Food and Drink Federation
Making a real difference

UK Food & Drink Export Performance
First-half 2009

Research carried out by
Leatherhead Food Research
for
the Food and Drink Federation (FDF)

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UK Food & Drink Export Performance
First Half 2009 Update

Top Line Performance

- Whilst UK food and non-alcoholic drinks exporters have started to find the going getting tougher in the second quarter of 2009, first half 2009 exports are still **up an impressive 10.2%** compared to the same period the previous year (first quarter 2009 growth of 14.8% compared to the same period in 2008, slowed to second quarter 2009 growth of just 5.4% compared to the same period in 2008).
- 10.2% compares extremely favourably with the **minus 13.4% for all export trade in UK goods** during the same period as the global recession bites.
- Food and non-alcoholic drinks exports were worth £4.82bn in the first half and if growth was maintained at the same rate, a full year result of £10.2bn would be achieved (a 4th consecutive record annual performance). However decelerating growth in the second quarter suggests this may be undershot slightly: £9.5bn to £10bn is a more realistic forecast, which would still be a new record.
- Including alcoholic drinks, total food and drink exports were worth £6.77bn in the first half, only 7.8% up on the same period in 2008. The key whisky sector has recovered some ground in recent months but has still finished the first half down 2.9% on the previous year.
- Commodity cereals (+44.4%) and fats and oils (+31.8%) contributed large gains, while beef (+41.1% to £130.2m) and lamb (+30.0% to £154.1m) continue to make huge progress across European markets. In the meat category, sausage exports have also jumped 40.0% to £9.3m (Germany now the no.1 market). Fish and seafood exports have pushed on from the poor performance in 2008, up 10.0% in the first half and including 31.9% growth in frozen fish (mackerel and cod both strong sectors, with frozen cod to Portugal adding £16m to the figures alone in the first half of 2009).
- Dairy remains the one disappointment in 2009 (down 13.0%). Cheese exports overall are down 3.1% but cheddar cheese exports have grown 5.4% (to France +55.8%) and territorials 5.5%. The key cheese markets of the Netherlands (-14.9%) and the US (-19.2%) performed particularly badly.
- Key added value food products in strong growth are:
    - Breakfast cereals (+12.5% to £207.3m)
    - Soft drinks (+22.2% to £151.1m)
    - Sauces and condiments (+28.1% to £96.4m)
    - Sweet biscuits (+12.4% to £95.2m)
    - Ice cream (+55.0% to £43.4m)
    - Coffee (+19.7% to £33.0m)
    - Crisps (+13.7% to £27.3m)
    - Soups (+37.5% to £17.1m)

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- The EU share of UK food and non-alcoholic drinks exports was 80.8% and exports to the EU grew significantly faster than to non-EU countries (+11.4% vs. +5.5%). In the first half of 2008, £1 was worth an average of €1.30, whilst in the first half of 2009 it was €1.10, making UK exports to the Eurozone 30% cheaper on paper in the first half of 2009. UK food and drink exports to the 16 members of the Eurozone grew by 12.4% in the first half of 2009 compared to 2008, however this is only slightly above the 11.4% growth rate for the EU as a whole, which continues to suggest that the favourable swing in the exchange rate between the Pound and Euro has not been the sole driver of export growth.
- Most of the top Western European markets put in a solid performance with the exception of Germany (-2.3%). The large markets of France, The Netherlands, Spain and Italy in particular have been key growth drivers overall.
- The fastest growing markets within the top 20 are Portugal (+94.5%, thanks to large rises in commodity cereals, fish and meat) and Saudi Arabia (+28.6%, due to strong growth in biscuits/cakes/bread, breakfast cereals, chocolate, and dairy). Outside the top 20, China, Vietnam and Egypt are ones to watch having seen large rises in the first half.

UK Exports of Food & Non-alcoholic drinks by EU / Non-EU,

Jan-June 2008-2009 (£ million)

	Jan-June 2008	Jan-June 2009	% change 08-09
Total Food & Non-alcoholic drinks exports	**4,377.3**	**4,823.7**	**10.2**
Total EU	3,497.7	3,896.1	**11.4**
Total Non-EU	879.6	927.6	**5.5**
EU % share	79.9	80.8	
Non-EU % share	20.1	19.2	

Source: Leatherhead Food Research

Notes for comparison:

- Including alcoholic drinks, total food and drink exports were £6.77bn, 7.8% up on the same period in 2008.

- All UK goods exports at £108.79bn were down 13.4% on the same period in 2008 (i.e. the food/non-alcoholic drinks sector continues to significantly outperform the total of all export sectors, and food/non-alcoholic drinks share of total UK exports for the first half of 2009 is 4.4%).

- Imports of food and non-alcoholic drinks were £15.16bn, up 5.0% on the same period in 2008 as food and non-alcoholic drinks exports continue to grow ahead of imports, reversing the trend over the last decade.

- However, the food and non-alcoholic drinks trade gap has grown from a deficit of £10.05bn in the first half of 2008, to a deficit of £10.33bn in the first half of 2009.

Top Sectors

- **Prepared foods** exports (including fats & oils which were well up at +31.8%, preserved fruit/veg, fruit juice, soups, sauces & condiments, ice cream, vinegar, animal feeds and other misc. products) rose 14.0% to £1,224.2m, including:
  - **Sauces and condiments** +28.1% to £96.4m (no.1 market Ireland +24.0%, no.2 the Netherlands +82.7%, no.3 Spain +55%, and the Czech Republic shooting up to no.4 with +386.4%).
  - **Ice cream** +55.0% to £43.4m (no.1 market Ireland +21.4%, no.2 market the Netherlands +190.5%, no.3 France +95.8%, no.4 Germany +112.2%).
  - **Crisps** +13.7% to £27.3m (no.1 market Ireland +35.5%, no.7 Denmark +200.7%).
  - **Soups** +37.5% to £17.1m (no.1 market Ireland +62.0%, no.2 France +37.6%).
  - **Jams/preserves** +11.2% to £14.9m (+13.2% to no.1 market Ireland, no.2 France +36.8%, no.5 USA +36.4%).

- **Cereal & bakery products** exports were £971.6m, up 15.8%, principally due to a 44.4% gain in the commodity cereals market to £267.4m (the top 3 commodity cereal markets, Spain, The Netherlands and Portugal all well up). Growth was also seen in:
  - **Breakfast cereals** +12.5% to £207.3m (no.2 market France +17.7%, no.3 Italy +16.8%, no.5 Belgium +64.6%).
  - **Sweet biscuits** +12.4% to £95.2m (no.1 market Ireland +16.0%, no.2 France +47.8%).
  - **Cakes** +2.9% to £37.9m (Ireland accounting for a 59% share seeing 6.8% growth).
  - **Savoury biscuits** +13.8% to £16.3m (no.1 market the US +18.8%, no.2 Ireland +14.4%, no.3 Canada +27.2%).

- **Meat** (and related animal products) exports were up 14.8% to £632.9m (despite being dragged down by a 14.3% decline in pork exports).
  - **Lamb** +30.0% to £154.1m (no.1 market France +27.1%, no.2 Belgium +50.6%, no.3 Germany +38.8%).
  - **Beef** +41.1% to £130.2m (including a rise of 38.3% in fresh beef to no.1 market the Netherlands, +120.3% in fresh beef to no.3 Italy and +82.3% in fresh beef to no.4 France).
  - **Poultry** +11.3% to £111.8m (no.1 market Ireland +13.9%, no.3 Germany +98.1% and large rises in exports to Hong Kong, Vietnam and China).
  - **Sausages** +40.0% to £9.3m (Germany has jumped to the no.1 spot with 410.5% growth).

- **Fish & seafood** exports grew 10.0% to £527.3m, including:
  - **Fresh fish** +20.0% to £137.6m including a 29.7% rise in the key **fresh salmon** sector which is 60% of fresh fish exports (no.1 fresh salmon market USA +63.9%, no.2 France +10.6%).
  - **Frozen fish** +31.9% to £111.4m including a 40.2% rise in the key **frozen mackerel** sector (no.1 market Russia +20.2%, no.2 Netherlands +76.7%), as well as 68.4% growth in **frozen cod** (Portugal jumping from virtually nothing to being worth £16.2m, by far the largest market).
  - **Molluscs** +13.9% to £48.7m (no.1 market France +91.6%).
  - **Smoked fish** +18.6% to £21.0m, with **smoked salmon** (accounting for a 71% share of smoked fish exports) up 22.8% (no.1 smoked salmon market Italy +19.0% and no.2 Germany +85.8%).
  - The big loser continues to be the sizeable **crustaceans** sector (down 5.4% to £101.3m with the key Spanish market dropping 10.6%).

- **Dairy** remains the only category to witness a fall in exports during the first half compared to the previous year, down 13.0% to £383.6m, with cheese dropping 3.1% to £135.1m, milk and cream (not concentrated/sweetened) down 12.2% to £90.5m and milk and cream (concentrated/sweetened) down 39.7% to £62.8m.
    - Within cheese, **cheddar** was up 5.4% (no.1 market Ireland +5.5%, no.3 France +55.8%, no.4 USA +4.9%, but no.2 Netherlands -14.0% and no.5 Germany -17.0%).
    - **Territorial cheeses** were up 5.5% but the no.1 market, the US, was down 36.4%. High growth from small bases was seen in the Netherlands, Ireland and Germany.
    - **Blue cheese** was down 26.1% (no.1 market US -32.5%).
    - **Processed cheese** exports were also well down, -11.3%.

- **Fruit & vegetable product** exports were up 5.2% to £369.8m, including:
    - **Potatoes** +18.0% to £41.4m (no.1 market Ireland +4.2%, no.2 Spain +29.0%).
    - **Dried leguminous vegetables** +36.3% to £36.5m (no.1 market Egypt +72.0%).
    - **Frozen vegetables** +49.8% to £31.5m (no.1 Ireland +71.8%, no.2 Belgium +162.6%).

- **Tea, coffee, cocoa & spices** exports were £320.0m, up 10.6% including:
    - **Chocolate** +1.9% to £154.9m (no.1 market Ireland +8.0%).
    - **Tea** +6.9% to £89.1m (no.1 market Canada +27.3%, no.2 Ireland +15.8%).
    - **Coffee** +19.7% to £33.0m (no.1 market Ireland +19.7%, no.2 France +168.9%).

- **Sugar & sugar confectionery** exports rose 6.0% to £230.3m.
    - **Sugar confectionery** +2.9% to £65.2m (no.1 Ireland +8.7%, no.2 Germany +9.8%).

- **Non-alcoholic drinks** (not including fruit juices which are part of the prepared foods category) saw the highest growth of any category (albeit from the smallest base), rising 22.1% to £164.0m, including:
    - **Soft drinks** +22.2% to £151.1m (no.1 market Ireland +9.6%, no.2 France +177.7%, no.3 Spain +116.1% and no.5 the US +86.1%).
    - **Waters** +20.6% to £12.9m (no.1 market Ireland +60.4%).

UK Exports of Food & Non-alcoholic drinks by Sector,

Jan-June 2008-2009 (£ million)

Sector	Jan-June 2008	Jan-June 2009	% change 08-09
Other Prepared Foods*	1,074.4	1,224.2	14.0
Cereals & Bakery	838.9	971.6	15.8
Meat & Animal Products	551.3	632.9	14.8
Fish & Seafood	479.3	527.3	10.0
Dairy	441.0	383.6	-13.0
Fruit & Vegetables	351.5	369.8	5.2
Tea, Coffee, Cocoa, Spices	289.3	320.0	10.6
Sugar & Sugar Confectionery	217.2	230.3	6.0
Non-alcoholic Drinks	134.4	164.0	22.1
Total	**4,377.3**	**4,823.7**	**10.2**

Source: Leatherhead Food Research

**inc. fats & oils, preserved fruit/veg, fruit juice, soups, sauces & condiments, ice cream, vinegar, animal feeds and other miscellaneous products*

Top Markets

- In the first half of 2009, the top 9 countries for UK exporters remained in the same positions, although Portugal has climbed to 10th place (up 6 positions from the same period in 2008). Growth in exports to Poland (12th) and Norway (13th) remains strong but has slowed markedly from the rates of recent quarterly period performances.
- Russia and Greece continue to slide down the table with negative performances, whilst China has slipped out of the top 20 place it had claimed in the first quarter of 2009 despite an increase in exports in the first half of 49.5% (the first quarter rise was more than double this, indicating that the second quarter has not been so successful).
- Strong growth in exports to Saudi Arabia means it has pulled clear of the UAE as the leading market in the Middle East.
- The highest growth markets in the top 20 included:
    - **France**, +17.0% to £618.7m, continues to be driven by growth in exports of **meat**, +23.8% overall (**lamb** +27.1%, **fresh beef** +82.3%) and an 18.9% increase in **fish and seafood** (**molluscs** +91.6%). **Soft drinks** were also up 177.7% from a small base as was **ice cream**, +95.8%.
    - **The Netherlands**, +33.5% to £495.8m, with a 145.1% increase in exports of **fats and oils** and a 328.2% rise in **commodity cereals**. **Fresh beef** continued to grow, +38.3%, while **sauces and condiments** were +82.7% and **ice cream** +190.5%.
    - **The US**, +19.0% to £131.1m, with a 68.9%% increase in exports of **fish and seafood** (**fish fillets** growing from virtually nothing to be worth £5.5m and **fresh fish** +52.2%), and an 18.2% rise in **chocolate**. **Soft drinks** were also up 86.1% from a small base.
    - **Portugal,** +94.5% to £81.3m, with a 116.0% rise in **commodity cereals** and a 476.0% rise in **fish and seafood** (**frozen fish**, mainly **cod**, to £18.5m from virtually nothing, making Portugal the second largest market for UK frozen fish exporters, behind Russia), along with a 150.8% rise in exports of **meat** (**lamb** +511.9%).
    - **Norway,** +17.3% to £57.4m, driven by **fats and oils** +28.4%, **sugars** +35.3%, **chocolate** +27.5% and **dairy** +84.7% (including **cheese** +178.1% from a very low base).
    - **Saudi Arabia**, +28.6% to £45.3m, with **biscuits/cakes/bread** up 59.4%, **breakfast cereals** up 41.7%, **chocolate** up 22.6%, and **dairy** up 77.7% (including **eggs** +116.7%).
- Negative results were seen in Germany (-2.3% due primarily to an 11.8% drop in fats and oils); Denmark (-8.4%, due to a 7.9% fall in the leading bakery products category and a 25.4% drop in fish and seafood); Sweden (-3.7%, due to a 24.8% fall in bakery products and 42.6% drop in sugars); Russia (-9.6%, due to a 42.2% drop in prepared foods) and Greece (-8.3 %, due primarily to an 84.6% drop in sugars).

UK Exports of Food & Non-alcoholic drinks: Top 20 Countries, Jan-June 2008-2009 (£ million)

Rank	Country	Jan-June 2008	Jan-June 2009	% change 08-09
1 (-)	Ireland	1,189.3	1,271.7	6.9
2 (-)	France	528.8	618.7	17.0
3 (-)	Netherlands	371.3	495.8	33.5
4 (-)	Germany	337.8	330.1	-2.3
5 (-)	Spain	238.0	270.6	13.7
6 (-)	Italy	209.8	238.8	13.8
7 (-)	Belgium	178.3	185.4	4.0
8 (-)	United States	110.1	131.1	19.0
9 (-)	Denmark	90.6	83.0	-8.4
10 (+6)	Portugal	41.8	81.3	94.5
11 (-1)	Sweden	69.0	66.4	-3.7
12 (-1)	Poland	57.6	65.3	13.4
13 (-)	Norway	49.0	57.4	17.3
14 (-2)	Russia	56.1	50.7	-9.6
15 (-)	Canada	43.7	47.5	8.7
16 (+2)	Saudi Arabia	35.2	45.3	28.6
17 (-)	Japan	39.6	40.7	2.9
18 (-4)	Greece	43.9	40.3	-8.3
19 (-)	United Arab Emirates	35.0	38.9	11.1
20 (-)	Australia	31.3	32.1	2.7

Source: Leatherhead Food Research

Changes in ranking position are versus the first half of 2008

Regional Analysis

EU

- The performance of UK food and non-alcoholic exports across the EU in the first half of 2009 varied from a high of +94.5% to Portugal (a market on the bounce due to big rises in a few key product areas: commodity cereals, frozen cod, lamb) to a low of -34.1% to Latvia (due to a drop of 45.9% in fish and seafood, a 57.4% decline in meat and 83.4% fall in sugars).
- Hungary slipped 3 places with a drop of 22.0% (primarily due to declines of 29.9% in meat and 31.4% in dairy), although other Central European countries continue to make progress, growing above the rate of the EU as a whole: Poland +13.4%, Czech Republic +35.6%, Romania +12.0%, Estonia +16.8%.
- However, it is the larger EU markets of France, the Netherlands, Spain and Italy that continue to contribute most to the strong performance of the EU as a whole.

UK Exports of Food & Non-alcoholic drinks to the EU, Jan-June 2008-2009

		Jan-June 2008	Jan-June 2009	% change 08-09
	TOTAL EU	**3,497.7**	**3,896.1**	**11.4**
1 (-)	**Ireland**	**1,189.3**	**1,271.7**	**6.9**
2 (-)	**France**	**528.8**	**618.7**	**17.0**
3 (-)	**Netherlands**	**371.3**	**495.8**	**33.5**
4 (-)	**Germany**	**337.8**	**330.1**	**-2.3**
5 (-)	**Spain**	**238.0**	**270.6**	**13.7**
6 (-)	**Italy**	**209.8**	**238.8**	**13.8**
7 (-)	**Belgium**	**178.3**	**185.4**	**4.0**
8 (-)	Denmark	90.6	83.0	-8.4
9 (+4)	**Portugal**	**41.8**	**81.3**	**94.5**
10 (-1)	Sweden	69.0	66.4	-3.7
11 (-1)	Poland	57.6	65.3	13.4
12 (-1)	**Greece**	**43.9**	**40.3**	**-8.3**
13 (+1)	**Finland**	**21.4**	**24.3**	**13.3**
14 (-1)	**Cyprus**	**22.4**	**22.1**	**-1.5**
15 (+3)	Czech Republic	16.0	21.8	35.6
16 (+2)	**Austria**	**16.3**	**17.9**	**9.8**
17 (-2)	**Malta**	**17.8**	**17.8**	**0.3**
18 (-3)	Hungary	18.0	14.0	-22.0
19 (-)	Romania	6.0	6.7	12.0
20 (-)	**Slovakia**	**5.8**	**5.3**	**-8.4**
21 (-)	Lithuania	4.8	5.3	10.3
22 (+1)	Estonia	3.2	3.7	16.8
23 (+1)	Bulgaria	2.8	3.1	8.2
24 (-2)	Latvia	3.8	2.5	-34.1
25 (-)	**Slovenia**	**1.7**	**2.2**	**31.3**
26 (-)	**Luxembourg**	**1.5**	**2.0**	**35.5**

Source: Leatherhead Food Research

Note: Eurozone members in **bold**

Changes in ranking position are versus the first half of 2008

Non-EU

- Exports to North America, up 15.9% in the first half of 2009 (the highest of any non-EU region), have been bolstered in particular by a 19.0% rise in exports to the US, driven by a 68.9% increase in exports of fish and seafood, the largest category now accounting for a third of total UK food and non-alcoholic exports to the country. Other Western Europe has also continued its strong performance in 2009, up 14.2% overall and with a rise of 17.3% to Norway and 21.5% to Switzerland (offset by a 9.4% decline in exports to Turkey).
- The Middle East region also continues to perform strongly with Saudi Arabia up 28.6% (pulling away from the UAE as the largest market in the region as a result), and the UAE up 11.1%. Exports to this region as a whole grew 13.6%. Of note in the Asian region, in addition to the growth to China (up 49.5%), is the rise in exports to Vietnam (up 85.6%).
- A sharp drop in exports to Russia dragged down the Eastern Europe region (-8.1% overall), whilst a 73.9% slump in exports to Venezuela (due to a 90% drop in exports of milk powder), led to a 18.9% decline in exports to Latin America and the Caribbean.

UK Exports of Food & Non-alcoholic drinks to the Non-EU, Jan-June 2008-2009

	Jan-June 2008	Jan-June 2009	% change 08-09
Other Western Europe	**109.5**	**125.0**	**14.2**
Norway	49.0	57.4	17.3
Switzerland	26.0	31.6	21.5
Turkey	12.8	11.6	-9.4
Eastern Europe	**68.6**	**63.1**	**-8.1**
Russia	56.1	50.7	-9.6
Ukraine	6.7	7.3	8.5
North America	**154.4**	**179.0**	**15.9**
United States	110.1	131.1	19.0
Canada	43.7	47.5	8.7
Asia	**162.3**	**177.3**	**9.2**
Japan	39.6	40.7	2.9
Hong Kong	25.2	28.0	11.0
China	17.2	25.7	49.5
South Korea	11.5	12.2	6.1
Vietnam	5.6	10.4	85.6
Malaysia	9.1	11.5	26.2
Thailand	12.1	9.1	-24.5
Singapore	8.7	8.5	-2.1
India	5.5	6.0	10.2
Middle East	**135.1**	**153.5**	**13.6**
Saudi Arabia	35.2	45.3	28.6
United Arab Emirates	35.0	38.9	11.1
Kuwait	14.2	14.9	5.0
Africa	**146.3**	**137.9**	**-5.8**
Egypt	18.9	31.1	64.4
Nigeria	23.7	28.8	21.7
Algeria	14.8	18.2	23.1
South Africa	17.7	11.7	-33.7
Latin America & the Caribbean	**64.1**	**52.0**	**-18.9**
Brazil	8.1	11.1	37.7
Venezuela	17.1	4.5	-73.9
Mexico	3.5	4.2	19.4
Oceania	**37.5**	**38.3**	**2.2**
Australia	31.3	32.1	2.7
New Zealand	5.7	5.3	-6.0

Source: Leatherhead Food Research