

Popularity of Organic Foods on the Rise in the United Kingdom

By Philip Bicknell

In the United Kingdom, organic foods are hitting the mainstream. Supermarket chains now dominate retail organic food sales, and demand for these products is growing. In 2002, the U.K. organic market totaled some \$1.6 billion, and imports accounted for approximately 65 percent of these sales.

Organic Products in Demand

Fresh organic produce is the most popular category with U.K. consumers, and the majority of U.S. organic shipments to the U.K. are fresh fruits and vegetables. Many high-value horticultural goods are not grown domestically or in sufficient quantities to meet the United Kingdom's year-round consumer demand. Fresh horticultural products remain good prospects for U.S. organic suppliers.

At the same time, there is a growing appetite for organic convenience foods. Processed foods and food ingredients are gaining in popularity. This presents U.S. organic suppliers with further opportunities.

Generally, organic consumers are older and more affluent than the norm. They have an increasing desire to eat foods they perceive as healthy. In addition to affluent and older consumers, parents with young children are purchasing organic products for the family. Organic baby food has seen phenomenal growth, now approaching 50 percent of all baby food sales.

While the U.K. organic market is still dependent on a small core of regular customers, their number is growing with increased disposable income and greater life expectancy. The potential for transforming occasional and trial buyers into regular purchasers remains huge.

Market Outlets

To enter the U.K. organic market, it is essential to work directly with an importer of organic foods. The import volume necessary to meet U.K. consumer demand means that many companies that handle organics have significant experi-



ence in developing international trading relationships.

The U.K. importer may be a food manufacturer who will use the import in further processing or perhaps a large-scale domestic grower who is looking to guarantee year-round supply for supermarket customers. But usually the importer will be a wholesaler who will supply organic products directly to retail and food service companies.

The U.K. food retail market is dominated by a small number of multiple retailers. These supermarket chains now account for 82 percent of organic sales. With the growing dominance of these supermarkets, the market shares for independent food retailers, health food stores, market stalls and farms have eroded. However, because of the increasing popularity of organic products, the value of sales through these smaller outlets has actually increased.

Some retailers, such as Sainsbury's, Tesco and Waitrose, have stocked organic lines since the 1980s, but all of the leading supermarket chains have increased their organic offerings in recent years. Staples such as fruits, vegetables and meats are now much easier to find on store shelves.

It is now common for leading U.K. food retailers to stock more than 1,000 organic products. Tesco has started adding more information to its organic labels on the differences between organic and conventional products. In 2001, Marks and Spencer completely redid its organic offerings, increasing the number of products available and re-branding organic products under its "O" label.

Examples of expanded organic product lines now available in stores include breads, biscuits, cereals, soft drinks, baby food, and prepared and frozen foods.

Between 1999 and 2002, all of these categories showed triple-digit growth rates. Because of the influence of multiple retailers and the entrance of established manufacturers into organics, new product development is expected to accelerate rapidly, with a focus on convenience and luxury items.

Organic products generally command a price premium, reflecting the higher costs of production. While price is often a determining factor in the consumer's decision to buy, in the organic food arena, quality is usually more important than price.

U.K. retailers are under pressure from domestic producers and certification bodies to buy more locally produced organic foods and reduce their import reliance. U.K. organic producers have increased their market share of dairy products, meats and eggs.

Retailers remain reliant on imports for organic cereal and horticultural products. The technical problems of growing a wide range of high-quality horticultural crops in the U.K. climate at competitive prices, coupled with year-round consumer demand, means that import reliance will continue, albeit at lower levels than at present.

Organic restaurants and cafés are still limited in number. Most are concentrated in London. They are often part of organic retail outlets. Despite the slow growth of organic restaurants, many traditional food outlets are adding organic choices to their menus. For example, fast-food giant McDonald's sells organic milk at its U.K. outlets.

Rules and Regulations

As a member of the EU (European Union), the United Kingdom does not

recognize U.S. organic production rules. However, importers can apply for authorization to bring organic products into the United Kingdom through the Department for Environment, Food and Rural Affairs.

Packaging for organic foods must conform to EU regulations. Foods with more than 95-percent organic agricultural ingredients may be labeled "organic." Those having between 70 and 95 percent organic content may be called "partly organic." Any product with less than 70 percent organic content is not considered to be organic food.

Labels must show the stamp of the certifying body, country of origin, EU-accredited registration number, use-by date, name of product, measurements in metric, name, address of producer and list of ingredients.

More information on the rules and regulations for exporting organic food products to the United Kingdom may be found on the Web site of the U.K. Department of Environment, Food and Rural Affairs at: www.defra.gov.uk/ ■

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For details, see FAS Report UK3006. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

