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FDEA Food & Drink Exporters Association

EXPORTS SNAPSHOT

2018

EXECUTIVE SUMMARY

- Headline data indicates a **modest increase in UK food and drink exports**, up 2.5% (y-o-y) to £22.6bn in 2018, compared to growth of 9.7% in 2017.
- **Export growth to EU markets was positive** (+4.3%), whilst exports to non-EU markets declined slightly over 2018 (-0.3%), raising the EU share of exports to 61.4%. Although there has been a fall in exports to the UK's non-EU trading partners, three of the top 20 non-EU markets have shown growth rates exceeding 10% (China, Australia, and Singapore).
- Positively, **the food and drink trade deficit narrowed by 1.4%** in 2018, standing at -£24.0bn, which is £348.0m smaller than the same period in 2017.
- As shown in Figure 1, the overall **value of exports has nearly doubled over the past decade**, from £13.3bn in 2008 to £22.6bn last year.
- **Beer and salmon have reported consistent negative growth** in 2018. This fall in salmon was mainly **driven by the US** (overall drop of £55bn, or 8,718 tonnes), and was closely followed by France, which saw a 6,406 tonne drop in salmon imports from the UK.
- On the other hand, whisky, chocolate, and cheese, **the UK's top 3 food and drink exports, have all shown growth over 2018** in volume and value. Notably, chocolate and cheese both saw faster growth in export volume over 2018 compared with 2017.

Data Sources: Her Majesty's Customs & Excise, and The Office for National Statistics

KEY INDICATORS

	2017	2018	Change
All food & drink	£22.1bn	£22.6bn	**2.5%**
EU	£13.3bn	£13.9bn	**4.3%**
Non-EU	£8.7bn	£8.7bn	**-0.3%**
EU share	60.3%	61.4%	**1.1pp**
Non-EU share	39.6%	38.5%	**-1.1pp**
Trade balance	-£24.3bn	-£24.0bn	**-1.4%**

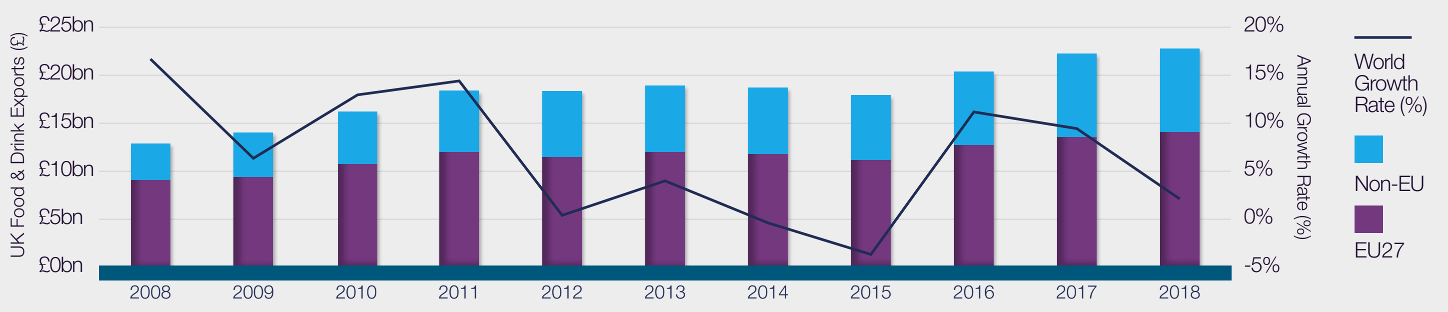
TOP 10 PRODUCTS

	2018	Change: Value	Change: Value (%)	Change: Volume (%)
Whisky	£4.8bn	**£342.3m**	**7.7%**	**3.0%**
Chocolate	£749.5m	**£32.0m**	**4.5%**	**3.9%**
Cheese	£675.4m	**£60.1m**	**9.8%**	**10.8%**
Salmon	£644.9m	**-£84.6m**	**-11.6%**	**-14.2%**
Wine	£630.4m	**£56.1m**	**9.8%**	**21.3%**
Gin	£614.4m	**£80.1m**	**15.0%**	**11.6%**
Beef	£536.6m	**£35.1m**	**7.0%**	**1.9%**
Beer	£489.2m	**-£36.5m**	**-7.0%**	**-6.3%**
Breakfast cereals	£481.6m	**£52.7m**	**12.3%**	**13.2%**
Pork	£465.5m	**£6.7m**	**1.5%**	**3.2%**

TOP 20 MARKETS

Ireland	£4.1bn	**9.8%**
United States	£2.2bn	**-2.2%**
France	£2.2bn	**-3.4%**
Netherlands	£1.6bn	**7.7%**
Germany	£1.4bn	**2.5%**
Spain	£995.0m	**2.5%**
Belgium	£694.8m	**7.2%**
China	£622.8m	**10.3%**
Italy	£582.7m	**4.5%**
Australia	£444.1m	**12.4%**
Hong Kong	£435.0m	**-6.7%**
Singapore	£423.6m	**11.2%**
Poland	£399.9m	**7.1%**
United Arab Emirates	£360.6m	**1.6%**
Denmark	£340.3m	**-0.5%**
Canada	£316.5m	**-4.1%**
Sweden	£276.5m	**-3.9%**
Japan	£274.6m	**15.1%**
Taiwan	£231.2m	**5.2%**
South Africa	£213.6m	**-9.3%**

FIGURE 1: UK FOOD AND DRINK EXPORT GROWTH



EXPORTS SNAPSHOT

2018

FDF AMBITION AND SUPPORT FOR BUSINESSES DURING BREXIT

- FDF's industry ambition is to **grow exports of branded food and non-alcoholic drink by a third**, from a 2014 baseline, to reach £6bn by 2020. Since 2014, exports of branded goods have now grown by 27%. **When looking at the last year, exports of branded goods saw negative overall growth** (-0.1%) to £5.8bn against the same period in 2017.
- Though the UK's exports of branded goods are within reaching distance of FDF's export ambition, the drop-off we have seen in 2018 reinforces the need for further dedicated support specific to food and drink exporters.
- FDF, supported by supply chain partners, is working with Government to address gaps in export support with the aim of boosting long-term export growth, while supporting food chain businesses as we leave the EU.
- Brexit is a concern for food and drink exporters. In FDF's most recent confidence survey, 30% of members expressed **concern over decreased export profitability**, highlighting the pressure that businesses are under across all parts of their business.
- This is in line with continued concerns over increased input prices, loss of access to EU preferential trade agreements and additional border/customs requirements, which were reported as expected barriers to business success in 2019 by up to 86% of respondents[2].

Data Sources: Her Majesty's Customs & Excise, and The Office for National Statistics

BRANDED GOODS[1]	2017	2018	Change
World	£5.8bn	£5.8bn	**-0.1%**
EU	£3.9bn	£4.1bn	**5.0%**
Non-EU	£2.0bn	£1.8bn	**-10.2%**
EU share	66.4%	69.8%	**3.4pp**
Non-EU share	33.6%	30.2%	**-3.4pp**

TOP 5 MARKETS	2017	2018	Change
Ireland	£1.4bn	£1.5bn	**7.2%**
Germany	£515.5m	£523.3m	**1.5%**
Netherlands	£426.1m	£452.7m	**6.2%**
France	£371.8m	£362.4m	**-2.5%**
United States	£201.8m	£214.7m	**6.4%**

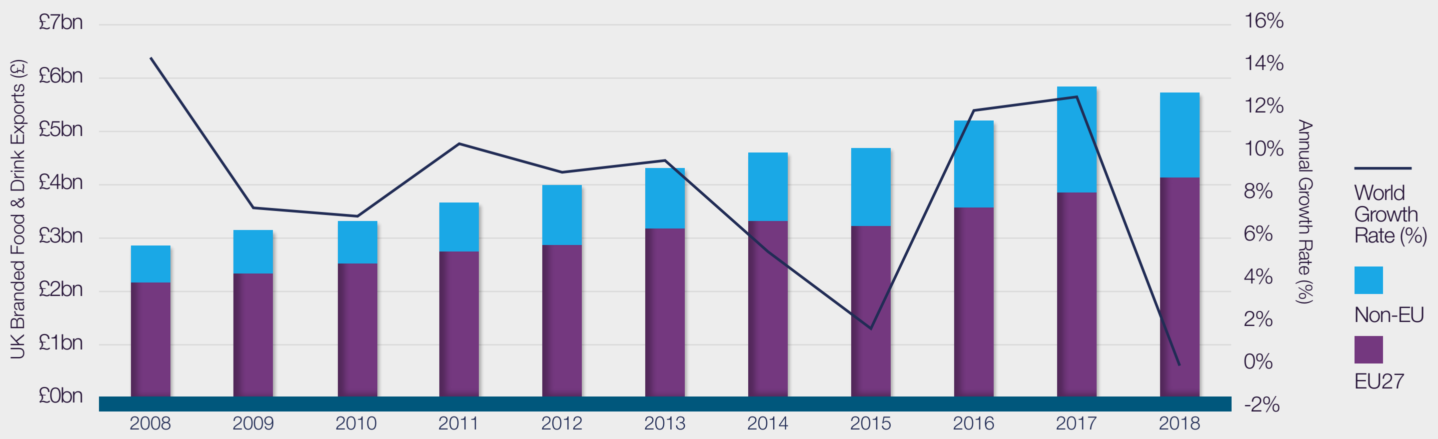
Grow exports of branded food and non-alcoholic drink by a third...

...reaching £6bn by 2020

IMPACT OF CURRENCY ON EXPORT SALES

- Between 2016 and 2017, export values to all major trade partners increased (except for Spain) whereas in 2018, **exports to 7 of our 20 largest export markets reported negative growth**.
- In 2018 **the relative value of the Pound against all major currencies strengthened**, in contrast to 2017 when the value of the Pound reached more than a 10-year low. Export values benefit from currency devaluations, making them globally competitive, although firms importing raw materials will face higher costs of imports.
- Currency devaluation is only one of the contributors to export value growth. UK food and drink exports are seen to be high quality and safe products that consumers trust, with brand promotion leading to increased overseas sales. Better export support services available to UK exporters also play a big part.
- In our research, we have explored the correlation between EU27 exports and the GBP/EUR exchange rate which showed that **a 10% rise in the value of the pound against the euro tends to be associated with a 4% decline in the value of EU27 exports**.

FIGURE 2: UK BRANDED FOOD AND DRINK EXPORT GROWTH



EXPORTS SNAPSHOT

2018

EXPORTS OF WHEAT-BASED GOODS

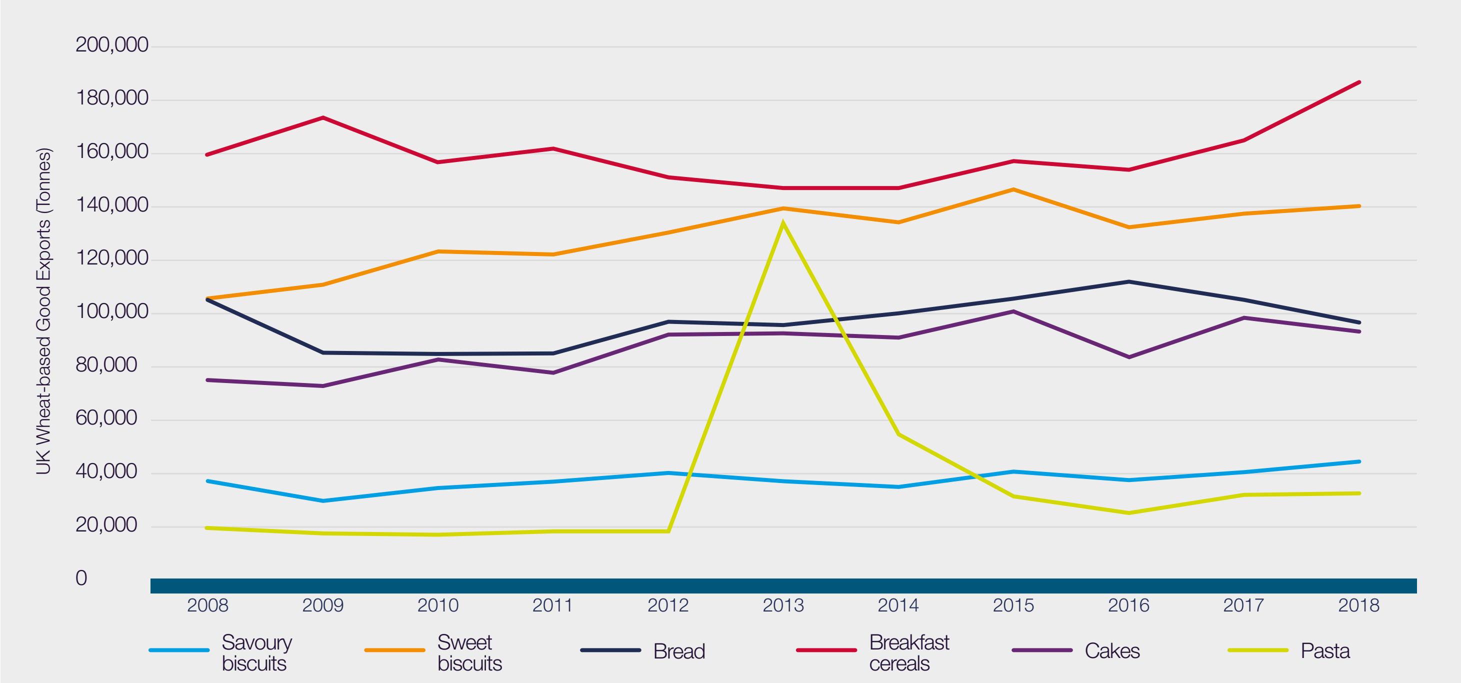
- **Wheat and wheat-based goods** (such as breakfast cereals, sweet biscuits, cakes and breads) **account for around 10% of overall UK food and drink exports**, and are consistently found in the top 50 exported food products.
- Figure 3 demonstrates that the **volume of wheat-based good exports have shown mixed performance over the past decade**, with the slowest growing product being breakfast cereals (16.3% since 2008), and the fastest growing product being pasta (50.7% since 2008). However, the **amount of wheat (as a commodity) and bread being exported has fallen** at an average rate of 17% and 1% respectively per year over the past decade. Overall, the quantity of wheat-based good exports have risen by 16.9% since 2008.
- The table opposite outlines the UK exports of wheat and wheat-based goods over the past 5 years. **Sweet biscuits and breakfast cereals are the top two exported products** in this category, both worth more than £400m in 2018.
- Despite being one of the lower performers (in terms of value), pasta exports have shown the fastest growth over the past 5 years (6.7% CAGR over the past 5 years), when compared with wheat and other wheat-based goods. In contrast, wheat exports themselves have fallen significantly.
- **Between 2012 and 2013, pasta exports saw a notable rise, both in value and volume** (+22% and +617% respectively). This sharp increase was driven by a 113,065 tonne rise (919%) in exports to Ireland. This was followed by a tail-off in demand for UK-produced pasta in 2014*.

Data Sources: Her Majesty's Customs & Excise, and The Office for National Statistics

WHEAT & WHEAT-BASED PRODUCTS: 5 YEAR TRENDS

Product	2014	2015	2016	2017	2018	CAGR (2014-18)
Wheat	£164.7m	£265.2m	£389.2m	£102.9m	£63.8m	**-17.3%**
Savoury biscuits	£100.6m	£105.0m	£106.7m	£117.4m	£132.1m	**5.6%**
Sweet biscuits	£373.7m	£385.4m	£372.4m	£401.7m	£416.0m	**2.2%**
Bread	£103.5m	£105.7m	£118.0m	£115.4m	£124.7m	**3.8%**
Breakfast cereals	£362.1m	£369.0m	£385.9m	£428.9m	£481.6m	**5.9%**
Cakes	£207.0m	£223.6m	£232.6m	£265.1m	£230.8m	**2.2%**
Pasta	£49.2m	£47.3m	£48.0m	£57.2m	£68.2m	**6.7%**
Wheat-based products (Total)	**£1.2bn**	**£1.2bn**	**£1.3bn**	**£1.4bn**	**£1.5bn**	**4.0%**
Wheat & wheat-based products: Share of Total Exports[3]	**10.6%**	**12.2%**	**12.0%**	**9.8%**	**9.8%**	**-1.6%**

FIGURE 3: UK WHEAT-BASED GOODS EXPORT VOLUME



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EXPORTS SNAPSHOT

2018

UK EXPORTS OF WHEAT-BASED GOODS

- The **UK's top destination for all wheat and wheat-based good exports is Ireland**, with 35.2% being exported there in 2018. Overall, the EU is the largest buyer of UK wheat-based products, holding a share of 70% of export value in 2018. The US and France are also significant importers of UK-produced bread and biscuits.
- Exports of all products increased in 2018, with the exception of cakes, which decreased by 13%. The **fastest growing product was pasta**, due to a 46% increase in sales to non-EU countries led by Australia and Hong Kong.
- For cakes, bread and pasta, more than two thirds of export sales are accounted for by the top 5 trading partners. The top 5 markets for these products are almost exclusively EU27 countries (Ireland, France, the Netherlands, Germany, and Belgium). Amongst them, only pasta forms an exception, with 6.9% of UK-produced pasta going to Australia.
- Looking at growth over the past year, **non-EU markets have been a key point of interest, notably the UAE (United Arab Emirates), Hong Kong, and Australia.** The three markets combined account for around 10% of UK wheat-based good exports.

Data Sources: Her Majesty's Customs & Excise, and The Office for National Statistics

Savoury biscuits

Top 3 Markets

Ireland, US, Australia

£132.1m

Pasta

Top 3 Markets

Ireland, France, Australia

£68.2m

Sweet biscuits

Top 3 Markets

Ireland, France, US

£416.0m

Wheat

Top 3 Markets

Ireland, Netherlands, Spain

£63.8m

Cakes

Top 3 Markets

Ireland, Netherlands, France

£230.8m

Bread

Top 3 Markets

Ireland, France, Germany

£124.7m

Breakfast cereals

Top 3 Markets

Ireland, UAE, Spain

£481.6m

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UK FOOD & DRINK EXPORTS AND IMPORTS REGIONAL MAP[4]

Key

Food & Drink Export Value

- £0 - £0.9bn
- £1bn - £1.9bn
- £2bn - £2.9bn
- £3bn - £3.9bn
- £4bn +

- £ Food & Drink Exports
- £ Food & Drink Imports
- Share of UK Food & Drink Exports[5]
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- Ranking of Food & Drink Exports (of 8 SITC Sections)[6]
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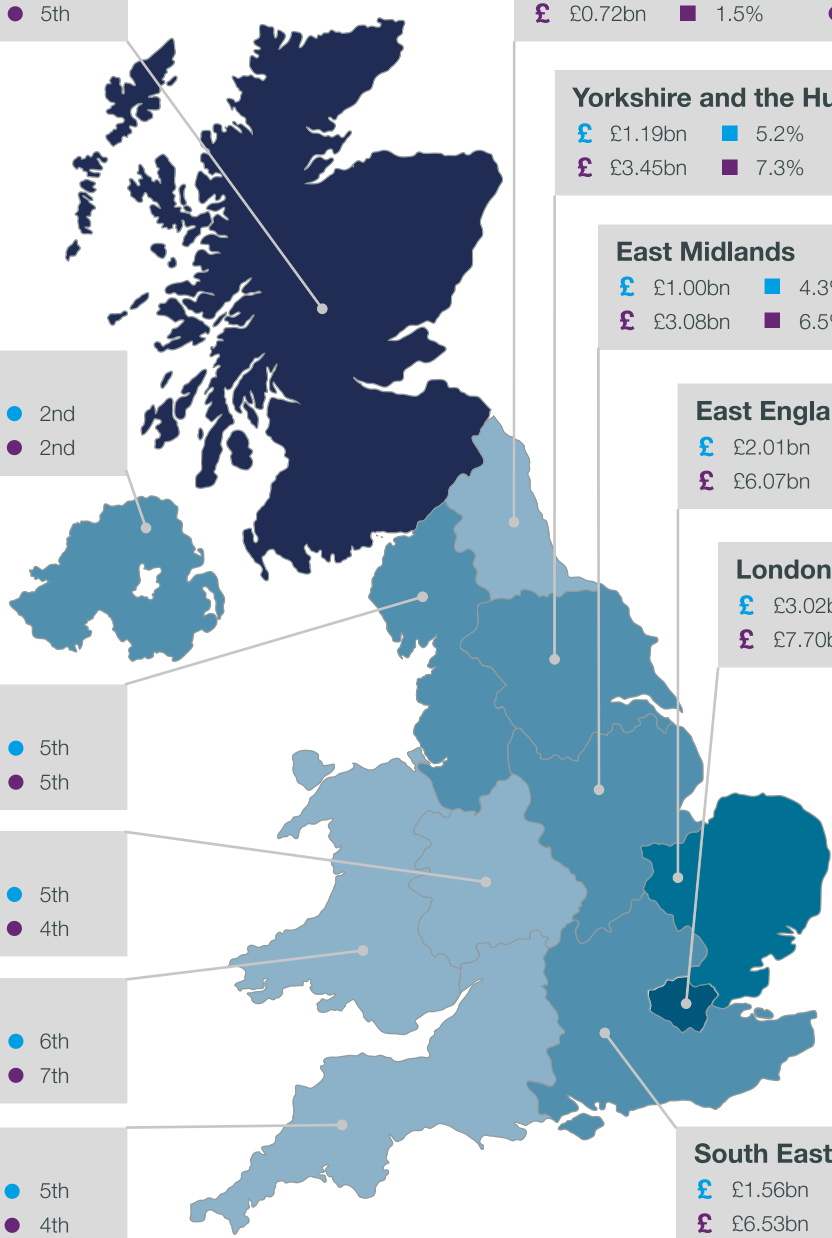

Scotland

	£	Share	Ranking
Exports	£5.89bn	25.6%	3rd
Imports	£2.32bn	4.9%	5th

North East

	£	Share	Ranking
Exports	£0.24bn	1.1%	5th
Imports	£0.72bn	1.5%	5th

Yorkshire and the Humber

	£	Share	Ranking
Exports	£1.19bn	5.2%	6th
Imports	£3.45bn	7.3%	6th

East Midlands

	£	Share	Ranking
Exports	£1.00bn	4.3%	5th
Imports	£3.08bn	6.5%	4th

Northern Ireland

	£	Share	Ranking
Exports	£1.90bn	8.3%	2nd
Imports	£1.75bn	3.7%	2nd

East England

	£	Share	Ranking
Exports	£2.01bn	8.7%	5th
Imports	£6.07bn	12.8%	4th

London

	£	Share	Ranking
Exports	£3.02bn	13.1%	6th
Imports	£7.70bn	16.3%	4th

North West

	£	Share	Ranking
Exports	£1.87bn	8.1%	5th
Imports	£4.66bn	9.8%	5th

West Midlands

	£	Share	Ranking
Exports	£0.82bn	3.6%	5th
Imports	£3.16bn	6.7%	4th

Wales

	£	Share	Ranking
Exports	£0.54bn	2.3%	6th
Imports	£0.79bn	1.7%	7th

South West

	£	Share	Ranking
Exports	£0.82bn	3.5%	5th
Imports	£2.52bn	5.3%	4th

South East

	£	Share	Ranking
Exports	£1.56bn	6.8%	6th
Imports	£6.53bn	13.8%	5th

Footnotes

1 Branded goods refer to manufactured food and non-alcoholic beverages.

2 Results here are expressed as a percentage of respondents.

3 Food and non-alcoholic drink exports from the UK to the rest of the world.

4 Data used in this section include the export of tobacco and live animals.

5 Not all trade can be assigned to one of the 9 English Regions, Wales, Scotland and Northern Ireland. This is classified as 'Unallocated Trade'.

6 Other sections here are: crude materials, mineral fuels, chemicals, manufactured goods (excluding food), machinery & transport, miscellaneous manufactures (e.g. furnishings), and other commodities n.e.s. (e.g. coins).

Data Sources: Her Majesty's Customs & Excise, and The Office for National Statistics fdf

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2018

The UK food & drink manufacturing sector employs more than

103,000

EU workers... ...over

1/4

of our workforce

The UK is Ireland's largest trading partner for food & drink...

37%

of its food & drink exports go to the UK (€4.6bn)

Food & drink contributes

£31.1bn

to the economy

With the support of industry, the UK Government has **set up the most ambitious sugars reduction programme anywhere in the world** to help lower sugar in the national diet

Sugar intake from overall soft drink **consumption is down** over

17% since 2013

The food & drink industry is the biggest manufacturing sector in the country...

...larger than automotive & aerospace combined

We will need

140,000

new recruits by 2024

to feed an expected population of 70m people & meet market demands

In 2018, total food & drink export figures **were worth more than**

£23bn

Our top three export markets are

Ireland, the USA & France

3rd 1st 2nd

The top 3 opportunities identified for food and drink manufacturers in 2019 are

domestic demand, healthy food products & investment

Our industry has a turnover of

£104bn,

accounting for 19% of total UK manufacturing

The food supply chain employs

4 million people

& generates over

£121 billion

of added value for the economy each year

97%

of our 7,290 food & drink businesses are SMEs

Our industry employs over

450,000 people