United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution

Date: October 10, 2023

Report Number: UK2023-0021

Report Name: Food Service - Hotel Restaurant Institutional Annual

Country: United Kingdom

Post: London

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By: Julie Vasquez-Nicholson

Approved By: Alexandra Baych

Report Highlights:

Following the end of the pandemic, the hospitality sector in the United Kingdom (UK) continues to face several challenges including a cost-of-living crisis and soaring inflation rates. UK hospitality businesses have shown themselves to be creative and resourceful. The hotel, restaurant and institutional (HRI) sector in the UK includes world-class restaurants, pubs, and nightclubs. This sector is at the heart of rebuilding the UK's major city centers and high streets as people return to the office. Health, sustainability, and technology are important trends to watch in the sector.

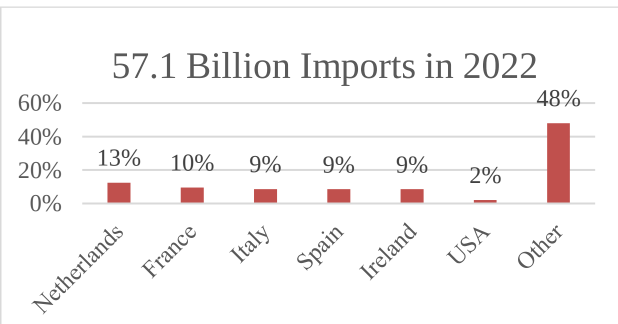
Market Fact Sheet: United Kingdom

Executive Summary:

According to the Office of National Statistics (ONS) data, the United Kingdom (UK) has a population of 67.1 million. It is a leading trading power and financial center and the third-largest economy in Europe, according to CIA World Factbook. 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 with less than two percent of the labor force. The UK consumer expects year-round availability of all food products ensuring a strong reliance on imports to meet demand. The UK market is very receptive to goods and services from the United States. With its $3.1 trillion GDP in 2022, the UK is the United States' fifth-largest market in the world for all goods and services. Demand for U.S. consumer-oriented food products continues to differentiate the UK from many European neighbors.

Imports of Consumer-Oriented Products

According to Trade Data Monitor (TDM), in 2022, the UK imported consumer-oriented agricultural products worth $57.1 billion, with the United States' market share at just over two percent or $1.2 billion.



Food Processing Industry:

According to the latest Food and Drink Federation Factsheet, the food and drink sector is the single largest employer in the UK manufacturing sector. In 2022, around 468,000 people across the UK were employed in jobs associated with food and drink manufacturing, an increase of 3.4 percent from 2020. According to the report the food and drink manufacturing sector's output in 2022 was valued at $40 billion with an annual turnover of $154 billion, up 4.2 and 4.8 percent, respectively.

Food Retail Industry:

The food retail sector is saturated, highly consolidated, and competitive. The top four retailers together account for 65 percent of the market.

Independent stores face strong competition from grocery retailers and online retailers. According to industry reports, online sales are predicted to become the second fastest-growing channel over the next few years spurred by consumer demand for home deliveries (30 minutes and an hour delivery times). The UK's top retailers offer online sales for home delivery across major cities.

UK consumers are also willing to try foods from other countries but expect quality products at a competitive price. Aldi has recently overtaken Morrisons to become the fourth-largest UK supermarket chain for the first time.

Quick Facts CY 2022 (£1=$1.2)

Total Imports of Consumer-Oriented Products: $57.1 billion

UK's Top Consumer-Oriented Growth Products

1) Eggs	6) Bakery Goods
2) Coffee	7) Food Preparations
3) Poultry	8) Chocolate
4) Non-Alcoholic Bev	9) Processed Fruit
5) Processed Vegetables	10) Condiments/Sauces

Food Industry by Channels (USD billion) 2022

Food Industry Output - Turnover	134
UK Ag Total Exports to United States	2.9
UK Ag Total Imports from United States	2.5
Value of Grocery Retail Market	271
Value of Food Service Market	40

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 (2021) *(millions)*: 67.1 GDP *(trillions)*: $3.1
GDP per capita: $45,000

Sources: CIA World Factbook, TDM, Kantar Worldpanel, UK Government Statistics

SECTION I. MARKET SUMMARY

Both 2022 and 2023 have proved extremely challenging for the UK hospitality sector, affecting both retail chains and independent operators. In 2022, the UK was among the first countries to lift COVID restrictions allowing businesses to reopen. However, the economic climate in 2022 and 2023 continues to be challenging as the UK grapples with a cost-of-living crisis and soaring inflation.

According to the ONS, in August 2022, UK inflation rose at its fastest rate in 40 years to 10.1 percent. Inflation has slowly fallen and the latest rate as of July 2023 stood at 6.8 percent. Food inflation has been considerably higher than overall inflation. Food inflation rates peaked at 19.2 percent in March 2023 at the highest rate in 45 years. In July 2023, the latest figures showed rates lowered to 14.9 percent, down from 17.4 percent in June 2023. Food-service inflation, however, continues to rise, which according to the UK Hospitality trade association, stands at a year-on-year inflation of 22.9 percent in June 2023.

The challenging economic environment was prompted by several factors. Russia's invasion of Ukraine impacted supplies of wheat, corn, and sunflower products. Extreme weather in the UK during the summer of 2022 caused drought conditions which reduced carrot and potato harvests. Supply chain disruptions which started during the pandemic continue and the cost of transporting products remains high. Energy prices have remained at unprecedentedly high levels over the last two years. In response, the UK government introduced an Energy Bill Relief Scheme which ran until March 2023 to assist businesses with high energy costs.

Staff shortages are another area of concern for the HRI sector. Many international workers returned to their home countries during COVID and as a result of Brexit have not returned. Inexperienced staff with higher wage demands are putting yet more pressure on an already strained industry. In 2022, according to the Hospitality Market Monitor Report, these factors contributed to the closure of 4,593 premises.

To combat the extra costs, businesses have increased their prices adding pressure to already price-sensitive consumers. Industry sources note that one of the first things consumers do when trying to cut outgoing costs is decrease how many times they eat or drink out and in what venues. Consumers either downscale, order takeaways, or eat at home instead, putting further strain on HRI recovery.

Trends:

Health: Consumers are trying to lead healthier lifestyles by making healthier choices when eating out. In a recent CGA Food Insights Report, 64 percent of those surveyed think it is important to know the nutritional content of meals consumed outside the home. More than 50 percent of UK consumers want to reduce their meat consumption, further increasing the number of people following vegetarian, vegan, or free-from diets. Foodservice operators need to ensure they cater to this growing trend as well as to those who desire more indulgent food.

Mindful Drinking: A trend towards alcohol moderation continues with younger consumers opting for no- or low-alcohol alternatives linked to consumers leading healthier lifestyles, this is predominately driven by the under 30's age group.

Sustainability: Despite the cost-of-living crisis, sustainability remains a key priority for UK consumers. According to the "Sustainability Matters" report more than a third of UK pub and restaurant goers are willing to spend more money on sustainable options. Nearly half of those surveyed (47 percent) said they would like to see more information about carbon footprints on UK menus. U.S. companies should therefore highlight sustainably sourced products and ingredients.

Global Cuisines: Cuisines and flavors from around the world are popular with consumers. Consumers get excited trying something new, making their eating experience more like a treat. Current popular cuisines are Cuban, Sri Lankan, Pan African, and fusion cuisines (popular foods with unusual ingredients).

Technology: New innovations in digital ordering, payment, and back of house functionality are expected to boost efficiencies throughout the industry. British consumers are among some of the highest users of social media platforms in Europe. Special offers or new products promotions through social media platforms has become vital in the HRI sector. Food influencers can also guide consumers to the latest trends.

Overview of the foodservice market in the UK in 2022

The following table shows a breakdown of the foodservice market in the UK. Due to the pandemic, sales for 2021 are not an accurate reflection of the industry. The 2022 figures almost returned to pre-pandemic rates, as the industry continues to recover. According to UK foodservice specialist Peter Backman, in 2022, total UK foodservice food and drink sales amounted to $57.2 billion, a 9.4 percent drop from 2019 pre-pandemic levels when the market achieved $63.1 billion in sales. The industry is consumer-oriented with significant investments in research and development. This helps development of new food and beverage products, keeping the sector up to date and exciting.

Table 1. Breakdown of UK Foodservice Market by Sector

	Number of Outlets		**Meals in ($ Billons)**		**Purchases Food ($ Billions)**		**Purchases Food and Drink ($ Billions)**		**Sales Food and Drink – ($ Billions)**	
	2021	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Restaurants	29,106	29.485	0.5	0.8	1.7	2.8	2.3	3.8	9.1	14.4
Quick Service Restaurants (QSR)	35,154	33,894	2.3	2.6	2.9	3.6	3.6	4.5	14.4	17.2
Pubs	39,288	36,688	0.5	0.65	0.7	1.2	1.1	1.8	3.7	5.7
Hotels	43,606	40,681	0.39	0.7	1.1	1.84	1.7	2.4	6.9	9.8
Leisure	20,342	18,884	0.26	0.53	0.39	0.75	0.5	0.9	2.0	3.4

Staff Catering	16,334	14,603	0.5	0.62	0.65	0.9	0.7	1.1	1.8	2.2
Health Care	32,479	32,499	1.3	1.25	1.3	1.38	1.4	1.4	1.8	1.68
Education	34,175	34,177	1.0	1.38	0.65	1.2	0.7	1.2	1.1	1.8
Services	3,068	3,167	0.39	0.32	0.26	0.32	0.39	0.36	0.39	0.36
TOTAL	**253,552**	**244,078**	**7.1**	**8.7**	**10.0**	**13.9**	**12.7**	**17.8**	**41.6**	**57.2**

Source: Peter Backman Foodservice Consultancy

What the future holds:

- Cost of Food – According to the 2022 Lumina UK Easting Out Market Report, consumers are more price sensitive than they were a year ago, with 72 percent now considering price as a priority when choosing where to eat out.

- Smaller/Independent operators will continue to feel financial pressure. Many retailers may be driven out of the market due to higher energy costs and inflation. Independent casual restaurants face stiff competition, as consumers move towards fast-casual chains or takeaways. According to UK Hospitality, the trade association that represents the UK foodservice industry, the number of restaurants in the UK has declined by 3,415 since March 2020. During the first three months of 2023 an average of six restaurants per day closed for good.

- Growth in vegetarian and vegan offerings as more consumers are concerned about their health and sustainable food practices.

- Increase in high street and city center consumption as more people return to the office.

- Consumers are increasingly on the go and looking for small affordable luxuries during the cost-of-living crisis. Coffee has maintained its popularity and increased its importance on menus. According to the 2023 Lumina Eating Out report, the most popular eating out brand is McDonalds. Costa, Starbucks, and Café Nero have all grown their market share in the past year.

- Dark Kitchens or ghost kitchens as they are known as in the U.S. will continue to increase satisfying consumer demand for fast-food delivery with fewer business overheads. These premises are not open to the public, with orders received from websites or apps.

- Supply chain issues, including unavailable product lines, and delays to deliveries will continue into the foreseeable future.

Table 2. Major Advantages and Challenges for U.S. Exporters

Advantages	Challenges
UK foodservice sector is historically strong. U.S. food service chains such as Five Guys, Hard Rock Café, and TGI Fridays are popular.	Strong price sensitivity. UK consumers demand quality but at affordable prices.
There are many specialty importers capable and interested in importing from the United States.	The UK has well-established brands for mainstream products, as well as private label products being popular and well regarded.
U.S. companies should highlight sustainably sourced products and ingredients, where possible.	Poultry, red meat, and dairy imports are highly regulated by the UK, with U.S. exports facing SPS barriers to entry.
Country is English-speaking and is therefore a gateway into Europe for U.S. exporters.	Negative stories and misinformation about U.S. food products, such as chlorinated chicken, and meat with hormones are an issue.
The United States is a popular destination for UK tourists and familiarity with U.S. products and restaurant chains is widespread.	Popularity and acceptance of specialty products from EU countries is high among British consumers, e.g., French cheeses, Spanish citrus, and Italian pasta.

Source: FAS London

SECTION II - ROAD MAP FOR MARKET ENTRY

Market Structure

More than half of all food and beverage products sold to food service operators are through wholesalers. Larger operators buy from wholesalers, while smaller outlets are likely to buy from either smaller wholesalers, known as cash and carries, or retail stores. Specialized importers have in-depth knowledge of import requirements, such as certification, labeling, and packaging regulations. Due to the large number of companies operating within the foodservice market, intermediaries skilled in fulfilling small orders 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 of this type in the UK.

Distribution

In 2022, pubs, clubs, and bars were the largest foodservice profit sector. Exporters and distributors providing to these venues have ample opportunities, although they may be hindered by the lingering supply chain challenges.

Entry Strategy

Successful market entry to the UK requires good knowledge of the UK consumer, meaning 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 and is a good source for country specific information.

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 establish new trade contacts and gauge product interests.

The trade shows listed below are UK-centric and U.S. companies focused on expanding exports to the UK market, should consider attending the shows. Please note, these shows are smaller scale than ANUGA and SIAL Paris.

Table 3. HRI-Related Trade Shows in the United Kingdom

Trade Show	Description
The Restaurant Show October 2-4, 2023	For those in hospitality industry, caters, restaurants, hotels, pubs, and bars. www.therestaurantshow.co.uk/visit
BrewLDN 2024 dates not yet announced	Trade & consumer show for craft beer. www.brewldn.com
Hotel, Restaurant & Catering March 25 - 27, 2024	The UK's leading hospitality and foodservice event. www.hrc.co.uk
Imbibe Live July 1-2, 2024	Exhibition focused on alcohol served in licensed on trade establishments. www.live.imbibe.com
London Craft Beer Festival August 2024	Large consumer beer show with a trade afternoon. www.londoncraftbeerfestival.co.uk/
Great British Beer Festival August 2024	Large consumer beer show with a trade afternoon. www.gbbf.org.uk
The Casual Dining Show & Lunch Trade Show, September 2024	These shows are co-located and dedicated to the casual dining and food to go sectors. www.casualdiningshow.co.uk www.lunchshow.co.uk

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 conduct 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 a U.S. commodity trade association with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, visit 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 specific commodity to meet with foreign buyers.

Institutional Foodservice institutions refer to 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.).

Sub-Sector Profiles

Table 4. Leading Foodservice Brands by Number of Outlets 2022

Rank	Operator	Main Sector	Global Brand Owner	No. of Outlets
1	Stonegate Group	Pubs	Stonegate Pub Co. Ltd.	3,290
2	Costa Coffee	Restaurants	The Coca-Cola Co.	2,792
3	Subway	QSR	Doctor's Associates Inc.	2,290
4	Greggs	QSR	Greggs Plc	2,219
5	Admiral Taverns	Pubs	Admiral Taverns Ltd.	1,685
6	Marston's	Pubs	Marston's Plc	1,485
7	McDonald's	QSR	McDonald's Corp	1,374
8	Punch Taverns	Pubs	Heineken NV	1,231
9	Domino's	QSR	Dominus's Pizza Inc.	1,172
10	Starbucks	QSR	Starbucks Corp	1,089

Source: Euromonitor

SECTION III. COMPETITION

The EU is the main competitor for U.S. consumer-oriented food. According to the Office of National Statistics, the EU supplies 23 percent of food consumed in the UK. EU food exporters have relatively low transportation costs and fast delivery times. EU products do not face import duties, nor do they face major ingredient or labeling changes. Fresh and frozen fruit and vegetables primarily come from the EU. Africa, Asia, and South America are the largest non-EU suppliers to the UK. They each have four percent each of all UK food and drink imports. North America follows with three percent. The three largest imported commodity groups by value were fruit and vegetables, meat, and beverages.

Since the departure of the UK from the EU, the foodservice industry has had to compete with other industries as well as other European countries to keep its labor force. Most of the labor force within the foodservice industry comes from other countries. With the changes to labor laws in full affect, many Europeans returned to their home countries or to other European countries to seek employment. This has led to a labor shortage within the foodservice sector. Higher salaries, more sociable hours and restaurant sustainability all have an impact on where people choose to work.

Table 5. Overall Competitive Situation for Consumer-Oriented Products (2022)

Product Category Total UK Import	**Main Suppliers in Percentage**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Wine & Beer (HS 2203, 2204, 2205, 2206) **USD 5.8 billion**	1. France - 31.8% 2. Italy – 20.8% 3. Spain – 8.0% **8. USA – 3.9%**	Proximity, reputation, climatic conditions for wine growing.	Limited wine grown in the UK, therefore necessity to import.
Tree Nuts (HS 0801 +0802 +200819) **USD 565 million**	1. **USA – 37.0%** 2. Vietnam – 23.4% 3. China – 5.3%	USA is the leading supplier of almonds, walnuts, pistachios, and hazelnuts.	Growing demand from the snack industry. Nuts benefit from their healthy reputation.

Food Preparations (HS 210690) **USD 1.7 billion**	1. Germany – 18.6% 2. Denmark – 12.3% 3. Netherlands – 10.2% **5. USA –6.6%**	Proximity and availability.	Strong domestic food industry.
Distilled Sprits (HS 2208) **USD 1.2 billion**	1. France – 21.2% **2. USA – 17.3%** 3. Italy – 10.4%	Proximity to the UK.	Scotland is a big producer of whisky and is competition for the United States. France exports brandy and Italy liqueurs.
Fish & Seafood (HS 03 + HS 16) **USD 8.2 billion**	1. Norway – 10.2% 2. Thailand– 9.2% 3. Poland – 8.4% **20. USA – 1.5%**	USA is the third largest supplier of Alaska Pollock fillets, used as an alternative to cod or in fish fingers.	Tradition in seafood trading and processing. Fish is popular.
Sauces and Preparations (HS 2103) **USD 1.1 billion**	1. Netherlands – 22.9% 2. Italy – 12.3% 3. Germany – 8.5% **11. USA –3.1%**	Proximity and availability. USA is well known as a supplier of BBQ and hot sauces.	Strong domestic food industry.
Sweet potatoes (HS071420) **USD 94.3 million**	**1. USA – 42.8%** 2. Egypt – 20.7% 3. China – 16.2%	The United States is the largest exporter of sweet potatoes to the UK.	Supermarkets sell fresh and processed sweet potatoes
Peanuts (HS 1202) **USD 178.9 million**	1. Argentina – 35.3% **2. USA – 24.2%** 3. Brazil – 13.6%	Until 2022, U.S. had 25 percent import duty giving Argentina the advantage.	Not grown in the UK. Demand from snack food industry.

Source: TDM

SECTION IV. BEST PRODUCT PROSPECT CATEGORIES

Products in the market that have good sales potential:

- **Processed Products**: snack foods, sauces, dips, salsas, etc.
- **Dried and Processed Fruit:** cranberries, dried cherries, prunes, raisins, berries
- **Nuts:** almonds, peanuts, pecans, pistachios, walnuts
- **Fish and Seafood:** cod, pollack, salmon, scallops, and 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, and wine

Products not in the market because they face significant barriers:

- **Food additives**
- **Red meat and meat products produced with growth hormones**
- **Most poultry and poultry products**
- **Genetically modified products that are not approved by the UK**

Table 6: Top U.S. Exports of Consumer-Oriented Products to the UK

Product Category	U.S. Exports to UK 2022 ($ million)	% Change 2021-22
Wine	166.4	-21.6
Tree Nuts	161.8	-6.1
Distilled Spirits	158.6	+48.7
Food Preparations	118.9	-21.9
Bakery Goods, Cereals, and Pasta	51.0	+6.3
Fresh Vegetables	50.2	-20.7
Non-Alcoholic Beverages, Exc. Juices	42.0	+0.7
Dairy Products	37.0	+25.0
Chocolate & Cocoa Products	34.1	+22.9
Processed Fruit	31.0	-13.7
Condiments & Sauces	29.0	-1.7
Confectionery	28.0	-21.9
Processed Vegetables	27.4	+13.5
Other Consumer Oriented	18.3	+24.3
Eggs and Products	17.3	-29.3
Dog & Cat Food	9.7	-5.5
Fruit & Vegetable Juices	8.7	+68.0
Beer	6.4	-49.1
Fresh Fruit	4.9	-46.6
Beef & Beef Products	4.3	+70.7
Pork & Pork Products	1.1	-71.7
Poultry Meat	0.3	+29.2

Source: BICO Report/U.S. Bureau of the Census Trade Data

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

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

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

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

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

Attachments:

No Attachments