

At A Glance – Summary of Q1 2014 highlights

EU food and drink industry evolution during Q1 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 the 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

	2013q1	2013q2	2013q3	2013q4	2014q1	2014q1
	Quarterly variations (% change)*					Annual variations (% change)**
Manufacturing sector (NACE Rev. 2)						
Industrial production index	0.0	0.8	0.5	0.9	1.0	3.3
All sectors						
Private final consumption (volume)	0.1	0.2	0.3	0.1	0.4	1.0
	2013m11	2013m12	2014m01	2014m02	2014m03	2014m03
Retail trade volumes	Monthly variations (% change)*					Annual variations (% change)**
	All sectors					
	1.0	-0.6	0.6	0.3	0.3	2.0
	Food, drinks and Tobacco					
	0.5	-0.8	0.0	0.6	0.7	-0.7

* With respect to previous quarter/month

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

Source: Eurostat, July 2014

The EU **manufacturing industrial production index** increased by 1.0% in Q1 of 2014. In the same period, private consumption (volumes) registered a slight increase compared to the previous quarter, i.e. 0.4%. The yearly comparison shows that the industrial production index increased in Q1 of 2014 compared to the same quarter of the previous year, i.e. by 3.3%. Private consumption increased compared to the change registered in the same quarter of 2013, i.e. by 1.0%.

In March 2014 compared with February 2014, the seasonally adjusted **volume of retail trade** (all sectors) rose by approximately 0.3% in the euro area and the EU 28. The volume of retail trade in food, drinks and tobacco increased by 0.7% in the same period. The highest increases in total retail trade were registered in Estonia and Latvia (both +2.8%), France (+2.3%) and Romania (+2.2%), and the largest decreases in Portugal (-1.7%), Austria (-0.9%), Germany, Ireland and Slovenia (all -0.7%).¹

FOOD AND DRINK INDUSTRY INDICATORS IN Q1 OF 2014

1. Food and drink industry output index increased

Food and drink industry output (production) in the EU was positive in Q1 of 2014 (0.83%). Some of the countries that had already recorded positive food and drink industry output growth rates in Q4 of 2014 outperformed their growth rates in Q1 of 2014 (i.e. Lithuania, Spain). A number of countries moved from a positive to a negative output growth path, namely Austria (-5.54%), Bulgaria (-0.91%), Denmark (-1.80%), Italy (-0.65%), Latvia (-0.34%), Romania (-0.03%), and Sweden (-6.21%). Others remained on a negative trend (i.e. Finland, Portugal).

Table 2: Industry production index, quarterly growth

Member State	2013 Q4/2013 Q3 (% change)	2014 Q1/2013 Q4 (% change)
EU28	0.38	0.83
Austria	1.24	-5.54
Belgium	-2.20	1.04
Bulgaria	2.07	-0.91
Czech Republic	1.11	0.47
Denmark	0.82	-1.80
Estonia	2.98	0.21
Finland	-0.08	-2.29
France	-0.40	2.14
Germany	1.11	0.03
Greece	2.49	1.87
Hungary	1.18	0.54
Ireland	2.88	1.53
Italy	1.75	-0.65
Latvia	0.26	-0.34
Lithuania	0.35	4.23
Poland	1.33	0.21
Portugal	-8.49	-7.55
Romania	3.16	-0.03
Spain	0.59	2.10
Sweden	1.49	-6.21
United Kingdom	-1.56	4.56

Source: Eurostat, Short-Term Business Statistics, NACE Rev. 2, July 2014

Data not available for Croatia, Cyprus, Luxembourg, Malta, Netherlands, Slovakia, Slovenia.

¹ Eurostat news release, Euro indicators, 72/2014.

2. Evolution of main agricultural raw material prices

The following shows a mixed picture for raw material prices:

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

Source: FoodDrinkEurope compilation

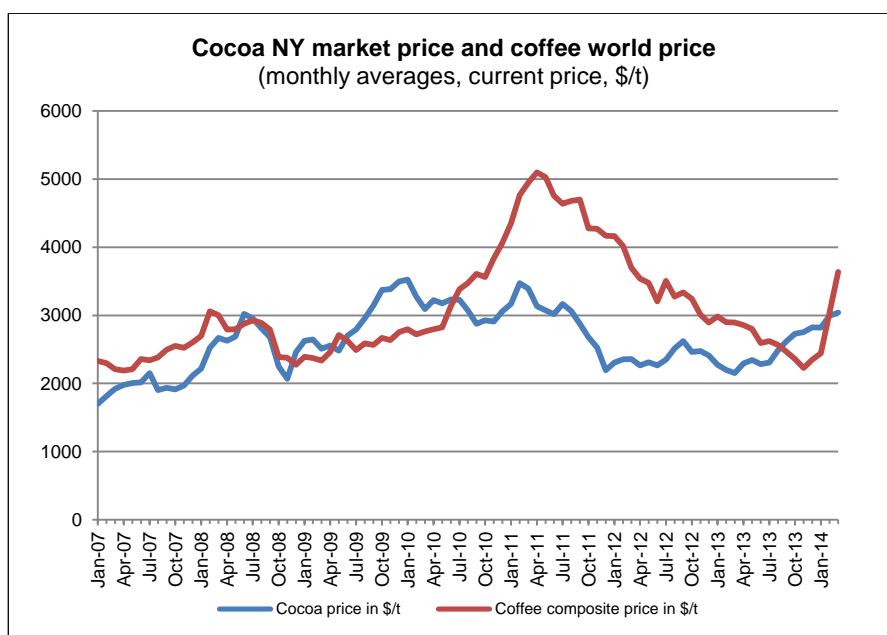
Cocoa and coffee

Quarterly developments:

Cocoa prices continued to rise for the third consecutive quarter, the average price of cocoa increased by 6.6% in Q1 of 2014. The coffee composite price recorded a steep increase of 31.5% in Q1 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 33.6% increase with respect to Q1 of 2013. Coffee composite prices were slightly above their Q1 of 2013 level, i.e. by 3.9%.



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

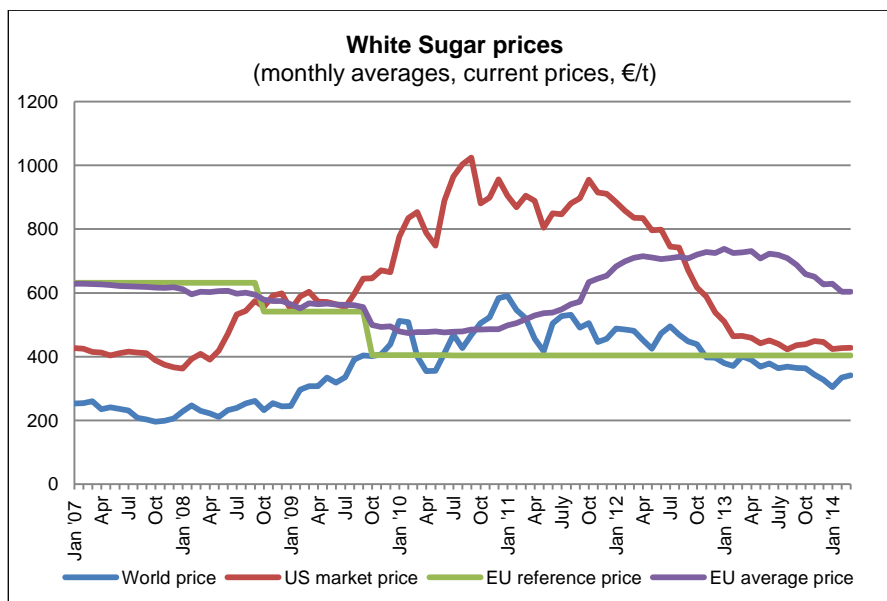
Sugar

Quarterly developments:

EU white sugar prices slightly decreased (-5.2%) in Q1 of 2014. In the same quarter, U.S. market prices decreased, i.e. by 4.2 % compared to Q4 of 2013.

Year-on-year developments:

On average, the EU market price for white sugar was 16.1% lower in Q1 of 2014 than the same quarter of the previous year. The U.S. market price was 11.2% lower than the average price in Q1 of 2013. In comparison, the world sugar price was 14.9% lower than the average of the same quarter of 2013.



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



Grains

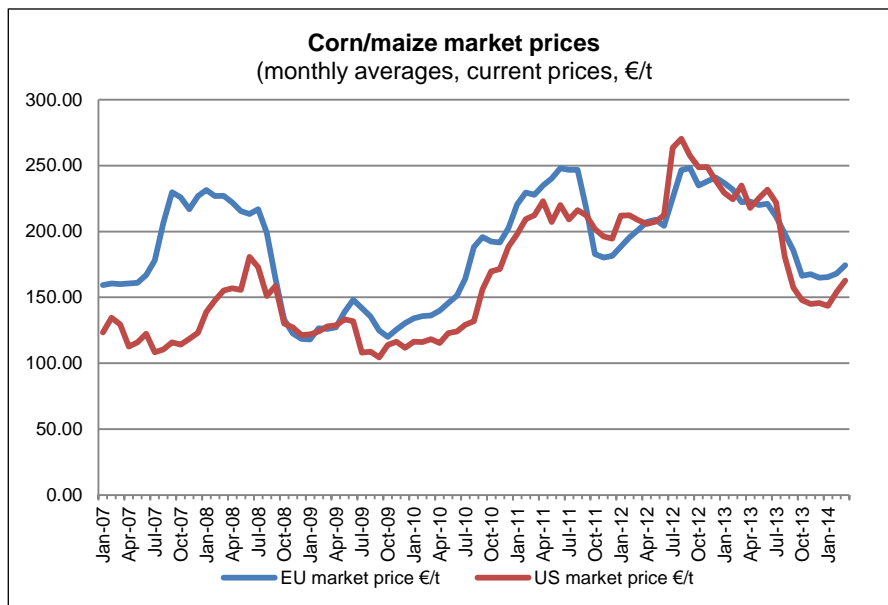
Corn maize prices

Quarterly developments:

EU maize prices increased in Q1 of 2014, i.e. by 1.9%. U.S. maize prices also increased in the same period, i.e. by 4.8%.

Year-on-year developments:

On average, EU maize prices were 26.4% lower in Q1 of 2014 than the same quarter of the previous year. Similarly and to an even greater extent, U.S. maize prices were 33.2% lower in Q1 of 2014 compared to Q1 of 2013.



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

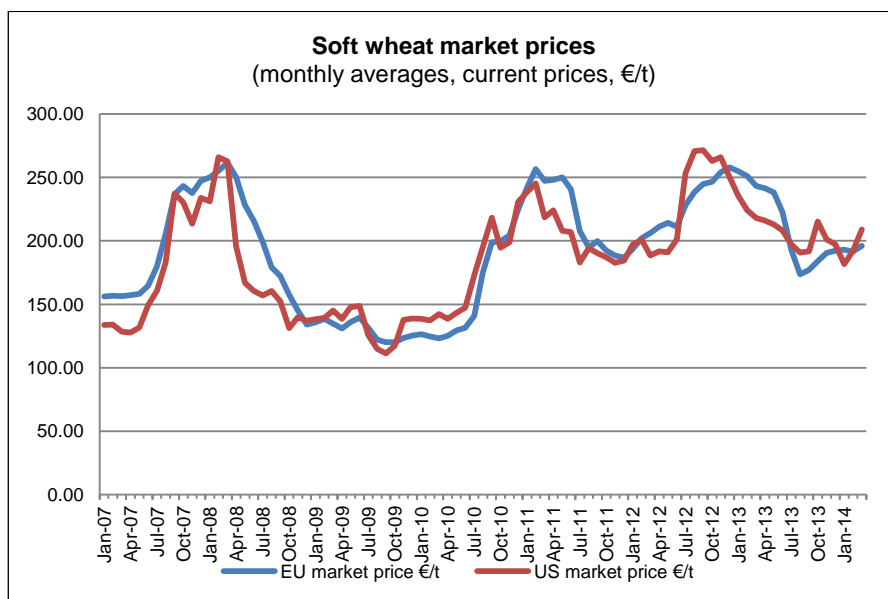
Soft wheat prices

Quarterly developments:

EU soft wheat prices increased in Q1 of 2014 i.e. by 2.4% compared to the previous quarter. U.S. soft wheat prices were 5.1% lower than in Q4 of 2013.

Year-on-year developments:

On average, EU soft wheat prices were 22.5% lower in Q1 of 2014 than in the same quarter of the previous year. U.S. soft wheat prices were 14.0% lower in Q1 of 2014 year-on-year.



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

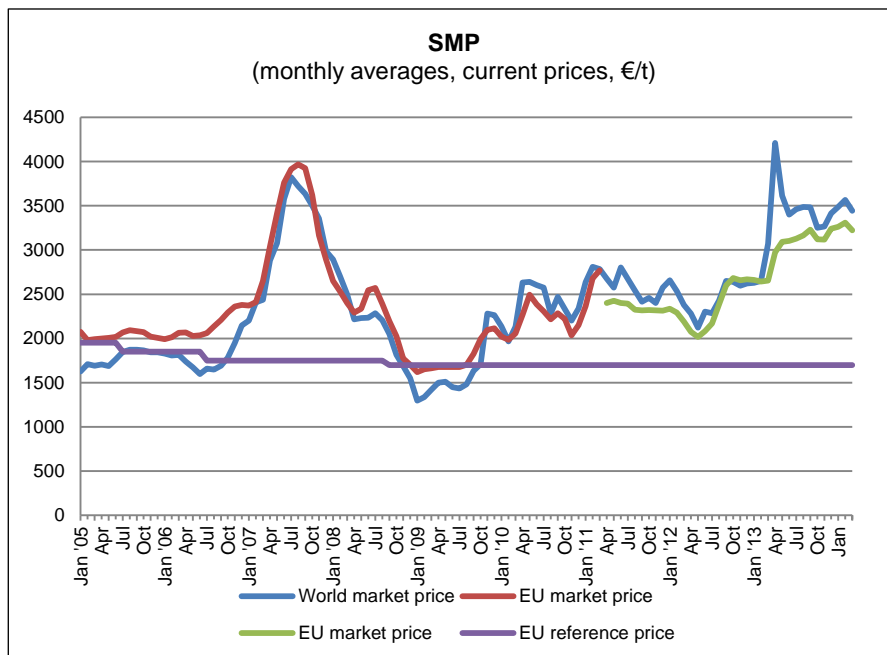


Dairy

Skimmed Milk Powder (SMP)

Quarterly developments: EU SMP prices increased in Q1 of 2014 (compared to Q4 of 2013) i.e. by 3.3%. Similar to the previous four quarters, world market prices continued to exceed EU SMP prices in Q1 of 2014.

Year-on-year developments: The yearly comparison shows that, on average, EU SMP prices were 23.1% higher in Q1 of 2014 than the same period in 2013.

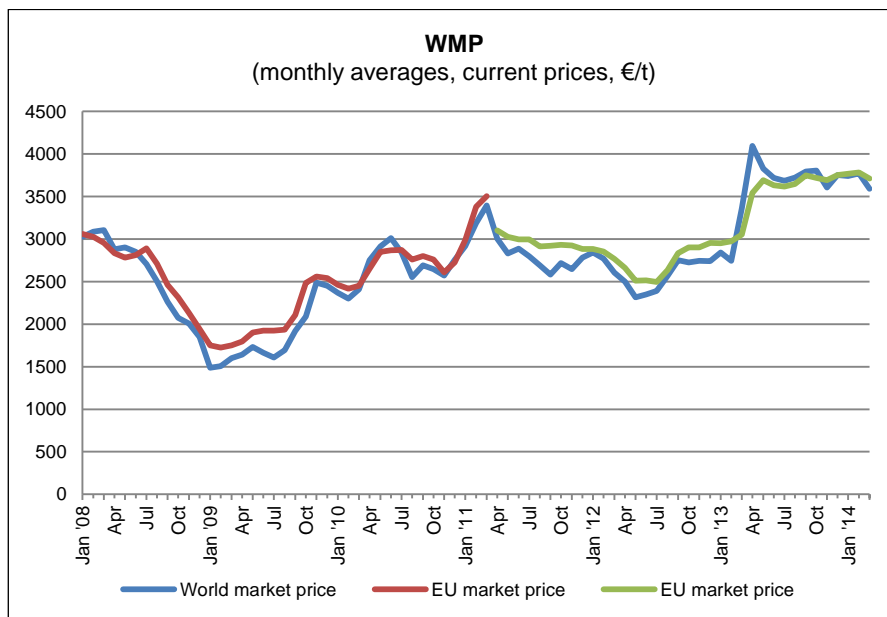


Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), July 2014

Whole Milk Powder (WMP)

Quarterly developments: In Q1 of 2014 EU WMP prices exceeded world market prices. EU WMP average prices saw a marginal increase of 0.9% in Q1 of 2014 compared to the previous quarter.

Year-on-year developments: The yearly comparison shows that, on average, EU WMP prices increased by 25.4% in Q1 of 2014 compared to Q1 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), July 2014

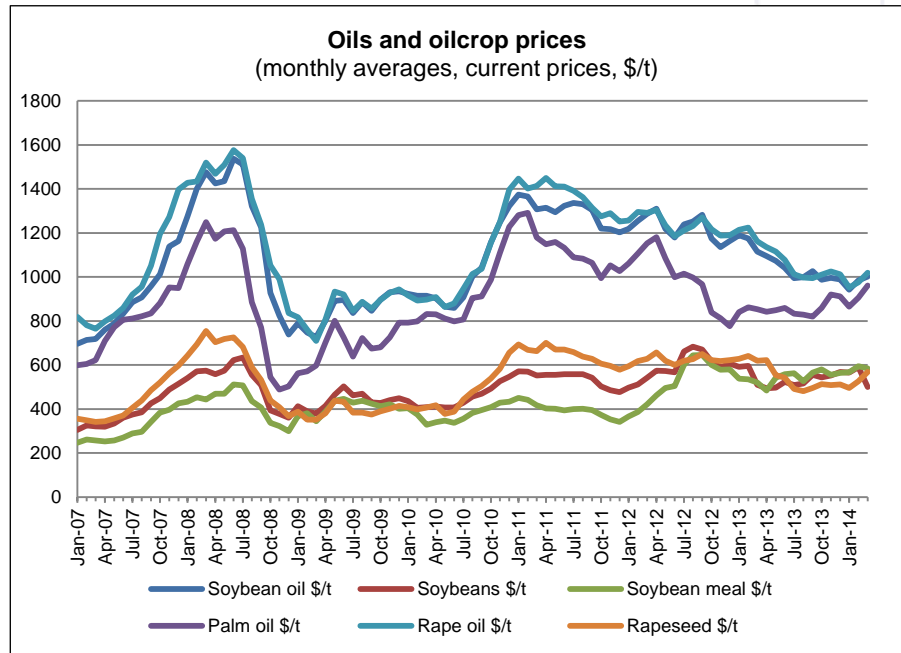
Oils and oil crops

Quarterly developments:

Price developments of major oil crops was mixed in Q1 of 2014. Soybean -1.4%, soybeans -0.5%, soybean meal +2.6%, palm oil +1.5%, rape oil -3.3, rapeseed +3.7%.

Year-on-year developments:

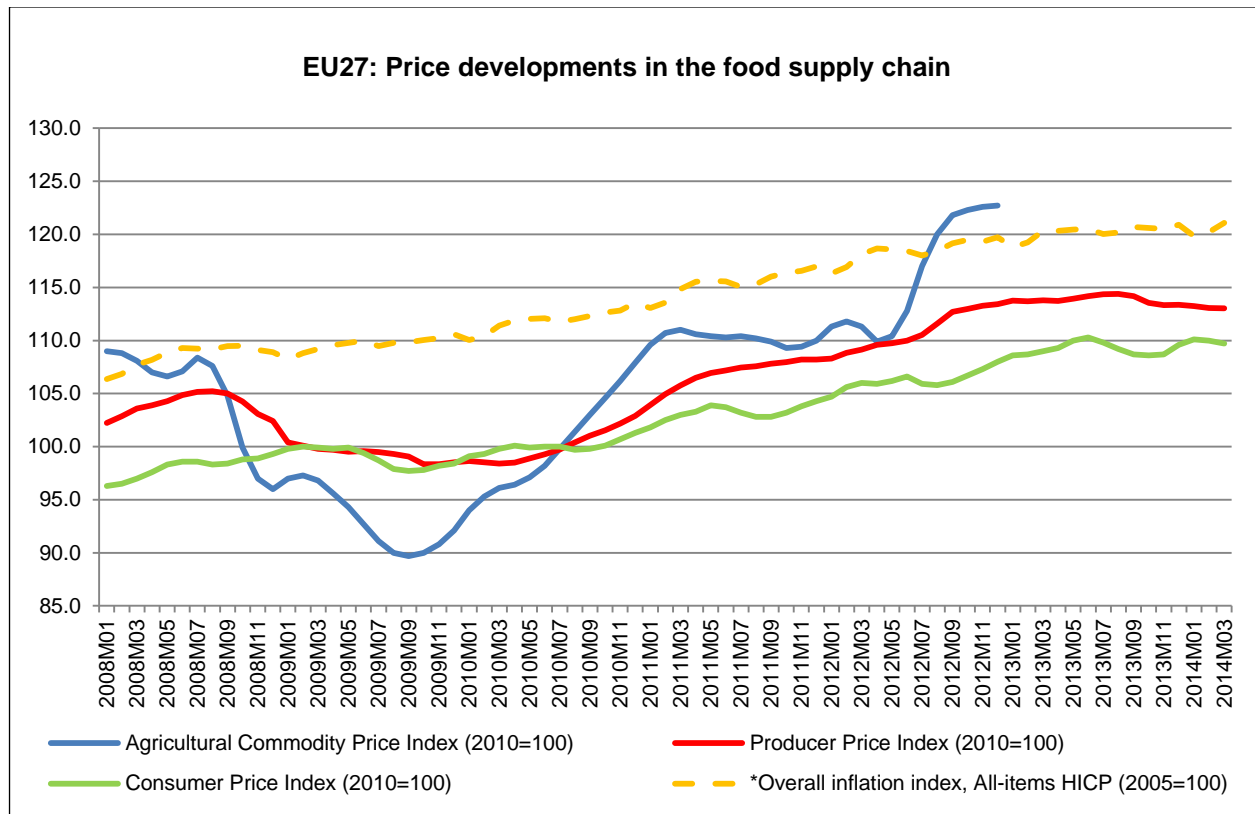
The yearly comparison shows that Soybean oil (-15.8%), soybeans (-2.5%), Soybean meal (+9.5%), palm oil (+6.8%), rape oil (-18.2%), rapeseed (-15.7%).



Source: World Bank and FAO, July 2014

3. Price developments in the food supply chain

Producer prices (-0.3%), consumer prices (+0.9%) and inflation (-0.2%) in Q1 of 2014 compared to the previous quarter.



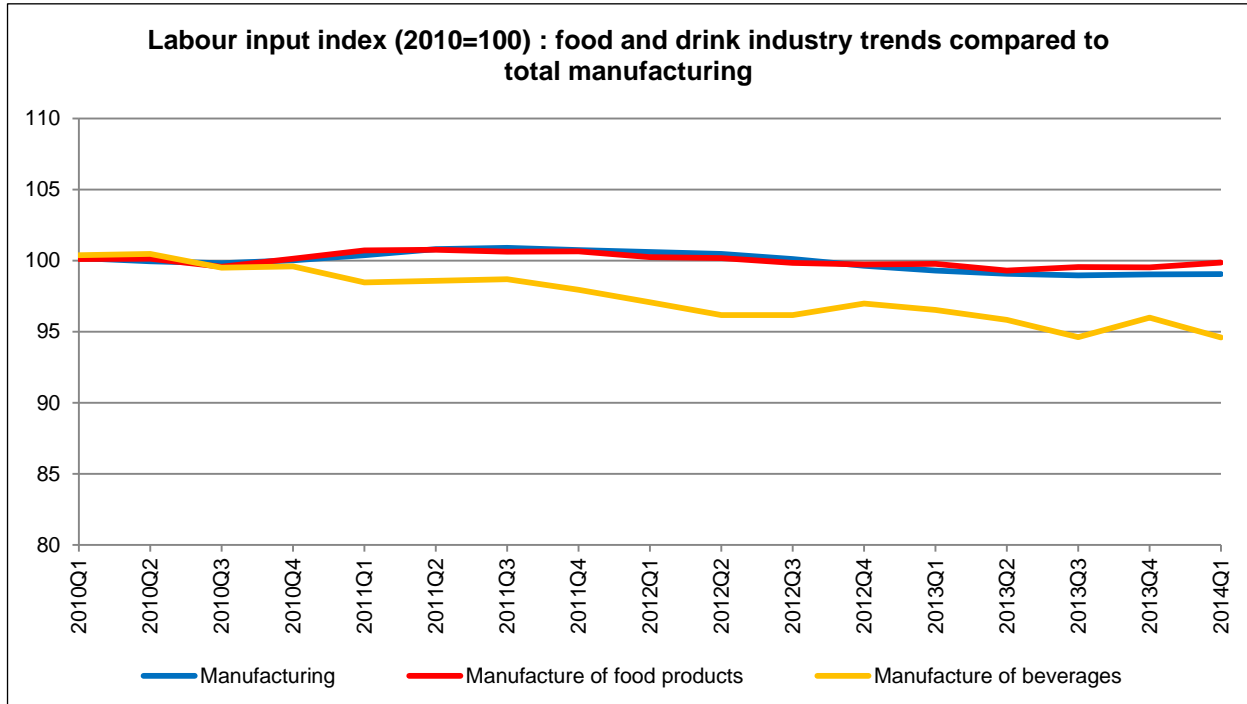
Source: Eurostat (Food supply chain monitor), July 2014



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

The labour input index for the food and drink industry increased (+0.2%) in Q1 of 2014 and exceeded the growth rate of the total manufacturing sector employment index (+0.04).

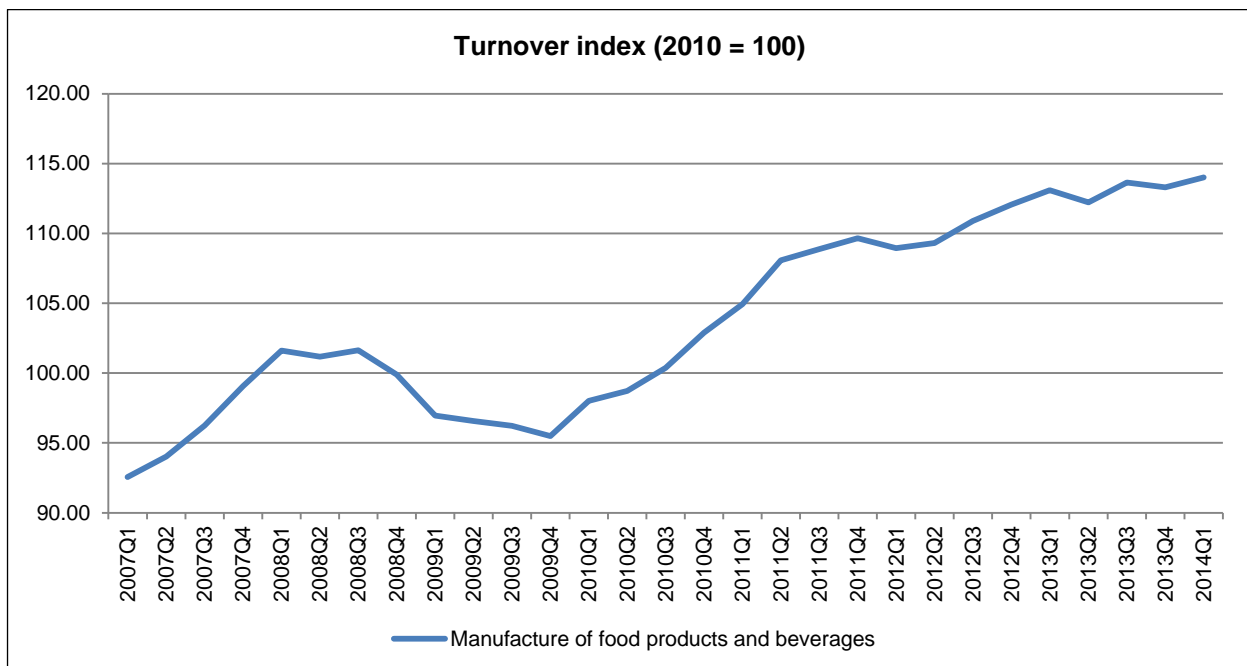
When looking at the industry breakdown, the food sector employment index increased by 0.34%. Whereas the beverages industry employment index decreased by 1.4% compared to the previous quarter.



Source: Eurostat (SBS), Nace Rev. 2, seasonally adjusted data, July 2014.

5. Food and drink industry turnover increased in Q1 of 2014

The EU food and drink industry's turnover index increased by 0.63% in Q1 of 2014 from the previous quarter.

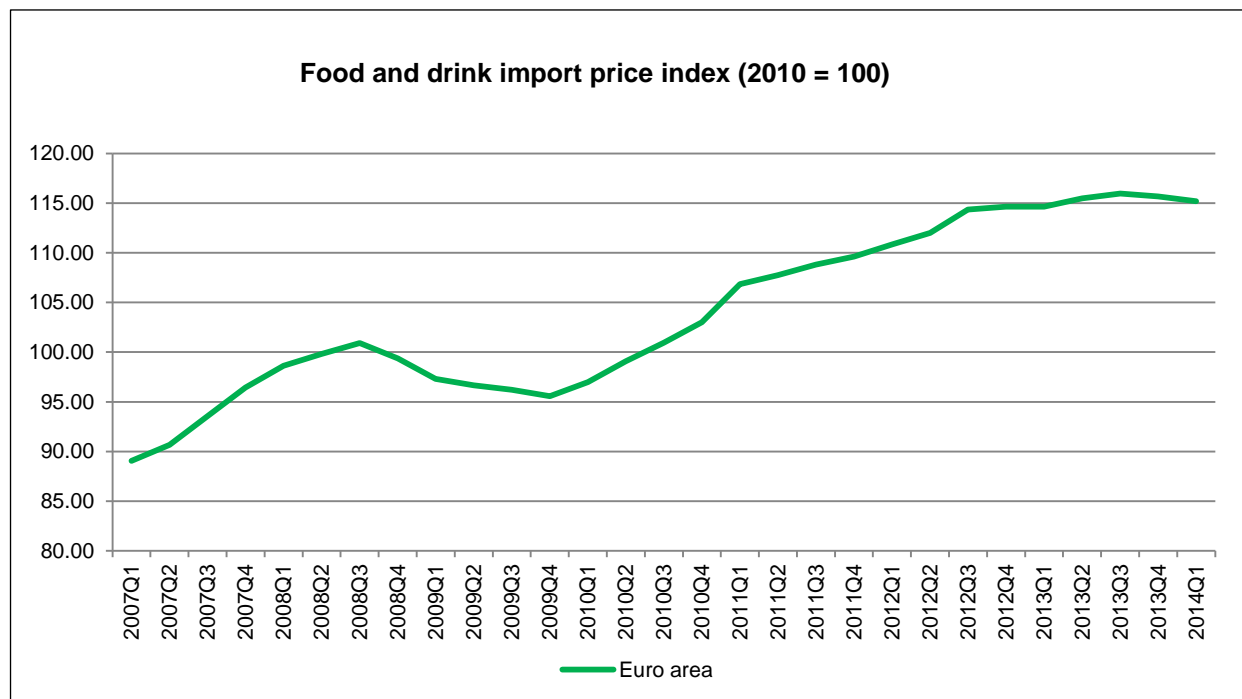


Source: Eurostat (SBS), seasonally adjusted data, July 2014



6. Imported food prices lower in Q1 of 2014

Imported food prices were lower in Q1 of 2014 -0.41% compared to the previous quarter.



Source: Eurostat (SBS), July 2014

Exchange rates

Table 3: Evolution of quarterly average exchange rates



1 EUR=	2013 Q4	2014 Q1	2014 Q1/ 2013 Q4 % change
Australian Dollar	1.47	1.53	4.18
Canadian Dollar	1.43	1.51	5.83
Brazilian Real	3.09	3.24	4.75
Swiss Franc	1.23	1.22	-0.46
Chinese Yuan Renminbi	8.29	8.36	0.81
Japanese Yen	136.48	140.80	3.17
New Zealand Dollar	1.64	1.64	-0.41
United States Dollar	1.36	1.37	0.63
Pound Sterling	0.84	0.83	-1.53

Source: Eurostat, bilateral exchange rates, July 2014



7. Trade: Imports and exports increased in Q1 of 2014 year-on-year

The EU28 trade balance in food and drink products improved in Q1 of 2014 compared to the same period of 2013. The trade surplus amounted to €5.6 billion and marks an increase of about €0.6 billion year-on-year.

Imports Q1 of 2014 	Exports Q1 of 2014 
<p>Total food and drink imports amounted to €15.8 billion, i.e. 0.4% higher compared to the previous year. A real reduction of imports in terms of quantity and value was observed for a number of products – meat, other food products, wines, cider, malt, soft drinks. For oils and fats, lower imports in terms of value were also linked to the price factor, while the imported quantity was in fact higher than a year ago.</p>	<p>Total food and drink exports amounted to €21.4 billion, i.e. 3.0% more compared to the same period of 2013. The total value of exports increased in line with a higher export volume (+4.6%). Positive year-on-year export growth rates in terms of value were registered for fruit and vegetables (+6.9%), dairy products (+25.7%), grain mill and starch products (+8.3%), bakery and farinaceous products (+5.2%), other food products (+9.0%), prepared animal feed (+2.7%), cider (+37.2%), beer (+3.6%), soft drinks (+2.8%).</p>

EU28 trade balance, in € million		
	Q1	
	2013	2014
Total of Food and Drink	5.047	5.609
Meat products	986	762
Fish and sea food products	-2.798	-2.928
Processed fruit and vegetables	-528	-598
Oils and fats	-2.708	-2.586
Dairy products	2.062	2.568
Grain mill and starch products	290	313
Bakery & farinaceous products	667	701
Other food products	1.908	2.344
Prepared animal feed	519	530
Drinks	4.636	4.430

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 17 major food and drink companies. For more information on FoodDrinkEurope and its activities, please visit: www.fooddrinkeurope.eu.

For further information, please contact:

FoodDrinkEurope, +32 2 514 11 11, Economic Affairs Department, I.hinzen@fooddrinkeurope.eu