USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 3/1/2004

GAIN Report Number: BE4006

Belgium-Luxembourg

HRI Food Service Sector Report

2004

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Report Highlights:
This report highlights developments and opportunities in the Belgian hotel and restaurant sector.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
The Hague [NL1]
[BE]

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SECTION I. MARKET SUMMARY

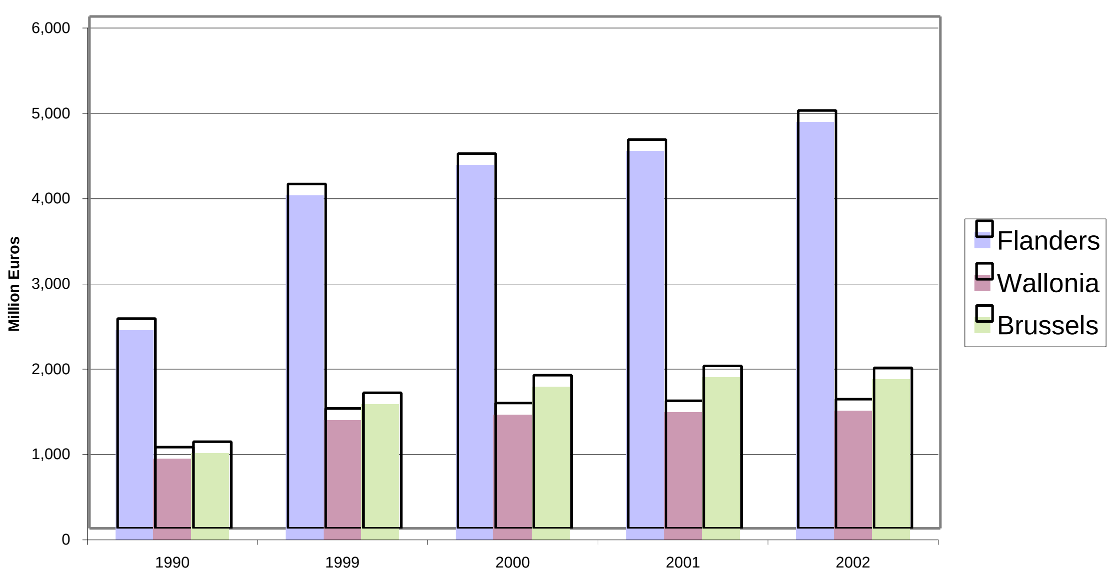
Note: Exchange rate:
2001 – US $1.00 = €1.12
2002 – US $1.00 = €1.062

The food industry is Belgium's second largest industrial sector with turnover of $28 billion in 2002, 15.7% of total industrial turnover. In comparison to other sectors, the food industry better resists economic downturns.

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

Gastronomy has always been part of the Belgian culture. Eating out is very popular in Belgium, which offers a large choice of restaurants and cafes. In 2002, the sector sales totaled an estimated 8,296 million Euros sold through 49,389 outlets, employing about 145,000 people.

Sales Trend by Region



Source: ASFORCOL Annual Report

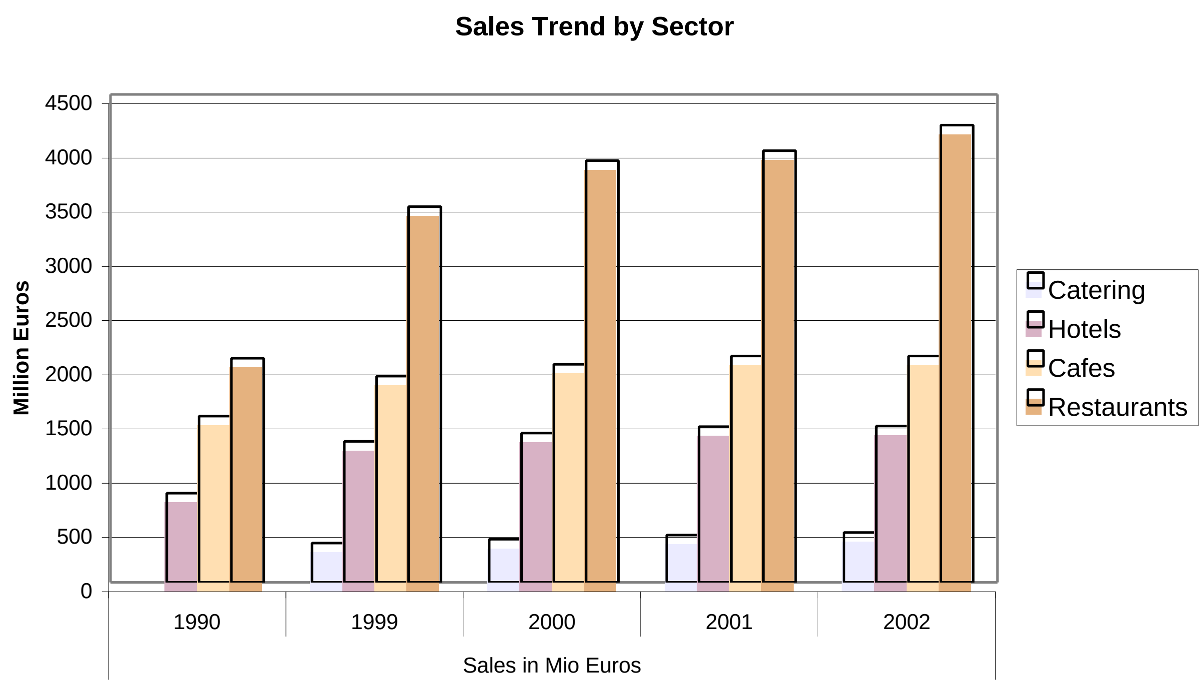
Sales by the HRI sector continue to grow, however that growth slowed in 2001 and 2002. This slowdown was due to several factors such as a gloomy economic climate, which discouraged leisure spending, and a letdown after the millennium effect, which had created an exceptional turnover.

Sales in the Belgian HRI food sector increased by 4.3% in 2002 compared to 3.9% in 2001, with the average sales per restaurant reaching €179,807 in 2002 compared to €172,148 in

2001. Meanwhile, investment in the restaurant sector increased by 9.7% in 2002 compared to a 3.5% increase for 2001.

Industry experts estimate that turnover in the restaurant sector grew by about 2 percent in 2003 and expect, further, that it will increase by not more than 1 percent in 2004. For 2004, sales growth is expected to be minimal, as industry analysts forecast zero growth in tourism to Belgium, while only a small increase is expected in the number of business travelers. The sector hopes, however that a decrease in VAT (Value Added Tax) to 12 or 6 percent, instead of the current 21%, may come in 2005 or 2006, boosting sales.

Overall within the sector, the trend toward healthier food is pronounced. In addition, the trend to availability of a wider range of ethnic foods and new food types also continues. Also, among younger consumers, the culture of traditional Belgian food is declining in importance due to the fact that working people have less time to prepare their meals at home and buy convenience food or eat away from home, which leads to tasting "other" foods. Therefore, ethnic and fusion foods are seen as having promising futures.

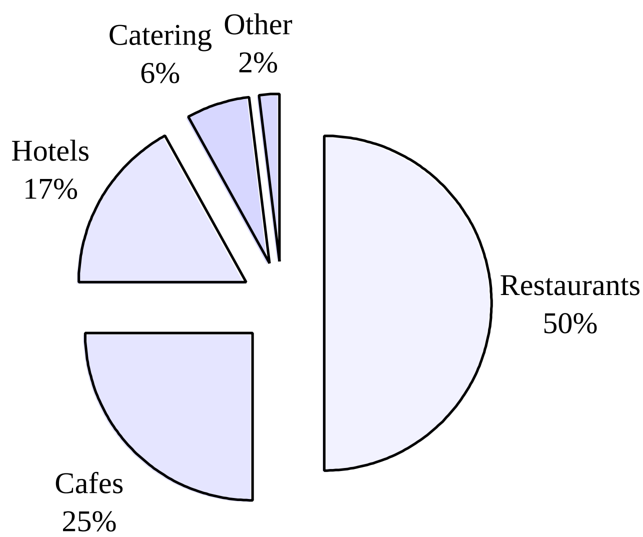


Note: No statistics available for catering for 1990.

Source: ASFORCOL Annual Report

In 2002, sales by the hotel and cafe sub-sectors remained at about the same level as in 2001, whereas sales in the restaurant and catering sub-sectors increased by 5.9 and 5.7% respectively. Sales in the regions of Flanders and Wallonia accounted for most of this increase.

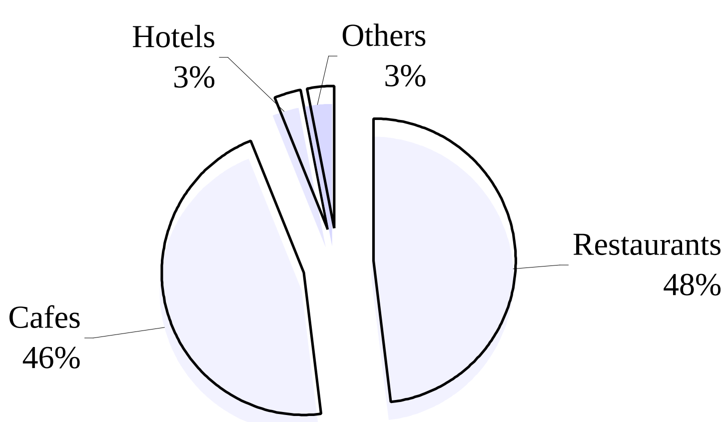
Belgian HRI sales by sector in 2002



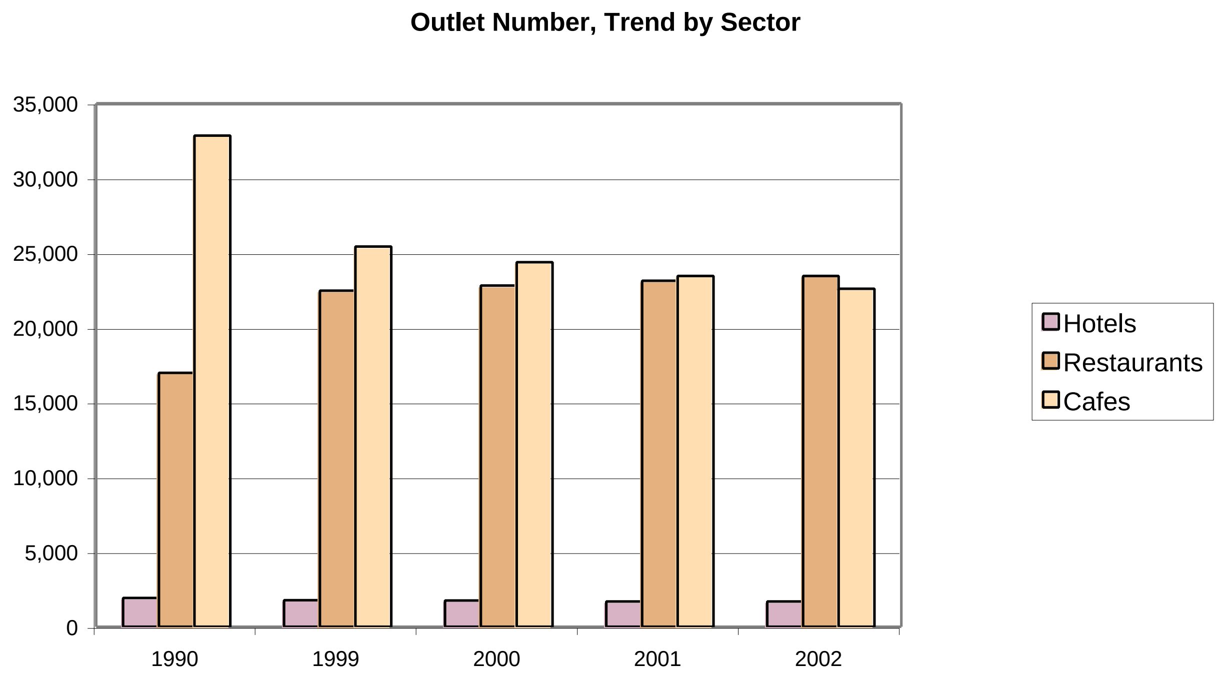
Source: ASFORCOL Annual Report

The outlet number for the entire HRI sector decreased further in 2002, down 569 (to 49,389) compared to a drop of 650 in 2001. In 2002, the number of cafes decreased by 3.6%, to 22,607 outlets. This sector accounts for most of the decline in the number of total HRI outlets. This decline in café numbers was partially offset by an increase of 1.4% in the number of restaurants, recorded mainly in Flanders and Wallonia. Two factors have helped to fuel this shift. On one hand, some cafes have shifted to the restaurant category, which permits them to serve a larger choice of food. Also new regulations for fried food outlets have made it very difficult to run fried food stands. Therefore, fried food stands have disappeared, with many converted into fried food restaurants**.** The number of hotels decreased by only 4, to 1,695.

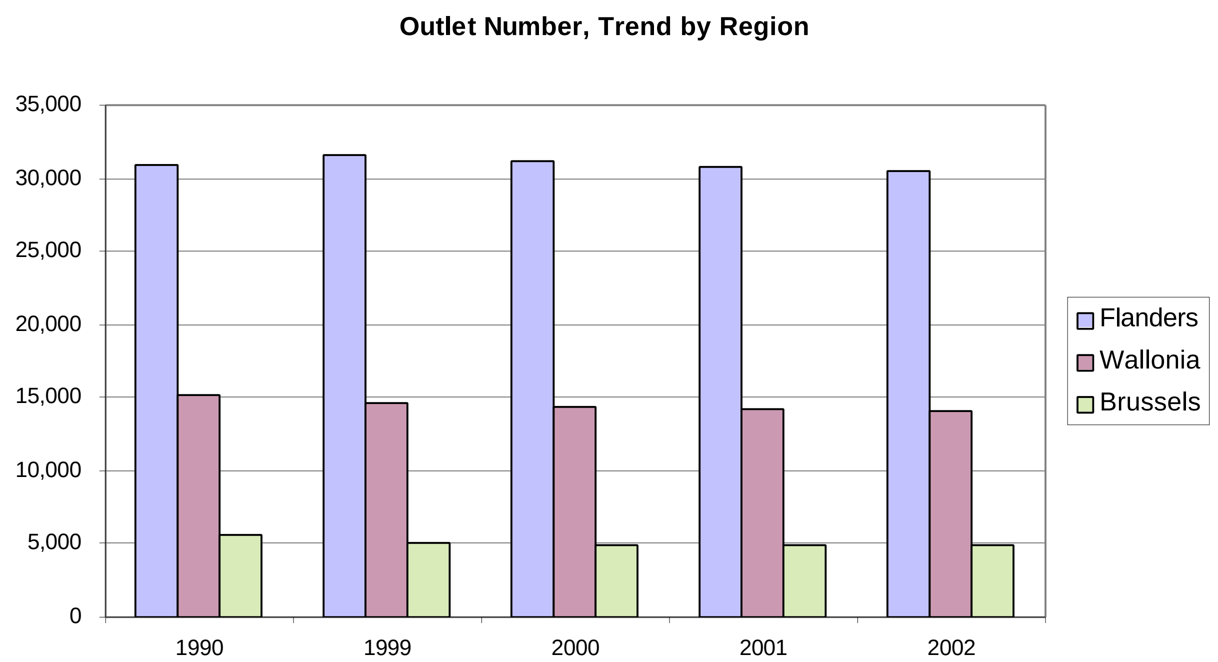
Belgian HRI Outlets by sector in 2002



Source: ASFORCOL Annual Report



Source: ASFORCOL Annual Report



Source: ASFORCOL Annual Report

There were no significant changes in the structure of the Belgian catering sector in 2002/2003. The only branch of this sector that posted significant growth was retirement homes. Life expectancy continues to rise and the aging population ensures the growth of existing markets linked to this population category. Meal distribution in schools remains stable. Hospital meal distribution is facing a decrease due to shorter stays and a cap on the number of beds.

Although average Belgian household income went down by 2% in 2001 compared to 2000, the ratio of expenditures in the HRI sector remained at practically the same level.

Belgian Household Average Income and HRI Expenses

	Brussels		Flanders		Wallonia	
Population (2003)	992,041		5,995,553		3,368,250	
Average Size of Household (2003)	2.02		2.4		2.34	
	2001	% change v. 2000	2001	% change v. 2000	2001	% change v. 2000
Household Income (€/Year)	29,564	-2%	33,092	-4%	30,949	2%
HRI Expense - Total (€/Year)	1,241	-3%	1,625	-3%	1,054	7.70%
of which: Restaurants & Cafes (€/Year)	1,165	-5%	1,534	-2%	1,017	10%
Hotels & Similar Housing Services (€/Year)	76	31%	91	-7%	37	-29%
HRI % of Total Expenses	4.20%	-1%	4.91%	1%	3.41%	5.50%

Source: N.I.S.

SECTION II. ROAD MAP FOR MARKET ENTRY

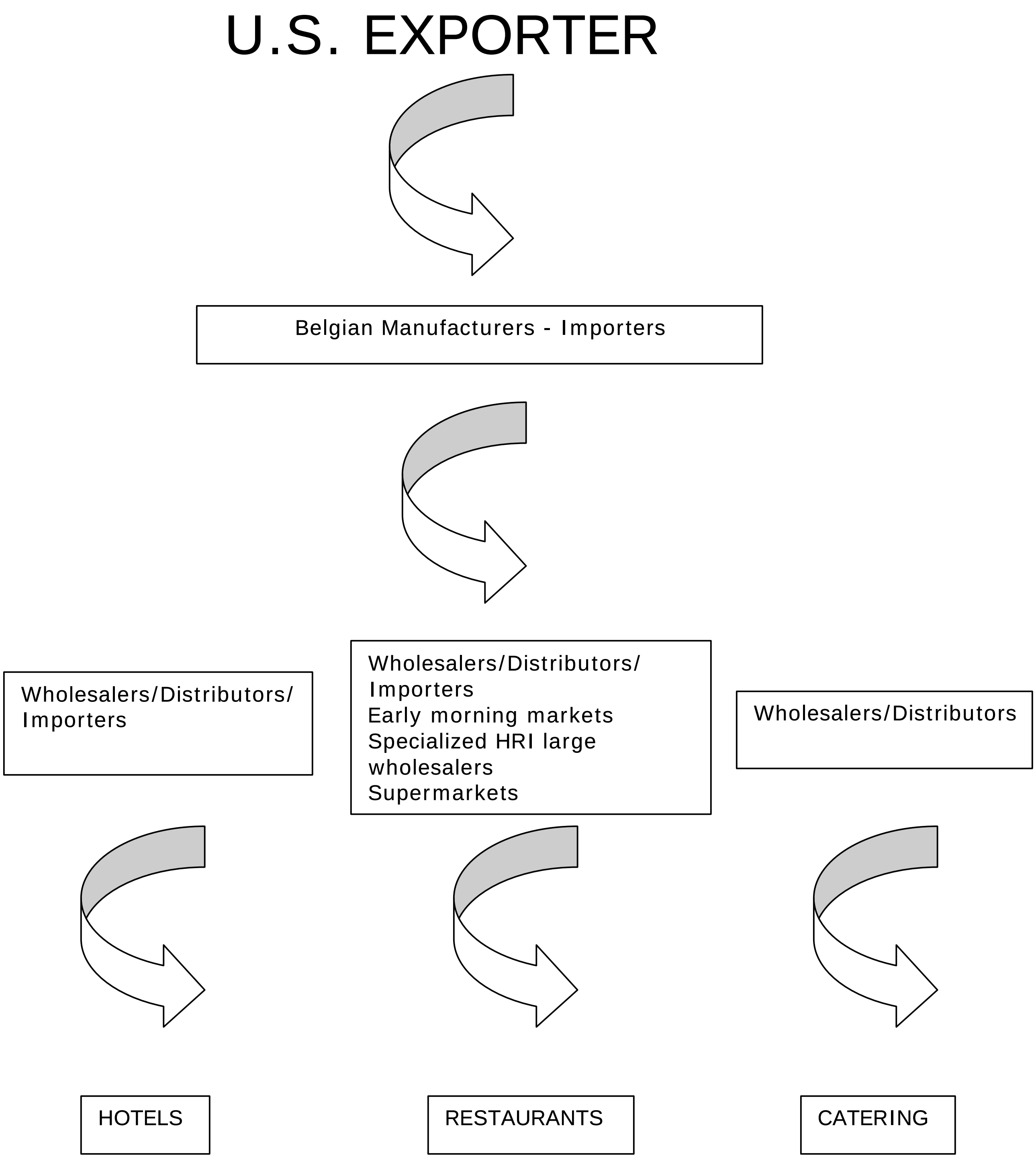
Entry Strategy

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. However, the Belgian HRI distribution sector is extremely fractured, making it difficult to achieve broad access to the market.

Interested U.S. exporters will have to focus on innovation and quality in addition to having competitive prices despite the high transportation cost.

Market Structure

DISTRIBUTION CHANNELS



Marketing Opportunities

Following is a list of trade shows of interest for the sector:

HORECA EXPO - Ghent (Professional Trade show for the HRI and catering sector)
When: November 21-25, 2004
Where: Flanders Expo
Maaltekouter 1
B-9051 Gent
More info: www.horecaexpo.be
Tel. +32 9 241 32 11
Fax +32 9 241 93 25

HORECATEL Marche-en-Famenne (Professional Trade show for the HRI and catering sector)
When: March 14-18, 2004
March 13-17, 2005
Where: Wallonie Expo
Zone de la Famenne
Rue des 2 Provinces 1
B-6900 Marche-en-Famenne
More info: info@wex.be
www.wex.be
tel. +32 84 34 08 00
Fax +32 84 34 08 09

TAVOLA (Professional Trade show for Specialty Food and Fresh Products)
When: March 14-17, 2004
March 12-15, 2006
Where: Kortrijk Xpo
More info: tavola@kortrijkxpo.com
www.tavola-xpo.be
tel. +32 56 24 11 11

BRUSSELS WINE EXPO – Brussels Fairgrounds
When: May 3-5, 2004
Where: Brussels Fairgrounds
More info: www.brusselswineexpo.be

INTERFROST GOURMET DAYS – Brussels Fairgrounds
When: October 4.6, 2004
Where: Where: Brussels Fairgrounds
More info: info@interfrost.be
www.interfrost.be
Tel. +32 11 87 09 12
Fax +32 11 87 09 13

Sub-sector Profiles

a. Hotels and Resorts

The Belgian hotel sector counts about 1,500 companies and the top five have a 19 percent market share. Total sales for this sector totaled €1,441 million in 2002, with average sales of € 850,127.

Large hotel chains in Belgium tend to centralize their purchases and to work with a limited number of wholesalers/distributors. They make most of their purchases at the national level working with one to maximum three distributors (some of whom import directly as well). For some products, they also rely on regional/local suppliers. For product categories such as meat, fish and grocery products in general, most hotels buy from a small group of dedicated wholesalers/distributors. For beverages, fruits and vegetables the industry sources products from a large number of wholesalers/distributors/importers. In addition, wholesalers/ distributors of dry goods source their products from many different companies, generally distribute to the catering industry as well, and carry a wide range of products.

Largest Hotel Chains in Belgium*

Name of Hotel/Resort	Total Sales in 2002 (mio €)	Nationality	No. of Hotels	Who are they buying from? At which level (national, regional)?
Accor Hotels Belgium www.accor.be	113.6	France	46 (Ibis, Novotel,Mercure, Sofitel,Formule 1, Etap)	Wholesalers/Distributors/Importers National and regional level
Intercontinental Hotels Group www.ichotels.group.com	50.2	U.K.	5* (Holiday Inn, Crowne Plaza)	N.A.
Hilton www.hilton.com	50.4	U.S./U.K.	7 (Hilton, Scandic)	Wholesalers/Distributors/Importers National and regional level
Starwood www.starwoodhotels.com	37.9	U.S.	3 Sheraton	Wholesalers/Distributors/Importers National and regional level
Radisson SAS www.radissonsas.com	26.3	Scandinavia	3	Wholesalers/Distributors/Importers National and regional level

* Includes corporately administered outlets. Does not include franchises.

b. Restaurant Chains

There are no chains of business-quality or higher-quality restaurants in Belgium.
The Belgian restaurant sector had 23,454 outlets with total sales of €4,217 million in 2002.

The way restaurants buy their products varies substantially. Most of them go to early morning markets where they each have their importer/wholesaler for fresh fruits, vegetables and flowers.

Restaurants generally buy their meat and seafood from small companies. For dry goods and other products as well, they either go to large, specialized HRI wholesalers, supermarkets or local/regional suppliers.

Largest Restaurant Chains in Belgium*

Name of Restaurants	Total Sales In 2002 (mio €)	Nationality	Number of Outlets	Who are they buying from? At which level (national , regional)?
Lunch Garden** www.horest.be/lunch/index.htm	83.8	Belgium	51	Wholesalers/Distributors & Importers - National
Carestel Mortorway Serv.** www.carestel.com	42.4	Belgium	35	Wholesalers/Distributors & Importers - National
Quick Restaurants*** www.quick-restaurants.com	36.6	Belgium	18	Wholesalers/Distributors & Importers - National
Restair**	28.5	Belgium	25	Wholesalers/Distributors & Importers - National
AC Rest. & Hotels Beheer www.acrh.be	26.5	Italy (Autogrill/Benetton)	21	Wholesalers/Distributors & Importers – National & European For some products, the group also signs contract directly with exporters at EU level

* Includes corporately administered outlets. Does not include franchises.
** Subsidiaries of Carestel N.V. Holding
*** As of 2/15/2004, the number of restaurants fell to 13.

? Lunch Garden, Carestel Motorway Services and Restair are subsidiaries of Carestel N.V. Holding. Food and beverage purchases are centralized.

? Restair operates 25 restaurants with different concepts (fast food, self-service, gastronomy) at the Brussels airport. They are located in the public zone (non-travelers zone), in Terminal A (Schengen countries), in Terminal B (non-Schengen countries) and in the lounges.

c. Institutional Catering

The catering sector is primarily supplied through the top 3 catering groups, which represent about 80 percent of the sector. They have a respective market share of 47, 21, and 14 percent. The other companies share the remaining 18%. Total turnover for this sector amounted to € 461 million in 2002. The annual increase in this sector averages 2 to 3%. However, according to industry sources, turnover is expected to increase in 2004, especially in schools and the health care sector. Many schools have been re-grouped and now have purchasing offices, which sign contracts with catering companies for all the schools. Meals are either delivered or prepared by the catering company on-site. The trend is the same in the health care sector.

One significant trend in this sector is that caterers increasingly purchase from international and not only local suppliers. It is expected that purchase contracts signed at the international level will represent about 50% of the purchases in the future. Another trend is for smaller, less competitive companies to make joint purchases. Running counter to these trends, is the continued tendency for fresh products (or products which are difficult to find) to be bought locally.

Largest Catering Chains in Belgium

Name of Catering Group	Total Sales in 2002 (mio €)	Nationality	Number of Outlets	Who are they buying from? At which level (regional, national , international)?
Sodexho* www.sodexho-be.com	214	France	560	Wholesalers/Distributors & Importers – National & Regional
Compass Group Belgilux** www.compass-group.be	125	United Kingdom	Over 300	Wholesalers/Distributors & Importers – National & Regional. Buys also directly from foreign manufacturers & signs contracts at national, EU & international level
Aramark*** www.aramark.be	60.1 (56.6 for 2003)	United States	165	Wholesalers/Distributors & Importers – National & Regional
Aviapartner Catering**** www.aviapartner.aero	29.6	Belgium	-	Wholesalers/Distributors & Importers – National
Delitraiteur*****	21.2	Belgium	17	Wholesalers/Distributors– Purchases are centralized at both the national & regional level

* **Sodexho** supplies 3 segments of the catering sector: government administrations and large companies, schools and universities, as well as hospitals and homes for older persons.

** **Compass Group** is the world leader in on-site catering. Compass Group Belgium employs about 2,500 workers and distributes daily over 100,000 meals prepared in over 300 working sites. Compass Group has several subsidiaries as detailed below, each one covering a specific segment of the sector:

- EUREST: established in over 130 sites. Operating of administration and company (local, national, international) restaurants, organizes prestige events.
- MEDIREST: catering in health care sector. Daily management of catering services in about 40 health care establishments, or over 5,000 meals a day.
- RAIL GOURMET BELGIUM: railroad services. Intended to fill a new market niche in order to satisfy the expanding market of services on high-speed trains. Operates Eurostar high-speed train lounge in Brussels midi station. Through Railrest, also provides service on Thalys high-speed trains.
- SCOLAREST: catering in schools and universities. Ensures catering services in over 150 schools/universities, or over 40,000 meals daily.
- SELECTA: vending machines in companies, schools, leisure centers or transit places such as highways, railroad stations, etc.
- SELECT SERVICE PARTNER and RESTOBEL: specialist in commercial catering. SSP is one of the European sector leaders in catering for airports and railroad stations. Also operates on company sites, in commercial centers and on the roads.

Compass Group restaurants regularly organize promotions and theme weeks, such as St. Valentine, Easter, Halloween, Christmas, etc.
Compass Group subsidiaries offer a unique portfolio of own-brands.

*** **Aramark** has a catering division and a vending division (automatic distributors of cold and warm drinks, sandwiches and snack food). It provides services to companies and administrations, schools, hospitals and homes for older persons.

**** **Aviapartner** has one production unit in Zaventem (Brussels airport), which produces tray meals for airline companies such as Continental Airlines and United Airlines.

***** **Delitraiteur** sells prepared dishes (international food) in its 17 shops within Belgium.

BELGIAN HRI AND FOOD SECTOR ASSOCIATIONS

o FED. HO.RE.CA. BRUSSELS (Brussels Hotel, Restaurant, Catering Federation)
Bd. Anspach 111, Bte 4
B-1000 Brussels
Tel. +32 2 513 78 14
Fax +32 513 89 54
Website: http://www.horeca.be

o FED. HO.RE.CA. FLANDERS (Flanders Hotel, Restaurant, Catering Federation)
Bd. Anspach 111, Bte 4
B-1000 Brussels
Tel. +32 2 513 64 84
Fax +32 2 513 89 54
E-mail: fed.vlaanderen@horeca.be

- FED. HO.RE.CA. WALLONIA (Wallonia Hotel, Restaurant, Catering Federation)
  Chaussee de Charleroi, 83
  B-5000 Namur
  Tel. +32 81 72 18 88
  Fax +32 81 73 76 89

- U.B.C. (Belgian Catering Union)
  Avenue Marechal Ney 86
  B-1180 Brussels
  Tel. +32 2 374 62 69
  E-mail: st_orban@hotmail.com

- INTERFROST (HRI sector buying group)
  Hendrik Van Veldekesingel 150-7
  B-3500 Hasselt
  Tel. +32 11 87 09 12
  Fax +32 11 87 09 13
  E-mail: info@interfrost.be
  Website: http://www.interfrost.be

- FEDIS (Belgian distributors association)
  Rue Saint-Bernard 60
  B-1060 Brussels
  Tel. +32 2 537 30 60
  Fax +32 2 539 40 26
  E-mail: info@fedis.be
  Website: http://www.fedis.be

- GROFRA (HRI sector distributors association)
  (Small and Medium Size Enterprises)
  Tel. +32 2 735 27 01
  Fax +32 2 736 12 76
  E-mail: plat-e-form-e-horeca@vidac.be

- BELGAFOOD (Belgian Food Import Professional Association)
  Rue St. Bernard 60
  B-1060 Brussels
  Tel. +32 2 537 30 60
  Fax +32 2 539 40 26
  E-mail: belgafood@fedis.be

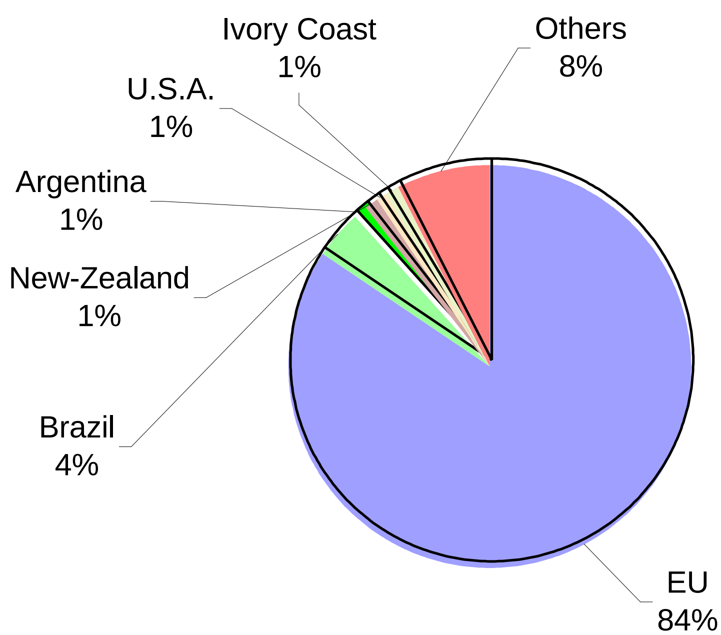
- FEVIA (Belgian Food Industry Federation)
  Avenue des Arts 43
  B-1040 Brussels
  Tel. +32 2 550 17 40
  Fax +32 2 550 17 59
  Website: http://www.fevia.be

SECTION III. COMPETITION

The Belgian food industry is very international, and from its position in the middle of the EU, Belgian buyers have access to countless providers of food products.

Despite a weak economic situation, Belgian food industry turnover totaled €29.9 billion in 2002, compared to €29.4 billion in 2001. Food exports totaled €12.6 billion and imports €11.4 billion. Imports from other EU countries represent 84.4% of total imports (mainly France, The Netherlands, and Germany.)

Origin of Belgian Food Imports - % of Import Value



SOURCE: CCE (Central Economy Council)

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

Advantages, Opportunities	Challenges
Belgian buyers are used to importing	Barriers to import of many products
Exchange rate fluctuations cut the price of US products 30+% in the last 2 years.	Restrictive environment for GMO-containing products
Tourism is still growing	Quality demands and price competition are strong
Hotel tourism is gaining popularity over camping and resorts	Food scares have 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
Internationalization of the food culture could fuel demand for U.S. ingredients	Belgium has a large food processing industry, and easy access to foods from other EU countries

SECTION IV. BEST PRODUCTS PROSPECTS

A. 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
- Game meat

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

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

C. 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:	Office of Agricultural Affairs FAS/EMB PSC 82 Box 002 APO AE 09710
Visitor Address:	Boulevard du Regent, 27 B-1000 Brussels Belgium
Phone:	+32 2 508 2437
Fax:	+32 2 508 2148
E-mail:	agbrussels@usda.gov

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

For information on European Food Regulations, please visit FAS USEU Brussels website at www.useu.be/agri/