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Report Highlights:

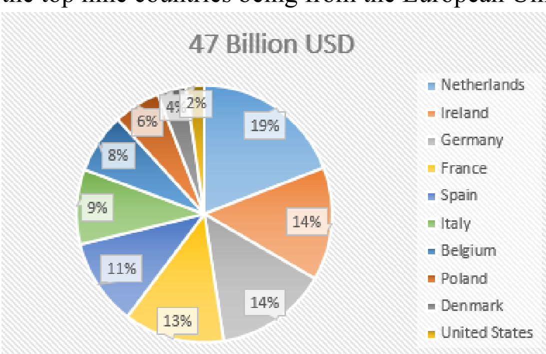
This report covers an overview of the UK food service market.

Executive Summary

The UK, a leading trading power and financial center, is the third largest economy in Europe. Agriculture is intensive, highly mechanized, and efficient by European standards but, represents less than one percent of the Gross Domestic Product (GDP). While UK agriculture produces about 60 percent of the country's food needs with less than two percent of the labor force, the UK is heavily reliant on imports to meet the varied demands of the UK consumer who expects year-round availability of all food products. The UK is very receptive to goods and services from the United States. With its $2.91 trillion GDP in 2019, the UK is the United States' largest European market and fifth largest in the world for all goods. Consumer-oriented products remain the most important sector for U.S. agriculture, amounting to $978 million in 2019. Demand for U.S. consumer-oriented food products continues to differentiate the UK from many of its European neighbors. The UK is the 13th largest market in the world for U.S. consumer-oriented products.

Imports of Consumer-Oriented Products

In 2019, the United Kingdom imported consumer-oriented agricultural products worth $47.0 billion, with the top nine countries being from the European Union.



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 2019 of $126 billion (£105 billion). Around 430,000 people across the UK are employed in jobs associated with food and drink manufacture and sales. Around 106,000 of these workers are of EU nationality, 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 (see chart) together account for 74 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 $15.2 billion (£12.7 billion) in 2019. UK consumers are willing to try foods from other countries but expect quality products at a competitive price.

Quick Facts CY 2019

Imports of Consumer-Oriented Products -$49.0 billion

List of Top 10 Consumer-Oriented Growth Products in UK

1) Meat & Fish Extracts	2) Lactose Syrup
3 Edible Fats	4) Maple Syrup
5) Chewing Gum	6) Pasta
7) Flavorings	8) Baby Food
9) Peanut Butter	10) Dog & Cat Food

Food Industry by Channels (USD billion) 2019

UK Agriculture and Related Imports from United States	3.0
UK Food Exports to the United States – Agricultural Total	1.0
UK Food Imports from United States – Agricultural Total	1.4
Retail	261.0
Food Service	68.2

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)*: 65.7 GDP *(trillions USD)*: 2.91

GDP per capita *(USD)*: 42,900

Sources: CIA World Factbook, TDM, Kantar Worldpanel

Strengths/Weaknesses/Opportunities/Challenges	
Strengths	Weaknesses
The UK is one of the biggest markets in Europe with one of the highest per capita income in the world.	U.S. exporters currently face competition from tariff-free products from other EU member states and FTA partners.
Opportunities	Threats
Speaking the same language, the UK's special relationship with the United States and its products and the potential of a free trade agreement all 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 trade barriers

I. Market Summary

Foodservice institutions 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.).

The UK foodservice market is currently more challenging than ever. For the last couple of years, Brexit had made the foodservice industry volatile; however, when writing this a year ago, no one could have predicted the effect that Covid-19 would have on the economy.

During the last seven months Covid-19 has had a huge impact on the UK economy and on the hospitality industry. On March 20, 2020, the UK government required all pubs and restaurants to close their doors as the UK went into lockdown. Sales plummeted overnight, causing total decimation of the on-trade (wholesale) sales in order to survive. The focus for many companies was to find other buyers online. Restaurants and pubs were then allowed to open for takeaway or delivery service only, with establishments having to put in place social distancing measures. While some outlets did better than others, business was very quiet for the majority with most of the population living and working from home.

On July 4th, restaurants and pubs could reopen for eat in customers. Most required reservations in advance; however, this did not initially work, as customers made reservations and failed to show up or customers did not have enough confidence to eat out again.

In August, the UK entered its deepest recession since records began, with hospitality being the hardest hit sector. There are 22,000 jobs that have been lost between April and August; which is nearly double the amount lost for 2019. It was at this point that the government started the "Eat Out to Help Out Scheme" which ran on Monday to Wednesdays in August and allowed customers 50 percent off their dine in meal up to £10.00 ($13.00) per person. The initiative was a resounding success with bookings up 216 percent compared to the same day in 2019. More than 100 million meals were served over the course of the month with 84,700 establishments having signed up to the initiative. The scheme put a lot of pressure on restaurants, as they were fully booked Monday through Wednesday with the remainder of the week quiet. With the scheme coming to an end on August 31, the trend of quieter restaurants has returned. A number of restaurants continued the campaign for a couple of weeks longer without government support.

The number of cases rose quite substantially during this time that the UK government imposed a new law. From September 14, no more than six people were allowed to meet at any one time for an indefinite amount of time. From September 24, all pubs and restaurants became table service only and have to close by 10.00pm for the foreseeable future. In addition, office workers are being asked to work from home for the next six months which will have a big impact on coffee shops and sandwich chains.

In 2019, the UK foodservice sector (food and beverage sales to consumers) was estimated to be worth $71 billion (£52.6 billion). The food service sector is clearly an enormous market and is one that can provide many opportunities for prepared U.S. exporters. Although there are no official figures for 2020, between March and August, sales dropped dramatically, so we are expecting this number to be much lower next year. The average UK consumers ate out twice per week in 2019. The average amount spent per outing is now $12.62 (£9.71) per person on dinner, $8.55 (£6.58) on lunch, $4.27 (£3.29) on breakfast and $5.34 (£4.11) 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 six 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 taken into account are: changing behavior of millennials, eating on the move, more demanding consumers, healthier eating and use of digital technology.
- More and more payments being made cash free, e.g. with mobile phone-based payment tools. Now some establishments only take payment by card due to Covid-19.
- Fast food outlets with drive-thrus 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." Despite this, the UK's obesity rates are now the highest in Western Europe with an estimated 28.7 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.

Fastest growing small chains in 2019 were: Sticks n' Sushi (Japanese), MW Eat Group (Fine Dining Indian), Oakman Inns (Pubs), Giggling Squid (Thai) and The Alchemist.

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

The way in which food was delivered by restaurants was changing prior to 2020, however, Covid-19 has made it imperative for restaurants to be linked to a delivery company 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. The foodservice delivery market was valued at $11.4 billion (£8.5 billion) in 2019. Sales through delivery services such as these now have grown to account for about 55 percent of the revenue for most restaurants using these services.

What the future holds:

- The return of discount codes and offers to entice customers back to restaurants.
- Increase in consumers using food delivery services such as Just Eat or Deliveroo.
- 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 more affordable or upscale.
- Increase in vegetarian and vegan offerings as more consumers concerned about their health.
- Alcohol consumption has been less this year because people are not socializing as much.

Overview of the foodservice market in the UK in 2019

Number of Outlets and Meals			$ Billions at 2019 Prices		
Sector	**Outlets**	**Meals Billions**	**Purchases Food**	**Purchases Food & Drink**	**Sales Food & Drink**
Restaurants	30,768	0.8	$3.1	$4.4	$17.1
Quick Service	35,154	2.3	$3.9	$4.9	$19.8
Pubs	39,288	0.7	$1.6	$2.3	$7.4
Hotels	43,606	0.6	$2.6	$3.4	$14.3
Leisure	20,342	0.5	$1.0	$1.3	$5.8
Staff Catering	16,334	0.7	$1.2	$1.4	$3.2
Health Care	32,479	0.9	$0.9	$0.9	$1.2
Education	34,175	1.2	$1.0	$1.2	$1.9
Services	3,068	0.3	$0.2	$0.4	$0.4
Total 2019	**255,215**	**7.97**	**$15.87**	**$20.53**	**$71.13**

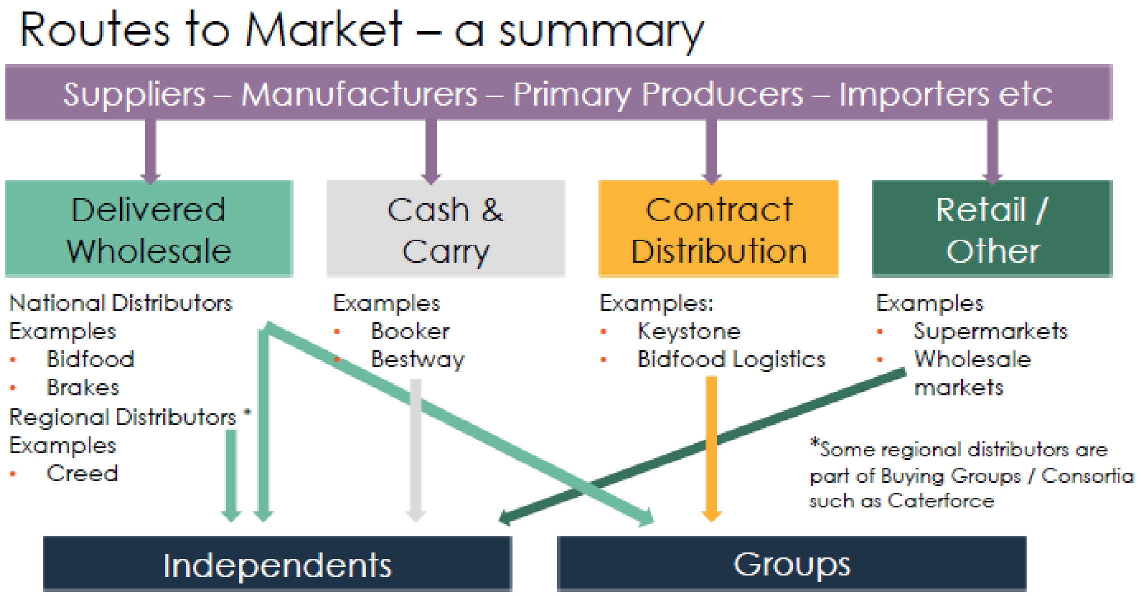
Source: Peter Backman Foodservice

Advantages and Challenges

Advantages	**Challenges**
UK foodservice sector is strong and growing. U.S. foodservice chains are popular.	Strong price sensitivity. Many UK consumers demand quality but low prices.
There are many specialty importers, capable and interested in importing from the United States.	The UK has well-established brands for mainstream products. .
U.S. products are viewed by UK consumers as affordable. Some UK consumers are affluent and have a disposable income to spend on eating out.	Poultry, red meat and dairy imports are highly regulated by the UK.
Country is English speaking and is therefore an easier gateway into Europe for U.S. exporters.	Anti-U.S. lobby on food products has intensified with trade agreement talks
The United States is a popular destination for UK tourists and familiarity with U.S. products and restaurant chains is widespread.	Popularity of specialty products from 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 business include McDonalds, Burger King, Prêt Manger and Compass. Brakes and 3663 provide a contract distribution service, in addition to their delivered wholesaler service.

Brexit Update: the UK agreed to withdraw from the EU on January 31, 2020. On that date, it entered into an 11-month transition period scheduled to end on December 31, 2020. During this period, the UK effectively remains in the EU Customs Union and Single Market. During transition, the UK is required to continue to follow EU rules but does not participate in EU decision-making processes. The UK did not ask for an extension and therefore if it does not come to a trade agreement by January 1, 2021, the UK will start trading with the EU on World Trade Organization terms, as with the rest of the world, pending any trade agreements with other third countries effective at that time. While the UK negotiates a post-Brexit relationship with the EU, it is also in trade discussions with the United States, New Zealand, and Australia. This month the UK has agreed to adopt much of the EU-Japan pre-existing trade deal. We do not know how this will affect distribution channels in the future.

Top 15 Foodservice Operators in the UK in 2019. Ranked by Food and Beverage Sales

Rank	Operator	Selected Brands	Main Sector
1	Mitchells & Butler	Sizzling Pubs, Vintage Inns, Harvester, Ember Inns, Toby Carvery, Crown Carveries, Nicholson's, O'Neill's, Alex, All Bar One, Miller & Carter, Browns, Oak Tree.	Pub Company
2	McDonalds	McDonalds	Quick Service Restaurant (QSR)
3	Compass	Eurest, Levy UK, Medirest, 14forty, Leith's White Oaks, Chartwells, Restaurant Associates, Payne & Gunter	Contract Caterer
4	Yum! Brands	Pizza Hut, KFC, Taco Bell	Restaurant & QSR
5	Greene King	Chef & Brewer, Farmhouse Inns, Flaming Grill Pubs, Hungry Horse, Eating Inn, Loch Fyne, Belhaven Pubs,	Pub/Restaurant
6	JD Wetherspoon	JD Wetherspoon	Pub/Restaurant
7	Greggs Plc.	Greggs	QSR
8	Coca Cola	Costa	Coffee Shops
9	Restaurant Brands International	Burger King	QSR
10	Sodexo	Sodexho	Contract Caterer
11	Stonegate	Slug and Lettuce, Tattershall Castle, Henry's Café Bars, Yaet's, Missoula Social, The Living Room, Scream, Squirrel, Be at One, Walkabout.	Pub Company
12	Nandos Group Holdings	Nandos,	Restaurant
13	The Restaurant Group	Frankie & Benny's, Wagamama, Chiquito, Garfunkel's, Brunning & Price, TRG Concessions.	Restaurant
14	Domino's	Domino's	QSR

15	WSH	BaxterStorey, Portico, Caterlink, Holroyd Howe, Benugo, Searcy's	Contract Caterer.

(Source: Peter Backman Foodservice)

Leading Chained Consumer Foodservice Brands by Number of Outlets 2019*

Rank	Operator	Main Sector	Global Brand Owner	No. of Outlets
1	Enterprise Inns	Pubs	Enterprise Inns Plc	3,420
2	Costa Coffee	Restaurants	Whitbread Plc	2,490
3	Subway	QSR	Doctor's Associates Inc.	2,435
4	Greggs	QSR	Greggs Plc	2,043
5	Marston's	Pubs	Marston's Plc	1,476
6	McDonald's	QSR	McDonald's Corp	1,323
7	Punch Taverns	Pubs	Punch Taverns Plc	1,267
8	Domino's	QSR	Dominus's Pizza Inc.	1,138
9	Admiral Taverns	Pubs	Admiral Taverns Ltd.	1,046
10	Starbucks	QSR	Starbucks Corp	1,020
11	JD Wetherspoon	Pubs	JD Wetherspoon Plc	875
12	KFC	QSR	Yum Brands Inc.	873
13	Star Pubs & Bars	Pubs	Heineken NV	805
14	Caffe Nero	QSR	Caffe Nero Group Ltd.	689
15	Pizza Hut	Restaurants	Yum Brands Inc.	669

(Source: Euromonitor) *since Covid-19 many outlets have closed a number of branches.

Market entry to the UK 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@usda.gov . FAS GAIN Reports are a good source for country specific information: http://gain.fas.usda.gov.

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
The Casual Dining Show March 10-11, 2021,	Only UK trade show dedicated to the casual dining sector. www.casualdiningshow.co.uk
BrewLDN February 2021, dates TBC.	Trade & consumer show for craft beer. www.brewldn.com
Hotel, Restaurant & Catering March 22-24, 2021,	The UK's leading hospitality and foodservice event. www.hrc.com
Imbibe Live Online October 12-18, 2020	Exhibition focused on alcohol served in licensed on-trade establishments. www.live.imbibe.com
Great British Beer Festival	Large consumer beer show with a trade afternoon.

August 3-7 2021	www.gbbf.org.uk
Lunch Sep 23-24, 2021	The UK's leading trade show for the Food to Go sector. www.lunchshow.co.uk
The Restaurant Show Sep 27 – Sep 29, 2021,	For those in hospitality industry, caters, restaurants, hotels, pubs and bars. www.therestaurantshow.co.uk

*It is expected that most shows in 2021 will be virtual due to Covid-19.

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 UK having left the EU and the transition period finishing on December 31, 2020, the foodservice industry will have to compete with other industries as well as other countries to keep its labor force. Most of the labor force within the foodservice industry comes 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.

All U.S. beef products must come from non-hormone treated cattle. Both U.S. beef and poultry must be slaughtered and processed in an EU-approved establishment. In regards to dairy products, they must come from an approved US plant. For dairy, the approval of plants is managed by FDA (but the export license is issued by APHIS and AMS). All animal and animal products require an import license of some form, be it Product of Animal Origin (POAO), milk and milk products etc.

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 and **Food Ingredients.**

Products not present because they face significant barriers - Food additives, red meat and meat products produced with growth promotants, most poultry and eggs and genetically modified products that are not approved in the EU.

Trends in U.S. Exports of Consumer-Orientated Foods to the UK

Product Category	Growth 2014 – 2019 (%)	U.S. Exports to UK 2019 ($ million)
Wine & Beer	+5.0	249.4
Tree Nuts	+23.1	210.8
Prepared Food	-11.4	151.0
Fresh Vegetables	+58.3	77.1
Processed Fruit & Vegetables	-49.6	48.7
Snack Foods (excl nuts)	-15.8	48.7
Chocolate & Cocoa Products	+56.6	41.0
Condiments	+27.0	33.3
Non-Alcoholic Beverages Exc. Juices	0	22.6
Breakfast Cereals & Pancake Mix	+106.5	15.7
Fresh Fruit	-67.7	15.5
Eggs and Products	+19.0	13.1
Dairy Products	-16.2	12.4
Pet Foods (Dog & Cat Food)	+37.7	6.2
Fruit & Vegetable Juices	-38.3	6.1
Other Consumer-Oriented Products	+37.8	5.1
Pork & Pork Products	-32.0	3.4
Beef & Beef Products	-70.0	0.6
Poultry Meat	+100	0.4

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

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.

United States Department of Agriculture, Embassy of the United States of America, 33 Nine Elms Lane, London, SW11 7US, Tel: +44 20 7891 3313, E-Mail: aglondon@usda.gov
Website: www.fas.usda.gov or https://uk.usembassy.gov/ Twitter: USagricultureUK
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:

- **Peter Backman Foodservice Consultancy**, Tel: +44 844 800 0456,
  E-Mail: peter@peterbackmanfs.com Website: https://www.peterbackmanfs.com/
  Leading consultancy who specialize in the foodservice industry.
- **MCA Insight**, Tel: +44 1293 610 343, Email: insight-enquiries@mca-insight.com

Website: www.mca-insight.com 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