UK Food & Drink Export Performance
Full Year 2011

March 2012

Food and Drink Federation
Delivering Sustainable Growth

UK Food & Drink Export Performance
Full Year 2011

Top Line Performance

Overview

- UK food and non-alcoholic drink exports **increased by 11.4% in 2011 to £12.15bn** exceeding both the £11bn and £12bn thresholds for the first time by growing £1.24bn in value terms over the period. The results mark the seventh consecutive year of record food and non-alcoholic drink export growth.
- Overall the export performance in 2011 matched that seen in 2010 in terms of growth. Despite economic difficulties throughout the Eurozone, exports to the EU27 grew more strongly at 11.3% over the year compared to 2010 (9.1%) whereas the stronger growth seen in non-EU markets in 2010 (24.5%) fell back to 11.8% in 2011.
- Including alcoholic drinks, total food and drink exports were worth £18.6bn in 2011, 14.8% up on 2010. The key whisky sector grew by 22.5% to £4.3bn. Whiskey now makes up 63% of all beverage exports and 23% of all food and drink exports (by value).

Exchange Rates

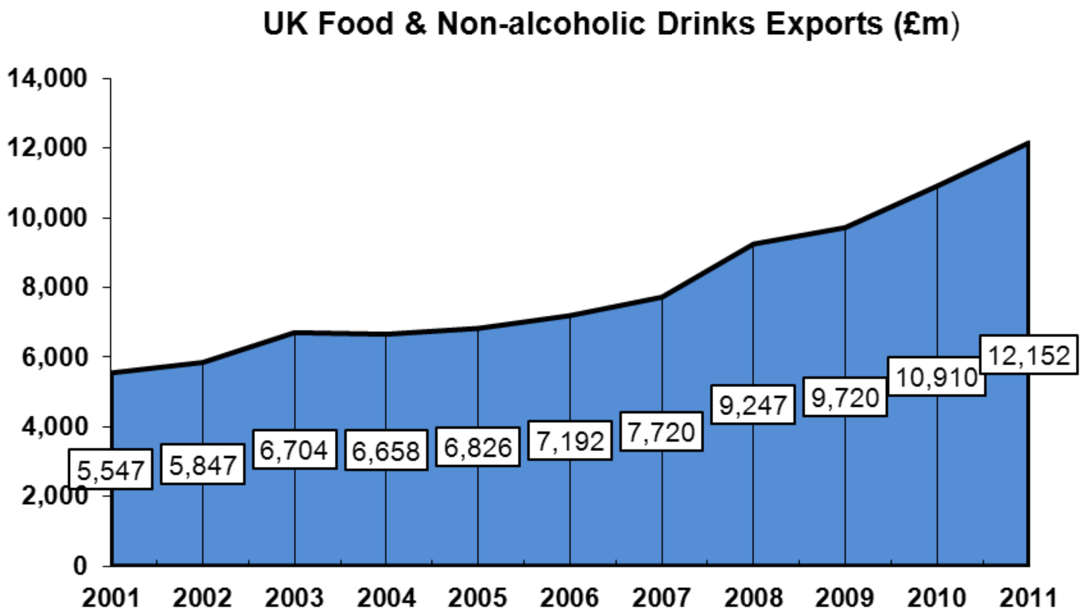
- The pound remained weak over the course of 2011 which has undoubtedly kept UK exports competitive (on average £1 was worth €1.15 in 2011 versus €1.17 in 2010 and US$1.60 in 2011 versus US$ 1.55 in 2010). The pound did strengthen against the euro towards the end of the year which is likely to have had some effect on the amount exported to the EU, however the euro-zone crisis and the effect this is having on consumption in overseas markets is more likely to be the main reason for marginally lower growth recorded in Q4 (7.4% in the Eurozone).

Sector Summary

- The best performing sector in 2011 was **fruit and vegetables** with growth of 30.8% to £1,080.8m. Sales were driven mainly by continuing strong demand, mostly from EU markets, for UK rapeseed which grew 109.7% overall adding £180m exports to the fruit and vegetable category.
- **UK meat products** continue to grow strongly with beef (+32% to £437.9m) pork (+15% to £171.3m) and lamb (+19.7% to £385.1m) seeing very strong gains in top EU markets. Poultry exports also fared well (+17.3% to £305.9m) with growth in both EU and non-EU markets including within Asia and Eastern Europe. The meat category overall grew by 21.2% to £1,793.8m in 2011.
- **Dairy** (+19.3% to £1,169.1m) and **non-alcoholic drinks** (+15.0% to £404.6m) were the only other remaining sectors to post double digit gains in 2011.
- Growth under the **cereals and bakery** category (+4.8% to £2,193.4m) was maintained but stunted by a fall in cereal commodities exports. A number of products under the **fish and seafood** (+8.9% to £1,465.9m) category grew strongly although frozen fish exports declined. The **tea, coffee, cocoa and spices** category (+2.7% to £822.1m) grew marginally due to chocolate exports, although sales of tea fell in 2011.
- **Other prepared foods** which includes sauces and condiments (+7.1% to £207.6m), ice-cream (+35.0% to £86.8m) and soups (+26.5% to £32.7m) grew overall by 9.7% to £2,856.8m.

EU vs non-EU

- The EU share of UK food and non-alcoholic drink exports held at around 77% in 2011. Large gains made by large EU trading partners (including Netherlands +30.0%, Belgium +29.9% and Poland +49.5%) offset continuing falls in demand from Italy (-2.3%) and Portugal (-14.7%) and exports to Spain also fell (-8.7%). Exports to the Eurozone grew by 10.0%, stronger than in 2010 but slightly lower than the growth rate for the EU as a whole (11.3%).
- Export growth to non-EU destinations continues to be strong in both mature markets (the USA +25.8%. Hong Kong +40.9% and New Zealand +15%) and some key emerging markets (including China +55.0% and South Africa +66.2%) although in 2011 exports to part of Eastern Europe, South America and Asia underperformed.



Source: HMRC Trade Info

UK Exports of Food & Non-alcoholic Drinks by EU / Non EU, 2010-2011 (£ million)

	2010	2011	% change 10-11
Total Food & Non-alcoholic drinks exports	**10910.5**	**12152.4**	**11.4**
Total EU	8413.2	9361.2	11.3
Total Non-EU	2497.2	2791.2	11.8
EU % share	77.1	77.0	
Non-EU % share	22.9	23.0	

Source: HMRC Trade Info

Notes for comparison:

- Including alcoholic drinks, total food and drink exports were £18.6bn, 14.8% up on 2010.
- All UK commodities exports at £320.4bn in 2011 were up 18.2% on 2010 (UK food and non-alcoholic drinks share of total UK exports for 2011 is 5.8%).
- Imports of food and non-alcoholic drinks were £34.2bn, up 9.6% on the same period in 2010 as food and non-alcoholic drinks exports continue to grow ahead of imports..
- **The food and non-alcoholic drinks trade gap increased by 8.7% in 2011 to a deficit of £22.0bn.**

Top Sectors

UK Exports of Food & Non-alcoholic Drinks by Sector, 2010-2011 (£ million)

Sector	2010	2011	% Change 10-11
Other Prepared Foods*	2,603.7	2,856.8	9.7
Cereals & bakery	2,092.0	2,193.4	4.8
Meat/animal products	1,480.5	1,793.8	21.2
Fish & Seafood	1,345.9	1,465.9	8.9
Dairy	980.2	1,169.1	19.3
Fruit & Vegetables	826.4	1,080.8	30.8
Tea, Coffee, Cocoa, Spices	800.4	822.1	2.7
Non-alcoholic Drinks	351.9	404.6	15.0
Sugar & Sugar Confectionery	429.5	365.8	-14.8
Total	**10,910.5**	**12,152.4**	11.4

Source: HMRC Trade Info

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

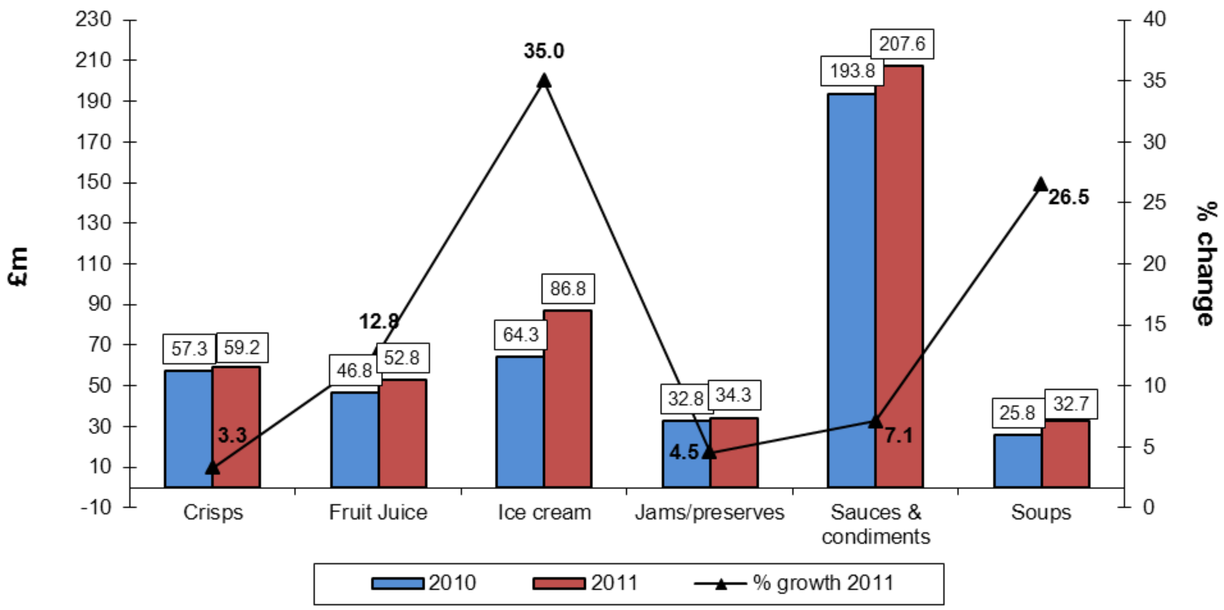
UK Exports of Food & Non-alcoholic Drinks: 20 Key top products, 2011

	2011 (£m)	% change 10-11
Fresh fish	466.3	21.4
Chocolate	438.2	16.0
Beef	437.9	32.0
Cheese	403.4	18.4
Lamb	385.1	19.7
Breakfast cereals	380.4	3.7
Soft drinks	371.4	14.6
Poultry	305.9	17.3
Milk & cream (not cont/swt)	296.4	20.2
Sweet biscuits	270.9	13.5
Crustaceans	266.7	1.8
Prepared meat	214.7	10.7
Fish fillets	210.2	32.4
Sauces & condiments	207.6	7.1
Milk & cream (cnrt/swt)	187.3	5.3
Cakes	185.8	3.2
Frozen fish	179.8	-19.7
Pork	171.3	15.0
Tea	163.7	-22.8
Molluscs	145.1	9.3

Source: HMRC Trade Info

- **Prepared foods** exports (including £488.0m fats & oils which were 1.9% up, preserved fruit/veg, fruit juice, soups, sauces & condiments, ice cream, vinegar, animal feeds and other misc. products) grew 9.7% to £2,856.8m, including:
  - **Sauces and condiments** +7.1% to £207.6m (no.1 market Ireland -2.4%, no.2 Netherlands +8.7%, no.3 France +6.3%)
  - **Ice cream** +35.0% to £86.8m (no.1 market Ireland +60.6%, no.2 Netherlands +42.5%, no.3 France +8.3%)
  - **Crisps** +3.3% to £59.2m (no.1 market Ireland -11.3%, no.2 France +179.7%, no.3 Germany +15.1%)

UK Exports of Selected Prepared Foods, 2010-2011

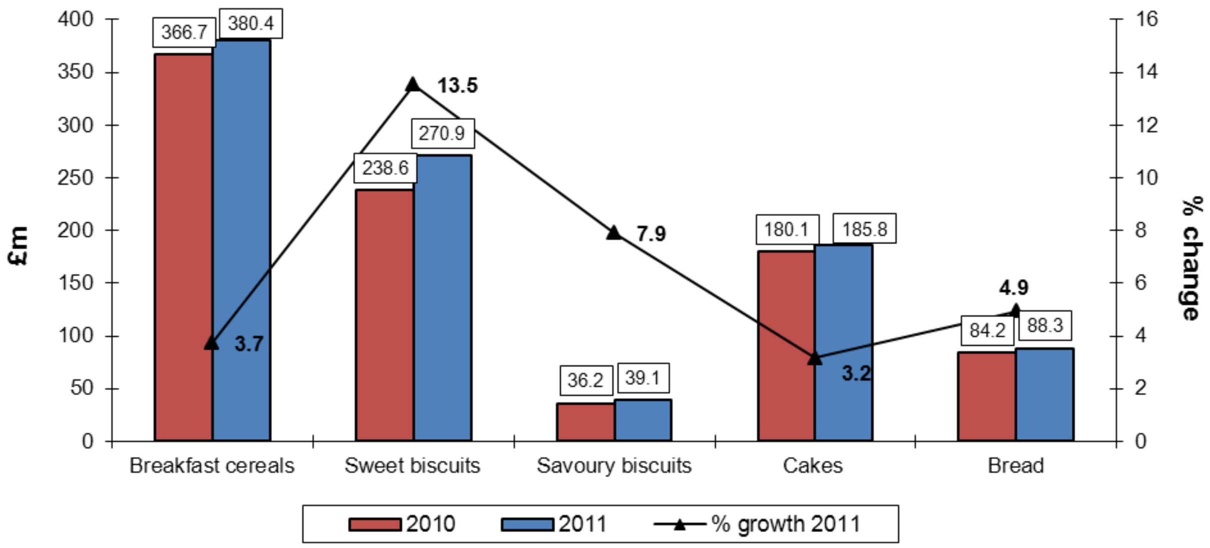


Source: HMRC Trade Info

- **Cereal & bakery**exports were up 4.8% to £2,193.4m, with strong gains in value added products offsetting the 4% decline in export of cereal commodities following strong demand for UK wheat in 2010:
  - **Sweet biscuits** +13.5% to £270.9m (no.1 market Ireland +9.6%, no.2 France +18.0%)
  - **Cakes** +3.2% to £185.8m (Ireland maintaining a 59% share seeing 3.0% growth)
  - **Savoury biscuits** +7.9% to £39.1m (no.3 market Belgium +22.6%, no.4 Canada +33.7%)
  - **Pasta** +9.4% to £33.9m (no.1 market Ireland +11.4%, no.3 France +36.2%)

  Breakfast cereals – the key value added category for the sector – grew by 3.7% to £380.4m in 2011. Strong growth in large mature markets (no.2 market France +16.7%, no.3 Italy +13.3% and no.5 Germany +20.6%) as well as some key emerging markets (no.20 market Nigeria +61.4% and no.22 South Korea +59.3%) helped to offset the fall in exports to no.1 market Ireland (-2.3%) and other more mature markets including Greece (-10.4%).

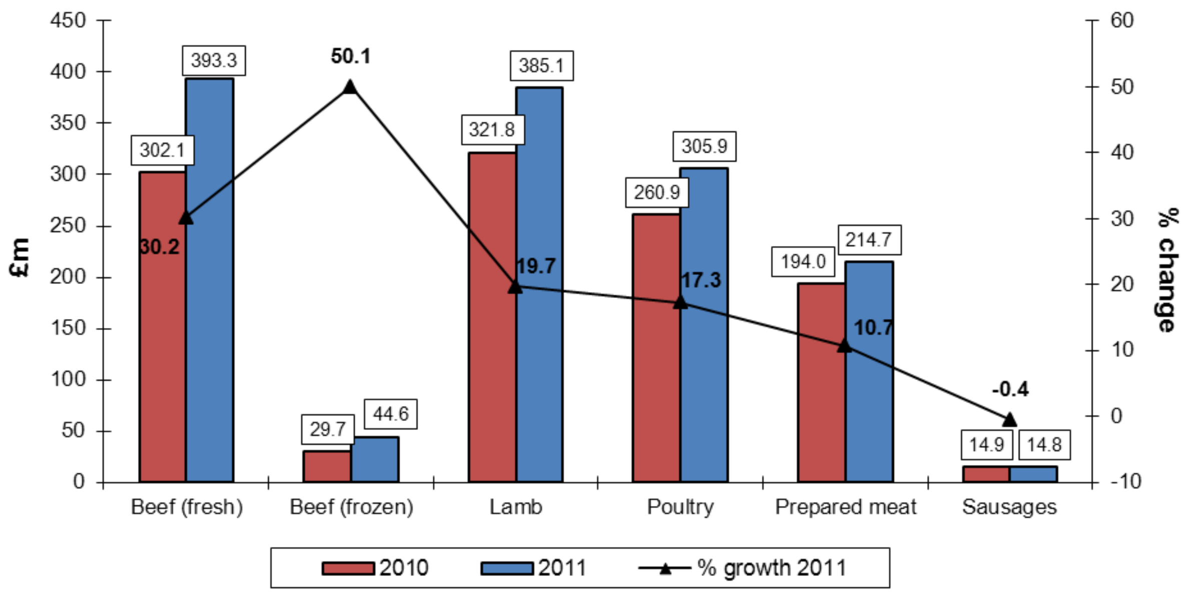
UK Exports of Selected Bakery Products, 2010-2011



Source: HMRC Trade Info

- **Meat** (and related animal products) exports were up 21.2% to £1,793.8m in 2011. All meat sectors have performed strongly again in 2011 with double digit and even triple digit growth in both EU and non-EU countries in beef, poultry and pork. Key segments which grew were:
    - **Lamb** +19.7% to £385.1m (no.1 market France +8.8%, no.2 Germany +65.3%, no.3 Belgium +17.0%, no.4 Italy +35.9%).
    - **Beef** +32.0% to £437.9m with strong gains in both the fresh beef (+30.2% to £393.3m) and frozen (+50.1% to £44.6m) categories marking the continued recovery of British beef exports.
    - **Poultry** +17.3% to £305.9m (no.1 market Ireland +1.6% no.3 France +18.8%, no.4 Hong Kong +46.6%). Non-EU exports rose a significant 46.3% versus a 9.7% increase for the EU against 2010 results.
    - **Pork** +15.0% to £171.3m (no.1 market Ireland -6.9%, no.2 Germany +15.0%, no. 3 Hong Kong 123.8%).

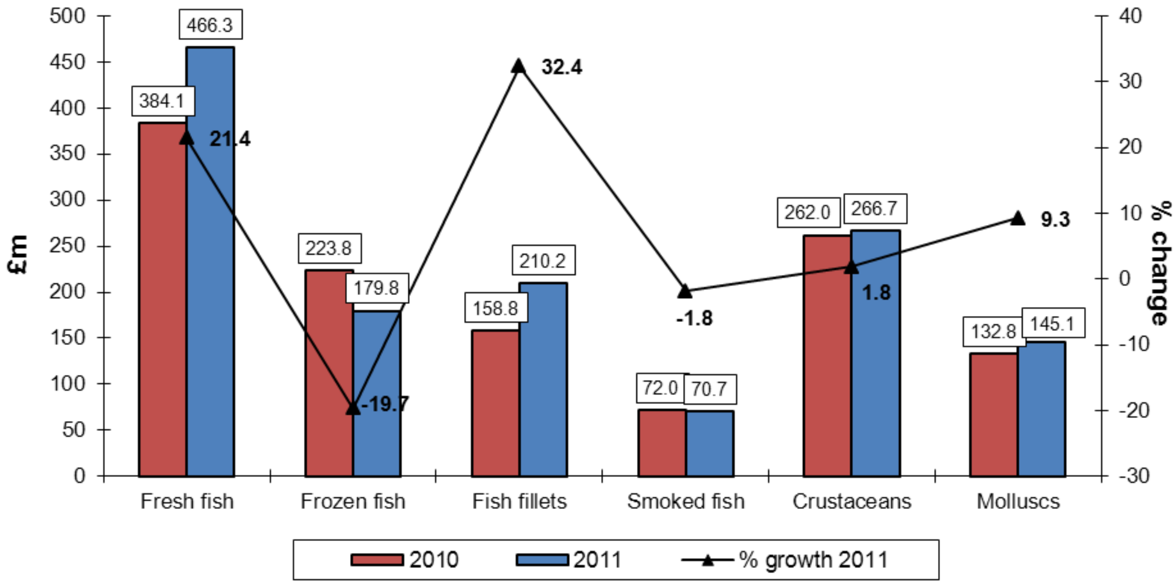
UK Exports of Selected Meat Products, 2010-2011



Source: HMRC Trade Info

- **Fish & Seafood** exports grew 8.9% to £1,465.9m, including:
  - **Fresh fish** +21.4% to £466.3m with the key **fresh salmon** sector up 29.0% which now makes up 75.2% of fresh fish exports (no.1 fresh salmon market USA +55.6%, no.2 France -16.8% with Poland retaining the no.3 position and exports doubling +100.9%)
  - **Crustaceans** +1.8% to £266.7m with strong gains made in a few top markets helping exports to grow in 2011 (no.1 market France +8.2%, no.3 Italy 7.8%, no.4 Ireland +10.8%)
  - **Frozen fish (excluding fillets)** -19.7% to £179.8 with the key **frozen mackerel** sector falling 23.7% (due mainly to no.1 market Russia -40.1%, and no.6 Poland - 49.8%) Unlike fresh salmon, exports of **frozen salmon** also fell by 10.8%.
  - **Fish fillets** +32.4% to £210.2m (no.1 market France +15.7%, no.2 market Ireland +15.7%, no. 3 Germany +66.9%).
  - **Smoked Fish** -1.8% to £70.7m, with **smoked salmon** down 0.1% but with a greater 75.1% share of smoked fish exports in 2011 (no.1 smoked salmon market Italy +1.25%, no.2 France +10.4%, no. 3 Germany -6.3%).

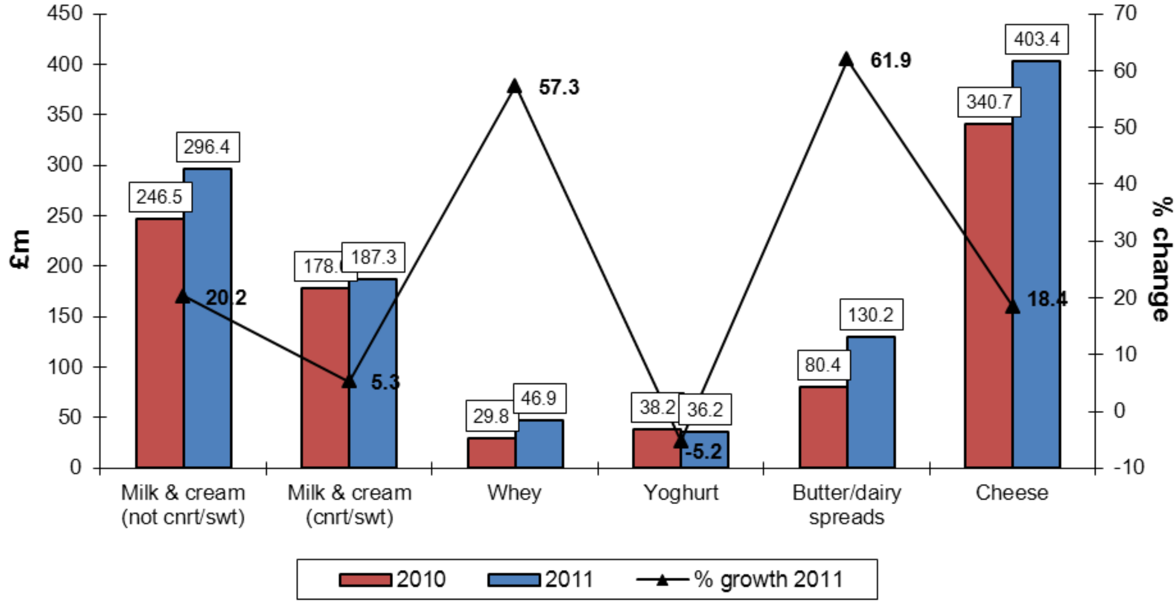
UK Exports of Selected Fish & Seafood Products, 2009-2010



Source: HMRC Trade Info

- **Dairy** exports continued to grow in 2011 due to gains in most of the major categories including:
  - **Cheese** up 18.4% to £403.4m, with double digit growth seen in key markets (no.2 France +21.7%, no.3 Germany +25.6%, no.4 Netherlands +50.3%)
  - **Milk and cream (not concentrated or sweetened**) grew 20.2% to £296.4m no.1 market Ireland +20.0%, no.2 Belgium +22.2%, no.3 France +29.3%. **Milk and cream (concentrated or sweetened)** up 5.3% to £187.3m, with strong growth in the EU including (no.1 market Ireland +26.6%, no.4 France +51.7%).
  - **Butter** up 61.9% to £130.2m (no.1 market Belgium +132.5%, no.2 Germany +61.3%)

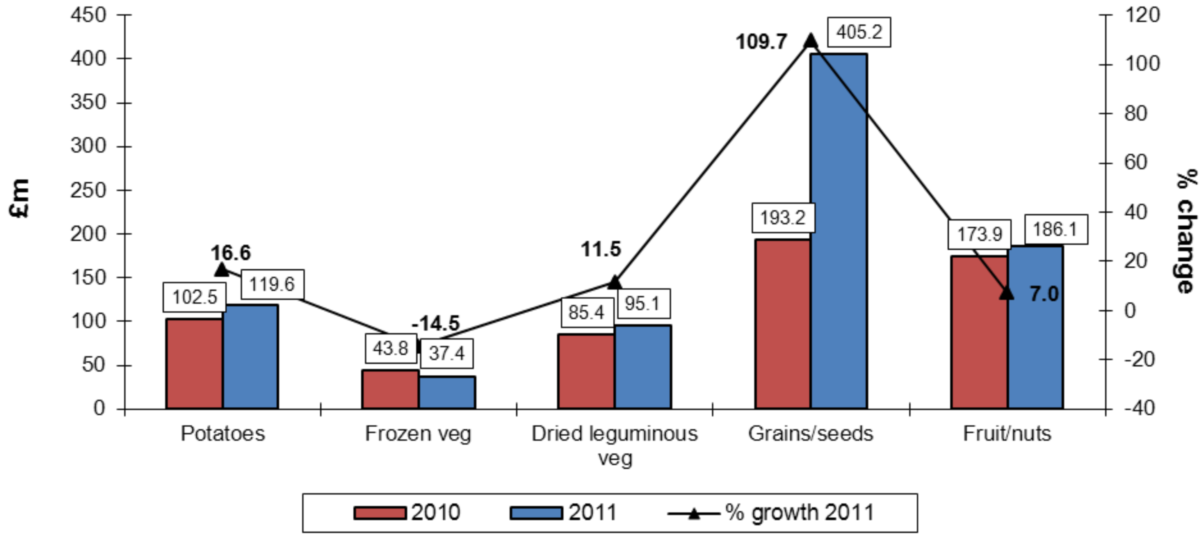
UK Exports of Selected Dairy Products, 2010-2011



Source: HMRC Trade Info

- **Fruit & vegetable** exports were up 30.8% to £1,080.8m with increases in the three major categories:
    - **Vegetables** +6.6% to £335.0m, including **potatoes** +16.6% to £119.6m with strong gains in the EU and Eastern Europe and **leguminous vegetables** +11.5% to £95.1m.
    - **Grains and seeds** +109.7% to £405.2m (no.1 market Germany +629.2%, no.6 Poland +1731.5%) due to continuing high demand for rape seed**.**
    - **Fruit and nuts** +7.0% to £186.1m (no.1 market Ireland +0.7%, no.2 Netherlands +6.7%)

UK Exports of Selected Fruit & Vegetables, 2010-2011

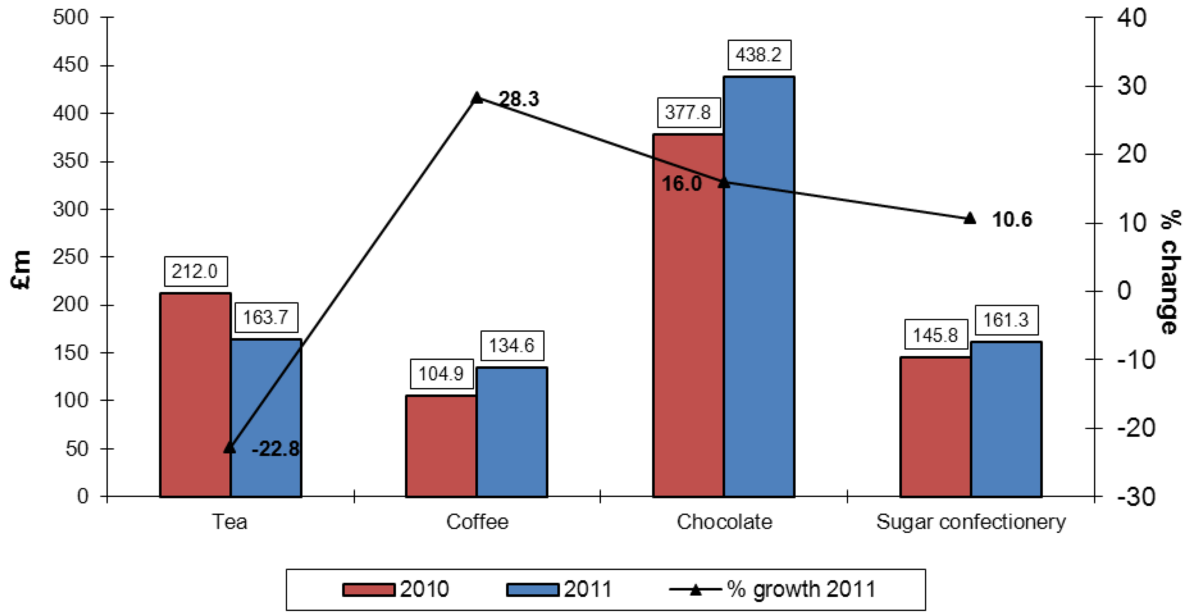


Source: HMRC Trade Info

- **Tea, coffee, cocoa & spices** exports were £822.1m up 2.7% including:
  - **Chocolate** +16.0% to £438.2m (no.1 market Ireland +0.9%, no.2 Netherlands +8.5% and no.5 chocolate producing market Belgium seeing strong gains +30.9%)
  - **Tea** -22.8% to £163.7m (no.1 market Canada +3.9%, no.2 Ireland -5.1%, no.3 the USA -27.3%)
  - **Coffee** +28.3 to £134.6m (no.1 market Ireland +20.9%, no.2 Germany +9.3%, no.3 France +14.3%, no. 6 South Korea +532.3%)

- **Sugar & sugar confectionery** exports fell again in 2011 by 14.8% to £365.8m due mostly to a 36.9% fall in white sugar exports. The key value added category however performed well:
  - **Sugar confectionery** +10.6% to £161.3m (no.1 Ireland +12.5%, no.2 Germany -19.6% no.3 the USA +26.7%).

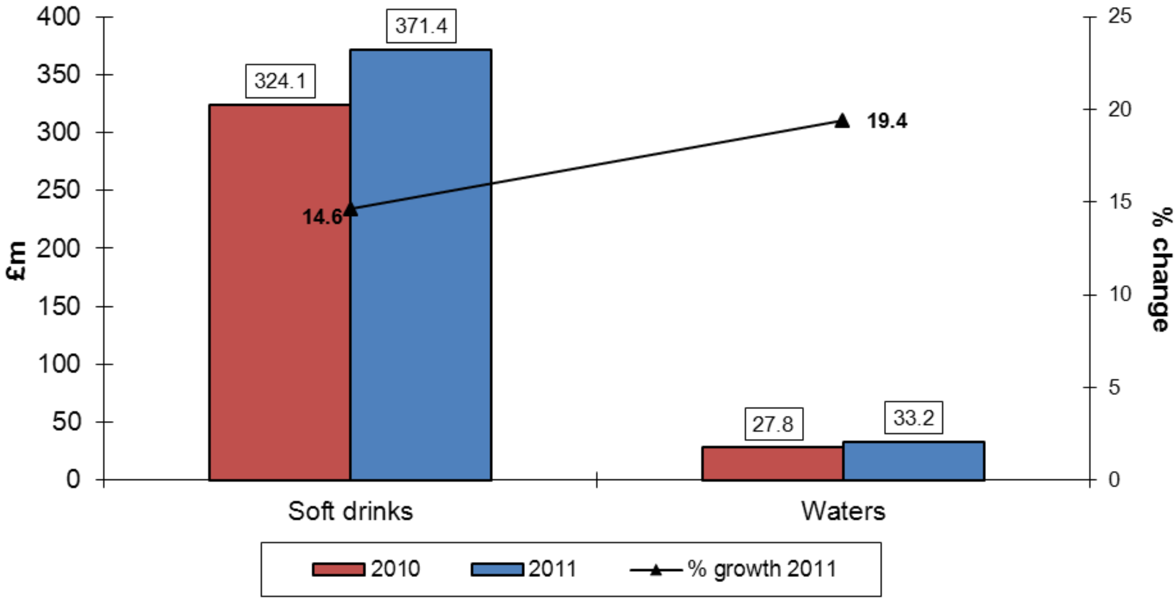
UK Exports of Coffee/Tea, Chocolate/Sugar Confectionery, 2010-2011



Source: HMRC Trade Info

- **Non-alcoholic drinks** (not including fruit juices which are part of the prepared foods category) grew by 15.0% to £404.6m:
  - **Soft drinks** +14.6% to £371.4m (no.1 market Ireland +10.3%, no.2 France +52.2%, no.3 Netherlands +21.1%, no.4 Spain +34.1%)
  - **Waters** +19.4% to £33.2 (no.1 market Ireland -8.2%, no.2 market UAE +191.6%, no.3 Netherlands +60.4%)

UK Exports of Non-alcoholic Drinks, 2010-2011



Source: HMRC Trade Info

Top Markets

- In 2011, food and non-alcoholic drink exports to the top 5 markets grew significantly contributing gains of £851.4m, 69% of overall growth. Exports to the biggest market Ireland are now worth nearly £3bn (+8.1%), growing modestly throughout the year after the country responded well to economic reforms following the national debt crisis late in 2010.
- The three EU markets in the top 20 to suffer a fall in exports in 2011 are euro-zone nations experiencing economic difficulties: Spain (down 8.7% due to a fall in demand for UK wheat, fish and seafood), Italy (down 2.2% due to a continual 46% decline in sugar as well as falls in tea and coffee) and Portugal (down 14.7% following a 38.7% fall in cereal commodities). Trade to Russia also fell by 9% largely due to a 42% decrease in frozen fish exports, the leading category to the market.
- Double digit growth was recorded in 12 of the top 20 suggesting there continues to be plenty of opportunity to grow exports in mature markets. The top 5 in terms of growth were:
    - **China** (+55.0%, rising 7 places in the rankings with a doubling of fish/seafood and dairy and meat products +220.5%, overshadowing the strong value added gains in chocolate +83.3% and sweet biscuits +85.9%).
    - **Poland** (+49.5%, driven by a 1731.5% increase in rape seed, but also strong gains in sauces and condiments +25.6%, chocolate +108.7% and cheese +77.4%)
    - **Hong Kong** (+40.9%, with the lead category meat up 73.1% but key value added products including soft drinks +86.8% and cakes +42.8% growing well)
    - **Netherlands** (+30.0%, driven by double digit growth in meat +33.7%, cereals +98.5% and dairy +47.9%) growth was also seen in several processed products including sugar confectionery +52.1% and crisps +15.1%.
    - **Belgium** (+29.9%, due mostly to increases in butter +132.5% and meat +32.7% but with also large gains seen in chocolate +30.9% and sweet biscuits +100.3%)
- Growth markets just outside of the top 20 include **Saudi Arabia** at no.21 (+14.4%, with food preparations up 19.5% and sauces and condiments up 29.2%), **Japan** at no.22 with exports up in 2011 following two years of decline (+12.5%, with fish/ seafood up 75.7% and coffeeup 60.6%).
- Outside the top 20, exports to Finland (no.24) fell by 5.1% rebounding from the strong gains seen in 2010 as fats and oils declined by 45.5%. Small but significant south-east Asian markets also fell including Thailand -12.2%, Malaysia -4.6% and Vietnam -15.0% largely due to a decline in the export of commodities such as fish/seafood, sugar and cereals.

UK Exports of Food & Non-alcoholic Drinks: Top 20 Countries, 2010-2011 (£ million)

		2010	2011	% Change 10-11
1(-)	Ireland	2,712.0	2,932.1	8.1
2(-)	France	1,354.4	1,446.6	6.8
3(-)	Netherlands	907.3	1,179.2	30.0
4(-)	Germany	905.3	1,041.4	15.0
5(+2)	Belgium	438.1	569.3	29.9
6(-1)	Spain	612.4	558.8	-8.7
7(+1)	United States	390.7	491.4	25.8
8(-2)	Italy	442.0	432.1	-2.2
9(-)	Denmark	182.0	220.7	21.3
10(+4)	Poland	135.1	202.0	49.5
11(-)	Norway	149.3	177.3	18.7
12(-)	Sweden	144.0	169.5	17.7
13(-)	Canada	139.0	149.5	7.5
14(-4)	Portugal	153.2	130.7	-14.7
15(+3)	Hong Kong	91.2	128.4	40.9
16(-)	United Arab Emirates	109.4	122.6	12.0
17(-2)	Russia	115.4	105.0	-9.0
18(-1)	Australia	93.2	101.2	8.6
19(+7)	China	63.9	99.1	55.0
20(-)	Switzerland	77.6	91.7	18.1

Source: HMRC Trade Info
Changes in ranking position are versus 2010

Regional Analysis

EU

- The performance of UK food and non-alcoholic drink exports across the EU in 2011 varied from a high of +49.5% in both Poland (as previously mentioned) and Latvia (due to the sourcing of a significant amount of wheat from the UK, but also strong gains in meat and baking related products) to a low of -25.7% in Luxembourg (with declines in nearly all major categories but at relatively low values against the rest of the EU).
- The majority of the larger EU markets grew strongly in 2011 apart from the declines seen in Spain and Italy (covered previously):
    - Ireland (+8.1%, including soft drinks +10.3% and prepared meat +11.3%)
    - France (+6.8%, with beef +22.9%, cheese +21.7% and breakfast cereals +16.7%)
    - Germany (+15.0%, with soups +39.7%, edible fruit and nuts +60.7% and cheese +25.6%)
- On the whole, exports to Central European countries performed well. Aside from Poland and Latvia, the Czech Republic (+43.8%), Hungary (+15.9%), Bulgaria (+10.4%) and Estonia (+13.5%) all saw double digit growth. Only Romania (-3.3%) and Slovenia (-1.6%) showed a fall in demand for UK products.
- Growth in exports to Eurozone countries reached 10.0%, only slightly under the EU total (11.4%) with growth in the emerging Central European nations closely matched by most of the mature Eurozone markets. The point of difference being the struggling Euro-zone economies in decline in 2011.

UK Exports of Food & Non-alcoholic Drinks to the EU, 2010-2011 (£ million)

		2010	2011	% Change 10-11
	TOTAL EU	**8,413.2**	**9,361.2**	**11.3**
1(-)	**Ireland**	2,712.0	2,932.1	**8.1**
2(-)	**France**	1,354.4	1,446.6	**6.8**
3(-)	**Netherlands**	907.3	1,179.2	**30.0**
4(-)	**Germany**	905.3	1,041.4	**15.0**
5(+2)	**Belgium**	438.1	569.3	**29.9**
6(-1)	**Spain**	612.4	558.8	**-8.7**
7(-1)	**Italy**	442.0	432.1	**-2.2**
8(-)	Denmark	182.0	220.7	**21.3**
9(+2)	**Poland**	135.1	202.0	**49.5**
10(-)	Sweden	144.0	169.5	**17.7**
11(-2)	**Portugal**	153.2	130.7	**-14.7**
12(-)	**Finland**	83.0	78.8	**-5.1**
13(-)	**Greece**	64.3	77.0	**19.7**
14(+1)	Czech Republic	50.1	72.1	**43.8**
15(-1)	**Cyprus**	50.7	53.4	**5.3**
16(-)	**Austria**	38.1	44.2	**15.8**
17(-)	**Malta**	36.2	40.4	**11.5**
18(-)	Hungary	30.9	35.8	**15.9**
19(-)	Romania	17.4	16.8	**-3.3**
20(-)	**Slovakia**	13.2	13.3	**1.1**
21(+2)	Latvia	7.4	11.1	**49.5**
22(-1)	Lithuania	9.5	9.6	**1.0**
23(-1)	Bulgaria	8.1	9.0	**10.4**
24(-)	**Estonia**	6.6	7.5	**13.5**
25(+1)	**Slovenia**	5.1	5.0	**-1.6**
26(-1)	**Luxembourg**	6.6	4.9	**-25.7**

HMRC Trade Info
Note: Eurozone members in **bold**
Changes in ranking position are versus 2010

Non-EU

- The gains made in non-EU markets in 2010 were not sustained in 2011, although the non-EU share of all food and non-alcoholic drink exports did increase slightly from 22.9% in 2010 to 23.0% in 2011 with exports to the non-EU growing 11.8%.
- North America exhibited the highest levels of growth (+21.0%) driven mainly by continuing gains made in the USA (+25.8%) with the American market doubling in size over the last 5 years mostly due to demand for British fish and seafood.
- Asia, up 19.7% showed a mixed performance with strong growth in Hong Kong (40.9%) and China (+55%) which now overtakes Japan (+12.4%) as the second biggest Asian market. South Korea also grew strongly (+37.4%) but growth in less developed emerging markets fell back including Thailand (-12.2%) and Vietnam (-15.0%).
- Africa, up only 2.6% also saw mixed fortunes with South Africa growing an impressive 66.2% due to meat exports increasing four fold (+331.6%) over the year. A large number of smaller African markets however fell back including Algeria (-4.8%) and Morocco (-45.8%).
- Latin America (-13.1%) and Eastern Europe (-4.6%) were the only two underperforming regions. The former due to lower demand for lightly processed food preparations to Brazil and Mexico. The latter related mainly to lower frozen fish exports to Russia.

UK Exports of Food & Non-alcoholic Drinks to the Non-EU 2010-2011 (£ million)

	2010	2011	% Change 10-11
North America	**530.7**	**642.3**	**21.0**
United States	390.7	491.4	25.8
Canada	139.0	149.5	7.5
Asia	**506.3**	**605.9**	**19.7**
Hong Kong	91.2	128.4	40.9
China	63.9	99.1	55.0
Japan	76.6	86.1	12.5
Singapore	38.5	44.9	16.7
Korea South	28.0	38.4	37.4
Thailand	38.3	33.6	-12.2
Malaysia	29.0	27.7	-4.6
Vietnam	28.4	24.1	-15.0
India	19.1	20.0	5.0
Afghanistan	22.5	18.4	-18.3
Philippines	21.0	16.5	-21.3
Africa	**403.3**	**413.7**	**2.6**
Egypt	75.4	85.2	13.1
South Africa	44.8	74.4	66.2
Nigeria	71.2	73.6	3.4
Algeria	40.4	38.4	-4.8
Ghana	21.0	26.4	25.8
Middle East	**354.7**	**383.0**	**8.0**
United Arab Emirates	109.4	122.6	12.0
Saudi Arabia	75.9	86.9	14.4
Israel	49.8	45.5	-8.6
Kuwait	26.9	28.3	5.3
Other Western Europe	**314.1**	**370.4**	**17.9**
Norway	149.3	177.3	18.7
Switzerland	77.6	91.7	18.1
Turkey	33.5	41.1	22.7
Gibraltar	34.5	37.2	7.9
Eastern Europe	**149.2**	**142.4**	**-4.6**
Russia	115.4	105.0	-9.0
Ukraine	19.8	19.6	-1.1
Oceania	**109.2**	**120.1**	**9.9**
Australia	93.2	101.2	8.6
New Zealand	15.2	17.5	15.0
Latin America & the Caribbean	**127.1**	**110.4**	**-13.1**
Brazil	21.1	20.7	-1.8
Chile	9.0	8.7	-3.5
Mexico	12.8	8.4	-34.3

Source: HMRC Trade Info