



Bwyd a Diod Cymru
Food & Drink Wales



Welsh Food and Drink
Economic Appraisal

2021

Food and Drink Supply Chain

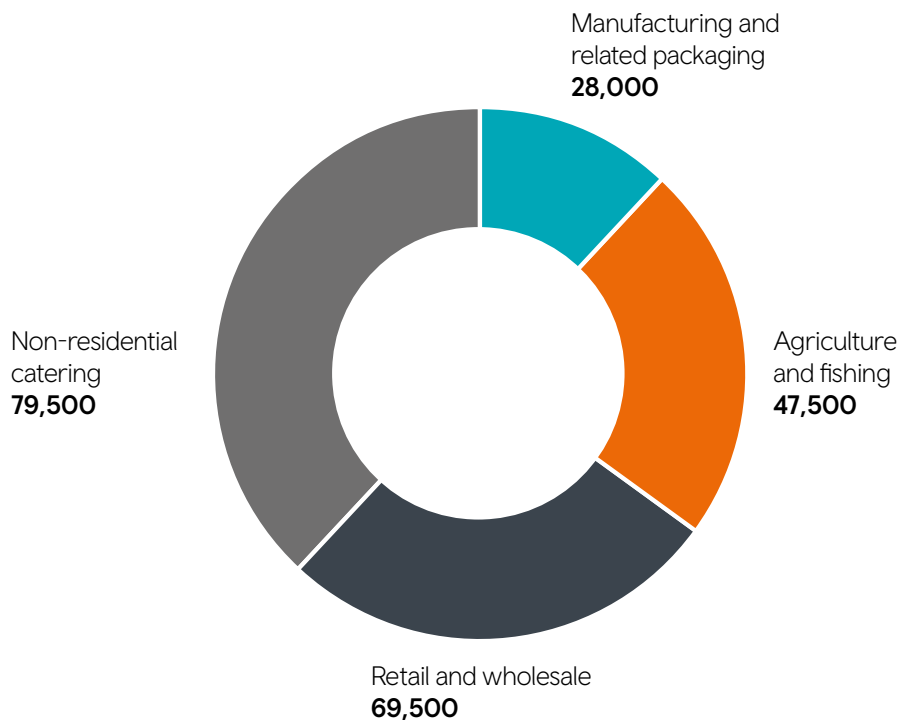
The Welsh food and drink supply chain, which contains manufacturing and related packaging, agriculture and fishing, retail and wholesale, and non-residential catering, continued to grow into 2021. Businesses in the sector had a total turnover value of £23.0bn for 2021, an increase of 2.9% from the £22.4bn for 2020. Exports across 2021 significantly increased compared to 2020, rising from £552m to £640m for 2021, an increase of 16%. GVA for Welsh food and drink decreased by 16.4% from 2019 to 2020, from £3.82bn to £3.20bn.

The number of business units in the sector rose slightly into 2021, increasing by 1% from 27,815 in 2020 to 28,020. 86% of the business units within the sector were classified as Micro (employing fewer than 10 people) in 2021, a slight increase on 85% in 2020. Compared to the other UK nations Wales had the second highest proportion of Micro businesses in the food and drink supply chain, with England at 79%, Scotland 80% and Northern Ireland 90%.

In 2020 the supply chain employed 224,500¹ individuals in Wales – equivalent to 2019 – accounting for 16.9% of Wales' total workforce. 47% of employees in the sector worked full-time equivalent (FTE). Median annual earnings in the sector for 2021 were £15,499, decreasing by 9.2% from 2020, back to a similar level seen in 2019 (£15,475). The UK median salary for the sector was £17,412 in 2021, which decreased by 2.2% on the year prior. 59% of employees in the Welsh food and drink supply chain earned the living wage in 2021, up from 51% in 2020.

Welsh food and drink continued to expand its award-winning products, winning 272 Great Taste awards in 2021, up from 198 the year before. In 2021 Wales had 18 protected food names, with a further 3 in application. This is up from 17 in 2020.

Number of Employees in Key Food and Drink Supply Chain Sectors, 2020



Source: Welsh Government analysis of the Business Register and Employment Survey (BRES).

¹The methodology for calculating employment in the Welsh food and drink supply chain has been updated for this report. Due to this, the figures for current and previous years are lower than those in previous versions of the report. The methodology change is explained in Annex B.

Food and Drink Supply Chain

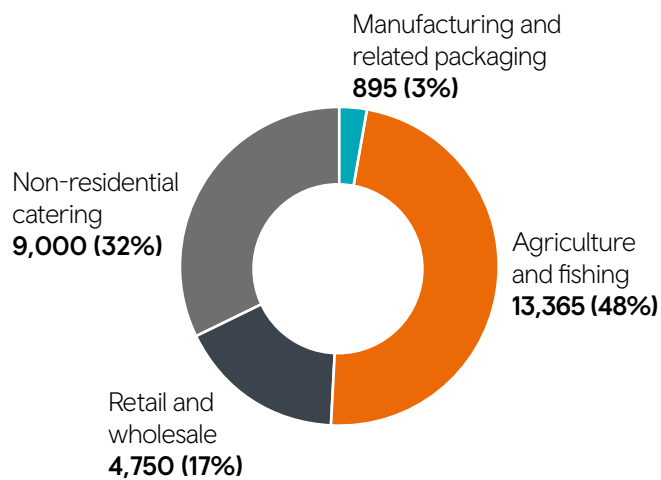
Whilst the number of business units in the sector increased year on year, the majority of these were Micro (less than 10 employees) or Small (10-49 employees). There were 260 new Micro and 382 new Small businesses from 2015 to 2021, however only 26 new Medium businesses (50-249 employees), whilst the number of Large businesses (250+ employees) decreased by 3, from 76 to 73, indicating businesses may have struggled to transition from small to medium, and medium to large.

Additionally, 39% of employees in the sector worked for Micro and Small businesses in 2021, and 48% for Large businesses, indicating that Medium sized firms had a much lower employment share of the market, at just 13%.

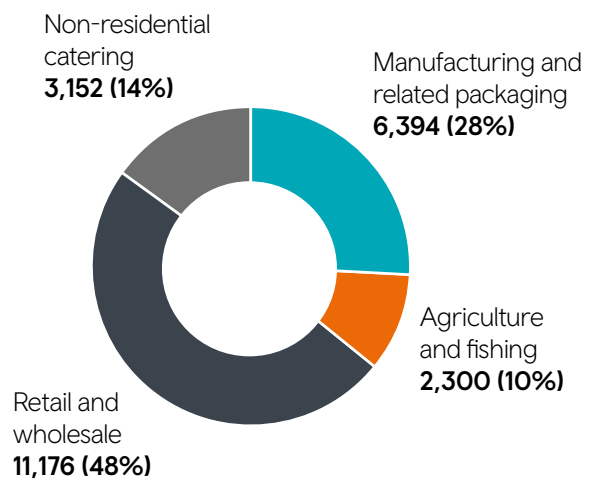
The sub-sector which had the largest growth in business units from 2015 to 2021 was Food Catering, with 841 new units. This sub-sector had the largest growth in Micro (+652), Small (+163) and Medium (+24) business units of the sub-sectors. Agriculture and Fishing had the largest decrease in business units, reducing by 259, followed by The Food Wholesale and Retailing sector, which decreased by 125.

In 2021, 96% (23,859) of Welsh businesses in the food and drink supply chain had a turnover of less than £1m. This 96% of businesses accounted for 57% of employees and 35% of the turnover in the sector, for businesses headquartered in Wales. 0.4% (108) of Welsh businesses in the sector had a turnover value greater than £10m. These businesses accounted for 25% of employees and 44% of the turnover. A full breakdown of businesses, employees and turnover by turnover band is available in Annex A.

Local Unit Counts by Sector, 2021



Turnover by Sector (£millions), 2021



Source: Welsh Government Analysis of the Inter-Departmental Business Register (IDBR)

Business size	Local units 2021	% of total units	Turnover 2021 (£m)	% of total turnover	Employment 2021 (000's)	% of total employment
Large (250+)	75	0.3%	13,287	57.7%	90.1	48.5%
Medium (50-249)	385	1.4%	3,534	15.3%	23.4	12.6%
Small (10-49)	3,535	12.6%	2,234	9.7%	34.7	18.7%
Micro (0-9)	24,025	85.7%	3,973	17.3%	37.7	20.3%
Total	28,020	100.0%	23,028	100.0%	185.9	100.0%

Source: Welsh Government Analysis of the Inter-Departmental Business Register (IDBR). The employment figures in this table are taken from the IDBR, unlike the employment figures discussed during the other sections of this report, which are from the Business Register Employment Survey (BRES). BRES data is recommended to be used over the IDBR when discussing employment figures, however for the purposes of comparing employment figures across business sizes, IDBR employment data has been used. The employment figures in the table above do not include a significant portion of agriculture labour.

Food Foundation Sector

The Welsh Food Foundation Sector incorporates food and drink businesses that produce, process, manufacture and wholesale food and drink goods, including secondary businesses required in the food and drink industry².

In 2021 the sector experienced a strong increase from 2020, with turnover increasing by 7.0% from £7.9bn to £8.5bn. Since 2015 the sector has seen significant growth, increasing by 20.4% from £7.0bn.

There were 1,577 local business units in the sector in 2021, an increase of 112 units year-on-year and 237 since 2015. 68% of the business units in the sector were classified as Micro in 2021, 4% less than 2020. This is similar to the figures of the other UK nations, with England at 75%,

Northern Ireland at 71%, and Scotland at 66%.

Across the remaining business units in Wales for the sector, 23% were small, 7% were medium and 2% were large. There were 83 (6.8%) Welsh businesses in the sector that had a turnover greater than £10m in 2021.

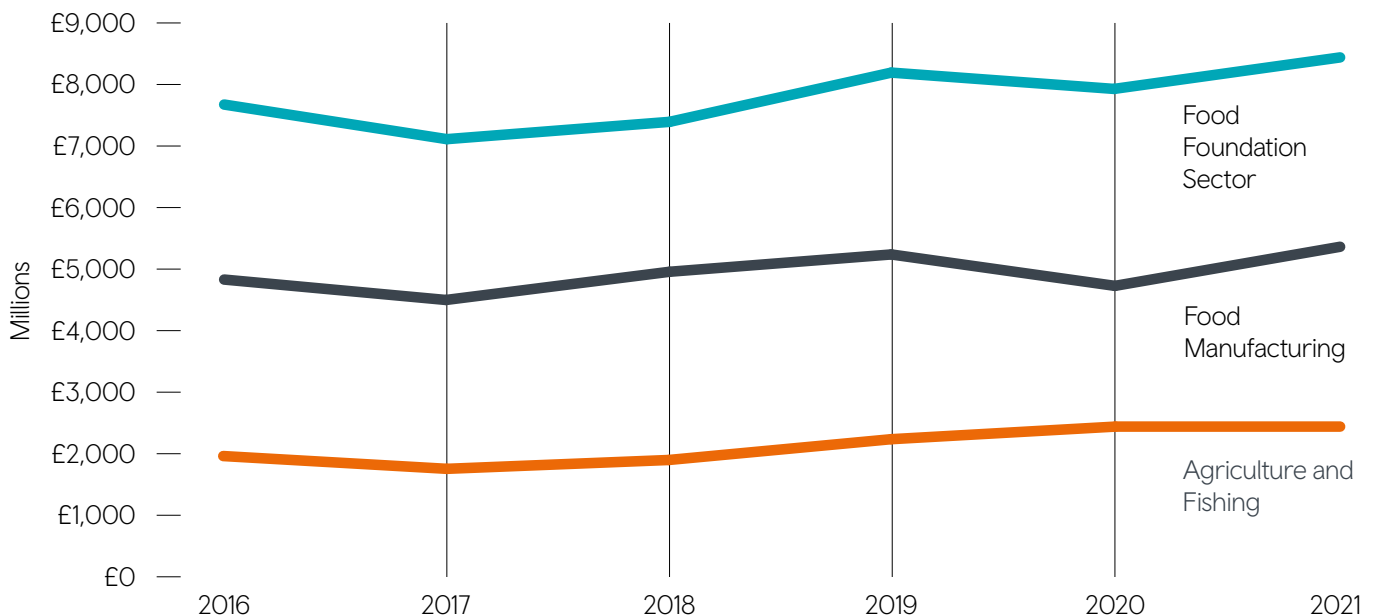
The sector employed 36,000 people in 2020, a 7.5% increase from the 33,500 in 2019.

The median salary for the sector in Wales was £23,575 in 2021, decreasing by 1.0% from 2020.

Across the same period the UK median earnings marginally increased by 0.1%, up to £25,806.

72% of all workers in the Welsh Food Foundation Sector earned at or above the living wage in 2021, down slightly from 73% in 2020.

Turnover by Sector 2016–2021, (£millions)



Source: Welsh Government analysis of the Inter-Departmental Business Register (IDBR).

² Such as the manufacture of plastic and glass products used in the food system. A full breakdown of the categories that make up the foundation sector can be seen [here](#).

Food and Drink Manufacturing

The Welsh Food and Drink Manufacturing sector experienced strong growth in 2021. Turnover for the sector increased by 10.2% from 2020 to 2021, from £4.9bn to £5.4bn. GVA for the sector was £1.66bn in 2020, a decrease of 4.9% from £1.74bn in 2019.

The sector employed 22,500 in Wales in 2020, up by 2.3% from the 22,000 in 2019. 91% of employees in the Welsh food and drink manufacturing sector worked full-time equivalent (FTE). The median salary for the sector in 2021 was £23,045, decreasing by 1.4% from £23,364 the previous year. In 2021 71% of individuals in the sector were earning the living wage, up from 69% the year before.

There were 743 food and drink manufacturing businesses units in Wales in 2021, up from 592 the previous year.

61% of the 743 businesses units were classed as Micro (27% small, 9% medium, 3% large), this is equivalent to Scotland which is also at 61%, but lower than NI (64%) and England (70%). There were 46 (8.3%) Welsh businesses in the sector with a turnover greater than £10m in 2021.

In 2021 the business birth rate was 15% in the sector with 88 new businesses, up from 13% in 2020. The 5-year survival rates for businesses in the sector from 2016-2021 is 47%, up from the 2015-2020 value of 45%.

Over a longer term period the sector has seen strong growth; turnover increased by 29% from 2015 to 2021 (from £4.2bn to £5.4bn), and GVA increased by 3.2% from 2015 to 2020 (from £1.60bn to £1.66bn). Additionally, the median salary increased by 24% from 2015 to 2021 (from £18,598 to £23,045), greater than the UK increase of 18% over the same period.

Turnover by Sector 2016–2021, (£millions)

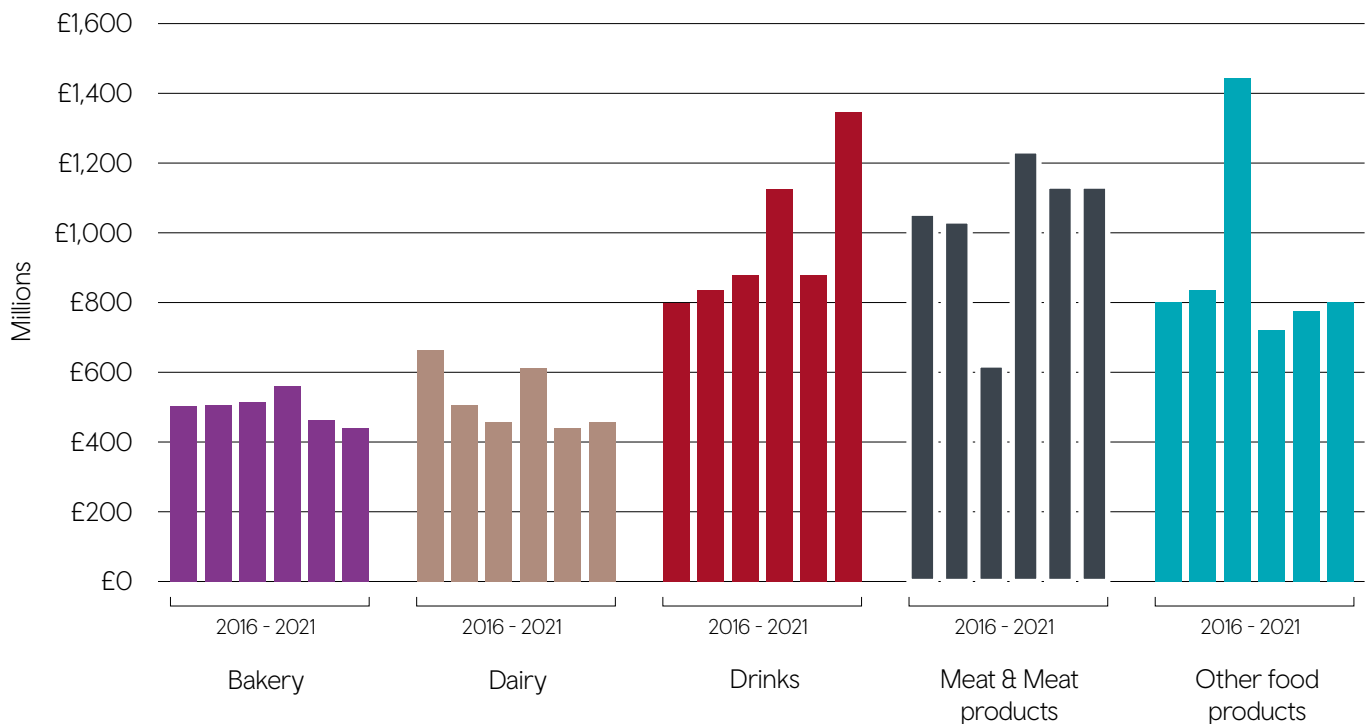


Figure 1. Source: Welsh Government analysis of the Inter-Departmental Business Register (IDBR).

Meat and Meat Products

The Welsh Meat and Meat Products sector had a turnover of £1.1bn in 2021, a slight increase of 0.1% from the previous year.

The sector employed 5,500 individuals in 2020, up by 10% from 5,000 in 2019. 91% of the individuals employed in the sector in 2020 worked full-time equivalent (FTE). The median wage for the sector in 2021 was £24,909, an increase of 15.8% from the previous year.

There were 66 business units in the sector in 2021, a slight decrease on 2020. Up to the 1st January 2022 the number of establishments approved for handling, preparing, or producing meat products was 43 for red meat and 27 for poultry. This is slightly lower compared to the previous year, which had 44 for red meat and 30 for poultry.

The total value of exports for meat and meat products in 2021 was £187m. This is comprised of £55m of live animal exports, and £132m of meat products. This figure decreased by 6% from the previous year, from a value of £199m. Individually the export of live animals increased by £0.5m, and meat products decreased by £13m year on year.

According to HCC, in 2021 exports of sheep meat of Welsh origin were worth approximately £151m, which alongside exports of offal were estimated to be worth a total of £152m. In terms of value, approximately 95% of exported sheep meat went to the EU. Exports of Welsh beef in 2021 were estimated to be worth £51m, of which approximately 81% was exported to the EU.

Retail spend on meat in Wales increased by 0.2% in 2021 when compared to 2020, up to a value of £921m. The level of growth was slightly lower than the GB total, which had an increase of 0.4%.

In retail chilled ready meals continued to hold the highest share of the meat categories, with the share increasing from 16.0% to 16.9%. This category is followed by fresh poultry and fresh beef. These three combined account for 42.6% of retail spend on meat.



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Drinks

The drinks sector in Wales had a turnover of £1.3bn in 2021, a significant increase of 48% from £896m in the previous year. Whilst the year-on-year change is significant, the 2020 value was significantly lower than previous years, making the increase appear even greater.

The sector employed 2,500 individuals in 2020, up by 100% from 1,250 in 2019. 90% of the employees in the sector worked FTE. The median salary for the sector was £33,073 in 2020, a decrease of 3.5% over the previous year. Across the UK the median salary for the sector was £34,132, similar to the year prior. The median salary figures for 2021 cannot be disclosed due to the low sample size.

There were 251 business units in the sector in 2021, increasing from 125 in 2020. 50% of the business units in the sector were classified as Micro, down significantly from the 83% figure in 2020. This is due to a large increase in the number of Small (10-49 employees) sized business units, from 13 to 116.

Retail spend on drinks in Wales totalled £1.2bn in 2021, a decrease of 3.1% compared to 2020. Spending declined at a greater rate in Wales when compared to GB as a whole, which had a decrease of 0.7% year-on-year.

Sales of Beers, Wines and Spirits (BWS) accounted for around two-thirds (65%) of the Welsh retail spend on drinks, with wine having the largest share of the three. Non-alcoholic beer had the largest increase in the sector over the year, however this category still remains small within the market.



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Other Food Products

The Other Food Products sector includes businesses involved 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 food³.

Turnover for the Other Food Products sector was £797m in 2021, up by 1.4% from £768m in 2020.

The sector employed 6,000 individuals in 2020, a decrease from 6,500 in 2019. 92% of those employed in the sector worked FTE in 2020. The median salary for the sector in 2021 was £22,669, a decrease of 9.2% over the previous year. The UK median wage had a smaller drop from 2020 to 2021, decreasing by 4.0%.

There were 123 business units in the sector in 2021, increasing from 108 units in 2020. 64% of the businesses are classified as Micro, up by 3% from 61% in 2020.

Welsh retail spend on Take Home Confectionery marginally increased by 0.1% from 2020 to 2021, remaining at £242m. Spending on Tea and Coffee decreased in the Welsh retail market, dropping from £116m in 2020 to £112m in 2021, a decline of 3.2%. Spending on Table Sauces, Condiments and Pickles also decreased year on year by 1.7%, from £57m to £56m. Retail spending on Take Home Confectionery and Tea and Coffee both grew overall for GB at 2.2% and 0.1% respectively, whereas Table Sauces, Condiments and Pickles decreased by 2.6%.

Retail spend on Chilled Ready Meals increased in Wales from 2020 to 2021 by 5.8%, from £147m to £156m. The same category increased at the GB level by 8.2%.



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³ Examples of homogenised food preparation and dietetic food include baby formula, follow-on milk, gluten free foods, low sodium foods and diabetic foods.

Dairy and Eggs

The Welsh dairy sector had a turnover of £450m in 2021, increasing by 2% from £441m the previous year. The year-on-year changes have been relatively volatile in the dairy sector across certain years, however in the long-run the turnover has remained relatively consistent, marginally decreasing from £454m in 2015.

In 2020 the sector employed 950 individuals, a 15% decrease from 1,125 in 2019. 89% of those employed in the sector worked FTE, down from 90% the previous year. The median salary for the sector was £22,878 in 2021, up by 6.3% from 2019. The UK median salary was £27,513 in 2021, up by 7% from 2019. The 2020 estimates cannot be disclosed due to low sample sizes.

In 2021 there were 59 business units in the sector, increasing from 52 units in the previous year. 68% of these business units were classified as Micro, up from 65% the prior year. 17% are classified as Small, employing 10-49 individuals.

In 2021 there were 107 establishments approved for processing eggs or egg products, up from 101 the previous year, and 102 establishments approved for processing raw milk or dairy products, up from 90 in 2020.

Numbers for Dairy cattle (female 2+ with offspring) increased in 2021 to 255,450, up from 252,250 the previous year. The number of chickens used for egg production was 3.15m in 2021, up from 2.32m in 2019.

Retail spend on dairy products in 2021 was £529m, down by 0.9% compared to the previous year. GB retail spend increased in 2021 compared to the previous year, growing by 1.1%. Milk continued to have the highest share of dairy spend, with 'Chilled flavoured milk' having the strongest growth within the category. With less baking and demand for long life products, ambient flavoured milk and defined milk+cream have declined.



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Bakery

The bakery sector in Wales had a turnover of £451m in 2021, down from £472m the previous year.

The sector employed 4,750 individuals in 2020, down from 5,500 in 2019, a decrease of 14%. 89% of those employed within the sector worked FTE, slightly down on 90% the year prior.

In 2020 there were 163 business units in the sector, a slight increase on the 160 units from the previous year. 72% of the business units were classified as Micro and employed fewer than 10 individuals, slightly higher than the 70% the previous year.

In 2021 the median salary for the sector was £19,621, 2.8% lower than the 2020 value of £20,181. The sector across the UK also decreased with a drop of 2.9% from 2020 to 2021.

Retail spend in the Welsh bakery sector was £492m in 2021, an increase of 3.0% compared to 2020. The growth for the entire market across GB was slightly greater than Wales at 3.4%. Morning goods continued to have the highest spend share of the market in Wales at 23.8%, increasing its share by 0.9% compared to 2020. Seasonal and special goods had strong growth in the bakery sector, with retail spend on seasonal biscuits increasing by 14.6%.



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Retail and Wholesale

The retail industry had a turnover of £9.0bn in 2021, up by 1.7% from £8.9bn in 2020.

The sector employed 61,500 individuals in 2020, a 3% increase on the 59,500 employed in the sector in 2019. 27% of those employed in the sector worked full-time equivalent. The median salary of the sector in 2021 was £13,734, an increase of 5.6% from £13,001 in 2020. The median salary of the sector across the UK as a whole increased by 4.7%.

The percentage of FTE employees in the sector decreased from 2018 to 2019 from 29% to 27%, which remained consistent into 2020. In GB the percentage of FTE employees in the sector marginally decreased, from 33% in 2019 to 32% in 2020.

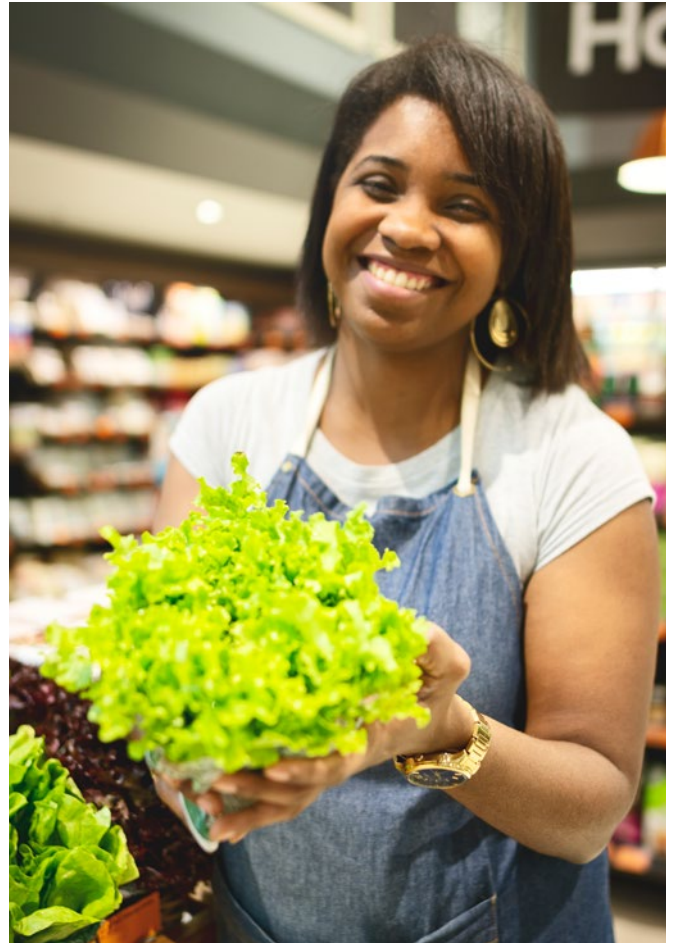
In 2021 there were 3,953 business units in the sector, relatively consistent with the 3,912 business units in 2020. 70% of the units in the sector were classified as Micro in 2021, the same as the previous year.

Total retail spend on grocery was £6.4bn in 2021, a 2.0% decrease compared to the year before. GB as a whole also decreased, however at a lower rate of 0.9%.

Tesco accounted for 29.0% of the total spend share in Wales during 2021, the largest of any supermarket, increasing its share by 0.1% from 2020. Tesco is followed by Asda (15.3%), Morrisons (10.0%), Lidl (6.4%) and Aldi (6.4%) in respect to spend share in Wales.

The wholesale sector had a turnover of £2.2bn in 2021, up from £2.1bn in 2020.

The wholesale sector employed 8,000 individuals in 2020, a 13% increase on the 6,000 employed in 2019. 81% of those in the sector worked FTE. The median salary in 2021 was £20,039 in the food wholesale sector, a 13% decrease on the 2020 value of £23,146. Across the UK, median wages for the sector decreased by 0.1% from 2020 to 2021.



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The sector employed 61,500 individuals in 2020, a 3% increase on the 59,500 employed in the sector in 2019.

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Catering

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

The sector had a turnover value of £3.2bn in 2021, an 2.1% decrease on 2020 (£3.2bn).

The sector employed 79,500 individuals in 2020, a 11.2% decrease from 89,500 in 2019. 35% of those employed in the sector worked full-time equivalent. The median salary of the sector was £9,466 in 2021, a decrease of 0.1% from £9,477 in 2020. Median salaries also decreased at the UK level, falling by 4.9% from 2020 to 2021.

In 2021 there were 8,998 business units in the sector, a 1.6% increase compared to 2020, in which there were 8,854 units. 76% of the business units in the sector were classified as Micro in 2021, employing fewer than 10 people, an increase from 74% in 2020.

According to the Living Costs and Food Survey, people in Wales spent on average £34.90 per week on catering services (restaurants, café meals, alcoholic drinks away from home and take-away) in 2020, up slightly from £34.20 the previous year. This is the second lowest amount of the 4 UK nations, above Scotland but below England and NI.

Tourism food and drink expenditure increased by 10.6% in Wales from 2018 to 2019, increasing from £387m to £428m. This is a greater increase than GB as a whole, which increased by 5.4% over the same period.



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In 2021 there were 8,998 business units in the sector, a 1.6% increase compared to 2020, in which there were 8,854 units.

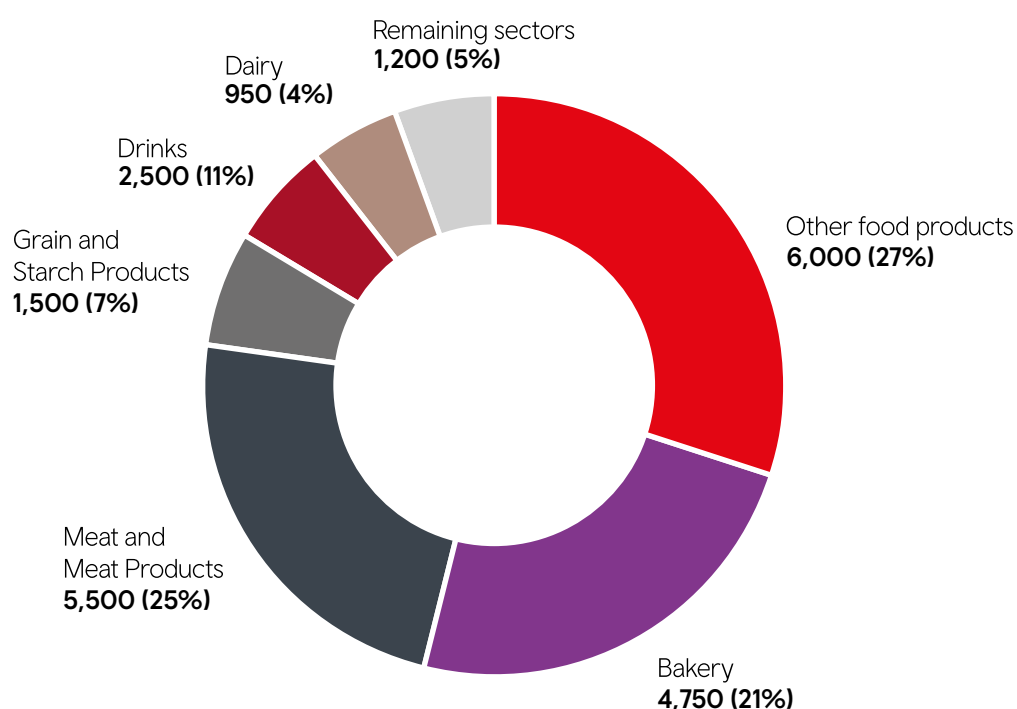
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Appendix A: Welsh food and drink industries in context – Additional statistics

Welsh Food and Drink Turnover, Local Units and GVA relative to the UK

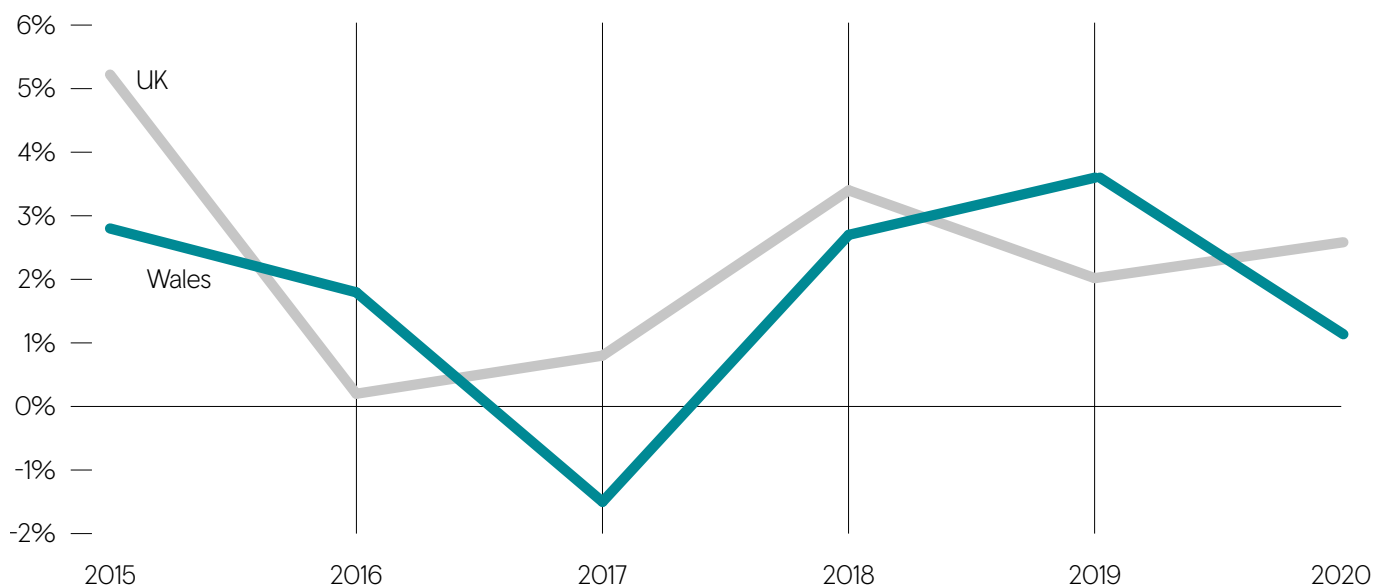
Metric	Wales	UK	Wales as % of UK
Food and Drink Supply Chain			
Turnover 2020	£22.4bn	£562.8bn	4.0%
Local Units 2021	27,815	461,540	6.0%
GVA 2020	£3.20bn	£68.58bn	4.7%
Food Foundation Sector			
Turnover 2020	£7.9bn	£232.7bn	3.4%
Local Units 2021	1,465	39,285	3.7%
Food and Drink Manufacturing Sector			
Turnover 2020	£4.9bn	£102.7bn	4.8%
Local Units 2021	590	13,570	4.3%
GVA 2020	£1.66bn	£29.93bn	5.5%

Employment by Food and Drink Manufacturing sub-sector in Wales, 2021

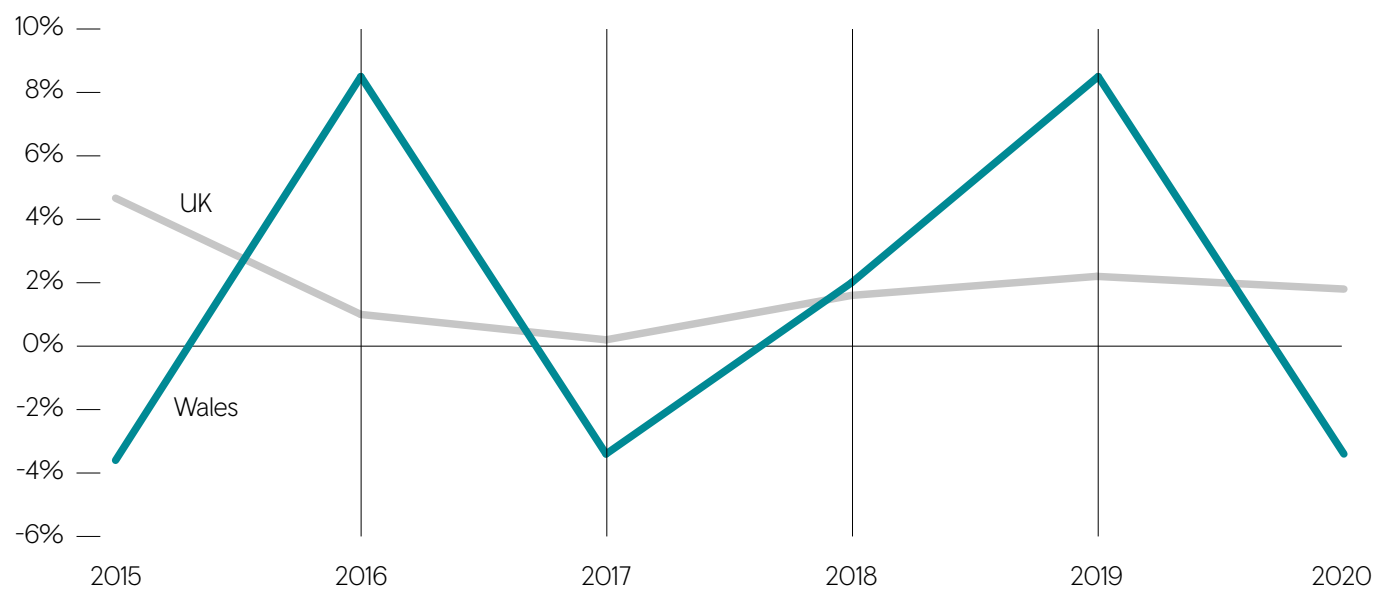


Source: Welsh Government analysis of the Business Register and Employment Survey (BRES). The 'Remaining Sectors' category includes Prepared Animal Feed, Fruit and Veg, and Fish and Crustaceans.

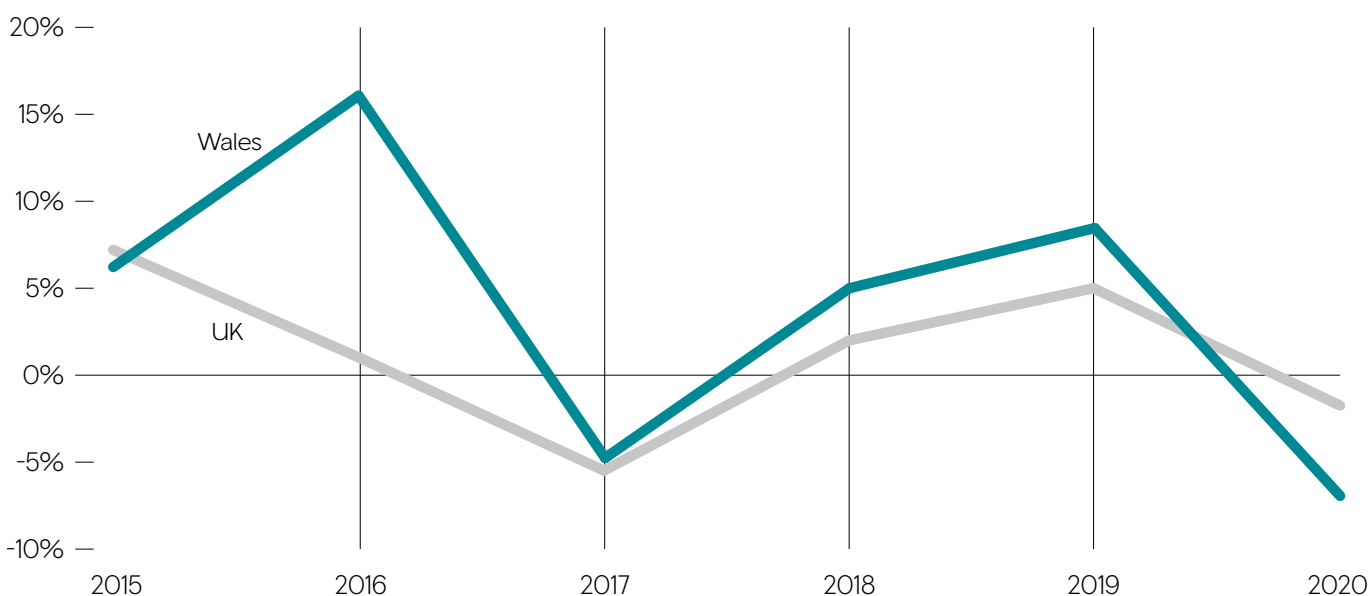
Food and Drink Supply Chain: Turnover Growth 2015 – 2020



Food Foundation Sector: Turnover Growth 2015 – 2020



Food and Drink Manufacturing: Turnover Growth 2015 – 2020



Food and Drink supply chain industry breakdown – Businesses headquartered in Wales

Year	Turnover Size Band	Entity Count	Employee Count	Turnover (£m)
2020	Total	24,639	103,955	10,096
	a. <£1m	23,692	59,815	3,718
	b. £1m – £2m	490	6,665	664
	c. £2m – £3m	142	3,605	343
	d. £3m – £4m	70	2,090	242
	e. £4m – £5m	41	1,685	188
	f. £5m – £10m	99	4,365	687
	g. >£10m	105	25,730	4,253
2021	Total	24,848	103,700	10,267
	a. <£1m	23,859	59,490	3,609
	b. £1m – £2m	534	7,085	714
	c. £2m – £3m	137	3,055	333
	d. £3m – £4m	62	2,040	211
	e. £4m – £5m	42	1,685	186
	f. £5m – £10m	106	4,075	715
	g. >£10m	108	26,270	4,500

Source: Welsh Government analysis of the Inter-Departmental Business Register (IDBR)

Appendix B: Methodological notes

The data in this appraisal were compiled between January 2022 and July 2022. The statistics presented in this appraisal were the most up-to-date available at the time of writing.

The Welsh Food and Drink GVA is defined using the following SIC07 codes:

- 1: Agriculture and Hunting
- 3: Fishing and Aquaculture
- 10: Manufacture of food products
- 11–12: Manufacture of beverages and tobacco products
- 56: Food and Beverage service activities

The agricultural employment estimates included within the food and drink supply chain employment total have been taken directly from BRES through NOMIS, which includes agricultural estimates provided by Defra. The agriculture employment figures were estimated from the June Agricultural Survey in previous reports, resulting in a change in the figures comparing this report to previous versions.

Sources

Data	Data Source	Latest year available for Report
Employment	Welsh Government analysis of the Business Register and Employment Survey (BRES)	2020
Business Statistics (local units, entity counts, turnover)	Welsh Government analysis of the Inter-Departmental Business Register (IDBR)	2021
Protected Geographical food and drink names	Protected geographical food and drink names – GOV.UK (www.gov.uk)	2021/22
Gross Value Added (GVA)	ONS Regional Gross Value Added (GVA) by Industry	2020
Earnings	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2021
Food Standards Agency Approved Businesses	Approved Food Establishments: data.food.gov.uk	2021
Taste of Wales Awards	greattasteawards.co.uk	2021
Retail Expenditure	Kantar WorldPanel data	2021
Export Values	Welsh Government analysis of Regional Trade in Goods	2021
Export Values for Welsh lamb and beef	Estimations from Hybu Cig Cymru (HCC)	2021
Average expenditure on catering services	Living Costs and Food survey	2020
Tourism expenditure	Kantar The Gb Tourist 2019 Annual Report	2019