SWOT Analysis
of the
Ethnic Food Sector
In Ontario

Prepared for: **Agriculture and Agri-Food Canada**

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A Executive Summary

This report was intended to investigate and comment on the business potential that Ontario ethnic food processors may find in the ethnic food markets of the north-east U.S. and whether import substitution opportunities exist to replace imported ethnic foods. The research was conducted initially using existing reports and articles and was validated through discussions with persons and organizations on both sides of the border that deal with these markets and opportunities on a frequent basis.

The results show that 'authenticity of taste' and the promise of that authenticity in the marketing of such foods are key. While import substitution opportunities are limited in the area of prepared ethnic foods, there is significant export potential for certain food categories and packaging formats.

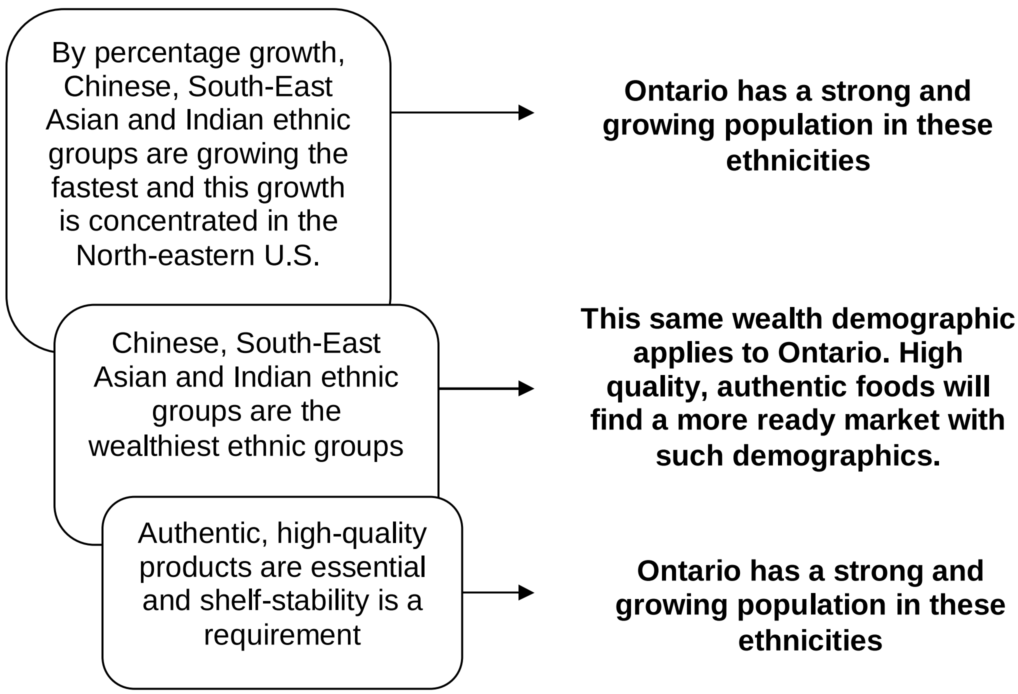
The convergence of demand with supply is always essential and the demographics of the north-east U.S. population are very promising in this regard. While Hispanic populations are large and growing, the fastest growing ethnic groups in the north-east U.S. are Chinese, South-East Asian and those from the Indian sub-continent. In the same regions, these ethnic groups also have the highest disposable income. Ontario demographics, recognized for the high concentrations of these ethnic groups from Asia, reveal both a cluster of similar food processors and the ring of authenticity to penetrate the target markets. These demographic trends are expected to continue on both sides of the border, with an ever-increasing demand and an ever deeper penetration into the mainstream marketplace.

Not all categories will be suitable for such ventures due to the relatively distant transportation requirement and the essential shelf stability. Fortunately, the following formats are the most popular of the packaged foods and these travel well:

- Sauces ('simmer sauces' primarily) forming the 'taste base' of the meal for which locally supplied protein, carbohydrates and vegetables form the base.
- Condiments and spices
- Snacks
- Dried foods
- Shelf-stable ready-to-eat meals, modified for the more general market
- Premium shelf-stable ready-to-eat meals, designed to provide a wholly authentic taste for both the second generation immigrant and for the more discerning western palate, both of whom value flavour and convenience. This market may have the greatest relative growth potential and will commend higher margins at the retail level.

According to 2000 U.S. Census figures, Chinese and Asian Indian ethnic populations have median household incomes that are 23% and 52% higher than the U.S. national median figure. This potential additional spending power further supports the market opportunity.

Unquestionably, there is an opportunity for the Ontario-based processor of certain ethnic-origin foods:



In order to gain momentum, the challenge will be to connect the ethnic processor in Ontario with the customer in the north-east U.S. and more effective methods will need to be found than are employed today.

B Background and rationale for the initiative

The food marketplace in North America is undergoing significant shifts and these are occurring at a rapid rate. With the ever increasing diversity in the ethnic origins of newcomers to North America, there is a commensurate range of new food products and tastes being developed locally. Ontario, and especially Toronto, has strengths due to the diversity of the multi-cultural communities and the rapid growth of food products locally to meet these demands.

In the competitive Toronto food industry, the rise in ethnic food processors was found to be the main source of overall industry growth. Starting often in domestic kitchens, these may evolve into community kitchens and finally into small industrial units. The most successful then follow the path of other small and medium-size food businesses.

Growth is anticipated to exceed local ethnic population demand as the nature and character of the food produced gains appeal amongst other groups within these markets. At the same time, the diversity and choice will increase greatly, creating a multiplicity of small to medium-sized opportunities. Some of these may blossom into main-stream volumes, while others will fall by the wayside as tastes change or are surpassed by the next wave. However, there is no doubt that, taken overall, ethnic-based foods have secured, and will continue to hold, a strong and ever-increasing position in the markets.

This strength will be particularly evident in the larger, more heavily populated regions of the Continent since

- ***i)*** ***such destinations are the first choice for most immigrants and***
- ***ii)*** ***the density of the population will support such a diversity of tastes from an economic perspective.***

For Ontario-based food processors, significant export opportunities may be expected in geographic centres including Boston, New York City, Washington DC, Philadelphia, Harrisburg, Buffalo, Pittsburgh, Detroit, Cleveland and Columbus.

C Phase One - Initial Research into export and import substitution opportunities

Objectives:

- *Using existing literature and reports the consultant will research the North East U.S. food market to determine the most promising sectors for growth in the next five years.*
- *Using existing literature and reports the consultant will research imports into Canada to determine the most promising sectors import substitution in the next five years.*

Literature review of emerging trends

The following observations are apparent from the literature extracts shown in Appendix II. All provide the same data and conclusions from different perspectives and are themselves amalgams of many sources of data.

The U.S. ethnic foods market is estimated to generate $75 billion in annual sales and is the equivalent of $1 out of every $7 being spent on groceries. Foodservice accounts for 65 percent of the ethnic food sales and supermarkets have the remaining 35 percent of the market. Further, such consumption is growing at an annual rate of 5% and this is not forecasted to abate as the ethnic populations increase and as mainstream tastes continue to develop.

The U.S. population is now older, wealthier, more educated and more ethnically diverse than ever before. The Economic Research Service has identified three general demographic trends expected to shape future U.S. food markets:

- Increasing diversity
- A growing proportion of more mature consumers
- Overall U.S. population growth, driven by immigration and second generation immigrants, frequently of mixed race.

Consumers are becoming more inquisitive and experimental and are trying new products more often. In food preferences, consumers are embracing bolder, more extreme flavours and seeking authenticity and provenance. The authenticity trend is, in part, rooted in the desire for quality. Further, flavour preferences are increasingly complex and U.S. consumers are more willing to spend on quality. The number of new flavours is ever-rising and ethnic products tie in with these consumer flavour trends

Consumers are also buying more take-out or home meal replacements as an alternative to eating out. Often, the food first sampled in a restaurant becomes the choice for take home if it is available. In parallel, time scarcity is a problem increasingly faced by consumers and this is driving an added desire for quick-fix, efficiency driven products. The increasing consumption of pre-prepared meal solutions reflects the desire to simplify meal preparation but not at the expense of quality.

Demographics are changing

- The foreign-born population is growing and minority consumers are younger than the mainstream. They will have a greater effect on consumer buying patterns for a proportionately longer period of time in the next three decades.
- Mid-lifers and males prefer ethnic food
- There are nearly twice as many mixed-race babies in the US as there are mixed-race 17-year-olds. This has the effect of doubling the exposure of these younger families to a variety of ethnic foods.

Mainstream consumers pick up minorities' tastes

- Demand from minorities increases product availability
- Minority stores drive wider uptake
- Major retailers cash-in on minority trends

Ethnic taste trends start at foodservice

- Foodservice offers an easy way to try ethnic food
- Foodservice drives demand for prepared meals and sauces
- As familiarity rises, consumers seek to prepare their own ethnic food
- Ready meals and meal ingredients are the most popular categories

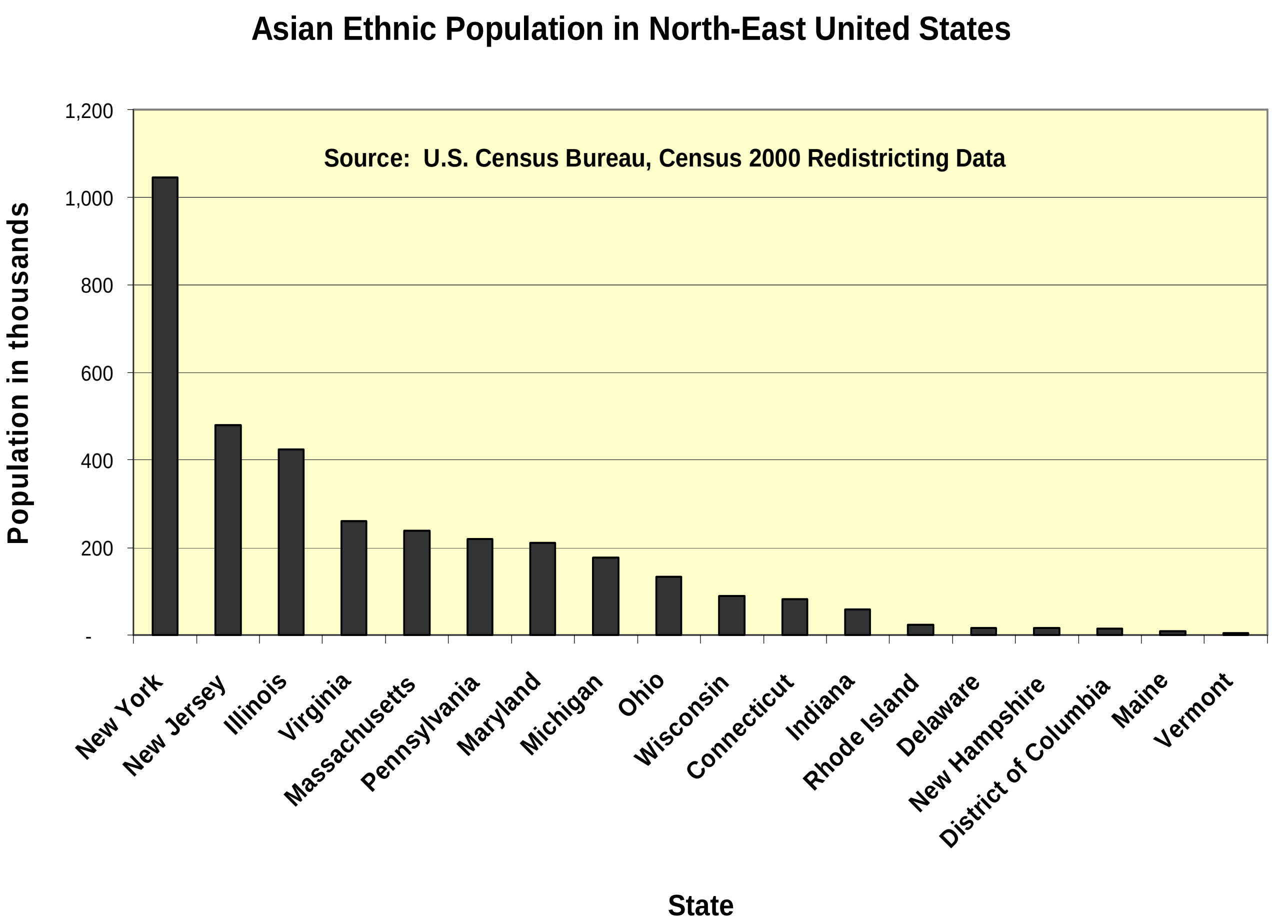
The rise in demand for ethnic foods tends to lag the rise in the corresponding population. Hence, ethnic markets are somewhat under-served in both the U.S. and Canada and this represents a significant opportunity to meet these demands.

According to the 2000 U.S. Census figures the median household incomes of various ethnic groups, compared to the total national average are:

White	Chinese	Asian Indian	Mexican	Puerto Rican
6% higher	23% higher	52% higher	-20% lower	-27% lower

The higher levels of income in the Chinese and Asian Indian groups free up funds to purchase higher quality and, potentially, higher margin food products.

The 2000 census figures place the highest concentrations and fastest growth rates for these wealthier segments of the population in the North-East U.S. The chart below shows the population concentrations for those U.S. states that are best positioned geographically as potential markets for the Ontario food processors in this ethnic market.



D Phase Two - Assessment of the overall capacity of the Ontario food industry to serve the identified export and import substitution opportunities

Objective:

Using existing literature and reports the consultant will research the Ontario food industry to determine the overall capacity of existing food processors to meet the identified opportunity sub-sectors for both exports and import substitution.

Ethnicity concentrations in Ontario

Using 2001 Statistics Canada data, a scan was made of Ontario to determine if major concentrations of any ethnic groups were apparent that might be advantageous in exporting to the target destinations. Chinese and East Asian appear to offer the best opportunity since other ethnic concentrations are already very well represented in the target market or the Ontario population percentage is not sufficiently large to create cache.

Ethnicity of Ontario population by percentage of total ethnic population							
Derived from Statistics Canada 2001 Census Data							
Canadian	30%		Polish	3%		Russian	1%
English	24%		Ukrainian	3%		Spanish	1%
Scottish	16%		North American Indian	2%		American	1%
Irish	16%		Portuguese	2%		Serbian	1%
French	11%		Jewish	2%		British, other	1%
German	9%		Jamaican	2%		**Vietnamese**	**1%**
Italian	7%		**Filipino**	2%		Finnish	1%
Chinese	**5%**		Welsh	1%		Croatian	1%
Dutch	4%		Hungarian	1%		Métis	1%
East Indian	**4%**		Greek	1%		Lebanese	1%

In the table below, the concentrations significant to the most promising North-East U.S. ethnic market (South Asian and Chinese) are shown in a bold, larger font.

Ontario Location	South Asian	Chinese	Black	Filipino	Latin American
Derived from Statistics Canada 2006 Census Data					
Toronto	**754,285**	**486,330**	**352,220**	**171,985**	**99,290**
York	**80,595**	**138,575**	20,765	17,150	8,560
Ottawa - Gatineau	**38,805**	**32,445**	**45,060**	7,330	10,630
Hamilton	**26,775**	11,660	16,480	4,880	6,755
Kitchener	22,390	9,155	9,450	1,850	6,805
Windsor	13,215	7,825	9,485	3,145	2,905
London	10,465	6,550	8,260	1,985	7,920
Oshawa	6,865	3,690	12,605	2,155	1,665
St. Catharines - Niagara	5,685	3,600	5,030	2,130	4,205
Guelph	5,475	3,110	1,605	1,965	1,070
Barrie	2,430	1,180	2,310	875	1,160
Brantford	2,365	695	1,695	655	390
Kingston	2,110	2,470	1,170	485	740
Cornwall	1,535	315	340	75	75
Chatham-Kent	975	220	2,195	180	235
Sarnia	930	595	545	230	245
Belleville	850	780	700	165	315
Peterborough	845	725	575	105	260
Thunder Bay	765	925	455	250	170
Sudbury	715	620	1,100	150	185
Stratford	455	215	255	30	110
Leamington	360	180	435	45	1,785
Brockville	280	205	100	100	70
Cobourg	160	125	85	75	65
Norfolk	90	225	405	50	125
Sault Ste. Marie	90	305	230	85	90
Kawartha Lakes	380	95	250	55	65
Elliot Lake	35	35	30	30	60
Woodstock	275	145	255	95	55
Timmins	60	125	140	115	40
Pembroke	60	65	90	15	35
Collingwood	120	-	145	-	35
Orillia	415	300	80	310	30
North Bay	320	300	360	85	30
Owen Sound	195	130	175	50	30
Port Hope	35	35	90	10	30
Midland	155	80	45	85	25

Ontario Location	South Asian	Chinese	Black	Filipino	Latin American
Wellington	70	30	35	35	20
Tillsonburg	345	35	155	10	15
Hawkesbury	205	15	50	20	10
Ingersoll	65	60	45	15	10
Kenora	25	35	25	35	-
Petawawa	35	20	220	25	-
Temiskaming Shores	25	10	55	-	-

Analysing these numbers produces the following conclusions:

- 86% of the Ontario South-east Asian and Chinese ethnic population is located in Toronto/York and this urban ethnic cluster *is fully 57% of the entire Ontario ethnic population*. This very large base in a concentrated geographical area provides a strong demand for such ethnic food as well as the cache of authenticity when viewed from outside that geographical region. *This can be the basis of an effective marketing campaign on behalf of food processors seeking to export this ethnic food into other areas.*

- Although not an insignificant portion, the self-declared Black or Latin American populations in Ontario are far fewer than the corresponding populations south of the border. Ontario as a place of origin for such ethnic foods will offer no 'authenticity' advantages over existing U.S. food processors.

Ontario food processors capable of supporting the identified ethnic market

Based upon available data and listings of Ontario firms, there is clearly the potential to support export opportunities in the South-East Asian, Indian and Chinese ethnic market in the North-East U.S. As would be expected, the concentration is in the Greater Toronto Area.

Further, it should be borne in mind that the capacity of an industry is most often matched, over the longer term, to the market demand. If a strong new demand emerges then industry will respond to meet that demand by increasing the capacity both qualitatively and quantitatively.

Examples of some of these firms are included in Appendix IV to this report (separately bound)

E Conclusions

A large part of the appeal of ethnic food is in 'authenticity' and generally such food has one of the following two characteristics.

1) It must originate clearly from the 'ethnic' country. The evidence is usually a label on the product so declaring. Such a label will be familiar to those who originated in the county and now live in North America, thus evoking sentiments regarding those origins, or it will be in a language unfamiliar to the non-ethnic buyer and hence evoke a sense of remoteness and genuine sources.

or

2) It must be seen to be prepared in a manner which is entirely traditional, often by someone of that ethnicity. Individual households, restaurants and similar eating place, some more formal and some less formal, are the main venues for such authentic preparation.

It is difficult to emulate either of the above when producing in Canada for the broader market. The best opportunities will come where the supplying jurisdiction is regarded as having a strong base in that particular ethnic group. The literature points out that the fastest growing food trends in the U.S. today are South-East Asian and Indian and that this ethnic group also has the largest disposable income. Fortunately, Ontario is regarded as having a strong ethnic base in both of these groups.

While the Hispanic market in the North-East U.S. is also very large and growing, Ontario has no corresponding Hispanic population base and there would appear to be no 'authenticity' advantage in marketing from Ontario to the U.S. Hispanic ethnic market.

It is also clear that a very significant constraint is the transportation of product from the Ontario processor to the customer in the U.S. Although locales such as Buffalo are very close geographically, the vagaries of the border still demand products and packaging that can tolerate delays and maintain shelf stability.

Export market opportunities to the North-East U.S.

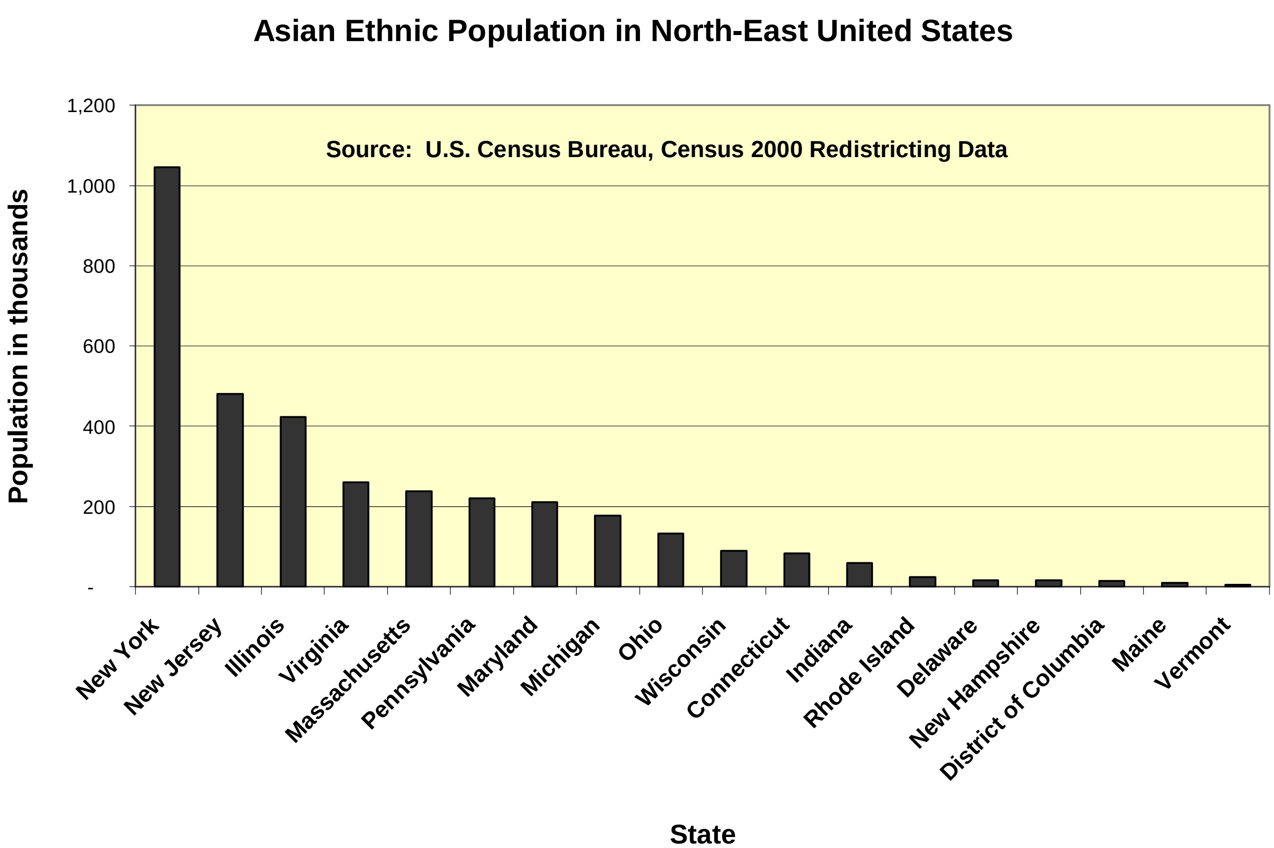
The findings suggest the following:

Ethnicity matches

- The fastest growing ethnicities in the north-east U.S. are Chinese, Indian and South-East Asian.
- These are also the ethnic groups that are reported to have higher levels of disposable income, with buying power increasing by almost 120% in one decade.
- Ontario would be regarded as having a strong population base in these ethnic groups and, hence, a strong position from which to promote the authenticity of products produced in the Province.

Ethnicity concentrations in the North-East U.S.

As reported in Section C:



The table represents some 3.5 million persons and leads to **two vital conclusions:**

- First, for the same ethnic population, **this is a market size more than twice that of Ontario and easily sufficient to warrant a vigorous pursuit.**
- On the other hand, the conventional '10:1' rule between the U.S. and Canada is clearly overwhelmed by the population concentration in Ontario, **thus providing the mass to demonstrate the essential provenance of 'authenticity'.**

Types of market

There are three main markets of interest. The **first market** is for authentic, shelf stable products such as:

- Sauces:
    - Devya Indian Gourmet Simmer Sauces
    - Butter Chicken Sauce (various brands)
    - Ethnic Gourmet Calcutta Masala Simmer Sauce
    - Parampara Chhole Gravy Mix
    - Thai Kitchens Red Curry Simmer Sauces
- Condiments and spices
    - Kataria Foods International's (KFI) Indian Chutney Sauce
    - Arvinda's Indian Spices and Cooking Ingredients
    - On the Side Inc.'s Smiling Green Tomato Chutney
- Snacks
    - Dim Sum
    - Fried Wontons
    - Egg rolls
    - Dumplings
- Dried foods
    - Dried Mushrooms
    - Dried fish products

Further, for a portion of these products, it would be relatively simple to produce 'westernized' variants if the appeal is found to be more main-stream. The challenge for the smaller ethnic food processor wishing to package for export may be overcome through co-packing; such firms are in abundance in the Greater Toronto Area.

The **second market** builds upon the popularity of ethnic foods in the mainstream market. These products will likely be considerably 'westernized' in taste and be packaged for convenience, such as frozen or in other shelf stable formats. In this case the food processor will have the existing packaging mechanisms in place and likely be well experienced in this field. The cache factor is less important in this market since it is well understood that the product is a westernized version and follows some adapted recipe.

Examples of these products can be seen on grocery shelves in both ready-to-eat meals packaging and in prepared ingredients such as sauces. The supplier of these products is now far less likely to be a current specialist in ethnic foods and will be more of a mainstream producer that can prepare and package a variety of foods with the ingredients and taste varying according to specifications provided by the distributor or major retailer. Private label and similar concepts are at the fore here.

A **third market,** derived from the 'second market' described above, is now emerging and is one which will continue to grow. Potentially this offers a significant opportunity for the food processor that positions itself as being the supplier or brand of choice.

The growing number of second-generation Canadians, the offspring of the original immigrants, find themselves adopting western life-styles and the importance of convenience is well established in their minds. At the same time, they will have grown up on home-cooking that is authentic and may well be looking to enjoy these same dishes in their adult life.

The potential to develop and market authentic high quality, prepared meals is apparent. Whereas the original immigrant might look upon pre-packaged, shelf-stable foods as being inferior to the original flavours of their country of origin, the second generation is prepared to make some compromise on the format, as long as the end product meets their expectations. These same people will be prepared to pay more for such quality and authenticity and their higher income status will support this. This is the market for premium, but convenient, food. Examples of such products may be:

- Eat-In Foods' Ethnic Frozen Ready-to-Eat Entrées
- Zain Foods' Chilled and Frozen Halal Ready-to-Eat Entrées

The challenge in all cases is to connect the market with the supplier.

Import substitution

Many of the characteristics that apply constraints to successful exporting will also apply to import substitution. If the product must be authentic and originate from the ethnic country then supplying this from Canada would appear to be of little competitive value. It is quite possible for an importer in Canada to compete with an importer from the U.S. and, similarly, for re-packagers, neither increases the 'value-add' on a large scale.

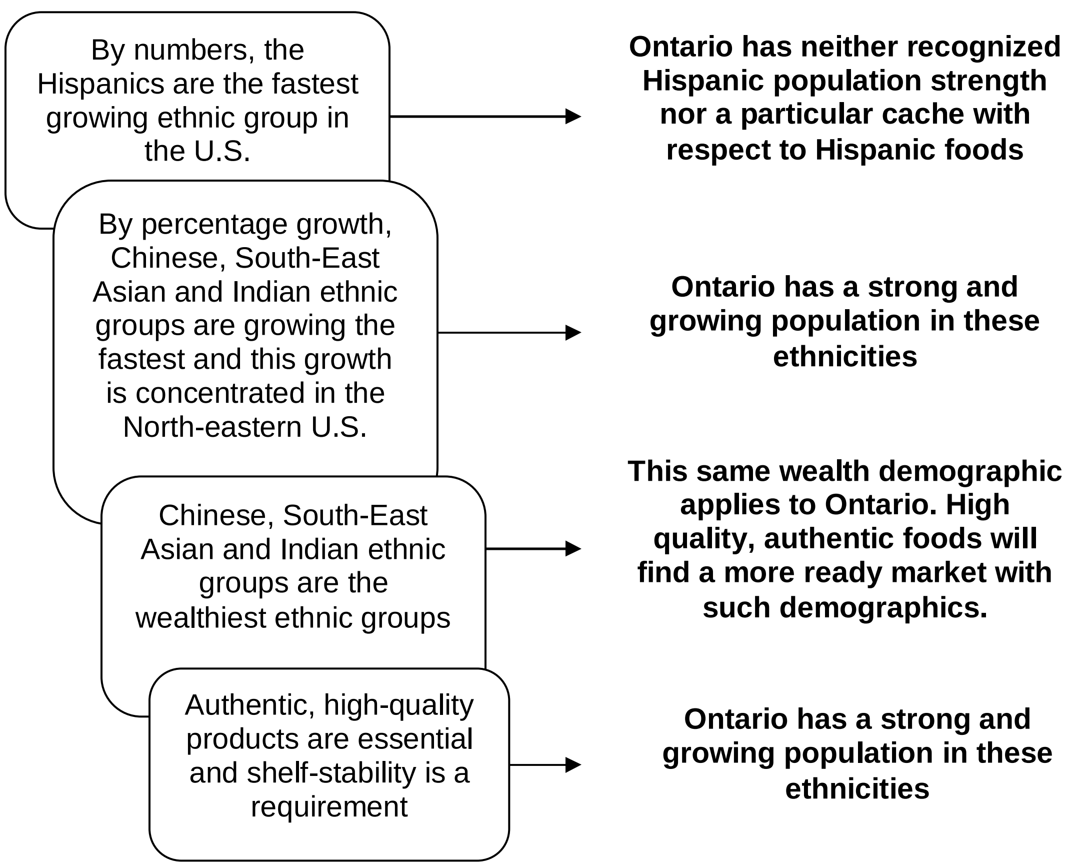
Further, current food processors in Ontario are much more likely to be aware of Ontario opportunities since they would have been approached by the next link in the chain to produce these products and may have lost out only due to price and other non-ethnic considerations.

Hence we see little incremental opportunity to import substitute in the ethnic origin food market.

F Is there a U.S. export opportunity for the Ontario 'ethnic' food processor?

Opportunities

Unquestionably, there is an opportunity for the Ontario-based processor of certain ethnic-origin foods and this has been derived as follows:



Barriers

In most potential business opportunities, the private sector is usually faster and more efficient than the public sector in recognizing these possibilities. Simply, the public sector does not become involved if the private sector is taking the lead.

However, where opportunities appear to exist and are not being pursued by the private sector it may be that, while the reward is recognized, the costs, chances of success and risk do not add up sufficiently to make such a foray appear to be worthwhile.

This would be most especially true when crossing a controlled jurisdictional border. Consider the following:

- The U.S. market is perceived to be, on average, ten times that of Canada.
- Most authentic Ontario-based ethnic food processors are relatively small, most especially when compared to the U.S. market.
- The 'rules' of working with the larger food distributors in the U.S. will require understanding by the Ontario food processor.
- Although operating nominally under similar regulatory requirements, any differences must be fully understood and compliance achieved.
- Cross-border food security issues are a continuing concern.

All of this may add up to a daunting prospect for the smaller Ontario processor. While the rewards in the U.S. market may be considerable, the risks are perceived to be even larger and this may dissuade even a casual assessment of and receptiveness to such opportunities.

Solutions

One approach is to make as many ethnic food suppliers in Ontario aware of any and all opportunities that arise and allow the supplier to select which ones, if any, they choose to pursue on a given day. 'Blast' E-Mail is a very cost-effective and simple mechanism to create awareness and requires only that the potential supplier agree to receive such E-Mails. Mechanisms can be established (perhaps weekly) to present the opportunities and the same opportunity may be listed every week for a period of time such that the challenges of day-to-day business do not unduly colour the response of any given food processor owner/operator.

The mechanisms to achieve this will require some experimentation to best fit the potential respondents.

The Consultants for this project were WCM Consulting Inc.

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Appendix I Documents reviewed

Extracts from these documents are provided in Appendix II.

Report or Article name	Source
The U.S. Market for Emerging Ethnic Foods	Packaged Facts June 2003
U.K. Thai & Other Emerging Ethnic Foods Market Research, Trends, Analysis	Mintel International Group Ltd July 2007
Americans Have Growing Appetites for Imported Foods	Amber Waves *Alberto Jerardo* April 2005
U.S. Hispanic Food Industry Market Research, Trends & Intelligence	Packaged Facts March 2003
Ethnic Foods Market Profile	Agricultural Marketing Research Centre March 2007
Insights into Tomorrow's Ethnic Food and Drinks Consumers	Food Business Review August 2005
The U.S. Market for Asian Foods and Beverages	Packaged Facts April 2005
The Canadian Metropolis	British Association for Canadian Studies February 2007
Capitalizing on consumer desires for authentic ethnic foods	Datamonitor (synopsis extract) September 2007
Ethnic Produce Marketing in the Mid-Atlantic States: Consumer Shopping Patterns and Willingness-to-Pay Analysis	Choices *Ramu Govindasamy, Aparna Nemana, Venkata Puduri, and Kim Pappas*
Toronto's key industry clusters: Food & Beverage	City of Toronto web-site http://www.toronto.ca/invest-in-toronto/food.htm
Ethnic interests see better slotting - food & consumables	DSN Retailing Today January 2004
Farm Bill Forum Comment Summary & Background – International Trade	United States Department of Agriculture March 2006

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Report or Article name	Source
Opportunities Exist in Alternative Markets for Canadian Food Processors	Rabobank America April 2008
Demographics and the Marketing of Asian and Hispanic Produce in the Eastern Coastal U.S.A.	Department of Agricultural, Food and Resource Economics School of Environmental and Biological Sciences Rutgers University November 2007 Dr. Ramu Govindasamy et al
Immigration Fuels a Growth in Ethnic Food Business	Small Business Trends December 2006
Asian, Hispanic drive ethnic food sales, says AC Nielsen	MeatProcess.com December 2006
A Taste for Adventure: Changing Flavour Preferences Create New Opportunities	Datamonitor (synopsis extract) December 2007
Ethnic & Specialty Food Expo 2007: Key Industry Trends	Government of Canada Agri-Food Trade Services January 2008
Flavour Nation	Marketing *Michelle Halpern* January 2006
The Future of Food: Young consumers favour ethnic foods	Supermarket Guru October 2005
Authenticity in Food and Drinks: New Insights into Consumer Attitudes and Behaviours	Datamonitor (synopsis extract) December 2006
Staying ahead of the wave: Developing new ethnic food products to stay abreast of changing food trends	Stagnito's New Products Magazine May 2002

Appendix II Extracts from documents reviewed

Insights into Tomorrows (U.S.) Ethnic Food & Drink Consumers

Published August 2005 by Food Business Review

Spending on ethnic food in the US has grown at an average annual rate of 4.9% over the last five years and ethnic foods now account for 11.8% of all retail food sales in the US. While minority consumers only form a small part of ethnic food spending***, trends in the group drive mainstream ethnic food consumption.*** Marketers need to understand minority trends in order to grow sales of ethnic food products.

There is a strong transmission mechanism between minority consumers and mainstream consumers in terms of driving tastes for ethnic food and drink, as can be seen by comparing ethnic food and drink consumption with demographic data. Developing an understanding of minority group trends is therefore vital in understanding ethnic food market trends. For the mass market, the key determinant of which ethnic products and cuisines will be successful is their intersection with the general mega-trends that drive consumer behaviour: in particular, authenticity, 'premiumization' and health.

Staying ahead of the wave: Developing new ethnic food products to stay abreast of changing food trends.

Published May 2002 by Stagnito's New Products Magazine

As our ethnic populations grow larger each year and continue to influence the nation's eating patterns and habits, identifying the next hot ethnic food is becoming more and more difficult. Foods considered "ethnic" today might be considered mainstream in a few years as exposure to foods from other cultures is becoming more common and widespread throughout the nation.

Food companies have long understood the importance of formulating ethnic foods in response to increased consumption of ethnic foods and to appeal to the growing ethnic contingent in the United States.

"Many times when our clients approach us to develop a new product we steer them in the direction of ethnic foods," says Kimberly Egan, partner at the Culinary Center for Product Development, San Francisco. "Ethnic cuisine is what consumers are looking for, because today's consumer wants excitement, which usually means ethnic food."

But it isn't as easy as creating a new bowl product, a shelf stable taco kit or a frozen gordita. The goal of creating foods that are "ethnic" and are designed to appeal to an "ethnic population" is a moving target. To develop new ethnic food products, food companies must stay in tune with the current trends in ethnic cultures and create new products that are aligned with the cultural influences of the day - a challenging proposition.

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The shape of the future

The youth of our nation may exhibit the most obvious sign of the increasing penetration of ethnic cuisine. According to Wharf Research, a subsidiary for the Culinary Center for Product Development, a large percentage of tweens (kids between ages 10 and 13) are eating quesadillas, sushi, samosas, spring rolls, pot stickers and other ethnic dishes on a common basis. For example, quesadillas are recognized as an everyday food for 87 percent of tweens. Fifty percent of tweens have tried sushi, and of those, 60 percent enjoyed the cuisine. Chinese cuisine ranks as the favorite food for 39 percent of tweens and Mexican cuisine scored as the favorite among 21 percent of tweens.

"Kids' palates are much more sophisticated than they have been in the past, and the tween age group is interested in eating ethnic foods and visiting ethnic restaurants. Families with tweens go out to dinner two to three times a week, and tweens are influencing the family decision of where to dine. Their choice is ethnic foods," says Egan. "So for food companies, it's important to look beyond pizza and look at what's happening with spring rolls, quesadillas, pot stickers, and sushi and think about how to make similar food products that are fun.

US Ethnic Food Market

Published July 2007 by the Government of Canada Agri-Trade Service

The ethnic makeup of the US is changing rapidly. This cultural diversity mirrors the demand for menu globalization which is occurring in many US states. Currently over 30% of the people residing in the US are considered ethnic, the largest ethnic group being Hispanics, followed by African Americans, and Asian Americans. The Ethnic food market currently generates about US$75 billion dollars a year, and accounts for $1 out of every $7 spent on groceries. The expanding ethnic food market is due as much to the influx of new immigrants as to the diversifying tastes of Americans in general. In fact, 75% of ethnic food consumption comes from mainstream customers. Many non-ethnic consumers have acquired tastes for ethnic foods, due to the influences of local ethnic communities and international travel.

Currently people of ethnic background make up 20% of the US population and all signs point to the ethnic segment making up an increasingly large percentage of the total population in years to come. The US ethnic food market is a multi-billion dollar market that caters to people of ethnic background and to the diversifying tastes of the general population. Because of it’s size and diverse makeup, the US ethnic food market presents an excellent opportunity for Canadian agri-food producers to take advantage of the wide variety of foods and products demanded.

Size of the U.S. Ethnic food Market

The US ethnic food market is growing rapidly, with an expected increase by 50% over the next decade. The US$75 billion ethnic food market has grown from $53 billion in 2002, and US$37 billion in 1997. Ethnic shoppers account for 37% of all supermarket sales, a number expected to increase as more retailers are allocating more space for ethnic foods.

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Foodservice drives the sales in this sector and is also responsible for many new product introductions and trends. The foodservice industry enjoys 65% of all sales in the ethnic market, while retailers account for 35% of the sales. Most supermarkets and stores in the US are branching out into ethnic markets, with increased product lines and more shelf space designated to ethnic products. Ethnic supermarkets have also become popular as consumers find it convenient to stock up on ethnic products and national brands at the same time.

Although a majority of ethnic foods are not yet as mainstream as pizza or tacos, there is an increase in demand for ethnic concepts, with demand growing faster than restaurant supply. As manufactures recognize the potential for profit they are introducing new products, since 2003 more than 2000 new ethnic products have been introduced.

Asian American Market

Asian Americans currently account for 4.2% of the US population, with 12 million people, a figure expected to increase to 35 million by 2050. Similar to the Hispanic market, the Asian market can be broken down into several sub groups as the term "Asian American" includes people from many countries such as, China, Philippines, Vietnam, Korea, India, and Japan, each with different preferences and consumer patterns. Asian consumer buying power experienced an exponential growth rate of 128% between 1991 and 2002, and is showing no signs of slowing down. The Asian food market is currently worth US$837 million.

Demographics and the Marketing of Asian and Hispanic Produce in the Eastern Coastal U.S.A.

Published November 2007 by the Department of Agricultural, Food and Resource Economics, School of Environmental and Biological Sciences, Rutgers University

Dr. Ramu Govindasamy et al

The social and economic characteristics of survey respondents from each group were generally consistent with national averages for each respective ethnic group. More than half of the respondents from each group completed at least two or more years of college, with more Asians than Hispanics completing four years or more and with Asian Indians the high (most educated) extreme. Similarly, more than half of the respondents from each group were married, with more Asians than Hispanics in this category, seemingly correlated with respondent age (i.e. younger and more single respondents from the Hispanic relative to the Asian sub-groups).

Roughly two thirds or more of respondents from each group were employed, whether self-employed or by someone else. Roughly half or more of respondents from each group made under $60,000 per year, with higher percentages of Asian Indians falling into higher income categories relative to respondents from the other three ethnic groups. The higher incomes by Asian Indians followed closely by Chinese and relative to the Hispanic sub-groups, seemingly correspond to the higher education levels, both by Asian respondents and their respective national ethnic populations. Moreover, in terms of both income and education at a national level relative to mainstream America, the Asian and Hispanic sub-groups in question are above and below the overall (and White alone) populations, respectively. Such a distinction between ethnic groups and White alone (or overall) is not as apparent in the case of marital status and employment, as the proportions across the four ethnic groups, Whites, and overall are somewhat comparable.

Specifically, the average monthly ethnic produce expenditures by group were; $98 for Chinese, $91 for Asian Indian, $79 for Mexican, and $77 for Puerto Ricans, with an overall average across all respondents of $86 (expenditure per month is the product of visits/month and expenditure/visit for each respondent; group averages are calculated accordingly). The principal shoppers from the Asian sub-groups generally spent, on average, between 15% and 28% more on ethnic produce for their households than the principal shoppers in the Hispanic sub-groups.

The most common places of purchase for all groups were ethnic produce were ethnic grocery stores and typical American grocery stores, which were most popular with Asian and Hispanic respondents, respectively.

Ethnic interests see better slotting - food & consumables

Published January 2004 by DSN Retailing Today

The influence of ethnic groups and the sophistication of mainstream shoppers for more restaurant-inspired offerings are transforming fresh departments of food stores. More and more, unique produce items once considered rare and exotic are making their way into supermarkets, while sushi has become a standby offering at many stores.

A desire by food retailers to earn the ethnic food shopper's loyalty is driving much of this shift, especially given significant growth of segments such as the Hispanic population.

Even retailers previously conservative in targeting ethnic groups, such as Meijer, are stepping up to the plate. Many Meijer stores feature an international food aisle, but that is being supplemented in some cases with additional foods being tested, said Larry Zigerelli, senior VP of merchandising.

The same could be said for just about any other food retailer today. Adding exotic fruits or different cuts of meat can be risky, but the payoff can be big if executed properly. Both Wal-Mart and Kmart tailor their fresh food offerings to neighborhood demographics, with Hispanic-heavy stores carrying expanded assortments of produce such as peppers, Mexican cheese and specific cuts of meat preferred by certain Latino groups.

Farm Bill Forum Comment Summary & Background – International Trade

Published March 2006 by United States Department of Agriculture

The lower trade surplus does not signal reduced export competitiveness of the farm sector. U.S. bulk commodity exports continue to exceed imports by $15 - $20 billion, as has been the case for the past 15 years. The rise in the value of agricultural imports reflects strong consumer food demand in the United States, especially for seasonal and ethnic foods, and strong economic growth and rising incomes. Furthermore, the gains in imports have been mainly in processed foods, not in farm products that compete directly with U.S. production.

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Thai and Other Emerging Ethnic Foods - UK

Published July 2007 by Mintel International Group Ltd,

The trend towards home cooking is benefiting cooking sauces and ingredients as consumers become more familiar with the cuisines. Positioning Thai and other emerging ethnic cuisines as a naturally light and healthy addition to the consumer's everyday repertoire will ensure that they become a staple rather than a takeaway substitute, and incorporating functional elements will keep the consumer engaged.

Opportunities Exist in Alternative Markets for Canadian Food Processors

Published April 2008 by Rabobank America

Alternative markets may hold opportunities for Canadian food processors as rising costs, the appreciating Canadian dollar and slowing economies pressure profit margins, according to a new Rabobank report.

According to the report, "Rabo Ag Focus: Canadian Food Processing," personal income growth in large economies -- such as Mexico, Brazil, China and India -- is leading to increased food consumption. Similarly, major ethnic populations, which continue to be somewhat underserved, in the United States and Canada, are expected to make up an increasing proportion of both markets.

"Canadian food processors have historically been able to prosper by making the most of their domestic market and their access to the U.S. market," said Food & Agribusiness Research and Advisory (FAR) Vice President Stephen Rannekleiv. "However, because the U.S. dollar is not expected to strengthen in the near future, the U.S. market will remain challenging for Canadian exporters."

Over the years, Canadian food processors have enjoyed an enviable position in the world food market. Canadian processors are based in an affluent country with more than 30 million people, have excellent production technology and have access to a broad supply of top-quality domestic agricultural inputs. Additionally, Canada's shared border with the United States has provided easy market access with nominal language and trade barriers.

The weakening of the U.S. dollar also poses significant challenges for Canadian food exporters. For many Canadian companies, the cheaper Canadian dollar was a source of competitiveness, which has been declining along with their companies' profits. To further aggravate the situation, currencies of other countries, including China and Mexico, who compete with Canada for U.S. market share, have appreciated only modestly. This has allowed competitors to outperform Canada in exports to the United States. "To remain competitive and profitable, Canadian food processors will increasingly need to identify growth markets that will allow them to leverage their production capacity and increase their scale," Rannekleiv said.

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The major ethnic populations in both the United States and Canada are expected to make up an increasingly large proportion of both markets, and continue to be somewhat underserved. In the United States and Canada, certain ethnic groups, due to their rapid population growth, are becoming increasingly important market segments that -- as of yet -- have a not been fully exploited. For example, ethnic products developed and marketed in the United States and in Canada target millions of consumers with growing purchasing power and a thirst for traditional products from their culture. Additionally, many food processing companies have seen that these products have an increasingly broad appeal among the broader population.

"As ethnic minority groups in both the U.S. and Canada are predicted to make up an increasingly larger share of the market, it is important for Canadian food processors to consider strategies for targeting these markets and gaining brand recognition," said Rannekleiv.

Immigration Fuels a Growth in Ethnic Food Business

Small Business Trends December 13, 2006

When I was growing up, we learned in school that the United States was considered a melting pot of races and ethnic groups. I myself come from first and second generation immigrants, so I am no stranger to this “melting” business.

But the recent wave of immigration over the past decade has brought the melting pot concept to new highs, certainly in my lifetime. I am more conscious of the many cultures, ethnic backgrounds and languages being spoken in this country than I can ever remember.

This is true even here in Ohio in the Midwest USA where I am located. We don’t have nearly the same recent influx of immigrants that other parts of the country have experienced. Yet, even here, the evidence is increasingly clear about how immigrants are refreshing and reshaping the population.

Naturally, that ethnic mix gets reflected in the small business population. According to the latest U.S. business census figures available, Hispanics are the largest minority group among small business owners, constituting over 5% of small business owners. Asians are the next largest group, constituting almost another 5% of small business owners. This U.S. Census chart shows business ownership (remember, the vast majority are small businesses) will keep the consumer engaged.

Ethnic & Specialty Food Expo 2007: Key Industry Trends

Published January 2008

Due to increased ethnic diversity and global travel in recent years, the burgeoning North American ethnic food sector has moved out of the specialty food category and into the mainstream food industry. In fact, 75% of ethnic food consumption in the United States is now supported by the mainstream population. The popularity of ethnic food in North America is projected to continue along its current growth pattern; ethnic food products make up more than 12% of all retail food sales and are seeing 5% annual growth.

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This development will be supported further by Canada's projected visible minority population of 6.3 million to 8.5 million (i.e. roughly one in five Canadians) by 2017, a 56% to 111% increase over the country's 2001 population of 4 million. The majority of this increase is expected to be comprised of South Asian immigrants, whose population may rise to meet that of Canada's Chinese by 2017 (i.e. 1.8 million). South Asian consumer groups will also likely help drive continued demand for Indian, Pakistani, Bangladeshi and Middle Eastern cuisine. However, Chinese, Thai and Vietnamese cuisine currently remain the most popular ethnic fare in Canada.

The popularity of specialty food in the United States is rapidly increasing, driven by consumer demand for more flavourful, higher-quality products. Greater levels of international travel and ethnic diversity in recent years are also supporting this trend. The United States' specialty food market generated US$38.5 billion in sales in 2006, a 13% increase over the 2005 value of US$34.8 billion. Sales at specialty food retailers grew 40.5% from 2004 to 2006, whereas sales of specialty foods at traditional grocers saw 16% growth. Four categories in particular seem to be dominating the specialty food market. These are sauces, salsas and dips, condiments and cooking oils and specialty teas. In the United States alone, specialty condiment sales have reached US$3.7 billion and account for 16% of all specialty food sales.

Asian, Hispanic drive ethnic food sales, says AC Nielsen

Published December 2006 by MeatProcess.com

Asian and Hispanic tastes remain the two biggest drivers in the US ethnic food market, with highest growth observed in the frozen entrée segment, says AC Nielsen.

According to the research firm’s Strategic Planner data, performance trends in ethnic goods during the 52 weeks ended November 4 2006 were overall “generally positive”. Total retail sales of Asian foods (excluding Wal-Mart) rose by 4.5 percent to $1.1bn over the past year, while sales of Mexican foods have continued a four year upwards spiral to reach $3.2bn, up 3.5 percent from last year.

Published in AC Nielsen’s Facts, Figures and the Future newsletter, the data reveals that the highest percentage growth in the Asian – or ‘Oriental’ category – occurs in the two-food frozen entrée segment. On a four-year steamroll that culminated in a 21 percent dollar sales gain to almost $88 million, this segment has more than doubled in size since 2002.

“Although a modest part of Asian and Mexican offerings overall, the popularity of frozen ethnic entrées suggests they play a growing role in ethnic, and even non-ethnic, households as convenient packaged foods that make meals easy to assemble and prepare,” said AC Nielsen.

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Ethnic Produce Marketing in the Mid-Atlantic States: Consumer Shopping Patterns and Willingness-to-Pay Analysis

by Ramu Govindasamy, Aparna Nemana, Venkata Puduri, and Kim Pappas

The significant Asian population proportions and recent growth trends in the Northeast (U.S.) are consistent with Asian representation and trends at a national level (U.S. Census, 2000; 4.0% and 3.6% Asian population in the Northeast and United States, respectively, with growth over U.S. Census 1990 at 60% and 48%, respectively, for the Northeast and United States).

Correspondingly, the Northeast's absolute population growth of Asians exceeds that of any other race category, contributing significantly to the overall population growth for this region. Another consideration for selection, and for which the Asian group stands out at a national level, is the purchasing power for each ethnic population segment.

With median household income as the selection criteria, Asians far exceed the national totals for all races combined, as well as Whites, Blacks, and Hispanics, and have consistently done so since before 1990 (Current Population Survey, 2000, 2004).

This study assessed the survey results of 447 respondents of three different Asian ethnicities (Chinese, Indian, and Korean) in the three Mid-Atlantic states to identify the local demand for ethnic produce, suggest crops for potential local production, assess ethnic consumer shopping patterns, and analyze consumer willingness to pay for ethnic produce.

The survey results reveal that a vast majority (more than 90%) of respondents in each of the three ethnic groups purchased ethnic produce within the past year. Further, more than half of the consumers in each group shop once a week or more frequently for ethnic produce. Three-quarters shop at more than one food store for these purchases. More than three-quarters of those purchasing ethnic produce have access to an ethnic market (store) within 20 miles. The results of the study's "Willingness-to-Pay" model suggest that premiums for ethnic produce in excess of 10% over traditional American produce should be limited to consumers earning less than $60,000 annual income, females, Indians, and New Jersey/New York residents. These results can be used by public policy makers, retailers, and commercial growers in each state to identify and address niche market opportunities in the ethnic produce sector.

All Local Recipes

Earlier in 2008, "All Local Recipes" conducted a survey in the U.S. of respondents' food preferences. The results showed that 37% of respondents wanted to see more recipes for East and South-east Asian foods and that 39% cited such foods as being their favourite ethnic foods.

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The Future of Food: Young consumers favour ethnic foods

Published October 2005 by Supermarket Guru

The nation's palate is doubtlessly skewing ethnic. A trip to Taco Bell for tacos, burritos and gorditas – with rice and beans on the side – can hardly be thought of as exotic today. And according to New American Dimensions, a Los Angeles-based firm specializing in monitoring ethnic trends in the U.S., there are more Chinese restaurants in the U.S. than McDonald's, Wendy's and Burger King restaurants combined.

The melting pot that is America has had a natural effect on the menu preferences of American kids – and choices being made by young Americans have obvious implications on the grocery purchase behaviour of American adults.

According to ACNielsen Homescan data, families with children aged 12 and under account for 32% of all dollars spent on prepared Mexican dinners. Although not nearly as popular with younger American consumers as Hispanic offerings, a similar trend can be seen among select Asian food products. Forty-four percent of the dollars spent on Ramen noodles, for instance, come from families with children 12 and under.

Indeed, the trend in supermarket ethnic food sales mirrors the United States' changing ethnic makeup. In today's America, the fastest-growing ethnic market is Hispanic. While Caucasians still make up the majority (66% of the population), that number is down considerably from 1990 when it was 72%. In fact, three states – Hawaii, New Mexico and California, as well as the District of Columbia – have "majority minority" populations (that is, more minorities than single-race, non-Hispanic whites), and Texas is very close to joining that group.

It should come as no surprise, then, that tortillas are the nation's second-largest bread product (behind white bread), and that salsa outsells ketchup. But it's important to understand that the trend toward ethnic food is not just coming from ethnic consumers. According to New American Dimensions, 75% of ethnic food spending comes from the mainstream, not the ethnic group from which that food is derived.

The good news for us all is that, as this younger and more ethnically food diverse generation becomes adult, every menu, even fast fooderies including McDonald's and Burger King, will have to start offering more tasty alternatives to their standard fare.

Appendix III Guidance for Ethnic Food Marketing

This piece is offered as guidance for the would be entrant into the ethnic food market in the U.S. It has been derived from information obtained from:

Insights Into Tomorrows Ethnic Food & Drink Consumers
Published August 2005 by Food Business Review

- Focus efforts on areas with high minority concentrations
- New cuisines take off in large cities and then spread to provincial areas
- Target minority consumers with culturally specific messages
- Focus on home country culture when targeting recent immigrants
- The proportion of ethnic minority consumers is correlated with the uptake of ethnic food Avoid assuming taste crossover between different ethnic groups
- Target regional campaigns towards specific groups
- Discover new cuisines among minority communities
- Observe demographic changes to find new minority communities
- Monitor minority stores for flavors with crossover potential
- Base new packaged products on foodservice trends
- Create premium products based on foodservice trends
- Market ethnic products based on their natural and healthy status
- Capitalize on people's desire and ability to cook ethnic food
    - Create higher-end packaged ingredients and meal kits
    - Packaged sauces encourage consumers to try ethnic cooking
    - Meal kits are an under-exploited opportunity
- Many mainstream new product launches contain traditionally 'ethnic' flavourings
- Premium prepared foods should borrow from cuisines that are fast-growing at foodservice but not yet mass market
- Labelling products with immigrants' home country language helps reassure them of product quality