

At A Glance – Summary of Q4 2014 highlights

EU food and drink industry evolution during Q4 2014 against major economic trends in the EU



Note 1: Except for imports and exports data which represent evolution of the current quarter compared to the same quarter of the previous year, all other changes are represented with respect to the previous quarter of the same year.

Note 2: Europe refers to the European Union or EU28 in the text, unless otherwise specified.

Economic trends in the EU

A general overview of the EU economic environment is given by data and trends shown in the table below. This provides the background against which the analysis for the food and drink sector is carried out in the following sections of the economic bulletin.

Table 1: Economic trends in the EU28

| | 2013q4 | 2014q1 | 2014q2 | 2014q3 | 2014q4 | 2014q4 |
|---|---|----------------|----------------|----------------|----------------|---|
| | Quarterly variations (% change)* | | | | | Annual variations (% change)** |
| Manufacturing sector (NACE Rev. 2) | | | | | | |
| Industrial production index | 0.8 | 1.0 | -0.1 | -0.2 | 0.7 | 1.3 |
| All sectors | | | | | | |
| Private final consumption (volume) | 0.1 | 0.4 | 0.4 | n/a | n/a | n/a |
| | 2014m08 | 2014m09 | 2014m10 | 2014m11 | 2014m12 | 2014m12 |
| Retail trade volumes | Monthly variations (% change)* | | | | | Annual variations (% change)** |
| | All sectors | | | | | |
| | 0.9 | -1.0 | 0.9 | 0.9 | 0.3 | 3.2 |
| | Food, drinks and tobacco | | | | | |
| | -0.1 | 0.3 | 0.1 | 0.3 | 0.4 | 1.8 |

* With respect to previous quarter/month

** With respect to the same period (either quarter or month) in the previous year

Source: Eurostat, March 2015

The EU **manufacturing industrial production index** increased by 0.7% in Q4 of 2014. The yearly comparison shows that the industrial production index increased in Q4 of 2014 compared to the same quarter of the previous year, i.e. by 1.3%.

The monthly comparison shows that between December and November 2014, the seasonally adjusted volume of retail trade rose by 0.3% in both the euro area and the EU28. The volume of retail trade in food, drinks and tobacco increased by 0.4% during the same period. The highest increases in total retail trade were registered in Ireland (+1.8%), Austria (+1.6%), Spain and Slovakia (both +1.1%), and the largest decreases in Portugal (-3.8%), Estonia (-1.7%), Denmark and Slovenia (both -1.5%). The annual comparison shows that in December 2014, compared with December 2013, the volume of retail trade increased by 3.2% and the volume of retail trade in food, drinks and tobacco increased by 1.8%.¹

FOOD AND DRINK INDUSTRY INDICATORS IN Q4 OF 2014

1. Food and drink industry production index

Food and drink industry production in the EU increased in Q4 of 2014 (+0.43%). In most EU Member States production in Q4 of 2014 was higher compared to the previous quarter (i.e. Austria, Belgium, Bulgaria, Czech Republic, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Netherlands, Poland, Romania and United Kingdom). Lower output was registered for a limited number of Member States (Denmark, Finland, Hungary, Latvia, Portugal, Spain and Sweden).

Table 2: Industry production index, quarterly growth

| Member State | 2014 Q3/2014 Q2 (% change) | 2014 Q4/2014 Q3 (% change) |
|----------------|-------------------------------|-------------------------------|
| EU28 | -0.24 | 0.43 |
| Austria | 1.25 | 3.47 |
| Belgium | -2.01 | 0.26 |
| Bulgaria | -0.55 | 1.03 |
| Czech Republic | -2.04 | 4.83 |
| Denmark | -0.64 | -0.78 |
| Estonia | -1.32 | 3.66 |
| Finland | -0.40 | -2.93 |
| France | -0.36 | 0.31 |
| Germany | -1.69 | 1.48 |
| Greece | -2.47 | 3.91 |
| Hungary | -2.87 | -0.05 |
| Ireland | 1.43 | 2.62 |
| Italy | -1.75 | 0.77 |
| Latvia | -0.85 | -0.69 |
| Lithuania | -3.56 | 5.28 |
| Netherlands | -7.60 | 6.06 |
| Poland | -2.32 | 1.28 |
| Portugal | 13.50 | -13.39 |
| Romania | -5.71 | 2.60 |
| Spain | -0.07 | -1.08 |
| Sweden | -1.65 | -0.07 |
| United Kingdom | 1.63 | 0.57 |

Source: Eurostat, Short-Term Business Statistics, NACE Rev. 2, March 2015
Data not available for Croatia, Cyprus, Luxembourg, Malta, Slovakia, Slovenia.

¹ Eurostat news release, Euro indicators, 23/2015.

2. Evolution of main agricultural raw material prices

Lower prices were recorded for the majority of agricultural raw materials in Q4 of 2014, except for coffee and soft wheat.

| | | | Oils and oil crops | | | | | | | | | |
|-------|--------|--------|--------------------|------------|-----|---------|-----|------|------|------|-----|----------|
| | | Grains | | Dairy | | Soybean | | | Rape | | | |
| Cocoa | Coffee | Sugar | Corn/ Maize | Soft wheat | WMP | SMP | Oil | Bean | Meal | Seed | Oil | Palm oil |
| ↓ | ↑ | ↓ | ↓ | ↑ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |

Source: FoodDrinkEurope compilation

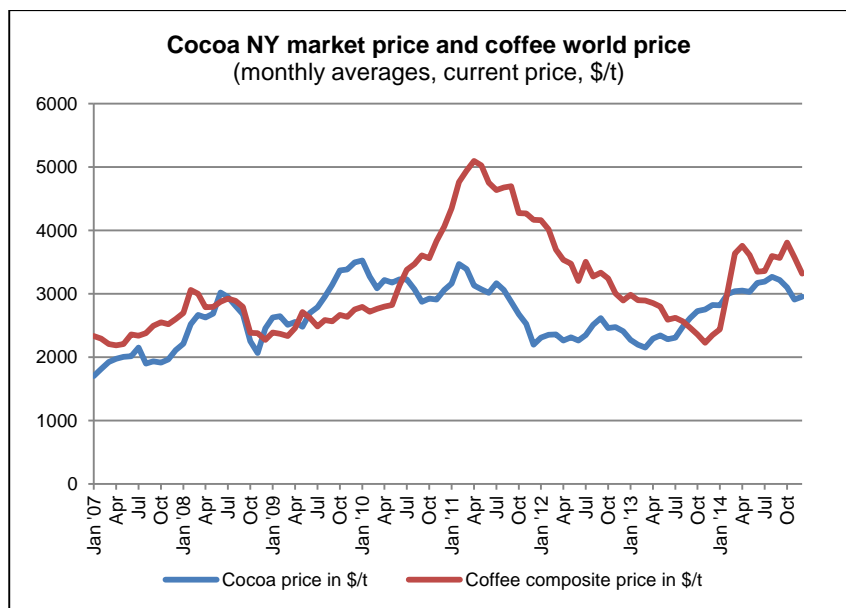
Cocoa and coffee

Quarterly developments:

The quarterly average price for cocoa decreased by 7.4% in Q4 of 2014. The coffee composite price increased by 1.7% in Q4 of 2014 compared to the previous quarter.

Year-on-year developments:

The year-on-year comparison shows that, the New York cocoa market recorded a 7.9% increase with respect to Q4 of 2013. Coffee composite prices were 54.4% above their level in Q4 of 2013.



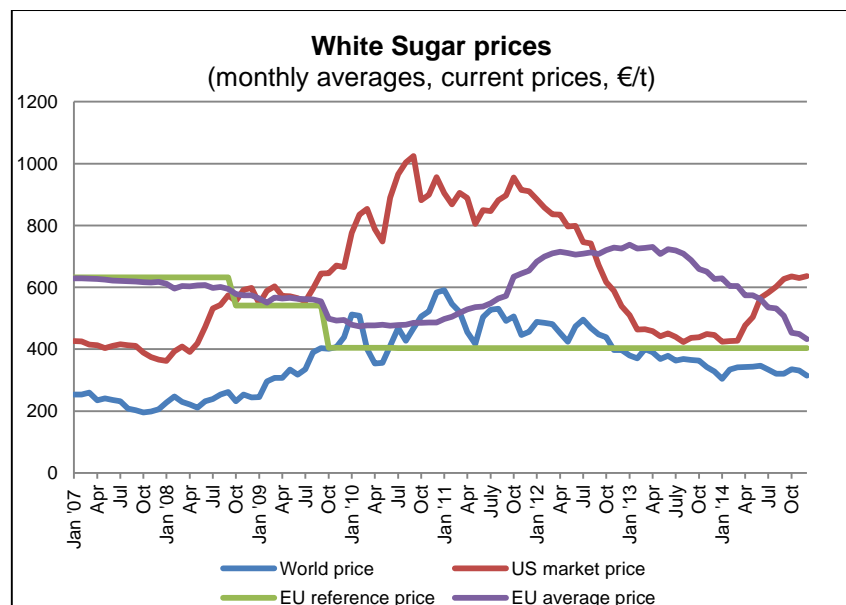
Source: International Cocoa Organisation (ICCO) and International Coffee Organisation (ICO), December 2014

Sugar

Quarterly developments: EU white sugar prices decreased by 15.2% in Q4 of 2014. In the same quarter, U.S. market prices increased by 4.9% compared to Q3 of 2014.

Year-on-year developments:

On average, the EU market price for white sugar was 31.1% lower in Q4 of 2014 compared to the same quarter of the previous year. The U.S. market price was 42.6% above the average price in Q4 of 2013. In comparison, the world sugar price was 5.2% lower than in Q4 of 2013.



Source: European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), United States Department of Agriculture, December 2014

Grains

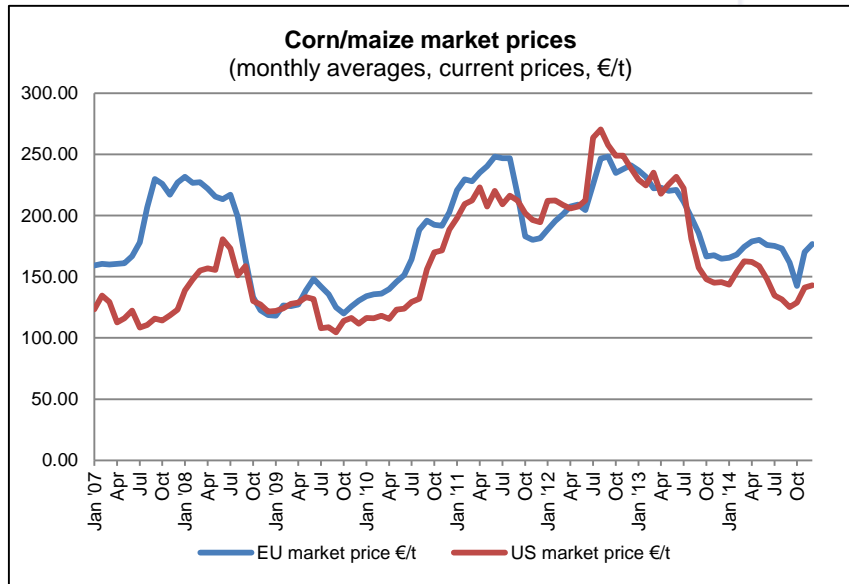
Corn/maize prices

Quarterly developments:

EU maize prices decreased by 4.0% in Q4 of 2014. U.S. maize prices increased by 5.6% during the same period.

Year-on-year developments:

On average, EU maize prices were 1.9% lower in Q4 of 2014 than the same quarter of the previous year. U.S. maize prices were 5.9% lower in Q4 of 2014 compared to Q4 of 2013.



Source: FAO and European Commission (DG Agri), December 2014

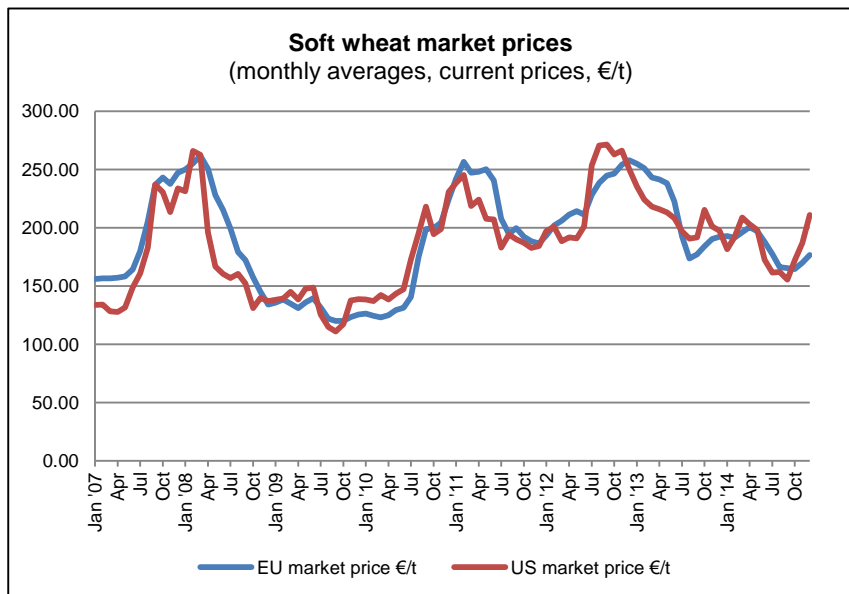
Soft wheat prices

Quarterly developments:

EU soft wheat prices increased by 0.4% in Q4 of 2014 compared to the previous quarter. U.S. soft wheat prices were 18.9% higher than in Q3 of 2014.

Year-on-year developments:

On average, EU soft wheat prices were 9.8% lower in Q4 of 2014 than in the same quarter of the previous year. U.S. soft wheat prices were 7.1% lower in Q4 of 2014 year-on-year.



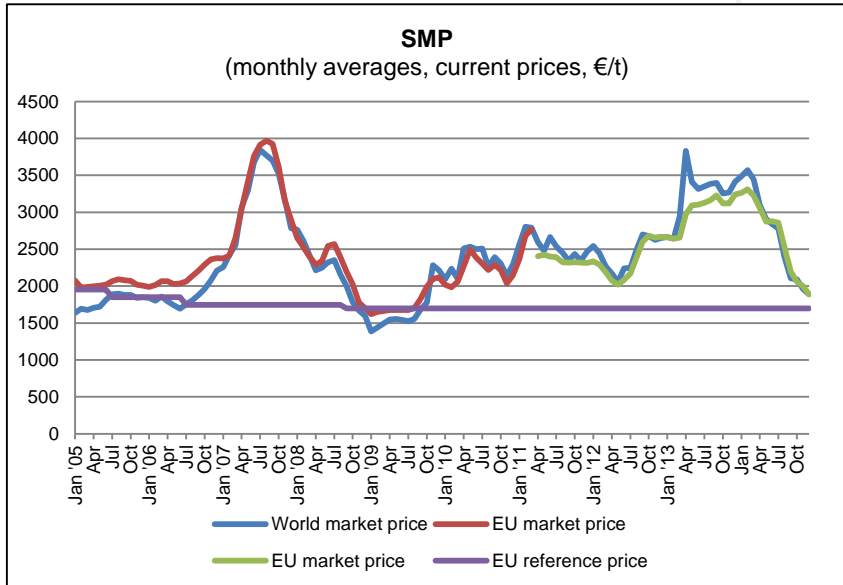
Source: FAO and European Commission (DG Agri), December 2014

Dairy

Skimmed Milk Powder (SMP)

Quarterly developments: EU SMP prices were 21.6% lower in Q4 of 2014 compared to Q3 of 2014. At the same time the average quarterly EU SMP price slightly exceeded world market prices in Q4 of 2014.

Year-on-year developments: The yearly comparison shows that, on average, EU SMP prices were 37.2% lower in Q4 of 2014 than the same period in 2013. In Q4 2014, the average quarterly world market price for SMP was 40.2% lower than in Q4 2013.

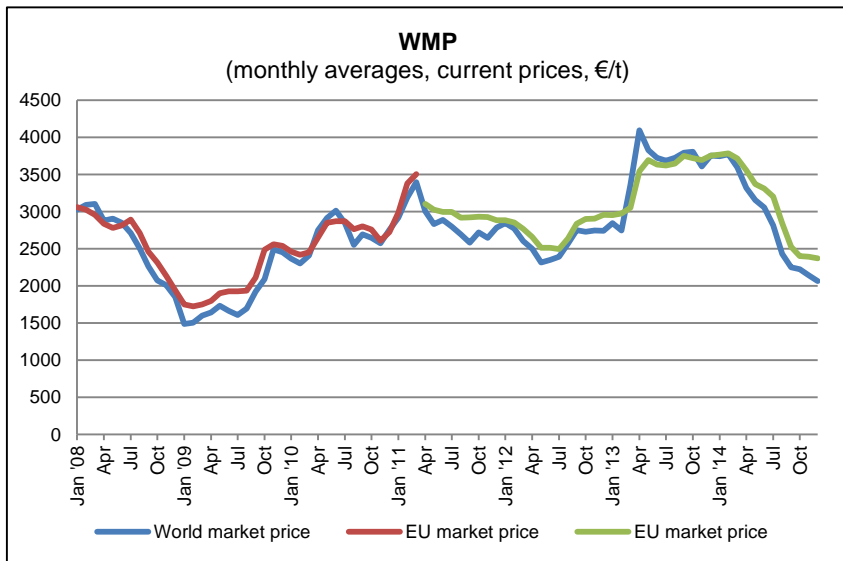


Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), December 2014

Whole Milk Powder (WMP)

Quarterly developments: EU WMP prices exceeded world market prices for the fourth consecutive quarter. EU WMP prices decreased by 16.5% in Q4 of 2014 compared to the previous quarter.

Year-on-year developments: The yearly comparison shows that EU WMP prices decreased by 35.8% in Q4 of 2014 compared to Q4 of 2013.



Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), December 2014

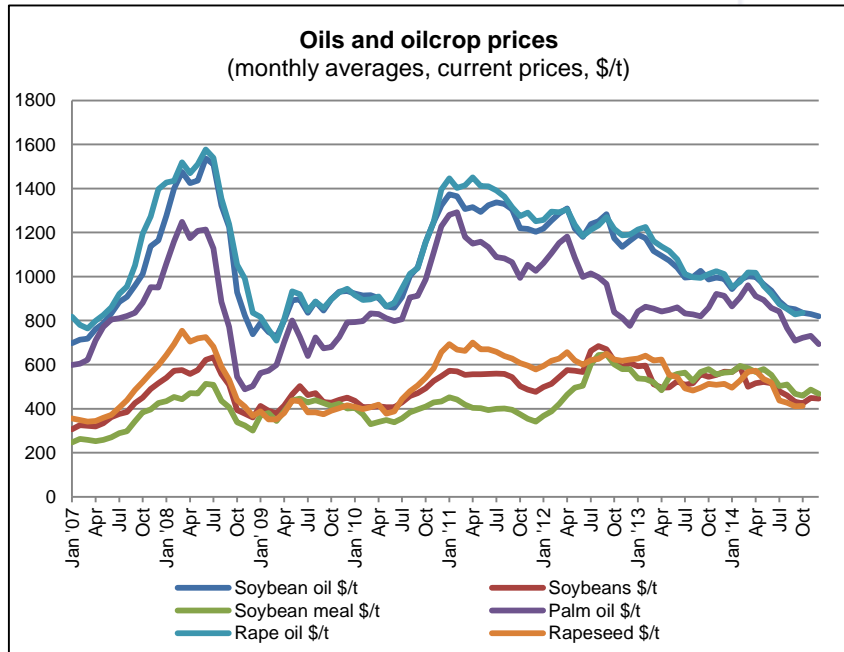
Oils and oil crops

Quarterly developments:

Prices of all major oil crops decreased in Q4 of 2014. Palm oil (-7.3%), soybean meal (-4.5%), soybean oil (-4.3%), soybeans (-3.9%) rapeseed (-3.1%), rape oil (-1.9%).

Year-on-year developments:

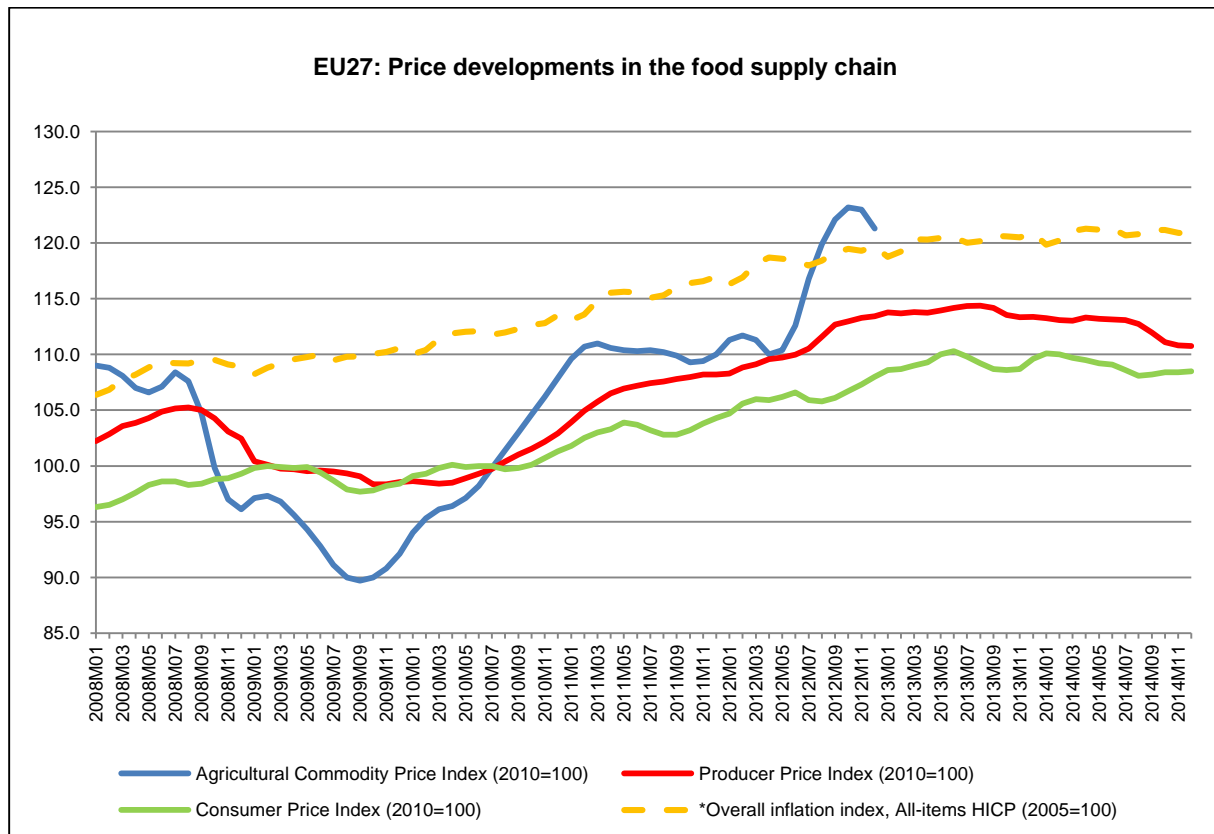
The yearly comparison shows a similar trend: Soybeans (-20.8%), palm oil (-20.3%), rapeseed (-19.4%), rape oil (-17.7%), soybean meal (-16.9%), soybean oil (-16.4%).



Source: World Bank and FAO, December 2014

3. Price developments in the food supply chain

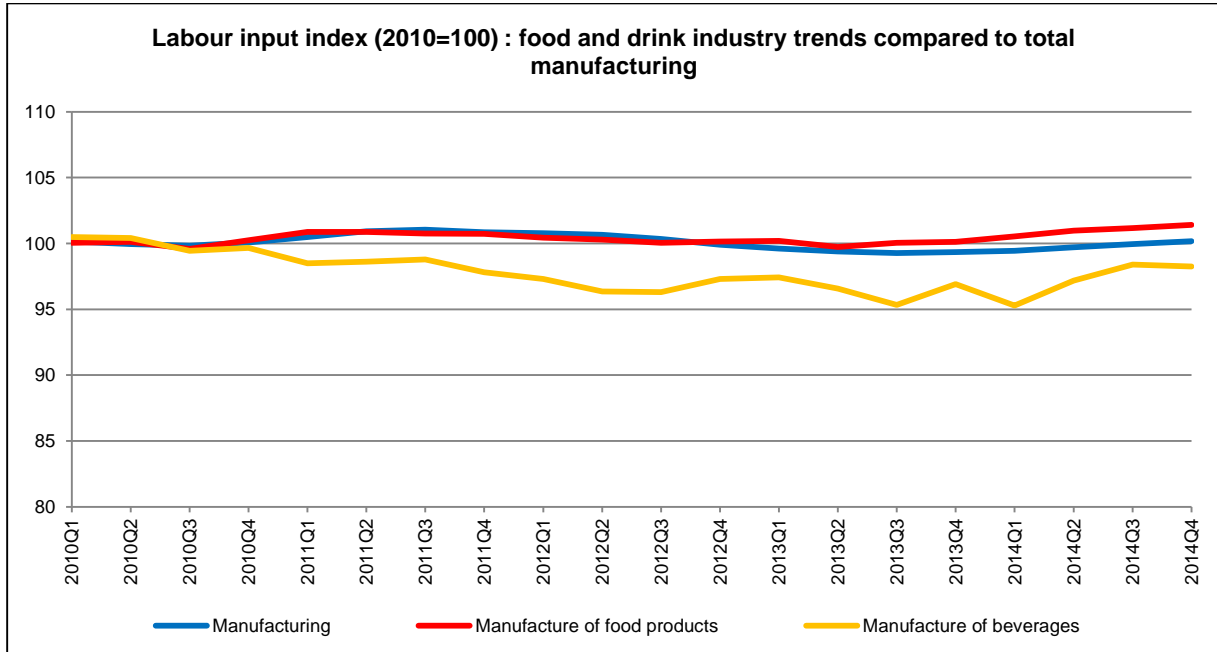
Producer prices decreased by 1.5% in Q4 of 2014, whereas both consumer prices and overall inflation grew slightly (+0.1%) in Q4 of 2014 compared to the previous quarter.



Source: Eurostat (Food supply chain monitor), March 2015

4. Slight increase in the employment index of the EU food and drink industry

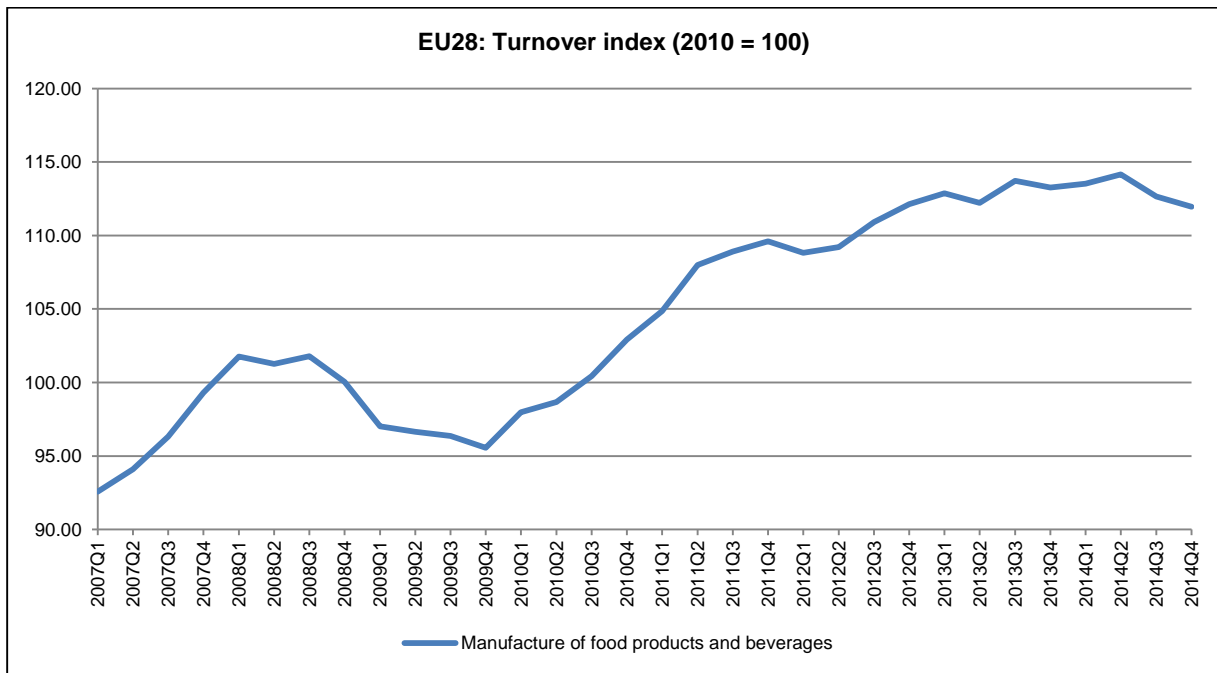
The labour input index for the food and drink industry registered a very moderate increase in Q4 of 2014 (+0.1%), which was half the average quarterly growth rate recorded for the total manufacturing sector (+0.2%).



Source: Eurostat (SBS), Nace Rev. 2, seasonally adjusted data, March 2015.

5. Lower food and drink industry turnover in Q4 of 2014

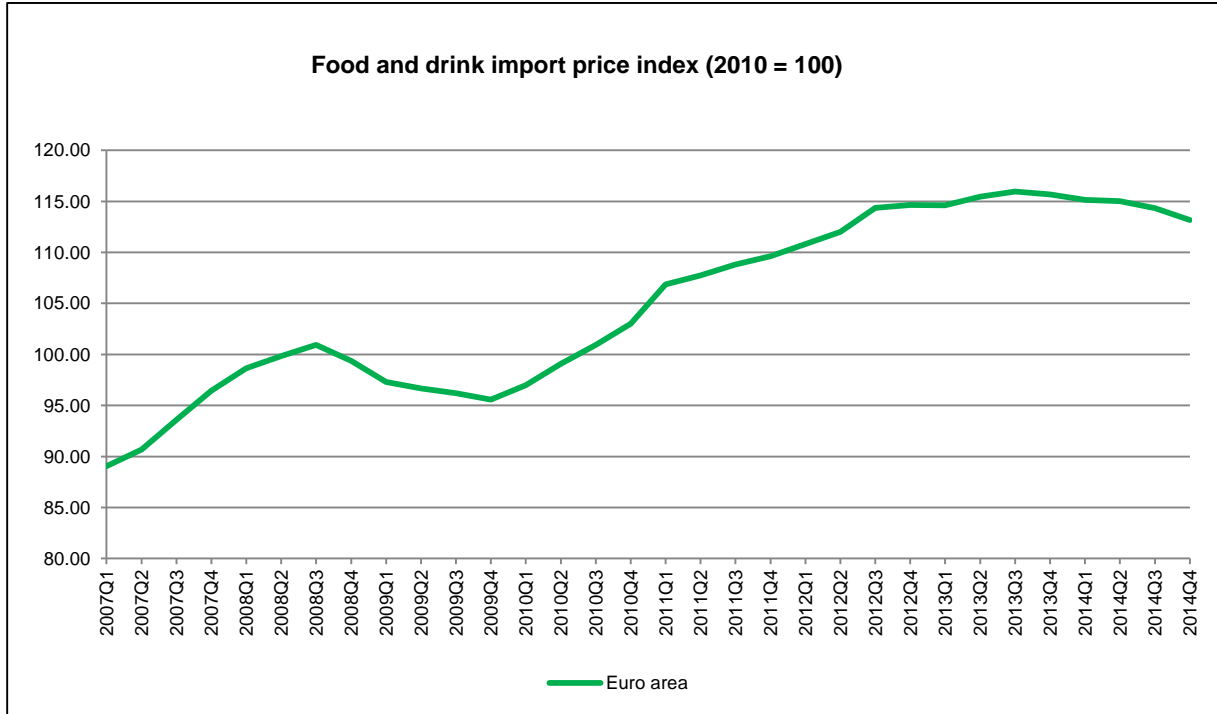
The EU food and drink industry turnover decreased for the second consecutive quarter. It was 0.6% lower in Q4 of 2014 compared to the previous quarter.



Source: Eurostat (SBS), seasonally adjusted data, March 2015

6. Prices of imported food and drinks lower in Q4 of 2014

Prices of imported foods decreased further in Q4 of 2014 (-1.0%) compared to the previous quarter.



Source: Eurostat (SBS), March 2015

Exchange rates

Table 3: Evolution of quarterly average exchange rates



| 1 EUR = | 2014 Q3 | 2014 Q4 | 2014 Q4 / 2014 Q3 % change |
|-----------------------|---------|---------|-------------------------------|
| Australian Dollar | 1.43 | 1.46 | 1.88 |
| Canadian Dollar | 1.44 | 1.42 | -1.61 |
| Brazilian Real | 3.01 | 3.18 | 5.38 |
| Swiss Franc | 1.21 | 1.20 | -0.58 |
| Chinese Yuan Renminbi | 8.17 | 7.68 | -6.01 |
| Japanese Yen | 137.75 | 142.75 | 3.63 |
| New Zealand Dollar | 1.57 | 1.60 | 1.51 |
| United States Dollar | 1.33 | 1.25 | -5.72 |
| Pound Sterling | 0.79 | 0.79 | -0.59 |

Source: Eurostat, bilateral exchange rates, March 2015



7. Trade: Imports and exports increased in Q4 of 2014 year-on-year

The EU28 positive trade balance in food and drink products increased in Q4 of 2014 compared to the same period of 2013 (+8.4%). The quarterly EU trade surplus reached €7.1 billion which marks an increase more than €0.5 billion year-on-year.

| Imports Q4 of 2014  | Exports Q4 of 2014  |
|--|--|
| <p>Total food and drink imports amounted to €17.8 billion, i.e. 3.6% higher compared to the previous year. A real reduction of imports in terms of quantity and value was only observed for fruit and vegetable products.</p> | <p>Total food and drink exports amounted to €25 billion, i.e. 4.9% higher compared to the same period of 2013. EU export volume was up by 8.5% in Q4 of 2014. Positive year-on-year export growth rates in terms of value were registered for grain mill and starch products (+14.9%), prepared animal feed (+11.7%), oils and fats (+9.1%), fruit and vegetables (+7.6%), bakery and farinaceous products (+5.8%), fish products (+5.1%), meat products (+5.0%), spirits (+3.5%), beer (+3.2%), wine (+3.0%), soft drinks (+2.4%).</p> |

| EU28 trade balance, in € million | | |
|----------------------------------|--------------|--------------|
| | Q4 | |
| | 2013 | 2014 |
| Total of food and drink | 6.589 | 7.142 |
| Meat products | 1.175 | 1.283 |
| Fish and sea food products | -3.172 | -3.525 |
| Processed fruit and vegetables | -935 | -761 |
| Oils and fats | -3.173 | -3.078 |
| Dairy products | 2.442 | 2.287 |
| Grain mill and starch products | 326 | 423 |
| Bakery & farinaceous products | 864 | 910 |
| Other food products | 2.756 | 3.098 |
| Prepared animal feed | 560 | 619 |
| Drinks | 5.547 | 5.715 |

FoodDrinkEurope represents Europe's food and drink industry, Europe's largest manufacturing sector in terms of turnover, employment and value added. FoodDrinkEurope works with European and international institutions, in order to contribute to the development of a legislative and economic framework addressing the competitiveness of industry, food quality and safety, consumer protection and respect for the environment. FoodDrinkEurope's membership consists of 25 national federations, including 2 observers, 25 European sector associations and 18 major food and drink companies. For more information on FoodDrinkEurope and its activities, please visit: www.fooddrinkeurope.eu.

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