



GO TO MARKET REPORT: United Kingdom



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Overview:

The United Kingdom (UK) grocery market was worth \$250.8 billion (£156.8 billion) in 2011, up 3.8 percent over 2010. Groceries account for 12.8 percent of total household spending in the UK, making it the third largest area of expenditure, following housing and transport. Food and grocery expenditures account for 53 percent of retail spending, excluding restaurants, and 21 percent of food and grocery spending is in convenience stores. Semi-prepared/convenience foods account for about 50 percent of household food purchases.

Typical imports

The UK imports about \$54.58 billion (£34 billion) worth of food and drink each year, and more than half of it goes for further processing. According to the Food and Drink Federation, food manufacturers in the UK buy and process about three-fourths of the yield of UK farmers and growers. The UK is only 60 percent self-sufficient in agricultural production, and the proportion of imports is expected to increase in coming years. Furthermore, many of the most popular fruits and vegetables are only grown seasonally, or are not grown in the UK at all.

Non-organic: By dollar value, fruits and vegetables are the largest category of exports to the UK, followed by meat and beverages. U.S. products which do well in the UK are:

- snack foods,
- fresh and dried fruit,
- nuts,
- canned salmon,
- cereal products,
- cooking sauces,
- salad dressings,
- confectionery,
- dips and salsas,
- frozen foods,
- wine and beer, and
- food ingredients.

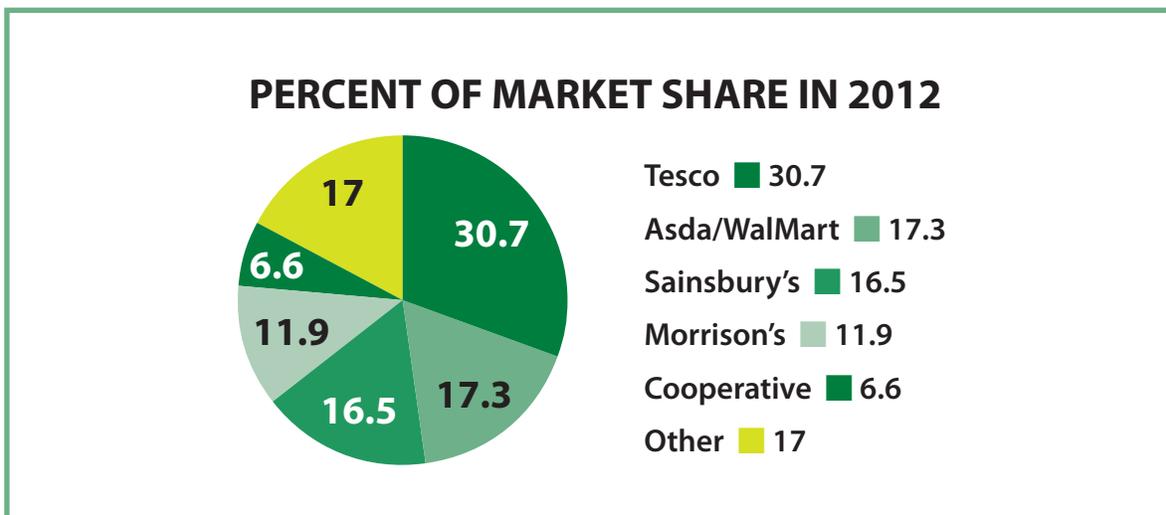
Organic: Among the 23 products with export codes in the United States, vegetables and salad items, such as onions, broccoli and head lettuce, lead organic shipments to the UK, followed by fruit, such as strawberries, apples and grapes. Demand for imports in 2012, especially for fresh produce items, was driven in part by wet weather in the UK. Information on specific packaged product imports is not readily available.

Market conditions by sector

Retail: The UK had 88,441 grocery stores in 2012, in four categories:

- Supermarket Chains--Supermarkets have sales area of 3,000 - 25,000 square feet (279 - 2,323 square meters) and sell a broad range of grocery items. Superstores are larger, and sell a broad range of grocery and non-food items.
- Convenience Stores--With sales areas of less than 3,000 square feet (279 square meters), convenience stores are open for long hours, and sell products from at least eight different grocery categories.
- Traditional Retail and Developing Convenience Stores--Also with less than 3,000 square feet (279 square meters) in sales area, these include news stands, green-grocers, liquor stores and gas stations.
- Alternative Channels--This category includes a wide range of outlets such as internet or catalogue home shopping, farmers' markets, and other produce markets and vending machines.

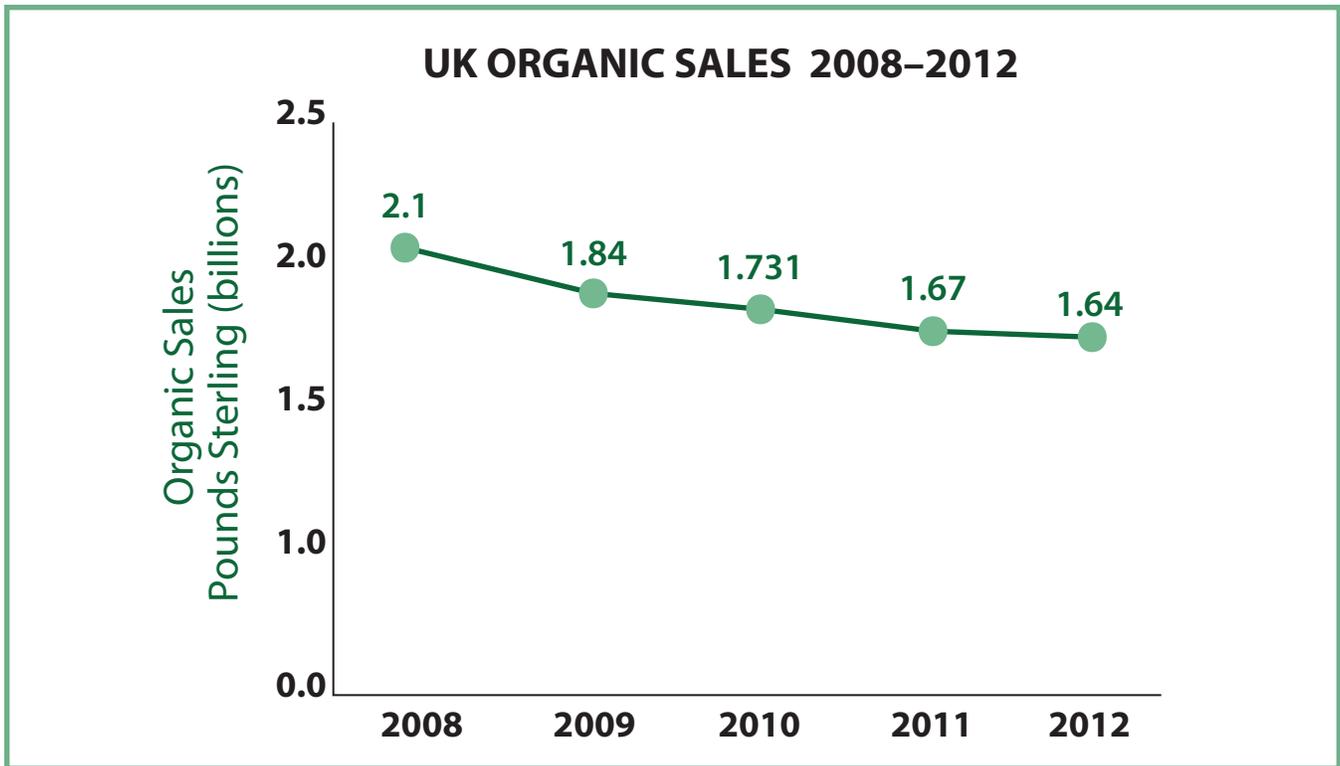
Five supermarket chains dominate UK food retailing, accounting for almost 83 percent of the market:



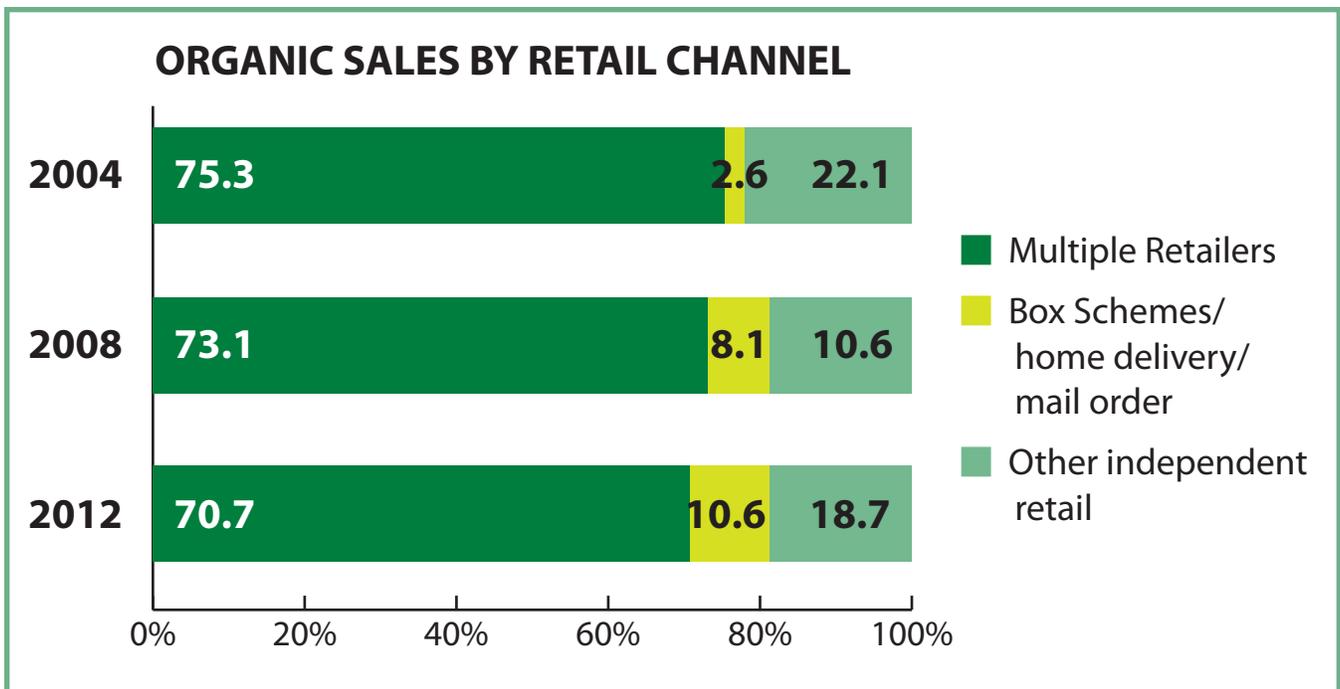
Other UK supermarket chains include Waitrose, Iceland, Aldi, and Lidl.

In the organic sector, sales have fallen in recent years, in part due to the economic downturn. In 2012, sales were down 1.5 percent from 2011, which had US\$2.6 billion (£1.67 billion), down 3.7 from 2010.

The number of producers and processors is also down. Furthermore, major retailers have reduced shelf space for organic products. The seven leading retail chains saw their organic sales fall 3.8 percent in 2012.



Most organic food (70%) is sold through chain supermarkets, but the share of organic food sold in this channel has dropped from 2004, when it was 75 percent. As in overall food sales, Tesco leads, with 27.1 percent of the organic food market in 2011. Its organic product sales dropped five percent from 2010 to 2011. Best selling organic categories there were fruits/vegetables and meat and poultry.

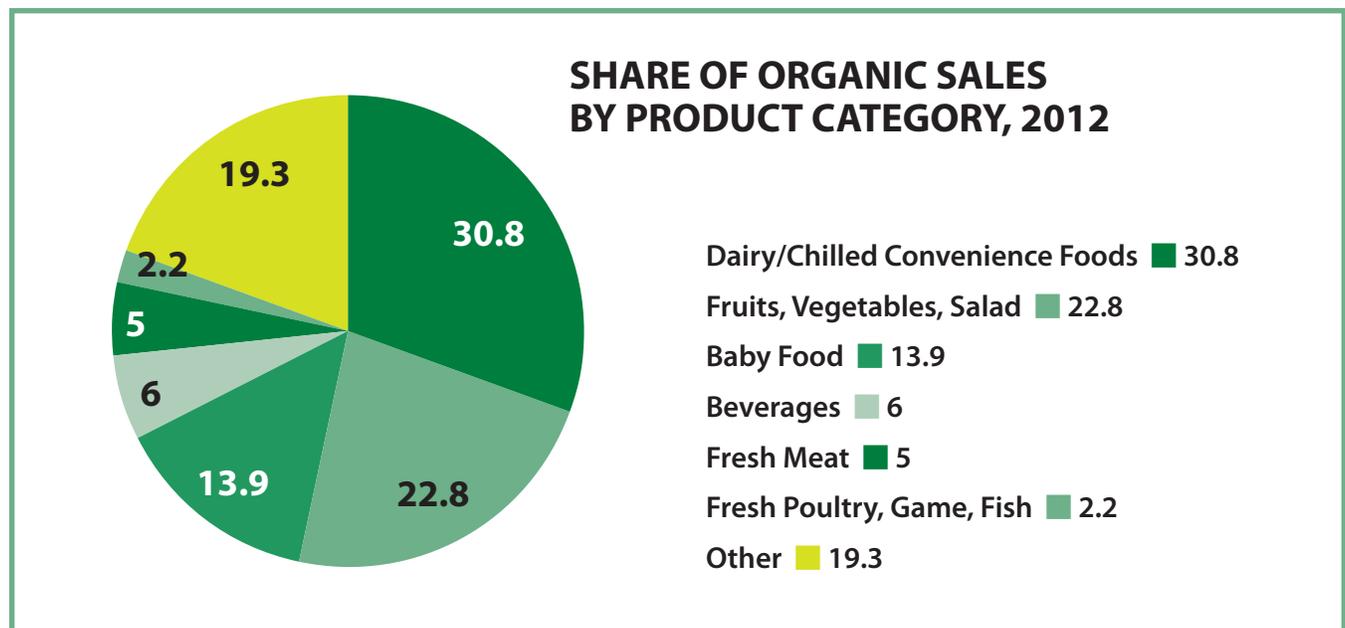


Waitrose, whose shoppers are generally more affluent than the population as a whole, did well with organic yogurt, confectionary, and beer and spirits, and has a share of the organic market that is disproportionate to its share of the food and beverage market overall. Led by Waitrose Duchy Originals private label products, Waitrose saw its organic sale increase 1.1 percent in 2012, despite an overall drop in sales of organic private label products of 11.2 percent that year.

Home delivery, box schemes, and mail order are gaining ground for organic sales, as sales increased 4.4 percent in 2012, and are valued at US\$ 223.4 million (£174.3 million), approximately 11 percent of the organic food market. This sector is led by the up-scale online company Ocado. In 2012, their organic sales increased 6.4 percent, pushing them ahead of Asda and Morrisons to become the UK's fourth largest in organic food retailer. Ocado offers 1400 organic products online, including fresh produce, and they anticipate further growth in organic sales of 10-15 percent in 2013. Meanwhile, Sainsbury's online organic sales increased 48 percent in 2012, and home-delivery specialists Abel & Cole and Riverford also saw increases in organic sales in 2012. The smallest box schemes and farmers markets, however, saw sales dip.

Other independent retailers were holding steady at approximately 19 percent of the organic market in 2012, as they were in 2008. Leaders in this category include:

- Whole Foods, which opened a seventh store in November 2012
- Planet Organic, which is predicting 8 percent growth in 2013
- As Nature Intended, and Unicorn Grocery.



Hotel, Restaurant, Institution: According to the Soil Association, organic sales through restaurants and catering are about one percent of the UK organic market, and are valued at £15.9 million, up 1.6 percent in 2012. McDonald's restaurants uses organic milk for the coffee and tea in its UK restaurants and in children's Happy Meals. In 2012, it used 21.1 million liters of organic milk, up 5.5 percent from 2011.

Meanwhile, the Soil Association's Food For Life Catering Mark, an independent accreditation program setting standards of traceability, quality and provenance for public sector meals, has seen an increase in participation in the program, with a 40% increase in the number of meals covered by the program. Twenty percent of England's schools are now participating. In a similar trend, healthy grab-and-go style restaurants have become increasingly popular.

Food ingredients: In general, the UK has a particularly high proportion of private label products in its major supermarket stores, accounting for 54 percent of new food and drink product launches in 2011.

Other: Certified organic health and beauty products represent £31.8 million, up 5.6 percent from 2011. Neal's Yard Remedies, with 40 store in the UK, is the market leader in this area, and their organic sales were up 12.9 percent in 2012.

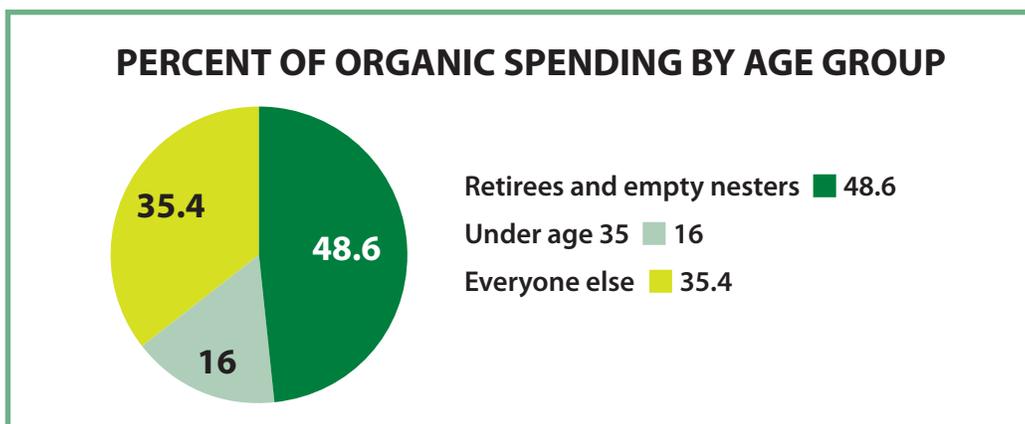
Organic textiles and health and beauty products also grew in 2011, up 8.7 percent over 2010. In 2012, turnover in the organic textile sector was up 10 percent. Although organic cotton represents 90 percent of the organic textile market in the UK, organic wool sales increased 8.5 percent by volume to 215,000 kg.

Who buys organic products?

According to the Soil Association, 83 percent of the population purchased organic products in 2011. In 2012, 80 percent of households bought organic products, however 92 percent said they would buy more organic products if they were available. Just 6 percent of shoppers account for 51 percent of spending on organic products. The most committed shoppers are 28 to 44 year olds.

Health, concern for nature/environment, and taste are the top three reasons for choosing organic products. Fifty-five percent of organic shoppers cite healthy eating, and 53 cite avoiding chemical residues as reasons to purchase. Many consumers value additional verification of animal welfare and environmental standards, such as those required for Soil Association certification. Taste and environmental factors are less of an influence than they were in 2010.

By age, 48.6 percent of spending on organic products is by retirees and empty nesters. Compared to the national average for all age groups, the 28-44 year olds spend more on organic products. Those under 35, representing 16 percent of sales, significantly increased their average spending in 2012. One study by the Institute of Grocery Distribution found that shoppers under age 35 are twice as likely as those over 35 to want organic food, and that younger shoppers are more concerned with ethics, the environment and animal welfare.



Shoppers in London, and in England's south east and east spend more than the national average on organic food and drink, with London itself accounting for 32 percent of organic food and drink sales nationally.

Recent trends

Eating foods that are in season locally is a growing trend that might impact the market.

Organic baby food and milk formula had the greatest sales growth in the past few years; the majority of ready-prepared baby food is now organic.

Distribution chain

A UK importer or UK sales agent or broker is key. Working with an importer in the UK that distributes to organic specialty stores is an advantageous option, since the most loyal organic shoppers prefer the specialty channel, and specialty stores are interested in new products to differentiate themselves from supermarkets.

U.S. exporters should ensure that they partner with a UK importer that is certified with one of the recognized UK certifying bodies, as that is a requirement under the legislation for placing organic products on the market.

To find potential business partners

IN UNITED KINGDOM

For a list of organic food importers in the UK that are registered with a UK certifying Body, contact AgLondon@fas.uda.gov.

American Foods in Europe Directory

<http://www.american-foods.org/>

Guide to European Importers of U.S. Food and Beverage Products

Presented by Food Export USA-Northeast and the Food Export Association of the Midwest USA together with the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture

Organic-market.info

http://www.organic-market.info/web/Organic_Links/Importers-Exporters/166/4/0/0.html

List of importers/exporters searchable by country

IN THE UNITED STATES

Visit <http://www.usorganicproducts.com/> and <http://www.theorganicpages.com/topo/index.html> to search for organic businesses that may be able to assist US exporters.

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