influence farm business behavior” VISTA, September 2000

Processed - This sub-sector includes frozen produce, breakfast foods, processed meat/seafood products, prepared meals, cereals, breads, baked goods, pasta and rice, beverages, snacks and baby food. Canadian organic food processors, often require imported raw organic product from the US and other countries. Canada has a small organic processing industry that is growing steadily with increased mainstream retail support for organic products.

Meats - This organic sub-sector includes animals raised without the use of antibiotics and growth stimulants. According to the Canadian Organic Livestock Association, recent concerns over Bovine spongiform encephalopathy (a.k.a. Mad Cow) and Hoof and Mouth diseases have helped raise the demand for quality organic beef. As a result, the Canadian organic beef industry has grown rapidly in the past few years. The "1999 Prairie Organic Beef Costs and Returns Study" indicates there are 29 certified organic beef herds in Western Canada, 19 of which were in Saskatchewan. In total, 1,000 head of cattle from these herds were taken to slaughter as finished beef and sold as certified organic. In Alberta there are approximately 3,000 to 4,000 organically raised cattle, and 24 certified organic beef producers were listed in the The Alberta Organic Food Producers and Processors Directory (1999). There are 28 organic beef producers in Ontario, but farms are considerably smaller than those in Western Canada.

The organic beef industry does not produce product for export. Domestic sales include Canadian consumers, foodservice and processors. The industry plans to increase the number of organic beef producers to meet domestic and global demands. The Canadian Organic Livestock Association (COLA) expects an increase from 48 certified beef farmers that are members to 400 by 2005.

Grains (Organic grains / Grain Products) - Domestic organic grain products are available in a processed or unprocessed form. Organic grains grown in Canada include wheat, barley, oats, rye, spelt, buckwheat, canola, corn, flax and soybeans. Agriculture and Agri-Food Canada states that organic wheat is Canada's largest organic crop export. In 1999, approximately 15,000 tons of organic wheat were produced.

Organic grains and grain products are purchased by manufacturers, processors or farmers for organic animal feed. This sub-sector differs from the others, as it is not directed towards a typical Canadian consumer. Agriculture and Agri-Food Canada states that the majority of these crops are exported to other countries, with half of the organic wheat produced, exported to Europe, 25 per cent to Japan and 25 per cent to the US.

Dairy - This sub-sector includes milk, cheeses and other dairy products and has an increasing consumer demand. Organic dairy products are produced locally for quality and freshness. According to an article in Eastern Organic AgriNews (June 12, 2001), there is an increasing demand for organic dairy farmers as interest in organic dairy products has increased in the past two years. Due to trade restrictions, it is difficult for US exporters to enter the Canadian dairy market.

Poultry and Eggs - This small sub-sector is growing. Statistics on both the organic poultry and egg industry is limited. According to the Vancouver Sun newspaper (February 22, 2001/June 6, 2001), specialty eggs which is a combination of free range, free run and organic eggs holds 10 per cent of the British Columbia market. Of this 10 per cent, approximately 1 per cent is organic eggs. Poultry shows less than 1 per cent but is also a growing market. Because of this demand, organic eggs are found in major grocery stores including Capers, Choices, Stongs, Save-On Foods and Thrifty's. In Alberta, the Calgary Herald newspaper (May 19, 2000) reports that there isn't enough organic eggs to meet demand. Canada's other provinces have no reporting to-date. In Ontario, there is enough demand for organic eggs that they are available at two major retail stores, Loblaws and Fortino's. Organic poultry is primarily available at organic or natural food stores, farmers' markets or direct from the producers but is not readily available at major outlets currently.

The major constraint facing this sub-sector is quotas. The provincial egg and poultry marketing boards require quotas to limit farmers' productions and keep prices stable. When this sub-sector first developed, the marketing boards didn't want to have any part of the organic industry and refused any help to these pioneer farmers. Now that these farmers have found their niche in the market, the marketing boards want to have control over these areas and enforce quotas. However, the majority of farmers do not hold quotas. Their products are expensive and difficult to get. Also having quota would require an already more expensive product to increase substantially. Many of these farms are also too small to turn a profit if paying quota. Currently, British Columbia's egg marketing board has stepped back, giving the producers a seven year reprieve to give them time to see if they can make a viable living before forcing them to buy quota. Until this situation is resolved, producers will probably not increase substantially, however Canada's demand for organic poultry and eggs will continue to climb.

Beginning in the early 1970s, Canada protected its domestic markets for poultry with import quotas on chicken, turkey, shell eggs, egg products, broiler hatching eggs and chicks. Under implementation of the WTO Agreement on Agriculture in

1995, Canada imposed tariff rate quotas (TRQ) on these products.

Poultry and egg products remain on Canada's Import Control List and Canadian importers of these products must be in possession of an import permit issued by Canada's Department of Foreign Affairs and International Trade for within access imports. Over access imports can enter under a general import permit but are subject to high rates of duty. Listed below are the levels of US access to the Canadian market for certain poultry products during 2001 before the application of the over access tariff rates:

Poultry TRQ Levels for 2001 (2000 levels in parenthesis)

- Chicken: 65,780 metric tons (59,888) - Turkey: 5,589 metric tons (5,364)
- Shell eggs: 8.1 million dozen (7.3)
- Nest Run Eggs (for breaking purposes): 6.7 million dozen (6.3) - Egg Product: 2.5 million kilograms (2.3)
- Broiler hatching eggs: 115.3 million eggs (107.4)
- Broiler Hatching Chicks: 24.5 million (egg equivalents); (22.8)

US access to Canada's egg market is determined by a NAFTA formula of 2.988% of the previous year's Canadian production. The over access tariff rates for shell eggs is 163.5%. Supplementary imports at zero duty are allowed under certain supply availability conditions.

US access to Canada's chicken market is determined by a NAFTA formula of 7.5% of the previous year's Canadian production of chicken as published by Statistics Canada. For 2001, the GOC announced the chicken tariff rate quota (TRQ) at 65,780 metric tons. Imports of US broiler chicken cuts, fresh or frozen above the TRQ, are assessed an over access duty of ranging from 238% to 249%. However, the NAFTA agreement recognizes a supplementary import system which allows additional imports (at zero duty) when Canadian supplies fail to meet market demand.

There is no TRQ on live fowls or fowl meat, ducks or geese (i.e., import allocations are freely issued).

Similar to chicken, US access to Canada's turkey market is determined by a NAFTA formula (3.5% of the targeted turkey production announced by the Canadian Turkey Marketing Agency). For 2001, the turkey TRQ is 5,589 metric tons. Similarly, for turkey meat, the over access tariff rates for 2001 range between 154.5% and 165% but supplementary imports at zero duty are allowed under certain supply circumstances.

Regional Differences

The provinces in Canada where the organic market is strongest are British Columbia, Alberta, Quebec and Ontario. BC has experienced the largest growth in the organic industry. According to the Alberta Organic Canadian Consumer Profile, 22 per cent of BC consumers are organic shoppers. Approximately 3.3 million consumers purchase organic products in Alberta and BC.

In Ontario and Quebec, the organic market has seen steady growth in the past five years due to consumer demand. Retail industry sources indicate that there has been a 20 per cent increase of shelf space dedicated to organic products in Ontario and Quebec grocery stores. Organic products are no longer exclusively sold in health food stores but also in mainstream grocery stores, bakeries, and other foodservice venues.

Although Atlantic Canada, Saskatchewan and Manitoba have smaller organic markets, they have the potential for growth. Agriculture and Agri-Food Canada has not tracked the growth of the organic sector in each province.

Industry Sales and Growth Rates

Agriculture and Agri-Food Canada states that the organic farm cash receipts total approximately $600 million in 2000, representing about 1.5% of total agricultural farm cash receipts. The area of organic production is estimated at 705,000 acres (285,000 hectares). Canada is among the top five world producers of organic grains and oilseeds with an estimated retail/food service sub-sector value of $1 billion, including processed and non-processed products. According to *Canadian Grocer Magazine* (June 2001), mainstream grocery stores claim 40 per cent of the produce sku’s are organic. Health food stores provide 30 per cent and online grocery companies account for 30 per cent organic sales in the BC market. *Food in Canada Magazine* (May 1999) states that sales of organic products in British Columbia reached $100 million in 1998. Centre d’agriculture biologique du Quebec research on the state of the organic market in Quebec showed that 38 per cent of the products grown in that province were sold directly to consumers. Organic food sales by wholesalers and brokers were $35 million, while those in specialty stores totaled $80 million.

Expected Growth Rates

Canadian organic retail sales growth is expected to rise from $0.7 billion in 1997 to $3.1 billion in 2005, which equates to an average growth of 20 per cent annually. The industry's market share will increase from one per cent to 10 per cent of the Canadian retail market by 2010.

Number and Type of Establishments by Sub-Sector

There are few official counts of growers, processors and distributors of organic products by sub-sector. Organic growers in the process of becoming certified are not included in the table below. The following numbers represent certified growers.

Canadian Certified Organic Establishments by Sub-sector

Sub-Sector	Approximate Number of Establishments
Fresh Produce Growers	640
Commercial Fruit Growers	220
Commercial Veg. Growers	270
Both fruits/Vegetables	150
Beef	48 - 55
Poultry	14
Other meats (pork, lamb, bison)	18
Grain/oilseed producers	191
Corn	9
Soybean	25
Canola	13

Sources: "Factors that influence farm business behavior" VISTA / Statscan, September 2000; http://www.statcan.ca/english/freepub/21-004-XIE/vis0900.pdf; Canadian Organic Livestock Association, Sam Rhodes Eco-Market Database - certified Canadian growers www.gks.com.

Value of Imported Foods vs. Domestic Products Over Past Five Years

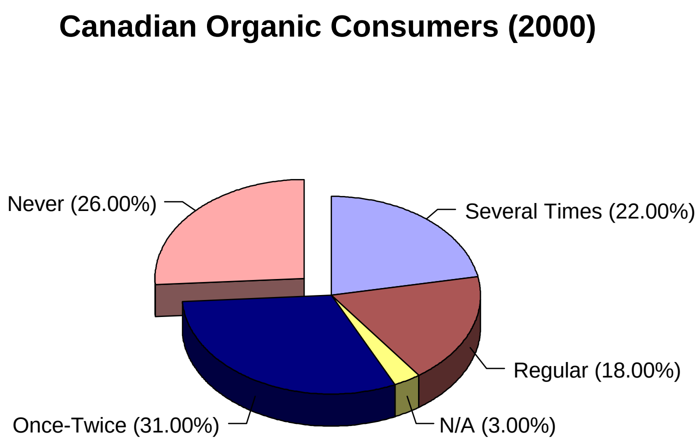
Agriculture and Agri-Food Canada (AAGF) states that the US, where a large portion of the organic products are processed and resold to other markets, is the largest market for many Canadian organic foods, followed by the European Union and Japan."Organic Agriculture Worldwide" by Dr. Helga Willer and Minou Yussefi, reports that the US is the main supplier of organic food to Canada at 85 to 90 per cent of the market. Processed and packaged goods dominate US organic exports to Canada at 80 per cent. The remainder of exports to Canada are predominantly fresh fruit and vegetables.

Agriculture and Agri-Food Canada states that most of Canada's organic products are exported, predominantly bulk grain and oilseed products. Saskatchewan, Ontario, Quebec and British Columbia are the main provinces of export.

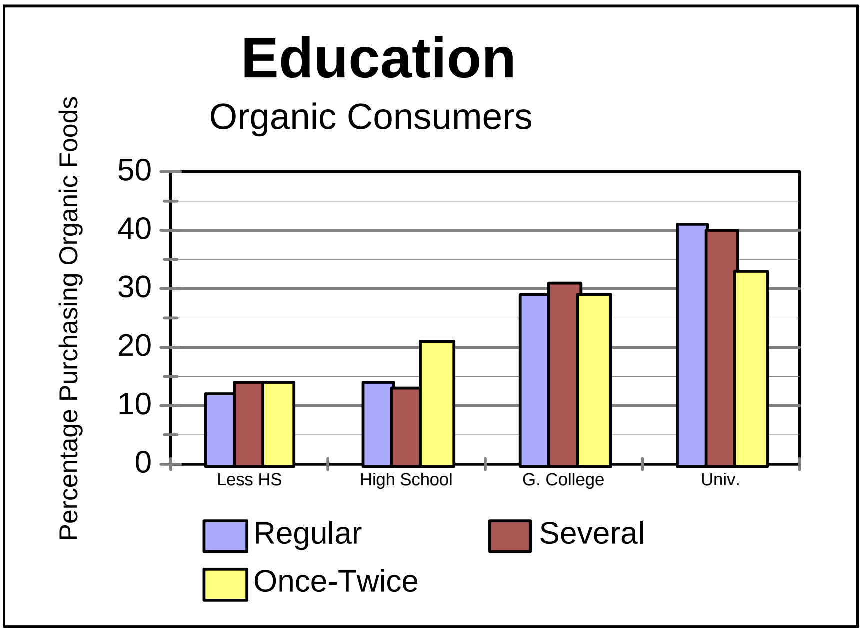
Macro-economic Factors and Key Demand Drivers

Alberta's Canadian Organic Consumer Survey (2000) lists the key demographics of organic buyers as well as the demand drivers.

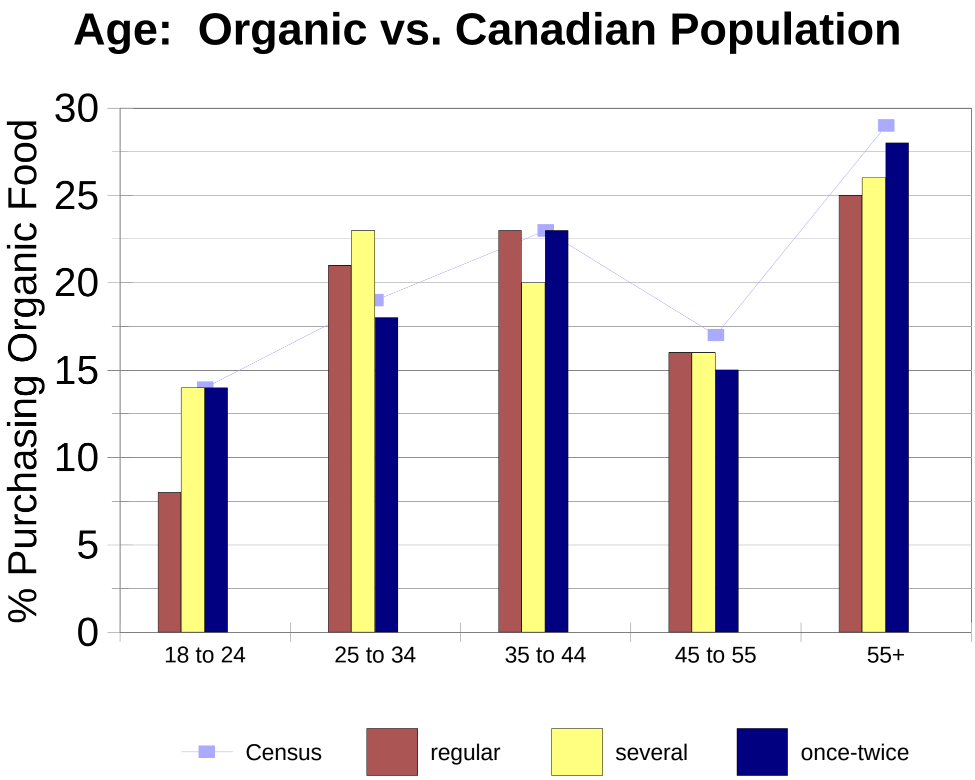
The following graphs demonstrate the most recent purchase habits of the Canadian Organic consumer.



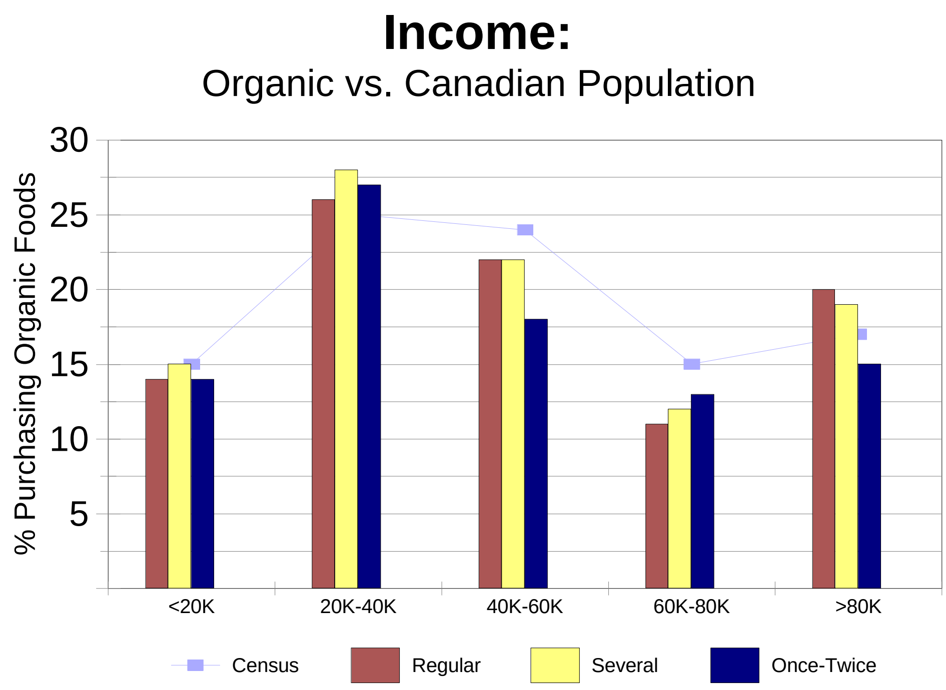
Source: Organic Consumer Profile



Source: Organic Consumer Profile



Source: Organic Consumer Profile



Source: Organic Consumer Profile

Regular organic buyers are 18 per cent of the Canadian population, and are representative of the Canadian population with a few demographic differences:

a. 60 per cent are female
b. They are under-represented in the $60-80K income range
c. They are more likely to be from BC (30 per cent)
d. They are less likely to be from either Saskatchewan (seven per cent) or Alberta (12 per cent)
e. They are slightly more likely to be in the 25-34 age group than in the over 55 age group

Three Key Factors for Consumer Organic Food Choice

The Organic Consumer Profile states that children, specific food allergies and healthy lifestyles are the three key factors that convince consumers to purchase organic products. Other factors include GMOs, as 75 per cent of Canadians are strongly or somewhat concerned about their presence in food.

The profile also indicates that perception plays a key role in the purchase of organic products. Approximately 64 per cent of Canadians strongly or somewhat agree that organically grown foods are much safer and healthier than regular foods. They are also willing to pay more for organic food; 68 per cent strongly or somewhat agree that they would be willing to pay 10 per cent more for organic foods.

Advantages and Disadvantage for US Entry to the Organic Marketplace

Advantages	Challenges
20 per cent annual industry growth rate	Trace elements of pesticides and herbicides certified stateside may not be approved by Canadian certification
Negative publicity for Genetically Modified Organisms (GMO)	Certification and labelling issues
Growing consumer awareness and interest in farming techniques and how food is produced	Consumers are not wholly knowledgeable about organic food, how it is grown and the difference between it and other conventional food
Organic farming is seen as environmentally friendly, animal friendly	Higher production costs of organic food in comparison to conventional foods
Health benefits; less pesticide and herbicide use	Retailers promote locally grown produce and processed organic goods in support of local and Canadian food economy
Limited growing season in Canada provides excellent opportunities for US organic produce growers and processors	Locally grown produce is not subject to extended period of transport and logistics
West Coast; trend setter with high interest in introducing organic foods into daily lifestyle choices	Imported products tend to be more expensive than locally produced organic goods
Positive media coverage informs consumers of growing techniques, new products and where to buy organic food	Competition from domestic producers and other countries
Perception; 64 per cent of Canadians perceive organic foods are safer and healthier	Potential crisis if organic products are found to contain Genetically Modified Organisms (GMO), trace elements of pesticides, herbicides or mislabeled
Organic food is mainstream at retail grocery stores; retail stores increasing shelf space dedicated to organic products	The definition of organic is unclear; there is no value perception by non-users
Awareness and interest in organic food is growing in Ontario and Quebec, where two-thirds of the Canadian population resides	Listing fees, marketing program participation and co-op funding add value but also add costs to organic products
Retailers are training staff about organic food to answer consumer questions	Younger generations, interested in organic products, find them too expensive
Educated, younger generation is interested in environmentally friendly and healthy food choices	Functional foods (foods that have demonstrated physiological benefits and/or reduces the risk of chronic disease beyond basic nutritional functions; foods that have health-enhancing components) are very trendy and are often integrated with organic ingredients
Organic processors require organic products in quantities that Canadian organic producers cannot meet at this time	Organic processing is a relatively small specialty market in Canada

II. Road Map for Market Entry

a) Entry Strategy

How can US exporters take advantage of this burgeoning Canadian market sector?

The first step to enter the Canadian market is to contact the State Regional Office representing the various State Departments of Agriculture. These offices promote the exports of food and other agricultural products from their region, worldwide and often are able to offer support from the Foreign Agricultural Service (FAS) with Market Access Program (MAP) funds.

Food Export USA represents agricultural products in the states of Connecticut, Delaware, Maine, Massachusetts, New Hampshire, new Jersey, New York, Pennsylvania, Rhode Island and Vermont. (http://www.foodexportusa.org)

The Mid-American International Agri-Trade council (MIATCO) represents the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. (http://www.miatco.org)

The Southern United States Trade Association (SUSTA) represents the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia and the Commonwealth of Puerto Rico. (http://www.susta.org)

The Western US Agricultural Trade Association (WUSATA) represents the twelve western state departments of agriculture and two territories from the Western US The states include Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington and Wyoming. (http://www.wusata.org)

The second step to enter the Canadian market is to secure an agent/distributor/broker/buyer in Canada to represent the product.

The Foreign Agricultural Service (www.fas.usda.gov) at the United States Embassy in Canada (www.usembassycanada.gov) endorses a program for US export ready companies called “Canada Connects”. The program is designed to help match prospective exporters with the suitable Canadian business entities (agents/distributors/brokers/buyers) and to ensure an accurately expedited entry into Canada. Contact Cory Streef or Virginia Zimm, Faye Clack Marketing & Communications Inc. At 905-206-0577 for more information.

In addition, the formerly named Canadian Food Brokers Association, now the International division for the ASMC (Association of Sales and Marketing Companies), will provide sales and marketing information for your specific product and opportunities within Canada. The Canadian Importers and Exporters Association, Toronto, Canada, will provide information concerning exporting to Canada and will direct potential companies to the appropriate import representation. Canadian Consulates throughout the United States and the Canadian Embassy in Washington, D.C. will also provide direction.

In order to enter the Canadian market US exporters must be armed with information on Canadian standards and regulations. Agents, distributors, brokers, importers and repackers/rebaggers are often the best first line of communication and can lead companies through the regulatory import process. It is imperative to align with the appropriate officials and local representation. Local representation provides exporters with knowledge of the local, regional and national markets and the opportunities available. They also provide guidance on best business practices, government importation laws, sales contacts, market development expertise, and advice regarding customs regulations, metric measurement requirements, labelling laws, health claims, nutrient content claims, PLU (Price Look Up) and UPC requirements and the latest food restrictions for Canada.

It is also recommended the US organic exporters contact the Organic Trade Association (OTA). They can provide information regarding the US and international organic markets. The OTA website (www.ota.com) house a directory of industry listings, including Canadian processors, distributors, brokers, retailers and importers.

Canadian Food Inspection Agency Import Service Centers

The Canadian Food Inspection Agency (CFIA) is the best preliminary contact for information relating to food safety and standards. The CFIA administers the following acts:

Food and Drug Act

Meat Inspection Act

Plant Protection Act

Administrative Monetary Penalties Act

Feed Act

Canadian Food Inspections Act

Canada Agricultural Products Act

Consumer Packaging and Labelling Act

Health of Animals Act

Seed Act

Fertilizers Act

Plant Breeder's Rights Act

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

Regulations for the organic industry are covered under the Section 5.1 of the Food and Drugs Act (FDA) and Section 7 of the Consumer Packaging and Labeling Act (CPLA).

While federal responsibility for food inspection resides with the CFIA, other departments play a role in the regulation of food importation. The Department of Foreign Affairs and International Trade controls the importation of certain agricultural products through the application of the Export and Import Permits Act and Tariff Rate Quotas (TRQs). The agricultural products that fall into this category are:

Broiler hatching chicks and eggs
Turkey
Cheese
Milk and Cream
Yogurt
Ice Goods

Chicken
Non-NAFTA Beef and Veal
Butter
Buttermilk
Dairy Blends
Margarine

Under the TRQs, imports of these agricultural products are subject to low or free rates of duty, until the quota limit has been reached. Once reached, over quota imports are then applied with significantly higher rates of duty that are usually prohibitive. For further information about TRQ's, refer to:

www.inspection.gc.ca/english/corpaffr/publications/com_import/section_ge.

Although the Universal Product Code (U.P.C.) or bar code is not required or administered by government, virtually all retailers require products to be labeled with a U.P.C.

The best entry method depends on the food product and the sub-sector identified as appropriate for each food product. Each sub-sector is regulated by government and industry import policies and trade acts. Each US export opportunity must be thoroughly investigated relative to the legislation that exists for the product requesting entry.

As part of its commitment to improving service for clients, the Canadian Food Inspection Agency, in cooperation with the Canada Customs and Revenue Agency (CCRA), has established three regional Import Service Centers (ISC); Eastern Region, Montreal; Central Region, Toronto; and Western Region, Vancouver.

Import Service Centers process import request documentation/data sent electronically or by fax by the importing community across Canada. Staff review the information and return the decision either electronically to Canada Customs and Revenue Agency, which then relays it to the client, or by fax directly to the broker/importer, who then submits the release package to CCRA.

In addition, Import Service Centers staff manage telephone inquiries regarding import requirements for all commodities regulated by the CFIA and, when necessary, coordinate inspections for import shipments.

Import Service Centers Across Canada

Eastern ISC
7:00 a.m. to 11:00 p.m.(local time)
Telephone: 1-877-493-0468
(inside Canada or US)
Fax: 1-514-493-4103

Central ISC
7:00 a.m. to 12:00 a.m.(local time)
Telephone: 1-800-835-4486
(inside Canada or US)
Fax: 1-905-612-6280

Western ISC
7:00 a.m. to 12:00 a.m.(local time)
Telephone: 1-888-732-6222
(inside Canada or US)
Fax: 1-604-541-3373
EDI: 1-604-666-7073

Food Labeling and Advertising

The National Standard for Organic Agriculture was ratified by the Standards Council of Canada (SCC) April 19, 1999 and was published at the end of June 1999. Food products which are labeled or otherwise identified as “organic” are expected, as a minimum, to comply with the production, processing, packaging, labeling, storing and distribution requirements of the National Standard for Organic Agriculture.

Claims which include the word “organic (biologique)”, “organically grown”, “organically raised”, “organically produced”, “certified organic”, and “biodynamic”, or any other variations or uses of the word “organic”, are considered to be organic claims. Organic claims used in relation to foods which do not meet the requirements of the National Standard for Organic Agriculture are considered to be misleading and deceptive and are likely to be interpreted as a violation of section 5 (1) of the Food and Drugs Act and secton 7 of the Consumer Packaging and Labelling Act.

Please note that the term “organic” is not synonymous with terms such as “pesticide free” or “no pesticides”. In fact, a very limited number of “natural” pesticides are approved for use in “organic” production. Although synthetic pest control products are not listed or used in organic agriculture, the claims “no pesticide” is not considered appropriate for these crops since there may be a carry-over of pesticides from conventional applications prior to the certification period, or even spray drift from neighboring farms.

French language laws in Quebec govern the need to include any labeling, promotional items and advertising in French.

Organic Certification in Canada

British Columbia and Quebec are the only two provinces that have certification requirements. The province of Quebec has an organic regulation which is equivalent to the national voluntary standard but makes certification by a certifying body accredited by the Conseil d'accreditation du Quebec is mandatory. Any organic produce or processed product imported into Quebec or British Columbia must comply with their provincial regulations.

The Quebec Accreditation Council (CAQ) has stated that January 1st, 2002 is the effective date of the Program for Supervising the Import of Organic Agricultural Produce and Foodstuffs into Quebec territory. This program applies to all organic products coming into Quebec and sold either through intermediaries, in the form of ingredients, or to Quebec consumers, as fresh or finished products.

Products must be harvested and processed in compliance with international standards set by the Codex Alimentarius then certified by an organization recognized as being equivalent by the CAQ. The supervision guidelines for products from outside of Quebec and intended for sale within Quebec's territory will be published by the CAQ in October 2001, through a press release and via its web site (http://www.caqbio.org/).

CAQ's current requirements still remain in effect, meaning that certification is mandatory for any person making reference to such terms as "biological", "organic", "ecological", or "biodynamic" in the advertising, display or labeling of any product even if they only appear on the package's list of ingredients.

It is obligatory that the certifying body's name (firm name) or certification marks appear on anything considered as final packaging meant for retail selling, or on commercial documents when products are intended for processing. As of January 2002, the appearance of just the name (in printer's lettering) of the certifying body will attest to compliance to regulations.

According to COAB (Canadian Organic Advisory Board), as of 2001, there are no federal regulations for organic certification. A diverse number of organizations in Canada provide certification services for the production, processing, handling and sales of organic agricultural products. Several of these organizations are primary producer-owned/operated and are locally based within each province, reflecting the diverse interests in the scope of certification in relation to specific bio-regions. In some regions, provincial groups also function as chapters of larger organizations based within the United States. A few organizations also operate on a private fee-for-service basis.

Government and Non-Government Contacts

Below is a list of the government and non-government agencies, their relative function, and contact information.

Government Regulatory Agencies and their Functions

Government Regulatory Organizations	Purpose/Function	Contact Information
Canadian Food Inspection Agency (CFIA)	The CFIA is the Government of Canada's Regulator for: Food safety (along with Health Canada) Animal health Plant protection	59 Camelot Drive Nepean, Ontario K1A 0Y9 T: 613-225-2342 F: 613-228-6653 www.inspection.gc.ca
Canada Customs and Revenue Agency (CCRA)	Canada Customs' mission is to promote compliance with Canada's tax, trade, and border legislation and regulations through education, service and enforcement. CCRA will provide information regarding your obligations and entitlements under the import laws in Canada which they administer.	International Tax Services 2204 Walkley Road Ottawa, Ontario K1A 1A8 T: 800-267-5177 F: 613-941-2505 www.ccra-adrc.gc.ca
Canadian Food and Drug Act (FDA)	The Canadian Food and Drug Act is a regulatory document provided by Health Canada. It's contents are extensive and may be used for information regarding specific food import restrictions.	See Health Canada address or e-mail: Gary_Trivett@ hc-sc.gc.ca www.hc-sc.gc.ca/food
Health Canada	Health Canada administers the Food Safety Assessment Program which assesses the effectiveness of the Canadian Food Inspection Agency's activities related to food safety. This includes reviewing the design and operational delivery of CFIA's programs related to food safety, assessing compliance with health and safety standards and evaluating the results achieved.	A.L. 0900C2 Ottawa, Ontario K1A 0K9 T: 613-941-5366 F: 613-957-2991 www.hc-sc.gc.ca
Bureau of Food Safety Assessment	The purpose of BFSA is to provide objective information and advice to the Minister of Health on the effectiveness of CFIA's programs and activities aimed at contributing to the safety and nutritional quality of the food supply.	See Health Canada address www.hc-sc.gc.ca/ food-aliment

Government Regulatory Organizations	Purpose/Function	Contact Information
Foreign Affairs and International Trade (DFAIT)	DFAIT is responsible for allocating tariff rate quotas to importers.	125 Sussex Drive Ottawa, Ontario K1A 0G2 T: 613-944-4000 F: 613-944-6500 enqserv@dfait-maeci.gc.ca www.dfait-maeci.gc.ca
Measurement Canada	Administers and enforces the Weights and Measures Act through the exclusive constitutional authority of the Government of Canada. www.strategis.ic.gc.ca	Industry Canada T: 613-954-5031 strategis@ic.gc.ca www.strategis.ic.gc.ca
Environment Canada	Administers the North American Agreement on Environmental Cooperation (NAAEC) which is the environmental side agreement to NAFTA. The NAAEC was signed by Canada, Mexico and the United States and came into force January 1, 1994. www.naaec.gc.ca	351 St. Joseph Boulevard Hull, Quebec K1A 0H3 T: 819-997-2800 or 800-668-6767 F: 819-953-2225 enviroinfo@ec.gc.ca www.naaec.gc.ca

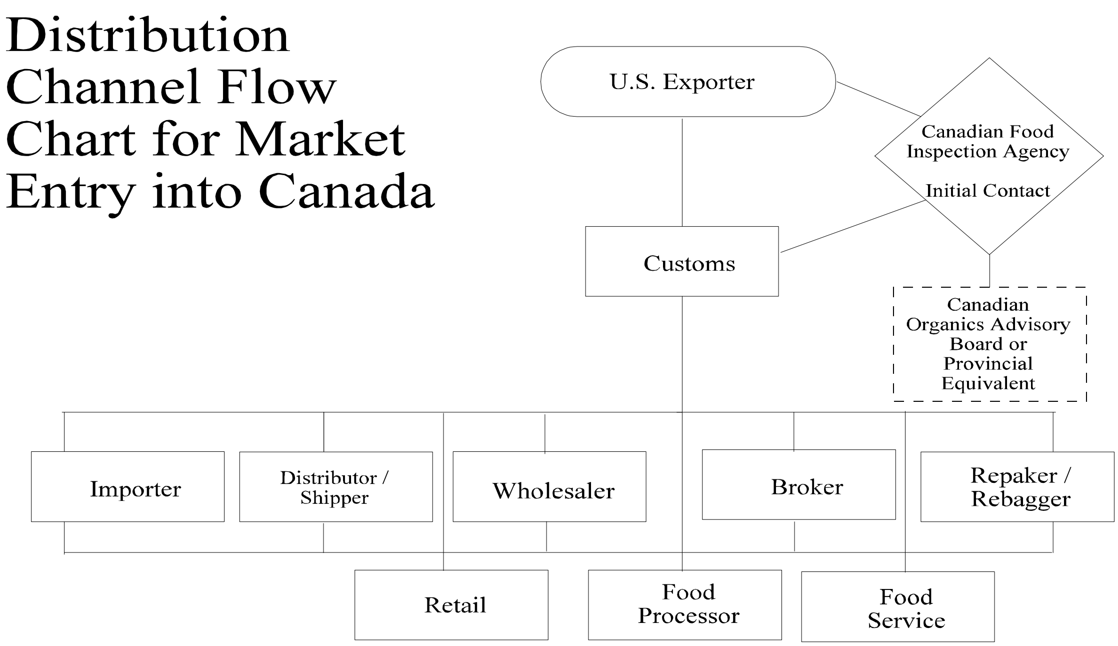
Non-Government Organizations and Agencies

Organization	Purpose/Function	Contact Information
Canadian Organic Advisory Board	A national, non-profit advisory body representing the interests of organic production and certification groups across Canada. The Board is a vehicle for collaboration of stakeholders within the organic industry and notably, agencies within the federal and provincial government that have been involved in the development of organic standards.	Box 689 Steinbach, Manitoba R0A 2A0 Tel & Fax: 204-434-6018 janine@mb.sympatico. ca www.coab.ca
Canadian Organic Growers	Canadian Organic Growers Inc. is a national membership-based education and networking organization representing farmers, gardeners and consumers in all provinces. www.cog.ca	P.O. Box 6408 Station J Ottawa, ON K2A 3Y6 Toll free: 877-677-6055 T: 613-767-0796 F: 613-757-1291 pbenner@webhart.net www.cog.ca
Organic Advocates	Promote awareness of the environmental and human benefits of organic agriculture; increase both co-operation and market relationships between organic producers, interested food professionals and consumers. As well as establish links with other environmental organizations with the intention of furthering public awareness of the importance of organic agriculture; and support organic projects and events.	1 Cadorna Avenue Toronto, Ontario M4J 3W7 T: 416-422-1944 1-800-719-9108 info@organicadvocates.org www.organicadvocates.org
Certified Organic Associations of British Columbia (COABC)	Provides information about BC's organic industry, certification issues, produce growers and processors.	#8-A 100 Kalamalka Lake Road Vernon BC V1T 9G1 T: 250-260-4429 F: 250-260-4436 coabc@bcgrizzly.com www.certifiedorganic. bc.ca

Organization	Purpose/Function	Contact Information
GaiaOne Knowledge Systems	A web resource for Canada and the United States, with links to various Canadian Organic organizations, as well as home to the Eco-Market Database.	www.gks.com
Organic Producers Association of Manitoba (OPAM)	The Organic Producers Association of Manitoba Co-Op Inc. is a member-owned, independent certification body that is affiliated with the Canadian Organic Advisory Board (COAB). OPAM certifies over 100 growers and processors of organic food across Manitoba and eastern Saskatchewan.	Box 929 247 Wellington Street Virden, MB R0M 2C0 T: 204-748-1315 F: 204-748-6881 info@opam.mb.ca www.opam.mb.ca
Organic Trade Association (OTA)	The Organic Trade Association (OTA) is a membership based business association representing the organic industry in Canada, the United States and Mexico. Members include growers, shippers, processors, certifiers, farmer associations, brokers, manufacturers, consultants, distributors and retailers.	PO Box 547 Greenfield, MA 01302 T: 413-774-7511 F: 413-774-6432 info@ota.com www.ota.com
Quebec Accreditation Board	The Board's mission is to provide accreditation to certification bodies, make recommendations to the Minister regarding recognition of designations and to monitor how the latter are used.	201, boul. Cremazie est, local 2.01 Montreal, QC H2M 1L4 T: 514-864-8999 F: 514-873-9994 Info@caqbio.org www.caqbio.com
Canadian Organic / Ecological Network (COEN)	A Regional Network for farmers, gardeners, consumers and industry professionals.	www.gks.com/COEN (coming soon)
Canadian Organic Livestock Association (COLA)	Canadian organization that promotes the organic livestock industry and develops marketing opportunities and structures for the benefit of producer members.	cola@gks.com www.gks.com/cola
Eco-Market Database	On-line database of organic products and retailers for those looking to sell products.	www.gks.com

Organization	Purpose/Function	Contact Information
Inforganics	Inforganics is a marketing and information services business dedicated to the success of organic farmers and businesses that deal with organics in Canada and around the world. The Inforganics mission is to inform Canadians about organics. www.inforganics.com	P.O. Box 95 Riverport NS B0J 2W0 info@inforganics.com www.inforganics.com
Pesticide Action Network	Pesticide Action Network North America (PANNA) is a nonprofit citizen-based non-government organization that advocates adoption of ecologically sound practices in place of pesticide use. PANNA works with over 100 affiliated organizations in Canada, Mexico and the US, and more than 400 PAN partner groups around the world, to promote sustainable agriculture, food security and social justice, and demand that development agencies and governments redirect support from pesticides to safe alternatives.	49 Powell St., Suite 500 San Francisco, CA 94102 T: 415-981-1771 F: 415-981-1991 panna@panna.org www.panna.org
ACORN - Atlantic Canadian Organic Regional Network	The Atlantic Canadian Organic Regional Network (ACORN) is a new regional network dedicated to building the organic food industry in Atlantic Canada. Working with government and all the industry stakeholders in this region, ACORN has the ability to help meet the rising demand for organic food products.	RR1 Belfast Prince Edward Island C0A 1A0 T: 902-659-2790 toll free: 866-32-ACORN F: 902-659-2419 admin@acornorganic.org www.acornorganic.org/ test.html

b) Market Structure



Since consolidation has changed the Canadian business infrastructure, numerous intermediary procurement processes have been eliminated. Buying direct reduces handling, increases expediency, efficiency and reduces product costs. Order consolidation and shipping logistics are of great importance to the organic industry as well. Within the procurement department, teams are assembled to facilitate the managing of order consolidation and shipping logistics. Where less volume is required (less than a truckload), buyers may procure locally from a Canadian wholesaler, importer, broker, or agent. Procurement methods do vary from company to company and from product to product and all hinge on enforced government regulations.

Sector	Product Format	End-user Industry	Procurement method
Retail	Raw, ingredient, value-added processed, fully processing, bulk processed, processed and consumer packaged, private label	Wholesalers/ distributors, Retail chains, Independent grocers, Natural Health Food Stores, Convenience	Direct, Broker, Distributor, Wholesaler
Foodservice	Raw , processed ingredient, highly value-added processed, i.e. portion packed	Commercial, Non-commercial	Direct, Broker, Distributor
Processing	Raw, processed ingredient, value-added processed	Industrial distributors, Industrial manufacturers	Direct

C) Sub-Sector Profiles

Traditional Retailers

Traditionally health food stores were the retailers of organic food. Recently, mainstream retailers began carrying organic products. In a National Post article (July 2001), on the Canadian organic retail market, it was reported that the four largest retailers - Sobeys, A& P, Safeway and Loblaws Companies were stocking their shelves with more organic products. Loblaws, the country's largest supermarket chain, has created a separate organic private label. President's Choice Organics was launched in 2000 and sold about 25 products, including coffee, cooking oil, cereals and condiments. Loblaws has developed an additional line of 300 organic packaged products to extend President's Choice Organics. Independent grocers indicate that they have increased their organic produce shelf-space by about 20 per cent in the past two years.

Approximately 49 per cent of organic purchases in 2000 were made in mass-market outlets, according to the Agriculture and Agri-Food Canada report on the organic markets in Canada and the US.

Traditional Retailers

Store	Address	Contact Information
Loblaws Companies Ltd. Corporate Office	22 St.Clair Avenue East Toronto, ON M4T 2S7	T:(416)922-2500 F: (416)922-4395 www.loblaws.com
Loblaws Companies East	2495 Surveyors Rd. Mississauga, ON L5N 3J4	T:(905)567-2438 F: (905)567-3150 www.loblaws.com
Sobey's Atlantic Division	293 South Ford Stellarton, NS B0K 1S0	T: (902)755-1830 www.sobeys.com
Sobey's Quebec	11281 Boul. Albert- Hudon, Montreal-Nord, PQ H1G 3J5	T: (514)324-1010 www.sobeys.com
Sobey's Manitoba/Saskatchewan	1800 Inkster Blvd. Winnipeg, MB R2X 2Z5	T: (204)632-7550 www.sobeys.com
Sobey's Ontario	2701 Highpoint Drive Milton, ON L9T 5G5	T: (905)876-9953 F: (905)876-9949 www.sobeys.com
The Great Atlantic and Pacific Tea Company Canada (A&P Canada)	5559 Dundas St. West Etobicoke, ON M9B 1B9	T:(416)239-7171 F:(416)234-6527 www.aptea.com
Overwaitea	P.O. Box 7200 Vancouver, British Columbia V6B 4E4	T: (604)888-2079 F: (604)888-3495 www.overwaitea.com
Safeway (Alberta, Vancouver, Winnipeg)	1020 64th Avenue NE Calgary, Alberta T2E 7V8	US: 877-723-3928 Canada: 800-SAFEWAY

Natural Health Food Retailers / Co-ops

According to the "Canadian natural and organic food report", in 1992 there were approximately 1000 health or natural food retail stores in Canada. The largest stores at that time were Alternatives, The Big Carrot and TAU, with sales in excess of $1 million per year.

Approximately 48 per cent of organic purchases in 2000 were made in health food and other speciality stores, according to the Agriculture and Agri-Food Canada report on the organic markets in Canada and the US.

Natural Health Food Retailers / Co-ops

Store	Address	Contact Information
Nutter's Bulk and Natural Foods	107-1601 Dunmore Road SE, Medicine Hat, AB T1A 1Z8	T: 403-529-1664 F: 403-529-6507 Medicinhat@nutters.com www.nutters.com
Ontario Natural Food Co-op	70 Fima Crescent, Toronto, ON M8W 4V9	T: 800-387-0354 or 416-503-1144, ext.33 F: 416-503-2848 www.kd@onfc.on.ca
The Big Carrot	348 Danforth Avenue Toronto, ON M4K 1N8	T: 416-466-2129 F: 416-466-2366 health@thebigcarrot.ca www.thebigcarrot.ca
Capers (Wild Oats Community Markets, Inc.)	Wild Oats Community Markets, Inc. 3375 Mitchell Lane Boulder, CO 80301	T: 303-440-5220 F: 303-928-0022 www.wildoats.com/capers/index/htm0.1d
Steep Hill Food Co-op	730 Broadway Avenue Saskatoon, SK S7N 1B4	T: 306-664-4455 F: 306-664-4595 yak@the.link.ca www.sfn.saskatoon.sk.ca/business/steephill/index.html
Karma Co-op	739 Palmerston Avenue Toronto, ON M6G 2R3	T: 416-534-1470 F: 416-534-3697 www.freecfm.com/w/w/karma/karma.html

Online Retailers/ Home Delivery

Online retailers and home delivery services have grown, particularly from 1999-2001, as reported in *The Canadian Grocer Magazine* (April, 2001). Organic online retailers continue to be successful despite the downfall of dot.com companies. They are perceived to provide quality fresh produce and other organic products.

The Canadian organic online and home delivery trend began in British Columbia and has spread to Ontario and the Atlantic provinces with continuing success. The addition to organic products to mainstream online grocers' lists is evidence of a growth in demand. On-line in August 2001, Grocery Gateway (www.grocerygateway.com), launched 1000 new organic products. The following online retailers offer organic products. Some of those listed specialize in items such as organic meats, eggs and feed grains.

Online Retailers/ Home Delivery

Store	Address	Contact Information
WOW Foods Greater Toronto area, Guelph, Barrie	80 Centennial Drive Unit 8 Orangeville, ON L9W 1P9	T: 1-877-926-4426 F: 519-938-9396 info@mywowbox.com www.mywowbox.com
Small Potatoes Urban Delivery Greater Vancouver area	1660 E. Hastings St. Vancouver, BC V5L 1S6	T: 604-215-7783 F: 604-215-1264 Info@spud.ca www.spud.ca
Green Earth Organics Greater Vancouver area, Greater Toronto area	1864 Triumph Street, Vancouver, BC V5L 1K2 #16 - 1720 Midland Avenue, Toronto, ON M1P 3C8	T: 604-708-2345 F: 604-708-5998 info@greenearthorganics.com www.greenearthorganics.com T: 416-285-5300 Service@greenearthorganics.com www.greenearthorganics.com
Organics Delivery B.C. North Vancouver, West Vancouver, Vancouver, Burnaby, New Westminster, Coquitlam, Port Moody and Port Coquitlam	P.O. Box 38515 126 West 3rd Street North Vancouver, BC V7M 3N1	T: 604-307-7618 F: 604-291-7244 info@organicsdeliverybc.com www.organicsdeliverybc.com/
Home Grown Organic Food Halifax area	6188 Allan Street Halifax, NS B3L 1G7	T: 902-492-1412 F: 902-492-0986 info@hgof.ns.ca www.hgof.ns.ca
Grocery Gateway Greater Toronto area and surrounding cities	6099A Vipond Drive Mississauga, ON L5T 2B2	T: 905-565-5597 F: 905-670-6017 info@grocerygateway.com www.grogate.com

Key Distributors of Organic Products

Distributor	Address	Contact Information
Pro-Organics	4535 Still Creek Ave. Burnaby, BC V5C 5W1 Unit #4 433 Horner Avenue Toronto, ON M8W 4Y4 4783 boul. Couture St Leonard, Montreal, PQ H1R 3H7	T: 604-253-6549 ext.105 F: 604-253-6702 eleung@proorganics.com T: 416-252-3386 F: 416-252-3142 ccottrill@proorganics.com T: 514-327-9170 F: 514-327-6455 www.proorganics.com
Westpoint Distributors Ltd.	3rd Floor 62 W. 8th Avenue Vancouver, BC V5Y 1M7	T: 604-708-8668 Toll free: 888-838-8758 F: 604-708-3328 Toll free: 888-318-3322 wstpoint@westpointonline.com www.westpointonilne.com
Wild West Organic Harvest	2120 Van Dyke Place, Richmond, BC V6V 1X6	T: 604-276-2411 or 800-663-0049 F: 604-276-8583 Info@wildwestorganicharvest.com www.wildwestorganicharvest.com
Ashley-Koffman Foods (Tree of Life, Inc.)	6030 Freemont Boulevard Mississauga, ON L5R 3X4 2600 61st Avenue, S.E. Calgary, AB T2C 4V2	T: (905)507-6161 F: (800)263-7054 T: (403)279-8998 F: (800)665-1298
Pure Source	7010 Hwy 24 South Guelph, ON N1H 6J4	www.puresource.ca/newmanufacturers.asp www.puresource.ca

Foodservice

Foodservice and Hospitality Magazine, September 2001, published “An Organic Experience”, stating that the use of organic products in menus has increased due to consumer demand. Chefs include locally grown and raised organic products in their menus as consumers perceive them to be healthier and better-tasting. Chefs perceive that organic product is properly handled, has more flavor, and is therefore better tasting.

Executive chefs of prestigious establishments are advocates of organic products. Other foodservice establishments are following this trend by incorporating the use of organic products into their menu.

III. Competition

The organic sector in Canada accounts for $1 billion annually in retail sales and is growing by 20 per cent a year (The Western Producer, July 2001). The Canadian federal government has introduced funding of more than $600,000 to help Canadian organic food producers increase their share of this sector. Of these funds, $375,000 will be put towards an organic accreditation assistance program, $130,000 to publish the Organic Field Crop Handbook, featuring information on growing organics to Canadian standards and $100,000 will partially fund next year's International Federation of Organic Agriculture Movements (IFOAM) World Congress held in Victoria, British Columbia. A further $850,000 in federal funding is developing a national center for education and research in organic agriculture, the Organic Agriculture Center of Canada, to help producers take advantage of international competition. Web-based courses in organic agriculture will be offered to students and farmers across Canada. Some of this funding will also be used to conduct on-farm research across Canada to develop strategies to help farmers transition their lands to organic production. Canada will also be strategic in market research to help identify opportunities for producers. The federal government is also developing strategies to help Canadian producers to compete in domestic and international markets.

In light of this government cash infusion, currently Canada's domestic supply is not sufficient to meet domestic demand. Therefore, Canada will continue to rely heavily on foreign markets to supply organic raw and processed products. The US is currently the major exporter of organic product, to Canada. Mexico's exports to Canada of organic product are limited in selection scope and volume to Canada. No other countries are currently supplying organic product to Canada.

Few organic food processors exist in Canada and as a result organic production, does not currently meet domestic demand. Currently, the US is supplying 80% of processed and packaged products to Canada. Exports from the U.K. are negligible as they rely heavily on imports from other countries to satisfy their domestic demand. (published by the Market Development Branch, Ontario Ministry of Agriculture, Food and Rural Affairs).

IV. Best Product Prospects

a) Products Present that Demonstrate Good Sales Potential

Produce

The demand for imported organic fruits and vegetables continues to increase in Canada. Organic produce represents only a small percentage of the produce market currently, but is rapidly growing at 20 per cent a year [Sandra Eagle, "Growing Bigger Markets", Food In Canada Magazine, September 1999]. Independent grocers indicate that some of the most popular items include bagged organic salads and greens, apples, bananas, oranges, broccoli and romaine lettuce. Because of our ethnic diversity, there is more demand for exotic produce. Commodities such as cherry tomatoes are in high demand but not readily available. Most organic produce available in retail stores originates from the United States and Canada. The organic selection from Mexico is limited.

Canadian Major Competitors	US Major Competitors
Pfennings	Cal Organics
Natures First	Pure Vegetable
	Dimare
	Lakeside Organics
	Pure Pacific
	Bunny Love
	Duda
	Earth Greens
	Earthbound Farms

Soy and Soy/Rice Milk Products

The soymilk and rice milk category has grown significantly in the past 3 years. Agriculture and Agri-Food Canada indicate that sales growth from March 1998 to March 2001 rose from $21 million to $52 million, a total of 247 per cent growth rate. This significant increase can be Soy and rice beverages now account for .3 per cent of total beverage sales in Canada. This growth can be attributed to lactose-intolerant or allergic consumers, an increasing Asian population increasing numbers of vegetarians and vegans and more consumers who buy soy for its inherent health benefits. There are no indications that this growth will not continue.

Other soy categories showing demand are tofu, ice creams, puddings, cheeses, yogurt and pasta. Although there are a few companies producing these products that are currently sold in natural food departments of grocery stores and in health food stores, very few of these products are organic.

Canadian Major Competitors	US Major Competitors
Soy Nice	Eden Soy
Nutrisoya	Pacific
Yu	Rice Dream
SoBe	Vitasoy
La Soyarie	Natura
Soy City Foods	Imagine Foods
	Rella Good Cheese Co.
	Nu Tofu
	Eddie's

Breakfast Foods

According to the *Canadian Grocer Magazine 2001-2002 Executive Report* on the Canadian Grocery Industry, ready-to-eat (RTE) cereal is the number one dish item for breakfasts at home. Adult cereals as a segment account for about one-third of all cereal category dollar sales. *Canadian Grocer Magazine* (January 2001) indicates that one of the key growth areas for food retailers is organic breakfast foods. Leading cereal companies (Kellogg, General Post, Quaker Cereals) currently do not offer organic products.

Consumers are also looking for healthy alternatives for breakfast. Organic bars have a loyal and expanding customer base as cited from *Canadian Grocer Magazine* (January 2001).

Canadian Major Competitors	**US Major Competitors**
Nature's Path	Arrowhead Mills
President's Choice (private label) by Sunfresh Ltd.	Kashi's

Organic Breads and Baked Goods

The baking industry has experienced an increase in consumer demand and sector growth. The article, "There's good bread making good bread" (Toronto Star, September 20, 2001), focusses on the increased need for yeast-free organic products used in baking bread. There are 10 organic certified bakers listed in Eco-Market Database for Canada, and a number of mainstream bakers that incorporate organic products in their breads.

Mainstream retailers such as Loblaws, fine-food stores such as Bruno's Fine Foods, (specialty stores located in the Toronto area) and Pusateri's (a very upscale specialty shop in Toronto), and natural health food stores are primary bakers and retailers of organic breads. Organic baked goods are finding a market in prestigious foodservice establishments where chefs are adding them to predominantly organic menus.

Canadian Major Competitors	**US Major Competitors**
Stonemill Bakehouse Ltd.	
Uprising Breads	

b) Products Not Present in Significant Quantities but Demonstrate Good Sales Potential

Baby Formula

There is no organic baby formula available in the Canadian marketplace. Key players in the Natural Food Department and specialty Store, Alternatives, Port Credit, Ontario indicate that there is a significant demand for organic baby formula.

Snack Foods

Snack Food is a large category in the grocery store. Snack Foods (excluding direct-to-store shipments) reports position seven in the "Top 20 Categories, Total Grocery Dollars" (ACNielsen, MarketTrack, 52 Weeks Ending December 30, 2000). More than 80 per cent of Canadians admit to snacking on a daily basis, according to a 1999 Angus Reid Group (now Ipsos-Reid) poll. Sixty-five per cent said they prefer to snack on healthy food; 58 per cent admit to indulging in "junk food". NPD Group's Snack Track for the first half of 2000 showed that while fresh fruit is the snack consumed most often by both adults and children, next on the list are potato chips and cookies, followed by chocolate, candy, crackers, yogurt and granola bars.

Currently there are few companies that do offer products in this category and typically are selling at a price is too high for the mainstream consumer. To penetrate this market successfully, a product should retail at a similar price to conventional snack foods.

Canadian Major Competitors	US Major Competitors
Nature's Path	Garden of Eatin
Ruth's Hemp Food Inc.	Bearitos
Presidents Choice (Private Label) by Sunfresh Ltd.	

Dried Fruits and Nuts

As the demand for organic baked goods increase, there is a need for organic ingredient products that enhance organic baked goods. Dried fruits and nuts are also enjoyed as a snack food.

Canadian Major Competitors	US Major Competitors
Inari	Pavich Farms

Organic Wines

There has been much discussion as to what constitutes a wine as "organic". Currently, organic wine is defined as wine made from organically grown grapes as well as organically processed. These wines are sulfite and preservative free. There are few certified organic wines currently available in the Canadian marketplace.

Canadian Major Competitors	US Major Competitors
Summerhill Estates	Frey
Feast of Fields	Long Meadow
Hainle Vineyards Estate Winery	

Home Meal Replacements

About 60 per cent of retail grocery outlets in Canada now offer home meal solutions. In just 10 categories of single serve products tracked by ACNielsen, sales to 30 December 2000 totalled more than $628 million, up 6% from 1999 and up double digits from the year before (Canadian Grocer Magazine, "Table for One"). These figures did not include any single serve items prepared by the supermarket which are increasing meal solution sales just as quickly. In Canada, home meal replacement sales are expected to grow to about $2 billion by 2005.

With the increase in demand for organic products, and increasing numbers of vegetarians and vegans, organic home meal replaces are a solid opportunity for US exporters.

Canadian Major Competitors	US Major Competitors

None	Amy's Cedar Lane

c) Products Not Present Due to Significant Barriers

Products	Description of Barrier
Poultry	High tariffs, inspection issues, importer requires import permit
Eggs	High tariffs, importer requires import permit
Dairy Products	Tariffs and well-established dairy industry in Canada; preference for domestic dairy products, importer requires import permit

V. Activities

Education is paramount to increasing interest in organic products for all target audiences, including buyers, distributors, retailers or consumers. Education on all levels, especially for consumers, will increase the demand for organic products. To facilitate organic trade between the US and Canada, a variety of activities need to be explored, including trade missions for buyers, education programs for retailers and buyers, and scope expansion for the Organic Trade Association.

Trade Shows

Trade shows are a suitable means to to be able to increase awareness of a product entering the Canadian marketplace. There are several shows across Canada that are relevant to the organic industry. There are also several conferences on organics that offer trade show opportunities mixed with seminars. Smaller regional shows are executed by organic or natural food distributors for the end user. Ontario Natural Food Coop, 70 Fima Cres., Etobicoke, Ontario, 416-503-1144 participates in regional shows.

Organic Trade Shows in Canada

Show	City	Date
Canadian Health Food Association (CHFA) Show www.chfa.ca	Montreal, Quebec Vancouver, B.C. Toronto, Ontario	March April September
Grocery Innovation Show (2001 show allocated section for companies with organic products) www.groceryinnovations.com	Toronto, Ontario	October
The Guelph Public Forum (25th year) 519-824-4120 x2558	Guelph, Ontario	January
IFOAM Organic World Congress www.cog.ca/ifoam2002	Victoria, B.C.	August
Trade Policy Regulatory Conference (first one to be held in 2002) Format of trade show and policy expo	Ottawa, Ontario	May

Trade Missions

Missions create networking opportunities and provide industry members information about the markets, key demand factors and logistical needs. The Organic Trade Association's database of US growers, processors and exporters would provide a basis for contact information. The Canada Connects program facilitates and executes missions.

In-store Programs

Value-added services such as special merchandising displays and point-of-sale materials are store-level value-added enhancements recommended to promote organic product sales. Suppliers often provide retailers with value-added materials when introducing a new organic product or as a means of stimulating consumer demand for a product experiencing sluggish turnover.

Organic Directory

An American Organic Directory of certified organic growers and processors would give increased exposure opportunities for US companies. This directory would be available for buyers and distributors in Canada.

The Canadian organic industry encompasses many areas. The Inforganics website – www.inforganics.com contains an extensive database of Canadian organic industry contacts. There are databases for Canadian foodservices establishments (restaurants; bed and breakfasts and retreat centers; bakers; caterers); food retailers and co-ops; food processors; organic beer and wine producers, distributors and retailers; distributors; home delivery providers; Certification Bodies; Inputs/Equipment/Material Suppliers; specialists, consultants and services; and organic exporters.

It also provides contact information for organic farmers; community shared agriculture programs; green/brown box programs; farmers' markets, organic organizations and educators; speakers in the organic community and other links.

Sources

Agriculture and Agri-Food Canada - www.agr.ca

"Canada's Production of Organic Grains and Oilseeds", www.fas.usda.gov/htp2/organics/2000/apr00.htm#5

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Bruno's Fine Food Stores, www.brunosfinefoods.com

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