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Report Highlights:

Prior to the COVID-19 outbreak, the Israeli Hotel Restaurant Institutional (HRI) sector was generally stable. The impact of the COVID-19 on the Israel HRI sector has been nothing short of devastating. According to the Israeli Central Bureau of Statistics, accommodation and food service activities declined by forty percent in 2020.

Market Fact Sheet: Israel

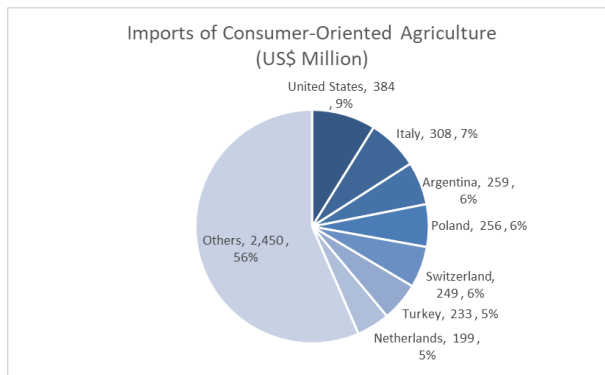
Executive Summary

Israel is a technologically advanced, market-oriented economy. In 2019, Israel's annual GDP increased by 3.5 percent and reached \$394.8 billion. COVID-19 shook the Israeli economy and Israel's GDP contracted by 2.6¹ percent in 2020. Though, thanks to a very high rate of inoculation and the reopening of the economy since mid-February, Israel's GDP is projected to grow by 5.5² percent in 2021 and 6 percent in 2022.

Consumers are sophisticated and enjoy cosmopolitan food tastes.

Imports of Consumer-Oriented Agriculture

In 2020, Israel's import of consumer-oriented agriculture³ stood at \$3.84 billion. The United States is the largest supplier, approximately 9 percent of imports were sourced from the United States.



Food Service- Hotel Restaurant Institutional

In 2020, the Israeli Hotel, Restaurant, and Institutional (HRI) food service sector included approximately 426 hotels, with a total of around 55,000 rooms, 13,000 consumer foodservice outlets, and the institutional sector. Based on the Israeli Central Bureau of Statistics, the total revenue of the hotel sector in 2020 sector was \$1.13 billion, a sixty-six percent decrease from the previous year. Isrotel's, one of Israel's top hotel chains, 2020 financial report attributed 26 percent of the hotel's income to food and beverages. Reportedly, the Israeli hotel sector's food sales reached an estimated \$0.29 billion in 2020. According to the Israeli Central Bureau of Statistics, accommodation and food service activities declined by forty percent in 2020.

Quick Facts

Top Food Service Trends:

- Demand for healthier dishes
- Demand for plant-based dishes
- Demand for high quality, higher end food products
- Shift towards takeaway and delivery orders

Top Consumer Foodservice Chains

McDonald, Reshet Cafe Cafe Ltd., Greg Coffee Shops Ltd. and Aroma Israel (Shefa Franchisers Ltd)

Top Institutional Catering Companies

Schultz, Sodexo, Idit Food Logistics, and L. Eshel Food Services

Top Hotel Chains

Fattal Hotels, Isrotel Hotel Management, and Dan Hotels

GDP/Population 2021

Population (*millions*): 9.36 (as of June 2021)

GDP (*billions USD*): \$401 (calculated value)

GDP per capita⁴ (*USD*): \$42,900 (Q2/2021)

Data and Information Sources: Israeli Central Bureau of Statistics (CBS), Storenext, Euromonitor, Bank of Israel, FAS Tel Aviv office research, UN Comtrade Database, Company Financial Reports, CofaceBdi, Israeli Restaurant and Café Association

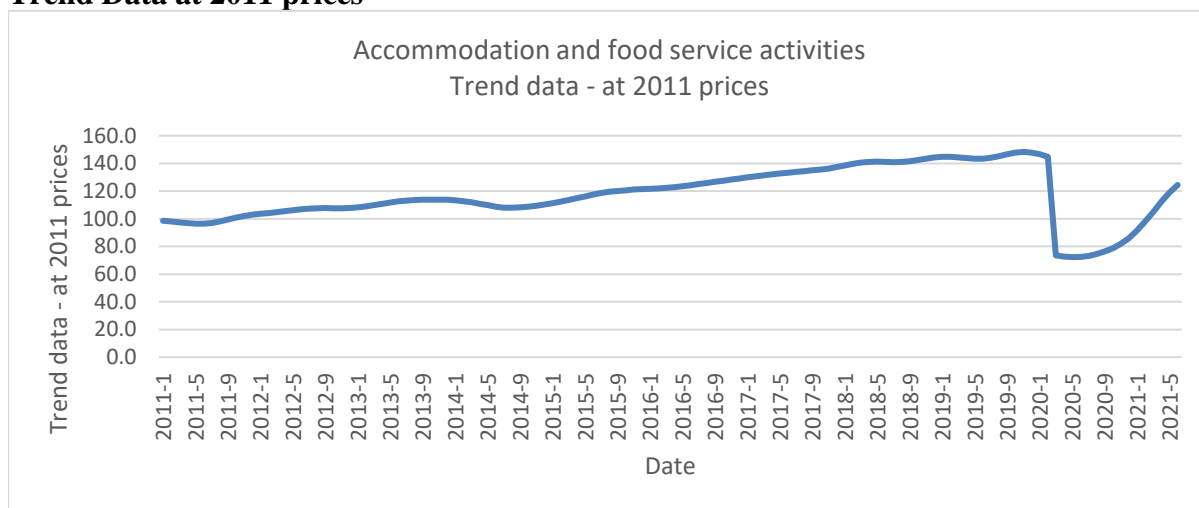
¹ Bank of Israel Forecast, April 2021 ² Bank of Israel Forecast, July 2021 ³ BICO-Consumer Oriented Agriculture ⁴ Bank of Israel publication, PPP exchange rate

SECTION I. MARKET SUMMARY

Prior to the COVID-19 outbreak in early 2020, the Israeli Hotel Restaurant Institutional (HRI) sector was generally stable. The economy's growth over the past decade led to an increase in spending on outside dining. Sales in hotels and resorts grew. The restaurant sector evolved and shifted from full service restaurants towards fast food outlets as restaurateurs sought to minimize their risk in the face of financial strains due to high fixed costs. In addition, the rapid construction of shopping centers encouraged growth in food service in retail centers. Institutional sales were strong and steady as a few large firms vied for the control of a limited market.

The economy's growth over the past decade significantly affected Israeli consumers' disposable income, which led to an increase in accommodation and food service activities. From the year 2011 until the year 2020, accommodation and food service activities grew by more than forty percent. Though in 2020, due to the COVID-19 outbreak, the trend declined and has yet to recover.

**Figure 1: Israel, Accommodation and Food Service Activities
Trend Data at 2011 prices**



Source: Israel Central Bureau of Statistics, FAS office research.

COVID-19 hit the food service sector hard as the pandemic kept people in their homes, and restrictions on international travel negatively impacted hotel restaurant revenue. The COVID-19 crisis and the lockdown policy caused a steep rise in unemployment and negative economic growth. To date, it is unclear how long it will take the economy to recover.

Key Demand Drivers, Prior to COVID-19

- Economic growth drives sales
- Growth in tourism creates opportunities for hotels and restaurants
- Full service restaurants face high fixed costs and rising minimum wages, creating opportunities for unique, new outlets and vendors

- Social networking (i.e., Facebook, Groupon) and the expansion of internet sales. Purchasing groups, with daily discount offers, continue to boost full-service restaurant sales
- Healthier eating is gaining even greater traction among the HRI sector
- Mergers and acquisitions in the HRI sector are leading to expanded product offerings

Table 1: Advantages and Challenges for U.S. Exporters to Israel

Advantages	Challenges
U.S.-Israel Free Trade Agreement trade preferences	Israel is a small market
Strong consumer interest in new food products	Potential for tense regional security situation to negatively impact consumer behavior
The majority of the HRI sector buys only kosher food products and many U.S. food products are already kosher certified	Low-cost competition from Eastern Europe, the former Soviet Union, Turkey, and Asia is fierce
The standard of living in Israel is expanding rapidly, increasing the demand for away-from-home dining	For most markets, a U.S. kosher certification is sufficient though some supermarkets and institutional customers demand also a local Israeli certification
The Israeli consumer appreciates U.S. products and they are in demand	Post COVID-19 economic environment; adjustments to the overall economy, tourism, and changes in consumer habits

SECTION II: A ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. exporters should review [FAS Tel Aviv policy and market reports](#) and private sector analyses. After identifying a market opportunity, FAS Tel Aviv recommends that the U.S. exporter contact an importer or agent with experience in the sector. Post advises exporters to research options for distribution and sales channels thoroughly. Visits by U.S. exporters to meet with Israeli importers and investors strengthen confidence with local partners. The Israeli agent or importer will be responsible for facilitating custom clearance procedures and advising the exporter on product specific regulations, such as labeling, packaging, import duties, and sanitary and phytosanitary regulations. Additionally, the local partner will have knowledge of tariff rates and will be able to apply for quotas for the relevant products if necessary.

Most Israeli food distributors acquire imported products through an importer or an agent. Specialized importers and agents are often also distributors who have warehouse and transportation operations. However, some large HRI chains have their own purchasing or importing division to handle food imports directly. Suppliers from the United States should initially contact the purchasing or importing divisions of these large hotel and restaurants chains. FAS Tel Aviv can assist on identifying the correct point of contact.

Increasingly local players are opting for the franchise model to expand firm presence, profits, and bargaining power. Franchising is widely used in the Israeli consumer food service by both foreign and local players. The majority of franchisees of major international brands are corporate entities that often run other name brand outlets as well. Franchisees of Israeli brands tend to be smaller individual franchise holders. Foreign consumer food service operators normally enter the Israeli market through franchise agreements. Major global brand owners such as Domino's Pizza Inc., McDonald's Corp., and Burger King Holdings Inc., operate in Israel through local franchisees.

Israel does not have specific regulations applicable exclusively to foreign companies. Nevertheless, there are important cultural and religious factors which foreign firms must consider, including kosher and Sabbath regulations. Sources indicate that Starbucks and Dunkin' Donuts have met with limited success in Israel due to differences in consumer tastes and pricing issues. Local ambiance is extremely important. The tailoring of an establishment's management and product variety is necessary in order to blend in with the local environment and consumer preferences.

Additional Means of Entry:

- Direct marketing (phone and video calls, emails, and meetings)
- Direct marketing through the mail with brochures and corporate press kits
- Israeli food companies often attend the main European food shows (i.e., ANUGA, SIAL)
- [ISRAfood](#) is Israel's biggest food and HRI show. This takes place in Tel-Aviv each year at the end of November or early December
- Social networking and the use of internet marketing are gaining greater acceptance by local importers and HRI buyers
- Franchising and manufacturing under licensing agreements

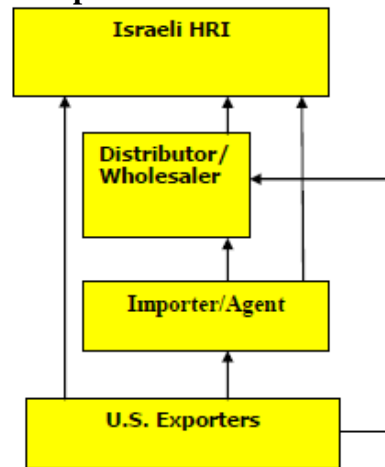
Market Structure

Large hotel chains have central purchasing offices. These offices would normally purchase from Israeli importers or local wholesalers. Exporters interested in gaining market share with large chains should consider approaching hotel purchasing offices with their Israeli partner. Smaller hotel chains and independent hotels purchase directly from the local market or from local wholesalers. In these cases, exporters will have to place additional marketing resources in clearly defining the supply chain whereby the customer can access the imported U.S.-origin goods.

Similarly, large restaurant chains may also have centralized purchasing offices. As with the hotels, U.S. exporters and their Israeli partners should approach these offices in order to market imported U.S. goods. Smaller restaurants, bars and cafes will likely purchase goods directly from wholesalers or on the local market. Smaller restaurants account for more than 70 percent of total food service outlets. Most restaurants purchase beverages through distributors.

The Israeli Defense Forces, police, and prison service have their own purchasing sections. All three issue public tenders to purchase food products. Israeli law, however, gives priority to Israeli firms in tender awards. Exporters interested in participating in public tenders should seek further information from the tendering agency.

Figure 2: Israel, Distribution Channel for Imported Food Products



Sub-Sector Profiles

Hotels and Resorts

In 2020, the Israeli hotel sector comprised of 426 hotels, with around 55,000 rooms. The estimated total revenue of the sector was \$1.13 billion¹, a sixty six percent decrease from the previous year. The Israeli Central Bureau of Statistics reports that 4.5 million tourists visited Israel in 2019 while in 2020 there were a mere 0.83 million, an eighty percent decrease. The United States, Russia, and France were the top three sources of tourists to Israel, together representing around 36 percent of total arrivals. Average hotel rates in Israel are above \$200 per night, making it an expensive destination in comparison to other Mediterranean countries.

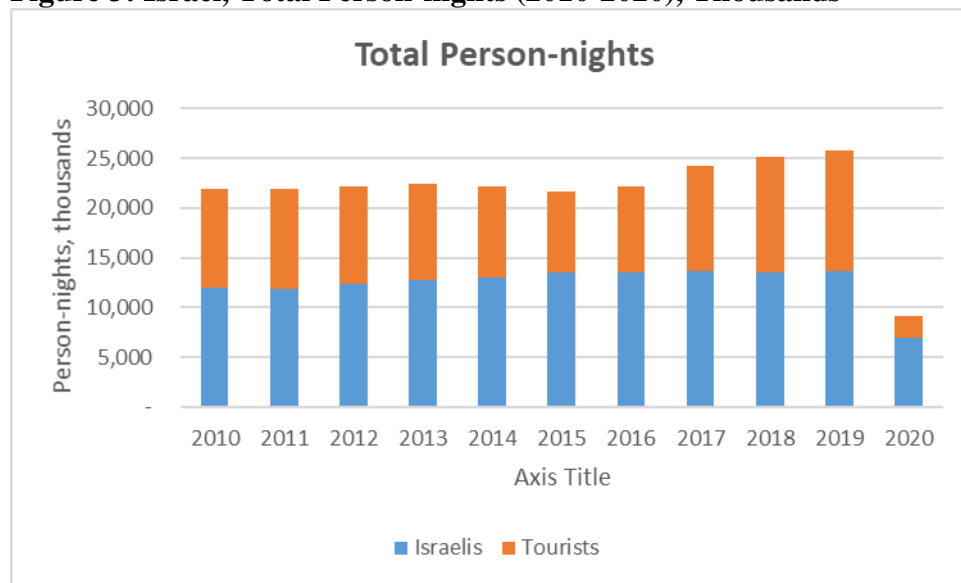
Of all Israeli destinations, Eilat registered the most occupancy in 2020, representing 39 percent of all hotel stays nationwide. Jerusalem and Tel Aviv, making up 13 and 10 percent respectively of hotel stays.

Isrotel's, one of Israel's top hotel chain, 2020 financial reports attributed 26 percent of the hotel's income to food and beverages. Reportedly, the Israeli hotel sector's food sales reached an estimated \$0.29 billion in 2020.

¹ Note: \$1 USD: NIS 3.44 exchange rate has been applied for 2020

Up until the COVID-19 crisis, tourism recovered from a slowdown and was showing growth. COVID-19 paralyzed the sector as the Israeli government closed its gates to incoming tourism. With international flights restricted, there was an increase in demand among domestic tourists which partially compensated for the loss of trade. The hotel sector's revenue in 2020 stood at a mere \$1.13 billion, compared to \$3.56 billion in 2019, a 68 percent decline. Due to Covid-19, in 2020, more than 75 percent of the occupancy were of Israelis. Prior to 2020, the occupancy was roughly fifty-fifty between Israelis and tourists.

Figure 3: Israel, Total Person-nights (2010-2020), Thousands



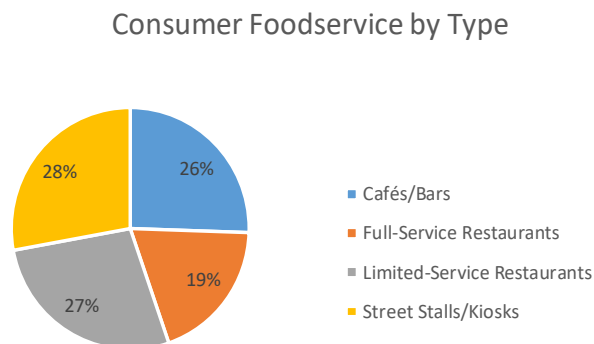
Source: Israel Central Bureau of Statistics, FAS office research.

Restaurants

In 2020, there are approximately 13,000 consumer foodservice businesses; this includes restaurants, cafés, bars, and street vendors in Israel. According to the Israeli Restaurant and Café Association, in 2019 sales stood at around \$8.7 billion and in 2020 sales stood at around \$5.8 billion.

Tel Aviv is the hub of restaurant and culinary trends in Israel. Israeli restaurants face high fixed costs with tight margins. This is especially true of high-end, standalone restaurants with high locale rent costs. Many consider the restaurant business risky, with high expenses such as rent, labor wages and food costs. Furthermore, many operators are struggling to remain profitable in the long term, with 80 percent of the restaurants opened in Israel closing within their first five years of business according to the Israeli Restaurant Association.

Figure 4: Israel, Consumer Foodservice by Type (2020)

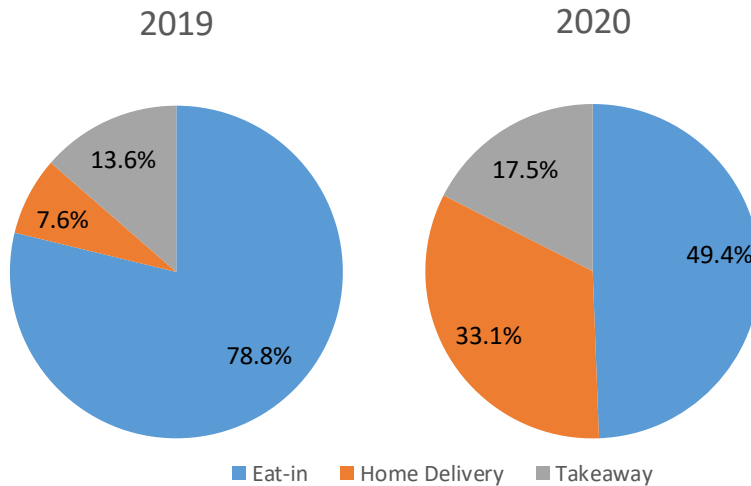


Source: Euromonitor, FAS office research.

Independently-owned operations dominate the Israeli consumer service sector accounting for approximately 80 percent. Local and international chains, however, are growing in number and popularity. Due to COVID-19, in 2020 more than seven percent of the restaurant and cafe sector businesses closed. While the entire sector struggled to cope with the realities of the COVID-19, it is clear that independent outlets faced greater challenges than those operating under chains. Thanks to superior financial resources most of the larger chains managed to avoid closing significant numbers of outlets.

Restaurants increasingly relying on third-party delivery services to expand its customer base and boost sales growth. The top online meal delivery platforms in Israel are 10bis, Cibus, and Wolt.

Figure 5: Percent Foodservice Sales by Eat-In vs Delivery and To-Go



Source: Euromonitor, FAS office research.

The largest consumer foodservice chains in terms of sales are: McDonald's, Reshet Cafe Cafe Ltd., Greg Coffee Shops Ltd., and Aroma Israel (Shefa Franchisers Ltd).

Current Restaurant Trends:

- Consumers are seeking a low-cost alternative, value for money
- Shift away from traditional restaurants toward delivery and vendor-style outlets
- Slow growth in traditional standalone restaurants, high growth in delivery and street stalls
- Growth in chain restaurants as compared to independently-owned operations
- Incorporating healthier menu options
- Offering more plant-based protein, vegetarian, and vegan options
- Restaurants increasingly relying on third party delivery services

Institutional

Institutional catering services are used by public institutions, government agencies, high-tech industry, the Israel Defense Forces, and the insurance and financial sectors among others. The industry is characterized by fierce competition, which is reflected by low pricing and tight margins. Prior to the COVID-19 outbreak, the industry was relatively stable. The industry consists mainly of medium and large companies that have been operating in this sector for many years. In recent years, some schools started to supply hot meals to the students through catering companies.

The largest institutional catering companies in terms of sales are: Sodexo, Idit Food Logistics, L. Eshel Food Services, and Schultz.

Idit Food Logistics is a part of Dan Hotels, which is traded publicly. According to their 2020 financial reports, Idit's 2020 revenue was \$79 million USD, an 8.8 percent decrease from 2019.

The company estimates a fifteen percent market share of Israel's catering sector. According to which, the Israeli catering sector's 2020 revenue stood at \$527 million USD.

Company Profiles & Top Food Service Companies

Israel's top hotel chains, restaurants and institutional catering companies have been ranked by two separate entities, BDi Code and DUN'S 100. See [BDi Code's Hotel Ranking](#) , [BDi Code's Restaurants and Catering Ranking](#) and [DUN'S 100 Catering Ranking](#).

SECTION III: COMPETITION

Local and European Union suppliers remain U.S. exporters' main competitors. The U.S. industry's main advantage is supply reliability, product quality, and the recognition of its high food safety standards. On the other hand, high shipping costs, adoption of EU standards, import duties, and import licensing requirements remain major market barriers for U.S.-origin products. Exporters need to be competitive in their pricing or present products of excellent quality.

SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES

Israel is a net food importer. It is a good market for U.S. food exports, such as dried fruits, nuts, fresh apples and pears, cheese, and other food products. Demand for healthy or natural foods is increasing, such as organic food. Niche products that target a specific health issue like diabetes or celiac disease (gluten-free food) are experiencing growth in demand, as well as vegetarian and vegan products. An additional growing food category is high quality, higher end food products.

Table 2: United States Products Presence

In the market and have good sales potential	Not present in significant quantities, but which have good sales potential	Not present because they face significant barriers
<ul style="list-style-type: none"> • Nuts • Processed fruit • Dairy products • Alcohol • Grape juice • Pears and apples • Sauces 	<ul style="list-style-type: none"> • Chilled kosher beef • Frozen cherries and berries • Premium dessert products such as premium chocolate bars, cookies, ice cream, and cheese • Frozen kosher appetizers • Vegan and vegetarian products • Organic food • Gluten free products 	<ul style="list-style-type: none"> • Non-kosher meats are not permitted for importation • Kosher barriers on Crustaceans and Mollusks. They are not kosher and most supermarkets will not sell them as well as the major hotels and restaurants • Banana, fresh cherries and citrus are not allowed for importation due to phytosanitary restrictions

Table 3: Top Consumer-Oriented Products Imported from the World

	HS Code	Product	Total Imports (\$ millions) 2016	Total Imports (\$ millions) 2017	Total Imports (\$ millions) 2018	Total Imports (\$ millions) 2019	Total Imports (\$ millions) 2020
1	020230	Frozen Beef (Boneless)	\$476	\$441	\$388	\$443	\$400
2	210690	Food Preps, Nesoi	\$205	\$233	\$232	\$253	\$250
3	020130	Fresh Beef (Boneless)	\$52	\$90	\$120	\$152	\$181
4	180690	Chocolate, Nesoi	\$89	\$99	\$108	\$113	\$114
5	230910	Dog Or Cat Food	\$67	\$76	\$92	\$97	\$114
6	090121	Coffee, Roasted	\$56	\$66	\$74	\$76	\$92
7	190590	Other Bakers Wares	\$40	\$48	\$59	\$69	\$88
8	220830	Whiskies	\$51	\$63	\$68	\$76	\$81
9	220300	Beer	\$48	\$57	\$62	\$62	\$71
10	220210	Waters, including mineral waters and aerated waters, sweetened or flavored	\$39	\$50	\$55	\$54	\$67

Table 4: Top Consumer-Oriented Products Imported from the United States

HS Code	Product	Total Imports (\$ millions) 2016	Total Imports (\$ millions) 2017	Total Imports (\$ millions) 2018	Total Imports (\$ millions) 2019	Total Imports (\$ millions) 2020
210690	Food Preps, Nesoi	\$36	\$35	\$39	\$39	\$45
080232	Walnuts, No Shell	\$28	\$34	\$34	\$32	\$35
080251	Pistachios, In Shell	\$21	\$36	\$25	\$38	\$31
080212	Almonds, No Shell	\$24	\$21	\$20	\$32	\$30
080290	Nuts Edible, Nesoi	\$17	\$29	\$26	\$28	\$24
190590	Other Bakers Wares	\$6	\$7	\$10	\$18	\$23
230910	Dog and Cat Food, Put Up For Retail Sale	\$16	\$15	\$17	\$16	\$21
080810	Apples, Fresh	\$8	\$11	\$18	\$14	\$23
20130	Bovine Boneless Frozen/Chilled	\$0.23	\$3.8	\$3.9	\$12	\$14
200290	Tomatoes Nesoi, Prepared	\$6	\$5	\$10	\$11	\$14

Note:

1. Data Source: United Nations Commodity Trade Statistics, United Nations Statistics Division
2. Nesoi- Not Elsewhere Specified or Indicated

SECTION VI: KEY CONTACTS AND FURTHER INFORMATION

Links to government sources

Israel Tax Authority - [Customs Tariff Book](#)

Israel Central Bureau of Statistics (CBS) - [Exports and Imports](#)

The Standard Institution of Israel (SII) – [SII Shop](#)

Ministry of Economy and Industry- [Foreign Trade Administration](#) (FTA)

[Ministry of Agriculture](#)

Ministry of Health- [Food Control Administration](#): Telephone: +972-3-6270100

For questions or comments regarding this report, or assistance exporting to Israel, please contact the Foreign Agricultural Service in Tel Aviv. Importer listings are available from the Foreign Agricultural Service for use by U.S. exporters of U.S. food and beverage products.

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Attachments:

No Attachments