United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** October 01, 2021

Report Number: UK2021-0083

Report Name: Food Service - Hotel Restaurant Institutional

Country: United Kingdom

Post: London

Report Category: Food Service - Hotel Restaurant Institutional

Prepared By: Kathy Yao and Daphney Quinn

Approved By: Cynthia Guven

Report Highlights:

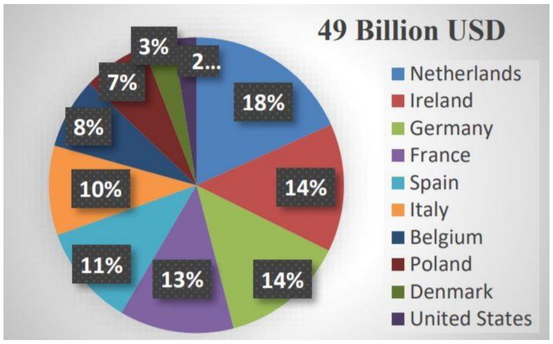
The UK's post-COVID recovery enabled its hospitality sector gradual progress in the early summer of 2021, only to face more difficulty by mid-year. Changes in consumer habits related to COVID and its consequences are shaping the landscape of the UK market for exporters from the United States. Even as restaurants and bars begin to reopen, many are critically understaffed due to labor shortages as a result of Brexit and COVID combined. Those businesses that are able to keep their doors open are also challenged by a severe decline in tourism throughout the region. U.S. imports remain popular; however, those that market themselves as “planet-friendly,” “healthy,” and convenient are seen more favorably.

Executive Summary

While the UK remains a powerhouse in the global market, there is no doubt that the COVID-19 pandemic and its economic repercussions linger. The UK maintains its status as a leading trading power and financial center, yet its annual GDP dropped from 2.17 trillion pounds in 2019 to 1.96 trillion pounds in 2020. The service sector contributes a whopping 70.9 percent of the UK's GDP, with the hospitality industry (composed of the country's hotels, pubs, restaurants, and leisure companies) constituting four percent of the total GDP. Tourism has been a critical aspect of the service industry, and while some forecasts predict an upwards trend, it is likely that tourism will continue to lag as the Delta variant and some government restrictions remain. Meanwhile, the consumer-oriented product market is steadfast, and demand for U.S. consumer-oriented food products continues to define the U.S.-UK relationship.

Imports of Consumer-Oriented Products

In 2020, the UK imported consumer-oriented agricultural products worth $49 billion, with the United States' market share at two percent or $980 million.



Food Processing Industry

The food and drink sector is the largest single employer in the UK manufacturing sector. Around 430,000 people across the UK are employed in jobs associated with food and drink manufacture and sales. Approximately 106,000 of these workers are of EU nationality, amounting to about a quarter of the UK workforce; yet many of those workers have not been able to work due to COVID-19 and/or Brexit implications, contributing to a major labor shortage.

Food Retail Industry

The sector is fiercely competitive. The top five retail groups (see chart) together account for 75 percent of the market. Post-COVID recovery for many independent businesses relies on the "Shop Small" narrative, yet these local grocers face strong competition. Online food sales and grocery pick up / delivery sales are showing unprecedented growth and were up 144 percent year-on-year in January of 2021. Within this market, the specialty food scene is thriving as more people are choosing to cook at home. UK consumers may be looking to move beyond the basics, and seem to favor some international imports, even when these items are higher cost.

Quick Facts CY 2020

Total Imports of Consumer-Oriented Products: $49 billion

U.K.'s Top Consumer-Oriented Growth Products

1) Prepared Food	6) Non-Alcoholic Beverages
2) Processed Vegetables	7) Bakery Goods
3) Condiments	8) Eggs and Products
4) Rice	9) Food preparations
5) Dog and cat food	10) Dairy Products

Food Industry by Channels (USD billion) 2020

UK Agriculture and Related Imports from United States	3
UK Food Exports to the United States	1
UK Food Imports from United States	1.6
Retail	282
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 2020

Population *(millions)*: 67.1 GDP *(trillions GBP)*: 1.96

Sources: CIA World Factbook, TDM, Kantar Worldpanel

I. Market Summary

The UK food service market is working its way towards recovery but faces countless challenges along the way. Month-to-month changes in the market appear to be largely tied to COVID case numbers and government restrictions, with an overall upward trend.

During the last 18 months, COVID-19 has had an immeasurable impact on the UK economy, and while 2021 shows some recovery compared to 2020, growth still lags considerably when compared to 2019. In winter of 2020, the UK faced its second wave of lockdowns and reported sales in hospitality were down 57 percent. While vaccination programs were meant to alleviate the financial pressure, staffing crises compounded with new variants made for a tumultuous summer. Many restaurants have had to close — not because of restrictions, but because of a lack of hospitality workers willing to rejoin the fray.

These staffing shortages may have been exacerbated by the ongoing ramifications of Brexit, which displaced hundreds of thousands of EU migrants, many of whom were hospitality workers in the UK. Many restaurants and hotels are lobbying for hospitality jobs to be included in the list of "shortage" occupations, which would open an easier path for immigrants applying to these positions to obtain a work visa.

At the beginning of 2021, UK restaurants and casual dining firms recorded almost 30,000 job losses over the course of the COVID-19 pandemic. Some of these losses were a result of the UK furlough scheme, which was meant to keep staff intact, but resulted in many workers choosing less stressful or higher paying occupations as restaurants reopened. Many workers have also pivoted alongside restaurants to engage in more delivery-based food options.

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.

Brexit Update:

The UK withdrew from the EU on January 31, 2020. On that date, it entered an 11-month transition period which ended on December 31, 2020. The EU-UK Trade and Cooperation Agreement applied provisionally from January 1, 2021, until its full ratification on May 1, 2021. Since then, this agreement has allowed for free trade in goods and some mutual market access. Because there are no tariffs nor quotas between the UK and the EU, the trade relationship has remained largely intact. Customs formalities and COVID slowdowns caused major delays in shipping and distribution in 2021. The most direct consequence of Brexit observed in 2021 is the massive labor shortage plaguing restaurants, bars, and hotels.

Trends

Major food trends in the UK:

- 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 since 2019.
- There is increased popularity and demand for street food, grab ‘n’ go, fast-service techniques, healthy/lifestyle options, vegan, and vegetarian foods.
- Long-term consumer trends to be considered include the changing behavior of millennials, such as eating on the move, healthier eating, and the 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 sales. Due to limited land, the majority of these are found outside city centers.
- The most significant trend in recent years is the preference for “healthy eating.” Low fat, dairy free, sugar free, low carb, low salt, nut free, organic, vegan, and vegetarian are regularly seen on menus.
- "Keto" items that are high in protein are seeing a substantial increase, as well as high-protein cereals, snacks, and bars.
- There is a trend towards foods marketed as "sustainable," "green," or "planet-friendly." These foods are often seen as having a lower carbon footprint and are popular among young consumers.
- More consumers are shopping for breakfast and lunch foods that are not pre-prepared, as many continue to work from home in 2021 and move away from "traditional meal deal lunches."
- Alcohols like low-calorie hard seltzers and low-sugar wines have steadily gained in popularity since 2018 and can be expected to continue to grow, especially among consumers in their 20s and 30s.

What the future holds:

- The continuation of discount codes and offers to entice customers back to restaurants.
- Potential slight decrease in consumers using food delivery services such as Just Eat or Deliveroo as they return to dine-in restaurants.
- Smaller/Independent operators will continue to feel pressure, and many are likely to be driven out of the market. Independent casual restaurants are facing stiff competition, as consumers are moving towards fast-casual chains or “upgrading” to higher-end establishments instead.

- Increase in vegetarian and vegan offerings as more consumers concerned about their health and sustainable food practices.
- Continued supply chain issues, including in non-food products like CO_2 that have massive agricultural production impacts, experienced a massive shortage in August and September of 2021.

One major future consideration is the impact the food service industry missing out on 40 million or so overseas leisure visitors in 2020 and 2021. These tourists contributed an estimated $33.9 billion in revenue in 2019 and now their absence is keenly felt. The UK hospitality industry will have to do its utmost to ensure they return in 2022.

Fastest growing small chains in 2020 were:

	Global Brand Owner	Number of Outlets
Enterprise Inns	Enterprise Inns Plc	3,300
Costa Coffee	Coca-Cola Co.	2,467
Subway	Doctor's Associates Inc	2,229
Greggs	Greggs Plc	2,059
Marston's	Marston's Plc	1,357
McDonald's	McDonald's Corp	1,325
Punch Taverns	Heineken NV	1,250
Domino's Pizza	Domino's Pizza Inc	1,133
Starbucks	Starbucks Corp	1,062
Admiral Taverns	Admiral Taverns Ltd	1,010

Source: Euromonitor

II. Road Map for Market Entry

Major Advantages and Challenges for U.S. Exporters

Advantages	**Challenges**
UK food service sector is historically strong and still growing. U.S. food service 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 has easier gateway into Europe for U.S. exporters.	Anti-U.S. lobby on food products intensified with FTA 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, and Italian pasta.

Over half of all food and beverage products sold to food service 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 of this type in the UK.

Notably, pubs, clubs, and bars make up the largest channel in the UK food service profit sector by revenue, representing 23 percent of total sector revenue in 2020. Exporters and distributors providing to these venues have ample opportunity, although they may be hindered by the lingering supply chain challenges referenced above.

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 September 23 - 24, 2021	Only UK trade show dedicated to the casual dining sector. www.casualdiningshow.co.uk
BrewLDN 2022 dates not yet announced	Trade & consumer show for craft beer. www.brewldn.com
Hotel, Restaurant & Catering (International Food Expo) March 21 - 23, 2022	The UK's leading hospitality and foodservice event. www.hrc.co.uk
Imbibe Live Online September 13 - 14, 2021	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 2 - 6, 2022	www.gbbf.org.uk
Lunch September 23 - 24, 2021	The UK's leading trade show for the Food to Go sector. www.lunchshow.co.uk
The Restaurant Show September 27 - 29, 2021	For those in hospitality industry, caters, restaurants, hotels, pubs and bars. www.therestaurantshow.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 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 food service 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 changes to labor laws in full affect, many Europeans are going back to their home countries or to other European countries to seek employment. This has already damaged the labor market and it is likely to continue to do so. Fortunately, indicators show that pay for these individuals is beginning to increase, which may entice many hospitality workers back into the market.

When it comes to competition for direct exports, regulations and licenses play a major role. 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 approved establishment. In regards to dairy products, they must come from an approved US plant. The approval of these plants is managed by FDA (but the export license is issued by APHIS and AMS). Additionally, all animal and animal products require an import license of some form. These restrictions make domestic or EU products easier to obtain for many UK consumers.

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, 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.**

Top Consumer-Oriented Products Imported from the United States

Product Category	2020 - 2021 Change (%)	U.S. Exports to UK 2020 ($ million)
Wine & Beer	-10.8	248.7
Tree Nuts	-2.2	197.7
Prepared Food	+11.5	148.3
Fresh Vegetables	-12.2	74.8
Processed Vegetables	+20.5	19.5
Processed Fruits	-6.6	35.1
Chocolate & Cocoa Products	-13.0	34.3
Condiments	+11.5	36.0
Non-Alcoholic Beverages Exc. Juices	+86.0	22.7
Bakery Goods, Cereals, & Pasta	+0.2	54.3
Fresh Fruit	-41.0	14.2
Eggs and Products	+63.9	17.2
Dairy Products	+42.0	28.4
Pet Foods (Dog & Cat Food)	+2.7	8.1
Fruit & Vegetable Juices	-16.1	5.6
Other Consumer-Oriented Products	-22.7	18.1
Pork & Pork Products	+36.1	3.2
Beef & Beef Products	-49.3	2.3

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

IV. 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 www.savorthestates.org
Twitter: USagricultureUK; Instagram: @Savorthestates
FAS London publishes other market and commodity reports available through the Global Agricultural Information Network (GAIN) at https://www.fas.usda.gov/data/search

Attachments:

No Attachments