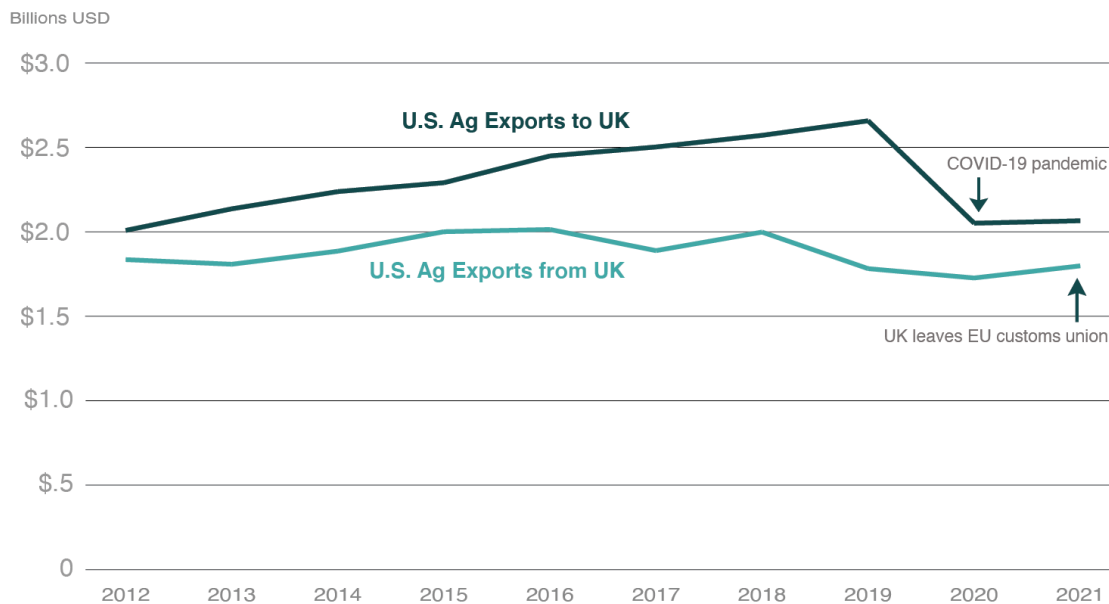


Opportunities for U.S. Agricultural Exports to the United Kingdom

As the 14th largest export destination, the United Kingdom (UK) has been an important and growing market for U.S. agricultural products. Shared heritage and cultural ties have continued to bolster U.S.-UK trade. The United States is the second largest UK agricultural supplier, behind the European Union (EU). The market presents many opportunities for intermediate and consumer-oriented products.

U.S. Agricultural Trade with the United Kingdom



Source: U.S. Census Bureau Trade Data – BICO-HS10

Consumer Oriented Products to the UK Continue to Dominate

In 2021, the top U.S. agricultural exports to the UK include wine and related products (\$195 million), tree nuts (\$173 million), prepared foods (\$152 million), and distilled spirits (\$107 million). The UK is the second largest market for U.S. wine and related products; fourth largest for distilled spirits; fifth largest for bakery goods, cereals, and pasta; eighth largest for ethanol; and fifth largest for fresh vegetables. Consumer-oriented products accounted for 58 percent of total U.S. agricultural exports to the UK. The EU is a strong competitor for U.S. agricultural products since EU member states have low transportation costs, faster delivery times, and face no import tariffs. The United States is the largest non-EU supplier of consumer-oriented products to the UK.

Growth Opportunities are Present Across UK Food and Industrial Sectors

At least nine U.S. agricultural products have potential to expand in the UK market: (1) food preparations, (2) dried and processed fruits, (3) tree nuts, (4) fresh fruits, (5) hormone-free meat products, (6) alcoholic beverages, (7) vegetable oils, (8) organic products, and (9) ethanol. U.S. exporters can find more opportunities in the industrial, food retail, and ingredients markets. In recent years, sustainability and package regulations have played a more prominent role in consumers' and retailers' decision-making process. More consumers have paid attention to what they eat and their impact on the environment. Also, UK manufacturers and retailers have sought for alternatives to plastic packaging as the new Plastic Packaging Tax will take effect on April 1, 2022.

Table: U.S. Exports of Agricultural Products that Have Potential in the UK Market

(Values in thousands of dollars)

	2017	2018	2019	2020	2021	% Change ('20-'21)	U.S. Market Share (2021)
Wine & Related Products	227	222	243	244	195	-20%	4.7%
Tree Nuts	212	197	211	197	173	-12%	22.7%
Food Preparations*	136	149	131	155	152	-2%	7.3%
Distilled Spirits	187	190	112	84	107	28%	9.6%
Ethanol (non-bev.)	16	6	45	48	102	114%	21.4%
Vegetable Oils (ex. soybean)	20	33	33	35	64	86%	8.3%
Fresh Vegetables	84	86	77	73	63	-13%	0.1%
Processed Fruit	54	42	32	34	36	8%	2.7%
Beer	36	36	19	13	13	0%	1.5%
Fresh Fruit	33	30	16	12	9	-24%	0.2%
Pork & Pork Products	4	4	3	3	4	18%	0.2%
Beef & Beef Products	2	3	1	2	3	5%	0.0%
Total Ag Exports	1,888	1,998	1,782	1,726	1,798	4%	4%

*includes frozen and other food preps and soups

Source: U.S. Census Bureau Trade Data (BICO-HS10) and Trade Data Monitor, LLC

Food Preparations

The UK imported \$1.6 billion of food preparations in 2021, down 21 percent from the previous year. The top suppliers for food preparations are the EU (74 percent market share), the United States (7 percent), and China (4 percent). While food preparations cover a variety of products, the U.S. exports that have the most potential in the UK market are specialty food products, "healthy" food items such as plant-based and free from allergen options, sauces, canned and prepared foods, and snack foods.

"Health" and convenience foods have been the main driving forces in the UK value-added food and beverage market, especially during the COVID-19 pandemic. UK consumers have been looking for foods to improve their health and immune system, including premium food, less processed food, functional food, and low-sugar or low-fat food.

UK demand for plant-based meat and dairy alternatives has surged in the last few years. The value of the sector doubled to \$1.6 billion at retail from 2016 to 2020. Plant-based products have been popular among young and urban consumers who believe eating less meat is healthier and more sustainable for the environment. Plant-based products include meat alternatives, dairy alternative products, frozen and prepared meals, and snacks. In response to the growing demand, fast food restaurants have expanded their menus to include plant-based products to attract all types of consumers. According to ING, the European and UK plant-based market projects the plant-based meat market will be worth \$8.4 billion in 2025.

Dried and Processed Fruits

In 2021, the UK imported \$1.3 billion of processed fruits, a decrease of \$106 million from the previous year. The top processed fruit imports are dried grapes, jams, and dates. The EU holds the largest market share of 45 percent, followed by Turkey (16 percent), and South Africa (5 percent). UK imports of processed fruits had been stable until 2021, when imports dropped 8 percent from 2020. However, U.S. exporters can find opportunities in cranberries, dates, dried cherries, prunes, raisins, and wild berries.

The UK food sector will continue to demand processed fruits. Primarily led by large UK grocery store chains, food and drink production is the largest manufacturing sector. Since the UK does not produce all the required ingredients, it meets demand by importing food ingredients and raw materials. Dried and processed fruits are key ingredients used in the food processing sector. The UK food processing industry relies on a wide range of low-value and high-value, highly processed ingredients.

Tree Nuts

The UK is one of the top 10 tree nut importers in the world. In 2021, the UK imported \$707 million of tree nuts, down 11 percent from 2020. The top UK tree nut imports were almonds, cashew nuts, and walnuts. The EU is the top tree nut supplier, followed by the United States. Along with processed fruits, nuts have been used as food ingredients. While some nut products are consumed as snacks, the majority are utilized as ingredients. U.S. almonds, peanuts, pecans, pistachios, and walnuts have greater potential to expand in the UK import market.

Fresh Fruits and Vegetables

In 2021, the UK imported \$5.1 billion of fresh fruit, mainly comprised of bananas, grapes, apples, cranberries, and avocados. Also, in the same year, the UK imported \$3.3 billion of fresh vegetables (tomatoes, peppers, mushrooms, and cucumbers). UK fresh fruit and vegetable imports have generally increased year-to-year, growing at an average of \$140 million per year from 2011-2021. The top suppliers of both fruits and vegetables are the EU, South Africa, and Morocco. The top U.S. products that are likely to achieve growth in the UK are apples, grapefruit, pears, sweet potatoes, and table grapes.

Meat: Hormone-free Beef and Pork Products

In 2021, the UK imported \$4.0 billion of beef and pork products. The EU is the top supplier of meat products and holds a 96 percent market share. U.S. red meat and meat products do not have a significant presence in the UK due to growth promotants. The United States continues to face high tariffs and trade-protection measures on meat, poultry, and dairy. However, UK consumers would consider hormone-free beef and pork products from the United States.

Alcoholic Drinks

The UK imported \$6.9 billion of wine, beer, and distilled spirits in 2021, up 10 percent from the previous year. The EU is the top supplier of alcoholic beverages, followed by the United States and Australia. According to Euromonitor, the COVID-19 pandemic shifted sales from on-trade to off-trade channels¹ and sales are expected to shift again. With successful vaccine rollouts and the re-opening of bars and restaurants, consumption is expected to recover. U.S. exporters should find more opportunities in craft beer, spirits (U.S. whiskey, bourbon, vodka, and tequila), and wine. UK consumers are becoming more health and environmentally conscious and likely to consume products that are low-alcohol or produced more sustainably.

Type of Beverage	Top Suppliers* (Market Share 2021)	Market Considerations
Wine	EU (70%) Australia (7%) New Zealand (6%)	<ul style="list-style-type: none"> - Demand for high value/premiumization wine is expected to rise. - Sustainability, new packaging, and low alcohol content will contribute to wine sales.
Distilled Spirits	EU (75%) United States (10%) Mexico (4%)	<ul style="list-style-type: none"> - The UK spirit industry has been experiencing a slow recovery from the COVID-19 pandemic. - As more consumers are becoming health and environmentally conscious, they are looking for sustainable and non-alcoholic spirits.
Craft Beer/Beer	EU (89%) Mexico (5%) United States (2%)	<ul style="list-style-type: none"> - UK consumers have preferred higher-quality beer partly due to expansion of craft beer and microbreweries. - The number of UK independent breweries increased from 1,424 in 2015 to 1,816 in 2020. - The COVID-19 pandemic resulted in higher sales of non-alcoholic and low alcohol beer.

*BICO-Beer, which includes craft and commercial beer, was used to calculate market share
Source: Euromonitor and Trade Monitor Data

¹ Off-trade refers to sales of alcoholic drinks through retail outlets, including supermarkets and convenience stores. On-trade refers to sales through bars, restaurants, cafés, hotels, and other catering establishments.

Vegetable Oils

In 2021, the UK imported \$1.5 billion of vegetable oils, up 2 percent from the previous year. The EU is the top supplier, followed by Ukraine and the United States. The UK imports mostly sunflower oil, margarine, and olive oil from the world. U.S. vegetable oils are also used as food ingredients and have potential to grow in the market. U.S. exports increased from \$80 million in 2017 to \$123 million in 2021.

Organic Products

Young consumers and families have been willing to pay more for organic products. During the COVID-19 pandemic, the UK organic market experienced a surge in demand. According to the Soil Association Organic Market Report 2021, sales of organic produce in the UK rose by 12.6 percent to \$3.9 billion in 2020. Additionally, supermarket sales and online/home delivery were up 12.5 percent and 36.2 percent, respectively. In the 2022 report, sales went above \$4.0 billion in 2021.

On June 1, 2012, the U.S.-EU organic arrangement went into effect. Organic and agricultural products in the United States or the EU could be labeled and sold as organic in either market. Before it left the EU, the UK was the third largest market for organics among the EU member states. As U.S. exporters compete on quality and price, organic exports to the UK have been inconsistent for the last five years. However, in 2021, the United States shipped at least \$5.1 billion of organic products to the UK. The top organic products include vinegar, fresh apples, fresh peas, and roasted coffee. U.S. exporters should find opportunities for all food product categories, especially fresh fruits and vegetables.

Ethanol

In 2021, UK imports of ethanol² from the world reached \$582 million, up 35 percent from the previous year. The EU is the top supplier of ethanol, followed by the United States and Pakistan. In September 2021, the UK commenced the rollout of E10 fuel, a new type of petrol containing up to 10 percent of ethanol. Previously, fuel in the UK contained up to 5 percent of ethanol. U.S. ethanol exports³ to the United Kingdom boomed and increased from \$16 million in 2017 to \$102 million in 2021, due to volume and unit value increases.

Agricultural-Related Products Also Have Growth Potential

In addition to agricultural products, two agricultural-related products have potential to expand in the UK market. Seafood and wood pellet exports to the UK have shown consistent growth over the last five years and continue to be best prospects.

Wood Pellets

In 2021, the UK imported \$1.8 billion of wood pellets from the world, up 4 percent from 2020. The United States is the top supplier of wood pellets and holds a market share of 62 percent. UK wood pellet imports from the United States grew from \$819 million in 2017 to \$1.1 billion in 2021. The wood pellets have been used as a renewable source to generate power. In addition to wood pellets, U.S. exporters should seek to market rice husks, peanut hulls, and tree nut shells for renewable fuels. According to the

² Includes beverage items.

³ Does not include beverage items.

International Energy Agency, the UK has used more biofuels, waste, and renewable energy sources to generate electricity and is less reliant on coal and oil.

Fish and Seafood

The UK imported \$4.7 billion of seafood products in 2021, up 7 percent from 2020. The top UK seafood imports are cod, tuna, and Atlantic salmon. Seafood imports have been relatively stable. The UK has been a net importer of fish and related products since 1984. In 2019, demersal and pelagic fish made up 82 percent of UK fish imports. The top suppliers of seafood include the EU (27 percent market share), Norway (16 percent), and Iceland (8 percent). The UK imports mostly salmon, cod, and other shellfish from the United States. However, U.S. seafood exporters should find more opportunities in cod, pollack, salmon, scallops, and other fish products. Although recent trends suggest fish consumption has been down in the UK, it is expected to rise based on the demand for healthy products.

Agricultural Imports Remain Important in the UK Food Supply

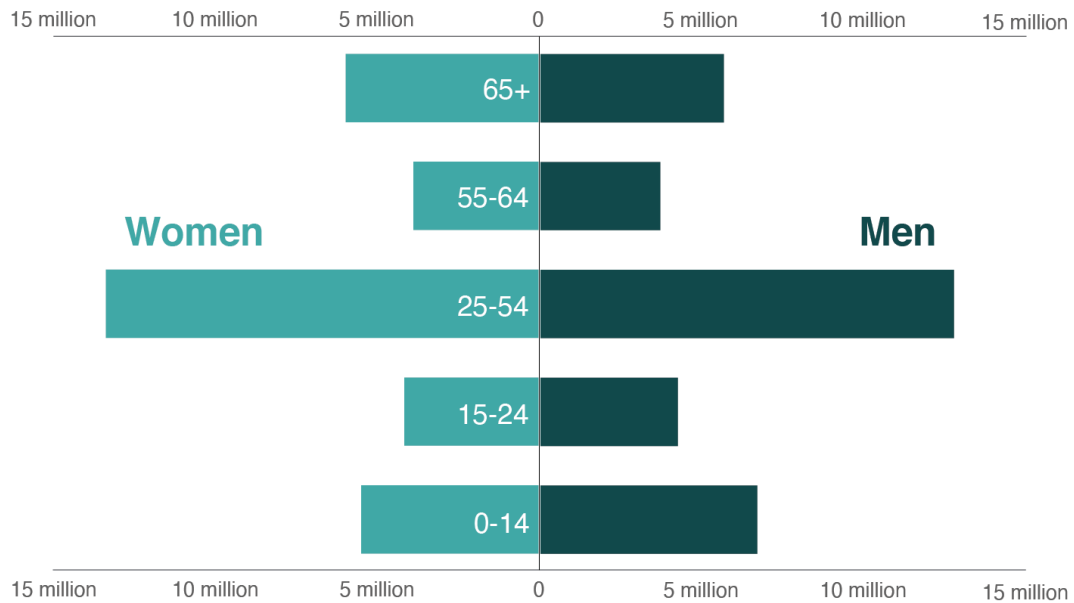
The UK has historically relied on food imports to meet demand. The agricultural sector produces 60 percent of the country's food needs with less than 2 percent of the labor force. Agricultural production includes cereals, oilseeds, potatoes, dairy, and vegetables and contributes 0.7 percent to the UK gross domestic product. The UK imports primarily consumer-oriented products. According to UK trade data, the UK imported \$51 billion of consumer-oriented products, accounting for 78 percent of its total agricultural imports, in 2021. The largest employers in the UK manufacturing sector are the food and drink companies. The largest food manufacturing sectors include meat processing, bakery products, dairy products, animal feeds, and processing/preserving fruit and vegetables. In the beverage industry, the largest sectors are soft drinks, mineral waters, beer, spirits, and cider.

Demographics and Economic Considerations

The UK population is the world's 21st largest at 67 million people. The median age is 40.6 years, and the population has been growing at a 0.5 percent rate. In the UK, 84 percent of the total population live in urban areas, including London, Manchester, and Birmingham. In terms of age distribution, males and females aged 25 to 54-years-old represent most of the population. The UK Office of National Statistics projected that one in four people in the UK will be aged 65 years and over by the year 2050. Due to an aging population, UK consumers are seeking variety in high quality food products, especially with health and sustainability benefits. Also, among consumer and other interest groups, the emphasis on sustainability and animal welfare in agricultural production methods is strong and affects purchasing trends. The research firm Mintel indicated that UK consumers spend more than \$10 billion on ethical food and drink products, including organic food, Fairtrade, Rainforest Alliance, free range eggs, vegetarian meat alternatives, and sustainable fish.

According to IHS Markit, the UK has more than 24 million households with middle and high incomes in 2021. By 2030, the number of households with middle and high income is projected to increase by 1.47 million. As UK consumer incomes rise, it should lead to more purchases of U.S. high quality, value-added agricultural products in the long term.

UK Population Pyramid



Source: CIA World Factbook

The CIA World Factbook reported that the UK was the third largest economy in Europe in 2020. The following year, the International Monetary Fund's World Economic Outlook ranked the UK as Europe's second largest economy. The country remains a leading trading power and financial center. Banking, insurance, and business services have been the main drivers of the UK economy. Manufacturing has declined but still represents 10 percent of the economy.

According to Euromonitor, the UK economy recovered in 2021 due to economic stimulus measures, successful rollout of COVID-19 vaccines, and easing of COVID-19 related restrictions. The economy is expected to grow at an average annual rate of 1.6 percent from 2022 through 2040. The UK departure from the EU and the ongoing COVID-19 pandemic have posed challenges and opportunities for the UK. The UK faces new variants of the virus, supply chain issues, labor shortages, and high inflation. According to the UK Office of National Statistics, the inflation rate increased from 0.7 percent in January 2021 to 5.5 percent in January 2022. The inflation rate has been driven by higher fuel and energy prices and has impacted food prices. The high cost of food had been absorbed by the retailers and manufacturers and is now shared by the consumer, starting in October 2021.

The Future of the U.S. Agricultural Trade with the UK

Despite the challenges and uncertainties caused by the pandemic and the UK's multiple trade negotiations, the United States still has advantages over its competitors. U.S. products can be widely distributed through sophisticated replenishment systems and are viewed as affordable by UK consumers. Also, many specialty importers have been interested in importing from the United States. The United Kingdom continues to be an attractive market because of similarities in consumer trends in retail and food-service markets, and UK's affinity with the United States and its products.

For more information, please contact Saquib Ahsan, FAS Office of Global Market Analysis, at (202) 720-3223. Market share and global sales information is from Trade Data Monitor, LLC, unless otherwise indicated.