



Bwyd a Diod Cymru
Food & Drink Wales



Economic Appraisal of the Welsh Food and Drink sector – Update 2019

The Welsh Food and Drink Supply Chain

Summary

The Welsh food and drink industry experienced another year of strong economic growth in the period ending 2019. Businesses in the supply chain had a turnover of £22.1 billion in 2019, an increase of £761 million from the previous year. The supply chain has added value to the economy, with GVA (gross value added) increasing from £5 billion in 2016 to £5.2 billion in 2017. Welsh food and drink continues to be consumed across the world with exports totalling £565 million in 2019, an increase of £26 million from 2018.

There were 27,605 local business units in the Welsh food and drink supply chain in 2019. The sector is a vital employer in Wales, with 229,500 workers accounting for 16.9% of employment in 2018 (including farmers and agricultural labourers). Approximately 50% of employees, agricultural labourers, and farmers worked full-time equivalent (FTE) in 2018¹. The median annual earnings for an employee in the supply chain was £15,137 in 2018.

The supply chain is predominantly made up of micro business sites (employing fewer than 10 people) who accounted for 85% of all food and drink sites in Wales in 2019.

This is proportionally higher than the food and drink supply chains in England (78%) and Scotland (79%) but lower than Northern Ireland (90%).

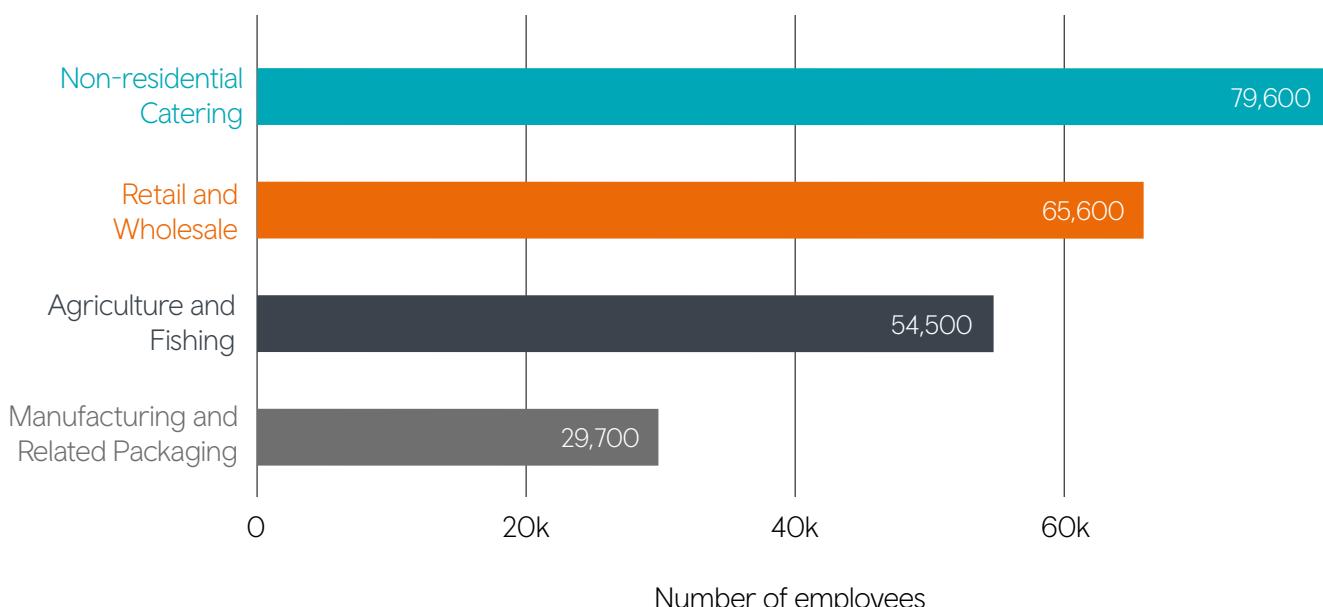
Wales continues to be recognised for excellence in food and drink. 196 Great Taste Awards were awarded to companies in Wales in 2019, an increase of 27 from the previous year.

Wales gained an additional protected food name in 2019 with the Denbigh Plum, bringing the total number of Welsh products with protected name status to 16.

Trends in the sector

After a decrease in 2017, supply chain turnover has continued to rise with an overall increase of 9.6% between 2014 and 2019.

The number of business units in the sector has increased year-on-year since 2017. GVA increased between 2016 and 2017 although the annual figure has shown variability year-on-year. Food and drink exports have been increasing since 2015 with an overall increase of £162 million.



1. The method for estimating the proportion of FTE workers in the agricultural sector changed this year. See Appendix B for more details.

Food and Farming Priority Sector

Summary

The Welsh Food and Farming Priority Sector incorporates on-farm production with food and drink manufacturing, which includes the production, processing, and preserving of food and drink products.

In 2014 the Welsh Government set out to increase sector turnover to £7 billion by 2020. In 2019 this target was exceeded, increasing by 29.9% between 2014 and 2019 to £7.473 billion.

Value added in the sector has continued to grow with GVA increasing from £1.8 billion in 2016 to £2.1 billion in 2017.

The sector employed 78,800 people in 2018 (including farmers and agricultural labourers) with 75% of employees, labourers, and farmers working the FTE². 98% of the sector's 14,230 Welsh business sites were defined as micro (employing fewer than 10 people) in 2019.

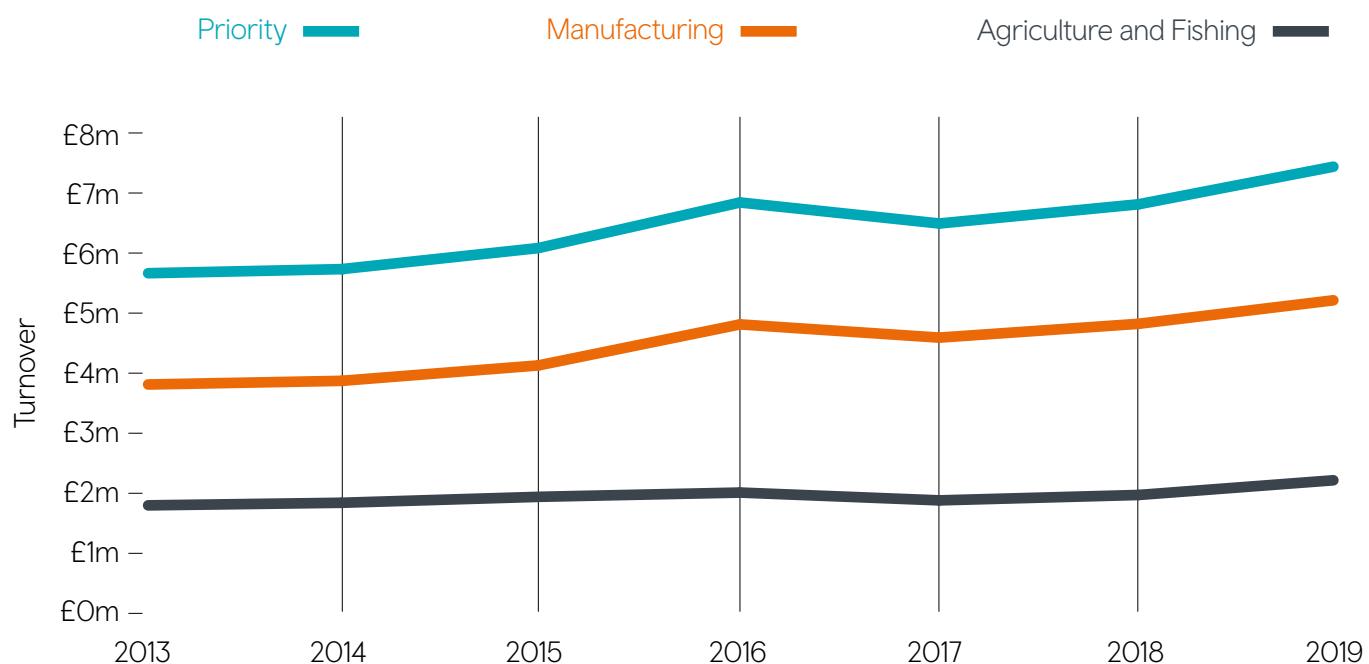
This is proportionally higher than the English (94%) and Scottish (93%) sectors but is equivalent to the Northern Irish sector.

Trends in the sector

The number of business units in the sector has increased over the last 3 years after dropping in 2017. Median annual employee earnings have increased annually, growing by 14.1% between 2013 and 2018 to £20,579.

This is higher than the UK rate of 8.3% although UK earnings are higher overall at £22,373. Employment in the sector has decreased from 2014 by 5,200 due to a reduction in agricultural labour.

GVA growth has been variable year-on-year but has increased overall since 2013.



Priority sector turnover combines food and drink manufacturing with the agriculture and fishing industries. Growth has largely come from increased turnover in food and drink manufacturing.

2. See Appendix B for details on the new methodology for estimating FTE in the agricultural sector.

Food and Drink Manufacturing

Summary

The Welsh food and drink manufacturing sector experienced another year of successful economic growth in the period ending 2019.

Sector turnover increased by 8.1% between 2018 and 2019, from £4.8 billion to £5.2 billion. This is higher than the overall UK increase of 1.7%. GVA in the Welsh sector increased from £1.3 billion in 2016 to £1.6 billion in 2017.

The sector employed 24,315 people in 2018 and 94% of employee jobs were FTE. 67% of the 585 Welsh food and drink manufacturing business sites were classed as micro in 2019. This is similar to the proportion of microbusinesses in the English sector (68%) but is higher than the sectors in Scotland (59%) and Northern Ireland (63%).

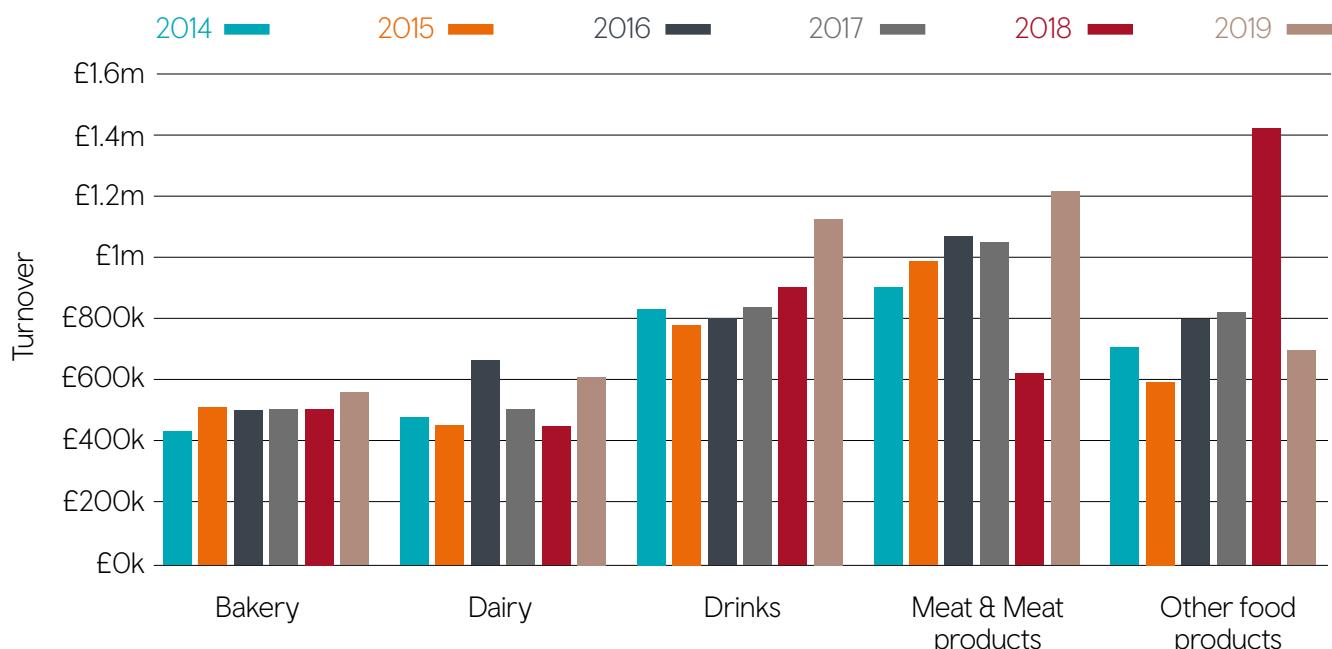
In 2017, the business birth rate in food and drink manufacturing was lower in Wales (9.1%) compared to the UK (13.2%). This translates to 50 new businesses in Wales and 1,545 new businesses across the UK. Survival rates for new food and drink manufacturers in 2017 were higher in Wales than the UK, for example, the 5-year survival rate was 50% in Wales and 44.1% across the UK.

This shows that proportionally fewer businesses are created in Wales in food and drink manufacturing compared to the UK but the rate of business survivals is higher.

Trends in the sector

Sector turnover has continued to grow after a drop in 2017, with an overall increase of 36.6% since 2013. GVA has increased overall but continues to show variability year-on-year.

Median annual employee earnings in the sector have increased year-on-year since 2014, rising by 15.3% to £20,646 in 2018. This is higher than the overall UK increase of 8.4% although median UK earnings are higher at £23,128. Around 60% of workers in food and drink manufacturing earned the Welsh living wage in 2018. This figure has been gradually increasing since 2015.



Meat and Meat Products

The Welsh Meat and Meat products sector had a turnover of £1.2 billion in 2019. Turnover dropped substantially in 2018 by £427 million due to a small number of major enterprises reclassifying their main activity as Other Food Products, however this change was reverted in 2019. GVA increased to £355 million in 2017 from £196 million in 2016.

The sector employed 5,380 people in 2018 and 96% of employee jobs were FTE.

There were 65 business units in the sector in 2019. In November 2019 the number of establishments approved for handling, preparing, or producing meat products was 47 for red meat and 33 for poultry. Median annual earnings in the sector were £18,521 in 2018.

Exports of meat and meat preparations were worth £121 million in 2019 (up from £100 million in 2018) and exports of live animals were worth £48 million (up from £42 million in 2018).

Exports of sheep meat of Welsh origin in 2018 were estimated at £128 million, with approximately 96% going to countries in the EU-28. This is a decrease from the estimated 2017 figure (£133 million).

Exports of beef of Welsh origin were estimated at £59.5 million in 2018, with approximately 92% going to the EU-28. This is an increase from the estimated 2017 figure (£56 million).

Retail spend on meat in Wales declined from £825 million in 2018 to £820.6 million in 2019. The rate of decline was lower than total GB due to the offsetting effect of stronger growth in price per kilogram.

Sales of frozen lamb in Wales grew by 32.8% while there was a decline in sales of frozen poultry (-3.7%), frozen beef (-15.9%) and frozen pork (-16.6%).



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Drinks

The Drinks sector in Wales had a turnover of £1.1 billion in 2019, up from £902 million in 2018. Estimated GVA was £109 million in 2017, down from £165 million in 2016.

The sector employed 1,665 people in 2018, down from 1,750 in 2017. 96% of employee jobs were full-time equivalent in 2018.

The number of business units increased from 110 in 2018 to 120 in 2019, with the majority of units employing fewer than 10 people (82%).

After a period of decline, exports of beverages increased from £26 million in 2018 to £31 million in 2019.

The top destinations for drinks exports in 2019 were France, Netherlands, and Spain.

Retail spend on beverages in Wales totalled £926.7 million in 2019, a 2.2% decrease from 2018. This contrasts to a 0.6% increase in spend across Great Britain.

This difference was caused by weaker price growth and a stronger reduction in frequency of purchasing in Wales.

Sales of non-alcoholic beers in Wales remained relatively small but had the strongest growth (74.5%) while beer and lager, cider, and spirits all experienced a decline.



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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.

Sector turnover was £697 million in 2019, down from £1.4 billion in 2018. This substantial change is due to a small number of major enterprises changing their main business activity between successive years.

There were 100 business units in the sector in 2019. In total, 60% of business units employed fewer than 10 people while 6% employed 250 or more.

Employment in the sector rose to 6,690 in 2018 (from 6,535 in 2017) and 96% of employee jobs were full-time equivalent.

Estimated GVA was £297 million in 2017, up from £253 million in 2016. Median annual earnings in the sector were £22,588 in 2018.

Between 2018 and 2019, retail spend on take home confectionery grew by 4.7% in the Welsh market and 4% in the total GB market. This was attributable to strong growth in sales of chocolate confectionery in the Wales and GB markets.

Spend on chilled ready meals increased by 3.3% in the Wales market but declined by 1.3% across GB. Sales of frozen ready meals decreased in both markets. Sales of instant coffee and tea decreased in both the Welsh and GB sectors.



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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 £611 million in 2019, up from £451 million in 2018. Estimated GVA was £116 million in 2017, an increase from £91 million in 2016.

The sector employed 1,535 people in 2018 and 93% of employee jobs were full-time equivalent.

There were 55 business units in the sector in 2019 and most units employed fewer than 10 people (59%) or between 10 and 49 people (23%).

In November 2019 there were 98 establishments approved for processing eggs or egg products and 90 establishments approved for processing raw milk or dairy products.

Dairy cattle numbers have remained stable over the last few years, with the majority being 2+ years with offspring (57%).

The number of chickens used for egg production in Wales remained stable at 2.3 million, an increase of 200,000 since 2014.

Retail spend on dairy and dairy products in Wales decreased from £455.7 million in 2018 to £454.2 million in 2019, a decrease of 0.3%. This contrasts with the 0.9% increase in retail spend across Great Britain.

The difference between these markets was driven by shoppers in Wales buying smaller volumes and purchasing dairy products less frequently than shoppers across GB.

Spend on flavoured milk products experienced the strongest growth in Wales and across GB, while ice cream and ice cream cones showed a strong decline in both markets.

In Wales, retail spend on milk decreased by 0.9% while spend on cheese increased by 3.3%.



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Bakery

The Bakery sector in Wales had a turnover of £560 million in 2019, up from £507 million in 2018.

The sector employed 6,125 people in 2018 and 89% of employee jobs were full-time equivalent. The number of business units in the sector decreased from 170 in 2018 to 165 in 2019.

The proportion of units employing fewer than 10 people has decreased from 70% in 2018 to 68% in 2019. GVA increased from £194 million in 2016 to £224 million in 2017, however GVA has been variable year-on-year.

Median annual earnings in the sector were £17,362 in 2018⁴.

Retail spend on bakery products in Wales increased from £439 million in 2018 to £444.4 million in 2019, an increase of 1.2%.

Growth was lower than the total GB figure (3.5%) due to a small decline in frequency of purchasing and volume per buyer.

Growth in bakery sales at the GB level were strongest for discounter supermarkets, however this effect did not apply to the Welsh market.

Toaster pastries were the strongest performing product in terms of growth in spend at both the Wales and GB level.

Seasonal biscuits and ambient Christmas puddings were the worst performing products for both GB and Wales markets.



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4. The median annual earnings figure in the Bakery sector is considered acceptable by the Welsh Government but may be less precise than other sectors.

Retail and Wholesale

The food and drink retail sector experienced a period of decline between 2015 and 2019. Turnover in the Welsh sector decreased from £9.2 billion in 2015 to £8.6 billion in 2019.

The UK sector turnover declined by 2.1% between 2015 and 2018 while the Welsh sector declined by 4.9% in the same period. GVA in the Welsh sector decreased from £1.42 billion in 2016 to £1.39 billion in 2017. The number of local business units decreased from 3,980 in 2018 to 3,940 in 2019, with 70% employing fewer than 10 people.

Employment in the sector increased from 56,490 in 2017 to 58,795 in 2018, although employment has decreased by 12,630 since 2013.

29% of employee jobs in the sector were full-time equivalent in 2018 and median annual earnings were £13,026. Welsh food and drink retail sales increased from £5.583 billion in 2018 to £5.595 billion in 2019. This represents a 0.2% increase, lower than the total GB increase of 1.1%. Wales' slower rate of growth was attributed to a decline in total volume purchased (-0.9%) and volume per buyer (-1.4%).

Discounter supermarkets experienced a year of strong growth at both the Wales and GB level. Morrisons and Asda experienced positive growth in retail spend in the Welsh market while Tesco and Sainsbury's experienced a decline. All four supermarkets experienced a decline in retail spend at the GB level.

Turnover in the Welsh food and drink wholesale sector declined year-on-year between 2014 and 2017, but recovered between 2018 and 2019, reaching £2.04 billion.

GVA increased from £350 million in 2016 to £368 million in 2017. There were 780 business units in the sector in 2019 with 81% employing fewer than 10 people.

After a substantial increase in 2016, the number of people employed in the sector has fallen to 6,825 in 2018 (a decrease of 3,695 since 2016). 76% of employee jobs in 2018 were full-time equivalent. Median annual earnings in the sector remained stable at £18,874 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.

Turnover has been increasing year on year, from £2.2 billion in 2014 to £3 billion in 2019. GVA decreased from £1.13 billion in 2016 to £1.1 billion in 2017.

The sector employed 79,630 people in 2018 with 33% of employee jobs FTE. 74% of the 8,500 business units in Wales employed fewer than 10 people in 2019.

According to the Living Costs and Food Survey, the average weekly spend per person on food and drink for consumption outside the home in Wales was £11.22 between 2015/16 and 2017/18. This is the lowest per person spend across the UK regions. Based on average weekly weight consumed, the most popular foods eaten out in Wales were meat or meat products (90g), fresh and processed potatoes (72g), and sandwiches (55g)⁵.

Tourism

Tourist spend on food and drink increased between 2017 and 2018.

Tourism expenditure on eating and drinking out in 2018 was estimated at £387 million, an increase of 11.8% from the previous year.

This contrasts to the 1.3% growth across GB, 1.7% growth in England, and 7.3% decline in Scotland.



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Turnover has been increasing year on year, from £2.2 billion in 2014 to £3 billion in 2019.

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5. 78g of "Other food products" were consumed on average every week, however this category included unspecified meals and was not included here.

Appendix A: Welsh food and drink industries in context

The Welsh Government has ambitions for Welsh food and drink to punch above its weight and compete with the wider UK sector.

The data below shows the Welsh industry statistics in the context of the whole UK food and drink industries.

Welsh sectors as a proportion of the UK

	Wales	UK	Wales as % of UK
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Food and Drink Supply Chain

Turnover 2018	£21.35 billion	£538.23 billion	4%
Local units 2018	27,480	454,095	6.1%
GVA 2017	£5.2 billion	£132.56 billion	3.9%

Food and Farming Priority Sector

Turnover 2018	£6.83 billion	£141.03 billion	4.8%
Local units 2018	14,175	161,730	8.8%
GVA 2017	£2.05 billion	£39.73 billion	5.2%

Food and Drink Manufacturing Sector

Turnover 2018	£4.84 billion	£99.77 billion	4.9%
Local units 2018	580	13,155	4.4%
GVA 2017	£1.57 billion	£28.42 billion	5.5%

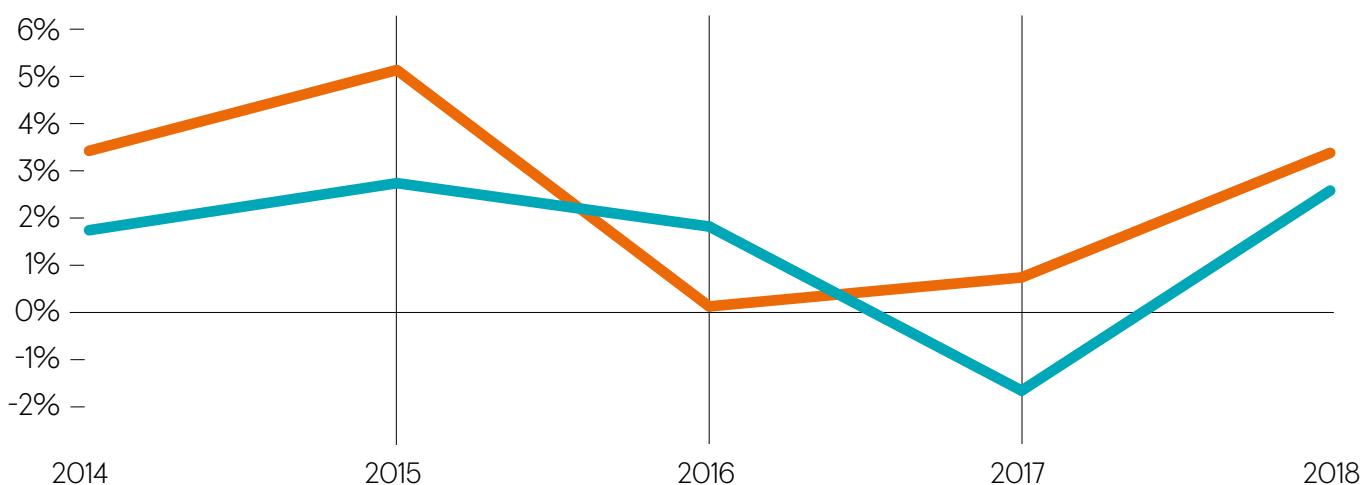
Here we present a comparison of food and drink statistics between Wales and the UK.

Annual growth in food and drink sector turnover

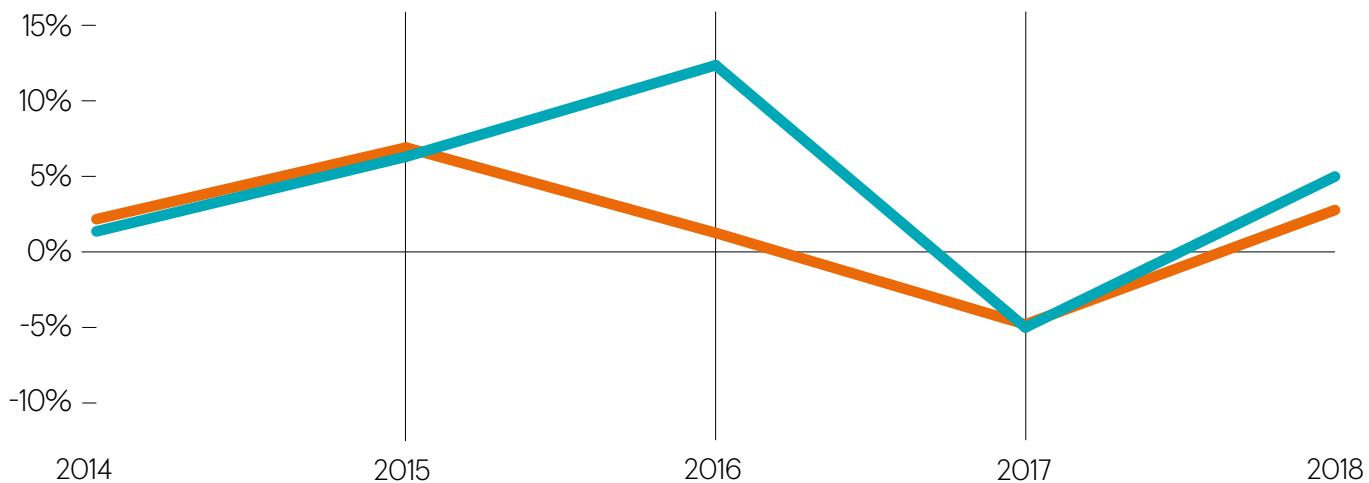
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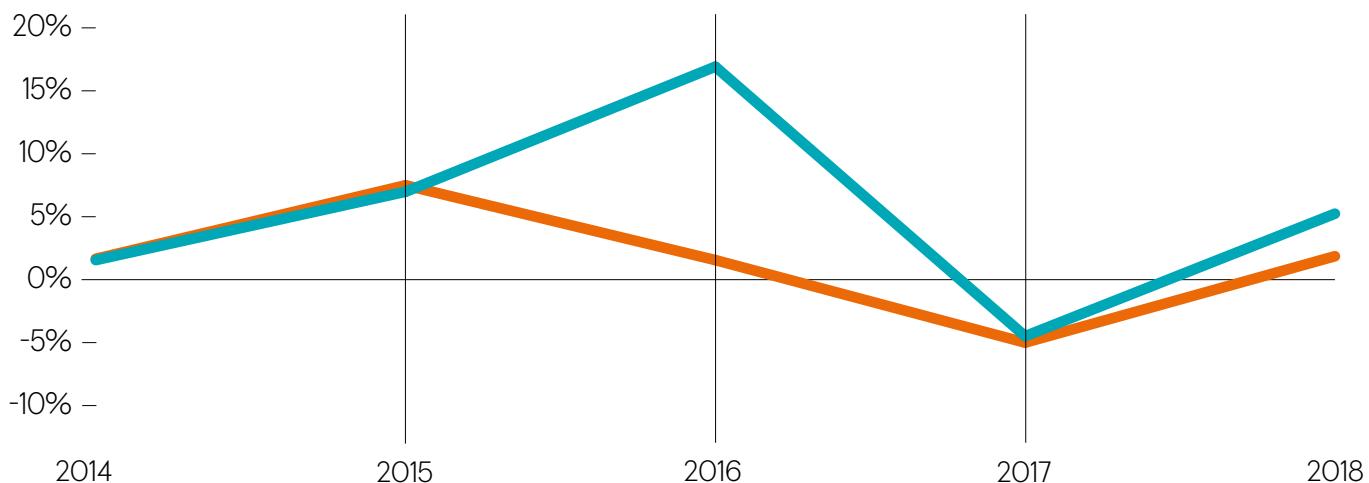
Food and Drink Supply Chain



Food and Farming Priority Sector



Food and Drink Manufacturing



Appendix B: Methodological notes

This is the second year that the economic appraisal has been produced internally by the Welsh Government. Previous economic appraisals were produced by Brookdale Consulting.

The data in this appraisal were compiled between October 2019 and March 2020.

The statistics presented in this appraisal were the most up-to-date available at the time of writing.

Changes to methodology

FTE Workers

The method for estimating the proportion of full-time employment in the Welsh Food and Farming Priority Sector and the Welsh Food and Drink Supply Chain have changed this year.

Previous economic appraisals used estimates derived from the June Survey of Agriculture and Horticulture to calculate the percentage of FTE in the Welsh agricultural sector.

The figure used in this appraisal is calculated using the estimated number of FTE workers required for Welsh farms. This is based on a weighted sum of expected hours work per animal or hectare of land.

This figure should be taken as indicative only because some agricultural work is seasonal (e.g. harvesting on arable farms, lambing on sheep farms) and day-to-day labour can be done informally (e.g. from immediate family).

Retail spend

Statistics on retail spend on food and drink in Wales are lower in the 2019 update compared to previous years. This is due to Kantar rebasing the Welsh postcodes when estimating retail spend in Welsh shops.

The statistics presented in this appraisal are now the definitive figures for food and drink retail spend.

The statistics in this document were compiled between October 2019 and March 2020. The discussion points in this document predate the COVID-19 pandemic.

If you have any questions please contact:
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