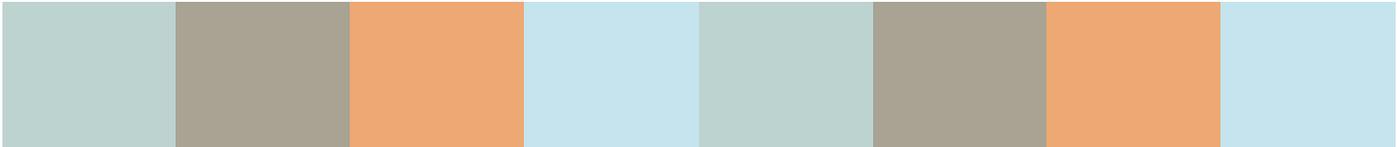




2018

MAFSI **COMMERCIAL FOODSERVICE MARKET FORECAST REPORT**



MAFSI 2018 MARKET FORECAST

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(continued on page 3)

WELCOME TO MAFSI, AND OUR 2018 COMMERCIAL FOODSERVICE MARKET FORECAST.

MAFSI is a 68 year-old non-profit trade association comprised of 270 independent manufacturers' representative sales companies and 260 manufacturing companies in North America selling, marketing, and producing commercial foodservice equipment, supplies, tabletop, and furnishings.

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 \$13 billion commercial non-foods industry.

MAFSI is everywhere food is. And everywhere you are. Spanning North America, feeding 300 million people and changing an industry.

From mom and pop restaurants, to colleges, hospitals, major chains—we're there. With the people, and the products—moving an entire industry further than ever before. And as members, we get to reinvent it. We get to make it better, and we make it different.

We get to make reps and manufacturers proud of how they go to market.

We get to reinvent foodservice every day. We get to make a difference. In a job..in a profession built around great products and great people.

We... are... MAFSI.

MAFSI is home to 71% of all manufacturers representative firms in the U.S. and Canada. They are window to the foodservice marketplace, relied on by all channel partners for their knowledge and expertise.

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.



CLICK ON VIDEO to view "We are MAFSI"



CLICK ON VIDEO to view the "2018 Market Forecast Report."

MAFSI 2018 MARKET FORECAST

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. 70% of firms have showrooms and test kitchens to assist customers in project planning and sample products firsthand.

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 the entire project.

Below you will find the product categories that MAFSI REPS serve.

Product Categories:

- Equipment
 - > Primary Cooking Equipment
 - > Refrigeration & Ice Machines
 - > Storage & Handling Equipment
 - > Serving Equipment
 - > Food Preparation Equipment
 - > Warewashing Equipment
 - > Ventilation
- Supplies/Smallwares
 - Tabletop
 - Furniture
 - Janitorial/Sanitation

MAFSI's 270 Rep Members classified by product category (many reps sell more than one category):

- 220 or 81% of our agencies represent Equipment
- 233 or 86% of our agencies represent Light Equipment
- 171 or 63% of our agencies represent Supplies/Smallwares
- 124 or 46% of our agencies represent Tabletop
- 96 or 36% of our agencies represent Furniture

Forty-eight percent of our representative firm members participated 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.

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(continued from page 2)

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MAFSI 2018 MARKET FORECAST

Throughout the past six-and-a-half-year period, foodservice moved at nearly twice the growth rate of the overall economy.

From 2011 through 2016, overall sales per quarter moved within a healthy, steady range of +4% to +5%. Beginning in Q1/17, sales growth slowed to +3.3% followed by +3.5% in Q2/17. Throughout the past six-and-a-half-year period, foodservice moved at nearly twice the growth rate of the overall economy. For 2018, MAFSI reps are forecasting growth of +3.7%.

After trailing U.S. growth in foodservice for several years, Canada is forecasted to lead the way at +4.6%, followed by the Northeast at 4.3%, the South at 3.6%, the Midwest at +3.5%, and the West at +3.4%.

Product categories are remarkably consistent with Equipment at +3.8%, Supplies at +3.7%, Tabletop at +3.6%, and Furnishings at +3.4%.

Newly added to our forecast this year are the following Janitorial and Sanitation (JanSan) categories: Disposables at +3.6%, Supplies at +3.4% and Equipment at +3.2%.

Further breakdowns by region of both product categories and equipment subcategories can be found on page 7 of this report.

A further measurement of business prospects is revealed in both Quoting Activity and Consultant Activity. Quoting Activity for 2018 is forecasted at 50% more, 41% same, and only 9% less. Consultant activity for 2018 is projected at 41% more, 50% same, and only 9% less.

MAFSI BUSINESS BAROMETER HISTORY

Overall Sales Per Quarter for 2002-2017

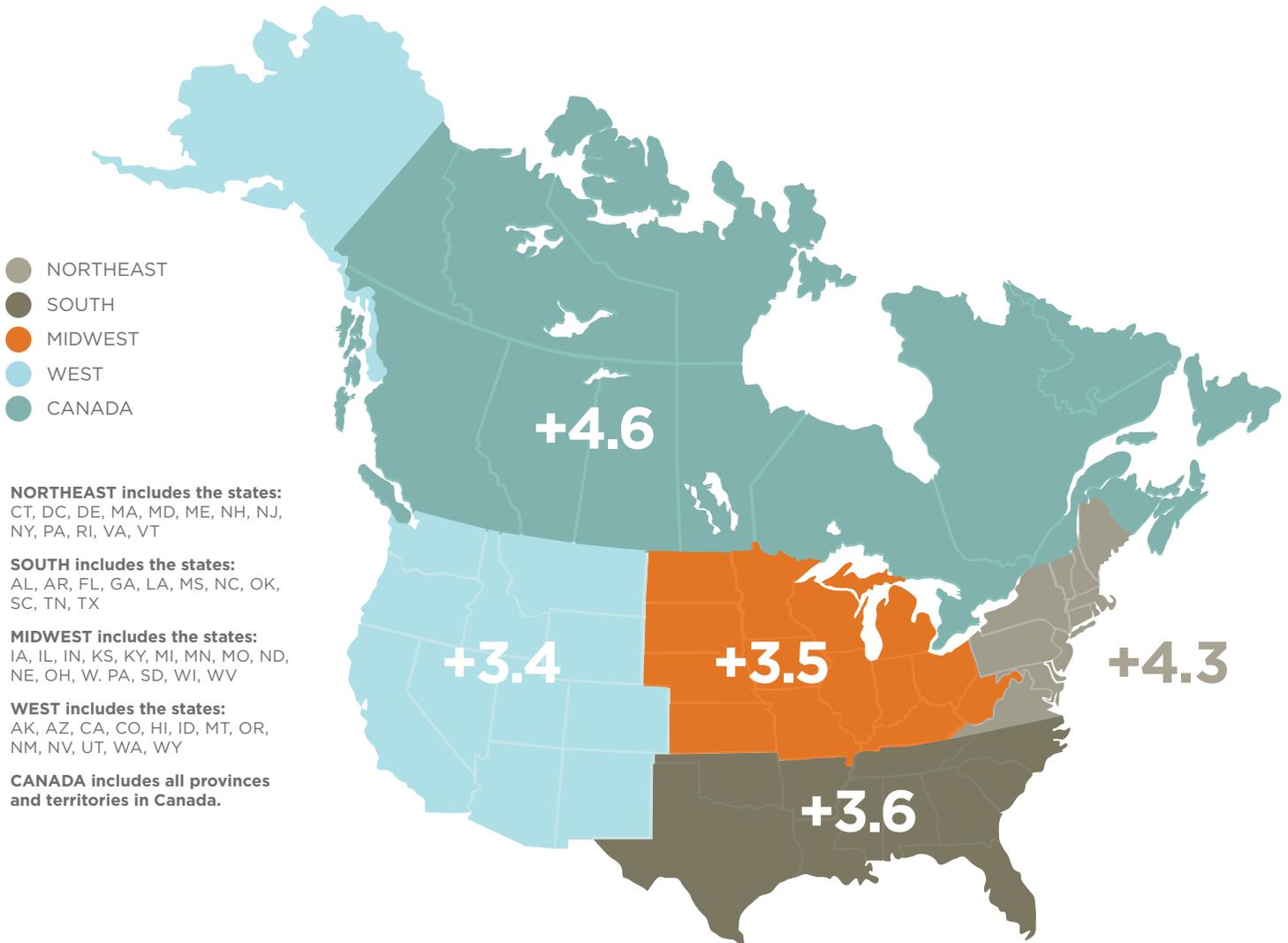


NOTE: Y axis is the percentage of change from comparable quarter of prior year.

MAFSI 2018 MARKET FORECAST

OVERALL SALES FORECAST BY REGION

2018 vs. 2017



OVERALL SALES FORECAST FOR NORTH AMERICA

2018 vs. 2017

+3.7%

MAFSI 2018 MARKET FORECAST

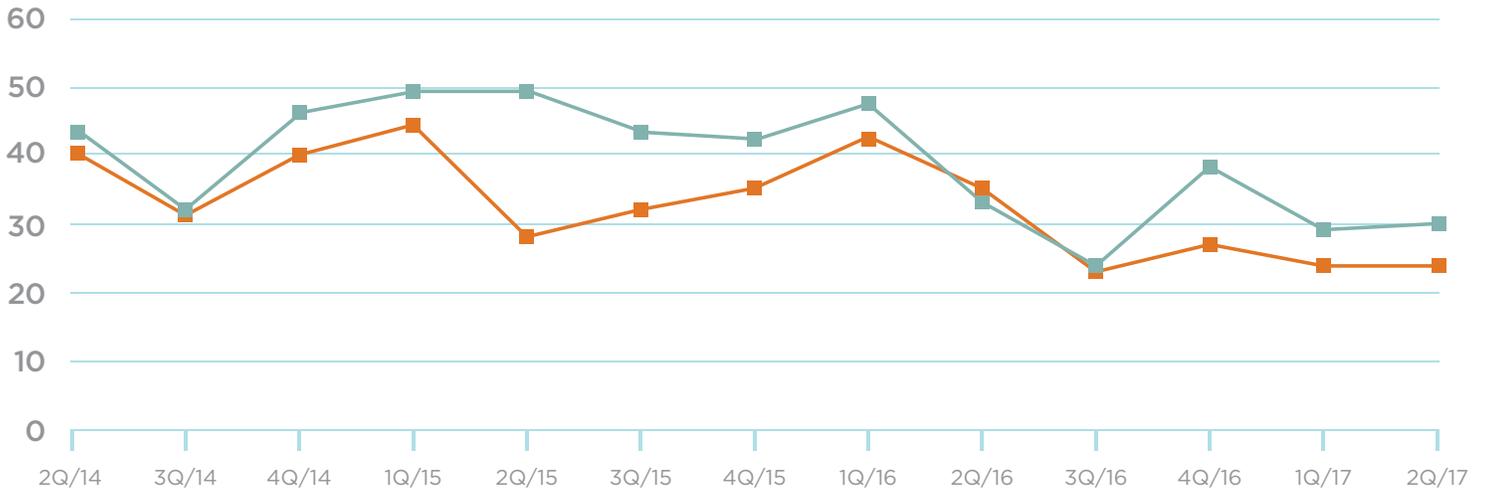
NEW FOR 2018 | JAN SAN SALES FORECAST
2018 vs. 2017

DISPOSABLES	+3.6
JANITORIAL & SANITATION SUPPLIES	+3.4
JANITORIAL & SANITATION EQUIPMENT	+3.2

MAFSI BAROMETER

Quotation and Consultant Activity

● QUOTE ACTIVITY ● CONSULTANT ACTIVITY

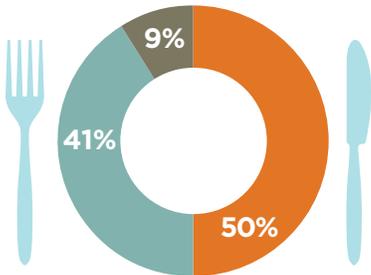


NOTE: This graph shows the difference between those reporting more activity vs. those reporting less activity. SOURCE: Foodservice Equipment Reports

QUOTING ACTIVITY FORECAST

2018

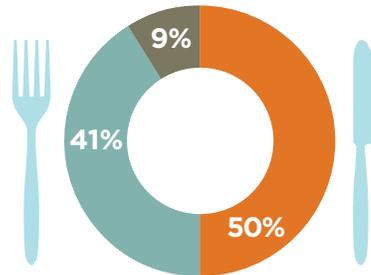
● MORE ACTIVITY
● NO CHANGE
● LESS ACTIVITY



CONSULTANT ACTIVITY FORECAST

2018

● MORE ACTIVITY
● NO CHANGE
● LESS ACTIVITY



MAFSI 2018 MARKET FORECAST

PRODUCT CATEGORIES SALES FORECAST BY REGION

2018 vs. 2017



equipment



supplies



tabletop



furnishings



overall

	equipment	supplies	tabletop	furnishings	overall
NORTHEAST	+4.2	+4.3	+5.4	+3.3	+4.3
SOUTH	+3.9	+3.1	+2.0	+2.8	+3.6
MIDWEST	+3.4	+3.4	+3.5	+4.3	+3.5
WEST	+3.3	+4.4	+3.0	+4.4	+3.4
CANADA	+4.9	+4.0	+4.8	+0.8	+4.6

* 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 (7%), Tabletop (10%), 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

2018 vs. 2017



equipment
+3.8%



supplies
+3.7%



tabletop
+3.6%



furnishings
+3.4%



overall
+3.7%

EQUIPMENT SUB-CATEGORIES SALES FORECAST BY REGION

2018 vs. 2017

	Primary Cooking	Refrigeration & Ice Machines	Storage & Handling	Serving	Food Preparation	Warewashing	Ventilation
NORTHEAST	+5.1	+4.3	+3.4	+3.6	+3.1	+4.4	+1.3
SOUTH	+4.8	+4.4	+2.8	+4.1	+3.1	+1.8	+2.9
MIDWEST	+2.7	+3.8	+4.1	+2.8	+3.2	+4.1	+2.8
WEST	+3.0	+3.8	+2.6	+3.3	+3.5	+2.7	+3.0
CANADA	+4.4	+5.1	+4.8	+5.0	+5.3	+5.3	+2.7
OVERALL	+3.8	+4.2	+3.3	+3.5	+3.4	+3.4	+2.7

*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 (25%), Refrigeration/Ice Machines (32%), Storage/Handling (9%), Serving (16%), Food Prep (7%), Warewashing (11%) from the NAFEM biennial "Size & Shape of the Industry" study. Ventilation not weighted.

MAFSI 2018 MARKET FORECAST

Although the industry growth rate moderated in 2017, and is forecasted for more of the same in 2018, the market is still growing faster than the overall U.S. economy as measured by GDP.

While slightly less exuberant than in the recent past, these figures are still very positive. The fastest growing end-user segments were identified as Chain Accounts, Schools (K-12), Healthcare, Business and Industry (B&I), and Independent Operators.

MAFSI rep firms grew by the addition of one new person in 2017, and are planning to grow by one more in 2018. In line with this, the average rep firm added one new line in 2017.

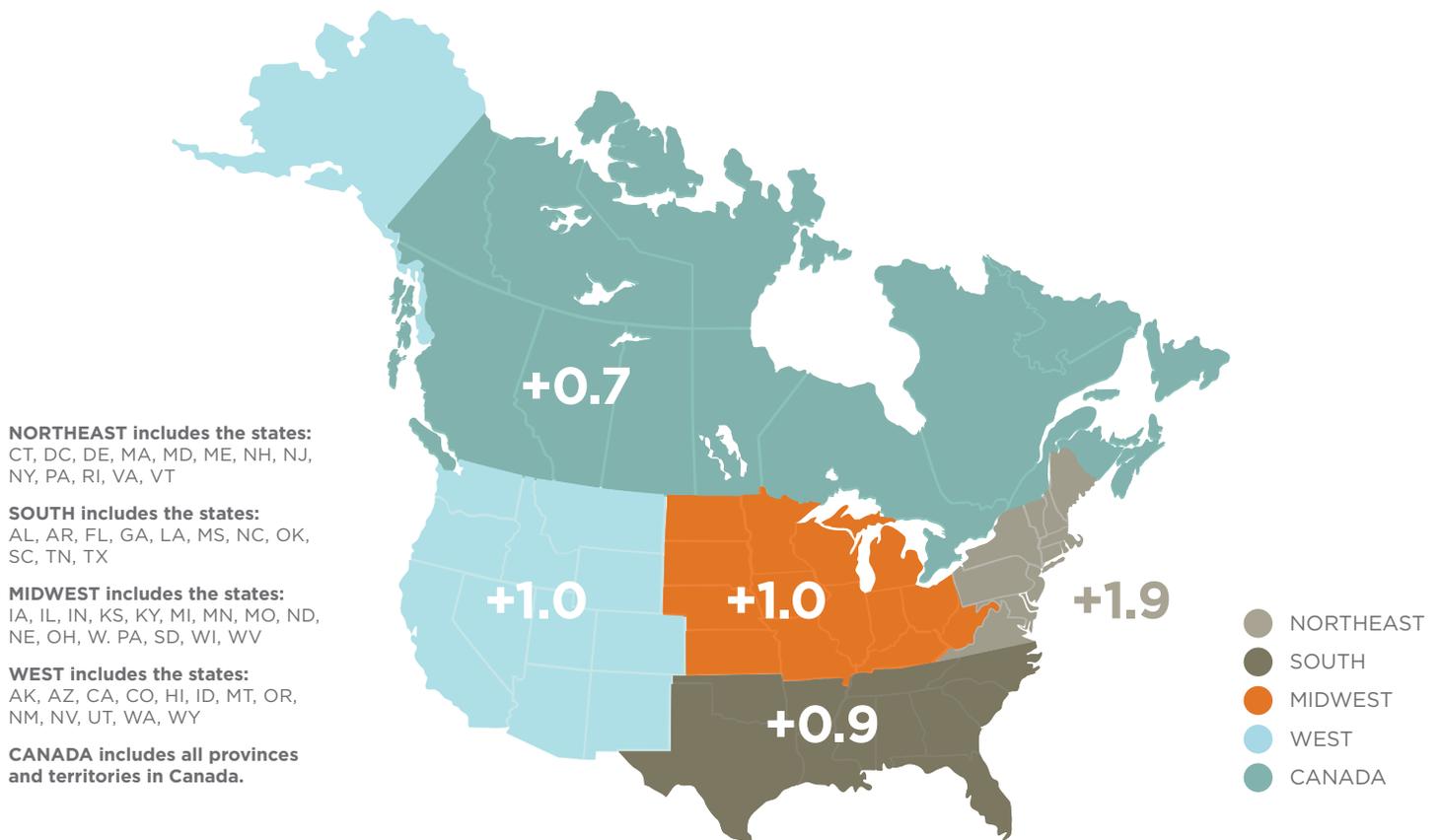
Although the industry growth rate moderated in 2017, and is forecasted for more of the same in 2018, the market is still growing faster than the overall U.S. economy as measured by GDP. In fact, this is the first time GDP reached +3% for two consecutive quarters since 2014.

The unemployment rate has fallen from 10% in October of 2009 to under 4.2%, which translates to full employment in many regions of the country. This is one of the main reasons the Business and Industry (B&I) segment is so strong in many areas.

NEW LINES ADDED BY MAFSI REPS IN THE

Last 12 Months

Overall increase in number of lines: +1.2



MAFSI 2018 MARKET FORECAST

Record stock market levels fueled by strong corporate earnings, and anticipation of a business tax reduction, are all positive factors. An increase in disposable income has helped as well.

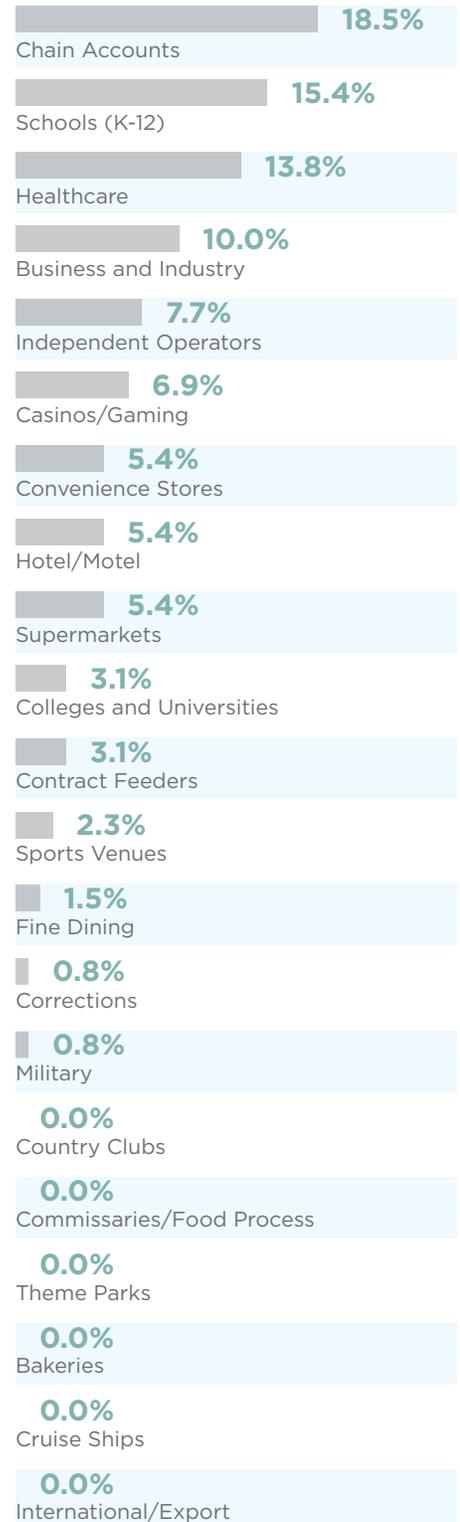
On the other hand, some restaurant segments are lagging, such as those heavily positioned in shopping mall locations affected by shifts to e-commerce. The NPD Group reports American's made 433 million fewer trips to restaurants at lunchtime last year, resulting in roughly \$3.2 billion in lost business.

Special thanks to Michael Posternak, PBAC, Eastchester, NY for his 2018 forecast commentary. We also extend sincere thanks to our industry partners at *Foodservice Equipment Reports*, *Foodservice Equipment & Supplies*, *Restaurants Canada*, *Technomic*, and *AutoQuotes* for sharing their data and expertise in our forecast report.

Visit MAFSI.org to learn more.

2018 FASTEST GROWING SEGMENTS

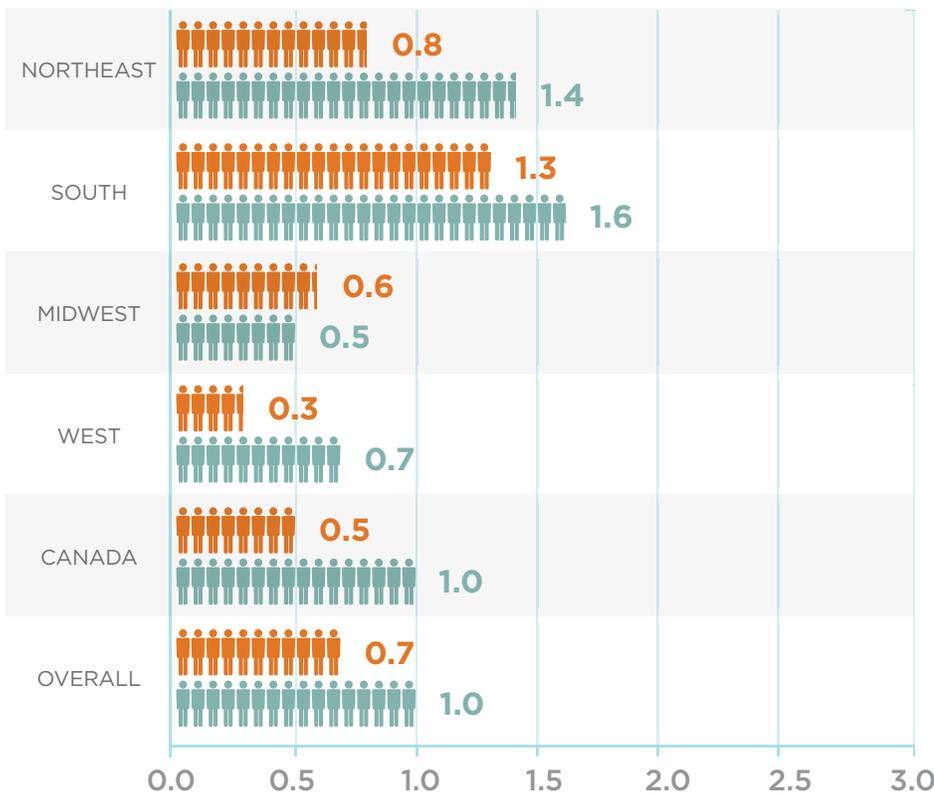
by Percentage of Respondents



INCREASE IN REP FIRM STAFF BY REGION

2018 vs. 2017

● 2017 ACTUAL ● 2018 FORECASTED



MAFSI 2018 MARKET FORECAST

HOW MAFSI REPS WILL MOVE

With the Market in 2018

MAFSI Reps were asked to identify significant actions taken and/or planned for 2017-18. The leading responses were:

Capital Investments

1. Increased number of staff for specific initiatives such as marketing, spec-tracking, business development, culinary support, and customer service.
2. Heavy investment in software additions and upgrades such as cloud-based data management, SpecPath®, and marketing automation software.
3. Special attention focused on adding and expanding culinary-specific investments, such as test kitchens and showrooms.
4. Formidable upgrades to IT hardware and mobile technologies.

Marketing Investments

1. Addition of outside specialist staff to aid in culinary operations and consulting, as well as parts and service.
2. Realignment of territory responsibilities, coupled with product-specific specialists to reach and empower customers at a more strategic level.
3. Increased marketing activity and brand visibility in direct marketing campaigns, and social media.
4. Creation of electronic brochures and collateral to disseminate information faster, and in a mobile medium that customers prefer.

Operations Investments

1. Augmented strategies to consultative sales approach, increasing long-term partner relationships.
2. Conducted strategic analysis to find process improvements, and streamline work flow.
3. Restructuring of office procedures, focusing on inside sales/internal support and quoting.
4. Continued leverage of local end-user sales calls to capitalize on multi-line offerings.

Strategic Product Realignment

1. MAFSI reps are employing new technologies allowing them to quote more quickly, shorten the sales process, and service the customer faster than ever before.
2. Implemented new ways to evaluate end-user kitchens to become a trusted source for customers.
3. Redefined internal sales territories and product alignment for smarter and more efficient coverage.
4. Continued support of online dealers and retailers, positioning the rep as a trusted partner in their success.

MAFSI 2018 MARKET FORECAST

WHERE DO YOUR SALES COME FROM?

Back in 2015, we asked our members a pretty simple question: “Where do your sales come from?” It’s a categorical survey meant to answer just that. And we’ve continued doing it every year since.

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: specified by reps, specified by the consultant, end-user request, direct replacement, specified by dealers or sold from their stock, or by e-commerce sales.

In years’ prior, reps took the leading role in selling products, developing leads, assisting DSR’s, facilitating demo’s and service, and stimulating demand for new products.

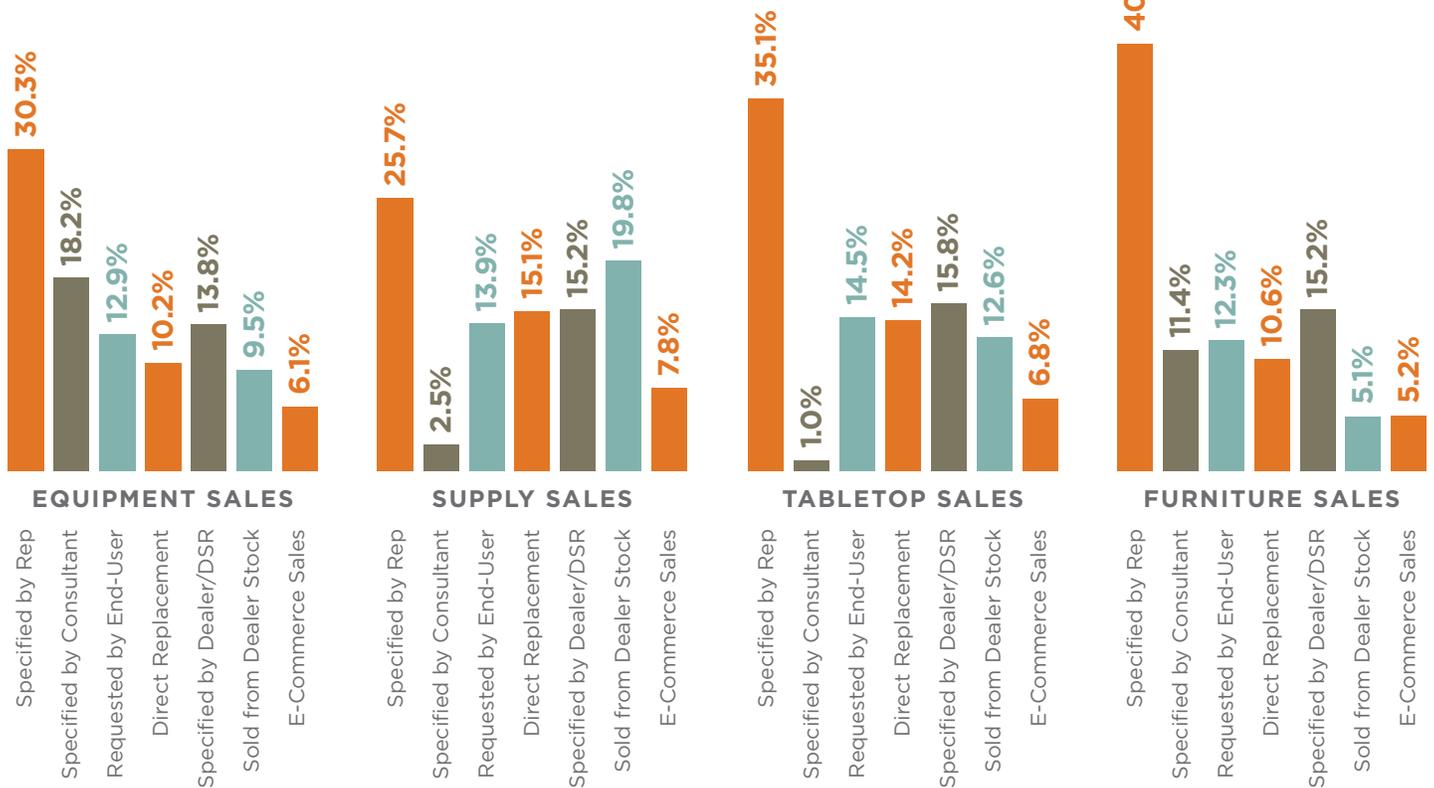
The 2018 forecast shows much of the same.

The following graphs represent the percentage of sales most attributed to each industry participant. Understandably, most 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





SpecPath helps reps and manufacturers find and track projects through crowdsourcing.



SpecPath saves rep members hundreds of hours of time by providing automated takeoffs.



Increase your bottom line by getting paid for the work you do and remunerating your reps.

It's simple. Our subscribers see more. And do more.

SpecPath tracks your foodservice jobs in North America for 1,840 brands, written by 1,220 foodservice consultants and bid by 2,302 dealers across 22 market segments. Enabling you to measure your pipeline and manage your commission credits, all in an easy-to-use and secure web based platform. SpecPath easily turns your paper PDF foodservice specs, into valuable data, streamlining your office operations and freeing up your team's time. SpecPath has everything you need for effective project management and sales followup, and all at your fingertips.

[Visit SpecPath.org to learn more.](http://SpecPath.org)

It's been an amazing year. Please enjoy some of our favorite SpecPath moments:



4,200+

How many projects we have in SpecPath... and growing every day. We are now averaging 300+ new projects each month.



770

Rep users who have signed up for SpecPath since our launch last summer (40% of all equipment reps in MAFSI).



30

Consultant firms who use SpecPath to keep track of their project stats and upload their new projects since their launch in April 2017.



621,200+

How many, of the over half a million items in SpecPath, belong to your company?



154

Manufacturer users who use SpecPath every day to track their new projects and to help identify the correct specification, destination and origination reps.



161

The average number of projects, per region in SpecPath.



\$11,000

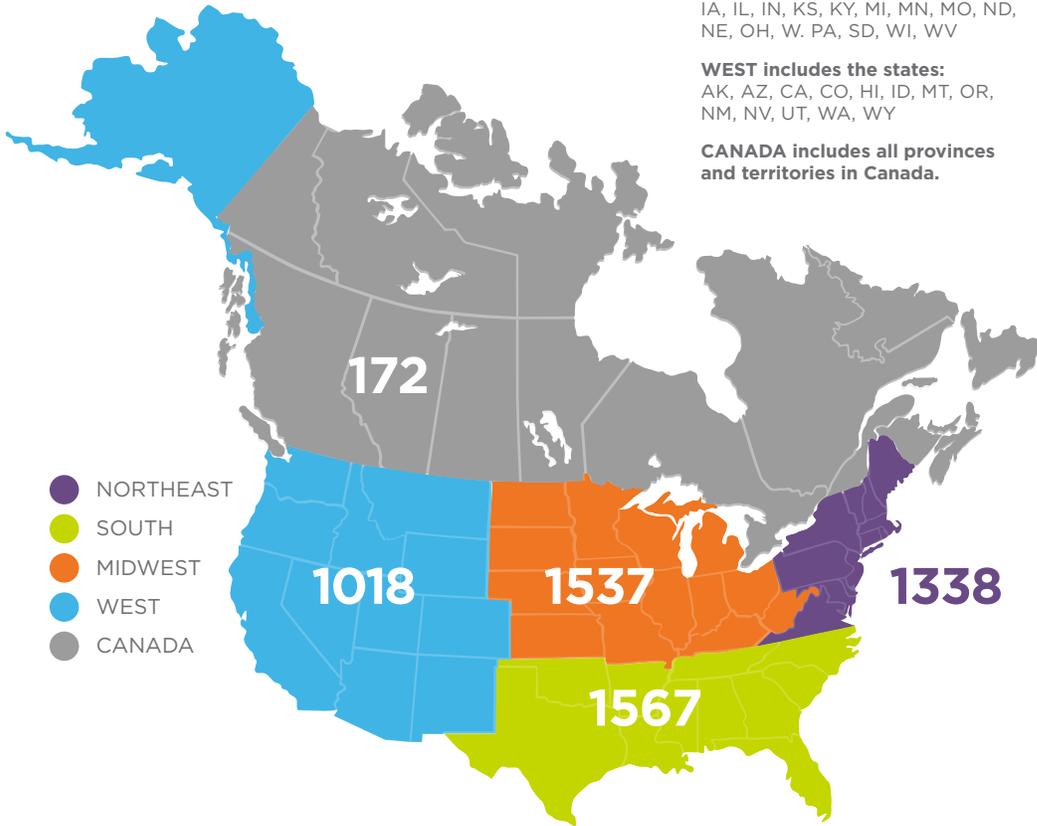
What one rep subscriber found in spec commissions, in just two projects, that they wouldn't have known about without SpecPath.



27%

The average percent of projects, speced and built outside the rep subscriber's region, that are now visible to them in SpecPath.

TOTAL NUMBER OF PROJECTS IN SPEC'PATH BY REGION



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.

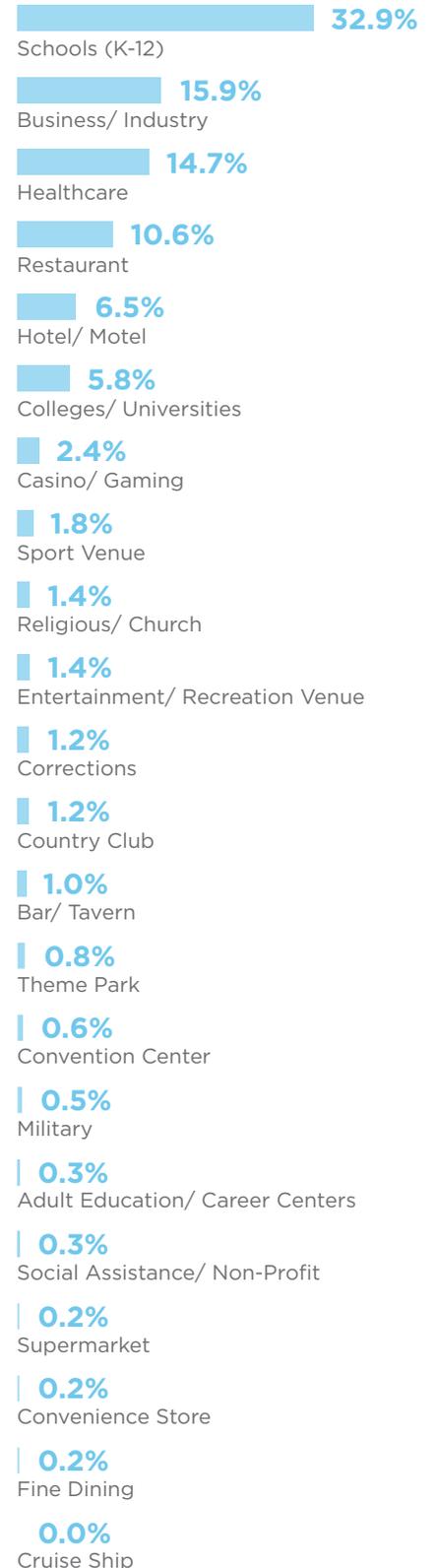
- NORTHEAST
- SOUTH
- MIDWEST
- WEST
- CANADA

TOTAL NUMBER OF PROJECTS IN SPEC'PATH BY REGION AND BY TYPE

MAFSI Region	Specification Projects	Destination Projects	Origination Projects	Total Projects
NORTHEAST	1077	961	985	1338
SOUTH	1031	1317	1299	1567
MIDWEST	958	1055	1347	1537
WEST	807	833	744	1018
CANADA	159	159	151	172

HIGHEST SPEC'D MARKET SEGMENTS

By Percentage in SpecPath



By Robin Ashton, Publisher
Foodservice Equipment Reports

Next year, we forecast nominal growth of 3.6% with real growth of 1.2%. If our predictions are realized, 2018 will be the ninth consecutive year of real growth since the Great Recession.

The foodservice equipment and supplies market in the U.S. and Canada has seen a distinct slowing of the rate of growth during the past 12 months. While the four-quarter moving average of the MAFSI Business Barometer was 4.9% in 2015 and 4.4% last year, growth slowed to 3.7% for the four quarters from the third quarter 2016 through the second quarter this year.

Foodservice Equipment Reports expects this more moderate market growth to continue through 2017 and into 2018. Our revised forecasts, released in August, call for current dollar growth in 2017 of 3.5% with real growth at 1%. Next year, we forecast nominal growth of 3.6% with real growth of 1.2%. If our predictions are realized, 2018 will be the ninth consecutive year of real growth since the Great Recession.

The forecast lower real growth incorporates assumptions that manufacturers will continue to raise prices more aggressively than in recent years. *FER* estimates prices will rise 2.5% in 2017 and 2.4% in 2018. The higher prices result from substantial price increases for most materials, particularly metals, used in foodservice equipment and supplies.

A new factor likely to affect the E&S market in the short-term is the impact of Hurricanes Harvey, Irma and Maria. Houston and Miami are among the Top 10 foodservice markets in the country, and Orlando and Tampa are both within the Top 20. Hundreds, if not thousands, of foodservice facilities have been damaged by the storms.

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

2018 FER Forecast

	% OF MARKET	SALES \$ FORECAST	NOMINAL GROWTH	PRICES	REAL GROWTH
Equipment	77%	\$ 9,839.153	3.6%	2.4%	1.2%
Smallwares	7%	\$ 853.045	3.6%	2.4%	1.2%
Tabletop	10%	\$ 1,276.618	3.0%	2.1%	0.9%
Furnishings & Custom Fabrication	6%	\$ 778.201	3.2%	2.3%	0.9%
TOTAL INDUSTRY	100%	\$ 12,747.017	3.6%	2.4%	1.2%
Primary Cooking Equipment	25%	\$ 2,469.414	3.8%	2.5%	1.3%
Refrigeration & Ice Machine	32%	\$ 3,155.546	3.8%	2.5%	1.3%
Storage & Handling Equipment	9%	\$ 900.505	3.4%	2.4%	1.0%
Serving Equipment	16%	\$ 1,581.682	3.6%	2.4%	1.2%
Food Preparation Equipment	7%	\$ 643.874	3.5%	2.3%	1.2%
Warewashing & Sanitation Equipment	11%	\$ 1,088.132	3.4%	2.3%	0.9%
TOTAL EQUIPMENT	100%	\$ 9,839.153	3.6%	2.4%	1.2%

Market numbers are based on the North American Association of Food Equipment Manufacturers biennial "Size & Shape of the Industry" study. Copyright 2016. Sales are \$Millions. Thus Storage & Handling Equipment sales in 2015 are \$810,647,000. Sales include export sales and are a reflection of North American sales and market size. Base year is 2015. Growth estimates and forecasts copyright 2017 Foodservice Equipment Reports.

2018 FOODSERVICE E&S MARKET FORECAST

FOODSERVICE EQUIPMENT reports

Pentallect, the Chicago-based foodservice research firm, recently estimated that foodservice sales could fall by 0.5% over the next four quarters because of shuttered units and a drop in disposable income for affected residents spending money to repair their homes and replace damaged household goods.

But as of now, *FER* does not believe the storms' impacts will materially affect the E&S markets, other than in the very short term. In fact, the need to re-equip and re-supply damaged facilities may turn out to be a net positive.

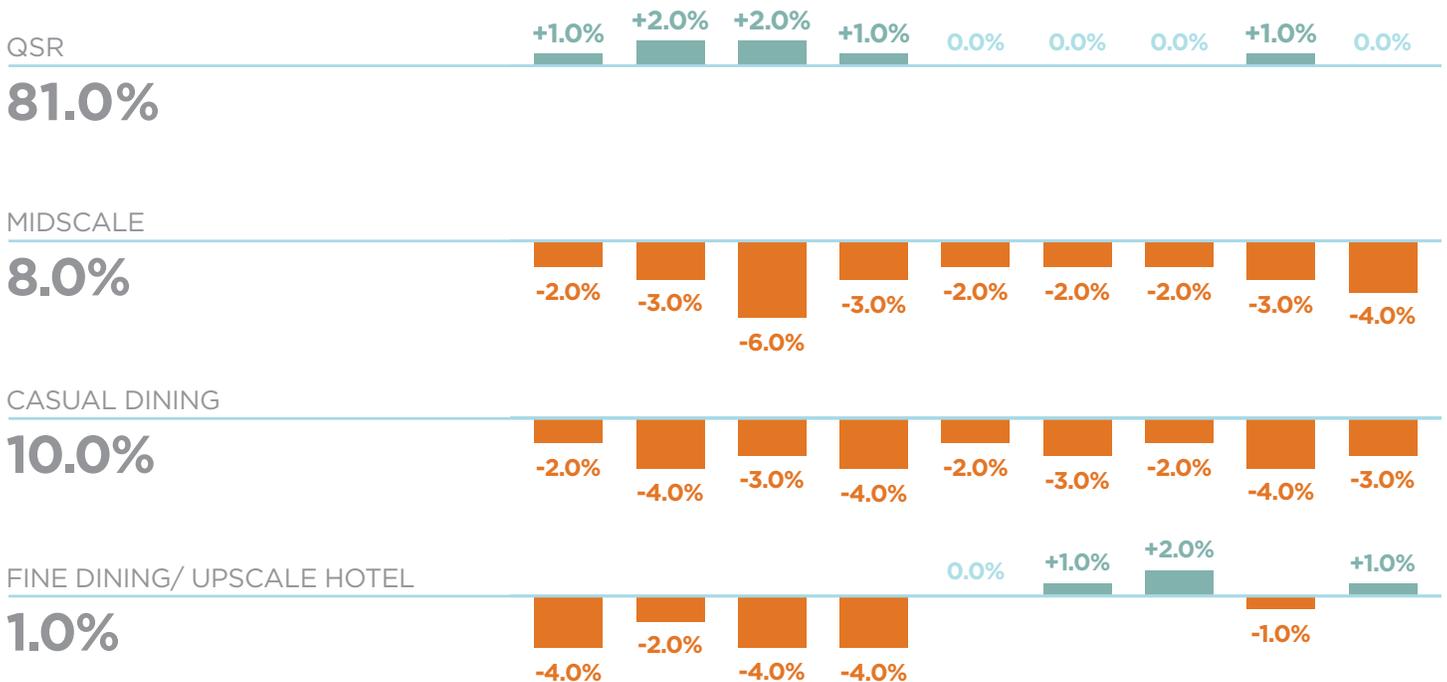
The slowing rate of growth in foodservice and the E&S markets is a bit flummoxing. The macro-economic factors that typically drive foodservice sales remain quite positive. Jobs growth, while slowing somewhat from the pace seen in 2015 and 2016, has been stronger than earlier forecasts. Disposable income and consumer spending growth, while moderate, are still positive. Consumer confidence levels have been running at historic highs, though there is a distinct partisan divide, with Republican consumers very positive and Democratic voters much less so. Independents fall in the middle. Gasoline prices spiked thanks to the hurricanes, but remain at low historical levels and are expected to continue low.

Jobs growth, while slowing somewhat from the pace seen in 2015 and 2016, has been stronger than earlier forecasts. Disposable income and consumer spending growth, while moderate, are still positive.

SEGMENTS TRAFFIC TRENDS

Percentage of Change Compared to One Year Ago

● POSITIVE ● NEGATIVE



NOTE: Share of Traffic AMJ'17 SOURCE: CREST® AMJ/15 JAS/15 OND/15 JFM/16 AMJ/16 JAS/16 OND/16 JFM/17 AMJ/17

FOODSERVICE SALES GROWTH ALSO SLOWING

But in spite of the positive economic environment, commercial operator sales growth has been sluggish since early 2016. The NPD Group, which tracks consumer foodservice behavior and spending through its CREST research, reports there was no growth in visits to restaurants and other commercial foodservice facilities in 2016. And visit growth shrank by 1% in the second quarter this year, as traffic at quick-service concepts, which control more than 80% of visits, went flat, while visits to full-service restaurants fell during the quarter, compared to the second quarter 2016. The decline meant nearly 95 million fewer trips to restaurants in the second quarter.

Technomic Inc., the Chicago based foodservice research firm, cut its 2017 forecast of foodservice sales growth half a percentage point to 3.7% in May with real growth of 1.4%. The firm is likely to trim that even more, thanks the hurricanes. The forecast for 2018 is 3.8% nominal and 1.4% real growth.

Technomic forecasts also trim growth rates of many “beyond restaurant” categories. While still well above trend, growth rates for supermarket, recreation, and lodging foodservice are forecast to slow through 2018. Among the classic institutional segments, only primary care hospitals and senior living facilities are showing above trend growth.

But there are more positive signs on the horizon, too. The National Restaurant Association’s Restaurant Performance Index has flirted with a move into contraction territory, but so far remains positive. The big three hamburger QSR firms, McDonald’s, Burger King and Wendy’s, all had strong same-store sales growth in the second quarter. And after rising for six straight months since late 2016, wholesale food prices fell in July and August. A recent data shows that average wage growth in foodservice, while still well above the average, has begun to moderate. And not least, the MAFSI Barometer data on quotation and consultant activity remain very positive.

While still well above trend, growth rates for supermarket, recreation, and lodging foodservice are forecast to slow through 2018.

**NRA PERFORMANCE INDEX
CAPITAL SPENDING INDICATORS**

Through July 2017

● PAST 3 MONTHS ● NEXT 6 MONTHS

SOURCE: National Restaurant Association



CAPITAL SPENDING INDICATORS ARE ALSO SOFTENING

The MAFSI Barometer is not the only E&S indicator recording a slowdown. The NRA Restaurant Performance Index indicators that track capital spending activity and plans have remained at historically high levels through most of the past 18 months. But in the July survey, the indicator that tracks operators' plan to make a capital buy during the next six months fell to the 100 level that separates expansion from contraction.

Sales at the big publicly reporting foodservice companies have been very sluggish that past six quarters. Organic sales growth for the eight companies' combined revenues actually fell 0.7% in the second quarter 2017 versus the same quarter in 2016, after rising only 0.6% in the first quarter.

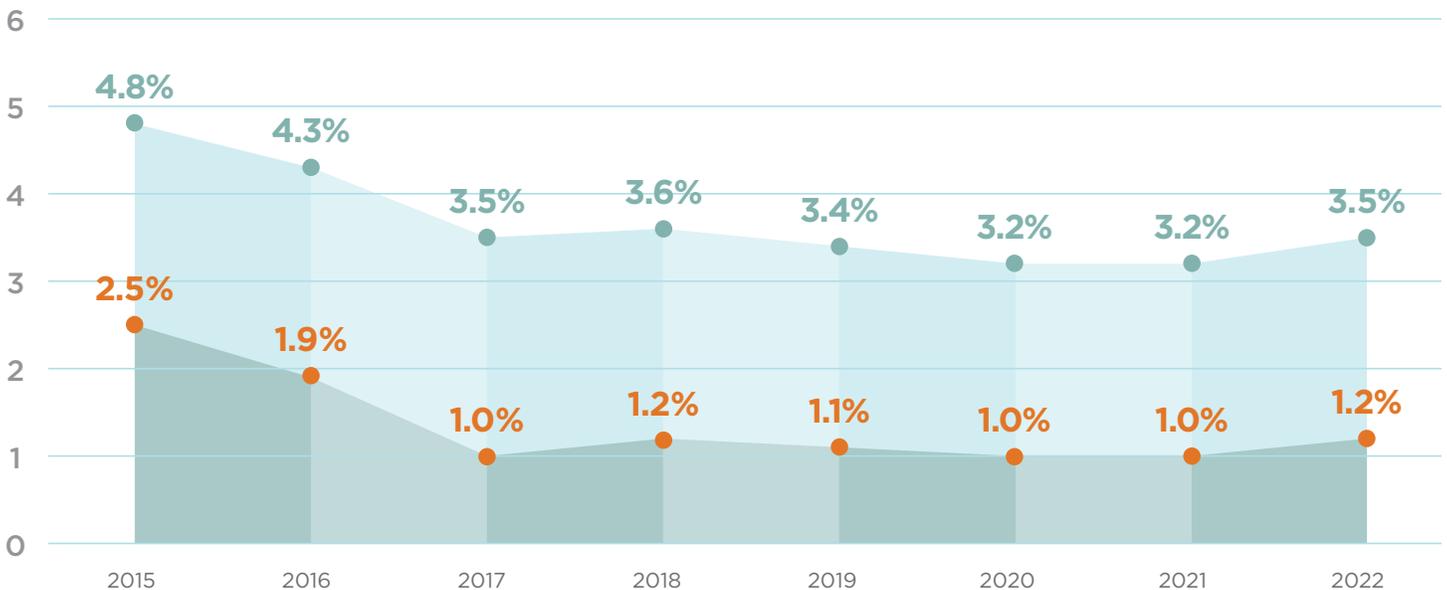
What all this means is that the market for E&S has become more challenging, after peaking in 2015. We did forecast even then that E&S market growth would gradually slow. It just has slowed more quickly than we anticipated. Still, we see little evidence of a decline in sales anytime soon.

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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.

FER E&S MARKET FORECASTS 2015-2022

● NOMINAL CHANGE ● REAL CHANGE

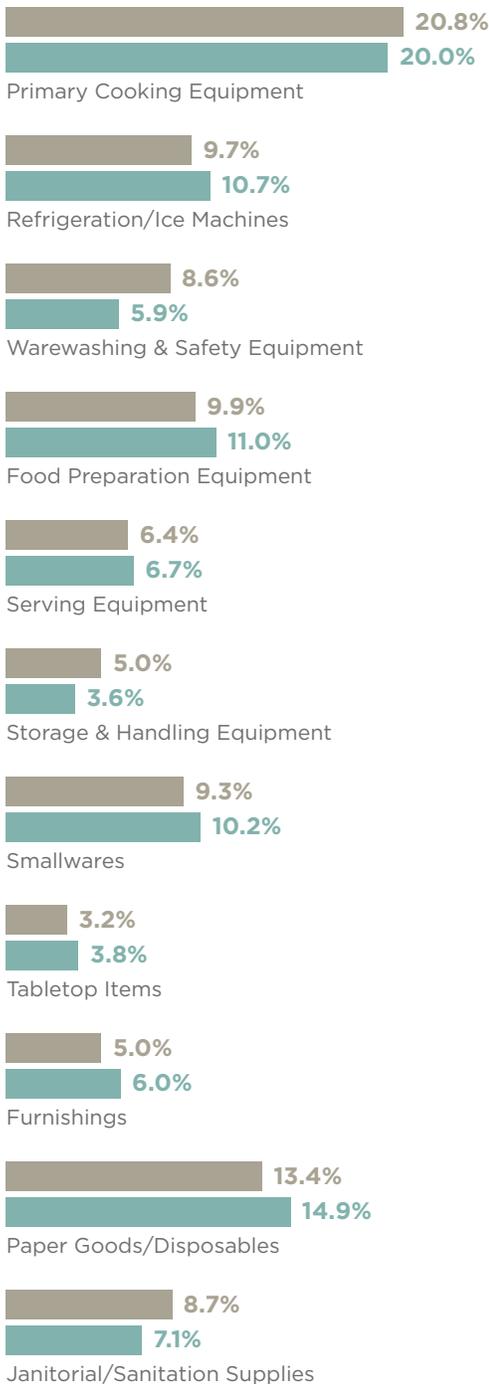


NOTE: Real and nominal percentage changes in E&S market growth 2015-2022. 2017 through 2022 numbers are forecasts. All numbers *FER* estimates.

By Joe Carbonara, Editor
Foodservice Equipment & Supplies

OPERATOR BUDGET by Product Category

● 2018 PROJECTED ● 2017



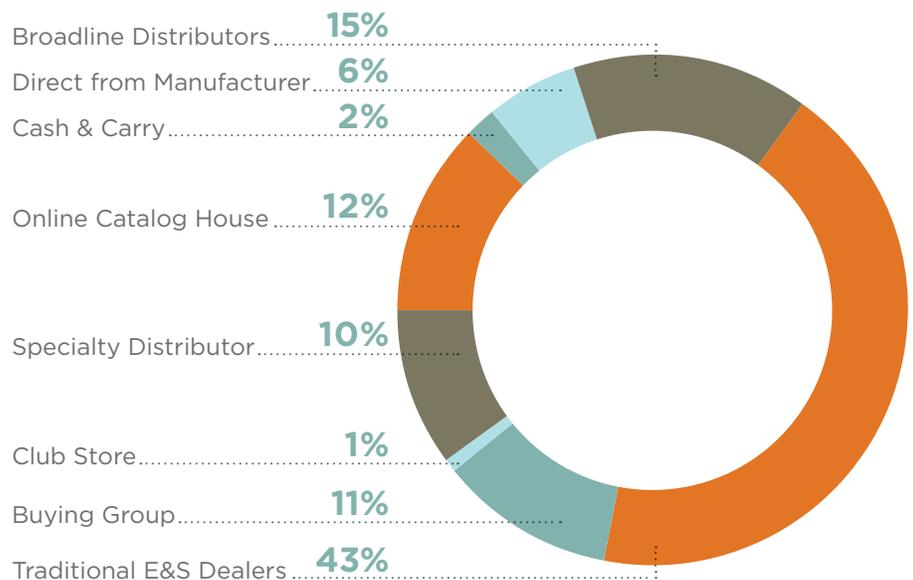
OPERATOR OUTLOOK

For 2018, 58% of foodservice operators project their sales to increase, a 10% decrease compared to last year's projections. In addition, 33% anticipate their revenue levels to remain flat and 9% forecast a decrease in sales. Among those operators projecting a sales increase, the average rate is 2.38%, down slightly from last year's 2.68%. Operators continue to feel margin pressure from a variety of factors, including labor and increased competition. As a result, only 40% of operators project an increase in gross profits for 2017.

In contrast, 46% of operators feel gross margins will remain flat and 14% project a dip in this all-important measurement. Among the operators projecting an increase in gross profits, the average growth rate is 2.08%. In terms of their foodservice equipment and supplies budgets, 39% of operators anticipate spending more in this area during 2018, which is 1% less than last year's projections. Also, 54% of operators anticipate their expenditures will remain consistent with 2017's levels. Only 7% of operators project spending less on foodservice equipment and supplies in 2018, which is an 11 point improvement compared to last year. Among those planning to spend more on foodservice equipment and supplies, the average increase is 2.13%, up from last year's projection of 2.01%.

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.

2018 DEALER/OPERATOR OUTLOOK

DEALER OUTLOOK

61% of dealers project their sales will increase in 2018, which represents a 16% dip from last year's forecast. Only 7% of dealers expect their sales to decline in 2018, while 32% of dealers believe their sales will remain the same year over year. Among those dealers projecting higher sales, the average increase is 6.42%, down slightly from last year's projection of 7.17%.

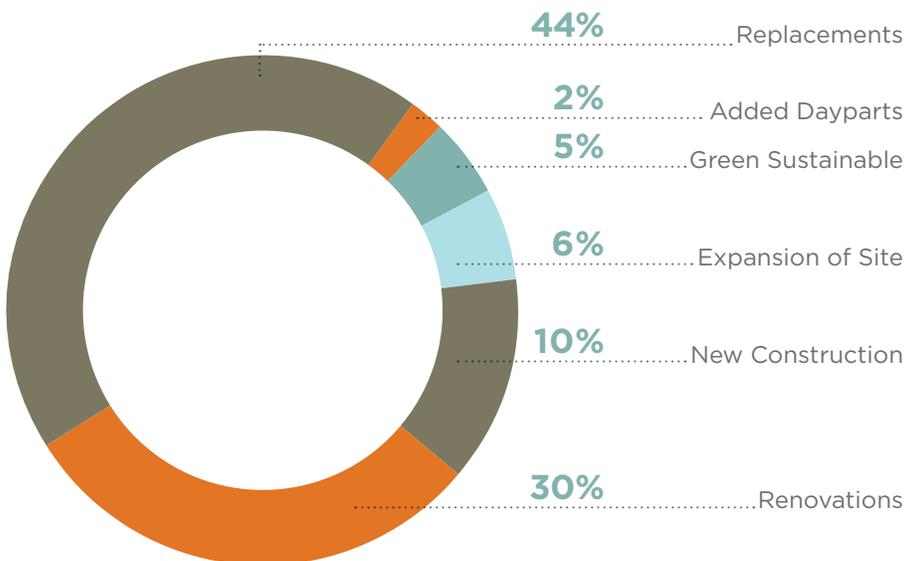
In addition, 58% of dealers report having more business booked for the coming year compared to the same time in 2016. Only 12% of dealers report a decline in their booked business for the coming year. The operator segments representing the greatest opportunities for dealers are casual dining, lodging/resorts/casinos, schools, healthcare and fast-casual. Operator segments where dealers see a declining opportunity include c-stores, fine dining, traditional quick-service restaurants, family dining and grocery stores/delis.

58% of dealers report having more business booked for the coming year compared to the same time in 2016.

For more information on the *FE&S'* 2018 Forecast studies call 800/630-4168, or e-mail Joe Carbonara at joe@zoombagroup.com.

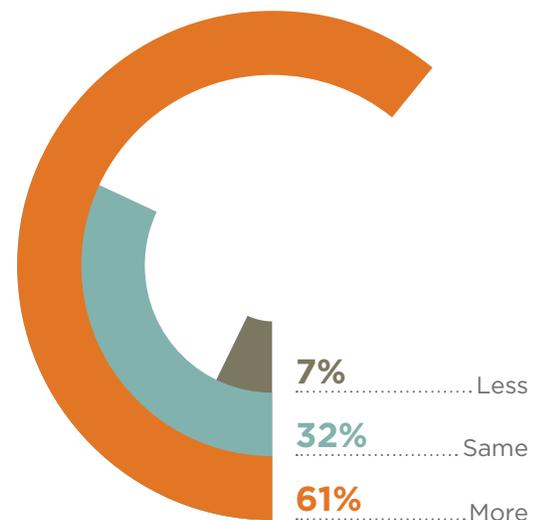
OPERATOR ACTIVITIES

Planned for 2018



DEALER OUTLOOK

2018 Dealer Sales Projections





By Chris Elliott, Senior Economist
Restaurants Canada

Thanks to an energized consumer and the surge in tourism, commercial foodservice sales in Canada are forecast to advance by a solid 4.9% in 2017 to a record \$68 billion. While most provinces will post healthy sales growth, not all will share in this prosperity. A new 6% meal tax in Saskatchewan and a sluggish recovery in Alberta, are restraining sales in those provinces.

Including non-commercial foodservice sales, total annual spending on foodservice is forecast to be \$84 billion. In 2018, commercial foodservice sales will moderate to a more sustainable pace of 4.3% growth. Adjusted for menu inflation, real sales will advance by 1.0%.

The slowdown in sales coincides with a pullback in overall consumer spending, following several years of robust growth. Looking ahead, foodservice sales will experience a slower growth trajectory, which reflects modest disposable income growth, an aging population and high household debt.

In 2018, commercial foodservice sales will moderate to a more sustainable pace of 4.3% growth.

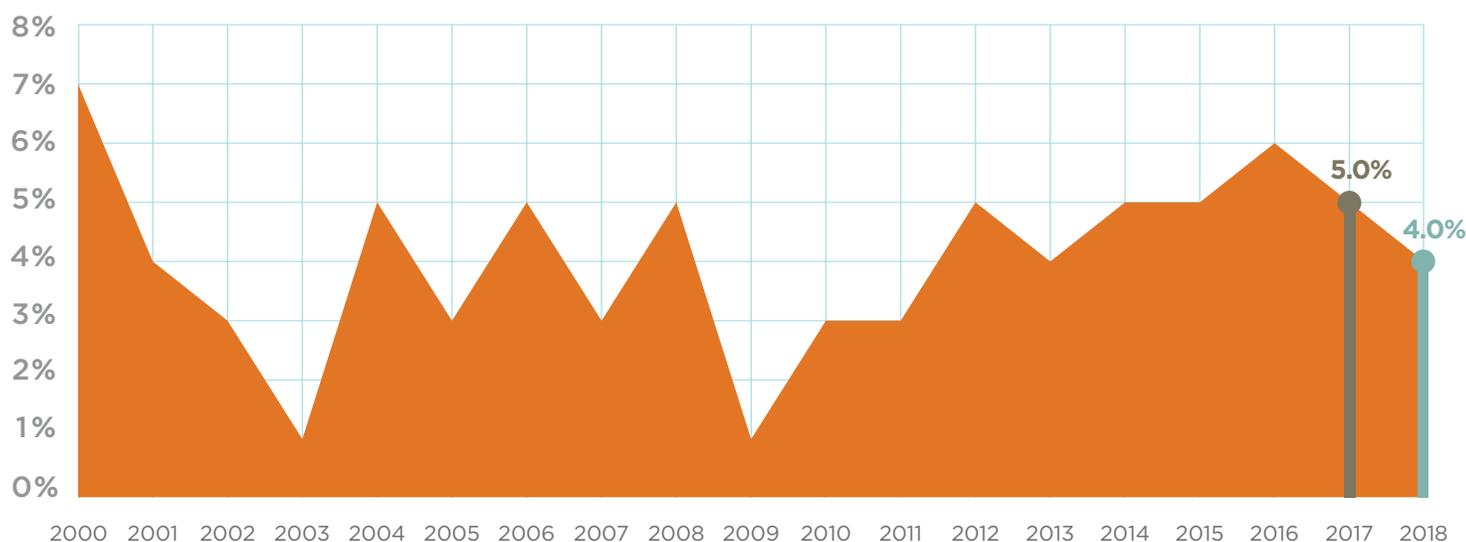
For more information contact Chris Elliott, Senior Economist, *Restaurants Canada* by calling 416/923-8416, or e-mail celliott@restaurantscanada.org.

CANADIAN COMMERCIAL FOODSERVICE SALES

Year-Over-Year Nominal Change

● PRELIMINARY ● FORECAST

SOURCE: Statistics Canada and Restaurants Canada



United States

Revised May 2017

SEGMENT	2017 Retail Sales Equivalent \$ BILLIONS	Nominal Growth 2017 (R)	Nominal Growth 2018 (F)
TOTAL RESTAURANTS AND BARS	\$ 494.263	3.6%	3.8%
Limited Service	\$ 278.452	4.4%	4.6%
Full Service	\$ 211.839	2.6%	2.8%
Bars and Taverns	\$ 3.972	2.5%	2.7%
RETAILERS	\$ 66.485	5.0%	5.1%
TRAVEL & LEISURE	\$ 79.656	4.6%	4.5%
NONCOMMERCIAL	\$ 116.636	2.6%	2.6%
Business & Industry	\$ 16.005	2.5%	2.0%
Education	\$ 39.069	2.6%	2.6%
Healthcare	\$ 28.750	5.1%	5.2%
Refreshment Services	\$ 24.685	0.6%	0.7%
Military	\$ 4.022	1.9%	2.0%
Corrections	\$ 4.106	(0.5%)	(0.5%)
ALL OTHER	\$ 4.182	6.0%	6.0%
TOTAL FOODSERVICE	\$ 761.222	3.7%	3.8%

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 2.4% for 2017 and 2.5% for 2018.

Canada

Revised October 2017

SEGMENT	2017 Retail Sales Equivalent \$ BILLIONS	Nominal Growth 2017 (R)	Nominal Growth 2018 (F)
TOTAL RESTAURANTS AND BARS	\$ 51.280	5.3%	4.6%
Limited Service	\$ 28.900	5.2%	4.7%
Full Service	\$ 22.003	5.5%	4.5%
Bars and Taverns	\$.377	(2.0%)	0.0%
RETAILERS	\$ 6.629	3.6%	4.3%
TRAVEL & LEISURE	\$ 13.757	5.6%	4.9%
NONCOMMERCIAL	\$ 9.280	4.0%	4.2%
Business & Industry	\$ 2.354	4.5%	4.5%
Education	\$ 1.428	3.1%	3.6%
Healthcare	\$ 4.531	5.0%	5.0%
Refreshment Services	\$.520	(0.5%)	(0.5%)
Military	\$.259	(2.5%)	(1.0%)
Corrections	\$.188	2.2%	3.0%
ALL OTHER	\$.163	2.0%	3.0%
TOTAL FOODSERVICE	\$ 81.110	5.0%	4.6%

SOURCE: Technomic, Statistics Canada, various trade sources. () = decline. R = revised. F = forecast. Numbers may not add due to rounding. Forecasts and numbers subject to change. Data shown does not reflect the impact of changes in portion sizes and/or sales mix. Note: Nominal growth assumes menu price inflation rate of 2.5% for 2017 and 3.0% for 2018.

U.S. Food Industry Universe

July 2017

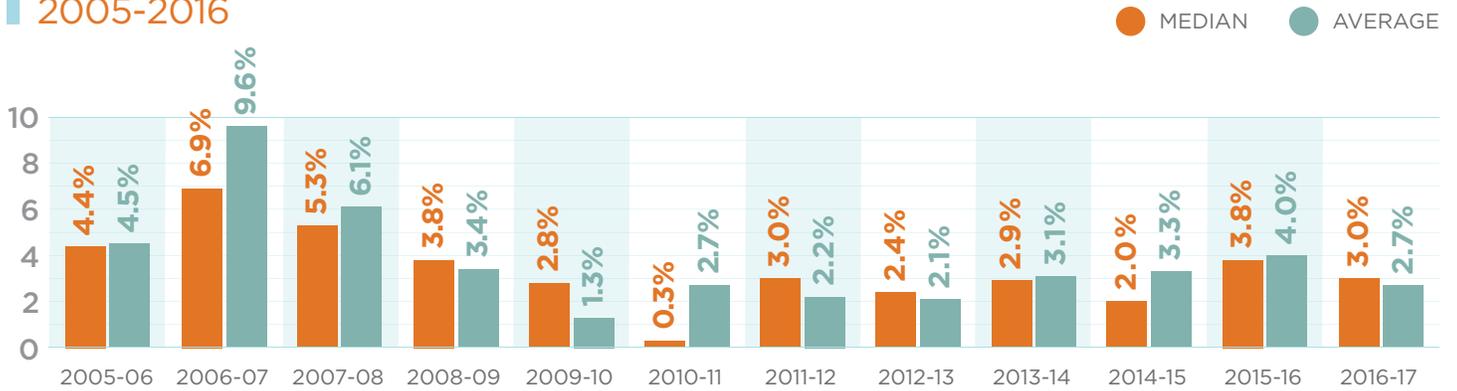
2017 Retail Sales Estimates \$B

Nominal Growth

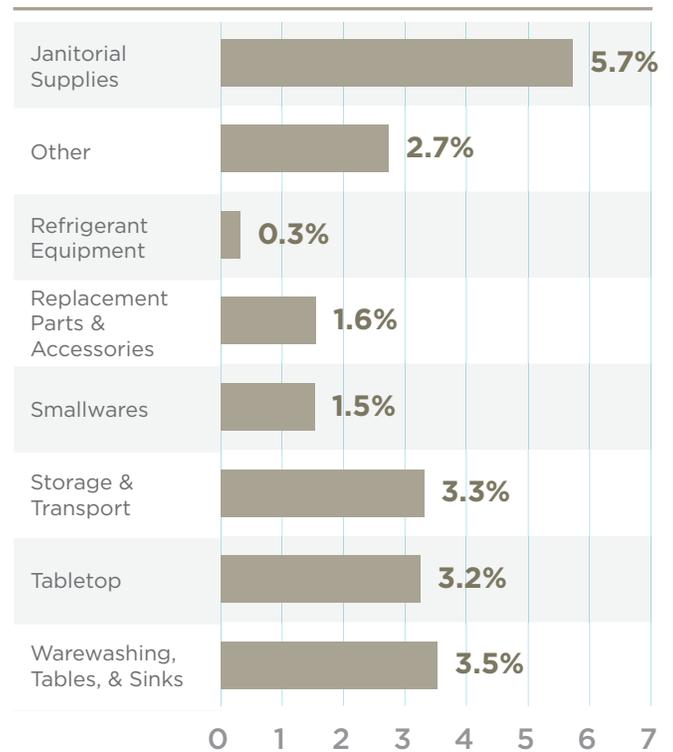
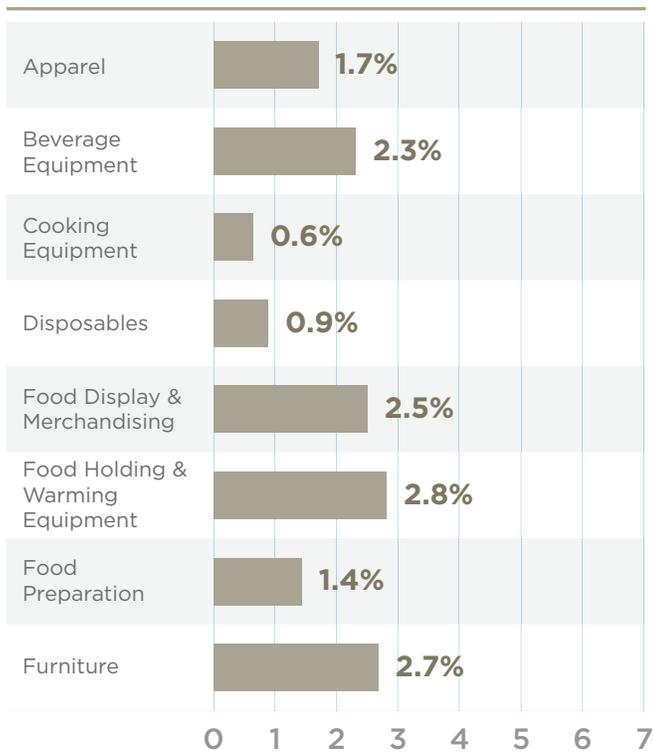
SEGMENT	FOOD	ALCOHOL	NONFOODS	TOTAL	2017	2018
TOTAL RETAIL	\$ 714.8	\$ 128.0	\$ 52.0	\$ 894.8	2.3%	2.8%
Traditional Grocery	\$ 474.8	\$ 25.9	\$ 24.1	\$ 524.8	0.5%	0.7%
Traditional Supermarkets	\$ 339.9	\$ 19.3	\$ 10.7	\$ 369.8	0.5%	0.6%
Supermarkets	\$ 123.2	\$ 6.4	\$ 8.6	\$ 138.2	1.0%	1.3%
Mass Merchandisers	\$ 11.7	\$ 0.3	\$ 4.8	\$ 16.8	(3.5%)	(2.5%)
Other Grocery	\$ 240.0	\$ 102.0	\$ 27.9	\$ 370.0	4.9%	5.7%
Specialists	\$ 23.6	\$ 48.6	\$ 0.1	\$ 72.3	3.1%	2.5%
Club Stores	\$ 55.5	\$ 2.8	\$ 4.2	\$ 62.6	1.4%	1.7%
Convenience Stores	\$ 53.8	\$ 16.1	\$ 0.8	\$ 70.7	3.4%	2.6%
Online	\$ 15.6	\$ 21.2	\$ 10.5	\$ 47.4	23.2%	26.0%
Limited Assortment	\$ 30.0	\$ 1.7	\$ 0.9	\$ 32.7	8.7%	12.4%
Fresh Format	\$ 17.5	\$ 1.0	\$ 0.5	\$ 19.0	3.9%	3.5%
Drug Stores	\$ 12.2	\$ 3.3	\$ 1.4	\$ 16.9	2.8%	1.5%
Small Grocery	\$ 9.7	\$ 0.6	\$ 0.3	\$ 10.6	0.0%	(1.5%)
Dollar Stores	\$ 4.3	\$ 0.1	\$ 1.8	\$ 6.2	5.2%	4.0%
All Other	\$ 17.7	\$ 6.6	\$ 7.3	\$ 31.6	(3.5%)	(3.0%)
TOTAL FOODSERVICE	\$ 761.2	\$ 110.4	\$ N/A	\$ 871.6	3.7%	3.8%
Restaurants & Bars	\$ 494.3	\$ 88.2	\$ N/A	\$ 582.5	3.4%	3.6%
Top 500 Chains	\$ 289.2	\$ 14.3	\$ N/A	\$ 303.6	3.1%	4.2%
Independents/Small Chains	\$ 205.0	\$ 73.9	\$ N/A	\$ 278.9	3.7%	3.0%
Supermarket Fresh Prepared Foods	\$ 32.2	\$ 0.1	\$ N/A	\$ 32.3	6.5%	6.8%
Other Foodservice	\$ 234.7	\$ 22.0	\$ N/A	\$ 256.8	3.5%	3.5%
TOTAL FOOD INDUSTRY	\$ 1,476.1	\$ 238.3	\$ 52.0	\$ 1,766.4	2.9%	3.2%

SOURCE: Technomic Inc. with input from IRI; US Department of Commerce; US Bureau of Labor Statistics; Willard Bishop. Grocery "All other" includes stores 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: Retailers (other than supermarket foodservices); Travel & Leisure; Noncommercial; and All Other Foodservice.

YEARLY PRICE INCREASE 2005-2016



PRICE CHANGES BY CATEGORY 2016-2017



2018 COMMERCIAL FOODSERVICE MARKET FORECAST REPORT

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 132 firms below for making our 2018 forecast possible.

4 Star Reps, Inc.	Eaton Marketing Associates, Inc.	Lund-Iorio, Inc.	stage KOLSTAD associates
Adams Marketing & Sales	Equipment Preference, Inc. (E.P.I.)	M2 Foodservice	Stiefel Associates, Inc.
Advantage Marketing Group	E-Source, Inc.	Representatives LLC	TD Marketing Company, Inc.
Agences Hamilton Agencies	Ettinger-Rosini & Associates, Inc.	MAC Sales & Marketing LTD.	The 2Market Group, Inc.
Apex Commercial Kitchen Co.	Five Point Kitchen Solutions	Marjon & Associates, Inc.	The Fischer Group
Apex Marketing	Florida Agents, Inc.	Marketing Agents South, Inc.	The Hansen Group
ARB Sales and Marketing	FOCUS Hospitality Sales	McGirr, Inc.	The Pantano and Pinilla Agency, Inc.
Associated Marketing Agents	Food Service Systems	Midwest Professional Reps, Inc.	The Waite Group
Beacon Sales Group LLC	Foodservice Equipment Agents, LLC	Mirkovich - Casper	DBA-Bob Waite & Associates
Bowerman Management Group	Forbes, Hever & Wallace, Inc.	Nick Mavro & Associates, LLC	The Wallin Group, Inc.
Brittan Associates	Fredco Manufacturers' Representatives	North Star Agency, LLC	The YES Group
BSE Keystone	Gabriel Group LLC	ONE SOURCE	Thormann Associates
BSE Marketing	Gibbs & Associates, Inc.	PB & J Commercial Agents	TLC Marketing Inc.
BSM Marketing Associates Inc.	GMV Sales Associates	Pecinka Ferri Associates	Total Source Equipment & Supply
C. R. Peterson Associates, Inc.	Greenwald Sales & Marketing	Performance Reps Northwest, Inc.	Total Tabletop Plus
Carman-Girard Associates	Griffin Marketing Group, Inc.	Permul Ltd.	TRC Marketing, Inc.
Celco Inc.	Hanna-Young & Associates, Inc.	Posternak Bauer Aitkenhead Cantamessa	Tri-State Marketing Associates
Charles L. Burton Associates	High Sabatino Associates	Preferred Marketing Group	Vader & Landgraf, Inc.
Charles Pace & Associates	Hollander Company	Premier Equipment Group, Inc.	Veitch Group
Chernoff Sales, Inc.	HRI, Inc.	Premier Marketing Group, Inc.	Velkey & Associates
Chesher Equipment, Ltd.	Ignite Foodservice Solutions	Pro/Line Marketing, Inc.	Viola Group
Chrane Foodservice Solutions	Inform Marketing Group, LLC	Professional Manufacturers Representatives, Inc. (PMR)	Voeller & Associates, Inc.
Claes & Greenoe Marketing Group	Integra Marketing, Inc.	Pro-Pacific Agents, Inc.	W. D. Colledge Co., Ltd.
Clemens Profit Group	JMT Reps	Pro-Quip Foodservice Equipment & Supplies Incorporated	Walter Zebrowski Associates
Clements-Stella-Gallagher Marketing	John Calarese & Co., Inc.	R. Henry & Associates	Waypoint Commercial Solutions
CLV Marketing	Johnson Pike & Associates, Inc.	Redco Foodservice Equipment, LLC	WB Marketing LLC
Commercial Kitchen Reps, Inc.	Kaufmann & Associates	Schmid-Dewland Associates	West Coast Food Service Marketing
Courtney Marketing, Inc.	KBC Specialty Products, Inc.	Searles Associates, Inc.	WolfePack Sales & Marketing, Inc.
Cowan Associates	Kelly-Mincks	Shamrock Foodservice Equipment Reps. Inc	Woolsey & Associates, Inc.
D.L.T. Sales, Inc.	Ken W. Thomson Associates Ltd.	South Eastern Manufacturers' Agents, Inc. (SEMA)	Wyllie Marketing
Dady & McCoy Sales	KLH Marketing, Inc.	Specialized	YBR Marketing, Inc.
Davis & Associates, Inc.	Koehler-Borden & Associates, Inc.		York Hospitality & Gaming, Inc.
Desert Peak Marketing	Lake Effect Sales & Marketing		Zink Foodservice
Downing Management	Lane Marketing Group		
DRC Marketing Group	Lehr McKeown Marketing, Inc.		
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