

Required Report: Required - Public Distribution
2022

Date: November 08,

Report Number: IS2022-0010

Report Name: Food Service - Hotel Restaurant Institutional

Country: Israel

Post: Tel Aviv

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By: Jessica Shay, Agricultural Marketing Specialist, and Jenny Morgan, Agricultural Attaché

Approved By: Kurt Seifarth, Agricultural Minister Counselor

Report Highlights:

The impact of the COVID-19 on the Israeli hotel, restaurant, and institutional (HRI) sector was nothing short of devastating. According to the Israeli Central Bureau of Statistics, accommodation and foodservice activities declined by forty percent in 2020. The sector started to recover during 2021, and it is expected to recover, with a return to pre-COVID-19 sales by 2023.

Market Fact Sheet: Israel

Executive Summary

Israel is a technologically advanced, market-oriented economy. In 2020, Israel's annual GDP reached \$407.1 billion. According to Israel's Central Bank¹, Israel's GDP grew by 8.1 percent in 2021, and is expected to grow by 5.0 percent in 2022, and by 3.5 percent in 2023. The GDP is projected to develop as it did prior to the COVID-19 crisis. The inflation rate in 2022 is expected to be 4.5 percent.

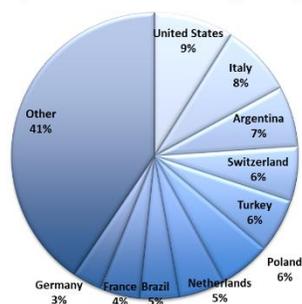
Consumers are sophisticated and enjoy cosmopolitan food tastes. Currently, over 16 percent of household expenditures are dedicated to food products. Producers, food processors, wholesalers, retailers, food service operators, and food importers are all part of a well-developed agribusiness sector, contributing to a domestic scenario that is competitive and dynamic. In 2021, imports of agricultural products² reached \$8.8 billion.

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 agriculture³ stood at \$4.63 billion. 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 2021, the Israeli Hotel, Restaurant, and Institutional (HRI) food service sector included approximately 429 hotels, with a total of around 56,000 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 2021 sector was \$2.5 billion, a one hundred percent increase from the previous year, though, a thirty percent decrease from 2019. Isrotel's (one of Israel's top hotel chains) 2021 financial report attributed 23 percent of the hotel's income to food and beverages. Reportedly, the Israeli hotel sector's food sales reached an estimated \$580 million in 2021. According to the Israeli Central Bureau of Statistics, accommodation and food service activities increased by forty-two percent in 2021.

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 2021

Population (*millions*): 9.49 (as of March 2022)

GDP (*billions USD*): \$407.1 (2020)

GDP per capita⁴ (*USD*): \$44,500 (as of Q4/2021)

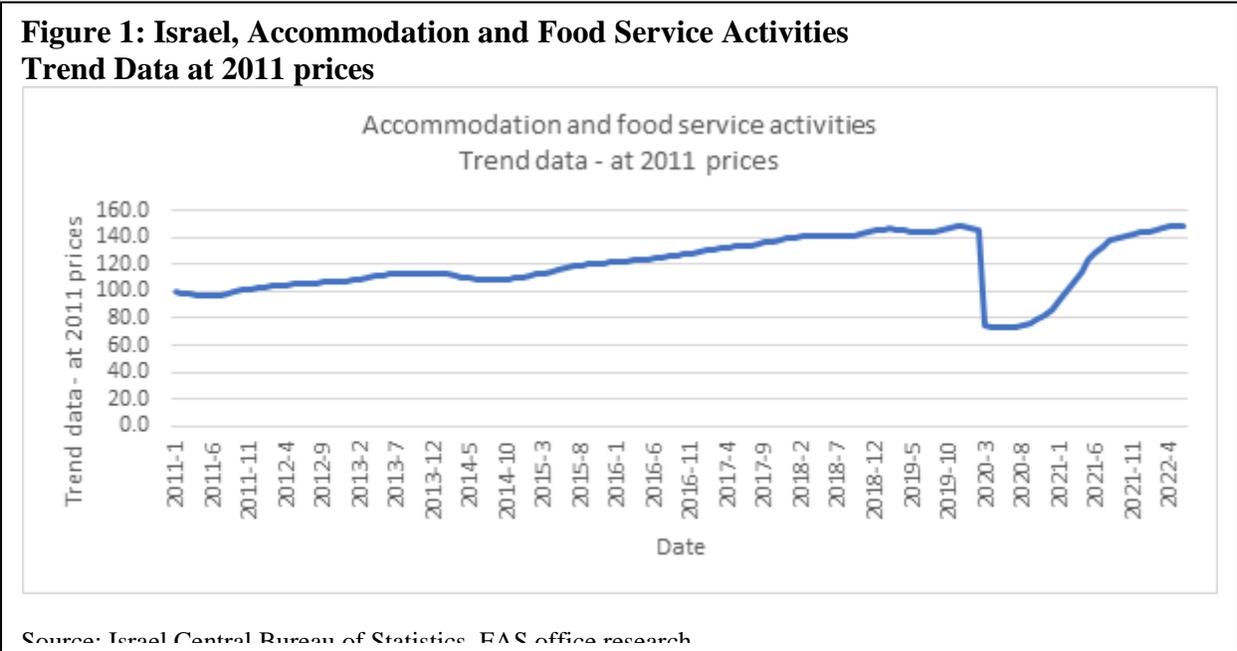
Data and Information Sources: Israeli Central Bureau of Statistics (CBS), Storenext, Euromonitor, Trade Data Monitor, Bank of Israel, FAS Tel Aviv office research, UN Comtrade Database, Company Financial Reports, CofaceBdi, Israeli Restaurant and Café Association, Dun's 100

¹ [Bank of Israel Forecast, July 2022](#) ² Harmonized Tariff Schedule Chapters 1-24 ³ Trade Data Monitor ⁴Bank of Israel publication, PPP exchange rate

SECTION I. MARKET SUMMARY

Prior to the COVID-19 outbreak in early 2020, the Israeli hotel, restaurant, and 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 2011 until 2020, accommodation and food service activities grew by more than forty percent, though in 2020, due to the COVID-19 outbreak, the trend declined. In 2021, the trend rose and towards the end of 2021, the trend was back to pre-Covid-19 levels.



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 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
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

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 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 restaurant 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. 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 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 to blend in with the local environment and consumer preferences.

Additional Means of Entry:

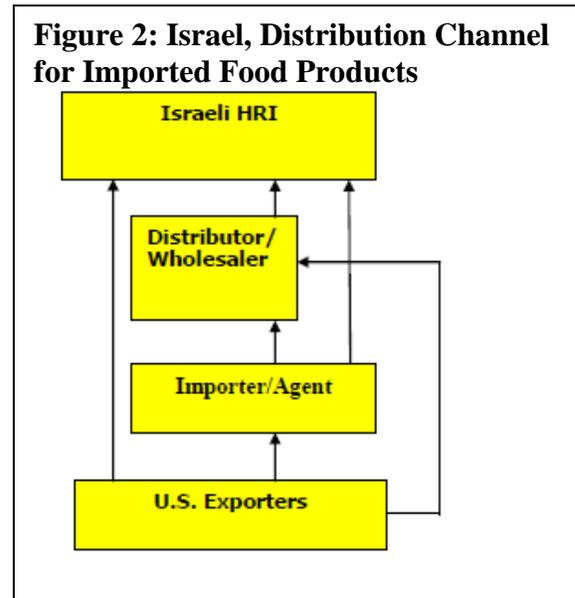
- Direct marketing (phone and video calls, emails, and meetings)
- Direct marketing through the mail with brochures and corporate press kits
- Israeli food companies often attend the main European food shows (i.e., ANUGA, SIAL)
- [ISRAfood](#) is Israel's biggest food and HRI show. This takes place in 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 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.



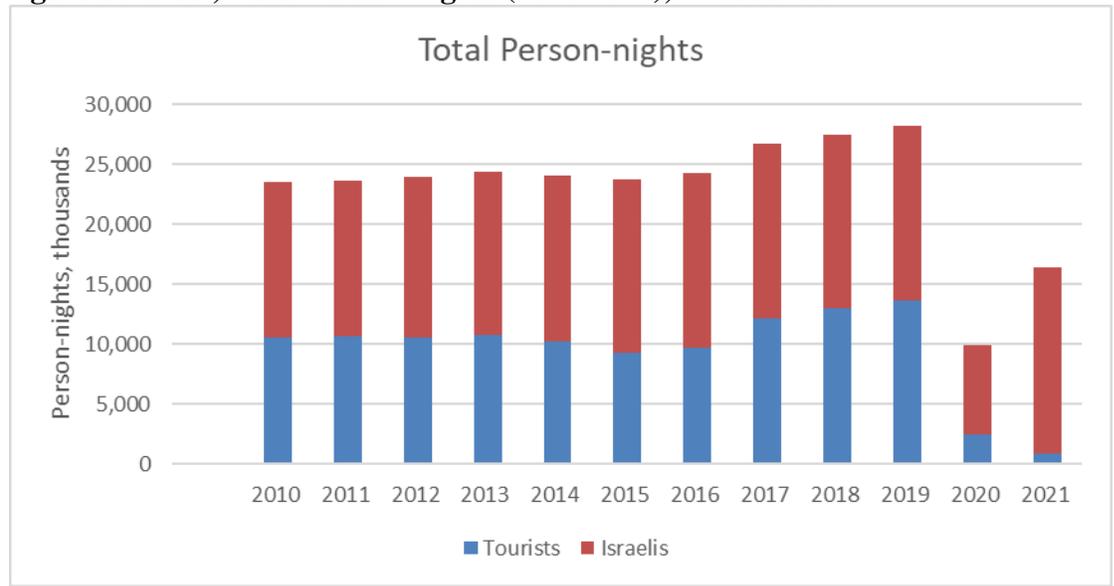
Sub-Sector Profiles

Hotels and Resorts

In 2021, the Israeli hotel sector comprised of 429 hotels, with around 56,000 rooms. Based on the Israeli Central Bureau of Statistics, the total revenue of the hotel sector in 2021 sector was \$2.5 billion, a one hundred percent increase from the previous year, though, a thirty percent decrease from 2019. A mere 0.4 million tourist visited Israel in 2021, compared to 0.83 million and 4.5 million, in 2020 and 2019, respectively.

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. Due to COVID-19, in 2021, more than 95 percent of hotel occupancy were Israelis. Prior to 2020, the occupancy was roughly fifty-fifty between Israelis and other nationalities.

Figure 3: Israel, Total Person-nights (2010-2021), Thousands



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

In 2021, the United Kingdom, Germany and Ukraine were the top three sources of 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.

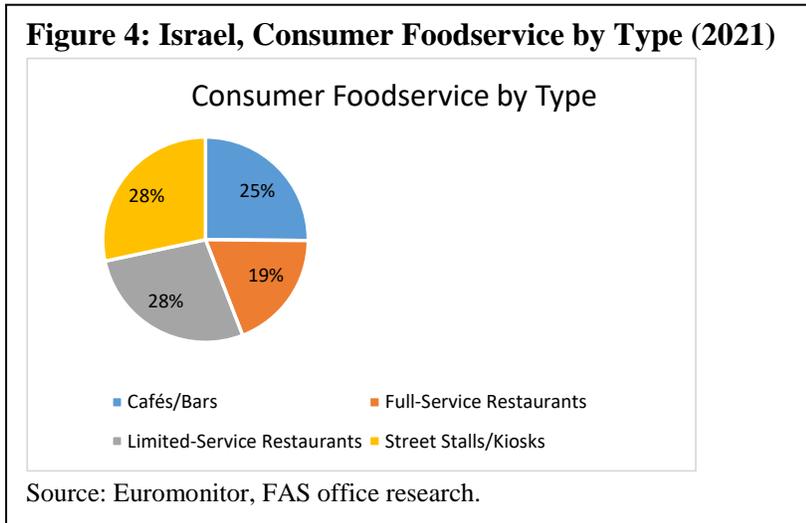
Of all Israeli destinations, Eilat registered the most occupancy in 2021, representing 40 percent of all hotel stays nationwide, with the Dead Sea and Tel Aviv making up 11 and 10 percent respectively of hotel stays.

Isrotel's (one of Israel's top hotel chains) 2021 financial report attributed 23 percent of the hotel's income to food and beverages. Reportedly, the Israeli hotel sector's food sales reached an estimated \$580 million in 2021.

Restaurants

In 2021, 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, prior to COVID-19 annual sales stood at around \$8 billion. However, in 2020 and 2021, sales decreased by 25-30 percent.

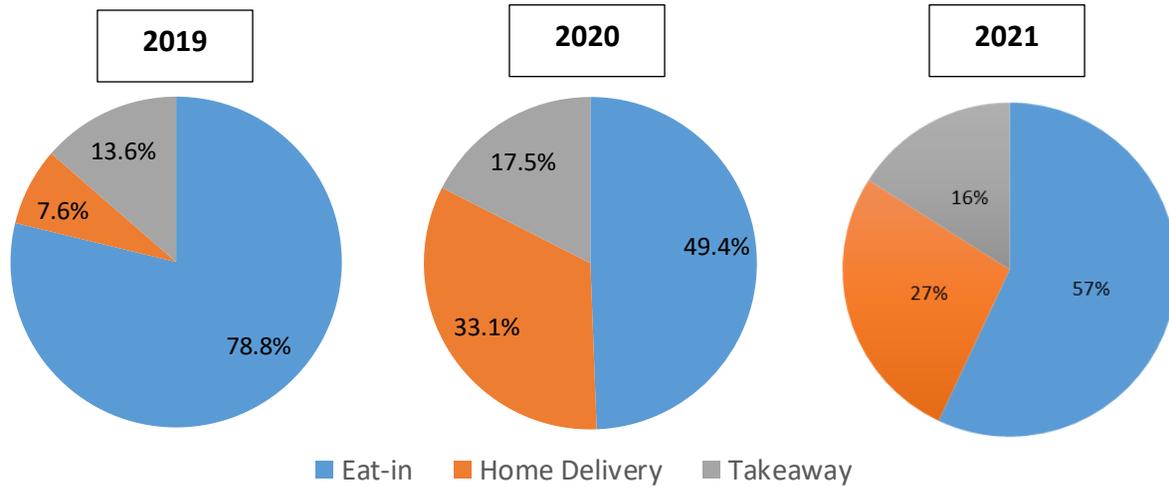
Tel Aviv is the hub of restaurant and culinary trends in Israel. Israeli restaurants face high fixed costs with tight margins. This is especially true of high-end, standalone restaurants with high local rent costs. Many consider the restaurant business risky, with high expenses such as rent, labor wages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



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. According to the Israeli Restaurant and Café Association, 25 percent of the restaurant and cafe sector businesses closed due to COVID-19 in 2020. While the entire sector struggled to cope with the realities of the COVID-19, 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 rely 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, 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).

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

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 & Events¹.

Idit Food Logistics is a part of Dan Hotels, which is traded publicly. According to their 2021 financial reports, Idit’s 2021 revenue was similar to that in 2020, an eight percent decrease from 2019; though due to the change in the Israeli Shekel to USD exchange rate, the US dollar revenue is higher in 2021. In 2021, the revenue was \$85 million, while in 2020 it stood at \$79 million.² The company previously estimated a fifteen percent market share of Israel’s catering sector. According to which, the Israeli catering sector’s 2021 revenue stood at \$66 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

¹ Schultz one of Israel’s previously largest catering companies went bankrupt in 2021

² 2020- USD to Israeli Shekel exchange rate 1=3.44

2021- USD to Israeli Shekel exchange rate 1=3.23

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

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) 2020
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

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) 2020
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

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.

Foreign Agriculture Service – Tel Aviv

71 Hayarkon Street

Tel Aviv, Israel 63903

agtelaviv@usda.gov

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

Attachments:

No Attachments