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## United Kingdom

### Agricultural Situation

### London Calling

### 2004

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**Report Highlights:**

London Calling is a synopsis of UK food and beverage trade media reports. It aims to inform U.S. exporters of the current factors influencing the UK market.

If there are any specific product areas that you would like to see included in future editions, then please let us know.

And to ensure that you are on our mailing list for future editions, email [ALMT@usda.gov](mailto:ALMT@usda.gov)

To view previous editions of London Calling and to access UK specific market information, please visit the FAS London website.

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Includes PSD Changes: No  
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**UK BBQ Sales Are Sizzling**

British families held an average of 8 barbecues last year -- not bad for a country plagued by unpredictable weather! The long, hot summer of 2003 was a major factor.

UK retailers are increasingly setting up dedicated barbecue fixtures in-store, where sauces and rubs sit next to accessories such as tongs and charcoal. The UK's National BBQ Association says that UK consumers are increasingly willing to trade up during the "summer eating" season -- with the majority now spending at least \$37 per barbecue compared with \$28 the year before.

This year (weather permitting) the trade expects to enjoy further increases in sales from the BBQ sector. In particular, the upcoming Euro 2004 soccer games in June, coupled with the Olympics in August, are predicted to contribute to healthy sales.

Source: The Grocer

**American Food Revolution**

Raymond Blanc, one of the world's most famous chefs, has invited top chefs from the USA to bestow their "multi-cultural culinary wisdom" on European cooks. Blanc is reported as saying: "America has a very integrated cuisine -- it's like their culture,"

To encourage transatlantic learning, Blanc is hosting a conference entitled "American Food Revolution" in Oxfordshire, southern England.

The conference aims to showcase what Blanc says is the "remarkable impact" the U.S. is having on the global culinary landscape.

All in all, the conference will be seven days of discussion (April 15-21) between U.S., British, and French chefs, together with representatives of farming, processing and retailing industries.

Source: FAS London

**Health Top of UK Agenda?**

A survey of the attitudes and concerns of 45 marketing directors from across the southwest of the UK flags up the belief that consumer demand for healthier, less processed foods will be the most significant change to the way the UK eats and drinks over the next 3 years.

Other issues said to be of importance are eating and drinking on the move and the continued increase in chilled ready meals.

Source: The Grocer

**UK Food Industry Backs Salt-Reduction**

Food retailers have pledged to reduce salt in their private label processed foods such as soups, pizzas and ready meals. The "minimizing salt" framework, from the British Retail Consortium (BRC) is in response to the UK government's call for the entire food industry to cut down on salt content of processed foods. The framework anticipates reductions of up to 25%.

Source: New Product News

**BBC Plans A Re-think on Kids Treats**

The BBC (the UK's historic broadcaster) has announced a health crackdown to target snack foods and sweets bearing the images of BBC children's characters. The BBC wants to shake up the conditions behind licenses to manufacturers, and promised to reduce the amount of salt, fat and sugar in products that they endorse for programs such as the Fimbles and Teletubbies.

Source: Mintel

**Britain Most Active EU Market for Acquisition**

Britain has been the most active EU market for consolidation, generating 72 transactions worth a total of €1.6bn (US\$1.9bn). 2003 saw a raft of merger and acquisition activity, in both the UK's retail and food manufacturing sectors.

While the UK market has witnessed mega deals in the recent past, the trend is towards smaller deals. These are most likely in growing markets, such as functional foods and new-age beverages, or in developing markets where the market shares of local producers are still high.

Source: Datamonitor

**UK Tourism Continues Its Slow Recovery**

The Madrid bombings do not appear to have adversely affected the slow recovery in tourist numbers coming to the UK, although travelers from North America are continuing to stay away, according to the latest figures.

The Office for National Statistics figures (not seasonally adjusted) report that the number of overseas residents coming to the UK from Western Europe rose by 4% but the numbers coming from North America fell by 5%. The rest of the world accounted for a 3% increase.

Source: Caterer-Online.com

**Sainsbury's Scoops Organic Title Again**

The UK's leading organic certifying body, the Soil Association, has named J. Sainsbury Supermarkets as the Organic Supermarket of the year for the third consecutive year.

The judges said they were impressed by the chain's commitment to the environment and to selling locally produced organic food.

Source: Natural Product News

**It's Apparently Convenient Not To Think!**

British consumers spent over \$30 billion on convenience foods last year, according to a Mintel market research study. This makes the convenience sector (defined as any meals that don't need preparation) the largest in the UK take home foods market. The sector has grown by a staggering 70% over the last 10 years.

New thinking says that the UK convenience phenomenon is a result of consumers not wanting to think about what to cook. This is in contrast to the previously touted rationale that consumers lacked the time to cook. Spending on dining out has also grown by 60% from 10 years ago. Fast food accounts for 40% of this.

Source: The Grocer

**Take Away Meets Fast Casual Dining**

The last 10 years have seen a steady evolution in the UK's take away market. Operators such as Marks & Spencer and Prêt A Manger have revolutionized the UK's sandwich industry. Similarly, Starbucks, Costa Coffee, Caffè Nero and Coffee Republic have created a major UK coffee "scene". In addition, specialist meal providers such as Soup Opera and Oi Bagel have also shaped the take away market.

Analysts suggest that the fickle UK consumer is starting to get bored with the products and environments. This is floated as the reason that sales figures in these types of outlets are starting to struggle. Such consumer influence is likely to mean more innovation in an already fast-moving sector. Just as coffee and soup were U.S. imports, so the latest trend is also from across the Atlantic.

The term 'fast casual' coined in the U.S. a few years back is increasingly taking hold in the UK. A number of concepts are being launched and some existing operators such as Prêt A Manger are making changes in this direction.

Source: Checkout

**Sainsbury's Sells U.S. business for \$2.47 bn**

British supermarket chain J. Sainsbury has agreed to sell its U.S. business to Albertsons Inc. for almost US \$2.5 billion. Sainsbury's U.S. subsidiary, Shaw's Supermarkets, has 202 stores, largely in New England. The chains hope to complete the deal in early May. Sainsbury's said it would return about a third of the proceeds from the sale to its shareholders and use the rest to develop its core British retail business.

Source: just-food.com

**U.S. Firm In Bid For Sainsbury's?**

There has been renewed speculation that U.S.-based private equity firm Kohlberg Kravis Roberts is in the early stages of preparing a bid for supermarket operator Sainsbury's.

Press reports quoting sources close to KKR suggest that an offer may still be a year away from being tabled, with KKR waiting to see whether new Chief Executive Justin King, who took up his role at the end of this month, will improve Sainsbury's performance.

Source: Mintel

### **Morrisons To Sell 19 Stores To Waitrose**

UK supermarket group Wm Morrison has announced that it has agreed to sell 19 stores to rival supermarket chain Waitrose. This sale is part of the disposal transactions that were a condition of the approval granted for its takeover of larger rival Safeway. In total, Morrisons has agreed to dispose of 52 Safeway stores.

Waitrose has said the stores being acquired will increase their selling space by 20%.

Waitrose (currently with 144 branches) plans to convert the stores in a phased program expected to be complete in time for Christmas trading. Morrisons is believed to prefer to sell stores to Waitrose in order to limit the expansion of Morrisons' larger rivals, Tesco and Asda, in the North of England, Morrisons' main market.

Source: just-food.com

### **Morrisons Extends Price Cuts**

Supermarket chain Morrisons has cut the cost of shopping at its larger UK Safeway stores by 24% since taking ownership, reports The Independent (a British newspaper). Thousands of price cuts have been introduced since March and Morrisons has pledged to lower the prices on a further 4,300 products in Safeway stores over the next few weeks. The price cuts are estimated to save a British Safeway shopper approximately £600 a year.

A spokesperson from Morrisons is reported to have said: "These are permanent price cuts, from a loaf of bread to fruit and veg, through to wines, spirits and home and leisure goods."

These cuts are likely to increase the already intense pressure on rival UK chain Sainsburys, which is expected to introduce its own price cuts this summer. Also, analysts have calculated that Sainsburys would need to spend £650m – almost one year's pre-tax profit – to bring prices into line with Asda and Tesco.

Source: Farmers Weekly

### **Tesco Continues To Snap Up Market Share**

The UK's leading grocery retailer Tesco has made further gains in market share while its two nearest rival have both lost out, according to the latest UK industry figures based on till receipts. The data shows that Tesco's market share increased to 27.4% for the three months to 29 February, compared to 27.2% a month ago, and 26.2% in the year-ago period, reported Reuters.

The UK's second-largest supermarket chain Asda, owned by U.S. retail giant Wal-Mart, saw its market share slide to 17% from 17.1% a month ago. Its market share a year ago was 16.6%. Sainsbury's market share slid to 16.4%, compared to 16.5% a month ago and 17.2% a year ago.

Wm Morrison Supermarkets increased its market share slightly to 6.6%, and this week it increased it even more with the takeover of Safeway, which has an 8.7% share according to the latest figures.

Source: just-food.com

**Tesco To Invest In China's Retail Market?**

After several years of eyeing the mainland Chinese market, it seems that Tesco is preparing to make a move. Although no official statement has yet been made, Tesco is rumored to be considering spending some US\$200m on a 50% stake in 25 mainland hypermarkets – ten of them in Shanghai – owned and operated by Ting Hsin International Group of Taiwan.

Despite its cautious approach to China, Tesco is no stranger to Asia. Constrained by regulatory controls from expanding aggressively in its home UK market – where it now enjoys a legal maximum 27% market share – the company has opened stores in growing markets across the region. To date, there are 79 Tesco stores in Japan, Malaysia, South Korea, Taiwan and Thailand, generating US\$3.8bn out of its global revenue of US\$53.1bn in the year up to March 2004, according to company statements.

Source: Access Asia

**Sales Jump Boosts Tesco Profits**

Tesco announced its full year results in mid-April, posting record profits of £1.6bn (US\$2.9bn) for the year to 28 February. Performance was lifted by rising sales. UK sales surged 16.3% to £26.9bn (US\$48.4bn) and the overseas business - which makes up one-third of Tesco operations - jumped 29% to £6.7bn (US\$12bn)

The UK's market leader emphasized that its non-food sales were rapidly catching up with its food sales - helping to lift profits further. Clothing sales in particular were flagged as a star performer.

The figures include like-for-like sales growth of 6.7% in the UK - a performance described by Tesco as one of its strongest in recent times.

Elsewhere its online business continued to strengthen, with profits more than doubling from to £28m (US\$50m) this year. Tesco.com now delivers to more than 120,000 customers a week. Analysts now expect the group's annual profits to have broken the £2bn mark in two years' time.

Source: BBC News