



UK

Synopsis

The United Kingdom is the world's sixth largest economy in the world, and Alberta's second most important agri-food market in the EU, purchasing over \$58 million from our province in 2007. The United Kingdom is a prime importer of wheat from Alberta (C\$54 million in 2007) and was Alberta's fifth most important export market for Foods and Food Materials and Other Beverages (excl. Fruit Juices).¹ The UK is a positive beef demand environment and some scope exists for Canadian, non-hormone-treated marbled beef in high-end catering. Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60% of food needs, but its 61 million consumers will remain dependent on imports to satisfy a substantial proportion of their caloric needs.

Market Overview

The United Kingdom is the world's sixth largest economy with a GDP amounting to \$2.137 trillion (PPP) in 2007. On a per capita basis the country's GDP is comparable to that of Canada (\$35,100 for the UK vs. \$38,400 for Canada in 2007).² Following an economic slump in the 2001-2003 period, the United Kingdom posted growth rates of 1.9% in 2005, 2.8% in 2006, and 3.1% in 2007, with a projected growth rate of 1.7% for 2008.³

Gordon Brown became prime minister of the United Kingdom on June 27th, 2007, taking over from Tony Blair who had held the position since 1997. In contrast to Blair, Brown has remained skeptical of the Euro and has so far resisted Blair's earlier efforts to bring Britain into the Euro.⁴ However, in terms of broader economic policy, Brown seems to be more in line with his predecessor, and is not expected to introduce measures that would significantly alter Canada-UK trade relations.

The United Kingdom

Population:	60,943,912 (July 2008 est.)
0-14 years:	16.9% (male 5,287,590/female 5,036,881)
15-64 years:	67.1% (male 20,698,645/female 20,185,040)
65 years and over:	16% (male 4,186,561/female 5,549,195) (2008 est.)

Source: CIA World Factbook, The United Kingdom

¹ Alberta Government, Agri-food trade On-line

² CIA World Factbook

³ Economist Intelligence Unit, UK country briefing, June 2007

⁴ BBC News, Profile: Gordon Brown

At 78.85 years, the UK has a relatively high life expectancy for EU countries, with a median age of 39.9 years. Due to low birth rates, the population is aging rapidly, with 15.6% of the population over the age of 65 and a growth rate of just 0.275% per year.⁵

30.87 million residents make up the country's labor force. Almost 80% of British workers are in the service sector, and approximately two-thirds of women are now employed outside the home. Britain's unemployment rate stood at 5.4% in 2007.⁶

The average daily caloric intake in Britain is 2,200 calories, comparable to North America. And like the United States, obesity levels have been rising over the past decade, with obesity levels now approaching those in the US, which has led to a steady rise in the number of obesity related illnesses and a concomitant increase in the development and consumption of health and wellness products.⁷

Groceries account for 12.7 percent of total household spending in the UK, making it the third largest area of expenditure, following housing and transport.⁸ In 2006, British households spent £61.6 billion on retail food purchases (excl. alcohol, tobacco and non-alcoholic drinks). With a population of 60.2 million, this translates into per capita expenditures on food of £1,024.8.⁹

The United Kingdom and Canada are both members of the WTO. As a member of the European Union, Britain conforms to all EU directives, regulations and obligations.

Although the United Kingdom is not a closed market, regulations exist in Britain and the EU which limit market access for specific Canadian agricultural exports. The ongoing harmonization of EU import regulations, as well as the implementation of the Uruguay Round commitments under the World Trade Organization (WTO) may result in the elimination of those French regulations that are inconsistent with the WTO, as well as the conversion of quotas, variable levies and restrictive licensing to tariffs, which are to be reduced over time. Products which are subject to restrictive regulations include: enriched flour, genetic material, "exotic meats" such as alligator and buffalo, pet food and certain fruits and vegetables. These products are subject to EU quality norms and must be inspected at the point of entry.¹⁰

Agriculture and Food Trade Overview

Alberta's agri-food exports to the UK were valued at over \$58.3 million in 2007 and accounted for over 17% of Canada's total agri-food exports to that country. The United Kingdom is Alberta's second largest export market for agri-food products in the EU. In 2007, the province's top agri-food exports to the UK were wheat (\$54 million), foods and food materials (\$0.87 million) and other beverages (\$0.86 million).

⁵ Idem 2

⁶ Idem 2

⁷ British Nutrition Foundation, Energy and Nutrients

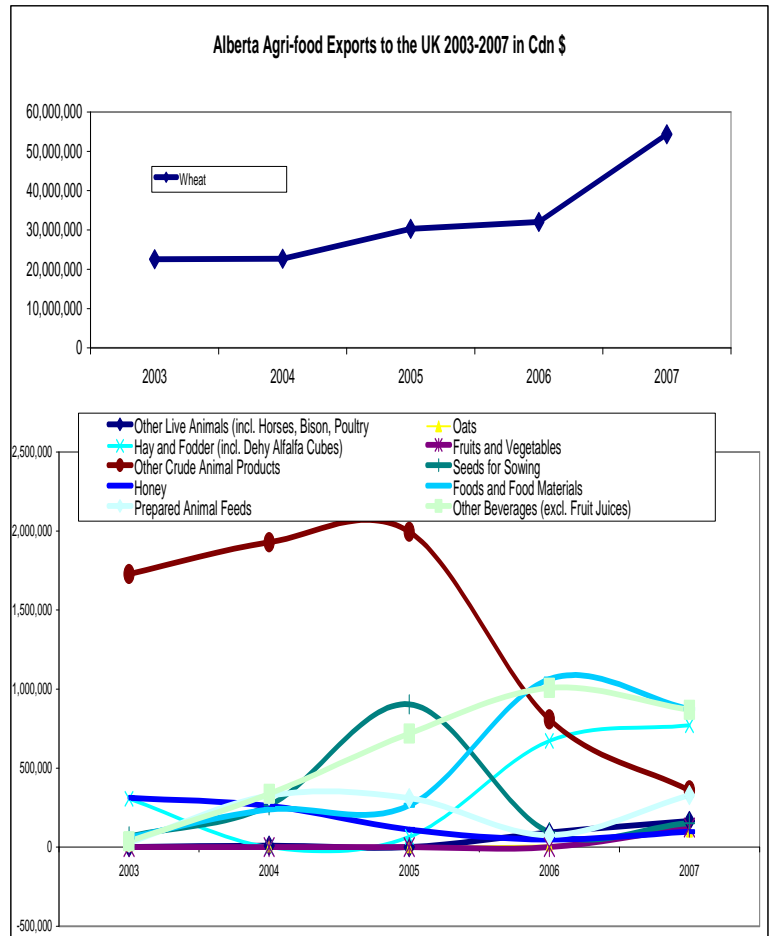
⁸ USDA, United Kingdom Food Sector UK Retail Market Brief, 2006

⁹ Mintel, UK Food Retailing, 2007

¹⁰ USDA, UK Food and Agricultural Import Regulations and Standards Annual, 2007

Alberta's Top agri-food exports to the United Kingdom in 2007 (millions of CDN\$)

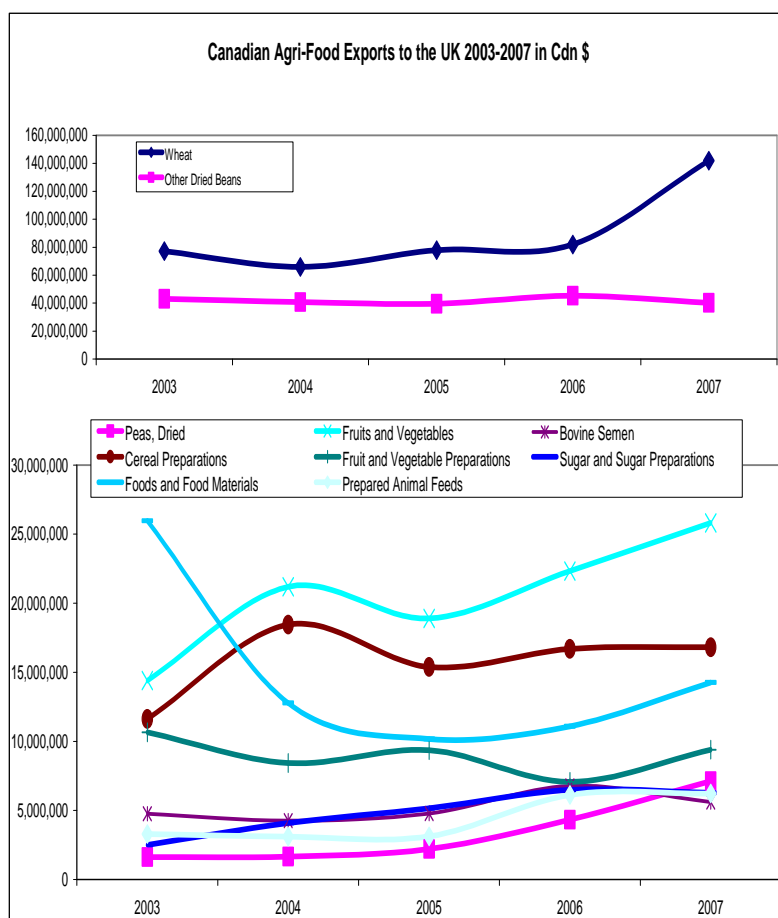
	Alberta's Top Exports to the UK in 2007	Value in Million
1	Wheat	54.3
2	Foods and Food Materials	0.87
3	Other Beverages	0.86
4	Hay and Fodder	0.77
5	Other Crude Animal Products	0.35
6	Prepared Animal Feeds	0.32
7	Other Live Animals	0.16
8	Seeds for Sowing	0.15
9	Fruits and Vegetables	0.12
10	Oats	0.09



Canada's agri-food exports to the UK totaled \$331.7 million in 2007, making it the country's third largest export market in the EU. Alberta accounted for over 17% of Canadian agri-food exports to the United Kingdom. Canada's exports share some similarities with Alberta's. Exports of Wheat (which accounted for 42% of total exports) were the country's largest, followed by Other Dried Beans, Fruits and Vegetables, Cereal Preparations and Foods and Food Materials.

Canada's Top agri-food exports to the United Kingdom in 2007 (millions of CDN\$)

	Canada's Top Exports to the UK in 2007	Value in Millions
1	Wheat	141.9
2	Other Dried Beans	40.1
3	Fruits and Vegetables	25.8
4	Cereal Preparations	16.8
5	Food and Food materials	14.2
6	Fruits and Vegetable Preparations	9.3
7	Dried Peas	7.1
8	Sugar and Sugar Preparations	6.2
9	Prepared Animal Feeds	6.2
10	Bovine Semen	5.6



Germany, France, and the US comprise over 30% of the United Kingdom's export and import markets, while around 60% of Britain's imports come from within the EU. These countries along with the Netherlands, Australia, New Zealand, and South Africa are Canada's most important competitors in this market.¹¹

Market Sector Structure and Trends

The average household shops approximately once a week and many will search more than one outlet for higher quality products and better prices. In the UK the retail grocery market is particularly concentrated, with 75% market share in the hands of just four supermarket chains. However, UK food co-operatives are moving away from their traditional supermarket-type operations and towards convenience retailing.¹²

¹¹ Economist

¹² USDA, United Kingdom Food Sector UK Retail Market Brief, 2006

In 2006, Britain's hotel, restaurant and institution (HRI) foods service sector was valued at over \$70 billion. Accounting for the majority of this sector are restaurants, followed by fast-food and take-out establishments, hotels, catering and pubs.¹³

An ageing population, health awareness, and increasingly busy lifestyles currently affect consumers' eating and spending habits, and contribute to new market trends. Quality and convenience have become main purchase motivators while demand is also increasing for food and drink products that are healthy and natural. Both fresh and processed organic products are in increasing demand, and the organic sector is expected to see strong future growth. Consumers are eating out more often and looking for ready made meals. Packaged food products, and convenience and foodservice sectors are expanding rapidly. Household expenditures on fresh and processed food and drink are rising.

Exporter Business Tips

Importers are an important part of doing business in the UK. Importing food is a specialist business, and the importer plays a crucial role in managing the UK/EU food laws and also undertaking all-important purchases of Canadian food products to sell to UK retailers.

Importers usually stock a wide variety of products. Many importers of non-frozen and chilled foods have their own distribution networks and warehousing facilities, while smaller importers contract these services. Fresh produce importers have controlled atmosphere warehousing facilities and almost all importers of frozen and chilled foods will contract out to specialized storage, handling and distribution companies.

The length and terms of association between a Canadian company and its foreign importer are usually established by contract. It is best to start a business relationship with a trial period, and to extend the contract if the relationship proves satisfactory.

Some of the largest agencies will only consider a product if it has large volume capabilities in UK supermarket chains, and if it is backed by substantial marketing and financial support. Others may specialize entirely in independent grocer or food service distribution. Costs can vary widely too: some agencies may ask for a start-up fee, some are commission only agents, still others may demand a fixed fee that switches to commission when sales reach a certain level. A full brokerage rate may range anywhere between 17 and 25%.

¹³ USDA, United Kingdom Exporter Guide, 2007

Marketing costs may include some or all of the following:

- Sea/Air freight costs
- Insurance costs
- Import duty/Value Added Tax/Excise Duty (if applicable)
- Customs entry and clearance
- Handling charge to importer (may be a small charge deducted from wholesale price)
- Packaging and labeling
- Overheads, wastage and shrinkage allowance
- Mark-up by supermarket retailer (35 - 70%)

Large Canadian companies with financial backing may be able to work with an importer to supply the UK supermarket chains immediately. For small or medium sized Canadian companies, it is standard to first work with an importer to gain product listings in department store food halls, delicatessens and independent retailers. Once a track record and sales volume have been established, it may be possible for an importer to begin listings in smaller retail chains, with the aim of eventually supplying the four key supermarket chains.

In choosing a UK importer, it is essential to take into account the retail outlets they currently supply. A Canadian exporter must weigh an importer's distribution capacity, and ensure that the importer can supply the retail outlets that best fit the appropriate UK consumer base for his/her product. Market entry to the UK/EU requires substantial homework on the part of the Canadian exporting company to ensure that all import regulations and labeling laws have been met. This is covered in the [Food and Agricultural Importer Regulations \(FAIRS\) Report](#).¹⁴

Market Opportunities

The UK is a net importer of food, with domestic production accounting for only 60% of the country's food needs. The top 5 UK agri-food and seafood imports are grape wines, biscuits and crackers, cut flowers, specialty cheese, and salted pork.

There is a large opportunity for organic convenience foods, processed foods, and food ingredients. At the same time, an ageing population and rising obesity rates are creating increasing demand for health and wellness food products.

¹⁴ USDA, United Kingdom Food and Agricultural Import Regulations and Standards, 2007
www.agrifoodalberta.ca

Manufacturers of specialty foods, drinks and sauces in Canada can tap into this market through online sales as consumers become more comfortable making purchases over the internet. Specialist products have a potential market in the UK in general. Products with added health ingredients (known as functional foods) are also popular and Canadian agri-businesses have an opportunity to expand into this market both online and through in-store sales.¹⁵

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¹⁵ Agriculture and Agri-food Canada, Past, Present and Future report on the UK, 2008