



THE ORGANIC FOOD MARKET IN CANADA AND ITS GLOBAL INFLUENCE

**EDC Economics
Research and Analysis Department**
November 2020

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

Canada accounts for about 4% of annual revenues in global organic trade, making it an important but relatively small player when compared with the United States at 47% and European Union at 37%. Nonetheless, the market is growing, and Canada has considerable potential in a broad range of product categories to increase its global market share and export revenues over time.

In 2020, annualized sales in Canada's organic trade are expected to approximate \$7 billion. Organic food sales are expected to increase globally over time as people become more health-conscious, incomes rise, organic producers scale up, and retail distribution expands.

Demand for organics in Canada is growing quickly—at a rate of more than 8% annually for the past four years. However, 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 currently trades organic food products with 127 countries. Growth opportunities exist for organic certification of other agricultural products, such as textiles, natural health products, pet food, personal care products and cannabis.

The statistics in this report were drawn from trade association information from the U.S.-based Organic Trade Association (OTA) and the Canada Organic Trade Association (COTA). The United States Department of Agriculture (USDA) Foreign Agricultural Service was an important source of information on the U.S. market and exports. 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, but then converted to Canadian dollars at the appropriate exchange rate. Therefore, all dollar figures in this report are Canadian dollar values.

Canadian organic exports were worth \$461 million in 2019. Although they currently account for only 1% of Canada's total exports, they are much more diversified across destination countries than are Canada's overall exports. For example, only 17% of Canadian organic food exports are shipped to the U.S. (mainly roasted coffee, blueberries, and soybeans), well below other product categories that typically account for about 70% of Canadian exports. By extension, major export values destined for the European Union and Japan (primarily organic wheat) account for export shares well above the more typical single-digit shares of Canadian exports to these markets.

Canadian organic imports were valued at \$789 million in 2019 and were more concentrated by country. Nearly half of Canadian organic food imports were horticultural products (such as lettuce, spinach, strawberries, apples, grapes) from the U.S. The next four countries accounted for about one-third of total Canadian organic food imports—primarily unroasted coffee (much of which is roasted in Canada and then exported to the U.S.), bananas, and olive oil.

There were more than 7,500 organic operations in Canada in 2019, accounting for roughly 2% of total agricultural land. The vast majority are primary organic producers, which tend to be concentrated in Quebec, Saskatchewan, and Ontario. Most processors, handlers, and retailers are located in Quebec, Ontario, and British Columbia.

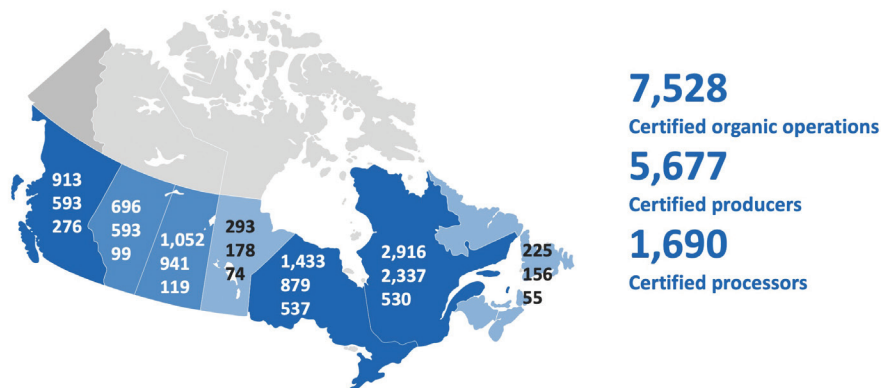
Organic equivalency agreements are designed to address the issue of differing designations across countries. Canada has equivalency agreements with most of its major trading partners, but legal and regulatory differences could restrain future growth in frontier markets.

Organic food production in Canada

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 European Union (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%. Only those that are greater than 95% may display the Canada organic logo on the label.

OPERATIONS CONCENTRATED IN QC, ON, BC

NUMBER OF CERTIFIED OPERATIONS, PRODUCERS, PROCESSORS



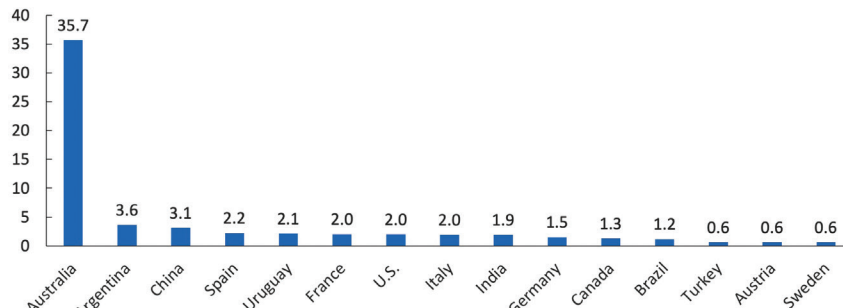
COTA estimates that Canada had 7,500 organic operations in 2019. Of these, 5,600 were certified as primary producers (concentrated in Quebec, Saskatchewan, and Ontario), 1,700 were processors, manufacturers, and retailers (mainly in Quebec, Ontario, and British Columbia), and 810 were livestock operations. Organic land use approximated 3.4 million acres in 2019, equivalent to 2% of Canada's total agricultural land, up from 2.4 million acres in 2015 (or 1.5% of total).

Organics now represent about 3.2% of Canadian agriculture sales. While demand for organics in Canada is increasing at a rate of 8.7% annually, domestic supply is not keeping pace.

CANADA EDGING CLOSE TO TOP 10 IN WORLD ORGANIC AGRICULTURAL LAND

ORGANIC CULTURAL LAND BY COUNTRY, 2018

Millions, Hectares



Source: EDC Economics, Research Institute of Organic Agriculture, IFOAM-Organics International

Canadian organic land use ranks 11th in the world, and is behind several countries that have far less arable land. Therefore, organic intensity relative to available farmland is less in Canada than in many other producer markets. Organic acreage is mainly located in Western Canada:

- Saskatchewan (35% of the national total)
- British Columbia (25%)
- Alberta (17%)

Sales and other measures

COTA estimates that, in 2020, Canada's total organic market (including food and non-food items) is worth \$6.9 billion in revenues, up from \$5.4 billion in 2017.¹ The Research Institute of Organic Agriculture and IFOAM-Organics International estimate global sales in 2017 were worth approximately \$137 billion. This implies that the Canadian organic market represents about 4% of the global market, as compared with the U.S. market at 47% and the EU market at 37%.

Organics now represent about 3.2% of Canadian agriculture sales. While demand for organics in Canada is increasing at a rate of 8.7% annually, domestic supply is not keeping pace. As a result, Canadian value-added organic food processors are partially relying on imports as they often have difficulty finding reliable and consistent sources of ingredients from Canadian producers. This is because not enough Canadian producers have committed enough arable land that is certified organic to meet specific processing needs. Partly offsetting this risk is the slow but steady growth in arable land being committed in recognition of these growing opportunities.

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 (74%) of grocery shoppers in that province buying organics weekly (the national average is two-thirds).

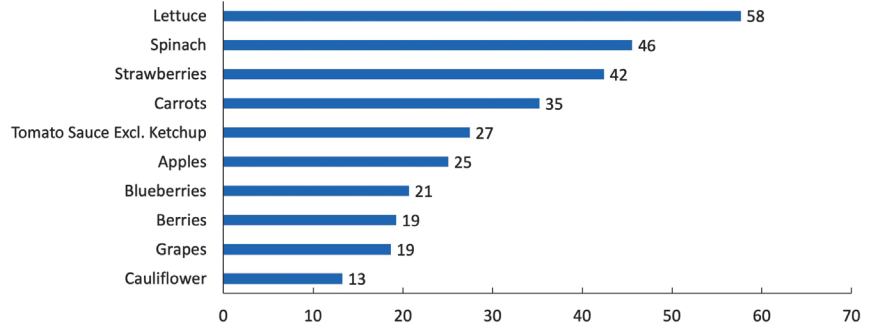
Imports of organic foods into Canada

Canada currently tracks 70 organic imports. Tracked Canadian organic imports were valued at \$789 million in 2019. U.S. data show that average annual U.S. exports to Canada were \$357 million between 2014 and 2019. This would account for about 45% of Canadian organic food imports (and 44% of U.S. organic food exports). Imported organic products from the U.S. include lettuce, spinach, strawberries, carrots, and tomato sauce (excluding ketchup), which accounted for \$207 million, or about two-thirds of organic imports into Canada.

STRAWBERRIES ARE DRIVING GROWTH IN U.S. EXPORTS TO CANADA

TOP 10 CANADIAN ORGANIC IMPORTS FROM THE U.S. IN 2019

Millions, CAD



Source: EDC Economics, United States Department of Agriculture Foreign Agricultural Service

Overall, Canada imported organic products from 127 countries in 2015. The top five countries accounted for three-quarters of the value of such imports between 2012 and 2017. After the U.S., the other top four accounted for about one-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.

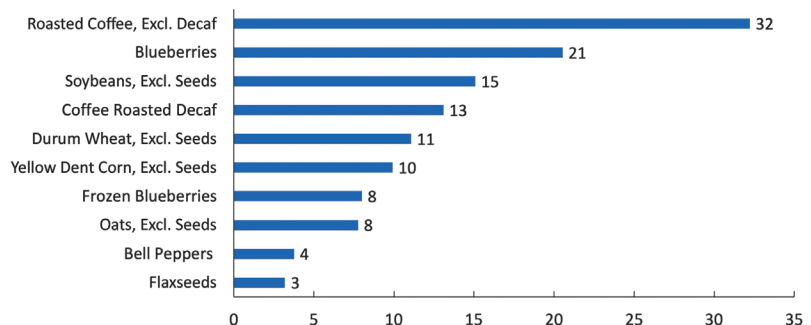
Exports of organic foods from Canada

Canada currently tracks 17 organic exports, valued at \$461 million in 2019. U.S. data show that U.S. imports from Canada averaged \$106 million annually from 2014 to 2019, or about 18% of Canadian organic food exports. Roasted coffee and blueberries accounted for more than half of Canadian organic food exports to the U.S., with blueberries experiencing the highest levels of growth over the past five years. The other main markets for exports of Canadian organic foods are Japan and the EU. 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 well.

ROASTED COFFEE AND BLUEBERRIES ARE DRIVING GROWTH OF CANADIAN EXPORTS TO U.S.

TOP 10 CANADIAN ORGANIC EXPORTS TO THE U.S. IN 2019

Millions, CAD



Source: EDC Economics, United States Department of Agriculture Foreign Agricultural Service

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 (e.g., wheat, corn). 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, and to provide a more coordinated approach to develop capacity and promote the quality of Canadian organic products in the quickly expanding global marketplace.

Equivalency arrangements

Canada has negotiated organic equivalency agreements with 90% of its major trading partners (see the Appendix). COTA has also helped broker bilateral equivalency arrangements with the U.S., the EU, Switzerland, Costa Rica and Japan to open up important export markets for Canadian organic businesses. Agreements with Mexico and South Korea are also being negotiated.

Major products and sources of growth

The Canadian organic food and beverage market accounts for an estimated \$4.4 billion in annual sales, or about 80% of Canada's total organic market. Compound annual growth of this segment was 8.4% between 2012 and 2017. During this time, the market share of organic food and beverages sold through mainstream retailers grew from 1.7% to 2.6%. In more recent years, there has been growing conversion of farms adapting to organic operations. Certified organic acreage is now 2% of total Canadian agricultural land. 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. This expansion of organic arable land may also help to meet some of the needs of organic food processors that are partly relying on imports due to challenges they face sourcing reliable or sufficient supplies from Canadian organic producers.

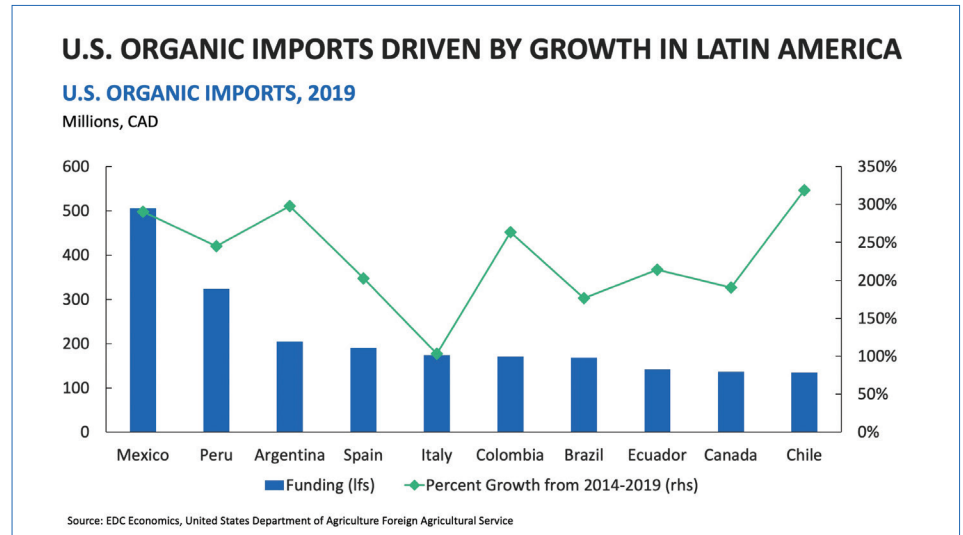
Major international markets and sources of growth

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 U.S., the Organic Trade Association has catalogued 1,435 international organic product prices in 19 countries, a list that is expected to increase significantly with time. Besides the U.S., major producers include India, China, Germany, Italy, Japan, Kuwait, South Korea, Taiwan and the United Arab Emirates (UAE). Major markets for organic food sales include China, Germany, France and Italy. Australia is also a large market with the most dedicated organic farmland in the world by a large margin.

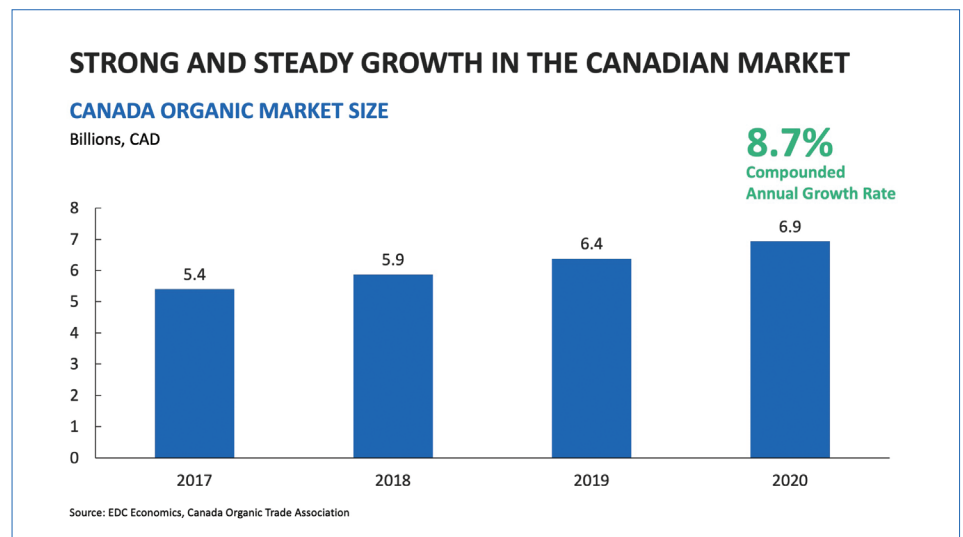
Trends in the U.S. market

U.S. organic exports experienced steady growth from 2014 to 2019, from \$611 million in 2014 to \$906 million in 2019. The value of organic imports increased by 73% in the same period from \$1.4 billion to \$2.9 billion. Given the large size of the U.S. market, most organic production is consumed within the U.S. market. Therefore, as important as international trade is in this market for the U.S., its large domestic market serves as the main focus for organic sales.

The U.S. exports organic products to 104 different countries. Sixty-one percent of those exports enter the markets of countries with which the U.S. has organic equivalency arrangements. The main recipients of U.S. exports are Canada and Mexico, while East Asia (Japan, Taiwan, and South Korea) and the Middle East (UAE) continue to gain market prominence.



The U.S. imports organic products from 111 different countries, with 17% of imports coming from countries with which it has equivalency arrangements. In 2019, 61% of all U.S. organic imports came from the Americas. Mexico (\$508 million) is the leading supplier of organic products to the U.S. market. Countries in South America such as Peru (\$325 million), Argentina (\$206 million), Colombia (\$171 million), Ecuador (\$142 million) and Chile (\$135 million) enjoyed significant growth in exports to the U.S. from 2014 to 2019. While Canadian organic exports to the U.S. grew in volume from \$60 million in 2014 to \$137 million in 2019, the overall ranking fell from 8th to 9th. In the end, Latin American countries play the largest role in U.S. organic imports.



The Canadian Organic Standards are near the end of their scheduled five-year review process cycle. A new set of standards will be published in November 2020 and enforced in November 2021. Equivalency arrangements and a new regulatory framework will follow.

KEY CHALLENGES

Regulatory

According to COTA, other countries' regulations could constrain Canadian producers from reaching their full potential in key growth markets. COTA believes that the current framework provides advantages to foreign producers due to regulatory imbalances that limit Canadian market access due to labelling and other requirements. Therefore, as long as market access is limited for Canadian producers, other international organic programs (such as the USDA National Organic Program and the EU organic program) will continue to benefit from Canada's acceptance of their laxer regulatory constraints by certifying and selling organic commodities, bearing their organic logo, to Canadian consumers. However, this risk is also partly offset by Canadian producers being able to export goods that are less than 95% organic and, therefore, not approved for sale within Canada as organic products (see the Appendix).

In response, COTA proposed a broad range of recommendations as part of the Safe Food for Canadians Regulations, which replaced prior 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.² The new *Safe Food for Canadians Act* and implementing framework came into force in January 2019 and created food inspection regulations that include consistent, internationally recognized requirements for all food commodities that are imported, exported, or traded inter-provincially. The framework built on the policy direction articulated in the Improved Food Inspection Model consultations, which concluded in May 2013. This new framework is intended to support market access for Canadian exporters by keeping pace with food safety modernization efforts in other countries, and to strengthen Canada's reputation for having a world-class food safety control system.

COTA believes that even with the *Safe Food for Canadians Act*, Canadian organic regulations are still not comprehensive enough as organic body care, natural health, cosmetic products, textiles and pet food are not regulated. These products are regulated in other parts of the world and put Canadian organic operators at a disadvantage while competing with their U.S. counterparts. Aquaculture standards will be enforceable in 2021 as an effort to align with other jurisdictions.

Impact of COVID-19

In light of the recent global pandemic, OTA has noted that there are several factors that could influence the organic food industry. First, a recession caused by the pandemic will likely reduce households' disposable income. As a result, many price-sensitive customers would stop or reduce organic purchases due to income constraints, lowering organic sales. However, a second offsetting factor is that, as people become increasingly health-conscious due to COVID-19, they may increase their purchases of premium organic products. If so, they may opt for more organic food and boost organic sales. Finally, in recent months, most kitchen staples such as eggs, dairy, grains, bread, flour, and even yeast have seen increased demand from consumers. These categories are expected to see significant growth in 2020 as are non-food products such as organic vitamins, supplements, and immunity products.

APPENDIX:

Equivalency agreements

Organic equivalency agreements are designed to address the issue of differing designations of “organic” across countries. As a 2015 report by Edward Jaenicke and Iryna Demko for the OTA noted:

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.³

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

Some Canadian exports of food and food-related products must comply with additional requirements set by destination countries or markets that vary according to the product and the destination. Canadian exporters can find this information for the relevant food sector in the CFIA's export repository.

Labelling

The country of origin must be mentioned on the product in addition to any other language or labelling requirements of the importing country. Some countries might require statements regarding the method of production, including halal, kosher and organic. The CFIA doesn't certify these claims. Instead, Canadian companies must request appropriate certification bodies in this regard. Foods that don't 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 Market size estimates are based on sales, not contribution to value added or gross domestic product.

² 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.

³ Edward C. Jaenicke and Iryna Demko, “Impacts from Organic Equivalency Policies: A Gravity Trade Model Analysis” (Washington, D.C.: Organic Trade Association, December 2015), 2.

REFERENCES

- Canada Agriculture and Agri-Food Canada. Canadian Food Inspection Agency. “Food-specific Export Requirements.” Ottawa, July 16, 2018. <http://inspection.gc.ca/food/exports/specificrequirements/eng/1503941030653/1503941059640>
- Canadian Food Inspection Agency. “Organic products.” Ottawa, March 29, 2018. <https://www.inspection.gc.ca/organic-products/eng/1526652186199/1526652186496>
- Canada Organic Trade Association. “Canada’s flourishing organic market captured in new report from the Canada Organic Trade Association.” GlobeNewswire, Nov. 30, 2017. <http://www.globenewswire.com/news-release/2017/11/30/1212078/0/en/Canada-s-Flourishing-Organic-Market-Captured-in-New-Report-from-the-Canada-Organic-Trade-Association.html>
- “The Canadian Organic Market: Trends and Opportunities, 2017.” Ottawa: COTA, 2017. https://ota.com/sites/default/files/COTA_Market_Report_ToC_Index_FINAL.pdf
- “The Canadian Organic Market Report 2017.” <https://ota.com/sites/default/files/Canadian%20Organic%20Market%20Report%202017%20teaser.pdf>
- “Organic Agriculture in Canada: By the Numbers.” Ottawa: COTA, March 2017. https://www.ota.com/sites/default/files/Org_Ag_Canada_overview_17.03.03-FINAL.pdf
- “Safe Food for Canadians Regulations.” Ottawa: COTA, April 21, 2017. <https://www.ota.com/sites/default/files/Organic%20Industry%20Comments%20on%20the%20Safe%20Food%20for%20Canadians%20Regulations-FINAL.pdf>
- Jaenicke, Edward C., and Iryna Demko. “Impacts from Organic Equivalency Policies: A Gravity Trade Model Analysis.” Washington, D.C.: Organic Trade Association, December 2015. https://ota.com/sites/default/files/indexed_files/OTAOrganicTradeReport2015.pdf
- Preliminary Analysis of USDA’s Organic Trade Data: 2011 to 2014. Report to the Organic Trade Association. State College: Pennsylvania State University, April 2015. https://ota.com/sites/default/files/indexed_files/OTAJaenickeMay2015_TradeDataReport.pdf
- Organic Trade Association. “Canada OTA.” Washington, D.C., n.d. <https://www.ota.com/canada-ota>
- “Global Market Opportunities.” Washington, D.C., n.d. <https://www.ota.com/canada-ota/what-cota-does/global-market-opportunities>
- “Industry Directories.” Washington, D.C., n.d. <https://www.ota.com/resources/industry-directories>
- “International Organizations.” Washington, D.C., n.d. <https://www.ota.com/resources/global-market-opportunities/international-organizations>
- “International Trade Data Reports.” Washington, D.C., n.d. <https://www.ota.com/>
- “Resources.” Washington, DC, n.d. <https://www.ota.com/resources>
- [Untitled table of organic products and prices]. Washington, D.C., n.d. https://ota.com/sites/default/files/indexed_files/Organic%20Prices%20library%201220.pdf

About EDC

Export Development Canada (EDC) is a financial Crown corporation dedicated to helping Canadian companies of all sizes succeed on the world stage. As international risk experts, we equip Canadian companies with the tools they need—the trade knowledge, financing solutions, equity, insurance, and connections—to grow their business with confidence. Underlying all our support is a commitment to sustainable and responsible business. To help Canadian businesses facing extreme challenges brought on by the global response to COVID-19, EDC is working with our federal partners and financial institutions to bring financial relief and support to Canadian companies. We're also expanding our expertise and research to help you reposition in this challenging economy. For more information, visit **EDC.ca**.

About this report

This report was written by Michael Borish and Jerry Wang, reviewed by Stephen Tapp, and copy-edited by Janet Wilson. The views expressed are those of the author and should not be attributed to EDC or its Board of Directors.

Legal disclaimer

These reports are a compilation of publicly available information and are not intended to provide specific advice and should not be relied upon as such. No action or decisions should be taken without independent research and professional advice. While EDC makes reasonable efforts to ensure the information contained in these reports is accurate at the time of publication, EDC does not represent or warrant the accurateness, timeliness or completeness of the information. EDC is not liable for any loss or damage caused by, or resulting from, any errors or omissions.