

EXPORTS SNAPSHOT

Q1 2020

EXECUTIVE SUMMARY

- In Q1 2020, food and drink exports fell by over £700m (-12.7%) compared to the same period in 2019. Sales to EU countries were the hardest hit, with the total value falling by 17.4%.
- This decrease was largely driven by immediate impacts of COVID-19, including the closure of hospitality and travel sectors which has meant a loss of sales into restaurants, cafés, bars and the out-of-home sector across Europe.
- While sales to the majority of our top markets have declined, demand has been more resilient from others, including Singapore, Canada and Norway, which have each seen sales growth of more than 10%.
- The UK's food and drink trade deficit also decreased compared with 2019, indicating decreased relative reliance on imports.
- Declines were reported among the UK's top ten products, with whisky, chocolate, cheese, salmon and gin seeing export value drops of over £20m in Q1. Pork, which saw an increase in value, and beef and vegetables, which saw volume increases, were exceptions to this.
- Branded food and drink exports have declined to the EU, but have seen an uptick towards non-EU countries both in value and volume, driven by China, the US and Australia.
- Exports of UK food and drink have a critical role to play in supporting the sector during these challenging times and driving the UK's wider economic recovery. FDF is working with Government to address critical gaps in sector-specific export support that is urgently required.

KEY INDICATORS

	Q1 2019	Q1 2020	Change
All food & drink	£5.8bn	£5.1bn	-12.7%
EU	£3.7bn	£3.1bn	-17.4%
Non-EU	£2.1bn	£2.0bn	-4.4%
EU share	63.5%	60.1%	-3.4pp
Non-EU share	36.4%	39.9%	+3.4pp
Trade deficit	-£6.7bn	-£6.3bn	-5.7%

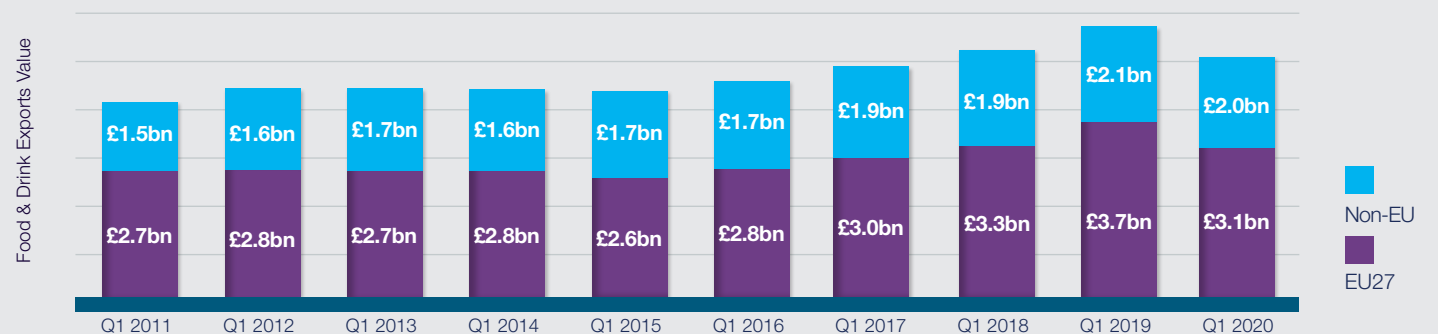
TOP 10 PRODUCTS

	Q1 2020	Change		
		Value	% Value	% Volume
Whisky	£943.6m	-£196.3m	-17.2%	-18.3%
Chocolate	£168.8m	-£29.5m	-14.9%	-16.4%
Cheese	£167.4m	-£28.2m	-14.4%	-14.1%
Salmon	£163.8m	-£27.7m	-14.5%	-27.1%
Pork	£150.1m	£27.8m	22.8%	-0.4%
Gin	£136.1m	-£26.5m	-16.3%	-10.3%
Beef	£134.9m	-£5.3m	-3.8%	7.0%
Breakfast cereals	£115.5m	-£10.6m	-8.4%	-9.5%
Wine	£114.0m	-£67.1m	-37.1%	-39.8%
Vegetables	£103.2m	-£13.5m	-11.6%	14.0%

TOP 20 MARKETS

Ireland	£943.2m	↓	-8.7%
United States	£498.1m	↓	-4.8%
France	£450.2m	↓	-24.1%
Netherlands	£362.5m	↓	-24.5%
Germany	£325.5m	↓	-21.3%
Spain	£187.4m	↓	-17.9%
China	£157.7m	↓	-3.8%
Belgium	£155.8m	↓	-21.0%
Italy	£119.6m	↓	-20.5%
Singapore	£107.7m	↑	17.8%
Poland	£94.5m	↓	-11.7%
Australia	£91.4m	↓	-8.3%
Canada	£85.7m	↑	11.3%
Hong Kong	£80.4m	↓	-13.0%
United Arab Emirates	£79.7m	↑	7.0%
Denmark	£78.0m	↓	-19.1%
Sweden	£69.5m	↓	-29.0%
Japan	£61.2m	↓	-20.5%
Norway	£59.1m	↑	31.8%
Taiwan	£52.6m	↓	-19.0%

UK FOOD AND DRINK EXPORTS OVER 10 YEARS



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NON-EU BRANDED EXPORTS UP IN Q1

- Despite the overall value of branded goods exports falling by 9.1%, sales to non-EU countries continued to grow, led by strong demand from the US, Australia and China.
- The share of exports to the EU fell in Q1 2020 - both for branded and for all food and drink. Almost one third of branded UK food and drink exports now go to non-EU countries, a 4.5pp increase on Q1 2019.
- Of the UK's top 10 markets, sales to all EU partners decreased whereas there was growth to non-EU partners, highlighting continued growth opportunities in markets further afield.

GROWTH IN SALES TO US, AUSTRALIA AND CHINA

- The US, Australia and China all demonstrated sustained demand for UK branded food and drink in Q1 2020. Together, these countries are significant sources of demand - in 2019, they accounted for almost 10% of all UK branded exports, and over 15% of overall food and drink exports. For more on opportunities outside these markets, click [here](#).
- Branded exports to Australia increased by 3.5% in Q1 2020, driven by increased sales of cakes and baked goods (including tarts, pastries, wafers, pizzas and quiches), which saw a 12% increase on Q1 2019.
- Exports of drinks drove overall sales growth to the US. Namely, beer and soft drinks which performed well over the 3 months to March 2020 - these categories combined were worth £42m.
- Despite experiencing a prolonged period of lockdown early in 2020, branded goods exports to China grew to £34m in Q1. This was largely due to an increase in sales of gin, as well as bottled water.
- As China enters its post-Covid-19-recovery, CBBC have begun running [virtual trade missions](#), [meet-the-buyer events](#) and [trade shows](#).



AUSTRALIA

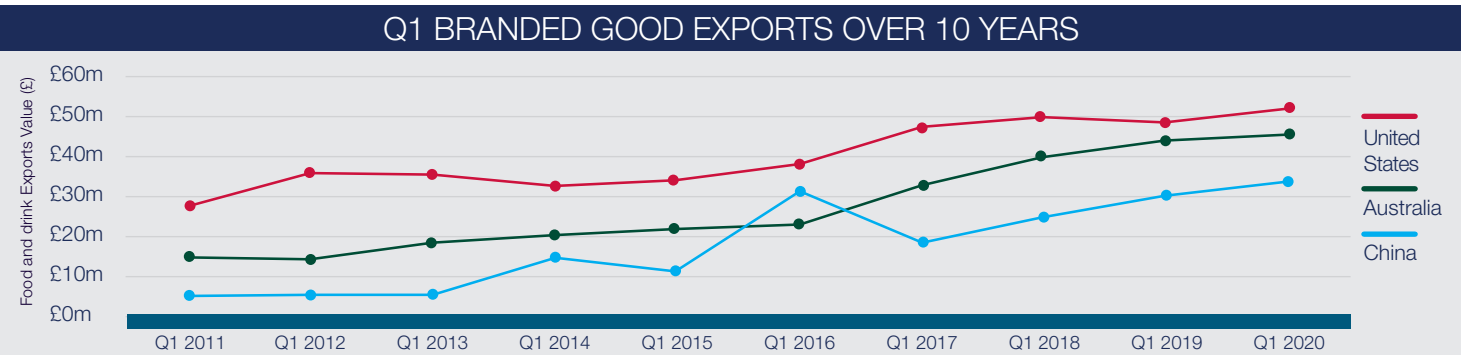
- Branded exports from the UK to Australia in 2019 were worth £201m
 - Growing by 3.5% in Q1 2020
 - Key products include **whisky, gin, cakes, chocolate and sweet biscuits**
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UNITED STATES

- Branded exports from the UK to the US in 2019 were worth £228m
 - Growing by 6.9% in Q1 2020
 - Key products include **whisky, gin, beer and cheese**
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CHINA

- Branded exports from the UK to China in 2019 were worth £129m
 - Growing by 13.9% in Q1 2020
 - Key products include **whisky and beer**
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1 - Percentages represent year-on-year growth in the value of branded good exports to each respective partner country.
2 - Food and non-alcoholic beverages.

BRANDED GOODS²

	Q1 2019	Q1 2020	Change
World	£1.5bn	£1.4bn	-9.1%
EU	£1.1bn	£0.9bn	-14.8%
Non-EU	£0.4bn	£0.5bn	5.2%
EU share	71.6%	67.2%	-4.5pp
Non-EU share	28.4%	32.9%	+4.5pp

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

FDF export ambition

...reaching £6bn by 2020

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PENTADEL PROJECT MANAGEMENT:
PRODUCTION INSIGHT FOR EXPORTERS

These Q1 figures demonstrate the initial impact of COVID-19, especially within markets that first experienced the pandemic, such as China, or those most affected, such as Europe.

However, there is still reason for UK food and drink exporters to be optimistic, provided they are willing to be agile and adapt their focus and production operations quickly to meet changing global consumer habits brought on by the pandemic and national lockdowns.

Over the last few months there has been rapid change; shopping patterns have shifted from smaller daily to bigger weekly shops, there is a greater reliance on online orders (including direct to consumer), and the types and formats of products consumers now want has evolved.

Speaking to our clients who export, these changes are already being seen. An example from one of the UK's most popular crisp producers is a fall in demand for single food-on-the-go packets in favour of larger at-home family-sized packs. As a result, we are helping them quickly adapt production to capitalise on this.

In addition, with the foodservice sector significantly impacted, UK producers are having to find new ways to distribute and adapt their foodservice products for new domestic and overseas markets. The direct-to-consumer market is booming and will be a real opportunity for UK food and drink producers here and abroad.

For UK food and drink manufacturers looking to assess, adapt and restructure their production and logistics operations to seize these new export opportunities, Pentadel Project Management has the expertise and experience to help. To find out more, visit our [website](#).

WHAT GOVERNMENT SUPPORT IS AVAILABLE **FOR EXPORTERS**
AFFECTED BY COVID-19?

■ Support for businesses trading internationally

The Department for International Trade (DIT) published [advice](#) for exporters and are running a series of [webinars](#). This includes support to address issues with customs authorities to ensure the smooth clearance of goods and to provide advice on intellectual property and business continuity concerns. DIT can also help find alternative suppliers.

How to access:

Contact DIT's dedicated business support team on **0300 456 3565** or by emailing COVID19@trade.gov.uk

■ UK Export Finance (UKEF) Export Insurance

UKEF expanded its [Export Insurance Policy \(EXIP\)](#) to cover sales to the EU, US, Canada, Norway, Switzerland, Iceland, Australia, Japan and New Zealand. They offer insurance covering up to 95% of the value of an export contract, protecting against the risk of non-payment where customers become insolvent or their Government's actions make fulfilling a contract impossible. UKEF works with banks and insurance brokers to provide guarantees, loans and insurance to protect exporters facing delayed payments or transit restrictions:

1) If your business is facing disruption due to late payments, UKEF can help ease cash flow constraints through its [Export Working Capital Scheme](#).

2) If you are concerned about getting paid, UKEF offers an [export insurance policy](#) that can help you recover the costs of fulfilling an order.

3) UKEF can also support finance for overseas buyers through the [Direct Lending Facility scheme](#), so they can continue to buy your goods and services.

4) UKEF has over £4bn of capacity to support UK firms exporting to China, as well as significant capacity across other markets.

How to access:

Find out more [here](#) and to find out if UKEF covers your region, email customer.service@ukexportfinance.gov.uk

For access to more FDF guidance on support available for food and drink manufacturers, visit our [website](#).

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FDF SUPPORT DURING THE
COVID-19 CRISIS

FDF continues to offer support to businesses across the food and drink manufacturing sector during the current crisis. [Members](#) can access daily FDF updates outlining changes to Government guidance, as well as detailed advice on the following key topics:

- Re-opening post-lockdown
- Key workers
- Social distancing and personal protective equipment (PPE)
- Testing
- Supply chain
- International trade and borders
- Job retention scheme and employment law
- Access to labour
- Food safety and science
- Government support schemes

To check whether your company is a member, click [here](#).

If your company is not an FDF member, we are still able to support you through our dedicated COVID-19 enquiry box covid19enquiries@fdf.org.uk.

We are also offering short-term membership of 3 months to access FDF support. For more information, visit our [website](#) or contact FDF's Membership Team at members.enquiries@fdf.org.uk.

IRWIN MITCHELL: **NEGOTIATING SUPPLY CHAIN CONTRACTS**

The effect of COVID-19 on our consumer markets sector is severe, and particularly on our food and drink sector. As a result, we can no longer rely solely on extended and singular global supply chains.

While supply chain reform is needed, there will still be manufacturing concerns about how diversification may affect issues such as product consistency and compliance with regulation and standards. Diversification also creates **legal risk**, but there are ways to address this:

- **Contracts need to be properly negotiated and constructed.** They should provide clauses offering contractual termination or variation options, and a means of privately and/or constructively resolving any dispute. Any clauses need to take account of any financial, environmental and political risks in any jurisdiction.
- Businesses are generally free to agree that the law and jurisdiction of any UK nation will apply to a contract irrespective of where both parties are based. As a rule of thumb, **UK businesses worried about operating across different jurisdictions should base their supply contracts on UK laws.** The enforcement of a foreign court order in a local jurisdiction isn't guaranteed, but getting advice on this before drafting a contract is simple.

- **Standard agreements covering a series of suppliers of the same product or a wider Digital Supply Network could allow purchasers to set out how their suppliers collaborate.** This will help with product development and manufacturing consistency, and make clear who owns the data generated by the network and whether participants can use it for their own purposes. They'll also increase transparency of the treatment of and demands on suppliers (and the effect on price), in both good times and bad.

While the above is traditionally the domain of blue-chip companies with strong bargaining power and/or advanced in-house legal teams, certainty in these areas should be in all parties' interests. Developing and negotiating more considered supply chain contracts should therefore be a priority, and common ground should be easy to find.

By the end of the COVID-19 pandemic, all businesses will have been affected profoundly, and will appreciate that the business landscape has changed. That shift of both mindset and economic dynamics represents an opportunity for business to refresh existing supply chains.

For more on how your business can build new supplier relationships in this changing landscape, contact [Irwin Mitchell Solicitors](#).