

At A Glance – Summary of Q1 highlights

EU food and drink industry evolution during Q1 2013 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: Unless otherwise specified, EU refers to the EU 27 in the text.

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 EU in recent periods

	2012q1	2012q2	2012q3	2012q4	2013q1	2013q1
	Quarterly variations (% change)*					Annual variations (% change)**
Manufacturing sector (NACE Rev. 2)						
Industrial production index	-0.8	-0.7	0.4	-2.0	0.0	-2.3
All sectors						
Private final consumption (volume)	0.0	-0.3	-0.1	-0.2	0.1	-0.6
	2012m11	2012m12	2013m01	2013m02	2013m03	2013m03
Retail trade volumes	Monthly variations (% change)*					Annual variations (% change)**
	All sectors					
	0.3	-0.7	0.9	-0.1	-0.1	-1.4
	Food, drinks and Tobacco					
	-0.3	-0.4	0.1	-0.1	1.2	-0.3

* With respect to previous quarter/month

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

Source: Eurostat, June 2013

The EU **manufacturing industrial production index** remained unchanged in Q1 of 2013. In the same period, private consumption (volumes) registered a slight increase compared to the previous quarter, i.e. 0.1%. The yearly comparison shows that the industrial production index decreased in Q1 of 2013 compared to the same quarter of the previous year, i.e. by -2.3%. Private consumption also decreased compared to the change registered in the same quarter of 2012, but to a far lesser extent, i.e. -0.6%.

The **volume of retail trade** (all sectors) decreased by 0.1% in March 2013 (compared to February 2013), while **retail trade in food, drinks and tobacco** increased by 1.2%. Among the Member States for which data are available, total retail trade fell in nine, rose in eleven and remained stable in **Austria**. The largest decreases were registered in **Portugal** (-3.0%), **Slovenia** (-2.6%) and **Ireland** (-1.9%), and the highest increases in **Estonia** (+2.7%), **Latvia** (+2.1%) and **Finland** (+1.3%).¹

FOOD AND DRINK INDUSTRY INDICATORS IN Q1 OF 2013

1. Food and drink industry output index increased

After experiencing a decrease in the past quarter, Food and drink industry output (production) in the EU started to increase again in Q1 of 2013 compared to the previous quarter, i.e. by 0.32%. This is a better performance than that of the manufacturing production index, which remained unchanged in the same period (see the above section: Economic trends in the EU).

A large number of the countries that had experienced negative growth in the food and drink industry output in Q4 of 2012 registered positive growth in Q1 of 2013 (i.e. Bulgaria, Czech Republic, Denmark, Hungary, Italy, Latvia, Romania, Spain, the UK). At the same time, some countries experienced the opposite, i.e. moved from a positive to a negative output growth path, namely Austria (-5.42%), Belgium (-0.71%), Estonia (-0.36%), France (-2.31%), significantly Ireland (from +7.98% to -6.06%). Other countries maintained their negative trend also in Q1 of 2013 (i.e. Finland, Greece).

Table 2: Industry production index, quarterly growth

Member State	2012 Q4/2012 Q3 (% change)	2013 Q1/2012 Q4 (% change)
EU27	-0,58	0,32
Austria	3,19	-5,42
Belgium	0,34	-0,71
Bulgaria	-3,01	0,10
Czech Republic	-1,46	4,09
Denmark	-0,53	1,66
Estonia	1,26	-0,36
Finland	-0,89	-0,21
France	0,66	-2,31
Germany	1,36	1,24
Greece	-4,02	-0,11
Hungary	-3,22	1,54
Ireland	7,98	-6,06
Italy	-4,49	2,12
Latvia	-1,74	3,55
Lithuania	0,10	1,83
Netherlands	0,11	1,72
Poland	0,82	0,80
Portugal	0,23	1,58
Romania	-2,04	2,37
Spain	-0,96	0,99
Sweden	0,66	0,99
United Kingdom	-2,98	0,54

Source: Eurostat, Short-Term Business Statistics, NACE Rev. 2, June 2013

¹ Eurostat news release, Euro indicators, STAT/13/72.

2. Evolution of main agricultural raw material prices

The following shows a mixed picture for raw material prices:

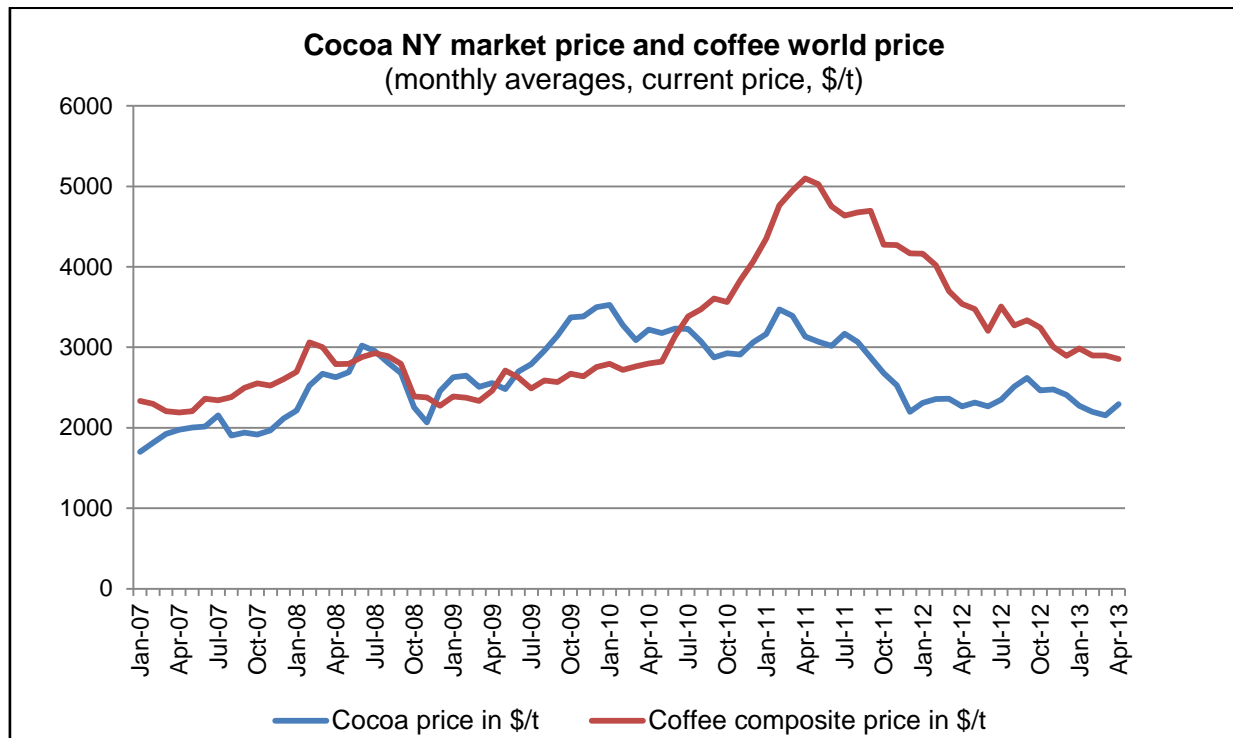
							Oils and oil crops					
			Grains		Dairy		Soybean			Rape		
Cocoa	Coffee	Sugar	Corn/ Maize	Soft wheat	WMP	SMP	Oil	Bean	Meal	Seed	Oil	Palm oil
↓	↓	↑	↓	↓	↓	↑	↑	↓	↓	↑	↑	↑

Source: FoodDrinkEurope compilation

Cocoa and coffee

Quarterly developments: Continuing the fall in prices in Q4 of 2012, the average price of cocoa fell by 9.9% in Q1 of 2013. Coffee composite prices also experienced a negative trend and were 4% lower in Q1 of 2013 than Q4 of 2012.

Year-on-year developments: The year-on-year comparison shows that, the New York cocoa market recorded a 5.6% decrease with respect to Q1 of 2012. However, coffee composite prices were significantly lower than their level in the same quarter of 2012, i.e. by 26.1%.

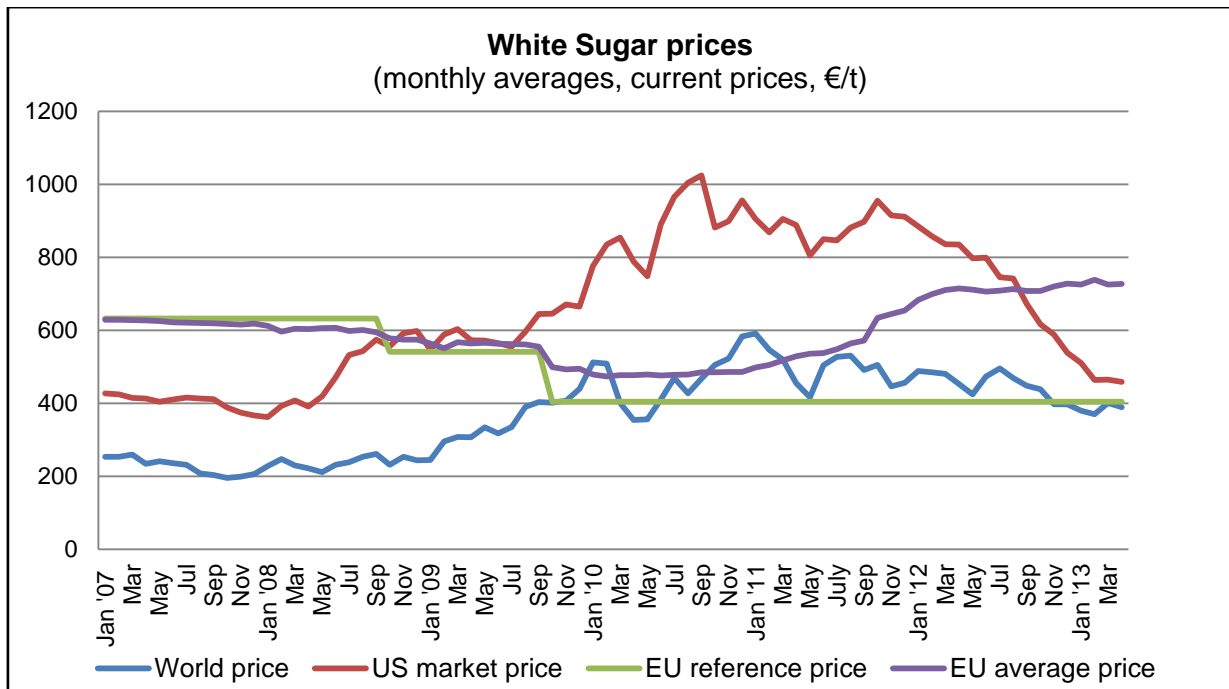


Source: International Cocoa Organisation (ICCO) and International Coffee Organisation (ICO), June 2013

Sugar

Quarterly developments: EU white sugar prices slightly increased (+1.5%) in Q1 of 2013. In the same quarter, U.S. market price continued to decrease, i.e. by 17.5% compared to Q4 of 2012.

Year-on-year developments: On average, EU market price for white sugar was 4.6% higher in Q1 of 2013 than the same quarter of the previous year whereas the U.S. market price was 44.2% lower than the average in Q1 of 2012. In comparison, the world sugar price was 20.8% lower than the average of the same quarter of 2012.



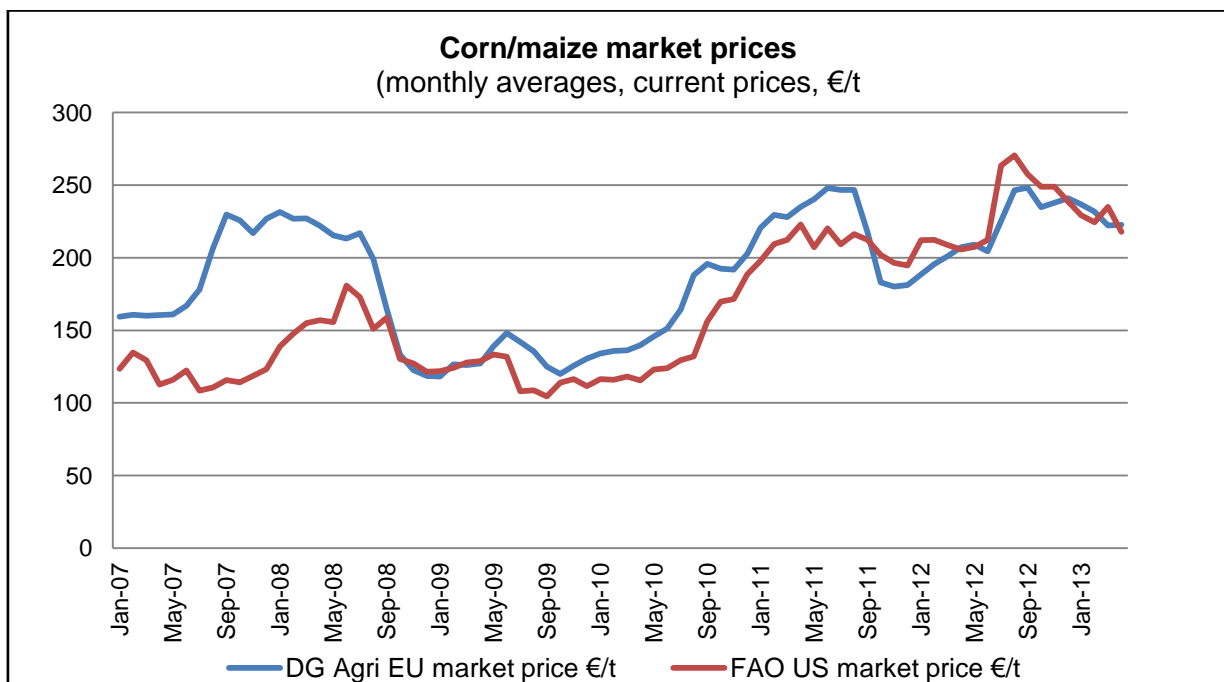
Source: European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), United States Department of Agriculture, June 2013

Grains

Corn maize prices

Quarterly developments: Following the trend of the previous quarter, EU maize prices slightly decreased in Q1 of 2013 (compared to Q4 of 2012), i.e. by 3.2%. U.S. maize prices also decreased in the same period, i.e. by 6.5%, thus continuing the negative growth trend of the previous quarter.

Year-on-year developments: On average, EU maize prices were 18% higher in Q1 of 2013 than the same quarter of the previous year. Similarly but to a lesser extent, U.S. maize prices were 8.8% higher in Q1 of 2013 than in the same quarter of the previous year.



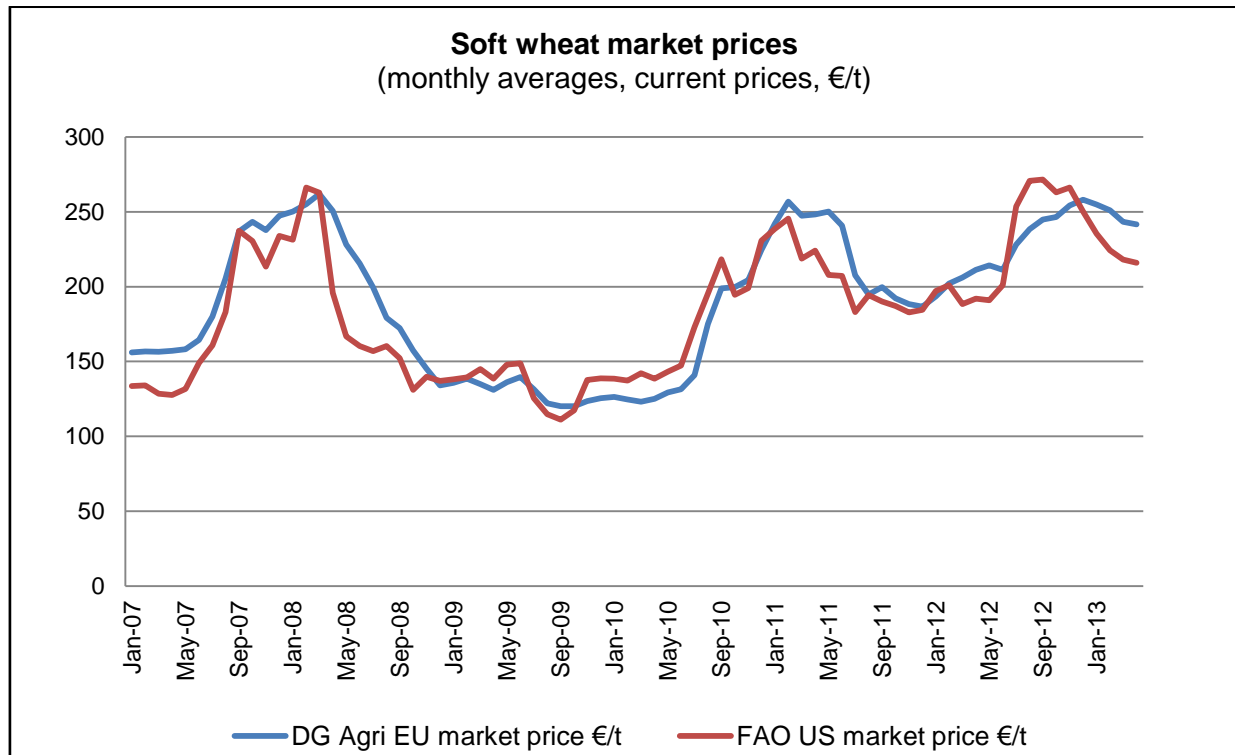
Source: FAO and European Commission (DG Agri), June 2013



Soft wheat prices

Quarterly developments: Contrary to the previous quarter, EU soft wheat prices slightly decreased in Q1 of 2013 (compared to Q4 of 2012) i.e. by 1.2%. U.S. soft wheat prices decreased during the same period i.e. by 13%.

Year-on-year developments: On average, EU soft wheat prices were 24.5% higher in Q1 of 2013 than the same quarter of the previous year. Similarly, but to a lesser extent, U.S. soft wheat prices were 15.5% higher in Q1 of 2013 than in the same quarter of the previous year.



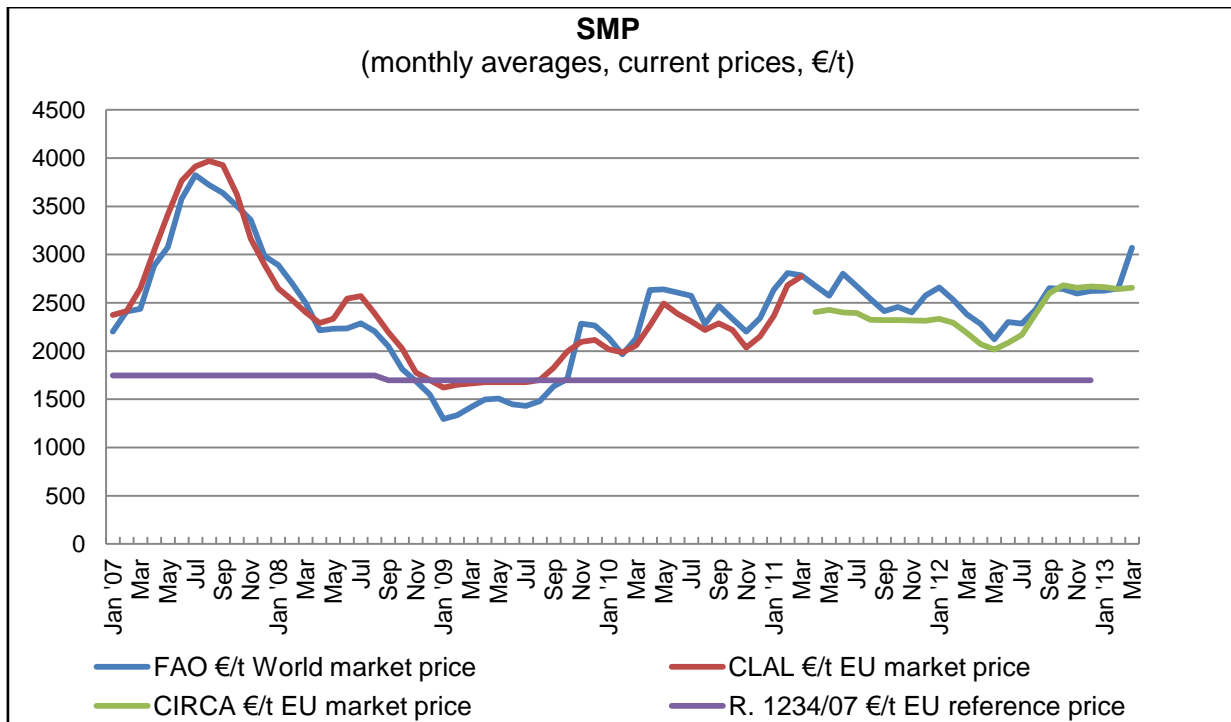
Source: FAO and European Commission (DG Agri), June 2013

Dairy

Skimmed Milk Powder (SMP)

Quarterly developments: EU SMP prices registered a slight decrease in Q1 of 2013 (compared to Q4 of 2012) i.e. by 0.64%. While in Q4 of 2012 average EU prices had exceeded world market prices for the first time since Q3 of 2009, this trend was reversed in Q1 of 2013.

Year-on-year developments: The yearly comparison shows that, on average, EU SMP prices were 16.7% higher in Q1 of 2013 than the same period in 2013.

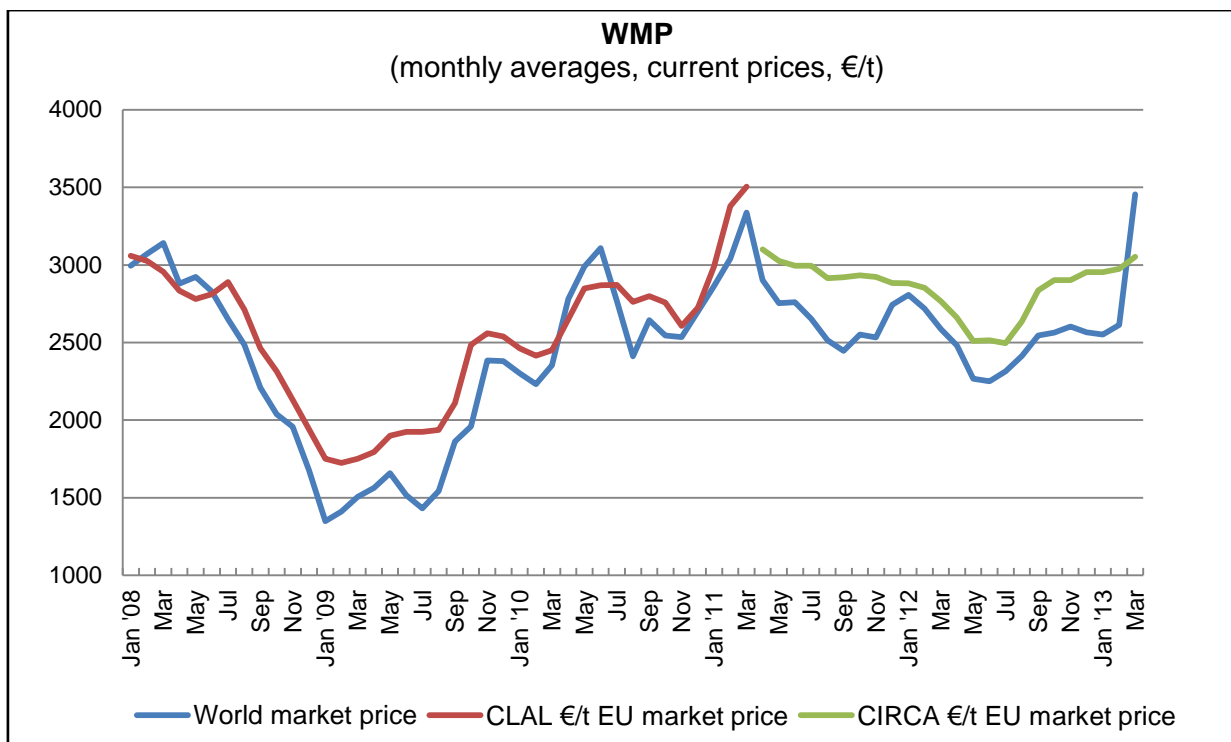


Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), June 2013

Whole Milk Powder (WMP)

Quarterly developments: Generally higher than world market prices since Q3 of 2010, EU WMP average prices continued to increase in Q1 of 2013, i.e. by 2.5% from the previous quarter.

Year-on-year developments: The yearly comparison shows that, on average, EU WMP prices increased by 5.6% in Q1 of 2013 compared to the same quarter of 2012.

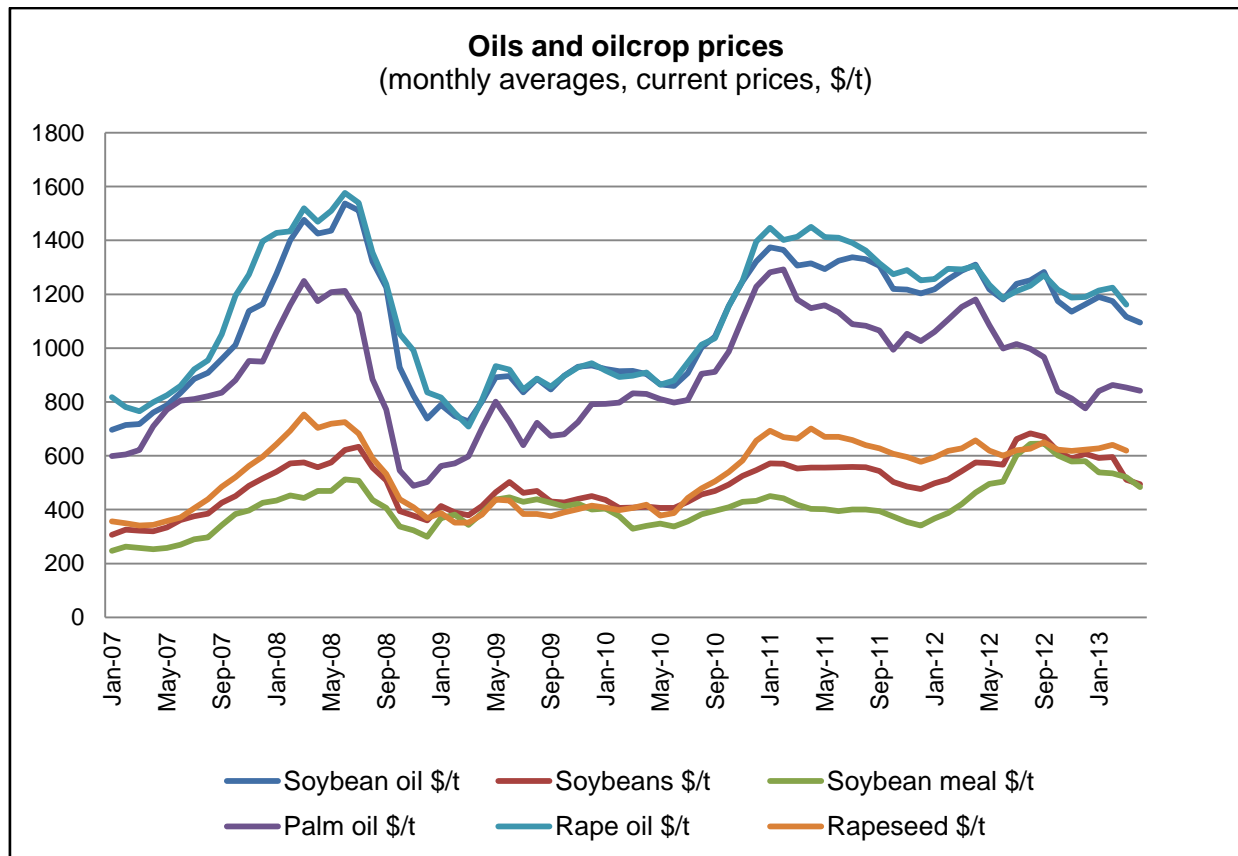


Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), June 2013

Oils and oil crops

Quarterly developments: In Q1 of 2013 Soybean and Soybean meal prices declined by 6.3% and 9.5% respectively. Prices for Soybean oil (+0.2%), Palm oil (+5.3%), Rape oil (+0.2%) and Rapeseed (+1.3%) experienced a general increase. Moreover, after having significantly decreased during the previous quarter, prices of Palm oil (-18.5%) increased most of all oils and oil crops in Q1 of 2013.

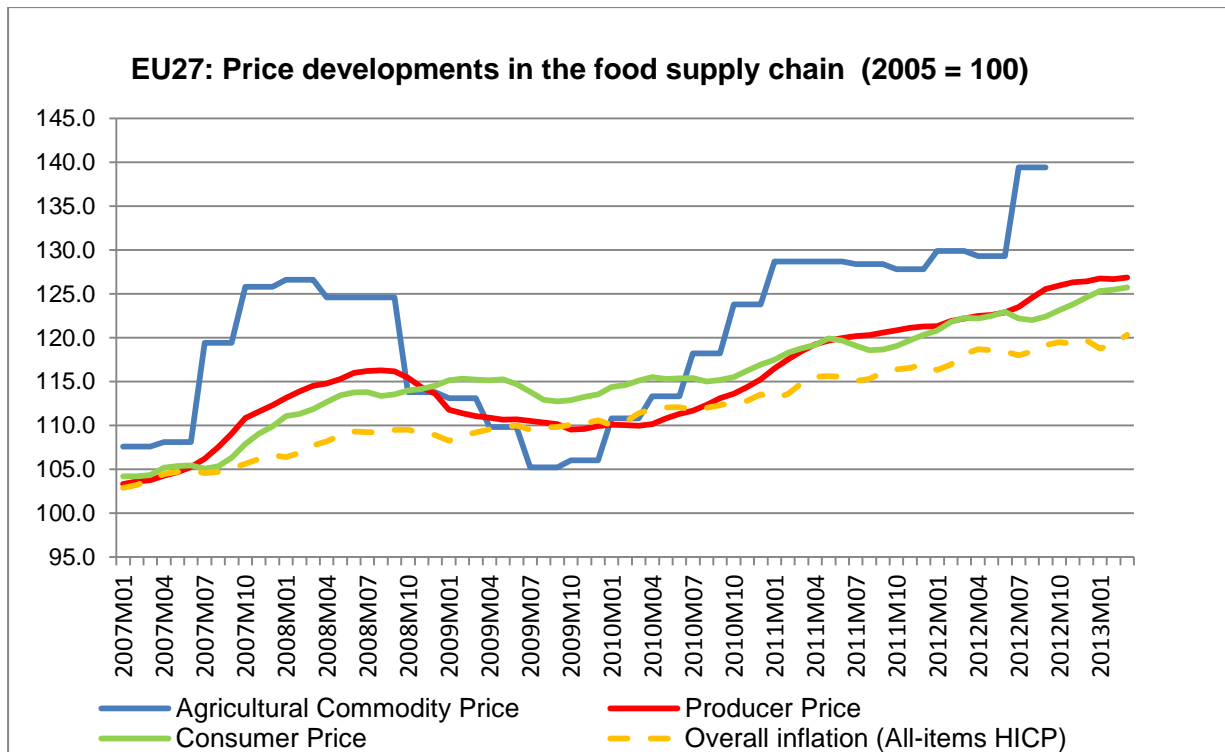
Year-on-year developments: The yearly comparison shows that in Q1 of 2013 only Soybean meal, Soybean and Rapeseed prices were higher than in the same quarter of 2012: by 35.6%, 9.4% and 2.6% respectively. On the contrary Palm oil, Soybean oil and Rape oil were 23.0%, 7.4% and 6.3% lower in Q1 of 2013 than the same period of the previous year.



Source: World Bank and FAO, June 2013

3. Price developments in the food supply chain

Consumer prices (1.34%) and producer prices (0.44%) grew on average in Q1 of 2013, whereas inflation remained almost unchanged (-0.04%).

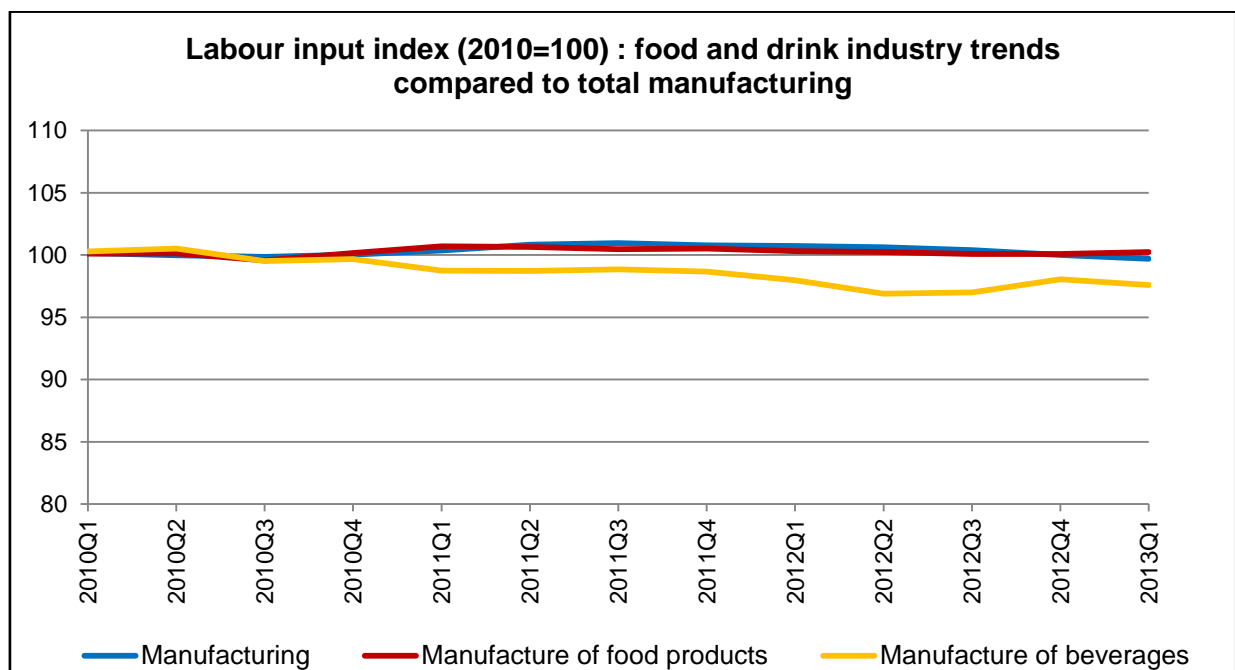


Source: Eurostat (Food supply chain monitor), June 2013

4. Employment index of the EU food and drink industry grew for two consecutive quarters

After having experienced a slight decrease in Q3 of 2012, the labour input index for the food and drink industry increased (+0.28%) in Q4 of last year and further improved (+0.02%) in Q1 of 2013. This is contrary to the performance shown by the (total) manufacturing sector whose employment index decreased for the past three quarters and by 0.30% in Q1 of 2013.

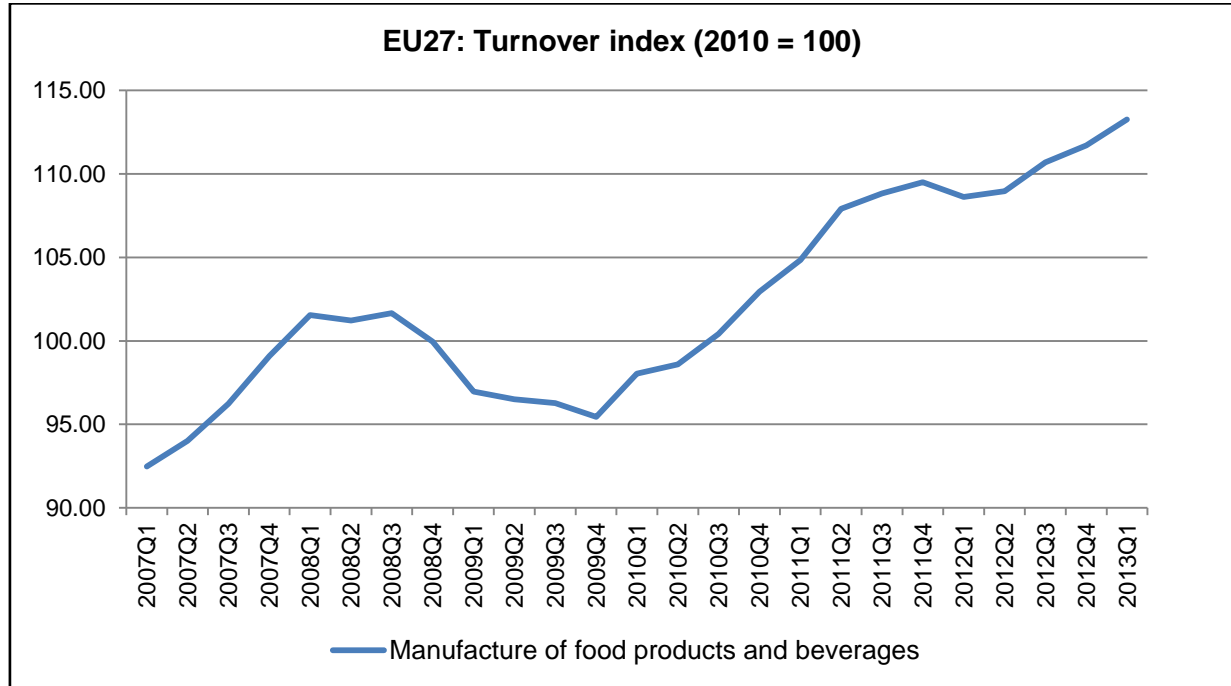
When looking at the industry breakdown, the food sector employment index increased by 0.15%, whereas the beverages industry employment index decreased by 0.5% in comparison with the previous quarter.



Source: Eurostat (SBS), Nace Rev. 2, seasonally adjusted data, June 2013.

5. Food and drink industry turnover continued to increase

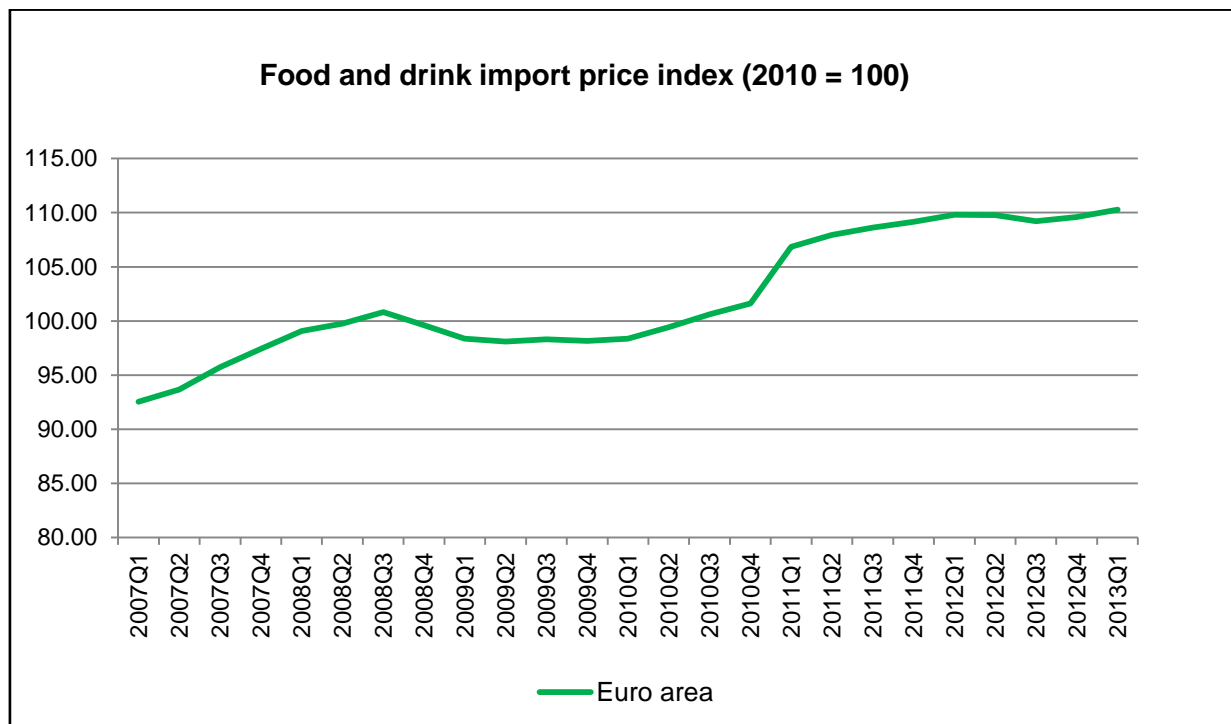
The food and drink industry's turnover index increased by 1.38% in Q1 of 2013 compared to the previous quarter.



Source: Eurostat (SBS), seasonally adjusted data, June 2013

6. Imported food prices continued to rise in Q1 of 2013

Continuing the trend which started in Q1 of 2010, imported food prices continued to increase in Q1 of 2013, up to 0.63% from the previous quarter.



Source: Eurostat (SBS), June 2013



Exchange rates

In Q1 of 2013, the euro has appreciated against most major non-EU currencies in an environment of low volatility and strengthened investor sentiment towards the euro area². In the past three months, the euro gained 1.84% against the US dollar, 5.41% against the pound sterling and also strongly appreciated against the Japanese Yen by 15.87%.

The table below gives details for the euro appreciation against the currencies of major trading partners.

Table 3: Evolution of quarterly average exchange rates

1 EUR =	2012 Q4	2013 Q1	Q1 2013/ Q4 2012 %
Australian Dollar	1.25	1.27	1.84
Canadian Dollar	1.29	1.33	3.60
Brazilian Real	2.67	2.64	-1.14
Swiss Franc	1.21	1.23	1.69
Chinese Yuan Renminbi	8.10	8.22	1.45
Japanese Yen	105.12	121.80	15.87
New Zealand Dollar	1.58	1.58	0.46
United States Dollar	1.30	1.32	1.84
Pound Sterling	0.81	0.85	5.41

Source: ECB, bilateral exchange rates, June 2013

7. Trade: Exports increased in Q1 of 2013 year-on-year

The EU trade balance in food and drink products continued to improve during the Q1 of 2013 compared to the same period of 2012. The export surplus amounted to nearly €5.3 billion, which marks an increase of €0.8 billion year-on-year.

 Imports Q1 of 2013	 Exports Q1 of 2013
<p>Total food and drink imports amounted to €15.7 billion, i.e. 0.1% less compared to the previous year. However, a real reduction of imports in terms of quantity and value was observed for only a limited group of alcoholic beverages, dairy products, and fruits and vegetables. For oils and fat products, the import growth in terms of value was linked to the price factor, while the imported quantity was in fact significantly lower than a year ago. Finally, some products registered a real import reduction both in terms of volume and value, e.g. dairy (-26% in value and -23.9% in volume), fruit and vegetables (-8.6% in value and -10.7% in volume), and less significantly, cider and malt beverages.</p>	<p>Total food and drink exports amounted to €20.9 billion, i.e. 4.1% more compared to the same period of 2012. In fact, the total value of exports increased despite an almost unchanged total export volume (+0.1%). The year-on-year export growth registered for oils and fats, prepared animal feeds and bakery and farinaceous products was also very positive (+23.1%, 15.3%, 10.3% respectively) and matched with a similar trend in terms of exported quantities. Finally, grain mill and starch products, and wines contributed also to the growth in export value, despite witnessing a double-digit volume reduction. A single-digit volume reduction was registered for other food products.</p>

² European Central Bank, monthly bulletin, March 2013.

Trade balance in € million		
	Q1	
	2012	2013
Total of Food and Drink	4,424	5,251
Meat products	1,043	1,017
Fish and sea food products	-2,910	-2,782
Processed fruit and vegetables	-739	-504
Oils and fats	-2,862	-2,639
Dairy products	2,031	2,074
Grain mill and starch products	325	301
Bakery & farinaceous products	618	681
Other food products	1,926	1,937
Prepared animal feed	477	529
Drinks	4,434	4,636

Trade partner profile – United States of America (USA)

Launch of the Transatlantic Trade and Investment Partnership (TTIP) with the US

At the G8 Summit on 17 June 2013, US President Barack Obama, President of the European Commission José Manuel Barroso, President of the European Council Herman Van Rompuy and UK Prime Minister David Cameron officially launched negotiations for TTIP. Beforehand, EU Member States agreed on the negotiating guidelines by consensus and hence decided to give the European Commission 'the green light' to start negotiations with the United States. The first round of negotiations is set to start on 8 July in Washington.

The initiative of a transatlantic agreement is based on the recommendations of the EU-US High Level Working Group on Jobs and Growth that steered the deliberations on the future EU-US relations since late 2011. According to an independent study by the Centre for Economic Policy Research, London, an ambitious and comprehensive trans-Atlantic trade and investment partnership could bring the EU economic gains of €119 billion a year once the agreement is fully implemented. This would translate on average to an extra €545 in disposable income each year for a family of four in the EU.³

EU-US food and drink trade

The US represents the first export destination for European food and drink products (followed by Russia, Switzerland, Japan, China). It is also the third most important source of food imports for the EU, after Brazil and Argentina. European exports to the US amounted to nearly €13.6 billion in 2012, equivalent to 5% of the EU overall exports to the US, while imports were close to €4.4 billion. The EU contributes 22% to US food and drink imports, which gives it the leading position, before Canada (18%), Mexico (10%) and China (7%).⁴

	Exports from the EU to the US	Imports from the US to the EU
Rank	US ranks 1 st among EU food and drink export destinations	US ranks 3 rd among EU food and drink suppliers
Value	€13.6 billion	€4.4 billion
Share of non-annex 1 products	44%	22%

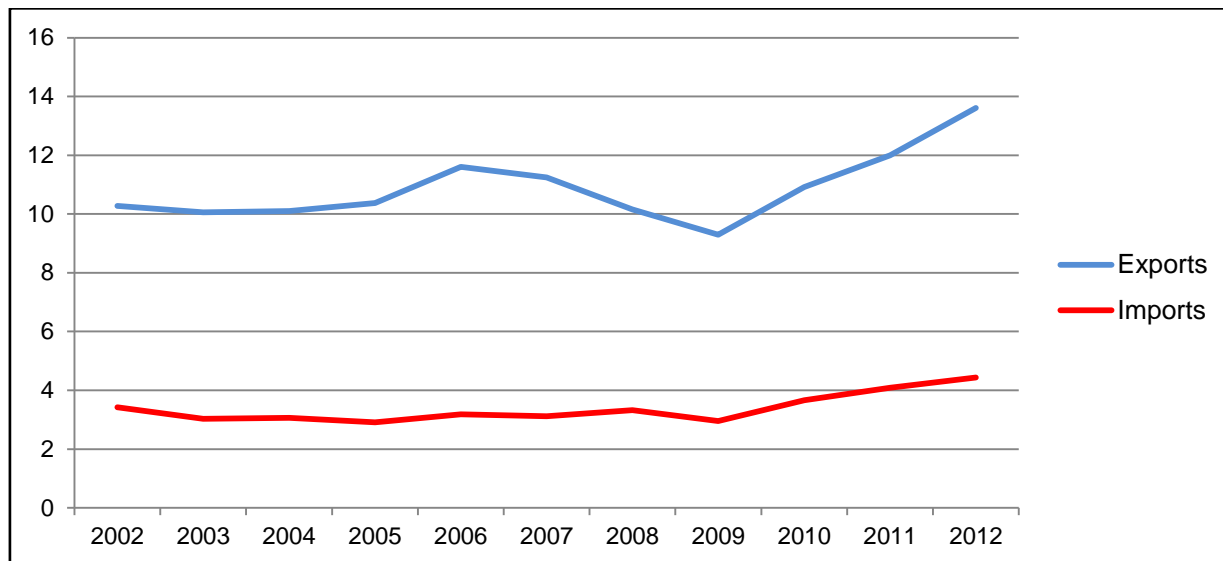
Source: Eurostat COMEXT, own calculations

The trade balance is largely positive for the EU as regards processed food products. The EU exports more than three times as much as it imports from the US. The EU positive trade balance also increased by 34% over the last decade, which is in line with export growth over the same period.

³ European Commission MEMO, Brussels, 18 June 2013 - The EU's free trade agreements – where are we? http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150129.pdf

⁴ UN COMTRADE, 2012 data

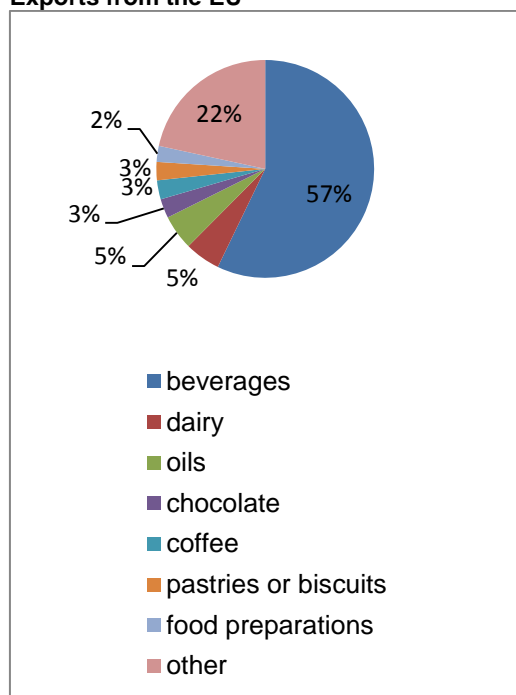
Evolution of EU exports and imports from the US, 2002 – 2012, in € million



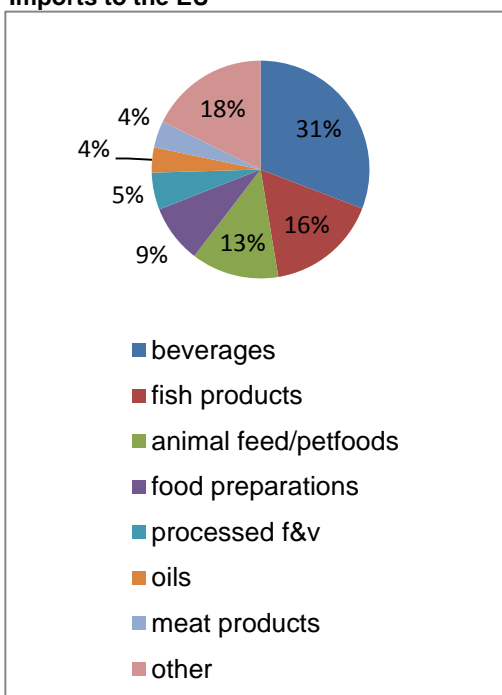
Source: Eurostat COMEXT

The following charts present the respective weight of different categories of food and drink in the total value of EU-US food and drink trade. EU food and drink exports to the US are dominated by beverages (57%) – mainly spirits, wine, beer, and soft drinks – followed by dairy, oils and chocolate. The two biggest categories of products imported from the US were beverages, fish products followed by animal feed and food preparations.

Exports from the EU



Imports to the EU



Source: Eurostat COMEXT

FoodDrinkEurope - represents the European food and drink industry - the leading industrial sector and major EU employer and exporter. FoodDrinkEurope's role is to represent the food and drink industry's interests, at the level of both European and international institutions. FoodDrinkEurope's membership consists of 24 national federations and 3 observers, 25 European sector associations and 18 major food and drink companies.

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