



A Bumpy Road Ahead for Foodservice

By Technomic Inc.

Foodservice's slowed growth in the latter half of 2023 will spill into 2024 as economic uncertainty and shifting consumer intent impact many segments of the industry. Despite a strong first half of the year in 2023, including a rise in restaurant locations opening, conditions have softened and operators continue to struggle with profitability.

Following double-digit nominal growth of the industry in 2023 (up 11.5%), foodservice is expected to grow about 4% in 2024. Restaurants and retail foodservice will be the strongest areas of the industry, but by the end of 2024, most major segments will be back to 2019 dollar sales levels.

Independent restaurants grew roughly \$9 billion in 2022 compared to the top 200 chains in the Canadian market growing by about \$5 billion and that superior performance meant that independents stole about four percentage points from chain restaurants' share last year and came into 2023 with quite a bit of momentum.

Limited-service restaurants are projected to see final 2023 nominal growth, or dollar growth, of 11% in 2023 after factoring in significant inflation and menu price hikes. Limited-service restaurants also benefited from consumers trading out of full-service restaurants as they attempt to control some of their expenditures.

Consumers are increasingly going into full-service restaurants for entrees and side dishes but reducing what they're spending on other menu parts like desserts, appetizers and cocktails. Consumers are finding ways to reduce that overall check and reduce their spending by only purchasing certain elements of a traditional meal.

Diners have always sought value in one form or another, yet, amid stubborn inflation, the approach to stretching one's foodservice dollar will differ from prior economically challenging periods. In 2024, consumers will scale back their delivery spend in favour of more takeout and drive-thru. A breakfast boom during the work week will have guests treating themselves to foodservice in the morning rather than lunch as a satisfying yet more affordable restaurant occasion. And on the weekends, brunch will become the new dinner thanks to its equally appealing social aspects, large adult beverage selections and lower average checks.

Changing demographics will also impact foodservice performance. Today, almost 19% of the Canadian population is over 65 and that

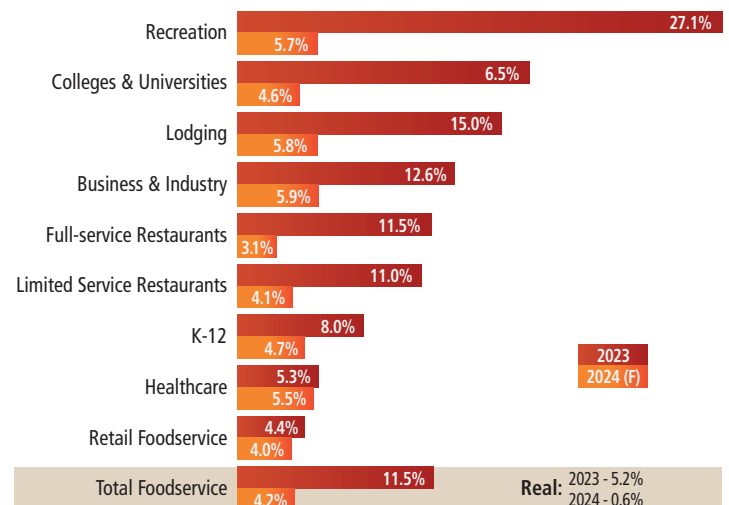
group is growing rapidly. As Baby Boomers continue to age, we can expect senior living and long term care foodservice numbers will continue to grow in a solid, if not spectacular, manner.

At the other end of the spectrum, Gen Zers are quickly surpassing millennials in importance to the restaurant industry. In the period just before the pandemic began, we saw 68% of these youngsters were frequenting foodservice weekly. This fell year over year in 2021 to 62% but is recently up to 72% of Gen Zers making a habit of visiting foodservice weekly.

Overall, affinity for foodservice remains strong so as the general economy strengthens, Technomic expects that will be reflected in the industry's performance, but operators should prepare for all possibilities in 2024.

Economic and climate change will impact the restaurant industry in various ways, which may require operators to shift strategies. New generations of consumers and less common dayparts and mealparts might be crucial for restaurants going forward. And menu innovation or upgrading old favourites can pique consumer interest and keep menus interesting while staying cost-conscious for both foodservice operators and their customers.

Foodservice Industry Forecast



Source: Technomic
 Note: (F) = Forecast
 Note: Real growth excludes inflation



Continued from previous page

Foodservice Segment Definitions

Limited-Service Restaurants (LSR): Establishments where patrons generally order or select items and pay before eating. Food and drink may be consumed on-premise, taken out or delivered to customers' locations. This segment consists of quick-service and fast-casual restaurants.

Full-Service Restaurants (FSR): Establishments with a relatively broad menu along with table and/or booth service and a waitstaff. These

establishments offer meals and snacks for immediate consumption primarily on-premise; some may also offer takeout service. This segment is composed of midscale, casual-dining and fine-dining restaurants.

Retail Foodservice: Retail stores that host foodservice, including supermarkets, convenience stores and other retailers such as general merchandise stores and department stores. Does not include foodservice within the store managed by an outside restaurant company

CRSB Releases National Beef Sustainability Assessment

Written using information from the CRSB [press release](#) and [e-newsletter](#).

The Canadian Roundtable for Sustainable Beef (CRSB) recently released its second National Beef Sustainability Assessment (NBSA) and Strategy Report. The assessment highlights the Canadian beef sector's progress between 2014 and 2021 on sustainability indicators, such as greenhouse gas emissions, biodiversity, carbon storage, people's health and safety, animal care, economic contributions, and more.

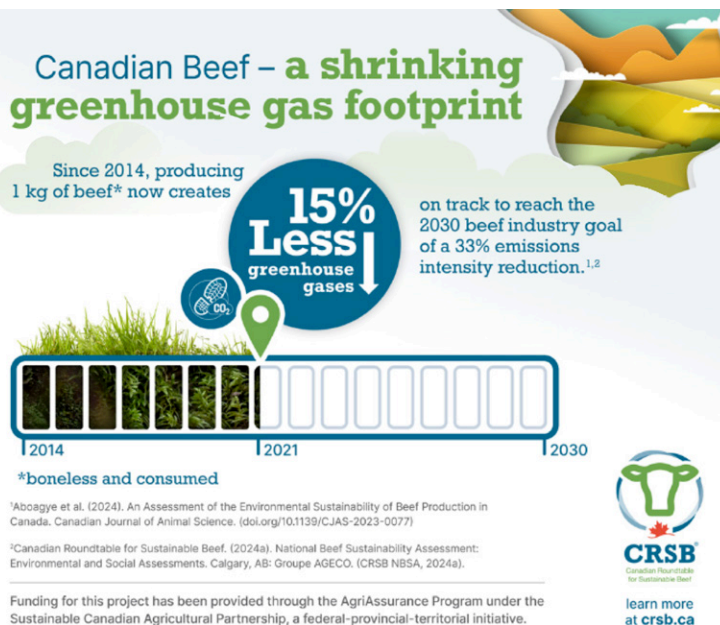
Also included within the report are accompanying sustainability strategies that identify areas for continuous improvements. The National Beef Sustainability Strategy identifies priority action items to drive continuous improvement in sustainability performance. The prioritized action items established in the report are aligned with the 2030 goals set by the Canadian beef industry on similar matters.

Per the report, there has been a 15% reduction in greenhouse gas emissions to produce 1kg of beef (boneless and consumed) since 2014:


This improvement can be largely attributed to increased efficiencies of cattle growth, with fewer required resources (e.g., land, water, and feed) needed to produce the same volume of beef. These efficiencies lead, in turn, to a smaller overall carbon footprint.

In addition to quantifiable reductions of greenhouse gas emissions, the report illustrates the environmental impact of land used for beef cattle production. It is estimated that 1.9 billion tonnes of soil organic carbon are stored within this land, which is even more critical considering the overall habitat loss. Canadian beef farmers and ranchers and the land they maintain play an essential role in preserving intact critical habitat that wildlife needs for reproduction and feeding.

You may read the full National Beef Sustainability Assessment (NBSA) and Strategy Report [HERE](#). Additionally, you may read the full paper, An Assessment of the Environmental Sustainability of Beef Production in Canada, in the [Canadian Journal of Animal Science](#).



CONTACT US



SHELBY VANSICKLE
Senior Director, Channel Marketing
svansickle@canadabeef.ca