



Agriculture and  
Agri-Food Canada

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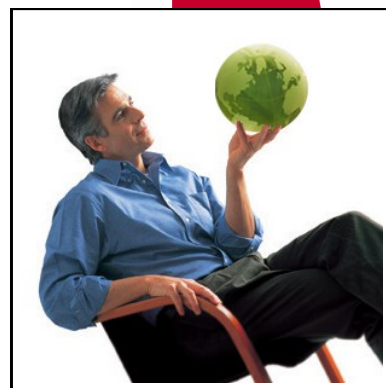
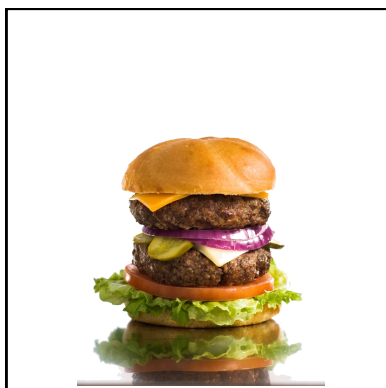
**International  
Markets  
Bureau**

**MARKET ANALYSIS REPORT | FEBRUARY 2010**



# **Consumer Foodservice**

## United States





### ► EXECUTIVE SUMMARY

The United States of America (U.S.) has the largest economy in the world with a gross domestic product (GDP) of \$14.26 trillion (2008 estimate), and a per capita GDP of \$48,000 (CIA). It offers strong export opportunities for Canadian food companies. Canadian agri-food exports to the U.S. totalled more than \$20.3 billion in 2008, and represented 51.5% of Canada's total agricultural exports (Global Trade Atlas).

Canada has long been the number one supplier of live animals, meat, grain mill products, bakery goods and fats and oils to the U.S. Canadian agri-food exporters have distinct advantages over international competitors in the U.S., including convenient shipping, a high degree of Canada-U.S. business integration, a similarity between Canada-U.S. consumer tastes and expectations, and duty-free tariff treatment for most agri-food products under the North American Free Trade Agreement (NAFTA).

Sales by commercial foodservice providers were estimated to be US\$510 billion in 2008, driven mainly by the expansion of the fast casual dining sub-sector, coffee specialists and premiumisation in the fast food sub-sector, with non-commercial and military restaurant services accounting for US\$48 billion (AAFC). The National Restaurant Association forecasts that annual restaurant sales in the U.S. will reach US\$566 billion in 2009.

Commercial foodservice providers account for nearly 91% of away-from-home expenditures in the U.S. Factors driving growth in the foodservice industry include the narrowing gap between the price of eating out and at home, and the rising number of dual-earner households. Additional influences that foodservice operators are responding to are consumer attitudes on health and wellness, consumer demand for personalization and service, away-from-home dining trends, and at-home meal solutions. Unfavourable conditions hindering growth include economic uncertainty, rising fuel costs, and food safety concerns.

A variety of niche markets have been rapidly developing in the foodservice sector, such as quick casuuls, upscale ethnic kitchens, and organic eateries, offering Canadian exporters diverse opportunities in this sector. The commercial foodservice sector is expanding menu choices to satisfy consumer preferences. For example, fast food outlets are redesigning their menus to offer selections similar to those available at quick casual restaurants, and restaurants and food retailers are competing to meet the needs of quick casual diners with home meal replacement products.

As a result of growing trends in foodservice in the U.S., many opportunities exist for Canadian agri-food companies across a variety of products and these are examined in this report.

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As the population ages and grows increasingly affluent and diverse, demand for healthy, high quality, organic, and ethnic foodservice is expected to increase.

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## ► THE U.S. FOODSERVICE SECTOR: OVERVIEW

Americans have become more selective regarding where they eat out. In response to consumer demand, foodservice outlets continue to diversify their menus and promotional offerings to expand their consumer base and tap into new market opportunities. Growing concerns at a national level about the health risks associated with trans fats and new regulations related to product labelling and ingredients are also having an impact on the industry (Euromonitor).

There is a growing demand for ethnic cuisine in the U.S., with Asian (particularly Chinese and Japanese) fast food and full-service restaurants seeing strong growth. However, since the second half of 2007, growth in all foodservice has slowed due to the effects of food price increases, rising fuel costs, and the U.S. mortgage crisis, which have all taken their toll on U.S. consumer spending.

These economic trends are leading to decreased consumer traffic at restaurants, especially full-service restaurants. Many consumers are also “trading down” from full-service restaurants to more affordable fast food and quick/fast-casual alternatives (Euromonitor).

Sales in the U.S. non-commercial/institutional foodservice sector, consisting of schools, colleges/universities, and health institutions, reached US\$48 billion in 2008 (AAFC). The non-commercial foodservice sector has shown slow growth as it continues to adjust to changing food demands and stricter food regulations among other factors. Changing customer eating habits have profoundly affected the non-commercial foodservice sector, as employees demand that workplaces provide quick, healthy and fresh food choices.

### **FAST FOOD**

Fast food sales grew by 5% in 2007 reaching US\$179 billion, driven by the number of consumers who are trading down from full-service restaurants (Euromonitor).

- Fast food chains dominate the American fast food market in terms of sales, transactions and number of outlets.
- The number of fast food outlets in the U.S. reached 248,355 in 2007, up from 225,777 in 2002 (Euromonitor).
- Take-away sales accounted for 73% of fast food sales in 2007 (Euromonitor).
- Burger fast food sales accounted for 48% of total sector sales in 2007 (Euromonitor).



U.S. consumers are increasingly trading down from full-service to fast food restaurants. To remain competitive, fast food restaurants are offering more premium menu items, while maintaining a low-price strategy. Hamburgers continue to be extremely popular in the U.S. Hamburgers accounted for 14% of all restaurant orders or 8.7 billion servings from fast food to fine dining restaurants in 2007. Burger King and McDonald's are offering premium Angus beef burgers. At the same time, fast food restaurants are promoting value-priced food with the “value menu”.

Euromonitor (a commercial information provider) points out that one of the fastest growing sub-sectors within the fast food market is Asian fast food chains. The rapid expansion of chains such as Panda Express and Noodles & Co. has fuelled growth. Chinese and Japanese chain outlets are experiencing growing popularity in the U.S., and Thai, Indian and Vietnamese restaurants are expected to see strong growth.



### U.S. Leading Chain Consumer Foodservice Brands by Number of Outlets (2008)

Rank	Brand	Outlets
1	SUBWAY	21,635
2	McDonald's	13,867
3	Starbucks	10,987
4	Pizza Hut	7,564
5	Burger King	7,213
6	Dunkin' Donuts	5,863
6	Wendy's	5,742
8	7-Eleven	5,622
7	Taco Bell	5,588
9	KFC	5,253

**Source:** Euromonitor International, Consumer Foodservice, 2009

Likewise, bakery fast food saw strong growth of approximately 6% in 2007 (Euromonitor). Chain coffee shops, dominated by Starbucks, have led growth in the fast food sub-sector. Bakery restaurants are well-positioned to meet consumer demand for healthy, fresh, premium products in a fast food environment. Other fast food chains are increasingly competing with chain coffee shops in the specialty coffee market. McDonald's and Dunkin' Donuts have both begun to offer a small selection of specialty coffee products including iced and premium roast drip coffee. These product introductions have been very successful and fast food operators are emerging as strong competitors to specialty coffee outlets.

### QUICK/FAST CASUAL

Within the commercial foodservice sector, quick/fast-casual dining is seeing some of the strongest growth with sales having increased approximately 15% from 2002 to 2007 (Euromonitor). This segment has been experiencing strong growth as consumers continue to trade down to these lower-priced formats that offer fresh, high-quality meals. Most quick/fast-casual restaurants focus on sales at breakfast and lunch, and are seeing sector-leading growth in these areas while other segments are experiencing a decline in customer traffic. Such restaurants are especially popular with affluent baby boomers and young professionals who like the rapid and convenient service of traditional fast food restaurants, but with higher-quality ingredients and a larger selection in an upscale setting.

Trends within the quick/fast-casual sector include:

- Custom-made sandwiches are increasingly popular and made with fresh and specialty ingredients, which meet demand for convenient and fresh food.
- Specialty items, such as bourbon-baked beans, fresh-cut seasoned fries, and Hawaiian barbeque.
- Nuevo Latino restaurant chains are a rapidly-growing Latin American market niche.

### FULL SERVICE

In order to win customers, U.S. full-service operators are offering consumers better value and more premium ingredients at an affordable price. Full-service operators are also becoming more focused on convenience, offering more take-away options and attempting to reduce service time in order to be more competitive with the fast food sector, and to counter declines in consumer traffic, a decrease in sales, a drop in transactions, and slowing outlet growth.

Asian full-service restaurant chains are a success story in the sector, having seen strong growth since 2000, as Chinese and Japanese cuisines have been gaining popularity among U.S. consumers. PF Chang's China Bistro Inc. and Benihana's are chains that have capitalized on this trend and are experiencing increasing sales and outlet growth.



Italian-American chains also are performing well. In other full-service areas, particularly the “bar and grill” category, lack of differentiation has led to difficulties.

- Full-service restaurant sales grew by 4% overall to reach US\$208 billion in 2007, driven largely by growth of Asian chain restaurants. However, certain sub-segments, such as high-end restaurants, experienced static and/or negative growth in 2007 (Euromonitor).
- Between 2007 and 2008 the number of full-service restaurants in the U.S. fell by less than 1% reaching 237,400 outlets in 2008 (Euromonitor).

## **HOME DELIVERY/TAKE-AWAY**

Pizza dominates the 100% home delivery/takeaway (HDTA) sector in the U.S. Pizza operators reported a sales increase of 8% for 2007, which is supported by the consumer perception that pizza is an affordable and appetizing option (Euromonitor). Large U.S. chain operators such as Domino's Pizza, Papa John's and Little Caesar's Pizza dominate the home delivery and take-away sector (Euromonitor).

As there is little differentiation between leading pizza chains, price promotions are critical and can have a strong influence on consumer purchases. High commodity prices and economic uncertainty have led to challenges for this sector. Pizza chains are expanding their menus to stay competitive; wings, pasta, bread and desserts are commonly found on pizza outlet menus. Pizza Hut is trying to differentiate itself and capitalize on current health and natural trends by introducing a pizza that is made from all-natural ingredients. This sector is also facing competition from full-service restaurants which are increasingly focusing on take-away sales.

The improving quality of frozen pizza and other meals available at lower prices from grocery retailers is also a threat to the HDTA sector. According to the Food Marketing Institute (FMI), nearly 95% of all retail grocers now offer ready-made meals for time-constrained shoppers. Fuelled by demand for quick meal solutions, the segment increased roughly 16% from 2002 to total more than US\$23.1 billion in 2007 (Euromonitor). Manufacturers are expected to continue to roll-out more restaurant-quality ready-made meals and frozen pizzas to offer consumers quick, high-quality meal solutions.

- Sales in the home delivery and take-away sector rose by 4% in 2007 to US\$17.4 billion (Euromonitor).
- The number of outlets in the home delivery and take-away sector rose by 4% in 2007 to reach 31,400 outlets (Euromonitor).

## **INSTITUTIONAL FOODSERVICE: HEALTHCARE, SCHOOLS, COLLEGES/UNIVERSITIES**

Institutional foodservice opportunities exist in a number of sectors, including education, health, military and business dining. Universities and colleges provide a growing opportunity in the U.S. foodservice sector. Foodservice providers to schools, colleges and universities are increasingly becoming sensitive to demands of students and parents alike. Enrolment levels have pushed a makeover in the university foodservice sector, which has resulted in options for alternative diets, high-end food choices, artisan food and local specialties for students. Restaurant-style dining with multiple options is becoming more common. Other trends in colleges and universities include demand for authentic ethnic food, vegan/vegetarian food, healthy options, and organic, sustainable and locally-sourced food.

The aging baby boomer population has increased demand for quality foodservice in health institutions, including buffet-style foodservice that is taking on more of a bistro, quick and casual feel. Institutions are offering a wider and more innovative range of selections in an effort to increase patient satisfaction (AAFC).

- Total food expenditure at schools and colleges was US\$31.9 billion (including food subsidies) or 5.7% of food away from home sales in 2007 (AAFC).
- Foodservice at health institutions includes service to hospitals and private clinics, as well as residential care.
- Only one-in-five hospital foodservice providers are outsourced to private companies, such as Sodexho USA and Aramark. The remaining are independent, hospital-run operations.
- In 2007, Aramark's foodservice sales in the U.S. totaled nearly US\$6 billion.
- 68% of meals at health institution foodservice outlets are served to individuals other than patients, including employees and visitors.
- Canadian agri-food exporters should note that all food products in U.S. schools (kindergarten to grade 12) must be domestically produced, meaning over 51% of the final processed product must consist of agricultural commodities grown in the U.S. The United States Department of Agriculture (USDA) forbids foreign companies to export food products directly to U.S. schools.





## ► TRENDS

### **FOCUS ON VALUE**

As a result of the struggling U.S. economy, U.S. consumers are scrutinizing their spending and the concept of value has become a prominent driver in the U.S. foodservice industry, from Starbucks to high-end full-service restaurants. While price is a key aspect of value, other elements such as quality, taste, and convenience promote overall value in the industry. High-end full-service restaurants are revamping their menus and offering more affordable dining experiences and fixed price meals.

To attract consumers, fast food operators are introducing value menus, and many pizza chains are offering limited time promotions, as their products are heavily value-driven to begin with. Casual restaurants in the U.S. have experienced the most significant decline among the foodservice segments and are offering coupons, discounts, and other promotions to attract customers.



### **TRADING DOWN**

The “trading down” phenomenon is affecting all sectors within the U.S. foodservice industry. Many affluent consumers are opting for fast food over full-service when dining out. In the specialty coffee segment, consumers are trading down from higher-priced chains like Starbucks to less expensive fast food outlets like McDonalds and Dunkin’ Donuts. Others are reducing foodservice spending dramatically or eliminating it entirely from their budgets. Some U.S. consumers are choosing to shop at supermarkets, buying prepared meals or ingredients and cooking at home.



### **BREAKFAST**

Foodservice sales currently represent 10% of all breakfasts consumed in the U.S. There is potential for growth in this segment, in part due to the fact that 11% of Americans still skip breakfast. In other words, more Americans skip breakfast than eat breakfast in a foodservice outlet, representing a significant opportunity. With the increasing trend toward consumers actually eating breakfast, the industry is poised to capture some of this untapped market (AAFC).

Breakfast consumption in the U.S. has been growing since 2001. There are a number of contributors to this, but one important tie-in with trends in food consumption as a whole is the importance of breakfast for a healthy diet. The medical profession considers breakfast a key component of a healthy diet, vital to weight loss and important for child development.

Breakfast sandwiches and other hand-held food products are driving growth in the breakfast market. This is particularly the case with many time-poor workers unwilling to sit down to a proper breakfast, preferring instead to consume a coffee and a pastry bought in a convenience store. Breakfast sandwich bread such as bagels, English muffins, and others are also experiencing positive growth. The most popular breakfast sandwich toppings in the U.S. are bacon and sausage.

Ham and multiple meats are declining in popularity, while preference for steak and chicken is increasing quickly, although they account for a very small portion of sector sales.



## **SNACKING**

Since 2005, one of the bright spots in the foodservice industry has been the healthy growth in snacking and snacking occasions. With an increase in demand, restaurants have responded with smaller portions, portable products and lower-priced goods to boost sales. Eat-in restaurants have introduced mini portions and samplers to address this growing trend.

One key growth point in the snacking segment is beverages, such as specialty coffee or smoothies. These high-dollar and high-calorie items have become very popular consumer choices during key snack periods. Beverage sales have been growing steadily in spite of an overall decline in add-on restaurant sales. Tea, specialty coffee, juice and bottled water are the leading products showing growth. Iced tea is especially popular and coffee sales are growing, driven by demand for specialty coffee.

## **HEALTH AND WELLNESS**

U.S. restaurants are offering more healthy choices and attempting to associate their food products with popular health-oriented trends in order to tap into health-conscious consumers. Restaurants and grocery retailers are competing in this segment to meet the needs of time-constrained diners with home meal replacement products.

The trend in the U.S. to eat healthier could be described as weak, with healthy eating choices being incorporated into less than healthy diets. Fast food operators have begun to reformat their fatty burger/fries/soda combo to offer consumers the choice of such items as fresh vegetables, juices or grilled chicken products (Euromonitor). As the number of Americans with health problems and/or a general concern for living a healthy lifestyle grows, dietetic, better-for-you, and high-quality products are projected to see strong growth. The aging of the Baby Boom generation is having an impact, as older people are more likely to watch their diet, choose healthier foods and compromise on convenience and taste in favour of better nutrition.

The demand for vegetables, chicken, meat, fish, antipasto meat, cheese and olive oil continue to increase rapidly as people attempt to improve and maintain healthy, low-carbohydrate diets. Chefs are creating more "light" meals and meatless entrées made with an increasing array of exotic ingredients now available in the American marketplace.

Growth can be seen in products targeting specific "hot button" consumer issues, for example, increasing concern over the health risks associated with trans fats in food. Many leading fast food restaurants have been working to eliminate trans fats from their products. The state of California has promised to phase out the use of trans fats in restaurants beginning in 2010. New York City has banned trans fats in restaurants, and has requirements for restaurants to post nutritional information.

Opportunities in the health and wellness category include but are not limited to:

- Healthier alternatives and nutritionally balanced meals for children's menus.
- Food safety information on product packaging and in food outlets.
- Information consumers can use to make informed shopping decisions on portion size, nutritional value, caloric intake, and balanced diets.
- Fresh, natural, organic and wellness products in restaurants and retail outlets.

## **ORGANICS**

Fuelled largely by consumer demand for more natural, minimally-processed and pesticide-free food in North America, the American organic sector has seen dramatic growth in recent years and is now one of the fastest-growing segments of American agriculture. Consumer awareness and demand for organic food and beverages has also greatly increased since the USDA Organic standards logo and certification program was introduced in 2002. Restaurants have responded by expanding the number of organic ingredients used. Results from the 2007 National Restaurant Association's chef survey indicated the growing presence of organic produce and organic wine in restaurants. Furthermore, Asian and Latin Americans are more likely to purchase organic products than their Caucasian counterparts, and many restaurants are responding to consumer demand for organic ethnic food. The largest organic and specialty distributor in the U.S. is Tree of Life, Inc. Other major U.S. organic and specialty distributors include C & S Wholesale, Kehe Food, and United Natural.

## ETHNIC CUISINE



Due to increased ethnic diversity and global travel in recent years, the U.S. ethnic food sector has moved out of the specialty food category and into the mainstream food industry. In fact, 75% of ethnic food consumed in the U.S. is consumed by Caucasian consumers. Fast food, quick/fast-casual and full-service restaurant chains serving Asian food have been an area of strong growth in the food-service industry in the past few years, with chains such as Panda Express, Noodles & Co., PF Chang's China Bistro Inc. and Benihana's expanding rapidly. While consumer demand for healthier food and exotic flavours is driving interest in these areas, rising immigration levels are also playing a key role. The U.S. is expected to see a visible minority population of 123.1 million (roughly one in three Americans) by 2020, a 30% increase over the 2006 population of 94.4 million. The majority of this increase (roughly 59%) is projected to be as a result of growth in Hispanic, followed by African American (23%) and Asian American (18%) groups.

### Top 10 Cuisine Types, Percentage of Total Food Menu Items, by Restaurant Segment, Q1 2009

Cuisine type	Full Service (%)	Quick/Fast casual (%)	Fast Food (%)
North American: Traditional	69.2	54.4	61.5
Mediterranean: Italian	18.1	16.1	19.0
Mexican	1.9	9.9	6.7
North America: Southwestern/Tex-Mex	3.5	5.3	2.5
North America: BBQ	2.2	1.3	1.3
Asian: Japanese	0.1	0.8	2.8
Asian: Pan-Asian	0.8	1.0	1.3
Mediterranean: Greek	1.2	1.6	0.7
North America: Cajun	0.3	0.3	0.9
North America: Southern	1.2	0.1	0.3
Other	1.5	9.2	3.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Mintel Menu Insights

"Fusion cuisine" has shown steady growth in the U.S., as chefs are blending international flavours and recipes with American cuisine to create a variety of new and unique dishes. Fusion food has proven to be an excellent way to introduce new flavours and products to the mainstream consumer market, and its popularity has led consumers to use international flavours and ingredients in everyday food.

Fusion cuisine varieties vary across the U.S., depending on the local influence of ethnic consumers in a given region. For example, Texas has long enjoyed a large presence of Mexican-American food known as "Tex-Mex", while in San Francisco, California, consumers can find more combinations of different Asian-American or "Pan-Asian" food. Industry experts point to Chinese-American, Thai-American and Italian-American (particularly due to the current popularity of Mediterranean food) fusions as some of the most popular creations (AAFC).

Depending on a company's ethnic product portfolio, Canadian exporters can target one of three market segments in the American ethnic food market: 1) first-generation ethnic consumers; 2) second-generation ethnic consumers; or 3) mainstream consumers looking to try ethnic-flavoured food. Product and marketing considerations will vary when targeting each of these segments, as demand for ethnic food authenticity, flavour boldness, packaging options, and level of processed ingredients differs greatly among these target markets.





## **AT-HOME MEAL SOLUTIONS**

Many U.S. consumers are eating formal meals less often due to a combination of increased labour force participation, longer working hours and more time spent commuting. An increase in single person households and shift work is also having an impact. When consumers eat formal meals, many are unwilling to spend much time in the kitchen, driving demand for such products as partial meals and even semi-prepared meals, processed meats and frozen and chilled pizzas. Foodservice retailers are attempting to capitalize on this trend by introducing ready meals for take out windows, and quick or side pick-up kiosks at traditional sit-down restaurants.

Restaurant quality is a new trend in at-home meals, and restaurants and food retailers both try to serve the needs of time-pressed diners. Consumers, especially families, are seeking out ingredients and convenient home meal replacements to replicate the experience of dining out. This is driving growth in the take out food market, with more than 73% of sales at fast food restaurants in 2007 (Euromonitor).

The “meal assembly” concept has grown to more than 1,420 outlets and 448 companies in the U.S. since its inception in 2002, and had estimated sales of \$504 million in 2007, a 700% increase over its 2003 value of \$7.2 million. Super-market chains, such as Publix, Piggly Wiggly, and McCaffery's Supermarket, are entering the market and creating meal assembly areas in their outlets to try and capitalize on its success. Industry analysts predict that the market will continue to follow its current high growth to reach 11,000 units or \$1.1 billion by 2010 in the U.S. (AAFC).

Meal assembly centres are increasingly adapting their menus to respond to health and wellness trends in consumer foodservice. For example, all-organic meal preparation outlets, and those that offer food options such as reduced sodium, sugar, fat and carbohydrates, as well as whole-grain and high-fibre reformulations, are becoming more widespread in the meal assembly industry. Furthermore, some U.S. meal assembly outlets are beginning to offer special dietary options (e.g. gluten and lactose-free dishes). This is expected to expand to include such conditions as diabetes, high blood pressure, and food allergies.

Gourmet meal preparation centres are also beginning to emerge in the meal assembly industry, and may prove to be a lucrative market niche. These businesses typically demand top quality agri-food products and gourmet food ingredients for largely retired, middle to upper-class customers.

Considerable opportunity for Canadian agri-food exporters may lie in supplying meal assembly centres with high-quality agri-food products and ingredients such as fresh and frozen fruit and vegetables, meat, and fish and seafood, as well as seasonings and sauces.

Canadian exporters should note that many meal assembly chains source their ingredients from large wholesalers. Sysco Foods, for example, the largest food distributor in the U.S., supplies Dream Dinners with all of its food and ingredient needs, most of which are distributed frozen to the company's locations across the country. Therefore, Canadian agri-food exporters looking to target large meal assembly companies may find the most success working with large distributors.

Opportunities in the at-home meal solutions market include but are not limited to:

- Quick-and-easy take home meals;
- Easy to carry “car food”;
- Premium meal ingredients for at-home consumption;
- Restaurant quality food to take home from specialty retailers/markets;
- Organic grocery products—from fresh produce to virtually all categories of prepared and packaged foods;
- Innovative foodservice and private label, organic and conventional.

## **► KEY TARGET MARKETS**

### **HISPANIC CONSUMERS**

The Hispanic consumer segment is the largest ethnic group in the U.S., making up nearly 15% of the population, or 45.5 million, in 2007. By 2030, it is projected that this segment will account for one out of every five Americans, with an estimated 73 million Hispanics living in the U.S. The Hispanic population is relatively young, as almost 39% of the population is under the age of 18.



In 2007, the median income for Hispanic households was \$38,679. Hispanic buying power reached US\$1 trillion in 2008, nearly doubling from US\$581 billion in 2002, to achieve the highest level among ethnic groups in the U.S. Roughly US\$55 billion of this total is allocated to food annually (AAFC).

The Hispanic population is largely concentrated in the U.S. Southwest and Pacific Southwest regions, and Florida, with the largest population of Hispanics in California at almost 30% of the national total. They also represent a sizable portion of some of America's largest cities. Los Angeles has the largest Hispanic consumer base at 8.4 million, followed by New York (4.4) and with Hispanic populations highly concentrated geographically, many retailers easily target this ethnic market.

Demand for Hispanic foods in U.S. restaurants is growing at a rate of more than 10% per year. McDonald's McSkillet Burrito is an attempt to attract this demographic and a recognition of the large growth potential for both breakfast meals and the Hispanic food market. Convenience-oriented Hispanic foods are growing in popularity, especially among the mainstream U.S. population looking for more efficient meal solutions.

Opportunities exist to supply the U.S. foodservice industries that target the Hispanic food market with ingredients and products such as beef, pork, seafood, dry and unprocessed pulses (beans, chickpeas, lentils), and wines.

## **ASIAN-AMERICAN CONSUMERS**

The Asian-American population is currently estimated at 13.3 million or nearly 4.5% of the population. Asian consumers are the most affluent ethnic group in the U.S., with the highest household median income of \$66,103 in 2007 (U.S. Census Bureau). The Asian-American population is largely concentrated in the U.S. Pacific Southwest and Northwest, and Northeast regions, but large Asian communities also exist in other U.S. states as well. California, New York, and Texas combined, account for over 50% of the U.S. Asian population (U.S. Census Bureau).

Asian cuisine, particularly Chinese, Japanese and Thai food, has long been enjoyed by mainstream American consumers, while other cuisines, such as Vietnamese and Korean, are becoming increasingly popular. Asian-inspired sauces, seasonings, snacks, appetizers and ready-made meals are now widespread in the U.S. marketplace. In fact, sales of frozen entrées that are made up of two foods saw the most growth in the Asian food category, increasing by 26% from 2002 to reach US\$85.5 million in 2006. However, the largest portion of the Asian food market remains the one-food frozen entrée segment, which totalled US\$379 million in 2006. Asian Americans generally prefer fresh food over processed or packaged goods. Staples in almost all Asian American diets include rice, noodles and vegetables (AAFC).

## **AFRICAN-AMERICAN CONSUMERS**

African Americans represented almost 13% of the U.S. population or 38.7 million in 2007. The African-American population is largely concentrated in the U.S. northeast, southeast and southern regions. By 2030, it is projected that African Americans will account for 14% of the U.S. population, at an estimated 50.4 million.

The African-American market is estimated to be worth US\$847 billion. The African-American consumer's level of purchasing power is the second-highest among ethnic groups in the U.S. African-American households had a median income in 2007 of \$33,916 (U.S. Census Bureau). These consumers are generally native-born, but also include immigrants from a variety of Caribbean and African countries. This has influenced African-American cuisine, which incorporates a blend of cooking flavours and traditions from these regions. Flavour options, such as Jamaican jerk chicken, fried plantains, rice and bean dishes, and stews (e.g. Brazilian feijoada) are popular (AAFC).

## **HALAL AND KOSHER FOOD MARKETS**

Halal and Kosher foods are processed according to dietary laws related to the Muslim and Jewish religions. The Muslim and Jewish consumer populations in the U.S. present considerable opportunity for Canadian food manufacturers looking to enter new markets. With its population of 8 to 11 million Muslim consumers, the U.S. offers a lucrative halal market estimated at US\$12 billion. The kosher food industry, while not new to North America, also continues to grow with 5.2 million Jewish consumers, in addition to a number of non-Jewish consumers who are increasingly buying kosher products for numerous reasons. For example, both kosher and halal foods, tend to be perceived as healthier and even safer than other foods. Halal and Kosher restaurants exist throughout the U.S. and contract foodservice is increasingly offering halal and kosher options. For instance, Delta Air Lines offers halal and kosher options on select flights to the Middle East. A growing number of institutions (e.g. hospitals, hotels, universities and baseball parks) are offering kosher food: close to 35% of the kosher food industry's growth has been driven by the foodservice sector.



Many fast food chains, such as Dunkin Donuts and SUBWAY, now operate kosher franchises (AAFC).

Furthermore, meat and other food products slaughtered or processed according to Islamic and Jewish law (halal and kosher products), are gaining popularity as consumers continue to become more health conscious. This is especially true in the wake of recent worldwide food scares, and the burgeoning green movement. Such food is appealing to a growing number of consumers outside of the Muslim and Jewish communities, who are interested in humane animal treatment, vegetarian or lactose-free products (e.g. kosher food only), or products that are perceived as healthier or safer (Associated Press).

## **MEDITERRANEAN FOOD MARKET**

Mediterranean food (particularly Greek, southern Italian and Spanish) has long enjoyed mainstream success in the U.S., achieving peak popularity in 2007. The consumer trend toward wholesome, boldly-flavoured ethnic food has grown largely due to Mediterranean cuisine having been marketed as a healthy diet option in the U.S. since 1993, and Mediterranean, halal and kosher food segments have benefited accordingly. A Mediterranean diet symbol for packaged food was released in the U.S. in April 2007 and has helped further drive the popularity of this cuisine.

### **► COMPETITIVE ENVIRONMENT**

Canada has long been the number one exporter to the U.S. of live animals, meat, grain mill products, bakery goods and fats and oils. Canadian agri-food exporters face competition from small to medium-sized local and national food manufacturers that operate on a regional level, as well as large multinational manufacturers.

The top countries exporting agri-food and seafood products into the U.S. include: Canada (22% import share), Mexico (13%), France (4.8%), Italy (4.2%), China (4.1%), and Brazil (3.8%). The main exports originating from these countries are as follows (AAFC):

- Mexico: edible vegetables, alcoholic beverages, edible fruit and nuts, and prepared vegetables and fruit.
- France: wine, brandy, vodka, sparkling wine, and dairy products including cheese.
- Italy: wine, olive oil, prepared cereal and flour, dairy products, and cheese.
- China: prepared vegetables and fruit, prepared meat and fish, edible vegetables, and oil seeds and oleaginous fruits.
- Brazil: coffee/tea, alcoholic beverages, preparations of vegetables, fruits, and nuts, and tobacco products.

### **► FOOD DISTRIBUTION**

Distribution channels to restaurants and other foodservice establishments are classified as broadline distributors, specialty distributors, and systems distributors.

Broadline distributors (e.g. Sysco and U.S. Foodservice) typically account for half of U.S. foodservice distribution sales and serve a diverse customer base consisting of single establishments and small restaurant chains. Broadliners offer one-stop shopping by carrying a wide range of food, equipment, and supplies.

Broadline distributors deal with large volumes of goods that are typically prohibitive for smaller exporters. The support infrastructure of this type of distributor is well established and best-suited for sophisticated exporters with in-depth experience and understanding of the U.S. marketplace. Key points that Canadian exporters must consider before dealing with a broadline distributor include:

- A thorough understanding of the cost and timing implications of cross-border shipping is critical to attract sophisticated American buyers.
- Being flexible and responsive to buyers' needs will help develop stronger credibility and access to new market opportunities.



Specialty distributors (e.g. Costco, McLane, Smart & Final) focus on a product (e.g. dairy, meat), or a customer segment (airlines, convenience stores), or may exist as warehouse clubs or cash-and-carry establishments. These distributors typically account for a third of foodservice sales and often serve niches that require specialized knowledge in product sourcing, handling or service. Lower volume, niche or higher-end products are best sold through a specialty distributor who will manage the logistics of inventory management, shipping and store service.

Systems distributors (e.g. AmeriServe/McLane, Martin Brower) account for approximately 17% of foodservice distribution sales and serve multi-unit customers and large restaurant chains by offering low-cost, reliable delivery services. They may also serve convenience stores, hospitals, and hotels and typically carry low inventory and have low overhead costs. While systems distributors operate on lower margins relative to broadliners, typically their lower overhead and larger asset turnover offset this (USDA).

## ▶ MARKET ACCESS

Under NAFTA, Canadian food and beverage products have tariff-free access to the U.S. market.

Most food and beverage products do not require import licences to enter the U.S. Exceptions include some dairy products (e.g. cheeses, cream, milk), poultry and poultry products, and some plant products. Import licences can be obtained from the USDA.

The importation of most meat, poultry and egg products, including products such as stews, pizzas and frozen foods, are regulated by the USDA and must be inspected by the USDA's Animal and Plant Health Inspection Service (APHIS) and Food Safety and Inspection Service (FSIS) prior to release by U.S. Customs. Meat products from other sources (including but not limited to wild game) are subject to APHIS regulations and the provisions of the *Federal Food, Drug and Cosmetics Act*, which is enforced by the Food and Drug Administration (FDA).

Certain fruits, vegetables and nuts must meet U.S. import requirements relating to grade, size, quality and maturity, and additional restrictions may be imposed by the APHIS. Inquiries on general requirements should be made to the USDA's Agricultural Marketing Service. "Locally grown" is a key trend in the U.S. food and beverage industry, and Canadian agri-food exporters may find it increasingly difficult to supply the foodservice market, with over 36 states employing such strategies.

### **FOR MORE INFORMATION**

The importation of alcoholic beverages (except wine beverages containing less than 7% alcohol) is regulated by the Alcohol and Tobacco Tax and Trade Bureau (TTB). For more information, visit [www.ttb.gov](http://www.ttb.gov).

The majority of U.S. requirements governing imports are coordinated with NAFTA and World Trade Organization regulations; the following sources are recommended for researching U.S. import regulations for various agri-food categories:

- USDA: <http://www.fas.usda.gov/itp/ofsts/usa2.pdf>
- Agri-Food Trade Service: <http://www.ats-sea.agr.gc.ca/intro/index-eng.htm>

These sites provide information on trade event listings, export guides, reports on agriculture and agri-food sectors by country, as well as commodity-specific reports.

For detailed information on customs procedures, documentation, tariffs and labelling requirements by country, as well as market reports, event listings and virtual access to trade commissioners abroad, visit:

- International Trade Canada—Virtual Trade Commissioner Service: <http://www.infoexport.ca>



## ► CONCLUSION AND OPPORTUNITIES

An aging population, smaller households, time pressures of dual-income households, and growing demand for healthy meals, are having an impact on the U.S. foodservice sector. Major consumer trends currently affecting the foodservice market include quick and convenient meals, healthy and organic options, ethnic cuisine, at-home meal replacements and locally-sourced produce.

Demand for fresh, nutritious, organic and natural products has led mainstream consumers to seek out ethnic food, as it is often perceived to be healthier or better-for-you. Growth in the U.S. ethnic food market is driving the organic ethnic food category. Datamonitor identifies authentic, premium and healthy food as extremely popular with American consumers, and exotic, high-quality and nutritious international cuisine is being positioned to meet consumer needs.

Health and wellness continue to dominate consumption trends, as demand for vegetables, chicken, meats, fish, antipasto meats, cheese and olive oil continue to increase rapidly as people attempt to improve and maintain healthy, low-carbohydrate diets. Fast food restaurants are also upgrading to premium ingredients to remain competitive.

Consumers are increasingly looking for ingredients and home meal replacements to replicate the experience of dining out. "Restaurant quality" is the new trend in at-home meals, as well as chef or restaurant-branded products. Families are the most time-conscious consumers and will seek out ways to alleviate time-pressured stress.

## ► KEY CONTACTS

### CANADIAN GOVERNMENT AGENCIES

The Canadian Embassy to the USA  
501 Pennsylvania Ave., NW Washington, D.C., 20001-2111  
Tel.: (202) 682-1740  
Fax: (202) 682-7795  
Email: [wshdc.infocentre@international.gc.ca](mailto:wshdc.infocentre@international.gc.ca)  
URL: <http://www.canadianembassy.org/>

Consulate General of Canada in New York  
1251 Ave. of the Americas  
New York, New York, 10020-1175  
Tel.: (212) 596-1650  
Fax: (212) 596-1793  
Email: [cngny@international.gc.ca](mailto:cngny@international.gc.ca)

Agriculture and Agri-Food Canada  
Bilateral Relations and Technical Trade  
1341 Baseline Rd.  
Ottawa, ON K1A 0C5  
Contact: Brent Wilson  
Tel.: (613) 773-1651  
Fax: (613) 773-1616  
URL: <http://www.agr.gc.ca>

Consulate General of Canada in Miami  
200 South Biscayne Blvd., Suite 1600 Miami, FL 33131  
Tel: (305) 579-1600  
Fax: (305) 579-1631  
Email: [infocentre.miami@international.gc.ca](mailto:infocentre.miami@international.gc.ca)  
URL: <http://www.canadainternational.gc.ca/miami/index.aspx>

Canadian Consulate General  
St. Paul Place, Suite 1700  
750 North St. Paul Street  
Dallas, TX 75201  
Tel.: 214-922-9812 (x3357)  
Fax : 214-922-9815  
Email: [dalas-td@international.gc.ca](mailto:dalas-td@international.gc.ca)

The Consulate General of Canada, Los Angeles  
550 South Hope Street, 9th Floor ,  
Los Angeles, California, 90071, USA  
Tel: (213) 346-2719  
Fax: (213) 346-2767  
Email: [lngls@international.gc.ca](mailto:lngls@international.gc.ca)  
URL: <http://www.losangeles.gc.ca>

The Consulate General of Canada, San Francisco  
580 California Street, 14th Floor ,  
San Francisco, California, 94104, USA  
Tel: (415) 834-3180  
Fax: (415) 834-3189  
Email: [sfran-td@international.gc.ca](mailto:sfran-td@international.gc.ca)  
URL: <http://www.sanfrancisco.gc.ca>

Canadian Food Inspection Agency (CFIA)  
59 Camelot Dr.  
Ottawa, ON K1A 0Y9  
Tel.: (613) 225-2342  
Fax: (613) 228-6125  
Email: [cfiamaster@inspection.gc.ca](mailto:cfiamaster@inspection.gc.ca)  
URL: <http://www.cfia-acia.agr.ca>



Business Development Bank of Canada  
5 Place Ville Marie, Suite 400  
Montreal, QC H3B 5E7  
Tel: (877) 232-2269  
Fax: (877) 329-9232  
Email: [info@bdc.ca](mailto:info@bdc.ca)  
URL: <http://www.bdc.ca/>

Canadian Commercial Corporation (CCC)  
50 O'Connor St., Suite 1100  
Ottawa, ON K1A 0S6  
Tel: (800) 748-8191 or (613) 996-0034 Fax: (613) 995-2121  
Email: [info@ccc.ca](mailto:info@ccc.ca)  
URL: <http://www.ccc.ca/>

Health Canada  
International Affairs Directorate  
Brooke Claxton Building, Room 814A  
Postal Locator 0908A, Tunney's Pasture  
Ottawa, ON K1A 0K9  
Tel: (613) 941-3136  
Fax: (613) 952-7414  
Email: [info@hc-sc.gc.ca](mailto:info@hc-sc.gc.ca)  
URL: <http://www.hc-sc.gc.ca/>

Export Development Canada (EDC)  
151 O'Connor St.  
Ottawa, ON K1A 1K3  
Tel.: (800) 850-9626 or (613) 598-2500  
Fax: (613) 237-2690  
Email: [export@edc4.edc.ca](mailto:export@edc4.edc.ca)  
URL: <http://www.edc.ca>

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668 Montée Montarville  
St. Bruno, PQ J3V 6B1  
Tel: (450) 461-6266  
Fax: (450) 461-6255  
URL: <http://www.clubexport.ca/en/index.php>

Food Beverage Canada  
17311 - 1023rd Avenue, suite 201  
Edmonton, AB T5S 1E5  
Tel: (780) 486-9679 or 1-800-493-9767  
Fax: (780) 486-0985  
URL: <http://www.foodbeveragecanada.com>

Canadian Restaurant and  
Foodservices Association (CRFA)  
316 Bloor St. W.  
Toronto, ON M5S 1W5  
Tel: (800) 387-5649 or (416) 923-8416  
Fax: (416) 923-1450  
Email: [info@crfa.ca](mailto:info@crfa.ca)  
URL: <http://www.crfa.ca/>

Food Processors of Canada  
350 Sparks St.  
Ottawa, ON K1R 7S8  
Tel: (613) 722-1000  
Fax: (613) 722-1404  
Email: [fpc@foodprocessors.ca](mailto:fpc@foodprocessors.ca)  
URL: <http://foodnet.fic.ca/>

Canadian Food Exporters Association  
885 Don Mills Road, Suite 301  
Don Mills, ON M3C 1V9  
Tel: (416) 445-3747 or 1-888-227-8848  
Fax: (416) 510-8044  
Email: [info@cfea.com](mailto:info@cfea.com)  
URL: [www.cfea.com/](http://www.cfea.com/)

Canadian Organic Growers  
National Office  
323 Chapel Street  
Ottawa, Ontario  
K1N 7Z2  
Tel: 613-216-0741  
Toll-free: 1-888-375-7383  
Fax: 613-236-0743  
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Colin Campbell  
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Tel: (780)-495-4186  
Email: [colin.campbell@agr.gc.ca](mailto:colin.campbell@agr.gc.ca)

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Department of Agriculture  
1400 Independence Ave. S.W.  
Washington, DC 20250-1004  
Tel: (202) 720-2791  
URL: <http://www.usda.gov/>

Agricultural Marketing Service (AMS)  
Customer Service Standards for Quality  
Grading and Certification  
Fax: (202) 720-0393  
URL: <http://www.ams.usda.gov/>

Embassy of the USA  
Commercial Service  
490 Sussex Dr.  
Ottawa, ON K1N 1G8  
Tel: (613) 688-5217  
Fax: (613) 238-5999  
Email: [ottawa.office.box@mail.doc.gov](mailto:ottawa.office.box@mail.doc.gov)  
URL: <http://www.buyusa.gov/canada/en>

Food Safety and Inspection Service  
Fresh Fruits, Vegetables, Specialty Crops  
Room 2056, South Building  
Washington, DC 20250-6456  
Tel: (202) 720-5870, 7025  
Fax: (202) 205-0158  
URL: <http://www.fsis.usda.gov>

Food and Drug Administration (FDA)  
5600 Fishers Lane  
Rockville, MD 20857  
Tel.: (888) 463-6332  
URL: <http://www.fda.gov/>

Animal and Plant Health Inspection Service (part of the USDA)  
4700 River Rd  
Riverdale, MD 20737  
URL: <http://www.aphis.usda.gov/>

#### **U.S. INDUSTRY CONTACTS**

United Fresh Fruit & Vegetable Association  
1901 Pennsylvania Ave. NW, Suite 1100  
Washington, DC 20006  
Fax: (202) 303-3433, Tel: (202) 303-3400  
Email: [united@uffva.org](mailto:united@uffva.org)  
URL: <http://www.uffva.org/>

Organic Trade Association  
P.O. Box 547  
Greenfield, MA 01302  
Tel: (413) 774-7511 Fax: (413) 774-6432  
Email: [info@ota.com](mailto:info@ota.com)  
URL: <http://www.ota.com/>

National Restaurant Association  
1200 17th Street NW  
Washington, DC 20036  
Tel: (202) 331-5900  
Fax: (202) 331-2429  
URL: <http://www.restaurant.org>

Food Marketing Institute  
655 15th St., N.W.  
Washington, DC 20005  
Tel: (202) 452-8444  
Fax: (202) 429-4519  
Email: [fmi@fmi.org](mailto:fmi@fmi.org)  
URL: <http://www.fmi.org/>

National Frozen & Refrigerated Foods Association  
4755 Linglestown Rd., Suite 300  
P.O. Box 6069  
Harrisburg, PA 17112  
Tel: (717) 657-8601  
Fax: (717) 657-9862  
E-Mail: [info@nfrweb.org](mailto:info@nfrweb.org)



## MAJOR U.S. FOODSERVICE DISTRIBUTORS

Sysco Corporation  
1390 Enclave Parkway  
Houston, TX 77077  
Tel: (281) 584-1390  
Fax: (281) 584-1737  
URL: <http://www.sysco.com>

Sysco is a global leader in the foodservice industry, with sales and service relationships with approximately 390,000 customers.

US Foodservice  
9755 Patuxent Woods Drive  
Columbia, MD 21046-2286US  
Tel: (410) 312-7100  
Fax: (410) 312-7140  
URL: <http://www.usfoodservice.com/default.htm>

US Foodservice is one of the leading broad line foodservice distributors in the US, with yearly revenues exceeding \$18 billion.

Performance Food Group  
12500 West Creek Parkway  
Richmond, VA 23238  
(804) 484-7700  
URL: <http://www.pfgc.com>

One of the nation's largest foodservice distributors, delivering more than 66,000 foodservice items to approximately 44,000 customers from every kind of eatery coast to coast.

Aramark Limited  
Millbank Tower  
21-24 Millbank  
London, SW1P 4QP  
United Kingdom  
Tel: 44 20 7963 0000  
Fax: 44 20 7963 0500  
URL: <http://www.aramark.co.uk>

Aramark Limited provides catering services to corporate and business industry. Aramark Limited is headquartered in London, United Kingdom. Aramark Limited operates as a subsidiary of Aramark Corporation.

Whole Foods  
550 Bowie Street  
Austin, TX 78703-4644  
(512) 477.4455  
(512) 477.5566 voicemail  
(512) 482.7000 fax  
URL: <http://www.wholefoodsmarket.com/>

Whole Foods Market is a food retailer of "natural", organic and "conventionally-grown" products, as well as national brands. The company is based in Texas and operates over 275 locations in the U.S., Canada, and the United Kingdom.



The Martin-Brower Co.  
9500 W. Bryn Mawr Avenue, Suite 700  
Rosemont, IL 60018-5218  
Phone: (847) 227-6500  
Fax: (847) 671-4725  
Email: [mbinfo@martin-brower.com](mailto:mbinfo@martin-brower.com)  
URL: <http://www.martin-brower.com/home.html>

Martin-Brower is the world's largest distributor of food products to the world's largest restaurant company—McDonald's. Martin-Brower has been in the foodservice industry since 1934, and has over 3,900 employees in 30 distribution centers in 6 countries.

McLane Company Inc.  
Foodservice Head Quarters  
2085 Midway Road  
Carrollton, TX 75006  
Tel: (800) 544-1778  
Fax: (502) 423-4023  
Email: [contact@mcclaneco.com](mailto:contact@mcclaneco.com)  
URL: <http://www.mclaneco.com>

McLane Foodservice supplies the industry's leading quick-service restaurant chains with everything they need to run their businesses.

Vistar Corp.  
12650 East Arapahoe Road, Building D  
Centennial, CO 80112  
(800) 880-9900  
URL: <http://www.vistarvsa.com>

Vistar is one of the nation's largest/leading providers of candy, snacks, beverages, and other convenience food items to the vending, retail, concession, theatre, fundraising, and coffee service industries.

Golden State Foods Corp.  
18301 Von Karman Avenue  
Suite 1100  
Irvine, California 92612  
Tel: (949) 252-2000  
Fax: (949) 252-2080  
Email: [gsfinfo@goldenstatefoods.com](mailto:gsfinfo@goldenstatefoods.com)  
URL: <http://www.goldenstatefoods.com>

Golden State Foods is a diversified, \$4 billion foodservice supplier with corporate headquarters in Irvine California.

Dot Foods Inc.  
1 Dot Way  
P.O. Box 192  
Mt. Sterling, IL 62353  
Tel: (800) 366-3687 or (217) 773-4411  
Fax: (217) 773-3321  
URL: <http://www.dotfoods.com/foodservice.html>

The foodservice channel provides fresh-prepared meals to both commercial and institutional foodservice operators including restaurants, hotels, hospitals, nursing homes, schools, military installations, airlines and prisons.



Shamrock Foods Co.  
Arizona Foods Division  
2540 N. 29th Avenue  
Phoenix, AZ 85009  
(602) 233-6400  
Customer Service: (800) 289-3663  
Email: [azinfo@shamrockfoods.com](mailto:azinfo@shamrockfoods.com)  
URL: <http://www.shamrockfoodservice.com>

Nationally ranked foodservice distributor headquartered in Phoenix; Shamrock sends refrigerated trucks to nine other states from distribution centers in Phoenix and Denver, Colorado.

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The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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Secteur de la restauration—États-Unis

*Canada* 