Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Canada

International Markets Bureau

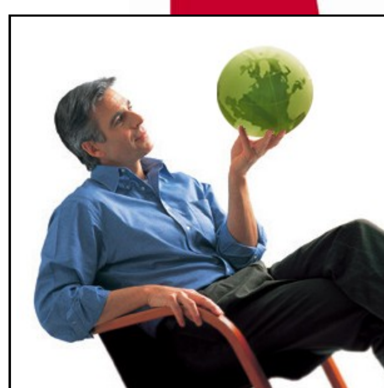
MARKET INDICATOR REPORT | JANUARY 2012

Foodservice Profile

Central and Eastern Europe

Source: Shutterstock, 2011.

Source: Planet Retail, 2011.



Growing Forward

Canada

INTRODUCTION

The foodservice industry in Central and Eastern Europe* is currently valued at over US$48 billion. While it is comparably smaller than its Western European counterpart, it has not yet reached its full capacity, presenting future opportunities for Canadian producers and exporters. The foodservice industry encompasses cafés/bars, full-service restaurants, fast food, 100% home delivery/takeaway, and self-service cafeterias. This report will provide general information on the foodservice industry in Central and Eastern Europe, while highlighting the unique markets of Hungary, Poland, Ukraine, the Czech Republic and Russia.

Consumer foodservice trends in this region mirror the growth seen in Western Europe. However, preferences for good quality, high-end cafés/bars and fast food are particularly noticeable in Central and Eastern Europe. In addition, many of the trends seen in the packaged food industry in Western Europe are expected to be seen in Eastern Europe in the coming years.

INSIDE THIS ISSUE

Introduction 2

Market Overview 2

Foodservice Spending 3

Key Markets in Central and Eastern Europe 4

Trends and Developments 7

Opportunities 8

Resources 8

MARKET OVERVIEW

Central and Eastern European countries were severely impacted by the global economic recession in 2008. With already fragile economies that were dependent on the price of commodities such as oil, most Central and Eastern European countries saw a significant decline in their consumption of foodservices. Additionally, the continuous economic migration and aging in the region has added to the weakening of the economy. Despite this, Euromonitor International expects the foodservice industry to grow to US$55 billion in value by 2015.

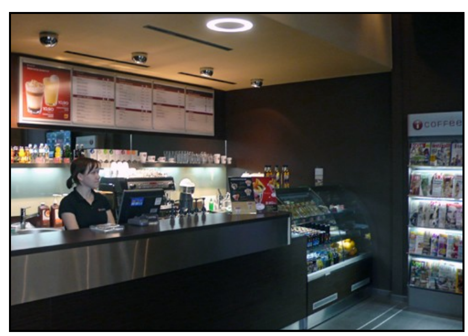
Central and Eastern Europe
Consumer Foodservice Market Sizes,
Historic and Forecast Value in $US millions
Constant 2010 Prices
Fixed 2010 Exchange Rate

2009	2010	2011	2012	2013	2014	2015
50,453.4	48,468.8	48,380.6	49,526.7	51,024.1	52,871.2	55,056.6

Source: *Euromonitor, 2011.*

**Note: For the purposes of this report, Central and Eastern Europe refers to the countries under Euromonitor International's definition, and consists of: Bulgaria, the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia and Ukraine.*

Source: *Planet Retail 2011.*



Source: *Planet Retail 2011.*

Central and Eastern Europe Consumer Foodservice Market Sizes by Subsector Historic and Forecast, Value in US$ millions Constant 2010 Prices, Fixed 2010 Exchange Rates							
Subsector	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
100% Home Delivery/ Takeaway	695.7	651.4	619.0	605.0	607.2	623.8	647.3
Cafés/Bars	19,499.1	18,523.8	16,483.7	15,146.8	14,871.7	15,019.5	15,303.5
Full-Service Restaurants	17,722.4	17,574.3	15,572.3	14,658.8	14,360.2	14,578.7	14,973.7
Fast Food	12,245.8	12,488.6	11,742.1	12,083.6	12,554.8	13,188.4	13,868.5
Self-Service Cafeterias	2,374.9	2,373.9	2,272.0	2,230.3	2,218.4	2,259.6	2,306.3
Street Stalls/Kiosks	4,181.8	3,966.1	3,764.2	3,743.8	3,768.2	3,856.6	3,924.8

Source: *Euromonitor, 2011.*

FOODSERVICE SPENDING

The foodservice industry in Central and Eastern Europe is composed mostly of three subsectors: full-service restaurants, cafés/bars, and fast food, each making up almost a third of the market. Compared to the North American foodservice industry, Central and Eastern European consumers have a strong preference for cafés/bars. They have shown a taste for specialty coffee of good quality but are not yet ready to pay high level prices. The fast food subsector is not as developed as it is in North America, representing 25% of the market, as compared to 42%. However, it is expected that the region's economic recovery will result in more investment in the fast food subsector.

Foodservice Spending in 2010 by Subsector, Central and Eastern Europe vs. North America Value in US$ millions, and % of Total Foodservice Spending				
Subsector	**Central and Eastern Europe**	**% of total**	**North America**	**% of total**
Full-Service Restaurants	14,658.8	30%	407,552.0	42%
Cafés/Bars	15,146.8	31%	88,297.7	9%
Fast Food	12,083.6	25%	407,655.4	42%
100% Home Delivery/Takeaway	605.0	1%	38,085.0	4%
Self-Service Cafeterias	2,230.3	5%	22,527.9	2%
Street Stalls/Kiosks	3,743.8	8%	4,123.0	0%
Total	**48,468.8**	**100%**	**968,241.0**	**100%**

Source: *Euromonitor, 2011.*

Consumer expenditure on foodservice in Central and Eastern Europe has slowly increased since 2005. The growth of the region's economy has allowed for consumers to gradually raise their household expenditure. Household consumer expenditure is expected to continue increasing, despite the impact of the global recession. Household expenditure on foodservice is forecast to grow by 18.3% between 2010 and 2015, for Central and Eastern Europe as a whole.

Consumer Expenditure on Foodservice by Select Central and Eastern European Country US$ Per Household, Constant 2010 Prices, Fixed 2010 Exchange Rates					
Geographies	**Household Consumer Expenditure**			**Growth**	
	2005	**2010**	**2015**	**2005-2010**	**2010-2015**
Czech Republic	20,904.7	22,304.0	24,857.1	6.7%	11.4%
Poland	17,060.5	19,619.0	22,733.5	15.0%	15.9%
Hungary	18,993.1	16,562.5	17,960.3	-12.8%	8.4%
Russia	10,457.5	14,490.3	17,031.9	38.6%	17.5%
Ukraine	3,201.9	4,228.6	5,492.7	32.1%	29.9%
Central and Eastern Europe	**11,884.8**	**13,554.2**	**16,034.4**	**14.0%**	**18.3%**

Source: *Euromonitor, 2011.*

KEY MARKETS IN CENTRAL AND EASTERN EUROPE

The foodservice industry market size in Central and Eastern Europe varies both by country, and each country's performance within domestic and international economics. While maintaining its position as the most valuable foodservice market in Central and Eastern Europe, Russia's market size actually decreased by 10.2% during the 2005-2010 period but is expected to rebound, increasing over 20% from 2010 to 2015. Amongst the five countries listed below, Poland was the only one to see its foodservice market grow from 2005 to 2010, with forecasts to continue doing so. Euromonitor estimates that growth in Ukraine and the Czech Republic will be negative for 2010 to 2015, shrinking by 9.6% and 0.3%, respectively. The foodservice market in these countries is still suffering the consequences of the economic recession. In contrast, Hungary is forecasted to grow almost 20% over the 2010-2015 period, while Russia and Poland are also expected to see positive growth rates.

Central and Eastern Europe Foodservice Market Sizes by Select Country, Historic and Forecast Value in US$ millions, Constant 2010 Prices, Fixed 2010 Exchange Rates

Country	Market Size			% Growth	
	2005	2010	2015	2005-2010	2010-2015
Russia	13,282.4	11,931.2	14,383.0	-10.2%	20.5%
Poland	8,885.6	8,935.2	9,944.2	0.6%	11.3%
Ukraine	6,241.1	4,375.5	3,955.7	-29.9%	-9.6%
Hungary	4,821.0	3,462.7	4,148.9	-28.2%	19.8%
Czech Republic	4,420.2	3,882.3	3,872.3	-12.2%	-0.3%

Source: Euromonitor, 2011.

Central and Eastern Europe Foodservice Market Sizes by Select Country and Type Value in US$ millions, Constant 2010 Prices, Fixed 2010 Exchange Rates

Categories	Czech Republic	Hungary	Poland	Russia	Ukraine
Consumer Foodservice	3,882.3	3,462.7	8,935.2	11,931.2	4,375.5
100% Home Delivery/Takeaway	27.5	81.6	64.3	134.3	90.9
Cafés/Bars	1,726.0	1,733.7	2,286.7	1,633.7	2,454.0
Full-Service Restaurants	970.2	1,046.7	2,589.7	2,179.1	753.2
Fast Food	690.3	450.0	2,021.6	7,111.6	260.4
Self-Service Cafeterias	174.8	43.2	1,299.0	164.0	30.1
Street Stalls/Kiosks	293.4	107.5	674.1	708.6	786.8

Source: Euromonitor, 2011.

THE CZECH REPUBLIC

The Czech Republic's foodservice industry is largely comprised of the cafés/bars subsector, representing 44.5% of the market in 2010. Full-service restaurants and fast food were the second- and third-largest subsectors, with shares of 25% and 17.8%, respectively. Despite showing significant growth in certain categories for the 2005-2010 period, the economic recession has caused Czech consumers to decrease their foodservice purchases. Euromonitor predicts that for the forecast period of 2010-2015, the 100% home delivery/takeaway subsector will perform best with an increase of 12%, followed by fast food and cafés/bars.

Czech Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice

Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	3,882.3	100%	-12.17%	-0.26%
100% Home Delivery/Takeaway	27.5	0.71%	47.06%	12.00%
Cafés/Bars	1,726.0	44.46%	-14.39%	2.45%
Full-Service Restaurants	970.2	24.99%	-22.75%	-3.13%
Fast Food	690.3	17.78%	15.43%	6.19%
Self-Service Cafeterias	174.8	4.50%	-13.12%	-7.21%
Street Stalls/Kiosks	293.4	7.56%	-11.14%	-18.78%

Source: Euromonitor, 2011.

HUNGARY

The Hungarian foodservice industry saw a decline during 2009 as a result of the global economic crisis. Cafés/bars represented half of the industry's share, while full-service restaurants and fast food held 30% and 13%, respectively. During the period of 2005-2010, a significant decline in the size of each subsector was seen except in the fast food subsector, which experienced an increase of 8.7%. It was originally predicted that almost a third of the outlets would be forced out of business as a result of the economic downturn. But only a tenth disappeared due to an increase in demand for quick breakfast and lunch by office workers and students (Euromonitor). While the Hungarian economy is not expected to recover until 2011, the forecast period of 2010-2015 is expected to show significant growth in all categories, with the industry as a whole increasing by nearly 20%.

Hungarian Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice

Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	3,462.7	100%	-28.17%	19.82%
100% Home Delivery/Takeaway	81.6	2.36%	-21.01%	19.49%
Cafés/Bars	1,733.7	50.07%	-26.82%	10.01%
Full-Service Restaurants	1,046.7	30.23%	-41.18%	28.29%
Fast Food	450.0	13.00%	8.70%	32.69%
Self-Service Cafeterias	43.2	1.25%	-12.20%	51.39%
Street Stalls/Kiosks	107.5	3.10%	1.22%	29.30%

Source: *Euromonitor, 2011.*

POLAND

Polish foodservice industry sales were valued at US$8.9 billion in 2010, making it the second-largest foodservice market in Central and Eastern Europe. Full-service restaurants held almost 30% of the market, while cafés/bars held 25%, and the fast food subsector held 22%. The industry suffered a slight decline in 2009 with Polish consumer expenditure being the lowest in Central and Eastern Europe as a whole. During the 2005-2010 period, the fast food subsector saw a significant growth of over 30%, due in part to the introduction of international companies such as Subway, McDonald's, Burger King and Starbucks. It is expected that the overall foodservice sector in Poland will increase by 11% over the 2010-2015 period.

Source: *Planet Retail, 2011.*

Polish Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice

Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	8,935.2	100%	0.56%	11.29%
100% Home Delivery/Takeaway	64.3	0.72%	24.13%	28.93%
Cafés/Bars	2,286.7	25.59%	-10.71%	4.59%
Full-Service Restaurants	2,589.7	28.98%	-6.73%	14.53%
Fast Food	2,021.6	22.63%	32.08%	20.71%
Self-Service Cafeterias	1,299.0	14.54%	-3.61%	1.89%
Street Stalls/Kiosks	674.1	7.54%	9.13%	9.76%

Source: *Euromonitor, 2011.*

RUSSIA

Russia is Central and Eastern Europe's largest foodservice market in value terms, largely comprised of the fast food subsector. Fast food was one of only two categories to see an increase over the 2005-2010 period, and is also expected to record the largest growth over the next five years, with 29%. Busier lifestyles, convenience and increasing variety will be key drivers in this subsector. Similarly, 100% home delivery/takeaway will also see significant increases over the next five years. This subsector is fairly underdeveloped in Russia, presenting many opportunities for growth.

Cafés/bars showed a decline in 2009, but it is expected to increase over the 2010-2015 period, as Russian consumers, particularly those in the major cities such as Moscow and St. Petersburg, follow the new trend of on-the-go breakfast. Chained specialist coffee shops will see the best growth within the cafés/bars sector, as Russian consumers are influenced by Western European trends. The coffee environment has not yet reached the point of saturation, leaving much opportunity for growth.

Russian Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice

Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	11,931.2	100%	-10.17%	20.55%
100% Home Delivery/Takeaway	134.3	1.13%	26.22%	28.44%
Cafés/Bars	1,633.7	13.69%	-14.78%	15.04%
Full-Service Restaurants	2,179.1	18.26%	-25.20%	7.15%
Fast Food	7,111.6	59.61%	0.27%	29.02%
Self-Service Cafeterias	164.0	1.37%	-26.19%	-4.21%
Street Stalls/Kiosks	708.6	5.94%	-31.30%	-6.35%

***Source:** Euromonitor, 2011.*

UKRAINE

Cafés/bars represent the biggest subsector in Ukraine's foodservice industry (56.1%), followed by full-service restaurants and street stalls/kiosks, each making up over 17% of the total market. The global economic recession severely impacted Ukraine's economy, particularly its finance, manufacturing and construction industries. The annual income for Ukrainians dropped significantly to US$1,580 per capita in 2009, much lower than incomes in other countries of the region. Such a drop resulted in consumers trading down, which included declining consumption of foodservices. The fast food subsector was the only one that saw a growth in 2005-2010, expanding by almost 50%, and is the only subsector expected to grow over the forecast period. However, this growth will not be enough to compensate for the decreases across all other categories. Overall, the consumer foodservice industry in Ukraine is expected to drop by 9.6% from 2010 to 2015.

Ukrainian Foodservice Market Sizes by Type, Value in US$ millions, and % of Total Foodservice

Categories	Market Size		% Growth	
	2010 Value	% of Total	2005-2010	2010-2015
Consumer Foodservice	4,375.5	100%	-29.89%	-9.59%
100% Home Delivery/Takeaway	90.9	2.08%	-56.51%	-29.70%
Cafés/Bars	2,454.0	56.09%	-33.20%	-10.97%
Full-Service Restaurants	753.2	17.21%	-29.37%	-8.48%
Fast Food	260.4	5.95%	47.95%	23.58%
Self-Service Cafeterias	30.1	0.69%	-43.53%	-5.98%
Street Stalls/Kiosks	786.8	17.98%	-25.98%	-15.15%

***Source:** Euromonitor, 2011.*

TRENDS AND DEVELOPMENTS

Consumers Sacrifice Going Out to Save Money

While it is expected that Central and Eastern Europe will slowly recover from the global economic recession, consumers will continue to re-evaluate their budgets. In order to save money or maximize their spending, consumers will trade down, prefer to eat at home, or choose to eat out only for family gatherings or important celebrations. The economy in the region is expected to improve, but consumers will remain cautious of their expenditure on consumer foodservice.

Coffee Shops Grow

Central and Eastern European consumers will continue to visit cafés/bars for a variety of inexpensive and specialty coffees. Euromonitor predicts that the trend of drinking coffee will only increase, therefore increasing the potential for foodservice companies. Additionally, as consumers become more exposed to a variety of coffee types and flavours, they will increasingly demand higher- and better-quality products. While this subsector continues to grow, it is important to note that Euromonitor expects it to become saturated in the short term.

Healthier Foods

As consumers see gradually increasing incomes as a result of growing/recovering economies, they are becoming more conscious about health and wellness products. Czech consumers in particular, are already demanding healthier and more organic food. Consumers are familiar with the products, but high prices somewhat restrict wider consumption and limit purchases. Many consumer foodservice companies are already providing healthier options such as sandwiches with less mayonnaise, or menu items accompanied by salad instead of fried chips.

Decreasing Population

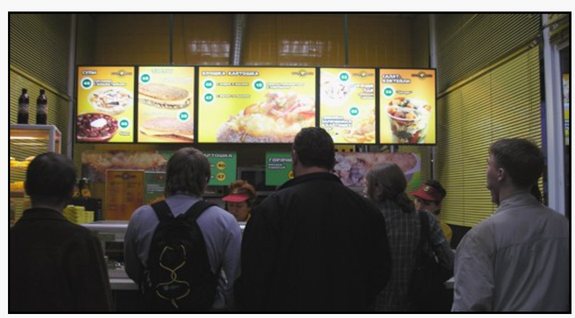
Central and Eastern European countries expect their populations to continue falling, or at least remain at the current level, over the next five years. Ukraine, for example, has seen its population decrease at an average of 1.14% per year. Such a trend in population poses a threat to the region's consumer foodservice industry. A smaller consumer base and workforce could mean a reduction in the number of foodservice transactions. Additionally, as the population begins to age, certain industry categories, such as full-service restaurants, will become predominantly dependent on older consumers for business.

Dependency on Tourism

Tourism plays a significant role in Central and Eastern European economies, and many countries are dependent on tourism as a significant source of income. The Czech Republic and Hungary saw declines in both domestic and foreign tourism over the past two years, decreasing overall tourist expenditure, and consequently, affecting the consumer foodservice industry. It is expected that as economies recover, international tourists will return to Central and Eastern Europe while domestic tourists will re-explore their country. Tourism will continue to play a key role in the consumer foodservice industry, as well as the Central and Eastern European economy as a whole.

Attracting Clients with Innovative Ideas

Foodservice companies struggled to find innovative ideas to keep their customer base during tougher economic times. Various outlets offered lunch or discount specials, "crisis menus," and the use of vouchers in an attempt to sustain consumer interest, and business. The Central and Eastern European economy is expected to recover at a slower pace than Western Europe. However, foodservice providers with innovative ideas will retain their consumer base more easily.



Source: *Planet Retail, 2011.*

Economic Slowdown

The economic uncertainty created in certain countries could have a domino effect on Central and Eastern European economies. With already fragile economies, Central and Eastern European countries could suffer even more in terms of reduced consumer spending habits, if the current climate remains. Exporters should be wary of the current state of the global economy and its potential impact on the consumer foodservice sector. Exporters should review the state of the economy before exporting their products in order to guarantee and maximize profits.

OPPORTUNITIES

The Central and Eastern European foodservice sector has not yet reached its full capacity. As a developing market with a dependence on imports, Central and Eastern Europe presents opportunities for Canadian exporters.

In all of the five key markets, the fast food sub-category will continue to thrive, looking to introduce new products for their clients. As a result, any product that could fit into this category will most likely enjoy success. However, the Russian market could perhaps be of the most interest.

The premium foodservice sector in Russia presents market entry opportunities for small- and medium-sized exporters of products such as wine, quality meat and specialty seafood products. According to a recent report from the United States Department of Agriculture, a significant majority of agri-food products purchased by the Russian foodservice sector are imported (over 80%).

The growth of the Russian economy along with the increase in consumer spending suggests Russia's foodservice sector will continue to grow in the coming years. Russia's fast food market is still underdeveloped, and presents opportunities for companies in this sector. The combination of increased outlets, along with convenience and value-for-product, will be attractive to Russian consumers.

RESOURCES

Euromonitor International (2010). Consumer Foodservice – Czech Republic.

Euromonitor International (2010). Consumer Foodservice – Hungary.

Euromonitor International (2010). Consumer Foodservice – Poland.

Euromonitor International (2010). Consumer Foodservice – Russia.

Euromonitor International (2010). Consumer Foodservice – Ukraine.

IGD Supply Chain Analysis (2011). France – A supply chain profile.

IGD Supply Chain Analysis (2011). Germany – A supply chain profile.

IGD Supply Chain Analysis (2011). Italy – A supply chain profile.

IGD Supply Chain Analysis (2011). Spain – A supply chain profile.

IGD Supply Chain Analysis (2011). United Kingdom – A supply chain profile.

Planet Retail (2011).

United States Department of Agriculture Foreign Service (2004). *Global Agriculture Information Network Report: Russian Federation HRI Foodservice Sector Report 2004*. Qualitel Data Services, ATO Staff. (RS4304: Web edition). 27 pp.

Foodservice Profile: Central and Eastern Europe

ISSN 1920-6615
AAFC No. **11679E**

Photo Credits

For additional copies of this publication or to request an alternate format, please contact:

Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

Aussi disponible en français sous le titre :
Profil du secteur de la restauration de l'Europe centrale et orientale

Canada