



Bwyd a Diod Cymru
Food & Drink Wales

Economic Appraisal of the Welsh Food and Drink sector – Update 2017

December 2017

A copy of this report is available in Welsh



Introduction

This report provides an annual update on the Welsh food and drink sector's economic performance to 2017. It updates the economic appraisals produced by Brookdale Consulting in 2015 and 2016.

The report also provides a mid-term 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

- Bakery Sub sector
- Meat and Meat Products Sub sector
- Dairy Sub sector
- Drinks 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 Products Sub sector

Food Wholesale Sub sector

Food and Drink Retail Sub sector

Catering Sub sector

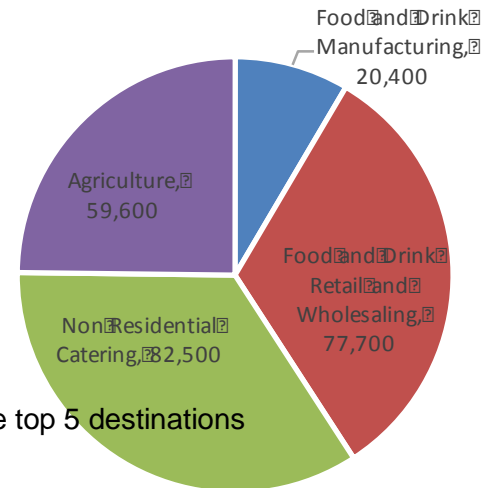


Food and Drink Supply Chain

Summary of the Sector

The Food and Drink supply chain in Wales:

- Includes primary production, manufacturing, retail, wholesale and non-residential catering
- employs **240,200** (2016) up from 222,400 – see pie chart
- in **27,575 business units** (2016), down from 27,585 (2015)
- with a **turnover¹ of £19.1bn** (2015)
- **GVA² of £4.5bn** (2015) and
- **exports of £0.436bn (2016) up 8% from £0.404bn** (2015)
– Ireland, France, Germany, Netherlands, and Belgium being the top 5 destinations
- Welsh Retail Sales of Food and Drink were £5.4bn (2016)



The sector in Wales represents:

- 18% of all Wales employment
- 22% of the total number of business units in Wales
- 18.4% of turnover of the non-financial business economy in Wales. (UK average of 13.5%).
- 4.2% of the turnover of the UK food and drink sector

The majority of food and drink business units in Wales (85%) are micro and employ fewer than 10 people. There are 75 businesses employing more than 250 people.

Summary Statistics for Welsh Food and Drink Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2016	27,575	437,020	6.3%
Employment 2016	240,200	4.253 (GB)	5.6% (GB)
Proportion of Full Time Employee Jobs	40%	47% (GB)	-
Turnover 2015	£19.1bn	£458bn	4.2%
GVA 2015	£4.5bn	£114bn	3.9%

Source: ONS Crown Copyright

Trends

Overall employment has increased slightly from last year – with growth in wholesaling countering the decline in food and drink manufacturing.

The number of business units have remained relatively stable at 27,600 units.

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

- Working owners represent 75% of employment in agriculture and fishing
- Full time employees represent 94% of employment in the manufacturing sector
- Part-time employment accounts for 70% of retail jobs.

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

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



Food and Farming ‘Priority Sector’

Summary of the Sector

The Welsh Government defines the Food and Farming ‘Priority Sector’ as follows:

- Includes primary production and manufacturing only
- has **31,800 employees** not including self-employed (2016) up from 30,400 in 2015
- but **79,900 workers** if all farmers and agricultural workers are included (2016) down from 85,625
- in **14,205 local business units** (2016) up from 14,195 in 2015
- with a **turnover of £6.9bn (2016)** up from £6.1bn in 2015 and
- **GVA of £1.61bn** (2015) up from £1.54 in 2014

The sector in Wales represents:

- 2.7% of all Wales employment
- 11.6% of the total number of business units in Wales
- 5.9% of turnover of the non-financial business economy in Wales. (UK average of 3.3%).
- 5.5% of the turnover of the UK food and drink sector

Over 97% of food and farming priority sector business units in Wales employ fewer than 10 people due to the inclusion of farms. There are 150 large businesses in the sector (2016), employing more than 250 people, up from 120 (2015).

Summary Statistics for Welsh Food and Farming Priority Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2016	14,205	157,905	9%
Employment 2016 (excluding self-employed)	31,800	681,900	4.7%
Proportion of Full Time Employment	81%	84%	-
Turnover 2016	£6.9bn	£144.3bn	4.7%
GVA 2015	£1.61bn	£38.4bn	4.2%
Workers with highest qualification at Level 4 & above	24%	26%	-
Investment in R&D 2013	£4m	£425m	0.9%

Source: ONS Crown Copyright, WG Priority Statistics Release

Trends

Employment has been growing strongly since 2012.

There has been some recovery in the number employed in larger businesses (more than 50) back to 2008 levels.

There has been continued recovery in the number of large businesses (250+ employees) but the overall number of business units is relatively stable and still below pre-recession levels.



Food and Drink Manufacturing

Summary of the Sector

The Food and Drink Manufacturing sector in Wales:

- 20,400 in employment (2016), down from 24,100 (2015)
- in **565 business units** (2016) up from 555 in 2015
- with a **turnover of £4.8bn** (2015) up from £4.2bn (2014)
- **GVA of £1.49bn** (2015) up from £1.26bn (2014)
- **122 Great Taste Award winners** (2016) down from 174 in 2015
- **14 protected food name products** (2016) up from 4 in 2015

The sector in Wales represents:

- 1.5% of all Wales employment
- 0.5% of the total number of business units in Wales
- 4.6% of turnover of the non-financial business economy in Wales. (UK average of 2.6%).
- 4.3% of GVA of the non-financial business economy in Wales.
- 5.4% of the turnover of the UK food and drink sector

67% of food and drink manufacturing business units in Wales employ fewer than 10 people. 28% employ between 10-249 people. There are 25 large businesses in the sector, employing more than 250 people. Skill levels are below 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 2016	565	11,305	5.0%
Proportion of Businesses Units med or large	15%	13%	-
Employment 2016	20,400	407,500 (GB)	5.0%
Proportion of Full Time Employee Jobs	94%	90% (GB)	-
Turnover 2015	£4.8bn	£88bn	5.4%
GVA 2015	£1.45bn	£24.7bn	5.9%
Workers with highest qualification at Level 4+ (excl. Beverage Manufacturing)	22%	24%	-
Annual Wages (Median Food Manuf.) 2016	£19,096	£21,224	-
Investment in R&D 2013	£4m	£425m	0.9%

Source: ONS Crown Copyright

Trends

Overall **business confidence in Wales**³ is up at 55 in (April 2017) compared with 53.1 (May 2016) and 58.6 in (May 2015). Wales has seen business activity grow in response to new orders with staffing levels up to meet demand. Inflationary pressures have decreased and whilst Brexit brings uncertainty, the weakness of sterling is boosting export orders.

The sector is growing in terms of turnover and business units while employment is falling slightly. This suggests that **overall productivity of the sector is increasing**. **Welsh productivity in food and drink is increasing** while remaining static at the UK level.

³ According to the Lloyds Bank Regional Purchasing Managers' Index Survey



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 meat 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 ₂ Equivalent)			
	GHG Per Employee Unit Ratio	Wales	GB	Wales as % of GB
Meat	0.014	77.8	1103.7	7%
Seafood and fruit and vegetables	0.020	5.1	1010.0	1%
Oils and fats	0.050	0.0	93.8	0%
Dairy	0.037	35.3	817.6	4%
Grains and Starch	0.061	60.9	609.3	10%
Bakery	0.012	55.0	1169.3	5%
'Other' foods	0.016	90.2	1542.2	6%
Animal feeds	0.025	14.8	346.2	4%
Alcoholic drinks	0.047	36.0	1293.8	3%
Soft drinks and water	0.017	9.5	164.6	6%
Total Drinks		45.5	1458.4	3%

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.



Meat and Meat Products Sub Sector

Summary of the Sector

The meat and meat products sector in Wales:

- has primary production of 9.810m sheep, 1.134m cattle, 23,200 pigs and 4.3m chickens in 2016 (9.504m sheep, 1.119m cattle, 25,300 pigs and 4.5m chickens in 2015)
- slaughters 3.48m sheep, 147,000 cattle, 31,400 pigs and 104m chickens in 2016 (3.41m sheep, 160,000 cattle, 39,600 pigs and 104m chickens in 2015)
- produces 64,200 tonnes of sheep meat; 45,400 tonnes of beef, 2,600 tonnes of pig meat and 152,000 tonnes of poultry meat in 2016 (65,300 tonnes of sheep meat; 47,700 tonnes of beef, 3,200 tonnes of pig meat and 152,000 tonnes of poultry meat in 2015)
- employs **5,500 people** (2016) down from 6,000 in 2015
- in **65 business units** (2016) same as 2015
- with a **turnover of £1,276m** (2015)
- **GVA of £208m** (2015) up from £181m (2014)
- **has red meat exports of £161m** (HCC 2016 up from £157m in 2015 and £90m in 2014) with **lamb accounting for £111m and beef £50m (£106m and £51m respectively in 2015)**
- **HMRC figures suggesting £102m meat exports from Welsh companies (2016) up from £82m (2015)** France, Ireland, Germany, Belgium and Italy being the top 5 destinations (2016). Exports of live animals were an additional £21m (2016) up from £12m (2015) Middle East, Netherlands, Asia (Japan and S Korea), Poland and Ireland being the top 5 destinations (2016)
- **has Welsh retail sales of meat of £957m** (2016)
- has 51 FSA approved premises for red meat (57 in 2016), 9 for poultry, 12 for farmed game (13 in 2016), 13 for wild game (11 in 2016) and
- FSA plant audit scores 58% Good (34% in 2016); 42% Generally Satisfactory (61% in 2015)
- Is, together with 'Other food processing' the largest sub sector within Welsh food and drink manufacturing by employment.

The sector in Wales represents:

- 27% of all Wales Food and Drink Manufacturing employment
- 12% of Wales Food and Drink Manufacturing business units

Summary Statistics for Meat and Meat Products Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2016	65	1,140	5.7%
Proportion of Business Units medium and large (50+ employees)	23%	20%	-
Employment 2016	5,500	78,000 (GB)	7%
Proportion of Full Time Employee Jobs	98%	92% (GB)	-
Turnover 2015	£1,276m	£17,087m	7.5%
Total GVA 2015	£208m	£3,550m	5.9%
GVA per head 2015	£34,700	£41,500	84%
Retail Sales 2016 Kantar Worldpanel	£957m	£16,078m	6.0%

Source: ONS Crown Copyright, Kantar Worldpanel



Trends

Having experienced a period of growing employment, latest data shows that employment has fallen from 6,600 in 2014 to 6,000 in 2015 and now 5,500 in 2016⁴. Despite this, meat and meat products remains one the largest sectors by employment in Welsh Food and Drink Manufacturing, jointly with Other Food Products. The number of businesses has remained stable at 65.

Long Term Consumer Trends

- Household purchases of carcass meat have fallen by 15% in Wales over the past decade however this represents a recovery of 2% on last year due to a 7% increase in 2015. The increase has been greatest in beef and veal (3 year average up 9%) with mutton and lamb continuing to fall.
- Pork has remained stable in Wales while continuing to fall in the UK.
- The overall increase in chicken purchases has fallen back in Wales from 16% to 11%.
- Sausages have declined since last year in Wales and growth in sausages at the UK level has turned to a decline.
- Ready meals and convenience products have held up at the Welsh level and Welsh household purchases are greater on average per person than the UK average (20g per week).

Household Average Purchases of Meat and Meat Products (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Carcass Meat	222	188	-15%	230	188	-18%
Beef and Veal	102	98	-4%	118	100	-15%
Mutton and Lamb	59	30	-49%	51	36	-29%
Pork	61	61	0%	61	53	-13%
Non Carcass Meat and Meat Products	848	771	-9%	820	756	-8%
Uncooked chicken	151	167	11%	165	185	12%
Sausages	64	52	-19%	57	55	-4%
Ready Meals and convenience meat products	161	184	14%	157	164	4%

Source: DEFRA, Family Food Statistics

Kantar Data

- The total Welsh retail spend on fresh meat was £337m in the year to January 2017, down 1.9% on the previous 12 months. Spend per buyer fell from £206.63 annually to £202.49. The fall in total spend is because average prices were lower than the previous year.
- £123m of fresh beef was purchased at retail in Wales in the year to January 2017, up 5.6% year on year; £34m of lamb down 7.7% year on year; and £40m of pork, down 6.7% year on year.
- The chilled burger market fell back to £14m having seen strong growth in 2015. However, purchases were up, with a fall in average unit prices driving a fall in total spend.
- The retail spend on fresh poultry and game in Wales was £172m, down 1% on the previous year, but still accounting for 51% of total fresh meat sales in 2016.

⁴ Note: Access to Employment Data has changed so that only highly rounded figures can be view. This may exaggerate the extent of changes in employment from year to year.



Bakery Sub Sector

Summary of the Sector

The Bakery sector in Wales:

- 4,750 people in employment (2016), down from 6,000 (2015)
- in **180 business units** (2016) same as 2015
- with a **turnover of £545m** (2015)
- **GVA of £234m** (2015) up from £157m (2014)
- **Welsh retail sales of £509m** (2016), and
- is the third largest sub sector within Welsh food and drink manufacturing by employment

The sector in Wales represents:

- 25% of all Wales Food and Drink Manufacturing employment
- 32% 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 2016	180	3,310	5.4%
Proportion of Business Units medium and large (50+ employees)	9%	10%	-
Employment 2016	4,750	101,000 (GB)	4.7%
Proportion of Full Time Employee Jobs	94%	86% (GB)	
Turnover 2015	£545m	£11,395	4.8%
Total GVA 2015	£234m	£3,909m	5.0%
GVA per head 2015	£39,000	£38,100	102%
Welsh Retail Sales 2016	£509m	£8,521m	6%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

There has been a substantial drop in employment between 2015 and 2016, in contrast to growing GB employment which has grown by 1%.

The vast majority of businesses (70%) are micro, with fewer than 9 employees down from 75% in 2015.

Those employing more than 50 people account for 11% of business units.

Long Term Consumer Trends

- The long term decline in bread (driven by white bread) has stabilised in 2015 in Wales and the UK. Overall household purchases as down a quarter compared with 2002/03.
- There is virtually no change in the small long term declines seen in cakes, buns and pastries and biscuits and crispbreads in 2015.



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Household Average Purchases of Bread and Bakery Products (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Bread	821	584	-29%	757	568	-25%
Cakes, Buns and Pastries	154	153	-1%	164	150	-9%
Biscuits and Crispbreads	167	164	-2%	174	164	-6%

Source: DEFRA, Family Food Statistics

Kantar Data

- The retail spend on ambient bakery in Wales was £314m in the year to January 2017, up 1%. Total volume was up 1.7% year on year, and shoppers were buying more volume.
- Total spend on bread continues to fall, down to £106m in the year to January 2017, 3% lower than the previous 12 months.
- Spend on biscuits was lower in the year to January, down 2.7% year on year at £159m. However, spend remained above the 2015 value.



Drinks Sub Sector

Summary of the Sector

The Drinks sub sector in Wales:

- includes beer, cider, spirits, water and soft drinks
- 1,400 in employment in 2016, up from 1,100 in 2015.
- in **90 business units** (2016) up from 85 in 2015 though industry estimates suggest 200 highlighting substantial growth in small operators
- with a **turnover of £816m** (2015)
- **GVA of £361m** (2015) up from £357m (2014)
- a **Welsh retail sales value of £946m** (2016) and
- **Exports of £32m** (2016) **down from £39m** (2015) Italy, France, North America, Ireland and Asia being the top 5 destinations (2016).

The sector in Wales represents:

- 6.7% of all Wales Food and Drink Manufacturing employment
- 16% 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 2016	90	2,000	4.5%
Proportion of Business Units medium and large (50+ employees)	6%	7%	-
Employment 2016	1,400	36,500 (GB)	4%
Proportion of Full Time Employee Jobs	90%	92% (GB)	-
Turnover 2015 (UK 2013)	£816m	£13,811m	5.9%
Total GVA 2015 (UK 2013)	£361m	£4,336m	6.6%
GVA per head 2015	£320,900	N/A	-
Retail Sales Kantar Worldpanel 2016	£946m	£29,820	3.7%

Source: ONS Crown Copyright, Kantar Worldpanel – Note UK turnover and GVA not disclosed for 2015

Trends

From a stable base of 1,500, employment increased to a peak of 1,900 in 2014 before falling in 2015 to 1,100 and then recovering to 1,400 in 2016.

The number of businesses has continued to grow reaching 90, though this is below industry estimates.

82% of businesses employ fewer than 10 employees, with much of the growth in business units through new entrants at the micro level.

There are no businesses listed in the 50-249 employee category.

Long Term Consumer Trends

- Wales has started to see a share of the growth in Mineral or Spring Water, up 60 % between 2014 and 2015. Overall household purchases are up 25% on 2002/03 in Wales and 61% in the UK.



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- Soft drinks have continued to fall at the UK level, and Welsh purchases are also down.
- Alcoholic drinks are lower in UK and Wales than 2002/03. However, between 2014 and 2015 purchases of alcoholic drinks in Wales were up 10% year on year and unchanged at UK level.

Household Average Purchases of Beverages (ml per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Mineral or Spring Water	232	288	24%	210	340	61%
Soft Drinks	1,767	1,647	-7%	1,757	1580	-10%
Alcoholic Drinks	759	677	-11%	726	682	-6%

Source: DEFRA, Family Food Statistics

Kantar Data

- The retail spend on alcohol in Wales in the year to January 2017 was down 3.6% to £705m. However, sales volumes were above the 2015 value.
- Spending on beer and larger was down 4.2% to £126m. Spending on wine remained flat at £259m, and sparkling wine continued to grow, up 17% to £41m.
- Spending on soft drinks continued to fall, down 2.7% year on year at £199m. Spend on water increased by 10% to £26.6m, 22% higher than 2015.



Dairy and Eggs Sub Sector

Summary of the Sector

The Dairy sector in Wales:

- has 298,000 dairy cattle across 1,726 herds (300,451 cattle across 1,744 herds in 2016).
- Produces 1,82bn litres of milk per year (1.89bn litres in 2015)
- employs **1,000 people** in processing (2016) down from 1,600 in 2015
- in **60 business units** (2016) up from 55 in 2015
- with a **turnover of £322m** (2015)
- **GVA of £79m** (2015) up from £55m (2014)

The Egg sector in Wales

- Has **1.77m chickens** used for egg production in 2016 (was 1.6m in 2015), 74% free range
- Produces 42.6m dozen eggs per year
- Accounts for 4.4% of total UK hen numbers (was 4.7% in 2015), but a higher proportion of free range hens.

Combined Dairy and Egg sector

- has **Welsh retail sales of £623m** (2016)
- **Exports of £89m** (2016) **down from £91m** (2015) Belgium, Ireland, France, Netherlands and Germany being the top 5 destinations (2016)
- has 90 FSA approved dairy premises (75 in 2016)
- and 87 FSA approved egg premises but
- does not include dairy farming or on-farm processing within an existing farm business

The sector in Wales represents:

- 4.9% of all Wales Food and Drink Manufacturing employment
- 11% 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 2016	60	700	8.6%
Proportion of Business Units medium and large (50+ employees)	15%	15%	-
Employment 2016	1,000	22,000 (GB)	4.3%
Proportion of Full Time Employee Jobs	89%	91% (GB)	-
Turnover 2015	£322m	£7,172m	4.5%
Total GVA 2015	£79m	£1,795m	4.4%
GVA per head 2015	£48,000	£76,400	63%
Retail Sales Kantar Worldpanel 2016	£623m	£11,403m	5.8%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

Employment has fluctuated considerably over recent years, making it difficult to decipher an overall trend in the data. Specifically, employment has zig-zagged between 1,600 and 1,000. Between 2013 and 2014



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employment fell from 1,600 to 1,000, before increasing again to 1,600 in 2015 and falling to 1,000 again in 2016. An average employment figure for the last five year is 1,300, which may more reasonably represent the size of the sector.

Despite the fall in employment between 2015 and 2016, business units increased from 55 to 60, the highest level since 2010. The vast majority of businesses are micro or small (85% of units), though around 15% employ over 50 employees.

The number of laying chickens has fallen sharply between 2014/2015 from 2.1m to 1.6m. Latest June Census data suggests that numbers are increasing again, up 9% to 1.8m. Wales has a disproportionately high proportion of free range laying hens compared with the UK average.

Long Term Consumer Trends

- Welsh purchases of milk and milk products (excluding cheeses) have continued to decline ahead of the UK.
- In contrast, cream has continued to increase and the long term decline in butter has reduced in Wales from -21% to -9% while the UK continues to see growth in butter. Yoghurts and cheese are little changed.

Average Household Purchases of Dairy Products (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Milk and Milk Products (Excl Cheese) <i>ml per person per week</i>	2,122	1,918	-10%	2,006	1841	-8%
Skimmed Milks (semi and fully skimmed)	1,151	1,356	18%	1,085	1153	6%
Yoghurt and Fromage Frais	146	170	16%	163	192	18%
Cream	18	21	17%	20	24	20%
Butter	44	40	-9%	37	42	14%
Cheese	100	102	2%	112	114	2%
Eggs*	2	2	0%	2	12	0%

*rounded to the nearest whole egg

Source: DEFRA, Family Food Statistics

Kantar Data

- The Welsh retail spend on dairy products was £623 million in the year to January 2017, 1% lower than the previous year. The cheese market was worth £148m (down 3% year on year), milk £182m (-2% year on year), yoghurt £85m (no change) and butter £44m.
- The total spend on milk was down 2% on the year earlier as shoppers were buying less, despite little change in the unit price.
- Butter market penetration has stabilised at 77% of households with spend down marginally from 2015 at £44.5m.
- Wales retail spend on eggs was £45m in the year to January 2017, unchanged from the previous 12 months.



Grains and Starch Sub Sector

Summary of the Sector

The Grains and Starch sub sector in Wales:

- has **87,700 hectares** of land for arable crops, up from 87,400 in 2015 equivalent to **6%** of utilised agricultural land, compared with 43% in England (2016) same as 2015
- wheat is the main arable crop, accounting for 24% of arable land, followed by spring and winter barley accounting for 25% (2016) similar to 2015
- 1,000 people in employment (2016), down from 1,100 in 2015.
- in **10 business units** (2016) same as 2015
- with a **turnover of £569m** (2015)
- **retail sales of £345m** (2016)
- **GVA of £146m** (2015)
- **exports of £56m** (2016) **down from £61m** (2015) Ireland, France, North America, Netherlands and Greece being the top 5 destinations (2016) and
- One Welsh miller with NABIM membership.

The sector in Wales represents:

- 4.7% 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 2016	10	195	5.1%
Proportion of Business Units medium and large (50+ employees)	50%	30%	
Employment 2016	1,000	10,000(GB)	10%
Proportion of Full Time Employee Jobs	100%	90% (GB)	-
Turnover 2015	£569m	£5,601m	10%
Total GVA 2015	£146m	£1,294m	11%
GVA per head 2015	N/A	£127,200	-
Retail Sales Kantar Worldpanel 2015	£345m	£5,923m	6%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

Employment has fallen from 1,100 in 2015 to 1,000 in 2016. However, remains above the low of 900 in 2014. The number of business units is stable.

Long Term Consumer Trends

- Household purchases of breakfast cereals in Wales have increased in the latest data to be down 7% overall (previously 13% down).
- Rice has grown strongly in Wales at 61% versus 19% across the UK.
- Pizza continues to grow strongly in Wales at 49% up compared with 2002/03, ahead of the UK.



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- Other cereal convenience foods have grown strongly in Wales up 26%, with a comparable increase in UK.

Household Average Purchases of Cereals and Cereal Products (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Breakfast Cereals	135	126	-7%	132	126	-5%
Rice	46	74	61%	84	100	19%
Pasta	77	82	6%	88	87	-1%
Pizza	47	70	49%	66	80	22%
Other Cereal Convenience Foods (incl snacks)	66	83	26%	73	94	20%

Source: DEFRA, Family Food Statistics

Kantar Data

- Total spend on breakfast cereals in Wales continued to fall, down 3.8% year on year to £95m.
- Cereal and fruit bars fell back to £17.3m, having experienced strong growth and a peak of £18.7m in 2015.
- Overall, year on year spend on pasta decreased, with dry pasta down 8.3% to £10.6m. However, sales of fresh pasta were up 6.5% to £7m.
- The ambient rice and savoury noodles market fell back somewhat having peak in 2015 at £29m. In the year to January 2017, sales were £28.4m.
- The popcorn market has continued its strong growth, with year on year spend up 31% to £5.5m in 2016 as the frequency of purchases and volumes increase.



Prepared Animal Feeds Sub Sector

Summary of the Sector

The Prepared Animal Feeds sub sector in Wales:

- includes farm animal, horse and pet food
- employs **600 people** (2016) down from 900 in 2015
- in **30 business units** (2016) same as 2015
- has four major pet food businesses (2015)
- with a **turnover of £254m** (2015)
- **retail sales of £170m** (2016)
- **GVA of £32m** (2015) down from £43m (2014) and
- **exports of £21m** (2016) **down from £22m** (2015) (excluding unmilled cereals) Germany, Ireland, Sweden, Czech Republic and Italy being the top 5 destinations (2016).
- The number of medium sized businesses have decreased, and 80% of units are micro or small.
- Three are members of the Pet Food Manufacturers Association.

The sector in Wales represents:

- 3% of all Wales Food and Drink Manufacturing employment
- 5% 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 2016	30	510	5.9%
Proportion of Business Units medium and large (50+ employees)	17%	17%	-
Employment 2016	600	14,000 (GB)	4.3%
Proportion of Full Time Employee Jobs	92%	86% (GB)	-
Turnover 2015	£254m	£5,824m	4.4%
Total GVA 2015	£32m	£1,404m	4.3%
GVA per head 2015	£35,600	£92,400	39%
Retail sales Kantar Worldpanel 2015	£170m	£2,396m	7.1%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

Having seen years of increasing employment, latest data shows a sharp decline from a peak in 2015 of 900 to 600 in 2016. The number of business units has remained stable at 30 units since 2011. However, there has been a growth in small/micro businesses, but a decrease in the medium sized businesses employing more than 50 employees.

Kantar Data

- The total household retail spend on animal feed in Wales in the year to January 2017 was £170m, down 5.8% year on year.
- Spend on dog food was £51.8m, of which £39m was wet food (e.g. tinned) and £85m spent on cat food. The spend on dog and cat treats was £32m, down 8% on the year earlier.

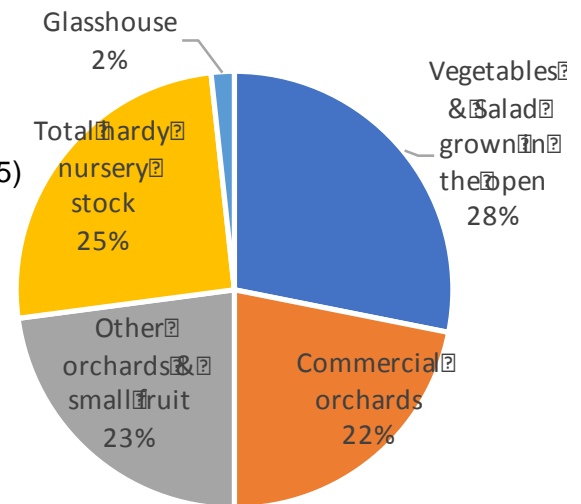


Fruit, Vegetables and Plants Sub Sector

Summary of the Sector

The fruit, vegetables and plants sub sector in Wales:

- Accounts for 1,628 hectares of land (1,599 in 2015)
- **200 people** in employment in processing (2016) (275 in 2015)
- in **25 business units** (2016) same as 2015
- with a **turnover of £35m** (2015)
- **GVA of £13m** (2015)
- **Retail sales of £787m (2016)**
- **exports of £7m (2016) up from £6m (2015)**
Ireland, Germany, France, Asia and Netherlands being the top 5 destinations (2016) but
- does not include primary production or processing on-farm
- census data excludes small units of less than 2 hectares
- Horticulture Wales estimates 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
- 4.4% 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 2016	25	625	4.0%
Proportion of Business Units medium and large (50+ employees)	0%	15%	-
Employment 2016	200	34,000 (GB)	0.6%
Proportion of Full Time Employee Jobs	90%	93% (GB)	-
Turnover 2015	£35m	£5,891m	0.6%
Total GVA 2015	£13m	£1,937m	0.6%
GVA per head 2015	£47,000	£59,800	79%
Retail Sales Kantar Worldpanel 2016	£787m	£13,982m	5.6%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

The area of horticultural land has grown slightly in 2016 but not yet back to 2014 peak levels.

Growth has been in hardy nursery stock.

Employment within processing has fallen back from a peak in 2015 to 200, representing the average employment over the past five years. Business units have been stable over the last three years.



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Long Term Consumer Trends

- Household per capita consumption of fruit and vegetables is unchanged in Wales from last year at a long term decline of 6%.
- The fall in consumption of potatoes (especially fresh potatoes) has continued and has increased at the UK level too.
- Fruit has increased slightly in Wales and UK.

Household Average Purchases of Fruit and Vegetables (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Fresh and Processed Vegetables (excl Potatoes)	1,071	1010	-6%	1,101	1095	-1%
Fresh and Processed Potatoes	1,001	709	-29%	873	676	-23%
Fresh and Processed Fruit	1,026	976	-5%	1,206	1101	-9%

Source: DEFRA, Family Food Statistics

Kantar Data

- Total spend on fruit, vegetables and salad was £787m in the year to January 2017, up 1.5% on previous year.
- The retail spend on fresh vegetables was £287.5m, down 2.4% year on year. However, total volume was up 1%. The frequency of purchases was also up. But with unit prices down year on year, total sales values were lower.
- Chilled prepared salads were up in both volume (4%) and value (12%) while ambient salads fell 5% in value.
- Spend on fresh fruit was up 2.5% to £292m, with total volume, frequency and unit price all up on the previous year.
- There was strong growth in the chilled and prepared fruit and vegetables, increase to £59 million from £51m the previous year.



Seafood Sub Sector

Summary of the Sector

The seafood sector in Wales:

- has a fleet of 451 boats, 32 being over 10m in length (2016) (444 boats and 32 >10m in 2015)
- has seafood landings of 6,500 tonnes worth £9.4m - £6.4m being shellfish (2016) (85% shellfish) down from 9,900 tonnes worth £13.4m – £10.3m being shellfish (2014)
- produces a further 9,000 tonnes of farmed shellfish worth £9m, employing 34 people (2012 – no updated data but industry estimates suggest production is now around 6,500 tonnes).
- has 57 FSA approved premises (65 in 2015)
- **retail sales of £146m** (2016)
- **exports £27m** (2016) **up from £25m** (2015) Spain, Asia (mainly S Korea), France, Netherlands, and Ireland being the top 5 destinations (2016)
- according to official data employs **50 people** in processing (2016) in **10 business units** (2016)
- with a **turnover of £10m** (2015) and **GVA of £2m** (2015)
- however, industry estimates suggest around **65 small processing businesses** all with less than 10 employees (2015). A lot of Welsh seafood is exported unprocessed.

The sector in Wales represents:

- 0.2% 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 2016	10	355	2.8%
Proportion of Business Units medium and large (50+ employees)	0%	19%	-
Employment 2016	50	15,500 (GB)	0.3%
Proportion of Full Time Employee Jobs	86%	87% (GB)	-
Turnover 2015	£10m	£3,107m	0.3%
GVA 2015	£2.0m	£616m	0.3%
GVA per head 2015	£15,400	£40,100	38%
Retail Sales(2016) Kantar Worldpanel	£146m	£2,701m	5.4%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

Sector statistics suggest that employment fell last year to 50 having previously increased to a peak of 130 in 2015. Over the past five years, the average employment was 80 people in employment.

There are few businesses and all are small, employing fewer than 10 employees.

The total number of business units has remained relatively constant, however, a degree of caution is required as data relating to the number of business units is rounded to the nearest five.

Seafish research has identified a number of processors who may not be captured in the data above.



Long Term Consumer Trends

- The long term decline in average household purchases of fish per person in Wales, has continued being 18% lower than 2002/3, compared with a 6% decline in the UK.
- Welsh consumption of Shellfish has declined by 11% compared to a 4% decline across the UK.

Household Average Purchases of Fish (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Fish	149	122	-18%	155	145	-6%
Shellfish	9	8	-11%	11	10	-4%

Source: DEFRA, Family Food Statistics

Kantar Data

- Retail spend on fresh fish in Wales in the year to January 2017 was £69m, up 4% year on year. Spend on shellfish was up 10% on 2015 at £10.4m. Sales of wet/smoked fish remained relatively constant at £44.9m.
- Sales of frozen fish have recovered having dipped somewhat in 2015. In the year to January 2017, sales were £47m up 4%. Canned fish fell to £29m, down 9% year on year, with falling frequency of purchases driving the decline.



Oils and Fats Sub Sector

Summary of the Sector

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

Exports were £2.0m (2016) up from £1.8m (2015) Ireland, Netherlands, Poland, Middle East (Israel), and Sweden being the top 5 destinations (2016).

Long term Consumer Trends

- The long term decline in the consumption of fats is relatively unchanged, down 21% in Wales ahead of the UK.
- Butter has recovered strongly from -20% to -9% in Wales while it is 14% up at the UK level – same as last year.
- Margarine is unchanged on last year with its strong long term increase.
- Vegetable and salad oils have fallen further in Wales while remaining stable across the UK.

Household Average Purchases of Oils and Fats (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% Change
Fats	198	157	-21%	190	163	-14%
Butter	44	40	-9%	37	42	14%
Margarine	7	27	286%	13	19	51%
Vegetable and Salad Oils	53	42	-21%	56	56	0%

Source: DEFRA, Family Food Statistics

Kantar Data

- Sales of margarine were down 9.4% to £32.9m, £8m lower than in 2014.
- In contrast, sales of butter (captured under dairy) were £44.5m, down slightly on 2015 but still up on 2014.
- Spend on cooking oils was down year on year by 5.5% to £17.7m.



Other Food Products Sub Sector

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 **5,500 people** (2016) down from 6,500 in 2015
- in **90 business units** (2016) down from 95 in 2015
- with a **turnover of £974m** (2015)
- **retail sales of £781m** (2016)
- **GVA of £253m** (2015) up from £207m (2014)
- **exports of £79m** (2016) **up from £65m** (2015) Ireland, Germany, N America, Netherlands and France being the top 5 destinations (2016) and
- **a high degree of innovation** and strong own label capability

Whilst most businesses are small, 22% employ more than 50 employees, similar to last year.

The sector in Wales represents:

- 27% of all Wales Food and Drink Manufacturing employment
- 16% 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 2016	90	1,745	5.2%
Proportion of Business Units medium and large (50+ employees)	22%	15%	-
Employment 2016	5,500	94,000	6%
Proportion of Full Time Employee Jobs	95%	91% (GB)	↓
Turnover 2015	£974m	£16,377m	5.9%
Total GVA 2015	£253m	£5,430m	5.9%
GVA per head 2015	£39,000	£60,100	65%
Retail Sales (2016) Kantar Worldpanel	£781m	£10,243m	8%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

Following a period of sustained employment growth peaking at 6,500 in 2015, employment has since fallen to 5,500, in line with the average in 2013 and 2014.

Most employees, (95%) are in full-time employment ahead of GB.

The number of business units has decreased from 95 to 90.



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Long Term Consumer Trends

- Purchases of sugar and preserves have shown some recovery in Wales from the steep decline which has continued at the UK level.
- Confectionery has increased strongly from last year when it was down 4% overall.
- Pickles and sauces have remained relatively stable.

Household Average Purchases of Other Products (grams per person per week)

	Wales			UK		
	2002/03	Average 2013/15	% change	2002/03	Average 2013/15	% change
Sugar and Preserves	164	123	-25%	146	112	-23%
Pickles and Sauces	122	127	4%	123	128	4%
Confectionery	142	147	4%	127	130	2%

Source: DEFRA, Family Food Statistics

Kantar Data

- The retail spend on preserves in Wales was £10.3m in the year to January 2017, down 1.4%
- Total pickles, table spices and condiments was down 2.5% to £51m
- The total chocolate confectionery was up 3.4% at £167m. Spend on sugar confectionery £44.2m, marginally lower than 2015.
- The total sweet home cooking market was down 6.1% to £78.9m, with a drop in frequency of purchases driving the decline.



Food and Drink Wholesale Sub Sector

Summary of the Sector

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

- employs **10,000 people** (2016) up from 5,500 in 2015
- in **500 business units (2016), down from 505 in 2015**
- with a **turnover of £1,752m** (2015) up from £1,444m (2014) and
- **GVA of £269m** (2015) up from £237m (2014)

The sector in Wales represents:

- 0.7% of all Wales employment
- 0.41% 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 2016	505	16,710	3.0%
Proportion of Business Units medium and large (50+ employees)	4.0%	5.3%	-
Employment 2016	10,000	147,000 (GB)	6.8%
Proportion of Full Time Employee Jobs	65%	44% (GB)	-
Turnover 2015	£1,752m	£94,310m	2%
GVA 2015	£269m	£15,608m	2%
GVA per head 2015	£48,900	£75,400	65%

Source: ONS Crown Copyright

Trends

Employment has increased greatly between 2015 and 2016, with much of this increase driven by part time employment which has grown from 950 to 3,750 in the period. There has also been a sharp rise in full time employment, increasing from 4,000 to 6,500.

The number of business units has fallen slightly.

73% of businesses have less than 10 employees same as last year.

There are 20 businesses in the 50-249 employee category, same as last year.



Food and Drink Retail Sub Sector

Summary of the Sector

The Food and Drink Retail sub sector in Wales:

- employs **72,200 mostly part time people** (2016) down from 78,200 in 2015
- in **4,670 business units** (2016) down from 4715 (2015)
- with a **turnover of £8,893m** (2015)
- **GVA of £144m** (2015) up from £116m (2014) and
- **retail sales of £5,396m** (Kantar 2016)

The sector in Wales represents:

- 17% of all business units in Welsh Food and Drinks supply chain.
- 30% of total employment in Welsh Food and Drinks

Summary Statistics for Retail Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2016	4,670	95,710	4.9%
Proportion of Business Units medium and large (50+ employees)	4.3%	4.7%	-
Employment 2016	72,200	1.4m (GB)	5.1%
Proportion of Full Time Employee Jobs	30%	34% (GB)	-
Turnover 2015	£8,893m	£191,298m	4.6%
Total GVA 2015	£1,358m	£34,738m	3.9%
GVA per head 2015	£17,400	£23,600	70%
Retail Sales (2016) Kantar Worldpanel	£5.396bn	£105.3bn	5.1%

Source: ONS Crown Copyright, Kantar Worldpanel

Trends

Employment has dropped back 8% year on year, with full time jobs down 5,200 and part time down 2,200. The number of business units has fallen from 4,715 to 4,670.

Retail sales by sub sector in order of value in Wales are summarised in the following table for 2013-2016 which highlights a period of deflation for most categories over the period with seafood and fruit and vegetables being the exception:



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Total Retail Sales in Wales 2013-2016 (Kantar Worldpanel)

	2013	2014	2015	2016	% Change 2016 on 2015	% Change 2016 on 2013
Meat and Meat Products	972,048	982,640	966,712	957,022	-1.0	-1.5
Drinks	943,916	951,465	978,290	945,665	-3.3	0.2
Fruit and Vegetables	781,714	764,575	775,591	787,439	1.5	0.7
Dairy	640,471	639,564	630,016	623,437	-1.0	-2.7
Bakery	510,279	506,868	509,093	508,535	-0.1	-0.3
Cereals Grains and Pulses	344,830	346,668	347,656	345,007	-0.8	0.1
Animal Feed	173,697	177,508	180,340	169,911	-5.8	-2.2
Seafood	145,419	144,207	144,154	145,916	1.2	0.3
Oils and Fats	65,797	61,385	57,396	52,972	-7.7	-19.5
Other	863,149	871,307	863,335	860,463	-0.3	-0.3
Total	5,441,320	5,446,187	5,452,583	5,396,367	-1.0	-0.8



Catering Sub Sector

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 **82,500 people mostly part time** (2016) up from 71,500 in 2015
- in **8,200 business units** (2016), unchanged from 2015
- with a **turnover of £2,131m** (2015)
- **GVA of £1,042m** (2015)
- Annual spend on **out of home consumption** estimated at **£2.8bn** (year to Jan 2017)

Almost all businesses are micro or small (98%) employing fewer than 50 employees and the sector has a high proportion of part time employment, accounting for 69% of employee jobs.

The sector in Wales represents:

- 34% of all Wales Food and Drink Industry employment
- 30% of Wales Food and Drink Industry business units

Summary Statistics for the Catering Sub Sector

	Wales	UK (GB)	Wales as % of UK (GB)
Number of Business Units 2016	8,200	166,695	4.9%
Proportion of Business Units medium and large (50+ employees)	1.6%	2%	-
Employment 2016	82,500	1,771,500 (GB)	4.7%
Proportion of Full Time Employee Jobs	32%	40% (GB)	-
Turnover 2015	£2,131m	£60,268m	3.5%
Total GVA 2015	£1,042m	£30,488m	3.4%
GVA per head 2015	£14,600	£17,900	82%

Source: ONS Crown Copyright

Trends

The number of business units have stabilised, having recovered from a period of marginal decline.

Employment has also increased strongly in the past year, up 15%

GB 'Out of Home' spend increased by 3.7% year on year, equating to £47bn.

In Wales, Out of Home spend increased at 7.8% year on year to £2.8bn, driven by strong growth in spend in foodservice, with increased spend per unit, and frequency of purchases.



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Disclaimer

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