Strong industry growth is expected for 2022 but will decelerate significantly in 2023

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The Canadian foodservice industry has seen strong growth and recovery throughout 2022, particularly since most restrictions were lifted in March 2022. Overall growth is expected to be nearly 23% in 2022; this growth means that the industry will have fully recovered on a value basis from pre-pandemic levels, as shown in Technomic's Recovery Index figures.

Going forward, however, higher inflation, rising interest rates, and the specter of a potential recession have all caused expectations to moderate for 2023 performance; overall growth is expected to only increase by 6.5%, taking the industry to a value approximately 8% higher than in 2019.

The real growth rates (i.e. stripping out inflation) are significantly lower than the nominal growth, particularly for 2022 as inflation continues to impact. Overall, real growth should be 15.4% in 2022 and 2.4% in 2023. Real growth should be considered as a figure that roughly translates to all commodity case volume within the industry.

Based on Technomic's current forecasts, **the industry will slightly exceed its 2019 value by the end of 2022 on a full year basis**. However, on a real (volume) basis, the industry will finish 2022 with an index of 90.3, meaning the industry will still be nearly 10% below pre-pandemic volume levels.

Restaurant Ordering Behaviour (%)
Most Likely to change due to menu price inflation

87% SAY RISING MENU PRICES HAVE IMPACTED RESTAURANT BEHAVIOUR

|	
45	Cook at home more
29	Use less frequently
14	Order less/lower-priced items
12	Visit less expensive restaurants

Source: Technomic June 2022 Omnibus consumer survey

While consumer demand has been strong throughout the summer of 2022, nearly 9 out of 10 consumers are noticing higher prices. Of them, nearly half plan to cook at home more often, and there consumers are also moderating their frequency and looking to control per-visit spending.
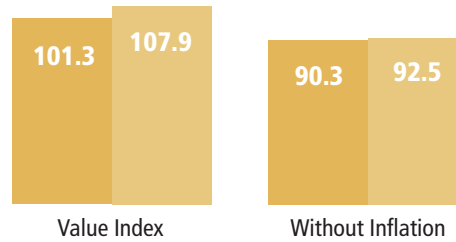
PROJECTED GROWTH IN CANADIAN FOODSERVICE SALES (2022)
Source: Technomic

Value **+22.9%**

Less Inflation **+15.4%**
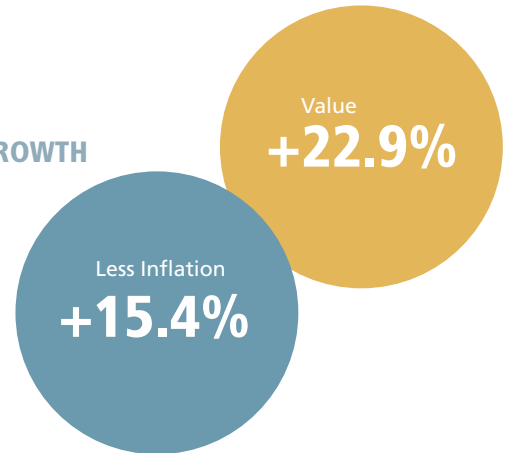
Recovery Index   2019 = 100

- 2022 (Preliminary)
- 2023 (Forecasted)

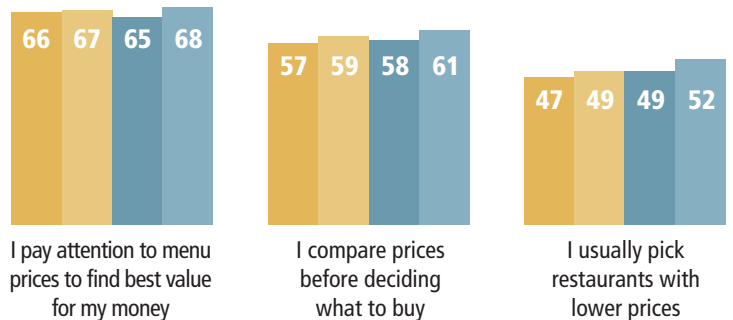| Value Index		Without Inflation	
101.3	107.9	90.3	92.5

87% SAY RISING MENU PRICES HAVE IMPACTED RESTAURANT BEHAVIOUR
Source: Technomic

Percentage Agree/Strongly Agree (%)

- Q2 2019
- Q2 2020
- Q2 2021
- Q2 2022

I pay attention to menu prices to find best value for my money				I compare prices before deciding what to buy				I usually pick restaurants with lower prices			
66	67	65	68	57	59	58	61	47	49	49	52

OVERALL PRICE-SENSITIVITY HAS RISEN ABOVE MID-PANDEMIC LEVELS

Base: Approx. 6,000 Canadian consumers ages 18+ per quarter   Source: Technomic Ignite Consumer

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Automation in the North American Foodservice Industry

In the last decade, automation technologies including artificial intelligence, computer vision and robotics have significantly advanced. These approaches are now helping to increase productivity, improve food safety and reduce the risk of injury associated with repetitive tasks. In some cases, technology that has been successful in other industries is now being adapted for the foodservice market. This progress has been accelerated during the pandemic when the sector experienced serious staffing shortages that have not yet been fully resolved. An aging population will continue to create labour pressures over the longer term. To address this issue there are now several companies offering automated solutions, these include Nala, Miso, Ally Robotics and Dexai.

Nala Robotics based in Telangana India[1], announced the development of the first fully automated Nala Chef 1.1 machine that can operate non-stop 24hours and 7 days per week. The fully automated multi-cuisine chef, customizable robots are using machine learning to cook over two thousand recipes with precision. A recent innovation of Nala is the *Wingman*™, a robot that picks up baskets with chicken wings, french fries and other products to be dipped in hot oil for frying. The

Source: Nala Robotics website

The company Miso has joined forces with Ally Robotics for the further development of their "Flippy" robots[2] to automate the task of frying foods. The unit is roof mounted to utilize the limited amount of available space in the typical restaurant kitchen. This robot is not yet available in Canada.

Source: Miso Robotics website

The American company Dexai Robotics based in Boston has developed several automated solutions. Alfred is a kitchen robot that operates with the support of a software allowing the user to pause the robot, amend recipes, or monitor performance. One important advantage of this technology is the ability to automate the workflow, using a camera to locate different ingredients, autonomously picking up the food and changing utensils while minimizing waste and increasing productivity. Dexai's technology is also not yet available in Canada.

While some major technology providers are not yet operating in Canada, it is increasingly likely that automated approaches will become widely utilized in the North American foodservice industry. Adoption of robotics will be driven in the short term by labour shortages although in the longer term it is likely that food quality and presentation will also be enhanced through the use of automated approaches.

Source: Dexai Robotics

References:

(1)   Nala Robotics - World's First Automated Robot Chef

(2)   Ally Robotics x Miso Robotics Investor Webinar September 28th | Investor Webinars (livestorm.co)