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HRI Food Service Sector

Report

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Report Highlights:

The HRI sector is Belgium's second biggest industrial sector. However, restaurant, hotel and distribution sectors are all extremely competitive, with thousands of participants. Nevertheless, the market offers opportunities for nuts, beverages, seafood, and dried fruits.

Includes PSD changes: No
Includes Trade Matrix: No
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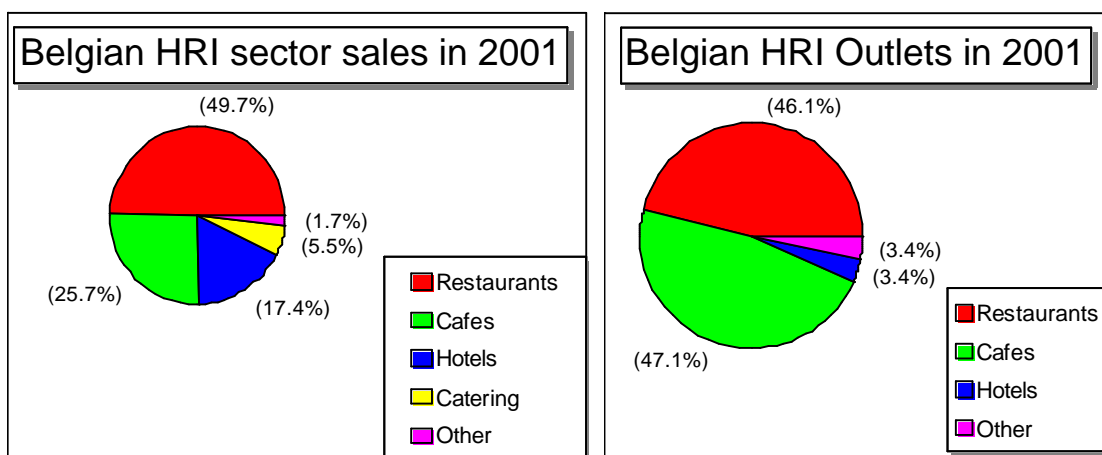
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SECTION I. MARKET SUMMARY

Note: The exchange rate used for Calendar Year 2001 is 1 USD = 1.12 Euros

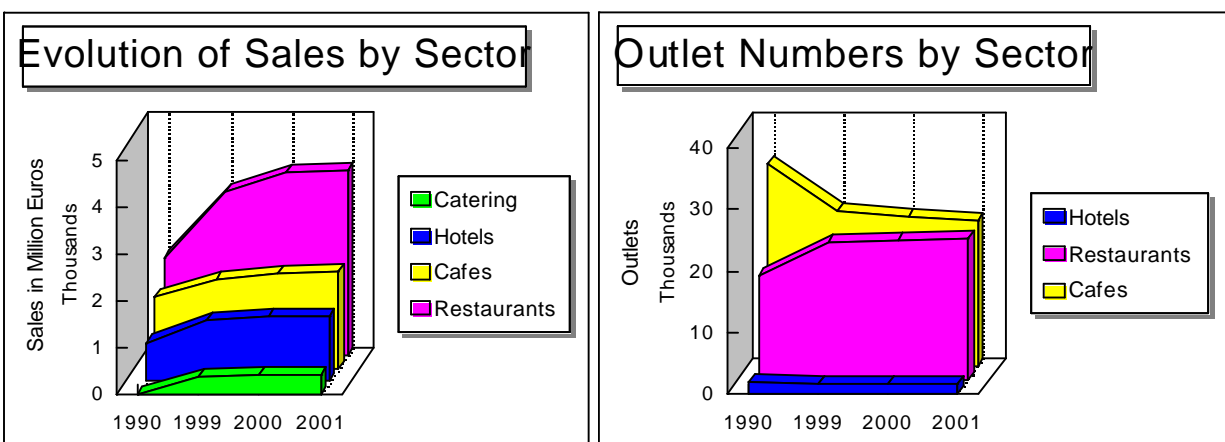
The Belgian HRI sector is characterized by an extremely low level of concentration. The restaurant, hotel and distribution sectors are all fragmented, with thousands of participants. This fragmentation provides a very serious obstacle to any foreign firms hoping to penetrate this market and has also resulted in a lack of reliable, industry-wide data collection on sales, turnover and numbers of outlets.

In 2001, the Belgian HRI sector realized total sales of 7,943 million Euros through 50,178 outlets, employing 140,000 people. It is Belgium's second biggest industrial sector.



Sources:

Annual Report 2002 of ASFORCOL (Association of Suppliers to the HRI Sector) and NIS (National Institute of Statistics)

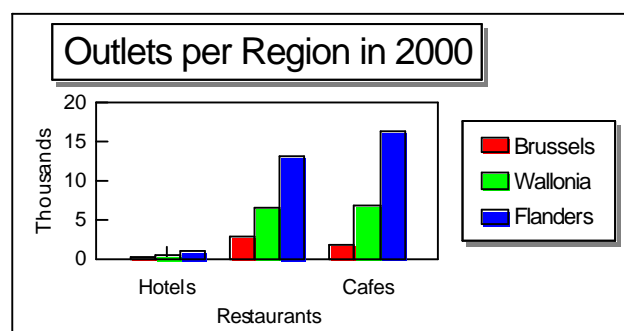
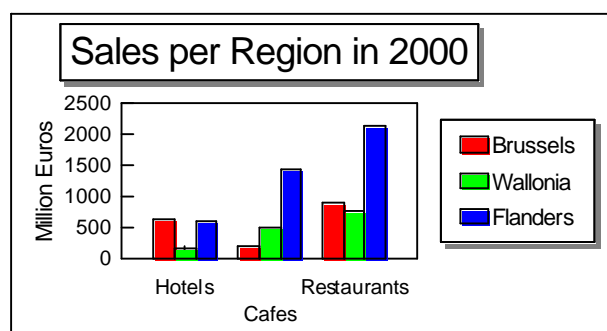
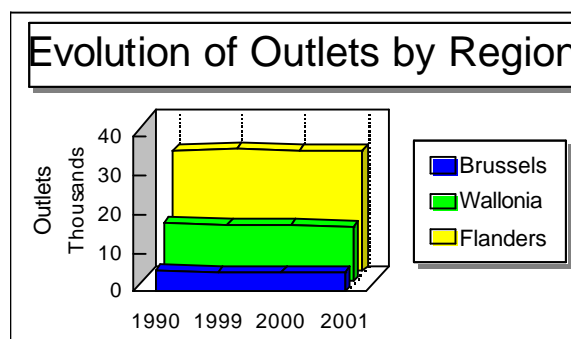
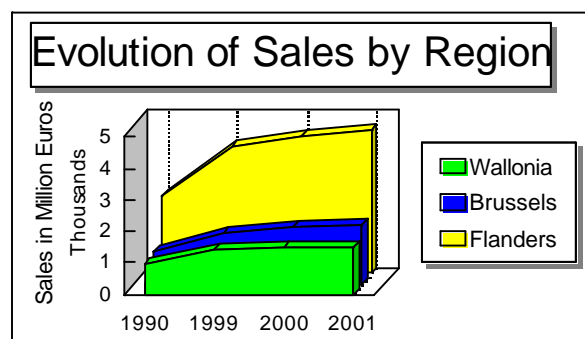


Sources: Annual Report 2002 of ASFORCOL (Association of Suppliers to the HRI Sector) and NIS (National Institute of Statistics)

The Belgian HRI sector has been changing dramatically over the last decade. Hotels depend on tourists and

foreign business people, both of them having different needs. Restaurants have become much more popular as people eat more and more away from home. As people became more mobile, many pubs (which depend on local customers) have gone out of business and remaining pubs are switching menus, offering snacks or small dishes.

Distribution of the sectors also varies in the different Belgian regions of Flanders, Wallonia and Brussels.



Sources: Annual Report 2002 of ASFORCOL (Association of Suppliers to the HRI Sector) and NIS (National Institute of Statistics)

A 2000 household survey showed significant regional differences in HRI spending. This is of course related to differences in household income.

Belgian Household Survey 2000: Differences in HRI Spending and Household Income				
Euros/Year	Population	HRI Spending	Percentage of Total Spending	Household Income
Brussels	978,384	1,278	4.58%	30,217
Wallonia	3,358,560	979	3.68%	30,326
Flanders	5,972,781	1,680	5.71%	34,481

Source: 2000 Household Survey from the National Institute of Statistics (NIS)

Key Factors Affecting the Belgian HRI Market

- * Higher importance of the Flemish restaurant and café sector due to:
 - higher population density coupled with higher income level.
 - higher industrialization leading to higher frequency of business visits to restaurants.
 - highly developed tourism on the North Sea coast and cultural cities (Bruges, Ghent, Antwerp, Leuven). In particular single day tourism is important.
- * Importance of Brussels' Hotel and Restaurant sector due to:
 - Belgian as well as EU capital.
 - many European headquarters of multinationals located here.
 - importance of tourism due to concentration of museums and cultural venues.
 - many international conferences.
- * Number of women in the workforce (42 % of the working population) and at higher levels leading to more meals being consumed away from home.
- * The number of nights spent away from home has been stable during the last five years. A slight increase in hotel stays was recorded at the expense of nights spent in campings or resorts.

Key Factors in the Belgian HRI Market in 2001				
	Brussels	Wallonia	Flanders	Total
Population (2002)	978,384	3,358,560	5,972,781	10,309,725
Average Size of Household	2.02	2.37	2.43	2.37
Employment rate of Population Aged 15-64 Years	55.0	55.9	63.9	60.5
Nights Spent at Hotel ('000)	4,419	6,911	17,364	26,694

Sources: NIS (National Institute of Statistics)

Advantages and Challenges for U.S. Products on the Belgian Market

Advantages, Opportunities	Challenges
Convenience food demand is increasing	Fast food consumption is stagnating
Popularity of ethnic food is increasing	Moratorium on all GMO-containing products
Tourism is still growing	Quality demands and price competition are strong.
Hotel tourism is gaining popularity over campings and resorts	Food scares increased quality certification, traceability and labeling requirements.
International business travel to Belgium is increasing	U.S. exporters must comply with European/ Belgian standards and regulations.
U.S. fast food chains and food processors are fueling demand for U.S. ingredients	Belgium has a large food processing industry. Imported commodities are processed and re-exported.

SECTION II. ROAD MAP FOR MARKET ENTRY

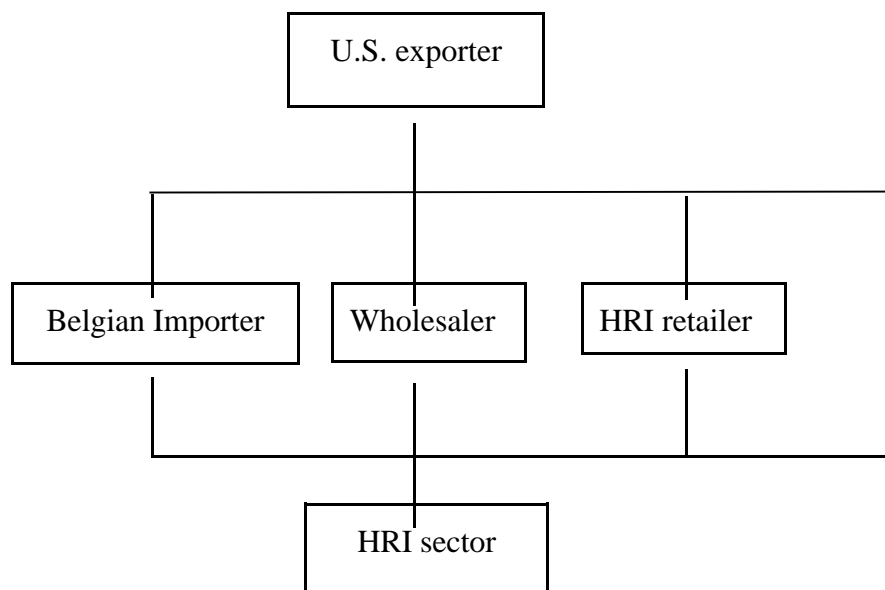
A. Entry Strategy

U.S. exporters can penetrate the Belgian HRI sector through importers/distributors, wholesalers or specialized HRI retailers, depending on their products and the company size. Small-to- medium-sized U.S. export companies should contact importers/distributors who can help them with paper work related to duties, import and sanitary certificates, labeling, etc... However, the Belgian HRI distribution sector is extremely fractured, making it very hard to obtain good market penetration.

Interested U.S. exporters will have to focus on innovation and variety to overcome the price inconvenience related with the high transportation cost. Product features to keep in mind and focus on are:

- * product quality and product safety "guaranteed" by product quality certification based on a traceability and labeling system.
- * healthy food and organics (with a Belgian or EU organic certification).
- * ethnic foods such as Chinese, North-African, Asian, Tex-Mex, Italian, whose popularity is still increasing with youngsters.
- * fresh specialties.

B. Market Structure



The suppliers to the HRI sector can be characterized as follows:

* Importers: specialize in importing specific product categories. The advantage of this group is that they know the regulations for imports and can help potential exporters meeting requirements for exporting to Belgium.

* Wholesalers: interesting to the HRI sector as they offer a wide range of domestic and imported products. Many wholesalers are also importers.

* Specialized retailers for the HRI sector: a few cash and carry retailers restrict their access to business customers, especially restaurants and cafes.

C. Sub-sector Profiles

1. Hotels and Resorts

The Belgian hotel sector counts more than 1200 companies and the top five have about 20 percent market share.

Name of Hotel/ Resort	Total Sales in 2001 (mio \$)	Nationality	Number of Hotels	Purchasing Agent
Accor www.accor.be	87.1	France	41* (Ibis, Novotel, Mercure, Sofitel)	Wholesalers/ direct/ retail
SixContinentsHotels www.sixcontinentshotels.com	71.1	United States	18 (Holiday Inn, CrownePlaza)	Wholesalers/ direct/ retail
Hilton www.hilton.com	40.4	United States	7* (Hilton, Scandic)	Wholesalers/ direct/ retail
Starwood www.starwoodhotels.com	36.0	United States	3 (Sheraton)	Wholesalers/ direct/ retail
SASRadisson www.radissonsas.com	25.8	Scandinavia	3	Wholesalers/ direct/ retail

Source: Trends Top 30,000

For the hotel sector, it was not possible to obtain separate food service sales. The different companies and brands operate on different and changing management systems, from direct ownership to franchising and management contracts. Juridical and accounting forms are very diverse, making it impossible to calculate consolidated sales for food service in this sector.

* The French group Accor is the market leader with hotels in the business and the tourism sector.

* Six Continents Hotels' largest branch is the Holiday Inns. However, 8 Holiday Inns are currently operated by Carestel (see Restaurants below), but Carestel wants to focus on its restaurant and food service branch and is engaged in negotiations to sell its hotel branch.

Although hotels operate independently for most of their food purchases, the fact that 3 out of the 5 major hotel

chains are U.S. owned may allow for U.S. export opportunities, at least for specific products. The whole chain usually purchases its beverages through the same supplier, while food is mainly purchased locally.

2. Restaurant chains (including fast food chains)

The Belgian restaurant sector has been growing steadily over the past years and is expected to continue its growth. Restaurant types have been changing. The growth of burger restaurants peaked in the nineties and has been declining since the dioxin crisis with the closure of several Quick and McDonald restaurants. New types of "healthy" fast food restaurants have emerged: salad and gourmet bars as well as vegetarian restaurants. There are no chains of business or higher quality restaurants in Belgium.

Name of Restaurants	Total Sales in 2001 (mio \$)	Nationality	Number of Outlets	Purchasing Agent
Lunch Garden www.horest.be	74.4	Belgium	59	Direct/Importers/W holesalers
Carestel www.carestel.com	67.7	Belgium	39	Direct/Importers/W holesalers
Pizza Belgium www.pizzahut.be	45	United States (Yum)	72 (Pizzahut)	Direct/Importers/W holesalers
Quick Restaurants www.quick-restaurants.com	38.9	Belgium	98	Direct/Importers/W holesalers
AC Rest. and Hotels www.acrh.be	23.1	Italy (Autogrill)	18 (AC Restaurants)	Direct/Importers/W holesalers
Colmar www.colmar.be	14.4	Belgium	10	Wholesalers/ Importers

Source: Trends Top 30,000

* Lunch Garden, the number one and formerly a GB Inno owned company, has recently been taken over by Carestel, which doubles its sales this way. As a consequence, Carestel has to end its hotel operations to avoid cash flow problems.

* As the Pizzahut chain is well established, Yum company is making plans to start restaurants of its other brands Kentucky Fried Chicken and Long John Silvers.

* Quick Restaurants, which was another GB Inno affiliate, was sold to a Belgian investment group at the end of 2002.

Restaurant chains buy their food products from European or local suppliers depending on type and price. Most of them are consolidating purchases for the whole chain.

3. Institutional Catering

The institutional sector consists of three segments: business and industry, schools and health care. The large companies are involved in all three sectors. In total about 5,000 companies provide catering services. In 2000, 80 million meals were reportedly served, which is a market penetration of 18 percent, among the lowest in Europe. The distribution was: health care sector, 35 million; business and industry, 28 million; schools, 11 million; other, 1 million. Reasons for the low level of sales in this sector include: (1) average distance to work- or school is low and people eat at home and (2) a wide variety of low-priced regular and fast food restaurants are available throughout the country. The market in elder-care institutions is increasing, while school catering is decreasing. The result is a net increase of the market.

Name of Catering Services	Total Sales in 2001 (mio \$)	Nationality	Number of Outlets	Purchasing Agent
Sodexho www.sodexho.be	173.2	France	590	Direct/Importers/W holesalers
Compass Group www.compass-group.be	80.6	United Kingdom	400 (Eurest, Scolarest, Medirest)	Direct/Importers/W holesalers
Aramark www.aramark.be	47.5	United States	-	Direct/Importers/W holesalers
Aviapartner Belgium www.aviapartner.aero	24.8	Belgium	1	Direct/Importers/W holesalers
Delitrateur	16.8	Belgium	-	Importers/ Wholesalers

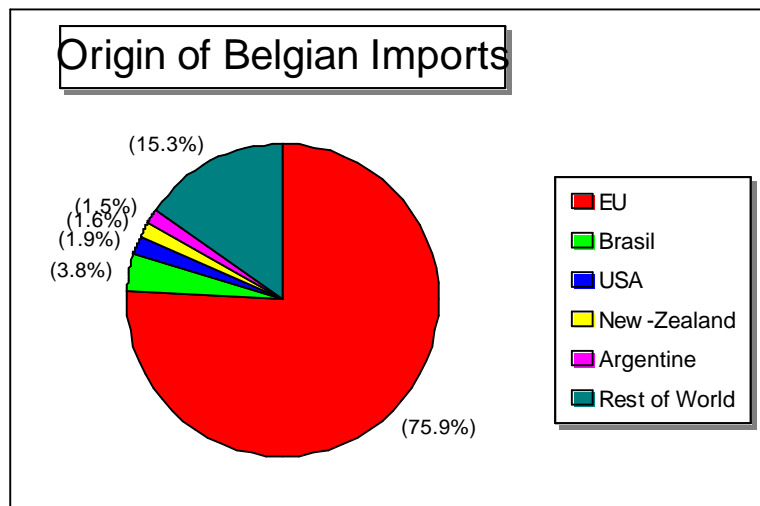
Source: Trends Top 30,000

* Aviapartner Belgium is a special caterer as it specialized in airplane meals. It is the primary provider of catering services to planes that depart from Brussels airport.

* Belgium has several entertainment theme parks and holiday villages. Sixflags Europe (www.sixflagseurope.com) is the main entertainment theme park operator, while Centerparcs (www.centerparcs.com) is the leading holiday villages owner.

SECTION III. COMPETITION

In 2001, Belgian food production valued \$21.9 billion. Exports were \$11.1 billion and imports \$9.4 billion or 46.5 percent of domestic consumption. More than 75 percent of food imports were from other EU countries, mainly France, The Netherlands and Germany. Third country imports were 24 percent and Brasil, the U.S., New-Zealand and Argentine were the principal non-EU exporters. U.S. share of food imports was 1.9 percent.



SECTION IV. BEST PRODUCT PROSPECTS

Frozen and vacuum packed food products are in high demand by the HRI sector. Convenience products (ready-to-eat or chilled food products) enjoy an increasing popularity. Organic products are becoming big business with annual growth rates of 20 percent, however these products have yet to penetrate institutional catering services. Price and availability of organic food products are still beyond the institutional caterers needs, but nuts, juices and dried fruits are widely used and are popular items.

Belgium has important deficiencies in seafood (70%), cheese (50%), cereals (50%), and fruit (30%). Belgium has no wine production and there are also significant imports of other drinks.

Opportunities for U.S. exporters are nuts, fruit juices and non-alcoholic drinks, wine and beer, processed fruit and seafood.

A. Products Present in the Market Which have Good Sales Potential.

1 Nuts: Nut imports from the U.S. have been increasing year after year to an all time high in 2002. As nuts are still growing in popularity, this increase is expected to continue. U.S. peanuts, almonds, pecans, walnuts and pistachios are considered to be the highest quality available. These products merit more U.S. promotional efforts in the Hotel and Restaurant sector here.

2 Fruit juices: Due to increased competition from Brasil, U.S. exports of fruit juices decreased in 2001 and 2002, after having increased steadily for many years. The decrease in the dollar exchange rate may lead to opportunities for these products.

3 Seafood: In 2001, Belgium imported \$836 million worth of seafood. Although doubts about seafood safety may have decreased consumption somewhat in 2002, increased future imports are expected because of EU fishing restrictions and ongoing dietary and/or safety concerns about meat and poultry.

4 Dried Fruit: Dried fruits have a good potential here in the HRI sector, particularly for bakery, cereal, and dessert products.

5 Wine: New world wines and U.S. wines have been taking market share from French wines. Further increases should be possible as the popularity of "New World Wines" is increasing.

B. Products not Present in Significant Quantities but Which Have Good Sales Potential.

1 Exotic meats: All kinds of exotic meat, especially bison, elk and deer but also alligator, attract growing consumers interest. These meats can be imported provided that they were raised without hormones and that the slaughterhouse is EU-certified. Accurately completed export certificates are essential.

C. Products Not Present Because They Face Significant Barriers

1 Dairy products: While Belgium is a net exporter of milk and yoghurt, it is importing 50 percent of its cheese consumption, mainly from France and The Netherlands. Despite high tariffs, special cheeses from milk produced without BST offer good sales potential.

2 Beef: Although Belgium is a net exporter of beef, there is a good market for beef which has special characteristics. Argentine and Brazilian beef are not highly regarded in the HRI sector, primarily because consumers prefer Belgian premium beef, particularly from the "Blue/White" breed. Despite a difficult market situation, U.S. beef can be imported if raised without hormones and if the slaughterhouse is EU-certified.

SECTION V. POST CONTACT AND FURTHER INFORMATION

For further information regarding this report or assistance in exporting to Belgium and Luxembourg, please contact the Office of Agricultural Affairs in Brussels at:

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Information on European Food Regulations can be found on the FAS-USEU Brussels website:
www.useu.be/agri/

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