



Data & Trends of the European Food and Drink Industry 2011

FOODDRINK
EUROPE

INTRODUCTION

Welcome to the 2011 Data & trends of the European food and drink industry Brochure. This report will provide you with a comprehensive picture of the structure and economics of our industry, the largest manufacturing sector in the EU. The document is compiled in four sections: ‘Structure of the Industry’, ‘Trade with non-EU countries’, ‘Markets and Consumption’ and ‘World Trends’, covering the whole European food and drink industry. I hope you enjoy finding out more about our industry in the pages overleaf.

Jesús Serafín Pérez
President of FoodDrinkEurope

This report covers the whole European food and drink industry, which is identified by the new NACE rev2 codes C10 (food products) and C11 (drinks). For more information on classification, please visit: http://ec.europa.eu/eurostat/ramon.

TABLE OF CONTENTS

The EU food and drink industry in 2010 3

Structure of the EU food and drink industry 4
- The food and drink industry in the EU manufacturing sector 5
- SMEs 6
- Sectors 7
- The food and drink industry at the National level 8
- R&D and innovation 9

Trade with non-EU countries 10
- Extra-EU trade in 2010 11
- Extra-EU trade by sector in 2010 12
- Extra-EU trade trends in 2011 13
- EU food and drink products on world markets 14

Markets and consumption 16
- Food chain 16
- Prices of agricultural raw materials and food products 17
- Consumption 18
- Food retail market 19

World trends 20
- Structure 20
- R&D and innovation 21

Top global and EU food and drink companies 22

The EU food and drink industry in 2010

Turnover

€956.2 billion

Largest manufacturing sector in the EU (16.0%)

Employment

4.1 million people

Leading employer in the EU manufacturing sector (14.6%)

SMEs[1]

48.7% of food and drink turnover

63.0% of food and drink employment

External trade

Exports €65.3 billion
(+21.5% compared to 2009)

Imports €55.5 billion
(+9.3% compared to 2009)

Trade balance €9.8 billion

Net exporter of food and drink products

Number of companies[1]

274,000

Fragmented industry

Value added[1]
(% of EU GDP)

2%

Slight increase

Consumption
(% of household expenditure)

13%

Stable

EU market share in global exports

17.8% (20.4% in 2000)

Shrinking share in global markets

R&D[2]
(% of food and drink output)

0.38%

Stable

(1) 2009 data
(2) 2007 data

Sources: Eurostat; UN COMTRADE; OECD

Structure of the EU food and drink industry

- The food and drink industry is the largest manufacturing sector in the EU in terms of turnover, value added and employment. It is the second leading manufacturing sector in terms of number of companies in the EU.
- As a non-cyclical sector, the food and drink industry showed continued stability during the recent economic downturn. The sector has outperformed the wider manufacturing sector in the EU: food companies registered output growth (1.3%) during the period Q1 2008 to Q3 2011 while the output of the EU manufacturing industry overall decreased (-7.9%).
- The food industry is also a relatively stable employer with a lower decline in employment than EU manufacturing as a whole.

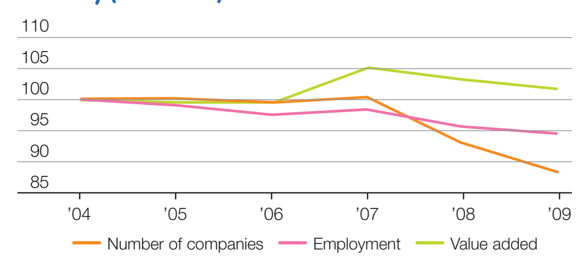
The EU food and drink industry

		2009	2010[1]
Turnover	€ billion	929.2	956.2
Value added	€ billion	193.0	-
Number of employees	million	4.2	4.1
Number of companies	1000	274	-

(1) FoodDrinkEurope estimates based on Eurostat figures in current prices

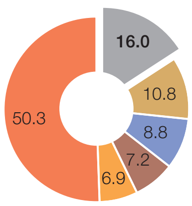
Sources: Eurostat (SBS); FoodDrinkEurope calculation

Evolution of value added, employment and the number of companies in the EU food and drink industry (2004=100)

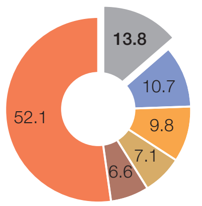


Sources: Eurostat (SBS); FoodDrinkEurope calculation

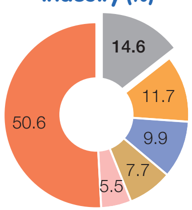
Share of turnover in the manufacturing industry (%)



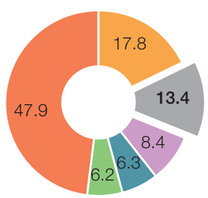
Share of value added in the manufacturing industry (%)



Share of employment in the manufacturing industry (%)



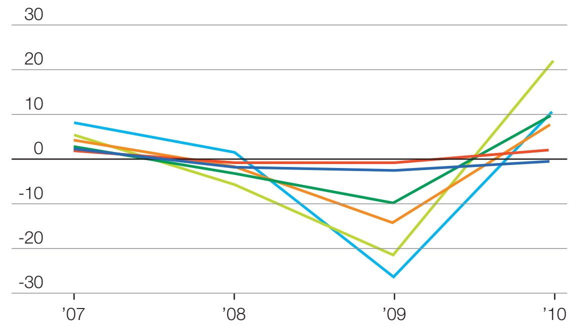
Share of the number of companies in the manufacturing industry (%)



Food and drink products
Automobile
Machinery and equipments
Chemicals
Fabricated metal products
Rubber and plastic products
Wood products
Wearing apparel
Printing & reproduction of media
Others

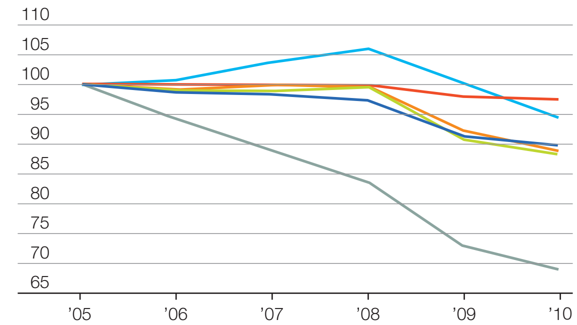
Source: Eurostat 2009 (SBS)

Evolution of output growth in the manufacturing industry, 2007-2010 (%)



Source: European Commission, DG Enterprise and industry, "The economic recovery note", 2009-2011

Evolution of employment in the manufacturing industry, 2005-2010 (2005=100)



Source: Eurostat (Short-term Business Statistics)

Labour productivity and profitability in the manufacturing industry

	Labour productivity [1] (€1000 per employee)	Gross operating rate [2] (%)
Manufacturing	46	7.0
Food products	**38**	**7.9**
Drinks	**70**	-
Automobile	45	-
Chemicals	78	8.1
Machinery and equipment	51	6.3
Textiles	29	6.0

(1) Value added per employee
(2) The gross operating rate is the gross operating surplus expressed as a percentage of the turnover generated. The gross operating surplus is value added minus personnel costs. It is an indicator of profitability.

Source: Eurostat 2009 (SBS)

Output growth in the period Q1 2008 to Q3 2011 in the manufacturing industry (%)

Manufacturing	-7.9
Automobile	-3.6
Chemicals	-5.3
Drinks	**-1.2**
Food products	**1.3**
Machinery and equipments	-9.7
Pharmaceutical products	14.8
Textiles	-19.5

Source: European Commission, DG Enterprise and industry, "The economic recovery note", 2009-2011

EU F&D industry: A diversified sector

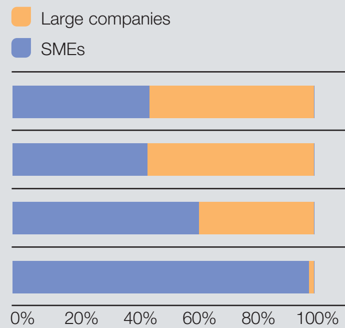
SMEs represent:

- **€452 billion** of turnover
- **€93 billion** of value added
- **2.7 million** employees[2]
- **271,000** enterprises

SMEs account for:

- **48.7%** of the F&D turnover
- **48.0%** of the F&D value added
- **63.0%** of the F&D employment[2]
- **99.1%** of the F&D companies

Key role of SMEs in the EU F&D industry



	Micro-companies (% in total)	Small companies (10-19) (% in total)	Small companies (20-49) (% in total)	Medium-sized companies (% in total)
Turnover	7	5	10	27
Added value	9	6	9	24
Number of employees	15	9	12	27
Number of companies	79	10	6	4

Fragmentation of the industry per Member State

Distribution of companies in large Member States (% of total companies per Member State)

	FR	IT	DE	UK
Micro-companies	89.6	87.5	50.2	49.4
Small companies 10-19	5.5	7.7	27.5	25.4
Small companies 20-49	2.7	3.3	9.9	11.1
Medium-sized companies	1.7	1.3	10.0	9.8
Large companies	0.5	0.2	2.4	4.3

Labour productivity[3] increases with the size of company

Labour productivity (€1000) in:

Micro-companies	24
Small companies	30
Medium-sized companies	40
SMEs	33
Large companies	60

Focus on medium-sized companies

Medium-sized companies contribute to 27% of the EU F&D turnover and employ 27% of the sector's workforce while representing only 4% of EU F&D companies.

Larger contribution of SMEs in the F&D industry than in manufacturing

Turnover (%)	**F&D**	**Manuf.**
Micro-companies	7	6
Small companies	15	13
Medium-sized comp.	27	21
Large companies	51	60

Value added (%)	**F&D**	**Manuf.**
Micro-companies	9	7
Small companies	15	15
Medium-sized comp.	24	23
Large companies	52	54

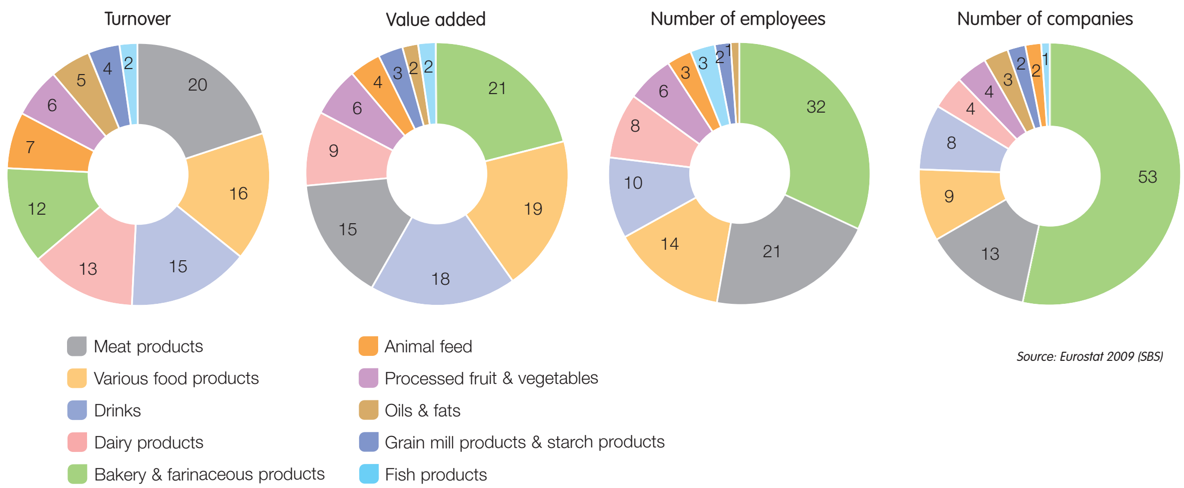
(1) Definition of Small and Medium Sized Enterprises (SMEs) for Eurostat: micro = less than 10; small = 10 to 49; medium-sized = 50 to 249; large: more than 250 employees.
(2) Data missing: LU, DK, MT; UK for beverages
(3) Defined as value added per employee

Sources: Eurostat 2009 (SBS); FoodDrinkEurope calculation

- The meat sector is the largest sub-sector, representing 20% of total turnover.
- The "bakery and farinaceous products" category ranks first in terms of value added, employment and number of companies.
- The top 5 sectors (bakery and farinaceous products, meat sector, dairy products, drinks and "various food products" category[1]) represent 76% of the total turnover and more than four fifths of the total number of employees and companies.

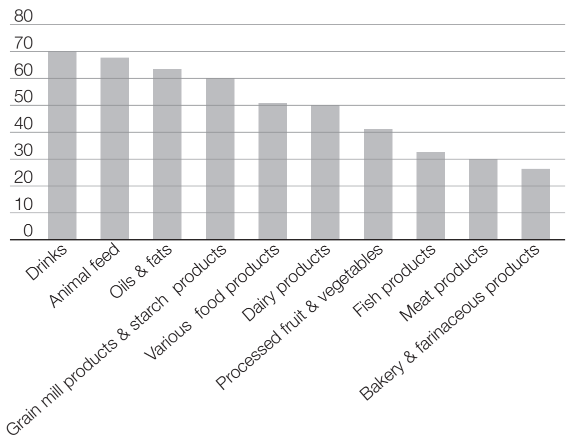
(1) This is a heteregeous group which includes chocolate and confectionery products, sugar, coffee and tea as well as prepared meals and baby food.

Distribution of turnover, value added, number of employees and of companies in the sub-sectors of the food and drink industry, 2009 (%)



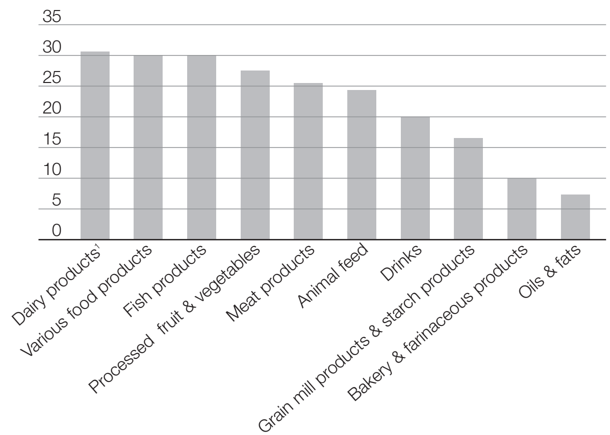
Source: Eurostat 2009 (SBS)

Labour productivity[1], 2009 (€ million)



(1) value added per employee *Source: Eurostat 2009 (SBS)*

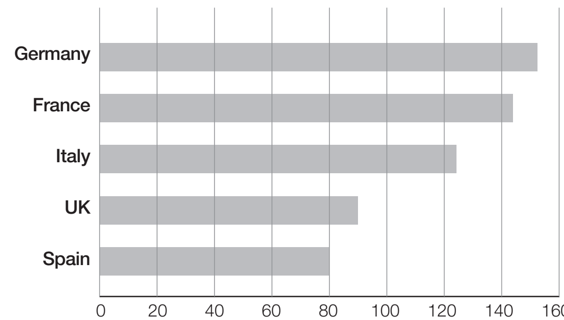
Number of persons employed per company, 2009



(1) 2008 data *Source: Eurostat 2009 (SBS)*

- The food and drink industry is a pillar of the EU economy. At Member State level, this sector frequently features in the top three manufacturing activities in terms of sales.
- Germany, France, Italy, UK and Spain are the largest EU food and drink producers.
- The table below presents key available data. After the slowdown in the 2009 economic crisis, sales started rising again in 2010, in particular in the large Member States. The number of employees, however, continued on a downward trend in most Member States.

Top 5 Member States in terms of EU food and drink industry sales, 2010 (€ billion)



Source: FoodDrinkEurope National Federations

Food and drink companies directly employ 4.1 million people in the EU.

Employment in this sector is:

- relatively stable: the number of employees in the food and drink industry decreased less than in other manufacturing sectors (page 5),
- spread across EU Member States,
- distributed in a relatively balanced way according to the size of companies (page 6).

Food and drink industry data as published by FoodDrinkEurope National Federations[1]

	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GR	HU	IE	IT	LT	LV	NL	PL	PT	RO	SE	SI	SK	UK
Net sales [2] (€ billion)																									
2009	11.6	38.7	4.1	1.5	10.5	147.7	17.7	1.1	80.2	10.2	139.0	12.0	7.4	22.2	120.0	2.9	1.5	59.8	37.2	13.9	8.2	16.5	1.9	3.6	81.6
2010	11.6	39.0			10.6	151.8	18.3	1.0	80.7	10.2	143.6	11.1	7.4		124.0				40.0	14.0	9.8	17.2	1.8		88.9
2010/2009 (%)	↑ 0.7	↑ 0.7			↑ 1.0	↑ 2.8	↑ 3.4	↓ -9.1	↑ 0.6	0.0	↑ 3.3	↓ -7.5	0.0		↑ 3.3				↑ 7.4	↑ 0.7	↑ 19.0	↑ 4.2	↓ -3.2		↑ 8.9
Rank[3]	5th	3rd			5th	5th	1st	2nd	1st	4th	1st	1st	3rd	1st	2nd		-		2nd	1st	2nd	3rd	5th		1st
Number of employees (1000)																									
2009	57.3	89.1	102.0	12.9	111.9	536.5	64.4	15.0	460.0	34.1	479.9	69.0	96.4	37.5	410.0	44.1	25.7	124.1		109.0	176.0	53.5	13.3	36.7	377.0
2010	57.9	88.6			107.1	542.0	60.8	13.7	445.0	33.0	470.0	66.0	97.4		406.0				425.0	109.6	185.0	52.2	13.0		368.0
2010/2009 (%)	↑ 1.1	↓ -0.6			↓ -4.3	↑ 1.0	↓ -5.5	↓ -8.7	↓ -3.3	↓ -3.2	↓ -2.1	↓ -4.3	↑ 1.0		↓ -1.0					↑ 0.6	↑ 5.1	↓ -2.4	↓ -2.3		↓ -2.4

(1) Or by Eurostat
(2) Or production value (in current prices)
(3) Rank of the food and drink industry in the national manufacturing industry in terms of net sales

Sources: FoodDrinkEurope National Federations; Eurostat

- The EU accounted for 42% of all agri-food patent applications submitted worldwide in the period 1998-2008. If patent applications are considered as a relevant indicator for innovation, the table (right) suggests that, when comparing its share in global innovation, the EU agri-food sector is outperforming most of the other economic sectors, second only to logistics.
- Within the EU, 2% of patents submitted in the manufacturing industry are from the food and drink industry.
- On average, increasing the quality and range of goods and services and expanding market shares are the top three objectives of innovating food companies.
- The percentage of innovation in food companies varies according to Member State. Estonia, followed by Finland and Germany, has the highest share of product innovation in the food industry. In most Member States, process innovation is surpassed by product innovation.

World and EU patent applications by sector for top 9 sectors, 1999-2008

	World (1000)	EU (1000)	EU share[1] (%)
Logistics	10.6	5.8	55
Agriculture and food	**24.3**	**10.2**	**42**
Water	23.8	9.5	40
Horticulture	8.7	3.5	40
Chemicals	551.2	212.1	38
Energy	23.7	8.3	35
Life sciences	298.0	99.2	33
Creative ind.	40.0	8.8	22
High technological ind.	1,331.1	208.9	16

(1) Share of EU patent applications for a particular category in the global number of patent applications of that category

Sources: Octrooitoppers, Topgebieden vanuit octrooiperspectief, Ministerie van Economische Zaken, Landbouw en Innovatie, July 2011

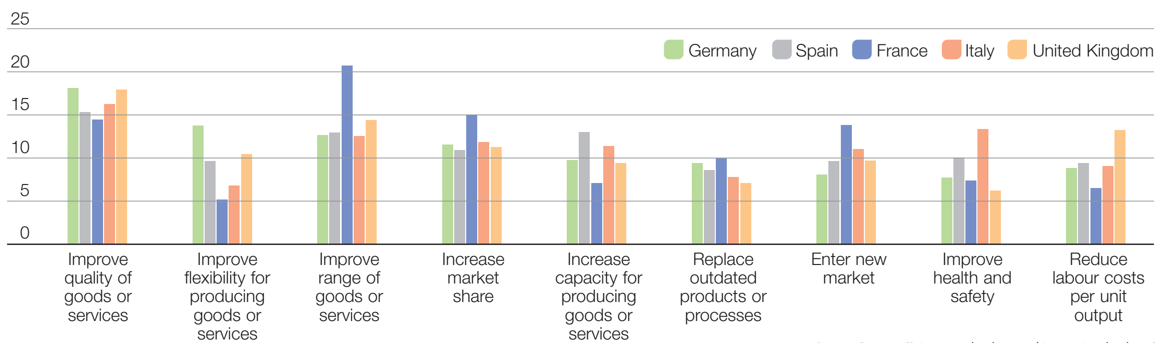
Patent applications to the EPO[1] by sector in the EU, 2008 (% in manufacturing)

10% - 8%	7% - 4%	3% - 2%
Automobile	Basic chemicals	Medical equipment
Office machinery	Transport equipment	Fabricated metal products
Pharmaceuticals		Rubber and plastic products
Television and radio		**Food and drink products**

(1) European Patent Office

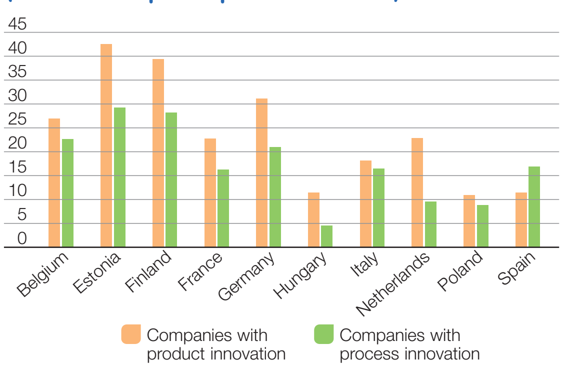
Source: Eurostat (Science, technology and innovation database)

Highly important innovation objectives in the food industry, 2008 (% of companies with innovation activity)



Source: Eurostat (Science, technology and innovation database)

Food companies with product or process innovation, developed within the enterprise, 2008 (% of total companies per Member State)



Source: Eurostat (Science, technology and innovation database)

Food companies with product or process innovation through different activities or solely R&D, developed within the enterprise, 2008 (% of total companies per Member State)

		BE	EE	ES	FI	FR	HU	IT	NL	PL
Product innovation in the company	Companies with product innovation[1]	27	43	12	40	23	11	18	23	11
	Companies with an R&D activity	21	21	7	32	19	5	7	13	3
Process innovation in the company	Companies with process innovation[1]	23	29	17	28	16	5	17	10	9
	Companies with an R&D activity	16	12	7	23	13	3	5	7	2

(1) Innovation activities for example through R&D, acquisition of machinery, equipment and software

Source: Eurostat (Science, technology and innovation database)

Trade with non-EU countries

- In 2010, the EU food and drink industry exported products worth €65.3 billion. The value of the overall EU trade in food and drink products increased by 15.6%, a marked improvement after a decrease of 11% the previous year.
- Given high growth rates for exports to emerging markets (42% on average for BRIC[1]), and slower demand-related recovery of imports to Europe, the EU export balance for food and drink amounted to nearly €10 billion in 2010. This marks the reversal of an almost decade-long downward trend in the export balance.

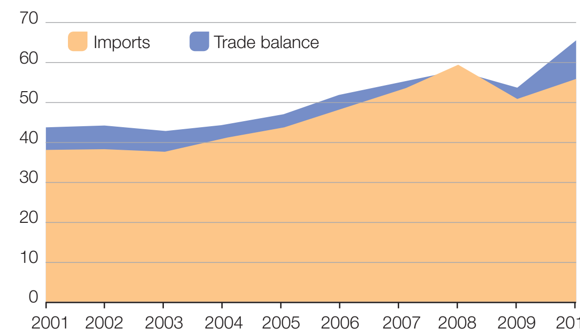
(1) Brazil, Russia, India and China

EU key trade figures (€ million)

	2008	2009/2008	2009	2010/2009	2010
Export	58,424	-8.0%	53,731	21.5%	65,301
Import	59,209	-14.2%	50,781	9.3%	55,479
Balance	-785		2,950		9,822

Source: Eurostat (Comext)

Evolution of EU food and drink export balance, 2001-2010 (€ billion)



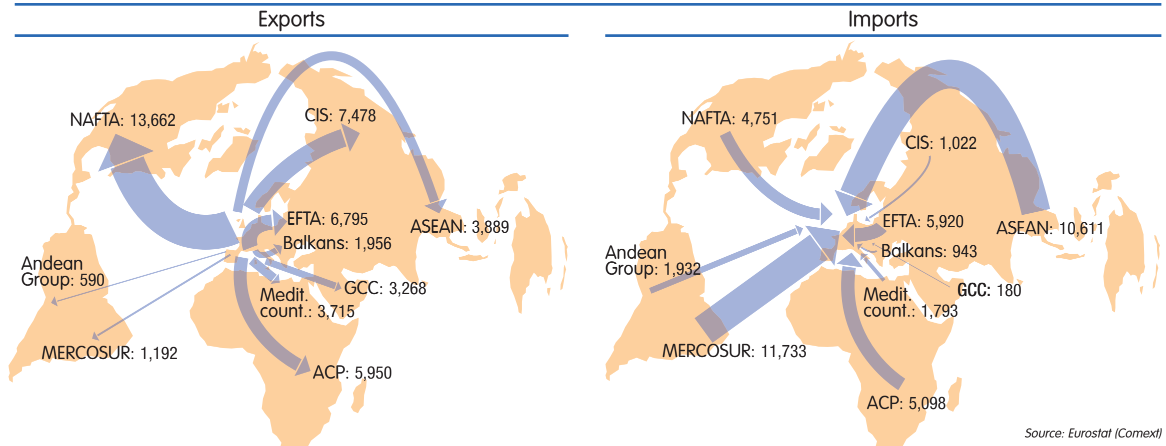
Source: Eurostat (Comext)

Top EU trading partners, 2010 (€ million)

Exports			Imports		
		'10/'09			'10/'09
USA	10,916	17%	Brazil	5,992	2%
Russia	6,604	35%	Argentina	5,229	3%
Switzerland	4,339	8%	USA	3,663	24%
Japan	3,377	12%	China	3,602	16%
China	2,393	44%	Switzerland	3,187	12%
Norway	2,276	12%	Indonesia	2,572	6%
Canada	2,128	19%	Thailand	2,394	8%
Hong Kong	1,920	38%	Turkey	1,893	18%
Australia	1,499	15%	Norway	1,779	18%
Saudi Arabia	1,354	23%	New Zealand	1,536	2%
Singapore	1,313	38%	Malaysia	1,373	30%
Turkey	1,140	55%	India	1,295	15%
U.A. Emirates	1,106	24%	Chile	1,276	-3%
Ukraine	1,071	22%	Morocco	993	7%
South Korea	1,067	29%	Vietnam	964	9%

Source: Eurostat (Comext)

EU trade by region, 2010 (€ million)



Source: Eurostat (Comext)

Note: **ACP** (Africa, Caribbean and Pacific countries); **Andean Group:** Bolivia, Colombia, Ecuador, Peru and Venezuela; **ASEAN** (Association of Southeast Asian Nations); **Balkans:** Albania, Bosnia-Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia; **CIS (Commonwealth of Independent States):** Armenia, Azerbaijan, Belarus, Kazakhstan, Kirgizstan, Moldova, Russia, Tajikistan, Uzbekistan; **EFTA** (European Free Trade Area); **GCC:** Kuwait, Bahrain, Qatar, U.A. Emirates, Oman, Saudi Arabia; **MERCOSUR:** Brazil, Argentina, Uruguay and Paraguay; **NAFTA:** Canada, USA, Mexico

- Export values for all top markets not only recovered after a reduction in 2009, but exceeded 2008 levels. This positive result was due principally to a depreciation of the Euro and higher levels of world prices for several products.
- Trade statistics reflect the increasing importance of the emerging economies which already represent 8 out of the 15 largest markets for EU food and drink exports and 11 out of the top 15 most important EU food and drink suppliers.

Exports to emerging countries[1], 2001-2010

	2010 (€ million)	Rank[2]	2010/2001 (%)
Russia	6,604	2	110
China	2,393	5	466
Hong Kong	1,920	8	143
Saudi Arabia	1,354	10	24
Singapore	1,313	11	181
Turkey	1,140	12	261
U.A. Emirates	1,106	13	96
South Korea	1,067	15	36
Brazil	963	17	97
South Africa	909	18	203
Nigeria	841	19	40
Taiwan	661	23	28
Mexico	618	24	10
Thailand	535	25	20
Egypt	519	26	33

Imports from emerging countries[1], 2001-2010

	2010 (€ million)	Rank[2]	2010/2001 (%)
Brazil	5,992	1	29
Argentina	5,229	2	72
China	3,602	4	112
Indonesia	2,572	6	153
Thailand	2,394	7	73
Turkey	1,893	8	81
Malaysia	1,373	11	76
India	1,295	12	79
Chile	1,276	13	48
Morocco	993	14	49
Vietnam	964	15	445
South Africa	836	21	17
Russia	768	22	1
Peru	755	23	76
Philippines	587	24	72

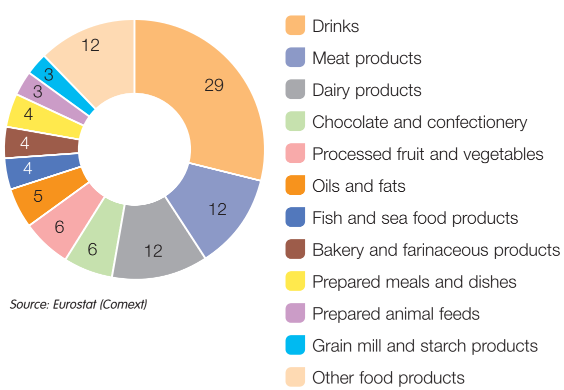
(1) According to combined classification by The Economist, FTSE, Dow Jones, Next11/BRIC and EAGLEs/Nest
(2) Rank in top countries of destination for EU food and drink exports

Source: Eurostat (Comext)

Extra-EU trade by sector in 2010

- All categories of products witnessed double-digit export growth in 2010. Dairy products benefited from the most significant increase (27%) compared to the previous year.
- For many categories of foodstuffs, 2010 also brought a clear improvement in terms of the sectoral trade balance. Only fishery products, as well as oils and fats, registered some deterioration.
- Wines and spirits continue to be the leading exports of the European food and drink industry. Overall, drinks accounted for nearly one third of the EU food industry export value in 2010. Those were followed by dairy and meat products which together accounted for an additional quarter of exports.

Share of each industry sector in EU food and drink exports, 2010 (%)



Source: Eurostat (Comext)

Top EU food and drink export and import, 2010 (€ billion)

Exports		Rank in 2000[1]	Imports		Rank in 2000[1]
Spirits	7,085	1	Oilcake, animal feed	8,518	1
Wines	6,736	2	Fish filets	4,324	3
Food preparations	3,531	6	Crustaceans, molluscs	4,181	2
Cheese	2,982	5	Palm oil	3,167	15
Animal feed, petfoods	2,877	9	Wines	2,339	4
Pork meat fresh, frozen	2,614	4	Prepared and preserved fish	2,058	6
Concentrated milk	2,555	3	Fruit juice	1,668	5
Malt extract, prepared	2,479	10	Prepared and preserved meat	1,477	17
Chocolate	2,201	12	Beef meat fresh, frozen	1,306	9
Malted beer	2,135	7	Fruit preparations	1,299	12
Pastries and biscuits	2,046	11	Frozen fish	1,297	7
Offal, poultry meat	1,967	16	Sugars	1,278	10
Soft drinks	1,471	31	Food preparations	1,168	18
Olive oil	1,435	14	Sheep, goat meat	1,096	8

Source: UN COMTRADE
(1) Rank of the same product within top exports in 2000

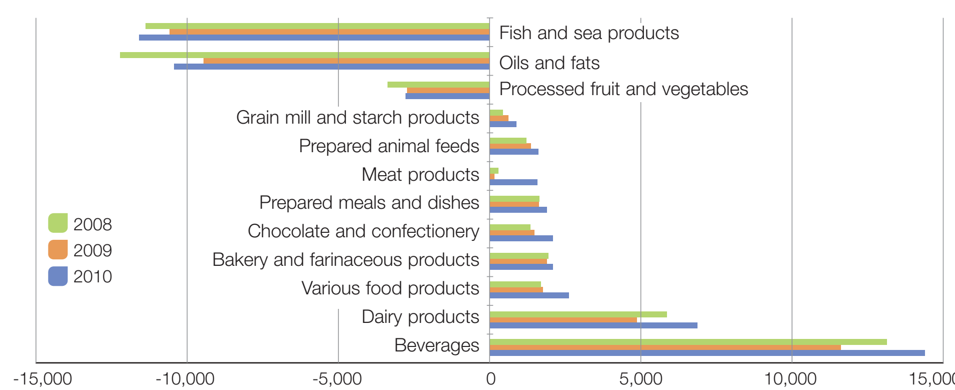
Source: UN COMTRADE
(1) Rank of the same product within top exports in 2000

Exports by sector 2009-2010 (€ billion)

		2009	2010	'10/'09
Drinks		15,936	18,988	16%
of which	spirits	5,720	7,083	19%
	wines	5,399	6,733	20%
	mineral waters and soft drinks	1,833	2,077	12%
Various food products		12,137	14,618	17%
of which	bakery and farinaceous products	2,386	2,640	10%
	chocolate and confectionery	3,328	4,260	22%
	coffee and tea	1,296	1,476	12%
Meat products		6,174	7,915	22%
Dairy products		5,599	7,644	27%
Chocolate and confectionery		3,328	4,260	22%
Processed fruit and vegetables		3,409	3,919	13%
Oils and fats		2,782	3,137	11%
Fish and sea food products		2,285	2,718	16%
Bakery and farinaceous products		2,386	2,640	10%
Prepared meals and dishes		2,230	2,480	10%
Prepared animal feeds		1,906	2,284	17%
Grain mill and starch products		1,943	2,224	13%

Source: Eurostat (Comext)

Evolution of trade balance by sector of EU food and drink industry, 2008-2010 (€ billion)

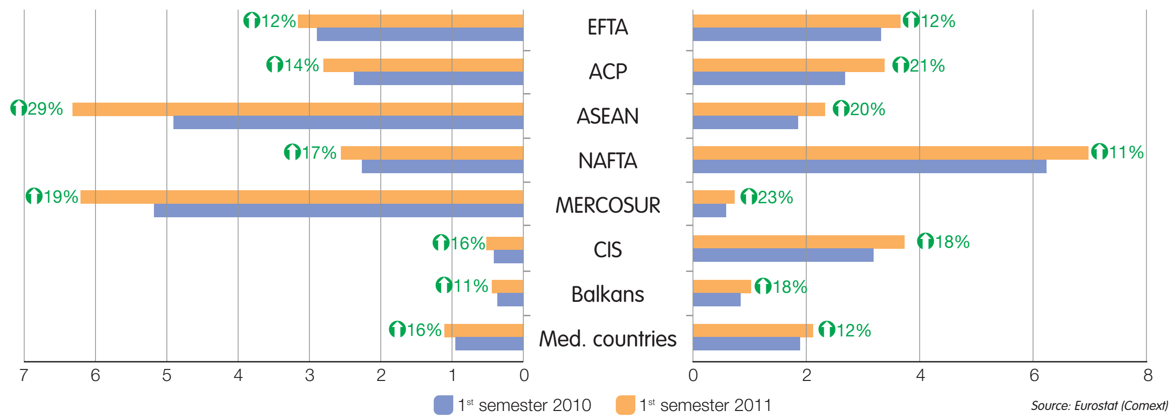


Source: Eurostat (Comext)

- The first semester of 2011 brought about a general trade increase for all categories of products, both for exports and imports. The EU imported and exported 15% more food and drink products compared to the first six months of 2010.
- A particularly high increase of import value was registered for supplies coming from the ASEAN (29%) and Mercosur (19%) markets. In terms of products, this was matched with a significant import growth of coconut and palm oil, sugar, crustaceans and frozen fish.
- Concerning exports, the largest increase in absolute terms was registered year-on-year in North American countries (€ 710 million), the most important traditional market for high-value added European food and drink products, followed by ACP countries and the Commonwealth of Independent States.

Imports from major trading blocs, 1st semester 2010 and 2011 (€ billion)

Exports to major trading blocs, 1st semester 2010 and 2011 (€ billion)



Source: Eurostat (Comext)

Note: ACP (Africa, Caribbean and Pacific countries); Andean Group: Bolivia, Colombia, Ecuador, Peru and Venezuela; ASEAN (Association of Southeast Asian Nations); Balkans: Albania, Bosnia-Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, Serbia; CIS (Commonwealth of Independent States): Armenia, Azerbaijan, Belarus, Kazakhstan, Kirgizstan, Moldova, Russia, Tajikistan, Uzbekistan; EFTA (European Free Trade Area); MERCOSUR: Brazil, Argentina, Uruguay and Paraguay; NAFTA: Canada, USA, Mexico

EU key trade figures (€ million)

	1st semester 2010	1st semester 2011	2011/2010
Export	29,906	35,349	15%
Import	25,767	30,443	15%
Balance	4,139	4,906	

Source: Eurostat (Comext)

Top EU food and drink exports and imports, first semester 2011 (€ million)

	EXPORTS		
	1st semester 2010	1st semester 2011	2011/2010
Spirits	3,022	3,665	21%
Wine	2,890	3,636	26%
Food preparations	1,707	1,964	15%
Pork meat	1,256	1,570	25%
Concentrated milk	1,237	1,534	24%
Cheese	1,354	1,527	13%
Animal feed	1,331	1,521	14%
Malt extract	1,207	1,448	20%
Poultry meat	861	1,163	35%
Beer	1,085	1,108	2%
Chocolate	861	1,056	23%
Bakery products	864	992	15%
Soft drinks	749	860	15%
Olive oil	669	744	11%
Frozen fish	518	583	13%

Source: Eurostat (Comext)

	IMPORTS		
	1st semester 2010	1st semester 2011	2011/2010
Animal feed (oilcake)	3,899	4,506	16%
Fish fillets	2,080	2,301	11%
Crustaceans	1,621	2,082	28%
Palm oil	1,460	1,829	25%
Fish preparations	1,021	1,135	11%
Wine	1,077	1,124	4%
Fruit juices	735	970	32%
Sugar	553	912	65%
Meat products	723	789	9%
Meat of sheep & goat	682	765	12%
Frozen fish	592	737	25%
Coconut oil	418	736	76%
Beef	654	719	10%
Fruit & nut preparations	586	706	20%
Food preparations	558	625	12%

Source: Eurostat (Comext)

- The EU continues to lead as the world's largest food and drink exporter, even though its exports correspond to an ever smaller share of globally traded foodstuffs each year. EU participation in the global market decreased from 20.1% in 2001 to 17.8% in 2010. This downward trend is typical for almost all developed countries who have been progressively losing market shares to the benefit of emerging economies.

Top exporters of food and drink products, 2010

	Exports ($ billion)	Share in world (%)
European Union	87.2	17.8
United States	58.4	11.9
Brazil	38.9	8.0
China	34.9	7.1
Thailand	24.3	5.0
Argentina	21.8	4.4
Malaysia	21.3	4.3
Indonesia	21.0	4.3
Canada	19.8	4.0
New Zealand	15.1	3.1
Australia	14.3	2.9
India	12.9	2.6
Mexico	10.0	2.0

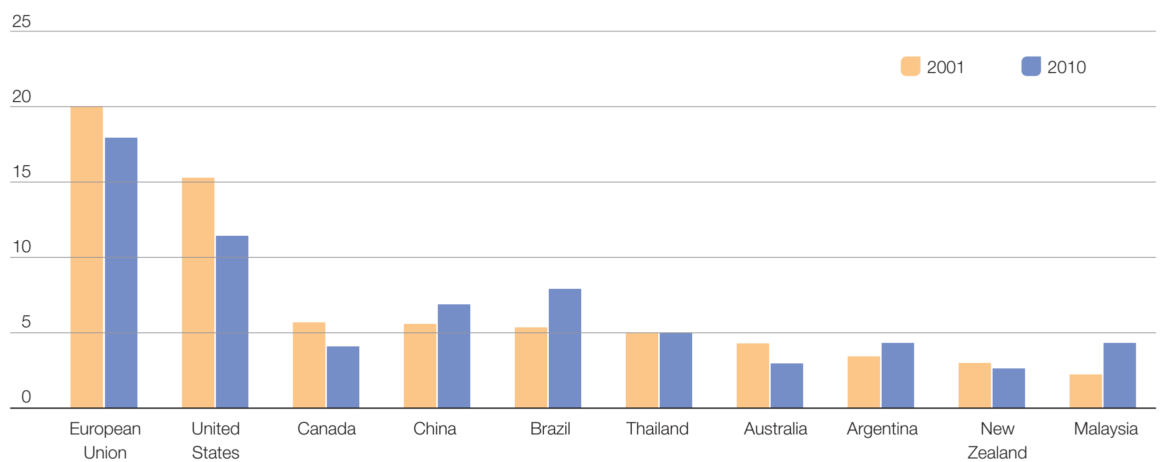
Source: UN COMTRADE

Top importers of food and drink products, 2010

	Imports ($ billion)	Share in world (%)
European Union	74.8	15.9
United States	70.7	15.0
Japan	43.5	9.3
China	27.9	5.9
Russia	21.5	4.6
Canada	20.5	4.4
South Korea	13.0	2.8
Hong Kong	12.8	2.7
Mexico	12.7	2.7
Saudi Arabia	10.6	2.3
Australia	8.8	1.9
Malaysia	8.7	1.9
Switzerland	7.4	1.6

Source: UN COMTRADE

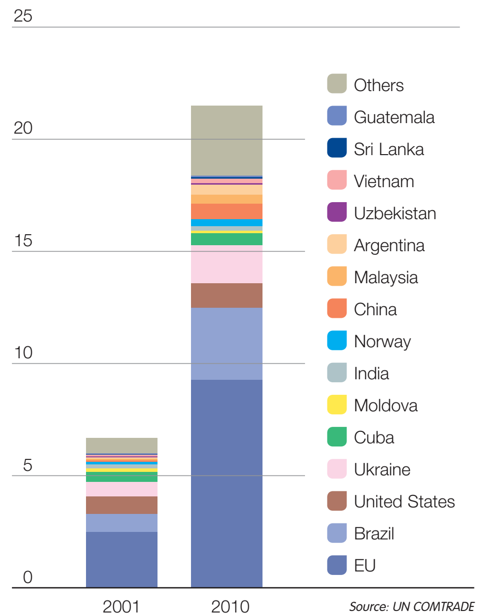
International comparison of the evolution of food and drink export market shares for top exporters (%)



Source: UN COMTRADE

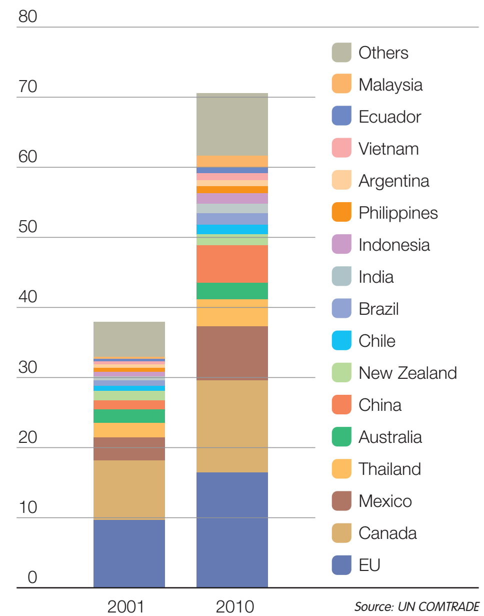
- The EU food and drink industry has performed fairly well in the USA and Russian markets over the last decade compared to its competitors. The value of EU food and drink exports has increased significantly to keep up with the general expansion of imports of those two large markets.
- 2010 was a fairly good year in terms of European products' performance within BRIC markets. The share of EU food and drink in the total food imports of each market increased slightly, after some reductions in the previous years.

The EU and its major competitors: evolution of the share of food and drink imports in Russia, 2001-2010 ($ billion)



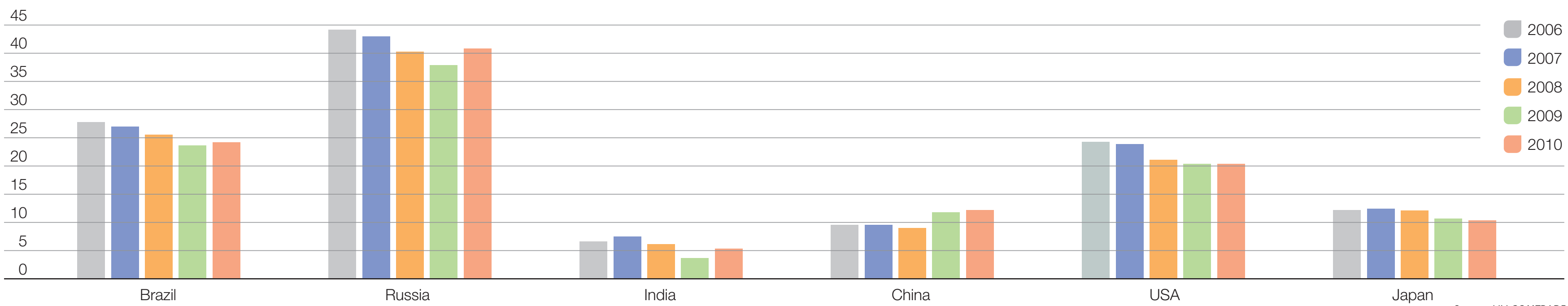
Source: UN COMTRADE

The EU and its major competitors: evolution of the share of food and drink imports in the U.S., 2001-2010 ($ billion)



Source: UN COMTRADE

Share of EU products in total food and drink imports of various countries, 2006-2010 (%)



Source: UN COMTRADE

Markets and consumption

Food chain

- The food chain connects three important sectors: the agricultural sector, the food and drink industry and the distribution sector.
- Together they generate a value added figure of approximately €561 billion, equivalent to 5% of EU value added.
- In 2009, there were almost 24 million people employed in the food chain, i.e. almost 10% of EU employment.

Structural overview of the EU food chain, 2009

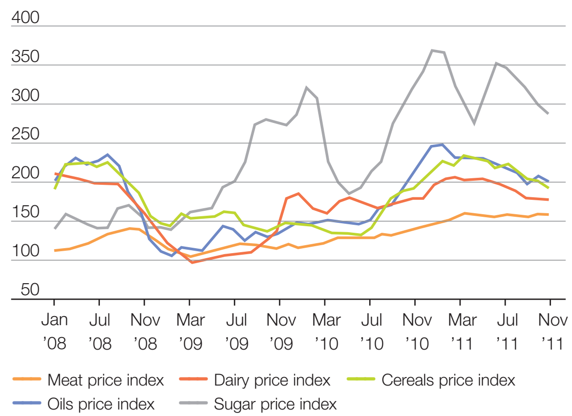
	Operators (1000)	Employees (million)	Turnover (€ billion)
Agricultural holding	13,700[1]	11.1	334
Food and drink industry	**274**	**4.2**	**929**
Wholesale of agricultural and food products	248	1.8	973
Food and drink retail	836	6.3	1,029

(1) 2007 data

Sources: Eurostat, DG Agriculture Statistical and Economic Information Report, 2010

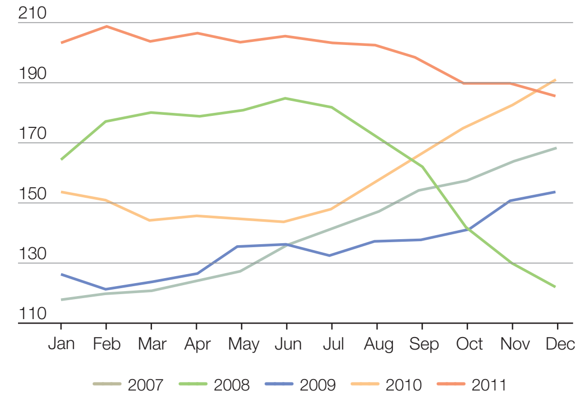
- The table shows the extreme volatility of agricultural commodities' prices. The latter half of 2010 saw an increase in prices, after sharp falls for cereals, dairy, oilseeds and meat in 2008. Prices remained high in 2011, despite some downward adjustments.
- In the last four months of 2010 and in 2011, food producer prices (ex-factory prices) rose at a lower rate than agricultural commodity prices. Food producer prices include agricultural raw material costs but also other significant input costs such as labour, energy, packaging, marketing and taxes.
- Food consumer prices, which represent retail prices, moved in line with inflation. They are set by the retail sector as part of business strategies to attract consumers. Food consumer prices are largely the result of retailer strategies and do not necessary reflect the actual value of food and drink products.

Evolution of world prices for selected agricultural raw materials, January 2008-December 2011 (2002-2004=100)



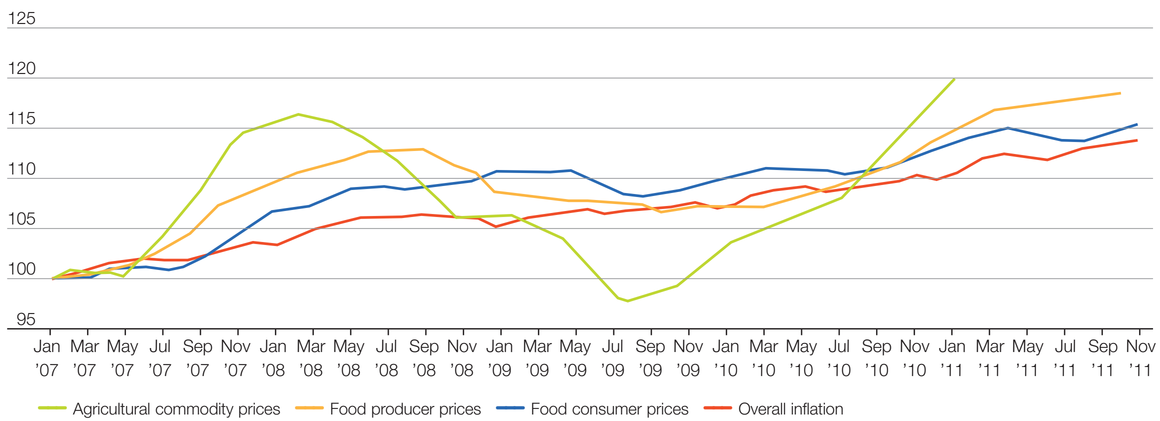
Source : FAO. For the definition of indices: http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/

Evolution of the FAO food price index, 2007- 2011 (2002-2004=100)



Source : FAO. For the definition of indices: http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/

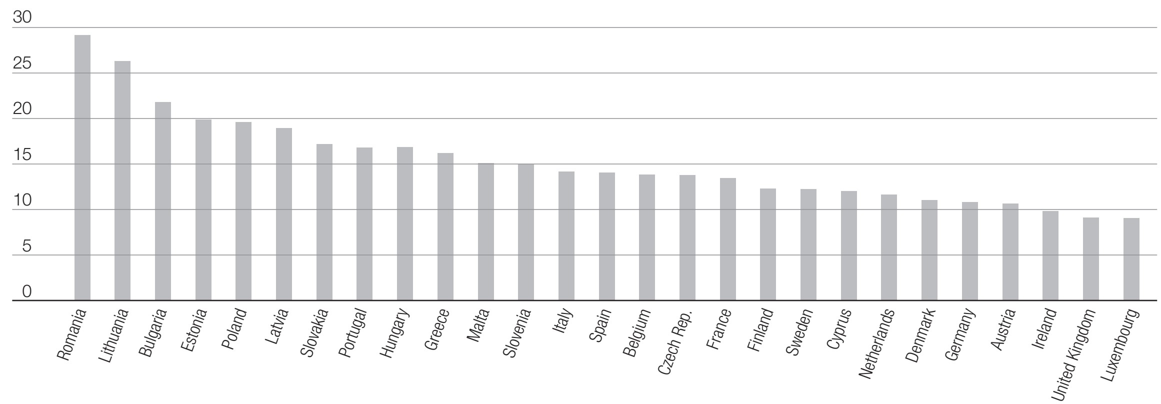
Food supply chain in the EU: development of price indexes, 2007-2011 (January 2007=100)



Sources: Eurostat (Food Price Monitoring Tool) and DG AGRI

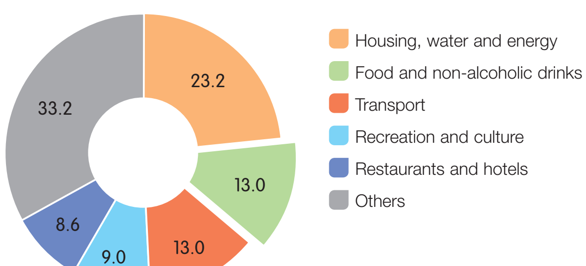
- In 2010, households spent on average 13.0% of their expenditure on food and non-alcoholic drinks.
- After “housing, water and energy” (23.2%), foodstuffs rank second in the consumption expenditure of households by category with the same market share as “transport” (13.0%) in 2010.
- Since 2008, household expenditure on food and non-alcoholic drinks has been stagnating, while the expenditure on “housing, water and energy” is growing at a fast pace. These trends can be explained by oil prices and a tendency of consumers to switch to cheaper products in a period of economic downturn.

Household consumption expenditure in the EU: food and non-alcoholic drinks, 2010[1] (% of total household consumption expenditure)



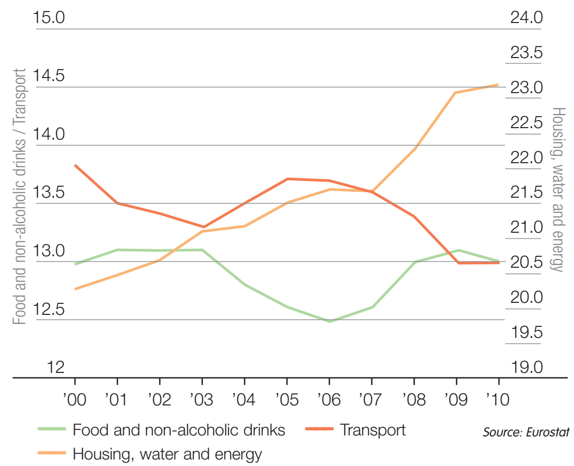
(1) LT, LV, NL, PT, RO: 2009; IE: 2008; BU: 2005
Source: Eurostat

Top 5 consumption expenditure of households on goods and services in the EU, 2010 (% of total household consumption expenditure)



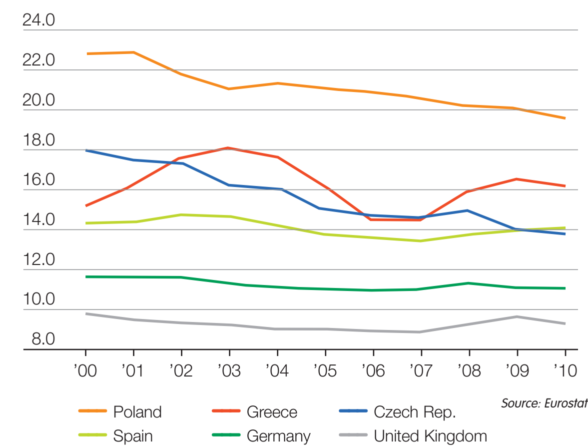
Source: Eurostat

Evolution of the share of the top 3 household expenditures in the EU, 2000-2010 (%)



Source: Eurostat

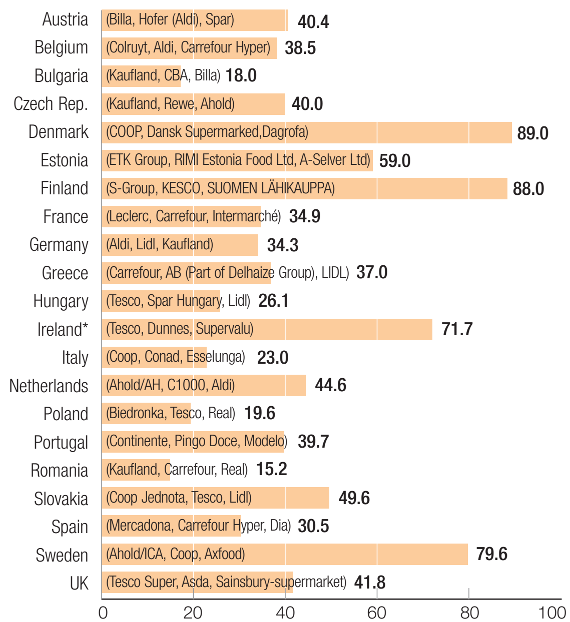
Evolution of the share of the household expenditure spent on food and non-alcoholic drinks in some Member States, 2000-2009 (%)



Source: Eurostat

- In Europe, food retail markets are increasingly concentrated. In most EU countries, the market share of the top 3 retailers ranges from 30% to 50%. It is above 50% in Estonia, above 70% in Ireland, almost 80% in Sweden and almost 90% in both Finland and Denmark.
- Market concentration in Europe drives private label penetration in the grocery market: European countries for which the retail market is very concentrated experience an important level of private label penetration. In Germany, private label penetration reached almost 35% of the market in 2010, almost 40% in the UK and 45% in Switzerland.
- Commercial relations between large retail groups and their suppliers (in particular, food suppliers) have been the subject of debate by a number of National Competition Authorities (NCAs) in recent years.
  The discussion is often characterised by calls for action against the alleged imbalances in the negotiating power between large retail groups and food suppliers.
- In the period 2009-2011, several initiatives were taken by NCAs to tackle such imbalances. These initiatives include investigations/inquiries in 12 Members States, proceedings for individual cases in 2 Member States, NCAs recommendations in 5 EU countries, drafting of legislation in 8 EU countries and monitoring in 2 countries. In January 2012, an 'Internal Task Force' dedicated to the food sector was set up by DG Competition within the European Commission.

Market share of top 3 retailers across EU Member States, 2010



(*) 2011 data

Source: Europanel 2011. According to this source, the reference market is defined as 'total food retail market', hence it includes specialty shops, open air food markets etc.

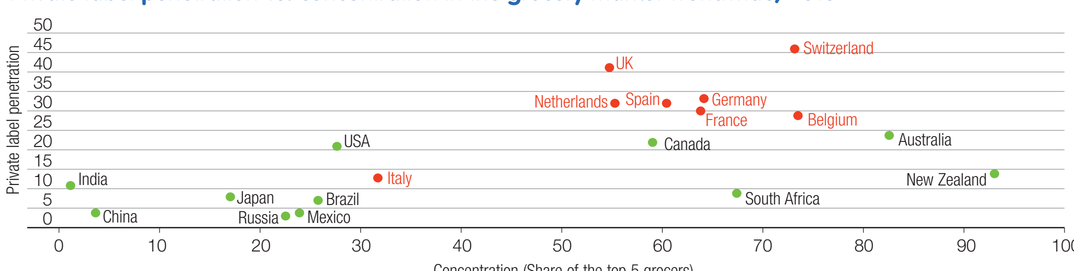
EU National Competition Authorities' initiatives to address the issue of imbalances in the bargaining power between large retailers and their suppliers in the grocery sector, 2009-2011

	Investigation/Inquiry	Proceedings	Recommendations	Legislation*	Monitoring
Bulgaria		●		on-going	
Czech Rep.				on-going	
Denmark	●				
Finland	●				
France			●	on-going	
Germany	●				
Greece	●				
Hungary				●	●
Italy	●			on-going	
Latvia	●	●			
Lithuania	●			●	●
Norway	●		●		
Portugal	●		●		
Romania	●		●		
Slovenia					
Spain	●		●	on-going	
UK	●			on-going	
EU (Task force on food)					●

(*) Legislative initiatives can be either a review of legislation to fill gaps in the existing text, or the drafting of new bills to amend existing ones, or the revision of existing text to align it to a changed market reality

Sources: European Commission, DG Competition, ECN Brief 05/2011; FoodDrinkEurope database

Private label penetration vs. concentration in the grocery market worldwide, 2010



Source: Planet Retail Ltd - www.planetretail.net

World Trends

- Worldwide analysis shows that the food and drink industry plays a prominent role in the economy, especially in New Zealand where the food sector represents slightly more than 30% of total sales in manufacturing. The relative share of the food and drink industry sector is also important in Mexico, Brazil and Australia.
- Labour productivity growth in developing countries is still lagging behind levels in industrialised countries. EU levels are between those in most labour productive countries (i.e. Australia and the USA) and the least productive (China).

The Food and drink industry worldwide, 2009

	Total sales (€ billion)	% of total manufacturing sales	Employees (1000)
Australia[1]	49.1	17.0	206
Brazil[1]	103.9	17.5	1,412
Canada[1]	55.8	13.5	240
China	379	9.1	5,827
EU	929.2	16.0	4,194
Japan	231.2	11.3	1,410
Mexico	32.2	22.2	309
New Zealand	16.7	32.0	74
Korea	57.1	5.4	205
United States	412.7	14.3	1,682

(*) 2008 data

Source: FoodDrinkEurope calculations, available upon request

Evolution of labour productivity[1], 2008-2009

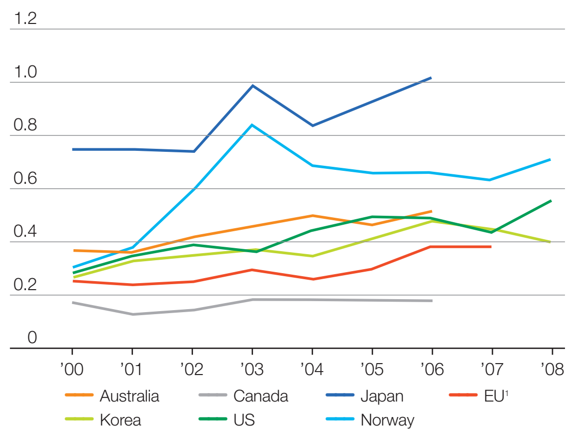
	2008	2009	2009/2008
	(1000 $ international PPP)		(%)
EU	**223**	**229**	**3**
US	337	342	1
Canada	270	277	2
Switzerland	426	450	6
Mexico	171	172	0
China	38	49	27

(1) Value of output produced/employee per unit of input in 1,000 international $ Purchased Power Parity – PPP

Source: FoodDrinkEurope Competitiveness Report 2011

- Private R&D investment in the food and drink sector has traditionally been low compared to other EU manufacturing industries and other countries' food sectors (notably, Japan, USA, Norway). Nevertheless, levels of investment had been relatively stable in the last period for which observations are available (pre-crisis data), slightly reducing the gap between the EU and the USA.
- However, despite low levels of private R&D investment in the EU food and drink industry, this does not reflect negatively in terms of the sector's continued ability to generate value added. Despite a general dip worldwide, data shows that EU food and drink industry value added levels remained stable and at comparable levels with major competitors from 2004 to 2007.

R&D as a percentage of industry output for food and drink industries (%)



(1) EU aggregate includes: Austria, Belgium, Czech Rep., France, Germany, Greece (only until 2005), Hungary, Italy, Slovak Rep., Slovenia, and the UK

Source: OECD Main Science and Technology Indicators

Value added as a percentage of output generated by food and drink companies for selected countries worldwide (%)

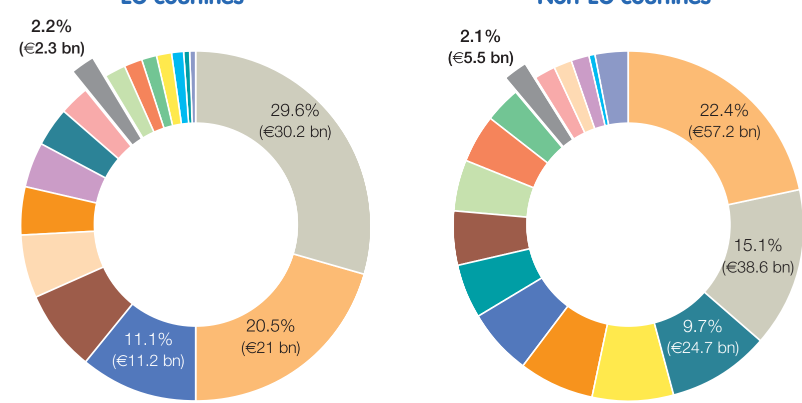
	2004	2005	2006	2007	2008
Canada	28	29	29		
Korea	16	16	16	16	14
USA	24	23	24	24	22
EU	**24**	**24**	**24**	**24**	**21**
Japan	33	33	33		

Sources: OECD STAN database 2011; Eurostat 2011 (SBS); FoodDrinkEurope calculation

- Out of the top 1,000 EU companies investing in R&D in all of the sectors of the EU economy in 2010, 37 were food and drink companies which invested a total of €2.3 billion. This corresponds to 2.2% of investment in R&D by EU food and drink companies out of the total invested in R&D by the top 1,000 companies in the EU manufacturing sector.
- This trend is confirmed when analysing non-EU countries. Out of the top 1,000 non-EU companies investing in R&D in 2010, 45 food and drink industries invested a total of €5.5 billion. This accounts for 2.1% of the total invested in R&D by top 1,000 non-EU companies in the manufacturing sector.

R&D investment in EU and non-EU countries manufacturing sectors (€ billion)

EU countries | **Non-EU countries**



Source: the 2011 EU industrial R&D investment scoreboard, JRC and DG RTD

The top global and EU food and drink companies in 2010-2011

Ranking of World Agri-food companies by Food and Drink sales

Name	Head-quarter	Fiscal year end	Sales in € billion	Net growth to previous year (%)	Employees (x1000)	Main sectors
Cargill	US	May11	88.8	18.0	130	*multi-product*
Nestlé	CH	Dec11	67.8	7.5	328	*multi-product*
Archer Daniels Midland	US	Jun11	60.2	24.0	31	*cereal processing*
PepsiCo Inc.	US	Dec11	47.8	15.0	285	*beverages, snacks*
Kraft Foods Inc.	US	Dec11	39.1[1]	6.6	127	*dairy, snacks, beverages*
The Coca-Cola Company	US	Dec11	33.4		146	*beverages*
Anheuser-Busch InBev	BE	Dec11	28.6	4.6	114	*beer*
Tyson Foods Inc.	US	Oct11	23.2	13.6	115	*meat*
Unilever Plc/Unilever NV**	NL/UK	Dec11	22.8	6.5	171	*multi-product*
Mars Inc.	US	Dec11	21.6		65	*prepared foods, confectionery*
SABMiller Plc	UK	Mar11	20.3	7.4	70	*beer*
Kirin Brewery Company Ltd	JP	Dec10	18.7	4.9	32	*beer, alcoholic beverages*
Heineken N.V.	NL	Dec11	17.1	6.1	64	*beer*
Groupe Danone	FR	Dec10	17.0	6.9	81	*dairy, waters, baby & med. nutrition*
Suntory Ltd.	JP	Dec10	15.0	12.4	25	*alcoholic beverages*
Lactalis	FR	Dec10	14.7		52	*dairy products*
Asahi Breweries Ltd.	JP	Dec10	13.4	1.2	17	*beer, alcoholic beverages*
Associated British Food	UK	Sep11	12.8	9.0	102	*sugar, starch, prepared foods*
Diageo Plc	UK	Jun11	11.4	3.0	24	*alcoholic beverages*
Fonterra	NZL	Jul11	11.3	19.0	17	*dairy products*
General Mills Inc.	US	May11	10.7	2.0	35	*prepared foods*
Kellogg Company	US	Dec11	9.5	6.5	31	*breakfast cereals, convenience food*
FrieslandCampina NV	NL	Dec10	9.0	10.0	19	*dairy products*
Vion	NL	Dec10	8.9	-2.0	27	*multi-products, ingredients*
ConAgra Foods Inc.	US	May11	8.8	1.8	23	*prepared foods*
Smithfield Foods Inc.	US	Apr11	8.8		46	*meat, processed foods*
Dean Foods Company	US	Dec10	8.7	3.3	26	*dairy products*
HJ Heinz Company	US	Apr11	8.1	2.8	35	*prepared foods*
Ferrero	IT	Aug11	7.2	9.1	22	*confectionery*
Sara Lee Corporation	US	Jun11	6.5	4.1	21	*prepared foods*

For fiscal years (Jan-Dec) the exchange rates are from the ECB (2012) bilateral annual exchange rates time series. For fiscal years that span two calendar years, the average for the daily exchange rate in the exact fiscal period is taken.
(1) $ 54.4 billion

Source: FoodDrinkEurope, data available upon request

Ranking of European Agri-food companies by European Food and Drink sales

Name	Head-quarter	Fiscal year end	Sales in € billion	Net growth to previous year (%)	Employees (x1000)	Main sectors
Nestlé	CH	Dec11	12.4	4.0	95	*multi-product*
Heineken N.V.	NL	Dec11	11.0	0.0	36	*beer*
Lactalis	FR	Dec10	9.4		31	*dairy products*
Groupe Danone	FR	Dec10	9.4	1.9	46	*dairy, waters, baby & med. nutrition*
Associated British Food	UK	Sep11	8.7	10.1		*sugar, starch, prepared foods*
Unilever Plc/Unilever NV	NL/UK	Dec11	8.2	0.0	29	*multi-product*
Vion	NL	Dec10	8.0	-2.0		*multi-products, ingredients*
Carlsberg	DK	Dec10	7.6		14	*beer*
Danish Crown	DK	Oct11	7.0	14.0	24	*meat products*
Südzucker	DE	Feb11	6.2	8.0	18	*sugar, multi-product*
FrieslandCampina	NL	Dec10	5.9	3.5	13	*dairy products*
Oetker Group	DE	Dec10	5.8	13.7	26	*multi-product*
Nutreco	NL	Dec11	4.7		5	*meat products*
Anheuser-Busch InBev	BE	Dec11	4.1	4.6		*beer*
Barilla	IT	Dec10	3.9		14	*beverages, confectionery*
SABMiller Plc	UK	Mar11	3.5		14	*beer*
Diageo Plc	UK	Jun11	3.1	3.0	3	*alcoholic beverages*
Kerry Group	IR	Dec10	3.0	9.7	23	*multi-product*
Pernod Ricard	FR	Jun11	2.9	2.0	3	*alcoholic beverages*
Bongrain	FR	Dec10	2.8	8.9	14	*dairy products*
Barry Callebaut	CH	Aug11	1.8	-5.3	3	*confectionery*
Parmalat	IT	Dec11	1.2	4.4	2	*milk, fruit-based drink*
Ebro Foods	ES	Dec10	1.0	3.6		*rice, sugar, dairy*
Tate&Lyle	UK	Mar11	0.6[1]		2	*ingredients, prepared foods*

For fiscal years (Jan-Dec) the exchange rates are from the ECB (2012) bilateral annual exchange rates time series. For fiscal years that span two calendar years, the average for the daily exchange rate in the exact fiscal period is taken.
(1) due to printing error, consider that last year's figure was €1.6 bn

Source: FoodDrinkEurope, data available upon request

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