Executive Summary

According to Key Note, the market for vegetarian foods reached a value of £786.5m in the year ending January 2011, up 7.7% from £730.4m in the year ending January 2007. Despite growth slowing somewhat in 2009/2010 to 0.9%, an increase in market value of 1.5% was observed in the following year. This is likely to be down to the continued economic recovery. During the 5-year review period, greater growth was observed in the frozen foods sector, which increased by 17.1%, in comparison to the chilled foods sector which rose by 4.5% over the same period. Again, this is likely to be down to the tough economic conditions currently being experienced in the UK, which have caused many to reign in their spending on food, and to opt for cheaper meal options, such as frozen foods and ready meals.

Vegetarianism has continued to increase at a slow rate in the UK over the past few years, with around 6% of the population (3.8 million people) revealing that they were mainly vegetarian in 2011, i.e. they ate fish but not meat; while 3% of people were estimated to be completely vegetarian, i.e. they did not eat fish or meat. Although in 2011 the number of people who were mainly vegetarian had increased since 2001, from 3.5 million; the number of people who were completely vegetarian had fallen from 3 million to 1.9 million, over the same period of time.

Nevertheless, in recent years, vegetarian foods have made a move into the mainstream food retail market, with a number of the large multiple retailers, such as Tesco, ASDA, Sainsbury's and Morrisons, launching their own vegetarian ranges. Furthermore, the number of vegetarian restaurants in the UK has continued to increase over the past few years, with 30 premium restaurants now in operation, up 50% since 2007. Heightened media coverage celebrating the benefits that can be gained from following a vegetarian diet, such as the environmental, ethical and health advantages, has also served to boost the market in recent years, with a number of celebrity chefs, such as Jamie Oliver and Hugh Fearnley-Whittingstall, investigating such issues in their television series.

On top of this, concern regarding the rising levels of obesity in the UK, as well as the damage that livestock farming has on the environment — such as its contribution to greenhouse gas emissions and the damaging effect that it has on ecosystems, as well as the large amount of water needed to farm animals — has also led many to show an interest in vegetarianism. Government campaigns, such as Change4Life, which highlights the importance of fruit and vegetables as part of a healthy diet, as well as the continued recommendation of eating five pieces of fruit and vegetables a day, has also gone some way towards promoting the health benefits of maintaining a vegetarian diet or reducing meat consumption, as vegetarian foods are often low in cholesterol, contain more fruit and vegetable ingredients and have a lower calorific and fat content; while meat, and in particular red meat, has been found to increase the risk of heart disease and push up blood pressure and cholesterol.

These factors are likely to continue to encourage consumers to consider a vegetarian diet, while the industry's attempts at making vegetarian food more appetising to general consumers, such as omnivores, should continue to drive sales over the next few years. Key Note therefore estimates a 10.3% increase in sales of vegetarian foods over the next 5 years, with market value rising from £799.7m in 2012 to £882.4m in 2016.