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Report Highlights:

This report covers an overview of the UK food service sector.

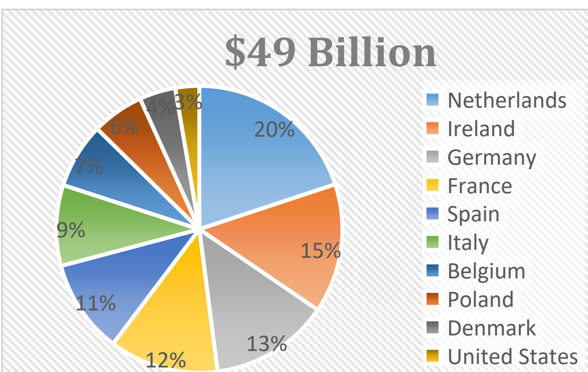
Market Fact Sheet: United Kingdom

Executive Summary

The UK, a leading trading power and financial center, is the third-largest economy in Europe, after Germany and France. Agriculture is intensive, highly mechanized, and efficient by European standards but, in terms of gross-added value, represents less than 1 percent of GDP. While UK agriculture produces about 60 percent of the country's food needs with less than 2 percent of the labor force, the UK is heavily reliant on imports to meet the varied demands of the UK consumer, who also expects year-round availability of all food products. The UK is very receptive to goods and services from the United States. With its $2.92 trillion GDP, the UK is the United States' top European market and the fifth largest market worldwide for all goods, after Canada, Mexico, China and Japan. Consumer-oriented food and beverage products remain the most important sector for U.S. agriculture, amounting to $1.03 billion (38 percent of the total) in 2018. Demand for U.S. consumer-oriented food products continues to differentiate the UK from many of its European neighbors. The UK is the 11th largest market in the world for U.S. consumer-oriented products. Within this category it is worth noting that U.S. exports to the UK of fresh vegetables, chocolate and cocoa, and condiments and sauces all set records in 2018.

Imports of Consumer-Oriented Products

In 2018, the UK imported consumer-oriented agricultural products worth $49.0 billion. Just over half (54 percent) of these originated from other EU member states.



Food Processing Industry

The food and drink sector is the largest single employer in the UK manufacturing sector. Food and drink is also the largest manufacturing industry in the UK, with an annual turnover in 2018 of $136.2 billion (£104 billion). Around 450,000 people across the UK are employed in jobs associated with food and drink manufacture and sales. Around 103,000 of these workers are EU nationals, amounting to about a quarter of the UK workforce.

Food Retail Industry

The sector is saturated, highly consolidated and competitive. The top five retail groups together account for 76 percent of the market. Independent stores continue to face strong competition from modern grocery retailers. Online food sales are showing tremendous growth, with the sector being valued at $15.4 billion (£12.3 billion) in 2018. UK consumers are willing to try foods from other countries but expect quality products at a competitive price.

Quick Facts CY 2018

Imports of Consumer-Oriented Products *(USD billion)*
49.0

List of Top 10 Growth Products in Host Country

1) Ice Cream	2) Whey
3 Cocoa Paste	4) Coffee Extracts
5) Vanilla	6) Cranberry Juice
7) Ginger	8) Dried Fruit Mixtures
9) Baby Food	10) Cucumbers

Food Industry by Channels (USD billion) 2018

Food Industry Output - Turnover	136.2
Food Exports – Agricultural Total	0.98
Food Imports – Agricultural Total	1.7
Retail	273.0
Food Service	71.2

Top 10 Host Country Retailers

1) Tesco	**6) Cooperative**
2) Sainsbury's	**7) Lidl**
3) Asda	**8) Waitrose**
4) Morrison's	**9) Iceland**
5) Aldi	**10) Marks & Spencer**

GDP/Population
Population *(millions)*: 65.1
GDP *(trillions USD)*: 2.95
GDP per capita *(USD)*: 44,300

Sources: Food & Drink Federation, GTA, Kantar Worldpanel

Strengths/Weaknesses/Opportunities/Challenges

Strengths	**Weaknesses**
The UK is one of the biggest markets in Europe with one of the highest income levels in the world.	U.S. exporters face competition from tariff-free products from other EU member states and FTA partners.
Opportunities	**Threats**
Speaking the same language, the UK's affinity with the U.S. and its products and the potential of a free trade agreement make the UK an attractive market.	EU's focus on SPS-related trade barriers (beef, poultry, biotech) in combination with the UK's strict approach to import controls, creates potential for increased number of port of entry issues

Data and Information Sources:
Global Trade Atlas (GTA), Kantar Worldpanel

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I. Market Summary

The UK foodservice market is currently more challenging than ever. With Brexit, increasing labor costs an uncertain climate, have made the foodservice industry become rather volatile. However, in 2018 the UK foodservice sector (food and beverage sales to consumers) was estimated to be worth $64.3 million (£51.5 billion). The food service sector is clearly an enormous market and is one that can provide many opportunities for prepared U.S. exporters.

The average UK consumers ate out twice per week in 2018. The average amount spent per outing is now $12.61 (£10.09) per person on dinner, $7.70 (£6.16) on lunch, $4.08 (£3.26) on breakfast and $4.92 (£3.94) on snacks per visit. People aged 18-29 tend to eat out the most. These figures include restaurants, quick service restaurants and pubs, but exclude hotels, health care and education.

Takeaways and fast food outlets continue to do well with consumers opting for these types of meals rather than more expensive restaurants.

Trends

Here is a snapshot of the major trends currently seen in the UK:

Street food, grab ‘n’ go, fast service techniques, health/lifestyle options (especially “free from” and provenance), vegan, vegetarian, use of technology and delivery.

Middle Eastern, Turkish and Caribbean sectors have at least 60 percent more restaurants than they did five years ago, and the total number of vegetarian restaurants has increased by more than a third in the last 12 months.

Long-term consumer trends to be considered are:

- Changing behavior of millennials
- Eating on the move
- More demanding consumers
- Healthier eating
- Use of digital technology

More and more payments being made cash free, e.g. with mobile phone-based payment tools.

Airport dining is continuing to see high levels of growth. Following increased security at airports, consumers are at airports longer. Therefore, as a result, consumers are more likely to have a meal at the airport and buy drink products and snacks to take on the plane with them.

Fast food outlets with drive-thru’s continue to see an increase in trade. Due to limited land, the majority of these are found outside city centers.

The UK has many large enclosed shopping malls attracting consumers who spend money on food and drink.

The most significant trend in recent years is the preference for “healthy eating”. In spite of this, the UK’s obesity rates are now the highest in Western Europe with an estimated 24 percent of the adult population now technically obese. Low fat, dairy free, sugar free, low carbs, low salt, nut free, organic, vegan and vegetarian are regularly seen on menus.

Independent pubs have not had the capital or resources to spend on advertising or creating new dining areas as the large chain pubs have done. Some of the big operators, such as Mitchells and Butlers Plc, Greene King Plc, and JD Wetherspoon, have continued to generate profits.

Fastest growing small brands in 2018 were: Crosstown Doughnuts, Estabulo Rodizio (bar and grill), The Shake Lab (milkshakes), Ahi Poke (Hawaiian) and The Little Dessert Shop.

Contemporary Chains that have developed in the last 10 years include: Five Guys, Wasabi, Itsu, Benito's Hat, Byron, Burger & Lobster, Franco Manca, Wahaca, Gusto, Coast to Coast and Honest Burgers.

UK growth hot spots in the last 12 months have been Bristol, Leeds, Edinburgh, Cardiff and London.

The way in which food is delivered by restaurants has changed over the years. Food used to be ordered directly from the restaurant, but now there are middlemen such as Just Eat, Deliveroo and Uber Eats, which provide quick delivery service for multiple restaurants. Increasingly, such delivery services are playing a more important role in the marketing landscape as they accumulate information about the final consumer. Sales through delivery services such as these now account for about 30 percent of the revenue for most restaurants using these services.

What the future holds:

The trend towards more meals outside the home is expected to continue.

Smaller/Independent operators will continue to feel pressure, and many are likely to be driven out of the market. Mid-level restaurants are facing stiff competition with consumers choosing to either downgrade to quick service restaurants or takeaways or upscale to high end restaurants.

Consumer demand for new foods is strong in the UK. The fastest-growing business types are likely to be new fast food, street food, pop up restaurants, international cuisines, coffee shops and sandwich bars.

Consumer behavior is evolving with more people eating breakfast away from home. Also, consumers are not ordering as many starters or desserts, so in most cases are just ordering a main course.

Many UK consumers cook non-British food at home on a regular basis.

Brexit has had an effect and is projected to increase food prices in 2020 absent other mitigating effects.

Overview of the foodservice market in the UK in 2018

Number of Outlets and Meals			£ Billions at 2018 Prices		
Sector	**Outlets**	**Meals Billions**	**Purchases Food**	**Purchases Food & Drink**	**Sales Food & Drink**
Restaurants	30,829	0.8	£2.3	£3.2	£12.4
Quick Service	35,061	2.3	£2.9	£3.6	£14.2
Pubs	39,849	0.7	£1.1	£1.7	£5.5
Hotels	43,871	0.6	£1.8	£2.4	£10.3
Leisure	20,302	0.5	£0.8	£1.0	£4.2
Staff Catering	16,415	0.7	£0.9	£1.0	£2.4
Health Care	32,423	0.9	£0.6	£0.7	£0.9
Education	34,192	1.2	£0.7	£0.9	£1.4
Services	3,068	0.3	£0.2	£0.3	£0.3
Total 2018	**256,011**	**7.98**	**£11.52**	**£14.89**	**£51.45**

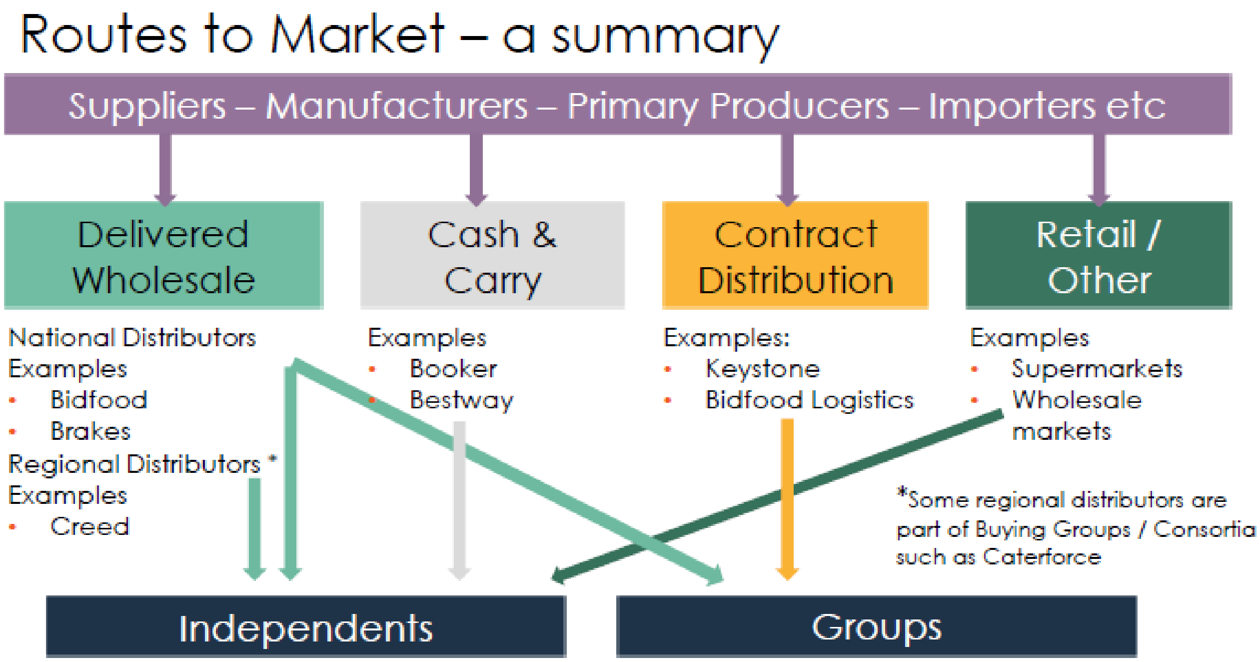
Source: Peter Backman Foodservice

Advantages and Challenges

Advantages	Challenges
Market dominated by a few retailers with strong market penetration. Sophisticated replenishment systems mean U.S. products can be widely distributed.	Supermarket chains demand significant volume and their concentration can make market access difficult initially. Trial listings must give results in a short time or product will be de-listed.
There are a large number of specialty importers, capable and interested in importing from the United States.	The UK has well-established brands for mainstream products. Brand-building and marketing costs are substantial.
U.S. products are viewed by UK consumers as affordable.	The UK has well-established brands for mainstream products. Brand-building and marketing costs are substantial.
The country is English speaking and is therefore an easier gateway into the rest of Europe for U.S. exporters.	EU competitors do not pay import duty on goods to the UK. The United States generally pays 0-25 percent import duty, depending on the product.
The United States is a popular destination for UK tourists and familiarity with U.S. products is widespread.	Popularity of specialty products from many EU countries is high, e.g. French cheeses, Spanish citrus, Italian pasta, South African produce.

Source: FAS London

II. Road Map for Market Entry



Over half of all food and beverage products sold to foodservice operators are through wholesalers. Larger operators will purchase from wholesalers, while smaller outlets are likely to buy from either cash and carries or retail stores.

Due to the large number of companies operating within the food service market, intermediaries skilled in fulfilling small orders efficiently play a pivotal role in the distribution of products.

Aramark, Bidfood Foodservice, Brakes, Compass Group, Mitchells & Butler, Sodexho and Whitbread are among the largest operators in the UK. These companies can be grouped in the following categories:

Operators - Operating a foodservice outlet includes all the functions associated with both 'front' and 'back' of house, including kitchen operations and meal preparation. All of the operating functions can be undertaken by the owner. Foodservice operators include: Compass Group, Sodexho, Whitbread, McDonalds and Burger King.

Delivered Wholesalers - The catering market is predominately supplied in two main ways, either direct from a supplier or an intermediary or from a wholesaler. Currently, over half of all food sold to food service operators is delivered by wholesalers. Smaller operators, such as independent pubs, restaurants and hotels, may purchase from national or regional wholesalers, but given their small size and flexibility, they are more likely to source from regional producers. Examples of these are Bidfood, Brakes, Sodexho and Compass Group.

Distributors - Unlike the wholesalers, contract distributors do not normally take ownership of goods, but instead, offer a delivery service function. Operators choosing to contract a distributor for all parts of their estates include McDonalds, Burger King, Prêt Manger and Compass. 3663 and Brakes provide a contract distribution service, in addition to their delivered wholesaler service.

Foodservice institutions to take into account are: restaurants, quick-service restaurants, hotels and resorts, pubs, leisure parks, specialist coffee shops, staff catering, education, health care, custodial (police, fire stations, prisons etc.), welfare (meals on wheels, day care centers etc.).

Top 15 Foodservice Operators in the UK in 2018.

Rank	Operator	Selected Brands	Main Sector
1	Mitchells & Butler	Sizzling Pubs, Vintage Inns, Harvester, Ember Inns, Toby Carvery, Crown Carveries, Castle, Nicholson's, O'Neill's, Alex, All Bar One, Miller & Carter, Browns, Innkeeper's Lodge, Oak Tree, Orchid Pubs, Premium Country Pubs	Pub Company
2	McDonalds	McDonalds	Quick Service Restaurant (QSR)
3	Greene King	Belhaven Pubs, Eating Inn, Farmhouse Inns, Flame Grill, Greene King Local Pubs, Hungry Horse, Loch Fyne, Meet & Eat, Metropolitan, Spirit Pub Company, Old English Inns	Pub Company
4	Costa	Costa	Coffee Shops
5	JD Wetherspoon	JD Wetherspoon	Pub Company
6	Compass		Foodservice
7	Yum! Brands	Pizza Hut, KFC, Taco Bell	Restaurant & QSR
8	Domino’s	Domino’s	QSR
9	Greggs Plc.	Greggs	QSR
10	The Restaurant Group	Frankie & Benny's, Chiquito, Coast to Coast, Garfunkel's, Home Counties Pub Restaurants, Brunning & Price, Filling Station, TRG Concessions	Restaurant
11	Nandos Group Holdings	Nandos, Gourmet Burger Kitchen	Restaurant
12	Burger King	Burger King	QSR
13	Sodexo		Foodservice
14	BaxterStorey		Foodservice
15	Stonegate	Yates's, Slug and Lettuce, Missoula Montana, The Living Room, Scream, Missoula Bars, Bars & Venues, Great Traditional Pubs, Local Pubs, Classic Inns	Pub Company

(Source: Peter Backman Foodservice)

Leading Chained Consumer Foodservice Brands by Number of Outlets 2018

Rank	Operator	Main Sector	Global Brand Owner	No. of Outlets
1	Enterprise Inns	Pubs	Enterprise Inns Plc	4,130
2	Costa Coffee	Restaurants	Whitbread Plc	2,470
3	Subway	QSR	Doctor's Associates Inc.	2,420
4	Greggs	QSR	Greggs Plc	1,947
5	Marstons	Pubs	Marston's Plc	1,479
6	McDonald's	QSR	McDonald's Corp	1,293
7	Punch Taverns	Pubs	Punch Taverns Plc	1,245
8	Domino's	QSR	Dominos's Pizza Inc.	1,105
9	Admiral Taverns	Pubs	Admiral Taverns Ltd.	1,098
10	Starbucks	QSR	Starbucks Corp	988
11	JD Wetherspoon	Pubs	JD Wetherspoon Plc	879
12	KFC	QSR	Yum Brands Inc.	871
13	Star Pubs & Bars	Pubs	Heineken NV	822
14	Pizza Hut	Restaurants	Yum Brands Inc.	685
15	Caffe Nero	QSR	Caffe Nero Group Ltd.	669

(Source: Euromonitor)

Market entry to the UK/EU requires substantial homework on the part of the U.S. exporting company to ensure that all import regulations and labeling laws are met. These are covered in the Food and Agricultural Importer Regulations (FAIRS) Report, available by emailing: aglondon@fas.usda.gov . FAS GAIN Reports are a good source for country specific information: http://gain.fas.usda.gov.

Contact the USDA Foreign Agricultural Service (FAS) Office in London for clarification on specific questions; contact information is provided at the end of this report.

Once U.S. companies have acquired this background information, they may consider attending or visiting one of Europe's USDA endorsed trade shows. They serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests. Although the UK does not have the huge shows that other European countries host, if you are specifically targeting the UK market, you may be interested in the shows below:

HRI Related Trade Shows in the United Kingdom

Trade Show	Description	Location
The Casual Dining Show March 25-26, 2020, www.casualdiningshow.co.uk	Only UK trade show dedicated to the casual dining sector.	ExCel, London
Craft Beer Rising February 19-21, 2020, www.craftbeerrising.co.uk	Trade & consumer show for craft beer.	Old Truman Brewery, London
Hotel, Restaurant & Catering (every two yrs) March 2-4, 2020, www.hotelympia.com	The UK's leading hospitality and foodservice event.	ExCel, London
Imbibe Live	Exhibition focused on alcohol served	Olympia,

June 29 – 30, 2020 www.live.imbibe.com	in licensed on-trade establishments.	London
Great British Beer Festival August 2020 www.gbbf.org.uk	Large consumer beer show with a trade afternoon.	Olympia, London
Lunch Sep 24-25, 2020 www.lunchshow.co.uk	The UK's leading trade show for the Food to Go sector.	ExCel, London
The Restaurant Show Sep 28 – Sep 30, 2020, www.therestaurantshow.co.uk	A show that brings together the hospitality industry and caters to those owning, operating and working in restaurants, hotels, pubs and bars.	Olympia, London

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their Commodity Cooperator Group, and their state Department of Agriculture to obtain additional support.

State Regional Trade Groups (SRTG) are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by USDA/FAS and the private industry. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state: https://www.fas.usda.gov/state-regional-trade-groups

The **U.S. Agricultural Export Development Council** is composed of U.S. commodity trade associations and other organizations, in addition to the SRTGs, with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to www.usaedc.org. The Commodity Cooperator Groups regularly organize (reverse) trade missions, often organized around trade shows or other events. They also are excellent platforms for U.S. suppliers of food ingredients to meet with foreign buyers.

III. Competition

With the onset of Brexit, the foodservice industry will have to compete with other industries as well as other countries in order to keep its labor force.

The vast majority of the labor force within the foodservice industry come from other countries and with the potential changes to labor laws, many Europeans are going back to their home countries or to other European countries to seek employment.

This will have a huge detrimental effect on the labor force needed to work within the foodservice and hospitality industries.

IV. Best Product Prospects

Products in the market that have good sales potential

- Processed products – snack foods, sauces, dips and salsas, etc.
- Dried and Processed Fruit: cranberries, dried cherries, prunes, raisins, wild berries
- Nuts: almonds, peanuts, pecans, pistachios, walnuts
- Fish and Seafood: cod, pollack, salmon, scallops & other fish products
- Fresh Fruit and Vegetables: apples, grapefruit, pears, sweet potatoes, table grapes
- Meat: hormone-free beef and pork products
- Drinks: craft beer, spirits, wine

- Food Ingredients

Products not present because they face significant barriers

- Food additives not approved by the European Commission
- Red meat and meat products produced with growth promotants
- Most poultry and eggs
- Biotech-derived products that are not approved in the EU

Trends in Imports from the United States of Consumer-Orientated Foods

Product Category	Growth 2014 –2018 (%)	U.S. Exports to UK 2018 ($ million)
Wine & Beer	+8.5	257.6
Tree Nuts	+15	196.9
Prepared Food	-1.8	167.4
Fresh Vegetables	+75.9	85.7*
Fish Products	-47.4	74.4
Processed Fruit & Vegetables	-47.3	59.2
Snack Foods (excl nuts)	-15.5	48.9
Chocolate & Cocoa Products	+58.4	42.3*
Condiments	+41.2	37.0*
Fresh Fruit	-37.7	29.9
Non Alcoholic Beverages Exc. Juices	+0.4	22.7
Pork & Pork Products	-26	3.7
Beef & Beef Products	+30	2.6
Poultry Meat	+900	2.0

Source: BICO Report/U.S. Bureau of the Census Trade Data
*Denotes Highest Export Levels Since at Least CY1970.

V. Key Contacts and Further Information

If you have any questions or comments regarding this report, require a listing of UK importers or need any other assistance exporting to the United Kingdom, please contact the USDA office in London.

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Website: www.fas.usda.gov or https://uk.usembassy.gov/embassy-consulates/government-agencies/foreign-agricultural-service/fas-contact/

FAS London publishes other market and commodity reports available through the Global Agricultural Information Network (GAIN) at https://www.fas.usda.gov/data/search

Further information on UK foodservice is available from:

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News, intelligence and analysis for UK eating and drinking out businesses, covering pubs, bars, nightclubs, restaurants, casual dining, cafes and coffee shops.

Attachments:

No Attachments