Executive Summary

The Canadian organic industry has moved beyond a niche market, proliferating amongst the aisles of mainstream grocers, stands at local farmers' markets and menus of diverse restaurants. Canada now ranks as the fifth largest organic market in the world with over 5,000 certified organic operations nationwide.

Finding ways to support a healthy population, improve environmental sustainability, and increase economic vitality are critical factors for Canada's agri-food sector. The organic sector is accomplishing this with a multi-pronged approach designed to improve health and environmental outcomes while contributing to dynamic economic growth.

Businesses, organizations and policymakers rely on data and market insights to make sound decisions and develop effective policies and programming.

Consumer and market data is a key tool for understanding the trends, opportunities and shortcomings within the organic sector. This in-depth publication builds on the foundation set by previous reports on the Canadian organic market, including COTA's National Organic Market report (2013) and Macey (2007).

It provides the most up-to-date overview of the Canadian organic market, combining consumer research and sales data to provide valuable insights into market size, growth trends and consumer preferences.

"Canada's organic sector remains on its upward trajectory, gaining new market share as consumers across Canada ate and used more organic products than ever before," says Tia Loftsgard, Executive Director of the Canada Organic Trade Association. "It is an exciting time to be a part of a sector that shows such promise to bring positive economic, social and environmental change to Canada."

Key Findings

Organic market growth continues

Based on strong consumer demand, the Canadian organic market continues to record growth rates higher than the food industry average. The Canadian organic market is now estimated at $5.4 billion per year. Growth rates have slowed slightly from double-digits in 2012 to 8.7% in 2017, yet market share is increasing. Two-thirds of Canadian grocery shoppers choose organic items on a weekly basis.

Food and beverages (including alcohol) account for 94% percent of the domestic market organic market, representing $4.4 billion in sales recorded in 2017.

The organic non-food sector, including textiles, body care and pet food, is a small portion of the organic market, valued at $311 million. Organic exports for food and beverages are estimated at $607 million for 2017.

Total Organic Market

$5.4 billion

Estimated sales value

8.7%

Annual growth 2012–2017

Organic Food, Beverages and Alcohol Market

$4.4 billion

Estimated sales value

8.4%

Annual growth 2012–2017

Organic Market Share

1.7% (2012) **2.6% (2017)**

Food and beverage market share of total market within mainstream retailers

Within mainstream retail, fresh fruits and vegetables, including pre-packaged salads, remain the largest organic category with $586.4 million in sales and a compound annual growth rate (CAGR) of 11.8%. For a baby's first food, Canadians are overwhelmingly choosing organic products. Organic baby food is the fastest growing category segment over the last five years and now represents over 60% of the baby food market within mainstream retailers.

Significantly more organic products in the meat, poultry and seafood categories have entered the market since 2012, contributing to a remarkable 31% annual growth rate from 2012 to 2017. One in five organic consumers now reports buying organic meat and poultry frequently.

Ontario has the largest organic market, with mainstream sales at $601.5 million. However, British Columbia continues to lead on organic sales per capita.

2/3 of Canadian grocery shoppers purchase organic items weekly

Consumer base strengthening and diversifying

Consumers across regions, income levels, educational attainment and gender are choosing organics. Men and women are equally likely to reach for organic products at the store. Education level remains an indicator of organic purchasing, but the relationship is diminishing. Canadians across all income levels are purchasing organics, dispelling the common misconception that organic products are only available to those with higher incomes. Across all regions, at least 60% of grocery shoppers are buying organics weekly – this exceeds the findings of COTA's 2013 study, which showed all regions below 60% except for BC.

Similar to past research, millennials and households with families remain the most common demographic indicator of organic purchasing. Both of these groups are more trusting and familiar with the Canada Organic logo, and more likely to be 'heavy buyers,' spending 25 to 100% of their weekly food budget on organic items.

Public trust is a central pillar of our agri-food system. Data shows that Canadians increasingly trust the Canada Organic brand; in 2017, 48% of Canadians identified the Canada Organic logo as trustworthy, up nine points from 2016. There is further opportunity to distinguish the regulated organic sector as a trusted system with high standards, transparency, and enforcement. This work is particularly important in regions like Ontario, where there are no provincial or territorial organic regulations. A lack of provincial or territorial regulations creates gaps in enforcement and compliance, and leads to an unequal playing field amongst operators.

Mainstream boom changing retail landscape

Mainstream retailers are the primary market channel for food and beverage purchasing by consumers nationwide. With the expansion of these retailers into the organic sector, organics have become more available and more affordable, especially with the introduction of many private-label organic lines. This expansion is shifting the landscape of organic distribution and retail across Canada. Mainstream retail – including grocery banners, drug stores, and mass merchandisers – accounts for over half of all organic food and beverage sales. Correspondingly, 80% of organic grocery shoppers report purchasing organic items from mainstream retailers, the highest of any distribution channel.

With the growth of organic sales through mainstream channels, other channels are losing market share. Natural health stores and farmer-direct channels continue to grow but their market share is decreasing. While greater volume of organic purchasing is shifting to mainstream channels, consumer demand for local is changing what mainstream retailers offer. Local organic items that were formerly only available through natural health and farmer-direct channels are increasingly available in mainstream shops. This indicates an important shift in terms of the supply and stocking of Canadian organic products.

Farmer-direct sales, such as farmers' markets and Community Supported Agriculture (CSA) remain important for supporting local, organic food systems. Census data shows that a quarter of farms reporting organic products sell through farmer direct channels. Consumer research indicates that 23% of organic consumers make organic purchases through these channels.

Canada organic on the global stage

Due to supply shortages and demand for items not grown in Canada, Canada is a net importer of organic goods. Estimates based on tracked organic Harmonized System codes show imports at $652 million for 2016 and exports at an estimated $607 million by the end of 2017.

The United States (US) is the top country of origin of Canadian organic imports, accounting for over half of tracked imports in 2016. The highest valued Canadian imports from worldwide sources are unroasted coffee, bananas, and olive oil.

Adding to previous equivalency arrangements with the US, the European Union (EU), Switzerland, and Costa Rica, the newest agreement with Japan was signed in 2014. Collectively these regions account for over half of tracked imports by value, and slightly over a third of tracked exports.

Methodology

This study brings together research on organic consumers, organic sales, and organic trade, providing a nuanced look at Canada's organic industry. Each section relies on quantitative and qualitative analysis using raw data supplied by data providers and secondary research from reports and publications, as well as expert interviews and content reviews.

All monetary values presented are in Canadian dollars unless otherwise indicated.

Section I: Canadian Organic Consumers

An online consumer research study was conducted using the Ipsos i-Say panel, which is a reliable and cost-effective national consumer survey. Participants completed the poll online between May 30 and June 4, 2017. COTA had access to a sample of 1,002 Canadian adults aged 18 and over. COTA has exclusive access to aggregated survey responses and received several sets of data tables with percentages distributed according to key variables: age, gender, household size and composition, and region.

Quotas and weighting were employed to ensure that the sample's composition reflects the overall population according to census information. The precision of online polls is measured using a credibility interval. In this case, the results are accurate to within +/- 3.5 percentage points, 19 times out of 20, of what the results would have been had all Canadian adults been polled. Credibility intervals are wider amongst subsets of the population. In this report, percentage figures have been rounded up or down; consequently tables may add up to below or above 100.

Please see the Appendix for a list of survey questions.

Although the data presented is similar to that provided in COTA's 2013 report, it is not fully comparable since the previous Vision Critical consumer data did not include 18- to 24-year-olds. Some breakdowns by region or product type have small sample sizes and may not be representative of the population being measured.

Section II: Canada's Organic Market Growth

The Nielsen Company provided detailed data on the mainstream retail market. Sales data was collected for the 52-week period ending July 22, 2017 for pre-packaged items and August 19, 2017 for fresh items. This data covers more than 40 grocery banners, drug stores, and mass merchandisers across Canada.

A list of organic product Universal Product Codes (UPC) was compiled and approved by COTA. It includes the codes used in COTA's 2013 report, as well as lists from organic distributors. Nielsen pulled data for grocery banners, mass merchandisers, and drug stores. Nielsen does not collect data from all mainstream retailers. For example, sales from Costco Wholesale, one of the largest mass merchandisers in Canada, are not included in the Nielsen data. Because of this, a Retail Channel Adjustment was included to provide an estimate of the total organic mainstream retail market.

The sales value and market share of organic food and beverages remains poorly tracked amongst natural health retailers, direct marketing, and food service. COTA compiled information from market reports, academic publications, and expert interviews to create an estimate of organic sales through these marketing channels.

Although significantly smaller, the Canadian organic market shares many similarities with the US organic market. In the absence of Canadian-specific data, market shares for the US were used as a guide for estimating the Canadian market for non-food organic products.

Section III: Canada in the Global Organic Market

All data related to Canadian organic imports and exports was aggregated from HS code data provided by Statistic Canada. These data are restricted to the 82 organic HS codes (65 for imports, 17 for exports). Therefore, the trade numbers presented in this report are only a subset of total organic trade. COTA is working closely with industry and government to expand the number of organic import and export codes in order to obtain more robust trade figures for the Canadian organic market.

Opportunities and Recommendations

The organic market continues to grow. The sector has matured with more producers, processors, and consumers than ever before. The report concludes by identifying opportunities in the sector, as well as recommending future research that can support sector understanding and growth.

General Recommendations point should be:

- Better support for new entrants in agriculture who want to go organic;
- Meet organic demand through innovation and investment in organic processing;
- Integrate local, organic products within all distribution channels;
- Continue to build the Canada Organic brand;
- Highlight and profile organics in government policies and programming; and
- Expand organic regulations across jurisdictions and to non-food items.

Recommendations for future research priorities should be:

As the go-to for market research on Canada's organic sector, this report provides a look at the most up-to-date data available in the sector. The scope and depth of the analysis highlights gaps in data collection that limit our understanding of the sector. There are key areas where better data would provide a more complete picture of the Canadian organic market through data.

- Develop a standardized industry survey to be completed annually by companies involved in the organic value chain, in order to collect sales, growth, and distribution channel information;
- Maintain and expand the organic question in the Census of Agriculture conducted by Statistics Canada;
- Track organic sales in the natural health retail sector through a market research firm;
- Conduct in-depth analyses of farmer-direct and food service distribution channels;
- Create a standardized national database of organic production data that is ideally led by government;
- Conduct more in-depth analysis of the economics of transition to organic production and the costs and benefits of certification, in effort to better understand the barriers faced by producers looking to become certified; and
- Expand the number of HS codes for organic imports and exports.