



# Cross the border

U.S. retailers could leverage a favorable exchange rate, equivalent quality standards and access to unique food products to forge fruitful partnerships with Canadian vendors.

By Carolyn Schierhorn

**A**lthough much maligned during the U.S. political campaign season, the North American Free Trade Agreement (NAFTA) — which supplanted the Canada-U.S. Free Trade Agreement — has been a tremendous boon to U.S.-Canadian commerce. Canada's largest agricultural trading partner, the United States today buys 53 percent of Canadian agricultural exports and supplies 59 percent of Canadian imports, according to the USDA.

U.S. retailers with private brand programs benefit greatly from ease of access to Canadian food and other products. As a number of grocery chains and other retailers have realized, the reasons for partnering with private label manufacturers in Canada are many, ranging from a relatively robust U.S. dollar to the ability to incorporate distinctly Canadian ingredients to create unique store brand products.

## Gain a financial edge

The U.S. dollar is worth approximately \$1.30 in Canadian currency (at press time), which gives the United States considerable buying clout (mitigated only by Canadian manufacturers' frequent use of U.S. raw materials).

"There are obviously advantages for a U.S. retailer to use a Canadian manufacturer because of the financial benefits," notes Laurence Bloom, president of Altius Spices and Seasonings, Baie D'Urfe, Québec.

In addition, Canadian vendors may offer

especially sweet deals when it comes to sugar-containing food products because the United States provides significant trade protections to its sugar producers, dramatically inflating U.S. sugar prices.

"One of the big reasons to partner with a Canadian company is that we have access to world sugar prices," emphasizes Marc Stevens, director of international sales for ATOKA Cranberries Inc., Manseau, Québec.

The USDA reports that the price per pound for domestic raw sugar in the United States was \$28.16 in September 2016, while the world raw sugar price was \$21.30 per pound.

## Be assured of quality

But price alone is not the main reason to source private label food products from Canada. Another major deciding factor is that Canadian-manufactured products are generally equal in quality to those produced in the United States.

"Canadian manufacturers abide by the same or very similar standards to our U.S. counterparts and, in some cases, more stringent standards," says Chris Ruben, chief marketing officer for EuroCan Pet Products, New Hamburg, Ontario, noting that many Canadian food product manufacturers are recognized under the British Retail Consortium's Global Food Safety Initiative.

Indeed, in April 2016, Canada and the FDA signed a "Food Safety Systems Recognition Arrangement," notes Rod Lister, a spokesman





for the Canadian Food Inspection Agency in Ottawa, Ontario.

"This arrangement was the result of reciprocal assessments of the Canadian and U.S. food safety systems that concluded that the two systems provide comparable protection for the safety of food produced within our respective borders," Lister explains. "The recognition of an exporting country's food safety system as being comparable allows the importing country to focus its inspection resources on higher-risk imported foods."

"Imports into Canada must continue to meet Canadian requirements, and imports into the U.S. must continue to meet U.S. requirements," he adds, noting that imported products are still subject to monitoring sampling and inspection.



American consumers also perceive the quality of Canadian products to be high, Ruben observes. He knows this because when he visits the stores of his U.S. retailer customers, he spends time talking with pet care product shoppers.

"I'll ask, 'What are you looking for?' 'What's important to you?' 'What country of origin do you like?'" Ruben continues. "I've found that U.S. consumers have a positive opinion of Canada and, in fact, kind of look at Canada as the 51st state. In contrast, people often say, 'I don't want anything made in China that my pet will ingest.'" (More than a year ago, some 1,000 dogs in the United States died and several thousand became seriously ill reportedly from ingesting jerky treats manufactured in China.)

Of course, an obvious benefit of partnering with a Canadian private brand supplier versus one outside of North America is proximity to the U.S. market, which helps ensure on-time delivery. Some Canadian suppliers such as Altius Spices and Seasonings, which imports spices from around the world, have distribution centers in the United States as well.

"We make it very easy for customers to pick up product," Bloom says.

### Focus on health

Spurred largely by the demands of millennials, as well as baby boomers with diet-related health

concerns, the food industry in both Canada and the United States has been responding with more clean-label, nutritious products. In fact, the focus on health and wellness may be more mainstream in Canadian grocery retailing.

Food industry economist and consultant John F.T. Scott, who is based in Niagara on the Lake, Ontario, notes that through its President's Choice private brand, Brampton, Ontario-based Loblaw Companies LLC — Canada's largest grocery retailer — has been ahead of U.S. grocery chains when it comes to catering to the dietary needs of older consumers and other health-conscious shoppers.

"They have spent a lot of time in the last 10 years, as baby boomers have gotten older, focusing on [President's Choice] Blue Menu products, which are better-for-you products," Scott says, noting that private brands account for around 38 percent of Loblaw's retail sales. "They are making sure they are limiting sodium in certain products you'd give to an older population, for example."

Loblaws stores also have many certified organic, non-GMO and allergen-free offerings. Canadian private label suppliers, as a result, are well-positioned to produce for U.S. retailers product lines that have a variety of health-related attributes.

### Pursue unique products

Because the Canadian climate, which varies from province to province, provides ideal growing conditions for certain grains, species of fruit and other agricultural products not found — or not as prevalent — in the United States, Canadian food manufacturers could supply unusual, potentially breakout products to U.S. retailers.

Take Haskap berries, which are cultivated by growers in Saskatchewan and found wild in every province but British Columbia. Prized in Japan since ancient times, these berries are packed with antioxidants, Vitamin C, Vitamin A, potassium and fiber and contain more protein than most fruit species, according to the Haskap Canada Association, Saskatoon, Saskatchewan. To get an idea of the experience of eating Haskap berries, imagine a berry that seems to combine deliciously the flavor of a blueberry, a raspberry and a black currant, the association suggests. Haskap berries can be eaten fresh or used in value-added products such as jams and preserves, cereal bars, and yogurt and ice cream.

With consumers in the United States and Canada appreciating the health benefits of both protein consumption and a primarily plant-based diet — and many people identifying themselves as "flexitarians" if not strict vegetarians — plant proteins are surging in popularity, too. The United Nations Food and Agricultural Organization





designated 2016 as the International Year of Pulses — referring to a subgroup of legumes that includes lentils, chickpeas, dry peas and dry beans.

Although pulse crops are grown in the United States in the Pacific Northwest, Canada is the world's largest exporter of pulses, with most of the land dedicated to these crops residing in Saskatchewan. Pulse powder can replace wheat flour in gluten-free pasta, for example, and pulse formulations can be used in cookies, tortillas, vegetarian spreads, pizza crusts, flatbreads and many other products.

"We're seeing a lot of high-protein snack foods now from pulses," says Brian Kosterowski, executive director of the Agricultural Council of Saskatchewan in Saskatoon. "We are seeing nutrition bars where the base is a pulse. Pulses are entering into the health food category, but they are also used increasingly in the snack category."



Saskatchewan is only one of Canada's 10 provinces, each of which exports to the United States. Products from the provinces along the Atlantic coast include fresh seafood and unique fruit and vegetable products. Several Canadian provinces — especially Ontario but also British Columbia, Québec and Nova Scotia — are known for producing ice wine, a type of dessert wine derived from grapes that freeze naturally while on the vine and are pressed while frozen.

Currently, China imports more ice wine from Canada than any other country, notes Scott, who is the chair of Vineland Research & Innovation Centre, Vineland Station, Ontario. Still uncommon in the

United States, the product might have uncorked potential here.

Québec, meanwhile, is a particularly rich source of French-influenced fare, including cheese that has been recognized around the world, pastries, bread and numerous gourmet products. Bloom notes that even seasonings produced in Québec often have a certain French panache.

Many other Canadian foods and beverages ranging from bison and caribou to beer and bottled water and, of course, maple syrup, are suitable for private branding.

### Think innovation and sustainability

Canada is also a leader in the functional food and nutraceutical category — "developing, manufacturing and packaging essential fatty acid (EFA) products from plant and marine sources, including flaxseed, borage, hemp and marine animal oils," states a brochure titled "Explore Canada's Food and Agriculture Industry" from Agriculture and Agri-Food Canada, Ottawa.

As a result of the country's "culture of innovation," according to the agency, Canadian food scientists are isolating new compounds that have health benefits, including oat and barley fibers, or beta-glucans, which can help reduce harmful cholesterol.

"Canadian innovation has also produced some of the most advanced storage and packaging techniques for fresh food products and has developed new processing technologies to improve the shelf life of food," the brochure states.

Canadian researchers, for instance, developed a fermentation process to expand the shelf life of the Korean dish kimchi from one month to a full year without pasteurization or preservatives.

Reflecting current consumer demand for transparent sourcing, Canada also is implementing traceability systems that enable customers to verify that products are being developed and manufactured according to their specifications.

Canada's overall commitment to sustainability would be a big plus to U.S. retailers looking for manufacturing partners for their store brands, Scott notes.

### Trusted partner

Beyond price, proximity, product quality and distinctiveness, there are additional reasons for collaborating with Canadian vendors, Stevens emphasizes. In a nutshell, Canadians tend to be pleasant and reliable business partners.

"We're nice people, and we always say thank you," Stevens points out. "And if we make a mistake, we're not afraid to say we're sorry." **SB**