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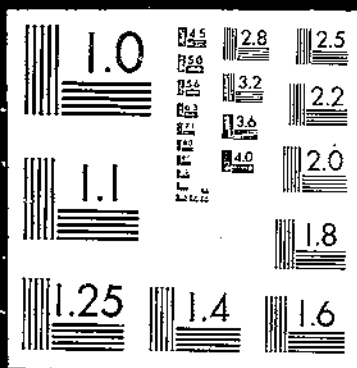
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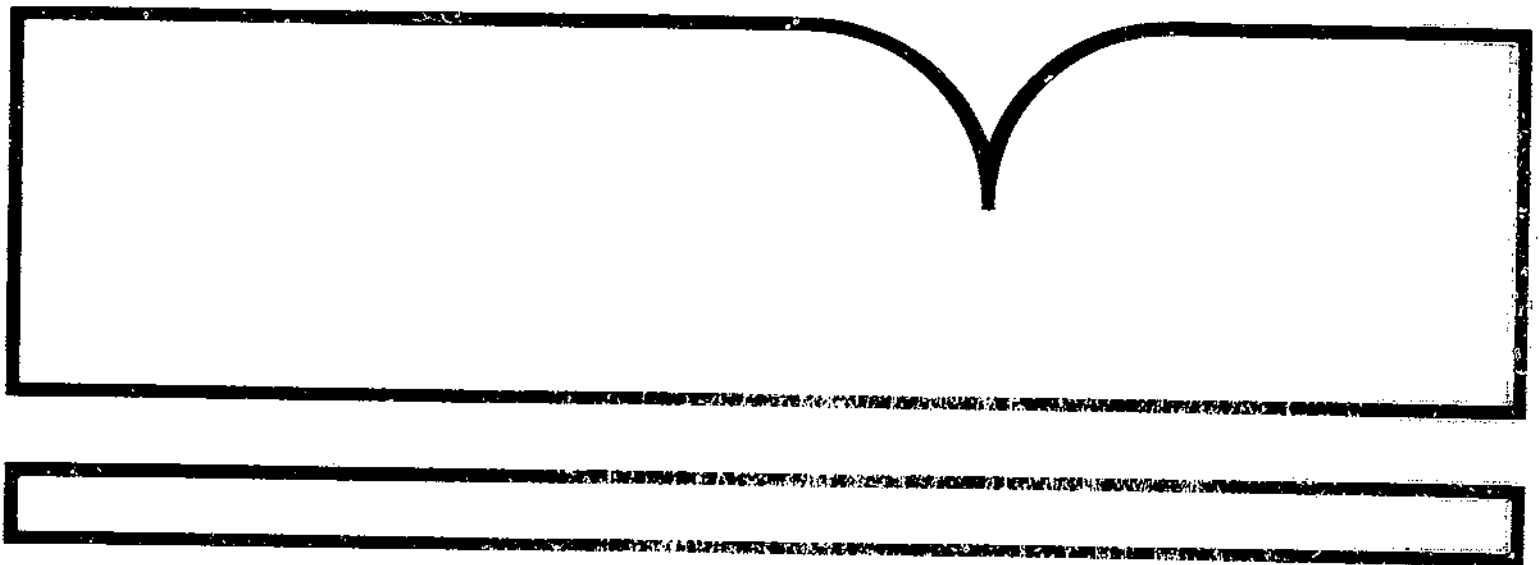


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British Market for U.S. Food Exports

(U.S.) Economic Research Service, Washington, DC

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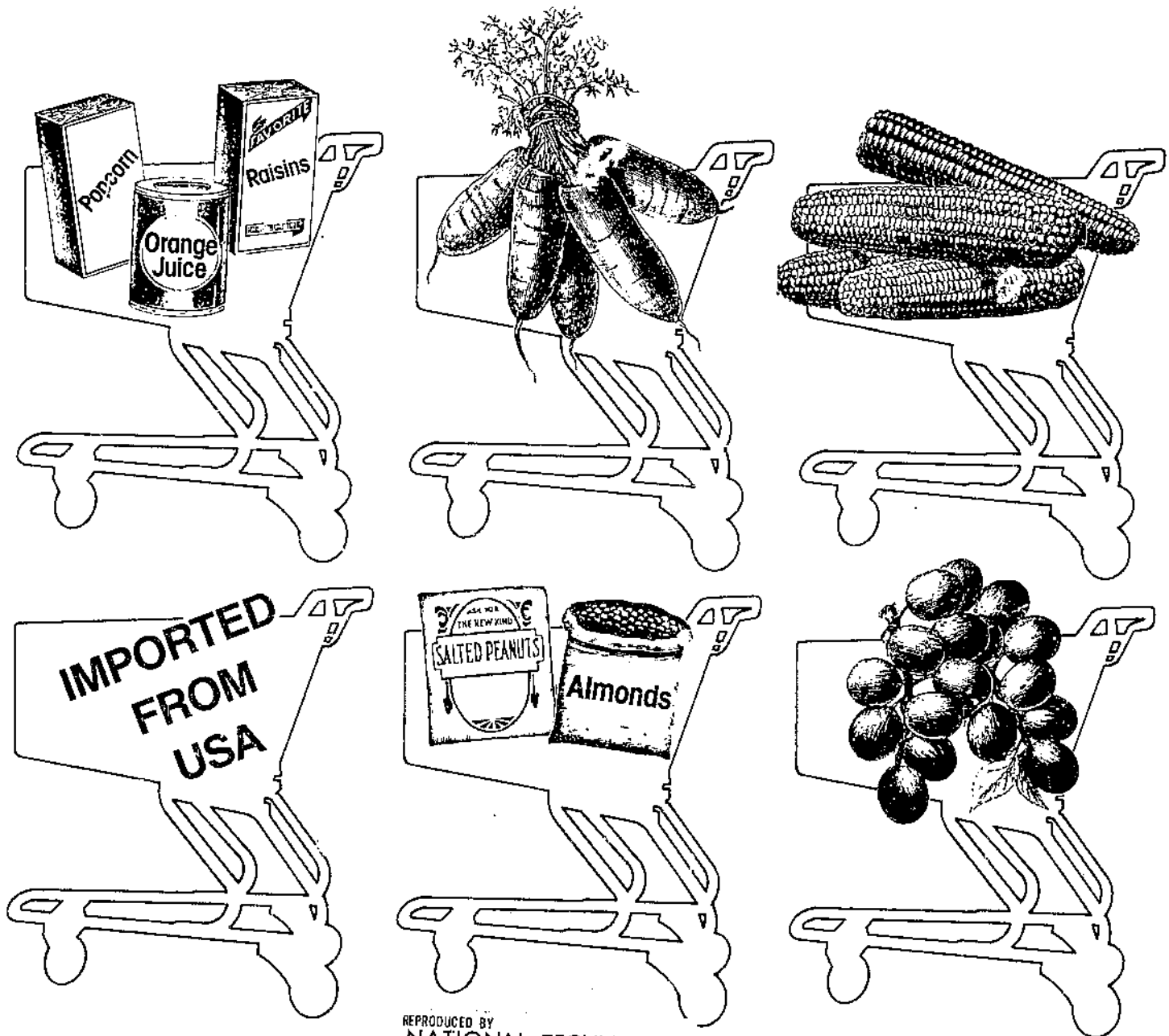
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# The British Market for U.S. Food Exports

Harold A. McNitt



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### **Abstract**

Several U.S. food products are or could be good sellers in the British market. They include variety meats, edible tree nuts, peanuts, dried vegetables, dried and fresh fruit, selected grain products, and rice. These products are promising despite the problems posed by the European Community's import barriers and by heavy competition from Mediterranean and developing country suppliers. Changes in the British food marketplace, age distribution, household size, personal disposable income, and lifestyle have sharply altered British patterns of food demand, enhancing interest in highly processed convenience foods and fresh produce.

Keywords: United Kingdom, U.S. agricultural exports, food marketing, food distribution, British market

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## Glossary

**African, Caribbean, and Pacific (ACP) countries.** A group of approximately 60 developing countries with which EC members have historic ties, including former colonies. Under the terms of the Lome Convention (see definition), many EC agricultural imports from the ACP countries are given preferential tariff treatment.

**Agency arrangement.** See definition for "Buy firm."

**Bar code.** A symbol, printed on a product's package or container, that uniquely identifies the product. In stores equipped with electronic checkouts, a laser beam reads (scans) the bar code and transmits the information to a computer. The item's description and price, stored in the computer, are printed on the customer's receipt, and all items are totaled for payment. The system is also used for inventory control and re-ordering.

**Buy firm.** An import company buys firm (or buys on own account) by paying for the imported product and assuming ownership. The product is then normally sold to a wholesaler, retailer, or other purchaser. This contrasts with an *agency arrangement*, in which the importer receives a commission for handling and/or selling the product but does not assume ownership.

**Cash-and-carry wholesaler.** A type of wholesale enterprise in which the buyer visits the premises, pays for goods by cash (or perhaps by certified check), and transports the purchased goods to the buyer's place of business. Cash-and-carry wholesale firms permit only bona fide retail, food service, or manufacturing firms to buy from their shelves; individual consumers are excluded.

**Common Agricultural Policy (CAP).** The unified farm policy applied by member governments of the EC. The CAP deals with agricultural prices, structural improvement of agriculture, and both internal and external trade in farm products.

**Common External Tariff (CET).** The unified system of customs duties applied by members of the EC to imports from outside the EC.

**Compensatory tax.** An import levy applied by the EC to certain fruits, vegetables, and wines when the imported product's price falls below a stipulated

reference price. The *reference price* is generally calculated from an average of certain EC market or producer prices over a period of time.

**Consumer Cooperatives.** Organizations engaged in retail trade that operate on cooperative principles. Among these principles are ownership and control of the enterprise by those who use its services; an equal voice in decisionmaking for each member of the cooperative; and the return of any profits (called surpluses) to the members. Nonmembers may do retail shopping at cooperative stores but cannot participate in decisionmaking or receive any dividends from the enterprises' surpluses.

**E-number.** A code number assigned by the EC to each food additive approved for use within the EC. The E-number may be listed on a product's label or container instead of the additive's full chemical name, if desired. Also referred to as EEC-number.

### European Community (EC).

Original six members: Members since January 1973:

Belgium	Denmark
Federal Republic of Germany	Ireland
France	United Kingdom
Italy	
Luxembourg	Member since January 1981:
Netherlands	Greece

**Food hall.** An area within a department store in which a wide variety of foods is sold, often focusing on gourmet foods, wines, and imports, and frequently including one or more restaurants or sandwich shops.

**Hypermarket.** In the United Kingdom, a store with 50,000 square feet or more of selling area on one floor, offering a wide variety of food and nonfood items.

**Income elasticity of quantity purchased.** A measure of the adjustment consumers make in the amount of goods they purchase as their incomes change.

**Independent grocer.** A grocery enterprise with fewer than 10 outlets, but excluding consumer cooperatives and department/variety store enterprises.

**Lome Convention.** An agreement, signed in 1975, which spells out trade, industrial, financial, and

technical cooperation arrangements between the EC and the African, Caribbean, and Pacific countries (see definition). The Lome Convention includes tariff preferences for specified ACP exports to the EC, many of them fruits and vegetables.

**Market withdrawal.** A price support system used by the EC by which specified fruits and vegetables may be withheld from the market by producer groups when the product's price falls to a stipulated "withdrawal price." The costs of withdrawal may be reimbursed by the EC's agricultural support fund.

**Multiple grocer.** A grocery enterprise which has 10 or more outlets. The term does not include consumer cooperatives or department/variety store chains, however.

**Primary wholesaler.** Commodities may be handled at different stages of distribution by different wholesalers, who may perform different functions. A primary wholesaler is the first of such a chain. For example, a primary wholesaler may buy directly from farm producer groups. A *secondary wholesaler* is an enterprise that buys its stocks from a primary wholesaler, perhaps for further packaging, processing, or distributing.

**Processing subsidies.** The EC pays subsidies to EC processors of several types of fruits and vegetables on the basis of contracts placed with EC primary producers at or above stipulated minimum prices. This enables the processors to sell their products at highly competitive prices while ensuring that producers' prices do not fall below the minimum levels.

**Retail cooperative.** A group of retailers who have agreed to purchase some of their supplies in common and to participate in other joint activities. In practice, the retail members are independent grocers (see definition).

**Reference price.** See definition for "Compensatory tax."

**Superstore.** In the United Kingdom, usually defined as a store of 25,000 square feet or more of selling area on one level, selling a wide range of food and non-food items.

**Symbol group.** An arrangement under which a single wholesaler, or group of wholesalers, cooperates with retail members in both buying and retailing activity. In practice, the retail members are independent grocers (see definition). Also called "voluntary group" or "voluntary chain."

**Variable levy.** The principal instrument used by the EC to regulate prices of agricultural imports. Unlike fixed tariffs, variable levies on imports are charged at rates which may vary on a daily, weekly, monthly, or other periodic basis. Although defined and computed differently for different commodities, the levies basically ensure that the price of an import is higher than the guaranteed support price of the domestically produced counterpart.

**Voluntary chain.** See definition for "Symbol group."

**Voluntary group.** See definition for "Symbol group."

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## Summary

Several U.S. food products, including variety meats, edible tree nuts, peanuts, dried vegetables, dried and fresh fruit, selected grain products, and rice, are or could be successful in the British market. These products are promising despite the problems posed by the European Community's (EC) import barriers and by heavy competition from Mediterranean and developing country suppliers. Changes in the British food marketplace, age distribution, household size, personal disposable income, and lifestyle have sharply altered British patterns of food demand, enhancing interest in highly processed convenience foods and fresh produce.

Food accounts for over one-fourth of British agricultural imports from the United States. U.S. food and beverage sales to Britain averaged \$310 million annually during 1980-82. EC import barriers severely restrict many U.S. exports, including most meats, dairy products, flour, baked goods, lard, sugar, and many fruits and vegetables. U.S. food exports to Britain are subject to import tariffs and levies as well as labeling, health, food additive, and other standards established by the EC.

Despite these handicaps, U.S. exports to Britain in 1982 of dried vegetables exceeded \$50 million, peanuts totaled almost \$40 million, and edible tree nuts reached \$20 million. Sales of fresh fruit and dried fruit, grain-based products, and rice each reached about \$10-\$12 million. Specific products of high quality with unique characteristics can find a place on the British market regardless of barriers and competitive pressures. U.S. products that sell in spite of the EC restrictions usually succeed because of gaps in the EC's protective system or because of the products' high quality.

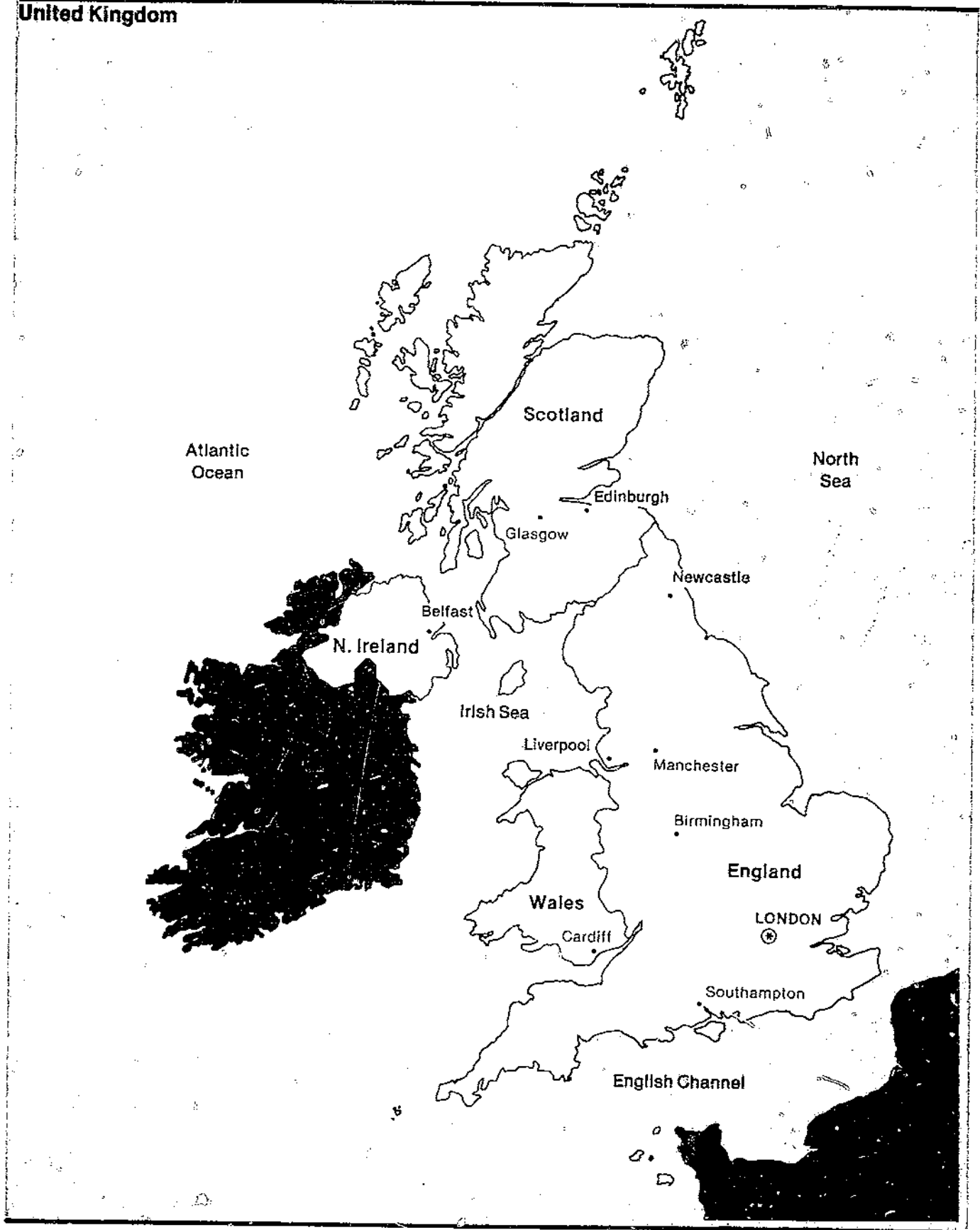
Some changes in the British food marketplace and in patterns of consumer demand that will continue to change the process for getting into the British market follow:

- The concentration of sales among fewer firms throughout the British food retail sector has sharply

reduced the number of retail buying points. The U.S. supplier can reach well over half the food retail market by approaching the few largest super market chains, the British consumer co-operatives (consumer-owned organizations that operate retail outlets), and the largest voluntary chains (wholesale-affiliated independent grocers).

- Age distribution will change significantly during the remainder of this century. For example, the number of children under 15 years old will continue to decline slowly through the eighties, meaning a contracting market for candy, ice cream, and snacks. The 15-29 age group will remain one of the largest, providing a large market for new, convenience, and fresh foods. The 30-44 age group will expand as a percentage of the total population, increasing demand for staples and baby foods.
- The proportion of small households is increasing. One-person households increased from 11 percent of total households in 1951 to 22 percent by 1981, meaning increased demand for highly processed convenience foods and increased business to restaurants and carryouts.
- Real personal disposable income in Britain increased 13 percent between 1976 and 1983. However, this increase did not necessarily mean bigger food expenditures. A large share of the increase went into housing and leisure goods and activities. Small increases in real personal disposable income and food expenditures will probably continue.
- Several developments in British lifestyles have changed the shape of food demand and distribution. For example, automobile ownership increased, stimulating the development of suburban shopping centers and supermarkets. Homeownership of freezers increased, indicating further growth of demand for frozen foods. The number of married women working outside the home increased from 20 percent of the population in 1950 to over 50 percent in 1980, increasing demand for readily prepared convenience foods.

**United Kingdom**



# The British Market for U.S. Food Exports

Harold A. McNitt

## Introduction

Far-reaching changes in the British<sup>1</sup> wholesale-retail sector and in patterns of consumer demand have altered the mechanisms for getting a food product into the British market and have changed the product mix expected by British consumers. For example, increasing concentration throughout the British retail sector has sharply reduced the number of retail buying points. The U.S. supplier can reach well over half the food retail market by approaching the few largest supermarket chains, the British consumer cooperatives, and the largest voluntary chains. However, British membership in the European Community (EC) since 1973 has rendered many U.S. agricultural exports uncompetitive. U.S. products that sell in spite of the EC restrictions usually succeed because of gaps in the EC's protective system or because of the products' high quality and unique characteristics.

This report provides information to U.S. food exporters about developments in the British wholesale-retail sector and in patterns of consumer demand; identifies the principal buying points; describes the main features of the EC's import tariff and nontariff systems and indicates how they apply to the principal U.S. food exports; and describes the new British food labeling and content regulations, adopted on the basis of EC guidelines in January 1983.

During 1980-82, British agricultural purchases from the United States averaged \$1.1 billion annually, of which \$310 million annually consisted of food and beverages. The comparatively small proportion of foods in the total mix of U.S. exports is due to the availability of lower priced goods from Britain's own farms and processing plants. In addition, foods imported into the United Kingdom (UK) from other members of the European Community are admitted free of tariffs, levies, and most other import barriers, often giving them a decisive price advantage. Foods from non-EC countries

in the Mediterranean area and from developing countries also frequently benefit from preferential tariff treatment.

Despite these handicaps, U.S. exports to Britain in 1982 of dried vegetables exceeded \$50 million, peanuts totaled almost \$40 million, and edible tree nuts reached \$20 million. Sales of fresh fruit, dried fruit, grain-based products, and rice each reached about \$10-\$12 million despite high tariffs and nontariff barriers. Specific products of high quality with unique characteristics can find a place on the British market regardless of barriers and competitive pressures.

U.S. food exports to the United Kingdom could be increased substantially if the EC reduced the levels of protection provided by its Common Agricultural Policy (CAP). A step in this direction would be to place more emphasis on high-value and processed foods in future multilateral trade negotiations, focusing on impediments to trade in these products.

Trade data used in the analysis of specific U.S. food exports to Britain are largely U.S. Bureau of the Census statistics, compiled for USDA's Foreign Agricultural Service (FAS). United Nations (UN) and EC import statistics are also used when appropriate—for example, in deriving the U.S. share of total British imports of a commodity. The U.S. export data are compiled on a free-alongside-ship (f.a.s.) basis and UN and EC data on a cost-insurance-freight (c.i.f.) basis.<sup>2</sup> Data are sourced throughout the report.

Trade data involving the United Kingdom are subject to distortion because of the prevalence of transshipments. A commodity shipped to the United King-

<sup>1</sup>The terms "Britain," "British," and "United Kingdom," are used synonymously. Each of these terms includes both Great Britain (England, Scotland, and Wales) and Northern Ireland.

<sup>2</sup>Export values used to compile U.S. data are generally equivalent to an f.a.s. value at the U.S. port of export, based on the transaction price, including inland transportation and other costs incurred in placing the merchandise alongside the carrier. Import values used to compile UN and EC statistics are generally equivalent to a c.i.f. value, based on the transaction price, including the freight, insurance, and other costs required to ship the merchandise from its foreign point of origin to the European port of entry. C.i.f. values include international shipping costs; f.a.s. values do not.

dom, for example, may be registered as a UK import but later be transhipped to another country in Western Europe. In compiling trade data, every effort is made to eliminate such distortions by attributing trade to its real country of origin and final destination. In spite of these efforts, the data may fail to reflect all transshipments for certain commodities. Attention is called to instances in which such error appears likely.

### Import Channels

British food import channels are undergoing rapid structural changes to adapt to far-reaching changes in wholesale-retail distribution. Channels vary according to the type of food imported, the nature of the end user, and the capabilities of the foreign supplier. Import channels are too complex to fit any single model.

Figure 1 depicts the flow of most U.S. food to British end users. The UK intermediary may be an integrated importer/wholesaler/distributor, a specialized importer, an import merchant, or an agent or broker, depending on the nature of the commodity and the British end user. Almost all imports into Britain go through a

British intermediary, who handles technical problems of freight, insurance, and customs, and often assumes the financial risks associated with fluctuating exchange rates and other market instabilities (5, Harris).<sup>3</sup> A few of the largest British industrial end users have the facilities needed to import directly.

FAS can provide names, addresses, and telex numbers of British importers who have expressed an interest in U.S. foods (see Appendix for details).

### Supermarket Import Channels

The large British multiple grocery chains, described elsewhere in this report, frequently make decisions to buy and stock U.S. and other foreign products on the basis of direct contact with the product's manufacturer or sales representative.

The supermarket chains do not normally import directly, but employ the services of an intermediary, most often one of the large importer/wholesaler/distributors. The intermediary takes responsibility for customs clearance and usually performs other functions as well: wholesaling (storing, breaking bulk, packaging, and the like); distributing the imports to the supermarkets' warehouses or to retail outlets, and perhaps marketing the product through in-store merchandising and sales promotion.

Large importer/wholesaler/distributors developed concurrently with the growth of giant supermarket chains which used their resources and negotiating strength to demand a wide range of services from their importers. Traditional wholesale channels were frequently bypassed to reduce intermediary costs. These integrated importer/wholesaler/distributors may either buy from the foreign supplier on their own account (buy firm), act as commission agents, or both.

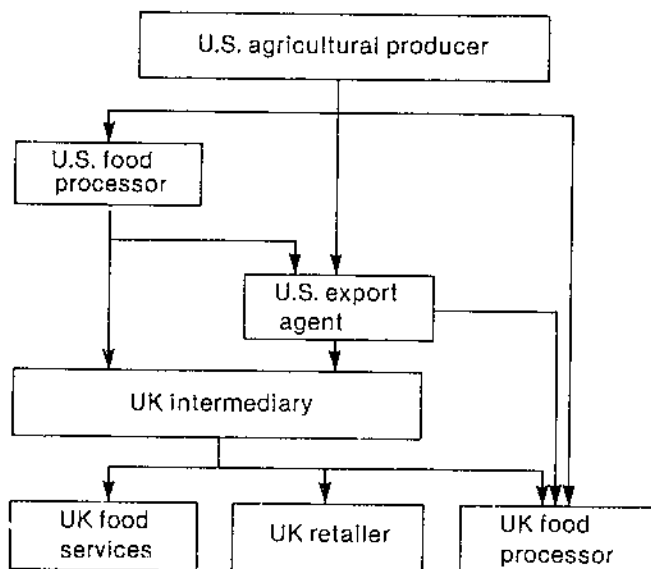
### Other Import Channels

Several well-established types of channel coexist with the integrated importer/wholesaler/distributors.

Meats are usually imported by specialized firms, many of which are also engaged in slaughtering, processing,

Figure 1

### Principal U.S. food export channels to the United Kingdom



<sup>3</sup>Italicized numbers in parentheses refer to literature cited in the Bibliography section at the end of this report. When the referenced publication contains several papers by different authors, the name of the pertinent author appears after the number.

and wholesaling of domestic supplies. Many of the largest importer/wholesalers are affiliated with U.S. and other foreign meat companies.

Fresh fruit and vegetables often reach the retailer through regional market wholesalers located in the major marketing areas. These wholesalers often sell both homegrown produce (bought directly from the farmers) and imported produce bought from specialized importers. The wholesalers are thus primary wholesalers for domestic produce and secondary wholesalers for imports (12).

Dried vegetables are usually imported by specialized firms that clean, grade, dehumidify, and otherwise prepare the commodity before sale to the end users, most of which are manufacturers of soups and other convenience foods. Specialized channels handle other types of food as well, including quick-frozen foods, essential oils, and spices.

Import merchants offer retailers a comprehensive inventory of grades and varieties of the food items in which the merchants specialize (5, Harris). They provide a practical supply source for smaller grocers and processors.

Import traders usually specialize in relatively few commodities. Peanut traders, for example, are intermediaries between U.S. producers and British processors that use peanuts.

### Buying Points

Access to the British retail market is simplified by intense concentration among the larger retail enterprises. Over half of total food retail sales are made by a few giant enterprises.

The 11 largest supermarket chains account for 44 percent of sales by British food retailers, while 6 of these chains have about 35 percent of sales. Four voluntary chains account for another 7 percent of food retailers' sales. The British consumer cooperatives, which have a central buying organization, account for 14 percent of grocery sales.

Although food services are far less concentrated, the rapid growth of fast food chains means that a large, expanding number of outlets can be reached through a few central buyers.

The principal retail and food service buying points are described in the sections of this report, "Food Retailing" and "Food Services." FAS can provide information about potential buyers and arrange contacts if desired. These services are described in the Appendix.

### Industrial End Users

The British food processing industry imports many foodstuffs, including dehydrated vegetables; fresh, frozen, and preserved fruit and vegetables; meats; and nuts. Large processors may import directly from the foreign supplier, avoiding intermediary costs. Small processors lack the staff, facilities, and financial resources to import directly. They use the import channels already described.

### Import Barriers and Regulations

U.S. food exports to the United Kingdom are subject to import tariffs and levies established by the European Community as well as labeling, health, food additive, and other standards that are maintained by the British Government and generally follow EC guidelines.

### The EC Common Agricultural Policy

On joining the European Community in 1973, the United Kingdom adopted the CAP. The six charter members of the EC—Belgium, the Federal Republic of Germany (West Germany), France, Italy, Luxembourg, and the Netherlands—initiated the CAP in 1962, implementing it in stages to encompass an increasingly wide range of agricultural commodities. By the time the United Kingdom, Denmark, and Ireland joined in 1973, the CAP was largely in place.

**Price Guarantee System.** The CAP's main feature is a system of guaranteed prices for most agricultural commodities produced in the EC. Prices are normally fixed well above world market prices, requiring the use of highly protective measures against imports as well as subsidies to facilitate exports.

Prices are maintained at or above stipulated levels by a variety of methods. The most important method is government buying or intervention (when a commodity's price falls to a specified level, the commodity is offered to intervention authorities for sale at that price). The principal grains, beef and veal, pork, but-



## Harold A. McNitt

ter, nonfat dried milk, certain cheeses, sugar, tobacco, and olive oil qualify for intervention. This mechanism has generated surpluses, many of them mountainous, for most of the products concerned (corn and tobacco are notable exceptions). The EC uses variable levies (discussed in the following section) to prevent the intervention price floor from being breached by lower priced imports. Commodities open to intervention also qualify for export subsidies, often needed to sell off surpluses at lower world market prices.

Another smaller group of commodities receives price support indirectly through variable levies and export subsidies alone. These commodities include poultry, eggs, and processed rice.

Prices for certain fruits, vegetables, and table wines are supported through a market withdrawal and reference price mechanism similar to intervention buying and variable levies. Reference prices are determined by the EC and are used as a basis for levies on low-priced imports. When the entry price of the item falls below the reference price, a compensatory tax is charged against the exporting country.

**Measures To Regulate Imports.** To maintain a regime of prices generally above world market levels, the United Kingdom and other EC countries employ a restrictive system of levies, tariffs, and other import charges preventing imports from undermining domestic prices. In Britain, as well as the other EC countries, these measures have slowed the growth of many imports from the United States and sharply reduced U.S. sales of certain others.

Variable levies are the principal means of regulating import prices. Although defined and computed differently for various commodities, the levies ensure that the price of an import is higher than the guaranteed price of the domestically produced commodity. Variable levies apply to wheat, feed grains, dairy products, beef and veal, pork, sugar, poultry, eggs, and rice. They also apply to many processed foods using grains, dairy products, or sugar.

The use of variable levies or other flexible charges, such as compensatory taxes, to bring the price of imported commodities to a level somewhat above the price of competing EC-produced items gives British and other EC suppliers a preferential or first-choice position on the UK market. Outside suppliers, such as

the United States, can compete only when EC producers are unable to meet market demand or when special qualitative factors are an overriding consideration (as with North American hard wheat).

A wide range of commodities, some of major importance to U.S. trade, are not included in the EC's variable levy system: oilseeds and oilseed meals; certain food industry residues (particularly corn gluten feed); horsemeat and most animal offals; animal oils and fats, except poultry fat and lard; certain fruits, vegetables, and nuts; vegetable oils, except olive oil; hides, skins, and furskins; tobacco; and cotton. Although not subject to variable levies, most of these items are subject to fixed tariffs, uniform for all EC-member countries and set forth in the Common External Tariff (CET). Goods originating in any of the EC countries may be traded between the members without payment of tariffs or levies.

Besides variable levies and tariffs, British agricultural imports from the United States face other disadvantages. The CAP establishes tariff and levy preferences for many commodities imported from Mediterranean suppliers (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Portugal, Spain, Syria, Tunisia, and Turkey) and almost 60 developing countries with which the EC has historic ties (referred to as the African, Caribbean, and Pacific signatories of the Lome Convention, or ACP countries). Specified imports from those suppliers are subject to reduced or preferential tariff rates on entering any of the EC countries, giving them a price advantage over imports from the United States and other third-country suppliers.

EC processors of tomatoes, peaches, fruit cocktail, prunes, raisins, figs, and certain varieties of cherries and pears may benefit from EC processing subsidies. Subsidies are paid to EC processors on the basis of contracts placed with EC primary producers at or above stipulated minimum prices. These subsidies indirectly support producer prices while giving processors a competitive price advantage on EC markets.

### Labeling Requirements

Current requirements for labeling retail packages are based on an EC directive issued in 1978 (11). Most of its provisions were adopted by the United Kingdom and subsequently took effect on January 1, 1983. The new EC regulations specify what information must be

displayed on retail packages and containers. Since the regulations are detailed and include numerous derogations or exceptions, the following account is meant to provide only a general picture.

The following information must be displayed on retail packages and containers:

- The product's name;
- A plain-language description of the product if the name is not self-explanatory;
- The product's ingredients;
- The product's net quantity, normally expressed in metric terms;
- The product's date of minimum durability;
- Any special storage or other conditions of use;
- The name of the manufacturer or packager, or of a seller established within the EC;
- Place of origin if lack of such information might mislead the consumer;
- Instructions, if needed, on product use (11, Article 3).

The British Government does not approve proposed labels in advance. However, if a label fails to meet specifications, it is always subject to legal action. The British importer or buyer of a product can usually provide detailed information on labeling requirements. FAS can also provide an unofficial evaluation of a proposed label through its label clearance program (see Appendix).

The new labeling requirements are very specific concerning the product's list of ingredients (11, Article 6). All ingredients, including additives, must be listed in descending order of weight at the time of their use in the manufacture of the product. Water should be listed if its weight in the finished product exceeds 5 percent. Generic terms like "vegetable oil" and "animal oil" may be used under certain circumstances.

Products that require date-marking must indicate (in most cases) a "Best before . . ." date (11, Article 9). In certain cases, the phrase "Use before . . ." must be used. Several types of food are exempted from date-marking, including fresh fruit and vegetables, wines and liqueurs, beverages containing 10 percent or more alcohol, bakery products which are normally consumed within 24 hours, vinegar, cooking salt, and certain confectioneries.

### Food Additives

Additives may be listed by their chemical names or by their EC code number (E-number). Additives may not be used unless they are on the current list of approved additives as promulgated by the British Government. Additives which must be listed as ingredients include colors, preservatives, antioxidants, emulsifiers, thickeners, gelling agents, stabilizers, flavor enhancers, acids, acidity regulators, anticaking agents, modified starches (specific name or E-number not required), artificial sweeteners, raising agents, antifoaming agents, glazing agents, and flour improvers.

### Health and Sanitary Regulations

Perishables, particularly meat, are subject to stringent health and sanitary regulations. With respect to meat, these regulations apply both to slaughterhouse operations and the meat itself. British regulations are based on the Food and Drug Act of 1955. Membership in the EC obliges Britain to align its regulations to existing EC food controls and to conform to future EC regulations (5, Grose). As far as U.S. exports are concerned, British rules are generally similar to those of the other EC countries, with the important exception of fresh and frozen poultry meat.

Most U.S. fresh poultry meat exports were banned from the United Kingdom after August 1981 because of a change in UK health and sanitary regulations pertaining to Newcastle disease. The ban halted a promising growth of U.S. poultry exports. The United States is optimistic that a change in the British policy for managing the disease, effective on September 28, 1984, will result in the lifting of the ban on imports from the United States.

### The British Consumer

Changes in the age distribution of the British population, the size and structure of households, personal disposable income, and lifestyles have brought far-reaching changes in consumer food demand since the sixties. Several of these factors have created greater demand for highly processed convenience foods. Their impact is expected to be felt during the rest of the century.

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### Population Size and Age Distribution

The United Kingdom's population of 56 million is virtually static. The rate of population increase during 1971-76 was 0.1 percent, falling to 0 during 1976-81. But, the British population will undergo significant changes in age distribution during the remainder of this century (table 1), with consequent effects on the level of demand for different kinds of food.

Children under 15 numbered 13.4 million in 1971; this figure fell to an estimated 11.3 million in 1983 and will continue to decline, at a slower rate, through the eighties. This decline means a contracting market for children's foods, such as candy, ice cream, and snacks. The 15-29 age group will remain one of the largest during the eighties. Not yet tied down as much

as older groups by financial obligations, this group tends to have an interest in new food products and to provide a large market for convenience and fresh foods. The 30-44 age group will expand as a percentage of the total population during the rest of the century, increasing demand for foods associated with building a household, including staples and baby foods. The over-44 group is forecast to remain stable at about 37 percent of the population during the period.

### Changes in Household Size

An ongoing increase in the proportion of smaller households is likely to have an impact on food preferences. While one-person households comprised only 11 percent of total households in 1951, this figure



Imported fresh fruits are increasingly popular with British consumers.

## The British Market for U.S. Food Exports



Grocery store customers prize fresh vegetables.

doubled to 22 percent by 1981, and the uptrend is expected to continue. Reasons for the increasing percentage of small households include a trend toward fewer children per family, plus greater affluence and available housing for young singles, young married couples, and older adults. Greater social and geographical mobility is another factor contributing to smaller households (25).

This trend toward more one- and two-person households means increased demand for highly processed convenience foods. It should also bring increased business to restaurants and carryouts.

### Food Expenditures

Per capita personal disposable income in the United Kingdom rose at current prices from \$2,750 in 1976 to

\$5,430 in 1983. This represents a real growth, adjusted for inflation, of 13 percent, a significant increase in view of the economy's overall lackluster performance (7). This increase did not translate fully into bigger expenditures on food, however. A large share of the increased real income went into housing and leisure-time goods and services. Thus, private consumption expenditures on food (excluding alcoholic beverages) as a percentage of total private consumption expenditures declined during 1976-82 (7):

Year	Percent
1976	18.6
1977	18.7
1978	18.1
1979	17.4
1980	16.8
1981	15.9
1982	15.4

The rise in real personal disposable income was offset by the decline in the percentage of expenditures on food, so that in real terms, the British market for food in 1982 was almost the same size as in 1976. Consumer expenditures on all goods and services increased in volume by 12.3 percent during 1976-82, but expenditures on food went up only 1.8 percent.

The overall unresponsiveness of food expenditures to increased income is illustrated by the low income elasticities of quantities purchased for most of the broad food categories (table 2). Within these categories, a few items have relatively high elasticities, some of which are also shown. In general, frozen vegetables and fruit, frozen convenience foods, certain fresh fruit, vegetable and fruit juices, rice, and spreads and dressings responded significantly to increased income in 1981, some of them of interest to U.S. suppliers.

Over the short term, small increases in personal disposable income and expenditures on food will probably continue. A recent forecast anticipates an average annual volume increase during 1980-85 of 0.8 percent in personal disposable income, 1.5 percent in total consumer expenditures, and only 0.6 percent in food expenditures (5, Ashby).

**Changes in Lifestyles**

Several sociological developments, especially during and after the sixties, changed the shape of British food demand and distribution.

Automobile ownership increased from 167 vehicles per thousand inhabitants in 1964 to 256 in 1978. Increased car ownership stimulated the development of suburban shopping centers and supermarkets. The level of automobile ownership remains below that of several other industrial countries, however, possibly inhibiting the trend toward giant supermarkets.

Ownership of freezers or refrigerator/freezers increased from only 8.7 percent of households in 1972 to 54

percent in 1981. An estimated 70 percent of British households will have such equipment by the end of the eighties (25). The increase in freezer ownership indicates further growth of demand for frozen convenience food and stimulates construction of large stores equipped to accommodate the rapid proliferation of frozen foods.

While microwave ovens were used in only 2 percent of British households in the early eighties, an estimated 25 percent will have them by the end of the decade (25). This increase will add a further stimulus to sales of highly processed convenience foods.

Major social changes, in addition to the demographic developments already described, have affected both

**Table 1—Projected population by age group, United Kingdom, 1980–2011**

Age group	1979 <sup>1</sup>	1980	1983	1984	1986	1991	1996	2001	2011
<i>Thousands</i>									
All persons <sup>2</sup>	55,946	55,982	56,124	56,200	56,416	57,192	57,939	58,373	58,937
Under 5 years	3,386	3,408	3,698	3,789	3,997	4,440	4,417	4,076	3,943
Under 18 years	14,836	14,652	14,076	13,945	13,786	13,945	14,944	15,319	14,387
Under 21 years	17,446	17,327	16,922	16,787	16,547	16,462	16,923	17,586	17,083
5–14 years	8,664	8,417	7,633	7,441	7,148	7,397	8,370	8,790	7,834
15–29 years	12,458	12,615	13,068	13,183	13,372	12,846	11,627	11,150	12,785
30–44 years	10,621	10,763	11,027	11,119	11,349	11,887	12,319	12,900	11,177
45–64 years	12,592	12,421	12,474	12,515	12,143	12,101	12,806	13,289	14,948
65–74 years	5,166	5,176	4,897	4,762	4,914	4,899	4,776	4,477	4,713
75 years and over	3,059	3,129	3,327	3,391	3,493	3,622	3,624	3,691	3,537
<i>Percent</i>									
All persons <sup>2</sup>	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Under 5 years	6.05	6.09	6.59	6.74	7.08	7.76	7.62	6.98	6.69
Under 18 years	26.52	26.17	25.08	24.81	24.44	24.38	25.79	26.24	24.41
Under 21 years	31.18	30.95	30.15	29.87	29.33	28.78	29.21	30.13	28.99
5–14 years	15.49	15.04	13.60	13.24	12.67	12.93	14.45	15.06	13.29
15–29 years	22.27	22.53	23.28	23.46	23.70	22.46	20.07	19.10	21.69
30–44 years	18.98	19.23	19.65	19.78	20.12	20.78	21.26	22.10	18.96
45–64 years	22.51	22.19	22.23	22.27	21.52	21.16	22.10	22.77	25.36
65–74 years	9.23	9.25	8.73	8.47	8.71	8.57	8.24	7.67	8.00
75 years and over	5.47	5.59	5.93	6.03	6.19	6.33	6.25	6.32	6.00

<sup>1</sup>Base year for these projections.

<sup>2</sup>Totals may not add because of rounding.

Source: (6).

Table 2—Income elasticity of quantity purchased, selected foods, United Kingdom, 1981

Item	Coefficient	Item	Coefficient
Milk and cream	-0.13	Fresh fruit	.58
Cheese	.41	Oranges	.47
Carcass meat	.15	Other citrus	.77
Other meat and products	.10	Apples	.55
Fish	.04	Pears	.52
Shellfish	1.35	Stone fruit	1.13
Eggs	-.04	Soft fruit, excluding grapes	.77
Fats	-.03	Other fruit and products	.73
Sugar and preserves	-.20	Frozen fruit and products	1.75
Fresh potatoes	-.27	Fruit juices	1.20
Fresh green vegetables	.10	Nuts and products	.75
Leafy salad greens	.51	Bread	-.12
Other fresh vegetables	.23	Cakes and biscuits	.20
Cucumbers	.53	Other cereals	.19
Mushrooms	.69	Rice	.91
Tomatoes	.42	Frozen convenience cereal foods	1.01
Miscellaneous	.10	Beverages, nonalcoholic	-.07
Processed vegetables	.06	Spreads and dressings	.87
Vegetable juices	1.13	Frozen convenience foods, n.e.s.	2.11
Frozen chips and other frozen products	.91	Novel protein foods	.60
All frozen vegetables and products, n.e.s.	.99		

n.e.s. = Not elsewhere specified.

Source: (19).

the types of food in demand and the nature of food retailing.

The expansion of the number of working wives from about 20 percent of the population in 1950 to over 50 percent in 1980 increased demand for readily prepared convenience foods (25). Another less obvious effect was a greater interest in ethnic and other food specialties, used for preparing new and unusual meals on weekends. The increased percentage of working wives also fostered the growth of sandwich shops, other fast food outlets, and carryout shops. The impact on food distribution was to move business away from small specialist retailers to large, self-service, one-stop stores.

A shortening of the average work week and lengthening of vacations, thereby creating more leisure time, also affected food demand and distribution. More leisure time affords the possibility of eating out more often, either at restaurants or on picnics. It also fosters

less formal or structured meals at home, in which different members of the family eat when it best suits their times of work and leisure. This trend increases demand for readily prepared convenience foods and snacks.

### Food Retailing

The dominant trend in British food retailing since 1960 is the concentration of sales among fewer firms. By the eighties, a few large companies controlled well over half the retail market. Changes in consumer tastes and habits, advantages of economies of scale, and new technologies in packaging, storing, and distributing accelerated the trend toward greater concentration. Large multiple chains increasingly assumed the functions formerly reserved to small specialty shops. Most types of food retail business, in order to succeed, turned to mergers, voluntary association, and other large-scale forms of organization to benefit from the advantages accruing to bigness.

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Concentration also implies fewer but larger sales outlets. Supermarkets and superstores have grown apace at the expense of small specialty stores and independents. The trend toward greater concentration characterizes nearly all branches of the food industry. Not only retailing, but importing, wholesaling, and food processing are intensely concentrated. Even the food services are somewhat affected through the appearance of fast food chains.

### British Food Retailing: An Overview

Grocery stores, accounting for approximately half of food retail sales (25), include a broad range from small, independent stores to large, nationwide chains. They are considered separately from specialty food shops, such as butcher shops, bakeries, and greengrocers, and from food departments in department and variety stores, despite considerable overlaps of function among these different outlets.

The grocery trade began with traditional dry-good stocks (canned goods, condiments, spices, flour, sugar, and the like). Since 1950, in the larger groceries, the range of inventory has vastly expanded to include fresh meats; fresh and frozen fruits and vegetables; bakery and dairy products; and nonfood items, such

as alcoholic beverages, tobacco, soaps, detergents, and paper products. This expansion of the grocers' inventories was made at the expense of the traditional specialty shops—butter shops, bakeries, fruit stores, greengroceries, dairy shops, poultry and fish stores, and confectionaries. These specialty shops still have about 30 percent of the British food retail market, and their rate of decline may have slowed.

The percentage ratio of grocery store sales to food specialty shop sales increased after 1961 as follows (25):

Year	Grocers	Specialty shops	Total
			Percent
1961	57.6	42.4	100.0
1971	61.7	38.3	100.0
1975	63.6	36.4	100.0
1979	64.3	35.7	100.0

Retail outlets that sell food and beverages but are not primarily food retailers account for about 10 percent of total food retail sales (25). They include department and variety stores and combined news/tobacco/con-



U.S. raisins and other processed foods are popular in Britain.



Prepackaged, self-service meat cuts are available in many British supermarkets.

fection shops. The department and variety store food operations are described in a separate section of this report.

Retail channels that go directly from farmer or manufacturer to the consumer account for the remaining 10 percent of sales. They include farmers' markets, street stands, and direct shipments from processor to consumer.

### Food Retail Sales

Total UK food retail sales are not available in official British statistics. Sales by food retailers in 1978 (excluding Northern Ireland) totaled 14.7 billion pounds or \$28.3 billion (table 3). These figures do not include sales of food by mixed retail businesses, such as department and variety stores. The amount of food sold by such mixed businesses is not shown separately from their total sales (which might also include clothing, durables, and other consumer items).

Sales of food retailers (again excluding food sales by mixed retail businesses) are estimated at 23.9 billion pounds (\$41.7 billion) in 1982.

### The Grocery Trade

Grocery enterprises fall into three groups: the multiples, which are corporate enterprises with at least 10 outlets; the independents, with fewer than 10

outlets; and the consumer cooperatives. The market shares held by the three types of grocery organization changed radically after 1950. The large increase in the multiples' share, particularly since 1960, was achieved at the expense of the independents and, to a lesser degree, the cooperatives (fig. 2). A sharp reduction in the number of grocery outlets characterized the seventies and is expected to continue (fig. 3 and table 4).

The decline in the number of independent grocery stores was largely due to their inability to remain in business against the multiples, for reasons that are explained in the following pages. The decline in the number of multiple and cooperative stores, however, largely represents a shutting down of small, older stores in favor of larger, more efficient outlets. In 1980, the average outlet opened by the multiples included 20,600 square feet of selling space compared with only 3,500 square feet for the units closed.

While the total number of grocery outlets declined sharply during the seventies, large, self-service stores (with at least 2,000 square feet of selling space) and superstores (with over 25,000 square feet) increased (table 5). The larger self-service stores and the superstores sell fresh produce and meat, and like their U.S. counterparts have expanded into tobacco products, alcoholic beverages, soaps and detergents, paper products, and other nonfood items.

Table 3—Indexes of retail sales by type of retailer, Great Britain<sup>1</sup>

Type of retailer	1978 retail sales <sup>2</sup>		Indexes							
			Volume				Value			
			1979	1980	1981	1982	1979	1980	1981	1982
	<i>Million pounds</i>	<i>Million dollars<sup>3</sup></i>	-----Index (1978 = 100)-----							
Food	14,714	28,251	104.3	108.0	108.5	109.6	115.9	134.5	148.9	162.5
Mixed <sup>4</sup>	11,603	22,278	103.9	103.7	106.7	109.6	116.6	131.1	142.7	154.0
Nonfood	17,549	33,694	104.5	101.5	102.2	106.2	116.9	128.7	138.5	150.3
Total	43,866	84,223	104.3	104.3	105.5	108.2	116.5	131.3	143.1	155.4

<sup>1</sup>Excludes Northern Ireland.

<sup>2</sup>Based on the results of the 1978 Retailing Inquiry.

<sup>3</sup>1 pound = \$1.92.

<sup>4</sup>Includes department and variety stores with food and nonfood departments.

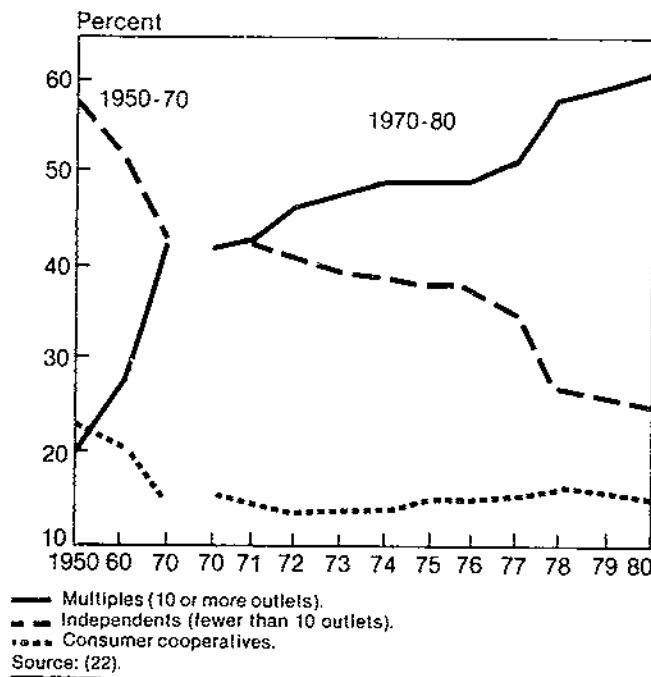
Source: (7).



A large percentage of the biggest outlets (those with over 10,000 square feet of selling space) are operated by the multiple chains and cooperatives. At the beginning of 1982, 739 British grocery stores had 10,000-25,000 square feet. Multiples owned 636 outlets with 10,000-25,000 square feet; cooperatives, 96; and independents, only 7. Of the 315 superstores, multiples operated 255; cooperatives, 47; and independents, 13 (16).

The trend toward large grocery stores will continue. In a stagnant market, sales growth is facilitated through expansion of inventory in sectors which command higher margins than traditional dry goods, such as fresh meat, fresh vegetables and fruit, low calorie or dietetic products, gourmet and ethnic specialties, and frozen and other highly processed foods and nonfood items. The trend toward fewer but larger stores is also supported by economies of scale, including more economical distribution at a time of rising fuel costs. Other factors, paralleling U.S. developments, are a trend toward suburban living and increased reliance on automobiles for one-stop shopping.

Figure 2  
Grocery market shares by type of enterprise, 1950-80

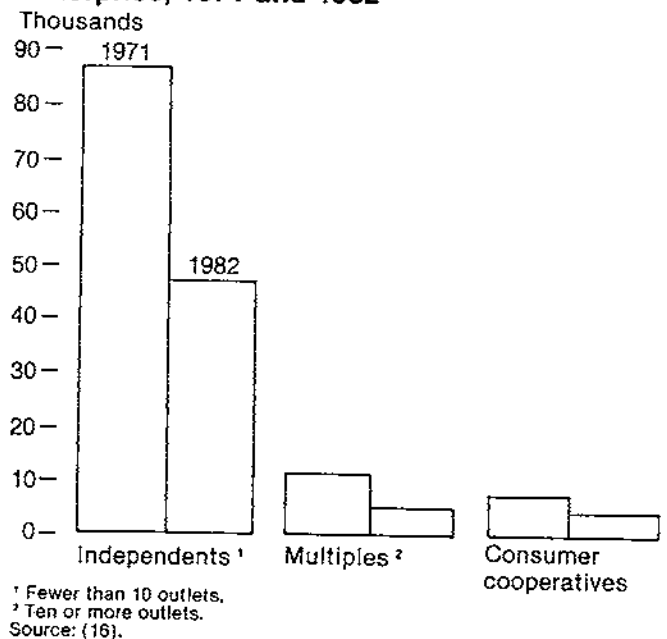


### Scanning and Bar Coding

Although the use of computerized checkouts has developed slowly in Britain, scanning is likely to accelerate during the rest of this decade. An estimated 500-800 stores will install scanning equipment during 1983-87 (5, Hunt). The larger multiples and cooperatives have already installed scanning equipment in some of their largest outlets and plan to expand its use. Some of the more enterprising symbol independents (independents that have combined resources with wholesalers) have also installed scanning equipment.

From the manufacturing side, most British food processors have been quick to adapt bar codes to their products. Multiples and cooperatives are applying bar codes to their private labels. Large wholesalers that distribute private labels to their affiliated symbol independents are likewise bar-coding their products. British food manufacturers and distributors expect scanning to make checkout and inventory control far more efficient, and to facilitate placing orders, invoicing, and conducting other business between suppliers and retailers.

Figure 3  
Number of grocery outlets by type of enterprise, 1971 and 1982



## The British Market for U.S. Food Exports

**Table 4—Number of grocery outlets, United Kingdom, selected years 1971-82**

Year <sup>1</sup>	Multiples	Cooperatives	Independents	Total
1971	10,973	7,745	86,565	105,283
1974	9,500	6,800	74,000	90,300
1975	9,150	6,490	70,000	85,640
1976	7,960	6,270	66,000	80,230
1977	7,000	6,000	62,000	75,000
1978	6,440	5,760	59,000	71,200
1979	6,000	5,550	56,000	67,550
1980	5,700	5,250	53,000	63,950
1981	5,600	5,050	51,000	61,650
1982	5,430	4,630	48,000	58,060

<sup>1</sup>Data for 1972 and 1973 are not available.

Source: (16).

### Growth of the Multiple Chains

Financial and other economic advantages enjoyed by the multiples place an increasing share of retail food sales into the hands of a relatively few large firms. The market share of British grocery trade held by the multiples increased from 44 to 63 percent between 1970 and 1981. The six largest multiples in 1982 accounted for an estimated 35 percent of sales by all food retailers and more than 50 percent of sales within the grocery sector (strictly defined), a measure of the high concentration of the British food distribution sector (table 6).

Many of the large multiples are linked financially to food processing and other manufacturing firms; some of them, such as Safeway, are multinational. Multiples may be either nationwide or regional enterprises. Six of the 15 largest are limited to specific regions.

Multiple chains expanded to their present dominant status by opening larger stores, often in shopping centers, and in some cases, by increasing the number of outlets under their control. Expanded prepackaging of food by manufacturers was a factor because it facilitated self-service.

The multiples' growing sales volume increased their bargaining strength vis-a-vis the food processors. They used this strength to obtain discounts and other more

**Table 5—Number of large grocery outlets, United Kingdom, 1970-83**

Year	Self-service stores <sup>1</sup>	Superstores <sup>2</sup>
1970	4,400	24
1971	4,800	32
1972	5,140	47
1973	5,840	63
1974	5,800	86
1975	5,900	102
1976	5,890	124
1977	6,190	151
1978	7,160	176
1979	7,130	211
1980	7,000	238
1981	NA	279
1982	NA	315
1983	NA	345

NA = Not available.

<sup>1</sup>Self-service outlets with over 2,000 square feet of selling area on one floor.

<sup>2</sup>Self-service outlets with over 25,000 square feet of selling area on one floor.

Sources: (15, 16).

**Table 6—Largest multiples, number of outlets, and sales, United Kingdom 1981/82**

Company	Year ending	Outlets	Sales
Tesco	2/82	544	3,689.6
J. Sainsbury	3/82	253	3,608.4
Asda	5/82	85	2,423.3
Argyll Foods	4/82	NA	1,790.8
Fine Fare	3/82	593	1,750.1
International/Mainstop	12/81	534	1,443.0
Safeway	9/82	98	928.7
Kwik Save	8/82	306	908.9
Lifood	4/82	235	717.8
Waitrose	1/82	72	641.0
Key Markets	4/82	104	538.3

NA = Not available.

<sup>1</sup>1 pound = \$1.85.

Source: (16).

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favorable terms, to win concessions in delivery and sales promotion, and to obtain supplies from manufacturers packed under their own (retailers') labels. These private-label products may be sold at lower prices than manufacturer-branded products, often with higher profit margins.

### Independent Grocers

Sales of the UK's independent grocers (firms with fewer than 10 outlets) dropped sharply as a percentage of total grocery sales from 57 percent in 1950 to only 24 percent in 1981. Economic, financial, and social trends gave the multiples a decisive advantage over the smaller independents, pushing many out of business. Urban renewal also took a toll. Thousands of small shops, many of them groceries, were bulldozed to make way for large-scale redevelopment (12). Independents are still a major part of the British food retail scene, however. Over four-fifths of grocery outlets are in this group, most of them one-outlet enterprises.

While many "ma and pa" stores remain, they are barely viable under current conditions. Enterprising independents have combined their resources in association with leading wholesalers (many of which are also threatened by the multiples). These wholesaler-retailer organizations are called voluntary groups, voluntary chains, or symbol groups.

Although remaining independently owned and operated, each retail member of a voluntary chain agrees to purchase a minimum of its needs from the sponsoring wholesaler(s), to display the voluntary group's symbol (or logo), and to meet standards of appearance and cleanliness. In return, the independent member has a reliable source of supply at good prices because the sponsoring wholesaler(s) buys from producers, processors, and importers on a large scale. The symbol group also usually provides promotional and management services to member stores. The larger symbol groups are important buying points for U.S. exports. Some of them supply private label lines of groceries, both frozen and not frozen, to their retail members (1).

Retail cooperative buying groups (no relationship to consumer cooperatives) are similar to voluntary chains but have no wholesaler affiliation. Retail members pool their resources for joint purchasing and promo-

tion. These groups are fewer in number than voluntary groups and declining in significance. Of the 56,000 independent grocers in 1979, 21,000 were affiliated with a voluntary chain or retail cooperative (25).

The four largest voluntary chains in 1982 had 9,795 retail enterprise members and total sales of over \$3 billion (16):

Company	Members	Group sales
	Number	Million Dollars
Spar	3,400	1,218
Mace	2,950	853
VG	2,245	629
Wavy Line	1,200	380

The more efficient independents have opened larger sales outlets in recent years. In 1978, no symbol independent had a selling area larger than 4,000 square feet, and no nonsymbol independent had more than 2,000 square feet (25). By 1983, independents operated 13 superstores (with a selling area of over 25,000 square feet) and 15 large supermarkets (10,000-25,000 square feet) (16).

The long-term decline in the independents' number and sales turnover may slacken. The multiples and cooperatives are concentrating on fewer and larger outlets; these conditions may not prove convenient to people without automobiles and others who do not wish to take the time to shop at a large store for all their needs. A locally managed independent may also benefit from neighborhood identification and more personal service. These factors suggest that independents, particularly those affiliated with voluntary chains, will continue to play a major role in British food retailing.

### The Cooperatives

The consumer cooperative movement did much to foster the development of British food retailing during the last half of the nineteenth and first half of the present centuries. Each local consumer cooperative retail society is owned by its members, who may participate in its decisionmaking. Each society's retail outlets sell both food and nonfood items, and may range from small specialty shops to superstores. Goods

are normally sold at going market prices. Any profits (called surpluses) that result from sales are distributed as dividends to the members.

Some local cooperative societies own and operate only a small number of outlets. Others, like the large multiples, operate hundreds of stores over a wide geographic area. Because of demographic, economic, and sociological trends that have affected all forms of British food retailing, the number of cooperative societies declined sharply after 1960. The cost efficiencies accruing to larger organizations made a decrease of small-scale societies inevitable. The number of societies dropped from 835 in 1961 to 313 in 1971 to only 187 in 1981 (12, 16), representing amalgamations of smaller local groups into larger cooperative societies. The number of members fell from 11 million in 1972 to 9.5 million in 1982.

Increasing sales concentration accompanied the decline in the number of co-op societies. The share of total cooperative food sales held by the six largest societies increased from 25.2 percent in 1968 to 38.6 percent in 1975, while that held by the four largest societies climbed from 20.7 to 32.4 percent (12). This trend continues. The two largest cooperative societies are the Co-operative Retail Services (1979 sales turnover: \$1 billion) and the London Co-operative Society (1979 turnover: \$488 million). Members of these two societies voted to merge in 1980, creating an organization with annual sales approaching \$2 billion by 1982.

Sales of all British cooperatives totaled \$8.1 billion in 1981. Cooperatives that year operated 7,990 retail outlets. Cooperatives lost ground to the multiples after 1950, their share of grocery trade sales falling from 23 percent in 1950 to 14 percent in 1981. By their nature—consumer-owned with local decisionmaking and under pressure at times from consumer activists—cooperatives have difficulty pruning out inefficient, smaller outlets.

Despite these problems, the cooperatives appear to be adjusting to the current competitive environment with considerable success. Their share of the grocery trade market stabilized within 13-15 percent after 1970. The better managed, larger societies have installed scanners in their largest outlets. One of these, the Portsea Island Co-operative Society, opened in 1980 a hypermarket with 70,000 square feet of selling space

The societies buy many of their requirements from the Co-operative Wholesale Society Limited (CWS), headquartered at New Century House, Manchester M60 4ES, England. CWS is the United Kingdom's largest wholesale enterprise and is an important buying point for U.S. and other foreign suppliers. In addition to wholesaling, CWS is involved in manufacturing (over 130 factories), farming, international trading, and banking. It provides a range of services for cooperative retailers, such as advertisements and promotions, store design, and private label products when required.

### Specialty Food Shops

Before 1950, the average British food purchaser shopped at many different food shops: the grocery (selling mainly dry goods and canned foods), the butcher shop, the bakery, the greengrocery, the fruit store, the poultry/fish shop, and the confectionary. This multiplicity of specialized stores was well adapted to an urban lifestyle with relatively few automobiles and no home freezers.

After 1950, grocers gradually expanded into lines previously handled by these specialty shops. The evolution of suburban living, shopping by automobile, and, above all, the supermarket facilitated this diversification. An estimated 30 percent of total British retail food sales currently goes through the food specialty shops (25).

Specialist butcher shops continue to play a major retail role (table 7). In 1979, these shops still accounted for an estimated 53 percent of fresh meat sales. Dairy shops, which include both retail outlets and depots where delivery people pick up their supplies, are a very strong sector because most milk is still delivered daily to customers' homes and relatively little is purchased in supermarkets. The loss of customers to the multiple grocers appears to be slackening.

Freezer centers are relative newcomers to the specialty shop scene. They offer frozen products in bulk at a discount. The largest freezer center chain, Bejam, operated 184 outlets and registered sales of \$332.8 million in 1982 (7). The cooperatives also maintain freezer centers, though the number of outlets declined from 170 in 1979 to 115 in 1981 (16). The use of private labels is prominent at freezer centers, including the Bejam and cooperative stores. Many freezer cen-

ters are diversifying their product offerings to include nonfrozen items, such as soft drinks, canned goods, and tissues (1).

The traditional specialty food shops are structurally fragmented, with many one-store operations and few chains. How effectively they can respond to the challenges posed by grocery chains—which increasingly are expanding into all fresh food lines—remains to be seen.

**Department and Variety Stores**

Department and variety store chains are among the most up-to-date retailers of food in the large cities, many of them incorporating large self-service food departments. British statistics do not include them within the grocery trade, although their operations and inventory are similar to the large grocery chains.

Marks & Spencer, a variety store chain with over 250 outlets in the United Kingdom, includes in many of its stores self-service departments with a full range of food. These departments offer fresh, frozen, and

packaged goods, with an emphasis on private labels. Food sales totaled \$1.1 billion in the financial year ending in March 1980, accounting for one-third of the chain's total sales (25). Other department or variety store chains which feature food markets or sections include British Home Stores, Littlewoods, and Boots.

A few of Britain's largest department stores, including Harrods, Selfridges, and Fortnum and Mason, have food halls that offer an exceptional range of items, with an emphasis on gourmet foods, wines, and imports.

**Performance of the Retail Sector**

Net profit margins of the multiples (that is, gross margins minus operating costs but before taxes) were pushed to below 2 percent by a severe price war in 1977/78 (fig. 4). Although margins climbed back to a little over 2 percent in 1981/82 and remained there in 1982/83, industry specialists believe that there is little hope for an early return to the somewhat higher levels that characterized the early seventies and before.

Table 7—Specialty food shops: Number of outlets and sales, United Kingdom, 1976–79

Type of enterprise <sup>1</sup>	1976	1977	1978	1979
<i>Number</i>				
<b>Outlets:</b>				
Dairy	7,331	7,276	6,759	7,612
Butcher shop	22,289	21,776	21,422	21,488
Fish/poultry store	3,286	3,716	2,999	2,725
Greengrocery/fruit store	15,246	15,738	14,799	14,380
Bread and flour confectionary	13,893	14,984	12,914	13,210
<i>Million dollars<sup>2</sup></i>				
<b>Annual sales:</b>				
Dairy	1,566	1,804	2,029	2,690
Butcher shop	2,480	2,667	3,310	4,149
Fish/poultry store	219	233	288	316
Greengrocery/fruit store	1,030	1,040	1,181	1,422
Bread and flour confectionary	824	976	1,058	1,425

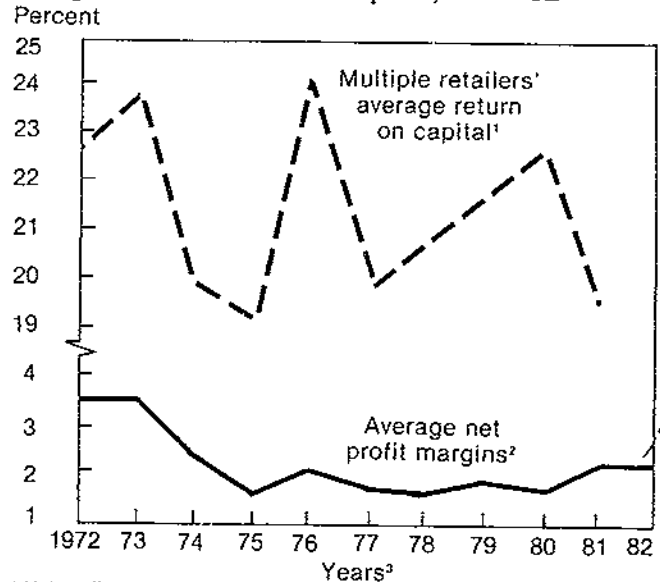
<sup>1</sup>Excludes freezer centers.

<sup>2</sup>1 pound = \$1.81 (1976), \$1.75 (1977), \$1.92 (1978), \$2.12 (1979).

Source: (6).

Figure 4

**Multiple food retailers' average net profit margins and return on capital, 1972-82**



<sup>1</sup> Net profit as percent of equity

<sup>2</sup> Pre-tax margins as derived from the Institute of Grocery Distribution's financial model.

<sup>3</sup> Years are financial years (April-March). Sources: (15,16).

## The British Market for U.S. Food Exports

The expectation of continued modest net profit margins has had several effects on the multiples. Standard grocery items, particularly branded products, are selling at prices which allow only a small retail net margin, and price differences among the different chains on those items are slight. In order to keep abreast or ahead of their competitors, the chains have expanded their inventories to include more nonfood items and fresh foods, goods which command larger retail margins. The severe recession which started in 1979/80 decreased demand for many nonfood items, however, turning the multiples' efforts increasingly toward fresh commodities, such as vegetables, fruit, meats, and bakery products.

Another effect of the modest profit margins has been an increasing use of private labels. These usually make possible larger retail price margins than the corresponding branded products. Most of the large multiples plan to increase their shares of private labels during the eighties.

Modest profit margins have also affected the multiples' cash-flow situation. Capital expenditures needed to establish new superstores are being financed increasingly by medium-term loans and share capital rather than out of current earnings.

Industrywide return on capital (net profit as percentage of equity) among the British multiples declined

slightly between 1971/72 and 1981/82 but with large annual variations (fig. 4).

### Farm/Retail Margins

Estimated farm/retail margins for a few commodities and their percentage distribution among processors, wholesalers, and retailers in the midseventies are shown in table 8. Retail margins shown are relatively high because of the perishable nature of the commodities. Gross retail margins for red meats ranged from 25-30 percent; fresh fruits and vegetables, 36 percent; poultry meat, bacon, bread, and cheese, 19-20 percent; and eggs, 15 percent, according to this 1981 study by the Organisation for Economic Co-operation and Development (OECD).

An earlier EC study estimated British grocers' averaged gross margins for all sales, including nonfood items, in 1971 (12). The average retail margin for multiples was 19.7 percent, for independent grocers, 20.1 percent. These margins are similar to those for corresponding U.S. enterprises.

### Implications for U.S. Exports

The increased concentration of the British retail sector simplifies U.S. food exporting to Britain. The multiple chains shown in table 6 account together for about 44

Table 8—Farm/retail price margins for selected items, United Kingdom, midseventies

Product	Farm/retail margin <sup>1</sup>	Distribution of margins		
		Processing	Wholesaling	Retailing
		Percent		
Eggs, in shell	38	0	60	40
Beef	34	0	25	75
Mutton, lamb	37	0	25	75
Pork	40	0	25	75
Poultry meat	40	38	14	48
Bacon	42	36	17	47
Milk, liquid	42	0	35	65
Cheese, cheddar	53	47	13	40
Bread, white, sliced	70	-----73 <sup>2</sup> -----		27
Fresh fruits and vegetables	45	0	20	80

<sup>1</sup>As a percentage of retail prices.

<sup>2</sup>Represents combined margin for both processing and wholesaling.

Source: (23).

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percent of sales by food retailers. The British cooperatives, which are increasingly centralizing their purchases through the Co-operative Wholesale Society, comprise another 14 percent of the market. The large voluntary chains, four of which had combined retail sales topping \$3 billion in 1982, are also central buying points. The department and variety store chains account for an estimated 10 percent of total food retail sales and are centralized buyers.

The high level of concentration may also cause problems for U.S. exporters. The large buyers, particularly the multiples, have strong price and credit bargaining power. While this is felt most strongly by British food processors, it can also be a factor confronting U.S. and other foreign suppliers.

The current trend among large British retailers toward marketing fresh produce may provide opportunities to U.S. producers. However, U.S. suppliers are limited by the EC's system of import barriers, tariff preferences to Mediterranean and developing country suppliers, and food processing subsidies. The increasing amount of space allotted to highly processed convenience foods may also offer sales opportunities for high-quality, innovative products. Details concerning specific commodities are provided in the section of this report, "U.S. Food Exports to the United Kingdom: Opportunities and Obstacles."

The increased use of private labels by many of the larger retailers and wholesalers makes possible getting a product onto the British market without the enormous advertising and promoting costs required to establish the manufacturer's brand name. This avenue could prove helpful to a U.S. exporter new to the British market.

### Food Wholesaling

Like every component of the British food industry, wholesaling is increasingly concentrated. Wholesale functions (storing, distributing, breaking bulk, and sometimes packaging, grading, labeling) are no longer handled exclusively or even predominantly by independent wholesalers in the United Kingdom. These enterprises declined, both in number and real sales, because of the growth of large retail chains which are able to perform many of the wholesale functions

themselves, buying directly from the supplier or importer. The British wholesale trade has also been under heavy pressure from rising costs of fuel and distribution.

Because of these problems, many wholesale firms went out of business or entered into mergers during the sixties and seventies, a process that continues. Wholesale businesses took several positive steps to bolster their positions. The most important was the creation of retail voluntary chains or symbol groups which assured wholesalers a continued strong market. These groups are described in the section, "Food Retailing."

Another trend was the development of cash-and-carry wholesale operations (24). Rising fuel and labor costs made it unprofitable to deliver goods to small independent retailers and caterers. Minimum delivery lots—too large for these small buyers—were established by the traditional delivery trade. By 1981, the new cash-and-carries were handling almost two-thirds of British wholesale trade: \$6.4 billion out of a total of \$10.1 billion (16). The cash-and-carry wholesalers provide an outlet for private-label products and may be a good target for U.S. firms.

A slow but steady growth in the restaurant trade also provides a reprieve for British wholesalers, particularly the delivery trade. Several wholesale firms specialize in supplying restaurants and other food services.

Diversifying product lines is another way in which wholesalers can maintain their profitability. Several have branched out from traditional groceries to fresh produce, frozen foods, delicatessen specialties, wines and spirits, and nonfood items.

The role of wholesalers in handling imports is complex and varied, depending on the nature of the commodity and the end user. Integrated importer/wholesaler/distributors are increasingly prominent. These firms handle the formalities of customs, storage, and often semiprocessing (for example, labeling and packaging); assume credit risks associated with changing exchange rates and other instabilities; distribute the product to retailers' warehouses or to individual stores; and often assume followthrough activities such as in-store merchandising and promotion. These firms are more fully described in the section of this report, "Import Channels."

The British wholesale sector has become increasingly concentrated. Four firms in 1981 accounted for 33 percent of wholesale sales, while 10 firms accounted for 52 percent. The four largest wholesalers in 1983 were Booker McConnell, which operates both a delivery trade and cash-and-carry depots; Nurdin & Peacock; Linfood Holdings; and Makro. The latter three operate only cash-and-carry outlets. Mergers and takeovers are common in the wholesale sector.

Net profit margins among British food wholesalers ranged within 1.1-1.6 percent during the seventies, according to a survey of 50 leading firms (17). The prevalence of mergers and other corporate changes and the rapid structural changes in wholesaling make reliable information on the performance of this sector difficult to obtain.

### Food Services

A slow but steady growth of British expenditures on meals away from home offers opportunities for U.S. exporters and investors. Spending on meals out plus overnight accommodations (aggregated in British statistics) totaled \$13.2 billion in 1979, a real increase of 7 percent over 1971.

The British spend an estimated 12-15 percent of their food budget on meals away from home, of which about 33 percent is at fast-food outlets (15). This percentage is well below U.S. away-from-home spending, which accounted for 41 percent of total food expenditures in 1983 (28). Almost 40 percent of commercial eating place sales in the United States are fast-food sales.



Trucks and vans play a big role in food distribution.



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The weekly per capita number of meals eaten out in Great Britain averaged 3.75 in 1981 (19). Areas with the largest number of meals out were Greater London (4.27), South East England/East Anglia (3.64), and South West England (3.40).

### Commercial Food Services

The commercial restaurant sector, after years of slow growth and little change, is currently one of rapid innovation. Social factors affecting the food services are the increase of one-person households, the increase in married women working outside the home, and the trend to smaller family units (25). Technological factors include the development of machinery to mass produce items, such as hamburgers and pizzas, to uniform quality and size standards; improved methods of distribution; and other fast-food technologies. These factors have contributed to the rapid growth of fast-food and carryout shops.



Wholesale meat markets do a thriving business.

Public houses (pubs) are the most numerous of all catering establishments (table 9), but only 12.5 percent of their sales consist of food (including soft drinks). The more successful pubs and pub chains are putting more resources into food service, seeking to attract more lunchtime business and more women customers and to meet growing competition from sandwich shops (many of which serve wine and beer), ethnic restaurants, and other establishments that serve both food and alcoholic beverages. Pubs are an important buyer for snacks, such as peanut confections and popcorn.

Restaurants, cafes, snack bars, fish and chip shops, and carryouts, totaling over 40,000 outlets in 1979, had combined food sales of over \$3 billion that year. Fast food shops, ethnic restaurants, and carryouts are the most rapidly growing enterprises.

British food service enterprises purchased food valued at \$5.7 billion in 1979 (15), 18 percent of which was frozen; 9 percent, canned; 13 percent, dehydrated; 12 percent, fresh; and 38 percent, chilled, powdered, bottled, or otherwise preserved. An estimated 35-40 percent of purchases was direct from food processors,

Table 9—Number of food service outlets and annual food sales, United Kingdom, 1979

Type of enterprise	Outlets	Food sales <sup>1</sup>
	Number	Million dollars
<b>Commercial sector:</b>		
Cafes, snack bars	16,000	2,491 <sup>2</sup>
Restaurants	13,600	
Fish and chip shops	10,500	403
Other carryouts	5,000	NA
Hotels	9,000	822
Public houses (pubs)	71,000	1,153
Clubs	30,000	NA
Others	5,000	NA
Total	160,100	NA
<b>Institutional sector:</b>		
Industrial canteens	19,950	NA
Hospitals	9,005	NA
Schools	35,850	NA
Prisons	1,450	NA
Total	66,255	NA

NA = Not available.

<sup>1</sup>1 pound = \$2.12.

<sup>2</sup>Represents combined sales of cafes, snack bars, and restaurants.

Source: (15).

30-35 percent from traditional delivery trade wholesalers, 20-25 percent from cash-and-carry wholesalers, and 5-10 percent from other sources.

### Food Service Chains

Food services are less concentrated than either retailers, wholesalers, or processors. A major new development, however, is the growth of professionally managed chains, both of hotels and restaurants. These chains apply uniform standards of quality and appearance. The main restaurant chains in 1980 included the following (25):

#### General:

Angus Steak Houses  
Berni Inns and  
Schooner Inns  
Garfunkel's Restaurants  
London Steak Houses  
Spaghetti Houses  
Henekey Inns

#### Fast food:

Wimpy and Golden Egg  
McDonalds  
Little Chef and Quality  
Inns  
Pizzaland  
Old Kentucky  
Tennessee Pancake  
Houses  
Pizza Express  
Pizza Hut

### Institutional Food Services

Industrial eating places, offering sandwiches or meals for employees, numbered almost 20,000 in 1979. Contract catering is increasing and accounts for an estimated one-third of industrial catering. School lunchrooms and cafeterias total more than 35,000. The state schools purchase food and other supplies by public tender, either from manufacturers or wholesalers. Standard government procurement practices are also used by the state hospitals and prisons. Contracts for food are awarded on the national, regional, or local level, depending on the product.

### U.S. Food Exports to the United Kingdom: Opportunities and Obstacles

The United Kingdom bought foods from the United States averaging \$310 million annually during 1980-82 (26). Over half of British imports of dried beans and peas and one-fourth of edible tree nuts originate in the United States. Other leading U.S. food exports include variety meats (offals), peanuts, fresh and preserved fruit, and preserved vegetables. Figure 5 depicts the composition of Britain's imports from the United States

by major food groups. However, EC import barriers severely restrict many U.S. exports, including most meats, dairy products, flour, baked goods, lard, sugar, and many fruits and vegetables. British health and sanitary regulations plus EC nontariff barriers combine to keep most U.S. poultry exports out of the United Kingdom. Many U.S. export successes are possible only because of gaps in the EC's elaborate system of protective barriers.

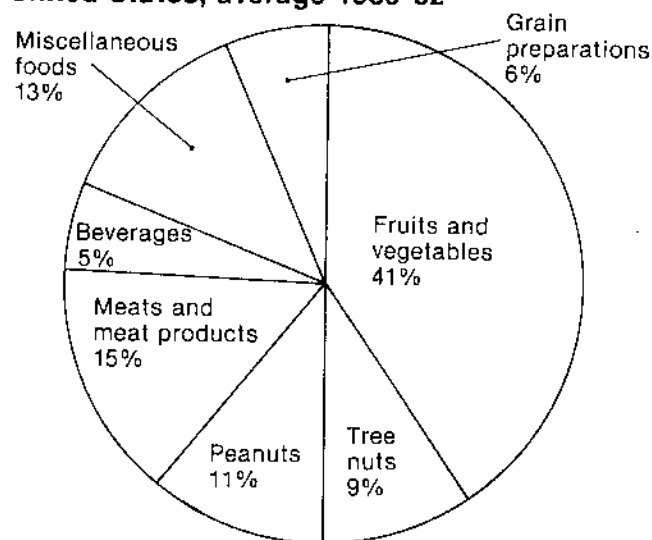
Revolutionary changes in British food processing and distribution and in consumer tastes have a direct bearing on the salability of U.S. food products. For example, processed convenience foods and fresh produce occupy more space in supermarkets and superstores, reflecting new consumer interests and creating more demand for these foods.



An American-style steakhouse beckons passersby at a London park.

Figure 5

**Composition of UK food imports from the United States, average 1980-82<sup>1</sup>**



<sup>1</sup> Annual average, \$310 million, c.i.f. basis.  
Source: (26).

Despite the problems posed by import barriers and heavy competition, several types of U.S. products are already successful on the British market or appear to have potential for further export development.

**Variety Meats, Other Meats**

Although the British market for most red meats and poultry is severely restricted, frozen variety meats (edible offals) are an important exception. British imports of fresh, chilled, and frozen variety meats averaged \$131 million annually during 1980-82 (26), of which the United States supplied \$30 million a year or 22.9 percent of the market. Other major suppliers are New Zealand (28.9 percent share of the market during 1980-82), Canada (10.5 percent), Australia (10.2 percent), and Denmark (7.7 percent). Beef kidneys, beef tongue, and pork offals are the principal U.S. variety meat exports to the United Kingdom (table 10).

The relative success of U.S. variety meats on the British market can be explained partly by the high level of demand which exceeds both domestic UK and EC availabilities. Even more important, beef offals for food use are charged relatively low tariffs of 4-7 percent with no variable levies. Pork offals, while subject to variable levies, are also charged in the 4-7 percent range. Poultry livers face a duty of 4.8 percent (goose or duck) to 13.5 percent (other poultry).

These tariffs and levies contrast favorably with the near-prohibitive levels established for other types of meat. High-quality beef is subject to a 20-percent tariff within the limits of a highly restricted global quota. Once the quota is filled, variable import levies are also applied, effectively excluding these meats from the

**Table 10—Selected U.S. variety meat exports, United Kingdom, 1978-82<sup>1</sup>**

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Beef kidneys	8,309	10,868	12,229	11,942	14,974
Beef tongue	9,565	13,760	6,794	7,606	7,152
Beef liver	3,075	660	1,131	443	218
Pork liver	2,139	3,074	1,530	2,426	1,558
Pork, other offals	1,816	3,961	4,845	5,612	6,892
Sheep, lamb offals	2,728	3,285	3,415	1,857	2,174
Poultry offals	88	790	2,461	1,394	176
Offals, n.e.s.	236	218	87	291	94

n.e.s. = Not elsewhere specified.  
<sup>1</sup>F.a.s. basis. See introduction for definition.

Source: (27).

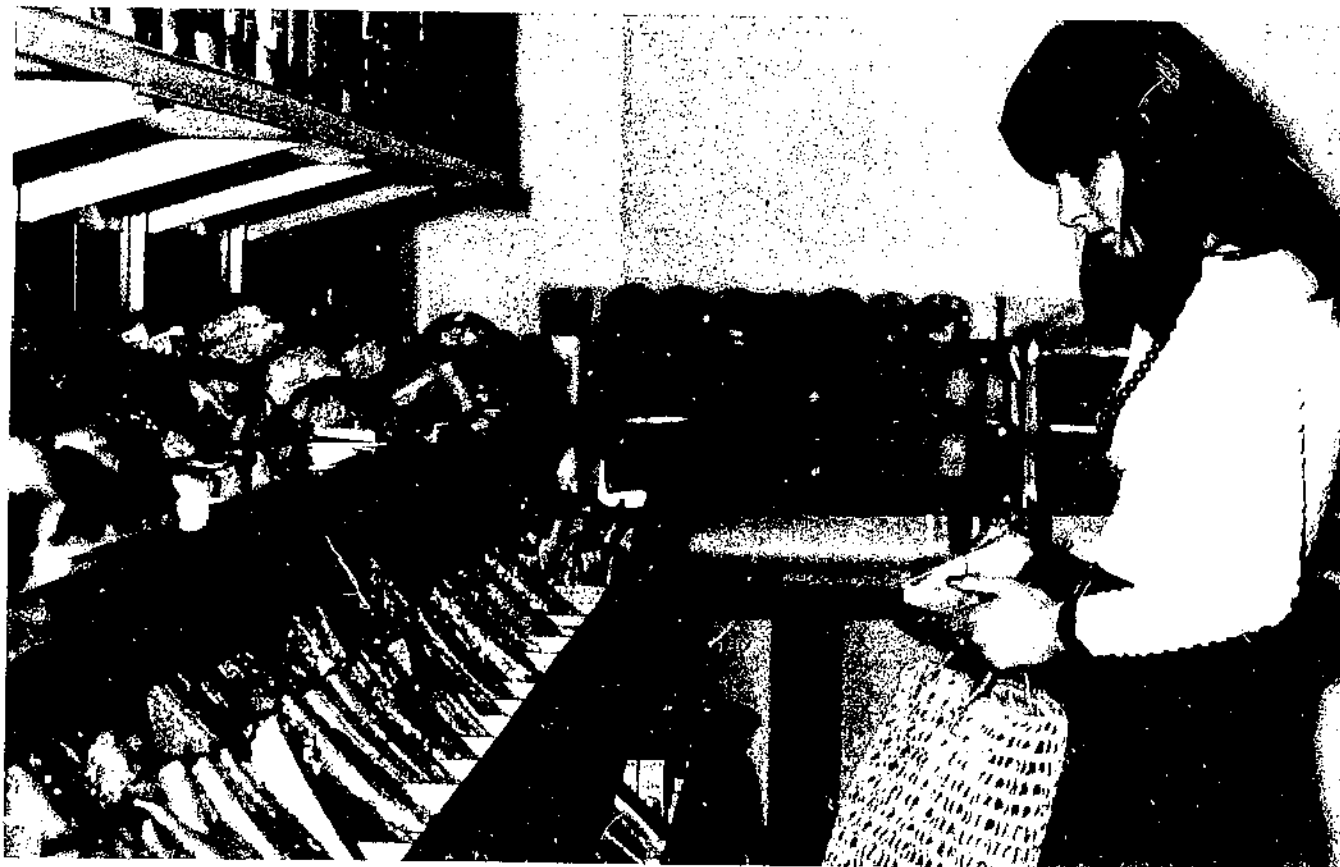
market. Variable levies also heavily restrict most poultry meat.

Despite the barriers, U.S. poultry meat exports met with increasing success on the British market during the late seventies. Sales exceeded \$4 million in 1979. A gap in the variable levy system allows certain turkey preparations to enter the EC at a tariff rate of 17 percent but without levies, and this accounted for much of the U.S. success. The outlook changed, however, in mid-1981, when British health and sanitary regulations pertaining to Newcastle disease were altered in such a way that U.S. uncooked poultry meat was excluded. The United States is discussing this issue with Britain to regain entry for U.S. poultry meat. The United States is optimistic that a change in the British policy for managing Newcastle disease, effective on September 28, 1984, will result in the lifting of the ban on imports from the United States.

High-quality U.S. beef is available in some British supermarkets, prepackaged and prepriced as in U.S. stores. Although higher in price than comparable domestic cuts, the difference is not as large as might be supposed. Further expansion of these exports of U.S. quality beef may be feasible up to the limits of the tariff quota for quality meats. Once the quota is filled, variable levies are imposed in addition to the 20-percent tariff, rendering beef from outside the EC uncompetitive.

### Dried Vegetables

Dried and dehydrated vegetables are the largest U.S. food export group to the United Kingdom. The United States is the leading world supplier to Britain of both dried leguminous vegetables (pulses) and nonleguminous vegetables such as onions and potato flakes. Both are expanding markets since all of the products are used to supply growing demand for soups, condi-



Office workers buy readymade sandwiches at some foodstores.

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ments, and other convenience foods. Table 11 shows U.S. exports of selected dried and dehydrated vegetables to the United Kingdom during 1978-82. British imports of these vegetables from all sources averaged \$130.4 million annually during that period, of which about three-fourths were beans, peas, and other pulses (26).

The United States is predominant in the dried pulses market, supplying 56.1 percent of British purchases during 1980-82. Canada supplied 17.1 percent, while Turkey and New Zealand each supplied 4-5 percent. The U.S. share of dried beans alone was over 70 percent. The United States is also Britain's leading supplier of dehydrated vegetables other than pulses. British imports averaged \$31 million during 1980-82, of which the United States supplied 26.4 percent; Egypt and West Germany, 13.6 percent each; and the Netherlands, 11.3 percent (26). Dehydrated onions are the leading U.S. export in this group, capturing 42.5 percent of the British import market during 1980-82 (70).

U.S. dried leguminous vegetable exports to the United Kingdom face relatively low tariffs: 3.9 percent for

beans and peas and 2 percent for lentils. While preferential tariff rates are extended to several Mediterranean and developing countries, the types of pulses required have no large suppliers.

The situation confronting U.S. exports of most non-leguminous dehydrated vegetables is far less favorable. The base tariff on dehydrated onions is 17.8 percent and that on other dehydrated vegetables is 16 percent. Tariff preferences are granted to several Mediterranean suppliers, and British imports from EC suppliers are duty-free. U.S. predominance despite these large tariff disadvantages is due to supply availabilities and consistent high quality.

The British market for dried pulses expanded from an annual average of \$87.5 million during 1977-79 to \$99.4 million during 1980-82, increasing sharply after 1980. The market for nonleguminous, dehydrated vegetables remained stable at about \$31 million annually during the entire period. The British processing industry's interest in meeting rising consumer demand for convenience foods assures a continued strong market for dried vegetables.

Table 11—Selected U.S. dried and dehydrated vegetable exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	1,000 dollars				
Leguminous vegetables:					
Navy beans and peas	25,256	18,911	24,520	45,797	37,314
Peas, other	376	2,562	2,507	2,205	2,895
Lima beans	426	1,111	2,363	2,568	2,541
Green peas	1,317	2,739	1,067	1,138	1,680
Red kidney beans	720	828	559	1,577	1,225
Pulses, n.e.s.	19	40	422	292	558
Blackeye cow peas	276	161	295	225	504
Lentils	78	129	41	22	309
Other vegetables:					
Onions	4,005	5,106	5,221	5,699	6,910
Potato flakes	508	1,309	1,629	508	1,495
Vegetable flours	559	791	1,203	713	585
Potato granules	1,165	1,424	1,245	879	407
Garlic	369	388	223	423	403

n.e.s. = Not elsewhere specified.

<sup>1</sup>F.a.s. basis.

Source: (27).

## The British Market for U.S. Food Exports

### Peanuts (Groundnuts)

Raw and processed peanuts are a major U.S. food export to the United Kingdom (table 12). Most U.S. raw peanuts to this market are shelled. Britain is Europe's largest peanut importer, and the United States is normally the principal supplier. British raw peanut imports from all sources averaged \$85 million during 1980-82 (26).

Because of enormous crop variations, all suppliers' shares of the raw peanut market vary widely. The value share for the United States during 1980-82 was 39.2 percent; China, 16.9 percent; Malawi, 8.7 percent; and South Africa, 8.5 percent. These shares are computed on the basis of c.i.f. import values (26).

Peanuts are not used as an animal feedstuff in the United Kingdom. All imports are for human consumption. British candy and confectionery manufacturers are the largest end users.

Raw peanuts from all suppliers enter the United Kingdom and other EC countries free of tariffs and levies. Roasted peanuts, however, are subject to a CXT rate ranging from 14 to 16.5 percent, depending on the packaged weight. British import traders who specialize in peanuts negotiate purchase contracts with U.S. producers, often before the crop is sown. Major UK processors may also negotiate contracts.

The rapid increase in British imports of U.S. prepared and preserved peanuts during 1978-82 indicates a growing market for peanut snacks and confections.

### Edible Tree Nuts

British tree nut imports from the United States expanded from an annual average of \$3.9 million during 1968-70 to \$27.9 million during 1980-82 (26). The U.S.

value share of the market also rose impressively from 9.2 to 38.7 percent. The rapid growth of British demand during the seventies is attributed to increased use by bakeries and confectionaries, rising consumer incomes, and consumer interest in natural and health foods. Almonds are by far the leading U.S. edible tree nut export to Britain, with walnuts a distant second (table 13).

The U.S. value share of the British almond market averaged 88.3 percent during 1980-82 (70). Spain's average share was 6 percent. On a year-by-year basis, the U.S. share slipped from 92.2 percent in 1980 to 90 percent in 1981 and 83.3 percent in 1982. The U.S. market loss was captured by Spain, whose share rose from 2.6 percent (1980) to 6.1 percent (1981) to 9.2 percent (1982). Spain does not receive any tariff preference for almonds, paying the same rates as the United States. The CXT for sweet almonds is 7 percent, except for roasted almonds, where the rate ranges from 14 to 16.5 percent, depending on the packaged weight. The declining U.S. share reflects an unfavorable price situation *vis-a-vis* Spanish almonds.

The U.S. share may be further eroded when Spain becomes a member of the EC in the mideighties. Spanish almonds will then receive duty-free entry. The extent to which Spain's competitive tariff advantage affects U.S. exports will depend largely on the extent to which farmers are able to make long-term investments, and on the profitability of almonds compared with the other crops, particularly fruit and vegetables.

The U.S. share of the British market for walnuts (shelled and unshelled) averaged 11.5 percent during 1980-82, far behind that of China (32.2 percent) and India (31.9 percent). The U.S. share was variable: 17.6 percent in 1980, 8.8 percent in 1981, and 10.7 percent in 1982. The Chinese and Indian shares both rose appreciably

Table 12—Selected U.S. peanut exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Peanuts, raw, shelled	41,963	35,387	22,091	16,786	27,599
Peanuts, prepared and preserved	43	639	9,120	4,666	11,556

<sup>1</sup>F.a.s. basis.

Source: (27).

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during the 3-year period. This situation contrasts with the U.S. walnut share for the EC as a whole, which normally runs over 50 percent (18). The EC tariff rate of 8 percent does not provide preferential access for any of the principal external suppliers. Hence, further U.S. sales growth in the United Kingdom is possible.

The United States is the leading supplier to the United Kingdom of pecans (80 percent share during 1980-82), with Israel the only other supplier. Pecans from both countries are subject to a low 3-percent tariff. Among EC members, Britain is second only to West Germany as a pecan consumer, and further sales growth appears probable.

Although the base tariff on hazelnuts is only 4 percent, the United States sold only small quantities to Britain during 1980-82. Turkey is by far the largest supplier. Because the United Kingdom produces no edible tree nuts for its own use on a commercial scale, it offers potential for further sales growth.

**Fresh Fruit**

Fresh fruit is prominently displayed and promoted by British supermarkets in their quest for higher margin commodities to offset rockbottom prices charged for traditional groceries (see section, "Performance of the Retail Sector"). This promotion comes at a time when the variety of fresh foods available—often on a year-

round basis—has been vastly expanded through innovations in distribution. The current emphasis on the nutritional value of fresh foods has also stimulated consumer demand.

The average British weekly per capita consumption of fresh fruit climbed steadily from 17.79 ounces in 1974 to 18.15 ounces in 1978 and 19.95 ounces in 1981 (19). Consumption during that period greatly increased for grapefruit, fresh pears, peaches and other stone fruits, grapes, and other soft fruit.

Several factors place U.S. fresh fruit at a severe competitive disadvantage on the British market. They include high tariffs on several items, nontariff barriers such as compensatory taxes, EC processing subsidies for some kinds of fruit, and tariff preferences extended to many of the Mediterranean and developing countries. The accession of Greece to the EC in 1981 and the planned addition of Spain and Portugal in the mid-eighties will further disadvantage U.S. exports. Despite these difficulties, U.S. exports of apples, grapefruit, melons, and other fresh fruit continued at modest levels during 1978-82 (table 14).

The market is worth investigating for fruit that possesses exceptional qualitative characteristics, such as pink grapefruit, red pears, Delicious apples, new varieties of melons, and black cherries. The current British interest in high-quality fresh foods—both at the

**Table 13—Selected U.S. edible tree nut exports, United Kingdom, 1978-82<sup>1</sup>**

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Almonds:					
Shelled	11,198	18,204	16,832	14,170	12,153
Unshelled	251	119	41	3	149
Prepared or preserved	7,126	9,822	11,093	9,277	6,653
Walnuts:					
Shelled	1,023	1,144	995	655	721
Unshelled	464	455	519	884	602
Pecans:					
Shelled	55	35	303	80	154
Unshelled	136	90	252	250	269

<sup>1</sup>F.a.s. basis.

Source: (27).

## The British Market for U.S. Food Exports

retailer and consumer levels—may offer export opportunities.

### Grain Products

Although the British milling and baking industries are able to satisfy a large share of the home market for grain-based products, opportunities occasionally appear for U.S. exports. These products face formidable import barriers. Tariffs are generally moderate (7-13 percent), but variable levies, which apply to almost all grain-based food products, make most U.S. exports uncompetitive.

Dog and cat food, packaged for retail sale, has achieved variable success on the market but declined sharply after 1980 (table 15). Modest sales of U.S. ready-to-serve breakfast foods, popcorn, and cornstarch were also registered during 1978-82.

Although U.S. popcorn sales to the United Kingdom were small and showed no clear trend during 1978-82 (table 15), a promotional campaign launched by the U.S. Popcorn Institute in 1983 had an immediate impact (8). U.S. popcorn sales more than doubled from \$413,000 in 1982 to \$986,000 in 1983. Most popcorn is sold pre-popped at candy shops, theme parks, and

movie theaters. Distribution through pubs as a snack depends on packaging and flavoring acceptable to the pubs. At-home popping has not yet caught on. The potential for increased sales appears bright. Current British per capita consumption is only 1 quart annually compared with 40 quarts in the United States (popped basis).

### Dried Fruit

U.S. exports to Britain of raisins, prunes, and other dried fruit are subject to wide annual variations (table 16). While the United States supplies only a small portion of British raisin imports, it provides over half of its prunes.

U.S. exports of raisins are highly sensitive to supply and price factors. A U.S. crop shortfall in 1978 accounts for the low level of shipments during 1978-79. Abundant supplies and favorable prices brought a rebound in 1980. During 1981-82, the U.S. price position deteriorated because of the strong dollar and processing subsidies paid by the EC to its new member, Greece (20). A major campaign to promote U.S. raisin exports to Britain and several other European countries, launched in fiscal year 1984, will bring a marked increase in U.S. sales.

Table 14—Selected U.S. fresh fruit exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Apples	3,097	3,841	6,044	8,356	6,203
Grapefruit	1,258	813	2,328	1,314	1,464
Melons, excluding cantaloupes	0	65	127	502	1,453
Strawberries	306	459	724	767	743
Cherries, sweet	524	135	603	1,627	691
Avocados	76	356	828	2,351	690
Grapes	967	408	754	333	323
Cherries, tart	53	108	381	705	298
Berries, other	217	154	266	229	287
Limes	0	0	0	207	225
Peaches	14	318	212	187	202
Plums	181	426	361	875	92
Lemons	1,153	1,124	1,472	677	63
Oranges	1,126	78	4,233	2,101	46

<sup>1</sup>F.a.s. basis.

Source: (27).



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Raisins from the United States are mainly grouped as "other than currants, in immediate containers of not more than 15 kilograms in weight." These are subject to a 3.4-percent tariff (1983), scheduled to be further reduced in stages to 3 percent by the mideighties. Britain's two largest suppliers benefit from duty-free treatment—Greece because it is an EC member and Turkey because it receives preferential treatment. The U.S. share of the British market for raisins other than currants in immediate containers of not more than 15 kilograms averaged 8 percent during 1980-82, far behind Greece (27.5 percent) and Turkey (23.8 percent) (10). Despite their acknowledged high quality, U.S. raisins are at a price disadvantage, abetted by tariff preferences granted to the main suppliers and processing subsidies to Greece.

U.S. prunes are in a more favorable position. The U.S. share of the British market averaged 52 percent during 1980-82, well ahead of Italy, Romania, and France, the

other significant suppliers. The predominant U.S. share, a long-term feature, is mainly due to supply availabilities. France and Italy, the only significant EC prune producers, are unable to fill their own needs and import U.S. prunes. Despite the EC tariff of 12 percent on U.S. and other non-EC prune imports, the market is highly receptive, a situation that should continue.

The United States is among the major suppliers of dates to the United Kingdom, its share averaging 12.1 percent during 1980-82. Other leading suppliers are Iraq (20.7 percent) and Iran (13.4 percent). The biggest supplier, France, has a 31.3 percent share, representing transshipments since it is not a date producer.

Rice

A slow but significant increase in British rice consumption suggests that the market for high-quality U.S. rice

Table 15—Selected U.S. exports of grain-based food products, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Dog and cat food, retail packaged	4,997	7,806	13,616	6,969	6,827
Cornstarch <sup>2</sup>	1,609	1,919	2,136	5,903	2,825
Breakfast cereal, ready to serve	456	472	778	687	605
Popcorn	433	374	603	650	413
Pet food preparations	218	346	379	555	362
Pancake and other mixes	97	188	84	234	330
Bakery products, miscellaneous	84	345	259	308	285
Macaroni, other pasta	16	115	158	106	280

<sup>1</sup>F.a.s. basis.

<sup>2</sup>Data do not distinguish cornstarch by food or industrial use.

Source: (27).

Table 16—Selected U.S. dried fruit exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Raisins	1,185	4,765	12,844	5,835	3,469
Prunes	2,523	3,424	1,909	2,975	3,940
Dates	358	599	2,156	814	1,549

<sup>1</sup>F.a.s. basis.

Source: (27).

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products is growing. In 1974, the average weekly per capita consumption of rice in the United Kingdom was 0.53 ounce (19). This increased to 0.61 ounce in 1978 and 0.83 ounce in 1981. Consumption is far above the national average in the West Midlands (2.07 ounces per week in 1981) and Greater London (1.70 ounces). It is well below average in Yorkshire and Humberside (0.21 ounce), and generally in the north of England, Scotland, and Wales.

U.S. exports of fully processed rice to the United Kingdom are placed at a severe disadvantage by a 16-percent tariff plus a variable levy. Exports of husked and brown rice are also subject to substantial tariffs and levies. Table 17 shows the principal U.S. rice exports to Britain during 1978-82.

Although at a severe tariff disadvantage, U.S. rice and rice products may have limited potential for further

sales growth because of their quality. Low per capita consumption in large geographic regions of the United Kingdom may offer opportunities for sales growth through active sales promotion.

### Canned Vegetables and Fruit

British consumption of canned vegetables and fruit is stagnant or declining under the onslaught of fresh and frozen products. Per capita weekly consumption of canned peas, other canned vegetables except beans, and canned fruit declined during 1974-81 (19). While the long-term outlook for such products as canned beans and spaghetti is good, most other canned vegetables and fruit are likely to stagnate or decline as a percentage of total grocery sales. Nevertheless, U.S. exports to the United Kingdom of some canned vegetables and fruit, though small, remained level or increased during 1978-82 (table 18).

Table 17—Selected U.S. rice exports, United Kingdom, 1978-82<sup>1,2</sup>

Item	1978	1979	1980	1981	1982
<i>1,000 dollars</i>					
Long grain:					
Except parboiled	68	758	3,955	5,551	3,764
Parboiled	NA	2,683	2,529	2,234	2,161
Brown	3,728	8,660	2,002	1,678	3,639

NA - Not available.

<sup>1</sup>F.a.s. basis.

<sup>2</sup>These data may include rice which is subsequently transhipped from the United Kingdom to other destinations, thereby overstating the amount of U.S. sales to the British market.

Source: (27).

Table 18—Selected U.S. canned vegetable and fruit exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
<i>1,000 dollars</i>					
Corn	2,325	3,284	3,106	2,974	4,297
Asparagus	546	826	640	443	567
Beans, dry	26	136	133	650	403
Miscellaneous vegetables	90	171	179	309	314
Beans, other	58	68	32	131	230
Vegetable baby food	4	3	19	33	119
Cherries, sweet	66	26	121	120	98

<sup>1</sup>F.a.s. basis.

Source: (27).

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Tariffs on all canned and bottled vegetables are high, ranging between 18 and 24 percent. Tariffs on fruits are even higher, and generally these are augmented by variable levies when the product includes sugar. EC suppliers, such as France, Italy, and Greece, thus enjoy substantial price advantages. The use of processing subsidies for certain types of vegetables and fruit gives EC suppliers a further advantage, in some cases decisive.

#### Fresh Vegetables

The prominence given fresh foods by British supermarkets and superstores creates limited opportunities for U.S. fresh vegetable exports. Competition is severe, however, from British producers, EC suppliers, and Mediterranean countries, several of which receive preferential tariff treatment. British and other EC suppliers of some vegetables also benefit from processing subsidies.

EC tariffs on fresh vegetables are moderately high, most of them in the 12-20 percent range, often with seasonal variations and minimum floor rates. Vegetables may also be charged compensatory taxes, in effect, minimum prices, on entering the EC area.<sup>4</sup> Despite this prohibitive system of protective measures, a small quantity of U.S. fresh vegetables is exported to Britain, largely because of their quality (table 19).

<sup>4</sup>See section of this report, "Import Barriers and Regulations."

#### Fruit Juices

Consumption of fruit juices in the United Kingdom rose phenomenally from a weekly per capita average of 1.07 ounces in 1974 to 1.80 ounces in 1978 and 3.99 ounces in 1981 (19). The big increase in the availability and quality of fresh and frozen juices in supermarkets and other stores, their use in restaurants and other food service outlets, and the increased interest in diet and food nutrition played roles in the rapid rise. Rising personal incomes also stimulated fruit juice consumption. Its income elasticity of demand is greater than that of most foods on the British market (table 2). U.S. fruit juice exporters have not been able to capitalize on this growth. In fact, the U.S. market share for fruit and vegetable juices (which consists mainly of fruit juices) fell from 7.18 percent during 1968-70 to only 5.10 percent during 1979-81.

The tariff on most types of orange juice is 19 percent; grapefruit juice, 15 percent; and lemon juice, 18 percent. To these rates, supplementary levies are added if the juices contain added sugar. Although U.S. suppliers ship some grape, pineapple, and other juices, their exports consist predominantly of citrus juices. The principal U.S. fruit juice exports to the United Kingdom during 1978-82 are shown in table 20.

Some U.S. citrus juice exports may go to the United Kingdom via the Netherlands and, hence, are not shown in this table. The principal suppliers of orange juice are Israel, which receives a large preferential ad-

Table 19—Selected U.S. fresh vegetable exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	<i>1,000 dollars</i>				
Lettuce	690	1,674	1,949	2,909	2,447
Carrots	15	813	407	1,367	1,134
Asparagus	355	494	636	850	1,000
Onions	71	382	1,154	43	346
Garlic	6	0	37	405	192
Corn, sweet	0	26	1	56	110
Vegetables, miscellaneous	121	178	140	254	113

<sup>1</sup>F.a.s. basis.

Source: (27).

vantage, and Brazil, which does not.<sup>5</sup> The main supplier of grapefruit juice, Israel, benefits from a large preferential tariff advantage.

### Quick-Frozen Foods

British demand for quick-frozen foods increased sharply during the seventies and early eighties. However, U.S. exporters have not been able to take advantage of this development. This increase is partly due to the climb in ownership of freezers or combination freezer/refrigerators from 8.7 percent of households in 1972 to 54 percent in 1981 (15). Ownership is projected to be at 70 percent by the end of the decade (25). Other factors contributing to the big increase in British consumption of frozen products are an innovative, promotion-oriented frozen foods industry; effective distribution through freezer centers and supermarkets; and rising personal disposable income. Frozen foods have comparatively high income elasticity coefficients in Britain (table 2).

Among the frozen products that increased in per capita consumption during 1974-81 were frozen potato chips and other products, peas and other vegetables, grain-based convenience foods, and meat products (19). Frozen fruit and fruit products are an exception: consumption is very low and increased only slightly.

<sup>5</sup>The standard CXT rates, which apply to imports from the United States, are 19 percent for orange juice and 15 percent for grapefruit juice. The preferential rates extended to Israel are 5.7 percent for orange juice and 4.5 percent for grapefruit juice.

Several factors limit the ability of U.S. exporters to take advantage of this expanding market. The EC tariffs applied by Britain to imports from the United States are high: 18 percent on frozen vegetables, 17-20 percent on fruit without added sugar, and 26 percent plus a special levy on fruit containing sugar. Frozen foods containing milk- or grain-based products are subject to variable levies in addition to tariffs. Besides the high tariffs, U.S. exports are burdened by high shipping, handling, and storing costs.

The largest British frozen food processors have multinational links and can manufacture products that are found to be successful in other countries. However, products that have uniquely American or other characteristics can find a limited place on the market. Sweet corn is the largest U.S. frozen food export to Britain, with sales averaging \$1.7 million annually during 1980-82, followed by miscellaneous vegetables (\$606,000) and french fried potatoes (\$222,000) (26). Frozen sweet cherry exports averaged \$1.1 million and berries, \$404,000, while frozen bakery products totaled \$404,000.

### British Competitive Factors

U.S. fresh food exports to the United Kingdom face competition from an efficient domestic farm sector. Likewise, U.S. processed foods encounter competition from the highly developed British food processing industry.

Table 20—Selected U.S. fruit juice exports, United Kingdom, 1978-82<sup>1</sup>

Item	1978	1979	1980	1981	1982
	1,000 dollars				
Orange:					
Frozen concentrate	2,132	2,608	2,746	2,842	1,870
Concentrate, not frozen	298	463	647	801	431
Unconcentrated	138	54	121	265	173
Grapefruit, frozen concentrate	1,170	1,834	3,490	1,947	926
Other citrus	296	576	88	289	273
Other fruit	270	204	286	285	322

<sup>1</sup>F.a.s. basis.

Source: (27).

### British Agriculture

The United Kingdom during 1982-83 produced an estimated 62 percent of its total food needs and 76 percent of its requirements of food of a kind grown in Britain (2). British agricultural output in 1982 was valued at 10,829 million pounds (\$19 billion), of which 36 percent was derived from meat and poultry; 27 percent from milk, milk products, eggs, and other livestock products; 26 percent from arable crops; 10 percent from horticulture; and 1 percent from own account capital formation.

Britain's agricultural sector is efficient. Despite declining labor and land resources, net product (total value of agricultural output minus the cost of non-agricultural inputs) increased in real terms by 15 percent during 1969-79. During 1968-70, persons engaged in agriculture averaged 780,000 (3.2 percent of the labor force). By 1982, the number had declined to an estimated 633,000 (2.8 percent). During the seventies and early eighties, British farming, nevertheless, gained in average yields of grains, potatoes, milk, and eggs. Research and advisory services, many of them government-financed, played a major role. Farmers turned increasingly to intensive crop and livestock production. These factors combined to increase labor productivity by an estimated 3.5 percent annually during the seventies (4).

Other long-term trends in Britain's agriculture are a decline in the number of farm holdings, an increase in their average size, an increase in physical assets (buildings and machinery), and greater farm specialization with less mixed farming.

During the seventies, the British farm sector increased its ability to supply the home market for the principal meats, cheese, butter, and wheat and flour. The United Kingdom is self-sufficient in milk, eggs, and poultry meat and nearly so in potatoes. It still relies heavily on imports of sugar, oils and fats, butter, bacon, ham, and many fruits, nuts, and vegetables.

Vegetables are cultivated throughout England and include cauliflower, cabbage, carrots, rhubarb, onions, and brussels sprouts. Field-scale growing of vegetables for processing is increasing. Peas for canning, drying, and quick-freezing account for about a quarter of the area of vegetables other than potatoes.

Glasshouse crops are mainly tomatoes, lettuce, and cucumbers. The vegetable sector is characterized by rapid structural changes: modernization, consolidation of holdings, and new production and storage techniques to assure better quality control and to meet the demands of modern marketing.

Fruit growing is also well-developed, although overall self-sufficiency is relatively low. Fruits include apples, pears, cherries, plums, raspberries, strawberries, currants, and other berries. Almost all nuts sold in Britain for consumption are imported, a fact of major importance for U.S. producers.

In the United Kingdom, the channel through which a farmer sells his produce depends largely on the type of commodity. Most produce is sold through private channels such as wholesalers, retailers, or processors. In addition, producers' cooperatives, with considerable government support and guidance, are active in the marketing of potatoes, livestock products, vegetables, and fruit. Marketing boards play a decisive role in the marketing of milk, wool, hops, and potatoes. These are essentially producers' organizations empowered by Parliament to regulate the marketing of particular products. Most of them either buy directly from registered producers or control all contacts between producers and first buyers.

### British Food Processing

The British food processing industry is among Europe's largest and most efficient. While it offers strong competition for many U.S. processed foods, both in Britain and elsewhere, it is also a major importer and user of U.S. semiprocessed foods, such as fruits, nuts, and dried vegetables. The largest branches of the British food industry, in terms of sales, are milk and milk products, bakery products, meat and fish products, and alcoholic beverages. Other major branches with annual sales of \$3 billion or more in 1980 are fruit and vegetable products, chocolate and sugar confectionery, and nonalcoholic beverages.

Although production within the British food manufacturing industry rose slowly during 1975-81, it outpaced all other manufacturing sectors, many of which experienced declining output. By 1982, food processing output had increased moderately to a point about 8 percent in volume above the 1975 level, probably

reflecting an increase of exports and a successful development of new product lines, especially convenience foods.

Specific commodity groups that enjoyed better than average production growth during 1975-80 were meat and fish products, dairy products, sugar refining, chocolate and sugar confectionery, vegetable and animal oils and fats, and margarine.

The output in the bread industry declined during the period, reflecting a drop in consumer interest. The fruit and vegetable products industry barely increased its overall output as consumers turned increasingly to fresh produce.

### Concentration in the Food Processing Industry

The British food manufacturing industry is the most highly concentrated in Western Europe. In 1977, the largest 30 companies accounted for 60 percent of employment and value added in the industry. In a survey of 60 food product markets, the five-firm concentration ratio in 1977 averaged 70 percent (29, cited in 5, Burns). In other words, the market share held by the five largest companies within each of the 60 product markets averaged 70 percent.

This intense concentration is apparent for several specific commodities: the three-firm concentration ratio for breakfast cereals in the late seventies was 85 percent; bread, 76 percent; canned soup, 86 percent; flour, 79 percent; potato chips, 73 percent; sugar, 86 percent; and tea, 68 percent (9, cited in 5, Howe). Kellogg alone had 54 percent of the breakfast food and Heinz 66 percent of the canned soup markets.

Looking at food industries in terms of the processes used for preservation, interesting differences turn up (13). The food canning industries—mainly devoted to vegetables, meat, fish, soups, and desserts—are generally fragmented and unconcentrated. Exceptions include canned soups and snack vegetables (such as baked beans and spaghetti) which are dominated by a few companies with highly visible brand leaders. But traditional canned vegetables, fruits, and meat are produced by a large number of firms and often sold under private labels. British canned food importers generally handle a wide variety of products.

In contrast, the frozen food sector is concentrated. In the late seventies, its three-firm concentration ratio was 56 percent, with the largest company, Unilever (including Birds Eye), holding 34 percent of the market. However, despite high start-up and distribution costs, the frozen food industry is apparently more competitive and less concentrated than during the late sixties when the three-firm concentration ratio was 80 percent with Unilever holding 64 percent of the market.

Several factors account for the British food industry's high degree of concentration. Most branches became increasingly capital-intensive after 1950, giving an advantage to large firms with strong financial resources. New processing and packaging machinery made economies of scale possible for the larger firms. These firms could deliver products on the scale demanded by the rapidly expanding self-service and supermarket chains, at lower prices and uniform quality.

The larger firms also gained market dominance through advertising and sales promoting, aimed at achieving brand recognition and consumer loyalty. Food manufacturers thereby gained substantial price-setting power and control over the distribution system, which they retained until the late sixties and the seventies, when the balance of power shifted toward the large retail multiples (5, Howe, Hunt).

Other reasons cited for the unusually high level of concentration include the historical development of vertically integrated processors with their own raw material sources of supply in affiliated countries, and the UK's financial system, which encouraged large-company formation and growth (5, Burns). The proliferation of British multinational firms and subsidiaries of large U.S. companies obviously also contributed to the high level of concentration.

### Performance Factors in Food Processing

Profit margins in the British food industry declined during the midseventies, the result of a "profit squeeze." Raw material, energy, labor, and other input costs increased sharply. Rapidly changing consumer tastes and lifestyles forced manufacturers to invest in product research and new processing and packaging equipment to stay competitive.

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Manufacturers could not pass on all of these costs to their retail buyers. During the seventies, the food market was depressed by very low population growth and generally poor economic conditions. Meanwhile, the large retail chains had become so concentrated, with so few buying points, that they exercised strong bargaining power over prices, product specifications, credit terms, and the like. The manufacturer who refused to meet the price demands of one or two of the largest multiples could lose a big segment of the market. Even brand leaders, who could be assured a place on the shelves of every supermarket, faced price pressure from the rapid growth of retailers' private labels. These pressures continued into the eighties.

Net profit margins, which had been running at almost 6 percent for the industry average at the beginning of the seventies, stabilized at 3.5-4.0 percent during 1977-81 before starting to climb slowly in 1982. By 1983, the industry's average net profit margin had recovered to 4.9 percent, perhaps because of rising exports and the culling out of less efficient firms (16).

Product innovation and differentiation are hallmarks of the more active segments of the British food industry (3). Only by offering innovative products, product line extensions, and quality improvements can British manufacturers hold their share of this competitive market.

### British Food Exports

British food and beverage exports averaged \$5 billion during 1980-82 (26). Almost half the total (45.4 percent) went to other members of the European Community. The United States took 11.9 percent. The balance of Britain's food and beverage exports is widely dispersed.

The principal UK exports are alcoholic beverages; meats and meat preparations; dairy products and eggs; chocolate, cocoa, tea, and spices; and grain preparations. British food and beverage sales to the United States averaged \$595 million during 1980-82. Distilled alcoholic beverages, mainly whiskey and gin, accounted for 82.2 percent of sales; other alcoholic beverages, 6.9 percent; chocolate and tea, 5.7 percent; and nonchocolate confectioneries, 4.5 percent.

Because the United Kingdom is a member of the European Community, its food exports have free access to all EC countries. In addition, EC food export subsidies confer a competitive advantage on some British exports to non-EC destinations. UK exports may also benefit from traditional commercial and financial links with commonwealth countries and with former colonies.

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## Appendix: USDA Services for U.S. Exporters

The U.S. Department of Agriculture offers several services that can assist U.S. exporters in entering the market or in increasing their sales to the United Kingdom.

USDA's Economic Research Service (ERS) studies international commodity trade, supply, and demand conditions, foreign agricultural production, and trade and price policies. ERS publishes special reports and research papers on these subjects. It also regularly publishes the quarterly *World Agricultural Situation* and the bimonthly *Foreign Agricultural Trade of the United States*.

The Foreign Agricultural Service provides many kinds of services and publications relating to foreign market development and assistance to U.S. exporters of agricultural and food products. FAS operates 12 agricultural trade offices throughout the world in an expanding program to assist U.S. exporters. The United Kingdom office, located in London (see address on p. 38), assists U.S. business people by establishing the necessary government and business contacts, providing leads on potential buyers, arranging appointments, and setting up project displays in the United Kingdom. The FAS sales team program arranges for personal visits by U.S. business representatives to foreign buyers. When a market with export potential is identified, FAS arranges for five or six firms handling food products with sales potential in that market to participate in sales missions. USDA makes all necessary arrangements, including travel, appointments, and supply of brochures.

FAS carries out export development activities in cooperation with more than 50 agricultural trade and producer groups. The service involves holding jointly financed activities, such as advertising, merchandising, trade servicing, and training.

FAS's Agricultural Information and Marketing Services (AIMS) provides agricultural data, trade information, and market services. Several services are designed to alert U.S. exporters to export opportunities with foreign buyers.

A new marketing research tool available through AIMS is the *International Marketing Profile* (IMP) report

series. Using an innovative approach that stresses an array of FAS information processing technologies, the IMP's combine two major sources of export market information—detailed international trade statistics and foreign importer mailing lists—into one product. Two series of automated marketing research reports are available, one series examining the agricultural trade activity in selected countries and the other examining markets for specified commodity groups.

Another tool available through AIMS is the trade leads program. Foreign buyers wanting to purchase U.S. agricultural products are in constant contact with FAS representatives abroad. Specific product interests are forwarded to FAS, Washington, D.C., and are made available to U.S. exporters through three services: commercial electronic dissemination to subscribers, computerized direct mail to subscribers, and the weekly FAS trade bulletin *Export Briefs*. These services are available on a fee basis.

Product publicity in foreign markets is another AIMS service. The monthly newsletter *CONTACTS for U.S. Farm Products* enables American companies to introduce U.S. food and agricultural products to foreign markets. *CONTACTS* is designed to publicize the availability of new U.S. food and agricultural products and related services. Product announcements are published on a first-come-first-serve basis, with publication preference given to new-to-market products and new-to-market firms. This service is free. A brief 100-word description of the product, plus the contact name and address of its manufacturer, is published in the newsletter. The newsletter is sent monthly to FAS overseas agricultural officers who distribute the information to agricultural importers in their countries of assignment. The information is translated into Japanese, Spanish, French, Italian, and Greek and mailed to over 35,000 firms worldwide.

Through its *Foreign Importer Listings*, AIMS provides interested U.S. producers and exporters with names, addresses, and telex numbers of foreign firms that may want to import their products. This information is available on a foreign-country or commodity basis. The cost of these custom reports depends on the amount of information requested.

The FAS label clearance program can provide U.S. exporters with a preliminary screening of their product

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labels in foreign markets to determine whether the country's labeling and ingredient requirements are met. Because the British Government does not give advance approval to labels or ingredients, FAS's agricultural officers in London will provide an unofficial evaluation based on their knowledge of the relevant British laws. This service can help U.S. food processors and exporters avoid costly delays in marketing their products.

FAS provides many other services, such as new product testing and sponsoring trade exhibits overseas. U.S. exporters can find out more about these programs by contacting the FAS Export Programs Division (address below).

### Useful Addresses

Western Europe Branch, IED-ERS-USDA  
Room 324, GHI Building  
500 12th Street, S.W.  
Washington, D.C. 20250  
Telephone (202) 447-6809

Export Programs Division, FAS-USDA  
Room 4944, South Building  
14th and Independence, S.W.  
Washington, D.C. 20250  
Telephone (202) 447-3031

U.S. Agricultural Trade Office  
101 Wigmore Street  
London, England W1H9AB  
Telephone: 01-4990024  
Telex: 296009-USAGOF

FPO address:  
U.S. Embassy London  
Box 40  
FPO New York 09510

(Correspondence to the U.S. Agricultural Trade Office may be mailed at domestic U.S. rates if this FPO address is used.)

## Related Reports on Western Europe

***Energy's Role in Western Europe's Agriculture*** organizes available information on the role of energy in Western Europe's agriculture and describes current views and activities relating to energy. The 1973-80 oil price increases did not significantly alter the structure of Western Europe's agricultural sector or the flow of agricultural exports to the region. Energy costs represent a relatively small percentage of total input costs, with the greenhouse sector the only exception. As long as European Community policy continues to support agricultural prices, future energy crises are not likely to significantly affect the structure and performance of the region's agriculture. Biomass from farm waste and surplus crops can provide only a small part of agriculture's energy requirements, and energy crops may never be economically viable. FAER-207. November 1984. 26 pp. \$1.75. Order SN: 001-019-00355-3.

***Sweden's Agricultural Policy***, one of the few English sources on contemporary Swedish agricultural policy, covers the major provisions of Sweden's 1982-84 farm program. "An accurate and concise presentation," says the Swedish Ambassador to the United States. Sweden's policy objectives are to reduce Government subsidies for agricultural exports (a major aim of U.S. world trade policy), to cut back on consumer food subsidies and farmer compensation programs, and to make the levies on imports more responsive to market conditions. Chief U.S. exports to Sweden include fruits, vegetables, nuts, and tobacco, which are relatively unaffected by Swedish import levies, and grains. FAER-175. October 1982. 44 pp. \$4.25. Order SN: 001-000-04300-5.

***The EC Market for U.S. Agricultural Exports: A Share Analysis*** assesses the market potential for all major U.S. agricultural exports to the EC. Author Harold McNitt finds that the United States will continue as a leading supplier to the EC of soybeans, sunflowerseed, corn and corn gluten feed, peanuts, citrus pulp, some animal products, and soybean meal. EC trade policies, however, sharply restrict imports of most fruits and vegetables, processed food, and meats. FAER-179. March 1983. 92 pp. \$5.00. Order SN: 001-000-04326-9.

***World Trade in Fruits and Vegetables: Projections for an Enlarged European Community*** examines the effects of enlarging the EC to include Greece, Spain, and Portugal on world fruit and vegetable trade. Author Alexander Sarris finds that enlargement will not significantly change the general pattern of world trade in fruits and vegetables, but will lead to larger exports to the EC by the new member countries. EC enlargement will only slightly depress prices of U.S. fruit and vegetable products from their nonenlargement projected levels. World supplies will rise faster than world demand, leading to lower prices on the international market. FAER-202. August 1984. 68 pp. \$2.75. Order SN: 001-019-00342-1.

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