

The US Market for Selected UK Food & Drink Products

Summary report



Department
for Environment
Food & Rural Affairs

OGL

© Crown copyright 2020

This information is licensed under the Open Government Licence v3.0. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/

The views expressed in this document are not necessarily those of Defra. Its officers, servants or agents accept no liability whatsoever for any loss or damage arising from the interpretation or use of the information, or reliance on views contained herein.

www.gov.uk/defra

Contents

Section	Page Number
1. The US Market	3
2. Consumers in the USA	8
3. Opportunities by Route to Market	10
4. Getting to Market	16
5. Logistics	21
6. Market Growth Opportunities	24
7. Branding and Technical Support	41
8. Barriers to Overcome	43
9. COVID-19	48

For the full report on the US Market, please visit:

http://sciencesearch.defra.gov.uk/Document.aspx?Document=15001_Promar_USAreport.pdf



The US Market

- ❑ 331 million population in 2020
- ❑ **Three key areas for UK exports are:**
 - West Coast (focus on California) 39.6 million
 - South East (focus on Florida) 21.6 million
 - North East “BosWash” corridor (focus on New York state) 44 million
- ❑ 82% of the population are urban based.
- ❑ A mature grocery retail market - over 60% of the sector is accounted for by supermarkets, hypermarkets and discounters. The discount sector has seen a 10% increase in last 10 years.
- ❑ Over 40% of the retail market is accounted for by smaller chains.
- ❑ Current spend in the US foodservice sector is equal to the spend in the grocery sector. This is split predominantly between serviced and fast-food outlets.



The US - market conditions



- ❑ The US is very much “open for business” however there are many levels of legislation that need to be crossed before achieving this.
- ❑ The FDA website (www.fda.gov) has full information and guidance on labelling regulations in the US and any state variations.
- ❑ States should be considered individually, as separate markets, as they often have different regulatory rules.
- ❑ Developing exports to the US should be a long-term commitment and should normally be seen as a 2-5 year project and needing thorough research beforehand.
- ❑ Understanding the US consumer needs is key to ensuring that UK exports are fit for market.
- ❑ The likes of Canada, Asia and Mexico are all major trading partners for the US, with the rest of world (including the UK and Europe) market share currently around 25%.



The US - key market drivers

❑ Food culture

- The US is a diverse country, providing opportunities for the UK food and drink industry, but also challenges, as there is no single common food culture.
- The US is heavily influenced by its nearest neighbour Mexico and by Asia for its food tastes, along with the traditional US style “fast food” offer.
- UK companies should carefully research the US market and aim to export products that are likely to do well or are tailored to their target US consumer.

❑ Health and wellbeing

- 63% of Americans say they are trying to eat healthier.
- This can be seen mainly on the East and West Coasts, where specialist retailers such as Mothers Market and Lassens are located.



The US - key market drivers

❑ Lack of brand/product awareness

- Many US consumers are still generally conservative in their food choices, particularly when it comes to trying new food and drink brands or products.
- Some key trade respondents talked about “bridging products” being supplied from the UK. These products are typically somewhat familiar to a US consumer, but also something slightly different that they might want to try.
- For new product launches from the UK, it needs to be supported with a considered brand awareness and promotional campaign.
- Budgets for UK exporters need to be realistic to support the US market. However, some of the costs involved, for larger retailers, would probably price many smaller (UK) companies out of the market.
- US consumers often don't have strong views or preferences on where a product comes from. It is more important that they know what it is – and whether it is something they want to buy.



The US - key market drivers

□ Size of target market

- Mexico and Canada dominate US imports for many product categories, followed by Asia - between them, they often account for c.75% of the import market. This is due to a combination of their proximity to market, low tariffs and highly competitive production costs.
- Therefore the remaining market share occupied by the UK and other countries is approximately 25% of the overall total.

□ The role of import tariffs

- Within the categories studied extensively in this research, many exports from the UK face tariffs that their main competitors do not. For some categories, such as sweet biscuits, the 25% Airbus tariff has created a particular challenge. This could potentially have implications for exports of UK sweet biscuits to the US.
- There is a clear link between distance to market, tariffs and market share in the US for all categories (e.g. Mexico and Canada generally have the largest market share, are the closest and benefit from zero tariffs in many instances).



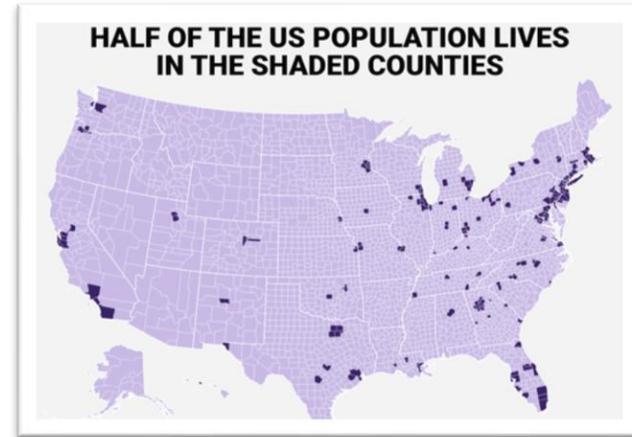
What type of consumers to target?

Consumer type	Logic and rationale
More educated	Increased likelihood to have travelled abroad and willingness to try new products.
Ex-pat or connections to UK	Actively looking for British products.
Foodies	Interested in food and world flavours and more likely to try new products.
Ethically-minded	Willing to pay for environmental, social or health values.
Health conscious	Likely to try new products and willing to spend more on their health and wellbeing.
Affluent	Less price sensitive to higher price of imported products.
Well travelled/tourists	May have tried different products abroad and more willing to try new things.



What is the target market?

- California - 39.6 million
- Texas - 28.7 million
- Florida - 21.6 million
- New York State - 19.5 million
- Pennsylvania - 12.8 million
- Illinois - 12.7 million



Which parts of the country to target?	Logic and rationale
North East “BosWash corridor”	<ul style="list-style-type: none"> <input type="checkbox"/> 17% of the US population <input type="checkbox"/> Affluent consumers <input type="checkbox"/> International mix of consumers <input type="checkbox"/> UK expats
South East Coast/Florida	<ul style="list-style-type: none"> <input type="checkbox"/> UK expats <input type="checkbox"/> Affluent US consumers
West Coast/California	<ul style="list-style-type: none"> <input type="checkbox"/> Affluent US consumers <input type="checkbox"/> International mix of consumers <input type="checkbox"/> High population density



Opportunities by route to market

Rank	Route to Market	Strengths	Weaknesses
1.	High-end retail	<p>Consumers are less price sensitive and more interested in trying new products.</p> <p>Health and wellness is more prevalent in this sector. Fits the UK quality and niche product model.</p>	Highly competitive to access as many other suppliers see it as the most attractive.
2.	E-commerce	Enables access to a large number of consumers in a country where size and access to consumers is an issue. It offers a more economic route to market.	Competition for consumer interest is strong. Working with a larger or established company may offer wider coverage.
3.	Independent & high-end hotels, restaurants and caterers (HORECA)	Working with a specialist distributor to get product listed and then accessing a wide range of HORECA customers.	Challenging to get listed by distributors and margins can be lower.
4.	Mass retail	Access to largest number of consumers.	Very price sensitive and a very commercial trading environment to deal with. UK exporters need a large support budget to access this market.



US Retail Market

- ❑ For the most part, the food and drink sector is a mature industry in the US, characterised by steady, long-term growth. Growth in the sector would be expected to follow changes in population size, whilst seeing shifts within individual product categories which reflect consumer trends.
- ❑ Over 50% of the retail market share is accounted for by non-specified retailers, which means the US retail market, aside from some major players, is still quite fragmented.
- ❑ For UK exporters, individual states should be interpreted as standalone markets and the retailers which predominate in that region targeted on a case-by-case basis.
- ❑ Some of the specialist and niche chains may be looking for a different offer to the larger retailers, which may be an opportunity for UK exporters. As disposable income rises, shoppers will be more inclined to purchase premium level, value added products at retail stores, including organic and all-natural brands.



Niche markets

- ❑ **Gluten free** – this sector is valued at US\$9.55 billion, but some sub sectors are clearly more important than others such as sugar confectionery (US\$37.7 million non-chocolate sales and a growth of +5%).
- ❑ **Organic** – this is still a strong market sector with food sales in the US rising 5.9% in 2018 to reach US\$47.9 billion. In April 2019, the US and UK agreed organics equivalency, enabling UK exports of organic products to the US.
- ❑ **Low carb/low alcohol** – “sober-curious” and younger consumers have helped this sector grow 10% in 2019. In 2019, the UK exported US\$1.56 million worth of non-alcoholic beer.





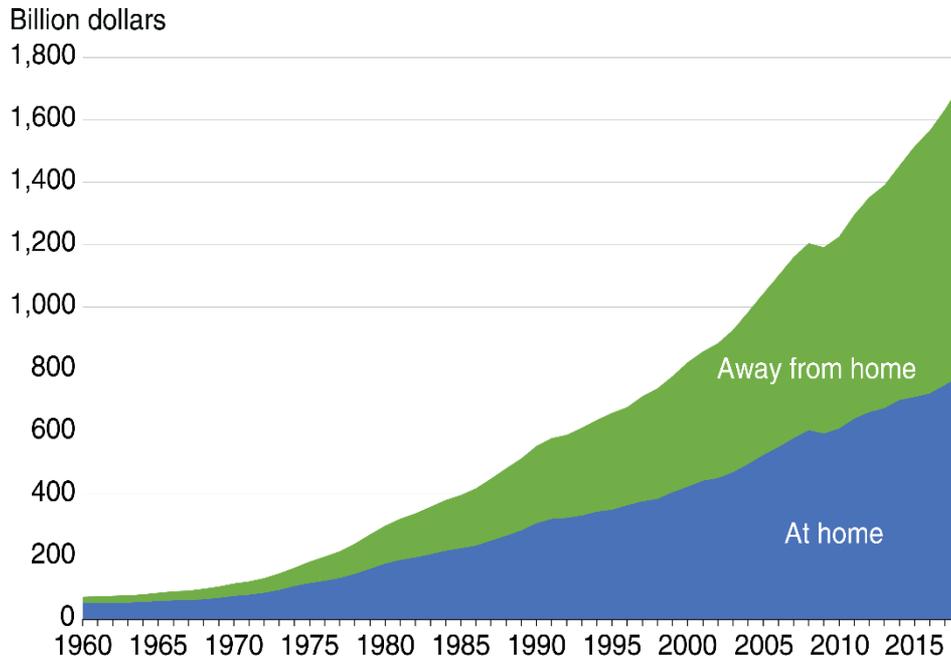
US foodservice market

- ❑ The US foodservice market (FAFH) is forecasted to reach US\$ 731.8 billion by 2024, witnessing a CAGR of 3.7%. This is of similar value to the food at home market. Money spent on food outside and inside the home was set to equalise, prior to the COVID-19 pandemic.
- ❑ The main factors driving the market for foodservice (restaurants) in the US are the ease of online ordering and payment.
- ❑ However, the increased obesity and health awareness among consumers is affecting the market growth, although some fast-food restaurants are focusing on organic produce or healthy food as the interest in this sector increases.
- ❑ Retailers are placing a greater emphasis on prepared foods, meal solutions and food-to-go as they focus on consumers' new eating habits and winning a greater share of consumption.
- ❑ This is leading to the development of new formats operating at the cross over of retail and foodservice.



US consumer spending trends in Food at Home (FAH) (source: USDA)

Food-at-home and away-from-home expenditures in the United States, 1960-2018



Source: USDA, Economic Research Service, Food Expenditure Series.

- ❑ For FAH expenditure, the grocery share has declined by 8.6% in the last 18 years. Hard discounters such as Warehouse clubs (e.g. Costco) and Supercenters have increased their % expenditure by 10.9% in the same period.
- ❑ E-commerce is being rolled out mainly through the click and collect model. Walmart and Kroger are at the forefront of this.
- ❑ Health, wellness and natural foods are a high growth category and have attracted investment from existing retailers, as well as new entrants who have built the core of their propositions around these areas.



Considerations for companies exporting to the US

- ❑ Treat the US as individual regions or states when planning export campaigns.
- ❑ Research the target market and consumer before deciding what and where to export.
- ❑ Create supply chain links and establish supply costs.
- ❑ Allocate budget for in-country support.
- ❑ Commit to the US market for the mid to long term.
- ❑ Find niche markets and target them effectively.
- ❑ Aim for price parity with similar US products.
- ❑ Work with importers and distributors on accessing the US market.



How do UK firms get to market?

- ❑ Many UK firms work with an importer who manage much of the administration and sales for them.
- ❑ The vast majority of food and drink imported from the UK is shipped by sea, either ambient or frozen.
- ❑ Terms of business vary for trade between 30 – 60 days often due to length of transit time.
- ❑ UK brands that invest time and money on the ground are the most successful.
- ❑ UK companies need to have a 3 - 5 year export plan for the US, which includes full sales and marketing/financial support.
- ❑ Help to access the market is available through the Department for International Trade (DIT), trade associations and Regional Support.



Examples of US import models

(ranked in order of ease for a UK exporter)

Model Type	Positives	Negatives
<p>1. Fully managed/serviced</p> <p>The food/ drink business sells product from production facility (ideally US market ready) to an importer who manages all further stages into US market up to or including distribution to POS.</p>	<p>This is the simplest route to market. The UK supplier is paid up front and hands over ownership of goods to the importer/distributor. There are no ongoing issues over paperwork and transportation.</p>	<p>Limited control over product once it has left the UK depending on contract with US importer. Reduced margin for the manufacturer as any ongoing commercial risk has been transferred to importer.</p>
<p>2. Semi managed/serviced</p> <p>The food/ drink business builds a relationship with a customer in the US (retailer/HORECA or distributor) and works with a freight forwarder or consolidator to assist with shipping and paperwork and possibly warehousing. The customer retains title to the goods.</p>	<p>This reduces the amount of administrative work needed to ship product and so makes exporting a bit easier.</p>	<p>There can be delays on shipping if waiting for other products for consignment. Extra costs have to be paid to a freight forwarder. The manufacturer is still liable for product.</p>
<p>3. Self managed/serviced</p> <p>The food/ drink business builds a relationship with a customer in the US (retailer/HORECA or distributor) and manages shipping (LCL or FL) and paperwork themselves. The customer retains title to the goods.</p>	<p>The manufacturer has full control over their goods and distribution into the US.</p> <p>They have more financial control over the end price to customer.</p>	<p>A high level of knowledge is needed to manage paperwork, shipping and regulations. It is more time consuming. Need to build relationships with distribution and POS in the US.</p>



US food & drink importers

- ❑ US food and drink importers are split between those who are US based and those who are UK based, but with well established agents in the US.
- ❑ A number of UK based importers offer serviced exports (from the UK manufacturer to the US POS) and/or pure freight service.
- ❑ A growing number of UK export freight companies are moving into the import and distribution industry within the US.
- ❑ Importers of UK products based in the US are often owned and run by expatriates or non-US owners.
- ❑ These companies have strong links with and good contacts within the UK food sector and good UK industry knowledge.
- ❑ US companies specialising in UK imports have built up strong relationships with the UK export supply chain, including UK regional representatives and DIT.



How do US importers find new UK food suppliers?

- ❑ US food companies typically attend a range of trade shows in the US and UK.

- ❑ **US based (UK national owner) companies**
 - Regular trips to the UK, including visiting UK trade shows and local events, if looking for smaller regional producers.
 - Research what is available in the UK by visiting farm shops and independent retailers.
 - Reading UK trade magazines such as The Grocer and other industry publications.
 - Suppliers, in some cases, approach the companies direct.

- ❑ **US owned companies**
 - Occasional trips to the UK, sometimes facilitated by the DIT to visit food & drink specific trade shows such as Speciality Fine Foods, Food and Drink Expo or regional events (i.e. Welsh Taste event, SDI Gleneagles Event).
 - Attending UK trade missions to source specific products sometimes facilitated by DIT and/or regional export specialists.
 - Visit stores and supermarkets, if in the UK.
 - Reading blogs and social media feeds to see what UK products are trending.



Extra costs when exporting to the US

Direct costs can include

- Product modifications (labour and materials for re-labelling or new packaging).

Indirect costs can include

- FDA compliant and US compliant labeling for packaging and marketing materials.
- Transactional costs depending on payment methods.
- Legal advice structuring agreements with a selling agent or distributor.
- Market research (desk and in-country).
- Communication costs with agents and distributors, liaising with freight forwarders etc.
- Insurance policies may need extension for product liability or professional indemnity.

Shipping specific costs

- Insurance specific to transportation.
- Export licenses and documentation.
- Shipping.
- Specific packaging for the cargo.
- Additional “in-country” costs depending on contract.



Shipping to the US market

- ❑ Major ports of entry in the US for agricultural and food trade, including alcohol and groceries are: Port of New York and New Jersey, Port Everglades FL, Houston TX, Los Angeles CA, Savannah GA, Philadelphia PA, Oakland CA, Long Beach CA, New Orleans Port Region LA, Miami FL.
- ❑ For most freight shipments, the length of transit from the UK is about 9/10 days. Delays in consolidation, customs and onward transport can all have a negative impact on the shelf life of imported products.
- ❑ The vast majority of the importers interviewed in the US bought products in the UK and then consolidated these with other products before shipping. A few bought from other importers to spread the risk or ship products directly in freight containers.



Example of sea freight costs to the US

(4 pallets of 1,000kgs of 4 m³ using FCL or LCL)

	FCL (Full Container) e.g. whole 20 ft container	LCL (Less than Container) (e.g. consolidated load with other shipments)	Example charge
Inland haulage (UK)	Included or fuel charge or delivered	Included or fuel charge or delivered	£50
UK terminal handling charge (THC)	Set price	Weight or measure (w/m) (variable price)	£5 w/m
Documentation admin charge	Shipping bill of lading/house BOL, Certificates of origin (set price)	Shipping bill of lading/house BOL, Certificates of origin (set price)	£10
Customs clearance	Set price	Set price	£15
Security	Set price	Set price	£5
Ocean freight	Set price per container size	Weight or measure (w/m) (variable price)	£30 w/m (x 4 pallets)
Bunker Adjustment Factor (fuel surcharge)	Set price per container	Weight or measure (w/m) (variable price)	Included
Currency Adjustment Factor	Percentage of freight	Percentage of freight or w/m	Included

NB: Some freight forwarders might include some of these charges and some might charge separately.



Other supply & contract stipulations

- ❑ For UK companies selling via grocery retail outlets, there are a variety of other costs to be considered.
- ❑ These included listing fees, buy one get one free (BOGOF) offers, introductory discount offers, and free samples for new products.
- ❑ US distributors felt that there was often no standard listing fees and they could vary widely depending on the retailer, but could run to several US\$ 000 per SKU.
- ❑ Promotional offers, BOGOF offers and free samples, are all funded by the UK manufacturer or by the importer/distributor, not by the retailer.
- ❑ If a UK product is de-listed, the US distributor is asked to collect the remaining product. If uncollected, the product is destroyed by the retailer and the distributor is charged at full retail price for the product to be disposed.



What sort of products does the US want from the UK?



- ❑ Products that have a proven track record of success in other international markets. They also need to be price competitive.
- ❑ There are two main approaches:
 - A stand-alone product - tailored to the US consumer
 - “British with a (modern) twist”
- ❑ A high level of support from the UK manufacturer in-country. Opportunities exist in:
 - Alternative meats - as the UK is seen as a market leader in this sector.
 - Quirky and innovative products fit for market.
 - Traditional British products, such as biscuits, if tariff issues are resolved.
 - New categories.
- ❑ Britain is GREAT has limited consumer resonance, as do PDO's and PGI's, Red Tractor and regional branding with the exception of Scotch beef/whisky etc.



Opportunities by product

Rank	Product	Strengths	Weaknesses
1.	Meat Alternatives	<ul style="list-style-type: none"> ❑ Growing market. ❑ UK is a leader in this sector. ❑ Limited number of players in the sector. 	<ul style="list-style-type: none"> ❑ Total market size is currently limited - but significant growth opportunities are expected. ❑ High investment is needed to expand production.
2.	Cereals	<ul style="list-style-type: none"> ❑ Well developed UK premium products. ❑ Large premium cereals market in US. 	<ul style="list-style-type: none"> ❑ There are lots of players already in this category. ❑ The US market is currently dominated by Mexico and Canada.
3.	Condiments	<ul style="list-style-type: none"> ❑ Large US market. ❑ Product innovation driving market expansion. 	<ul style="list-style-type: none"> ❑ The US market is dominated by Mexico, Canada and China. ❑ British products don't always fit the US consumer wants.
4.	Confectionery	<ul style="list-style-type: none"> ❑ Innovative British products. ❑ Niche product opportunities. 	<ul style="list-style-type: none"> ❑ US market dominated is by Mexico, Canada, China & Germany. ❑ A highly price sensitive category.
5.	Craft Beer	<ul style="list-style-type: none"> ❑ Strong British brand and heritage. ❑ Innovative products which are a unique selling point (USP). 	<ul style="list-style-type: none"> ❑ This is a financially challenging marketplace with tight margins. ❑ There is strong competition from domestic craft brewers. ❑ Import taxes for UK companies are unfavourable. ❑ The import market is dominated by Mexico and EU countries.
6.	Biscuits	<ul style="list-style-type: none"> ❑ Strong British brands in the market. ❑ High quality products. 	<ul style="list-style-type: none"> ❑ The unfavourable Airbus Tariff is making UK products uncompetitive in a price sensitive market.

See the full report online for a full analysis of these product categories.

The US meat alternative market

- ❑ The plant-based “meat” market was estimated at a value of US\$ 898 million in 2018 with a projected to grow at a rate of 5.3% to reach a value of US\$ 1,208 million by 2024.
- ❑ This category has a lot of coverage within the media, vegan campaign groups and some high-profile investors, however within retail stores, it still has a relatively small though visible shelf space.
- ❑ The meat alternative market is still relatively new, with only a few larger players. The market is currently dominated by North American companies. A distinction should be made between plant-based alternative meats and lab grown meat (this research focuses on the former).
- ❑ Whilst there are specialist meat alternative companies, many meat-based companies are also expanding their range to include a meat free offer too.
- ❑ Products currently available are mainly sausage, pattie, crumb or ground meat style offers. There are a range of chicken and breaded chicken style offers also available.
- ❑ Most US consumers state concerns of health and weight management as reasons for shopping this category rather than environmental concerns. Millennials, health-conscious individuals and people partaking in sport tend to be taking the most interest in meat alternatives.
- ❑ There is an established HORECA range of meat alternatives, mainly focused around the Impossible or Beyond Meat Burger offer.



US market drivers: meat alternatives

Opportunities

- ❑ Plant-based meat substitutes are already well represented in the majority of supermarkets, restaurants and fast-food chains.
- ❑ There has been massive investment in plant-based meat alternative companies, particularly in the US, but also UK, and very much 'on trend' for new investors.
- ❑ Opportunities might exist for UK/US partnerships and in-country manufacturing.
- ❑ Traditional meat companies such as Tyson and Cargill are entering the meat-alternative sector.
- ❑ Other large food multi nationals have also entered the market which will increase visibility of this category.
- ❑ Due the immature nature of the market and less established competitors, there are new entry opportunities in this category for niche suppliers



US market drivers: meat alternatives

Risks

- ❑ It is still very much a niche section in most grocery stores.
- ❑ Meat alternatives are sometimes seen as being less healthy with high sugar/salt content.
- ❑ With potential regulatory restrictions in the US being mainly pushed by meat lobbyists, the conventional US meat sector is still a very strong category.
- ❑ The general view from importers/distributors is that this is a ‘trend’ like ‘gluten free’ and may not be a seismic shift in consumer behaviour as predicted by some.
- ❑ “Lab” grown meat could replace this category eventually, if costs are reduced.



US market drivers – breakfast cereals

Opportunities

- ❑ The US bakery and cereals market is a growing sector and nutrition and health is a key consumer trend.
- ❑ There are many artisanal manufacturers in this category which allows smaller scale producers to enter more easily by providing niche products.
- ❑ The sale of free-from and organic products are increasing in this sector.
- ❑ There are opportunities for new UK entrants, if they can offer a range with enough differentiation to compete with the established brands. Smaller producers are sometimes leading players in the US market and health focused products command a higher retail price

Risks

- ❑ The high fixed costs and a very competitive domestic market supply base increases barriers to entry for UK processors.
- ❑ Whilst the niche cereal (e.g. free from, granola, oats) market is segmented, with smaller manufacturers, there are already lots of domestic suppliers making it difficult for an imported product to compete on price.
- ❑ There is a high degree of FDA regulation regarding ingredients, particularly on granola/muesli type products.



Product range

- ❑ The category is split in stores between standard family pack style cereals aimed at children and high-end granola/muesli style cereals aimed at an adult, health-conscious consumer.
- ❑ Pricing within this category reflects the product type and consumer targeted – mass family market value or niche premium pricing.
- ❑ A UK exporter will need to offer something currently not available within the US market.
- ❑ FDA regulations have strict nutritional labelling requirements for breakfast cereal products.
- ❑ This is an area that by default, UK products would fit in to.





US market drivers – sauces & condiments

Opportunities

- ❑ Revenue in the sauces and condiments (without ketchup) segment amounts to US\$35 billion in 2020 and the market is expected to grow annually by 1.8% (CAGR 2020 - 2023).
- ❑ There is an increase in demand for flavor enhancers, such as sauces and dips and this is expected to see growth over the coming years.
- ❑ Large multi-nationals are investing in NPD in this sector and continuing to bring out new product categories.
- ❑ The increase in street food, fast food brands and pre-prepared meals has widened the range of condiments available some brand specific (e.g. Nando's peri-peri sauce).
- ❑ US consumers want sauces that are convenient (25 min average meal preparation time), healthy (clean labels etc.) and authentic.



US market drivers – sauces & condiments

Risks

- ❑ Condiments are very much linked to the domestic US consumer cultural and food preferences and by implication, US domestic products.
- ❑ US condiments are well supplied with spicy, American, Asian and Mexican style products.
- ❑ Importers reported the view that if there is no food culture reference for a new product (e.g. HP sauce and meat pies) US consumers struggle to know how to use it.
- ❑ There are significant financial barriers for brand and product awareness for a new UK product to enter the market, if it is to be well supported and launched in-country.



US market drivers - sugar confectionery

Opportunities

- ❑ Sugar confectionery is still a growing sector in the US – three main current themes in the confectionery industry are:
 - Experience (luxury, indulgent)
 - Expectation (health, energy)
 - Simplicity (natural, clean)

- ❑ As the health & wellbeing market grows, it may offer opportunities for small scale, niche, high value such as free-from products (sugar, colourings, gelatine, flavourings etc.) As an example:
 - Gluten free products saw 20.3% growth in non-chocolate and US\$317 million in sales.
 - Sustainability and Fair Trade are important with younger generations and more relevant to the chocolate sector.

- ❑ US retailers are often opposed to switch to some alternative health snacking products, due to shelf space, shelf life, or where alternatives need chilled storage such as fresh produce snacks.

- ❑ There are several private label ranges available which reduce larger brand power but is often a lower margin offer.



US market drivers - sugar confectionery

Risks

- ❑ The increased focus on health and wellbeing has meant that some consumers have switched to fruit snacks, trails bars, cereal bars and other “healthy” snacking products.
- ❑ High logistics costs and FDA labelling regulations make it challenging for new entrants to navigate this market without a distribution partner.
- ❑ Big names dominate and brand power and advertising is highly visible in the mass market.
- ❑ The US market is price sensitive due to the influence of large big-name brands in this category.
- ❑ Consumer loyalty is strong to favourite brands creating a reluctance for retailers to try new brands.
- ❑ If bought as a gift item, competition from other non-confectionery products should also be considered.



US definitions of craft beer

- ❑ The term “craft beer” is objective in the US.
- ❑ There are over 8,000 brewers operating in the US. The majority of Americans live within 10 miles of a craft brewer. More than 4,700 craft brewing companies have adopted the independent craft brewer's seal. US consumers often actively ask for local craft beers.

US definition - as given by the US Brewers Association

Small

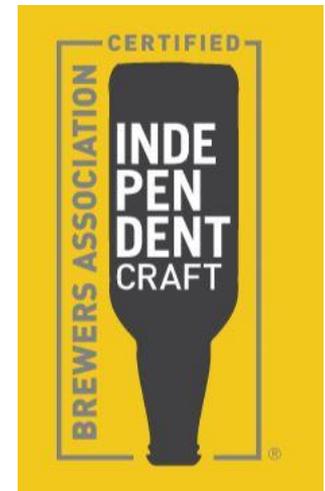
- Annual production of 6 million barrels of beer or less (approximately 3% of US annual sales).
- Beer production is attributed to a brewer according to rules of alternating proprietorships (>25% owned by a non-craft brewer).

Independent

- Less than 25 % of the craft brewery is owned or controlled (or equivalent economic interest) by a beverage alcohol industry member that is not itself a craft brewer.

Brewer

- The firm must have a TTB (US Government Alcohol & Tobacco Tax & Trade Bureau) Brewer's Notice and produce beer.





What is the British beer type that a US consumer looks for?

- ❑ The UK beer industry is high tech and innovative whilst along with Belgium and Germany, also having the heritage and tradition that is the pillar of modern beer making.
- ❑ The British beer “brand” needs to convey to US consumers the very best of our brewing heritage with the new innovation it is known for and that US consumers want: in effect a taste of “Cool Britannia”.
- ❑ The older style beer drinker in the US is being replaced with a younger, more trend influenced crowd.
- ❑ The US beer market is one of the most supplied in the world. Domestic craft beer producers are available everywhere from local, regional and national suppliers. The majority of domestic beer is IPA and American style IPA, which has a light floral hoppy flavour.
- ❑ Imported British beers that succeed are traditional styles such as ales, stouts and porters. These are often beers with a distinctive “Britishness”, but seen to be “Tradition with a Twist”.
- ❑ UK exporters need to be able to offer support to sales campaigns where margins are relatively low and competition is high.



US market drivers - craft beer

Opportunities

- ❑ The US craft beer is still seen as a growth market. Big brewers are investing in craft brewers (often with alternating proprietorship). Craft beer market growth is now coming from the smaller players.
- ❑ The younger generation is looking for something different or new trends:
 - Health & wellness trend (low alcohol, carbohydrate & calories)
 - Canned products for flexibility
 - The hard seltzer market sector has grown significantly in the last year (nearly 50% 2019).
- ❑ Commercial buyers looking to stock wide variety of beers which could further open up the US market.
- ❑ Consumers like a traditional brewing story (and this is something the UK has to offer).
- ❑ Imported beers have increased their market share by 3.8% since 2014.

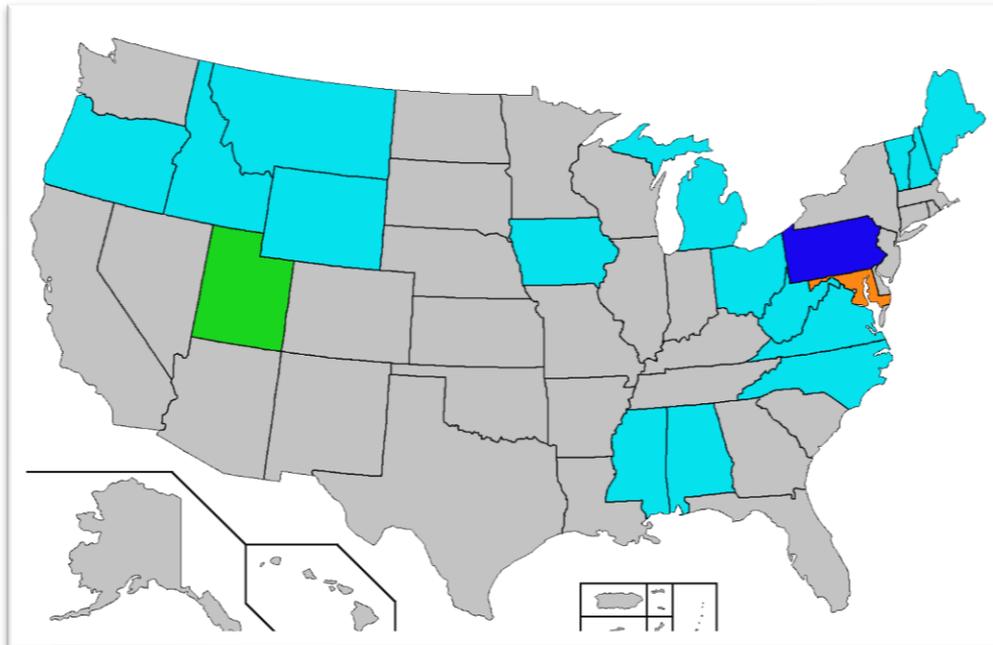
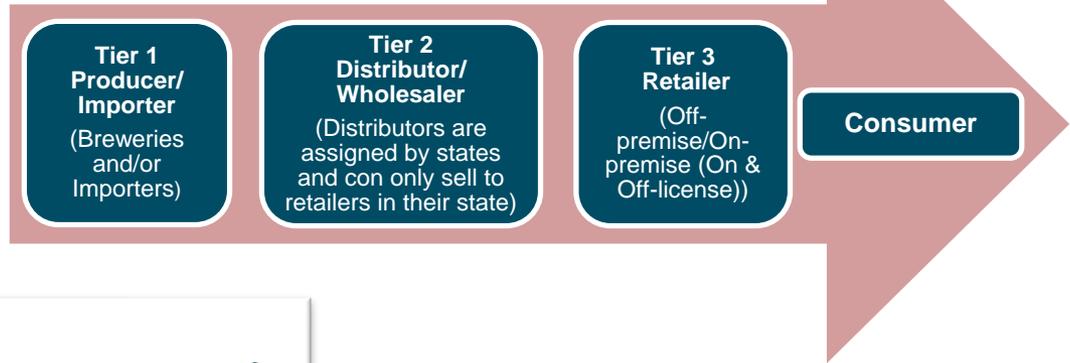
Risks

- ❑ Beer volumes are falling slightly in USA. New products such as hard (alcoholic) seltzers, hard kombucha, hard coffee and hard agua fresca are new sub sectors to the market.
- ❑ Craft brewer numbers in the US may have peaked and some breweries have closed due to over supply and highly competitive market. There are high fixed costs in beer production, with a low margin high volume model.
- ❑ The premium prices in the US craft beer market have reduced recently due to oversupply (IPA and American Style IPA is over supplied domestically).
- ❑ It is difficult for smaller, international brewers to enter the market. There are higher taxes for imported beer than domestically produced beers which favours the smaller volume brewers.



The US three tier system

- State control of beer, wine, and spirits
- State control of wine and spirits
- State control of spirits
- Other alcoholic beverage control states



- 35 States in the US allow the private sector to distribute and sell alcoholic beverages, including California, New York and Florida, via the three-tier system.
- 17 other States have adopted a control distribution model, under which the State is involved in one or more tiers of the traditional three tier distribution system.



The US sweet biscuit market

- ❑ The US bakery and cereals market grew by 2.7% in 2018 to US\$ 112.4 billion and is predicted to grow by another 13% in the next 3 years.
- ❑ Sweet biscuits (cookies) account for 7.8% of this market at a value of US\$ 8.7 billion.
- ❑ The market is forecast to reach US\$11.2 billion by 2025 at a CAGR of 1.93%.
- ❑ Cookies are a preferred biscuit type and manufacturers are targeting specific groups such as health conscious to cater for this rising demand of premium biscuits.
- ❑ Large grocery stores account for 66.8% of US market share by value, followed by independents with 16.6% and convenience stores at 11.6%.
- ❑ It is felt that the Airbus Tariff was having a negative effect on sales of UK biscuits, although if and when the Airbus Tariff is lifted there will be an opportunity to retain and grow this market share.
- ❑ There is an opportunity for innovation in the US market with opportunity to expand the range with new flavours and styles of biscuit.



Sweet biscuits - product range

- ❑ Cream filled biscuits are becoming extremely popular across the US and are the fastest growing sector in the wider category.
- ❑ The biscuit market recently in the US has seen increasing product innovation, with brands increasing their product range and flavours.
- ❑ New flavours and ranges such as high protein bars are aimed at the health and wellbeing section of the market.
- ❑ For UK exporters, there are some large US competitors who have the benefit of scale and proximity to market meaning they can be more competitively priced.





UK quality assurance & promotional schemes

- ❑ Hazard analysis and critical control point (HACCP) is widely used and recognised in the US and is mandatory for dairy, juice, meat and seafood and other high-risk food and drink products. BRC certification although not widely used in the US, can be recognised by the American National Standards Institute (ANSI).
- ❑ With regards to global certifications such as Global Food Safety Initiative (GFSI), in the US many companies would use Safe Quality Food (SQF) certification. Individual manufacturers in the UK need to check the food standard requirements demanded by the FDA in the US and in the State(s) they are exporting to (fda.gov).
- ❑ All the respondents had heard of PDO/PGI type schemes, but none felt that it had much influence on consumer sales – they felt a product just saying “made in the UK/Italy/France” would have as much if not more impact.
- ❑ National branding – some respondents felt that British products should move away from national based branding. However, all felt that the Union Jack in food and drink had a positive brand image.
- ❑ The majority felt that most US consumers would not be aware of regional variations, apart from products from Ireland (Guinness) and other products such as Scotch beef and whisky, where the country of origin was linked to the name.



Technical support & NPD

- ❑ Technical support and NPD should be similar to that used in the UK markets. The US market is keen for innovative new food and drink products - traditional with a twist and examples include Young's Chocolate stout and meringues as snacking products.
- ❑ The UK is already often seen as a leader in innovation in food and drink products. However, some felt that UK companies were slow to respond to product innovation and changing consumer demands - an example being a UK brewer changing from bottles to cans, which took 6 years from initial discussion to implementation.
- ❑ NPD was felt to be one of the USPs of UK food and drink companies. On researching UK brands, importers and distributors saw innovative packaging and products as a good reason for considering a product.
- ❑ Market respondents generally felt that there was a disconnect between the reality of UK food products and the US consumers perception of UK brands - which was sometimes 10 - 20 years out of date to where the UK market currently is.





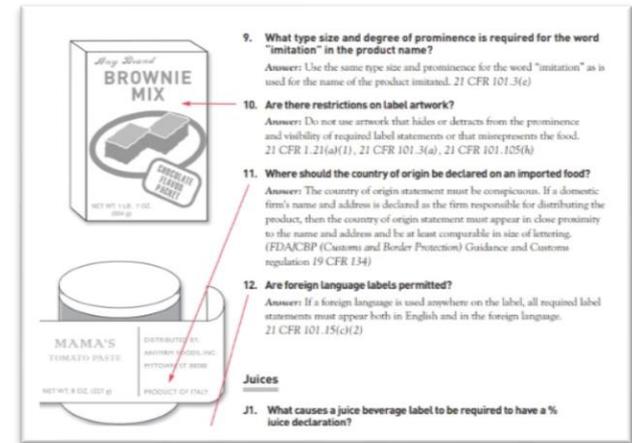
Non-tariff barriers (NTBs)

- ❑ There are several NTBs that UK food and drink companies also face in the US market and these include as follows:
 - FDA labelling requirements for the US market need to be considered – these can vary by State (examples given further in the document).
 - The additional financial costs involved in exporting to the US, as well as transport, warehouse, distribution and listing fees (covered in more detail further in the report).
 - In the view of many US importers and distributors, there is a lack of understanding of the US consumer from UK food and drink businesses (covered in more detail later).
 - There is a lack of understanding of the US marketplace and supply chain.
 - There is a general lack of UK product and brand awareness by the US consumer.
 - The size of the US and practical logistics transporting product within the US should be considered.

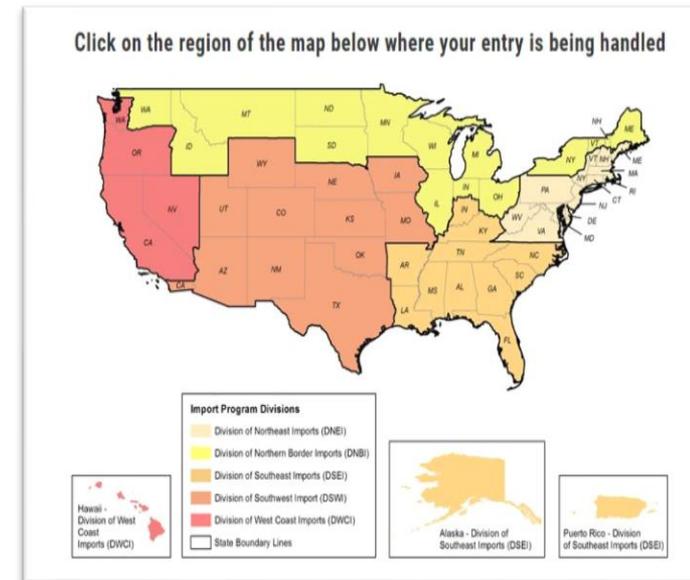


Labelling requirements

- ❑ Correct labelling can often be seen as a barrier for UK exporters.
- ❑ The US FDA (fda.gov) provides clear guidelines on regulations with a pdf available Food Labelling Guide explaining the regulations.
- ❑ The FDA field offices that process imports are part of the Office of Regulatory Affairs and are divided into 5 Import Divisions
- ❑ Importers/UK exporters can contact the region of the port that they are importing into (image bottom right) to find out regional specific requirements.
- ❑ Many US importers will manage the paperwork and labelling requirements on behalf of a UK food and drink exporter as part of the ongoing brand support.



Extract from the FDA Food Labelling guide





Constraints to developing UK exports

Nature of Constraint	Comments	Required Actions to Mitigate
Lack of market presence and/or trade representation	<ul style="list-style-type: none"> ❑ Due to its size the US is a difficult market to penetrate and there is low British brand awareness generally. ❑ Lack of market research and understanding of the complexity and pricing of UK exports. 	<ul style="list-style-type: none"> ❑ Producers working with importers/distributors should focus on targeted regions or consumer groups to create impact with a smaller target sector. ❑ Trade visits, building up relationships with the supply chain and market research before starting to export.
Price competitiveness	<ul style="list-style-type: none"> ❑ The US is very price sensitive and UK imports are generally more expensive. 	<ul style="list-style-type: none"> ❑ UK brands need to either reduce margins to fit with the US price model - or be able to demonstrate a USP of why their product is priced at a premium.
NPD and innovation	<ul style="list-style-type: none"> ❑ This was felt to be a key opportunity and one that UK producers are good at. NPD and innovation, however, must be aimed at the US consumer. 	<ul style="list-style-type: none"> ❑ Thorough research of market and US consumer needs and wants. Consider developing specific products for the US market as an extension of core range.
Logistics of supply from the UK	<ul style="list-style-type: none"> ❑ Distance to market can cause issues with shelf life and time to arrive in the region ex-works. In some cases, deterioration in food quality can occur during transit. 	<ul style="list-style-type: none"> ❑ UK producers should aim for as long shelf life as possible ex-works. Food and drink producers should only choose products that are robust enough to travel.



Constraints to developing UK exports

Nature of Constraint	Comments	Required Actions to Mitigate
Promotional support & marketing	<ul style="list-style-type: none">❑ Generally, there is seen to be a lack of marketing and promotional support by UK exporters – some distributors fill this gap, but there is a cost implication, and they may be promoting many brands in their range.	<ul style="list-style-type: none">❑ UK companies need to put together a comprehensive sales and marketing plan and work with the importer/distributor to create a brand support in-country.
Lack of interest from the UK food sector	<ul style="list-style-type: none">❑ It is potentially seen as too complicated and too difficult by UK companies to investigate export opportunities.	<ul style="list-style-type: none">❑ Continuation of UK, regional and devolved nations export events and trade visits.❑ There is a need to include up to date market insights and data for companies investigating opportunities.❑ Use UK company case studies and consider inviting US importers to give real insight in what is needed to be a successful exporter to the US.
Strength of competition	<ul style="list-style-type: none">❑ Imports are dominated by Canada and Mexico who have tariff and location advantages.	<ul style="list-style-type: none">❑ Other European countries countries with similar barriers to the UK have been successful in various categories - UK exporters need to learn what has worked for them and target that remaining market sector.



Constraints to developing UK exports

Nature of Constraint	Comments	Required Actions to Mitigate
<ul style="list-style-type: none">❑ Finances - exchange rates and terms and conditions of supply	<ul style="list-style-type: none">❑ Exchange rates can work for and against but need to be considered and planned for both scenarios.❑ Insurance can be taken out against some of the variables, but these are extra costs.	<ul style="list-style-type: none">❑ Carry out research thoroughly and be aware of any potential non-tariff costs.❑ UK firms should create financial best and worst case scenarios to understand the financial robustness of the export prospects.



The impact of COVID-19

- ❑ At the time of our field research, the issue of COVID-19 was just beginning to become prominent in the US. The HORECA sector was already starting to be affected and the long-term impact of this on the US food and drink sector is uncertain, but a number of things could happen:
 - Whilst retail may recover relatively quickly, premium and luxury goods may see a decline in market share if national income drops or the rate of unemployment rises. This may have an effect on imported UK goods, which are often at the premium end of the pricing spectrum.
 - The tourist market is likely to initially experience decline, as international travel takes time to re-establish, hitting the HORECA sector hardest.
 - E-commerce and home delivery could see rapid growth.