Exporting Agri-Food Products to the United Kingdom

A Guide for Lebanese Businesses

AGRI-FOOD TRENDS AND MARKET OPPORTUNITIES

The United Kingdom (UK) is a large market for food and beverages. Total consumer expenditure on food, drink and catering in the UK continued to grow by 2.5% in 2019 to £234 billion, and spending on food shopping increased by 37% since 2010.

The food industry has been steadily growing over the past decade, given the country's large population, estimated at around 67million as of 2020 (Source: the International Monetary Fund), the 21st largest population worldwide, and the second largest in Europe after Germany. The UK offers a high standard of living that is ranked 19th worldwide in 2021, with a GDP per capita of USD 42,417 in 2019 which is the 22nd highest globally. The UK's large agri-food market is also driven by a significant number of tourists. In fact, visits to the UK reached 40.9 million in 2019 and inbound visitors spending totaled £28.4 billion for same year. In addition to the high number of visitors, the UK and specially London is a global business hub attracting multinational businesses. Also, the UK is a hub for international students as it is considered among the best countries in terms of education, which further promotes the country as a multicultural destination. The country's large multicultural population, along with the rise in tourists, and a high per capita GDP continue to drive demand for imported and high-value processed food. While being self-sufficient in products like barley, wheat, milk, lamb and mutton, the UK still imports large amounts of fruit and vegetables and other farm products including pork, despite having a utilized agricultural area that covers 72% of the land (Source: Agriculture in the UK 2019, Department for Environment, Food and Rural Affairs). This leads to a significant reliance on food imports, with about 45% of food consumption being imported in 2019 (Source: UK Food Security Report 2021, Department for Environment Food & Rural Affairs).

As these trends continue to develop, serious and abundant export opportunities are presented to Lebanese agri-food companies. The presence of a strong and growing Lebanese expatriate population in the UK, as well as a larger Arab population, drives further the demand for agri-food products from Lebanon.

Products with high growth potential

Packaged food segment is the main food market in the UK. In fact, the country consumed about four times as much packaged food as it does fresh produce in 2015, with similar patterns in the U.S. and some European countries, as working hours increased and more women entered the workplace.
However, consumer preferences have been changing, with a reduction in the consumption of salt, sugar, and processed meat, while consumption of fruit, vegetables and fibre was relatively unchanged (Source: Food Consumption in the UK, Rand Europe).

While the UK population continues to consume saturated fat, British consumers are increasingly eating with a conscience, as spending on **ethical food and drink** increased by 43% from £5.7 billion in 2013 to

£8.2 billion in 2018 and is expected to reach £9.6 billion between 2019 and 2023. This includes spending on organic, Fairtrade, Rainforest Alliance and Marine Stewardship Council (MSC) certified products. In addition, **organic food consumption** rose significantly in 2020 across the UK, as people sought higher quality food, with sales of fresh vegetables rising by more than 15% and meat and fish by nearly 17%. There is still a strong potential for organic packaged food, as consumers are starting to consider a healthy lifestyle and are paying more attention to the ingredients in their food, driven by COVID-19 health concerns. Also, some individuals increasingly care about the provenance of their food and production methods, but this mainly relates to certain food groups (Source: Food consumption in the UK: Trends, attitudes and drivers, Rand Europe). The government is encouraging these shifts in eating patterns. In fact, the UK banned daytime television and internet ads promoting unhealthy food.

The increased demand for healthier food is a trend that is partly driven by the aging population and increased health consciousness of consumers. In parallel, the increasingly high-paced society and the rising number of single households are driving the demand for **convenient ready-to-eat meals, desserts, and baking mixes.** Ethnic foods, health and super foods, "free from" products are also attracting more consumers (Source: United Kingdom Retails Foods 2019, USDA Foreign Agricultural Service).

The large consumption of packaged food provides an opportunity for Lebanese foods, including a large portion of Lebanese Mezze and "mouneh" products, as many products of the Lebanese Mezze are served as ready-to-eat meals. In addition, the emerging trend towards a healthy diet creates space for the Lebanese Mezze, which is perceived as healthy, as it mainly consists of fruits and vegetables. These opportunities for Lebanese producers are amplified by the impact of the Brexit on the UK food and beverage market. In this context, according to data released by the European Commission, exports of agri-food from the EU fell significantly in January 2021, mainly due to a drop of €800m in the value of exported-agri-food products to the UK. This creates space for Lebanese agri-food producers to aim to replace some niche products that were supplied by the EU.

Consumer Profiles

Understanding consumer profiles and preferences is crucial for exporters who consider entering the UK food and beverages market given the country's wide cultural diversity and consumption patterns. Euromonitor International identified five consumer types in the UK:

- **Cautious planners who represent 30% of total consumers in UK.** They are characterized by being cautious about their money, are not comfortable with e-commerce and rarely make impulse purchases.
- **Conservative homebody consumers who represent 25% of total consumers** and are not image conscious or interested in high-end products.
- **Secure Traditionalist represent 12% of all consumers** and avoid premium branded products as they prefer to save than to spend money.
- **Empowered activists who represent 22% of all consumers** and seek products with green or eco-conscious label.
- **Undaunted Strivers represent 11% of total consumers**. They are characterized by being image conscious, tech-savy and like to try new things.

Although vegan and vegetarian diets are becoming increasingly more popular in UK, still majority of people (more than 86%) consume meat. Vegetarians represent only 6% of total population and vegans 3%. The youth aged 18 to 23 years old are the largest number of meat-free people (20% of the generation) (Source: UK Diet Trends 2021, Finder.com)

What does the UK import? And from where?

According to ITC Trade Map, the UK imported in 2020 around USD 42.1bn worth of processed food and agro-based products, the fourth largest importer of such products after the U.S, China and Germany. It is important to mention that following the Brexit, which came into effect starting January 2021, trade volumes between the UK and the European Union fell significantly, especially goods imports from the latter. However, it is difficult to separate the impact of the COVID-19 pandemic on the trade in goods from that of the Brexit.

Top imported agri-food products in 2020 in the UK include:

- **Beverage, spirits and vinegar** – constituting for 19% of total imported agri-food products. These are mainly imported from France (23%) and Italy (14%), Netherlands (8%), Spain (6.5%), the U.S. (5.6%), Germany (5.5%), Irelands (5.2%), Belgium (4.6%) and Australia (4.5%).
- **Preparations of cereals, flour, starch, and milk** – constituting 11% of total imported agri-food products. These are mainly imported from Germany (15%), Italy and France (14% each), Ireland (13%), Netherlands (9%), Belgium (8%), Poland (6%) and Spain (4%).
- **Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates**– constituting 10.8% of total imported agri-food products. These are mainly imported from Germany and Thailand (14% each), Ireland (11%), Poland (10%), Denmark (6%) and the Netherlands (5%).
- **Miscellaneous edible preparations, including sauces, ice cream and extracts, essence and concentrates of coffee, tea or mate, as well as soups and yeasts:** constituting for 9.7% of total imported agri-food products. These are mainly imported from Netherlands (15%), Germany (14%), Ireland (10.8%), France (8.5%), the U.S. (6.5%), Italy (5.7%) and Poland (5%).
- **Preparations of vegetables, fruit, nuts or other parts of plants:** constituting for 9.2% of total imported agri-food products. These are mainly imported from Belgium (16.7%), Netherlands (15%), Italy (14.4%), Spain (11.2%), Germany (8.7%) and France (6%).
- **Dairy produce; birds' eggs; natural honey; edible products of animal origin:** constituting for 9.1% of total imported agri-food products. These are mainly imported from Ireland (25.8%), France (15%), Germany (11%), Netherlands (10.4%), Italy (8.2%), Belgium (5.6%) and Denmark (5.4%).

The UK – Lebanon Trade

The UK ranked in the 12th top destination for Lebanese agri-food exports in 2020, after being ranked as the top eighth main market in 2019 (Source: ITC Trade Map). Lebanese exports to the UK grew at a CAGR of 11.3% between 2010 and 2019, before declining in 2020 given the COVID-19-related challenges, as well as the deteriorating economic conditions in Lebanon. Around 200 VAT registered UK businesses imported goods from Lebanon in 2018 (Source: Continuing the United Kingdom's Trade Relationship with the Republic of Lebanon, Foreign & Commonwealth Office).

Based on ITC Trade Map, top exported agri-food products from Lebanon include:

- Beverages, spirits and vinegar (44%), with wine being a major product
- Preparations of vegetables, fruit, nuts or other parts of plants including pickles (18%)
- Animal or vegetable fats and oils, with a large concentration of sesame oil (14%)

- Miscellaneous edible preparations, mostly sauces and seasonings (11.5%)

Based on ITC Export Potential Map, Lebanon has the potential to increase its agri-food exports to UK in:

- Meat
- Nuts and seeds
- Vegetables preserved by vinegar or acetic acid
- Vegetables and mixtures prepared or preserved (not in vinegar)
- Chocolate and other cocoa preparations

It is important to note that currently all food products of animal origin such as dairy, meat, honey, eggs among others, are not allowed to enter the UK from Lebanon.

MARKET ENTRY AND DISTRIBUTION CHANNELS

Entering the agri-food market in the UK can occur through one of the four common routes: (1) partnership with leading local importers, distributors, or consolidators; (2) direct selling to retailers; (3) private label; and (4) e-commerce.

Importers and Distributors

Importers have been playing a key role as agents by helping companies establish their brands in the UK. In fact, they have expertise in navigating the obstacles of the UK food law (Source: United Kingdom Retail Foods 2020, USDA Foreign Agricultural Service). In case exporters are looking to export a wide range of products for mass distribution, it is recommended to work with importers, given that they deal with an entire inventory of products.

As for distributors, some are focused on retail while others on the hospitality sector. Hence, based on their needs, exporters must carefully choose their distributors by looking into the resources they have, and the marketing activities they engage in. Some retailers are trying to engage directly with suppliers in order to save the importers' margin, which is estimated at between 20% and 30%, still, it is more difficult to supply retailers especially the large supermarkets directly (Source: United Kingdom Retail Foods 2020, USDA Foreign Agricultural Service).

Importers impose a variety of costs when dealing with suppliers. Some importers ask for start-up fees, some impose a commission only on sales, and another model includes a fixed fee and commission when the sales target is reached. A full brokerage rate may range between 17 and 25% of sales (Source: United Kingdom Retail Foods 2020, USDA Foreign Agricultural Service).

Usually for small exporters, UK-based Importers will aim first to list the products at independent retailers, as well as in delicatessens and in department store food halls. When sales pick up and there is clear appetite for these products, importers will aim to list the products in small retail chains and eventually try in the major supermarkets in UK.

As for choosing an importer in the UK, it is important to know the retail outlets these importers already supply (Source: United Kingdom Retail Foods 2020, USDA Foreign Agricultural Service). Also, the choice of importers for Lebanese exporters is contingent on the product's positioning. If the product is considered niche or specialty food, or targets Lebanese expatriates in the UK, specialized importers are better suited for them. However, if the exporter wants to enter the mainstream market, then they need to find importers or brokers specialized in such type of markets.

Retailers

According to the USDA, four supermarket chains lead the UK's food retailing market, accounting for around 70% of the market as of May 2020. Tesco accounts for about 27% of the market. Sainsbury's and Asda followed with about 15% and 14%, respectively, than Morrison's with around 10%. Other UK supermarket chains with smaller market shares include Aldi, The Coop, Waitrose, Lidl, and Iceland.

However supermarkets market share in retail sales is projected to decline from 46.5% in 2019 to 42.6% in 2024 due to the emergence of new type of shopping experiences following the pandemic and overall growing trend for e-commerce and digital retail sales.

Private Label

Another market entry to consider in the UK food retail market is through private label. The private-label segment is mainly dominated by the country's large supermarket chains as about 47% of the products they provide are private label (Source: United Kingdom Retail Foods 2020, USDA Foreign Agricultural Service). However, this market entry works most often for exporters with large quantities that can compete on price and large volumes.

E-commerce Trends

Consumers have been diversifying the channels through which they purchase food. While the majority of consumers continue to purchase products from large supermarkets, in recent years, other aspects of retail have been gaining traction, including supermarket home delivery and mini supermarkets (Source: Food consumption in the UK: Trends, attitudes and drivers, Rand Europe). Also, other home delivery services such as delivery of vegetable boxes, and online grocery stores like Hello Fresh and Amazon Fresh are becoming more popular. These emerging channels reflect the growing position of the online grocery shopping market and discounters that is expected to increase their market share from about 19% to 23% by 2024.

Not only grocery shopping gained in popularity but also due to the pandemic, online food delivery from restaurants also surged too with online food delivery platforms like Deliveroo and Uber Eats and delivery-only kitchens expanding like never before (Source: Food consumption in the UK: Trends, attitudes and drivers, Rand Europe).

Practical Tips to find Buyers

- Attend one of the high-profile trade events taking place in UK such as Food & Drink Expo, International Food & Drink Event, FOODEX, The Ingredients Show, The National Convenience Show, Farm Shop & Deli Show and the Specialty & Fine Food Fair. These events provide opportunities to meet distributors, influencers and buyers from UK and beyond.

- Network and meet potential partners and buyers through the Lebanese British Business Council or the British Lebanese Association.

- Contact the Arab-British Chamber of Commerce or the London Chamber of Commerce and Industry to list your services and find new buyers.

- Join active sector-specific associations related to food and drinks in UK to be able to meet other members and become a supplier for one of the existing manufacturers there. One example of such association is the Lebanese Food and Drink Association that was recently established by the Economic Attaché, Mr. Ralph Nehme in the Embassy of Lebanon in London which aims to facilitate market entry for Lebanese companies in the industry.

- Engage with social media influencers and food bloggers and chefs to build your brand profile in the UK.

- Create a profile on ITC Trade Map and find list of buyers by specific products and sectors in specific countries. This service is available for free for users from Lebanon.

- Try to find Lebanese executives in leading food importing and distribution companies in UK and contact them to pitch your company's profile and products through business- and employment-related platforms such as LinkedIn.

- Try to pitch your products to existing importers of Lebanese food products like Lebanos Foods or to famous Lebanese food stores like Green Valley and Phoenicia Mediterranean Food Hall. For fresh fruits and vegetables, Liban Fresh and Fruits of Lebanon are the largest importers in UK.

LEGAL REQUIREMENTS AND STANDARDS

The food and drink industry is one of the most regulated and significantly monitored sectors in the UK. The competent authorities in this regard are the Department for Environment, Food & Rural Affairs, which is concerned with international trade, and the Food Standard Agency (FSA), which is the independent government department working to protect consumers' wider interests in relation to food in England, Wales and Northern Ireland.

The food and drink sector is governed by General Food Law that covers the main legislation on food imports and exports, safety, traceability, labeling and product withdrawal and recalls. The Food Hygiene Legislation targets the microbiological safety of food. In addition, the Food Information Regulation requires businesses to provide allergens information and best practice for handling allergens. Regulations for packaging and labeling require that all prepacked food displays certain mandatory information, which should be accurate and not misleading.

As mentioned above, currently all food products of animal origin such as dairy, meat, honey, eggs among others, are not allowed to enter the UK from Lebanon, as the Lebanese competent authority has to make a specific application and fulfill certain requirements.

Import Documentation

When exporting agri-food products to UK, the following documents are needed for the shipment:

- Commercial invoice with details about quantity, goods description including the HS code and total value of each imported item
- Detailed packing list including weight, method of packing, and HS code for each item
- Bill of entry or airway bill
- EURO1 form from the Lebanese customs filled and signed

- Certificate of origin, issued by the Chamber of Commerce and authenticated by the Ministry of Foreign Affairs
- Health certificate from the Ministry of Agriculture stating that the food products are fit for human consumption
- Phytosanitary certificate for products of plant-based origin issued from Ministry of Agriculture

Labelling Requirements

In terms of labeling requirements, pre-packaged foods must display the following information on their packages:

- the name of the food,
- the list of ingredients,
- allergen information,
- quantitative declaration of ingredients,
- net quantity,
- storage conditions and date labeling,
- name and address of manufacturer,
- country of origin or place of provenance,
- preparation instructions,
- nutritional declaration,
- additional labeling requirements for certain foods and drink products:
    - sweeteners or sugars
    - aspartame and colourings
    - liquorice
    - caffeine
    - polyols

FREE TRADE AGREEMENTS AND RULES OF ORIGIN

The Lebanese Parliament ratified a law in December 2020 approving the agreement on establishing a partnership with the UK and Northern Ireland in order to preserve the preferential trade terms between the two parties, as the UK leaves the European Union (Source: Laws ratified in 2020, Lebanese Parliament). The aim was to replicate the trade agreements the UK has with existing partners through new bilateral agreements as closely as possible. This continues the effect of the EU-Lebanon Agreements in the UK-Lebanon Agreement.

Initially, the EU-Lebanon Association Agreement was signed in 2002 and entered into force in 2006. As a result, Lebanese industrial as well as most agricultural products benefit from free access to the EU market.

Tariff preferences applied by the UK for products from Lebanon will remain the same as those applied by the EU on the date the UK ceases to be bound by the EU-Lebanon Association Agreement, and, likewise, Lebanon will continue to apply the same tariff preferences to products from the UK that it is applying to products from the EU covered by the EU-Lebanon Association Agreement.
Tariff-rate quotas in the UK-Lebanese agreement have been resized to reflect the fact the UK is a smaller import and export market than the EU. New Tariff-rate quotas were based on three years' worth of

customs data which detail actual usage of the TRQs by importers (Source: Continuing the United Kingdom's Trade Relationship with the Republic of Lebanon, Foreign & Commonwealth Office).

To know more about the changes in the TRQ check Table 3 of the **Continuing the UK's trade relationship with Lebanon: parliamentary report**.

TRANSPORT AND LOGISTICS INFRASTRUCTURE

The UK has been aiming to become a global trade hub following Brexit, by opening four new regional trade and investment hubs and by engaging in new trade agreements with its partners. The UK ranked in the eighth position globally on the DHL Global Connectedness Index in 2020. Also, it ranked in the ninth position worldwide on the Logistics Performance Index in 2018.

In addition, the UK had seven freeports between 1984 and 2012. However, there was an expansion in freeports in the UK as they reached a total of 24 in England alone as of February 2020, which have a special tax, customs and import regime facilitating trade in the region. These zones vary in design and can be geared towards particular industries. Further, eight new freeports were announced at the March 2021 Budget in England. Freeports will benefit from incentives relating to customs, tax, planning, regeneration, infrastructure and innovation.

The UK has around 120 commercial ports, with the UK port industry accounting for 95% of UK import and export by volumes. The industry is significantly concentrated, as 20 ports account for 88% of the business. The leading three ports transporting agricultural products were Belfast, London, and Liverpool, with freights amounting to approximately 2.11 million, 1.68 million and 1.15 million metric tons, respectively, in 2019 (Source: Statista.com). It takes on average between 12 and 15 days to transport products from Lebanon to any of the leading ports in the UK. Agri-food products are usually exported from Lebanon to the UK by sea, and to a lesser extent by air.
Heathrow Airport is ranked first on the OAG Megahubs Index in 2019, as the most internationally connected airport in the world.