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**Report Highlights:**

In 2022, the Hotel, Restaurant, and Institutional (HRI) sector experienced new difficulties with high inflation rates, a lack of employees seeking more lucrative jobs, and price increases for raw materials, energy, labor and rent, which drove operational prices up. Although Israel experienced an increase in tourism, HRI revenues are still behind pre-Covid-19 figures, and Israel relies more on the domestic sector, rather than tourism. (Note: This report reflects the market conditions up until September 30, 2023).

# Market Fact Sheet: Israel

## Executive Summary

Israel is a technologically advanced, market-oriented economy. In 2022, Israel's annual gross domestic product (GDP) reached \$522.03 billion,<sup>1</sup> an increase of 6.4 percent, due to the increase in consumption, exports, and investment. GDP expectations for 2023 are unclear due to the internal political instability.

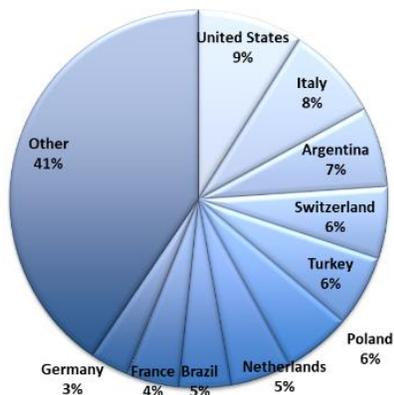
Israeli consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, over 16.9 percent of household expenditures are dedicated to food products. Producers, food processors, wholesalers, retailers, food service operators, and food importers are all part of a well-developed agribusiness sector, contributing to a domestic market that is competitive and dynamic. In 2021, imports of agricultural products reached \$8.8 billion.<sup>2</sup>

Israel's limited land and water resources preclude a high level of agricultural self-sufficiency, which affects local production costs and consumer prices. The country posts sizeable trade deficits in food and agricultural products, importing large volumes of feed grains and sizable volumes of consumer-oriented products.

## Imports of Consumer-Oriented Agriculture

In 2021, Israel's import of consumer-oriented agriculture stood at \$4.63 billion.<sup>3</sup> The United States is the largest supplier—approximately nine percent of imports were sourced from the United States.

Imports of Consumer Oriented Agriculture, %



## Food Service- Hotel Restaurant Institutional

In 2022, the sector included approximately 445 hotels, with a total of around 57,700 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 from January-September 2022 was \$2.77 billion, two percent higher than the same period in 2021. Isrotel's (one of Israel's top hotel chains) 2021 financial report attributed 23 percent of the hotel's income to food and beverages. According to the Israeli Central Bureau of Statistics, accommodation and food service activities in 2022 were still lower by 11 percent from 2019 figures. In 2022, 31 percent of the hotel rooms were occupied by international tourists compared to 47 percent in 2019.

### 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, Cofix Group, Aroma Israel (Shefa Franchisers Ltd), R2M Hospitality Group, Reshet Cafe Cafe Ltd., Greg Coffee Shops Ltd., Landwer, Pizza Hut, Orgad - H.S.N. (Burger Ranch), and Elgad Pizza (Domino's Pizza)

#### Top Institutional Catering Companies

Sodexo, C.I.P Mevo Horon (Mevushelet), Idit Food Logistics, Z.R. Delicacies & Events, and L. Eshel Food Services

#### Top Hotel Chains

Fattal Hotels, Isrotel Hotel Management, and Dan Hotels

#### GDP/Population 2022

Population (*millions*): 9.656 (as of Dec 2022)

GDP (*billions USD*): \$522.03 (2022)

GDP per capita<sup>4</sup> (*USD*): \$42,594 (2022)

<sup>1</sup> [Bank of Israel 2022 report](#)

<sup>2</sup> Harmonized Tariff Schedule Chapters 1-24 (2021 are latest figures available)

<sup>3</sup> Trade Data Monitor (2021 are latest figures available)

## **SECTION I: MARKET SUMMARY**

Prior to the Covid-19 outbreak, the Israeli HRI sector was generally stable and growing. The economy's growth over the past decade led to an increase in spending on outside dining. Sales in hotels and resorts grew. Incoming tourism was increasing annually. 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. Apart from the impact from Covid-19, accommodation and food service activities grew by more than forty percent. In 2021, the trend rose and by the end of 2022 the annual rooms occupied in hotels were 11 percent lower than 2019 figures, mainly due to a 16 percent reduction of incoming tourism. The domestic tourism in 2022 was at its peak and was higher by 16 percent from its last peak of 2019.

### **Key Demand Drivers**

- 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 greater traction among the HRI sector.
- Mergers and acquisitions in the HRI sector are leading to expanded product offerings.
- Post Covid-19 atmosphere is attracting people to HRI activities which were limited during the crisis.

**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
Most 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
The local currency depreciated by 12 percent compared to the U.S. dollar in the past year.	The Russian war in Ukraine is limiting tourism from these countries.
	Domestic political uncertainties and local protests do not motivate incoming tourism.

## 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, Kosher certification, 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.

Local players are increasingly 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. Most franchisees of major international brands are corporate entities that often carry 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 not been very successful in Israel due to differences in consumer tastes and pricing issues, as local ambience is extremely important. The tailoring of an establishment's management and product variety is necessary to blend in with the local environment and consumer preferences.

#### Additional Means of Entry:

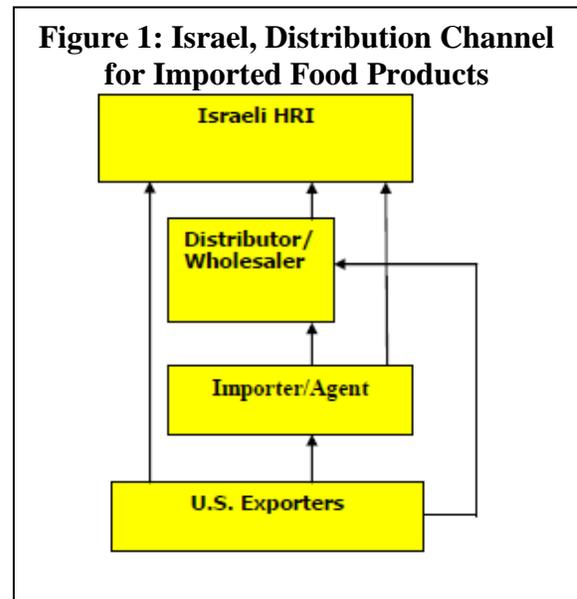
- Direct marketing (phone and video calls, emails, and meetings)
- Direct marketing through the mail with brochures and corporate press kits
- Israeli food companies often attend the main European food shows (i.e., ANUGA, SIAL)
- **ISRAfood** is Israel's biggest food and HRI show. This takes place in 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, which 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 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. However, Israeli law gives priority to Israeli firms in awarding tenders. Exporters interested in participating in public tenders should seek further information from the tendering agency.

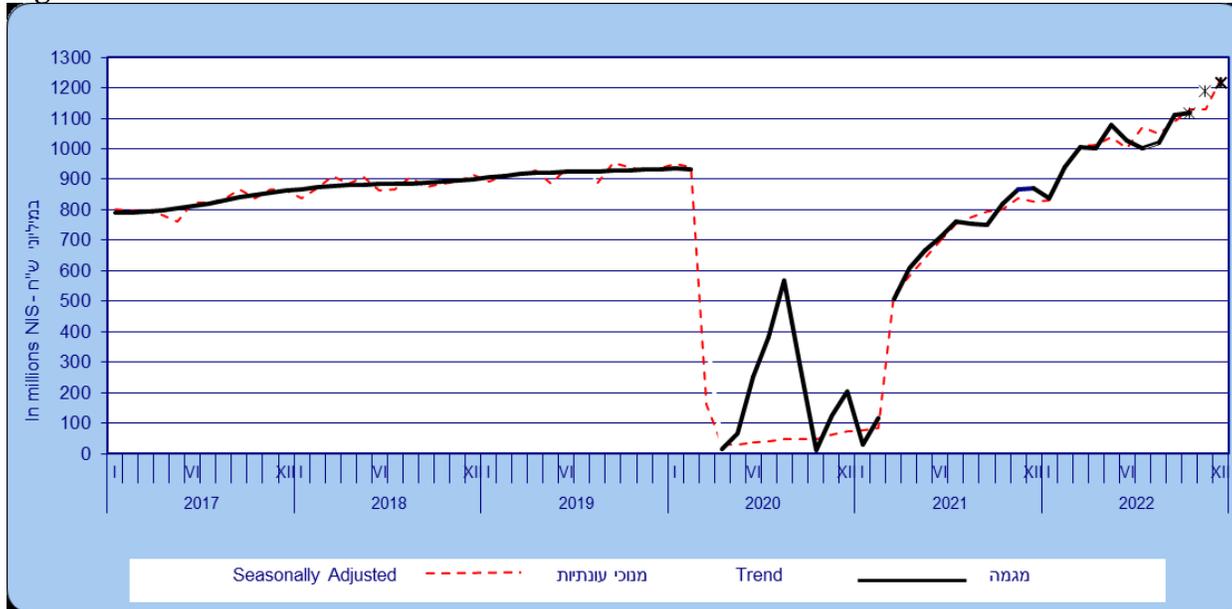


## Sub-Sector Profiles

### Hotels and Resorts

In 2022, the Israeli hotel sector comprised of 445 hotels, with around 57,882 rooms. Based on the Israeli Central Bureau of Statistics, the total revenue of the hotel sector in 2022 sector was \$3.9 billion, up four percent from 2019 figures and up 56 percent from previous year. 30 percent of the revenue originated from international tourists and 70 percent of the revenue originated from domestic tourism, events and other activities including food services. Incoming tourism in 2022 grew gradually after a sharp reduction in 2020-21 due to Covid-19.

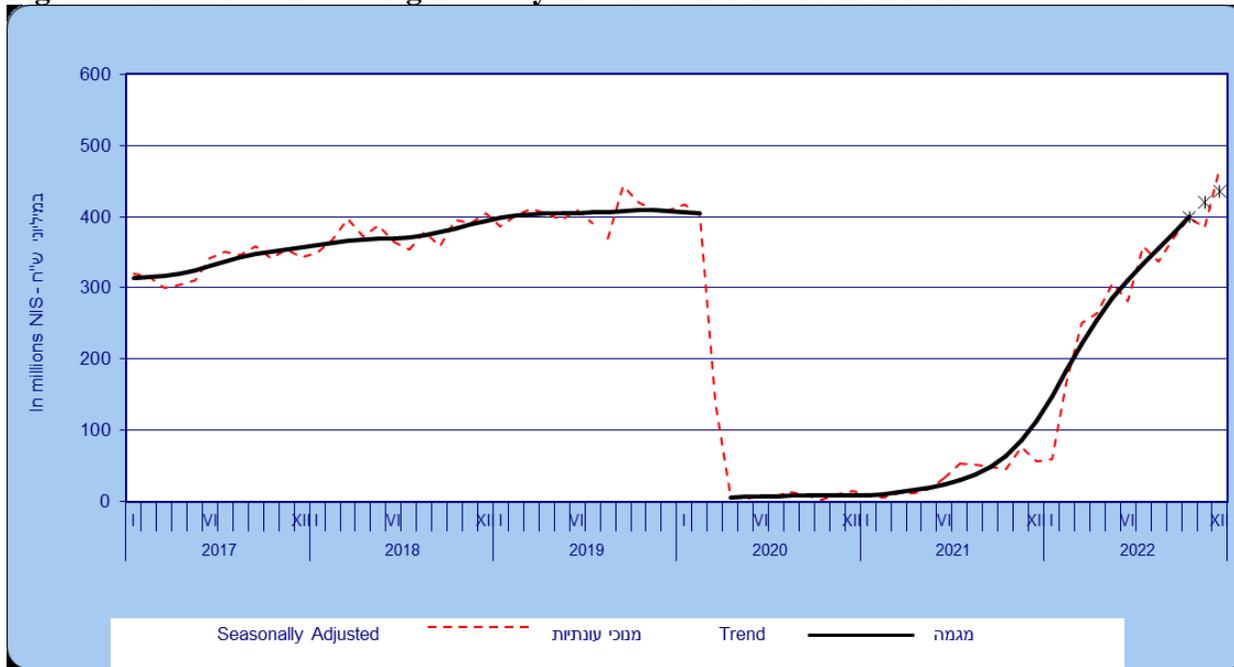
**Figure 2: Total Hotel Revenue in 2022**



Source: Israel Central Bureau of Statistics

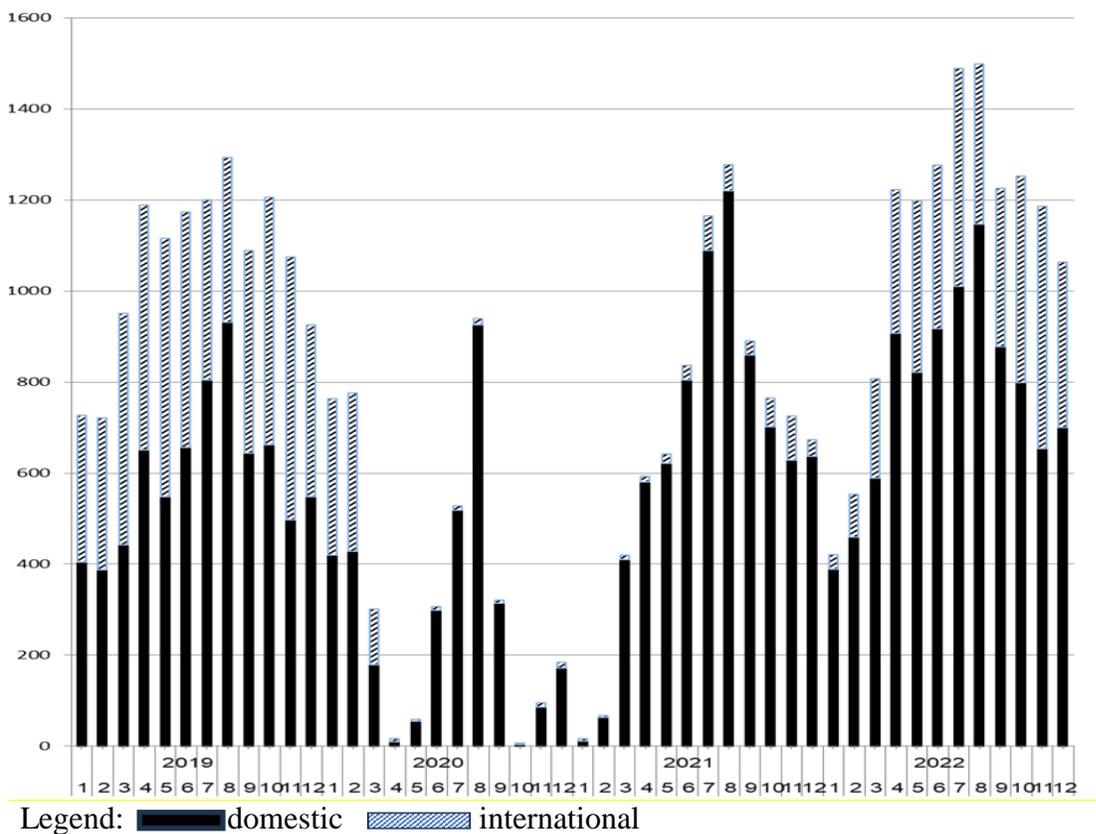
Up until the Covid-19 crisis, tourism recovered from a slowdown and was showing growth. However, with international flights restricted, there was an increase in demand among domestic tourists which partially compensated for the loss of trade. Due to Covid-19, more than 95 percent of the hotel occupancy were of Israelis. Prior to 2020, the occupancy was roughly fifty-fifty between Israelis and tourists.

**Figure 3: Hotel Revenues Originated by International Tourism in 2022**



Source: Israel Central Bureau of Statistics

**Figure 4: Monthly Revenue from Domestic and International Tourism (2019-2022)**



Legend:  domestic  international

Source: Israel Central Bureau of Statistics

In 2022, 2.9 million visitors entered Israel (402,000 in 2021, 4.9 million in 2019). The United States represented the largest amount of visitors (810,000), followed by France (235,000) and the United Kingdom (178,000). Before the Russian war in Ukraine, tourism from both countries represented the top tourists to Israel, together representing around 16 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.

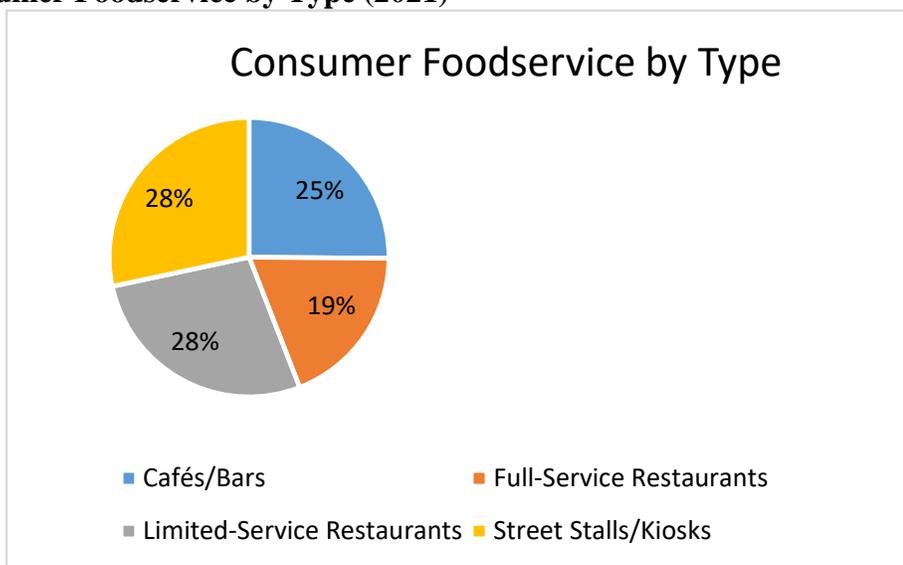
Of all Israeli destinations, the city of Eilat was the most popular in 2022, as it is a resort city located along the Red Sea with almost no rainfall and ideal weather year-round. The second most popular city for tourism was Tel Aviv, followed by Jerusalem.

### Restaurants

In 2022, there were approximately 14,300 consumer foodservice businesses; this includes restaurants, cafés, bars, and street vendors in Israel. According to the Israeli Restaurant and Café Association, pre Covid-19 annual sales were around \$8 billion (although 2020 and 2021 sales decreased by 25-30 percent). As of 2022, restaurant sales accelerated to an estimated \$6.4 billion, but remained 20 percent below pre-pandemic levels. Restaurant operators hiked up prices in response to raising costs of raw materials, labor, energy and rent. Independent full-service restaurants saw substantially faster growth in transactions than what was reported by chained outlets.

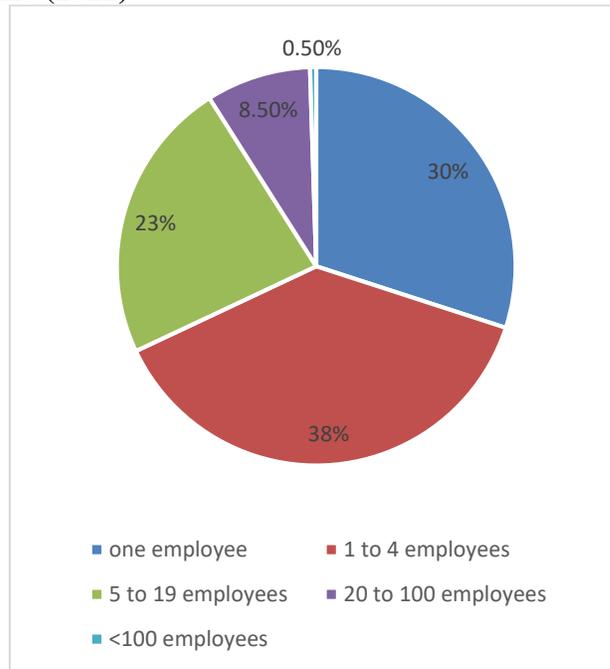
Tel Aviv is the hub of restaurant and culinary trends in Israel. Israeli restaurants face high fixed costs with tight margins. This is especially true of high-end, standalone restaurants with high locale rent costs. Many consider the restaurant business risky, with high expenses such as rent, labor wages, and food costs. Furthermore, many operators struggle to remain profitable in the long term, with 65 percent of the restaurants opened in Israel closing within their first five years of business according to the Israeli Central Bureau of Statistics.

**Figure 5: Consumer Foodservice by Type (2021)**



Source: Euromonitor, FAS office research

**Figure 7: Food Business Size (2022)**

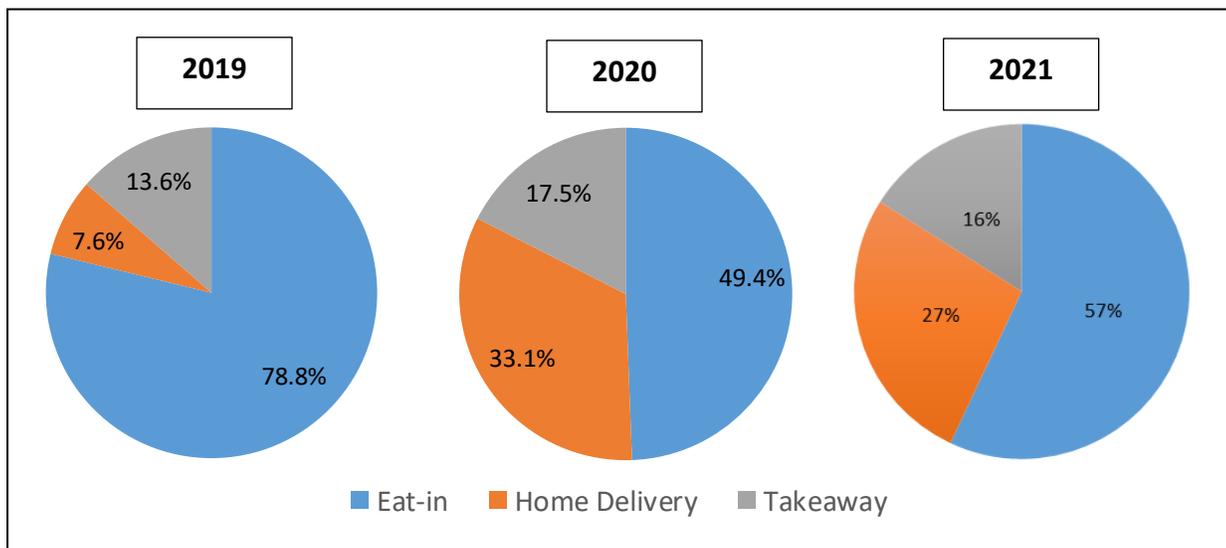


Source: Israeli Knesset ECON briefing

The pandemic trend of home deliveries from restaurants continued into 2022, with 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.

Restaurants seek new trends to attract customers. The “food trucks” are becoming trendier as well as “ghost kitchens” (restaurants that operate only for deliveries).

**Figure 8: Percent Foodservice Sales by Eat-In Vs. Delivery and To-Go**



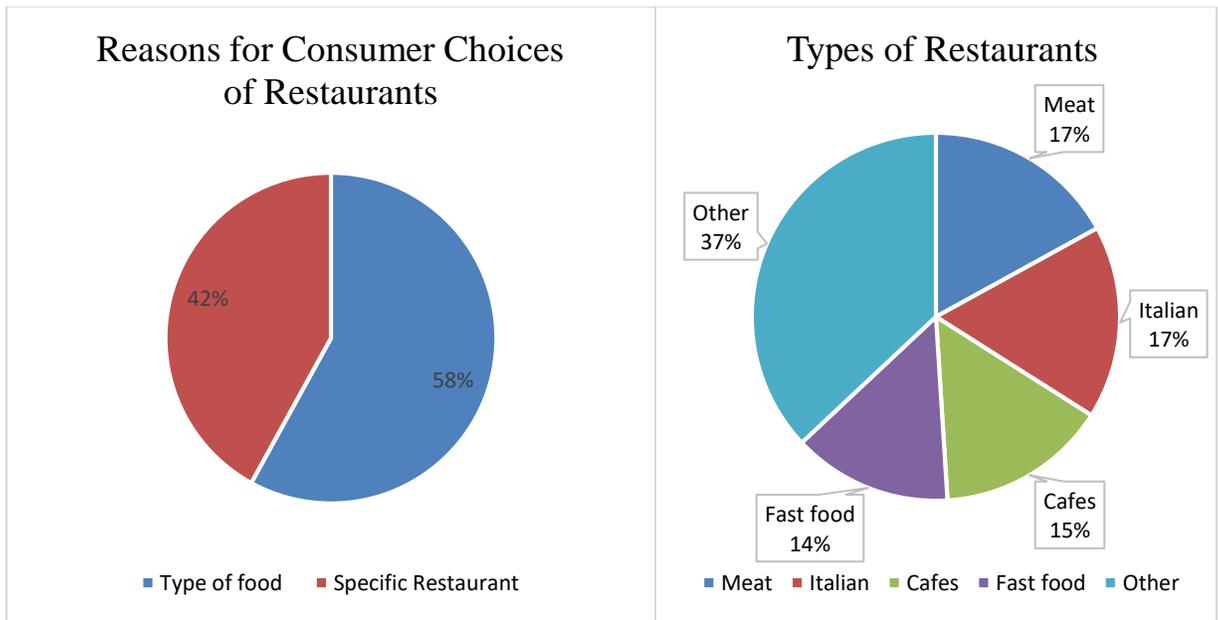
Source: Euromonitor, FAS office research

The largest consumer foodservice chains in terms of sales are: McDonald, Cofix Group, Aroma Israel (Shefa Franchisers Ltd), R2M Hospitality Group, Reshet Cafe Cafe Ltd., Greg Coffee Shops Ltd., Landwer, Pizza Hut, Orgad - H.S.N. (Burger Ranch), and Elgad Pizza (Domino’s Pizza), Roladin, Neeman.

**Restaurant Trends:**

- Consumers are seeking a low-cost alternative, value for money.
- Food stands with delivery.
- 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.
- Consumers look for the “new next thing” getting ideas and trends from TV shows and social media.
- Dishes that “picture” well, to be able to share on social media platforms.

**Figure 9 & 10: Reasons for Consumer Choices of Restaurants and Types**



Source: Chemansky Ben Ezra (financial newspaper)

**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. 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, C.I.P Mevo Horon (Mevushelet), and Z.R. Delicacies & Events, T.M.M Plane Food Services.

Company Profiles & Top Food Service Companies

Israel’s top hotel chains, restaurants and institutional catering companies have been ranked by “BDi Code.”<sup>4</sup>

**SECTION III: COMPETITION**

Local and European Union suppliers remain U.S. exporters’ main competitors. The U.S. industry’s main advantage is supplying 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 have good sales potential	Not present due to significant barriers
<ul style="list-style-type: none"> <li>• Nuts</li> <li>• Processed fruit</li> <li>• Dairy products</li> <li>• Alcohol</li> <li>• Grape juice</li> <li>• Pears and apples</li> <li>• Sauces</li> <li>• Dried fruit</li> <li>• Snacks</li> </ul>	<ul style="list-style-type: none"> <li>• Chilled kosher beef</li> <li>• Frozen cherries and berries</li> <li>• Premium dessert products such as premium chocolate bars, cookies, ice cream, and cheese</li> <li>• Frozen kosher appetizers</li> <li>• Vegan and vegetarian products</li> <li>• Organic food</li> <li>• Gluten free products</li> <li>• Frozen vegetables</li> <li>• Processed beef products.</li> <li>• Beef.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-kosher meats are not permitted for importation.</li> <li>• 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.</li> <li>• Banana, fresh cherries and citrus are not allowed for importation due to phytosanitary restrictions.</li> <li>• Blueberries, Cherries and grapes.</li> </ul>

<sup>4</sup> [BDi Code’s Hotel Ranking; BDi Code’s Restaurants and Catering Ranking](#)

**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	Total Imports (\$ millions) 2021
020230	Frozen Beef (Boneless)	\$476	\$441	\$388	\$443	\$400	\$571
210690	Food Preps, Nesoi	\$205	\$233	\$232	\$253	\$250	\$246
020130	Fresh Beef (Boneless)	\$52	\$90	\$120	\$152	\$181	\$218
230910	Dog Or Cat Food	\$67	\$76	\$92	\$97	\$114	\$141
180690	Chocolate, Nesoi	\$89	\$99	\$108	\$113	\$114	\$125
090121	Coffee, Roasted	\$56	\$66	\$74	\$76	\$92	\$114
220830	Whiskies	\$51	\$63	\$68	\$76	\$81	\$111
190590	Other Bakers Wares	\$40	\$48	\$59	\$69	\$88	\$110
220300	Beer	\$48	\$57	\$62	\$62	\$71	\$85
170490	Sugar Confectionary (Including White Chocolate), Not Containing Cocoa, Nesoi	\$49	\$58	\$58	\$62	\$54	\$78

Source: United Nations Commodity Trade Statistics, United Nations Statistics Division

\*Note: Nesoi- Not Elsewhere Specified or Indicated

**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	Total Imports (\$ millions) 2021
210690	Food Preps, Nesoi	\$36	\$35	\$39	\$39	\$45	\$38
080290	Nuts Edible, Nesoi	\$17	\$29	\$26	\$28	\$24	\$34
080251	Pistachios, In Shell	\$21	\$36	\$25	\$38	\$31	\$32
080232	Walnuts, No Shell	\$28	\$34	\$34	\$32	\$35	\$30
190590	Other Bakers Wares	\$6	\$7	\$10	\$18	\$23	\$29
230910	Dog and Cat Food, Put Up For Retail Sale	\$16	\$15	\$17	\$16	\$21	\$23
080212	Almonds, No Shell	\$24	\$21	\$20	\$32	\$30	\$23
080810	Apples, Fresh	\$8	\$11	\$18	\$14	\$23	\$16
210390	Sauces And Preparations Therefor, Nesoi; Mixed Condiments And Mixed Seasonings	\$6	\$8	\$9	\$10	\$10	\$12
020130	Bovine Boneless Frozen/Chilled	\$0.23	\$4	\$4	\$12	\$5	\$7

Source: United Nations Commodity Trade Statistics, United Nations Statistics Division

\*Note: Nesoi- Not Elsewhere Specified or Indicated

## SECTION VI: KEY CONTACTS AND FURTHER INFORMATION

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

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

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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<http://www.fas.usda.gov>

### **Attachments:**

No Attachments