



# *Data & trends*

of the **European Food and  
Drink Industry**



# 2007

**CIAA**

Confédération des industries agro-alimentaires de l'UE  
Confederation of the food and drink industries of the EU

## About CIAA

CIAA represents the European food and drink industry - the leading industrial sector and major EU employer and exporter. CIAA's role and mission is to represent the food and drink industries' interests, at the level of both European and international institutions.

CIAA membership is made up of:

- 25 national federations, including 2 observers;
- 28 EU sector associations;
- 20 major food and drink companies.

CIAA's permanent secretariat, based in Brussels, maintains close contacts with European and international institutions and has become a major partner in consultations on food-related developments. It co-ordinates the work of more than 700 experts, grouped in Committees and Expert Groups around the following three themes:



Food and Consumer Policy



Trade and Competitiveness



Environment



Confédération des industries agro-alimentaires de l'UE  
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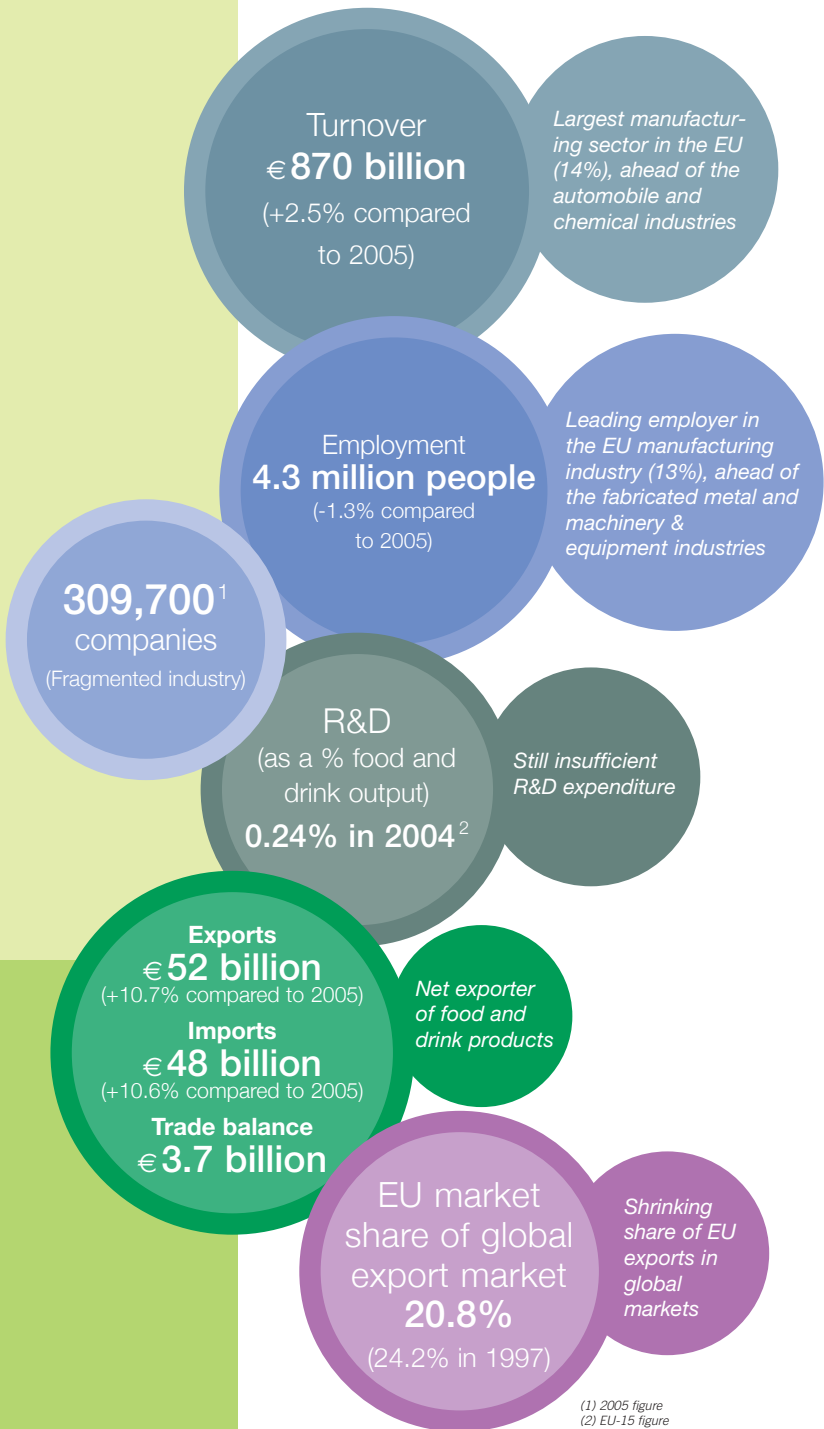
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This report presents EU-27 data unless otherwise specified.

# At a glance

## the EU-27 Food and Drink Industry in 2006



# Structure of the food and drink industry

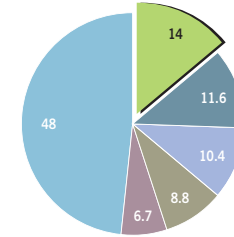
## The food and drink industry in the EU

		2005	2006/2005*	2006*
<b>Turnover</b>	€ billion	850	↗ 2.5%	870
<b>Value added</b>	€ billion	188		-
<b>Employees</b>	million	4.4	↘ -1.3%	4.3
<b>Companies</b>	thousand	309.7		-

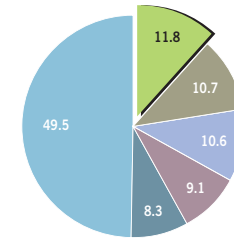
(\*) CIAA estimates based on Eurostat figures  
(-) not available

Source: Eurostat, SBS and CIAA calculation

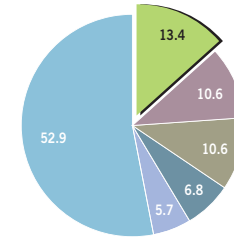
Share of turnover in manufacturing industry (%)



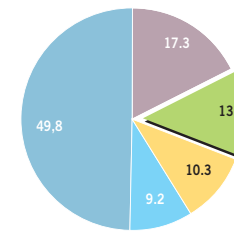
Share of value added in manufacturing industry (%)



Share of employment in manufacturing industry (%)



Share of the number of companies in manufacturing industry (%)



Note: the manufacturing sectors are defined at 2-digit level of the NACE-Rev.1 (food and drink industry: division DA15).

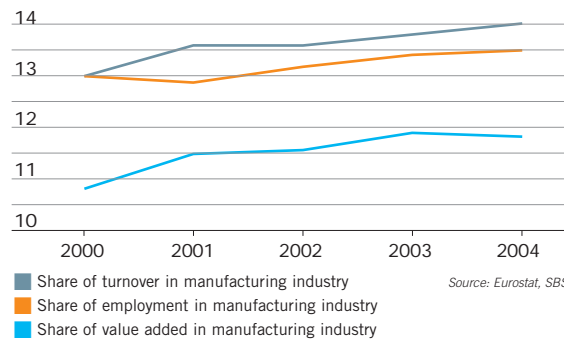
Source: Eurostat, SBS, 2004 data

# The food and drink industry in the manufacturing sector

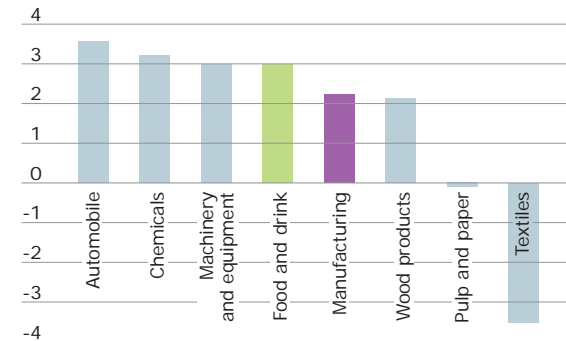


- The food and drink industry is the single largest manufacturing sector in the EU in turnover, value added and employment terms, ahead of automobile, chemicals and machinery industries. It is the second leading manufacturing sector in the EU (after fabricated metal products) in terms of number of companies.
- The share of the food and drink industry in the manufacturing sector continues to grow in terms of turnover, value added and employment.
- The turnover of the food and drink industry has on average risen more than the manufacturing industry over the period 2000-2005, 3% for the former and 2.2% for the latter.
- Labour productivity in the EU food and drink industry is considerably lower than in most other industries. Due to a relatively high proportion of part-time employment and comparatively low percentage of higher-level skills, the personnel cost per employee in the food and drink industry is below the figures registered for other sectors.

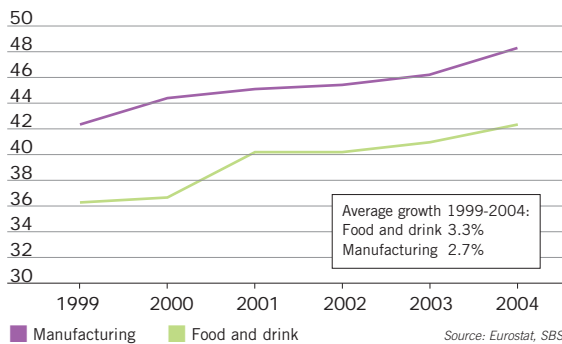
Share of food and drink turnover, value added and employment in manufacturing industry, 2000-2004, EU-25 (%)



Average annual growth rate of turnover, EU-25, 2000-2005 (%)



Labour productivity<sup>1</sup>: food and drink industry versus manufacturing industry, EU-25, 1999-2004 (€1000)



Labour productivity, labour cost, profitability and investment in the manufacturing industry

	Labour productivity <sup>2</sup> €1000	Labour cost per employee €1000	Gross operating rate <sup>1</sup> %	Investment per employee €1000
Manufacturing	45.5	31.0	9.5	6.3
<b>Food and drink products</b>	<b>39.9</b>	<b>24.0</b>	<b>9.7</b>	<b>6.9</b>
<b>Rank in the 23 manufacturing sectors</b>	<b>18</b>	<b>18</b>	<b>10</b>	<b>9</b>
Automobile	59.0	44.8	4.7	12.9
Chemicals	87.0	47.0	12.7	12.1
Fabricated metal products	37.7	28.6	11.3	4.3
Machinery and equipment	46.8	36.3	8.4	4.1
Pulp and paper products	56.0	35.8	10.0	11.2
Textiles	26.0	20.0	8.5	3.6

Source: Eurostat, SBS, 2004 data

(1) The gross operating rate is the gross operating surplus expressed as a percentage of the turnover generated. The gross operating surplus is value added minus personnel costs. It is an indicator of profitability  
(2) Value added per employee



# SMEs in the food and drink industry

- The food and drink sector includes 309,700 companies.
- The food and drink industry is composed of a diverse range of companies from SMEs (defined as having less than 250 employees) to large companies.
- The food and drink industry is a fragmented industry. SMEs make up 99.1% of the food and drink business population. These companies generate 48.1% of food and drink turnover and employ 61.6% of the sectorial workforce.
- Large companies account for just 0.9% of all food and drink enterprises but they provide 51.6% of the turnover, 53.5% of the value added and contribute to 38.4% of the employment.

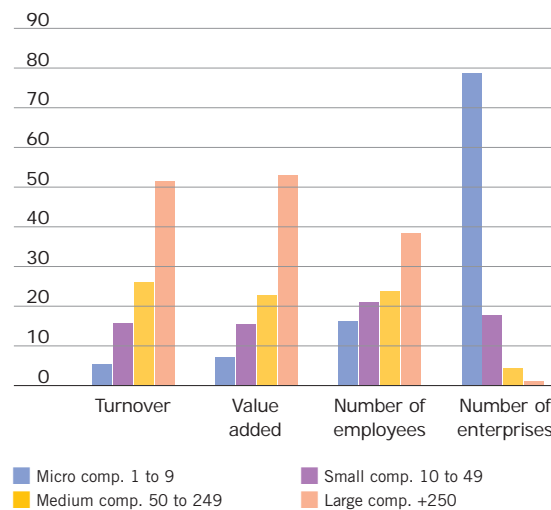
**Turnover, value added, employment and number of companies in the food and drink industry and in the manufacturing industry by size-class (%)**

		<i>Micro comp.</i>	<i>Small comp.</i>	<i>Medium comp.</i>	<i>Large comp.</i>
		<i>1 to 9</i>	<i>10 to 49</i>	<i>50 to 249</i>	<i>+ 250</i>
<b>Turnover</b>	Manufacturing ind.	6.0	13.2	21.1	59.7
	F&D ind.	6.3	16.0	25.9	51.7
<b>Value added</b>	Manufacturing ind.	7.0	15.4	22.2	55.3
	F&D ind.	8.2	15.6	22.8	53.5
<b>Number of employees<sup>1</sup></b>	Manufacturing ind.	13.8	20.8	24.2	41.1
	F&D ind.	16.6	20.8	24.2	38.4
<b>Number of enterprises</b>	Manufacturing ind.	79.7	15.7	3.8	0.8
	F&D ind.	77.8	17.6	3.7	0.9

(1) EU-25 and 2003 data

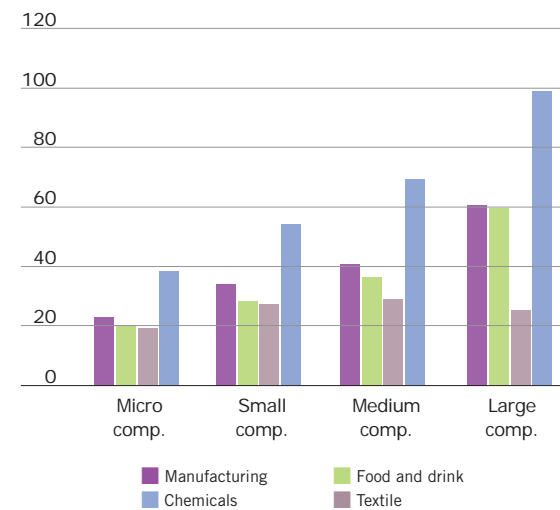
Source: Eurostat, SBS size-class, 2004 data

**Turnover, value added, employment and number of companies by size-class in the food and drink industry (%)**



Source: Eurostat, SBS size-class, 2004 data

**Labour productivity by size-class in the manufacturing industry (€1000)**



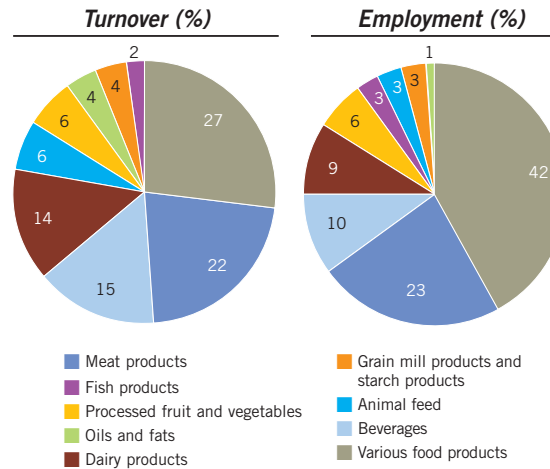
Source: Eurostat, SBS size-class, 2004 data

# Sectors of the food and drink industry



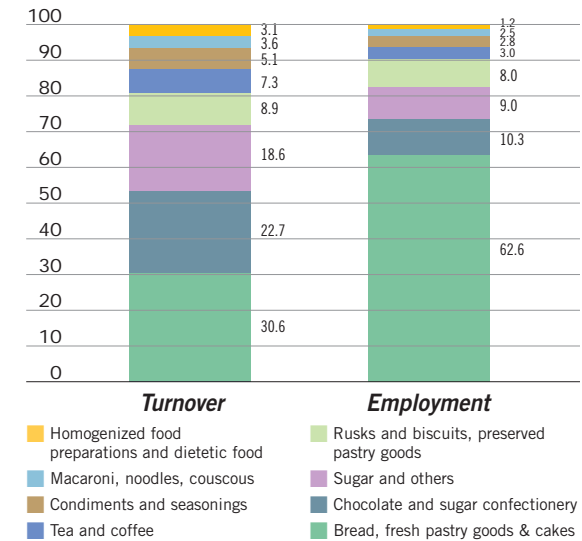
- The “various food products” category is the largest sub-sector, representing 27% of total turnover and 42% of the workforce. It is a heterogeneous group which includes bakery, pastry, chocolate and confectionery products as well as pasta and baby food.
- The meat sector, beverages and dairy products are also key branches of the industry and, together with the “various food products” category, they represent 78% of the total turnover and 84% of the total number of employees.

Distribution of turnover and employment in sub-sectors

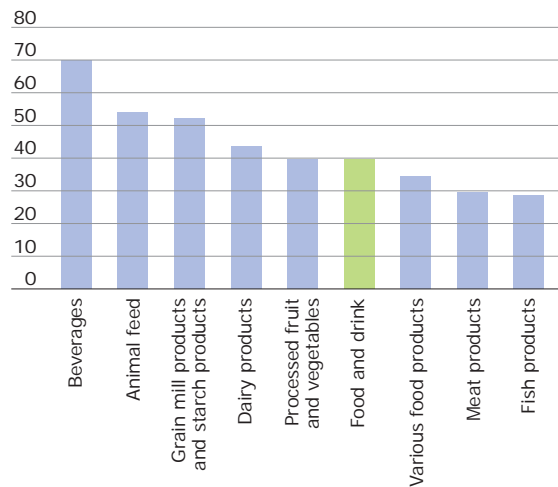


Source: Eurostat, SBS, 2004 data

Breakdown of the composition of the “various food products” category (% in terms of turnover and of employment)

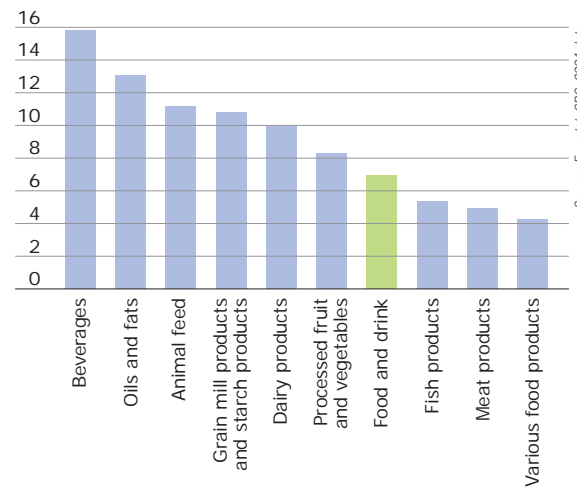


Labour productivity<sup>1</sup> (€1000)



(1) Value added per employee

Investment per employee (€1000)



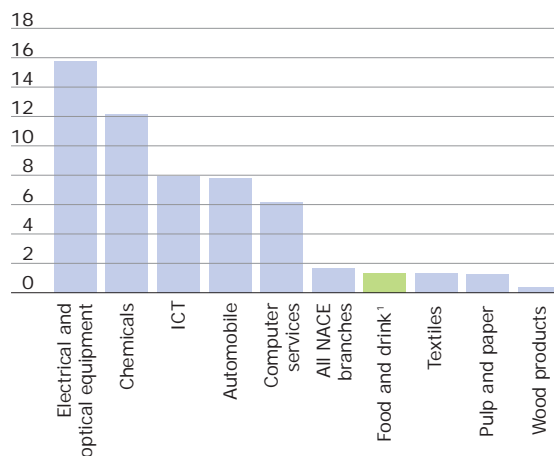
Source: Eurostat, SBS, 2004 data



# Innovation in the food and drink industry

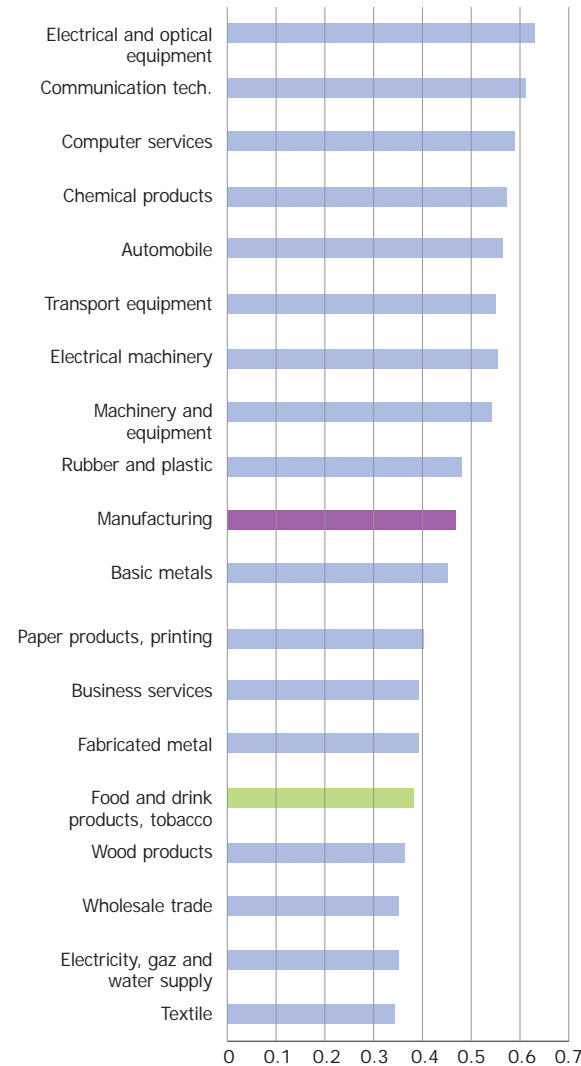
- The food industry is in the lower part of the innovation performance ranking, which is based on 12 innovation indicators.
- It is performing below average in 9 out of 12 indicators.
- The indicators where the food industry shows relatively good performance are the share of firms that receive public subsidies to innovate, the share of firms innovating in-house and the share of firms that use trademarks to protect innovation. The food industry is one of the leaders in using trademarks.
- The top 3 innovative Member States in food products are Belgium, Sweden and France.

R&D expenditures as a percentage of value added (%)



(1) The tobacco sector is also included.

Ranking of average innovation performance by sector<sup>1</sup>



Source: Hugo Hollanders and Anthony Arundel European Trend Chart on Innovation, European Sector Innovation Scoreboards, Maastricht University 2005

(1) The Innovation Sector Index measures sector innovation performances. It is a composite indicator that is calculated on the basis of 12 innovation indicators.

Innovation indicators in the EU food and drink industry<sup>1</sup>

	Average F&D	Average NACE	% of average
Share of employees with higher education	6.6	13.1	51
Share of firms that use training	12.8	17.7	73
R&D expenditures (% of value added)	1.2	1.7	68
Share of firms that receive public subsidies to innovate	14.2	12.2	116
Share of firms innovating in-house	35.6	35.4	101
Share of SMEs co-operating with other	3.9	5.8	67
Innovation expenditure as a percentage of total turnover	1.1	2.1	53
Share of total sector sales from new-to-market products	2.9	6.4	45
Share of total sector sales from new-to-firm but not new-to-market products	9.1	17.4	52
Share of firms that patent to protect innovation	4.7	8.1	57
Share of firms that use trademarks to protect innovation	18.0	12.3	147
Share of enterprises that use design registrations	4.8	6.9	70

(1) The tobacco sector is also included.

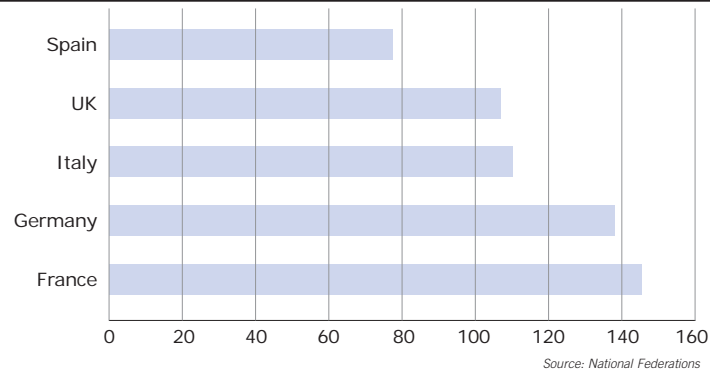
Source: Hugo Hollanders and Anthony Arundel European Trend Chart on Innovation, European Sector Innovation Scoreboards, Maastricht University 2005

# The food and drink industry in the Member States



- The food and drink industry is one of the pillars of the EU economy. The sector features in the top 3 manufacturing activities in terms of sales in several Member States.
- France, Germany, Italy, the UK and Spain are the largest EU food and drink producers.
- The table presents available key data. The sales growth rate registered important discrepancies between Member States. The number of employees pursued its downward trends in almost all the Member States.

**Top 5 Member States in terms of food and drink industry turnover, 2006 (€billion)**



**Food and drink industry data as published by National Federations, 2005-2006**

	AT	BE	CZ	DE	DK	EE	ES	FI	FR	GR	HU	IE	IT	LV	NL	PT	RO	SE	SI	SK	UK
<b>Net sales<sup>1</sup></b> (€ billion)																					
<b>2005</b>	9.9	31.5	9.4	133.6	20.5	1.1	77.0	8.4	139.7	10.5	7.5	17.8	107.0	1.3	54.8	11.9	8.0	15.2	1.8	2.8	107.3
<b>2006</b>	10.4	33.2	10.2	138.2	21.0	1.1	77.4	8.9	145.0	11.2	7.4	18.0	110.0	1.6	54.7	12.1	8.4	15.7	1.9	3.0	105.7
<b>2006/2005</b>	↗5.2%	↗5.4%	↗8.9%	↗3.4%	↗2.1%	0.0%	↗0.6%	↗6.0%	↗3.8%	↗6.7%	↘1.1%	↗1.1%	↘1.1%	↗15.6%	↘0.2%	↗2.0%	↗4.7%	↗3.3%	↗6.8%	↗7.1%	↘1.5%
<b>Rank<sup>2</sup></b>	3 <sup>rd</sup>	3 <sup>rd</sup>	-	5 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	1 <sup>st</sup>	1 <sup>st</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	-	1 <sup>st</sup>	1 <sup>st</sup>	-	4 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>
<b>Employment</b> (thousand)																					
<b>2005</b>	58.5	90.4	134.4	517.0	73.5	16.7	481.0	36.3	418.2	67.8	113.4	46.0	258.0	35.3	140.0	104.9	204.6	58.7	18.3	36.0	464.0
<b>2006</b>	58.9	90.0	127.7	519.3	68.4	17.3	486.0	35.9	414.0	72.0	107.0	44.4	256.0	35.2	139.0	105.0	203.8	57.2	16.7	34.7	440.0
<b>2006/2005</b>	↗0.7%	↘0.5%	↘5.0%	↗0.4%	↘6.9%	↗3.6%	↗1.0%	↘1.1%	↘1.0%	↗6.2%	↘5.6%	↘3.5%	↘0.8%	↘0.5%	↘0.7%	↗0.1%	↘0.4%	↘2.6%	↘9.0%	↘3.5%	↘5.2%

Turnover in current prices

(1) or production value

(2) Rank of the food and drink industry in the manufacturing activities in terms of turnover at national level

Source: National Federations and CIAA

# Markets and consumption

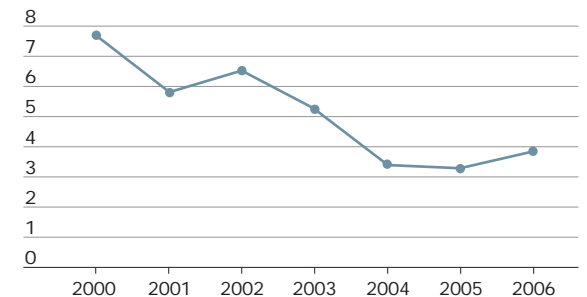
- The EU is a net exporter of food and drink products with a positive trade balance of €3.7 billion in 2006. The trade surplus increased by 12% compared to 2005. It is particularly attributed to the EU-US flows with a balance worth €8.4 billion.
- Exports and imports gained momentum in 2006 growing both by 11%, the strongest annual increase by far since 2000.
- With 22% of all EU exports, the US is the number one customer of the European food and drink industries. Exports to Russia continue to increase quickly, with a notable 24% growth in 2006. For the first time, China enters in the top 10 export destinations with exports almost worth €1 billion.
- Imports from Brazil and Argentina account for one fifth of total EU food and drink imports. The statistics show a significant increase of imports from Mediterranean countries (+21%), Russia (+25%), China (+25%), some Asean countries (Thailand +22%, Vietnam +60%).
- Imports from emerging countries increased clearly over the last 6 years while, on the export side, the performance of EU food and drink products is mixed.

EU key trade figures (€ million)

	2004	2005/2004	2005	2006/2005	2006
<b>Export</b>	44,487	↗5.5%	46,929	↗10.7%	51,967
<b>Import</b>	40,950	↗6.5%	43,602	↗10.6%	48,235
<b>Balance</b>	3,537	↘-5.9%	3,327	↗12.2%	3,732

Source: Eurostat, Comext

EU food and drink trade surplus (€ billion)



Source: Eurostat, Comext

# Extra-EU trade in 2006

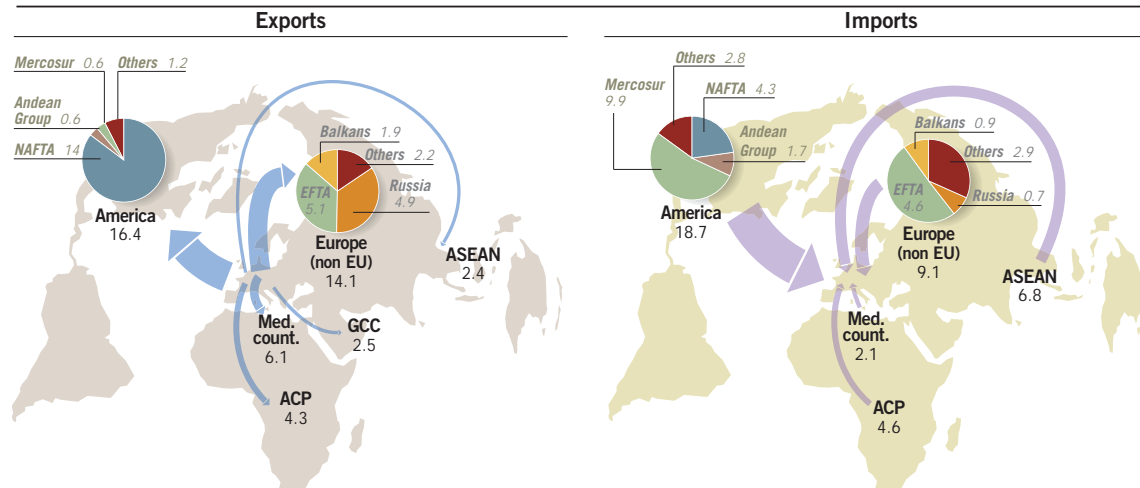


## Top EU trading partners, 2006 (€million)

Export			Import		
		'06/'05			'06/'05
USA	11,600	↗ 11.8%	Brazil	5,243	↗ 3.0%
Russia	4,942	↗ 24.0%	Argentina	4,353	↗ 17.0%
Japan	3,456	↗ 0.2%	USA	3,189	↗ 10.0%
Switzerland	3,338	↗ 10.0%	China	2,725	↗ 25.0%
Canada	1,841	↗ 15.1%	Switzerland	1,991	↗ 22.0%
Norway	1,632	↗ 12.3%	Turkey	1,715	↘ -1.0%
Australia	1,181	↗ 16.2%	Thailand	1,617	↗ 22.0%
Saudi Arabia	1,100	↗ 5.4%	New Zealand	1,600	↗ 2.0%
South Korea	1,077	↗ 12.7%	Norway	1,475	↗ 9.0%
China	969	↗ 28.1%	Indonesia	1,454	↗ 5.0%

Source: Eurostat, Comext

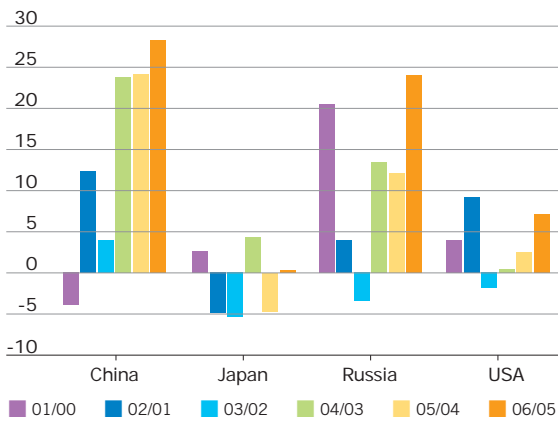
## EU trade by region, 2006 (€billion)



Note: ACP: Africa, Caribbean and Pacific countries; Andean Group: Bolivia, Colombia, Ecuador, Peru and Venezuela; ASEAN: Association of Southeast Asian Nations; EFTA: European Free Trade Area; GCC: Gulf Cooperation Council; Mercosur: Brazil, Argentina, Uruguay and Paraguay; NAFTA: Canada, USA, Mexico.

Source: Eurostat, Comext

## Growth rate of exports to major trading partners, 2000-2006 (%)



Source: Eurostat, Comext

## Exports to emerging countries, 2000-2006

	Rank <sup>1</sup>	2006 €million	2006/2000
South Korea	9	1,077	↗ 44%
China	10	969	↗ 120%
Ukraine	15	648	↗ 123%
Mexico	20	574	↘ -7%
Brazil	23	523	↗ 4%
South Africa	24	498	↗ 71%
Thailand	25	401	↗ 1%
Malaysia	35	263	↘ -7%
Indonesia	36	253	↘ -14%
Vietnam	42	173	↗ 67%
India	56	125	↗ 42%
Chile	68	95	↗ 14%
Argentina	90	60	↘ -67%

(1) Rank in top countries of destination for EU food and drink exports

Source: Eurostat, Comext

## Imports from emerging countries, 2000-2006

	Rank <sup>2</sup>	2006 €million	2006/2000
Brazil	1	5,243	↗ 34%
Argentina	2	4,353	↗ 47%
China	4	2,725	↗ 79%
Thailand	7	1,617	↗ 29%
Indonesia	10	1,454	↗ 30%
Chile	11	1,207	↗ 79%
Malaysia	12	1,178	↗ 75%
India	15	943	↗ 46%
South Africa	18	745	↗ 27%
Ukraine	22	610	↗ 171%
Vietnam	23	599	↗ 287%
Mexico	32	285	↗ 50%
South Korea	63	89	↘ -19%

(2) Rank in top countries of origin for EU food and drink imports

Source: Eurostat, Comext



# Extra-EU trade by sector in 2006

## Top EU food and drink products' imports and exports, 2006 (€million)

Exports		
	2006	Rank <sup>1</sup> in 2000
Spirits	6,375	1
Wine	5,543	2
Food preparations	3,004	6
Cheese	2,213	5
Pork meat	2,070	4
Sugar	2,035	8
Beer	1,938	7
Feed preparations	1,849	13
Biscuits	1,652	10
Chocolate	1,620	11
Malt extract	1,579	9
Soft drinks	1,493	31
Concentrated milk	1,382	3

Source: Eurostat, Comext  
(1) Rank of the same product within top exports in 2000

Imports		
	2006	Rank <sup>2</sup> in 2000
Processed crustaceans	4,259	2
Fish filets	4,029	3
Oilcake (soya-bean)	4,008	1
Wine	2,414	4
Palm oil	2,220	15
Prepared fish	1,852	6
Fresh, frozen beef meat	1,502	10
Sugars	1,500	8
Fruit juices	1,439	5
Frozen fish	1,424	7
Other prepared fruit	1,344	12
Meat of sheep, goats	1,124	9
Prep. meat	1,054	20

(2) Rank of the same product within top imports in 2000

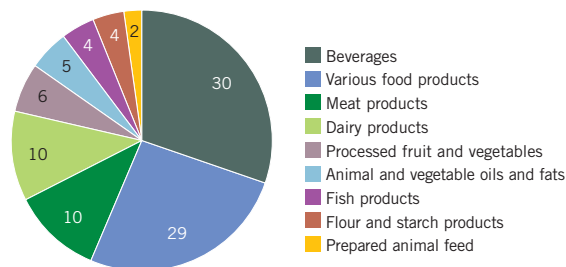
- Beverages and the "various food products" category (including goods like chocolate, biscuits, confectionery, pasta, prepared meals, etc..) accounted for 61% of EU food and drink exports. Together, they generated a trade balance worth €22 billion.
- After years of uneven performance, exports of wines and spirits recorded growth rates of 17% and 14% respectively. Sales of soft drinks and mineral waters grew even more significantly and reached €2.1 billion (+30%). Meanwhile, the chocolate, biscuits and confectionery sector registered also a relatively good performance in 2006, after a stagnation of its exports in 2005.
- The dairy sector recorded a mixed trade performance in 2006, due to the decrease of concentrated milk exports.
- It is worth noting that, in each sector, high value added products, such as cheese or soft drinks, recorded significant sales' growth on non-EU countries' markets at the expense of goods with lower value added.

## Exports by sector, 2005 - 2006 (€million)

	2005	2006	2006/2005
<b>Beverages</b>	14,452	16,729	↑16%
of which - spirits	5,591	6,349	↑14%
- wines	4,682	5,490	↑17%
- mineral waters & soft drinks	1,618	2,106	↑30%
<b>Various food products</b>	13,912	15,940	↑15%
of which - biscuits, preserved pastry goods	1,209	1,335	↑10%
- chocolate and sugar confectionery	2,418	2,727	↑13%
<b>Meat products</b>		5,076	↑6%
<b>Dairy products</b>	5,455	5,205	↓5%
<b>Processed fruit and vegetables</b>	2,749	3,090	↑12%
<b>Anim. and veget. oils and fats</b>	2,426	2,581	↑6%
<b>Fish products</b>	1,925	1,999	↑4%
<b>Flour and starch products</b>	1,779	1,924	↑8%
<b>Animal feed</b>	799	936	↑17%

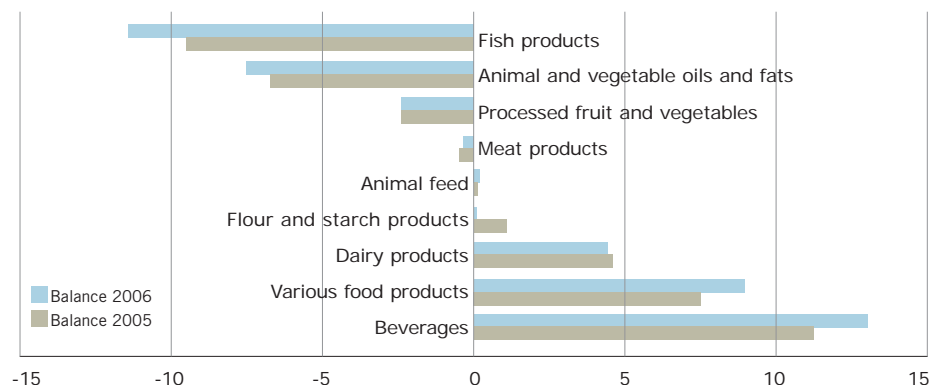
Source: Eurostat, Comext

## Share of main sectors in the EU food and drink exports, 2006 (%)



Source: Eurostat, Comext

## EU food and drink sectors' balance, 2005 - 2006 (€billion)



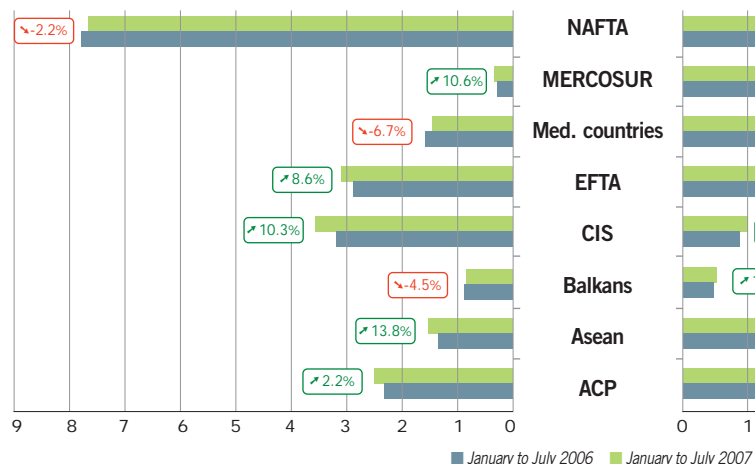
Source: Eurostat, Comext

# Extra-EU trade trends in 2007

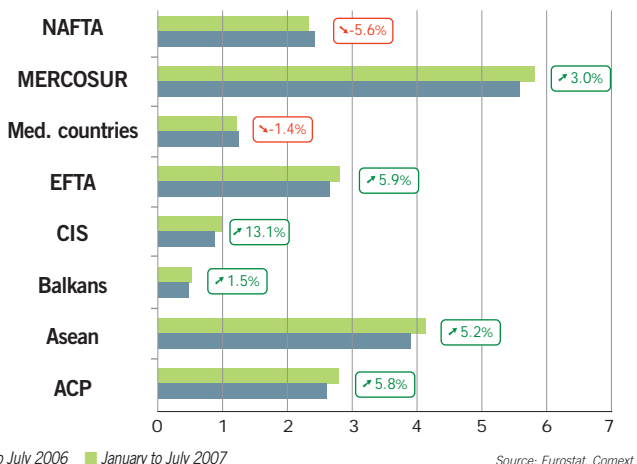


- Sales outside the EU increased slightly during the first seven months of 2007. After important sales' growth in 2006, exports to NAFTA, Balkans and Mediterranean countries, went down. Whereas exports of the beverages sector continue to grow in 2007, the weak performance of the various food products category is worth noting. Other sectors of the food and drink industry registered similar downwards trend in 2007 (oils and fats, fish products).
- Growth rate of imports is higher than of exports. Flows from main suppliers of the EU increased, with the noticeable exception of NAFTA (-5.6%).

Exports by major trading bloc (€billion)



Imports by major trading bloc (€billion)



Source: Eurostat, Comext

## EU key trade figures (€million)

	2006	January to July 2007	2007/2006
Export	28,972	29,900	↑3%
Import	27,238	28,555	↑5%

Source: Eurostat, Comext

## Exports by sector (€million)

	2006	January to July 2007	2007/2006
Beverages	9,087	9,906	↑9%
Various food products	9,071	8,322	↓8.3%
Dairy products	3,042	3,695	↑21.5%
Meat products	2,942	2,933	↓0.3%
Processed fruit and vegetables	1,729	1,776	↑2.7%
Animal and vegetable oils & fats	1,527	1,398	↓8.4%
Flour and starch products	1,119	1,078	↓3.7%
Fish products	1,078	989	↓8.3%
Animal feed	502	621	↑23.8%

Source: Eurostat, Comext

## Exports of key food and drink products (€million)

	2006	January to July 2007	2007/2006
Spirits	3,343	3,634	↑9%
Wine	2,937	3,272	↑11%
Food preparation	1,741	1,835	↑5%
Cheese	1,187	1,312	↑11%
Concentrated milk	903	1,205	↑33%
Beer	1,110	1,189	↑7%
Pork meat	1,165	1,106	↓5%
Malt extract	915	1,017	↑11%
Soft drinks	892	970	↑9%
Feed preparations	743	877	↑18%
Chocolate	734	815	↑11%
Biscuits	801	813	↑1%
Olive oil	844	747	↓11%

Source: Eurostat, Comext



# Intra-EU trade in 2006

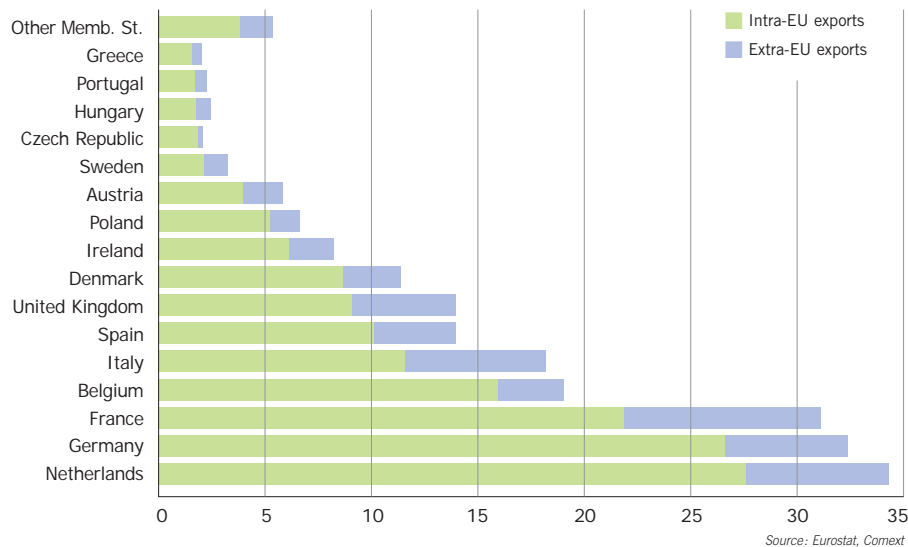
- In 2006, exports within the EU reached €159 billion. Two thirds of this amount is exported by 5 Member States (Netherlands, Germany, France, Belgium, Italy).
- Comparisons between intra and extra-EU exports highlight the importance of trade flows in the internal market. With the exception of Finland, Malta and Cyprus due to obvious geographical reasons, intra-EU exports account for 60% to 90% of total sales in each of the Member States.

**Intra-EU food and drink exporters and importers, EU-25, 2006**

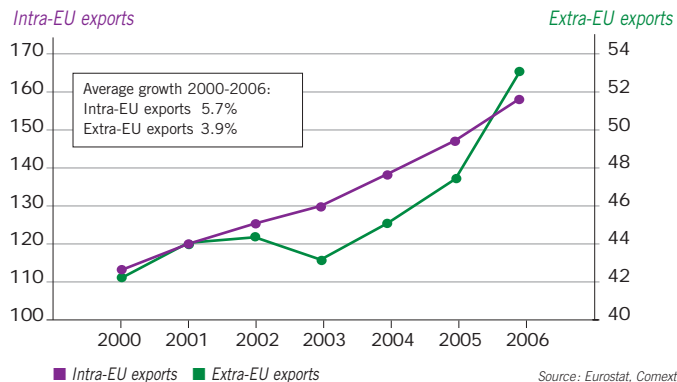
	<i>Intra-EU exports</i> (€ million)	<i>Share in total exports (%)</i>	<i>Intra-EU imports</i> (€ million)	<i>Share in total imports (%)</i>
Austria	4,228	2.7	4,300	2.8
Belgium	16,208	10.2	11,805	7.6
Czech Republic	1,766	1.1	2,599	1.7
Denmark	8,383	5.3	4,364	2.8
France	21,787	13.7	18,664	12.0
Germany	26,497	16.7	28,395	18.3
Greece	1,400	0.9	3,430	2.2
Hungary	1,649	1.0	1,824	1.2
Ireland	5,944	3.7	3,591	2.3
Italy	11,679	7.4	15,240	9.8
Netherlands	27,502	17.3	13,347	8.6
Poland	5,257	3.3	3,243	2.1
Portugal	1,521	1.0	3,657	2.4
Spain	10,199	6.4	8,501	5.5
Sweden	2,030	1.3	4,260	2.7
United Kingdom	8,887	5.6	20,841	13.4
Other Mem. St.	3,764	2.4	7,462	4.7
<b>Total</b>	<b>158,701</b>	<b>100</b>	<b>155,523</b>	<b>100</b>

Source: Eurostat, Comext

**Intra and extra-EU exports by Member State, EU-25, 2006 (€ billion)**



**Intra and extra-EU exports, EU-25, 2000-2006 (€ billion)**



# Prices of agricultural raw materials and food products



## World and EU market prices for selected commodities and agricultural raw materials, 2006-2007

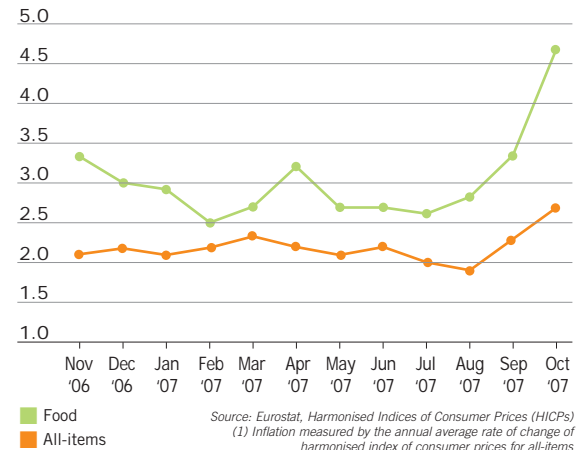
Market price for	% change Oct '07-Oct '06
Skimmed milk powder, fob Oceania	↗119.5%
Skimmed milk powder, EU	↗57.9%
Butter, fob Oceania	↗126.9%
Butter, EU	↗69.3%
Maize, fob US Gulf	↗9.4%
Maize, EU	↗38.1%
Wheat, fob US Gulf	↗65.0%
Wheat, EU	↗55.5%
Soybeans, US, cif Rotterdam	↗52.7%
Sunflower seed, EU	↗110.6%
Rapeseed, EU	↗38.6%
Soybean oil, EU	↗47.5%
Sunflower seed oil, EU	↗82.8%
Rapeseed oil, EU	↗37.2%
Sugar, London daily n°5	↘-29.9%
Beef, Australia, cif US *	↗0.7%
Pork, US *	↗5.1%
Poultry, US *	↗17.9%
Beef, EU	↘-3.1%
Pork, EU	↘-6.2%
Poultry, EU	↗20.6%

Source: CIAA (details available on request). For the EU, different EU market references have been used. Growth rates are based on prices in euro for EU markets and in dollar for non-EU markets.

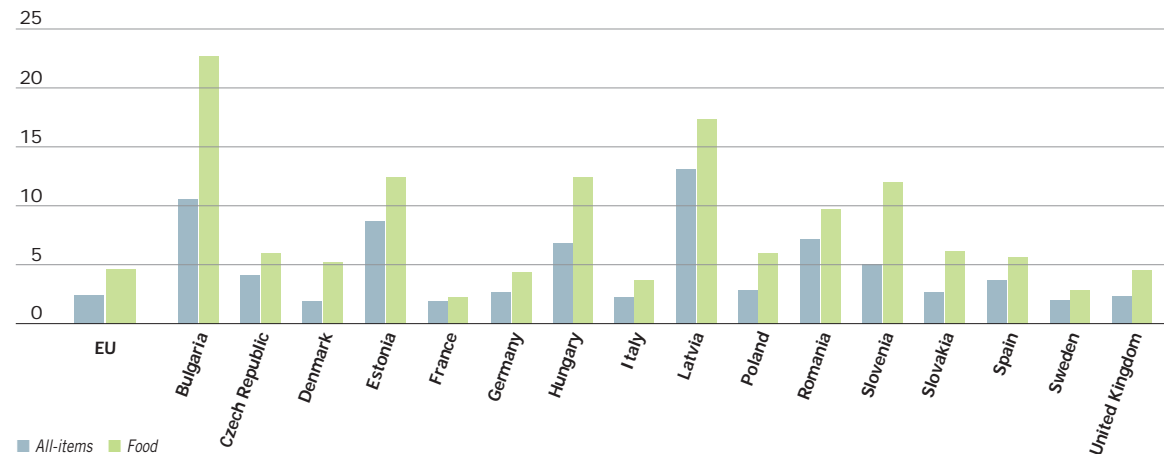
(\*) Sept '07 / Sept '06

- Over the last year, prices on key EU markets went up by approximately 56% for wheat, 38% for maize, 69% for butter, 39% for rapeseed. While these upward trends follow a long period of relatively stable prices of EU agricultural products, the rise in raw material prices is without precedent in terms of number of products concerned and the extent of the increases over a limited period.
- Food prices have on average risen more than all-items inflation rate over the last months, 4.7% the former and 2.7% the latter (comparison between October 06 and 07).
- There are considerable price variations between Member States. Consumers in the new Member States are the ones faced with highest inflation rates both for food and all items.

## Monthly comparison between food prices and consumer price inflation<sup>1</sup> in the EU, 2006-2007 (% month/month-12)



## Comparison between food prices and consumer price inflation<sup>1</sup> in the Member States (% October 07 / October 06)



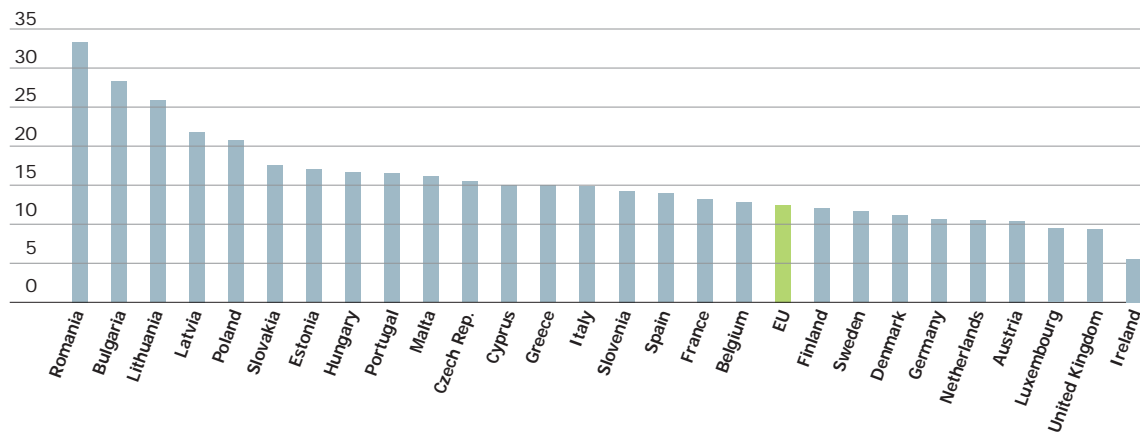
Source: Eurostat, Harmonised Indices of Consumer Prices (HICPs)  
(1) Inflation measured by the annual average rate of change of harmonised index of consumer prices for all-items



# Consumption of food and drink products

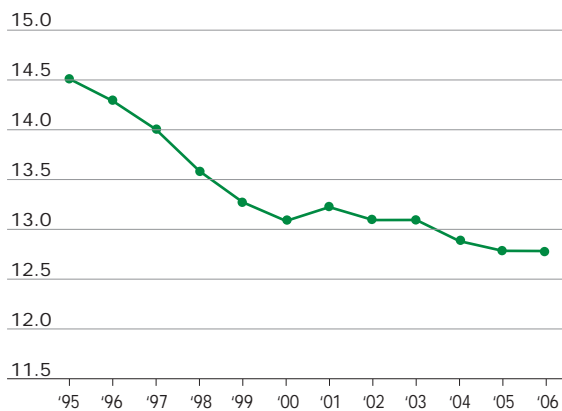
- In 2006, households spent on average 12.8% of their expenditure on food and non-alcoholic beverages. Over the past 12 years, this percentage has declined by 2 percentage points. Foodstuffs traditionally used to account for the largest share of consumption. They are now overtaken by "housing, water and energy" and "transport" (22% and 14% respectively in 2006).
- The highest share of food expenditure is found in the new Member States where the budget spent on food varies from 15 to 33%.

**Household consumption expenditure in the EU: food and non-alcoholic beverages, 2006<sup>1</sup>**  
(% of total household consumption expenditure)



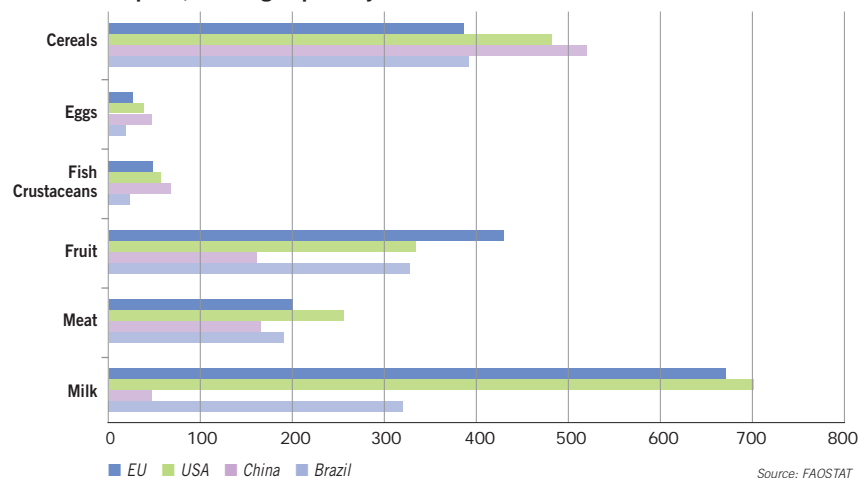
Source: Eurostat  
(1) 2006 data or latest available data

**Share of the household expenditure spent on food and non-alcoholic beverages in the EU, 1995-2006 (%)**



Source: Eurostat

**Food consumption, 2005 (g/capita/day)**



Source: FAOSTAT

# Food retail market



- In Europe, the food retail market had a value of \$1,041 billion in 2005 and over the next years it is expected to experience a steady growth of market value to reach \$1,208 billion by 2010.
- In 2005, France had the largest market of \$224 billion. However, the UK has a stronger growth rate of 3.2% compared to France's 1.3%. It is expected that the UK will overtake the French market as European leader by 2010 with a value of \$250 billion.
- Sweden is the most consolidated food retail market, with 91% of market share belonging to the leading 3 retailers in the country. Several large European countries, such as France and the UK, are also very consolidated markets with 64% and 58% of the market taken up by the top 3 retailers respectively.

**Food retail market value by country, 2005-2010 (\$ billion)**

	2005	2006	2007	2008	2009	2010	Annual growth rate 2005-2010 (%)
Belgium	26	28	30	31	33	35	5.8
Czech Republic	8	9	9	10	10	11	4.9
France	224	227	230	233	236	240	1.3
Germany	149	153	158	163	168	172	2.3
Italy	96	99	102	105	108	111	3.2
Netherlands	62	64	66	68	70	71	2.4
Poland	44	46	47	49	51	53	3.7
Spain	73	75	78	82	89	93	4.5
Sweden	29	30	31	31	32	32	2.0
UK	214	221	228	235	243	250	3.2
Other countries	115	120	125	130	135	141	4.3
<b>Europe</b>	<b>1.041</b>	<b>1.071</b>	<b>1.103</b>	<b>1.137</b>	<b>1.174</b>	<b>1.208</b>	<b>2.9</b>

Estimates for 2007 to 2010  
Source: Business Insights

**Food retail market share of top 3 in selected countries**

	Number 1	Number 2	Number 3	Market share of top 3 retailers (%)
Sweden	Ica	Axfood	KF	91
Denmark	Coop	Dansk supermarket	Supergros	86
Norway	Norgesgruppen	Coop	Hakon	83
Finland	Kesko	Sok	Tradeka	80
Switzerland	Migros	Coop	Denner	77
Austria	Bml-Rewe	Spar	Hofer-Aldi	68
Belgium	Carrefour	Delhaize	Colruyt	68
France	Carrefour	Leclerc/Systu	Intermarché	64
Netherlands	Ahold	Laurus	Tsm	59
UK	Tesco	Sainsbury	Asda	58
Ireland	Tesco	Dunnes	Supervalu	58
Germany	Edeka	Rewe	Aldi	55
Spain	Carrefour	Mercadona	Eroski Group	54
Portugal	Sonae	Jmr	Intermarché	47
Greece	Carrefour	Alfabet	SInavomotos	38
Italy	Coop	Conad	Carrefour	27

Source: ACNielsen, 2004

# World trends

- Over recent years, the EU food and drink industries' sales have been growing at around 3% per annum. International comparisons show that, contrary to the EU or the US, other food production markets are undergoing considerable expansion. This is particularly the case in Asia where the Chinese food processing industry recorded a double-digit growth rate.

## Productivity of the food and drink industry worldwide, 2006<sup>1</sup>

	<i>Productivity (output in € per employee)</i>
<b>USA</b>	322
<b>Australia</b>	235
<b>New-Zealand</b>	228
<b>Canada</b>	197
<b>Japan</b>	189
<b>EU</b>	159
<b>Mexico</b>	103
<b>Brasil</b>	49
<b>China</b>	40

(1) For China and Japan 2005, For New-Zealand 2004 Source: CIAA (details available on request)

## Food and drink industry worldwide, 2006<sup>1</sup>

	<i>Total sales (€ billion)</i>	<i>Growth sales compared to previous year (%)</i>	<i>% of total manufacturing sales</i>	<i>Number of employees (x1000)</i>
<b>Australia</b>	43	1.6	19.2	182
<b>Brazil</b>	62	1.3	16.2	1,287
<b>Canada</b>	53	4.1	13.1	271
<b>China</b>	171	24.2	8.0	4,326
<b>Japan</b>	203	-3.3	17.5	1,067
<b>Mexico</b>	38	11.2	23.9	374
<b>New Zealand</b>	15	4.9	31.0	68
<b>United States</b>	496	0.5	12.3	1,541

(1) For China and Japan 2005, For New-Zealand 2004

Source: CIAA (details available on request)

# EU food and drink products on world markets



- World exports of food and drink products reached \$320 billion in 2006 and registered a 80% increase over the period 2000-2006.
- The EU plays a key role in world trade. It is the world's largest exporter and the number two importer of food and drink products worldwide (excluding intra-EU trade).
- The EU market share of global export market in food and drink products has been shrinking over the last ten years (from 24.2 to 20.8%) to the benefits of other exporters such as Brazil and China.
- EU external trade balance has resisted better than the US. 2006 saw a growth of the EU trade surplus, whereas the US trade deficit increased. Emerging countries such as China and Brazil registered huge rises of their trade balance over recent years.
- After some years of decrease, the performance of EU products in expanding markets like China and Brazil, measured as the share of EU goods compared to imports of food and drink products from other origins, registered a slight upward trend in 2006.

Top 15 exporters of food and drink products, 2006

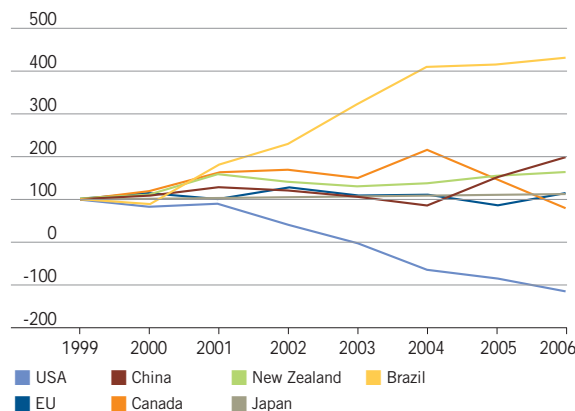
	Exports (\$ billion)	Share in world (%)
EU	66.4	20.8
United States	36.0	11.3
Brazil	23.9	7.5
China	21.1	6.6
Canada	15.9	5.0
Thailand	13.9	4.4
Argentina	13.1	4.1
Australia	12.6	3.9
New Zealand	10.1	3.2
Malaysia	9.6	3.0
Indonesia	8.9	2.8
Mexico	7.2	2.3
India	7.2	2.2
Vietnam	6.0	1.9
Norway	3.7	1.2

Top 15 importers of food and drink products, 2006

	Imports (\$ billion)	Share in world (%)
United States	59.6	18.1
EU	59.3	18.0
Japan	35.2	10.7
Canada	14.2	4.3
China	13.9	4.2
Russia	13.9	4.2
Mexico	9.8	3.0
South Korea	9.1	2.8
Hong Kong	6.7	2.0
Saudi Arabia	6.0	1.8
Australia	5.4	1.6
Switzerland	5.3	1.6
Singapore	4.5	1.4
Malaysia	4.1	1.2
Taiwan	4.0	1.2

Intra-EU trade is excluded from total world trade  
Source: WITS database

External trade balance (1999 = 100)

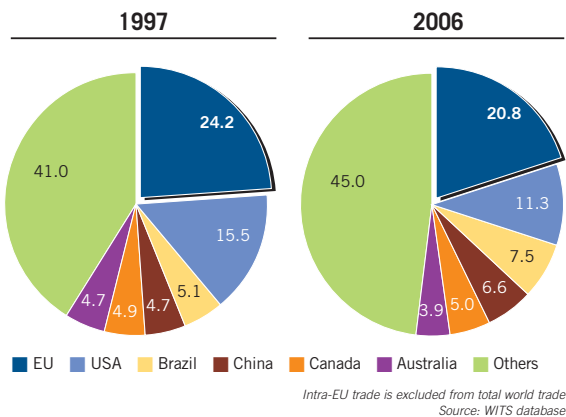


Intra-EU trade is excluded from total world trade  
Source: WITS database

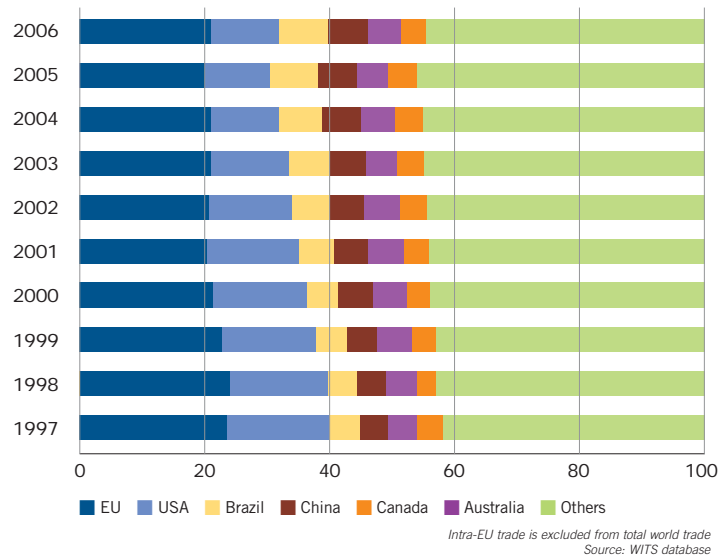


# EU food and drink products on world markets

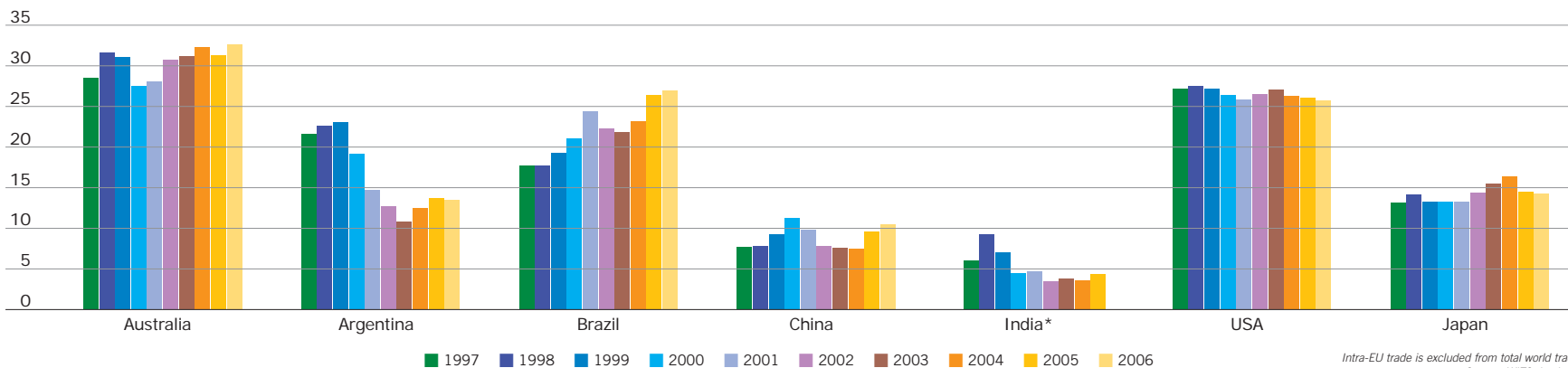
Market shares of world food and drink exports, 1997-2006 (%)



Evolution of market shares of world food and drink exports, 1997-2006 (%)



Share of EU products in total food and drink imports of various countries, 1997-2006 (%)



# R&D and innovation



- Worldwide R&D investment is concentrated in pharmaceuticals, biotechnology, technology hardware and automobiles. The food and drink sector ranks 14<sup>th</sup> in the industrial sectors by aggregate R&D from the world global top 1400 companies (1% of the total R&D investment against 54% of the 3 above-mentioned sectors).
- Within the food and drink sector, Nestlé was the world's biggest R&D investor in 2006 and registered a strong R&D growth (15.7%). Unilever ranks second (R&D figure includes all the company food and non-food activities).
- In the EU, 5 food and drink companies, compared to 152 companies from all industrial sectors, register R&D investment above the €100 million threshold.

Top EU food and drink companies by R&D investment, 2006

Company	Country	Rank <sup>1</sup>	R&D investments		R&D/Net sales ratio	R&D per employee
			2006 (€ million)	Change 06/05 (%)	2006 (%)	2006 (€1000)
<b>Food comp.</b>						
Unilever	UK	27	906	-4.9	2.2	4.8
Kerry	IE	116	139	11.4	3.0	6.0
Danone	FR	127	126	0.8	0.9	1.4
Danisco	DK	136	117	-7.3	4.3	11.2
Cadbury Schweppes	UK	150	102	19.0	0.9	1.5
KWS SAAT <sup>2</sup>	DE	190	75	5.6	14.9	28.4
Numico	NL	233	56	24.4	2.1	4.5
Vilmorin Clause <sup>2</sup>	FR	264	45	17.4	9.0	14.7
Sudzucker	DE	285	40	31.7	0.7	2.0
Tate & Lyle	UK	315	33	4.7	0.5	3.6
CSM	NL	332	29	-15.3	1.1	3.6
Campina	NL	354	27	7.7	0.7	4.2
Nutreco	NL	377	24	-4.0	0.8	3.1
Royal Friesland Foods	NL	378	24	14.3	0.5	1.6
Wittington Investments	UK	470	18	9.1	0.2	0.4
<b>Beverages comp.</b>						
Diageo	UK	353	27	12.5	0.2	1.2
InBev	BE	476	17	-5.6	0.1	0.2
Carlsberg	DK	529	14	-9.4	0.3	0.4
SABMiller	UK	893	5	-25.0	0.0	0.1

(1) Rank in top EU 1000 companies by R&D investment in 2006  
(2) The categorisation includes seed producers.

Source: 2007 EU industrial R&D investment scoreboard, European Commission, JRC and DG RTD

Top non-EU food companies by R&D investment, 2006

Company	Country	Rank <sup>2</sup>	R&D investments		R&D/Net sales ratio	R&D per employee
			2006 (€million)	Change 06/05 (%)	2006 (%)	2006 (€1000)
Nestlé	CH	47	1,077	15.7	1.7	4.1
Ajinomoto	JP	219	194	7.4	2.8	7.5
General Mills	USA	264	145	10.4	1.5	5.1
Kellogg	USA	267	145	5.3	1.7	5.6
Meiji Seika Kaisha	JP	353	106	-1.6	4.3	16.7
Campbell Soup	USA	447	75	4.2	1.3	3.1
Fonterra Co-operative	NZ	584	53	125.0	0.8	3.0

(2) Rank in top non-EU 1000 companies by R&D investment in 2006

Source: 2007 EU industrial R&D investment scoreboard, European Commission, JRC and DG RTD

# The top world and EU food and drink companies

## Ranking of world agri-food companies by food and drink sales

Name	Head-quarter	Year end	Sales in € billion	Growth to previous year (%)	Employees (x1000)	Main sectors
Nestlé	CH	Dec06	58.5	7.8	265.0	multi-product
Cargill <sup>1</sup>	US	May06	58.4	2.0	158.0	multi-product
PepsiCo Inc.	US	Dec06	28.1	-3.9	168.0	beverages, snacks
Kraft Foods Inc.	US	Dec06	27.5	0.7	90.0	dairy, snacks, beverages
Archer Daniels Midland	US	Jun06	27.4	-4.8	26.8	cereal processing
Unilever Plc/Unilever NV	NL/UK	Dec06	21.4	-2.8	179.0	multi-product
Tyson Foods Inc.	US	Sep06	20.4	-1.7	107.0	meat
The Coca-Cola Company	US	Dec06	19.3	4.3	71.0	beverages
Mars Inc.	US	Dec06	16.8	16.7	40.0	prepared foods, confectionery
Diageo Plc	UK	Jun06	14.3	8.0	22.0	alcoholic beverages
Groupe Danone	FR	Dec06	14.1	9.0	88.2	dairy, multi-product
InBev SA	BE	Dec06	13.4	15.2	19.0	beer
Anheuser-Busch Company Inc.	US	Dec06	12.6	4.5	30.2	beer, beverages
SABMiller Plc	US	Mar06	12.2	18.6	60.0	beer
ConAgra Foods Inc.	US	May07	11.7	-17.4	24.5	prepared foods
Kirin Brewery Company Ltd	JP	Dec06	11.0	-2.4	23.3	beer, alcoholic beverages
Cadbury Schweppes Plc	UK	Dec06	10.9	15.6	18.4	beer, confectionery
General Mills Inc.	US	May07	9.0	10.7	28.5	prepared foods
Suntory Ltd.	JP	Dec05	9.4	0.4	4.8	alcoholic beverages
Asahi Breweries Ltd.	JP	Dec06	9.2	-3.5	15.3	beer, alcoholic beverages
Sara Lee Corporation	US	Jun06	9.2	5.1	109.0	prepared foods
Smithfield Foods Inc.	US	Apr07	9.1	4.4	52.5	meat, processed foods
Heineken N.V.	NL	Dec06	8.7	8.6	41.7	beer
Kellogg Company	US	Dec06	8.7	7.2	25.9	breakfast cereals, convenience foods
Lactalis	FR	Dec06	7.5	21.3	27.6	dairy products
JBS Swift & Company	US	May06	7.5	-3.3	20.2	meat products
Ajinomoto	JP	Mar07	7.0	5.6	26.0	multi-product
Dean Foods Company	US	Dec06	7.0	-12.9	26.3	dairy products
HJ Heinz Company	US	Apr07	6.9	4.1	33.0	prepared foods
Associated British Food	UK	Sep06	6.9	2.9	46.7	sugar, starch, prepared foods

(1) including agriculture, food, financial and industrial

## Ranking of European agri-food companies by European sales

Name	Head-quarter	Year end	Sales in € billion	Growth to previous year (%)	Employees (x1000)	Main sectors
Nestlé	CH	Dec06	22.7	5.5	71.0	multi-product
Heineken N.V.	NL	Dec06	8.8	7.3	38.9	beer
Groupe Danone	FR	Dec06	8.6	6.2	35.0	dairy, multi-product
Unilever Plc/Unilever NV	NL/UK	Dec06	8.6	0.7	44.0	multi-product
Danish Crown Amba	DK	Oct06	6.5	0.5	26.9	meat products
Groupe Lactalis	FR	Dec06	6.4	30.6	25.7	dairy products
Associated British Food	UK	Sep06	5.7	9.5	28.3	sugar, starch, prepared foods
Sudzucker	DE	Feb07	5.8	7.8	19.6	sugar, multi-product
InBev SA	BE	Dec06	5.5	7.2	n.a.	beer
Carlsberg	DK	Dec06	5.2	6.1	25.7	beer
Scottish&Newcastle	UK	Dec06	4.9	2.0	15.0	beer, beverages
Royal Friesland Foods N.V.	NL	Dec06	4.7	5.8	15.3	dairy products
Ferrero	IT	Dec06	4.6	0.0	n.a.	confectionery
Campina	NL	Dec06	3.6	1.5	6.3	dairy products
Oetker-Group	DE	Dec06	3.6	-1.1	15.4	multi-product
Barilla	IT	Dec06	3.6	9.8	7.0	beverages, confectionery
Tate&Lyle	UK	Mar07	3.5	4.7	4.8	ingredients, prepared foods
Diageo Plc	UK	Jun07	3.5	-17.3	n.a.	alcoholic beverages
Cadbury Schweppes Plc	UK	Dec06	3.4	-1.3	23.5	beverages, confectionery
Bongrain	FR	Dec06	3.3	-0.3	15.6	dairy products
Nutreco	NL	Dec06	3.0	10.8	7.5	meat products
Kerry Group	IR	Dec06	3.0	4.1	16.3	multi-product
Danisco	DK	Apr07	2.8	-2.6	10.6	ingredients
Pernod Ricard	FR	Jun07	2.7	0.7	12.4	alcoholic beverages
Ebro Puleva	ES	Dec06	2.0	7.3	6.1	rice, sugar, dairy
Nunico	NL	Dec06	1.8	12.0	7.6	baby food nutrition

## National Federations

### **Austria**

FIAA – Fachverband Lebensmittelindustrie

### **Belgium**

FEVIA – Fédération de l'Industrie Alimentaire /  
Federatie Voedingsindustrie

### **Czech Republic**

PKCR – Potravinářská Komora České Republiky

### **Denmark**

FI – Foedevareindustrien

### **Estonia**

ETL – Eesti Toiduainetööstuse Liit

### **Finland**

ETL – Elintarviketeollisuusliitto

### **France**

ANIA – Association Nationale des Industries Alimentaires

### **Germany**

BLL – Bund für Lebensmittelrecht und  
Lebensmittelkunde

BVE – Bundesvereinigung der Deutschen  
Ernährungsindustrie

### **Greece**

SEVT – Συνδεσμος Ελληνικών Βιομηχανιών Τροφίμων /  
Federation of Hellenic Food Industries

### **Hungary**

EFOSZ – Élelmiszerfeldolgozók Országos Szövetsége

### **Ireland**

FDII – Food & Drink Industry Ireland

### **Italy**

FEDERALIMENTARE – Federazione Italiana dell'industria  
Alimentare

### **Latvia**

LPUF – Latvijas Pārtikas Uzņēmumu Federācija

### **Luxembourg**

FIAL – Fédération des Industries Agro-alimentaires  
Luxembourgeoises

### **Poland**

PPFZ – Polska Federacja Producentów Żywności

### **Portugal**

FIPA – Federação das Indústrias Portuguesas Agro-alimen-  
tares

### **Romania**

Romalimenta – Federatia Patronala din Industria  
Alimentara

### **Slovakia**

UPZPPS – Unia podnikatel'ov a zamestnávateľ'ov  
v potravinárskom priemysle na Slovensku

PKS – Potravinárska Komora Slovenska

### **Slovenia**

GZS – Zbornica kmetijskih in zivilskih podjetij

## National Federations

### **Spain**

FIAB – Federación Española de Industrias de la  
Alimentación y Bebidas

### **Sweden**

LI – Livsmedelsföretagen

### **The Netherlands**

FNLI – Federatie Nederlandse Levensmiddelen  
Industrie

### **United Kingdom**

FDF – Food & Drink Federation

### **Observers:**

### **Norway**

NBL – Næringsmiddelbedriftenes Landsforening

### **Turkey**

GDF – Türkiye Gıda ve İçecek Sanayii Dernekleri  
Federasyonu

## Sectors

### **Bakery**

AIBI

### **Beer**

THE BREWERS OF EUROPE

### **Bottled waters**

EFBW

### **Breakfast cereal**

CEEREAL

### **Broth & soup**

FAIBP

### **Chocolate, biscuits & confectionery**

CAOBISCO

### **Dairy products**

EDA

### **Dietetic products**

IDACE

### **Fruit & vegetable juices**

AIJN

### **Fruit & vegetable preserves**

OEITFL

## Sectors

### **Ice cream**

EUROGLACES

### **Intermediate products for bakery & confec- tionery**

FEDIMA

### **Margarine**

IMACE

### **Non-alcoholic beverages**

UNESDA

### **Oils**

FEDIOL

### **Pasta**

UNAFPA

### **Pet food**

FEDIAF

### **Processed meat**

CLITRAVI

### **Processed potatoes**

UEITP

### **Sauce & condiment**

FIC

### **Snacks**

ESA

### **Soluble & roasted coffee**

ECF

### **Spices**

ESA

### **Starch**

AAF

### **Sugar**

CEFS

### **Tea & herbal infusions**

EHIA/ETC

### **Vegetable proteins**

EUVEPRO

### **Yeast**

COFALEC

## Major food and drink companies

ADM

BUNGE

CADBURY SCHWEPES

CAMPBELL FRANCE HOLDING

CARGILL

COCA-COLA

DANONE

FERRERO

GENERAL MILLS

HEINEKEN

HEINZ

KELLOGG'S

KRAFT FOODS

MARS

NESTLE EUROPE

PEPSICO

PROCTER & GAMBLE

SÜDZUCKER

TATE & LYLE

UNILEVER



Confédération des industries agro-alimentaires de l'UE  
Confederation of the food and drink industries of the EU

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