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Canada

HRI Food Service Sector

An Overview of the Institutional Foodservice Market in Canada

2002

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Report Highlights:
Opportunities in the Canadian Institutional Foodservice Market are primarily in the healthcare sub-segment: specifically retirement home foodservice.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa[CA1], CA

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An Overview of the Institutional Foodservice Market in Canada

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SECTION I

Industry Profile and Size

The Institutional Foodservice Market[1] is one of the four sub-segments of the non-commercial foodservice category of the Foodservice Industry. The following table lists the areas of foodservice under the category Institutional Foodservice. Each sub-segment is followed by a brief explanation.

Institutional Foodservice Market Includes

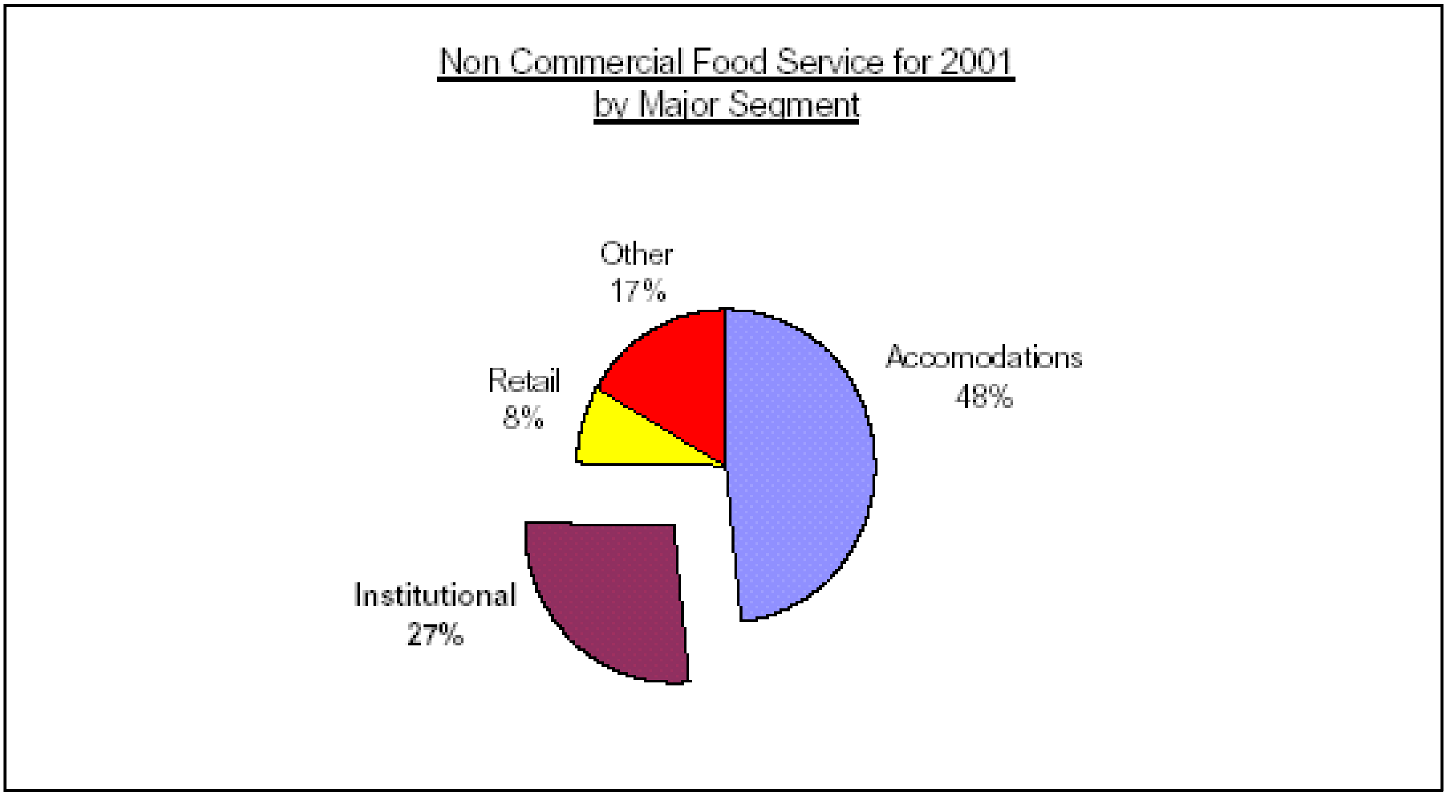
Sub-Segments	Description
Healthcare	1. Hospitals - Meals served to patients and visitors if the food is prepared in a hospital-run kitchen / cafeteria. 2. Retirement Homes - Meals prepared and served from the kitchen facility in the individual retirement home. 3. Long term care - Meals served to patients.
Education	Meals served in schools, residences of universities and colleges (self-operating foodservice in establishments whose primary business is something other than food and beverage service).
Military	Food served on the armed forces bases in Canada. Plus, packaged food purchased in Canada to be carried by Canadian Forces personnel out of the country.
Transportation	Meals: 1. to railway passengers that were prepared by VIA Rail employees(VIA Rail is the company that deals with all passenger train travel in Canada); and 2. to cruise ship passengers from food bought in Canadian ports; as well as 3. served to the Canadian Coast Guard.
Corrections	Meals to inmates of both Federal and Provincial Correctional Facilities.
Workplace (offices / factories)	Cafeterias on location in both the private and the public sectors.

[1] Accepted definition of the Canadian Restaurant Foodservice Association (CRFA)

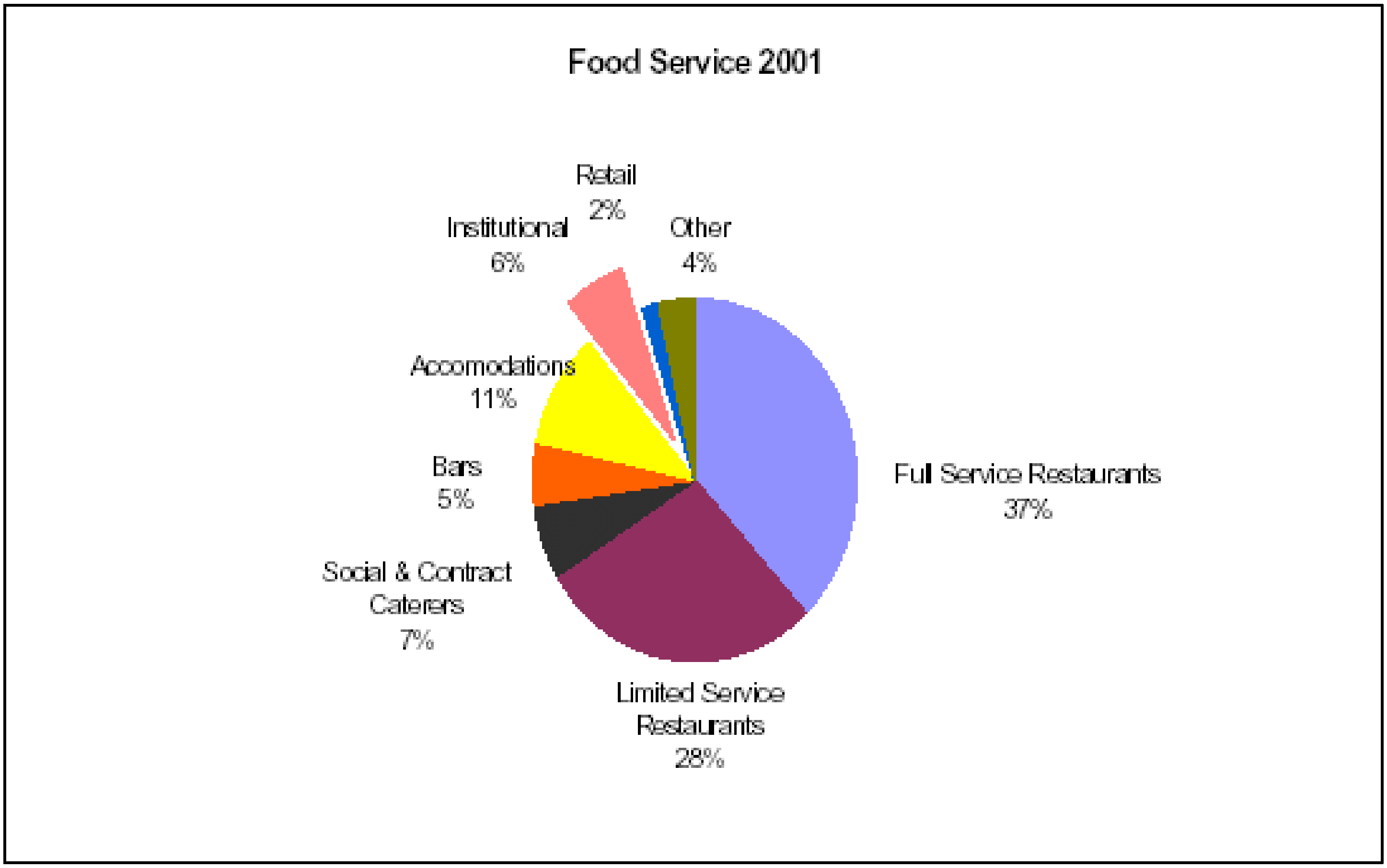
In 2001, the Institutional Foodservice market recorded sales of Cdn $2.4 billion, which represents 27% of the Non-Commercial Foodservice Market. The other categories of the non-commercial foodservice market include:

- Accommodations Foodservice; food service in hotels, motels and resorts.
- Retail Foodservice, which includes foodservice operated by department stores, convenience stores and other retail establishments.
- Other Foodservice includes vending machine food, sports and private clubs meals, food bought at movie theatres, foodservice at stadiums and other seasonal and entertainment operations.

The proportions that the 2001 segment values represent are illustrated in the following pie chart.



Institutional Foodservice represents only 6% of the total commercial and non-commercial Foodservice Industry, combined, in Canada, which is a Cdn.$ 40 billion market. The proportions by segment are presented in the pie chart below.



The following table presents five years of data for the Institutional Foodservice Market in total and by segment, plus the forecasted values for 2002. Also presented are the corresponding changes from the previous year (change), and the proportion, which that segment, represents of the Institutional Foodservice Market (share).

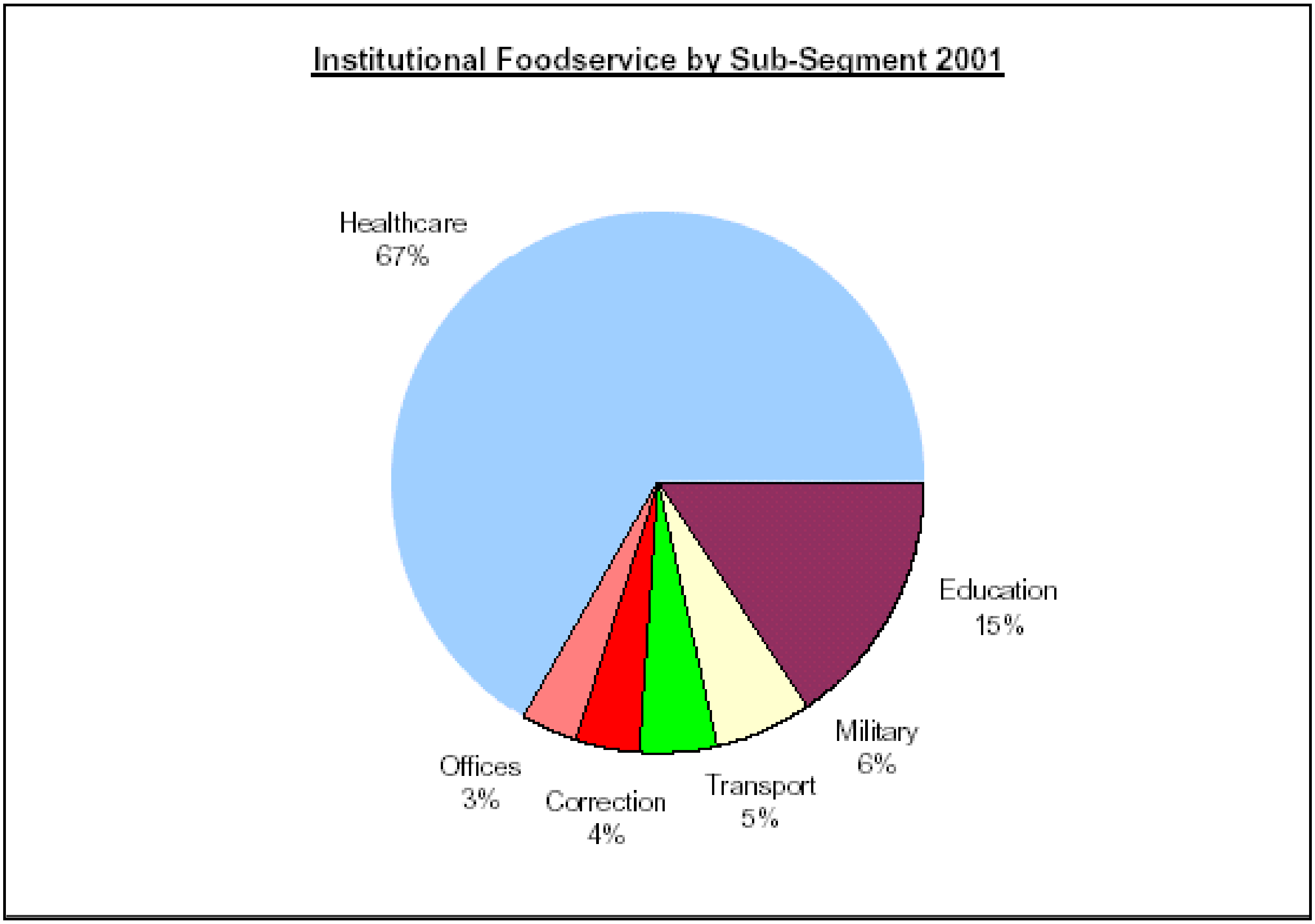
Value[2] of the Institutional Foodservice Market in Total and By Sub-Segment Millions of Cdn.$

	Segments	1997	1998	1999	2000	2001	2002FC*
1	Healthcare	$1,305	$1,454	$1,357	$1,456	$1,606	$1,669
	change		11%	-7%	7%	10%	4%
	share	67%	69%	65%	66%	67%	67%
2	Education	$241	$244	$337	$341	$361	$387
	change		1%	38%	1.2%	5.7%	7.3%
	share	12%	12%	16%	16%	15%	16%
3	Military	$137	$140	$140	$143	$146	$148
	change		2%	0	2.1%	2.3%	1.9%
	share	7%	7%	7%	6%	6%	6%
4	Transport	$106	$111	108	$115	$118	$121
	change		5%	-1.9%	6.4%	2.6%	2%
	share	5%	5%	5%	5%	5%	5%
5	Correction	$81	$82	88	$94	$93	$96
	change		2%	6.3%	7.2%	-0.7%	2.6%
	share	4%	4%	4%	4%	4%	4%
6	Offices	$68	$75	69	$71	$80	$82
	change		10%	-7.8%	2.2%	13.5%	2.0%
	share	4%	4%	3%	3%	3%	3%
	Total	**$1,937**	**$2,106**	**$2,099**	**$2,220**	**$2,404**	**$2,503**

* FC = forecast

2 Source: Geoff Wilson & Associates Inc.

The pie chart below depicts the market share proportions by sub-segment for the values for 2001.



Sub-Segment Profiles

BY CATEGORY

Healthcare is and continues to be by far the largest segment of the Institutional Foodservice Market. This segment represents the value of meals served to patients in hospitals, in long-term hospital care facilities, as well as in dining rooms in retirement homes.

Health Care in Canada falls under the provincial jurisdiction. Information pertaining to hospitals and long-term care facilities is available on provincial web sites. For example, detail information by long-term care facility, by region for the province of Ontario can be reviewed on the internet at:

http://www.2ontario/moh/health_picklist.asp

The number of beds in hospitals and long term care facilities by province is presented in a table in the Appendix of this Report.

The Government does not provide information on location and size of Retirement Homes as although the services are Government monitored and regulated, the facilities are privately owned. The number of Canadians presently living in retirement homes is not published; however, data on the aging Canadian population is presented in Section III of this Report. The best place to obtain up-to-date lists of addresses of retirement homes by region are in the local Yellow Pages.

Foodservice Self- Operating; Healthcare
Cdn.$ Million

Description	Hospitals	Long Term	Retirement	Total
1997	$564	$484	$257	$1,305
1998	$630	$561	$263	$1,454
1999	$578	$512	$267	$1,357
2000	$647	$537	$272	$1,456
2001	$710	$621	$275	$1,606
2002 FC	$717	$665	$287	$1,669
CGR% (compound annual growth rate)	5%	7%	2%	5%
Share of institutional market	30%	26%	11%	67%
Total Foodservice - Healthcare				
Self operated share	82%	80%	80%	80%
Catering companies share	18%	20%	20%	20%

Sales from hospital coffee shops or restaurants that serve visitors of patients in long term care facilities are not included in this vertical market. Also omitted is the value of the sales of food purchased in vending machines in emergency and out patient clinic areas.

Education - This category includes the value of food served to students attending private schools, food sold in cafeterias of public high schools, and food prepared and served to students who live in residence at colleges and universities who choose to eat in dining halls. Food purchased in schools from vending machines is not included in the calculation.

Foodservice Self- Operating; Education
Cdn.$ Million

Description	Private Schools	Public Schools	Colleges	Universities	Total
1997	$43	$58	$15	$125	$241
1998	$46	$59	$21	$118	$244
1999	$49	$63	$21	$204	$337
2000	$55	$64	$28	$194	$341
2001	$57	$67	$32	$205	$361
2002FC	$60	$66	$36	$225	$387
CGR%	7%	3%	20%	16%	11%
Share of market	2%	3%	1%	9%	16%
Total Foodservice - Education					
Self operated share	50%	30%	25%	54%	50%
Catering cos. share (of contracts for 2001)	50%	70%	75%	46%	50%

Military - The Department of National Defense (DND) and Canadian Forces (CF) provide foodservices at 34 Bases / Stations / Wing Command installations across Canada. A list of the Canadian Forces Installations (CFB)'s is presented in the Appendix of this Report.

For 28 of the 34 locations, CF personnel and public service employees provide the management and delivery of foodservices. Five locations use foodservice contractors or catering companies. The remaining CF facility uses a combination of CF employees and a catering firm.

There are approximately 60,000 Canadian men and women serving in Canada's regular armed forces and approximately 20,000 people attached to the reserves. Canada is part of the United Nations Peace Keeping Force, and as a result, at any one time there are 20% to 30% of the regular forces out of the country.

80%of the Armed Forces do not live on-base, and are therefore responsible for their own meals[3]. Foodservice facilities in most military locations are only really busy in the summer, because that is when most basic training, courses for personnel advancement, training on new equipment and overall strategic planning take place. During that time, those involved in activities do, in fact, eat in the Mess Halls.

Military Self-Operating Foodservice

Description	Cdn.$ Million
1997	$137
1998	$140
1999	$140
2000	$142
2001	$146
2002FC	$148
CGR%	2%
Share of Institutional Market	6%
Total Foodservice - Military	
Share self operating	85%
Share catering companies	15%

Transportation - This category includes the value of food served to passengers and VIA Rail staff while traveling across Canada by train. The value of food sold in vending machines on board trains is excluded. This category also includes food taken on board cruise ships when in a Canadian port, and the value of food served to the Canadian Coast Guard.

Transportation Self-Operating Foodservice

Description	Cdn.$ Million
1997	$106
1998	$111
1999	$108
2000	$115
2001	$118
2002FC	$121
CGR%	3%
Share of institutional market	4.9%
Proportion self operated and catering not available	

[3] so says Major Sylvie Gagné,DLBM/Food Services 3 - Human Resources Management

Prisons - This category includes the value of foodservice in both Provincial and Federal correctional institutions across Canada; this is the value of food served to people incarcerated in Canada and those guarding the facilities.

Correctional Self-Operation Foodservice
Cdn.$ Millions

Description	Provincial	Federal	Total
1997	$40	$41	$81
1998	$40	$42	$82
1999	$44	$44	$88
2000	$49	$45	$94
2001	$47	$46	$93
2002FC	$48	$47	$96
CGR%	4%	3%	4%
Share of institutional market	2%	2%	2%
Total Foodservice - Correctional Facilities			
Self operating share	75%	n/a	n/a
Catering companies share	25%	n/a	n/a

Many factors influence the size of Canada's correctional population, including changes in the demographic profile of Canada's population, legislative changes, police enforcement practices, changes in the crime rate, sentencing practices and early release policies. The impact of Bill C-41 is the key factor.

In the fall of 1996, Bill C-41 was proclaimed into law in order to reform the sentencing system in Canada. An important provision of the Bill was the creation of a new community-based alternative to imprisonment called a conditional sentence. A judge can sentence an offender, who would otherwise have been sent to prison, to a conditional term of imprisonment.

This means living in a group home, or with a family, or even in their own home wearing tracking devices that restrict the prisoner's movement. This has reduced the incarcerated population significantly.

Of the 214,114 adults sentenced in Canadian courts only 32,970 were incarcerated in either federal prisons or provincial jails/correction facilities in 2001. These inmates are housed in 143 institutions throughout the country.

Employee / office foodservice - This category represents the value of foodservice to employees who use office and/or factory restaurants / cafeterias that are operated by the company. The financial information relating to operations involved in this sub-segment is often combined with financial figures of the total corporation and for that reason only rough estimates are available[4].

This category is sub-divided into two parts; the public and private sector. The following table presents the data for employee foodservice for both sectors and in total.

Employee Self-Operating Foodservice
Cdn.$ Millions

Description	Private Sector	Public Sector	Total
1997	$61	$7	$68
1998	$67	$8	$75
1999	$62	$7	$69
2000	$64	$7	$71
2001	$72	$8	$80
2002FC	$73	$9	$82
CGR%	4%	6%	4%
Total Foodservice - Employee Offices / Factories			
Self operating share	14%	14%	14%
Catering companies share	86%	86%	86%

Over the years, more and more companies have decided to contract out foodservices to companies that specialize in feeding large groups of people (catering companies). 86% of the Employee Foodservice sub-segment use catering companies.

[4] Values of foodservice prior to 1999 for this sub-segment are estimated.

FOOD GROUP

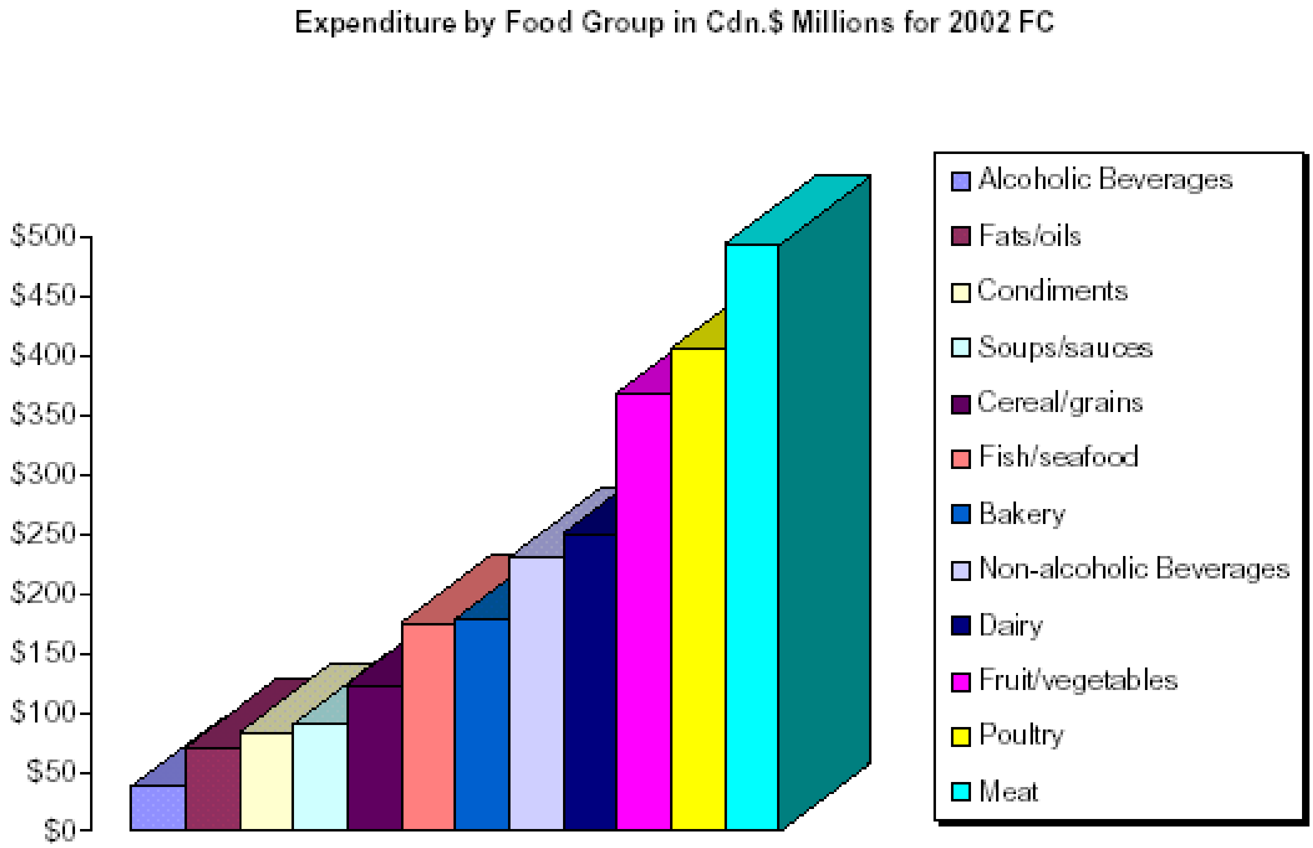
In an effort to identify possible opportunities in the Foodservice industry, the values by food group within the Institutional Foodservice Market was ascertained[5] and is presented in the following table.

Purchases by Food Group
1997 to 2002FC - Millions Cdn.$

Description	1997	1998	1999	2000	2001	2002FC
Alcoholic Beverages	$29	$32	$31	$33	$36	$38
Fats/oils	$54	$59	$59	$62	$67	$70
Condiments	$64	$69	$69	$73	$79	$83
Soups/sauces	$70	$76	$76	$80	$87	$90
Cereal/grains	$95	$103	$103	$109	$118	$123
Fish/seafood	$136	$147	$147	$155	$168	$175
Bakery	$138	$150	$149	$158	$171	$178
Non-alcoholic Beverages	$178	$194	$193	$204	$221	$230
Dairy	$194	$211	$210	$222	$240	$250
Fruit/vegetables	$285	$310	$309	$326	$353	$368
Poultry	$314	$341	$340	$360	$389	$405
Meat	$382	$415	$414	$437	$474	$493
Total	$1,937	$2,106	$2,099	$2,220	$2,404	$2,503

An analysis of food groups in relation to each other is presented in the bar chart below. The forecasted sales for the Institutional Foodservice Market for 2002 is organized by food group based on the proportions by category.

[5] Restaurant & Institutions Menu Census Data, Operations in Institutional Foodservice



Growth

The experts[6] in the Foodservice Industry believe that the value of food served in the Institutional Foodservice sector will increase by 4.1% from 2001 to 2002. This segment of the non-commercial foodservice market is expected to increase long term at a decreasing rate. Furthermore, the Institutional Foodservice Market is expected to be re-shaped in less than 10 years. Some feel that all sales in the Education, Employee/Office and most of the Healthcare sub-segments will be contracted out to catering companies, which is a part of the commercial foodservice market. Short term:

Healthcare: The prime reason for the expected growth in this sub-segment relates to the fact that the Canadian population is getting older. As a result, foodservice sales to "retirement homes" and "long term care"-sub-sectors of the Healthcare sub-segment-should show the most growth of all the categories in the Institutional Foodservice Market.

In 1998, 12% of the total population was over the age of 65, up from 10% in 1981, and 8% in 1971. This is more than twice the figure in 1921, when only 5% of people living in Canada were seniors.

[6] Estimates from Canadian Restaurant Foodservice Association (CRFA)

The rapid growth of the senior population is also expected to continue well into the future, particularly when those born during the "baby boom" years from 1946 to 1965 begin turning 65 early in the second decade of this century. Statistics Canada has projected that by the year 2021 there will be almost 7 million seniors, which will represent 18% of the total population, and that, by 2041, there will be almost 10 million seniors, an estimated 23% of the population.

Education: There is an increase expected in the number of students enrolled in Canadian Universities for the Fall 2002 semester; however, the tendency toward off- campus residence might negate whatever increase would be expected to contribute to the sales of foodservice in the education sector.

Military: Foodservice in the Canadian Armed Forces is expected to see modest gains due to the Canadian Federal Government's recent pledge to increase the number of Canadians in the reserves. As well, new up-to-date equipment requires more training, which means more personnel spending time on-base; therefore, more meals will be served there.

Transportation: It is impossible to forecast the value of foodservice for this category. Part of this sub-segment relates to food purchased by foodservice managers on board cruise ships while in Canadian ports. The difficulty exists as there is a relationship between the number of people on cruise ships and the economy, a variable that cannot be accurately forecasted. As well, most cruise ships do not leave from Canadian ports; therefore, a significant proportion of food may already be on board when the ship stops in a Canadian city.

Nevertheless, over the past ten years, Vancouver (BC), Halifax (NS) and Saint John (NB) have reported a significant increase in the number of people reported on board cruise ships stopping in their ports. The numbers reported for Montreal and Quebec City have decreased since 1991. The data by port of call by year since 1991 is presented in the Appendix.

Passenger train travel in Canada is down; furthermore, the majority of people taking the train in Canada travel the Quebec-Windsor corridor, which does not provide foodservice. The number of train travelers by year is presented in the Appendix.

In summary, the value of foodservice for the transportation sub-segment is not expected to increase.

Corrections: Foodservice in prisons will only see a modest gain, at best, due mostly to a cost of living increase, which means the product will cost more. All indications point to there being a decrease in number of inmates.

Programs are being developed where inmates are given day passes, weekend passes, 3 day holiday passes, and passes for week trials in group homes. That means fewer meals served in the correctional system.

Employee foodservice: is expected to show modest short-term gains as a result of the cost of living increasing. The long-term future of this sub-segment is in doubt.

In summary, it is clear that the real opportunities in the Institutional Foodservice Market is in the healthcare sub-segment; specifically retirement home foodservice. All other sub-segments remain constant, decrease or show indications of uncertainty.

Regional Differences

Canada is made up of 10 provinces and three territories. The governing structure allows the Federal, Provincial and Municipal Governments to share responsibilities and power.

The 2001 census established the Canadian population to be slightly over 31[7] million. The average household income is Cdn.$51,526, and the national unemployment rate is 4%. Due to the harsh winter weather, 80% of the population lives in cities along the southern border with the United States. The two official languages in Canada are English and French. Due to the vast extent of the country and the existence of geographical differences, marketers consider Canada as 5 distinctly different regions.

Maritimes - This region includes the Atlantic Provinces: Newfoundland (and Labrador), Nova Scotia, New Brunswick and Prince Edward Island. Located on the east coast, all four provinces are on the Atlantic Ocean. The primary source of revenue in the region comes from the fishing industry. The population is 2.4 million. The average annual household income is Cdn.$44,108. This region has the highest unemployment rate in the country, averaging about 8%.

Quebec - The next territory moving west is officially bilingual, speaking English and French; although 65% of the population speaks only French. The population is 7.4 million. The largest city in Quebec is Montreal located less than 60 miles from the New York State border. Its population is about 3 million people. The Province exports an abundance of raw materials, and is most noted for its export of hydroelectric power. The average annual household income in Quebec is Cdn.$45,595.

Ontario - is the largest and most prosperous region. There are 11,874,436 people living in the province; one third live in Toronto, the country's largest city. The average annual household income for this region is Cdn.$58,325.

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[7] According to the 2001 census, the population of Canada is 31,081,887

Western Provinces - include Manitoba, Saskatchewan and Alberta. Sparsely populated, these prairie provinces have fertile farm land and are best known for producing and exporting wheat. An abundance of oil and natural gas in western Saskatchewan and Alberta has created an economic boom for the region. The population is 5,230,066 and the average annual household income is Cdn.$46,871.

British Columbia - (BC) has 4 million people. The province borders the Pacific Ocean making it Canada's gateway to Asia. It is the base for importing and exporting to the Far East. The Province is rich in natural resources. Pulp and paper are of particular economic importance in B.C. The average annual household income is Cdn.$52,388.

Summary of Regional Differences
Re: Institutional Foodservice Implications

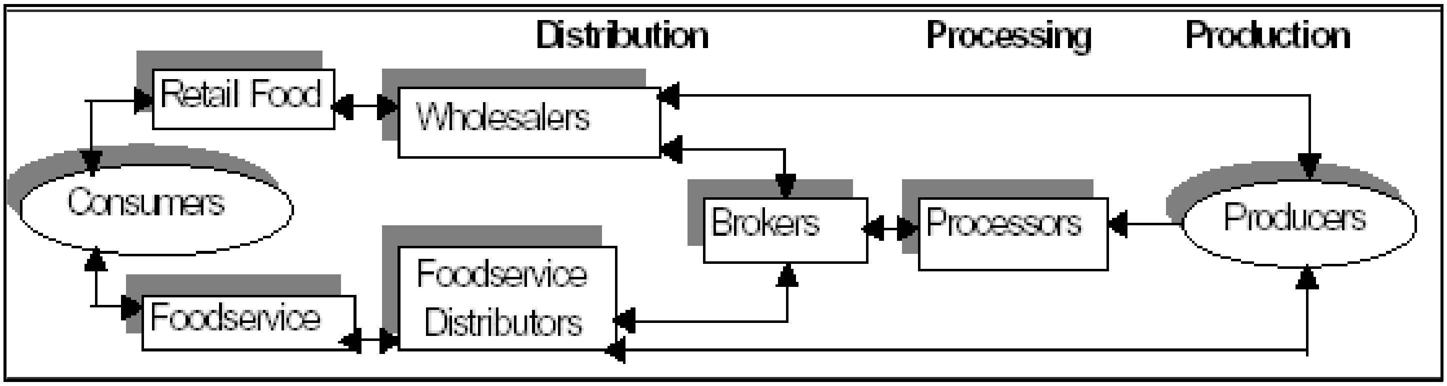
Segments	Maritime	Quebec	Ontario	West	B.C.	Total
Population - all ages	2 million	7 million	12 million	5 million	4 million	31 million
Population over 65	306,120	960,867	1,491,691	614,350	540,659	3,913,687
% of the population over 65 years of age	12.8%	12.9%	12.6%	11.7%	12.7%	12.6%
Enrolled in universities	64,141	134,162	229,985	98,049	54,039	580,376
% of the population in universities	3.2%	1.9%	1.9%	1.9%	1.4%	1.9%
# of hospital beds	34,880	68,972	128,249	74,737	44,571	351,409
% population to # hospital beds	1.7%	1%	1%	1%	1%	1%
# of Military Bases (3 bases are located in the Territories)	6	4	10	8	3	31
# of Prisons / Jails	25	21	45	29	21	143
# of Ocean Ports	2	2	0	0	1	5

SECTION II

Distribution

The distribution of product to the Institutional Foodservice Market in Canada is described in the illustration presented below.

Distribution Chain of Food in Canada



Processors - have little, if any, direct contact with the Institutional Foodservice Provider. Perhaps a facility in the institutional segment may have specific product requirements and specifications (low-salt foods, pureed foods, single-cup juices, etc.). This foodservice provider often contracts (usually on a limited contract basis) directly with processors for products including dairy, beverages, bakery and some dry goods,

Brokers - are the marketing link between food processors and the foodservice customer base. As agents of processors, brokers provide a range of product sales and marketing services, including personal selling, promotion, category management and invoicing.

In particular, brokers' have added value because of their knowledge of local markets, combined with their understanding of today's innovative technologies, and their intimate and in-depth category knowledge as it applies to a particular area or region. In some instances, brokers play a role in screening the viability of new food products, and educating and advising neophyte processors about market and the skills- particularly financial resources-that are necessary to effectively deal with the market. This is critical when dealing with some of the remote regions of the country.

Brokers represent products in about 300 of the approximately 500 categories, which is about 16,000 grocery items. Brokers usually represent small and medium sized businesses. They currently represent about one third of the products, mainly dry (including juices) and frozen grocery products, as well as foodservice products that move through grocery distributors' warehouses.

Consistent with the general trend in the distribution chain, food brokerage, through a series of mergers, has evolved from primarily province-wide brokers to brokers that service larger territories. The number of brokerage houses has declined by approximately 50% in the past ten years.

Although a national brokerage house does not presently exist in Canada, firms endeavor to provide principals with national coverage through brokerage house affiliations. Most brokerage houses do not usually take title to the product, but a few houses have integrated to the point where they either manufacture products, or take title to products from processors, warehouses and transport products. In this way, these houses form another link in the distribution chain.

Distributors - The non-commercial sector, like its commercial counterpart, uses distributors as its main supplier. By and large, distributors are the logistic link in the distribution chain, warehousing and delivering food and beverage products to operators. Distributors are usually classified as full-service (broad liners), carrying a variety of products, niche distributors (short liners) and specializing in a few product lines such as meat, produce, dairy, etc., and system specialists. In Canada, distributors are responsible for 75% of the food purchased in the total foodservice industry (commercial and non-commercial).

Foodservice deliveries from distributors often contain frozen, chilled and fresh products, which are delivered in special compartmentalized trucks. In addition, some distributors operate separate cash and carry outlets, which are limited-line warehouses where products are purchased and picked up. Unique to this sub-sector, most distributors operate a sales force of representatives to sell products from their warehouses; however, the processors' own sales force and brokers carry out most of the new product marketing.

The top ten distributors account for 10% of sales, while the top 50 represent about 40%. However, in major markets, distributors are more concentrated with the top five, probably accounting for about 50% of sales. Two large US distributors, Sysco and Gordon Foodservice, have entered the Canadian Foodservice market. (See appendix for contact information).

Many distributors have come to rely on buying groups. Buying groups play an important role by improving pricing through mass purchases with savings passed on to members, and promotional incentives available from processors. The two major buying groups for distributors are Federated Foods and Associated Food Distributors. The Canadian Restaurant Foodservice Association (CRFA), with its 14,000 members, has recently bought into "Groupex" a foodservice buying group, which provides rebates on about 20 product lines and services.

Competition

From a competitive standpoint, it is more than likely that an American firm interested in the Canadian Institutional Foodservice Market would be interested in the activities of the Distributor.

The Chain Store Guide[8] publishes a directory, which presents a comprehensive list of distributors in North America. This directory lists only companies that distribute more than one product and have sales in excess of Cdn.$500,000. This document lists 400 distributors that service the Foodservice Market in Canada[9].

The exact number of distributors in the Institutional Foodservice Market is unknown as in the outlying areas a retailer may, in fact, act as a distributor, servicing both commercial and non-commercial clients. Estimates show that there are over 6,000 foodservice distributors in Canada[10].

A list of the top ten distributors in Canada is presented in the table on the following page. Note that the combined estimated sales for these ten companies accounts for more than 10% of the total estimated sales of the Total Foodservice Industry.

It was ascertained[11] that the top 50 distributors are responsible for 34% of the sales in the foodservice market. Caution must be exercised in interpreting this information, as there is no distinction between service to commercial and non-commercial accounts.

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[8] www.csgis.com

[9] As the Institutional Foodservice Market is small, all distributors operate in more than one environment. Most distributors deal with both the commercial and non-commercial categories of the industry.

[10] Entente Auxiliaire; Canada - Quebec, sur le development agroalimentaire. Compétitivité de l'industrie des services alimentaires du Québec; December 1996

[11] Ibid

Leading Distribution Firms in the Canada Foodservice Market

Company Name	HO	Telephone Number	Foodservice Sales in Cdn.$ Millions	Foodservice # of Accounts
Sobeys www.sobeys.ca	NS	(902) 758-8370	$1,059	9,000
The Martin Brower Co.	ON	(905) 568-8000	$850	1,060
CFS Canada	ON	(905) 564-3300	$500	3,000
Loblaw Companies www.loblaws.com	ON	(416) 922-8500	$376	3,000
Metro Richelieu www.metro.ca	QC	(514) 643-1000	$360	5,000
Sumit Food Services	ON	(519) 453-3510	$300	5,500
Unisource Canada www.unisourcelink.com	ON	(905) 795-7400	$300	7,500
Federated Co-operatives www.fcl.ca	SK	(306) 244-3311	$253	2,000
Bridge Brand Foodservice www.bridgebrand.ca	AB	(403) 235-8555	$245	3,000
Distal Inc.	QC	(418) 666-5575	$158	3,000
Sub total top ten		**$4,401**		
All others		**$35,599**		
Total		**$40,000**		

Marketing Strategies

The market is quite small and is presently being well serviced; however, American companies with particular specifications can find success. Possible strategies to consider include:

0 Manufacturers of a specialty product, which has yet to be distributed in the market, can go directly to the vertical market or the sub-segment, and offer the product directly. For example, if a company develops a new technology for dried food that the army can possibly take on maneuvers[12], that company should present themselves to the Department of National Defense (DND). Another example might be freeze-dried pasta for the Educational sub-segment. Perhaps a series of prepackaged non-fat, or low salt, popular items directed towards the healthcare sub-segment.

[12] A US firm developed a vacuum packed food that when water was added it not only became ready to eat but the eating temperature rose as well.

0 If excess inventory exists, and the broker needs to prepare for new product, perhaps presentations to the sub-segments of the Institutional Foodservice Market, who have fixed budgets, might be a good idea.

0 Distributors servicing the American Institutional Foodservice Market in a region close to the Canadian border might be interested in expanding their sales. It is not uncommon for companies in the New England states to sell to the Montreal market. Even though the Canadian dollar has a lower value, the size of Montreal's market may make this strategy attractive.

0 Distributors who have developed an expertise servicing a particular vertical of the institutional foodservice market in the US, and can possibly replicate this expertise in Canada.

0 Although most Canadian distributors are well positioned with respect to electronic communication, there maybe an American distributor with a web site that is more user friendly. This can be seen as an opportunity.

SECTION III

Upsides

1. All indications show that the Healthcare sub-segment, specifically the area of foodservice in retirement homes, will increase in size. If a distributor wants to crack the Canadian Institutional Foodservice Market, this is the best place to begin.

2. The need to feed students will always exist. The issue is whether schools will continue to use self-operating foodservice or turn to the use of catering companies. For now, the education sector is using self-operated kitchens. The needs of students in terms of food product and volumes are well documented[13]. If a distributor has experience supplying schools / colleges and or universities, this segment may be an opportunity.

3. Foodservice to the Canadian Armed Forces represents only 6% of the market; however, all indications are that this sub-segment will increase. The Federal Government has promised a concerted effort to increase the number of people in the armed forces and to purchase more up to date equipment.

> "We will always have self-operated foodservice as we need to keep our people trained such that when on maneuvers we can feed the troops[14]!"

The Foodservice budget for the DND is in the public domain. The locations and persons in charge of each facility are published. Any company with experience supplying the armed forces will have a definite advantage. In particular, companies that prepare or distribute specialty-products required by the armed forces, such as prepared dried food, should inquire about the needs of the DND as soon as possible.

> "The DND has existing contracts with catering companies in CFB Moose Jaw and CFB Goose Bay for the Federal Government Fiscal Year 2002 (ending March 31, 2003) that will not be renewed[15]."

4. All indications show that fewer people will be incarcerated in Canada for long periods of time. There is a concerted effort to reduce jail-time and allow criminals convicted of non-violent crimes to serve in community controlled "half-way" houses. This means fewer meals served in the correctional institutions. Nevertheless, there will always be crime and the need for incarceration of violent offenders will continue. Because costs are kept low by inmate labour, this sub-segment will remain a self-operated foodservice. Even though this sub-segment represents 6% of the institutional foodservice market, it may still be an opportunity.

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[13] See summary of survey re University Kitchens in appendix of this report.

[14] Quote from an interview with Major Sylvie Gagné

[15] ibid

Downsides

1. Canada uses the metric system of weights and measures. For all food packaging that requires a presentation of weight, the calculation must be labeled in metric units.

2. Canada is bilingual; English and French. It is known that uni-lingual packaging will be accepted on the west coast, but is officially illegal. All packaged food goods must be labeled in both English and French.

3. Socialized medicine exists in Canada. Hospital budgets do, in fact, increase from year to year; however, the lion's share of the money is earmarked for new equipment, treatments, research and labour. The allocation of funds to non medical issues like foodservice remain the same from year to year and even in some cases, such as large hospitals, decrease.

It is certain that foodservice to patients will continue; however, suppliers are well informed of the importance of cutting margins and bidding as low as possible.

Furthermore, Hospitals in Canada are Federally funded, but Provincially controlled.

4. Train travel is down and is expected to continue to decrease, at least for long haul rides-a critical variable in foodservice. Time is of the essence and train travel cannot compete with flying.

Although VIA Rail is subsidized by the Federal Government, it has a relationship with Cara Foods Inc, one of the leading catering companies in Canada. Even if train travel became more popular, it is unlikely that VIA Rail will move forward with self-operating foodservice facilities and not sub-contract foodservice to Cara Foods Inc.

5. The Universities and Colleges in Canada feel the need to increase tuition fees. Schools are under pressure by student groups to keep tuition the same, and, compounding the issue, most Government subsidies have been reduced. Schools are forced to look for donations, sponsors and more or less raise money any way possible.

For example; McGill University, Montreal, Quebec has accepted Cdn.$ 2 million annually from Coke, giving Coke exclusive rights over brands sold on campus. Also, the school has rented the campus parking facilities to a contractor for a flat annual fee plus a percent of the parking revenue. And, Chapters Books Inc. runs the campus bookstore in exchange for a percentage of sales. All fast food outlets on campus have been contracted to catering firms. The foodservice in residence might be next, if the price is right!

6. Self-operating office / employee cafeterias will disappear. Companies are focusing on doing what they do best, and leaving the foodservice to those specialized in feeding large numbers of people.

7. The catering business is growing. Companies in that sector are always looking for new markets and are a definite threat to self-operated institutional foodservice.

Market Entry

Four non-profit organizations in the United States exists to help promote the export of food and agricultural products from specific geographical regions of the country. Interested potential exporters should begin by reviewing the information provided and then communicate with the association.

Region	Web Site	States
Northeast	http://www.foodexportusa.org	Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.
Mid-America	http://www.miatco.org	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin
South	http://www.susta.org	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Orth Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia and the Commonwealth of Puerto Rico.
Western	http://www.wusata.org	Alaska, Arizona, American Samoa, California, Colorado, Guam, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington, Wyoming

The Foreign Agricultural Service at the United States Embassy in Canada assists with a particular program that is designed to help match prospective exporters with suitable Canadian business. Information about this program and other relevant facts can reviewed on the Internet at the following web sites:

www.fas.usda.gov
www.fas.usda.gov/itp/us-canada.html

In addition, the International division for the Association of Sales and Marketing Companies will provide sales and marketing information on specific product and opportunities within Canada. The Canadian Importers and Exporters Association, Toronto, Canada, will provide information concerning exporting to Canada and will direct potential companies to the appropriate import representation. Canadian Consulates located in major cities throughout the United States and the Canadian Embassy in Washington, D.C. provide assistance.

In order to enter the Canadian market, U.S. exporters must be aware of the information on Canadian standards and regulations. Canadian agents, distributors, brokers, and/or importers are often the best equipped to assist exporters through the regulatory import process.

The primary federal agency in Canada involved with the importing of food is the Canadian Food Inspection Agency (CFIA). The CFIA maintains and enforces 14 inspection programs related to food sold in Canada. Activities range from inspecting federally registered meat-processing facilities, to border inspections, to label-fraud.

In addition, the CFIA provides the most up-to-date information on to the specific laws and regulations necessary to follow for an importer of food to Canada. This information is presented in the agency's web site located at:

http://www.inspection.gc.ca

In addition to information by specific detail (labels, nutrition class, ingredients etc.) generic information necessary for all importers is available on the web site as well. This generic data is identified as *"Good Importing Practices (GIP); Code of Practice for Use by Canadian Importers"*. A section of the GIP is presented in the Appendix of this Report.

APPENDIX

Primary Data Contacts

Although the secondary sources of data were quite extensive, it was felt that there was information missing in order to fulfill the requested mandate. For this reason, a series of well-selected experts were interviewed. The following people were interviewed:

Major Sylvie Gagné
DLBM/Food Services 3 - Human Resources Management
(613) 996 - 0275 CSN 846 - 0275
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Mrs Johanne Forest,
Coordonatrice,
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MONTREAL, Quebec
H2Z 1X4
Phone. : (514) 283-3612 / 1 800 263-1136
Fax : (514) 283-9350 / 1 877 287-4369
E-mail: dominique.capelle@statcan.ca

Gordon Food Service and Sysco Contact Information:

Sysco Foodservice locations and contact information: www.sysco.com

Gordon's Food Service locations and contact information: www.gfs.com
In Ontario:

Gordon Food Service
2999 James Snow Parkway
Milton, Ontario L9T 4Y9
(800) 268-0159 (Toll Free)
(905) 864-3700 (GTA Local)
(905) 864-3845 Fax

General Email Inquiries: canada@gfs.com

In Quebec the company is called, **Distal Distributors,** and operates out of 5 locations.

Source: *Market and Industry Food Branch of Agriculture and Agri-Food Canada*, report entitled: **The Food Marketing and Distribution Sector in Canada** available on the web site: www.agr.ca/food

Web Sites

Web sites reviewed in the preparation of this document include:

www.crfa.ca
www.inspection.gc.ca
www.rimag.com
www.cfia-acia.agr.ca
www.cpma.ca
www.pma.com
www.statcan.ca

www.csgis.com
www.agr.ca/food
www.hc-sc.gc.ca/seniors-aines
www.foodincanada.ca
http://www.statcan.ca/english/Pgdb/People/Health/health32a.htm
http://www.tc.gc.ca/pol/en/anre2000/tc0013be.htm
http://www.tc.gc.ca/pol/en/anre2000/tc0013ee.htmhttp://www.enpmusic.com/craig/canada/security&defence/caf.html
http://www.gov.on.ca
http://gov.2ontario/moh/health_picklist.asp

Results of a Survey - University Kitchens

Taken from the summary analysis of a survey done 2002 - for Restaurants and Institutions.

"College students don't expect much, food wise. Just some pizza; gourmet coffee, morning, noon and night; breakfast around the clock; and don't skimp on the vegetarian offerings; everything with fries.

For many foodservice directors, centralized production makes these customers' expectations a little easier. In fact, well over half-11 of 15-of the universities surveyed by Restaurants and Institutions use a central kitchen for all or part of their operations.

Centralization also dovetails with the increasing number of "assemble-to-order" marché-style food courts appearing across the country. But campus dining is far more than upscale food factories. As administrators wake up to the fact that students, with parents looking over their shoulder, are choosing where to spend four or more years of their lives based partly on how well they'll eat, funds are being channeled to dining-service coffers for major renovations and remodeling.

MASS QUALITY Notre Dame's new Food Market in South Dining Hall is a good example. There, residential students who don't gain at least a few pounds their first year may not be taking full advantage of their board plan. Choices at the Market run the gamut, from must-have pizza, Asian stir-fry or Mexican, to carving station, home style, grill, even waffles. Off-campus students and faculty have the option of dining at nearby Reckers, the 24-hour campus restaurant. Supplying the Food Market, Reckers and other dining units is a 38,000-square-foot, state-of-the-art foodservice support facility. The all-purpose structure includes food warehousing, preparation of vegetables and sandwiches, cook-chill and a bakeshop. "Efficiency and labor savings were part of the decision to build the facility, but the other part was to add variety and quality to our menus," says Dave Prentkowski, director of dining services.

"Today's students expect food to be cooked to order," says Ted Mayer, director of dining services. "They want to see the kitchens, see what's happening, and they don't want surprises." Harvard's foodservice operation is further centralizing its production so "cooks can put together components rather than create ingredients or items from scratch. That provides us with more consistency, flexibility and speed of service and cooking to order," says Mayer.

Good Importing Practices (GIP)

The Reader is counseled to visit the web site of the Canadian Food Inspection Agency, (www.cfia-acia.agr.ca) which contains extensive information about Canada's regulations, and a section which specifically focuses on GIP: www.inspection.gc.ca/english/bureau/inform/impprae.shtml

Tables

HealthCare - Number of Beds in Hospitals and Long Term Care Facilities in Canada by Province - 2000

Canada	Number of Beds
Newfoundland	6,996
Prince Edward Island	2,507
Nova Scotia	12,547
New Brunswick	12,830
Quebec	68,972
Ontario	128,249
Manitoba	18,146
Saskatchewan	18,411
Alberta	38,180
British Columbia	44,571
Yukon	282
North West Territories	643
TOTAL	**352,334**

Transportation - Cruise Ship Passengers by Port by Year

Year	Vancouver	Montreal	Quebec City	Halifax	Saint John	Total
1990	388,323	30,869	34,783	24,423	1,748	480,146
1991	423,928	47,047	51,363	43,512	3,402	569,252
1992	449,239	34,872	41,141	31,112	5,500	561,864
1993	579,942	30,626	38,642	30,917	12,378	692,505
1994	591,409	38,920	36,401	37,717	23,629	728,076
1995	596,744	27,384	38,981	30,257	12,226	705,592
1996	701,547	19,078	21,464	36,584	8,543	787,216
1997	816,537	29,324	36,569	44,328	19,813	946,571
1998	873,102	32,583	43,838	47,987	28,418	1,025,928
1999	947,659	18,306	34,628	107,837	40,000	1,148,430
2000	1,053,985	25,200	35,855	138,313	101,410	1,354,763
2001	1,071,755	20,967	33,647	101,348	62,274	1,289,991

Transportation Passengers

1997 to 2001

Years	Railway Passengers	Cruise Passengers
1997	4,104,196	946,571
1998	3,980,280	1,025,928
1999	4,102,874	1,148,430
2000	4,075,743	1,354,763
2001	4,087,113	1,289,991

Military Bases in Canada as of 1999

Air Force Bases	**Army Bases**
CFB Comox (19 Wing), BC	CFB Edmonton,AL
CFB Cold Lake (4 Wing), AL	CFB Suffield,AL
CFB Moose Jaw (15 Wing), SK	CFB Shilo,MN
CFB Winnipeg (17 Wing), MN	CFB Petawawa,ON
CFB North Bay (22 Wing), ON	CFB Montreal,QC
CFB Borden (16 Wing), ON	CFB Valcartier,QC
CFB Kingston (1 Wing), ON	CFB Gagetown,NB
CFB Trenton (8 Wing), ON	CF College Toronto, ON
CFB Bagotville (3 Wing), QC	CF Medford,ON
CFB Shearwater (12 Wing), NS	
CFB Greenwood (14 Wing), NS	**All Services**
CFB Gander (9 Wing), NFLD	CF HQ Ottawa, Ontario
CFB Goose Bay (5 Wing), NFLD	CFB Ottawa, ON
CFB Southport,MN	CFS Alert, Nunavut,NWT
	CFNA HQ Whitehorse, Yukon
Navy Bases	CFNA HQ Yellowknife, NWT
CFB Halifax (Atlantic), NS	
CFB Esquimalt (Pacific),BC	

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CA0127	HRI Foodservice Sector - Western CA	8/25/00
CA1054	SIAL Montreal 2001 Evaluation	04/02/01
CA1059	Canadian Food & Beverage Show 2001 - Evaluation	04/02/01
CA1099	Canadian Food Brokers	07/18/01
CA1161	Canadian 2002 Foodservice Sales Forecast	11/16/01
CA2001	Organic Food Industry Report	01/04/02
CA2048	Kosher Foods Market	04/30/02
CA2075	Institutional Foodservice Market in Canada	
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