



Overview of the Retail Grocery Market in the Southeast United States



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EXECUTIVE SUMMARY

This report is intended to provide the Canadian exporter with a concise overview of the retail grocery market in the Southeast region of the United States, which comprises the states of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee. The information contained in this report was drawn from secondary sources.

The Southeast region offers strong export opportunities to Canadian food companies. The Southeast states form a dynamic and growing market that is rich in ethnic diversity with a consumer base of just over 52 million people; almost 18% of the total American population. The majority of growth in the region lies in Florida where the grocery market is highly competitive between large supermarket chains and independent retailers. Competition in the retail food industry is expected to heighten with the increasing strength of mass merchandisers and alternative grocery store formats. Overall, the retail grocery market is fairly mature, yet it continues to rejuvenate its image in order to meet changing consumer demand.

Attractive prospects for Canadian exporters lie in several Southeast region markets including Cape Coral and Miami, Fla.; Atlanta, G.A.; and Charlotte and Raleigh, N.C. Each of these markets shows signs of strength in population growth, economic health, and business climate. These selected areas also represent strong opportunities for Canadian agri-food exporters.

QUICK FACTS

- National retail grocery sales were approximately US\$650 billion, and retail food sales US\$425 billion in 2004.
- The United States' retail grocery industry is projected to reach US\$720 billion by 2008.
- Supermarkets accounted for 55% of the American retail grocery market, followed by convenience stores with 16%, mass merchandisers with 9%, warehouse clubs with 9%, and dollar stores with almost 2% in 2004.
- The Southeast region held 7,145 supermarkets in 2004 which obtained a total market value of US\$78.3 billion, accounting for approximately 12% of national retail grocery sales.
- Wal-Mart Supercenter holds 30% market share of the Southeast region's retail grocery sales, followed by Kroger with 9%, and Publix with 8%.
- The 2004 perishable foods sector was led by supermarkets with 85% market share. Mass merchandisers followed with 5%, warehouse clubs with 4%, and convenience stores with 1% (Euromonitor, 2004).
- In 2004, fruit and vegetable sales were approximately US\$74 billion and are predicted to grow 15% in the United States by 2008.
- Warehouse clubs and mass merchandisers are two of the fastest growing channels in the American retail grocery market, with projected increases in consumable retail sales of 20% and 21% respectively, by 2008.
- Growth areas include private label products, home meal replacements, and prepared, organic, natural, and ethnic foods.

SOUTHEAST REGION

The Southeast region offers a favourable business climate for Canadian exporters wanting to test new markets, comprising approximately 18% of the United States population and 12% of national supermarket sales.

Florida is one of the United States' retail sales leaders as it is a high-population, large-economy state. Florida has the most urban centres in the region, with 405 cities home to about 89% of the state's population. The state also holds the most cities with populations over 100,000 in the Southeast region; 17 in total. Miami, Fla., is the sixth largest metropolitan area in the United States and its population is projected to reach 6,518,100 by 2012; a 24% increase over 2004.

Like many other regions across the country, the Southeast states have experienced high growth over the last few years. Miramar, Port St. Lucie, and Cape Coral, Fla., ranked in the top ten American cities with the largest increases in population from 2000 to 2004. Miramar ranked second having experienced approximately 40% growth. Other fast growing cities include Pembroke Pines, Coral Springs, Orlando, Fort Lauderdale, Tampa, and Jacksonville, Fla.; Raleigh, Durham, and Charlotte, N.C.; Charleston, S.C.; and Clarksville, Tenn.

On a regional scale, Florida, Georgia and North Carolina are leading growth in the Southeast having experienced state-wide population increases of 9%, 8% and 6% respectively, from 2000 to 2004. These states grew faster than the national average of 4% in the same period.

2004 State Populations and Canadian Exports

State/Region	Population	Population as Percentage of Region	Total Retail Grocery Sales (US\$)	Canadian Exports to State (Cdn\$)	Exports as Percentage of Region
Alabama	4,530,182	8.7%	6.6 billion	1.8 billion	6.9%
Florida	17,397,161	33.3%	26.5 billion	4.2 billion	16.3%
Georgia	8,829,383	16.9%	13.3 billion	5.8 billion	22.5%
Mississippi	2,902,966	5.5%	3.5 billion	924 million	3.6%
North Carolina	8,541,221	16.3%	13.1 billion	4.0 billion	15.5%
South Carolina	4,198,068	8.0%	6.8 billion	2.4 billion	9.2%
Tennessee	5,900,962	11.3%	8.5 billion	6.7 billion	26.0%
Southeast	52,299,943	100.0%	78.3 billion	25.824 billion	100.0%

The Southeast region held 7,145 supermarkets in 2004 which obtained a total market value of US\$78.3 billion, accounting for approximately 12% of national retail grocery sales. The top three retailers in the Southeast region are Wal-Mart, Kroger and Publix. Key players in the retail grocery market and their respective market shares vary from state to state.

Alabama

- Alabama had 725 supermarkets in 2003 with a total market share of US\$6.6 billion and ranked 22nd in the country's top retail grocery sales by state.
- Top three retailers: Wal-Mart Supercenter has 72 stores and 38% of market share, Bruno's has 99 stores and 14% of market share, and Winn-Dixie has 110 stores and 13% of market share.

- Birmingham had the most supermarkets of the state's urban centres in 2004 with 167 stores, holding a sales value of US\$1.7 billion, or 26% of total state sales.
- 2004 population: 4,530,182, ranking the state 23rd in the nation.
- 2003 per capita personal income was US\$26,276, ranking Alabama 23rd in the US.
- Alabama is one of the primary pecan growing areas in the country.

Florida

- Florida had 1,997 supermarkets in 2003 with a total market value of US\$26.5 billion and ranked 3rd in the country's top retail grocery sales by state.
- Top three retailers: Publix has 631 stores and 41% of market share, Wal-Mart Supercenter has 120 stores with 18% of market share, and Winn-Dixie has 440 stores and 15% market share.
- Miami had the most supermarkets of the state's urban centres in 2004 with 534 stores, holding a sales value of US\$8.3 billion, or 31% of total state sales.
- 2004 population: 17,397,161 ranking the state 4th in nation.
- 2003 per capita personal income was US\$29,972, ranking Florida 25th in the US.

Georgia

- Georgia had 1,152 supermarkets in 2003 with a total market value of US\$13.3 billion and ranked 8th in the country's top retail grocery sales by state.
- Top three retailers: Wal-Mart Supercenter has 95 stores and 25% of market share, Kroger has 175 with 25% of market share, and Publix has 160 stores and 16% of market share.
- Grocery sales increased \$1.6 billion (11.5%) over 2004 to \$15.5 billion.
- Atlanta had the most supermarkets of the state's urban centres in 2004 with 559 stores, holding a sales value of US\$7.5 billion, or 56% of total state sales.
- 2004 population: 8,829,383 ranking the state 9th in the nation.
- 2003 per capita personal income was US\$29,259, ranking Georgia 28th in the US.
- Georgia is one of the primary pecan growing areas in the country, and annually produces approximately 120 million pounds of pecans.

Mississippi

- Mississippi had 413 supermarkets in 2003 with a total market value of US\$3.5 billion and ranked 33rd in the country's top retail grocery sales by state.
- Top three retailers: Wal-Mart Supercenter has 51 stores and 45% of market share, Kroger has 31 stores with 12% of market share, and Winn-Dixie has 45 stores and 8% of market share.
- Jackson had the most supermarkets of the state's urban centres in 2004 with 64 stores, holding a sales value of US\$748 million, or 21% of total state sales.
- 2004 population: 2,902,966, ranking Mississippi 31st in the nation.
- 2003 per capita personal income was US\$23,343, ranking Georgia 51st (including Washington, DC) in the US.

North Carolina

- North Carolina had 1,334 supermarkets in 2003 with a total market value of US\$13.1 billion and ranked 9th in the country's top retail grocery sales by state.
- Top three retailers: Food Lion has 486 stores and 29% of market share, Wal-Mart Supercenter has 69 stores with 21% of market share, and Harris Teeter has 108 stores and 13% of market share.
- Charlotte had the most supermarkets of the state's urban centres in 2004 with 223 stores, holding a sales value of US\$2.6 billion or 20% of total state sales.
- 2004 population: 8,541,221, ranking North Carolina 11th in the nation.
- 2003 per capita personal income was US\$28,301, ranking North Carolina 37th in the US.

South Carolina

- South Carolina had 679 supermarkets in 2003 with a total market value of US\$6.8 billion and ranked 24th in the country's top retail grocery sales by state.
- Top three retailers: Wal-Mart Supercenter has 46 stores and 28% of market share, Bi-Lo has 132 stores and 19% market share, and Food Lion has 126 stores and 12% of market share.
- Greenville had the most supermarkets of the state's urban centres in 2004 with 84 stores, holding a sales value of US\$950.1 million or 14% of total state sales.
- 2004 population: 4,198,068, ranking South Carolina 25th in the nation.
- 2003 per capita personal income was US\$26,138, ranking South Carolina 43rd in the US.

Tennessee

- Tennessee had 845 supermarkets in 2003 with a total market value of US\$8.5 billion and ranked 15th in the country's top retail grocery sales by state.
- Top three retailers: Wal-Mart Supercenter has 79 stores with 32% of market share, Kroger has 119 stores and 27% market share, and K-VA-T has 56 stores and 6% market share.
- Kroger remains the leading conventional grocer in the state, due to its re-investments in its stores over the last couple years. Other major grocers are also adding new locations to their store base.
- State grocery sales are expected to grow from \$9.2 billion in 2004 to \$10.4 billion in 2005.
- Nashville had the most supermarkets of the state's urban centres in 2004 with 185 stores, holding a sales value of US\$2.1 billion or 25% of total state sales.
- Nashville's grocery market is predicted to reach to \$2.7 billion in 2005 from \$2.1 billion in 2004, and that of Memphis is to increase from \$1.8 billion in 2004 to \$2.1 billion in 2005.
- Tennessee's growing cultural diversity, especially in and around Nashville, is well-reflected in grocery stores with outlets offering more diversified food selections.
- 2004 population: 5,900,962, ranking Tennessee 16th in the nation.
- 2003 per capita personal income was US\$28,565, ranking South Carolina 34th in the US.

MARKET OVERVIEW

American retail grocery store sales were approximately US\$650 billion in 2004; a 2% increase over 2003. Stores within the retail grocery market include supermarkets, convenience stores, mass merchandisers, warehouse clubs, dollar stores, and specialty food retailers. Due to rising competition, retailers are continually finding innovative ways to improve their operations and expand their share of the retail grocery market.

With competition escalating, this diverse yet fragmented sector may soon dramatically change as national and regional chains continue to consolidate stores and construct larger outlets integrating supermarket formats and gasoline service stations to attract more consumer dollars. Such trends are resulting in smaller retailers being squeezed out of the marketplace. In 2003, nearly 66% of the nation's supermarkets were affiliated with a chain, while the remaining 34% operated independently.

Large retail chains and key players in the food retail market such as Wal-Mart, Costco, Publix, Kroger, Albertsons, and Safeway, are enhancing their competitive advantage. With mass merchandising and warehouse club retailers like Wal-Mart and Costco adding supermarket formats to their outlets, and all large chains increasingly adding gasoline to their product mix, convenience stores and independent grocers are facing a new type of competition.

Wal-Mart is one of the largest threats to traditional independent grocers and currently operates 1,353 Wal-Mart stores, 1,713 Supercenters, 85 Neighborhood Markets, and 551 SAM'S CLUBs in the United States. Wal-Mart's annual growth rate of 18% is largely attributed to its expansion into the supermarket industry. The retailer plans on opening approximately 350 new locations throughout the United States in 2006.

Supermarkets

Supermarkets are the largest segment of the grocery retail sector and are dominated by chains. Making an average of 2.2 visits per week to supermarkets, American consumers prefer these outlets due to their selection, convenient locations, and longer hours of operation (Euromonitor, 2004). Despite much growth and success, this segment is under threat from mass merchandisers and warehouse clubs, which are increasingly offering everyday low prices and a broad selection of retail and grocery products.

- Supermarkets dominate the United States retail grocery sector with sales having increased 11% since 2000. In 2004, sales reached more than US\$357 billion, comprising 55% market share.
- Chain supermarkets operating within the annual sales range of US\$12-20 million are most successful and make up 19% of the segment's total market share.
- Chain supermarkets make up 83% of total retail grocery sales while independent groceries account for 17%.
- Traditional grocery stores carry more private label (i.e. store brand) items (19%) than superstores (14%) and dollar stores (11%).
- Private label market shares increased to 16% in 2004 with over \$42 billion in sales.
- Publix is the largest privately held supermarket chain in the United States. The company saw US\$18.6 billion in sales in 2004.
- Supermarkets typically have gross margins of 25%, making it difficult to compete with mass merchandisers, warehouse clubs and dollar stores.

Convenience Stores

Traditionally relying on tobacco and gasoline sales as primary traffic-builders, convenience stores are beginning to transform themselves into "grab-and-go" outlets to meet consumer demand for prepared convenience goods. With supermarkets, mass merchandisers and club stores now selling gasoline, and with consumers turning to lower-price competitors for tobacco products, total convenience store sales are expected to drop 6% by 2008. Likewise, convenience store food sales are projected to drop 3% over the same time period. To overcome this obstacle, convenience stores are catering to the trend toward healthier eating and consumers' busy lifestyles by offering prepared foods and "grab and go" convenience products. Such retailers are also adding refrigerated coolers that house perishable foods for added sales.

An additional factor affecting convenience store sales is the increased availability of pay at the pump options when purchasing gasoline. As stated, gasoline is a major draw for many of these retail outlets, but with the option of paying at the pump the need to go into a convenience store is lessening, thus drastically cutting into traditional impulse buys.

Although large chain companies dominate the convenience store sector, it also includes many regional and independent retailers. Their success is largely attributed to truly understanding and meeting the needs and demands of local consumers, while offering convenient, fresh and ready-made products.

- With more than 138,000 convenience stores across the country, in-store sales (not including gas) exceeded US\$100 billion in 2004; a 16% share of national retail grocery sales.
- Convenience stores are the only retailers in the retail grocery market that attract half of American shoppers on a daily basis. Fifty-four per cent of primary household shoppers visit a convenience store weekly.
- Approximately 80% of all convenience stores offer food prepared on-site, especially grab-and-go breakfast products.
- Energy bars and granola/fruit snacks were extremely popular in 2003, with sales of US\$225 million and US\$70 million respectively.
- Top selling convenience store products in 2003 included cigarettes (US\$40 billion), food prepared on-site (US\$15.2 billion), beer (US\$12.8 billion), snacks (US\$5.2 billion), and coffee (US\$4.9 billion).
- Many convenience stores are increasing their service offerings. More than 90% of convenience stores offer ATM services compared to 15% in 1994. Eighty per cent of convenience stores sell money orders, 5.7% offer copy/fax services, 4.5% have check cashing services, and 2% offer drive-thru window service. Furthermore, 90% of such outlets that sell gas offer pay-at-the-pump technology, 35% now have customer loyalty programs, and 16.2% have car washes.
- 7-Eleven is the largest convenience retailer in the United States with approximately 5,320 outlets nationwide and US\$7.9 billion (excluding gasoline sales) in sales in 2004.

Mass Merchandisers

Mass merchandisers are enhancing the competitive nature of the retail grocery market and more specifically challenging the supermarket sector for sales. Much of this channel's growth over the last decade is due to the opening of new outlets, increased advertising of everyday low prices, expanding food selections and the addition of in-store pharmacies. Mass merchandisers are increasingly developing and/or converting into supercenters, and are offering broad product assortments that can include a blend of supermarket and typical mass merchandiser products. With their key feature being aggressive pricing, and consumers ever more adopting the habit of cross-channel shopping, mass merchandisers' market share has steadily increased by 51%, from US\$43 billion in 2000 to US\$65 billion in 2004.

- Mass merchandiser sales reached US\$65 billion in 2004; a 9% market share.
- Mass merchandisers accounted for approximately 14% of non-perishable and 5% of perishable food sales, and 20% of household supply sales in 2003 (Euromonitor, 2004).
- Wal-Mart Supercenters remain one of the largest threats to supermarkets with grocery sections being added to existing outlets and new stores. Super Target and Super Kmart represent this same model (Euromonitor, 2004).
- Many mass merchandisers are adding fuel stations to their outlets to benefit from increased store traffic that gasoline sales produce. Some retailers report gains of 3-4% with fuel retailing operations in place.
- The sector is expected to see 21% growth in grocery retail sales by 2008, largely due to Wal-Mart opening new outlets and converting its existing stores into supercenters (Euromonitor, 2004).
- Wal-Mart, Kmart and Target comprise the majority of the mass merchandiser channel together holding an approximate 88% share of the total American retail grocery market.

Warehouse Clubs

Warehouse clubs are an important player in the retail grocery market in the United States as they are aggressively competing with supermarkets for consumer dollars. These retailers are well known for their low prices, quality products, and "treasure hunt" appeal in which consumers must search aisles for limited-time bargains that are not regularly advertised. Warehouse clubs have a more limited and variable selection of products; however, offer competitive pricing for multipacks, which favours high-volume purchases (Euromonitor, 2004).

In the Southeast region where Hispanics are a key consumer market segment, warehouse clubs may be at an advantage considering that the average Hispanic American family is larger than the national average. Larger families benefit from such retailers' "club sized" or "family sized" product packaging and bulk purchase savings. With Hispanic buying power set to almost double from US\$580 billion in 2002 to \$926 billion in 2007, and the segment's higher than average food purchases, the Hispanic market will significantly impact warehouse club sales in the Southeast region.

- Warehouse club sales reached US\$60 billion in 2004, a 9% market share.
- Warehouse clubs accounted for approximately 10% of non-perishable and 4% of perishable food sales, and 15% of household supply sales in 2003 (Euromonitor, 2004).
- Warehouse clubs typically have gross margins of 10% and pass these savings on to consumers.
- More than half of American consumers shop at warehouse clubs.
- Threats to warehouse club retailers include the growing baby-boomer population, which does not require products available in large or bulk size formats.
- Grocery sales account for approximately one-third of warehouse club sales. Top selling goods include dairy, meat, produce, and home meal replacement products.
- The Southeast region's major warehouse club retailers include SAM'S CLUB, Costco and BJ's Wholesale Club with 120, 31 and 37 locations respectively.
- Costco is the leading warehouse club retailer in the United States with 336 locations and US\$47.1 billion in sales in 2004.
- The sector is expected to see 20% growth by 2008, largely due to Costco opening new stores (Euromonitor, 2004).

Dollar Stores

Dollar store retailers have revitalized themselves over past decade with better quality products and increased product variety, resulting in large channel growth. More recently, there has been a shift to toward adding food aisles and convenience goods to increase sales. Many retailers are adding refrigerated and/or frozen food sections for fresh produce and frozen prepared meals. Dollar General, for example, is testing its Dollar General Market concept, which sells fresh produce and meat, in the American marketplace. Large national retailers from other channels such as Wal-Mart, Target, Kroger, Albertsons, and Walgreens are also trying to benefit from dollar store sales by experimenting with dollar aisles in their stores.

- Sales reached more than US\$10 billion in 2004 and are projected to grow 6% annually over the next five years.
- There is a large concentration of dollar stores in the Southeast states; more than 30% of the national total.
- The number of dollar stores in the United States has more than tripled over the past decade to over 16,000. More than 8,000 new outlets are predicted to open by 2010.

- The Southeast region's major dollar store retailers include Dollar General with 2,610 locations, Family Dollar with 1,465 locations and Dollar Tree with 742 locations.
- Two-thirds of households in the United States shop at dollar stores.
- Shoppers with family incomes under US\$30,000 account for 51% of dollar store sales
- Low-income households are not the only dollar store customers. Households with incomes above US\$70,000 increased their visits to dollar stores by 15% in 2003. This was largely due to dollar stores adding more brand name items to their product mix.
- Top selling agri-food products in dollar stores include candy, snacks, frozen pizza, dairy, sugar, flour, oils/shortening, diet aids, meats and seafood.
- Candy and snack sales rose approximately 10% and 13% respectively in 2003.
- Dollar General is the largest dollar store retailer in the United States with over 7,600 locations in 31 states, and US\$7.6 billion in sales in 2004.

Key Factors Shaping Market Growth

Due to recent hurricane damage along the Gulf Coast, Florida may experience slower short-term growth. However, the Southeast states' grocery retailers in general may experience increased business as tourists, especially Canadian snowbirds, travel to the region instead of neighbouring South Central states that endured worse hurricane damage.

As the downsizing of supermarket outlets continues in the Southeast region, other retailers are benefiting. Winn-Dixie's closure of more than 30% of its store locations in 2005 has left 102 outlets to competitors, and allowed the retailer to completely exit from the North Carolina, South Carolina and Tennessee markets. BI-LO also plans to sell 116 of its stores in Alabama, Florida, Georgia, North Carolina and Tennessee by May 2006 to better focus on its core market strategy in key markets. Such downsizing has ultimately helped other large grocery retailers expand their market share.

Opportunities

Organic Foods

It is no surprise that organics are developing as a strong market in the Southeast region as people become increasingly aware of the environmental, social and health benefits associated with the production of organic foods. Approximately 30% of American consumers or 88 million people use organic products, with quality being particularly important to Hispanic, Asian and organic shoppers. Furthermore, about 9% of Americans fully incorporate organic usage into their lifestyle, 17% try to do so, and 4% are non-committed and occasionally purchase such food products. However, the demand for prepared or easy-to-prepare meals in the organic food segment is expected to expand as people look for quick, portable and healthy alternatives. Categories with strong growth potential include organic milk, cheese, meat, ethnic foods, frozen foods, beverages, and baby foods.

2004 national organic food sales were estimated at roughly US\$10 billion, and accounted for 2% of American food sales. Since 1992, such sales have increased by more than 20% annually, compared to 2 to 3% growth of conventional foods, and are expected to show strong growth for at least the next decade. Organic food sales are predicted to reach US\$32 billion by 2009. Organic dairy, breads and grains, and beverages are expected to double in sales by 2010, while fruits and vegetables are predicted to triple in demand. Meats and produce are anticipated to have improved performance in upcoming years.

Demand for organic meat is increasing in part as a result of consumer concerns about food safety and bovine spongiform encephalopathy (BSE). Organic meat sales are expected to grow 31% annually through to 2008.

US Organic Food Market (2004)

Category	Market Share	Value
Produce	40%	\$4.4 billion
Packaged Foods	15%	\$1.6 billion
Dairy Products	10%	\$1.1 billion
Frozen Foods	9%	\$1.0 billion
Soy Products	6%	\$0.6 billion
Beverages	6%	\$0.6 billion
Meat	3%	\$0.3 billion
Snacks	2%	\$0.2 billion
Other	9%	\$1.0 billion
Total	100%	\$10.8 billion

*All values in US dollars

Canadian exporters already have the capabilities to produce many organic foods that are in demand in the Southeast region. Some of these foods and ingredients include organic beef and chicken; grains, cereals and breads; fruits and vegetables; apple products; coffee, teas and juices; ice cream; and canola, safflower and sunflower oils. Canadian organic food manufacturers should benefit from consumer perceptions of Canada as a clean, pure and unspoiled food source.

Ethnic Foods and Ingredients

The American retail ethnic food market is currently valued at US\$75 billion, and its continual growth is largely due to an increase in ethnic diversity in the United States and mainstream consumers' seeking new flavours. The Southeast region's retail ethnic food market by cuisine and sales can be broken down into three major food categories: Hispanic, African American and Asian American.

Hispanic

The Hispanic consumer segment is the largest growing ethnic minority in the United States, making up approximately 14% of the population. By 2012, it is estimated that this segment will account for nearly one out of every five Americans, with an estimated 40.5 million Hispanics living in the United States.

Recent product trends within the Hispanic food market include ceviche, curtido, pupusas, paella, fabada, tapas, slow-roasting dishes, dulce de leche, tres leches, plaintains, cherimoya fruit, pico de gallo, and Mateus wines. There is strong demand for foods that are hot and spicy with lemon Cajun, chipotle, mesquite, and chimichuri flavours.

African American

The African American consumer market has the highest level of purchasing power among ethnic groups in the United States, valued at over US\$645 billion in 2002. This consumer segment is made up of several sub groups including native born African Americans, and immigrants from a variety of Caribbean and African countries. African Americans currently account for 12% of the American population.

This market includes foods from many countries, such as Cuba, Dominican Republic, Puerto Rico, Jamaica, Guatemala, Costa Rica, and El Salvador. Cocina criolla is Puerto Rican cuisine, which has become very popular in the United States. Recent product trends include jericalla, picos bread, sautéed or slow-cooked dishes, croquetas,

empanadas, pastelitos, bocaditos, maduros, congri, piraguas, gizzardas, root vegetables, avocado, pumpkin, onions, yautias, bacalaitos, cornmeal, fish soup, caldo gallego soup, and preserves. Key flavours include sofrito sauce, jerk, mojo, guava, mango, coconut, and papaya.

Asian American

Asian Americans currently make up 4.1% of the United States population, and can be broken down into several sub groups including Chinese, Japanese, Vietnamese, Korean, Filipino, Thai, Cambodian, Indian, and Malaysian consumers. The largest Asian population segment is Chinese American. This group has grown nearly 50% between 1990 and 2000.

Pan Asian and fusion cuisine ingredients have gained popularity in the Asian food market, while pre-made sushi and chai continue to be in high demand. Product trends include artisan sake, Asian barbecue, spring rolls, edamame, Kobe, panko, prawns, squid, octopus, clams, raw foods, cabbage rolls, gourmet noodles and toppings, furikake rice seasonings, dumplings, dim sum, and hot and sour soup. Popular flavours and ingredients include soy, peanut sauce, hoisin, wasabi, miso and cardamom.

Other Trends

Several other trends are occurring in the Southeast region, which may yield opportunities for Canadian exporters. The trends in artisan and specialty cheeses include an increased consumption of Paneer, Chevre, Crottin de Chavignol, Chevrefeuille, Roquefort, Manchego, Perail, Ricotta and Feta. There is an increase in demand for exotic teas with emphasis on Asian varieties including green, chai, herbal, yerba mate, rooibos, oolong, bubble, organic, iced, and decaffeinated tea. Other popular beverages include specialty coffees, ice wine, sparkling wine, flavoured and sparkling water, and sport beverages.

There is also much interest in the emerging cuisine market with concentration on Mediterranean, Middle Eastern, and Indian foods. Chiles, spice blends, sweet and sour concoctions and piquant fruit dressings are increasing in popularity as people crave authentic culinary experiences.

Canadian Ethnic Food Exports

Canadian exporters have demonstrated the ability to deliver many products that are in demand in the Southeast region. The following is a list of products that are common to all ethnic cuisine trends in the Southeast states and can be exported by Canadian companies.

- Shrimp, lobster, crab, salmon, mackerel, ackee, saltfish, cod, scallops and calamari
- Calf brains, kidneys, beef, lamb, pork, chicken, goat, spicy sausage, meat pies, ethnic beef and chicken stew, black bean soup
- Tofu and vegetarian dishes
- Dark chocolate
- Garlic, ginger, coriander, cinnamon, curries, cilantro, cumin, chillies, oregano, bay leaves and laurel leaves
- Chickpeas, cranberries, zucchini, tomatoes, potatoes, mushrooms, peppers, olives and almonds
- Sparkling water and wines

Gourmet and Specialty Foods

The increasingly sophisticated taste of the American consumer is indicated by the rapid growth in the gourmet and specialty food market. Nearly 20% of American adults are gourmet food consumers, fuelling a US\$41.2 billion industry that is expected to reach

sales of US\$62 billion by 2009. Such growth is being supported by more affordable, available, and appealing gourmet products. This is in part due to greater in-store marketing, expanding retail distribution of gourmet goods, and a growing synergy between natural and gourmet food industries. Some of the emerging trends from the specialty foods market include:

- Convenience in all forms including pre-washed salads, convenient gourmet sauces, seasoned ready-to-cook meats, and quick-heat fully cooked meats.
- Natural and organic foods and ingredients known for their health benefits.
- Focus on retro, comfort and home-style foods.

Frozen Foods

The American frozen food market was worth US\$29.2 billion in 2003, and is expected to reach US\$30 billion by 2009; a 3.4% increase. Due to their convenience, portability, and expanding variety, frozen foods offer consumers quick and easy at-home meal solutions. Such convenience and ease of preparation is increasing frozen foods' popularity. Consumer demand for ethnic, natural and organic frozen food choices is increasing, and is supported by growing ethnic diversity in the Southeast region. Mexican foods accounted for US\$488 million or 22% of the US\$2.2 billion ethnic frozen food market in 2001, while Asian frozen food sales amounted to US\$463 million or 21%. Multiple-serving frozen ready meals are expected to generate large sales through to 2009, with sales forecast to increase 12% to US\$8.9 billion (Euromonitor, 2005). Consumers are also increasing their consumption of frozen snacks in place of full meals as they offer easier portability than conventional frozen meats that require cooking and preparation time. Premium and indulgent frozen foods are on the rise as more consumers want to enjoy upscale, higher priced, quality foods, and are more frequently turning to frozen products for everyday convenient meal solutions (Euromonitor, 2005).

- Frozen ready meals remain the number one subcategory in the frozen food sector with more than US\$5.9 billion in annual supermarket sales.
- According to the American Frozen Food Institute, the average American ate a frozen meal six times a month or 74 times between 2001 and 2002.

Home Meal Replacements

Consumer buying behaviour is shifting toward the purchase of prepared meals to replace purchasing ingredients to cook meals at home. Retail grocers have reacted by investing in more product and marketing initiatives for such foods. American supermarkets, in direct competition with the foodservice industry, have ventured into home meal replacements (HMRs) in an attempt to build on their 21% share of the takeaway food market, compared with restaurants, which maintain 22% of the market. Some supermarkets are beginning to install drive-thru windows to improve accessibility and convenience, and better compete with the restaurant industry. Fresh, healthy, made-to-order sandwich counters in grocery stores are also providing competition for the take-out restaurant industry.

According to Grocery Manufacturers of America, American consumers now prepare meals in 15 to 20 minutes; a figure which continues to decline. This presents some exciting opportunities for food retailers in the grocery industry, particularly in the larger markets of the Southeast region. HMRs are a means to satisfy consumer demands on a number of levels, including convenience, and quick and healthy takeaway options. The HMR market segment is worth over US\$100 billion and is expected to continue to grow at a healthy rate. Currently, three-quarters of American supermarkets offer fully prepared meals made on-site and 70% offer ready-to-cook meals.

Until recently, sales in this category have been split fairly evenly between prepared chicken, salads, pizza and refrigerated entrées. These products have shared roughly 75 to 80% of sales, with hot entrées, ribs and other products making up the remaining 20 to 25% of sales. More recently a wide expansion in the variety and availability of hot entrées has helped this segment increase its market share. Chicken, salads and pizza continue to dominate overall sales, but it is the growing variety of foods, many with exotic flavours, and their convenient preparation which will push the segment's growth.

Private Label Products

Private label brands (also called store brands) are a critical component in the evolution of the retail grocery market, and currently account for 20% of all items sold in American supermarkets. The growth of private label brands can be partly attributed to their improved quality, expanding product lines, and cost savings passed on to consumers. These factors have led to increased knowledge and positive perceptions of store brands, supporting an industry worth over US\$50 billion.

Market research has indicated that consumers are shifting their spending towards the purchase of private label goods to get the most value for their dollar. Private label sales in the supermarket sector increased by over 2% to nearly US\$43 billion in 2003, while the sales of branded products increased by 1.4%. Price has historically been the driving factor in consumer decisions to purchase store brands; however, shoppers are increasingly purchasing high quality, premium offerings under these labels. In fact, recent studies indicate that Americans are just as likely to prefer the taste of private label products over that of well-known national brands. Furthermore, 75% of consumers identify store brands as "brands", 90% are familiar with the concept of private branding, and 83% regularly buy private label products. This presents an opportunity for Canadian exporters to enter the American store brand industry by selling high-quality, lower-priced goods to retailers for resale as private label products.

American retailers are aggressively seeking high quality private label goods with attractive packaging to add to their product mix. Developing such products for premium private label lines can also be profitable. Opportunities exist for Canadian manufacturers that can produce quality private label products for specific markets and/or those who specialize in particular product lines; especially those that include organic and ethnic foods. Several private labels that are rapidly expanding in the Southeast region include Wal-Mart's Great Value brand; Costco's Kirkland Signature brand; Kroger's Private Selection, Kroger, Naturally Preferred, and Nature's Song brands; and Publix's GreenWise, Publix, and Publix Premium brands.

Population and Food Consumption Trends

The Southeast States are home to approximately 52 million people, of which about 33% reside in Florida. The region's aging baby boomers are steadily driving the population's median age of 36 upwards. The largest population segments of the Southeast states fall between 35 and 44 years of age.

As the Southeast's population gets older it is also increasing in size. The region experienced 20% population growth between 2000 and 2004, with each state showing modest but steady growth. Florida's population increased by approximately 9%, Georgia by 8%, North Carolina by 6%, South Carolina by 5%, and both Mississippi and Alabama by 2%.

The American Consumer

In today's ethnically diverse Southeast region, there is no longer a homogeneous shopper to target. Consumers must now be categorized and marketed to according to various demographics including ethnicity, age, income, neighbourhood of residence, and personal shopping trends (e.g. whether they purchase low-carbohydrate, low-fat, organic or natural foods).

American consumers average eight shopping trips a month and spend about US\$93 on weekly groceries; US\$70 of which is spent at their primary grocery store. Although low prices still greatly affect consumer purchases, shoppers rate store cleanliness as the most important factor, even above store proximity. Store cleanliness is followed by high quality produce, high quality meat, price, service, and finally store location.

Recent studies suggest that with as many as two thirds of Americans being overweight and 55% trying to maintain a healthy diet, the trend toward healthier eating has increased in popularity. Consumption patterns are beginning to shift toward low-fat and low-calorie options. Seventy-three per cent of Americans now purchase more nutritious foods and beverages than in the past. Furthermore, 66% per cent of consumers look for food products made with whole, unrefined grains when they are grocery shopping; followed by those containing vitamins and minerals (59%); goods that are reduced or low in fat (65%), calories (54%), and carbohydrates (42%); and sugar free (49%) products. Natural and organic foods, and products that are high in fiber or free of trans fats are also extremely popular.

Aside from healthier foods, consumers also want a variety of quality, quick and convenient portable options. With 75% of dinners still eaten at home, and 44% of which are prepared in 30 minutes or less, there is great demand for prepared foods as consumers turn to supermarkets and restaurant takeout counters for meal solutions. Since 2002, consumer demand for such products has resulted in more higher-priced, upscale dinners, restaurant brand foods, and ethnic frozen meals, mainly in the Hispanic and Asian food segments. Many food companies are responding with new assortments of convenience products, especially ready-to-eat and -cook meals. Supermarkets are also following suit by making such entrées in-store with fresh ingredients. Supermarkets captured 27% of consumer takeout meal purchases in 2004, while fast food outlets accounted for 35%, and restaurants acquired 18% of this market.

When discussing the trend toward healthy eating in the United States, it must be remembered that larger portion sizes are still commonly used as marketing features at the retail and foodservice level. Products advertised as "King sized" and "Man sized" continue to be very popular. In addition, products advertised with promotional bonuses, such as "now with 33% more", are very effective ways of marketing a product. The trend toward healthy eating in the United States is significant, but it fails to offset the traditional perceived value and popularity of products promoted with larger product packaging and larger product portions. As much as healthy eating is a trend amongst the average consumer, the effort to eat healthier could easily be described as casual, with healthy eating choices being incorporated into less than healthy diets.

Seniors also represent a lucrative market for the Southeast retail grocery market. There are more than 34 million Americans age 65 and over in the United States; 19% of which live in the Southeast. Florida alone is home to over 2.5 million seniors or 40% of the region's total. This growing consumer segment offers numerous opportunities for food retailers to cater to. However, as the opportunities increase, the need to accommodate and adjust services to serve this demographic is evident. The demand for senior parking sections and discounts, and larger in-store signage for easier navigation is increasing.

More product information is also requested as seniors have less brand loyalty and more time to research their purchases than other consumer groups.

Seniors between the ages of 65 and 74, and those aged 75 and over, spend 8.9% and 9.2% of their total expenditures on groceries respectively, compared to the national average of 7.6%. Consumers age 55 and over annually spend more than US\$101 billion on groceries. Furthermore, 87% of seniors are willing to pay more for healthy, quality food products, especially fresh, natural, organic, gourmet, and convenience foods.

Snowbirds

Popular long-term vacation destinations also benefit from increased retail grocery sales. Florida, for example, attracts the most tourists in the Southeast region, and was visited by 76.8 million guests in 2004. Canadian snowbirds (snowbirds are classified as people who spend 31 nights or more in a southern destination) also make up an integral part of Florida's retail food market, with 73% choosing Florida as their annual destination. Snowbirds account for 30% of all Canadians that visit the state. Approximately 220,000 Canadian snowbirds visited Florida in 2003; 59% stayed 60 nights or more, and over 20% spent 91 nights or more. Due to their lengthy visits, 62% of Canadian snowbirds own homes in the United States. Many Southeast retailers cater to this tourist segment by greatly advertising and selling Canadian brand agri-food products; for example, beer and tobacco to meet snowbird demand and taste preferences.

The African American Consumer

The Southeast region's large African American population of nearly 32% sets it apart from other American markets. At more than 2½ times that of the national average, the ratio of African Americans in the region largely affects the sales volumes and spending patterns in the area. Furthermore, the African American consumer segment in the Southeast states presents a significant market opportunity for Canadian exporters.

The Hispanic Consumer

In addition to the Southeast states' largest overall ethnic consumer group, there is strong emphasis on addressing the needs of the region's expanding Hispanic population. This is especially so in Florida, Georgia, North Carolina and Tennessee where much of the growth is located. This Hispanic segment can be further broken down into consumers of Mexican (60%), Puerto Rican (10%), Central American (5%), South American (4%), and Cuban (3%) descent, with the remaining 18% from other backgrounds. The Hispanic consumer segment has grown significantly over the past decade, and its purchasing power is expected to almost double from US\$581 billion in 2002 to US\$1 trillion by 2010.

Hispanics make more shopping trips, spend more on groceries, and eat more at home than their mainstream American counterparts. Hispanics average 26 shopping trips per month or three times more outings than mainstream shoppers, and spend an average of US\$133 per week on groceries compared to non-Hispanic shoppers' typical US\$93 weekly purchases. The average number of meals eaten outside of the home is low for this group, at only 1.2 times per week. Hispanics are also more likely to visit independent bakeries, butcher shops, produce markets, bodegas (i.e. small markets), convenience stores, drug stores, and warehouse clubs than other shoppers. In fact, over 50% of Hispanics visit such stores where they spend about 30% of their total food dollars, compared to that of 18% of mainstream American shoppers.

Fresh, quality products are especially important to Hispanics and are frequently used in their cooking. This segment also accounts for much of the produce sales in the retail grocery market. Ethnic seasonings are also characteristic of this consumer group's cooking, with 91% of Hispanics using fresh and dried spices, seasonings, and sauce mixes on a regular basis.

Although many Hispanics often cook meals at home, acculturated Hispanics are increasingly leading busy lifestyles, and therefore the demand for authentic Hispanic convenience foods is growing. Mainstream Hispanic and Mexican convenience food sales, including entrées and portable items, rose from US\$250 million in 1999 to US\$505 million in 2004. Double income Hispanic families are also leading much of the growth in the frozen and refrigerated grab-and-go product category. Although Hispanics fuel most of the US\$4.3 billion Hispanic food and beverage market, it is important to note that non-Hispanic consumers are also a growing source of sales.

The Asian American Consumer

Apart from the growing Hispanic segment, the Southeast region's Asian American population of 3.8 million is also experiencing strong growth. Between 1990 and 2000 the nation's Asian American population increased nearly four times as fast as the American population overall, and is expected to reach 37.6 million or 9.3% of the country's total by 2050. Asian Americans are the most affluent market segment in the United States, with average household incomes of US\$83,804; 8% higher than that of non-Hispanic white consumers. Such growth and prosperity makes Asian Americans an important consumer group for retailers and marketers nationwide.

Asian Americans held a purchasing power of US\$296 billion in 2002, and spend approximately US\$25 billion on food annually. Asian retail food sales saw 27% growth between 2000 and 2004 due to the increasing Asian American population and mainstream consumer demand for ethnic foods.

State Ethnic Populations and Demographics

Distinct trends exist in each of the Southeast states. Age, race, and income demographics vary from state to state and county to county. Florida, for example, has a large Hispanic community while the Southeast region as a whole has an African American population more than double that of the national average.

2004 State Populations and Demographics

State/Region	Population	Hispanic	Asian American	African American
Alabama	4,530,182	2.0%	0.8%	26.0%
Florida	17,397,161	19.1%	2.0%	15.1%
Georgia	8,829,383	6.7%	2.8%	28.7%
Mississippi	2,902,966	1.5%	0.4%	37.2%
North Carolina	8,541,221	6.1%	1.7%	21.2%
South Carolina	4,198,068	3.0%	1.1%	28.9%
Tennessee	5,900,962	2.9%	1.3%	16.3%
Southeast	52,299,943	11.7%	7.3%	31.9%
United States	293,655,404	13.8%	4.1%	11.8%

Eating Habits and Trends

With the trend toward healthier eating, the quality and freshness of fruits and vegetables is very important to consumers. Fifty-four per cent of shoppers only purchase produce from supermarkets during peak growing seasons, 58% of consumers purchase all of their fresh fruits and vegetables at supermarkets due to their convenience. However, 34% of Americans prefer fruits and vegetables from local farm stands and small produce stores; 76% of which believe these locations offer fresher produce than supermarkets.

American consumption of bottled water has increased with consumers opting for healthier beverage choices. Per capita consumption rose by 7.6% from 22.1 gallons in 2003 to

23.8 gallons in 2004. Such growth was driven by single-serve bottled water sales, with Coca-Cola, Nestle Water of North America and Pepsi-Cola capturing 58% market share. Pepsi-Cola's Aquafina is the largest selling brand of bottled water in the United States, and reached over US\$1 billion in sales in 2004.

With the "low-carb" craze beginning to fizzle out, supermarket bakeries are expected to see improved sales, especially with indulgent baked goods which are very popular. However, many consumers are still watching their carbohydrate, calorie and fat intake. American bread consumption is still at a low 1.8 servings a day compared to the four servings average in 1999.

Beef, pork and chicken remained popular with consumers in 2004 and represented 91% of all packaged meat in supermarkets. However, food retailers have been making more room for ready-to-eat and -cook meals, value-added products, and self-serve seafood, because consumers are generally willing to pay premiums for these products. Meat product packaging containing recipes, cooking directions and photos of the prepared product continue to draw consumers. Beef also remains in high demand, especially premium meat such as organic, natural, Kobe, and 100% certified Angus or Hereford beef, veal, and preservative-free sausages. Overall beef sales have been declining for decades, but premium meat sales continue to see significant increases. Americans eat meat an average of three or more times a week.

Chicken consumption rose almost 40% from 36.3 lb. per capita in 1990 to 50.7 lb. in 2005. Such growth can be attributed to chicken's price, availability, and versatility in meal preparation in comparison to other meats; as well as its common occurrence on restaurant menus. American consumers eat chicken an average of 2½ times a week; 81% of which is purchased from supermarkets.

A notable trend in the dairy category is Americans' increase in cheese consumption. Consumers increased their cheese intake by 18% from 25.9 lb. per capita in 1992 to 30.6 lb. in 2002. Specialty cheeses are also increasingly popular and consumption has grown five times faster than overall cheese consumption in the past decade. Popular assortments include flavoured, boutique, farmstead, wash-rind and ethnic cheeses. Organic and natural cheese options, increasing ethnic diversity, and changing consumer tastes have also attributed to the rise in cheese consumption.

Supermarket Industry

The Southeast region's supermarket industry is undergoing many changes to satisfy the needs of its consumers. Many large chain retailers are remodelling stores to offer a more simplified and convenient shopping experience for time-starved shoppers. Common improvements include the addition of self-scanning kiosks where shoppers can check product prices and features, ethnic food aisles, prepared food sections, dollar store type aisles, and pharmacies.

With consumers increasingly looking for retailers with fast checkouts, quick-stop areas, and a wide range of products and services, supermarkets are responding with many solutions. Approximately 63% of supermarkets nationwide have an in-store pharmacy; 10% of which offer drive-thru service. Many supermarkets may soon be offering automated prescription refill kiosks that do not require pharmacist consultation. Chains such as Safeway and Walgreens recently received approval to install such devices.

In-store television may also become more widespread among American supermarkets. The Kroger Co. recently launched a television network in more than 2,500 of its stores across the United States, in which plasma and LCD screens deliver information on new

products and services, cooking tips, special promotions, community service initiatives, and entertainment segments. It is projected that more than 68 million shoppers will be exposed to such in-store media each week.

The number of supermarkets offering online shopping to consumers has also become more widespread, from 9% in 2000 to 16% in 2005; a more than 43% increase. Furthermore, 31% of supermarkets offer self-scanning checkouts used by over 50% of consumers; 22% of which do so on a weekly basis. Aside from such services, many supermarket chains have also added gasoline to their product mix; with 19% of such outlets having done so. Forty-five per cent of consumers pump gas at supermarket stations, and about 19% do so weekly.

Although the supermarket industry is taking large strides to transform itself into a one-stop outlet for groceries and other products and services, consumers do not always see supermarkets as quick and convenient options for takeout meals or those to be eaten on-site. The common perception remains that supermarkets largely sell raw ingredients for at home meal preparation and that they are not fast. Moving forward, supermarkets face logistical challenges to combat this perception including offering quick, in-and-out service, better parking sections, and drive-thru takeout windows.

With many supermarket chains adding such improvements and additions to their facilities, independent grocers are experiencing increased competition. To stay competitive, successful independent grocers are trying to truly understand their clientele in order to meet consumer demand and needs, and are catering to large ethnic markets, providing excellent customer service, and also making store improvements to facilitate the shopping experience. Such developments include rearranging aisles for enhanced shopability; prime examples being positioning peanut butter and jelly by bread, and milk across from the cereal section. These complimentary product clusters facilitate shopping and benefit a grocer's bottom line by influencing purchases on the spot.

Major Food Retailers and Intermediaries

Retailers

With competition in the American retail grocery market growing, major retailers are expanding their product and service offerings to stay in the game. Loyalty programs have become popular and are offered by most retailers, especially supermarkets. At least 86% of adults have at least one loyalty card from a supermarket retailer; however, most have a loyalty membership with more than one retailer. As online shopping grows, so do online loyalty memberships. Currently, 24% of American online retailers have a loyalty program, while 43% plan to implement one in 2006. Among retailers with such programs, 77% offer regular promotions, 60% provide excellent online customer service, 58% have exclusive offers and events for members, and some even allow members to redeem points for gasoline. The strategy behind such customer programs is to build loyalty, expand sales and marketing databases, as well as promote the retailer's image. Studies show that reward cardholders spend an average of 33% more on groceries each week.

In addition to customer reward programs, major retailers are competing with traditional grocery retailers as they add supermarket and convenience store aisles or formats to their locations. Even drugstore chains such as CVS, Eckerd and Walgreens are adding refrigerated and frozen food aisles, and dollar store giant Dollar General is testing fresh produce and meat at its Dollar General Markets.

Many large retailers are also catering to the trend toward healthier eating by stocking healthier food products and/or developing such private label goods. 7-Eleven, for

example, recently launched its Formula 7 line of functional foods and beverages that enhance energy, endurance, wellness and strength. The product mix includes bottled and canned beverages, and two nutritional bars.

Intermediaries

Many distribution companies currently face multiple technical challenges including facility design, operational security, safety and ergonomics, food safety, and implementing distribution centre automation. In order to overcome such challenges, new industry trends include the shift toward using radio frequency identification (RFID) and voice recognition technology, paperless delivery, and mobile wireless application and satellite tracking for fleet operations, to facilitate the distribution process. Many companies also offer web-enabled buying and selling in real-time, and can customize service according to retailers' needs.

RFID technology is slowly being implemented by large grocery retailers and is expected to soon be prominent in the retail grocery industry. The system can be used to track inventory items from production to consumer, giving industry stakeholders new control and insight into their entire shipping and delivery systems. Such technology will also help to assure consumers that the food they purchase has been properly produced, prepared and handled.

Industry Trends

There are a number of national trends emerging in the American retail grocery sector that will have an impact on the Southeast region's market. First is the increasing number of mass merchandisers. Such retailers have entrenched themselves solidly in the retail grocery market by offering lower prices and more selection than traditional supermarkets. Consumers have responded well and appear to be choosing price and selection over proximity and ease of access. Mass merchandisers have become increasingly attractive to young consumers, with 30% of which shopping at these larger stores compared to 20% of consumers in total. Younger shoppers prefer the convenience of large stores and are less likely to prepare a list or look for grocery specials in newspapers.

Supermarkets have become more aggressive in their tactics to draw back customers by adding more convenience options to their product mix, and co-branding with other companies to offer more to their customers. Options such as in-house banking and the addition of gas bars allow consumers to do more during their visit to the supermarket.

The focus on healthier eating is another trend impacting the retail grocery market. Increasing consumer interest in health and wellness, especially due to a surge in high profile trend/fad diets, has made for an influx of healthy, organic and natural foods into the American retail grocery market. Although low-carbohydrate food and beverage products saw increased sales in recent years, cholesterol-reducing products may take the lead by 2009 as low-carbohydrate diets lose popularity.

Store improvements and remodelling is yet another major trend among the Southeast region's grocery retailers. Many dollar and drug stores are adding refrigerated food sections for extra sales, while some convenience store chains are including mini grocery aisles and dollar store sections, foodservice stations, and more convenience products. Fresh ground beef, for example, is being tested at Kroger's Kwik Shops, Walgreens, HandiMart, and Osco Drug retailers.

As with any other industry, the grocery sector is constantly seeking new ways to improve its service to consumers. In an effort to speed up the shopping experience, new payment technology is increasingly being implemented in retail outlets and provides added security for consumers' bank and credit card accounts. Southeast retailer Lowes Foods in North Carolina is using QuikTouch, a biometric payment system, in which only a customer's fingerprint is used to authorise payment from their checking account. 7-Eleven and Sheetz now also accept "blink" contactless payment cards, which allow consumers to hold their card one inch away from a secure reader rather than swipe it, and eliminates cards from exchanging hands. Contactless payments are 25% faster than cash transactions.

Future Trends

Industry experts and analysts have offered some thought on what the grocery store of tomorrow will look like. Take-out and restaurant food prices are expected to increase by about 2.2% annually until 2011, while long term food prices are expected to increase at a rate just slightly below that of the general rate of inflation. Nearly 54% of industry analysts believe that all supermarket communication will be electronic, over 52% predict smart cards will eclipse all other forms of payment, roughly 55% believe that self-scanning will outnumber regular checkout lanes, and almost 28% believe that checkout stands will be eliminated altogether. Furthermore, almost 97% of industry experts feel that supermarkets will be open 24 hours a day, seven days a week, while the remaining 3% believe that grocery stores may be closed on their slowest business day of the week.

Profile of the Food Distribution System

The Southeast region is headquarters for some of the largest food distributors in North America. To arrange distribution in the Southeast, the manufacturer has three options at their disposal: manufacturer direct to the food outlet; manufacturer to merchant wholesaler, to food outlet; or manufacturer to distributor, to retailer, to food outlet.

The majority of exporters (75-80%) choose to ship their product directly to the retailer's warehouse. The advantage of this channel is that exporters eliminate the cost of excessive transportation and labour costs of shipping directly to the store.

SYSCO, with sales of US\$28 billion, is the largest food distributor in the United States. Other substantial broadline distributors serving the Southeast region include Ahold's, Inland Seafood, Poseidon Enterprises, Southern Foods, Wholesale Food Service, Thomas & Howard, US Food Service, Merchants Distributors, United Natural Foods, and the Performance Food Group. Many large grocery retailers in the Southeast region also have their own distribution operations. Retailers with their own distribution centres located in the region include Albertsons, Costco, Kroger, Publix, Safeway, and Wal-Mart.

Natural/Specialty Distributors

Lower volume, niche or higher-end products are best sold through a wholesaler or distributor who will manage the logistics of inventory management, shipping and store service. Warehouse and distributor consolidation can also help to reduce costs to Canadian exporters.

Dealing Directly with Retailers

Supercenters deal with large volumes of goods and are prohibitive to smaller exporters. Large exporters willing to offer discounts may consider selling directly to a supercenter. The American based support infrastructure is well established and open to working with Canadian exporters. This market is best-suited for sophisticated exporters with in-depth experience and understanding of the American marketplace. Key points which Canadian exporters need to consider before entering the market include:

- Dealing with time consuming and unpredictable border crossing paperwork can be an even greater challenge than managing shipping costs. A thorough understanding of the cost and timing implications of cross border shipping is critical to attract sophisticated American buyers.
- Carefully considering the costs and benefits of a broker before requesting their services. Furthermore, companies involved with private labels are less likely to make use of brokers.
- Being flexible and responsive to buyers' needs will help develop stronger credibility and access to new market opportunities.

COMPETITIVE ENVIRONMENT

Local Capabilities

Canadian exporters will face intense competition from small- to medium-sized local and national food manufacturers that typically operate on a regional level in the Southeast states. Alabama is widely recognized for its cotton, peanut, sweet potato and poultry production. Florida is known for its fresh vegetables, oranges, sugarcane, and beef. Georgia is recognized for its peanuts, cotton, peaches, poultry and eggs. Mississippi is known for its cotton, soybeans and poultry. North Carolina is recognized for its tobacco, sweet potatoes, Christmas trees, lima beans, cucumbers (for pickles), pork, turkey and poultry. South Carolina is known for its peaches, tobacco and collard greens, and Tennessee for its hardwood and horses.

The grocery industry in the Southeast region is well established, and products from other states provide ample support for food capabilities in the region. The diversity in food commodities exported to Canada from the Southeast region demonstrates that each state holds different strengths in agricultural production.

Canada has long been the number one exporter of meats, processed fruits and vegetables, grain mill products, bakery goods, sugar and confectionary, and fats and oils to the United States. The capability to produce all these products is a distinct competitive advantage for Canadian producers over international competitors.

International Competition

Imported food is one of the fastest growing categories in many American supermarkets. Canada, Mexico, Chile and Argentina are long time global competitors in the United States market. Newer agricultural exporters from Brazil, Russia, India and China are increasing the competition level in the region. Top countries exporting agri-food and seafood products to the United States include Mexico, Chile, France, Italy and China. The main exports from these countries are as follows:

- Mexico: edible vegetables, alcoholic beverages, edible fruits and nuts, beer and tomato products
- Chile: edible fruits and nuts, fresh grapes, shellfish, peaches, and alcoholic beverages
- France: wine, brandy, vodka, sparkling wine, and dairy products including cheese
- Italy: wine, olive oil, prepared cereal and flour, dairy products, and cheese
- China: prepared vegetables and fruit, seed oils, edible fruits and nuts, citrus fruit, and tea

A wide variety of products from around the world are being exported to the United States. According to the USDA, 78% of fish and shellfish consumed in the United States

is imported; up 10% from 2000. Imported wines claimed 27% of the American market in 2004 compared with 21% in 2000.

Canadian Position

Canadian companies will find several opportunities in the retail grocery sector considering that roughly four cents out of every dollar spent by Southeast consumers on imported food flows back to Canada. The changing demographics of age and ethnicity, depending on the specific area in the Southeast, make it wise for exporters to conduct thorough consumer analysis.

- It is estimated that Canada's agri-food and seafood exports to the United States will be up 2.9% in 2005 over 2004 totals.
- Canadian agri-food exports to this region totalled more than \$1.65 billion in 2004, and represented 10% of the United States' total Canadian agricultural imports.
- In 2004, Florida was the largest importer of Canadian agri-food products with more than \$487 million or 30% of the Southeast states' imports. Georgia ranked second with more than \$433 million (26%), followed by Tennessee with \$309 million (19%), North Carolina with \$199 million (12%), South Carolina with \$156 million (9%), Alabama with \$37 million (2.2%), and Mississippi with \$29 million (1.8%).
- Top Canadian exports included beef which accounted for almost 16% of total exports to the Southeast region, communion wafers (4.6%), canola (4.4%), whiskies (4.4%), and mixes and prepared doughs (3.9%).

Canada has strong potential to capture part of the organic, natural and nutraceutical food market that is rapidly growing in the United States. The North American market for organic products is reporting the highest growth worldwide.

Canadian organic producers planning to enter the Southeast market must receive the USDA National Organic Program accreditation.

EXPORT LOGISTICS

Agriculture and Agri-Food Canada's partners in Team Canada Inc have compiled information for those interested in exporting to the United States. The information is presented in a comprehensive guide to interested Canadian exporters at exportsource.gc.ca

Case studies on exporting to the Southeast region are also available. These are on the website, under the heading, "Case Studies of Successful Export into the US Southeast and Southwest" ats.agr.ca/us/e3460.htm

Free and Secure Trade (FAST) is a completely paperless cargo release mechanism put into place to reduce customs information requirements and has dedicated lanes at major crossings for participants. The program is designed to streamline the commercial processes for clearance by offering expedited clearance to carriers and importers enrolled in Customs Trade Partnership Against Terrorism (C-TPAT) or Canada's Partner's in Protection (PIP).

Website www.cbsa-asfc.gc.ca/import/fast/menu-e.html#information

FAST into Canada fast-expres@ccra-adrc.gc.ca

FAST into the United States industry.partnership@customs.treasdhs.gov

PROMOTIONAL EVENTS

Trade shows represent one of the most important ways of entering the lucrative and competitive American food and beverage market. Export-ready companies can learn about market and product trends, check out their competitors, and meet prospective customers at trade shows. At key shows, the Canadian government organizes official Canadian food pavilions, which exporters are invited to join. The Government also organizes several expositions and other trade promotion events to help introduce Canadian food and beverage exporters to the American market. For more information, contact the Agri-food Trade Service office nearest to you.

Website: ats.agr.ca/region/home-e.htm

Wine South 2006
September 15-17, 2006
Georgia
Internet: www.winesouth.com

Kosher World 2006
May 23-24, 2006
Anaheim Convention Center
Anaheim, CA
Internet: www.kosherworld.com

Georgia Food Industry Association Annual Convention
July 12-16, 2006
Amelia Island Plantation
Amelia Island, FL
Internet: www.gfia.org

Florida Restaurant Show
September 8-10, 2006
Orange County Convention Center
Orlando, FL
Internet: www.frashow.com

American Association of Cereal Chemists 2006 Annual Meeting
September 17-20, 2006
The Moscone Centre
San Francisco, CA
Internet: www.aaccnet.org/meetings/2004/

PMA Fresh Summit – International Convention and Exposition
October 20-24, 2006
San Diego, CA
Internet: www.pma.com

International Baking Industry Exposition (IBIE)
October 7-10, 2007
Orlando, FL
Internet: www.bakingexpo.org

Americas Food and Beverage Trade Show
November 19-20, 2005

World Trade Center Miami
Miami, FL
Internet: www.americasfoodandbeverage.com

KEY CONTACTS

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Email: cfiamaster@inspection.gc.ca
Website: www.cfia-acia.agr.ca

ExportSource
Team Canada Inc.
Phone: 1-888-811-1119
Website: exportsource.ca

International Business Opportunities Centre (IBOC)
Tel.: (613) 944-6000
Fax: (613) 996-2635
Email: iboc@dfait-maeci.gc.ca
Internet: www.iboc.gc.ca

Market Research Centre (TMR)
Contact: Jennifer Gowan, International Market Analyst
Tel.: (613) 996-1835
Fax: (613) 943-1103
Email: jennifer.gowan@dfait-maeci.gc.ca

Market Support Division (TMM)
Contact: Clément Coté, Trade Commissioner

Tel.: (613) 995-1773
Fax: (613) 943-1103
Email: clement.cote@dfait-maeci.gc.ca

United States Business Development Division (NUB)
Contact: Dan Mrkich, Trade Commissioner
Tel.: (613) 995-0759
Fax: (613) 944-9119
Email: dan.mrkich@dfait-maeci.gc.ca

Export Development Canada (EDC)
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: (800) 850-9626 or (613) 598-2500
Fax: (613) 237-2690
Email: export@edc4.edc.ca
Internet: www.edc.ca

International Trade Canada (ITcan)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Website: www.itcan-cican.gc.ca

EXPORT-ORIENTED CANADIAN FOOD INDUSTRY ASSOCIATIONS

Quebec Agri-Food Export Club
200 MacDonald Street, Suite 102
St. Jean-sur-Richelieu, PQ J3B 8J6
Telephone: (514) 349-1521
Facsimile: (514) 349-6923
Internet: <http://www.profil-cdi.qc.ca>

Canadian Food Exporters Association
885 Don Mills Road, Suite 301
Don Mills, ON M3C 1V9
Telephone: (416) 445-3747 or 1-888-227-8848
Facsimile: (416) 510-8044/3
Email: info@cfea.com
Website: www.cfea.com

Food Beverage Canada
17311 - 1023rd Avenue, suite 201
Edmonton, AB T5S 1E5
Telephone: (780) 486-9679 or 1-800-493-9767
Facsimile: (780) 486-0985
Internet: <http://www.foodbeveragecanada.com>

Alliance of Manufacturers and Exporters of Canada
75 International Boulevard, Suite 400
Toronto, ON M9W 6L9
Telephone: (416) 798-8000
Facsimile: (416) 798-8050
Internet: <http://www.palantir.ca/the-alliance/default.html>

U.S. GOVERNMENT AGENCIES

US Department of Agriculture (USDA)
14th Street and Independence Avenue SW
Washington, DC 20250
Tel.: (202) 720-2791
Website: www.usda.gov

US Food and Drug Administration (FDA)
Atlanta District Office
60 Eight Street NE
Atlanta, GA 30309
Contact: JoAnn Pittman, Public Affairs Specialist
Tel.: (404) 253-1272
Email: jpittman@ora.fda.gov
Website: www.fda.gov

Embassy of the United States of America
490 Sussex Dr.
Ottawa, ON K1N 1G8
Tel.: (613) 238-5335
Fax: (613) 688-3082
Website: www.usembassycanada.gov

Commercial Service
Tel.: (613) 688-5217
Fax: (613) 238-5999
Email: ottawa.office.box@mail.doc.gov
Website: www.buyusa.gov/canada/en

Food Safety and Inspection Service (FSIS)
Tel.: (202) 720-7025
Fax: (202) 205-0158
Website: www.fsis.usda.gov

U.S. FOOD INDUSTRY ASSOCIATIONS

National Frozen & Refrigerated Foods Association
4755 Linglestown Rd., Suite 300
P.O. Box 6069, Harrisburg, PA 17112
Phone: 717-657-8601
Fax: 717-657-9862
Email: info@nfraweb.org
Website: www.nfraweb.org

National Confectioners Association
8320 Old Courthouse Road, Ste. 300
Vienna, VA 22182
Phone: (703) 790-5750
Fax: (703) 790-5752
Email: info@CandyUSA.org
Website: www.ecandy.com

National Association of Convenience Stores
1600 Duke Street, Alexandria, VA 22314
Phone: (703) 684-3600
Fax: (703) 836-4564

Email: nacs@nacsonline.com
Website: www.nacsonline.com

International Dairy Deli Bakery Association
313 Price Place, Suite 202, PO Box 5528
Madison, WI 53705-0528
Phone: (608) 238-7908
Fax: (608) 238-6330
Email: iddba@iddba.org
Website: www.iddba.org

Food Industry Business Roundtable
(Ethnic & Specialty Food Industry)
c/o Community Development Technologies Center
520 West 23rd Street, Los Angeles, CA 90007
Phone (213) 763-2520, ext. 227
Fax (213) 763-2729
Email: info@fibr.info
Website: www.fibr.info

National Association for Retail Marketing Services
PO Box 906, Plover, WI 54467-0906
Phone: (888) 526-2767/(715) 342-0948
Fax: (715) 342-1943
E-mail: admin@NARMS.com
Website: www.narms.com