

Belgium

Belgium, officially the Kingdom of Belgium, is a sovereign state in central Western Europe bordered by France, the Netherlands, Germany, Luxembourg, and the North Sea. It enjoys one of the highest per capita incomes in Europe, with a relatively balanced income distribution, resulting in widely distributed purchasing power. Belgium is a country known for its gourmet food products, including beer, chocolate, waffles, and cheese – all of which they are proud to export to the global market.

Euromonitor reports that the economy in Belgium expanded in real terms in 2022, driven by increasing private consumption and external demand. The foreign direct investment (FDI) inflow stayed above regional average, and novel FDI screening mechanism is expected to increase national security. However, in 2023, geopolitical tensions related to the Russia-Ukraine war elevated inflationary pressures, and tightening financial conditions are set to undermine business and consumer confidence globally, raise uncertainty, and weigh on the country's economic outlook.

- Following real growth of 3% in 2022, Belgium's economy is expected to expand at an average annual real gross domestic product (GDP) rate of 1.1% in 2023 and only .09% in 2024.
- Inflation in Belgium is forecast to slow down to 5.3% in 2023 from 9.6% in 2022.
- While Belgium's merchandise exports increased by 14.6% and imports rose by 19.7% during 2022, the country became a net importer of goods.
- Gross fixed capital formation (GFCF) decreased over 2022, accounting for 23.8% of GDP.
- The public debt-to-GDP ratio in Belgium fell to 105% in 2022, standing above the regional average of 85.1%.

The total population has been slowly rising over time, reaching 11.9 million in 2023 (CIA World Factbook Est.). This was an increase of roughly 1.9 million over 2000. The median age in 2023 was 41.9 years. The number of those over 65 years of age amounted to nearly 2.4 million in 2022, equivalent to 19.9% of the total population. The share of this group is forecast to rise to 22.4% by 2030.

Population aging will become an added burden in the longer term. Even if the employment rate can be pushed up to around 70% and productivity growth increases appreciably, population aging is still expected to boost public expenditure by nearly 6 percentage points of GDP by 2050 if additional reforms are not introduced. Belgium attracts a number of asylum seekers and unauthorized immigrants. The government will be introducing more stringent controls and regulations as fears about terrorism mount.

USDA's Office of Agricultural Affairs (OAA) in The Hague, hereinafter referred to as FAS Post The Hague, reports that Belgium's central geographic location and highly developed transport network have helped develop a well-diversified economy, with a broad mix of transport, services, manufacturing, and high tech. Service and high-tech

industries are concentrated in the northern Flanders region while the southern region of Wallonia is home to industries like coal and steel manufacturing. Belgium is completely reliant on foreign sources of fossil fuels, and the planned closure of its seven nuclear plants by 2025 should increase its dependence on foreign energy.

Its role as a regional logistical hub makes its economy vulnerable to shifts in foreign demand, particularly with European Union) trading partners. Roughly three-quarters of Belgium's trade is with other EU countries, and the port of Zeebrugge conducts almost half its trade with the U.K. alone, leaving Belgium's economy vulnerable to any negative outcome of developments on the U.K.'s exit from the EU.

The port of Antwerp offers the fastest and most sustainable connection with the surrounding area because of its location 49.7 miles (80 kilometers) inland within Europe. The volume of freight loaded or unloaded in Antwerp has doubled over the past 20 years to more than 208 million tons. This makes Antwerp by far the largest port in Belgium and the second largest port in Europe, after Rotterdam in the Netherlands. Antwerp is the European market leader for handling of steel, fruit, and the largest port in the world for storage of coffee.

Market Opportunities and Key Issues in the Belgian Food Market

Market Opportunities:

- Population with a high disposable income.
- Belgium is often used by large companies as a test market for food products.
- Growing demand for organic food products, sustainable production methods and food products with clean ingredients.
- Growing demand for convenience and single portion packaged food products
- Strategic location and excellent transport network.
- The ports of Rotterdam and Antwerp are important gateways for U.S. consumer oriented and seafood products to the EU.
- Growing demand for new products, innovative food concepts and international cuisine.

Key Issues:

- Image of U.S. products is not always favorable.
- Certain products are not EU approved, and exports to Belgium are not possible.
- There are three official languages in Belgium.
- The EU has several Free Trade Agreements that may advantage other third country competitors.
- Trend in favor of locally produced products.
- Suppliers from other EU member states have a competitive advantage on tariffs and non-tariff trade barriers, transportation costs and transportation time.
- Fierce competition on price, quality, uniqueness, and innovation.

U.S. exports of processed foods to Belgium totaled US\$209.9 million in 2022, which was up 3% from that of 2021. In 2023, U.S. exports of processed foods to Belgium dropped

significantly, down 17% to US\$173.8 million. That equates to a loss of US\$36.1 million, which adds to the U.S. trade deficit in food and agricultural products.

Top U.S. processed food exports to Belgium in 2023 included:

- Food Preparations and Ingredients - down 17%
- Prepared/Preserved Seafood – up 13%
- Alcoholic Beverages – down 14%
- Condiments, Sauces, Jams and Jellies – down 14%
- Non-Alcoholic Beverages – up 5%
- Processed Vegetables and Pulses – down 31%
- Fats and Oils – down 61%

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in Belgium will reach US\$19.4 billion in 2023. That represents a growth rate of 17% or US\$2.8 billion since 2019. By the year 2028, the retail sales in the packaged food market in Belgium is expected to reach US\$21.4 billion, a growth rate of 7.8% and US\$1.5 billion from 2024.

High growth products in the forecast include:

- Pet Food
- Savory Snacks
- Confectionery
- Sweet Biscuits, Snack Bars and Fruit Snacks
- Ice Cream
- Breakfast Cereals
- Sweet Spreads

Euromonitor reports that retail value sales of supermarkets recorded solid growth in 2022. However, inflation's impact was clear here. Overall, increases in the cost of raw materials, shipping costs, labor wages and energy have led to substantial price increases across retail channels, including supermarkets. However, the rise in retail prices and the decline in consumer purchasing power led people to seek value for money. As such, discounters outperformed supermarkets in 2022.

Etn Franz Colruyt NV maintained its lead in supermarkets in 2022, followed by Koninklijke Ahold Delhaize NV and Carrefour Belgium SA/NV as the only other players with double-digit value shares. Colruyt owes its success to the strength of its three brands, Colruyt, Bio-Planet, and Cru. Colruyt is the leading brand and remains significantly ahead of its nearest competitor, Delhaize 'Le Lion'. Etn Franz Colruyt's Bio-Planet and Cru brands enjoy a premium-positioning in supermarkets.

Koninklijke Ahold Delhaize NV also has a portfolio of three brands: Delhaize 'Le Lion', AD Delhaize and Albert Heijn. Following its merger with Ahold, Delhaize has been focusing on two key areas. The company is simultaneously promoting its proximity of urban concepts in the form of Proxy and Shop'n Go convenience stores, alongside working on updating the image of its supermarkets.

Amidst inflationary pressures, as more consumers sought value for money, Colruyt and Albert Heijn, both known for their relatively lower prices, fared well and gained in value share. It was more the supermarkets in the mid-priced segment that struggled, such as Carrefour.

In the difficult economic context of 2022, marked by soaring inflation, pressure on profit margins and rising energy costs, most retailers chose to put aside innovation and new concepts to focus on core business. Pricing became crucial in drawing in new customers and keeping existing customers. Delhaize, for example, struggled during the first half of the year due to its relatively higher prices. At the beginning of the third trimester, the company decided to lower prices in its stores. The retailer is reported to have seen growth in sales since then.

The effects of inflation and high energy costs persisted in 2023 and are likely to persist in 2024. As such, consumer purchasing power will remain under pressure. For this reason, supermarket sales are likely to record marginal declines in 2023 and 2024 in constant terms as some consumers might instead shop at discounters. As the impact of inflation starts to wane over the second half of the forecast period, sales in constant terms of supermarkets are expected to return to growth.

Euromonitor reports that proximity and convenience proved to be key factors behind the very strong growth of convenience stores in 2020. Following such a performance, and in the context of the progressive lifting of restrictions related to COVID-19, convenience stores' value sales declined slightly in 2021, to record solid growth in 2022. Inflationary pressures were a key contributor to this strong value increase, while the growth in the number of outlets saw only marginal growth. Overall, increases in the cost of raw materials, shipping costs, labor wages, and energy led to substantial price increases in retail, including in the convenience retailer's channel.

Convenience stores continue to appeal to certain key consumer groups such as the elderly and family households, both groups of which show a preference for shopping in their neighborhoods. Small, urban formats continue to grow in line with evolving shopping habits and a return to busy lifestyles continues the shift towards on-the-go shopping locations close to consumers' homes and workplaces. However, with inflation placing a downward pressure on consumer purchasing power, sales though convenience retailers grew at a lower rate compared to discounters and supermarkets such as Colruyt and Albert Heijn.

Carrefour maintained a strong lead in 2022 and grew its share, with its top Carrefour Express brand, followed by Etn Franz Colruyt NV with Spar, and then Koninklijke Ahold Delhaize NV with Proxy. Carrefour's innovations and offerings in line with consumer trends are factors that keep Carrefour with a strong lead ahead of its competitors.

Towards the end of the 2023 review period, Carrefour focused heavily on its Express stores at the expense of Carrefour Market supermarkets and Carrefour hypermarkets,

mainly due to the higher profitability of its convenience store format when compared to the company's hypermarkets and supermarkets. The player also launched its new store concept, Carrefour Bio, in Brussels at the beginning of 2019. The concept was developed in line with the health and wellness trend, with a focus on natural and organic produce.

Carrefour Bio offers a wide range of organic goods, including varieties of cheese, cereals, breads and pastries, and tea and coffee. In response to rising environmental awareness and concerns over sustainability in food production and consumption, the store is committed to prioritizing the promotion of locally produced products. Carrefour Bio's fruits and vegetables are offered without packaging, which meets the ongoing sustainability trend overall. The player also intends to package its private label products in packaging made from 100% recyclable materials and offers free paper bags, as well as the option to buy cloth bags and glass jars. An in-store Ecover reloading point also enables customers to refill detergent bottles. To remain competitive, prices in Carrefour Bio are significantly lower than those in organic specialist retailers.

Best Prospects:

FAS Post The Hague reports that U.S. consumer food products with the best potential for success in the Belgian retail sector include tree nuts, food preparations and ingredients, pet food, beef, wine, sauces, and mixed nuts.

Foodservice Sector Highlights:

FAS Post The Hague reports that consumption of food products in Belgium mostly happens at home, but the foodservice market in Belgium features a high number of independent outlets in all the main categories, such as full-service restaurants, fast food, café and bars, also known as "Horeca" (hotel–restaurant-cafes) in Belgium, and home delivery and takeaway. It has been difficult for independent foodservice operators as they face both tightening fiscal legislation and increasing competition from more modern and dynamic concepts, especially in fast food, full-service restaurants, and cafés/bars. However, there is also dynamism and innovation among independents, as demonstrated by the several new openings in independent Latin American fast-food establishments, and in specialist coffee shops.

Inflationary pressures have had a major impact on consumer foodservice in Belgium, with the spike in retail prices translating into more expensive dishes and menus, while lower consumer purchasing power has stifled demand. Out of home expenditure rebounded well in 2022, due mainly to good weather and post-pandemic recovery, although it was still partially affected by restrictions related to COVID-19, especially during evening and night-time dining occasions. Full-service restaurants reopened fully in 2023 and enjoyed their first year of full-time opening at night. However, due to the more conservative spending patterns of consumers, full-service restaurants witnessed much lower value growth. Furthermore, limited-service restaurants proved more appealing as they adapted to market conditions with online delivery and takeaway services. By the end of 2023, limited-service restaurants saw current value sales recover to pre-pandemic levels.

Cafés/bars and self-service cafeterias both saw a positive performance in current value terms and managed to end the year close to pre-pandemic sales levels. By contrast, street/stalls and kiosks suffered, despite offering cheaper menus and average prices, which could have attracted consumers on a tighter budget. This channel is made up of independent players, who have found it hard to withstand the pandemic and inflationary pressures. Overall, consumer foodservice in Belgium registered robust growth in current value terms, partly fueled by inflation, with average spend per transaction increasing by double-digits.

Chained consumer foodservice players have consolidated their position in 2023, due to the dire economic and financial circumstances in Belgium and ongoing pressure on profit margins. Big chains, such as Domino's Pizza, McDonald's, and Burger King, were able to withstand the crisis and increase their network of outlets in Belgium, thanks to a strong and solid structure. DeliWay from Vanherpe Food Group also expanded in 2023, while taking advantage of the growing number of independent and small chain closings. Well-known brands, such as Paul and Exki, have significantly reduced their number of outlets in 2023, while O'Tacos and Dunkin' expanded.

Euromonitor is forecasting that as the negative effects of the inflationary crisis gradually wane, pressure on both company profit margins and consumers' purchasing power is expected to diminish. This is likely to result in higher levels of expenditure allocated to eating out. Overall, consumer foodservice in Belgium is set to experience positive constant value growth over the next five years, driven by increasingly busy lifestyles and growing confidence with online ordering.

On the supply side, companies (both foodservice operators and third parties) will invest in logistics to facilitate online delivery and online takeaway services, which are expected to witness strong growth. The relationship between foodservice operators and third parties is also likely to evolve. Indeed, while the concept of ghost kitchens is set to become more popular, ghost kitchen operators should be keen to expand their revenue streams, with a mix of walk-in takeaway sales (through their own apps) and third-party driven sales. In terms of gastronomy, ethnic and Asian cuisines are likely to see increased demand over the forecast period, especially through limited-service restaurants and online ordering. This is especially true for Latin American, Asian, and Middle Eastern cuisine.

Food Processing Sector Highlights:

FAS Post The Hague reports that the Belgian food industry is one of the most important industrial sectors in terms of employment, with close to 91,000 employees (and another 141,000 indirectly), and in terms of turnover, with over US\$64.7 billion. A significant portion of this profit (approximately US\$30.4 billion) comes from exports, primarily to neighboring EU countries, including France, the Netherlands and Germany, which together represented 56% of the export market.

Belgian food companies exported just over US\$1.2 billion to the U.S. in 2023. The most valued export products were beer and chocolate, but baked goods and frozen vegetables

were also popular. Despite the economic growth, the Belgian food sector is facing additional financial hurdles compared to other Member States in the EU. The most important issues are the cost of labor and the cost of energy that have increased over the last couple of years, as electricity is about 45% more expensive than in other Member States.

Belgium is in the top ten of exporters in agricultural products, but typically imports raw crops, processes them, and then exports them as prepared foods. The main export products are potatoes, beer, chocolate, and pastries. Belgium also re-exports a number of fruits, especially bananas that are imported into Belgium from the Caribbean and then exported throughout Europe. Belgium has a significant dairy industry and is self-sufficient in eggs, butter, and milk. Belgium also produces a variety of specialty cheeses.

Best Product Prospects:

FAS Post The Hague reports that U.S. products with high sales potential in this sector include pistachios, nut mixes, almonds, walnuts, sweet potatoes, and ingredients that go into Belgium's exported products such as beer, chocolate, dairy products, and frozen vegetables.