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The organic food market in Canada and its impact on the world

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This report provides a brief overview of the organic food market in Canada and its global footprint. It discusses Canadian exports and imports of organic food, major products, sources of growth and key challenges for international traders.

Key findings

- Annual sales in Canada's organic food market are estimated to be worth more than $5 billion. This represents about 5% of the global market, which is concentrated in the United States and Europe and is estimated at more than $100 billion.
- Organic food sales are expected to increase globally as people become more health-conscious, incomes rise, producers scale up and retail distribution expands.
- Demand for organics in Canada is growing quickly—at a rate of more than 15% annually. Domestic supply is having trouble keeping pace; in some cases, Canadian organic food processors are relying on imports, and are having difficulty finding reliable and consistent sources of ingredients.
- Canada imported organic food products from 127 countries from 2012 to 2015. Growth opportunities exist for organic certification of other agricultural products, including textiles, natural health products, pet food, personal care products and cannabis.
- Canadian organic exports to more than 60 markets were worth $607 million in 2017. Although they account for only about 1% of total exports, they are much more diversified across destination countries than Canada's overall exports. For example, only 11% of Canadian organic food exports are shipped to the United States, with major export values destined for the European Union and Japan.
- Canadian organic imports were valued at $637 million in 2016 and were far more concentrated by country. Nearly half of Canadian organic food imports were horticultural products (lettuce, spinach, strawberries, apples, grapes) from the United States. The next four countries accounted for about a third of total Canadian organic food imports—primarily unroasted coffee, bananas and olive oil.
- In 2015, there were more than 5,000 organic operations in Canada, accounting for roughly 1.5% of total agricultural land. The vast majority were primary organic producers, which tend to be concentrated in Quebec, Saskatchewan and Ontario. Most processors, handlers, and retailers were in Quebec, Ontario and British Columbia.
- Organic equivalency agreements are designed to address the issue of differing designations across countries. Canada has equivalency agreements with most of its major trading partners, but legal and regulatory differences could restrain future growth in frontier markets.

Organic food production in Canada

In 2015, the Canada Organic Trade Association (COTA) estimated that Canada had 5,053 organic operations. Of these,

Sales and other measures

COTA estimates that, in 2015, Canada's total organic market (including food and non-food items) was worth $5.4 billion, up from $3.5 billion in 2012.[i] The U.S.-based Organic Trade Association (OTA) estimates global sales in 2015 were worth approximately US$82 billion, up from US$64 billion in 2012.[ii] This implies that the Canadian organic market represents about 5% of the global market, as compared with the U.S. market at 53% and the EU market at 37%.

In more detail, organics now represent about 2.7% of Canadian agriculture sales, and employ 3.8% of Canada's agricultural workforce. Moreover, the demand for organics in Canada is increasing at a rate of 16% annually, but domestic supply is not keeping pace.

As a result, Canadian value-added organic food processors are relying on imports, and have difficulty finding reliable and consistent sources of ingredients. Provincially, Ontario has the largest organic market, British Columbia has the highest organic sales per capita, and Albertans are the most likely to be organic consumers, with almost three-quarters of grocery shoppers in that province buying organics weekly (the national average is two-thirds).

Imports of organic foods into Canada

Canada currently tracks 65 organic import products, which were valued at $637 million in 2016. U.S. data show that average annual U.S. exports to Canada were US$248 million from 2011-2016. Adjusting for exchange rates, this would account for about 43% of total Canadian organic food imports (and 49% of U.S. organic food exports). Imported organic products from the U.S. include lettuce, spinach, strawberries, apples and grapes, which accounted for C$175 million, or about two-thirds of organic imports from the U.S. into Canada.

Overall, Canada imported organic products from 127 countries in 2015. The top five countries accounted for three-quarters of the value of such imports over the 2012-2017 period. After the United States, the other top four accounted for about a third of total imports of organic foods, primarily unroasted coffee (much of which is roasted and then exported to the U.S. market), bananas, and olive oil, which together accounted for about $216 million in imports.

Exports of organic foods from Canada

Canada currently tracks 17 organic exports, valued at $607 million in 2017. Specific data on the number of countries to which Canada exports organic products is not freely available. EDC estimates that Canadian exporters of organic food and beverage products export to at least 60 countries.

U.S. data show that U.S. imports from Canada averaged US$59 million annually from 2011 to 2016, or only about 11% of Canadian organic food exports. Roasted coffee, soybeans and corn accounted for virtually all the value of Canadian organic food exports to the United States. The other main markets for exports of Canadian organic foods are Japan and the European Union. Much of this was related to organic wheat, but Agriculture and Agri-Food Canada reports that exports of oats, flax, barley, lentils, peas, spelt, hemp, soybeans, corn, sunflowers, and other grains and oilseeds are also growing.

Global market and export development opportunities

The organic market, both globally and in Canada, has shown considerable growth over the past decade, and is outpacing growth in other agricultural sectors. To realize the full potential of these growth opportunities, COTA has partnered with Agriculture and Agri-Food Canada through the Agri-Marketing program to develop a long-term international marketing strategy to help expand Canada's organic sector and exports to key markets.

This approach is focused on export marketing, trade show participation, market intelligence and trade missions to connect COTA members with international buyers. The aim is to identify supply-chain gaps, new opportunities and innovations, increase, Canadian exports are expected to increase. This is further reinforced by growth in non-food exports such as cannabis and other non-food organic products.

Equivalency arrangements

Canada has negotiated organic equivalency agreements with 90% of its major trading partners (for details, see the appendix). COTA has also helped broker bilateral equivalency arrangements with the United States, the European Union, Switzerland, Costa Rica and Japan to open important export markets for Canadian organic businesses. Agreements with Mexico and South Korea are currently being negotiated, as exports increase to Asia and Latin America in addition to trade with Europe.

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sold through mainstream retailers grew from 1.7% to 2.6%. COTA believes there are market opportunities for organic certification of other agricultural products such as textiles, natural health products, pet food, personal care products, and cannabis.

Major international markets and sources of growth

Global sales of organic food products are expected to increase as people become more health-conscious, incomes rise, organic producers scale up, and retail distribution expands. In the United States, the OTA has catalogued 1,435 international organic product prices in 19 countries, a list that is expected to increase significantly. Besides the United States, major producers include China, Germany, Italy, Japan, Kuwait, South Korea, Taiwan and the United Arab Emirates.

Trends in the U.S. market

U.S. organic exports were stable from 2013 to 2016, while the value of organic imports increased by more than one-third from 2014. By 2016, the market share of organic imports was 16%, while the share for organic exports was 8%.

The United States exports organic products to 104 different countries. Sixty-one per cent of those exports enter the markets of countries with which the United States has organic equivalency arrangement. The main recipients of U.S. exports are Canada and Mexico, while East Asia and the Middle East (particularly the United Arab Emirates) continue to gain market importance.

The United States imports organic products from 111 different countries, with 21% of imports coming from countries with which it has equivalency arrangements. Mexico is the leading supplier of organic products to the U.S. market. Since 2013, a little more than half of all U.S. organic imports have come from the Americas. Imports from Mexico and Canada are worth $324 million annually on average, while those from South America average $423 million annually, and come from five main countries: Peru ($93 million), Ecuador ($72 million), Colombia ($64 million), Brazil ($64 million), and Argentina ($55 million). As with exports, proximity is clearly a major factor when it comes to organic products trade.

Key challenges

Regulatory

Organic certification processes are often based on the percentage of organic content in multi-ingredient food commodities. The norm used in the U.S. and EU markets is that the content must be at least 95% organic. Canada typically requires that organic content be defined as either greater than 95% or between 70% and 95%.

Canada's content requirements could result in a competitive disadvantage with trading partners that do not specify this degree of detail.

According to COTA, other countries' regulations and differential certification processes could constrain Canadian producers from reaching their full potential in key growth markets. COTA believes that the current framework provides advantages to international producers due to regulatory imbalances that limit Canadian market access due to labelling and consumers.

In response, COTA has proposed a broad range of recommendations as part of the Safe Food for Canadians Regulations, which, according to the Canadian Food Inspection Agency, would replace the current regulations under the Canada Agricultural Products Act, the Fish Inspection Act, the Meat Inspection Act, and the food-related provisions of the Consumer Packaging and Labelling Regulations.[v] The new legal framework will create food inspection regulations that include consistent, internationally recognized requirements for all food commodities, which are imported, exported, or traded interprovincially. The framework will build on the policy direction articulated in the Improved Food Inspection Model, consultations on which concluded in May 2013.

The Safe Food for Canadians Regulations will support market access for Canadian exporters by keeping pace with food safety modernization efforts in other countries and by strengthening Canada's reputation for having a world-class food safety controls system.

Recent developments

In the United States, the OTA has noted that import spikes in grains such as organic corn and soy—largely used for livestock feed—are evidence of the need for U.S. producers to grow more of these crops. Should this occur, it would represent a challenge to Canadian exporters, as these products are the major organic exports from Canada to the U.S. market.

Thirty-seven per cent of the value of organic corn and 26% of the value of organic soybean imports entered the United States from trading partners with which it has organic equivalency arrangements. Canada is the largest exporter of these commodities.

Appendix: Equivalency agreements

Organic equivalency agreements are designed to address the issue of differing designations of "organic" across countries. As a report by Edward Jaenicke and Iryna Demko for the OTA notes:

> Organic equivalency is a mutual recognition in the form of bilateral arrangements between key trading partners that allows for successful trade by reducing trade barriers and supporting the strengthening of the supply chain. Organic equivalency recognizes two systems as comparable and verifiable, although not necessarily identical. When it comes to the development of standards, it is recognized that technical requirements will differ by jurisdiction or region. Ultimately what is more important is that the parties agree that they are meeting the same objectives without compromising the integrity that has come to be expected from the organic designation in the respective markets. This leads to numerous benefits such as reduced costs of doing business.[6]

In Canada, the Canadian Food Inspection Agency (CFIA) provides basic guidance and information for exporters and importers with respect to food-specific export requirements, labelling requirements, and related trade requirements.

Food-specific export requirements

importing country. Some countries might require statements regarding the method of production, including halal, kosher, and organic. The CFIA does not certify these claims; instead, Canadian companies must request appropriate certification bodies in this regard. Foods that do not meet Canadian regulations and cannot be sold in Canada must be clearly marked "For Export Only."

Imported organic products

Under equivalency arrangements, imports of organic products must comply with Canadian requirements that might be additional to those of the producing country and must be certified by a body accredited by the producing country and recognized by Canada. Once certified, these products may bear the Canada Organic Logo. All food sold in Canada, whether domestic or imported, must also comply with the Food and Drugs Act and regulations, and with the Consumer Packaging and Labelling Act and regulations.

Notes

1. The statistics in this report were drawn from trade association information from the U.S.-based Organic Trade Association and its Canadian counterpart, the Canada Organic Trade Association. A note of caution that official statistics are still under development, and as such, may under-estimate the current level of market activity. The Canadian Food Inspection Agency was also a source of information on legal and regulatory issues in Canada. When discussing Canada, Canadian dollar figures are used. When discussing the United States, U.S. dollar figures are used. When both are discussed together, the specific dollar currency is identified, and the appropriate exchange rate is applied.
2. Market size estimates are based on sales, not contribution to value added or gross domestic product.
3. Another source estimates worldwide sales of organic food at about US$71 billion in 2012 (Statista).
4. Derived from reading Canada Agriculture and Agri-Food "Market Intelligence Reports."
5. Recommendations by COTA included definitions, length of time for organic certification filings, certification processes and procedures, length of time for certification validity, suspensions and cancellations of organic certificates, certification body requirements, listings of certified Canadian organizations, and interprovincial trade in organic products.
6. Edward Jaenicke and Iryna Demko, "Impacts from Organic Equivalency Policies: A Gravity Trade Model Analysis" (Washington, DC: Organic Trade Association, December 2015), 2.

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About this report

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