

# Market Pointer

## Hot Sauces to Canada

June 2015

### The Product



Hot Pepper Sauce from Belize are sauces made from capsicum (habanero), a non-traditional crop grown in Belize used in local cuisine as a spice for flavour enhancement. Belize is known internationally for its high quality hot peppers in colour, size, shape, maturity and pungency. Belize hot sauces combines varieties of habanero peppers with other ingredients such as carrots, onions, and garlic, which are used as flavour enhancers to many foods. Our hot sauces ranges from mild to comatose heat levels, offering heat options for every pallet.

Capsicum grows in sub-tropical climate, which makes Belize a prime location for commercial production. The Ministry of agriculture has thus developed programs to support habanero producers, who in turn supply the hot sauce manufacturers with peppers for processing. Exports of hot sauce from Belize has seen steady growth up from BZ\$1.2 million in 2010 to BZ\$2.7 million in 2014.

Total national production:	N/A
Total national exports 2014:	1,165,132.70 (net Mass in lbs.) \$2,795,287.87 (BZ\$) <sup>1</sup>
Average Unit value:	
HS Code:	21.03.90
National tariff line:	21.03.90.90
Tariff line in Canada:	21.03.90.90.90

### Target Market



Population:	35.15 million 2013 <sup>2</sup>	% Growth	1.2%
GDP per Cap:	\$1.827 trillion 2013 <sup>3</sup>	% Growth	2%

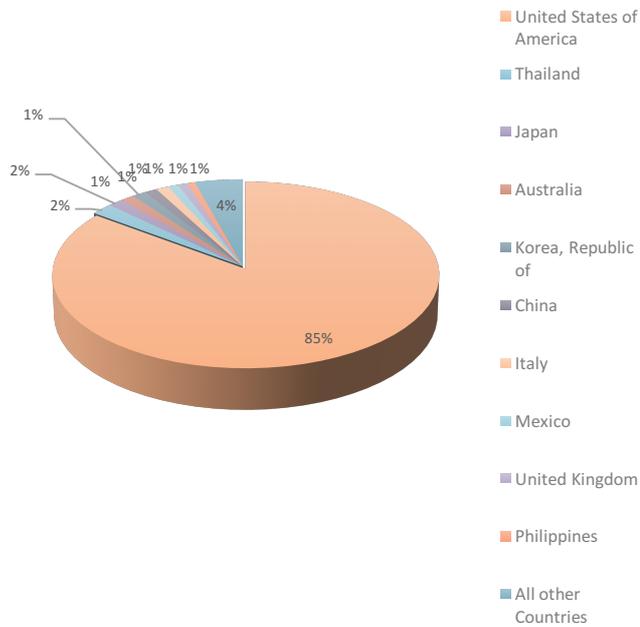
Capital:	Ottawa
Major cities:	Toronto, Montreal, Vancouver, Calgary, Edmonton, Quebec
Currency:	Canadian Dollar
Languages:	English and French.
Religions:	Catholic (38.7%), Other Christian (28.6%) Non-religious (23.9%), Islam (3.2%) Hinduism (1.5%), Sikhism (1.4%), Buddhism (1.1%), Judaism (1.0%), Other religions (0.6%)

<sup>1</sup> Statistical Institute of Belize

<sup>2</sup> World Bank

<sup>3</sup> GDP per Capita (Current US\$) from world Bank

Canada's Imports of Sauces and Preparations (nes) by Country of Origin 2011



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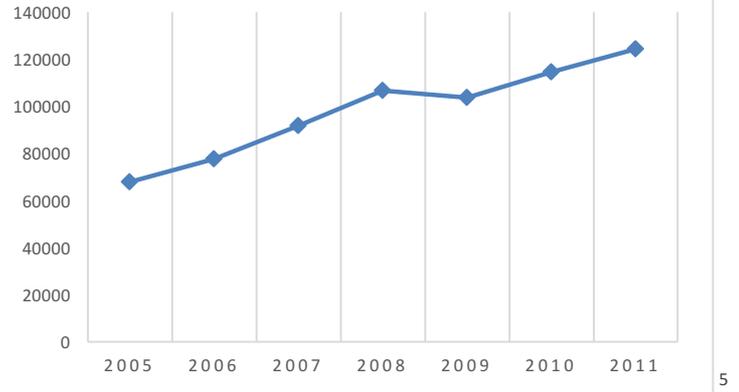
The sauces and preparations market in Canada has been dominated by imports out of the United States accounting for around 85% of imports. This is facilitated by market proximity and the integration arrangements between the two countries. Other low cost producers in Asia have been able to access this market.

## Market Access

Both Canada and Belize are members of the World Trade Organization. Canada joined the WTO in 1995 and has since entered integration arrangements with the United States and Mexico under the North America Free Trade Area as well as an arrangement called the Canadian Programs for Commonwealth Caribbean Trade, Investment and Industrial Cooperation commonly referred to as CARIBCAN. This arrangement allows for duty free access of the majority of Belizean products to the Canadian market, including hot sauces.

General applied tariff:	9.5%
Tariff applied to Belize :	0%
Tariff applied to main competitors:	0% (US, Mexico)
Other import duties to be paid:	5% GST <sup>7</sup>

7 YEAR TREND OF CANADA'S TOTAL IMPORTS OF SAUCES AND PREPARATIONS NES IN US THOUSAND



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Between 2005 and 2008, imports of Sauces and preparations, which includes hot sauces, experienced growth of around 57%. While there was a small decrease in 2009 of 3%, import growth continued in 2010 and 2011, showing evidence of increasing demand for products in this category. While data on imports from 2012-2014 is not available at the 10 digit level, data at the 6 digit level (210390) showed a 170% increase in value from 2005 to 2014.

Total value of imports of Sauces and Preparation Nes :	\$124.3 million USD
Total value of Imports of Sauces and Preparations nes from Belize	\$12 (US Thousand)
Average import [unit] value:	

Trade map data revealed that import volumes of Sauces and preparations nes jumped from 4221960 kilograms in 2009 to 60369957 kilograms in 2014, an increase of 43%. Demand for hot sauce in Canada has been driven by demographic consumption trends and immigration and is expected to increase in coming years as Canada's ethnic population increases.

### Certification:

To meet eligibility criteria under CARIBCAN, all goods from Belize must be grown, produced or manufactured in the Commonwealth Caribbean, with 60% of the ex-factory price originating in beneficiary countries or Canada. CARIBCAN also allows for cumulation of local value added amounts among the Caribbean Commonwealth for meeting value content.<sup>6</sup>

All imports from Belize under the CARIBCAN program must be accompanied by an original Certificate of Origin Form that is signed by the exporter and certified by Belize's Customs and Excise Department.

<sup>4</sup> Trade map

<sup>5</sup> Trade map

<sup>6</sup> CARIBCAN Document

<sup>7</sup> Canada Border service Agency Website <http://www.cbsa-asfc.gc.ca/>

### Other regulatory requirements to comply with:

All products imported into Canada must be accompanied by a bill of lading, commercial invoice( including information on importer and exporter, description of the good, value of the good, country of origin and destination, and currency) and a customs import declaration (B3 form). The Doing Business report 2015 indicated that it takes 10 days and cost US \$1680 to import a standard container (20 foot full container load dry cargo) of good into Canada. See table below:

<sup>8</sup> Stages to import	Time (days)	Cost (US\$)
Customs clearance and inspections	1	75
Documents preparation	3	205
Inland transportation and handling	4	750
Ports and terminal handling	2	650
Totals	10	1,680

The Canadian food inspection Agency is responsible for the administration and enforcement of the **Food and Drugs Act and the Food and Drug Regulations**, which are intended to mitigate against health hazards and fraud in the sale of foods, drugs, cosmetics and medical devices. Canadian importers of processed food are required to be licensed with the Canadian Food Inspection Agency and/or required to be a member of the Dispute Resolution Council.<sup>9</sup>

Subsection 5.(1) of the FDA prohibits the labelling, packaging, treating, processing, selling or advertising of any food (at all levels of trade) in a manner that is false, misleading or deceptive to consumers or is likely to create an erroneous message regarding the character, value, quantity, composition, merit or safety of the product. A food that does not meet the requirements of the Regulations is in violation of the Act:

The *Food and Drug Regulations (FDR)*, as they apply to food, prescribes the labelling of all pre-packaged foods, including requirements for ingredient list, nutrition labelling, durable life dates, nutrient content claims, health claims and foods for special dietary use. See more details under the sections for Packaging requirement and Labelling requirements.

<sup>8</sup> Doing Business Report 2015 World Bank

<sup>9</sup> Canadian Food and Inspection Agency website <http://www.inspection.gc.ca/>

### Packaging requirements:

Packaging requirements in the Canadian market are guided by the Consumer Packaging and Labelling Act and Regulations. The Regulation establishes for some products the packaging requirements that limit the sizes and shapes of containers in which that pre-packaged product or class of pre-packaged product may be sold.

Key stipulations for hot sauces are outlined below:

Where a dealer sells, advertises or imports into Canada a receptacle, whether or not such receptacle is a prepackaged product, and the receptacle bears a label describing its size or capacity in terms of pints, quarts or gallons, the label and any advertisement that describes its size or capacity in terms of pints, quarts or gallons shall show the size or capacity in terms of Canadian pints, quarts or gallons.

The size of type used to show the Canadian size or capacity shall be at least equal to that used to describe its size or capacity in terms of any other pints, quarts or gallons and the Canadian size or capacity shall be shown adjacent to any other description of its size or capacity.

### Labelling requirements:

Labelling requirements in Canada are under the jurisdiction of the Consumer Packaging and Labelling Act and Regulations. Excerpts of the specific labeling criteria outlined under the Act and Regulation are as follows:

**Name and Address:** identifies the responsible party and provides the location where a company can be contacted. It must be declared on any part of the food container except the bottom, in either French or English.

**Allergy statement:** Allergens are required to be declared in food label ingredient lists. A separate statement at the end of the list of ingredients may also be used.

**List of ingredients:** Must be listed in descending order of proportion by weight, as determined before they are combined to make the food. It is required on most pre-packaged foods. The ingredient list may be shown anywhere on the package, except the bottom and must be shown in both English and French.

**Nutrition Facts table (NFT):** provides information about the nutrient content of a food (including energy (Calories) and 13 core nutrients) in a standardized format. The NFT must be displayed on the available display surface of a package in both English and French.

**Date marking or "best before" date:** **Must** appear on pre-packaged foods with a durable life of 90 days or less and may be declared on foods with a shelf life greater than 90 days. The "best before" date may appear anywhere on the package. If it is placed on the bottom, a clear indication of its location must be shown elsewhere on the label. It must be present in both English and French or indicated by using specified bilingual abbreviations.

**Principal Display Panel:** This is the part of the label that is displayed or visible under normal or customary conditions of sale or use (usually the front panel). The common name and net quantity of a food must be displayed on the PDP.

**Net quantity:** This is the amount of food in the package. It must be present on the principal display panel in a minimum type height.

**Common name:** is the name of the food printed in boldface type in the Food and Drug Regulations; the name prescribed by any other regulation; or the name by which the food is generally known. It must be present on the principal display panel in both English and French.

### Distribution channels:

Canada's food distribution sector includes supermarkets, grocery stores, restaurants and fast food operations, as well as the wholesalers, distributors and brokers that supply them with products. There are about 24 thousand retail stores and close to 63 thousand foodservice establishments in Canada, which provides a myriad of options for small exporters of food products.<sup>10</sup>

Given the characteristics of existing producers of hot sauces in Belize who are small producers with limited distribution networks outside the country, adopting an approach of selling direct to customers may not be economically or logistically feasible. Additionally, a large percentage of sales of hot sauces in the Canadian market is in supermarkets and specialty stores/shops. Hot sauce exporters from Belize need to consider importers/distributors or agents that have access to supermarkets and/or specialty stores and established distribution networks.

Private Labelling is another option that Belizean hot sauces can explore in the Canadian market. This service can be offered to supermarket chains or producers of sauces seeking to diversify their product offering.

### Prices and pricing aspects in major distribution channels:

Pricing for many food products that are not primary agricultural product is challenging to determine in the absence of established price information sources. A review of online shops and information garnered from other primary sources revealed that prices for hot sauces in the Canadian market ranges from US \$7.25 to US \$21.95 depending on the branding and the placement of the product by market segments. The margins typically vary depending on the market segment but price margins on average are reflected in the table below:

Price Margins	Margin
Retail Price Margin	40%
Wholesale price Margins	30%
Importer/Distributor Margin	10%

### Voluntary standards:

#### HACCP- Hazard Analysis Critical Control Point

While not yet compulsory by Canadian Law, companies operating under the system of Hazard Analysis and Critical control Point may have an upper hand in the market since consumers perceive that the system guarantees that their food are safe and produced in a manner that reduces the probability of contamination and adulteration.

#### SAI Platform -- Farm Sustainability Assessment<sup>11</sup>

SAI Platform has developed the Farm Sustainability Assessment to support farmers and companies in their procurement of sustainably produced agricultural raw materials. The Farm Sustainability Assessment has been developed with input from SAI Platform's members, suppliers, farmers and external stakeholders. The Farm Sustainability Assessment is the first globally focused, industry aligned tool for sustainable agriculture. The Farm Sustainability Assessment is a simple tool to assess farm sustainability, fully in line with the Principles and Practices for sustainable agriculture as developed by SAI Platform. Farm sustainability covers environmental, social and economic aspects. An easy scoring mechanism provides farmers with an overview of their farm's sustainability. - See more at: [//www.standardsmap.org/fsa](http://www.standardsmap.org/fsa)

#### Unilever Sustainable Agriculture Code

The Unilever Sustainable Agriculture Code was launched in 2010 as the basis of the Sustainable Sourcing programme, inspired by the company's sustainability commitment that by 2020 Unilever will buy all its agricultural raw materials from farms applying sustainable agricultural practices. The sustainable sourcing programme relies on compliance with the Unilever Sustainable Agriculture Code, either through self-assessment and verification against the Code or through external certification standards recognized as equivalent to the Code, such as those of Rainforest Alliance or the RSPO. Through mandatory and good practice standards it defines a process of continuous improvement. This Code applies to all our suppliers of agricultural raw materials, the farmers producing them and contractors working on farms. Suppliers must comply with the Code's Scheme Rules, which detail external certification standards and self-verification methods.

#### Sustainability Assessment of Food and Agriculture systems - SAFA

The FAO Guidelines: Sustainability Assessment of Food and Agriculture systems (SAFA), provide an international reference for sustainable management, monitoring and reporting in food and agriculture at all levels of the supply chain. SAFA is not a sustainability index, nor a sustainability standard, nor a labelling tool. SAFA: defines what sustainable food and agriculture systems are, including environmental integrity, economic resilience, social well-being and good governance; outlines a

<sup>10</sup> Agriculture and Agri-Food Canada

<sup>11</sup> (SAI, Unilever, SAFA, ILO from Standards Map ITC

procedure for an integrated analysis of all dimensions of sustainability, including the selection of appropriate indicators and rating of sustainability performance (best, good, moderate, limited, unacceptable); and describes sustainability themes, sub-themes and indicators. SAFA is objective-oriented. Indicators are designed to fulfil the Theme's goals and the Sub-Themes objectives. Thus, individual practices are addressed only implicitly in term of their achievement of the stated objectives.

### **International Labour Organization Labour Standards**

Since 1919, the International Labour Organization, a specialized agency of the United Nations, has maintained and developed a system of international labour standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity. International labour standards are legal instruments drawn up by the ILO's constituents (governments, employers and workers from 185 member states) and set out basic principles and rights at work. They are either conventions, which are legally binding international treaties that may be ratified by member states, or recommendations, which serve as non-binding guidelines. In many cases, a convention lays down the basic principles to be implemented by ratifying countries, while a related recommendation supplements the convention by providing more detailed guidelines on how it could be applied. Recommendations can also be autonomous, i.e. not linked to any convention.

### **Export development & export promotion:**

The Pan American Food Festival is a major trade show for the food and beverage industry in Canada and is a 5 day event being held between July and August in Toronto, Canada. This event showcases food products, celebrating the great cultural diversity of the 41 countries of North, Central and South America and the Caribbean, restaurants, food producers, chefs and the variety of national and regional cuisines. Visit <http://panamfoodfest.com> for more information.

Salon International de l'Alimentation (SIAL Canada) is a major food industry show in Canada that features more than 800 national and international exhibitors from 45 countries that have an opportunity to sell to and make contact with more than 14,000 buyers from Canada, the United States and 64 other countries in the world. There is participation from the retail industry as well as food service or food processing contacts with interest in specialty, ethnic or regional food products. For more information on this show visit <http://www.sialcanada.com>.

There are also several other shows in the food and beverage category in other parts of Canada. Information on these shows can be found at [www.10times.com](http://www.10times.com).

Export diversification is national objective of the government of Belize with incentives provided under the Fiscal Incentive and export Processing Zone programs. Additionally, the Ministry of Agriculture with support from CARDI and other agencies have established support programs for the production of non-traditional agricultural products including peppers. Improved quality and increased production of hot papers will support the development of hot sauces even further in Belize. The Belize Trade and Investment Development Service through its Investment Unit (BelizeINVEST) and its Export Unit (EXPORTBelize) has been working diligently to support expansion of value added products for exports, offering advising and market access facilitation to companies.

For more information, please contact us.  
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