International Trade Centre
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Organic Trade

The Canadian Market for Organic Food and Beverages

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40 years of trade development
1964–2004

THE CANADIAN MARKET FOR ORGANIC FOOD AND BEVERAGES

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Though the target audience for this survey is producers and exporters in developing countries and transition economies, it is our hope that it will also prove useful for other companies, organizations and individuals interested in developing export trade to Canada.

All readers are invited to comment on this first version, ask questions, provide missing information or suggest improvements. The study will be up-dated regularly, as appropriate. Please contact RKOrganics@voila.fr.

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INTRODUCTION AND GENERAL SUMMARY

Background

In recent years the world has seen a growing awareness of health and environmental issues, and sustainability has become the keyword whenever discussing economic development, in particular in relation to developing countries. It is a constantly growing number of concerned consumers, mainly in the industrialized countries of Western Europe, North America, Japan and Australia that are the cause of this development. The international community is becoming more and more conscious of these issues, and Government policies in industrialized as well as developing countries are increasingly formulated to encourage organic and other forms of sustainable agriculture.

Since 1997 the International Trade Centre UNCTAD/WTO (ITC) has been strongly involved in export development of organic products from developing countries and has published a number of market surveys, including the following:

Organic food and beverages: world supply and major European markets (1999), financed by the Government of Denmark. It includes seven markets, i.e. Denmark, France, Germany, the Netherlands, the United Kingdom, Sweden and Switzerland. In addition to the country chapters, it also provides an overview of world supply of organic products and deals with certification procedures.

World markets for organic fruit and vegetables (2001) was published jointly by FAO/ITC/CTA. It contains detailed information on demand for organic fresh produce in the world's largest organic markets (United States, Japan and European countries) and gives case studies of seven developing countries that have established an organic export sector or are in the process of doing so.

The United States market for organic food and beverages (2002). It provides detailed information on the U.S. market for organic products, describes distribution channels, market access, etc. and gives advice to developing countries on how to enter this market.

The present survey, *The Canadian market for organic food and beverages (2004)* is meant to focus on those aspects of the Canadian market that are of most interest to producers and exporters in developing countries, although it may hopefully be of interest to other readers as well. It gives practical information on distribution channels and identifies major importers and other organic companies.

The above-mentioned studies endeavour to fill an information gap amongst decision makers at government and non-government levels in developing countries, in particular producers and exporters, by providing comprehensive information on the supply situation and world markets for organic products. The studies can be downloaded from http://www.intracen.org/mds - click *Studies*.

Market prospects and business opportunities for developing countries

With retail sales estimated at US$ 750-1,000 million in 2003 Canada is ranked as the sixth largest market in the world for organic food and beverages. The market appears to be growing rapidly, probably by 20-25% annually. For some product groups, growth rates may be considerably higher. Like in most other important markets, growth is sustained by strong consumer concerns over GMO and other environmental and health issues.

Canada is a major producer with a total certified organic production area of about 516,000 hectars (close to 1.3 million acres) in 2003, including acreage in transition. The main crops are grains and oilseeds, followed by wild rice, vegetables, fruit and nuts and herbs. Special mention should be made of maple syrup and ginseng. About 1.3% of all farmers are growing organic crops. There is also a production of organic meat, dairy products, eggs and honey.

Because of climatic conditions, a large share of the organic food range cannot be grown in Canada and must be imported. Most imports come from the United States, probably at least 80 per cent (most of which is fresh produce and packaged food). In the case of fresh produce imported from the United States, it must be noted that a considerable amount of this is first exported to the US from Latin America, in particular from Mexico**.** US packaged food likewise contains organic ingredients of Latin American, Asian or African origin.

Many Canadian traders/distributors also import at least part of their requirements direct from foreign suppliers other than the United States, and there is a growing interest in the organic industry to source more internationally and direct from source.

Distribution channels are characterized by the huge size of the country, i.e. regional distribution is commonplace. For example, the largest distributor of fresh produce has distribution centres in Vancouver, Toronto and Montreal.

With the exemption of the province of Quebec there are no legal requirements for organic certification at the time of writing (June 2004), although a voluntary National Standard for Organic Agriculture does exist. A committee is currently working with the Canadian government to develop and implement a national organic regulation. Until a mandatory standard is in place, the Quebec standard (compulsory in Quebec) or other recognized certification will be required by Canadian importers and traders. As a minimum, organic food products are expected to comply with the provisions of the National Standard for Organic Agriculture.

Principal import items from developing countries include tropical and other products that are not grown domestically (e.g. tropical fruit, tropical beverages and most spices) as well as off-season products (e.g. fruit and vegetables) and other items where there is a temporary or more permanent shortage. There is also a strong interest in items that are new to the market or fairly unknown. A major distributor, for example, is interested in baby vegetables (e.g. baby corn), Asian and Caribbean vegetables, etc. Thanks to a high degree of ethnic diversity in Canada, there is a strong demand for exotic produce and ethnic products.

The market for processed organic fruit and vegetables, like jams and marmalade, frozen vegetables and canned items, is much smaller than the fresh produce market and most of it is imported from the United States. However, there is some import demand for frozen and aseptic packs of fruit and puree, including tropicals, e.g. mango, guava and passion fruit, for further processing by Canadian manufacturers. Other processed fruit and vegetable items may also find a small market.

Organic beverages of all sorts are of interest, including coffee, tea and fruit juices, as consumers are increasingly looking to drink healthier, tastier and more convenient. Most of these products will mainly be imported in bulk for packing in Canada.

It should also be noted that there is growing interest, amongst consumers and in the trade, in Fair Trade products, and, in some cases, it may be a strong selling point if a product is certified both as organic and as Fair Trade. However, this is still a minor business and is more suitable for some items, like banana, coffee and tea, than for ingredients, like spices, being used in packaged products. Some importers have started to specialize in this area.

Although the overall picture looks fairly bright, there are a number of potential risk factors or threats to the organic industry, like oversupply of certain products, reduced price premiums, competition from other forms of environmentally friendly and sustainable agriculture, possible fraud cases, etc. Also the current very high growth rates are likely to slow down at some stage similar to what has happened in some European markets after years of rapid growth.

On balance, however, there is little doubt that the Canadian market will continue to offer farmers and producers of organic products interesting business opportunities in the future, whether for domestic players or foreign producers, including those in developing countries, who are looking for new markets.

What developing countries should do to enter the Canadian market

As it is easier to enter a new market during periods of strong growth, the current very positive market situation should be exploited to the maximum by potential exporters to Canada, in order to secure a strong foothold before competition further intensifies, which is likely to happen over the next few years.

However, a considerable amount of work is necessary to build up an organic export trade in developing countries, both on the production side and on the marketing side. At country level a good agricultural supply base with appropriate national or international certification is absolutely necessary, while for the producer/exporter it is equally important to offer (a range of) high quality organic food products that meet the requirements of the market.

The producer should work, to the extent possible, in collaboration with other producers in the export country, e.g. through a co-operative or other group relationship. Working together can mean producing marketable quantities at better prices, broader assortments, and improved post-harvest handling, processing, packaging, storage, transportation and administration. It may also help to cut the costs of certification and participation in foreign trade fairs, etc.

The producer/exporter must make sure that the organic certification will be recognized and accepted within the forthcoming mandatory framework and that export products also meet all other legal and market requirements (hygiene, weight, size, ripeness, colour, packing and other technical specifications) of Canada.

Exporters will find that a careful selection of market segments and distribution channels is of the utmost importance. A strong and reliable relationship with an importer or distributor is an absolute must in building up a profitable business. Exporters of organic bulk products or organic ingredients should identify a specialized importer with good access to processing and manufacturing companies, whereas exporters of organic packaged food and beverages should normally work with a broker or distributor with direct access to the country's retail organizations. Depending on the product(s) in question, more than one importer or distributor (for different geographical areas) may be necessary in the longer run, although this would have to be justified by sufficient quantities of exportable products, and is usually not advisable from the beginning.

Exporters must keep themselves informed of market developments through information sharing with colleagues, through trade journals and the Internet, etc. They should preferably also visit organic trade fairs regularly, e.g. those that are mentioned in this study.

While exporting can be a profitable business, the building up of a national market should not be ignored. A sizeable domestic market will help reduce over-dependency on one or more export market(s) and will also help to secure the necessary organic production and export base.

SUPPLY AND DEMAND

Organic agriculture in Canada

Organic agriculture is a holistic system of production management designed to optimize the productivity and fitness of diverse communities within the agro-ecosystem, including soil organisms, plants, livestock and people. The principal goal of organic agriculture is to develop productive enterprises that are sustainable and harmonious with the environment. Definition as given in the draft national standard. See section on market access (organic certification).

Domestic production

As in most countries, it is difficult to obtain detailed, reliable and up-to-date production statistics on organic agriculture. Estimates for 2003 are given in the table below. While the data were provided by certification bodies operating in Canada, the table does not present a complete picture, as not all certifiers provided data, nor did all of them provide figures for different crops, nor distinguish between pasture/rangeland and cultivated land. Therefore the figures are also not fully comparable between the various provinces. However, it is clear that Saskatchewan, Quebec, Ontario and British Columbia are the principal producing and exporting provinces. Total organic land, including "land in production, other land in program and transitional land" was estimated at about 1,275,000 acres (about 516,000 hectares) in 2003.

Table 1: Number of farms and acreage under organic farming in 2003

Province	No. of producers	No. of farms in transition	No. of processors and handlers	Organic acreage (estimates)
Alberta	245	8	52	188,306
British Columbia	420	76	85	21,735
Manitoba	213	25	27	55,771
New Brunswick	36	2	9	2,246