



**Bwyd a Diod Cymru**  
**Food & Drink Wales**

# **Economic Appraisal of the Welsh Food and Drink sector – Update 2018**

**January 2019**

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A copy of this report is available in Welsh

Knowledge and Analytical Services, Welsh Government

## Introduction

This report provides an annual update on the Welsh food and drink sector's economic performance to 2018. Previous economic appraisals were produced in 2015, 2016 and 2017.

The report also provides a review of the progress in the sector since the Welsh Government's Strategic Action Plan was conceived, **'Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014–2020'**.

Drawing on official data and industry estimates, the report provides a series of sub sector overviews of the different parts of the food and drink supply chain in Wales. The report considers the following sub sectors:

### Food and Drink Supply Chain

### Food and Farming Priority Sector

### Food and Drink Manufacturing

- Meat and Meat Products Sub sector
- Bakery Sub sector
- Drinks Sub sector
- Dairy and Eggs Sub sector
- Grain and Starch Sub sector
- Prepared Animal Feeds Sub sector
- Fruit, Vegetables and Plants Sub sector
- Seafood Sub sector
- Oils and Fats Sub sector
- Other Food Products Sub sector

### Food and Drink Wholesale Sub sector

### Food and Drink Retail Sub sector

### Catering Sub sector

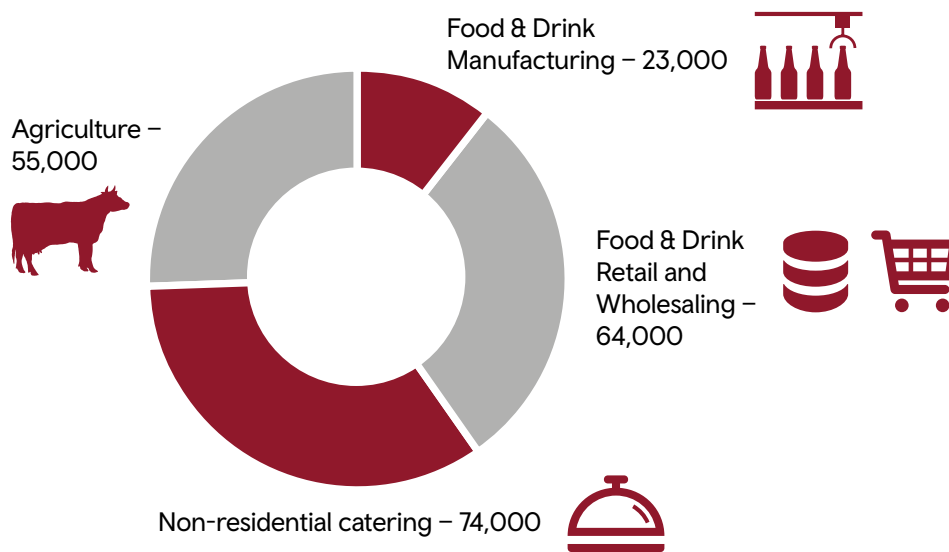
Changes between this economic appraisal and previous years' versions are described in the appendix "Changes to the economic appraisal and methodology notes".

# Food and Drink Supply Chain

## Summary of the Sector

The food and drink supply chain in Wales:

- Includes primary production, manufacturing, retail, wholesale and non-residential catering
- employs **217,000** (2017) down from 232,000 (2016) – see pie chart
- in **27,345 business units** (2018), up from 27,215 (2017)
- with a **turnover<sup>1</sup> of £20.5bn** (2018)
- **GVA<sup>2</sup> of £4.7bn** (2016) and
- **exports of £0.529bn (2017) up 21%** from £0.436bn (2016) – Ireland, France, Germany, Netherlands, and Belgium being the top 5 destinations.
- Welsh retail sales of food and drink were £5.8bn (2017).



The sector in Wales represents:

- 16% of all Wales employment
- 22% of the total number of business units in Wales
- 15% of turnover of the non-financial business economy in Wales. (UK average of 13% in 2017).
- 4% of the turnover of the UK sector (2017)

The majority of food and drink business units in Wales (86%) are micro and employ fewer than 10 people. There are 79 business units employing more than 250 people.

## Summary Statistics for Welsh Food and Drink Supply Chain

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	27,345	442,805 (2017)	6.1% (2017)
Employment 2017	217,000	4,137,00 (GB)	5.2% (GB)
Proportion of Full-Time Employee Jobs	41%	48% (GB)	–
Turnover 2018	£20.5bn	£501.7bn (2017)	3.9% (2017)
GVA 2016	£4.7bn	£120.5bn	3.9%

Source: Welsh Government analysis of Office for National Statistics data

1 Total combined sales for all businesses in the supply chain.

2 Gross Value Added – the preferred measure of economic performance.

## Trends

The turnover and Gross Value Added (GVA) of the food and drink supply chain has been increasing over the long term. GVA has increased 40% over the last 10 years.

In the medium term, the number of business units has been stable, which suggests the turnover generated by each business unit has been rising. The employment figures reveal shifts in the industry as employment has been decreasing in food retail, whilst the catering sector has seen gains.

The steep increase in employment 2016 and the steep fall in 2017 mostly come from a large increase in employment in the catering sector during 2016, which was then partially reversed in 2017. The fall was intensified by a drop in employment for wholesale and retailing.

The profile of employment within each of the sub sectors is very different:

- Full-time employees represent 92% of employment in the manufacturing sector
- Full-time employees represent 33% of wholesale and retail jobs.
- Employees in agriculture are more likely to have a level 4 qualification or higher compared to employees in manufacturing.

# Food and Farming 'Priority Sector'

## Summary of the Sector

The Welsh Government defines the Food and Farming 'Priority Sector' as primary production and manufacturing. The sector:

- **employs 23,000** (2017), not including farmers and agricultural workers, up from 20,000 in 2016
- but has **78,000 workers** (2017) if all farmers and agricultural workers are included, up from 76,000
- in **14,175 local business units** (2018) up from 14,095 in 2017
- with a **turnover of £6.8bn** (2018) up from £6.5bn in 2017 and
- **GVA of £1.99bn** (2016) up from £1.98bn in 2015
- and **£18 GVA per hour worked** (2016).

The sector in Wales represents:

- 6% of all Wales employment
- 11% of the total number of business units in Wales
- 5% of turnover of the non-financial business economy in Wales (UK average of 4% in 2017)
- 5% of the turnover of the UK sector in 2017.

98% of sector business units in Wales employ fewer than 10 people due to the inclusion of farms. There are 25 large business units in the sector<sup>3</sup> (2018), employing more than 250 people, up from 19 in 2013.

## Summary Statistics for Welsh Food and Farming Priority Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	14,175	160,105 (2017)	8.8% (2017)
Employment 2017 <sup>4</sup>	78,000	879,500 (GB)	8.9% (GB)
Proportion of Full-Time Employee Jobs	68%	83%	–
Turnover 2017	£6.8bn	£137.3bn (2017)	4.7% (2017)
GVA 2016	£1.99bn	£39.6bn	5.0%
GVA per hour worked	£18	£26	69%
Workers with highest qualification at Level 4 & above	22%	27%	–
Investment in R&D 2013	£4m	£425m	0.9%

Source: Welsh Government analysis of Office for National Statistics data

## Trends

Turnover rallied in 2018, after a dip in 2017. Gross Value Added (GVA) has been increasing steadily over the long term in the Food and Farming 'Priority Sector'. GVA per hour worked has also been increasing steadily, showing a rise in productivity, but remains behind UK levels. The gap is mainly due to productivity levels in agriculture. Employment is slightly higher than in 2013 after coming down from a peak in 2014 and 2015. That peak was driven by high agricultural employment, which spiked in 2014 and has been decreasing since. The number of medium and large businesses has been recovering.

3 This figure is the number of local business units in Wales which employ 250 or more people, which is the same definition as used in other sections of the economic appraisal. In previous releases, the priority sector figure was the number of local business units who were part of enterprises which employed 250 or more people overall.

4 Figures now include working owners and agricultural labourers, matching the definition for other sectors.

# Food and Drink Manufacturing

## Summary of the Sector

The Food and Drink Manufacturing sector in Wales has:

- 23,000 in employment (2017), up from 20,000 (2016)
- in **580 business units** (2018), up from 570 in 2017
- with a **turnover of £4.8bn** (2018), up from £4.6bn (2017)
- **GVA per hour worked of £36** (2016)
- **169 Great Taste Award winners** (2018) up from 166 in 2017
- **15 protected food name products** (2018) up from 4 in 2014.

The sector in Wales represents:

- 2% of all Wales employment
- 0.5% of the total number of business units in Wales
- 4% of turnover of the non-financial business economy in Wales (UK average of 3% in 2017).
- 4% of GVA of the non-financial business economy in Wales.
- 5% of the turnover of the UK food and drink sector in 2017.

67% of food and drink manufacturing business units in Wales employ fewer than 10 people. 15% employ 50 people or more, which includes 23 large business units that employ 250 people or more. Skill levels are below the UK within food manufacturing.

## Summary Statistics for Welsh Food and Drink Manufacturing Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	580	12,780 (2017)	4.4% (2017)
Proportion of Businesses Units medium or large 2018	15%	12%	–
Employment 2017	23,000	409,000 (GB)	5.7% (GB)
Proportion of Full-Time Employee Jobs	92%	89% (GB)	–
Turnover 2018	£4.8bn	£98.1bn (2017)	4.7% (2017)
GVA 2016	£1.50bn	£28.1bn	5.4%
GVA per hour worked	£36	£37	97%
Workers with highest qualification at Level 4 & above <sup>5</sup>	19%	29%	–
Median Annual Wages 2017 <sup>5</sup>	£19,767	£22,531	–
Investment in R&D 2013	£4m	£425m	0.9%

Source: Welsh Government analysis of Office for National Statistics data

## Trends

The sector had been growing in terms of turnover and business units, but the growth has slowed or halted in 2017 and 2018. Employment dropped in 2016, but recovered in 2017. In the UK, turnover has fallen but business units have continued to grow. Productivity, measured by gross value added per hour, has been increasing steadily over the long term, despite a drop between 2015 and 2016.

<sup>5</sup> Now includes drinks manufacturing.

## Welsh Food and Drink Manufacturing Business Birth and Death Rates

The Welsh business birth rate for the sector is below the UK. There were 55 business births in the sector in Wales in 2016, a rate of 11%. This compares to 1,455 in the UK in 2016, a rate of 15%.

The Welsh business death rate is also below the UK. There were 45 business deaths in Wales, a rate of 9%. This compares to 13% in the UK (1,205).










The 5 year survival rate of businesses in the sector in Wales was 56%. This compares to 45% in the UK. The Welsh survival rate is surpassed only by the South East of England 58%.

## Welsh Food and Drink Climate Change Indicators

Welsh food and drink climate change indicators are derived from official data sources at the UK level. Greenhouse gas (GHG) emissions for different sectors are calculated by the Environmental Accounts branch of the Office for National Statistics. These GHG emissions have been used to calculate GHG per employee at the GB level then applied to Wales in proportion to sub sector employment. The results are shown below. They highlight that grains and starch has the highest emissions per employee while bakery has the lowest. In terms of absolute emissions, 'Other' is the highest, followed by meat and grains and starch.

### Summary Table

Estimated 2016 GHG emissions (expressed as '000 tonnes CO<sub>2</sub> equivalent)

Sub sector		GHG Per Employee Unit Ratio	Wales	GB
Meat		0.014	77.8	1103.7
Seafood and fruit and vegetables		0.020	5.1	1010.0
Oils and fats		0.050	0.0	93.8
Dairy and eggs		0.037	35.3	817.6
Grains and Starch		0.061	60.9	609.3
Bakery		0.012	55.0	1169.3
'Other' foods		0.016	90.2	1542.2
Animal feeds		0.025	14.8	346.2
Alcoholic drinks		0.047	36.0	1293.8
Soft drinks and water		0.017	9.5	164.6
Total Drinks			45.5	1458.4

Source: Brookdale Consulting analysis

Note: GHG per employee based on apportioning UK GHG output to GB based on Business Units (2015) and dividing the sum of GB GHG Emissions by Sub Sector Employment levels 2015.



### Summary of the Sector

The meat and meat products sector in Wales:

- employs **5,000** people (2017), down from 6,000 in 2016
- has **65 business units** (2017), similar to 2016
- with a **turnover of £0.621bn** (2018)<sup>6</sup>
- **GVA of £186m** (2016), down from £223m (2015)
- **HMRC figures record £108m meat exports from Welsh companies** (2017), up from £102m (2016). France, Ireland, Germany, Netherlands and Belgium are the top 5 destinations (2017). Exports of live animals were an additional £40m (2017) up from £21m (2016) Saudi Arabia, Hungary, Netherlands, Germany and Poland being the top 5 destinations (2017)
- **has Welsh retail sales of meat of £1.13bn** (2017)
- has 48 FSA approved premises for red meat (51 in 2017), 33 for poultry, 11 for farmed game (12 in 2017), 12 for wild game (13 in 2017) and
- FSA plant audit scores 26% Good (39% in 2017); 68% Generally Satisfactory (61% in 2017)

The sub sector is one of the largest by employment within Welsh food and drink manufacturing, along with bakery and 'Other food processing'. The sector in Wales represents:

- 23% of all Wales Food and Drink Manufacturing employment
- 11% of Wales Food and Drink Manufacturing business units

### Production Statistics for Meat and Meat Products Sector

	Livestock (head)		Slaughterings (head)		Production (tonnage)	
	2017	2016	2017	2016	2017	2016
Sheep	10,037,000	9,810,000	3,369,000	3,480,000	62,900	64,200
Table chickens	3,998,000	4,339,000	-	-	-	-
Cattle	1,137,000	1,134,000	134,000	147,000	40,600	45,400
Pigs	25,000	23,000	29,000	31,400	2,400	2,600

Source: Welsh Government analysis of Office for National Statistics and Kantar data

### Summary Statistics for Meat and Meat Products Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	65	1,530 (2017)	4.0% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	22%	21%	-
Employment 2017	5,000	77,000 (GB)	6.9% (GB)
Proportion of Full-Time Employees	95%	92% (GB)	-
Turnover 2018	£0.621bn	£18.18bn (2017)	5.8% (2017)
Total GVA 2016	£186m	£ 4,083m	4.6%
Retail Sales 2017 Kantar Worldpanel	£1.13bn	£17.98bn	6.3%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

<sup>6</sup> Turnover figures are based on the industry category of the overall business enterprise. In 2018 an enterprise, which previously listed its main activity as meat and meat products, reclassified itself. This lowered turnover figures, even though the Welsh meat products business units within the enterprise are still operating.



## Trends

Having experienced a period of growing employment, the latest data shows that employment has fallen from 2014 through to 2017. Despite this, meat and meat products remains one of the largest sectors by employment in Welsh food and drink manufacturing. The number of businesses has remained stable at 65.

## Long Term Consumer Trends

- Household purchases of carcase meat are estimated to have fallen in Wales in 2017. The average purchase was 165g per person per week over the last three years.
- Beef makes up the bulk of purchases in Wales at 88g, followed by pork (51g) and mutton & lamb (26g).
- Non-carcase meat has remained stable in Wales, at 758g over the last three years.
- Ready meals and convenience products make up 186g of non-carcase meat purchases. Welsh households purchase more per person than in England (161g).

## Household Average Purchases of Meat and Meat Products (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Carcase Meat	165	190	235	157
Beef and Veal	88	99	163	113
Mutton and Lamb	26	36	20	10
Pork	51	55	52	33
Non Carcase Meat and Meat Products	758	749	905	814
Uncooked chicken	156	192	207	159
Sausages (pork)	54	54	63	48
Ready Meals and convenience meat products	186	161	173	210

Source: DEFRA, Family Food Statistics

## Kantar Data

- The total Welsh retail spend on fresh meat was £366m in the year to 31st December 2017, up 8.8% on the previous 12 months. Spend per buyer rose from £202.22 annually to £221.73. The rise came from both an increase in volume and in average prices.
- £129m of fresh beef was purchased at retail in Wales in the year to January 2017, up 6.7% year on year; £36m of lamb up 7.1% year on year; and £44m of pork, up 10.4% year on year.
- Fresh pork, fresh sausages and fresh bacon rashers all saw strong growth in 2017.
- The retail spend on fresh poultry and game in Wales was £178m, up 3.4% on the previous year.



## Summary of the Sector

The Bakery sector in Wales:

- has **6,000 people in employment** (2017), up from 4,500 (2016)
- in **170 business units** (2018), down from 180 in 2017
- with a **turnover of £507m** (2018)
- **GVA of £180m** (2016), down from £243m (2015)
- **Welsh retail sales of £531m** (2017), and
- is the second largest sub sector within Welsh food and drink manufacturing by employment

The sector in Wales represents:

- 24% of all Wales Food and Drink Manufacturing employment
- 30% of Wales Food and Drink Manufacturing business units

## Summary Statistics for Welsh Bakery Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	170	3,845 (2017)	4.7% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	12%	9%	–
Employment 2017	6,000	99,000 (GB)	5.6% (GB)
Proportion of Full-Time Employees	88%	86% (GB)	
Turnover 2018	£507m	£9,681m (2017)	5.2% (2017)
Total GVA 2016	£180m	£4,103m	4.4%
Welsh Retail Sales 2017	£531m	£8,770m	6.1%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

The bakery sector is stable in Wales. This is true of the number of businesses, their turnover and their employment. However turnover and gross value added haven't increased with inflation. This contrasts with the UK sector, where the number of businesses increased 14% between 2013 and 2017.

The majority of business units in Wales (70%) are micro, with fewer than 10 employees down from 74% in 2013. Those employing more than 50 people account for 12% of business units.

## Long Term Consumer Trends

- The long term decline in bread (driven by white bread) has stabilised. Overall household purchases are down by 30% compared with 2002/03.
- There is not enough evidence for trends in Welsh household purchases of cakes, buns and pastries, or biscuits and crispbreads since 2013.

## Household Average Purchases of Bread and Bakery Products (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Bread	572	534	638	570
Cakes, Buns and Pastries	142	151	182	136
Biscuits and Crispbreads	169	164	183	176

Source: DEFRA, Family Food Statistics

### Kantar Data

- Total volume was up 2.3% in Wales contrary to UK trends where volume decreased.
- Fresh/chilled pastry was the fastest growing pastry sector at 18%.
- Many biscuit categories continue to see decline.



## Summary of the Sector

The Drinks sub sector in Wales:

- includes wine, beer, cider, spirits, water and soft drinks
- **employs 1,750 people** in 2017, up from 1,250 in 2016
- in **110 business units** (2018), up from 100 in 2017
- with a **turnover of £902m** (2018), up from £837m
- **GVA of £417m** (2016), up from £387m (2015)
- a **Welsh retail sales value of £1.17bn** (2017) and
- **exports of £29m** (2017), down from £32m (2016). France, Italy, USA, Spain and Ireland are the top 5 destinations (2017).

The sector in Wales represents:

- 7.5% of all Wales Food and Drink Manufacturing employment
- 19% of Wales Food and Drink Manufacturing business units.

## Summary Statistics for Drinks Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	110	2,300 (2017)	4.3% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	7%	6%	–
Employment 2017	1,750	41,000 (GB)	4.3% (GB)
Proportion of Full-Time Employees	94%	89% (GB)	–
Turnover 2018	£902m	£17,545m (2017)	4.8% (2017)
Total GVA 2016	£417m	£5,176m	8.1%
Retail Sales Kantar Worldpanel 2017	£1.27bn	£19.14bn	6.1%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

The number of businesses and turnover in the Welsh drinks sector is growing consistently. The number of micro businesses (less than 10 employees) in the sector has almost doubled, going from 45 in 2013 to 86 in 2018. However there hasn't been the same expansion in medium or large businesses - the number of businesses employing 50 or more people hasn't changed.

Employment has fluctuated in the sector.

Exports have declined to 2013 levels, after hitting a peak in 2015.

## Long Term Consumer Trends

- Wales has seen a share of the growth in Mineral or Spring Water. Between 2014 and 2017, an average of 379ml was purchased per person per week. This is twice as much as was purchased at the start of the millennium (2001 to 2004)
- In the long term, soft drinks have been falling at a Wales and UK level.
- Purchases of alcoholic drinks are lower in the UK and Wales compared to 2001-2004. However in recent years, purchases of alcoholic drinks have stayed at a similar level.

## Household Average Purchases of Beverages (ml per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Mineral or Spring Water	379	383	438	345
Soft Drinks	1,693	1,519	1,466	1,987
Alcoholic Drinks	679	683	747	680

Source: DEFRA, Family Food Statistics

### Kantar Data

- The retail spend on alcohol in Wales increased in 2017.
- The retail spend of tea decreased slightly in 2017 in Wales, whilst spending on mineral water increased.
- Bitter lemon and tonic water saw the largest percentage increase in 2017.



## Summary of the Sector

The Dairy sector in Wales:

- has **301,000 dairy cattle** (2017), up from 298,000 cattle in 2016
- employs **1,500 people** in processing (2017), up from 900 in 2016
- in **60 business units** (2018), down from 65 in 2017
- with a **turnover of £451m** (2018), down from £507m
- **GVA of £110m** (2016), up from £82m (2015).

The Egg sector in Wales:

- has **2.04m chickens** used for egg production in 2017 (was 1.77m in 2016)
- **produces 443m eggs** per year (2016).

Combined Dairy and Egg sector:

- has **Welsh retail sales of £668m** (2017)
- **exports of £120m** (2017) **up from £89m** (2016), with Belgium, Ireland, France, Netherlands and Germany being the top 5 destinations (2017)
- has 90 FSA approved dairy premises (90 in 2017)
- and 89 FSA approved egg premises (87 in 2017)
- but this does not include dairy farming or on-farm processing within an existing farm business.

The sector in Wales represents:

- 7% of all Wales Food and Drink Manufacturing employment
- 10% of Wales Food and Drink Manufacturing business units.

## Summary Statistics for Welsh Dairy Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	60	880 (2017)	7.3% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	14%	13%	–
Employment 2017	1,500	22,000 (GB)	7.0% (GB)
Proportion of Full-Time Employees	87%	89% (GB)	–
Turnover 2018	£451m	£8,965m (2017)	5.7% (2017)
Total GVA 2016	£110m	£2,331m	4.7%
Retail Sales Kantar Worldpanel 2017	£668m	£11,421m	5.9%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

The number of business units in dairy and eggs have been increasing over the last 5 years, but dropped in 2018. Turnover, gross value added and employment have all fluctuated, making it difficult to decipher an overall trend in the data.

Exports had fallen in 2015 and 2016, but in 2017 the trend turned around and exports hit their highest value in the last five years.

The majority of business units are micro (59%), although 14% employ 50 or more people.

The number of laying chickens had fallen sharply between 2014 and 2015 from 2.1m to 1.6m, but the latest June Census data suggests that numbers are increasing again.

## Long Term Consumer Trends

- Welsh purchases of milk and milk products (excluding cheeses) have been falling in the long term. A decline in wholemilk has been driving the trend.
- Purchases of semi-skimmed milk have increased since the beginning of the millennium from just over 900ml (2001–2004) to almost 1,100ml (2014–2017). However there have been periods of decline, including the past few years.

## Household Average Purchases of Dairy Products (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Milk and Milk Products (Excl Cheese) ml	1,933	1,819	1,993	1,757
Skimmed Milks (semi-and fully skimmed) ml	1,285	1,117	1,271	1,067
Yoghurt and Fromage Frais eq ml	182	195	193	189
Cream	20	24	17	26
Butter	20	24	17	26
Cheese	40	38	50	50
Eggs (rounded to the nearest whole egg)	2	2	2	2

Source: DEFRA, Family Food Statistics

## Kantar Data

- The Welsh retail spend on dairy products was £704 million in the year to January 2017, 6.4% higher than the previous year. The cheese market was worth £157m (up 5.7% year on year), milk £193m (up 4.5% year on year), yoghurt £85m (no change) and butter £55m (up 24%).
- A £4m fall in spend on cheese last year was more than reversed by a 8m increase this year. Milk also saw falls in 2016 reversed by a similar margin in 2017. This came on the back of increased volume and increased prices.
- Butter's increase spend came from a 24.6% increase in average price. There was actually a 1.3% decrease in volume sold.
- Wales retail spend on eggs was £48m in the year to January 2017, up 7.7% from the previous 12 months.



## Summary of the Sector

The Grains and Starch sub sector in Wales:

- uses **90,100 hectares** of land for arable crops, up from 87,700 in 2017
- which is equivalent to **6%** of utilised agricultural land, compared with 43% in England (2018)
- **wheat is the main arable crop**, accounting for 24% of arable crops, followed by spring and winter barley which account for a combined 25% of arable crops (2017)
- **1,250 people in employment** (2017), up from 1,000 in 2016
- in **10 business units** (2018), same as 2017
- **retail sales of £360m** (2017)
- **GVA of £317m** (2016), down from £328m in 2015
- **exports of £67m** (2017) **up from £56m** (2016) with Ireland, France, Canada, the United Arab Emirates and Saudi Arabia being the top 5 destinations (2017) and
- one Welsh miller with NABIM membership.

There are too few businesses in the Grain and Starch sub sector to produce turnover figures.

The sector in Wales represents:

- 5% of all Wales Food and Drink Manufacturing employment
- 2% of Wales Food and Drink Manufacturing business units

## Summary Statistics for Grains and Starch Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	10	225 (2017)	4.0% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	58%	26%	–
Employment 2017	1,250	10,500 (GB)	12.1% (GB)
Proportion of Full-Time Employees	85%	90% (GB)	–
Turnover 2017	n/a	£5,996m	n/a
Total GVA 2016	£317m	£1,547m	20.5%
Retail Sales Kantar Worldpanel 2017	£360m	£6,088m	5.9%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

The area of land used for crops is at its highest point for at least 20 years.

Employment in the sector hit a high of 1,250 in 2018 – the increase has mostly been in part-time employees.

Gross Value Added (GVA) has been rising over the decade, and the Wales sector makes up 20% of the UK GVA, despite having only 4% of the business units. This is probably because although the sector only has 10 business units in Wales, the majority of those businesses employ more than 50 people.



## Long Term Consumer Trends

- Household purchases of breakfast cereals in Wales fell at the beginning of the decade. Since then they've been oscillating around 120g per person per week.
- Rice now stands at 67g per person per week in 2014-2017, compared to 54g in 2001-2004. However rice reached a peak of 87g at the start of this decade.
- Other cereal convenience foods have grown strongly in Wales, hitting an average of 78g in the last three years, up 23% on 2001-2004.

## Household Average Purchases of Cereals and Cereal Products (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Breakfast Cereals	116	124	138	115
Rice	67	100	97	90
Pasta	79	88	84	92
Pizza	65	82	103	91
Other Cereal Convenience Foods (incl snacks)	78	93	72	101

Source: DEFRA, Family Food Statistics

## Kantar Data

- The fall in spend on breakfast cereals in Wales stopped, spend was up 1.4% year on year to £97m.
- Spend on frozen pizzas grew strongly, up by £3.7m in 2017 (13.4%).
- Fresh pasta continued to grow, seeing an increase of 14.7% in 2017, after an increase of 7.3% the year before.
- Unlike fresh pasta, dry pasta spend fell in the previous year. This year however, dry pasta spend has grown slightly (by 1.4%).
- The ambient rice and savoury noodles market recovered from a dip in 2016, reaching £29m spend.



## Summary of the Sector

The Prepared Animal Feeds sub sector in Wales:

- includes farm animal, horse and pet food
- employs **1,000 people** (2017), up from 600 in 2016
- in **30 business units** (2018), same as 2016
- with a **turnover of £452m** (2018), down from £460m (2017)
- **retail sales of £178m** (2016)
- **GVA of £44m** (2016), up from £36m (2015) and
- **exports of £28m** (2017) **up from £21m** (2016) (excluding unmilled cereals), with Ireland, Germany, Sweden, Czech Republic and Turkey being the top 5 destinations.
- The number of medium sized businesses is similar to the previous year, 59% of units are micro.
- There are two Welsh members of the Pet Food Manufacturers Association.

The sector in Wales represents:

- 4% of all Wales Food and Drink Manufacturing employment
- 6% of Wales Food and Drink Manufacturing business units

## Summary Statistics for the Prepared Animal Feeds Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	30	635 (2017)	4.9% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	22%	16%	–
Employment 2017	1,000	14,500 (GB)	6.8% (GB)
Proportion of Full-Time Employees	90%	86% (GB)	–
Turnover 2018	£452m	£6,588m (2017)	7.1% (2017)
Total GVA 2016	£44m	£1,835m	2.4%
Retail sales Kantar Worldpanel 2017	£178m	£2,410m	7.4%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

Turnover in the sector in Wales had increased dramatically between 2014 and 2015. Since then turnover has been falling, but it remains above 2014 levels. During that time the number of businesses hasn't changed.

Having seen years of increasing employment, employment fell sharply in 2016, but this appears to have been a blip, and employment rose again in 2017. The proportion of full-time employees in the sector has been decreasing.

## Kantar Data

- The total household retail spend on animal feed in Wales in the year to January 2017 was £178m, up 2.5% year on year.
- The spend on dry dog food fell again to £11m (down 12.8%) after falling 12.1% the year before. The average price of dry dog food increased 10.7% but this was more than met by a fall of 21.2% in volume.
- Spend on cat food increased £6m to £92m.



## Summary of the Sector

The fruit, vegetables and plants sub sector in Wales:

- accounts for **1,702 hectares** of land (1,628 in 2016)
- **300 people** in employment in processing (200 in 2016)
- in **25 business units** (2018), similar to 30 in 2017
- with a **turnover of £26m** (2018), up from £23m in 2017
- **GVA of £3m** (2016), down from £14m
- **retail sales of £892m** (2017)
- **exports of £8m** (2017), up from £7m (2016), with Ireland, Germany, France, Netherlands and Japan being the top 5 destinations but
- does not include primary production or processing on-farm,
- census data excludes small units of less than 2 hectares.
- Horticulture Wales has previously estimated that up to 70% of Welsh horticulture business activity is not captured.

The sector in Wales represents:

- 1% of all Wales Food and Drink Manufacturing employment
- 4% of Wales Food and Drink Manufacturing business units

## Summary Statistics for Fruit and Vegetables Processing Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	25	730 (2017)	3.8% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	8%	15%	–
Employment 2017	300	31,500 (GB)	0.9% (GB)
Proportion of Full-Time Employees	93%	92% (GB)	–
Turnover 2018	£26m	£6,674m (2017)	0.3% (2017)
Total GVA 2016	£3m	£2,089m	0.1%
Retail Sales Kantar Worldpanel 2017	£892m	£15,420m	5.8%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

The area of horticultural land is the largest it has been since 2000.

Employment increased sharply to 300, after a period of stability around 200 employees in the past 4 years.

## Long Term Consumer Trends

- After declining from the middle of the last decade, household per capita consumption of fruit and vegetables is stable in Wales.
- The fall in consumption of potatoes (especially fresh potatoes) has continued.

## Household Average Purchases of Fruit and Vegetables (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Fresh and Processed Vegetables (excl Potatoes)	1,001	1,133	907	963
Fresh and Processed Potatoes	664	646	1,112	627
Fresh and Processed Fruit	982	1,118	992	1,047

Source: DEFRA, Family Food Statistics

### Kantar Data

- Volume per buyer increased across the board in the category, except in nuts. Total spend was up 7.1%.
- The retail spend on fresh vegetables was £305m, up 5.9% year on year.
- Spend on fresh fruit was up 9% to £318m, with total volume, frequency and unit price all up on the previous year again.
- There was strong growth in canned and frozen vegetables, as well as tinned fruit.



## Summary of the Sector

The seafood sector in Wales:

- has a fleet of 450 boats, 33 being over 10m in length (451 boats and 32 >10m in 2016)
- has 61 FSA approved premises in (2018)
- **retail sales of £155m** (2017)
- **exports £32m** (2017) up from £27m (2016) with Spain, South Korea, Netherlands, France, and China being the top 5 destinations
- **GVA of £3m** (2016)
- according to official data employs **75 people** in processing in **10 business units** (2017). There are too few official business units to release turnover data.
- however businesses without employees and turnover below the tax threshold aren't captured in these statistics. Industry estimates suggest there are around **65 small processing businesses** (2015). A lot of Welsh seafood is exported unprocessed.

The sector in Wales represents:

- 0.3% of all Wales Food and Drink Manufacturing employment
- 2% of Wales Food and Drink Manufacturing business units

## Summary Statistics for Welsh Seafood Processing Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	10	370 (2017)	3.0% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	0%	18%	–
Employment 2017	75	16,000 (GB)	0.5% (GB)
Proportion of Full-Time Employees	82%	87% (GB)	–
Turnover 2017	n/a	£2,729m	n/a
GVA 2016	£3m	£758m	0.4%
Retail Sales (2017) Kantar Worldpanel	£155m	£2,813m	5.5%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

Employment recovered to 2014 levels, after dipping in 2016.

There are few recorded businesses. Of those recorded, 67% are micro, employing fewer than 10 employees and all have less than 50 employees.

## Long Term Consumer Trends

- In 2016-17 there was a sign that the long term decline in average household purchases of fish per person in Wales may have stalled. Purchasing in 2014-2017 was 26% lower than in 2001–2004.
- Welsh consumption of Shellfish has declined from 8g per person per week, to 5g.

## Household Average Purchases of Fish (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Fish	115	145	125	131
Shellfish	5	10	7	10

Source: DEFRA, Family Food Statistics

### Kantar Data

- Spend on shellfish was up 9.8% on 2016 at £11.2m. Spend on wet/smoked fish increased 6.1% at £46.9m. Spend on chilled prepared fish increased 4.6% at £14.0m.
- Sales of frozen fish have grown strongly. In the year to 31st December 2017, sales were £53m up 11.7%. Canned fish stabilised after falling 8.7% the year previously.



### Summary of the Sector

The sector is too small to disclose any business or employment data.

Exports were £2.5m (2017) up from £2.0m (2016) with Ireland, Poland, Netherlands, Sri Lanka and Germany being the top 5 destinations .

### Long term Consumer Trends

- The long term decline in the consumption of fats is relatively unchanged, the three year average is down by a third in Wales compared to 2001–2004.
- Butter has recovered strongly from 35g per person per week in 2012-2014, up to 40g in 2014–2017.
- Margarine purchases increased until the start of the decade, but there are signs of a fall since then.
- Vegetable and salad oils have fallen further in Wales.

### Household Average Purchases of Oils and Fats (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Fats	144	154	155	145
Butter	40	38	50	50
Margarine	25	21	13	16
Vegetable and Salad Oils	37	53	52	39

Source: DEFRA, Family Food Statistics

### Kantar Data

- Spend of margarine were up 2.0% at £34m after falling 9.0% in 2016. The increase was driven by a small price increase, and volume stabilising.
- In contrast, sales of butter (captured under dairy) were £55m, up 24% on 2016.
- Spend on cooking oils was up year on year by 13.2% to £20.3m.



## Summary of the Sector

The sub sector captures businesses in the following manufacturing activities: sugar, cocoa, chocolate, confectionary, tea, coffee and coffee substitute manufacturing, condiments and seasonings, prepared meals and dishes, and homogenised food preparation and dietetic food.

The Other Food Products sub sector in Wales:

- employs **7,000 people** (2017), up from 6,000 in 2016
- in **100 business units** (2018), up from 85 in 2017
- with a **turnover of £1.42bn** (2018), up from £820m
- **retail sales of £631m** (2017)
- **GVA of £242m** (2016), down from £264m (2015)
- **exports of £94m** (2017), **up from £79m** (2016) with Ireland, Germany, USA, France and the Netherlands being the top 5 destinations.

Whilst most businesses are small, 21% employ more than 50 people, slightly down on the previous year.

The sector in Wales represents:

- 28% of all Wales Food and Drink Manufacturing employment
- 17% of Wales Food and Drink Manufacturing business units

## Summary Statistics for Other Food Products Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	100	2,195 (2017)	3.8% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	21%	15%	–
Employment 2017	7,000	95,500 (GB)	6.8% (GB)
Proportion of Full-Time Employees	95%	90% (GB)	–
Turnover 2018	£1.42bn	£20.68bn (2017)	4.0% (2017)
Total GVA 2016	£242m	£6,032m	4.0%
Retail Sales (2017) Kantar Worldpanel	£631m	£10,381m	6.1%

Source: Welsh Government analysis of Office for National Statistics and Kantar data

## Trends

In 2017 employment returned to 7,000 after dipping the previous year. Most employees, (95%) are in full-time employment ahead of GB at 90%.

While it's hard to draw out long-term trends in employment, the turnover and gross value added have been increasing, albeit with some fluctuations. Similarly, exports in the sector have been increasing rapidly. Exports in 2017 were 19% higher than in 2016.

## Long Term Consumer Trends

- The evidence of a decline in purchases of sugar and preserves continues. The signs of recovery in 2015-16, were countered by large falls in 2016-17.
- Confectionery has remained stable.
- Pickles and sauces have been falling since the start of the decade.



## Household Average Purchases of Other Products (grams per person per week, three year average)

	2014/17			
	Wales	England	Northern Ireland	Scotland
Sugar and Preserves	105	108	96	99
Pickles and Sauces	119	127	117	124
Confectionery	138	127	153	159

Source: DEFRA, Family Food Statistics

### Kantar Data

- The retail spend on preserves in Wales was £10.1m in the year to 31st December 2017, down 1.9%.
- Total pickles, table spices and condiments was up 2.5% to £52m.
- The total chocolate confectionery was up 6.0% at £177m. Spend on sugar confectionery £48m, up 10% on 2016.
- The total sweet home cooking market was up 3.8% to £82m, but still down overall compared to two years before.



## Summary of the Sector

The Food and Drink Wholesale sub sector in Wales includes tobacco and:

- employs **8,000 people** (2017), down from 11,000 in 2016
- in **760 business units** (2018), similar to 770 in 2017
- with a **turnover of £1.90bn** (2018), up from £1.81bn (2017), and
- **GVA of £323m** (2016), down from £375m (2015).

The sector in Wales represents:

- 0.6% of all Wales employment
- 0.6% of the total number of business units in Wales.

## Summary Statistics for Welsh Food and Drink Wholesale Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	760	21,730 (2017)	3.5% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	3%	5%	–
Employment 2017	8,000	247,000 (GB)	3.1% (GB)
Proportion of Full-Time Employees	73%	86% (GB)	–
Turnover 2018	£1.90bn	£112.19bn (2017)	1.6% (2017)
GVA 2016	£323m	£18,053m	1.8%

Source: Welsh Government analysis of Office for National Statistics data

## Trends

The wholesale sector in Wales has declined over the last few years, against the UK trend. Turnover fell 13% between 2014 and 2018. The number of business units fell by 5% in that time period. The 2016 GVA is below 2006 levels, even before adjusting for inflation.

Employment doesn't seem to have been impacted by the falls in turnover and business units. Employment was at 8,000 in 2017, up from 7,000 in 2014. A lower proportion of employees are employed full-time however, 73% in 2018 compared to 83% in 2014.



## Summary of the Sector

The Food and Drink Retail sub sector in Wales:

- employs **57,000 mostly part time people** (2017), down from 60,000 in 2016
- in **3,980 business units** (2018), down from 4,045 (2017)
- with a **turnover of £8.79bn** (2018), up from £8.75bn (2017)
- **GVA of £1.37bn** (2016), similar to £1.38bn in 2015
- **retail sales of £5.77bn** (Kantar 2017).

The sector in Wales represents:

- 15% of all business units in Welsh Food and Drinks supply chain.
- 4% of total employment in Wales.

## Summary Statistics for Retail Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	3,980	88,285 (2017)	4.6% (2017)
Proportion of Business Units medium and large (50+ employees)	4%	4%	–
Employment 2017	57,000	1,238,000 (GB)	4.6% (GB)
Proportion of Full-Time Employees	28%	34% (GB)	–
Turnover 2018	£8.78bn	£179.49bn (2017)	4.9% (2017)
Total GVA 2016	£1,371m	£28,464m	4.8%
Retail Sales (2017) Kantar Worldpanel	£5,773m	£95,326m	6.1%

Source: Welsh Government analysis of Office for National Statistics and Kantar data











## Trends

Employment has dropped year on year, with employment at 57,000 in 2017 compared to 71,000 in 2013. The proportion of full-time employment has also dropped across this period.

Turnover and the number of businesses were rising until 2015, but have mostly fallen since then.

Retail sales by sub sector in order of value in Wales are summarised in the following table for 2016-2017:

## Total Retail Sales in Wales 2016–2017 (£m)

		2016	2017	% Change 2017 on 2016
Drinks		1,062	1,175	+10.6
Meat and Meat Products		1,055	1,126	+6.7
Fruit and Vegetables		833	892	+7.1
Dairy		626	668	+6.7
Bakery		509	531	+4.3
Cereals Grains and Pulses		344	360	+4.9
Animal Feed		174	178	+2.5
Seafood		145	155	+7.1
Oils and Fats		53	57	+6.0
Other		596	631	+5.7
<b>Total</b>		<b>5,397</b>	<b>5,773</b>	<b>+7.0</b>

Source: Kantar Worldpanel



## Summary of the Sector

The catering sub sector captures all non-residential catering, including restaurants and cafes, foodservice, mobile caterers, take away, and events catering.

The catering sub sector in Wales:

- employs **74,000 people**, mostly part time (2017), down from 86,000 in 2016
- in **8,430 business units** (2018), up from 8,310 in 2017
- with a **turnover of £2.94bn** (2018), up from £2.65bn (2017)
- **GVA of £1.05bn** (2016), down from £1.13bn (2015)
- annual spend on **out of home consumption** estimated at **£30.70** per household per week (2014–2018).

The majority of business units in the sector are micro, with fewer than 10 employees. Only 2% of business units employ 50 or more people.

The sector in Wales represents:

- 6% of all Wales employment
- 31% of Wales food and drink supply chain business units.

## Summary Statistics for the Catering Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2018	8,430	172,685 (2017)	4.8% (2017)
Proportion of Business Units medium and large (50+ employees) 2018	2%	2%	–
Employment 2017	74,000	1,808,500 (GB)	4.1% (GB)
Proportion of Full-Time Employees	34%	39% (GB)	–
Turnover 2018	£2.94bn	£72.72bn (2017)	3.6% (2017)
Total GVA 2016	£1.05bn	£34.34bn	3.1%

Source: Welsh Government analysis of Office for National Statistics data

## Trends

The catering sector in Wales has seen growth across the board in turnover, employment and business units.

Employment is down compared to the previous year, but 2016 had seen employment spike exceptionally high. Employment in 2017 was part of a story of growth from 69,000 in 2013, to 71,000 in 2015 and now 74,000 in 2017.

The number of catering business units with 250 or more employees has increased from 2 in 2013 to 6 in 2018.

UK 'Out of Home' spend per household is higher than Wales, at £36.70 per week compared to £30.70.

## Appendix: Changes to the economic appraisal and methodology notes

This is the first year that the economic appraisal has been produced internally within Welsh Government. Previous economic appraisals had been produced by Brookdale Consulting.

There have been some changes to the methodology used to produce these figures. In some areas, Welsh Government has access to more appropriate data sources that an external company would not have access to. In other areas methodology has been brought in line with Welsh Government statistical releases, for example the **Priority Sector economic statistics**.

### Changes

Business units have been updated to include 2017 and 2018 Wales figures, due to data available to Welsh Government.

Welsh employment figures are calculated using Business Register and Employment Survey (BRES) microdata. This removes errors created by rounding summed totals.

Gross Value Added (GVA) is now calculated directly for sectors using ONS data. Previously GVA was estimated for some sectors based on employment and turnover.

Gross Value Added (GVA) per head was not included this year. Employment figures are not in full-time equivalents which would lead to lower GVA per head for industries with a high percentage of part-time employees.

Household purchases are reported based on a three year average. The sample size for Wales in the Living Costs and Food survey is small, which means there is a high margin of error for one year estimates.

Some items of Kantar retail data have been re-categorised. "Meat extract", "Frozen poultry" and "Frozen ready meals" are now included in "Meat and Meat Products". "Mincemeat (Sweet)", "Chilled Olives" and "Frozen Potato Products" are now included in "Fruit, Vegetables and Plants". "Lards+compounds" and "Margarine" have been included in "Oils and Fats", to best mimic ONS Standard Industry Classification (SIC) 2007 definitions.

### Other methodological notes

#### **Business units / business size bands - Inter-Departmental Business Register (IDBR)**

Business units here are local units – one physical location of a business. A business enterprise can be made up of many local units. Small businesses with no employees and turnover below the VAT threshold are not included.

#### **Employment / full-time employment – Business Register and Employment Survey (BRES)**

These are estimations based on survey data. Farm agriculture data is included based on the June Survey of Agriculture. Employment is defined as employees plus the number of working owners who receive drawings or a share of the profits. The totals are for Great Britain, as Northern Ireland run their own survey.

#### **Exports – HMRC Regional Trade in Goods statistics**

Export statistics are created from Welsh Government analysis of HMRC data.

#### **FSA approved premises / audit scores – Food Standards Agency (FSA) statistics**

FSA numbers were as at 1st November 2018.

#### **GVA – Gross Value Added**

GVA combines GVA statistics from the Annual Business Survey and Regional Accounts.

#### **Highest Qualification at Level 4 & above – Annual Population Survey (APS)**

Qualifications are based on the 16 to 64 working population, matching definitions use in the Priority Sector economic statistics release.

### **Household Average Purchases – Living Costs and Food survey via DEFRA Family Food**

These are estimations based on survey data. It is likely that people under-report certain purchases (for example, alcohol purchases).

### **Retail sales – Kantar Worldpanel**

Retail statistics are drawn from Kantar retail panel data.

### **Turnover - Inter-Departmental Business Register (IDBR)**

Turnover is the turnover generated in Wales by enterprises, regardless of where their headquarters are located. An enterprise is defined as being within a sector if their reported main industry in Wales is within that sector. Small enterprises with no employees and turnover below the VAT threshold are not included.

### **Disclaimer**

This compendium of statistics was produced between October–January 2019. This is not an official statistics release.

Whilst facts have been rigorously checked, the Welsh Government can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report.