

EXPORTS SNAPSHOT

Q3 2019

EXECUTIVE SUMMARY

- Q3 food and drink exports increased by 8.3% (y-o-y) to £6.2bn, largely driven by export value growth to non-EU countries (+13.1%), which was over twice that of exports to the EU. Food and drink exports accounted for 6.4% of total UK exports over the year-to-date.
- The UK's food and drink trade balance has improved, indicating that relative dependence on imports has decreased by 12.2% compared with Q3 2018.
- Despite almost half of respondents to FDF's Q1 and Q2 [business confidence surveys](#) indicating UK exports would not fare well in 2019, official Q3 figures are positive, likely driven by Brexit stockpiling.
- Exports of the UK's highest value products have all increased over the year-to-date. Whisky, salmon, wine, gin and pork have each increased by more than 10% on the same period last year, while salmon, beef and gin have also seen volume growth exceeding 10%.
- Looking at trade in goods across the UK, total exports have seen a 2.5% decline over the year-to-date. When comparing overall UK performance with that of food and drink, the sector has performed well, seeing a 6.3% increase on the same period in 2018.
- Food and drink exports to the UK's seventh largest trading partner, China, have seen a significant increase since Q3 2018, rising by £64.6m. This is the largest value increase in over two decades. This has largely been driven by an increase in meat exports, though fish, spirits, beer and dairy produce have also performed strongly.

KEY INDICATORS

	Q3 2019	Change	YTD 2019	Change
All food & drink	£6.2bn	8.3%	£17.4bn	6.3%
EU	£3.6bn	5.3%	£10.6bn	3.4%
Non-EU	£2.5bn	13.1%	£6.9bn	11.0%
EU share	59.1%	-1.7pp	60.6%	-1.7pp
Non-EU share	40.9%	+1.7pp	39.4%	+1.7pp
Trade deficit	£5.2bn	-12.2%	£17.5bn	-3.3%

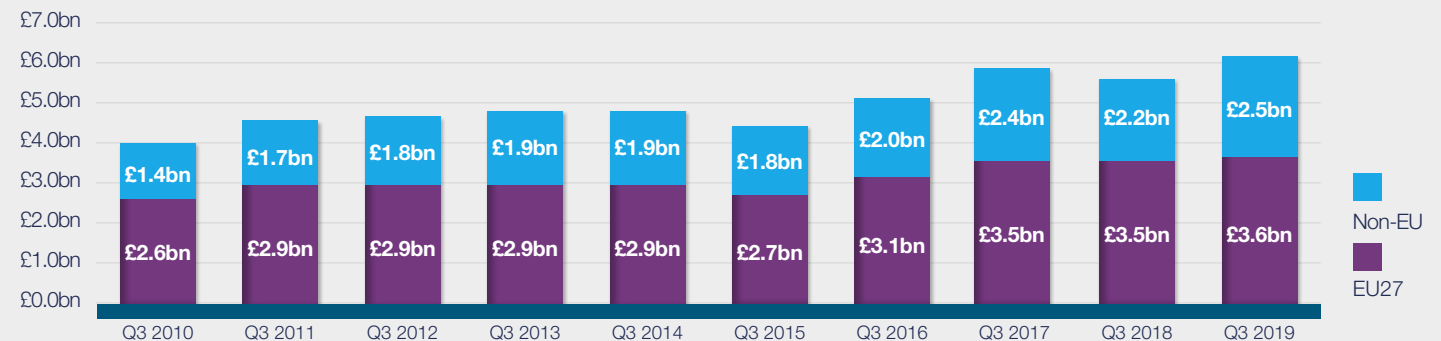
TOP 10 PRODUCTS

	YTD 2019	Change		
		Value	Value (%)	Volume (%)
Whisky	£3.7bn	£374.3m	11.3%	7.8%
Salmon	£614.1m	£152.0m	32.9%	29.2%
Chocolate	£555.4m	£10.4m	1.9%	3.8%
Cheese	£527.2m	£31.1m	6.3%	9.1%
Gin	£515.2m	£62.1m	13.7%	13.8%
Wine	£497.9m	£40.7m	8.9%	-15.6%
Beef	£425.7m	£27.3m	6.8%	20.1%
Pork	£405.1m	£68.8m	20.5%	8.5%
Beer	£366.9m	£5.2m	1.4%	1.4%
Breakfast cereals	£363.7m	£2.6m	0.7%	2.7%

TOP 20 MARKETS

Ireland	£3.0bn	↓ -3.2%
United States	£1.7bn	↑ 14.3%
France	£1.7bn	↑ 6.6%
Netherlands	£1.3bn	↑ 7.1%
Germany	£1.1bn	↑ 3.9%
Spain	£771.3m	↑ 7.8%
China	£557.5m	↑ 25.2%
Belgium	£537.9m	↑ 3.2%
Italy	£439.2m	↑ 3.6%
Australia	£333.8m	↑ 2.1%
Poland	£319.8m	↑ 12.7%
Singapore	£297.4m	↓ -5.4%
Hong Kong	£284.6m	↓ -11.3%
Canada	£258.9m	↑ 10.7%
Denmark	£248.9m	↓ -1.9%
Japan	£233.1m	↑ 23.5%
Sweden	£230.9m	↑ 8.8%
United Arab Emirates	£224.5m	↓ -15.7%
Taiwan	£204.4m	↑ 34.2%
South Africa	£173.8m	↑ 15.5%

Q3 UK FOOD AND DRINK EXPORTS OVER 10 YEARS



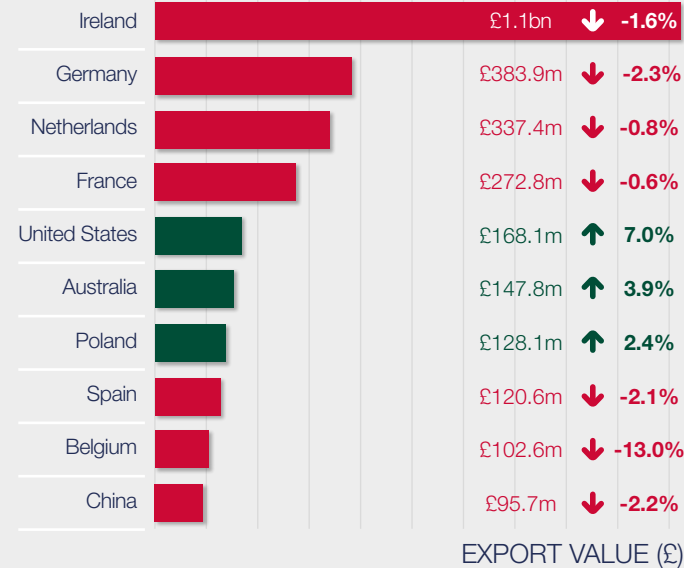
EXPORTS SNAPSHOT

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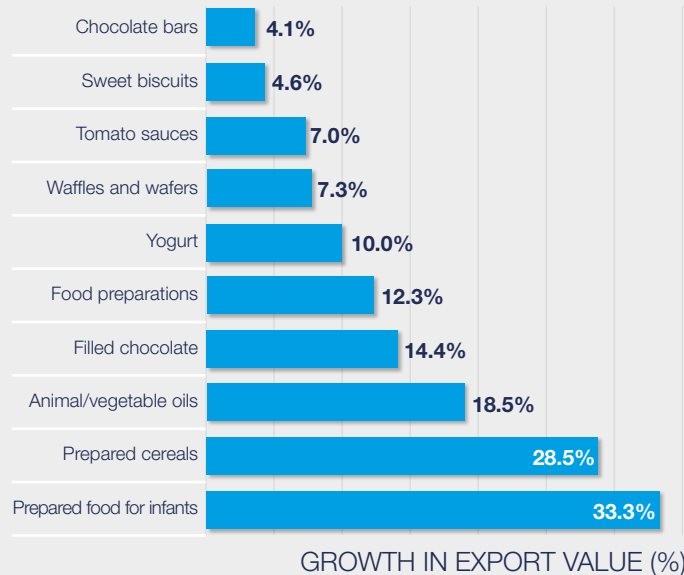
DECLINING BRANDED EXPORTS TO THE EU

- UK exports of branded food and drink over the year-to-date have grown by £53.6m in value, compared with the same period in 2018. The value of branded good exports in Q3 alone has grown by £6.4m since Q3 2018.
- The fastest growing UK branded food and drink exports were prepared food for infants, prepared cereals and animal/vegetable oils over the first nine months of the year.
- Disappointingly, sales of branded goods to the EU have declined (-3.2%), whereas exports to non-EU countries increased by more than 8%.
- Exports of branded goods to the EU have not been helped by ongoing uncertainty around the terms of the future UK-EU trading relationship.
This fall may also be attributed to the impacts of no-deal stockpiling activity earlier in the year, which has led to goods placed in EU27 warehouses subsequently being sold at reduced prices or at a loss.
- When looking at the UK's top markets for branded goods, most of those within the EU have declined over the year-to-date, which reinforces anecdotal evidence that key buyers are starting to look elsewhere due to current uncertainty in the UK.
- On the other hand, both Switzerland and Saudi Arabia have seen food and drink export value growth exceeding 50% this year, making them key growth markets for the UK.
- The fastest growing branded good¹ was prepared infant food. China is a top importer of infant formula milk, and [research](#) has shown that this is forecast to continue in the coming years.
- Branded good exports in the year ending September 2019 have already reached £5.9bn, placing the industry within reaching distance of FDF's industry ambition to grow exports of branded food and non-alcoholic drink to £6bn by 2020.

UK BRANDED FOOD AND DRINK: YTD 2019 TOP MARKETS²



UK BRANDED FOOD AND DRINK: YTD 2019 FASTEST GROWING PRODUCTS¹

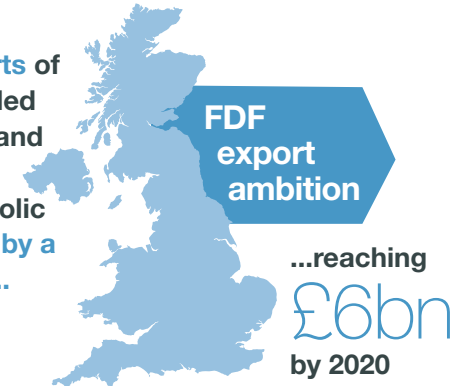


¹ Fastest growing goods among the UK's top 30 branded food and drink exports. Note that charts on 'branded exports' represent the export of value-added food and drink.
² Percentages represent year-on-year growth in the value of branded food and drink exports to each respective partner country. ³ Food and non-alcoholic beverages.

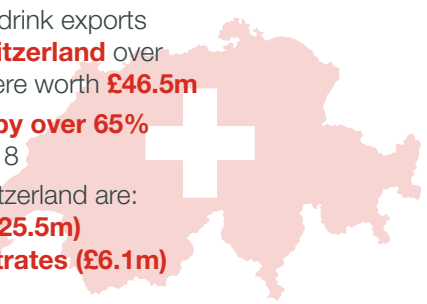
BRANDED FOOD AND DRINK EXPORTS³

	Q3 2019	Change	YTD 2019	Change
World	£1.5bn	0.4%	£4.4bn	1.2%
EU	£1.0bn	-3.2%	£3.0bn	-2.1%
Non-EU	£0.5bn	8.2%	£1.4bn	9.2%
EU share	65.9%	-2.5pp	68.2%	-2.3pp
Non-EU share	34.1%	+2.5pp	31.9%	+2.3pp

Grow exports of branded food and non-alcoholic drink by a third...



- Branded food and drink exports from the UK to **Switzerland** over the year-to-date were worth **£46.5m**
- They have **grown by over 65%** compared with 2018
- Key exports to Switzerland are:
 - **sugar syrups (£25.5m)**
 - **protein concentrates (£6.1m)**



- Branded food and drink exports from the UK to **Saudi Arabia** over the year-to-date were worth **£77.7m**
- They have **grown by over 53%** compared with 2018
- Key exports to Saudi Arabia are:
 - **sugar syrups (£27.1m)**
 - **sweet biscuits (£7.7m)**



EXPORTS SNAPSHOT

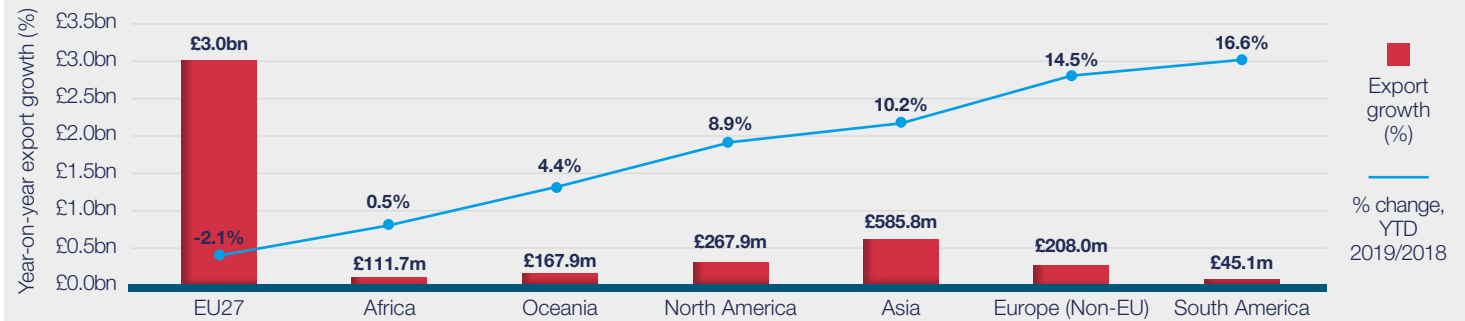
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STRONG GROWTH IN ASIA

- Overall, UK food and drink exports to Asia grew by 10.2% to £585.8m in the first nine months of the year.
- Among the UK's top 50 trade partners (in value terms), Asian countries have been particularly strong over the year-to-date, with Japan, China, Taiwan and India seeing (y-o-y) growth in food and drink exports of more than 20%.
- Our strong performance in Japan, Taiwan and India has been driven by exports of spirits, rising in both volume and value. Meanwhile, the volume of UK meat and meat-products exported to China nearly doubled, reflecting China's growing demand for quality UK food and drink that is reflected across many categories.
- China is currently the world's top import destination, with total trade to China increasing from 8% (volume) to over 20% in 2018.
- This makes China a key export target, especially for food and drink. Over the last five years, exports of food and drink from the UK to China have more than doubled in value, reaching over £620m in 2018, compared with less than £260m in 2013.
- Japan is the world's third largest import destination (although a much smaller proportion of global trade is directed toward Japan when compared to China), with a total share of 5.5% in 2018¹.
- In terms of food and drink, at present, Japan is one of the world's largest seafood import markets, due to the important role that seafood plays in traditional Japanese diets.

It is also a significant importer of whisky; last year, the Scotch Whisky Association reported Japan as the world's 6th largest market for whisky. Together, whisky and salmon exports from the UK to Japan have risen by 33.3% over the year-to-date.

2019 YTD UK FOOD AND DRINK EXPORTS²



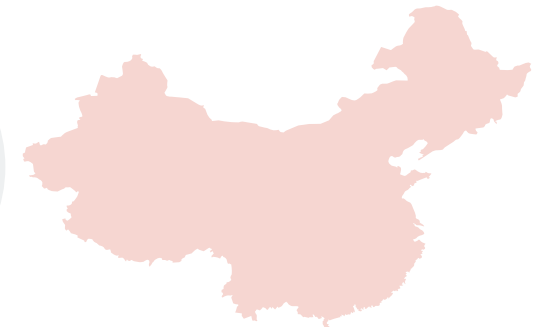
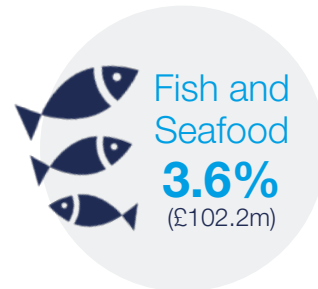
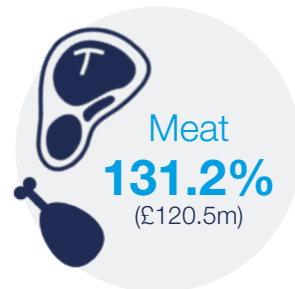
THE CHINA BRITAIN BUSINESS COUNCIL: GUIDE ON EXPORTING FOOD AND DRINK TO CHINA

- China's food and drink opportunity for UK brands continues to evolve. While Chinese consumers once sought food safety assurances through the provenance of imported products purchased, they now also demand products that satisfy other needs – convenience, health and wellness, flavour and novelty.
- Despite the clear market potential, failure to comply with China's complex national food safety GB standards and requirements means rejection of non-compliant products at Chinese ports.
- To help navigate the complex regulatory environment CBBC has published a new [Guide on Exporting Food and Drink to China](#) which maps the whole export journey from IP assets protection to getting testing and labelling for China right.

UK-CHINA EXPORTS

- Over the first nine months of 2019, the UK exported £16.9bn of goods to China, £557.5m of which were food and drink products. Overall, food and drink exports have seen a year-on-year increase of 25.2%.
- Approximately 17% of UK food and drink exports to China were branded products. Among these, the fastest growing product was prepared food for infants. Since the Chinese milk scandal, China has become a major contributor to the infant formula milk market, especially given its growing middle class and increasing female workforce. [The Center for Strategic and International Studies](#) recently reported that China is increasingly looking abroad to ensure domestic food security, and formula milk is a prime example of this.
- China is typically seen as a challenging market by food and drink exporters, especially beef producers. The UK's high production standards and reputation for quality led to the successful conclusion of a [UK-China agreement](#) in June, securing significant market access for UK beef. Defra forecasts this could be worth around £230m over the next five years. Latest export figures show that £7.6m of UK beef has already been exported to China in 2019.
- The Agriculture and Horticulture Development Board (AHDB) and Department for Environment, Food and Rural Affairs (Defra) co-fund an Agriculture and Food Counsellor post to help increase UK food and drink exports to China. This has provided essential sector-specific expertise in China to support UK food and drink and has helped deliver new market access for UK products over the last four years.
- AHDB have recently produced a [report](#) on opportunities for UK exporters in Asia, which focusses on dairy, meat and potatoes.

TOP 3 EXPORTS TO CHINA (YTD 2019)⁴



¹ Source: IHS Markit. ² Values on the chart represent the value of food and drink exported from the UK to each respective region over the year-to-date 2019. ⁴ Percentages represent year-on-year growth in export value on H1 2018.

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FOOD AND DRINK EXPORTERS ASSOCIATION (FDEA): ANUGA 2019

- Trade shows provide a good opportunity for businesses to meet overseas buyers.
- [Anuga 2019](#) saw a strong showing from the UK with 99 exhibitors across four product sector halls, including 17 first-time exhibitors, plus a large presence from the national meat bodies in the meat hall.
- The show delivers a truly international audience allowing companies to meet buyers from markets with which they have not previously engaged.
- While good representation from the USA and Japan was reported, feedback from regular exhibitors was that there were fewer conversations with EU Buyers compared to previous years.
- FDEA representatives at the show offered advice to visiting buyers and UK companies on preparing for Brexit.
- The Department for International Trade China team brought a delegation of Chinese buyers to meet UK exhibitors. There was a strong level of interest displayed which resulted in a schedule of meetings arranged.
- The UK pavilion featured 'Food is GREAT' branding, and had high visibility at the show through a variety of channels, including advertising sites across the Koelnmesse complex.
- The UK pavilion featured interesting new brands with strong product innovation, including ITSU and The Meatless Farm, who reported strong interest including from major German retailers.
- Key global concerns expressed at the show were: the impact of the punitive US trade tariffs on single malt Scotch whisky, biscuit and dairy exhibitors, and Brexit uncertainty affecting how the EU buyers would engage with UK producers.
- Food and drink businesses now have ISM in Cologne to look forward to. The show, which takes place in February 2020, will feature 83 UK companies exhibiting confectionery, biscuits and snack products. Businesses can apply to become an exhibitor [here](#) and purchase tickets to attend [here](#).

LEVERCLIFF ASSOCIATES: EXPORTING FOOD AND DRINK TO CHINA



1. The opportunity

The market for food and drink in China is expected to reach US\$22bn in 2019 and is growing rapidly. With a CAGR of 13.8% over the next 4 years, this will create a market over 50% larger than Europe combined.



2. Your strategy

It's essential to consider what your long term-international vision is. Is this opportunistic cash generation, or is building a global presence part of a true internationalisation project?



3. Identifying opportunities

Do your research about the potential market size for the product you want to sell. Talk to people, understand what the appeal is for your proposition.



6. Know the flow

It's crucial that you map out and understand the process flow for your goods and associated paperwork. [Levercliff's advice](#) is to engage with the right partners to help you identify the most appropriate route to market. For more on this see [their article](#) on entering the Chinese market.



5. Working with a partner

The most popular way to enter the Chinese market is by working with a distribution partner. However, there can be fake and rogue traders. Ideally, meet your distributor before you start trading and insist on seeing their legal entity documents, and ask for references.



4. Deciding on a business model

There are various different business models for trading in China, experienced advisers can guide you through the strengths and limitations of each type of business model.

EXPORTS TO CHINA OVER 5 YEARS

