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Report Highlights: London Calling is a quarterly report containing brief summaries of issues pertaining to agricultural trade and marketing in the UK. Material for this report has been taken from the media, UK officials and UK based cooperators. Significant issues have been, or will be, expanded upon in reports from this office.

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AGRICULTURAL POLICY ISSUES

Biotechnology

Introduction

The British public were the first European consumers to have the opportunity to buy genetically modified food when Zeneca launched its GM tomato puree in 1996. The tomatoes, grown in California, are sold under private label in UK supermarkets. Although there was some opposition to this GM product, the tomato puree has been popular in the UK because of two reasons. First, the product was launched properly by the supermarkets, with information, education and labeling of the product for consumers. Second, consumers benefit from the product by improved flavor over non-GM brands and the supermarkets generally price the product slightly lower than standard brands.

In general, however, the first GM products introduced in the UK have focused on agronomic benefits that are of no direct benefit to consumers. Many consumers also believe that they have no choice in eating GM food. For example, 60 percent of processed food products contain soybeans, which may or may not be GM soybeans. This lack of consumer benefit and choice along with a distrust of the UK Government following the BSE crisis has led to a public relations problem for the widespread introduction of GMOs in the UK. Below are recent developments in the debate over biotechnology in the United Kingdom.

Biotechnology update

Beholden by its success with GM food ingredients, the anti-GM lobby over the last several months has been turning its efforts to GM ingredients in animal feedstuffs with limited success. Most supermarkets and food processors have removed GM ingredients in their food items. The media has also been relatively quiet recently over food biotechnology.

Unlike processed foods, the agricultural industry is finding it very difficult and expensive to go GM free for animal feed, making direct action by environmental action groups more difficult. Soybean meal and corn gluten feed make up around 20 percent of animal feedstuffs in the UK. Soybean meal is the most widely used essential protein supplement in the livestock industry. In 1998, the UK feed industry used 1.2 million metric tons of soybean meal, with approximately 700,000 metric tons sold directly to farmers. In addition, some 550,000 metric tons of corn gluten feed was used by the UK feed industry in 1998, with considerable additional amounts used directly on farms. Finally, GM strains of yeast and other micro-organisms are used in feed additives.

Some in the industry estimate that the additional cost to source non-GM feed could increase feed prices by around 40 percent. For hard pressed livestock producers in the UK, increases in feed costs resulting from a GM-free policy could cause severe financial hardship. The UK public has become increasingly sensitive to the plight of British farmers, with the continuing French ban of British beef a case in point. This additional cost would also be passed onto the consumer, who would have to pay significantly more for meat and dairy products.

Most supermarkets and food processing companies are investigating the possibility of removing GM ingredients from animal feed, but currently find it impossible to guarantee GM free animal feed. Nonetheless, in order to gain a

marketing advantage, two smaller food retailers recently announced their attention to go GM free. However, neither of these announcements was widely covered in the media. Iceland announced on November 5 that it will remove meat and poultry products from animals reared on GM feed beginning in January, 2000. Iceland was the first supermarket to withdraw GM ingredients from own-brand food products March, 1998.

On August 19, Marks & Spencer (M&S), another smaller food retailer, announced that it would try and remove genetically modified soy and corn ingredients from animal feed. In late October, M&S launched a range of primary food products that have been sourced from livestock specifically fed non-GM diets. The range of products covers all free range eggs, poultry and pork. On November 8, Marks & Spencer announced that all eggs that it sells will be from birds fed on non-GM diets. The company is the first retailer to completely convert its fresh egg production to non-GM feed.

Industry and the UK Government reach agreement on the cultivation of GM crops

SCIMAC (The Supply Chain Initiative on Modified Agricultural Crops), an industry group representing farmers, plant breeders, the seed trade and biotechnology companies, on November 5 reached an agreement with the UK Government that there will be no widespread cultivation of GM crops until completion of the farm-scale evaluations following harvest of crops planted in 2002. The Government's farm scale trials, involving 25 fields of 10 hectares each, began in the spring of 1999. The purpose of these trials is to look into the environmental implications of GM crops. GM rapeseed, fodder beet, and fodder maize is being grown along with standard rapeseed, fodder beet, and fodder maize over a four year period.

Labeling

On March 19, 1999, the UK Government announced food labeling (amendment) regulations, which gave local authorities the powers to enforce EC regulation 1139/98. Food manufacturers and retailers became liable to fines up to BPS 5,000 (USD 8,095) if they broke rules on listing GM ingredients on their food items.

The UK Government, however, decided to allow an element of flexibility for labeling for catering establishments. HMG allowed for a six-month transition period to enable menus and notices to be reprinted so as to alert customers to the availability of this information and to allow staff to be suitably trained to provide this information. In addition, caterers would not have to list every GM food on their menus but would be required to post notices assuring customers that they need only ask which meals contain GM ingredients. Staff would be trained to answer customer questions on GM ingredients. On September 19, these new regulations came into force for the catering industry in addition to the rest of the food industry.

The Status Of The UK's Food Standards Agency (FSA)

The Food Standards Bill received Royal Assent on November 11, 1999. The main provision of the Bill is to establish the Food Standards Agency, which will be accountable to Parliament through the Secretary of State for Health. The Agency's chairman, deputy chairman and agency members should be chosen by the end of 1999. The FSA is expected to become an operating agency by the spring of 2000.

The Agency will be responsible for providing policy advice to the government on food safety and standards and aspects of nutrition, for preparing legislation, and for providing the public with timely information. The Agency will work closely with other bodies in providing public information and undertaking health promotion and educational activities. The FSA will commission research and surveillance on a full range of activities. The Agency will also negotiate on food safety matters on behalf of the UK with the EU, third countries and other international organizations.

With the exception of meat hygiene, local authorities will remain responsible for everyday food law enforcement with the FSA providing guidance. Local food borne outbreaks, for example, would continue to be managed locally. However, the FSA would be responsible for licensing fresh meat plants and for measures to prevent the transmission of BSE to the human food chain. The FSA will also be accountable for the compositional standard of foodstuffs and the labeling of food. The Agency will be responsible for all matters concerning chemical contaminations in food and all matters concerning food additives.

The FSA will also become the authority accountable for assessing novel food applications in accordance with the requirements of the EC Novel Food Regulations. The FSA could act as an independent arbitrator in order to make sure that decisions on approval of GMOs, for example, are based on sound science.

Animal health and welfare issues will be left with the Ministry of Agriculture, Fisheries and Food (MAFF), but the Agency will reserve the right to take action if necessary to protect the interests of public health. Similarly, the overall responsibility for pesticides and veterinary medicines will also remain with MAFF. However, the Agency will have veto power over product authorization. Policy responsibility for animal feed will be divided between the FSA and MAFF, with the Agency taking the lead on certain issues such as composition of feed, additives and contaminants.

According to the UK Government, the FSA, in addition to Parliament, will also be accountable to the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly. It will operate at arm's length from the UK Government and be responsible for protecting food safety and public health.

The proposal to establish the FSA started in May 1997 when the James report was issued. The White Paper on the FSA was published in January, 1998 and the draft bill for the FSA was introduced in January 1999. The draft bill was also subject to pre-legislative scrutiny by a Select Committee of Parliament, which issued a report on its findings in March 1999. (Source: USDA/London)

MARKET INTELLIGENCE

British fast becoming a nation of wine lovers

Britain is trading its image as a nation of beer-swillers for one of a nation of wine lovers after wine sales rose by more than 13 percent last year, according to a survey published by Ministry of Agriculture. The survey also showed a 17 percent slump in off-licence sales of beer, and said health factors were the key to changing tastes.

Last year Australia had 11 percent of the British market, while the combined market share of the New World countries Australia, New Zealand, Chile, South Africa and U.S. has grown to more than 20 percent.

Markets losing out include Germany and France. In 1986 French wine accounted for 44 percent of all wine sold in Britain, but in 1998 that had fallen to 32 percent. Germany had 29 percent of the British market in 1986, but it now hovers around the 22 percent mark.

The decline in beer sales has been an ongoing trend since 1981, but has accelerated in recent years partly due to cheap imports by consumers from the continent.

UK spends more on "Fast Food" than the rest of Europe

A recent report from Mintel - "European Fast Food" finds that the UK's expenditure on fast food will reach in excess of £2.7 billion this year. Britain will spend more than France, Italy and Spain collectively on quick serve, American style fast foods, including burgers, pizza and chicken. While the UK has the highest spend followed by Germany and France, Italy has the lowest, but demonstrates the greatest growth.

Datamonitor findings: Organic Food takes root in Europe

According to the analyst Datamonitor, sales of organic food in Western Europe have grown by 70% since 1994 from $3.1 billion in 1995 to a forecasted $5.3 billion in 1999. In the UK, the organic food and drinks market has more than doubled in size, growing from $227.8 million in 1995 to $544.3 million in 1998. Again in 1998, a massive 70% of all organic foods sold were imports. Datamonitor concludes the level of UK organic cultivation has risen in the past five years, but still falls short in meeting the high demand.

Mintel findings: Supply problems and price factors hold UK organics back

According to Mintel (a UK market research firm), limited availability and high prices are thwarting the UK growth of organic food and drink. Mintel's report finds that 70% of UK consumers want to buy organics, but a third are put off by the cost.

The report reveals that the organic market is booming, with growth this year expected at about 40%, worth £550 million. Fresh produce, meat and dairy are the most dynamic sectors, while the fastest growing areas are baby foods, organic bread, tea and coffee.

A Waitrose spokesperson said that Mintel's figures were reflected in their stores, "Our number of lines has increased by 75% to 525 in a year, we hope to have 1,000 organic lines by this time next year" It was also said that the trend was expected to continue for the next few years.

Mintel's senior market consultant added to the debate that high prices dictated by limited and relatively unsupported supply were deterring potential consumers, which he said could ultimately restrict further growth. This was disputed by Sainsbury's which has set up SouRCe, an internet resource which allows suppliers to create a wider range of end products.

More Funding Found to Help UK Organic Farm Conversion

The UK Ministry of Agriculture, Fisheries and Food has re-opened the Organic Farming Scheme which provides aid to

UK farmers converting to organic farming. The scheme ran out of money by September of this year after allocating more than £16 million in aid to the sector in just six months. An additional £10 million is to be made available to fund conversion to organic farming.

More than 700 farmers have now been accepted into the Organic Farming Scheme since its initiation in April 1999. The scheme has brought nearly 60,000 hectares into organic farming contributing to a five-fold increase in the amount of organic land in the UK over the last year.

Somerfield Slashes Organic Prices by 20%

Somerfield recently slashed the price of its 120 organic products by 20% to encourage more shoppers to try them. The three week promotion applied to chilled, dairy and ambient products as well as the 35 organic fruit and vegetable lines sold in 250 of its stores. A spokesperson for Somerfield said: "Sales now stand at over £6.5 million a year for our organic fruit and vegetables alone and demand is increasing all the time."

Somerfield launched its range of fresh organic produce in February 1998. Since then the multiple has reported a fourfold increase in sales of fresh produce.

Price up 3% for non GM

Marks and Spencer will add an extra 3% to the price of its new range of non GM primary products. It says it is the first retailer to guarantee all its free range eggs, pork and poultry have been produced from animals fed a non GM diet. The extra 3% premium has been added to absorb what M&S claims are the enormous costs of sourcing non GM ingredients for feed. Sainsbury, Iceland, Somerfield and ASDA were quick to confirm they were all working on eliminating GM ingredients as far as possible from animal feed. A Sainsbury spokesperson commented that they did not anticipate a complete rollout "for at least two years."

Iceland - trendsetter or missionary?

The frozen food supermarket chain Iceland announced recently that they are banning artificial colors, flavors and, providing safety is not compromised, artificial preservatives from its own label food in addition to a range of quality and honesty initiatives. This is in response to a study of food safety perceptions of UK consumers commissioned by Iceland.

The survey, carried out by Mintel, concludes that post BSE, there is still a large measure of public concern about the basic quality and safety of food, both fresh and processed, which is not being addressed satisfactorily by either the Government or food retailers. The findings show a sharp rise in the number of people worried about the use of artificial additives and preservatives (E numbers) over the last year.

Iceland's Chairman and Chief Executive, Malcom Walker is leading this initiative. He was responsible for the banning of GM ingredients in Iceland's own label products, after which other supermarkets followed suit. He has also banned the use of the colorant Canthaxanthin (E161g) sometimes added to hen feed in Iceland free range eggs, since realizing his own hens laid eggs with naturally paler yolks.

Enriched Foods Predicted to Grow

A new Mintel report predicts that enriched products will grow at least in the short to medium term from their current value of £2.4 billion. Mintel believes that dried pasta, ready-prepared meals and soups could be areas for future activity, and adds that within the food industry it is generally agreed that the growth in functional foods will be one of the biggest trends over the next 10 years. The most number of enriched products on sale in the UK are in the breakfast cereal sector, followed by the cereal bars and fruit juice sectors. Enrichments are also common in canned pasta, bread and spreads/margarines.

Functional Confectionery Forges Ahead

Functional confectionery looks set to take the UK market by storm as manufacturers address the increase in customer demand for health and convenience foods. According to a report by market analyst Datamonitor, functional confectionery is replacing empty calorie consumption in a market valued at $464 million in the UK. Sugar-free chewing gum is being promoted as a dental care product and mini-mints as a breath freshener. Medicated confectionery is seen as an alternative to prescribed medicines. The report states future trends are likely toe see aspirin and vitamin supplements in chewing gum format, as pharmaceutical companies enter the market.

Private Label Grows in the UK

The Private Label Manufacturers Association (PLMA) reports that retailers in the UK saw significant gains last year in private label with the market share climbing to 44.7% in volume and 43.2% in value. According to the PLMA's 1999 International Private Label Yearbook, overall volume share of private label was up nearly 3% and value share advanced more than 2% for retailers in the UK. The UK led all the countries in overall volume and value share of private label, followed by Belgium, Germany, France and the Netherlands. Newcomers to the list of top 20 private label products in volume share were fresh natural fish, fresh uncooked sausage meat, shelled walnuts and fresh fruit.

Curry Outstrips Fish and Chips as UK's No.1 dish

Farewell fish and chips, the UK's newer generations are as familiar with ethnic food as with roast beef. Spicy and oriental foods are experienced young, and as they become a normal part of the diet, interest in diversity is likely to grow. One in four Indian meals are eaten on a Saturday night. Six out of 10 curries are eaten at home rather than a restaurant.

Nearly three quarters of British households buy ethnic food now and there's growth in all sectors. The retail market is valued at £594 million by Key Note, which predicts growth of 33.3% by 2003. Ready meals, a "low-risk" entry point for ethnic foods, form the biggest proportion of the market. Chilled meals have a higher value than frozen, but it will be interesting to see whether either or both these sectors are affected by the multiple supermarkets moves into takeaway meals. Ambient ingredients - particularly sauces - are booming as they become easier to use.

UK Ethnic Retail Sales £m

1. Indian	369
2. Chinese	259
3. Mexican	81
4. Thai	40
5. Cajun/Caribbean	22
6. South East Asian	11

Growth in Britain's Coffee Bars

Britons currently drink 2.9 million cups per week of the espresso-based coffees served up by specialist chains. This is forecast to double in the next couple of years. According to a recent survey - published by Allegra Strategies - the number of branded coffee shops is expected to more than double to 1,850 by the end of 2001, with a huge expansion outside of London.

With a profit margin estimated to be as high as 70%, it comes as no surprise that names such as McDonald's (which recently bought the Aroma coffee bar chain) and large UK brewer Scottish & Newcastle (which has launched Espres) have decided to grab a piece of the action. Market leader Costa Coffee (owned by Whitbread) and second and third in line Starbucks and Coffee Republic are likely to maintain dominance through their strong branding. All three are pursuing an aggressive expansion, Costa plans 50 new stores a year for the next two to three years, Coffee Republic plans 30 new stores a year for the next two years, and Starbucks (acquired Seattle Coffee Company last year) is looking to acquire 300 new stores in the UK by 2003.

TRADE/CONSUMER PROMOTION

Waitrose Magazine American Supplement

Waitrose , the up-scale supermarket grocery chain with 120 stores predominately in the South East of England, has recently joined forces with Food Illustrated magazine to bring an attractive magazine offering to its customers. The magazine is available for purchase within Waitrose stores and larger stationery chains such as W.H. Smith.

The AgLondon office is looking into the possibility of coordinating a 27 page American supplement to the July issue of Waitrose Food Illustrated magazine entitled "Journey Across America". There is also the likelihood of an in-store promotion linked to the July 4 holiday.

We are interested in hearing from any Cooperators, State Departments of Agriculture and State Regional Trade Associations which may be interested in participating. Costs would be shared equally among participants.

This represents a real opportunity to promote your region's products and to reach an upper middle class audience of

consumers in an economic way. Please contact Michael Conlon at: ConlonM@fas.usda.gov if your are interested in receiving more information.

U.S. Organic Export Initiative

The Europe 2000 Organic/Natural Sales Mission organized by WUSATA, MIATCO, SUSTA and Food Export USA Northeast will spend two days in London (February 14-15, 2000). Around 50 U.S. suppliers are expected to participate, learning about the UK market from industry experts, touring retail outlets, and meeting a wide range of buyers, distributors and retailers at the planned showcase in the American Embassy, London's Exhibition Center.

If you know of any U.S. company wishing to participate. Regional contacts for the event are:

SUSTA	Emily Felt/NC Dept of Agriculture	Tel: 919-733-7912 ext 276	emily.felt@ncmail.net
WUSATA	Tim Larsen/CO Dept of Agriculture	Tel: 303-239-4114	tim.larsen@ag.state.co.us
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North East	Rob Simon/FoodExport USA NE	Tel: 215-829-9111	Rsimon@foodexportusa.org

The California Almond Goes Nutty in UK

The campaign to raise exports of California almonds to the UK is now in full swing. The Almond Board of California wants to increase worldwide exports by 20% over the next 5 years and has begun a comprehensive media relations campaign to raise the profile of almonds and help communicate a healthy and modern image.

The campaign has so far targeted food editors with almond recipes and a delivery to key opinion formers, led by the health and beauty press is also planned to help to position California almonds as a contemporary and exciting product. Themed 'almonds for health inside and out', it will promote the benefits of almonds both in the diet and as an ingredient in beauty preparations.

The Guild of Food Writers, a highly influential group comprising 600 respected food writers has invited Vicki Brocato of the Almonds Board to speak about California almonds in one of their monthly workshops. This provides an exciting opportunity to provide a wealth of product information directly to key opinion formers.

To ensure that almonds remain at the forefront of food writers, minds, the Almond Board's Christmas card this year will feature a delicious recipe for almond truffles which can be used as a release for both caterers and consumers. The card will be sent with a small gift of the truffles, providing an excellent end to an exciting year for California almonds.

California Prune Exports Glow with Health

Exports of California prunes to the UK have increased 50% year-to-date (Aug 1 1998 - June 30, 1999) - 7,567 tons 1998/99 compared with 5,047 tons 1997/98. Indeed, export figures for June 1999 alone show a 78% increase over June 1998.

The California Prune Board office in the UK has worked to disseminate the strong health message resulting from a

recent study in which prunes have been shown to have the highest ORAC (short for Oxygen Radical Absorption Capacity - which measures the ability of foods to resist free radicals) rating of all fruits and vegetables tested. As a top scoring ORAC fruit, prunes could be responsible for helping to avoid cancer, heart disease and senility.

The interest in these findings from the UK consumer press has been intense and has led to the rapid dissemination of this information. With the advent of the prune "snack pack," it has become easier for consumers to partake in this healthy snack.

Florida Department of Citrus

An exciting new program will combine Florida fresh grapefruit with Florida orange and grapefruit juices to maximize the impact of consumer advertising and in-store activities.

Underpinning the quality message from Florida will be a strong health story, following the results from an extensive study by the Harvard School of Public Health which emphasized the benefits of citrus consumption in reducing the risk of stroke by up to 25%.

APA The Engineered Wood Association

A new publication "American Plywood in roof construction:a design guide" is currently being circulated. This design guide was produced in association with the UK's Building Research Establishment, the UK's center for excellence in all matters allied to construction.

Alaska Seafood Marketing Institute (UK) Newsletter

A range of promotional materials continue to be offered to a number of publications, which is a very successful way of obtaining further coverage and promoting awareness and usage of Alaska canned salmon. The Alaska Seafood Marketing Institute continues to monitor enquiries from both consumer and trade through the 24 hour phone line.

U.S. Apple Export Council

Eight USA Apples promotions have already been agreed with UK and Irish multiples for the Fall 1999 period. The mix of new marketing activities for this season's Empire, McIntosh, Red Delicious and Spartan apples includes apple-dipping bins for Halloween, Thanksgiving information leaflets with two recipes, Christmas tree decorations to collect, and TV advertising throughout the whole of Ireland. A joint exhibit with USA Pears at a Dublin trade show in mid-September was another new departure in collaboration. In addition Ginger Gold, which is a new export variety for the UK, was promoted at the end of September through in-store tastings.

After two seasons of slowly increasing penetration of the Irish apple market we shall be promoting in three of the four major chains in the Republic of Ireland this Fall. The increase in apple sales is already substantial.

The inaccurate inclusion of Empire apples in a Daily Mail article of French products suggested for boycotting on October 14, required prompt action. Our complaint to the editor brought about a swiftly published apology the next day.

National Dry Bean Council

The Council's exhibit at the recent ANUGA Trade Show in Cologne provided only a few new trade leads for the UK. This indicated that our data base of trade contacts for the UK is now accurately reflecting the UK trade. Trade servicing of the mature market for white navy beans, and the supply of information to the expanding market for other varieties continues. There will be further information newsletters published during the year and distributed to the trade.