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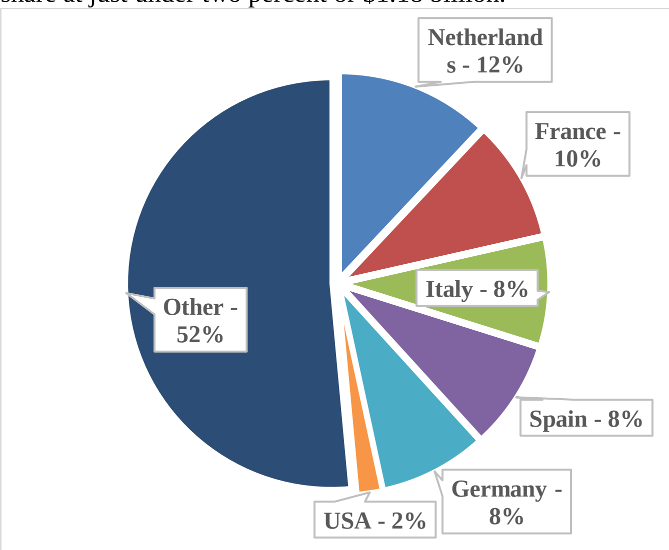
Report Highlights:

The UK food ingredients sector is a thriving and competitive market, driven by changing consumer demands, technological advancements, and an emphasis on quality and safety. The food ingredients sector in the UK has a constant focus on innovation and provides many opportunities for U.S. exporters, including wellness and health products. Higher input costs have resulted in increased final prices, smaller pack sizes, and manufacturers sourcing lower-cost ingredients. Current trends include innovation, sustainable packaging, food with health benefits, and plant-based products. The UK climate limits growing seasons and products that can be grown, resulting in the UK importing over 40 percent of food products to meet consumer demand.

Market Information Sheet: United Kingdom

Executive Summary: According to the CIA World Factbook, the United Kingdom (UK) is an upper middle-income country, with a GDP of $3.1 trillion. The country is a leading trading power and financial center with the third largest economy in Europe. Agriculture is intensive, highly mechanized, and efficient by European standards, but accounts for less than one percent of the gross domestic product (GDP). UK agriculture produces about 58 percent of the country's food needs. The UK is also heavily reliant on imports to meet the varied demands of the UK consumer, who expects year-round availability of all food products.

Imports of Consumer-Oriented Products
According to Trade Data Monitor (TDM), in 2023, the UK imported consumer-oriented agricultural products totaled $62 billion, with the United States' market share at just under two percent or $1.18 billion.



Food Retail Industry: The food retail sector is saturated, highly consolidated, and competitive. The top four retailers (see chart) together account for 66 percent of the market, with Aldi overtaking Morrisons in 2022. Independent stores face strong competition from the top grocery stores and online retailers. Online sales are expected to increase and be the second fastest-growing channel post-2024, as popularity grows for at-home deliveries. UK consumers are willing to try foods from other countries but expect quality products at a competitive price.

Food Processing Industry: According to the latest Food and Drink Federation, the food and drink sector is the single largest employer in the UK manufacturing sector. In 2022, around 456,000 people across the UK were employed in jobs associated with food and drink manufacturing, an increase of 0.1 percent from 2021.The food and drink manufacturing sector's output is valued at $41 billion with an annual turnover of $168 billion, up 8 and 14.4 percent, respectively.

Food Service Industry: In 2023, total foodservice food and drink sales amounted to $99 billion. The industry has faced many challenges including the cost-of-living crisis and soaring inflation rates. The industry is consumer-oriented with a significant investment in research and development. U.S. foodservice chains are popular.

Quick Facts CY 2023 ($1=£0.79 £1 = 1.26)

Total Imports of Consumer-Oriented Products:
$62.0 billion

UK's Top Consumer-Oriented Growth Products

1) Eggs	6) Chocolate
2) Chewing Gum	7) Fresh Vegetables
3) Processed Vegetables	8) Condiments/Sauces
4) Pork and Pork Products	9) Coffee
5) Bakery Goods	10) Non-alcoholic Bev.

Food Industry by Channels (USD billion) 2023

UK Retail Food Industry	279
UK Food Service - HRI	99
UK Food Processing	168
U.S. Food and Agriculture Exports	3.2

Top 10 Host Country Retailers

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

GDP/Population
Population (2023) *(millions)*: 68.1 GDP *(trillions)*: $3.1
GDP per capita: $46,800
Sources: CIA World Factbook, TDM, Kantar Worldpanel, UK Government Statistics

Strength	Weakness
UK is one of the largest markets in Europe with one of the highest per capita incomes globally	U.S. products face competition from tariff-free products from the EU and Free Trade Agreement (FTA) partners.
Opportunity	**Challenge**
Demand for sustainable, healthy, free-from, vegetarian, and convenience products are growing.	Higher cost-of-living caused consumers to spend less on non-essential items and switch to more private-label products.

SECTION I. MARKET OVERVIEW

According to the UK's Food and Drink Federation, food and drink is the largest manufacturing sector in the UK by total sales, making it larger than automotive and aerospace combined. In 2022, the sector employed over 456,000 people.

The UK food ingredients sector is a vital and dynamic part of the country's economy. It plays a crucial role in the food and beverage industry, providing essential components to produce a wide range of products. The sector is made up of various sub-sectors, including additives, flavors, preservatives, and enzymes, each with its own unique contribution to the overall market.

One of the key drivers of the UK food ingredients sector is the increasing demand for processed and convenience foods. As lifestyles become busier and consumers look for quick and easy meal options, the demand for ingredients that enhance taste, texture, and shelf-life is on the rise. This has led to a steady growth in the market.

The UK food ingredients sector is dominated by multinational companies. however, there is also a significant presence of smaller, niche players, offering specialized ingredients and catering to specific consumer needs. According to the UK's Food and Drink Association in 2022, 97 percent of the 12,460 food and drink manufacturing businesses in the United Kingdom were small to medium-sized enterprises. This diversity of scaled businesses in the market ensures healthy competition and drives innovation, leading to a constant stream of new and improved ingredients.

The sector is also heavily influenced by changing consumer trends and preferences. With a growing emphasis on health and wellness, there has been a shift towards natural and clean label ingredients, as well as a demand for alternative protein sources. This has resulted in companies investing in research and development to meet these changing demands and stay ahead in the market.

As in the United States, the UK requires highly technical specifications for food ingredient products, traceability, and compliance with certification schemes. In the UK, these are set by the Food Standards Agency (FSA). This ensures the safety and quality of ingredients used in the production of food and beverages and promotes transparency and consumer trust.

According to the Institute of Grocery Distribution, the UK retail grocery sector, which is the most important market for food ingredients, was valued at $279 billion (£222 billion) in 2023 and is an important market for global food and beverage companies and further processed ingredients.

The UK remains in a cost-of-living crisis which has resulted in food and energy prices increasing significantly in the past three years. Although prices are starting to fall in some categories, it is predicted that overall food and drink prices will continue to rise contributing to an extended cost-of-living crisis. ONS has created a shopping prices comparison tool which shows which food and drink products have increased. Product categories which experienced the highest price growth include wheat, dairy, eggs, and mainstream grocery products. According to the Office of National Statistics (ONS), food and drink prices increased by seven percent in the year to January 2024, however, this was the tenth consecutive month in which food inflation fell having peaked at 19.2 percent in March 2023, the highest rate in over 45 years.

Inflation has resulted in not just increased prices, but also smaller-packaging sizes and manufacturers sourcing lower cost ingredients. Certain product shortages affected both manufacturers and consumers as the price of key ingredients soared. With continued pressure from supermarkets to keep prices low, lower cost ingredient substitutions are being used for manufactures to meeting consumer demand, while keeping prices low. Sourcing locally is another trend in the UK; however, this creates challenges when domestically produced products are not available year-round. Demand for low-cost products may create difficulties for exported products, including those from the United States. U.S. exports to the UK typically have higher prices due to import tariffs and shipping costs.

Current trends in this market sector include:

Innovation - a very important part of the processed food sector as processors want to cut costs in the face of rising ingredient costs.

Sustainable Packaging - there is increased demand for sustainable, environmentally friendly packaging, with many consumers actively trying to reduce plastic waste.

Functional Food – there is increased demand for functional foods (foods that claim to improve health). The UK is an innovator in this sector, sourcing ingredients proven to have health benefits.

In 2024, according to Food Manufacture Magazine, food and drink products that are expected to grow in popularity include:

- Flavors – consumers are becoming more adventurous and are interested in different flavor combinations. In 2023, caramel is the flavor that experienced the biggest growth. In addition, spicy, smoky, tangy, and nutty flavors from around the world are popular.
- Cold Coffees – the UK iced coffee market is currently valued at $225 million up 37 percent on 2022, resulting in suppliers looking for ways to create high quality iced coffees.
- Oats – have emerged as an important ingredient in plant-based dessert products.
- Frozen food – In 2023, frozen food sales increased 16 percent on the previous year particularly in the frozen potato, pizza, savory foods, and vegetable products. This is thought to be because of the cost-of-living crisis leading consumers searching for value in the frozen aisle.
- No and low alcohol – this category has grown in popularity, with a YouGov survey showing that 44 percent of 18-24 year olds occasionally or regularly order alcohol alternatives.
- Health and functionality products – prebiotics, probiotics, kefir, and fortified dairy products are all sort after for products assisting with gut health, protein, and general well-being.
- Sustainability, trust, and tighter supply chains – trends driven by climate and geopolitical uncertainty - consumers want to see companies making a difference but will also question claims being made.

In 2024, several new regulations will come into force that will affect the food manufacturing sector. These include:

- Regulations for products that are high in fat, sugar, and salt (HFSS). In October 2022, a restriction of HFSS products location in large and medium sized retail stores. Food products falling into the HFSS category can no longer be displayed at store entrances, aisle ends, and checkouts. This restriction has prompted food manufacturers to reformulate products and avoid HFSS restrictions. These regulations do not currently apply to smaller convenience stores, creating an incentive for companies to focus sales of these products at these stores.

- A ban on HFSS promotions by volume price was due to come into force in October 2023. This has been delayed to October 2025, with the ban on advertising HFSS foods online and on TV before 9:00pm delayed until January 2025. The ban on promotions means buy-one-get-one-free offers will no longer be allowed. The regulations will affect products sold in England and Wales. The Scottish government has announced it will consult on these bans with them potentially coming into force in 2025. As a result, food businesses in different parts of the UK may need to apply different rules in relation to the marketing, advertising, and sale of HFSS products.
- Novel foods and gene editing – to launch a novel food in the UK, it must pass the approval process governed by the Food Standards Agency. In 2023, the UK government commissioned research into novel food regulations, with an aim to reform the process and reduce barriers to bringing such foods to market. First steps to a new streamlined process are expected in 2024. For more information please see our Biotechnology Report.

According to Statista, the largest number of food manufacturing facilities in the UK are in London, with 2,020 enterprises. This is followed by the Southeast, with 1,420 enterprises, while Wales has the fewest enterprises.

Dominant food trends include a focus on health, sustainability, ethics, and transparency of ingredient sourcing. Companies are also growing the use of "clean labels" (no artificial ingredients or synthetic chemicals). Other trends include vegan and plant-based diets, products free-from (allergens), gut-friendly (including pre-biotics) and fermented foods, as well as alcohol-free beverages.

Advantages and Challenges for U.S. Companies

Advantages	Challenges
The UK is a highly developed economy where consumers have one of the highest income levels worldwide.	UK consumers demand high quality and low prices. Many U.S. products are more expensive than local alternatives, due to import tariffs and higher shipping costs.
UK climate limits growing seasons and types of products that can be grown. According to government statistics, the UK needs to import 42 percent of food products to meet consumer demand.	Private certifications requiring third party independent audits are often required, e.g., British Retail Consortium (BRC), GlobalGAP, and Marine Stewardship Council (MSC).
The UK historically is a trading nation with sophisticated food supply chains.	One of the primary obstacles for U.S. food and farm exports in the UK is the negative perception of U.S. agriculture.
The UK has a large, well-developed food processing industry, requiring a wide range of ingredients, from low-value, highly processed food to high-value, lightly	Exported products must meet the UK's extensive sanitary (animal health) and phytosanitary (plant health) regulations, which makes exporting certain animal, plant and

processed ingredients.	dairy products challenging.
There is considerably more interest in exporting to the UK as a potential trading partner since Brexit.	The UK demands high technical specifications, sustainability, ethics, and transparency in the supply chain.
The UK is English speaking and is therefore easier for U.S. exporters to trade with when they start to export.	Strong trade barriers exist for animal-origin products, including poultry and beef.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Market research is vital for success. Desk research, travel to the UK, and/or paid consultant reports are recommended for businesses considering entry to the UK market. This will ensure you understand the demand for your product, current trends, and consumer preferences. It is also important to research the competition and identify any gaps in the market that your product can fill. This will help you to determine the potential success of your product in the UK market and make any necessary adjustments to your product or marketing strategy. Following this you need to establish a strong network through partnerships with local distributors, importers, retailers, or online marketplaces.

Import Procedure

You will also need to have a good understanding and comply with regulations and standards. The UK has strict food safety and labeling regulations, and it is important to ensure that your product meets all the necessary requirements before entering the market. UK importers/buyers are responsible for compliance with import and labeling conditions before placing products in the market. To do this, UK companies will request information from U.S. suppliers on ingredients, processing methods, and relevant certifications. Further information on import requirements for the UK is available from the UK Food and Agricultural Import Regulations (FAIRS) Report.

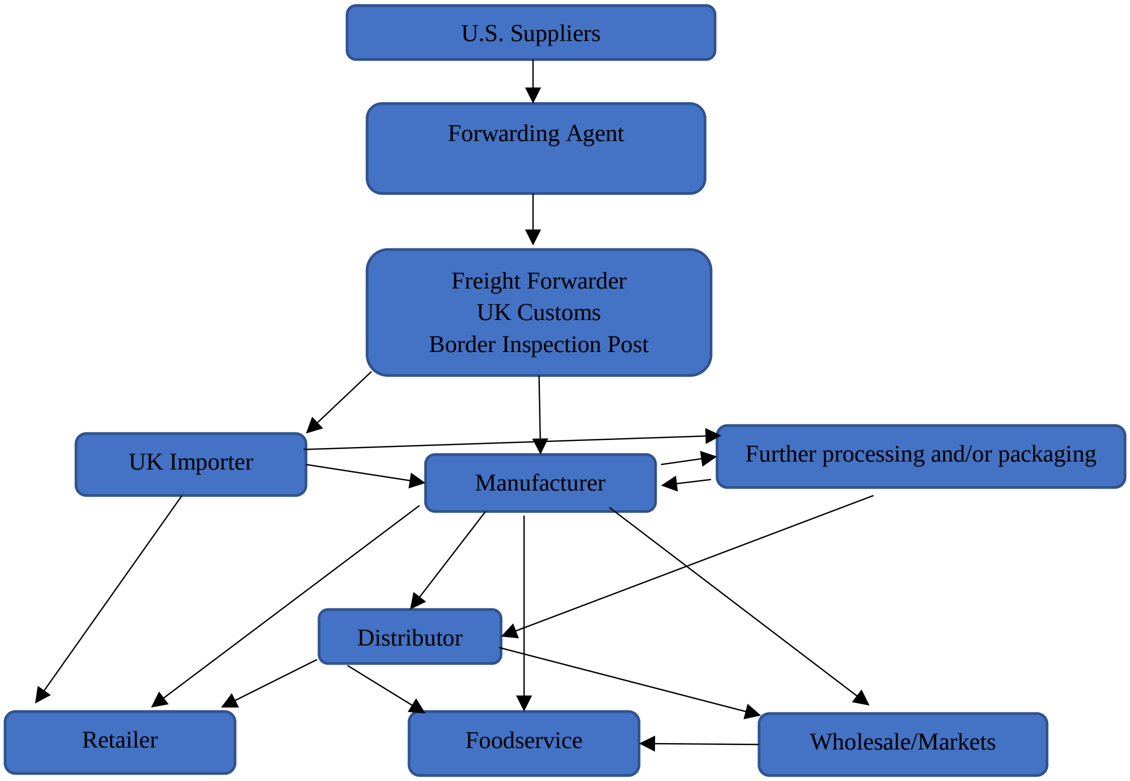
In addition to regulations, it is also important to consider cultural differences when developing an entry strategy. The UK has a diverse population, and it is important to understand the cultural nuances and preferences of different demographics. This can greatly impact your marketing strategy and help you tailor your product to better suit the local market. FAS GAIN reports are a useful source for country specific information. Information can be found here.

Once U.S. companies have acquired this 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 establish new trade contacts and gauge product interests. The International Food Exhibition is an USDA-endorsed tradeshow that takes place in London during March each year. It is the UK's largest food trade show and includes six shows in one. If you would like information about this show, please send an email to aglondon@usda.gov.

Distribution Channels

U.S. ingredients can reach the market through retail, foodservice, wholesale, or consumer markets. In most cases, ingredient products are imported directly by a manufacturer or by an importer who sells them to one or more manufacturers.

Routes to Market Flow Chart



Market Structure

The UK has a dynamic food scene where every type of food product is available through traditional and online grocery stores, wholesalers, markets, and foodservice outlets. UK manufacturers that incorporate U.S. ingredients into their products can use any of these options, depending on the final product characteristics and price point. Themes that unite all routes to market are provenance, traceability, clean labels, and sustainability. For more information on the UK market structure, please view our retail and exporter guide reports.

Share of Major Segments in the Food Processing Industry

According to government data, 58 percent of food and drink consumed in the UK is produced domestically. Twenty-three percent is sourced from the EU due to proximity. Four percent from each continent is imported from Africa, Asia, and South America and three percent from the United States and Canada combined, finally one percent is from Australia.

Data for 2022 shows that the manufacture of food products remains the largest sector within UK manufacturing, representing 21 percent of total manufacturers sales. The division also showed the largest value increase up $10.5 billion (£8.4 billion) from the previous year sales, with total sales in 2022 at $111.3 billion (£88.4 billion). This figure does not include beverages, which are grouped with tobacco in the statistical overview by Office for National Statistics. Products showing notable increases are wheat flour with sales increasing by 32 percent and soft drinks with sales increasing by 12 percent.

Relative Size of UK Manufacturing Sectors
The largest food manufacturing sectors in order of importance are meat processing, dairy products, bakery products, animal feeds, and grains. The largest drink manufacturing sectors are soft drinks, spirits, beer, and cider.

The UK runs trade deficits in every food category, but particularly in fruit and vegetables. Conversely, the UK has consistently demonstrated a modest trade surplus in drink products largely due to exports of Scotch whisky.

Company Profiles & Company Products
A free database (searchable by product category) of UK Companies is available here.

Key players include:

2 Sisters Food Group	Diageo	Nomad Foods
AF Blakemore and Son	Dunbia	PepsiCo
Associated British Foods (ABF)	Findus Group	Unilever
Bakkavor	General Mills	United Biscuits
Brakes Group	Mars	Whitbread
Coca-Cola	Mondelez	
Danone	Nestle	

Sector Trends

- Health and wellbeing/wellness
- Vegan/ plant-based, flexitarian, meat-reduction
- Clean-eating, raw or barely processed ingredients
- Feel good, indulgence, treats

Data from the December 2023 Ethical Consumer Markets Report shows the value of the market for ethical food and drink increased in 2022 to over $14 billion. With UK food and drink prices at an all-time high, growth of the overall category of over seven percent is attributed to rising prices rather than an increase in the category. The Fairtrade Foundation has noted however, that sales of some food products did have significant increases including honey (19 percent), apples (38 percent), and rice (107 percent). The table below shows the key aspects of ethical shopping.

Ethical Food and Drink Category Growth:

	2010 $ million	2021 $ million	2022 $ million	% Growth 2021-22
Organic	1,991	3,785	3,430	0.5%
Fairtrade	1,477	2,649	2.770	15.9%
Free-range eggs	566	1,384	1,317	5.5%
Vegetarian & Plant-based alternatives	730	1.443	1,390	-2.3%
RSPCA Assured (Animal Welfare)	774	4,443	4,429	10.5%
Sustainable fish	163	1,099	1,158	16.6%
TOTAL	5,701	14,803	14,494	7.6%
Exchange rates USD:BPS	*1.55*	*1.33*	*1.2*	

Source: UK Ethical Consumer Markets Report 2023

SECTION III. COMPETITION

If the UK or other countries in Europe produce a raw ingredient, there is greater competition for other countries such as the United States limiting the need to source these ingredients from outside of the EU. There is a considerable level of production and complex domestic regulations on meat, poultry, and dairy industries in the EU. For this reason, U.S. food ingredients from these categories may be more challenging. However, during seasonal periods or if supplies fall short, exports from the United States could benefit by supplying products in demand. These are short-term trades and difficult to predict.

The United States has historically performed better in food ingredient sectors where it is able to provide high-quality products not readily available in northern Europe, such as fruits and nuts.

The United States is the largest non-EU supplier of agricultural, food and fish products to the UK. Depending on the product category, competition is high from Norway, Iceland, and China (fish), Canada (dry beans, wheat, corn), South Africa (citrus, apples, grapes), Chile (apples, grapes), Argentina (soybean meal, corn, red meat products), Brazil (soybeans, sugar cane, red meat products) and Turkey (dried fruit).

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Opportunities for U.S. products can be found in high-quality, innovative, health-conscious, planet-conscious, and plant-based food ingredient products.

Products in the market that have good sales potential

- Wheat products and rice
- Dry beans and legumes
- Dried fruit and nuts including walnuts, pistachios, almonds, raisins, prunes etc.
- Specialty seeds (e.g., flaxseed, linseed, poppy)
- Natural colors, flavors, additives for processed food and drink manufacturing
- Gums and resins
- Fresh fruit and vegetables not grown in UK, organic, or available outside of UK season – e.g., sweet potatoes, Florida grapefruit, apples etc.
- Preserved fruit and vegetables, juices, and fruit concentrates
- Soybeans, distillers dried grains (animal feed)

U.S. Products not present in the market in significant quantities, which have good sales potential

- Ingredients for ethical, natural, organic and health food industries
- Fresh, organic herbs and specialty horticultural products with GlobalGAP or similar certification
- High-quality frozen products with no or minimal animal product content
- Products to substitute or help with re-formulation to low sugar, low fat, or other health claims
- Dairy products

Products not present because they face significant barriers

- Red meat and products that contain hormones
- Poultry, eggs, and their products
- Products with food additives or pesticide/herbicide residues not approved by the UK
- Products of genetic engineering not approved by the UK

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Foreign Agricultural Service (FAS)/United States Department of Agriculture (USDA)
Embassy of the United States of America 33 Nine Elms Lane, London SW11 7US
Tel: +44 (0)20 7891 3313 Email: AgLondon@usda.gov www.fas.usda.gov

Please review and follow FAS London's social media sites:
Twitter: @USagricultureUK, Instagram: @SavortheStates, Website: www.savorthestates.org and LinkedIn account.

Department for Environment, Food & Rural Affairs – Government Agency for Agriculture.
Tel: +44 20 7238 6951 E-mail: helpline@defra.gsi.gov.uk Website: www.defra.gov.uk
Food Standards Agency - Government Association on UK food safety standards and policies
Tel: +44 330 332 7149 Email: helpline@food.gov.uk Website: www.food.gov.uk

UK Trade Associations
Institute of Grocery Distribution - Food and grocery chain trade association.
Tel: +44 1923 857141 E-mail: askigd@igd.com Web: www.igd.com
Food and Drink Federation - Trade association for UK food and drink manufacturing industry.
Tel: +44 20 7836 2460 E-mail: generalenquiries@fdf.org.uk Website: www.fdf.org.uk

Fresh Produce Consortium - UK trade association for the fresh produce industry
Tel: +44 1733 237117 E-mail: info@freshproduce.org.uk Website: www.freshproduce.org.uk
Health Food Manufacturer's Association - Association for health products industry.
Tel: +44 20 8481 7100 E-mail: hfma@hfma.co.uk Website: www.hfma.co.uk
British Frozen Food Federation - Trade association for all aspects of the frozen food industry.
Tel: +44 1400 283 090, E-mail: generaladmin@bff.co.uk Website: www.bfff.co.uk

Attachments:

No Attachments