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HRI Food Service Sector

Annual

2005

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Report Highlights:
The Benelux HRI industry remains highly fragmented, and is extremely competitive. However, increasing consumer spending and the trend toward consumption of foods from many different countries, provides opportunities for entry into the market.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
The Hague [NL1]
[NL]

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Section I: Market Summary

The Benelux HRI industry grew from 15.4 billion euro in 2000 to 17.6 billion in 2004 and is forecast to grow by another two billion in 2007. The Full-service restaurants sector is the largest in terms of number of establishments, accounting for 35% of total consumer foodservice units in 2004, followed closely by the Café/Bar sector, accounting for 32%. Economic conditions in the Benelux this year, the profile of the consumer and the changing structure of the population provide opportunities for new products and concepts in the Benelux HRI industry.

Description and Comparison of the HRI Sub Sectors

The Benelux HRI sector encompasses bars, fast-food outlets, full service restaurants, takeaway, self-service cafeterias, kiosks, hotels and catering.

Bars: This sector encompasses all establishments where the focus is on drinking either alcoholic or non-alcoholic beverages and where food is also served. While a wide variety of snacks and full meals are offered, it is not uncommon for customers to only order a drink. Bars in hotels are in general categorized as bars.

Fast food outlets: Fast food outlets are typically distinguished by the following characteristics: a standardized and restricted menu; food for immediate consumption; tight individual portion control on all ingredients and on the finished product; individual packaging of each item; a young and unskilled labor force; counter service; franchised restaurants which operate under a uniform fascia and corporate identity.

Full-service Restaurants: Full-service Restaurants encompass all sit-down establishments where the focus is on food rather than on drink. It is characterized by table service and a relatively higher quality of food offering. It also includes à la carte, all-you-can-eat and sit-down buffets within restaurants. Restaurants at resorts and hotels are in general categorized as Full-service Restaurants.

Takeaway: They are classified as fixed units that provide no facilities for consumption on the premises. Food can either be picked up by the consumer, or delivered, often for an additional charge.

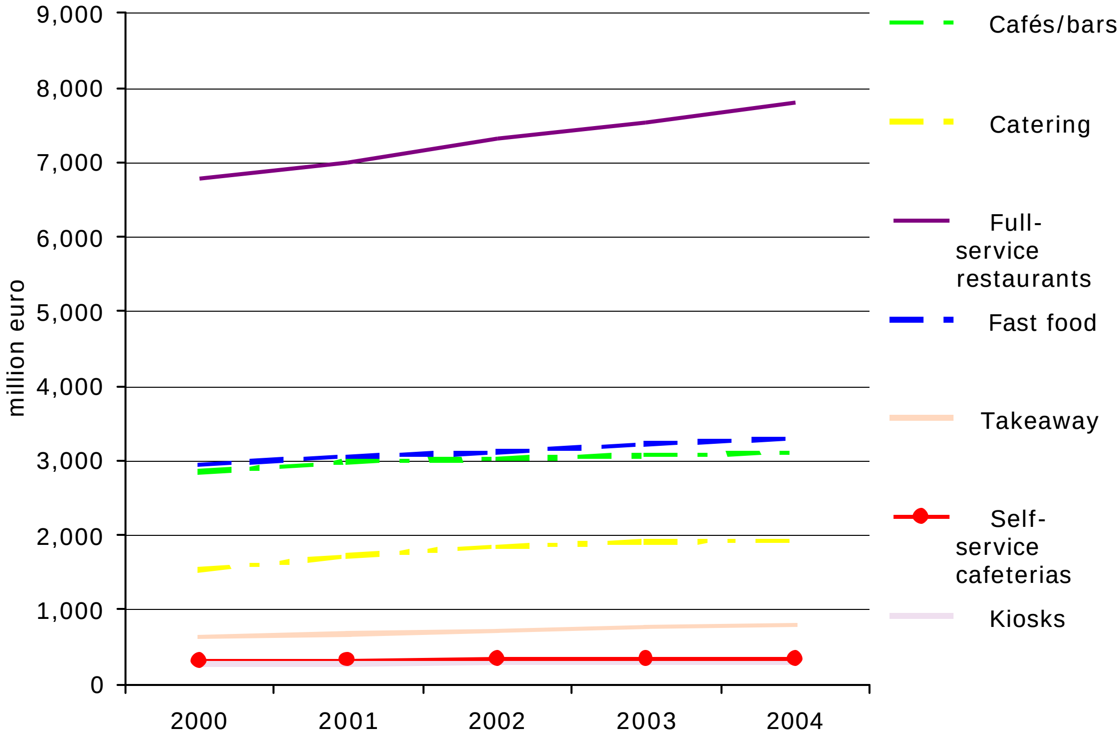
Self-service Cafeterias: Food paid for in advance of sitting down. No (or limited) service content or cover charge.

Street stalls/Kiosks: Small, mobile foodservice providers characterized by a very limited product offering and by low prices.

Catering: Contract catering encompasses all establishments at prisons, companies, hospitals, schools, where specialized companies supply food and drinks to the personnel and/or visitors. The formula of the catering depends on the institution, target group and alternatives.

Value Of The Overall Benelux HRI Industry And Sub-Sectors, Past 5 Years

Figure 1: Value of HRI industry sub-sector, past 5 years

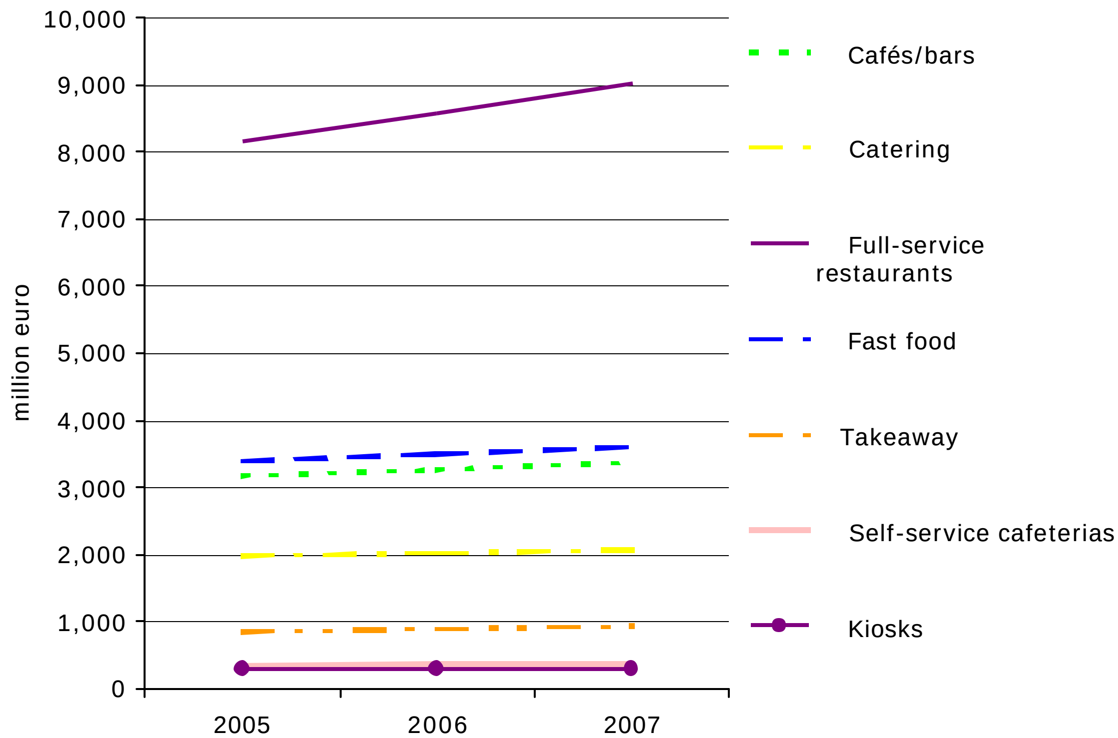


Source: Euromonitor, USDA The Hague

- Benelux HRI industry grew from 15.4 billion euro in 2000 to 17.6 billion in 2004;
- Sales in all sub-sectors have grown in the past 5 years;
- Growth rates were the highest in the Full Service and Catering sectors, although the 2003/4 economic downturn led to somewhat slower growth;
- Full service restaurants, fast-food outlets and cafés/bars dominate the Dutch HRI industry;

Expected Growth Rates Of The Benelux HRI Industry and Its Sub-Sectors

Figure 2: Value of HRI industry sub-sector, coming 3 years



Source: Euromonitor, USDA The Hague

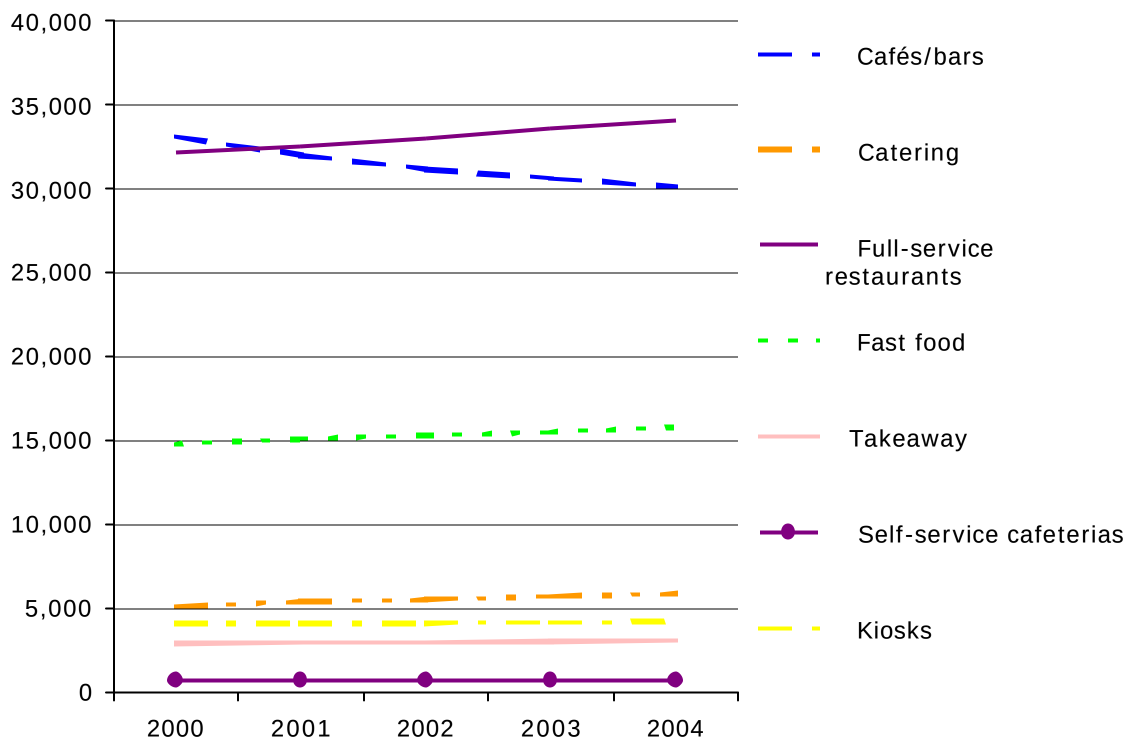
- The HRI industry is forecast to grow from 17.6 billion euro in 2004 by another two billion to 19.7 billion euro in 2007;
- Consistent growth rates are forecast for all sub-sectors;
- Full service restaurants, fast-food outlets and cafés/bars will continue to dominate the HRI industry;
- Companies in all sub-sectors will further change the profile of their establishments to adapt to new demands and opportunities. Some cafés/bars, for example, may turn into Full Service Restaurants (FSR) or self-service cafeterias. Former takeaways units may decide to offer seating for eat-in sales. Fast-Food outlets will move more towards fruits, vegetables and other healthy side dishes or menus. This trend should be kept in mind as we watch the market evolve over the next few years.

Number and Type of Benelux HRI Establishments

The Full-service restaurants sector is the largest in terms of number of establishments, accounting for 35% of total consumer foodservice units in 2004. This sector saw the number of units grow from 32,144 in 2000 to 43,053 in 2004. New units were from a variety of ethnic or foreign cuisines that have yet to fully break into the Dutch market.

The Café/Bar sector is the 2nd largest in terms of number of establishments, accounting for 32% of total consumer foodservice units in 2004. Yet this sector saw the number of units fall from 33,079 units in 2000 to 30,122 in 2004. Development in the Café and Bar sector reflected a structural transformation towards greater concentration from medium to large establishments. The decrease in units would have been even more dramatic if not for an ongoing shift within the Café and Bar sector itself. Over the past 5 years, a significant number of traditional cafés opted to stay in the business by transforming themselves into more lucrative upscale “eetcafé”, “taverne” and “grandcafé”.

Figure 3: number and type of HRI establishments



Source: Euromonitor, USDA The Hague

For fast food, the 3rd largest sector, unit growth was a result of expansion by big fast food chains, like KFC, Quick and Febo.

Value Of Imported Versus Domestically Produced Selected Food Products
See: Appendix I

Trends That Affect Benelux HRI Industry

- Economic conditions in the Benelux, this year, are expected to improve after the recent downturn.

- The profile of the Benelux consumer shows signs of long-term transformation. New consumers are more apt to eat out as a leisure or social activity or a convenient alternative to home cooking. They are also more informed, social and health conscious, and outward looking in their consumption attitudes. This offers ample opportunities for new product and service concepts to enter these new interests.

- Competition in the Benelux HRI market will remain tough, as new firms enter the market. Retailers of both food (Makro) and non-food industries (department stores like V&D and HEMA, but also IKEA) have already claimed prominent positions in the market. Operators are always eager to tap into the consumer foodservice market.

- The changing structure of the Benelux population creates three new lucrative markets for the HRI industry: the graying population, the working household and ethnic minority groups, all of which are growing.

- Industry analysts believe the Benelux HRI sector is entering a new phase of development and it is generally believed that within the next two decades, the industry profile will change to accommodate fewer small operators and more medium and large establishments. Industry shakeups will occur, with more mergers and acquisitions or strategic alliances, and branding success. In addition, there is still growth for small, independent, high-end hotels and restaurants.

Advantages And Challenges

Advantages Sector Strengths & Market Opportunities	**Challenges** Sector Weaknesses and Competitive Threats
Expected economic growth is a promising prospect for the HRI industry	Competition from retailers (food and non-food)
Consumer are curious and want to try new things; which creates opportunities for new product and service concepts	A highly fragmented sector
When compared to the UK and the US, the HRI industry can still gain substantial market share in the Benelux	The consumer is more health conscious which will affect his purchasing behavior when buying food.
The region has a good infrastructure which offers great opportunities	The food supply chain is neither vertically integrated nor consolidated

Section II: Road Map For Market Entry

Entry Strategy

Prior to any export, invest in research that analyzes the Benelux food culture (concepts, flavor, price, requirements). Once the product has been chosen, be aware of fierce competition.

There are several tariff and non-tariff trade barriers that complicate export to the Benelux. An importer generally knows the market, the trade barriers and the required documentation. In addition, The Office of Agricultural Affairs in The Hague (OAA) offers guidelines on import regulations for food products that can be found on
http://www.fas.usda.gov/gainfiles/200312/146085322.pdf
FAS/Washington and the OAA maintain listings of local importers.

Market Structure

- The Benelux Fast-Food sector and Catering industries are highly consolidated. A few international and national players dominate those sub sectors.

Figure 4: Leading fast-food companies in the Benelux

Source: USDA The Hague

Figure 5: Leading caterers in the Benelux

Source: USDA The Hague

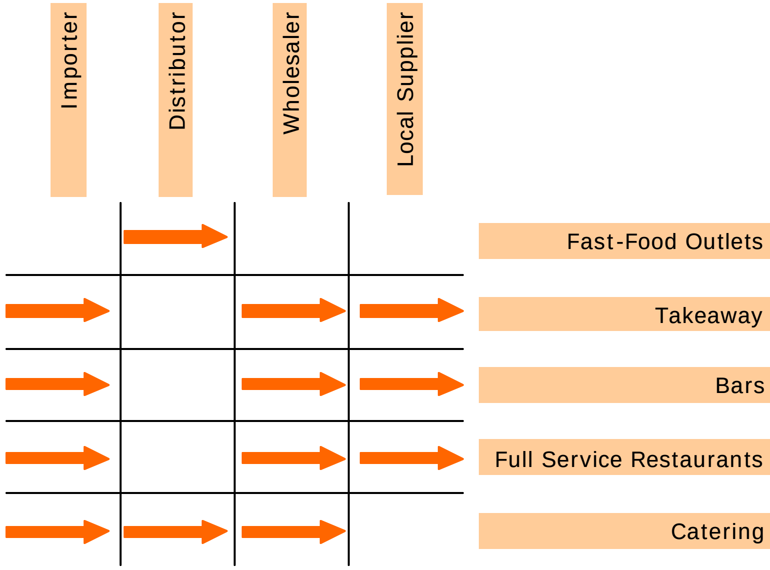
- The other HRI sub sectors are highly fragmented. In general all restaurants, cafes and hotels are independently operated companies with their own purchase patterns and buyers.

- As the chart on the next page indicates, small and independent entrepreneurs buy their products and ingredients at the wholesaler that matches their product requirements. There are approximately 10 wholesalers in the Benelux. Some of the bigger are indicated below.

Figure 6: Leading wholesalers in the Benelux

Source: USDA The Hague

Figure 7: Distribution Channel Flow Diagram



Source: USDA The Hague

- Some companies in the HRI industry purchase imported products directly from importers but in general they buy via wholesalers or local suppliers.

- Fast-food companies are frequently part of a large chain with national, regional or global presence. Products are delivered through proprietary distributors, who normally purchase products for all franchisees.

- Due to its consolidated structure, the Benelux catering sector has a limited number of dedicated distributors. Distributors buy directly from producers. Non-EU products are bought through importers.

- Independent Restaurants, Bars and Takeaways buy fresh products (meat, seafood, dairy products, bread and fruits & vegetables) often from local suppliers who in some cases produce those products themselves. These relationships are in most cases personal relationships between the owner of the restaurant and the supplier. For all other products (and non-food) the independent owner generally goes to a wholesaler, except for beer, wine and soft drinks which are delivered.

- For bigger Restaurants and/or Restaurant Chains, there are different players in the supply chain. Local suppliers are not competitive and are replaced directly by Wholesalers and Distributors.

- Different product sectors have different supply chains;
  A few examples:

  Wholesalers buy specialized products like Jamon Pata Negra in small quantities directly from Spanish processors where as pork is bought from local slaughterhouses (not directly from producers). Brazilian or Thai poultry products are bought from meat importers.

New World wines are increasingly imported into the EU. In some cases the bottled product is imported and sold to distributors and wholesalers, however in other cases the wines are imported and bottled within the EU and subsequently sold to wholesales and distributors.

The purchase of soft drink is often linked to the supplier of beer. In some cases, especially in the Restaurant and Café & Bar sector, the brewery sponsors the bar or provides deep discounts on other inventory. In return the brewer closes a contract where he is the exclusive supplier of all beers and soft drinks.

Sub sectors profiles

- From all HRI sub sectors only Fast Food Chains and Caterers are consolidated although there are several big hotel and restaurant chains active in the region.

Figure 8: Top 10 Hotel and Restaurant Chains, 2003

	name	**turnover / million euro**	**#outlets**
1	Van Der Valk	500	52
2	Golden Tulip	285	70
3	NH Hotels	230	28
4	Accor	205	48
5	Best Western	173	49
6	Bilderberg	109	25
7	Six Continentals	100	12
8	Hilton	60	6
9	Starwood	54	3
10	AC restaurants & hotels	51	20

Source: www.zibb.nl/horeca

Figure 9: Top 5 Fast Food Chains, 2004

name
McDonalds
Quick
Burger King
KFC
Febo
Pizza Hut

Source: www.zibb.nl/horeca

Figure 10: Major caterers active in the Benelux in Alphabetic order, 2004

name
Albron
Aramark
Compass Group
Elior
SAB Catering
Sodexho

Source: www.veneca.nl

- Company information on the Leading Hotel and Restaurant Chains in the Netherlands can easily be found on www.zibb.nl/horeca and on Leading Caterers in the Dutch markets on www.veneca.nl. Some of the information is in Dutch, if you need assistance please contact FAS, The Hague.

Section III: Competition

Knowledgeable traders, Europe's leading ports (Rotterdam, Antwerp and Amsterdam) for food and agricultural products, a good distribution system, well organized wholesalers and affluent and open minded consumers, make the Benelux an attractive export market. The region's processing industry is very competitive, but the position for primary producers is somewhat different. Due to high prices for farmland, high labor costs, high standards for food safety and animal welfare and multiple rules and regulations, the cost of producing raw materials is often high. As a result, the Benelux increasingly sources from nearby countries. Trade with EU countries is fairly easy and inexpensive because of the customs union and proximity.

However for some products, the Benelux HRI sector looks outside the borders of the EU, e.g. for year-round availability of fresh fruit and vegetables. The region sources fresh produce from southern hemisphere countries like Chile, Brazil and New Zealand. In addition to availability, cost is another important reason to source internationally.

Another reason why importers and wholesalers turn to foreign markets is to look for unique products or products that improve their existing product portfolio. This can be either a new product or well-known products that are produced or packed in a different way and therefore appeal to Benelux consumers. It can also be a product that people have tasted abroad and also want to eat back home. However, keep in mind that profit margins for the entire food industry and food service sector are under strong pressure at the moment.

Figure 11 gives an example of two commodities that are imported from neighboring countries and where the US has a market share of 2 percent.

Figure 11: U.S. Market Share Versus Competitors For The Dutch Wine and Seafood Market

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages for US exporters
Wine: Total imports: 689 million EURO	France: 43% Spain: 10% Portugal: 10% United States: 2%	Good quality Export tradition/experience Proximity Popular holiday destination	-No real commercial availability in the Benelux
Seafood: Total imports: 1.4 billion EURO	Germany: 13% Denmark: 11% UK: 10% United States: 2%	Unique products Fishery Quotas Natural circumstance	-EU regulations limit additional catch -Limited variety available in the Benelux

Source: Product Board of Wine, Product Board of Fish, USDA

Section IV: Best Product Prospects

Products Present In The Market That Have Good Sales Potential

- Wine
- Seafood
- Nuts
- Certified Non-Hormone Treated Beef
- Processed Fruit and Vegetables
- Sauces and Condiments

Products Not Present In Significant Quantities But Which Have Good Sales Potential

- Fruits that are not produced in the EU
- Innovative Sauces and Condiments

Products Not Present Because They Face Significant Barriers

- Red Meat and Meat Preparations (hormone ban)
- Poultry (sanitary procedures)
- Processed Products (GMO)

Section V. Post Contact and Further Information

United States Department of Agriculture's Foreign Agricultural Service
Agriculture Export Service
http://www.fas.usda.gov/agexport/exporter.html

Office of Agricultural Affairs at the American Embassy
Postal Address: U.S. Embassy-AGR, PC71, Box 038, APO AE 09715
Visitor Address: Lange Voorhout 102, 2514 EJ The Hague, the Netherlands
Phone: 31-70-3109299,
Fax: 31-70-3657681,
E-mail: agthehague@fas.usda.gov

For more information on exporting U.S. Products to the Benelux, please visit the FAS website at www.fas.usda.gov

Appendix I

The Netherlands - Exports
Millions of US Dollars

HS	Description	1999	2000	2001	2002	2003
01	LIVE ANIMALS	750	785	880	977	1,022
02	MEAT	4,646	4,580	4,247	4,393	5,028
03	FISH AND SEAFOOD	1,618	1,583	1,577	1,768	2,194
04	DAIRY,EGGS,HONEY,ETC	4,321	4,352	4,377	4,212	5,198
05	OTHER OF ANIMAL ORIGIN	222	223	182	204	207
06	LIVE TREES AND PLANTS	6,051	5,878	5,795	6,338	7,622
07	VEGETABLES	3,314	3,168	3,263	3,733	4,819
08	EDIBLE FRUIT AND NUTS	1,572	1,421	1,572	1,679	2,296
09	SPICES,COFFEE AND TEA	245	237	195	199	282
10	CEREALS	228	204	229	242	264
11	MILLING;MALT;STARCH	405	420	425	458	539
12	MISC GRAIN,SEED,FRUIT	1,017	938	1,055	1,203	1,510
13	LAC;VEGETABL SAP,EXTRCT	58	55	61	52	72
14	OTHER VEGETABLE	6	6	9	8	10
15	FATS AND OILS	1,751	1,329	1,287	1,586	1,972
16	PREPARED MEAT,FISH,ETC	892	789	921	970	1,084
17	SUGARS	722	682	713	763	899
18	COCOA	1,708	1,465	1,558	1,952	2,640
19	BAKING RELATED	1,345	1,229	1,261	1,385	1,615
20	PRESERVED FOOD	2,527	2,188	2,316	2,450	2,897
21	MISCELLANEOUS FOOD	1,350	1,347	1,466	1,733	2,187
22	BEVERAGES	1,996	1,924	2,169	2,527	2,887
23	FOOD WASTE; ANIMAL FEED	2,037	2,092	2,182	2,450	2,748
24	TOBACCO	3,290	3,018	3,021	3,576	3,822
		42,074	39,914	40,759	44,859	53,815

Source of data: Eurostat

The Netherlands - Imports
Millions of US Dollars

HS	Description	1999	2000	2001	2002	2003
01	LIVE ANIMALS	527	503	388	403	515
02	MEAT	1,429	1,348	1,674	1,668	2,108
03	FISH AND SEAFOOD	1,142	1,134	1,214	1,283	1,584
04	DAIRY,EGGS,HONEY,ETC	2,483	2,278	2,278	2,248	2,751
05	OTHER OF ANIMAL ORIGIN	146	142	120	125	145
06	LIVE TREES AND PLANTS	916	973	974	1,056	1,270
07	VEGETABLES	1,347	1,304	1,341	1,358	1,643
08	EDIBLE FRUIT AND NUTS	2,081	1,859	2,018	2,078	2,793
09	SPICES,COFFEE AND TEA	773	662	520	439	544
10	CEREALS	1,077	987	1,141	1,204	1,234
11	MILLING;MALT;STARCH	250	235	253	257	347
12	MISC GRAIN,SEED,FRUIT	1,788	1,862	2,007	1,909	2,208
13	LAC;VEGETABL SAP,EXTRCT	73	71	79	73	89
14	OTHER VEGETABLE	24	26	25	21	28
15	FATS AND OILS	1,304	939	980	1,327	1,689
16	PREPARED MEAT,FISH,ETC	578	603	640	783	938
17	SUGARS	460	396	396	440	508
18	COCOA	1,318	953	1,186	1,501	2,107
19	BAKING RELATED	658	623	657	780	1,004
20	PRESERVED FOOD	1,551	1,578	1,354	1,532	1,823
21	MISCELLANEOUS FOOD	655	612	664	787	1,017
22	BEVERAGES	1,454	1,342	1,543	1,681	1,967
23	FOOD WASTE; ANIMAL FEED	1,291	1,255	1,503	1,664	1,940
24	TOBACCO	1,073	996	1,044	963	1,074
		24,401	22,682	23,997	25,580	31,324

Source of data: Eurostat

Belgium - Exports
Millions of US Dollars

HS	Description	1999	2000	2001	2002	2003
01	LIVE ANIMALS	422	395	277	315	338
02	MEAT	1,742	1,867	2,172	2,106	2,378
03	FISH AND SEAFOOD	375	391	462	458	600
04	DAIRY,EGGS,HONEY,ETC	1,852	1,841	1,851	1,788	2,160
05	OTHER OF ANIMAL ORIGIN	72	74	63	67	91
06	LIVE TREES AND PLANTS	381	370	389	427	532
07	VEGETABLES	1,257	1,108	1,210	1,312	1,683
08	EDIBLE FRUIT AND NUTS	1,787	1,523	1,544	1,659	2,039
09	SPICES,COFFEE AND TEA	367	339	280	258	319
10	CEREALS	388	295	200	255	331
11	MILLING;MALT;STARCH	428	411	462	496	652
12	MISC GRAIN,SEED,FRUIT	148	163	162	187	275
13	LAC;VEGETABL SAP,EXTRCT	34	19	27	31	45
14	OTHER VEGETABLE	6	6	5	7	9
15	FATS AND OILS	926	725	754	838	1,022
16	PREPARED MEAT,FISH,ETC	546	511	548	600	753
17	SUGARS	816	856	856	884	1,051
18	COCOA	1,089	1,050	1,083	1,271	1,582
19	BAKING RELATED	1,305	1,239	1,366	1,535	1,861
20	PRESERVED FOOD	1,377	1,191	1,225	1,426	1,691
21	MISCELLANEOUS FOOD	660	630	673	747	935
22	BEVERAGES	1,040	1,032	1,047	1,136	1,321
23	FOOD WASTE; ANIMAL FEED	933	860	971	954	1,190
24	TOBACCO	561	491	490	563	730
		18,512	17,386	18,117	19,321	23,587

Source of data: Eurostat

Belgium - Imports
Millions of US Dollars

HS	Description	1999	2000	2001	2002	2003
01	LIVE ANIMALS	239	242	272	283	328
02	MEAT	795	724	826	833	1,038
03	FISH AND SEAFOOD	767	788	838	873	1,083
04	DAIRY,EGGS,HONEY,ETC	1,994	1,920	1,925	1,968	2,417
05	OTHER OF ANIMAL ORIGIN	71	74	79	73	93
06	LIVE TREES AND PLANTS	280	267	281	311	373
07	VEGETABLES	827	735	787	855	1,053
08	EDIBLE FRUIT AND NUTS	1,716	1,582	1,579	1,861	2,450
09	SPICES,COFFEE AND TEA	464	444	355	358	408
10	CEREALS	884	795	757	845	1,014
11	MILLING;MALT;STARCH	199	178	192	213	304
12	MISC GRAIN,SEED,FRUIT	750	649	676	760	913
13	LAC;VEGETABL SAP,EXTRCT	45	48	46	54	66
14	OTHER VEGETABLE	8	7	7	8	7
15	FATS AND OILS	753	665	646	824	974
16	PREPARED MEAT,FISH,ETC	495	451	470	529	661
17	SUGARS	756	487	886	840	836
18	COCOA	541	519	528	708	966
19	BAKING RELATED	725	681	750	824	1,007
20	PRESERVED FOOD	1,004	921	852	930	1,070
21	MISCELLANEOUS FOOD	480	462	467	540	671
22	BEVERAGES	1,611	1,440	1,384	1,579	1,829
23	FOOD WASTE; ANIMAL FEED	889	878	919	946	1,045
24	TOBACCO	575	511	518	647	778
		16,866	15,466	16,037	17,661	21,387

Source of data: Eurostat