



Agri-Food COUNTRY PROFILE

UNITED KINGDOM

February 2003



Canada

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United Kingdom

AGRI-FOOD COUNTRY PROFILE

February 2003

Executive Summary

- The United Kingdom's commercial relationship is the most extensive that Canada has in Europe. It is also Canada's fastest-growing market for exports, after the USA.
- The United Kingdom is the world's fifth largest economic power.
- The United Kingdom is one of the world's largest trading nations as well as one of the world's top foreign investors.
- The service sector in the United Kingdom is the largest economic sector accounting for 73% of total GDP.

Canada- United Kingdom

- Bilateral agricultural trade between Canada and the United Kingdom was valued at \$624 million.
- Canada exported over \$252 million worth of agricultural goods to the United Kingdom in 2002.
- Canada's agri-food imports from the United Kingdom in 2002 were valued at \$371 million.
- Major exports in 2002 were wheat and meslin, kidney beans and white pea beans, cheese, tobacco and communion wafers
- Canada's agricultural exports were dominated by consumer goods.

The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information. This report is intended as a concise overview of the market for those interested in its potential and is not intended to provide in-depth analysis which may be required by the individual exporter.

United Kingdom

COUNTRY PROFILE

Economy

The United Kingdom of Great Britain and Northern Ireland (UK) is the world's fifth largest economic power regularly challenging France for fourth largest. The country is one of the world's largest trading nations and is also one of the world's top foreign investors.

Economic Overview

The UK's economy shares many characteristics with most developed countries. While once dominant, manufacturing is an increasingly smaller contributor to the overall economy and the services economy is increasingly important. However, in the UK the shift away from manufacturing is much more pronounced. The manufacturing sector has struggled to remain competitive and increasingly businesses are contracting out activities to reduce costs.

The service sector is the largest economic sector accounting for 73% of total GDP. It comprises banking, insurance, and business services. London is regarded as the stock equity trading capital of Europe and handles trade on par with the Tokyo stock exchange and NASDAQ.

Industry accounts for 25.3% of total GDP, and employs 30% of the workforce. Manufacturing and construction employ 17.5% of the labour force, and the energy sector employs 1.2%. The agricultural sector comprises 1.7% of total GDP, and employs 1.2% of the workforce.

Government Role in the Economy

The UK has changed significantly in economic terms over the past two decades. The government has

painstakingly reduced public ownership and contained the growth of social welfare programs.

The government allows market forces rather than social programs to drive the economy and actively supports competition. Independent regulatory bodies provide additional direction in sectors where private individuals are the principal users of the product or service.

The Bank of England was recently made independent of the Treasury, and given sole responsibility for setting interest rates.

The Treasury has adopted new controls on public spending in advance of any formal move to join the European Economic and Monetary Union (EMU). The Treasury is committed to policies that reduce public debt as a percentage of GDP, with a goal of producing a budget surplus in each of the next three fiscal years.

One of the key economic issues involving the government is the proposed referendum on the UK joining the euro. While initially planned for this term, ending in 2006, most believe that the referendum is unlikely to come. The delay can be largely blamed on the good performance of the UK economy in comparison to its EU partners. This has made it very difficult for the government to sell the population on the benefits of joining the European Monetary Union (EMU) it consistently outperforms. The government has planned to conduct tests to determine whether joining EMU would have a positive effect on the British economy as a whole. However, critics of the EMU continue to argue that the economy is thriving outside of the EMU, and that public opinion polls continue to show a majority of Britons oppose the single currency.

Current Economic Situation

Over the last ten years the UK economy has averaged year on year growth of almost 3% (compared to an EU average of 2.3%), and inflation has remained consistently below 4% since 1992. This is the first period of extended low inflation in over 50 years.

Gross Domestic Product	
GDP	US\$1.5 trillion
GDP growth	2% (2003), 2.3% (2004)
GDP per capita	US\$26,300
GDP by Sector	
Services	73%
Industry	25.3%
Agriculture	1.7%

The recent worldwide economic slowdown has effected the UK economy, in particular export sales, but overall the economy continues to exceed expectations. The country's GDP grew by 2.5% in 2002. Per capita GDP was at its highest point in over 5 years, and unemployment has been falling steadily, resting at 5.3% in 2002.

Economic Forecast

While the economy continues to fare better than most of its European neighbors and other G7 countries, GDP growth is projected at just 2% in 2003 with a slightly higher rate of growth in 2004. Despite the debate surrounding involvement in any mid-east conflict and continuing debate around the euro, the UK does not seem to be hindered by the structural economic problems common in other European powers, such as high unemployment and major economic restructuring.

Political Overview

The UK is a constitutional monarchy with Queen Elizabeth II as its head of state. The UK is divided

into 47 counties, 7 metropolitan counties, 26 districts, 9 regions, and 3 island areas. However, the administrative divisions of the UK are changing rapidly. Scotland has recently been granted its own Parliament which oversees areas of responsibilities similar to Canada's provincial sovereignty, and Wales and Northern Ireland have both received forms of national assemblies.

The UK has a number of colonial dependants which remain from its colonial period. A number of these areas provide for ongoing international disputes, such as The Falklands, and Gibraltar.

Canada and the UK share a number of political similarities, and continue a close political relationship through joint membership in organizations such as the Commonwealth, NATO and the UN.

Current Political Issues

The government faces a number of challenges in the second half of their current 5 year term, including domestic criticism over their support of US terrorism policies, constitutional reform and the EMU. Aside from these issues, there are pressing problems with public services, in particular transportation and health services, two areas where public blame for problems has been laid on the current government. These issues have reportedly contributed greatly to the strained government relationship with both business and unions.

Geography

The United Kingdom (UK) is located off of the western coast of continental Europe 35 km north west of the French coast. The UK's total land area is 244,820 km square, including one sixth of the island of Ireland.

The UK includes four nations joined by the Act of Union, England, Scotland, Wales, and Northern

Ireland. England comprises a majority of the UK's population. Approximately 50 million people live in England. Scotland's population is roughly 5.1 million, Wales' population is 3 million, and Northern Ireland has 1.7 million people.

Major Metropolitan Areas	
City	Population (millions)
Greater London	7.1
Birmingham	2.6
Greater Manchester	2.6
Leeds	2.1
Glasgow	1.6
Liverpool	1.4
Sheffield	1.3
Newcastle	1.1

The UK's climate is temperate, but more than half of the days are overcast. While 25% of England's land is arable, the climate limits agricultural capabilities.

London is the capital of the UK, and is one of the world's oldest and largest cities. It is also one of the world's economic centres regarded as Europe's banking, insurance, and stock market capital. It is located in the south of England and is home to 12% of the UK's total population.

The UK's natural resources include; coal, petroleum, natural gas, tin, limestone, iron ore, salt, clay, chalk, gypsum, lead, silica and arable land.

Infrastructure

The UK has extensive and well developed transportation and telecommunication systems, including an extensive rail network, a number of national and international airports, an extensive highway network, and a number of sea ports and inland waterways. However, certain systems have become severely congested, in particular around major cities. The government has announced a US\$5 billion package to alleviate what are currently the most congested roads in Europe.

The UK's rail network is the oldest in the world, and many sections have recently been privatized. The network now includes the "Chunnel" an underwater rail link to continental Europe. The rail network is a vital passenger and merchandise carrier.

The UK has many established ports and regardless of the "Chunnel," the country relies largely on shipping for imports. Liverpool is a well established port, one of the largest in Europe, and handles a great deal of the country's merchandise shipping. Other ports include Manchester, Hull (on the east coast), Belfast, Bristol, Cardiff, Grangemouth, Leith and Aberdeen.

The UK has highways connecting all major and minor centres, and despite congestion the system is a very important means of merchandise transport.

The UK has over 350 airports with paved runways. These included both international and smaller scale airports which carry passengers and cargo both domestically and to smaller European destinations.

Distribution and Sales Channels

Food retailing has continued its march toward concentration in the hands of a few major grocery chains. This trend is so alarming to some that the situation was deemed worthy of a major inquiry conducted by the British Competition Commission. The Commission found some evidence of competitive distortions in various regions, but offered little in terms of recommendations for change.

The rapid development of out-of-town superstores across the United Kingdom has created a relatively new one-stop shopping experience for the family. This has been a major factor behind the demise of smaller specialist retailers, which is perhaps most evident with the demise of "green grocers" and butchers. The UK's top ten retail food chains

account for 65% of retail food sales. The top five chains comprise 47% of total sales.

The retail sector is divided into five categories, major multiples, minor multiples, discounters, co-ops, and independents. Major multiples control 69% of the UK retail food market. This category is made up of large store retailers with more than 10 outlets. Tesco leads this category with 27% of the total food market. Sainsbury is the second largest retailer. Asda is the third largest retailer and Safeway and Somerfield round out the top five retailers. As of January 2003 six major retail chains were all bidding for control of Safeway's 480 stores.

Minor multiples control 8.5% of the retail food market in the UK. They are generally smaller stores with annual earnings below \$4 million. Morrisons 3.9%, Iceland 2.9%, Waitrose 1.3%, and Budgens 0.4% are the largest minor multiple retailers.

Discounters control 2.2% of the retail food market with annual sales in excess of \$1.6 billion. While there was high hopes for these new entrants into the retail market, the major multiples introduced own brand products to counteract the discounters. Netto, Lidi, Aldi are the largest discounter chains.

The co-operative retailer is one of the oldest groups in the UK. Co-ops range from small local shops to newer superstores. While their share of the grocery market was once 25% it has shrunk to 4%. CWS and CRS are the largest organizations in the co-op group.

There are over 50,000 independent convenience store retailers in the UK. Their share of the retail food market is 2.7%. Over 23,000 independents are unaffiliated, but the remaining are tied to various groups. These outlets are losing market share due to the major multiples which have taken away these independents one advantage, which is hours of operation, by extending their own hours to match most convenience stores.

Other retailers such as Marks & Spencer and drugs stores like Boots also control a considerable share of

the retail food market despite the fact that their sales are limited to specialty foods and confectionery products.

Consumer Market

The United Kingdom is a market of over 60 million consumers. While the UK is a large agricultural producer it imports almost 50% of its food requirements. This has introduced a wide variety of products creating a very sophisticated and varied food market.

Demographics	
Total Population	59.7 million
Population by Age	
0-14 yrs	19%
15-64 yrs	65%
65yrs and over	16%
Life Expectancy	
Total Population	77.7 yrs
Male	74.9 yrs
Female	80.4 yrs
Per Capita GDP	US\$26,300

Convenience foods, health oriented foods, and value-added products continue to dominate food trends in the UK. Eating on the move, snack type foods, and restaurants and food stands dedicated to this type of product are increasingly popular.

Sales of fresh fruits and vegetables, and fish products continue to decline while cereal products (rice and pasta), bakery products, meat, and meal accompaniments (sauces) are showing the most growth.

The ever-increasing statistical importance of British society's ethnic mix also provides a strong marketing base for ethnic food products, and the hectic pace of life in major cities has also created bullish demand for high-quality chilled and frozen prepared meals.

Roughly 10% of total consumers expenditure was on household food consumption. Meals outside the home account for 8% of total expenditure, and expenditure on alcoholic beverages represent a further 5%.

Currently, food-service sales account for 34% of total consumer expenditure on food, although this is expected to rise steadily over the next two decades, accounting for half of total food expenditure by the year 2020.

In general, consumers in the UK are food-safety conscious in the extreme. However, given their recent history with outbreaks of “Mad Cow” disease, “Foot-and-Mouth”, salmonella and other health-related food incidents this is to be expected. These recent food scares have made the British consumer leery of new food technologies, most notably biotechnology.

Recent disease outbreaks and a movement against biotechnology have created a number specific marketing opportunities for organic and non-GM products. Despite increasingly crowded shelves, retailers have indicated that they remain committed to increasing their selection of organic goods.

General Merchandise Trade

The UK is the world’s fifth largest trading nation, and one of the largest overseas investors. The UK conducted over US\$620 billion in total trade in 2001, running a negative trade balance of US\$50 billion. Despite a rebound in exports, it is expected that the UK will continue to run an above average trade deficit in 2003 and 2004.

The UK exported US\$287 billion worth of goods in 2001. Exports consisted primarily of manufactured goods, fuels, chemicals, food, beverages and tobacco. The UK’s exports were dominated by shipments to countries in the EU. The EU as a whole received 54% of the UK’s total exports. The US received 15% of the UK’s exports and was the country’s largest single export market followed by

Germany 11%, France 9%, Netherlands 7% and Ireland 7%.

The UK imported US\$337 billion worth of goods in 2001. A majority of imports were manufactured goods, machinery, fuels and foodstuffs. Collectively the EU dominates the UK import market, controlling 48% of total imports. The US is the UK’s single largest source of imports controlling 13% of the import market, followed by Germany 11%, France 7% and the Netherlands 6%.

Trade Agreements

The most important trade agreement that the UK has entered into is the European Union. As a member of the EU, the UK does not have any bilateral trade agreements with any developed nations. The other members of the EU are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden. While the UK is a full member of the EU it has yet to enter into the single currency of the European Monetary Union. This decision will be put to public plebiscite or referendum after the next election in 2002.

The EU now forms a single market. It levies a common tariff on imported products coming from non-EU countries. The EU also has among other things, a Common Agricultural Policy, joint transportation policy, and free movement of goods and capital within member states.

The EU grants preferential tariffs to roughly 100 developing countries, mainly in Africa and the Middle East, and roughly 40 overseas territories under the EU’s Generalized System of Preferences (GSP). A system of providing certificates of origin has been established to ensure that goods are not diverted through GSP countries to take advantage of the lower tariff concessions.

Free trade agreements have been developed between the EU and the European Economic Area

(EEA), which includes Norway, Iceland, Liechtenstein, and Switzerland. Under terms of these agreements, most industrial products and certain processed agricultural products are exempt from import duties if sold within this trading bloc. This has resulted in an open trading area for most industrial products of 19 nations with an affluent population of more than 380 million.

Agriculture And Agri-food Overview and Outlook

Arable land comprises 25% of the UK's total land area. Permanent pastures represent 46% of total land. Agriculture is intensive and highly mechanised. The UK produces roughly 60% of its food needs using 1.2% of the labour force. Primary agricultural products are cereals, oilseeds, potatoes, vegetables, cattle, sheep, pigs, and poultry.

The UK has one of the world's most advanced food processing sectors. The annual output of the sector is roughly US\$83 billion. Confectionery, both sugar and chocolate, are major products in the UK, and domestic consumption is the highest in the EU.

Food imports total roughly US\$25 billion annually, accounting for 30 - 40% of total food requirements. Fruits and vegetables are the primary agricultural import, accounting for 25% of total imports, meat products are the second largest import representing 15% of the total. Approximately 20% of agricultural imports are unprocessed, 50% semi-processed foods, and the remaining 30% are processed.

At the moment, one of the most significant factors affecting the future of the agricultural industry in the UK is the collapse in farm incomes. Producers in many sectors feel they are caught between the ongoing margin squeezing of a very competitive retail sector and continually evolving government regulations which generate additional producer costs to implement. These additional costs often apply only to UK products, and already competitive imports gain a further price advantage. This has become particularly true in the pork sector where "UK only" laws involving animal welfare are raising production

costs considerably. Overall, farm incomes have not seen such lows since the 1930s.

In the long term, reoccurring food scares are the most pivotal factor affecting the UK's agri-food industry. Recent disease outbreaks of "Foot and Mouth" and "Mad Cow" (BSE) have led to wide consumer concern and doubt in the country's Food Standards Agency (FSA). The government has called for changes across the entire food industry in an attempt to restore consumer confidence and raise ailing beef sales.

Despite recent difficulties, the government of the UK expects a positive future for the agriculture sector. However, this continues to be a pivotal time for the sector as a whole. The government hopes that through a program of sustainable development initiatives and modernization, dramatic reform of the agriculture industry will come about over the next ten years. At the moment there are no certainties, farmers and the government must work together to rebuild the sector.

Agricultural Policy

The British government announced in June of 2001, that the Ministry of Agriculture, Fisheries and Forestry (MAFF) was to be no more. It was decided that its functions would now be incorporated into a new super-ministry called the Department for Environment, Food and Rural Affairs (DEFRA).

DEFRA's stated aim is to promote sustainable development, whether in the UK or internationally, and to enhance the quality of life by promoting a better environment, thriving rural economy and rural communities, diversity and abundance of wildlife resources, countryside for all to enjoy, and sustainable and diverse farming and food industries that work together to meet the needs of consumers.

In April of 2000, the British Parliament created the Food Standards Agency to oversee food safety,

standards issues. The agency's guiding principles are putting the health of the consumer foremost; secondly, providing an open and accessible environment to all stakeholders including the general public; and thirdly, being independent of any government department or other agency.

The 2001-2006 Strategic Plan sets out food safety policy for the next five years with annual updates providing greater detail for the year ahead. The aims of the strategic plan are to reduce food born illnesses through improvements of food safety throughout the food chain, promote healthier eating habits, promote honest and informative labelling amongst industry to assist consumers, initiate best practices throughout the food industry, increase food law enforcement, create a more open process of the agencies activities and establish policy making through public consultations.

Organic foods and the need for industry support are also at the forefront of new policy initiatives. The British government has unveiled an initiative to support farmers converting to organic farming methods. The England Rural Development Program has committed £140 million to the program to increase the amount of land under organic management. This includes increasing organic research funding by £5 million, continuing payments to farmers after the conversion period, and encouraging retailers to assist organic producers to obtain greater market share and to increase consumer confidence of organic foods.

Rural farmers in the UK are very vocal about their needs and the need to protect their way of life. The government responded with the creation of the Sustainable Development Commission in 1999 which was given the specific objectives of reviewing how far sustainable development has been achieved in all relevant fields and analyzing policies and processes which may have a negative impact. The commission is to identify trends that are not sustainable and recommend action that would reverse them. It will also encourage good practices and broaden the public's understanding of sustainable development issues. The Commission has thus developed a

sustainable development strategy for the implementation of its key objectives.

The basis for the strategy is to ensure a better quality of life for now and for future generations and provide a single policy approach to sustainable development across all government departments. A more recent initiative of the strategy is to have regional governments prepare development frameworks which link together all other strategies and policies at the regional level.

Agri-Food Import Market Competitors

Competition in the UK food market comes primarily from its EU partners. Germany, France, and the Netherlands comprise over 30% of both the UK's export and import markets. Over 60% of the UK's agricultural imports come from within the EU.

Other active competitors include Australia, New Zealand, South Africa and a broad range of Commonwealth countries with traditional ties. With the further EU enlargement, Central European countries are also playing an increasingly important role.

Perhaps the most relevant competition for Canadian exporters is their counterparts in the United States. Strong price competition and a history of quality often lead UK importers to source from the US. When Canadian products are seriously presented, long standing relationships with Britain can result in a preference for partnerships with Canadian businesses.

Despite a heavy reliance on imported agricultural goods, domestic competition is very strong. The UK promotes its food industry both domestically and internationally through the "Food From Britain" organization. This group supports food fairs, advertising in foreign markets, and buying missions. Three quarters of its advertising is focussed in the EU and North America.

“Food From Britain” (FFB) fulfills a number of roles in foreign markets as well as domestically. Aside from being the official sponsor of British pavilions at most leading international food fairs, this organization is key to many small to medium sized enterprises interested in exporting food and beverages. The FFB hosts a number of foreign buyers on behalf of British food producers in order to negotiate new business and foster new relations. This organization also takes producers to foreign markets to arrange similar agreements. These types of meetings are supplemented by in depth seminars and workshops designed to give exporters an edge in every new market they enter through business plans and marketing campaigns.

FFB also produces a number of documents specifically aimed at identifying market opportunities. The organization does a great deal of specific market research in order to assess opportunities in foreign markets. This is done both to inform producers of opportunities, and at the request of producers seeking new markets.

Another key feature of FFB is to work closely with domestic organizations in order to create national partnerships between industry associations with similar or complementary products and/or regional ties. FFB also sponsors specialized food organizations such as “Middle England Fine Foods”, “A Taste of Ulster”, and “Hampshire Fare” in order to aid their export growth by developing markets, assisting in business development and fostering growth in the sector at home and abroad.

Canada - UK Trade and Investment

In 1997, Canada and the UK signed a Joint Declaration re-affirming the strengths of their bilateral relationship while pointing it towards the future through an intensified programme of contacts and cooperation in many fields. This initiative has succeeded with agreements in research, heritage, use of the Internet in education, civil service exchanges, and in the private sector where the two countries' aerospace industries developed a cooperative framework inspired by the Joint

Declaration. New forms of cooperation continue to emerge.

The United Kingdom commercial relationship is by every measure the most extensive Canada has in Europe and by almost every measure second only to the USA. It is also Canada's fastest-growing market for exports, after the USA. More than one-quarter of Canada's exports to the European Union (EU) are sold to the UK. As Canada's third largest market for exports, the UK is a major market for Canadian primary products, manufactured goods and services, with trends showing a steady shift towards value-added products and services.

The UK is Canada's third largest market for exports, the third largest source of Foreign Direct Investment, the second largest destination for Canadian Direct Investment Abroad, the second largest market for tourists by volume, and the second largest market for Business Services.

Bilateral trade in goods decreased by 11% from 2000 to 2001, amounting to \$16.6 billion. Canada's total exports in 2001 totalled \$5 billion. This represented a decrease of 12.7% over 2000. Imports from the UK decreased from \$13 billion in 2000 to \$11.6 billion in 2001. Despite these decreases Canada's trade deficit with the UK dropped by more than \$650 million in 2001 to reach \$6.62 billion.

Bilateral agricultural trade between Canada and the United Kingdom was valued at \$624 million. The United Kingdom dominated two-way trade resulting in a negative Canadian trade balance of \$118 million.

Canada exported over \$252 million worth of agricultural goods to the United Kingdom in 2002. Canada's exports increased by \$6.1 million, compared to 2001's total of \$246 million.

Exports in 2002 were dominated by wheat and meslin and kidney beans and white pea beans. Exports of wheat and meslin were valued at \$77.6

million while kidney beans and white pea beans were valued \$44.9 million. Cheese, tobacco and communion wafers rounded out Canada's top five agricultural exports to the United Kingdom.

Canada's agricultural exports were dominated by consumer goods with a value of \$97 million. Bulk foods were valued at \$94.3 million and intermediate exports were valued at \$61.3 million.

Canada's agri-food imports from the United Kingdom in 2002 were valued at \$371 million, an increase of \$18.3 million over 2001. Imports were dominated by whiskies which made up 21.5% of total agri-food and black tea which made up 14.7%. Imports of chocolate and other food preparations weighing more than 2 kg, chocolate and other food preparation and sweet biscuits rounded out the top five imports.

Canada - UK Bilateral Trade 2001	
Total trade	US\$624 billion
Exports	US\$287 billion
Imports	US\$337 billion
Balance	US\$50 billion
Canada-UK Trade	\$16.6 billion
Exports	\$5 billion
Imports	\$11.6 billion
Balance	-\$6.6 billion
Canada-UK Ag Trade (2002)	
Exports	\$252 million
Imports	\$371 million
Balance	\$-119 million

The main agri-food exports to the United Kingdom from Canada in recent years include grains and pulses, pasta, fruits, vegetables and related prepared foods, dairy products and eggs, and beverages and spirits.

With a 2000 investment stock of \$19.27 billion the UK accounts for 6.6% of total FDI in Canada. There are an estimated 650 UK-based companies in Canada with subsidiaries totalling over 1200 and

employing over 70,000 in over 20 different industries, with annual sales of over CAD\$14.8 billion.

With a 2000 Canadian investment stock of \$25.3 billion, the UK is the 2nd largest recipient of Canadian FDI. There are over 500 Canadian companies doing business in the UK. Canada is currently the third largest source of new investment projects in the UK, only the US and Germany are larger.

Market Access

The UK has no significant trade or investment barriers or restrictions on the transfer of capital. Those few barriers that do exist are the result of UK implementation of EU directives and regulations, rather than the intended result of actions of the UK.

All food regulations, tariffs, and quotas employed by the EU are enforced in the UK. Therefore, all food imported into the UK must comply with EU agri-food import regulations. These regulations cover ingredients, packaging and labelling, and all applicable veterinary and phytosanitary requirements.

Market Constraints

The UK is a relatively open market. Its membership in the WTO ensures that dispute settlement is agreeable and the longstanding relationship with Canada ensures channels of dialogue will always be open. One of the key constraints that Canadian exporters will encounter is stiff competition from both domestic producers and suppliers from the UK's EU partners. With free trade access, food producing giants like France, Italy, Spain and Germany as well as transshipment points like the Netherlands have turned the UK into a very competitive and highly developed food market.

Additional constraints revolve around products containing biotechnology and/or growth hormones and antibiotics.

All beef, pork, and horsemeat imported into the European Union for human consumption must come from establishments approved by the EU. Since 1989, the EU has prohibited the import of beef treated with growth hormones.

The EU has been slow to approve products from the application of new biotechnology, notably plant products. Most recently, stricter rules for labeling biotech foods have been proposed by the European Commission. The new restrictions would include mandatory identification, traceability and labeling of all food and feed containing biotech ingredients. The only exemption from the labeling requirement would apply to products that contain less than one per cent biotech material.

The centralized authorization system, operated by the European Food Authority (EFA), would propose the granting or refusal of an authorization which would initially apply for a ten year period. The Commission expects the new legislation to come into force no later than 2003, and awaits two further proposals on biotech seed which will be put forward this fall.

Within the UK, the issue of biotech products remains highly controversial both from food safety and environmental perspectives. The major food retailers moved quickly in 1999 to eliminate any of their private label food products containing biotech ingredients. This was essentially in response to growing consumer concerns over the issue. Major food manufacturers have followed suit. Retailers are now in the process of pushing the issue further by trying to source meat products from producers who do not use biotech feeds. The UK will continue to be a very difficult market for biotech foods in the foreseeable future.

Import Licences

The UK has removed all import quotas, however, it enforces import license requirements placed on certain products by the EU. Reform to this system may be coming as the EU's import license system is under appeal with the WTO appellate body.

Import Documentation

All products which are exported to the UK must be accompanied by a standard set of shipping documents. Additional documents may expedite the processing of goods at customs, but due to the complexity of UK/EU regulations, Canadian exporters should request any additional information from the importer prior to shipping.

The documents required for shipments include the commercial invoice, bill of lading or air waybill, packing list, insurance documents, and, when required, special certificates of origin, sanitation, ownership, etc.

Authentication of documents

Documents that need to be authenticated, such as certificates of sale and letters authorizing an exporter's local agent or importer to act on their behalf, must first be notarized in Canada. At no cost to the exporter, the notarized documents can be authenticated by sending them to:

Department of Foreign Affairs and International Trade
Authentication and Service of Documents (JLAC)
125 Sussex Drive, Ottawa K1A 0G2
Telephone: (613) 992-6602
Facsimile: (613) 992-2467

Tariffs

An EU common external tariff applies to all non-EU imports, and a local valued-added tax (VAT) of 17.5% applies to most transactions including imports.

Excise Tax

Duty is assessed on the fair market value of goods at the time of importation. The invoice value is usually accepted as the normal price. Under certain circumstances the government reserves the right to assess what is fair market value.

Value Added Tax

Customs duty rates are the same for all 15 EU countries, but the value-added tax (VAT) and excise tax on products and services usually differ from country to country. These taxes are levied in the country of final destination. In the case of the UK, VAT is levied at 17.5%. However, it is not applied to food products.

Non-EU companies participating at trade events conferences and/or fairs who pay VAT on business expenses can recover funds through their local agent or accountant.

Import Licenses

Import licenses are required on very few goods, none of which are agricultural. Controlled goods include; firearms and explosives, controlled drugs and certain items of military equipment. Licenses are issued by the UK Department of Trade and Industry.

Standards

The EU maintains a system of standards which are hierarchical. Standards set by the ISO take precedence over standards set by the EU, and its standards generally supercede national standards. Industry-specific standards and approvals have no legal standing, but they can be accepted if no relevant national standard exists. Specific standards information can be obtained from the British Standards Institution.

Labelling

Products require labels which describe; country of origin, weight and dimension, chemical constituent composition and appropriate hazard warnings, for consumer protection purposes on any product offered for retail sale. If the product cannot be

labelled or marked, the data may be included on any packaging or accompanying printed material or product literature. Metric units of weight and dimension are required.

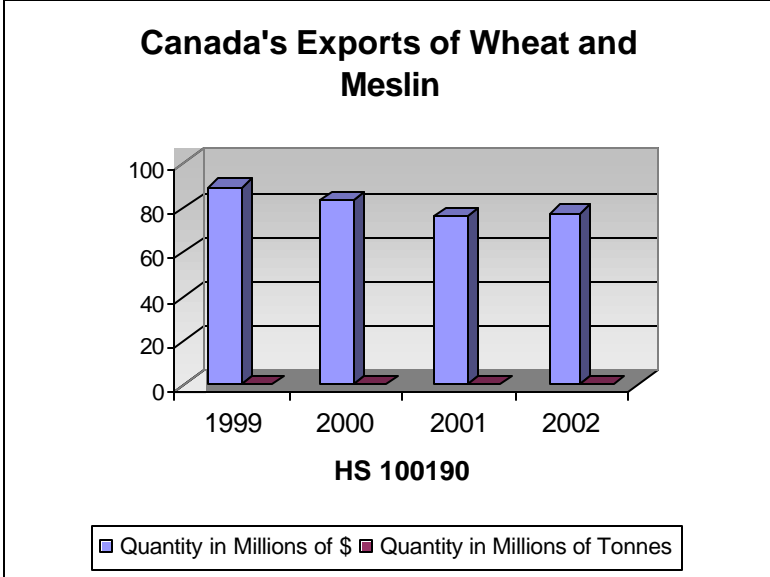
Investment

The UK fully endorses foreign investment, and foreign-owned companies are viewed as, and dealt with, in the same manner as UK companies with very few exceptions. The UK is the second most popular destination for foreign direct investment, trailing only the US. The UK's respect, and allowance, of foreign investment has caused the percentage of foreign-owned assets in the country to rise from 13% to 20% in the past five years. In fact, in recent years, the UK has drawn in one-third off all Europe-bound foreign investment. Roughly 40% of foreign investment in the UK comes from the US and Asia.

Foreign investment is fully recognized in the UK as being very important to the British economy, and as such, the government places no restrictions on the free flow of capital and it enforces a minimal amount of restrictions on foreign ownership. Many Canadian companies have established a foreign base in the UK as a means of accessing the British market as well as an efficient means of accessing the European Single Market.

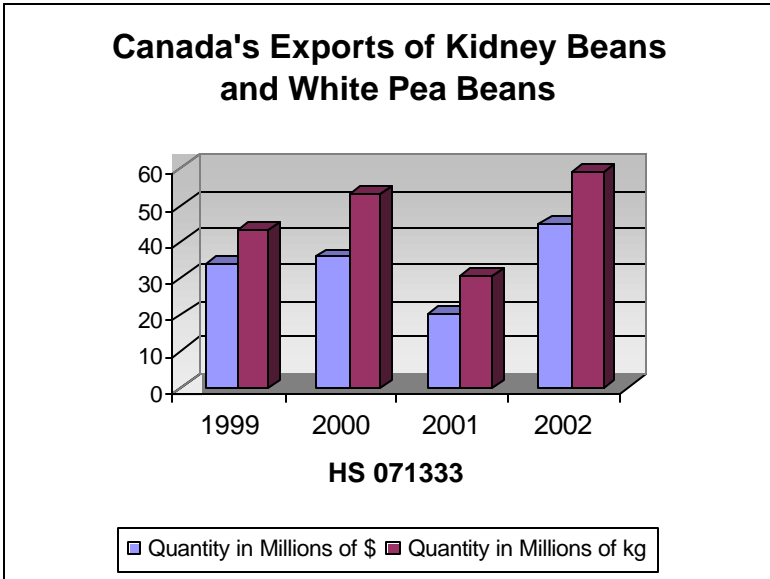
The UK has bilateral tax treaties with roughly 90 countries, primarily with countries considered developed, as well as a significant network of double taxation agreements.

Canada's Exports to The United Kingdom



Wheat and meslin represented 30.6% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 8th largest market for this product.

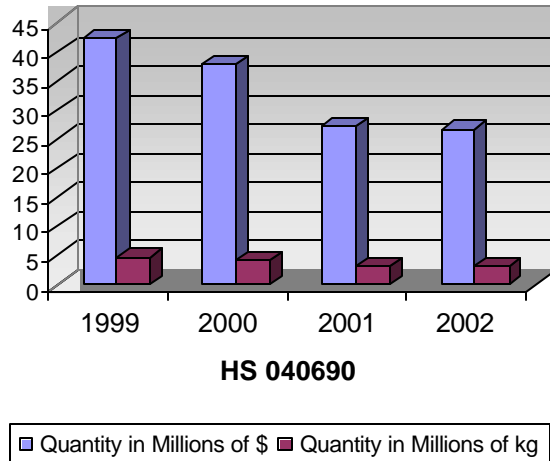
Canada exported \$77.6 million worth of its wheat and meslin to the United Kingdom in 2002. This represented an increase in value of roughly \$1 million over 2001.



Kidney beans and white pea beans represented 17.7% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 8th largest market for this product.

Canada exported \$44.9 million worth of its kidney beans and white pea beans to the United Kingdom in 2002. This represented an increase in value of \$24.3 million over 2001.

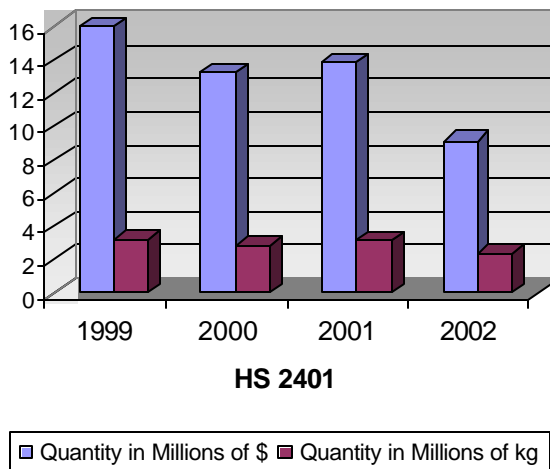
Canada's Exports of Cheese



Cheese represented 10.5% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 2nd largest market for this product.

Canada exported \$26.6 million worth of its cheese to the United Kingdom in 2002. This represented a decrease in value of approximately \$48 thousand over 2001.

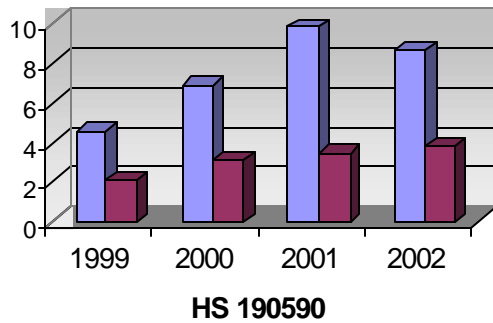
Canada's Exports of Tobacco



Tobacco represented 3.6% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 3rd largest market for this product.

Canada exported \$9.1 million worth of its tobacco to the United Kingdom in 2002. This represented a decrease in value of \$4.8 million over 2001.

Canada's Exports of Communion Wafers

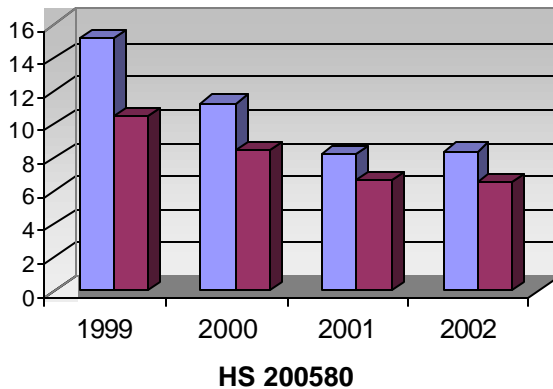


■ Quantity in Millions of \$ ■ Quantity in Millions of kg

Communion wafers represented 3.4% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 2nd largest market for this product.

Canada exported \$8.7 million worth of its communion wafers to the United Kingdom in 2002. This represented a decrease of \$1.1 million over 2001.

Canada's Exports of Sweet Corn

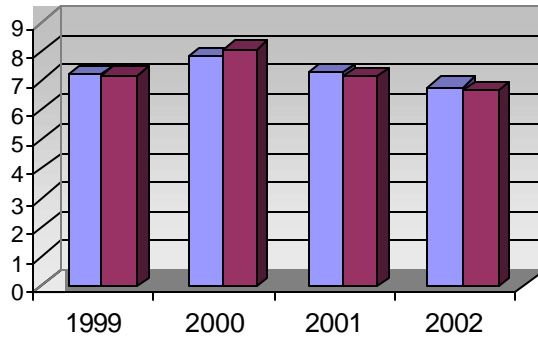


■ Quantity in Millions of \$ ■ Quantity in Millions of kg

Sweet corn represented 3.3% of Canada's agricultural exports to the United Kingdom for 2002. The United Kingdom was our 2nd largest market for this product.

Canada exported \$8.4 million worth of its sweet corn to the United Kingdom in 2002. This represented a slight decrease in value over 2001.

Canada's Exports of Fresh Apples



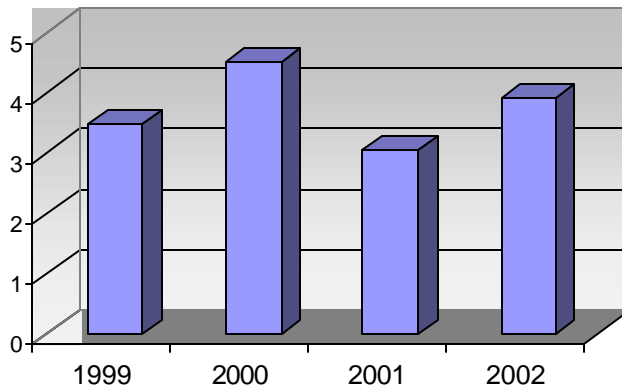
HS 080810

■ Quantity in Millions of \$ ■ Quantity in Millions of kg

Fresh apples represented 2.6% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 2nd largest market for this product.

Canada exported \$6.7 million worth of its fresh apples to the United Kingdom in 2002. This represented a decrease in value of \$48 thousand over 2001.

Canada's Exports of Bovine Semen

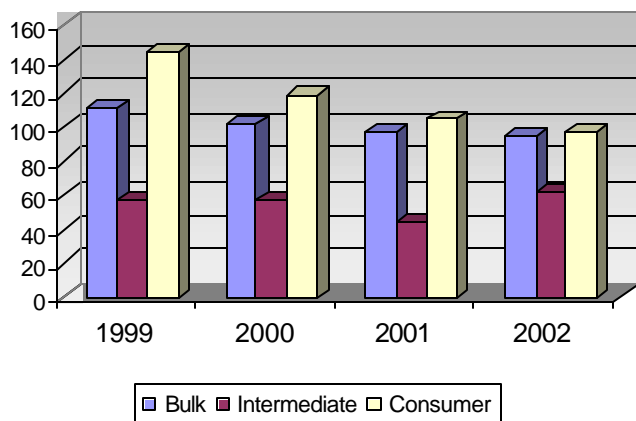


■ Quantity in Millions of \$

Bovine semen represented 1.7% of Canada's agricultural exports to the United Kingdom in 2002. The United Kingdom was our 2nd largest market for this product.

Canada exported \$3.9 million worth of its bovine semen to the United Kingdom in 2002. This represented an increase in value of nearly \$1 million over 2001.

Canada's Exports of Bulk, Intermediate and Consumer Goods



Canada's agriculture and food exports were dominated by consumer oriented goods in 2002. Consumer goods represented more than 38% of Canada's total agriculture and food exports. This represented a four year low. Bulk commodities represented the second largest export category, but the total was the lowest in this review. Intermediate goods, while being the smallest category, were the only product grouping to increase in 2002. Exports of intermediate goods increase by 36% over 2001.

Additional Information

Trade Shows		
Show	Location	Date
The Authentic Food Market/Excel	London, U.K.	March 23-25, 2003
IFE 2003	London, U.K.	March 23-26, 2003
National Countryside Show	London, U.K.	March 28-30, 2003
National Products Europe & Organic Products Europe	London, U.K.	April 6-7, 2003
The Organic Living Show	Glasgow, U.K.	April 10-12, 2003
Restaurant and Bar Show	Manchester, U.K.	April 16-18, 2003
The Bar Show	London, U.K.	June 3-4, 2003
The Specialty & Fine Food Fair	Leeds, U.K.	September 7-9, 2003
The National Franchise Exhibition	Birmingham, U.K.	September 12-13, 2003
Organex	London, U.K.	October 8-9, 2003
BBC Good Food Show	Birmingham, U.K.	November 26-30, 2003
Hotelympia International Hospitality Exhibition	London, U.K.	February 23-27, 2004
Food & Drink Expo 2004	Birmingham, U.K.	March 14-17, 2004
Food Meatex 2004	Birmingham, U.K.	March 14-17, 2004

Canadian Contacts in The United Kingdom	
<p>Canadian High Commission</p> <p>Macdonald House, 1 Grosvenor Square London, U.K., W1K 4AB</p> <p>Phone: 44 (0) 207 258 6600 Fax: 44 (0) 207 258 6533</p> <p>Internet: http://www.dfait-maeci.gc.ca/canadaeuropa/united_kingdom/</p>	<p>Canadian Consulate General</p> <p>Canada House, Trafalgar Square London, U.K., SW1Y 5BJ</p> <p>Phone: 44 (0) 207 258 6600 Fax: 44 (0) 207 258 6533</p>

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ATS Country Profile List

As of February 2003, other Country Profiles and Statistical Updates are available for the following markets:

Argentina 2001*	Australia 2003	Brazil 2003	Chile 2002*
Colombia 2002*	European Union 2000*	France 2002	India 2002
Indonesia 2000*	Israel 2000	Italy 2003	Japan 2003
Malaysia 2000*	Mexico 2002	Phillippines 2000*	Poland 2002
Russia 2002	South Africa 2000*	Singapore 2001*	Spain 2003
Taiwan 2003	Thailand 2001*	Ukraine 2002	Hungary 2002
South Korea 2003	Venezuela 2002*	Vietnam 2001*	Germany 2003
Czech Republic 2002	United Kingdom 2003	Egypt 2001	Tunisia 2002*
Cuba 2002*	CARICOM 2002*	Mercosur 2002*	ANDEAN 2002*
Iran 2002*	Algeria* 2002	Hong Kong 2003	New Zealand 2003

* Statistical updates available as of December 2002.

These reports are available on the Agri-Food Trade Service (ATS) web site: <http://ats.agr.ca>
Please address any comments or suggestions you have on this report to:

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Ces rapports sont également disponibles en français.

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