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The EU Food and Drink Industry in Figures

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Report Highlights:
In 2001, the food and drink industry reaffirmed its position as the leading European industrial sector, accounting for 13 percent of the total production value in the manufacturing sector. With a production value of 628 billion euros and an added value of 145 billion euros, it still ranks ahead of the car, chemical, machinery and equipment industries. The food and drink sector is the third largest employer in the EU.

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THE EU FOOD AND DRINK INDUSTRY IN FIGURES

INTRO

The structural data for 2001 show that the EU food & drink industry has been less affected by the economic downturn, worsened by the September 11 events, than other industries. Despite the sector's own structural problems – a saturated market in terms of volume and food safety scares – the turnover of EU companies has slightly increased to 628 billion Euros. Total exports of EU food products amounted to 45 billion Euros.

STRUCTURE AND EMPLOYMENT

In 2001, the food and drink industry reaffirmed its position as the leading European industrial sector, accounting for 13% of the total production value in the manufacturing sector. With a production value of 628 billion Euros and an added value of 145 billion Euros, it still ranks ahead of the automobile, chemical, machinery and equipment industries. The food and drink industry is very diversified with sectors covering both first-stage as well as second-stage processing. It transforms more than 70% of the agricultural raw materials produced in the EU.

With nearly 2.8 million employees and 29,000 companies, the food and drink sector is the third largest employer in the EU. It is extremely diversified, both from the point of view of the final products and the types of activities and structures. The figures in the table below only give a partial view of the sector. Exact figures are difficult to obtain due to differences in the member states' data collection systems. The latest EU data relate to structures of over 20 employees. However, the food and drink industry is characterized by a high proportion of small and medium-sized enterprises (SMEs) with less than 250 employees. In 1999, 99.3% of the total companies were SMEs. Eight out of ten companies have less than 10 employees. SMEs generate almost half of the production and added value of the sector. About two thirds of employees in the food and drink sector, work for an SME.

EU-15 FOOD AND DRINK SECTOR: STRUCTURE / PRODUCTION BY COUNTRY - 2001 Estimates

	Production (Current Prices - Billion Euros)	Added Value (Billion Euros)	Employees (x 1000)	No. of Companies
Belgium	24	5	62	723
Denmark	17	4	87	450
Germany	110	27	597	6,035
Greece	5	1	43	1,036
Spain	67	14	371	3,040
France	115	21	392	3,604
Ireland	15	4	47	687
Italy	93	24	268	6,800
Luxembourg	1	0	4	226
Netherlands	39	6	147	855
Austria	11	2	79	1,264
Portugal	10	2	104	1,916

Sweden	13	3	53	344
Finland	8	2	34	336
U.K.	98	30	506	2,319
EU-15	**628**	**145**	**2,796**	**29,635**

Source: Eurostat

EU FOOD & DRINK COMPANIES - 1999

	Production (%)	Value added at factor cost (%)	No. of companies	No. of employees
Micro companies 1-9 employees	7.7	9.9	80.5	19.2
Small companies 10-19 employees	6.1	6.4	10.9	10.6
Small companies 20-49 employees	10.5	9.5	5.0	11.0
Middle-sized companies 50-99 employees	9.6	8.2	1.7	8.5
Middle-sized companies 100-200 employees	17.2	14.4	1.2	13.1
Large companies 250-499 employees	14.7	14.0	0.4	10.6
Large companies 500-999 employees	11.2	11.1	0.2	10.1
Large companies > 1000 employees	23	26.6	0.1	16.9

Source: Eurostat

Among the different sectors in the food and drink industry, the meat processing, dairy and beverage sectors account for half of the total food production value. The category "other products" dominated by the bakery, pastry and confectionary industries also make up a significant part of the EU's food production.

EU 15 - STRUCTURE / PRODUCTION BY SECTOR – 2001 Estimates

	Production		Added Value		Employees	
Sector	**Billion Euros**	**%**	**Billion Euros**	**%**	**x 1000**	**%**
Meat products	126	20.1	23	15.9	624	22.3
Fish products	15	2.4	2	1.4	93	3.3
Processed fruit & vegetables	36	5.8	9	6.2	168	6.0
Oils & fats	25	4.0	3	2.1	48	1.7
Dairy products	96	15.3	16	11.0	274	9.8
Flour & starch products	27	4.3	6	4.1	78	2.8
Animal feed	40	6.4	6	4.1	98	3.5
Other food products	163	26.0	48	33.1	1,078	38.6
Beverages	98	15.7	32	22.1	335	12.0
Total	**626**	**100**	**145**	**100**	**2,796**	**100**

Source: Eurostat

ACCESSION COUNTRIES

On May 1, 2004, eight countries from Central and Eastern Europe (CEECs) as well as Malta and Cyprus, will join the European Union. Around 10,000 companies are active in the CEECs, employing almost one million people. Products with higher added value are expected to develop more rapidly than more traditional sectors. In each of the CEECs, the food and drink industry, representing 15% of industrial jobs (12% in the EU), plays a key role in the national economy. The share of household consumption devoted to food (an average of 22%) is largely above the one registered in the EU-15 (13%).

ACCESSION COUNTRIES – PRODUCTION / STRUCTURE
2001 Estimates

Country	Production (Billion Euros)	Employees (x 1000)	No. of companies
Estonia	0.62	21	120
Hungary	7.20	119	3,195
Latvia	0.75	27	225
Poland	21.10	346	2,939
Czech Republic	7.30	117	1,023
Slovakia	2.44	46	346
Slovenia	1.84	18	97
Lithuania	1.34	44	467

Source: CEEC Federations

ACCESSION COUNTRIES - STRUCTURE / PRODUCTION BY SECTOR
2001 Estimates

	Production		Added Value		Employees	
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Source: Eurostat

TOP EU FOOD MANUFACTURERS

Top EU food manufacturers, ranked by turnover in 2001

Manufacturer	Country	Sales (billion Euros)	Sector	Total employees (X 1000)
Unilever	Netherlands / UK	32.1	Dairy, beverages, dressings, frozen foods, cooking products	279
Diageo	UK	19.0	Alcoholic beverages, dough products	72
Danone	France	14.5	Dairy, beverages, biscuits and cereals	101
Cadbury Schweppes	UK	8.9	Beverages, confectionery	38
Heineken	Netherlands	8.1	Alcoholic beverages	38
Parmalat	Italy	7.8	Dairy, gourmet, biscuits, beverages	NA
Interbrew	Belgium	7.3	Alcoholic beverages	38
Associated British Foods	UK	7.1	Sugar, starches, baking products, meat, dairy	34
Tate & Lyle	UK	6.4	Sweeteners, starches	9
Lactalis	France	5.5	Dairy	16
Arla Foods	Denmark	5.0	Dairy	18
Sudzucker	Germany	4.8	Sugar	24
Allied Domeq	UK	4.6	Alcoholic beverages	24
Carlsberg	Denmark	4.6	Alcoholic beverages	27
Scottish & Newcastle	UK	4.4	Alcoholic beverages	63

Source: CIAA – the sales figures of the companies listed refer to their world sales

CONSUMPTION

The evolution in consumer demands is linked to the change in social values, lifestyles, demographic trends and new consumption patterns. Demand for finished products such as snacks and health foods, is increasing to the detriment of unprocessed products. Food and drink products may be split into two groups: necessity purchases (high price competition) and luxury purchases (premium prices for branded labels). The increasing number of working mothers resulted in the growth of easy-to-prepare foods, convenience foods, microwave and frozen foods. The most significant trend in consumer demand is to combine pleasure, well-being and health. The need for freedom and mobility encourages industrialists to develop “nomadic” products, which can be used at any time in any place. Increased travel, exotic holiday destinations and popular TV cookery programs have led to the marketing of new ethnic foods. Increased consumption of fortified, health and dietary foods reflect the consumers’ believe that these foods can prevent disease and help them stay healthy.

Food and drink items used to account for the biggest share of household expenditure but have gradually been overtaken by “housing” and “transport and communication” in most member states. There are still significant differences in the regional trends of consumption of certain food and drink items. These differences are usually linked to the availability of certain products on the local market. For example, the highest volumes of fish and seafood are consumed in Portugal and Greece while the highest per capita consumption of meat is in Austria, a land-locked country. However, the increased consumer awareness of foreign foods and drinks coupled with improved distribution, have led to a convergence in consumption patterns. The strategy of food and drink companies has focused on the consolidation of market share and wider geographic implantation.

Food and non-alcoholic beverages, at current prices, percentage of total household consumption expenditure:

Country	1998	1999	2000	2001
Belgium	13.8	13.1	13.0	not available
Denmark	13.1	12.8	12.8	12.9
Germany	12.1	11.9	11.9	12.3
Greece	17.0	16.8	16.9	not available
Spain	15.8	15.2	15.2	not available
France	14.7	14.3	14.2	14.4
Ireland	12.7	11.5	10.9	10.7
Italy	15.3	14.7	14.4	14.4
Netherlands	12.1	11.6	not available	not available
Austria	13.1	12.9	12.7	12.6
Portugal	19.0	18.7	18.5	not available
Finland	13.3	13.0	12.7	12.8
Sweden	12.9	12.6	12.5	12.8
U.K.	10.3	10.0	9.7	9.7

Source: Eurostat

Structure of expenditure, percentage of total household expenditure:

	B	DK	GR	SP	F	IR	IT	LUX	NL	A	P	FIN	UK
Bread & Cereals	2.4	2.2	2.0	2.8	2.8	2.4	3.3	1.6	1.8	2.2	3.2	2.4	2.0
Meat	3.6	2.8	4.0	5.1	4.5	3.8	4.7	2.7	2.2	2.9	6.2	2.7	2.4
Fish & Seafood	0.8	0.6	1.3	2.4	1.0	0.4	1.6	0.5	0.3	0.3	3.2	0.5	0.4
Dairy	1.6	1.9	2.5	2.5	2.2	2.0	2.8	1.3	1.6	1.8	2.5	2.5	1.3
Oils & Fats	0.3	0.4	1.5	0.7	0.4	0.4	0.9	0.3	0.3	0.5	1.2	0.4	0.2
Fruit	0.8	0.7	1.4	1.4	1.1	0.7	1.8	0.8	0.8	1.0	1.6	1.0	0.7
Vegetables	1.2	1.3	1.9	1.4	1.8	1.7	1.7	0.9	1.3	1.0	2.0	1.3	1.5
Sugar, jam, chocolate, confectionery	0.9	1.5	1.0	0.6	0.8	1.3	0.7	0.6	0.7	1.0	0.5	1.1	0.7
Non-alcoholic beverages	1.3	1.5	0.9	1.0	1.0	1.6	1.6	1.0	1.0	1.3	0.7	1.3	0.9

Source: Eurostat
B=Belgium; DK=Denmark; GR=Greece; SP=Spain; F=France; IR=Ireland; IT=Italy; LUX=Luxembourg; NL=Netherlands; A=Austria; P=Portugal; FIN=Finland; UK=United Kingdom (no figures available for Germany and Sweden).

In a 1996 EU survey on consumer attitudes, European consumers were asked to list their first, second and third most important factors from a list of 15 options that influence their choice of food. The 15 options were: quality and freshness, habit or routine, price, family preferences, healthy diet, taste, convenience, presentation, slimming, vegetarian or other special eating habits, prescribed diet, content of additives, cultural / religious / ethnic background, availability, someone else decides. The three main perceived influences on food choice in all the member states are “quality”, “price” and “taste”. “Healthy eating” is also among the top 5 of perceived influences in all of the member states.

Main factors influencing food choice, 1996 (%)

Country	Quality / Freshness	Price	Taste	Healthy diet	Family preference
Austria	90	54	25	50	32
Belgium	76	34	46	37	29
Denmark	64	39	29	48	22
Finland	67	62	41	40	17
France	77	57	42	25	21
Germany	76	40	31	31	29
Greece	75	18	47	32	38
Ireland	49	30	45	35	36
Italy	84	29	40	25	36
Luxembourg	68	18	49	24	18
Netherlands	73	36	41	28	36
Portugal	66	38	40	34	24
Spain	80	52	22	32	25
Sweden	73	59	37	30	31
UK	59	43	49	40	30
EU average	**75**	**43**	**38**	**32**	**29**

Source: Institute of European Food Studies survey

FOOD TRADE

In 2001, the value of EU exports of processed agricultural products to third countries amounted to 45 billion Euros. Around 35% of processed products are exported in the form of high added value products, called “non-Annex I” products. In 2000, a revised EU export refund regime for non-Annex I products entered into force (Commission Regulation 1520/2000). EU Producers are being compensated for the competitive disadvantage on world markets due to the high raw material prices (regulated by the Common Agricultural Policy) they are forced to pay on the domestic market. Export subsidies are calculated based on the raw materials used in the manufacture of processed products. In addition, an inward processing regime has been implemented. This regime allows raw materials to be imported at world prices without paying tariffs with the objective of exporting the processed goods.

The U.S. remains the first export destination of European food and drink products and represents a quarter of the export market. The trade with CEECs increased significantly (+ 14%) in the context of the pre-accession stage while exports to Latin America, in particular to Argentina, decreased at 21%. With EU imports amounting to 38.4 billion Euros in 2001, the trade balance remains positive at 6.6 billion Euros. Brazil, the U.S. and Argentina are the main suppliers of food and drink products to the EU.

Beverages remain the major processed agricultural export product, representing around one third of total EU exports. The export of spirits represents 40% of sales in this sector. Exports of soft drinks and mineral waters are in full expansion. Three sectors show a negative balance: processed fruit and vegetables, oils & fats as well as fish products.

EU TRADE IN 2001 BY SECTOR (Million Euros)		
Sector	**Export**	**Import**
Meat sector	4,522	4,766
Processed and preserved fish and fish products	1,874	11,077
Processed and preserved fruit and vegetables	2,554	4,926
Animal and vegetable oils and fats	2,683	6,534
Dairy products and ice cream	5,163	1,314
Grain mill products, starches and starch products	1,822	789
Prepared animal feed *	1,188	965
Chocolate, biscuits, confectionery and food preparations	11,494	4,131
Beverages	13,256	3,679
Other	458	188
Total	**45,015**	**38,369**

* This category includes prepared feed for farm animals and prepared petfood and excludes bulk commodities such as oilseed cakes and fish meal
Source: Eurostat

TOP EXPORT DESTINATIONS - 2001		TOP IMPORT ORIGINS - 2001	
Country	**Million Euros**	**Country**	**Million Euros**
U.S.	9,085	Brazil	4,038
Japan	3,716	U.S.	3,438
Switzerland	2,617	Argentina	2,936
Russia	2,569	China	1,501
Canada	1,361	New Zealand	1,481
Poland	1,157	Norway	1,345
Norway	1,030	Thailand	1,284
Australia	776	Poland	1,255
Czech Republic	767	Switzerland	1,214
South Korea	741	Australia	1,095
Algeria	721	Turkey	1,010
Israel	528	Chile	847

Source: Eurostat

Annual increase (%) of EU exports of food and drink products						
	1997	1998	1999	2000	2001	2002*
Food and drink products	11.4%	-3.1%	-3.9%	12.5%	5.0%	4.7%

Source: Eurostat * 1st half of 2002

EU/US TRADE IN PROCESSED AGRICULTURAL PRODUCTS

The U.S. is the EU's main export destination for processed agricultural products, followed by Japan, Switzerland, Russia and Canada. With exports of processed agricultural products to the U.S. amounting to 9.7 billion Euros in 2002 and imports from the U.S. amounting to 2.7 billion Euros, the EU trade balance for processed products remains positive.

Beverages represent almost half of the EU's processed agricultural exports to the U.S. Other main exports to the U.S. are: preparations of cereals, flour, starch and milk (555 million Euros), dairy (545 million Euros), oils and fats (515 million Euros), preparations of vegetables (462 million Euros) and cocoa preparations (415 million Euros).

Main EU imports of processed agricultural products from the U.S. are: animal feed (842 million Euros), beverages (669 million Euros), other food products (316 million Euros), preparations of fruit and vegetables – incl. nuts - (262 million Euros), fruit juices (114 million Euros) and fish products (114 million Euros). Beverages cover both alcoholic and non-alcoholic beverages: mineral waters, soft drinks, beer, wine and spirits. Fruit juices are listed as a separate category.

Both beverages and fruit juices are fast growing categories which owe their popularity to perceived health benefits and the marketing of new products such as functional drinks, mineral waters with juice, milk with juice and juice with alcohol (alcopops). According to a representative of the drink industry in the EU, the color of drinks is also an important factor. European consumers tend to prefer yellow drinks while U.S. consumers are more inclined towards red drinks. It is the beverage industry's opinion that the European market will become "redder" over the coming years.

The EU also offers excellent prospects for fish products. Declining EU fish stocks and smaller catch quotas have reduced the supply of fishery products while demand has been stable or even growing in certain member states. EU fish processors have to rely more and more on extra-EU imports.

EU/US TRADE, BY SECTOR - 2001 and 2002 (million Euros)				
	2001		2002	
Product	Import	Export	Import	Export
Processed meat	53	275	36	263
Fish products	**113**	**34**	**114**	**38**
Processed vegetables	168	427	151	462
Processed fruit	**123**	**94**	**111**	**94**
Juices	**120**	**79**	**114**	**78**
Products of the milling industry	23	61	20	79
Dairy	27	529	21	545

Beverages	806	5,344	669	5,903
Preparations of cereals, flour, starch & milk	71	529	55	555
Cocoa preparations	17	381	16	415
Oils & Fats	183	429	150	515
Sugar & confectionery	48	217	65	208
Animal feed [1]	**969**	**111**	**842**	**98**
Coffee, tea & spices	24	239	27	246
Other food products [2]	**344**	**117**	**316**	**243**

Source: Global Trade Atlas

[1] HS code 23 (includes oilcakes and fish meal)
[2] includes yeasts, sauces, soups, ice cream and protein concentrates

The top-3 importing member states in 2002 are: United Kingdom (829 million Euros), Netherlands (605 million Euros) and Germany (282 million Euros). Main U.S. exports to the U.K. include: beverages (287 million Euros), animal feed (149 million Euros), other foods products (125 million Euros) and fish products (83 million Euros). Main U.S. exports to the Netherlands include: animal feed (204 million Euros), beverages (125 million Euros) and other food products (92 million Euros). Main U.S. exports to Germany include: beverages (103 million Euros), animal feed (63 million Euros) and other food products (23 million Euros).

The top-3 exporting member states in 2002 are: France (2,155 million Euros), Italy (1,846 million Euros) and Netherlands (1,478 million Euros).

PROCESSED AGRICULTURAL PRODUCTS: EU/US TRADE, BY MEMBER STATE – 2001 & 2002 (million Euros)

	2001		2002	
MEMBER STATE	**IMPORT**	**EXPORT**	**IMPORT**	**EXPORT**
AUSTRIA	15	131	15	136
BELGIUM	140	210	126	198
DENMARK	86	371	70	361
FINLAND	17	56	14	51
FRANCE	150	1,949	143	2,155
GERMANY	318	696	282	751
GREECE	33	98	33	110
IRELAND	159	271	151	213
ITALY	165	1,680	125	1,846
NETHERLANDS	710	1,199	605	1,478
PORTUGAL	85	65	77	80
SPAIN	205	610	179	677
SWEDEN	70	376	60	454
U.K.	937	1,212	829	1,233

Source: Global Trade Atlas

Global branding and further integration of European markets is producing a more homogeneous food and drink market in Europe but there are still significant differences in national consumption trends. A thorough analysis of the best prospects for U.S. products on the EU market is provided in the "Exporter Guides", prepared by the Offices of Agricultural Affairs in the individual member states. An overview of EU food import regulations and standards can be found in the "Food and Agricultural Import Regulations and Standards" (FAIRS) report. These reports can be downloaded from our website at www.useu.be/agri/fairs.html.

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E22084	EU FAIRS report	8/21/2002

Sources:

- Annual Report of the Confederation of the Food & Drink Industries (CIAA)
- Eurostat: Yearbook 2003, Consumers in Europe 1996-2000
- Institute of European Food Studies
- Foodnews
- Global Trade Atlas