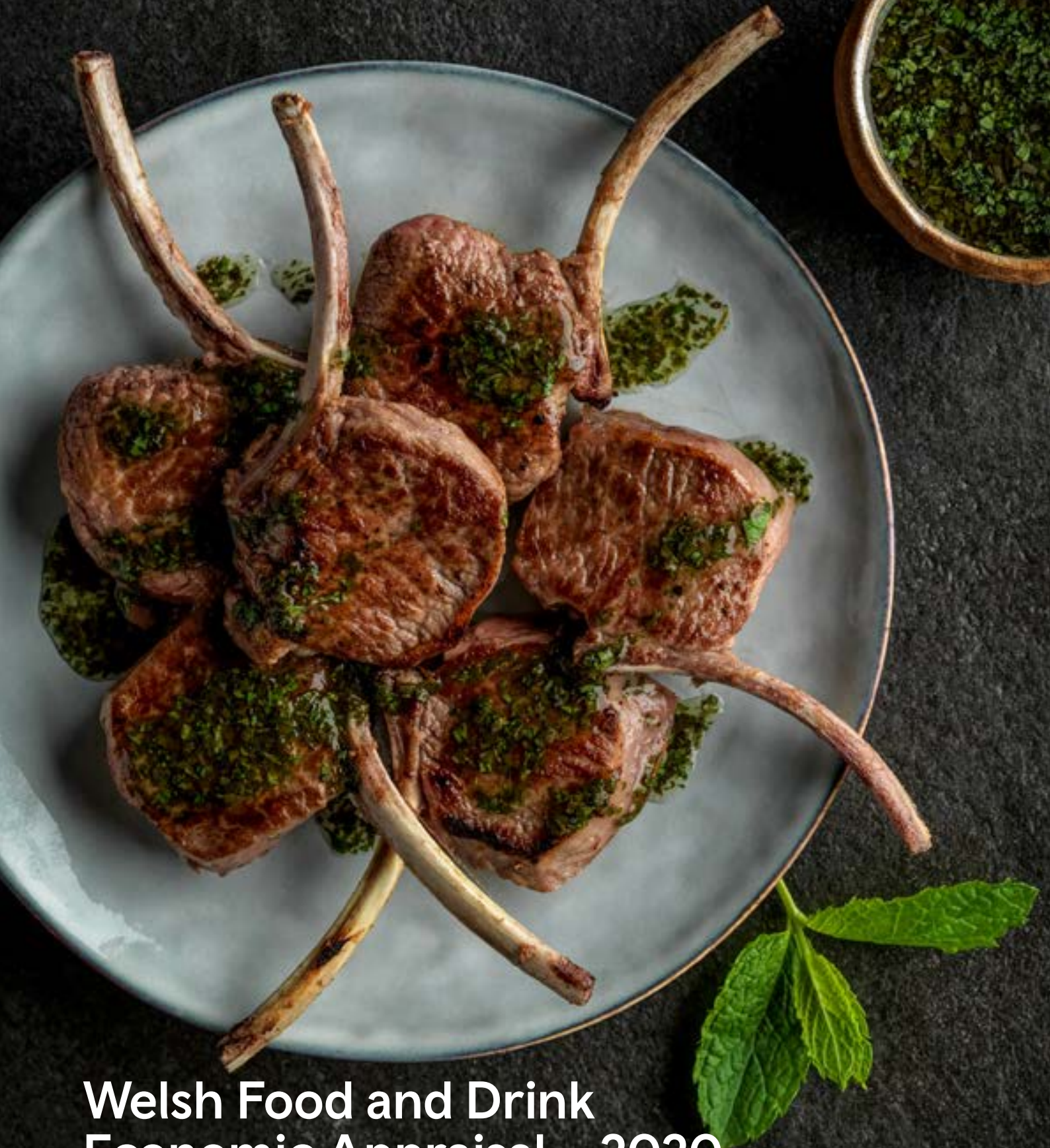




Bwyd a Diod Cymru
Food & Drink Wales



Welsh Food and Drink
Economic Appraisal – 2020

Throughout 2020 the Welsh food and drink industry was heavily impacted by COVID-19. The figures utilised throughout this report range up to and include data from 2020, however this data is largely collected before or very early into the first lockdown in March. Due to this, the figures in this report will not fully reflect the impact of Covid felt throughout the Welsh food and drink industry across 2020.

Food and Drink Supply Chain

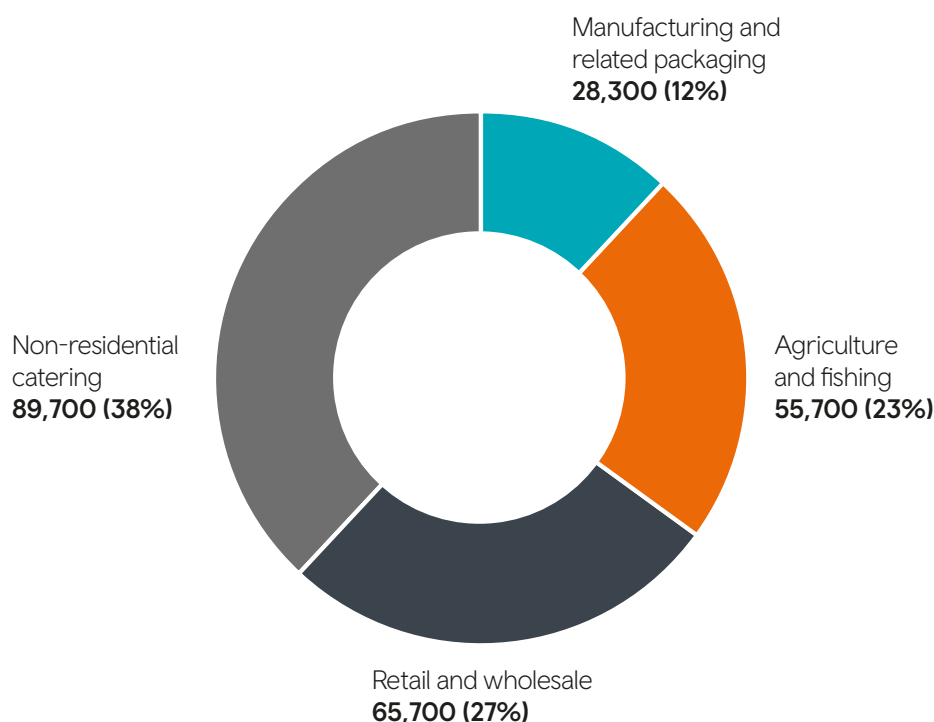
The Welsh food and drink supply chain continued to grow into 2020 before Covid. Businesses in the sector had a total turnover value of £22.4bn for 2020, an increase of 1.2% from the £22.1bn for 2019. Exports across 2020 did see a drop compared to 2019, falling from £570m to £551m for 2020, a drop of 3.4%. GVA for Welsh food and drink increased by 3.9% from 2018 to 2019, from £3.70bn to £3.85bn¹.

The number of business units in the sector rose slightly into 2020, increasing by 1% from 27,605 in 2019 to 27,815. 85% of the businesses within the sector were classified as Micro (employing fewer than 10 people) in 2020, the same amount as the previous year. 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 78%, Scotland 79% and Northern Ireland 90%.

In 2019 the supply chain employed 239,300 individuals in Wales – up by 4.3% from 2018 – accounting for 17.8% of Wales’ total workforce. 48% of employees, agricultural labourers and farmers in the sector worked full-time equivalent (FTE). Median annual earnings in the sector for 2020 were £16,930, up by 9.4% from 2019. The UK median salary for the sector was £17,827 in 2020, which had increased by 3.6% on the year prior. 51% of employees in the Welsh food and drink supply chain earned the living wage in 2020, up from 44% in 2019.

Welsh food and drink continued to expand its award winning products, winning 198 great taste awards in 2020, up from 196 the year before. In 2021 Wales also acquired a new protected food name under the new UK Geographic Indicator Schemes, Gower Salt Marsh Lamb, bringing the total number of protected food names up to 17.

Number of Employees in Key Food and Drink Supply Chain Sectors, 2019



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

1. The GVA values in this report are lower than previous years due to a change in methodology. This methodology and definition change are detailed in Appendix B.

Food and Drink Supply Chain – Focusing on Growth

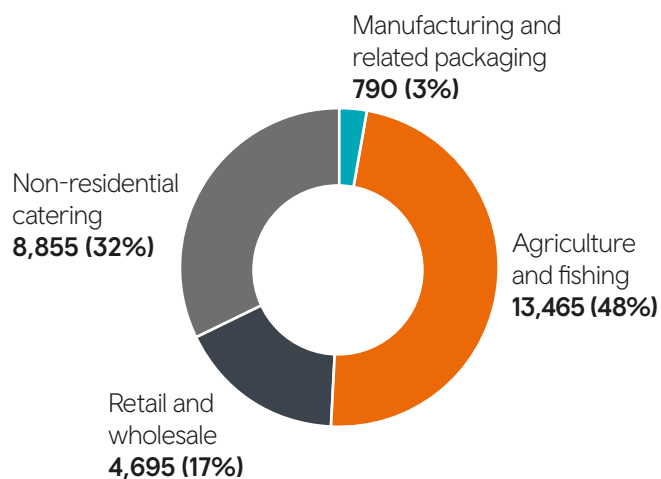
Whilst the number of businesses in the sector increased year on year, the majority of these were Micro (less than 10 employees) or Small (10-49 employees). There were 685 new Micro and 630 new Small businesses from 2014 to 2020, however only 65 new Medium businesses (50-249 employees), whilst the number of Large businesses (250+ employees) decreased by 10, from 85 to 75, indicating businesses may have struggled to transition from small to medium, and medium to large.

Additionally, 38% of employees in the sector worked for Micro and Small businesses, and 54% for Large businesses, indicating that Medium sized firms had a much lower employment share of the market, at just 8%.

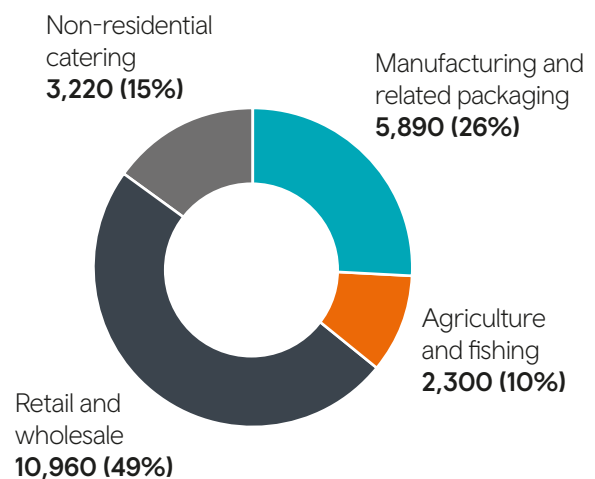
The sub-sector which had the largest growth in business units from 2014 to 2020 was Food Catering, with 1,485 new units, which also had the largest growth in Micro (+950), Small (+490) and Medium (+40) business units of the sub-sectors. Agriculture and Fishing had the largest decrease in business units, reducing by 170, followed by The Food Wholesale and Retailing sector, which decreased by 75.

Outside of the Food Catering sector Drinks had the largest increase in the number of Micro businesses (+55, accounting for the entirety of new businesses for the sector); Food Wholesale and Retailing had the highest growth of Small businesses (+120) and Medium businesses (+15); and the Other Food Products sector had the biggest increase in Large businesses (+5).

Local Unit Counts by Sector, 2020



Turnover by Sector (£millions), 2020



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

Business size	Local units 2020	% of total units	Turnover 2020 (£m)	% of total turnover	Employment 2020 (000's)	% of total employment
Large (250+)	75	0.3%	14,452	64.6%	101.3	54.0%
Medium (50-249)	390	1.4%	2,044	9.1%	15.9	8.5%
Small (10-49)	3,595	12.9%	1,979	8.8%	34.1	18.2%
Micro (0-9)	23,750	85.4%	3,908	17.5%	36.3	19.3%
Total	27,815	100.0%	22,383	100.0%	187.7	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.

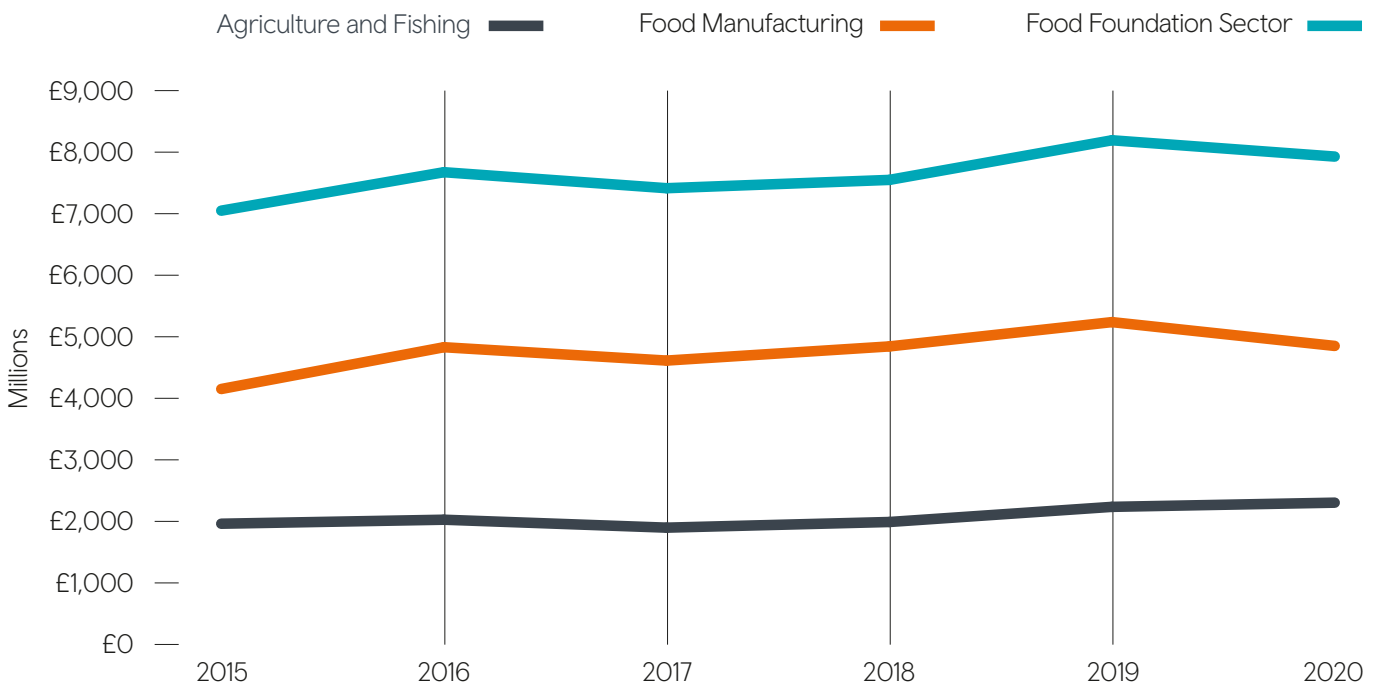
In 2020 the sector experienced a slight decline from 2019, with turnover decreasing by 3.2% from £8.2bn to £7.9bn. Since 2015 however the sector has seen significant growth, increasing by 12.5% from £7.0bn.

There were 1,465 local business units in the sector in 2020, an increase of 125 since 2015. 72% of the businesses in the sector were classified as

Micro in 2020, 1% more than 2019. This is similar to the figures of the other UK nations, with England at 75%, Northern Ireland at 70%, and Scotland at 65%.

The sector employed 33,600 people in 2019, a 6.6% decrease from the 36,000 in 2018. The median salary for the sector in Wales was £24,008 in 2020, increasing by 4.5% since 2019. Across the same period the UK median earnings increased by 3.2%, up to £25,548. 73% of all workers in the Welsh Food Foundation Sector earned at or above the living wage in 2020, up from 69% in 2019.

Turnover by Sector 2015–2020, (£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 by going to the following link: <https://businesswales.gov.wales/foodanddrink/welsh-food-drink-performance/economic-review-welsh-food-and-drink-sector>

Food and Drink Manufacturing

Similarly to the Foundation sector, the Welsh Food and Drink Manufacturing sector also experienced a slight decline in 2020. Turnover for the sector decreased by 7.4% from 2019 to 2020, from £5.2bn to £4.9bn. GVA for the sector was £1.74bn in 2019, an increase of 1.6% from £1.72bn in 2018.

The sector employed 22,200 in Wales in 2019, down by 8.7% from the 24,315 in 2018. 93% of employees in the Welsh food and drink manufacturing sector worked full-time equivalent (FTE). The median salary for the sector in 2020 was £23,504, increasing by 8.9% from £21,580 the previous year. In 2020 68% of individuals in the sector were earning the living wage, up from 65% the year before.

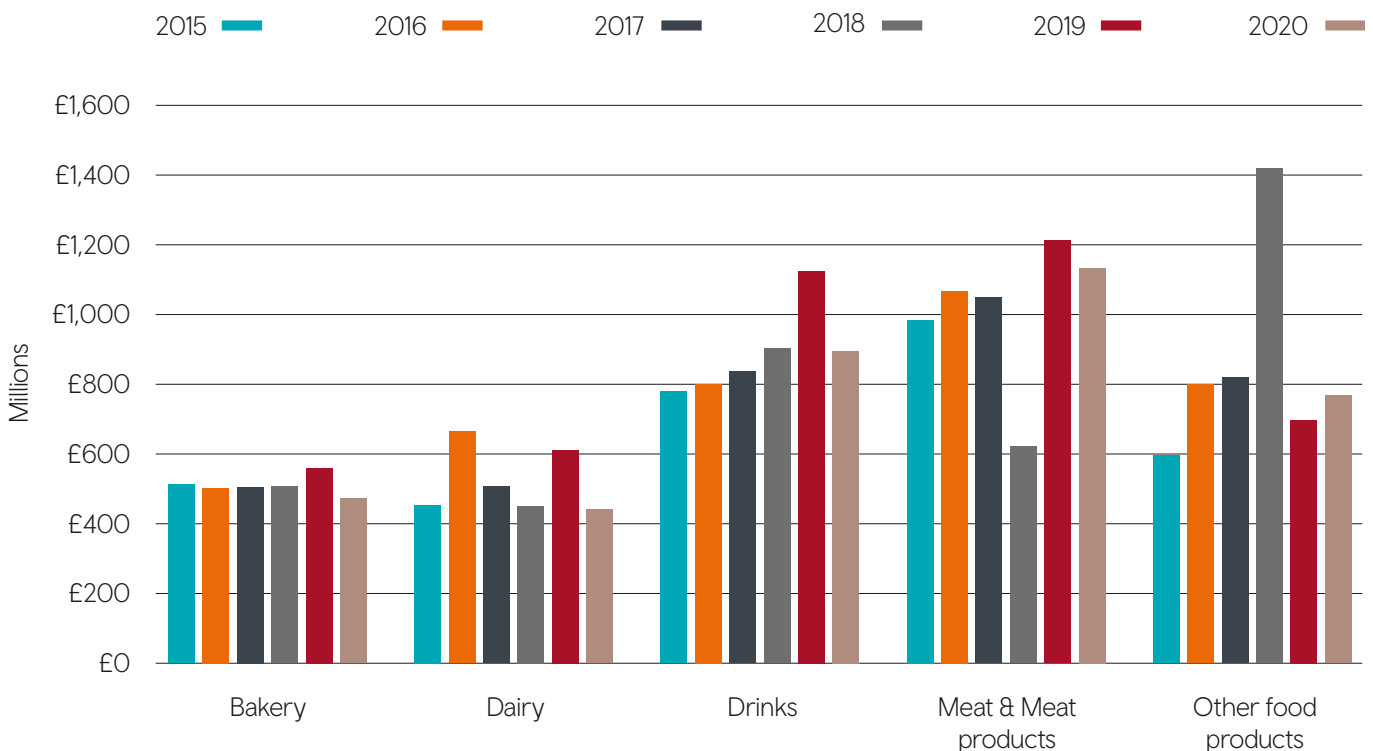
There were 590 food and drink manufacturing businesses units in Wales in 2020, up from 585 the previous year.

69% of the 590 businesses units were classed as Micro, this is equivalent to England which is also at 69%, but higher than NI (64%) and Scotland (59%).

In 2020 the business birth rate was 14% in the sector with 60 new businesses, up from 11% in 2019. The 5-year survival rates for businesses in the sector from 2015–2020 is 40%, down from the 2014-2019 value of 45%.

Over a longer term period the sector has seen strong growth; turnover increased by 17% from 2015 to 2020 (from £4.2bn to £4.9bn), and GVA increased by 21% from 2015 to 2019 (from £1.44bn to £1.74bn). Additionally, the median salary increased by 26.4% from 2015 to 2020 (from £18,598 to £23,504), greater than the UK increase of 16.3% over the same period.

Turnover by Sector 2015–2020, (£millions)



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 2020, a decrease of 6.4% from £1.2bn the previous year.

The sector employed 5,155 individuals in 2019, down by 4.2% from 5,380 in 2018. 95% of the individuals employed in the sector in 2019 worked full-time equivalent (FTE). The median wage for the sector in 2020 was £21,531, an increase of 4.7% from the previous year. In 2020 60% of employees in the sector were earning the living wage, up from 56% in 2019.

There were 65 business units in the sector in 2020, equivalent to 2019. Up to January 2021 the number of establishments approved for handling, preparing, or producing meat products was 44 for red meat and 30 for poultry. This is slightly lower compared to the previous year, which had 47 for red meat and 33 for poultry.

The total value of exports for meat and meat products in 2020 was £199m. This is comprised of £54.9m of live animal exports, and £144.5m of meat products. This figure has increased by 17% from the previous year, from a value of £171m. Individually the export of live animals increased by £7m, and meat products by £21.4m year on year.

According to HCC, in 2020 exports of sheep meat of Welsh origin were worth approximately £153m, which alongside exports of offal were estimated to be worth a total of £156m. In terms of value, approximately 90% of exported sheep meat went to the EU. Exports of Welsh beef in 2020 was estimated to be worth £54m, of which approximately 82% was exported to the EU.

Retail spend on meat in Wales increased by 10.4% in 2020 when compared to 2019, up to a value of £912m. The level of growth was slightly lower than all of the UK, which had an increase of 11.1%. The increase of meat expenditure in retail is likely impacted by the closure of the service sector due to Covid, increasing the supply and demand of meat through retail stores.

In retail chilled ready meals continued to hold the highest share of the category, despite its share decreasing by 2.2%. This category is followed by fresh poultry and fresh beef. These three areas combined account for 42.4% of retail spend on meat.



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The Welsh Meat and Meat Products sector had a turnover of £1.1bn in 2020, a decrease of 6.4% from £1.2bn the previous year.

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Drinks

The drinks sector in Wales had a turnover of £896m in 2020, decreasing by 20.4% from £1.1bn in the previous year. Whilst the year on year change is significant, the 2020 turnover is consistent with the 2018 value of £902m, indicating that the 2019 turnover may have been higher than standard.

The sector employed 1,300 individuals in 2019, down by 21.7% from 1,665 in 2018. 90% of the 1,300 employees worked FTE. The median salary for the sector was £35,583 in 2020, an increase of 2.6% over the previous year. Across the UK the median salary for the sector was £33,843, decreasing by 1% year on year.

There were 125 business units in the sector in 2020, increasing from the 120 in 2019. 83% of the businesses in the sector are classified as Micro, up by 1% from the 82% figure in 2019.

The total value of exports of Welsh beverages was £20.4m in 2020, a decrease of 36% from the £32m value of 2019. The top destinations for drinks exports in 2020 were Ireland, the Netherlands and Spain.

Retail spend on drinks in Wales totalled £1.2bn in 2020, an increase of 31.2% compared to 2019. This retail spend growth on drinks was greater than the UK as a whole, which had a growth of 23.2% year on year.

Sales of Beers, Wines and Spirits (BWS) accounted for more than 2/3rds of the Welsh retail spend on drinks, with wine having the largest share of the three. Alcohol and soft drink mixers had significant growth, driven by more in-home alcohol consumption occasions during lockdowns. Ginger Ale had the highest growth out of all drinks categories.



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The total value of exports of Welsh beverages was £20.4m in 2020, a decrease of 36% from the £32m value of 2019.

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Other Food Products

The Other Food Products sector includes businesses involved in the following manufacturing activities: sugar, cocoa, chocolate, confectionery, 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 £768m in 2020, up by 10.1% from £697m in 2019.

The sector employed 6,700 individuals in 2019, a slight increase from the employment figure of 6,690 in 2018. 96% of those employed in the sector worked FTE in 2019. The median salary for the sector in 2020 was £24,981, an increase of 9.2% over the previous year. The UK had a slightly lower growth from 2019 to 2020, increasing by 3.1%.

There were 110 business units in the sector in 2020, increasing from the 100 units in 2019. 61% of the businesses are classified as Micro, up by 1% from 60% in 2019.

Welsh retail spend on Take Home Confectionery increased by 11.3% from 2019 to 2020, from £211m to £235m. Tea and Coffee also had similar growth in the Welsh retail market, increasing from £102m in 2019 to £113m in 2020, a growth of 11.4%. Take Home Confectionery and Tea and Coffee both grew overall for GB at a similar rate, with Take Home Confectionery spend increasing by 10.9% and Tea and Coffee spend increasing by 9.7%.

Retail spend on Chilled Ready Meals decreased in Wales from 2019 to 2020 by 2.9%, falling from £151m to £146m. The same category increased at the GB level by 1.4%.



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Turnover for the Other Food Products sector was £768m in 2020, up by 10.1% from £697m in 2019.

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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 £441m in 2020, decreasing by 27.8% from £611m the previous year. Whilst the decrease year on year is significant, the long-term trend is relatively stable, with turnover decreasing by only 2% from 2018 to 2020. This is due to the large increase in 2019 reducing back to previous levels.

In 2019 the sector employed 1,070 individuals, a 30.2% decrease from 1,535 in 2018. 85% of those employed in the sector worked FTE, down from 93% the previous year. The median salary for the sector was £21,968 in 2020, down by 2.9% from 2019. The UK median salary was £27,505 in the same year, up by 7% from 2019.

In 2020 there were 50 business units in the sector, decreasing from 55 units in the previous year. 65% of these businesses were classified as Micro, up from 59% the prior year, and 17% are classified as Small, employing 10-49 individuals.

In 2020 there were 101 establishments approved for processing eggs or egg products, up from 98 the previous year, and 90 establishments approved for processing raw milk or dairy products, equivalent to 2019.

Numbers for Dairy cattle (female 2+ with offspring) have remained relatively constant in 2020 at 252,200, up slightly from 251,600 the previous year. The number of chickens used for egg production (including breeders) was 2.96m in 2020, up from 2.68m in 2019.

Retail spend on dairy products in 2020 was £528m, up by 15.8% compared to the previous year. This growth was higher than the UK overall, which grew by 13.2% from 2019 to 2020. Milk continued to have the highest share of dairy spend, with 'ambient milk' and 'defined milk and cream' having the strongest growth rates. These categories benefited from the demand for both long-life products and baking trends.



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In 2019 the sector employed 1,070 individuals, a 30.2% decrease from 1,535 in 2018. 85% of those employed in the sector worked FTE, down from 93% the previous year.

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Bakery

The bakery sector in Wales had a turnover of £472m in 2020, down from £560m the previous year.

The sector employed 5,345 individuals in 2019, down from 6,125 in 2018, a decrease of 12.7%. 89% of those employed within the sector worked FTE, equivalent to the year before.

In 2020 there were 160 business units in the sector, a slight decrease on the 165 units from the previous year. 70% of the businesses were classified as Micro and employed fewer than 10 individuals, slightly higher than the 68% the previous year.

In 2020 the median salary for the sector was £20,662, 14.6% higher than the 2019 value of £18,032. The growth for the sector across the UK was 2.9% from 2019 to 2020.

Retail spend in the Welsh bakery sector was £473m in 2020, an increase of 6.2% compared to 2019. The growth for the entire market across the UK was slightly greater than Wales, with a value of 7.9%. Morning goods continued to have the highest spend share of the market in Wales at 23.2%, increasing its share by 0.8% compared to 2019. Frozen bread and fresh/chilled pastry had the strongest growth year on year, with spend on frozen bread increasing by 56.2% compared to 2019.



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Retail spend in the Welsh bakery sector was £473m in 2020, an increase of 6.2% compared to 2019.

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Retail and Wholesale

The retail industry had a turnover of £8.8bn in 2020, up by 2.6% from £8.6bn in 2019.

The sector employed 59,680 individuals in 2019, a 1.5% increase on the 58,795 employed in the sector in 2018. 27% of those employed in the sector worked full-time equivalent. The median salary of the sector in 2020 was £12,808, a slight decrease of 1.0% from the median salary of £12,934 in 2019. The median salary of the sector across the UK as a whole increased by 1.2%.

The percentage of FTE employees in the sector decreased from 2018 to 2019 from 29% to 27%, whereas in the UK it remained constant at 33%. This may be a potential reason as to why the median salary slightly decreased in Wales, compared to the UK which increased.

In 2020 there were 3,910 businesses units in the sector, relatively consistent with the 3,940 business units in 2019. 70% of the businesses in the sector were classified as Micro in 2020, the same as the previous year.

Total retail spend on grocery was £6.4bn in 2020, a 13.5% increase compared to the year before. The UK as a whole had similar growth at 12.3% across the same period.

Tesco accounted for 29.2% of the total spend share in 2020, the largest of any supermarket, increasing its share by 0.4% from 2019. Tesco is followed by Asda (14.9%), Morrisons (10.5%), Lidl (7.0%) and Aldi (6.1%) in respect to spend share in Wales.

The wholesale sector had a turnover of £2.1bn in 2020, up from £2.0bn in 2019.

The wholesale sector employed 5,985 individuals in 2019, a 12.3% decrease on the 6,825 employed in 2018. 84% of those in the sector worked FTE. The median salary in 2020 was £23,173 in the food wholesale sector, a 10.5% increase on the 2019 value of £20,975. Wales' median salaries increased at a greater rate than the UK, which had a growth rate of 3.5% from 2019 to 2020.



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The sector employed 59,680 individuals in 2019, a 1.5% increase on the 58,795 employed in the sector in 2018.
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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 2020, an 8% increase on 2019 (£3.0bn).

The sector employed 89,685 individuals in 2019, a 12.6% increase from 79,630 in 2018. 32% of those employed in the sector worked full-time equivalent. The median salary of the sector was £9,535 in 2020, a decrease of 13.3% from £10,998 in 2019. Median salaries also decreased at the UK level, falling by 6.8% from 2019 to 2020.

In 2020 there were 8,855 business units in the sector, a 4.2% increase compared to 2019, in which there were 8,500 units. 74% of the businesses in the sector were classified as Micro in 2020, employing fewer than 10 people. This is equivalent to 2019.

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%



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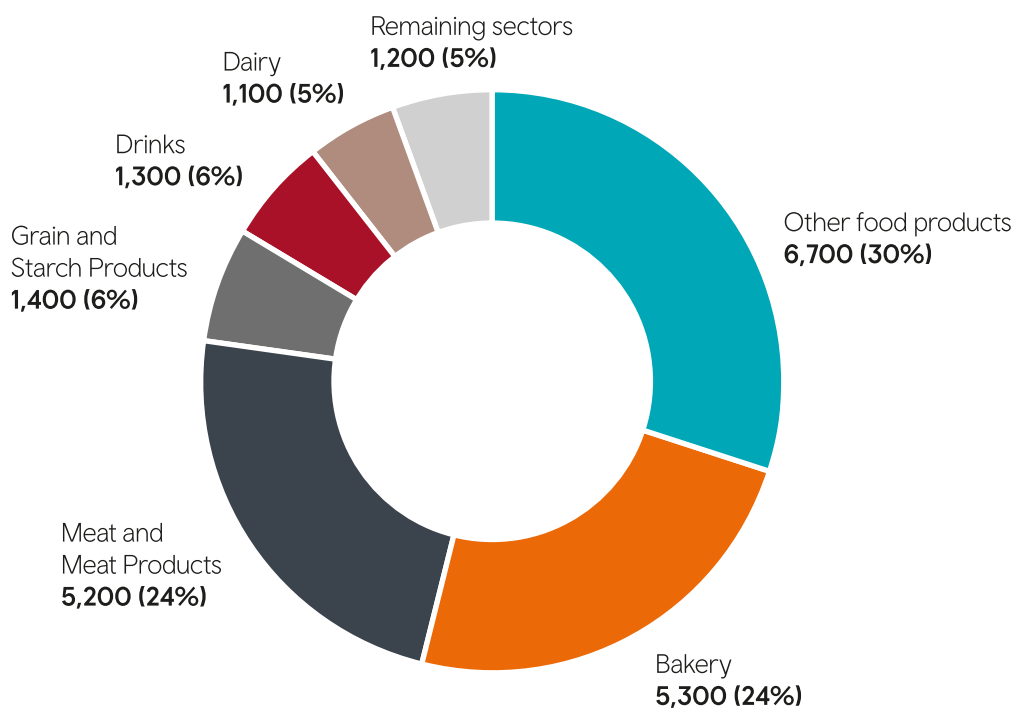
In 2020 there were 8,855 business units in the sector, a 4.2% increase compared to 2019, in which there were 8,500 units.

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Appendix A: Welsh food and drink industries in context

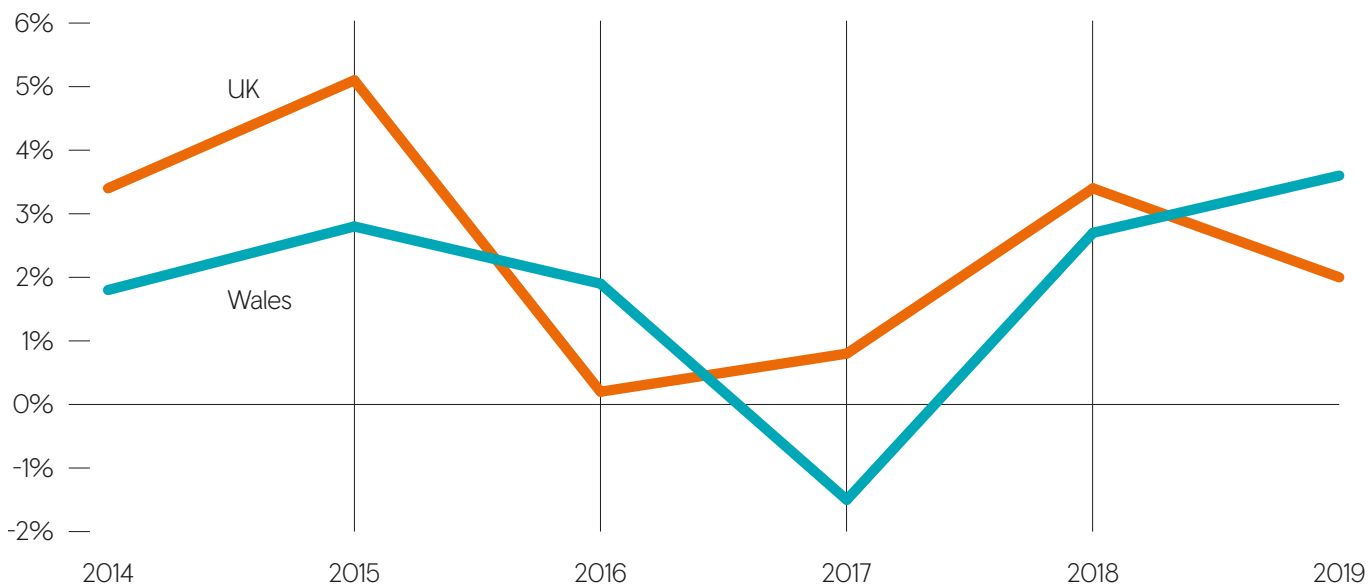
Metric	Wales	UK	Wales as % of UK
Food and Drink Supply Chain			
Turnover 2019	£22.1bn	£548.9bn	4.0%
Local Units 2019	27,605	457,965	6.0%
GVA 2019	£3.85bn	£85.21bn	4.5%
Food Foundation Sector			
Turnover 2019	£8.2bn	£228.6bn	3.6%
Local Units 2019	1,405	39,170	3.6%
Food and Drink Manufacturing Sector			
Turnover 2019	£5.2bn	£104.5bn	5.0%
Local Units 2019	585	13,590	4.3%
GVA 2019	£1.74bn	£30.92bn	5.6%

Employment by Food and Drink Manufacturing sub-sector in Wales, 2019



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.

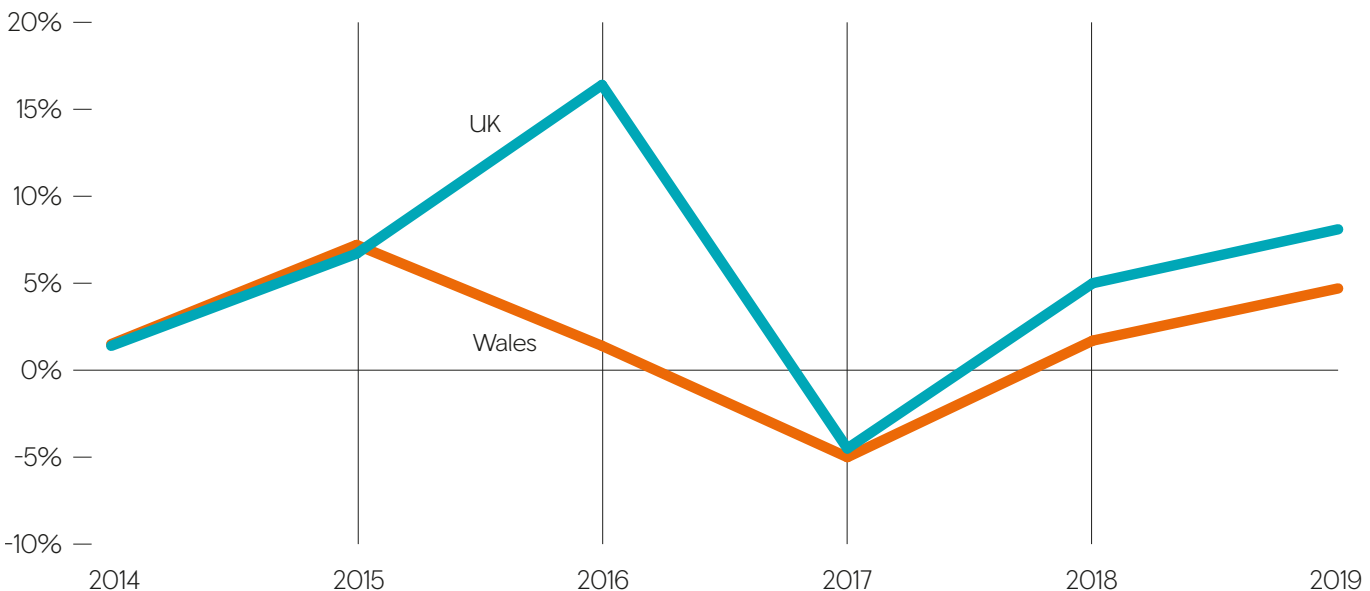
Food and Drink Supply Chain: Turnover Growth 2014 – 2019



Food Foundation Sector: Turnover Growth 2014 – 2019



Food and Drink Manufacturing: Turnover Growth 2014 – 2019



Appendix B: Methodological notes

The data in this appraisal were compiled between January 2021 and July 2021. The statistics presented in this appraisal were the most up-to-date available at the time of writing.

The GVA figures for this report are utilising a new definition taken from a combination of sectors from ONS Regional GVA by Industry, unlike the previous reports which used Welsh Government Priority Sector GVA, resulting in the overall GVA values being lower than in previous reports.

This change has been implemented as the ONS regional GVA figures are deemed to be more

accurate, robust and reliable. 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

Sources

Data	Data Source	Latest year available for Report
Employment	Welsh Government analysis of the Business Register and Employment Survey (BRES)	2019
Employment (Agriculture)	Estimation of FTE workers required based on expected hours of work per animal or hectare of land.	2019
Local Units	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2020
Business size (employee based)	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2020
Employees by Business Size	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2020
Turnover	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2020
Protected Geographical food and drink names	Protected geographical food and drink names – GOV.UK (www.gov.uk)	2020
Median Pay	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2020
Living Wage	Welsh Government analysis of the Annual Survey of Hours and Earnings (ASHE)	2020
Food Standards Agency Approved Businesses	Approved Food Establishments: https://data.food.gov.uk/catalog/datasets/1e61736a-2a1a-4c6a-b8b1-e45912ebc8e3	2020
Taste of Wales Awards	https://greattasteawards.co.uk/	2020
Retail Expenditure	Kantar WorldPanel data	2020
Export Values	Welsh Government analysis of Regional Trade in Goods	2020
Export Values for Welsh lamb and beef	Estimations from Hybu Cig Cymru (HCC)	2020
Average expenditure on catering services	Living Costs and Food survey	2020
Tourism expenditure	Kantar The Gb Tourist 2019 Annual Report	2019
GVA	ONS Regional GVA by Industry	2019

The statistics in this document were compiled between January 2021 and July 2021. The discussion points in this document predate the COVID-19 pandemic.

If you have any questions please contact:

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