MAFSI
Manufacturers' Agents Association for the Foodservice Industry

MAFSI.ORG

MAFSI COMMERCIAL FOODSERVICE MARKET FORECAST REPORT

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WELCOME TO MAFSI, AND OUR 2017 COMMERCIAL FOODSERVICE MARKET FORECAST.

MAFSI is a 67 year-old non-profit trade association comprised of 275 independent manufacturers' representative sales companies and 260 manufacturing companies in North America selling, marketing, and producing commercial foodservice equipment, supplies, tabletop, and furnishings.

And as members, they reinvent it. They make it different, and they make it better.

Representing over 2,400 sales and marketing professionals and manufacturing executives across North America; MAFSI provides market forecasting, networking and partnership opportunities, industry stewardship, education and resources, and member advocacy for the $12 billion commercial non-foods industry.

MAFSI REP firms are independent professional providers of field-level sales and marketing services to manufacturers and/or suppliers. They typically handle a portfolio of related but noncompetitive product lines, working under a contractual arrangement within a defined geographic region, and on an exclusive basis within their assigned field of responsibility.

On behalf of their manufacturers, MAFSI REPS exclusively represent approximately 12-18 foodservice manufacturers in their defined geographic region. There are typically 10-20 MAFSI REP agencies in each marketing region.

MAFSI REP firms come in all shapes and sizes, but on average generate 10 - 18 million dollars in gross sales, and typically employ three to four field representatives, with an additional two to three inside customer service personnel. A strong majority of firms have showrooms and test kitchens to assist customers in project planning.

The value that MAFSI REPS bring—both to those they sell to, and those they sell for—emerges in large part from the synergy created through the representation of multiple manufacturers. Their product portfolios allow MAFSI REPS to present broad-based solutions to customer problems, rather than the price-and-delivery model typical of single-product selling. Their consultative approach not only opens the door for the other manufacturers they represent, but also adds value and fosters a partnership with the buyer as the purchase progresses through an entire project.

MAFSI 2017 MARKET FORECAST

Our manufacturers' representative members are also the window to the foodservice marketplace. From mom and pop restaurants, to colleges, hospitals, and major chains—our members are there. With the people, the products, and the relationships that move an entire industry further than ever before.

MAFSI is home to 71% of all manufacturers' representative firms in the U.S. and Canada; with 54% of our representative firm members participating in our annual Commercial Foodservice Market Forecast—a prime reflection of our members' commitment to this industry. Moreover, since MAFSI REPS call on almost all facets of commercial foodservice, there is no one better equipped to report the market dynamics that affect our industry.

And this report isn't only relied on by our industry, but by incredibly influential trade and mainstream media outlets including the *Wall Street Journal, Yahoo! Finance,* and many, many more.

We thank our representative members not only for their contributions to this report, but for the hard work and pride they bring to this industry each and every day.

For more information about MAFSI and our members, please visit www.mafsi.org, or call 404/214-9474.

MAFSI STAFF

Alison Cody
Executive Director

Tom Jedlowski
Associate Executive Director

Ramsey Ruether
Membership and Association Services Coordinator

MAFSI 2017 MARKET FORECAST

Since the recovery from the great recession began in 2010, foodservice equipment and supply sales have grown at more than twice the rate of the overall U.S. economy.

According to the MAFSI Business Barometer, now in its 14th year, sales growth has been locked into a +4% to +5% range for the past 6 years. The good news is that MAFSI Reps are again forecasting sales growth of +4.4% for all of 2017. This is consistent with the 2016 forecast of 4.5%.

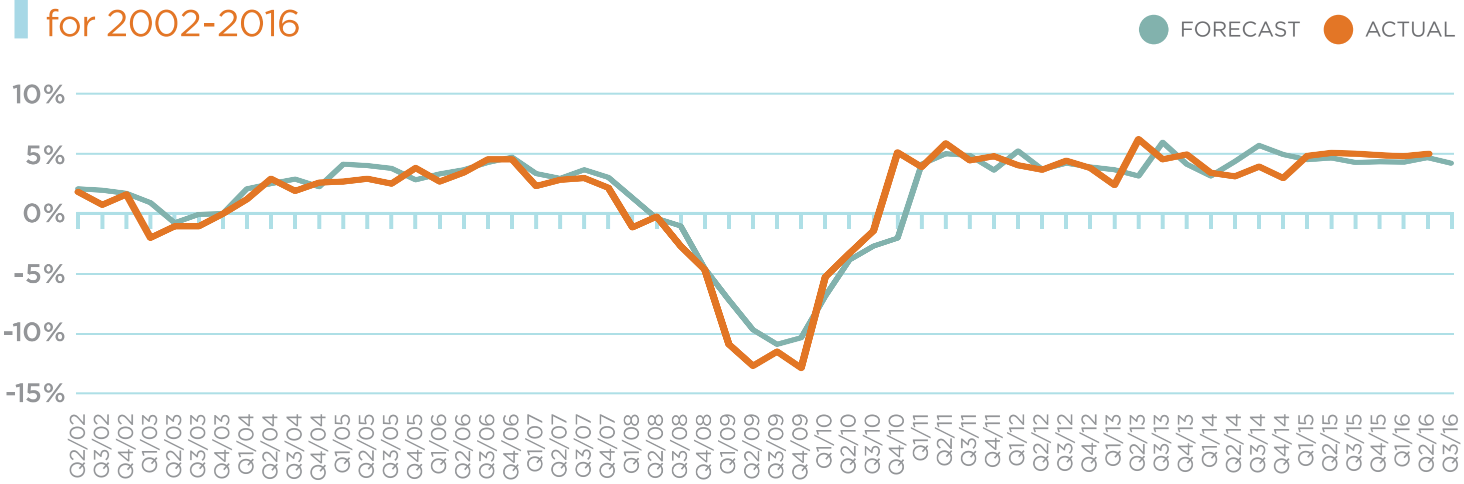
Since the recovery from the great recession began in 2010, foodservice equipment and supply sales have grown at more than twice the rate of the overall U.S. economy.

This forecast is remarkably consistent from region to region with reports of +4.6% in the Midwest to +4.4% in the South and West, +4.2% in the Northeast and +4.1% in Canada.

This consistency is also observed by product category with Tabletop at +5.0%, Furnishings at +4.6%, Equipment at +4.4% and Supplies at +4.1%.

MAFSI BUSINESS BAROMETER HISTORY

Overall Sales Per Quarter for 2002-2016

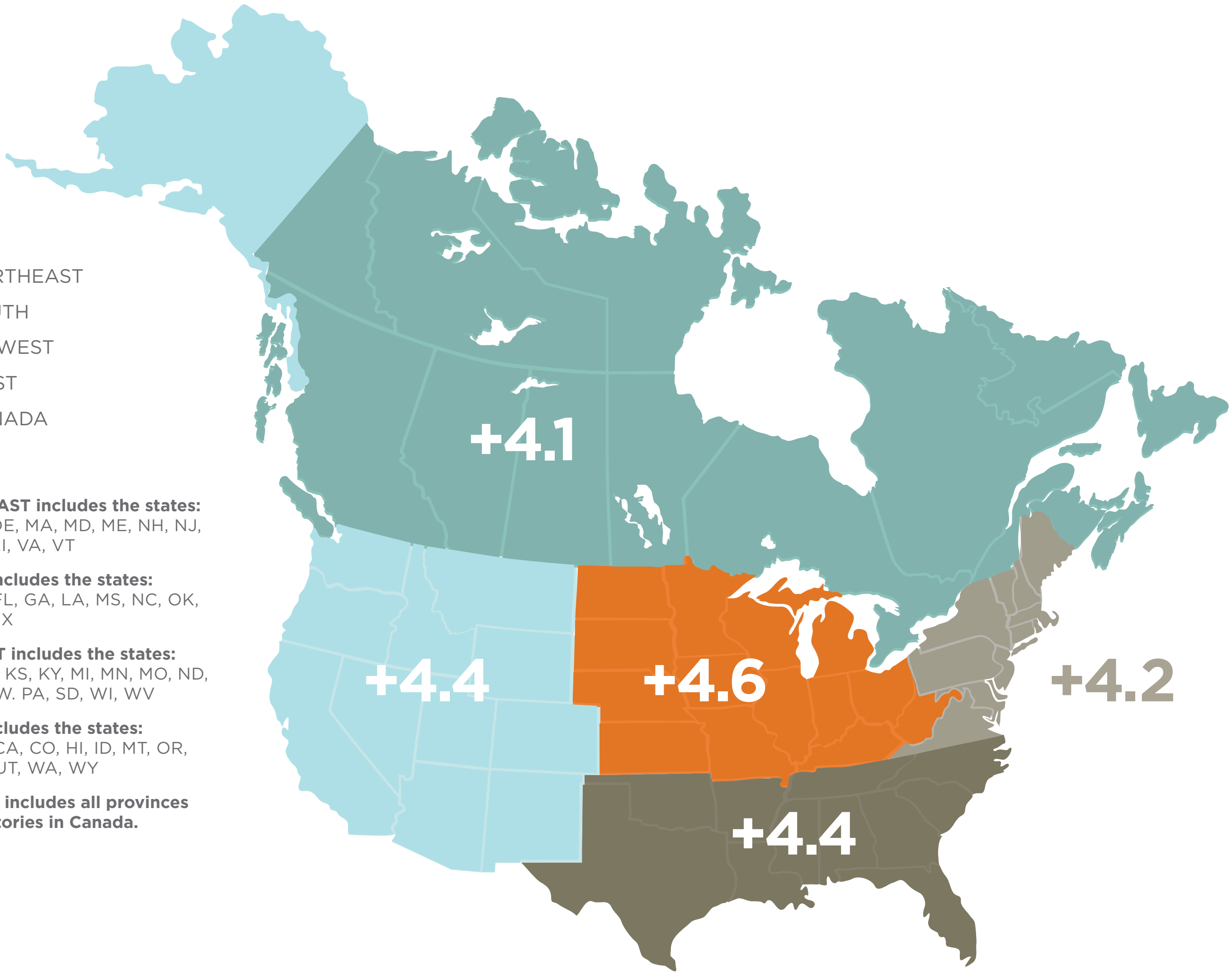


NOTE: Y axis is the percentage of change from comparable quarter of prior year.

MAFSI 2017 MARKET FORECAST

OVERALL SALES FORECAST BY REGION

2017 vs. 2016



NORTHEAST includes the states: CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT

SOUTH includes the states: AL, AR, FL, GA, LA, MS, NC, OK, SC, TN, TX

MIDWEST includes the states: IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, W. PA, SD, WI, WV

WEST includes the states: AK, AZ, CA, CO, HI, ID, MT, OR, NM, NV, UT, WA, WY

CANADA includes all provinces and territories in Canada.

OVERALL SALES FORECAST FOR NORTH AMERICA

2017 vs. 2016

+4.4%

MAFSI 2017 MARKET FORECAST

> Consultant Activity for 2017 is forecasted to have 48% More Activity than 2016, 43% forecast No Change and 9% forecast Less Activity.

A further measurement of sales growth confidence is observed in both Quoting Activity and Consultant Activity. Quoting Activity for 2017 is forecasted to have 52% More Activity than 2016, 37% forecast No Change and 10% forecast Less Activity.

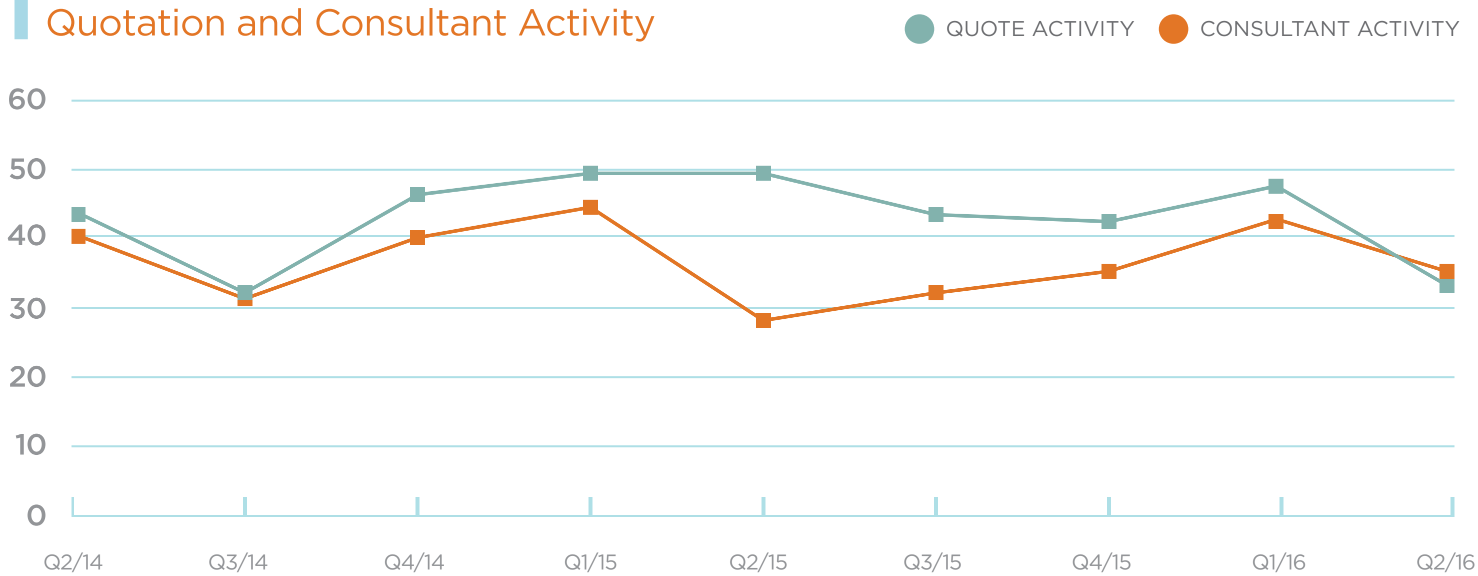
Consultant Activity for 2017 is forecasted to have 48% More Activity than 2016, 43% forecast No Change and 9% forecast Less Activity.

The fastest growing end user segments were identified from the top as Chain Accounts, Healthcare, Schools (K-12), Business and Industry, and Colleges and Universities.

MAFSI Reps added one in staff in 2016 and plan to add more in 2017. They also intend to expand their linecards by one as well.

MAFSI BAROMETER

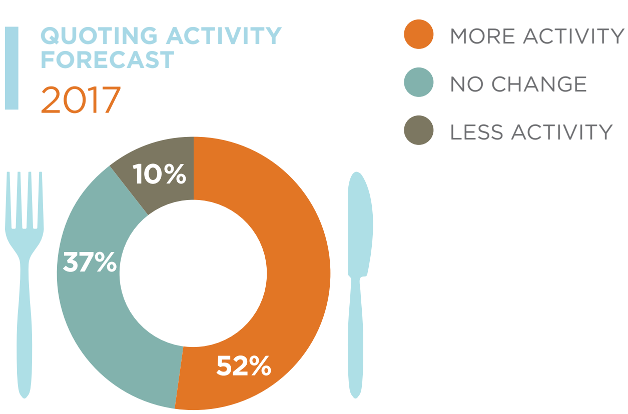
Quotation and Consultant Activity



NOTE: This graph shows the difference between those reporting more activity vs. those reporting less activity. SOURCE: *Foodservice Equipment Reports*

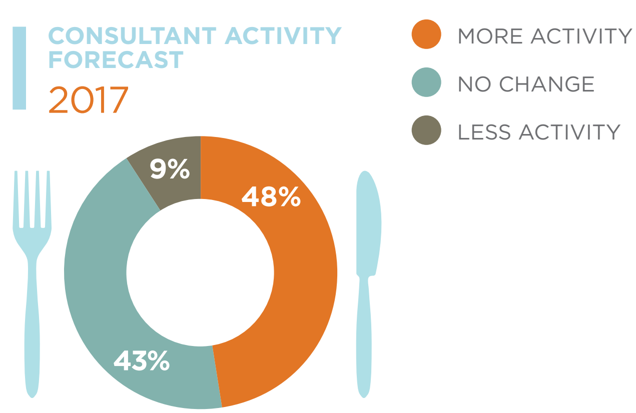
QUOTING ACTIVITY FORECAST

2017



CONSULTANT ACTIVITY FORECAST

2017



MAFSI 2017 MARKET FORECAST

PRODUCT CATEGORIES SALES FORECAST BY REGION
2017 vs. 2016

	equipment	supplies	tabletop	furnishings	overall
WEST	+4.2	+3.8	+5.6	+4.8	+4.4
SOUTH	+4.2	+4.2	+5.2	+5.7	+4.4
NORTHEAST	+4.2	+4.5	+4.8	+3.0	+4.2
MIDWEST	+4.7	+4.0	+4.3	+3.8	+4.6
CANADA	+3.9	+3.6	+5.6	+5.0	+ 4.1

* The overall industry sales growth is calculated using a weighted average based on the percentage of the total sales volume for the overall industry represented by the various sales categories: Equipment (77%), Supplies (6%), Tabletop (11%), and Furnishings (6%). Market numbers are based on the North American Association of Food Equipment Manufacturers (NAFEM) biennial "Size & Shape of the Industry" study.

PRODUCT CATEGORIES SALES FORECAST—OVERALL
2017 vs. 2016

equipment **+4.4%**

supplies **+4.1%**

tabletop **+5.0%**

furnishings **+4.6%**

overall **+4.4%**

EQUIPMENT SUB-CATEGORIES SALES FORECAST BY REGION
2017 vs. 2016

	Primary Cooking	Refridgeration & Ice Machines	Storage & Handling	Serving	Food Preparation	Warewashing & Sanitation	Ventilation
WEST	+4.5	+4.0	+3.9	+4.4	+4.4	+3.9	+2.3
SOUTH	+4.4	+4.3	+3.9	+4.2	+4.2	+4.0	+4.6
NORTHEAST	+4.6	+4.9	+3.5	+3.4	+4.2	+3.3	+2.8
MIDWEST	+5.0	+5.0	+4.3	+4.6	+4.6	+4.0	+3.6
CANADA	+3.3	+3.4	+5.8	+4.6	+4.0	+3.8	+4.3
OVERALL	+4.5	+4.5	+4.1	+4.2	+4.3	+3.9	+3.3

*The equipment sub-category sales growth is calculated using a weighted average based on the percentage of the equipment sub-category sales volume represented by the various sales categories: Primary Cooking (26%), Refrigeration/Ice Machines (32%), Storage/Handling (9%), Serving (16%), Food Prep (7%), Warewashing (10%) from the (NAFEM) biennial "Size & Shape of the Industry" study. Ventilation not weighted.

Although the overall forecast is one of "FULL STEAM AHEAD," there are many questions and issues of concern on the horizon including:

- How is quick service being impacted by supermarket prepared foods?
- What will be the impact of $15.00/hour wage initiatives across many states?
- With many regions nearing "full employment" who will fill new jobs?
- How is the growth in the Business and Industry sector affecting Restaurant employment as they compete for skilled labor including chefs?
- What is the impact of the Presidential race outcome?
- Can the election bring about economic disruption?

All in all, we have the momentum, fueled by a strong pipeline to weather most storms.

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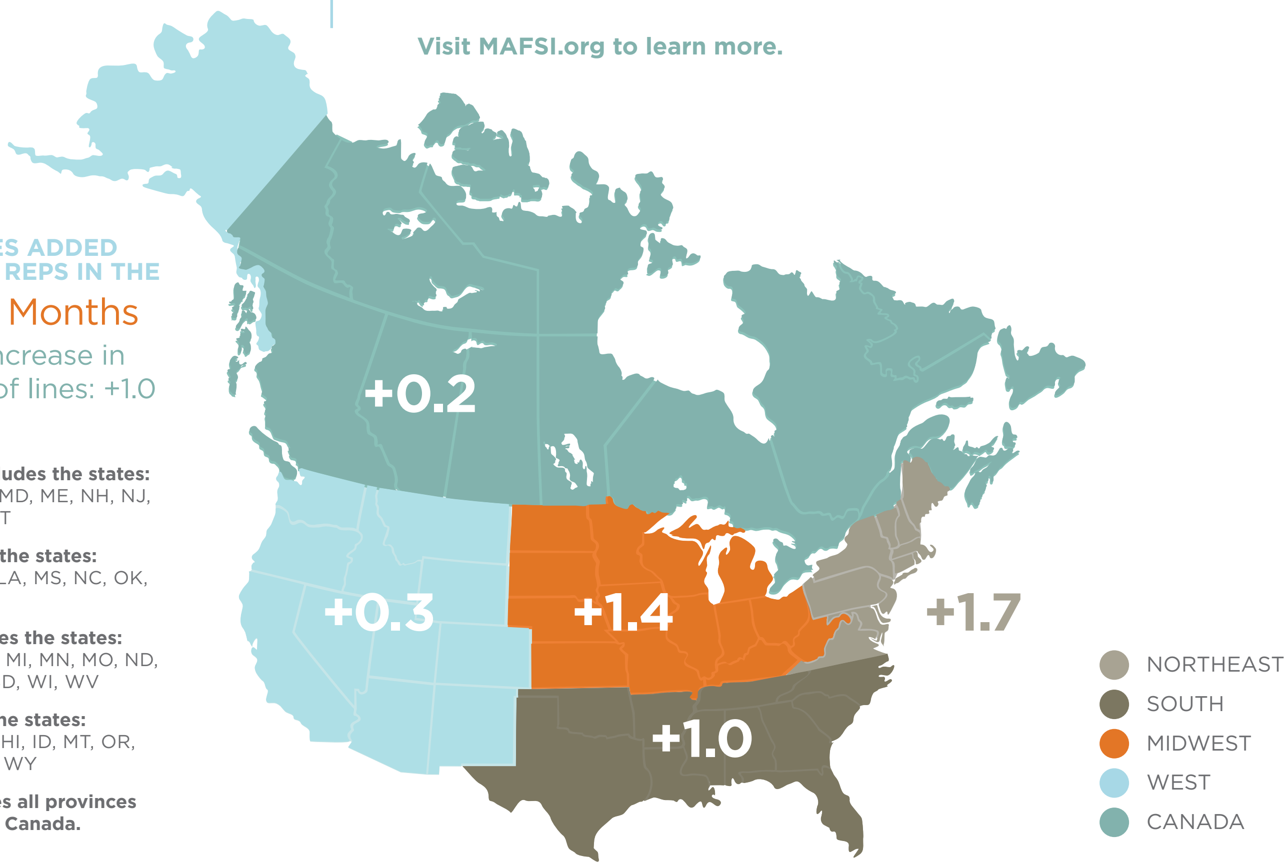
Stay the course, invest in your business and appreciate the contribution of your manufacturer representatives.

Special thanks to Michael Posternak, PBAC, Eastchester, NY for his 2017 forecast commentary. We also extend sincere thanks to our industry partners at *Foodservice Equipment Reports*, *Foodservice Equipment & Supplies*, *Foodservice and Hospitality*, Technomic, and AutoQuotes for sharing their data and expertise in our forecast report.

Visit MAFSI.org to learn more.

NEW LINES ADDED BY MAFSI REPS IN THE Last 12 Months

Overall increase in number of lines: +1.0



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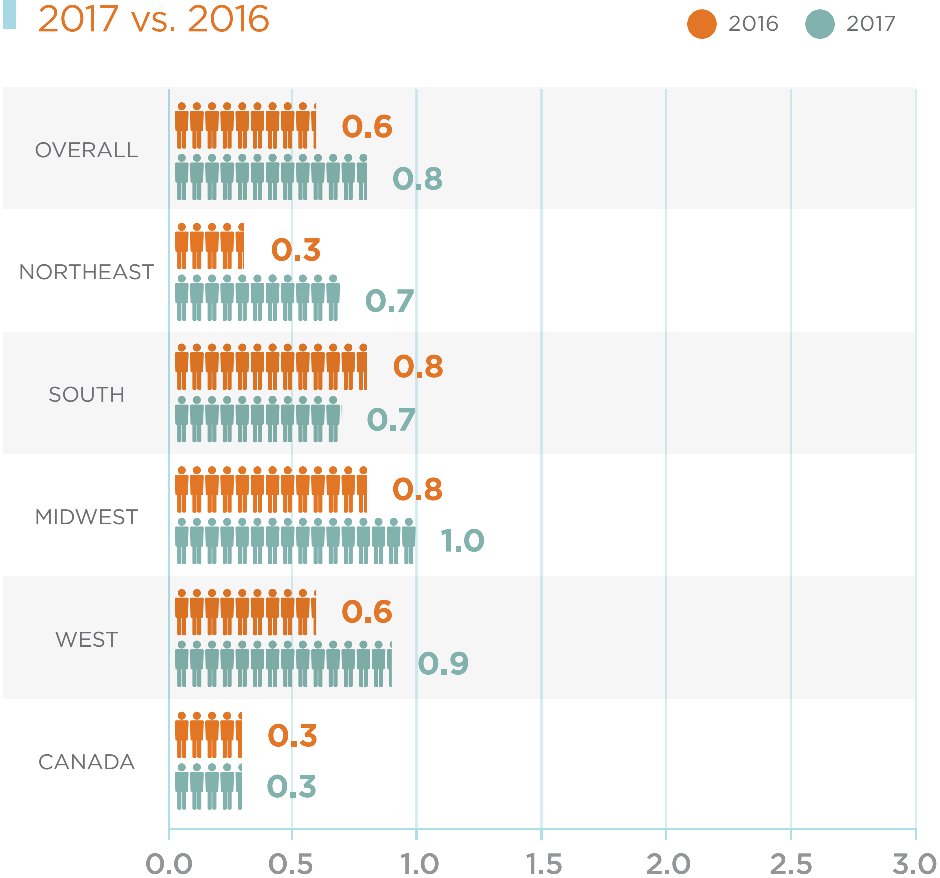
INCREASE IN REP FIRM STAFF BY REGION

2017 vs. 2016



2017 FASTEST GROWING SEGMENTS

by Percentage of Respondents

Chain Accounts	21.1%
Healthcare	15.0%
Schools (K-12)	10.9%
Business and Industry	9.5%
Colleges and Universities	8.8%
Convenience Stores	6.8%
Hotel/Motel	6.8%
Independent Operators	6.1%
Casinos/Gaming	4.8 %
Supermarkets	4.1%
Country Clubs	2.0%
Fine Dining	1.4%
Commissaries/Food Process	1.4%
Contract Feeders	0.7%
Bakeries	0.7%
Sports Venues	0.0%
Theme Parks	0.0%
Corrections	0.0%
Cruise Ships	0.0%
International/Export	0.0%
Military	0.0%

HOW MAFSI REPS WILL MOVE with the Market in 2017

MAFSI Reps were asked to identify significant actions taken and/or planned for 2016-17. The leading responses were:

Capital Investments

1. Implementation of SpecPath®, 11-40-00 specification tracking software to ensure proper credit, and provide manufacturers with crucial marketing intelligence.
2. Increased number of staff through creation of strategic account teams.
3. Marked increases in cloud and mobile technology, increasing service ability on the go.
4. Expanding of almost all overhead including offices, culinary innovation centers, test kitchens, showrooms, and more.

Marketing Investments

1. Increased travel budgets to attend more trade shows, sales meetings, and operator calls.
2. Upgrades to websites, and social media platforms.
3. Hired outside marketing agencies to help further firms' goals.
4. Leveraged online marketing leads to increase operator calls, and drive sales.

Operations Investments

1. Continued investment in dealer training and motivation.
2. Expanding calls to include service companies as a means to increase leads.
3. Created position to handle all service issues to ensure they are handled correctly.
4. Continue to leverage end users calls as means to create spec and improve customer experience.

Strategic Product Realignment

1. Diversification of product offering to help facilitate multi-line offerings, and increase meetings.
2. Increased operator meetings by all means possible including online marketing, e-blasts, lunch and learns, and test kitchen events.
3. Strengthened position with online dealers and retailers.
4. Continue to push sales and information through market segment channels to maximize relevance.

MAFSI 2017 MARKET FORECAST

WHERE DO YOUR SALES COME FROM?

MAFSI recently conducted two member surveys, asking our rep members a very simple question: “Where do your sales come from?” We conducted a categorical survey in October of 2015, and again in April of this year.

Separating our data into the classic four pillars, (equipment, supply, tabletop, and furniture) we gave our members seven of the most common ways sales are propagated across the industry.

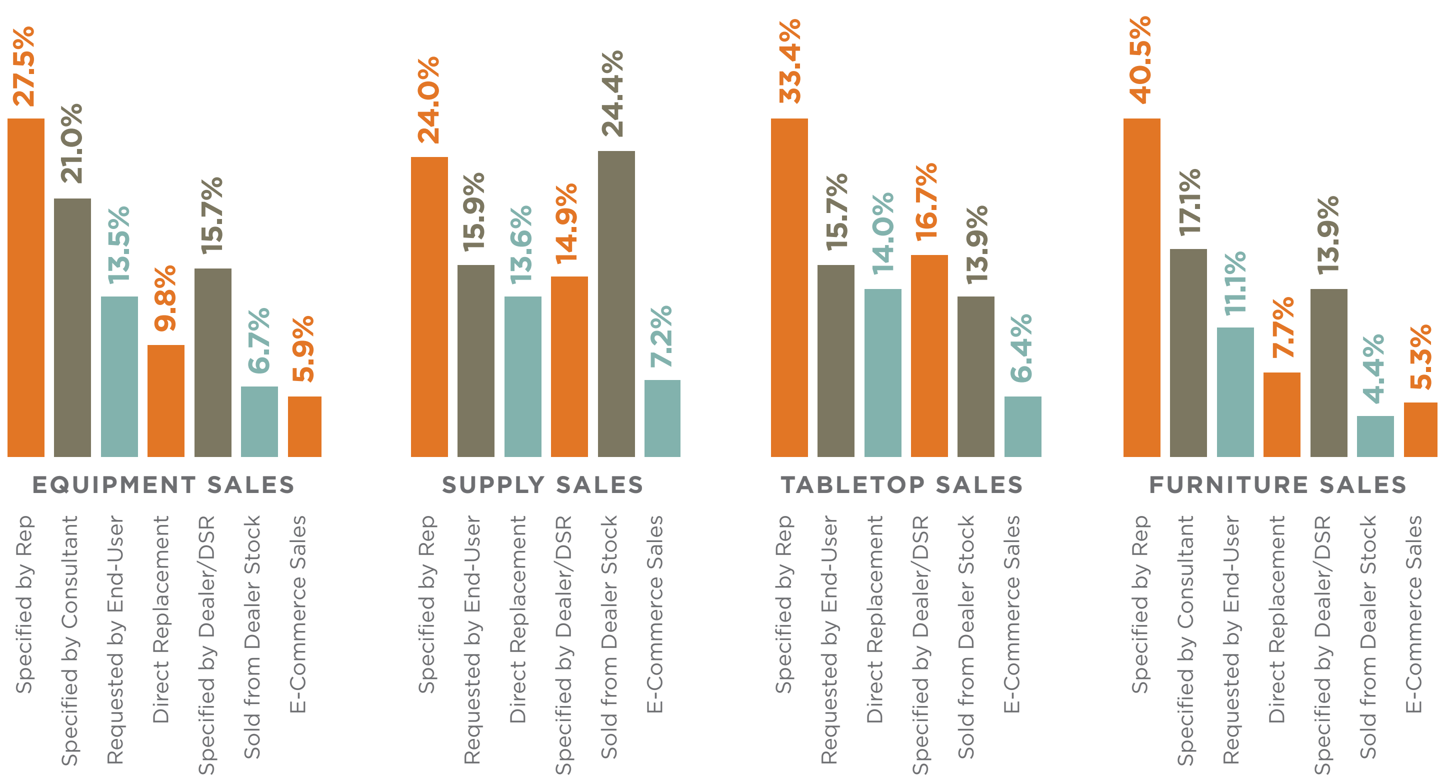
Once again, in all cases, reps take the leading role in selling products, developing leads, assisting DSR’s, facilitating demo’s and service, and stimulating demand for new products.

It’s clear the results vary tremendously when dealing with highly engineered/custom solutions where the rep and consultant are more apt to be the prime “driver,” as opposed to the lower tech “off the shelf,” basic product.

The following graphs represent the percent of sales most attributed to each industry participant. Obviously, many sales are the result of joint collaboration of industry partners and result in smoother sales, happier customers, and a better industry overall.

Once again, in all cases, reps take the leading role in selling products, developing leads, assisting DSR’s, facilitating demo’s and service, and stimulating demand for new products.

PERCENTAGE OF WHERE SALES COME FROM
by Industry Participant



FOODSERVICE EQUIPMENT *reports*

2017 FOODSERVICE E&S MARKET FORECAST

By Robin Ashton, Publisher
Foodservice Equipment Reports

While the rate of growth of the foodservice equipment and supplies market in the U.S. and Canada is beginning to slow, *Foodservice Equipment Reports* expects the market to continue to expand for years to come.

While 2016 still has a quarter to go, we forecast market growth of 4.6% in current dollars with real growth of 2.1% this year.

We estimate the market peaked in 2015 with nominal growth at the manufacturers' level of 4.8% and real growth, after factoring out E&S price increases, of 2.5%. While 2016 still has a quarter to go, we forecast market growth of 4.6% in current dollars with real growth of 2.1% this year. For 2017, we forecast nominal growth will slow to 4.1% with real growth of 1.8%. A factor underlying the slowing real growth numbers are higher than expected manufacturer list-price increases. Still, next year will be the eighth consecutive year of positive real growth for the E&S industry.

There are certainly some downside risks facing the market next year. Larger chains have seen same-store sales and traffic slide throughout 2016, especially among full-service concepts. Such trends are typically the leading indicator for the foodservice and E&S markets. The National Restaurant Association's Restaurant Performance Index slid into contraction territory in August, the second time the index has dipped below the 100 level tipping point in the last nine months. Current same-store sales and customer traffic were especially weak. Both indicators have been in contraction territory for four consecutive months. Before December last year, the overall index had been in expansion territory for 34 consecutive months.

EQUIPMENT, SUPPLIES, TABLETOP, FURNISHINGS AND EQUIPMENT SUB-CATEGORIES

2017 FER Forecast

	% OF MARKET	SALES $ FORECAST	NOMINAL GROWTH	PRICES	REAL GROWTH
Equipment	77%	$9,068.200	4.1%	2.4%	1.7%
Smallwares	6%	$ 742.361	4.6%	2.4%	2.2%
Tabletop	11%	$ 1,282.401	4.4%	2.4%	2.0%
Furnishings & Custom Fabrication	6%	$ 752.875	4.1%	2.3%	1.8%
TOTAL INDUSTRY	**100%**	**$11,845.837**	**4.1%**	**2.4%**	**1.8%**
Primary Cooking Equipment	27%	$ 2,439.310	4.2%	2.4%	1.8%
Refridgeration & Ice Machine	32%	$ 2,905.546	4.1%	2.3%	1.8%
Storage & Handling Equipment	9%	$ 821.893	3.9%	2.3%	1.6%
Serving Equipment	15%	$ 1,379.626	3.9%	2.5%	1.4%
Food Preparation Equipment	6%	$ 560.942	3.8%	2.4%	1.4%
Warewashing & Sanitation Equipment	11%	$ 960.883	4.3%	2.5%	1.8%
TOTAL EQUIPMENT	**100%**	**$9,068.200**	**4.1%**	**2.4%**	**1.7%**

Market numbers are based on the North American Association of Food Equipment Manufacturers biennial "Size & Shape of the Industry" study. Copyright 2014. Sales are $Millions. Thus Storage & Handling Equipment sales in 2017 are $821,893,000. Sales include export sales and are a reflection of North American sales and market size. Base year is 2013. Growth estimates and forecast copyright 2016 *Foodservice Equipment Reports*.

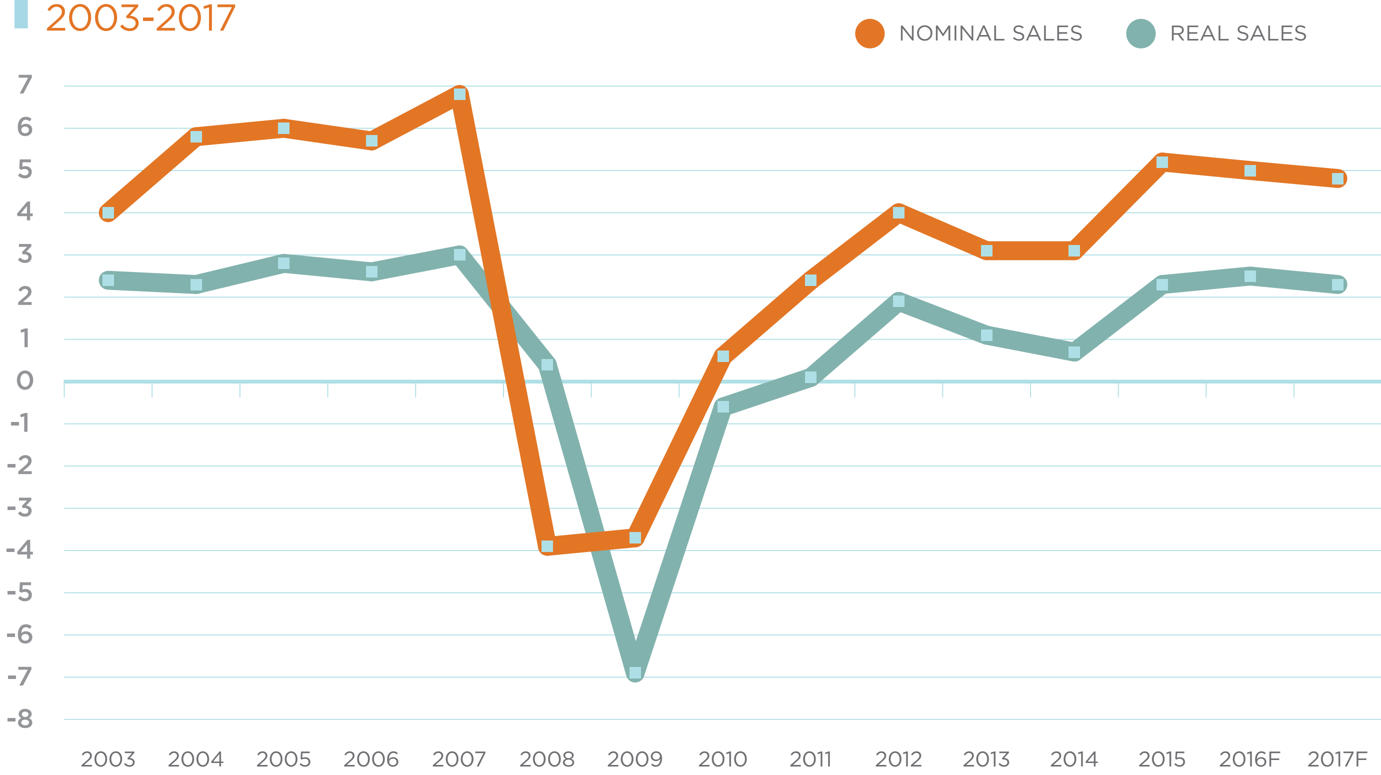
But most other factors that drive the operator and E&S markets remain very positive. Jobs growth trends, disposable income forecasts, and consumer confidence levels all portend continuing growth of foodservice sales. Gasoline prices remain at very low levels and are forecasted to remain low through 2017. Wholesale food prices continue to fall, boosting operator margins and consumer household income.

According to the MAFSI Barometer, quotation and consultant activity remain at very high levels. And the overall MAFSI Barometer continues to grow at a rate of nearly 5% a quarter. The four-quarter moving average through second quarter 2016 is 4.9%.

And some of the reported slowdown in restaurant sales and traffic may be overstated. The NPD Group, whose CREST consumer studies are the broadest measure of foodservice activity, reported restaurant traffic was flat, not negative, in the first two quarters of 2016. Some of the recent restaurant sales and traffic slowdown may also be a factor of uneasiness about the presidential election. Most importantly, the capital spending indicators in NRA's Performance Index remain very positive, despite the sales and traffic slowdown, though the trend has slowed somewhat from last year's record levels.

Jobs growth trends, disposable income forecasts, and consumer confidence levels all portend continuing growth of foodservice sales.

THE E&S MARKET
2003-2017



SOURCE: Technomic Operator Sales Changes

2017 FOODSERVICE E&S MARKET FORECAST

TECHNOMIC OPERATOR SALES FORECASTS BULLISH

Last May, in its 2016 operator sales forecast revision and preliminary 2017 forecast, Technomic Inc. remained very bullish about operator prospects in 2017. They forecast the total foodservice market will grow 5% this year, and 4.9% in 2017. Real growth was pegged at 2.3% this year and 2.4% next.

Among the key restaurant segments, Technomic expects limited-service concepts, including fast-casual, to post 5.5% nominal growth this year and 5.7% growth in 2017. While fast-casual growth has slowed slightly because of Chipotle's woes, McDonald's improving performance has helped boost the category. Full-service growth is expected to slow, from 4.9% nominal growth in 2016 to 4.3% next year.

Many "Beyond Restaurants" segments continue to post strong growth rates. Supermarket foodservice—essentially prepared foods offerings—is forecast to grow 8.9% in nominal terms both 2016 and 2017. Lodging foodservice continues to do well, with growth forecast at 7.3% this year and 6.8% next. Social caterers are slated to grow sales 7.8% in 2016 and 6.3% in 2017. Among the traditional noncommercial segments, Hospital foodservice is expected to grow 4.8% in 2016 and 4.4% next year. Senior living facilities continue to expand with foodservice pegged to grow 7.9% this year and 8% in 2017.

They forecast the total foodservice market will grow 5% this year, and 4.9% in 2017.

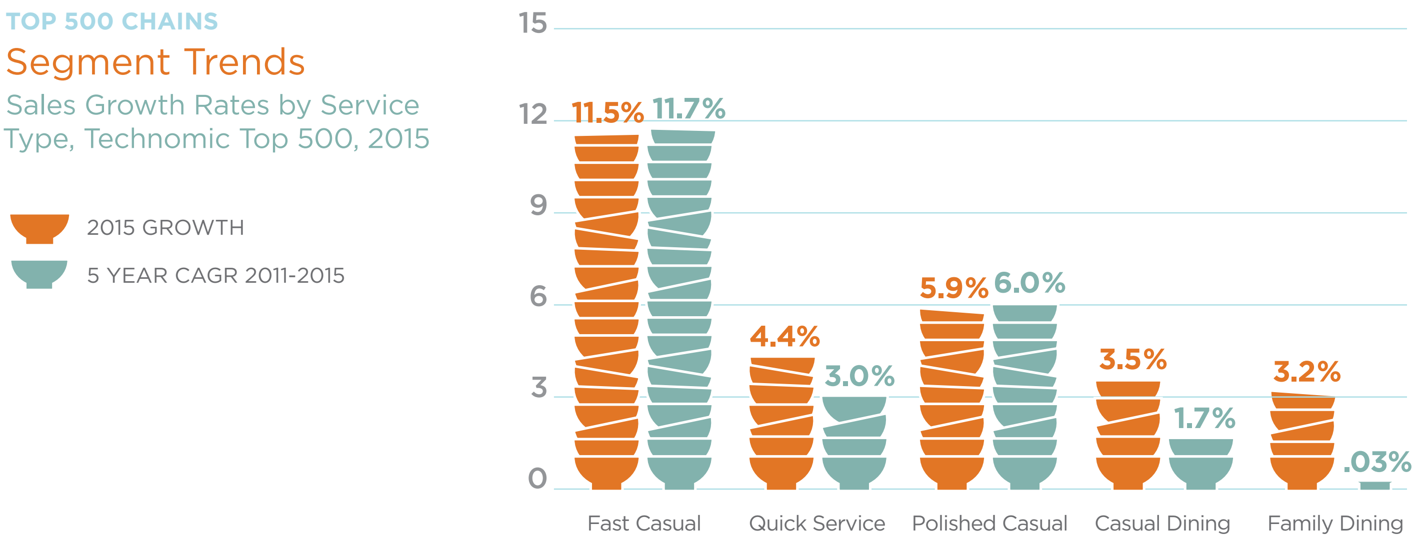
E&S PRICES ROSE MORE THAN EXPECTED IN 2015-16

According to data from AutoQuotes Inc., average list prices for E&S products rose 3.98% for the 12-month period that ended June 2016. This compares with a 3.3% average increase for the same period in 2014-15 and 3.1% in 2013-14. It was the largest annual increase since the commodities inflation days of 2007-08. And these price increases were put through before prices of carbon steels and stainless surged in the first half of 2016, in the case of carbon steels, by as much as 40%.

TOP 500 CHAINS

Segment Trends

Sales Growth Rates by Service Type, Technomic Top 500, 2015



The unexpectedly large increases led *FER* to boost its estimates of price increases in both 2016 and 2017, which in turn led to a reduction in real growth rates for both years.

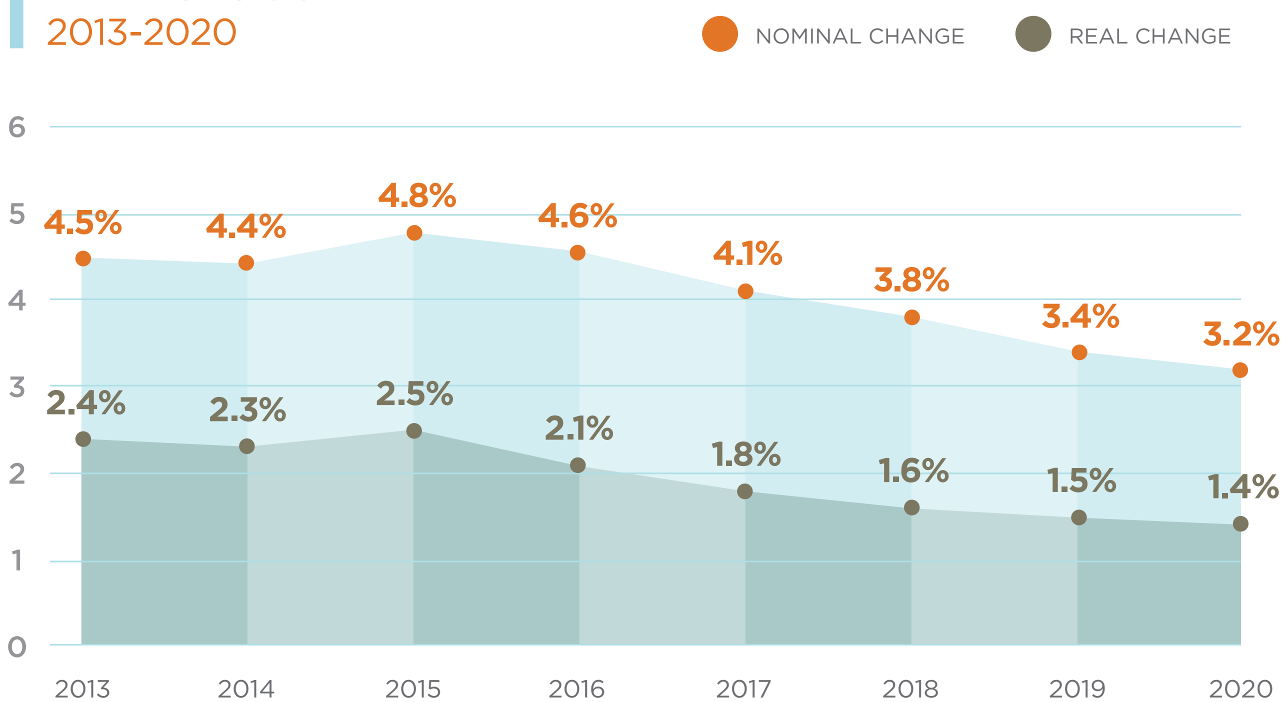
BOTTOM LINE: SLIGHTLY SLOWER GROWTH, A BIT MORE RISK

We do expect the growth rate of the E&S market to slow next year and out through 2020. And with restaurant same-store sales and traffic slowing, there is a bit more risk next year than we've seen recently. But the general economy remains strong with all the factors that drive foodservice positive. Operators continue to spend for equipment and facilities improvements. And the outlook for the spec market remains positive for at least another two years. In other words, we think 2017 will be another good year for the E&S market.

For information on *FER*'s annual President's Preview Forecast Seminar, held late July or early August each year, or to inquire about purchasing our research and forecast products, call 800/986-9616, or e-mail Robin Ashton at rashton@fermag.com.

But the general economy remains strong with all the factors that drive foodservice positive.

FER E&S
MARKET FORECASTS
2013-2020

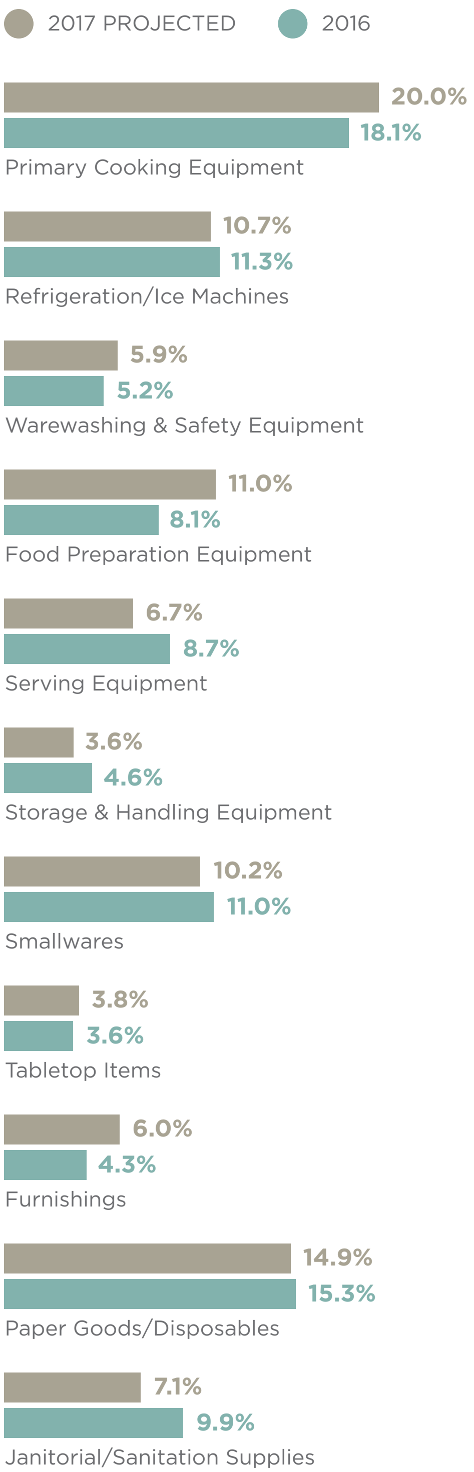


Foodservice equipment & supplies

2017 DEALER/OPERATOR OUTLOOK

By Joe Carbonara, Editor
Foodservice Equipment & Supplies

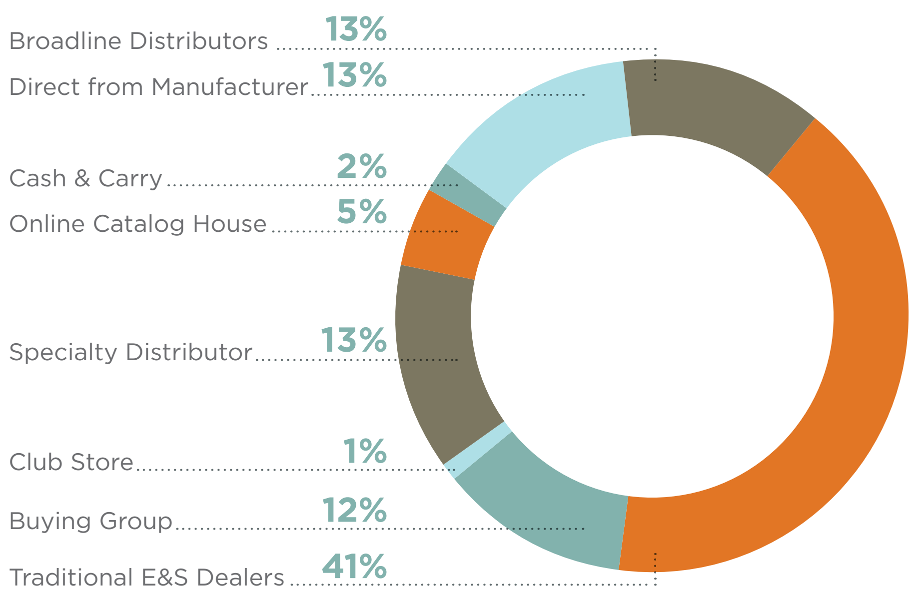
OPERATOR BUDGET by Product Category



OPERATOR OUTLOOK

For 2017, 68 percent of foodservice operators project their sales to increase, and 29 percent anticipate their revenue levels will be on-par with 2016's levels. Among those operators projecting a sales increase, the average rate is 2.68 percent, down slightly from last year's 2.83 percent. Not only do operators foresee sales growth but also a continued increase in their profitability despite a number of challenges, such as controlling rising food costs. Notably, labor issues continue to weigh heavily on operators' minds. In fact, 59 percent of operators cited labor costs as a key concern for 2017, up 14 percent over the previous year.
In terms of their foodservice equipment and supplies budgets, 40 percent of operators anticipate spending more in this area during 2017, which is down 22 percent from last year's projections. Also, 42 percent of operators anticipate their expenditures will remain consistent with 2016's levels. Only 18 percent of operators project spending less on foodservice equipment and supplies in 2017. Among those planning to spend more on foodservice equipment and supplies, the average increase is 2.01 percent, up from last year's projection of 1.51 percent.

OPERATOR ACTIVITIES E&S Purchases by Distribution Channel



NOTE: Commercial operations (specifically chains) are more likely than non-commercial segments to make E&S purchases direct from the manufacturer.

2017 DEALER/OPERATOR OUTLOOK

Foodservice equipment & supplies

DEALER OUTLOOK

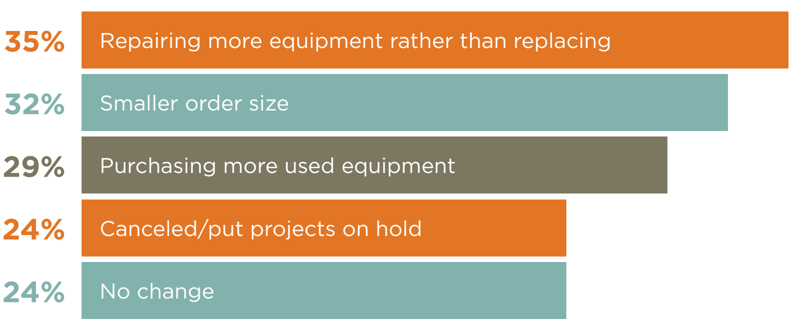
Seventy seven percent of dealers project their sales will increase in 2017, which is consistent with last year. Only 3 percent of dealers expect their sales to decline in 2017. Among those dealers projecting higher sales, the average increase is 7.17 percent, which is consistent with last year's projections. In addition, 71 percent of dealers report having more business booked for the coming year than they did at this time in 2015. Only 10 percent of dealers report having less business booked for the coming year. The operator segments representing the greatest opportunities for dealers are casual dining, college and university foodservice, traditional QSRs, grocers and delis and correctional foodservice.

For more information on the FE&S' 2017 Forecast studies call 800/630-4168, or e-mail Joe Carbonara at joe@zoombagroup.com.

Among those dealers projecting higher sales, the average increase is 7.17 percent, which is consistent with last year's projections.

OPERATORS ACTIVITIES

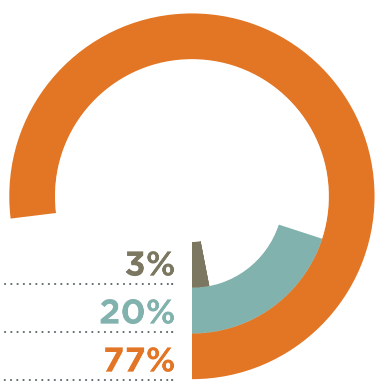
Top Four Changes in Operator Purchasing Patterns Noted by Dealers



NOTE: 14% said purchasing from or comparing items on the internet

DEALER OUTLOOK

2017 Dealer Sales Projections



Less 3%
Same 20%
More 77%

2017 CANADIAN COMMERCIAL FOODSERVICE FORECAST

By Amy Bostock, Managing Editor
Foodservice and Hospitality

In 2016, the Canadian foodservice industry was categorized as "tumultuous" with growth remaining flat, QSRs continuing to steal share from other segments and millennials still the driving force behind restaurant innovation.

"Because we had soft customer traffic, which remained flat, we did see continued pressure around price and menu inflation continued to creep up," says Robert Carter, Executive Director, Foodservice Canada at the NPD Group in Toronto.

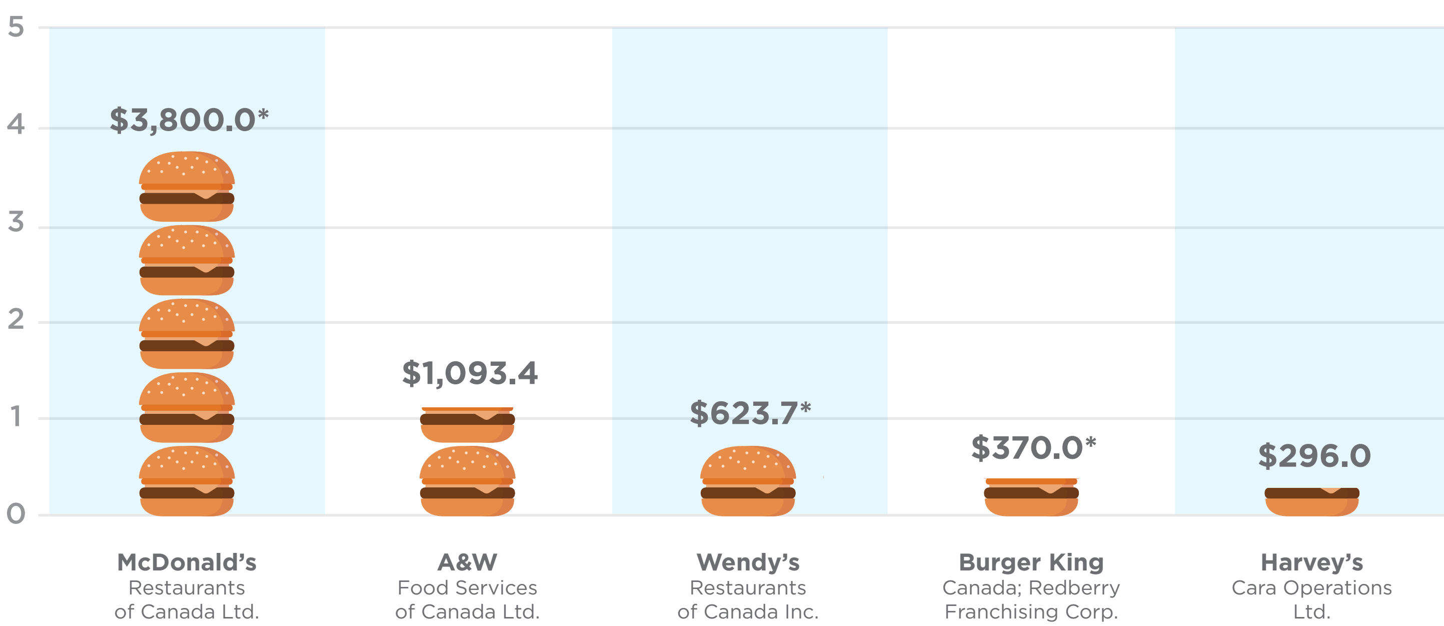
And while Chris Elliott, Senior Economist for Restaurants Canada, says 2016 was supposed to be the year of big improvements in terms of overall economic growth, he agrees not much has changed on that front. He says the impact of weak business investment and modest export growth are to blame. "We're not seeing job growth or increases in disposable income. But surprisingly, foodservice sales continue to be quite strong amidst a lot of those challenges."

"We're not seeing job growth or increases in disposable income. But surprisingly, foodservice sales continue to be quite strong amidst a lot of those challenges."

To understand these economic trends, Elliott says you have to look to the past. "It's very much economic-driven in terms of what's happening right now. If you go back 10 years, all the growth was driven by the Prairie Provinces and we didn't see as much growth in Ontario or B.C.," he explains. "Now, with this whole change in the economy—where pressed commodity prices have an impact in Alberta and Saskatchewan—we see the growth moving to B.C. and Ontario."

Top 5 Burger Chains
(MILLIONS)

*SOURCE: *Foodservice and Hospitality*'s Top 100 Report, June 2016



The shift, he says, is thanks in large part to the two provinces' robust housing markets, strong consumer confidence and high retail spending. "A lot of that spending is also ending up in restaurants," says Elliott. In fact, according to Restaurants Canada's *Foodservice Facts 2016* report, restaurants represent 27 per cent of Canadian households' food-and-beverage budget—a share that has changed little since 2010.

So what's on the horizon? Over the next five years, growth is projected at less than one per cent annually, which means operators will continue to steal share through diversification. Already this year, Starbucks threw down the gauntlet when it introduced alcohol in three of its Canadian cafes. "We're constantly looking for ways for customers to say: "Isn't that cool that Starbucks did something new?" said Rossann Williams, President of Starbucks Canada in a recent story in the *Toronto Star*.

According to Elliott, the country is expecting a bit of moderation in foodservice growth for 2017. "This is really because we've seen such strong growth of more than five per cent over the previous four out of five years." He says he expects growth to follow Conference Board of Canada forecasts for the retail sector: a moderation in consumer spending. "It just cannot continue to grow at such an unsustainable pace," he stresses. "But once you back out inflation of 2.4 per cent, we're really only growing at about the same rate as the population."

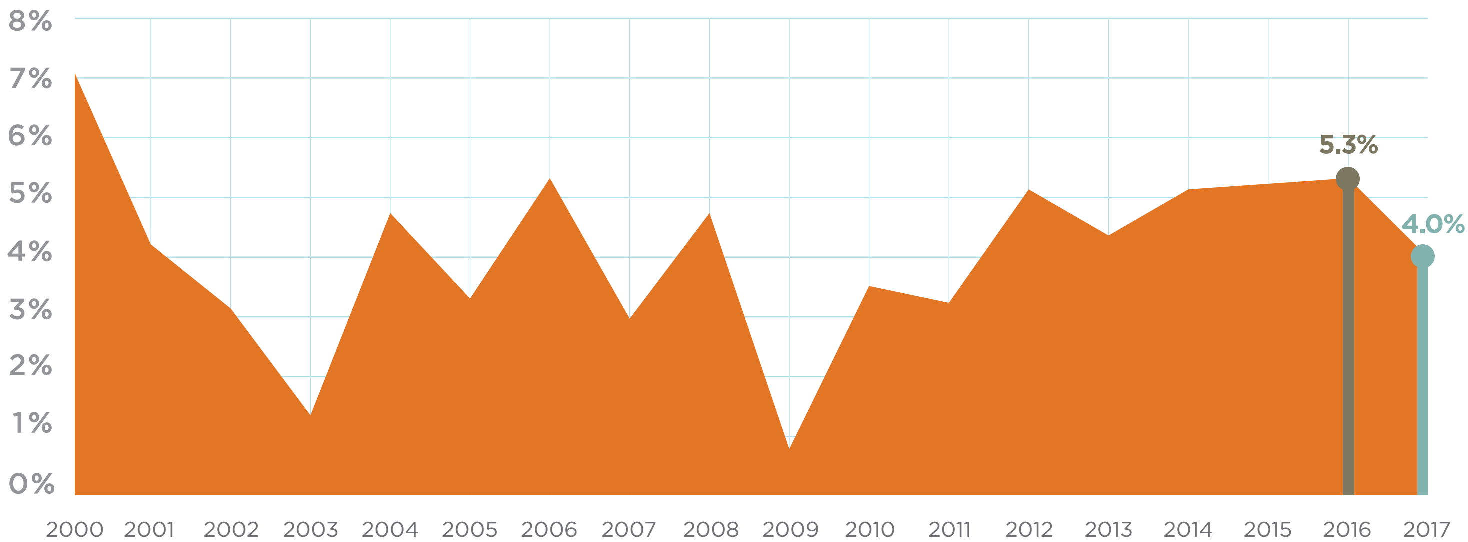
Over the next five years, growth is projected at less than one per cent annually, which means operators will continue to steal share through diversification.

CANADIAN COMMERCIAL FOODSERVICE SALES

Year-Over-Year Nominal Change

PRELIMINARY FORECAST

SOURCE: Statistics Canada and Restaurants Canada



QUICK-SERVICE RESTAURANTS ARE DRIVING INDUSTRY GROWTH

QSRs are leading all segments of the foodservice industry with forecast growth of 6.3 per cent ($28,563 million) in 2016. The *Fast-food Restaurants in Canada* report, released by U.S.-based IBISWorld in August, shows that during the past five years, the segment has expanded despite changing consumer tastes. “Since 2011, higher consumer spending and product innovation by fast-food restaurants has renewed consumer interest in fast-food,” says Andrew Alvarez, Industry Research Analyst at IBISWorld and author of the report. “Products with higher profit margins, such as coffee, smoothies and salads, have become more prominent at traditional fast-food restaurants, leading to an increase in the average industry profit margin.”

The *Fast-food Restaurants in Canada* report, released by U.S.-based IBISWorld in August, shows that during the past five years, the segment has expanded despite changing consumer tastes.

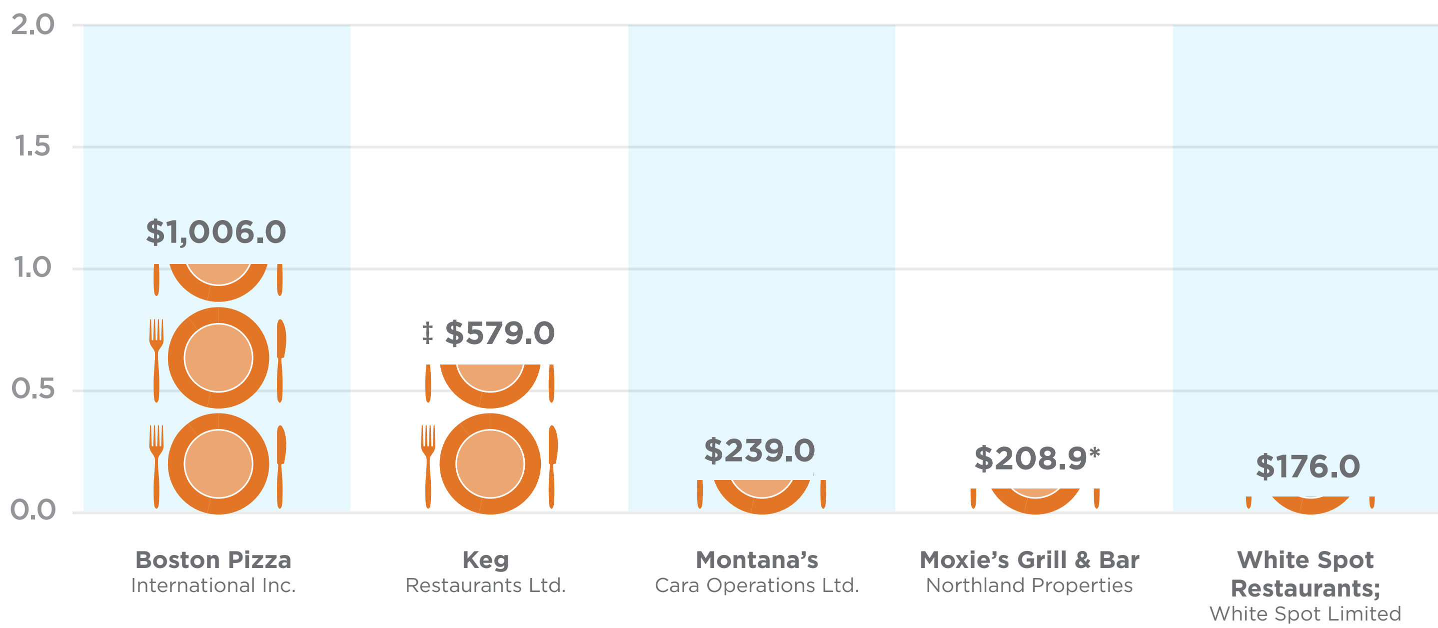
Customization and high-quality ingredients have become increasingly important with Canadian consumers, leading major QSR players to reconsider overall strategy and menu offerings. “The QSR segment continues to be the leader from an industry standpoint and that’s being led by the innovation coming out of Tim Hortons and McDonald’s as they expand beyond their core offerings,” says Carter. “Starbucks has also put an increased focus on its food and even Wendy’s is getting into the game with some interesting new menu innovations (such as the Pretzel Burger, Grilled Chicken Sandwich and Tacolicious Salad).”

According to Alvarez, the QSR segment’s consistent growth is expected to continue over the next five years—at a slower pace—due mainly to faltering consumer confidence amid volatile commodity markets and uncertain economic conditions.

Top 5 Casual-dining Chains

(MILLIONS)

*SOURCE: *Foodservice and Hospitality*’s Top 100 Report, June 2016



FOOTPRINT, STAFFING CHALLENGES AND COSTS ARE DRIVING EQUIPMENT PURCHASING DECISIONS

According to the "Equipment Trends Report", which appeared in the September issue of *Foodservice and Hospitality* magazine, industry experts say the overwhelming considerations when purchasing restaurant equipment are footprint, staffing challenges and costs. Operators are seeking innovations in shrunk-down versions of workhorse appliances, multi-tasking and intelligent appliances, and/or products to help maximize human resources or stretch menu offerings. Joel Sisson, President and Founder of Crush Strategy Inc. in Mississauga, Ont. says in working with operators, the focus in recent months has been on appliances that deliver consistent results and are easy to use. "Even though operators want to be energy efficient, that's a distant third, because it's harder to realize the savings.

Multi-function, smart appliances are among the most sought-after pieces of equipment these days, says Doug Feltmate, foodservice and hospitality consultant with Ottawa-based Planned Foodservice Solutions. "The biggest multi-tasking piece is still the combi oven—Electrolux, Rational, Alto-Shaam and Combitherm have all come up with a version of a self-cooking centre that does a lot of the work for you. They're becoming mainstays in commercial kitchens. If you add automated cooking features, your oven becomes another cook on the line."

Feltmate says the availability of ventless combi-oven units is a huge game changer. "Pretty well every manufacturer has a self-ventilating unit that meets all local codes. With them, you can make changes to an existing restaurant without affecting ventilation and the major capital costs that go with it."

On the cold front, large-scale refrigeration units haven't seen an abundance of changes but Feltmate reports a growing interest in rapid/blast chillers, particularly on the smaller operations side. "They were once for institutional applications. Now, smaller operators are interested from a food-safety aspect so are willing to invest $8,000 or $10,000 for a smaller unit."

For more information contact Amy Bostock, Managing Editor, *Foodservice and Hospitality* magazine by calling 416/447-0888, or e-mail abostock@kostuchmedia.com.

Operators are seeking innovations in shrunk-down versions of workhorse appliances, multi-tasking and intelligent appliances, and/or products to help maximize human resources or stretch menu offerings.

TECHNOMIC®

US/CANADIAN **FOODSERVICE INDUSTRY MARKET FORECAST**

United States

Revised May 2016

SEGMENT	2016 Retail Sales Equivalent $ BILLIONS	Nominal Growth 2016 (R)	Nominal Growth 2017 (F)
TOTAL RESTAURANTS AND BARS	**$ 483.822**	**5.2%**	**5.1%**
Limited Service	$ 269.234	5.5%	5.7%
Full Service	$ 210.708	4.9%	4.3%
Bars and Taverns	$ 3.880	4.2%	4.2%
RETAILERS	**$ 63.835**	**6.3%**	**6.4%**
TRAVEL & LEISURE	**$ 76.967**	**6.4%**	**5.5%**
NONCOMMERCIAL	**$ 113.709**	**2.5%**	**2.5%**
Business & Industry	$ 15.612	3.3%	2.9%
Education	$ 38.088	2.5%	2.4%
Healthcare	$ 27.357	5.1%	5.0%
Refreshment Services	$ 24.578	0.1%	0.6%
Military	$ 3.946	(0.7%)	0.4%
Corrections	$ 4.128	(0.7%)	(0.6%)
ALL OTHER	**$ 3.951**	**6.3%**	**5.8%**
TOTAL FOODSERVICE	**$ 742.284**	**5.0%**	**4.9%**

SOURCE: Technomic Inc.: * = forecasted. ( ) = decline. Note: The data shown does not reflect the impact of changes in portion sizes and/or sales mix. Numbers may not add due to rounding. Forecasts and numbers subject to change. Data may not be comparable to previous editions of this chart due to redefinitions, resegmentation, and revisions. Note: Nominal growth assumes menu price inflation rate of 2.7% for 2016 and 2017

Canada

Revised October 2016

SEGMENT	2016 Retail Sales Equivalent $ BILLIONS	Nominal Growth 2016 (R)	Nominal Growth 2017 (F)
TOTAL RESTAURANTS AND BARS	**$ 47.440**	**4.1%**	**3.9%**
Limited Service	$ 26.655	4.4%	4.5%
Full Service	$ 20.243	3.8%	3.3%
Bars and Taverns	$ .363	(1.0%)	(0.5%)
RETAILERS	**$ 6.388**	**3.4%**	**3.8%**
TRAVEL & LEISURE	**$ 13.106**	**4.6%**	**4.3%**
NONCOMMERCIAL	**$ 8.955**	**4.0%**	**3.9%**
Business & Industry	$ 2.257	3.7%	4.0%
Education	$ 1.385	2.9%	2.8%
Healthcare	$ 4.335	5.6%	5.2%
Refreshment Services	$ .527	(0.1%)	0.0%
Military	$ .266	(4.0%)	(2.5%)
Corrections	$ .185	2.5%	2.2%
ALL OTHER	**$ .160**	**2.5%**	**2.0%**
TOTAL FOODSERVICE	**$ 76.049**	**4.1%**	**4.0%**

SOURCE: Technomic, Statistics Canada, various trade sources. ( ) = Decline. R = revised. F = forecast. Note: Nominal growth assumes menu price inflation rate of 2.8% for 2016 and 2.4% for 2017. Numbers may not add due to rounding. Forecasts and numbers subject to change. Note: The data shown does not reflect the impact of changes in portion sizes and/or sales mix.

U.S. Food Industry Universe

July 2016

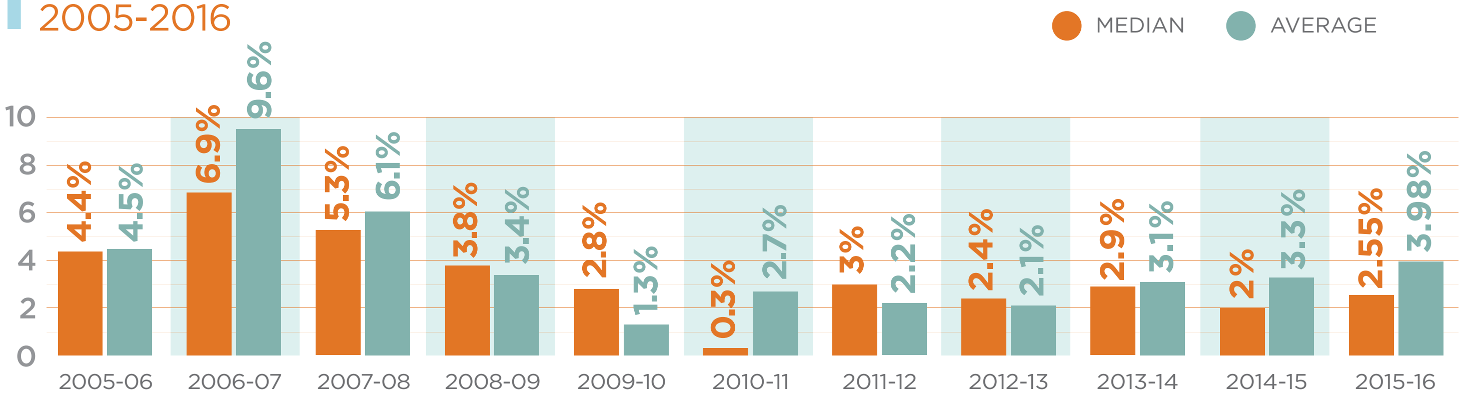
SEGMENT	FOOD	ALCOHOL	NONFOODS	TOTAL	Nominal Growth 2016	Nominal Growth 2017
	2016 Retail Sales Estimates $B					
TOTAL RETAIL	**$ 714.8**	**$ 123.1**	**$ 50.0**	**$ 887.8**	**3.0%**	**3.0%**
Traditional Grocery	**$ 475.5**	**$ 26.0**	**$ 24.2**	**$ 525.6**	**1.7%**	**1.6%**
Traditional Supermarkets	$ 339.9	$ 19.3	$ 10.7	$ 369.9	1.9%	1.8%
Supermarkets	$ 121.6	$ 6.3	$ 8.4	$ 136.3	2.0%	2.0%
Mass Merchandisers	$ 14.0	$ 0.4	$ 5.1	$ 19.4	(3.5%)	(4.0%)
Other Grocery	**$ 239.3**	**$ 97.1**	**$ 25.8**	**$ 362.2**	**4.8%**	**5.1%**
Specialists	$ 23.8	$ 47.4	$ 0.1	$ 71.2	3.5%	4.3%
Club Stores	$ 54.5	$ 2.8	$ 4.1	$ 61.4	1.9%	2.5%
Convenience Stores	$ 60.1	$ 16.5	$ 0.9	$ 77.5	4.2%	4.0%
Online	$ 11.8	$ 17.6	$ 8.8	$ 38.2	20.5%	19.8%
Limited Assortment	$ 27.8	$ 1.6	$ 0.9	$ 30.2	6.8%	6.5%
Fresh Format	$ 16.9	$ 1.0	$ 0.5	$ 18.4	8.7%	9.1%
Drug Stores	$ 12.0	$ 3.3	$ 1.3	$ 16.7	6.4%	5.0%
Small Grocery	$ 9.8	$ 0.6	$ 0.3	$ 10.7	2.2%	1.6%
Dollar Stores	$ 4.7	$ 0.1	$ 1.7	$ 6.6	4.4%	4.6%
All Other	$ 17.9	$ 6.4	$ 7.1	$ 31.3	(4.8%)	(5.9%)
TOTAL FOODSERVICE	**$ 742.3**	**$ 110.8**	**$ N/A**	**$ 853.1**	**4.8%**	**4.8%**
Restaurants & Bars	**$ 483.8**	**$ 89.3**	**$ N/A**	**$ 573.1**	**5.0%**	**5.0%**
Top 500 Chains	$ 288.2	$ 11.1	$ N/A	$ 299.3	4.4%	4.4%
Independents/Small Chains	$ 195.6	$ 78.2	$ N/A	$ 273.8	5.6%	5.6%
Supermarket Fresh Prepared Foods	**$ 30.7**	**$ 0.1**	**$ N/A**	**$ 30.8**	**8.9%**	**8.9%**
Other Foodservice	**$ 227.7**	**$ 21.5**	**$ N/A**	**$ 249.2**	**4.0%**	**3.9%**
TOTAL FOOD INDUSTRY	**$ 1,457.0**	**$ 233.9**	**$ 50.0**	**$ 1,741.0**	**3.9%**	**3.9%**

SOURCE: Technomic Inc. with input from IRI; US Department of Commerce; US Bureau of Labor Statistics; Willard Bishop. Grocery "All other" includes food sales in the following sectors: Furniture & Home Furnishings; Building Material/Garden Equipment; Sporting Goods, Hobby, Book & Music; General merchandise, other than mass merchants and dollar stores; miscellaneous store retailers; mail order; all other nonstore retailers. "Other foodservice" includes: Retail Hosts (other than supermarkets); Hotels, Transportation and Recreation; Business & Industry; Education; Healthcare; Refreshment Services; Catering; Military; Corrections; and Other Segments. Nonfoods do not apply in foodservice sales

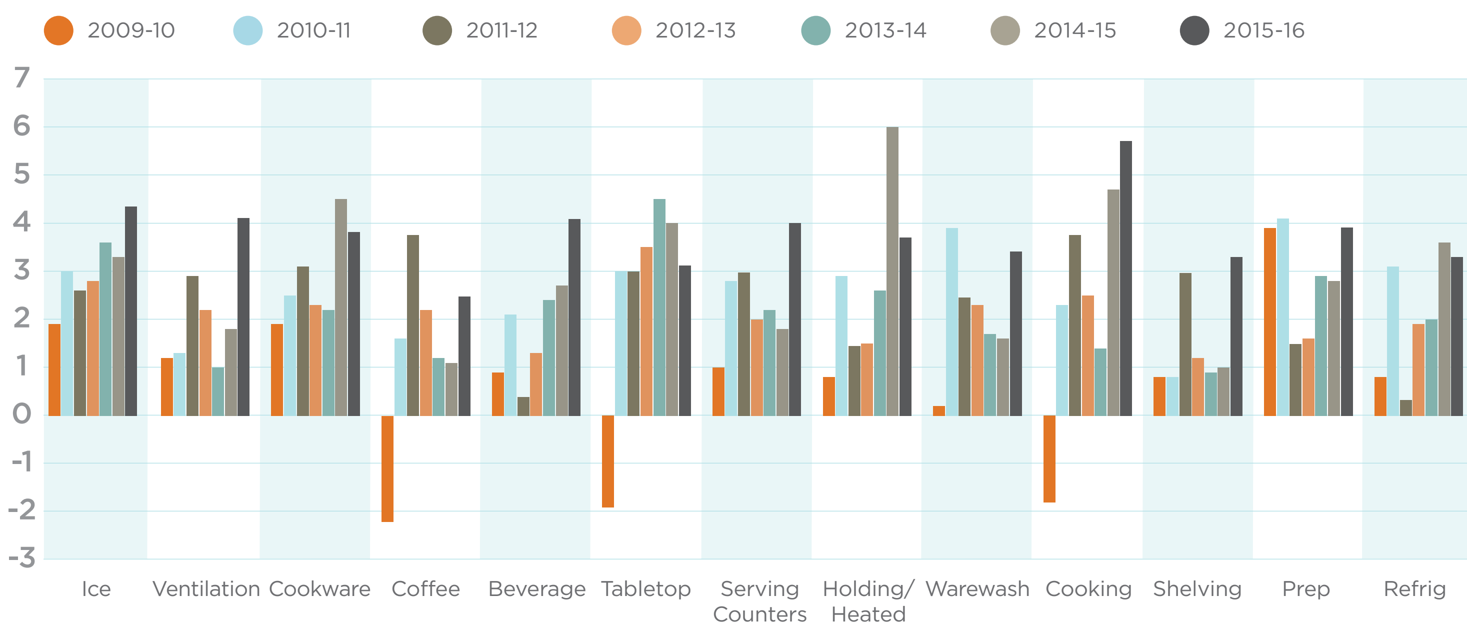
AutoQuotes

2017 **PRICING TRENDS**

YEARLY PRICE INCREASE
2005-2016



YEARLY PRICE CHANGES BY CATEGORY
2009-2016



Ice	Ventilation	Cookware	Coffee	Beverage	Tabletop	Serving Counters	Holding/ Heated	Warewash	Cooking	Shelving	Prep	Refrig
1.9	1.2	1.9	-2.2	0.9	-1.9	1	0.8	0.2	-1.8	0.8	3.9	0.8
3.0	1.3	2.5	1.6	2.1	3.0	2.8	2.9	3.9	2.3	0.8	4.1	3.1
2.6	2.9	3.1	3.7	0.4	2.9	3	1.4	2.4	3.7	2.9	1.5	0.9
2.8	2.2	2.3	2.2	1.3	3.5	2	1.5	2.3	2.5	1.2	1.6	1.9
3.6	1.0	2.2	1.2	2.4	4.5	2.2	2.6	1.7	1.4	0.9	2.9	2.0
3.3	1.8	4.5	1.1	2.7	4	1.8	6	1.6	4.7	1	2.8	3.6
4.4	4.1	3.8	2.5	4.1	3.1	4.0	3.7	3.4	5.7	3.3	3.9	3.3

THANK YOU

MAFSI Reps have their fingertips on the pulse of the markets they serve, giving them an inside look at regional and national sales trends. Our Commercial Foodservice Market Forecast would not be possible without you; the dedicated members of MAFSI. Many thanks to the 148 firms below for making our 2017 forecast possible.

4 Star Representatives Inc.
Adams Marketing & Sales
Advanced Culinary Systems
Advantage Marketing Group
Agences Hamilton Agencies
Apex Commercial Kitchen Co.
Apex Marketing
ARB Sales and Marketing
Bauer Marketing Group, Inc.
Beacon Sales Group, LLC
Bob Waite & Associates
Bowerman Marketing Group
Brittan Associates
C. R. Peterson Associates, Inc.
Carman-Girard Associates
Charles L. Burton Associates
Chernoff Sales, Inc.
Chesher Equipment, Ltd.
Clark, Malone & Associates, Inc.
Clemens Profit Group
Clements-Stella-Gallagher Marketing
CLV Marketing
Collis Group, Inc.
Commercial Kitchen Reps, Inc.
Copperfield Agencies Limited
Courtney Marketing, Inc.
Cowan Associates
D.L.T. Sales, Inc.
Dady & McCoy Sales
Dave Swain Associates, Inc.
Davis & Associates, Inc.
Desert Peak Marketing
Downing Management
DRC Marketing Group
E. Ruff & Associates, Inc.
EasyBar of Minnesota, Inc.
Eaton Marketing Associates, Inc.
Eisner Rose Associates, Inc.
Elite Foodservice Solutions
Equipment Preference, Inc. (E.P.I.)
E-Source, Inc.
Ettinger-Rosini & Associates, Inc.
Florida Agents, Inc.
Florida REPS, Inc.
Food Equipment Sales & Marketing Agents, Inc. (FESMA)
Food Service Systems
Foodservice Equipment Agents, LLC
Forbes, Hever & Wallace, Inc.
Gabriel Group, Inc.
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GMV Sales
Griffin Marketing Group, Inc.
Hanna-Young & Assoc., Inc.
Hatch Jennings, Inc.
High Sabatino Associates
Hollander Company
Hospitality Reps Inc.
HRI, Inc.
Integra Marketing, Inc.
JMT Reps
Johnson Commercial Agents
Johnson Pike & Associates, Inc.
Kain-McArthur Inc.
Kaufmann & Associates
KBC Specialty Products, Inc.
Kelly-Mincks
Ken W. Thomson Associates Ltd.
KLH Marketing, Inc.
Koehler-Borden & Associates, Inc.
Lake Effect Sales & Marketing
Lane Marketing
Lehr McKeown Marketing, Inc.
Link2 Hospitality Solutions
Lobo Reps. International, LLC
Lund-Iorio, Inc.
MAC Sales & Marketing LTD.
Main Street Marketing
Marjon & Associates, Inc.
Marketing Agents South, Inc.
Master Marketing
McGirr, Inc.
Midwest Professional Reps, Inc.
Miller & Associates
Mirkovich & Associates, Inc.
Mirkovich & Associates, Inc.
Nick Mavro & Associates, LLC
North Star Agency, LLC
ONE SOURCE
Paglio & Associates, Inc.
PB & J Commercial Agents
Pecinka Ferri Associates
Performance Food Equipment Group, Inc.
Performance Reps Northwest, Inc.
Permul Ltd.
Posternak Bauer Aitkenhead Cantamessa
Preferred Marketing Agents, Inc.
Preferred Marketing Group
Premier Marketing Group, Inc.
Pro Foodservice Reps Limited
Pro/Line Marketing, Inc.
Professional Manufacturers Representatives, Inc. (PMR)
Pro-Pacific Agents, Inc.
Pro-Quip Foodservice Equipment & Supplies
R. Henry & Associates
R.Z. Marketing Group
Rabco Foodservice Limited
Raleigh W. Johnson & Company
Redco Foodservice Equipment, LLC
Remagen Inc.
Rep Concepts, LLC
Schmid-Dewland Associates
Shamrock Foodservice Equipment Reps. Inc
Sharkey & Associates
South Eastern Manufacturers' Agents, Inc. (SEMA)
Southwest Foodservice Equipment Marketing
Specialized Marketing of Wisconsin
Specialty Equipment Sales Company (SESCO)
stage KOLSTAD associates, Inc.
Stiefel Associates, Inc.
TD Marketing Company, Inc.
The 2Market Group, Inc.
The Fischer Group
The Hansen Group
The Pacific Group
The Pantano and Pinilla Agency, Inc.
The Redstone Group
The YES Group
Thormann Associates
TLC Marketing Inc.
Tom Redditt Sales Agency
Total Source Equipment & Supply
Total Tabletop Plus
Tri-State Marketing Associates
Vader & Landgraf, Inc.
Veitch Group
Velkey & Associates
Viola Group
Voeller & Associates, Inc.
W. D. Colledge Co., Ltd.
Walter Zebrowski Associates
WB Marketing, LLC
West Coast Food Service Marketing
Woolsey & Associates, Inc.
Wyllie Marketing
YBR Marketing, Inc.
Young Equipment Solutions, Inc.
Zink Foodservice