

At A Glance – Summary of Q3 highlights

EU food and drink industry evolution during Q3 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: Europe refers to the European Union or the EU27 in the text, unless otherwise specified. From 1 July 2013 the European Union (EU28) also includes Croatia.

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

	2012q3	2012q4	2013q1	2013q2	2013q3	2013q3
	Quarterly variations (% change)*					Annual variations (% change)**
Manufacturing sector (NACE Rev. 2)						
Industrial production index	0.3	-2.0	0.2	1.0	0.2	-0.6
All sectors						
Private final consumption (volume)	-0.1	-0.1	0.0	0.2	0.3	0.4
	2013m05	2013m06	2013m07	2013m08	2013m09	2013m09
Retail trade volumes	Monthly variations (% change)*					Annual variations (% change)**
	All sectors					
	1.3	-0.6	0.5	0.3	-0.4	0.8
	Food, drinks and Tobacco					
	1.5	-0.5	1.2	-0.5	-0.9	-1.1

* With respect to previous quarter/month

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

Source: Eurostat, December 2013

The EU **manufacturing industrial production index** increased by 0.2% in Q3 of 2013. In the same period, private consumption (volumes) registered a slight increase compared to the previous quarter, i.e. 0.3%. The yearly comparison shows that the industrial production index decreased in Q3 of 2013 compared to the same quarter of the previous year, i.e. by -0.6%. Private consumption increased compared to the change registered in the same quarter of 2012, i.e. by 0.4%.

The **volume of retail trade** (all sectors) decreased by 0.4% in September 2013 (compared to August 2013) and a similar trend was observed for **retail trade in food, drinks and tobacco** which decreased by 0.9%. Among the Member States for which data are available, total retail trade fell in thirteen, rose in seven and remained stable in France and Latvia. The largest decreases were registered in Portugal (-6.2%), Slovenia (-4.0%) and Spain (-2.5%), and the highest increases in Luxembourg (+3.1%) and Poland (+1.6%).¹

FOOD AND DRINK INDUSTRY INDICATORS IN Q3 OF 2013

1. Food and drink industry output index increased

Food and drink industry output (production) in the EU was positive in Q3 of 2013 (0.45%) offsetting a period of negative growth in the previous quarter (-0.66%). The positive performance of the food and drink industry exceeded that of the manufacturing production index (see the above section: Economic trends in the EU).

Some of the countries that had already recorded positive food and drink industry output growth rates in Q2 of 2013 outperformed their previous growth rates in Q3 of 2013 (i.e. Austria, Latvia, Spain). A number of countries moved from a positive to a negative output growth path, namely Bulgaria (-2.47%), Denmark (-0.81%) and Finland (-0.33), and others remained on a negative trend (i.e. Czech Republic, France, Ireland, Italy, Portugal).

Table 2: Industry production index, quarterly growth

Member State	2013 Q2/2013 Q1 (% change)	2013 Q3/2013 Q2 (% change)
EU28	-0.66	0.45
Austria	1.40	4.11
Belgium	-1.09	1.63
Bulgaria	2.62	-2.47
Croatia	n/a	n/a
Czech Republic	-2.83	-1.04
Denmark	2.00	-0.81
Estonia	-0.49	1.28
Finland	0.41	-0.33
France	-0.05	-0.11
Germany	-1.35	0.60
Greece	n/a	n/a
Hungary	-1.83	2.97
Ireland	-0.40	-0.82
Italy	-1.30	-1.24
Latvia	1.85	1.98
Lithuania	0.87	0.75
Netherlands	0.95	0.63
Poland	-2.42	2.57
Portugal	-0.99	-4.45
Romania	3.02	0.30
Spain	0.19	0.44
Sweden	-1.77	0.57
United Kingdom	-0.10	1.12

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

¹ Eurostat news release, Euro indicators, 162/2013.

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

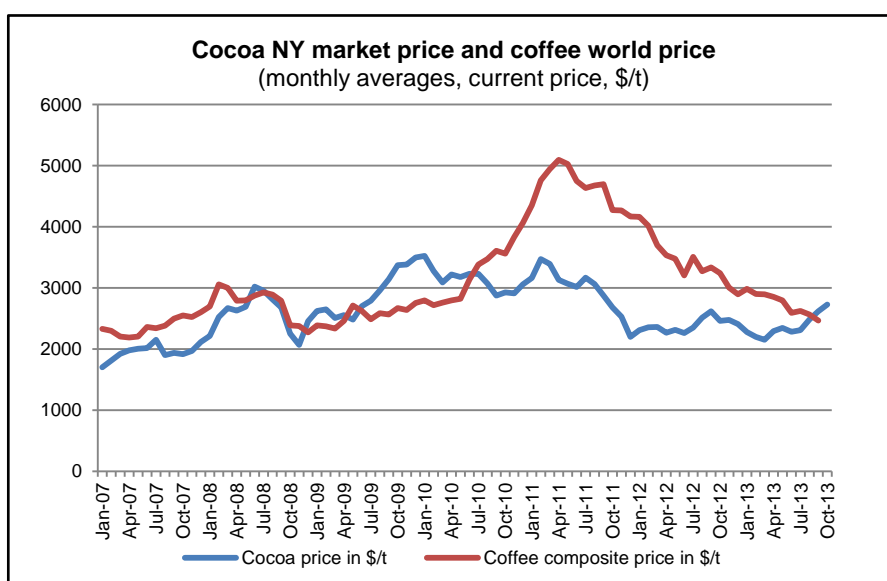
Cocoa and coffee

Quarterly developments:

Cocoa prices continued to rise for the second consecutive quarter, the average price of cocoa increased by 7% in Q3 of 2013. The coffee composite price continued on a negative trend and decreased by 7.2% in Q3 of 2013 compared to the previous quarter.

Year-on-year developments:

The year-on-year comparison shows that, the New York cocoa market recorded a 1% decrease with respect to Q3 of 2012. Coffee composite prices were significantly lower than their level in the same quarter of 2012, i.e. by 24.3%.



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

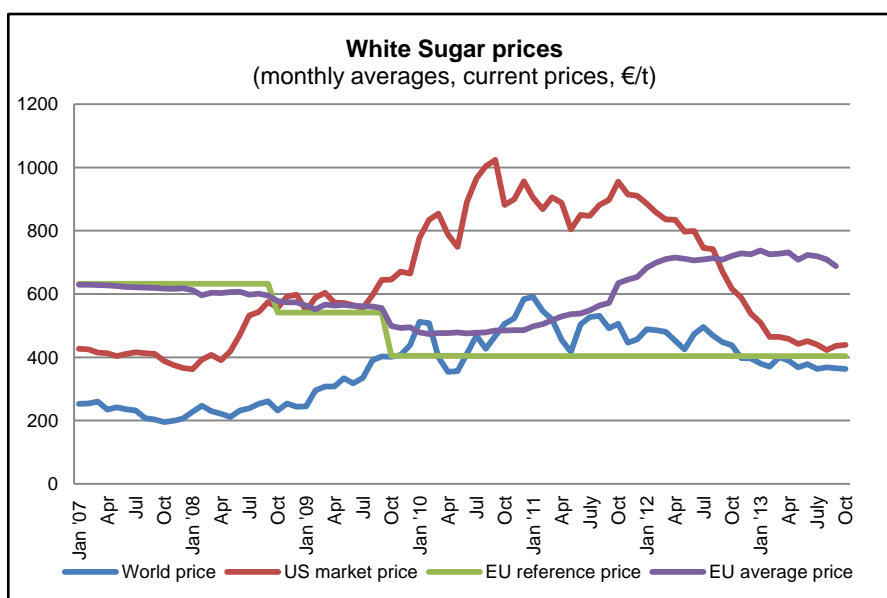
Sugar

Quarterly developments:

EU white sugar prices slightly decreased (-2.1%) in Q3 of 2013. In the same quarter, U.S. market prices decreased, i.e. by 3.9% compared to Q2 of 2013.

Year-on-year developments:

On average, the EU market price for white sugar was 0.7% lower in Q3 of 2013 than the same quarter of the previous year. The U.S. market price was 39.8% lower than the average in Q3 of 2012. In comparison, the world sugar price was 22.3% 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, December 2013

Grains

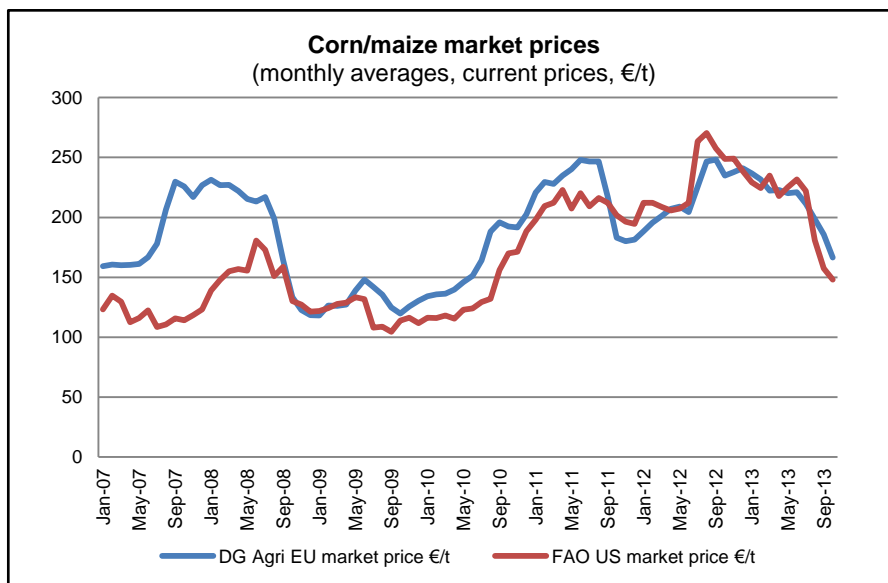
Corn maize prices

Quarterly developments:

Following the trend of the previous quarter, EU maize prices decreased in Q3 of 2013, i.e. by 10.3%. U.S. maize prices also decreased in the same period, i.e. by 16.9%, thus continuing on the negative trend of the previous three quarters.

Year-on-year developments:

On average, EU maize prices were 17.3% lower in Q3 of 2013 than the same quarter of the previous year. Similarly and to an even greater extent, U.S. maize prices were 29.2% lower in Q3 of 2013 compared to Q3 of 2012.



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

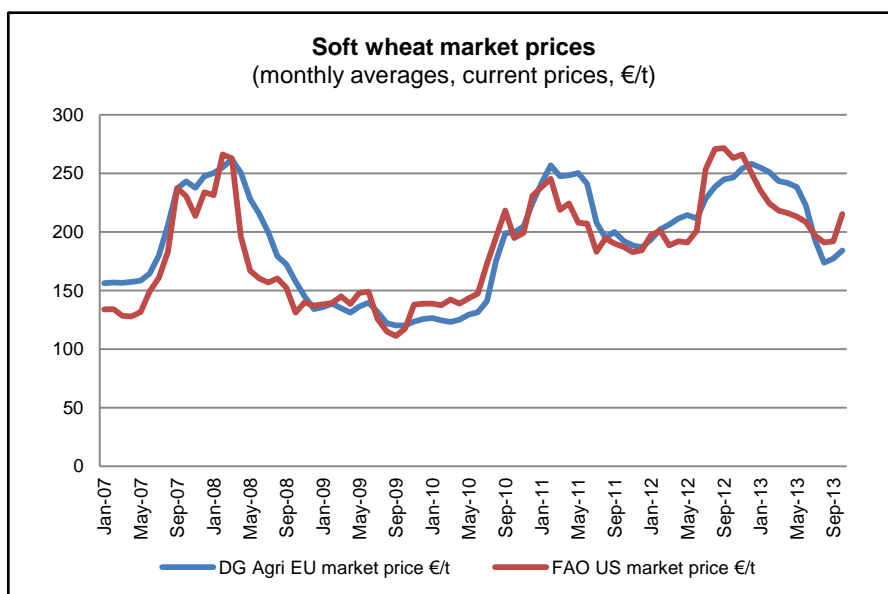
Soft wheat prices

Quarterly developments:

EU soft wheat prices decreased in Q3 of 2013 i.e. by 22.6% compared to the previous quarter. U.S. soft wheat prices were 9% lower than in Q2 of 2013.

Year-on-year developments:

On average, EU soft wheat prices were 23.6% lower in Q3 of 2013 than in the same quarter of the previous year. U.S. soft wheat prices were 27.1% lower in Q3 of 2013 year-on-year.



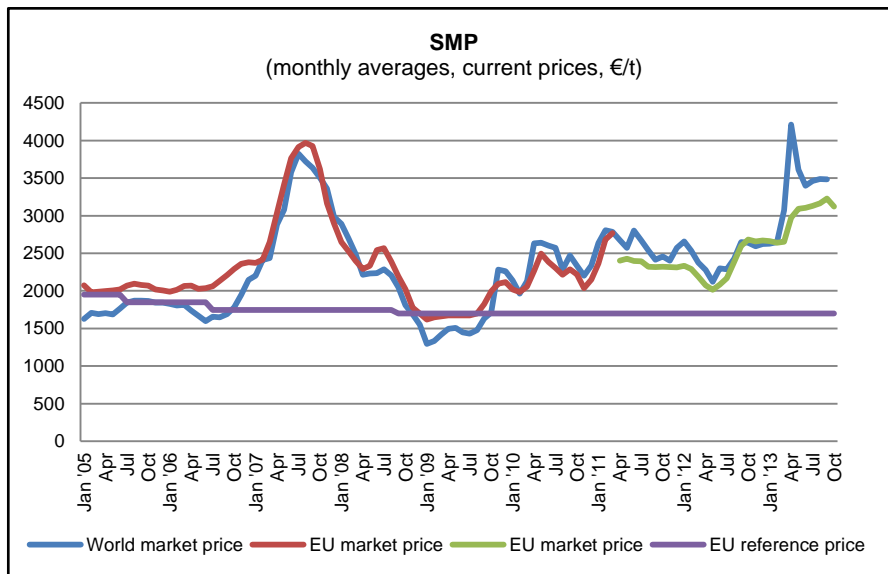
Source: FAO and European Commission (DG Agri), December 2013

Dairy

Skimmed Milk Powder (SMP)

Quarterly developments: EU SMP prices registered an increase in Q3 of 2013 (compared to Q2 of 2013) i.e. by 3.9%. Similar to the previous two quarters, world market prices continued to exceed EU SMP prices in Q3 of 2013.

Year-on-year developments: The yearly comparison shows that, on average, EU SMP prices were 33.1% higher in Q3 of 2013 than the same period in 2012.

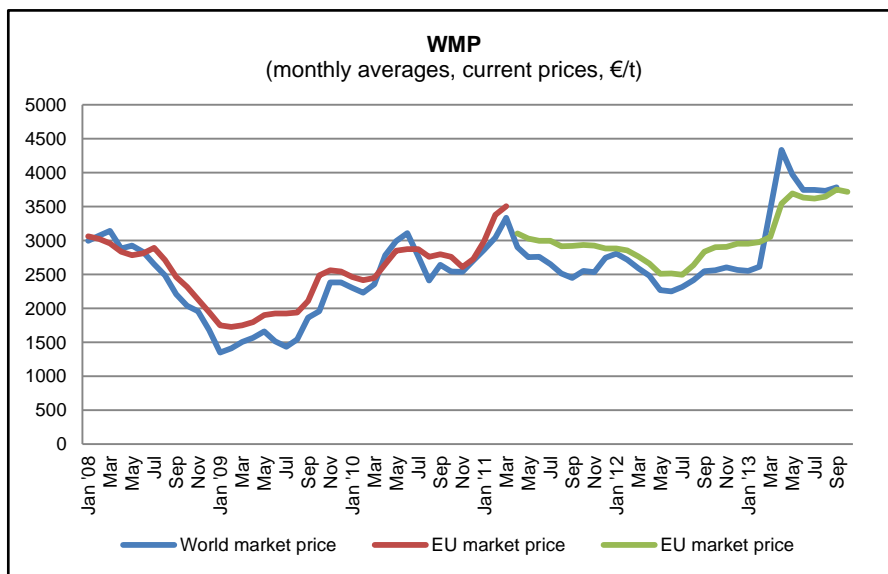


Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), December 2013

Whole Milk Powder (WMP)

Quarterly developments: World average prices continued to exceed EU WMP for the second consecutive quarter. EU WMP average prices saw a marginal increase of 1.4% in Q3 of 2013 compared to the previous quarter.

Year-on-year developments: The yearly comparison shows that, on average, EU WMP prices increased by 38.2% in Q3 of 2013 compared to Q2 2012.

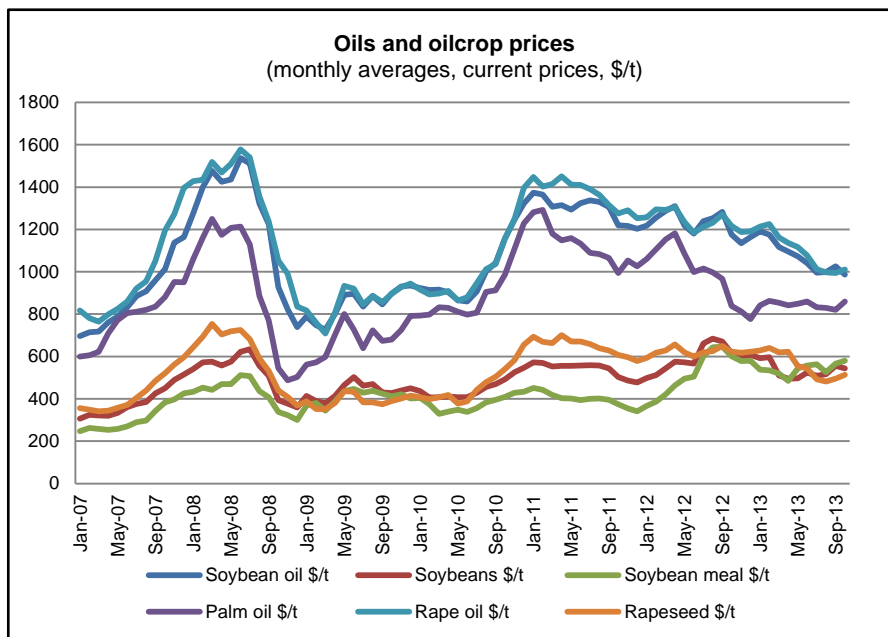


Source: FAO, CLAL consultancy (discontinued after January 2011 to the benefit of the European Commission source), European Commission – Circa (Regulations (EC) No 562/2005 Article 6(1) and 479/2010 Article 2), December 2013

Oils and oil crops

Quarterly developments: In Q3 of 2013 Soybean and soybean meal prices increased by 4.3% and 4.4% respectively. Prices for Soybean oil (-5.9%), Palm oil (-2.7%), Rapeseed (-14.5%) and Rape oil (-9.8%) experienced a general decrease.

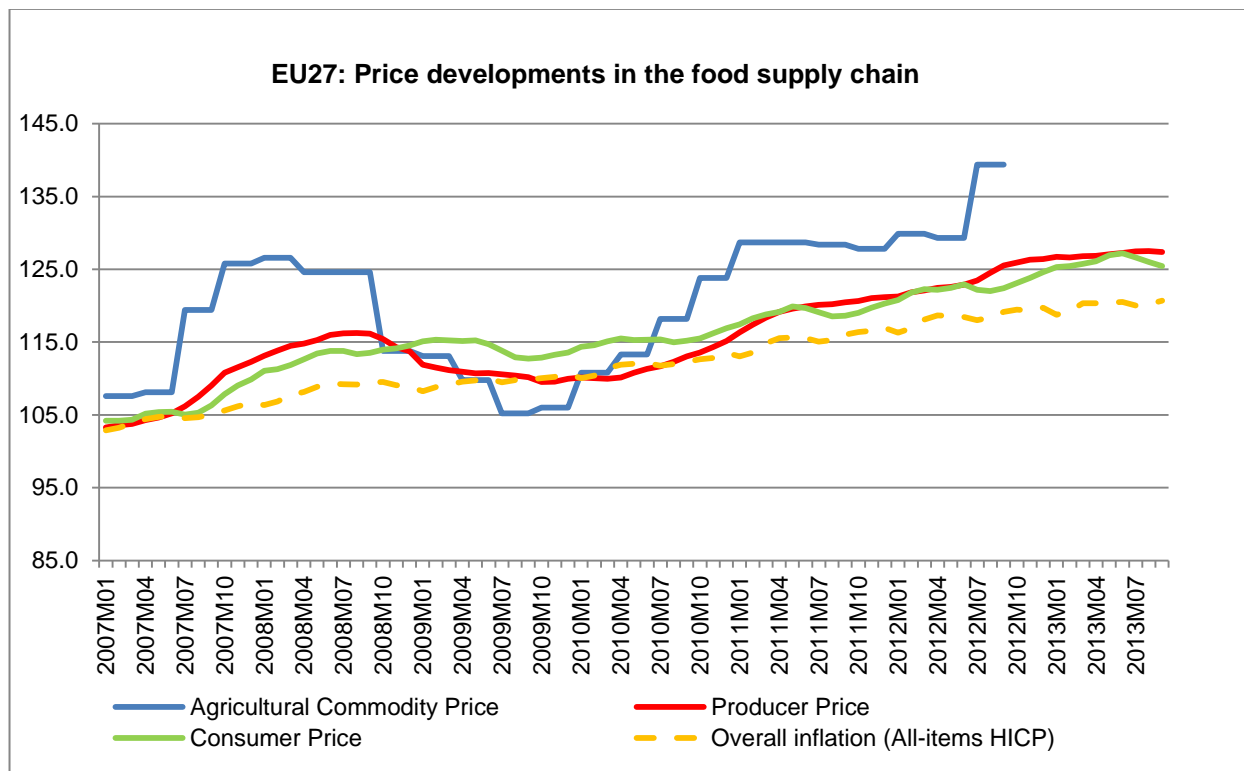
Year-on-year developments: The yearly comparison shows that in Q3 selected oil and oil crop price levels were all lower than in the same quarter of 2012. Rapeseed (-22.5%), Soybean (-21.6%), Soybean oil (-20%), Rape oil (-19.2%), Palm oil (-16.7%), Soybean meal (-16.7%).



Source: World Bank and FAO, December 2013

3. Price developments in the food supply chain

Consumer prices (-0.6%), producer prices (+0.3%) and inflation (-0.1%) in Q3 of 2013 compared to the previous quarter.

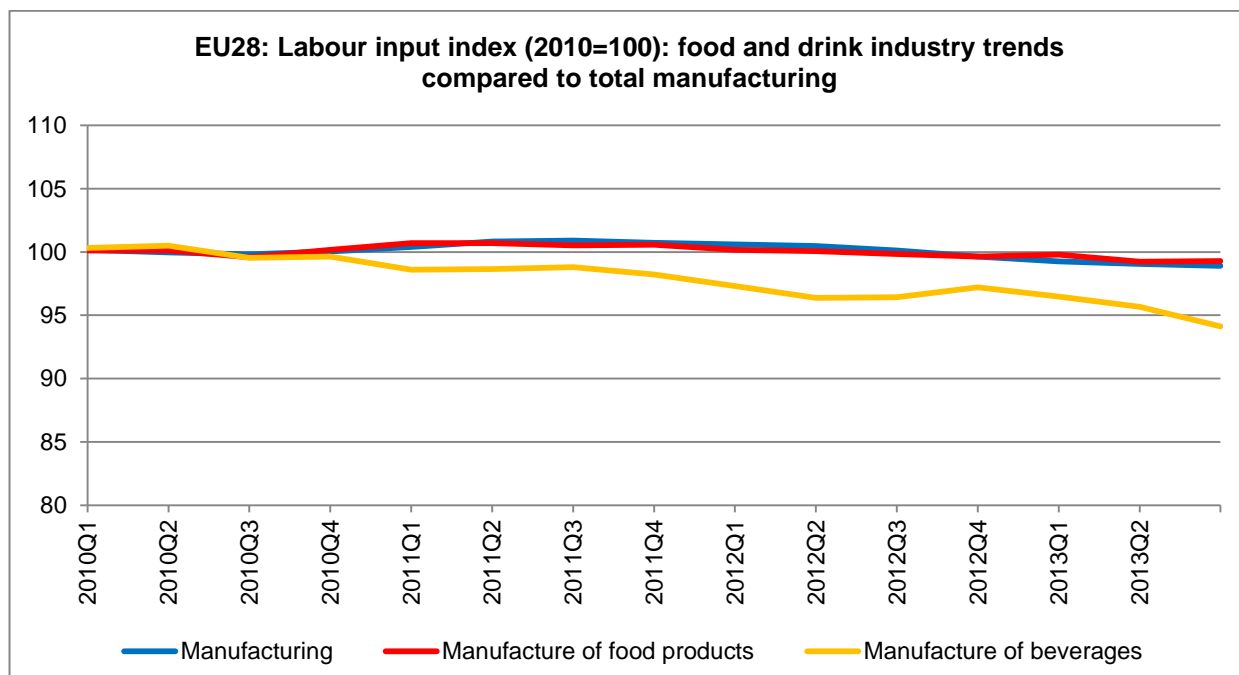


Source: Eurostat (Food supply chain monitor), December 2013

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

The labour input index for the food and drink industry decreased for a second consecutive quarter (-0.11%) in Q3 of 2013. However, a slightly stronger decrease was recorded for the total manufacturing sector employment index (-0.15%) in Q3 of 2013.

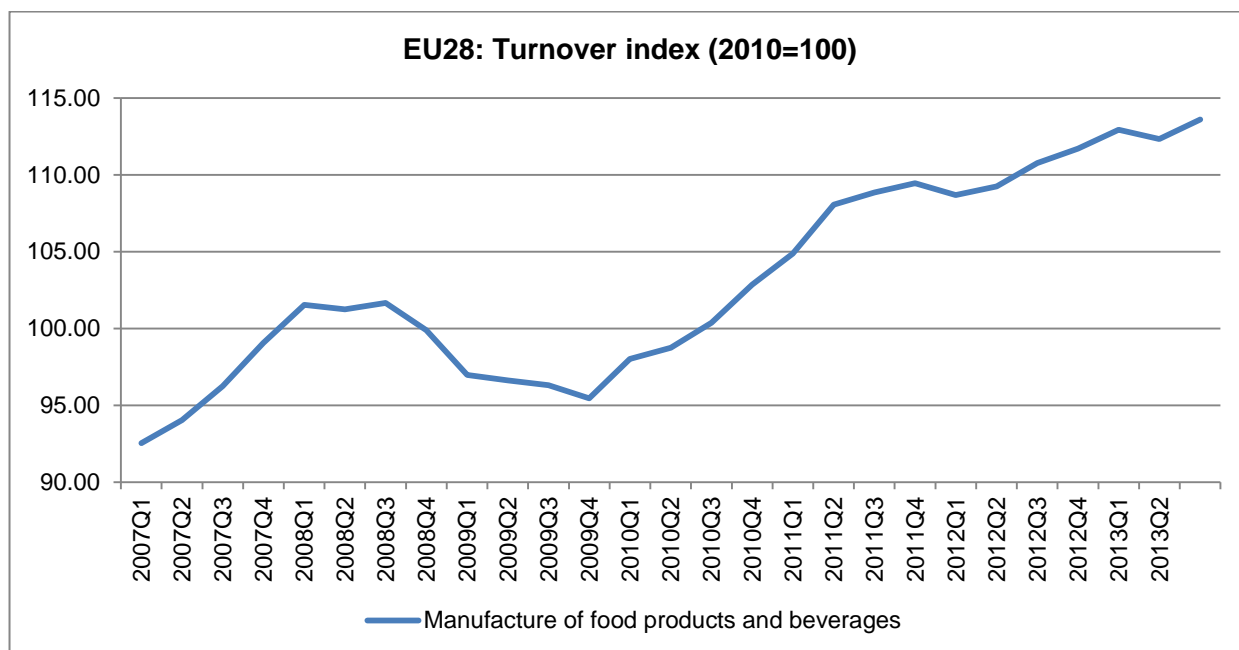
When looking at the industry breakdown, the food sector employment index increased by 0.05%, whereas the beverages industry employment index decreased by 1.61% in comparison with the previous quarter.



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

5. Food and drink industry turnover increased in Q3 of 2013

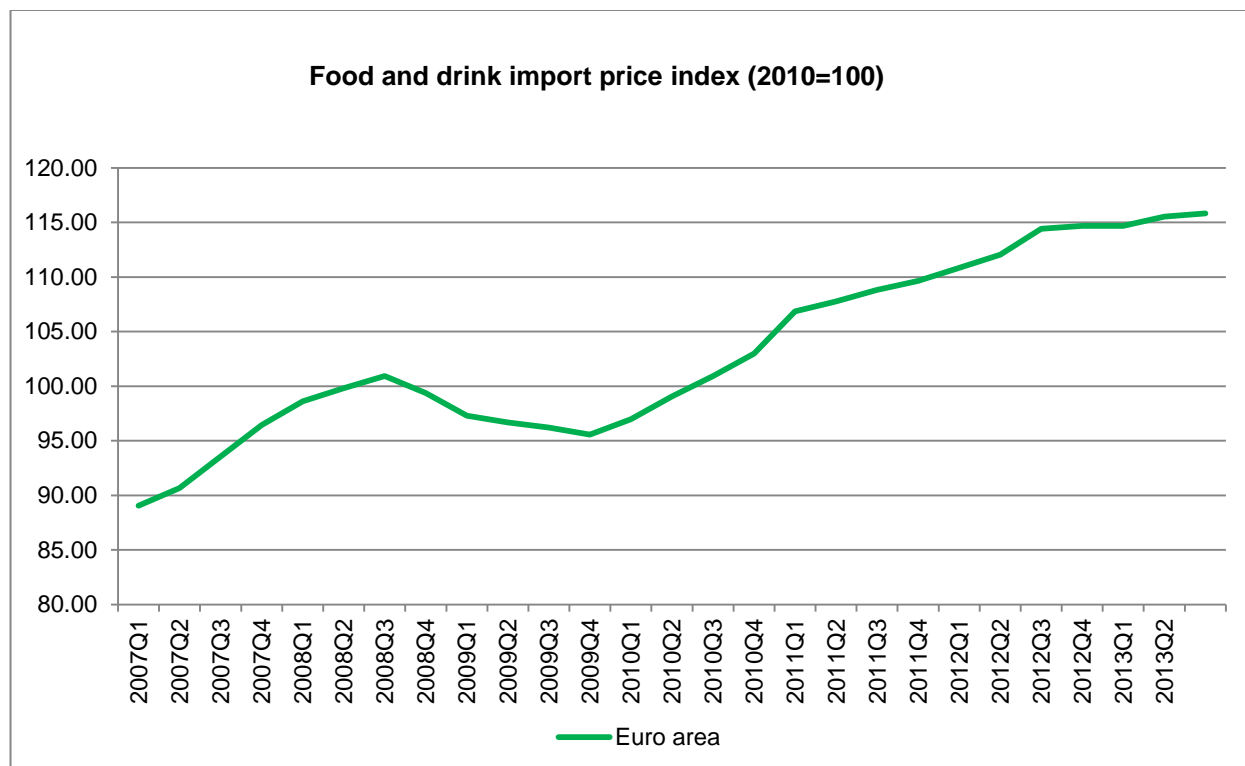
The food and drink industry's turnover index increased by 1.13% in Q3 of 2013 from the previous quarter.



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

6. Imported food prices continued to rise in Q3 of 2013

Continuing the positive trend which started in Q1 of 2010, imported food prices continued to increase in Q3 of 2013, up to 0.28% from the previous quarter.



Source: Eurostat (SBS), December 2013

Exchange rates

In Q3 of 2013 the euro appreciated against the currencies of major trading partners.



Table 3: Evolution of quarterly average exchange rates

1 EUR=	2013 Q2	2013 Q3	Q3 2013/ Q2 2013 %
Australian Dollar	1.32	1.45	9.56
Canadian Dollar	1.34	1.38	2.93
Brazilian Real	2.70	3.03	12.26
Swiss Franc	1.23	1.23	0.27
Chinese Yuan Renminbi	8.04	8.11	0.91
Japanese Yen	129.07	131.02	1.51
New Zealand Dollar	1.59	1.66	4.35
United States Dollar	1.31	1.32	1.38
Pound Sterling	0.85	0.85	0.47

Source: ECB, bilateral exchange rates, December 2013

7. Trade: Imports decreased and exports increased in Q3 of 2013 year-on-year

The EU28 trade balance in food and drink products continued to improve during Q3 of 2013 compared to the same period of 2012. The export surplus amounted to nearly €6.3 billion, which marks an increase of €0.6 billion year-on-year.

Imports Q3 of 2013 	Exports Q3 of 2013 
<p>Total food and drink imports amounted to €16.8 billion, i.e. 1.14% lower 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 products – meat and fish products, oils and fats, grain mill and starch, cider and malt. For food and drink products in general, lower imports in terms of value were 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 €23.1 billion, i.e. 2% more compared to the same period of 2012. In fact, the total value of exports increased despite a lower total export volume (-2%). The year-on-year export growth registered for cider, bakery and farinaceous products, other food products, grain mill and starch was positive (7.9%, 6.4%, 5.5%, 4.5% respectively) and matched with a similar trend in terms of exported quantities. Prepared animal feed contributed also to the growth in export value, despite witnessing a double-digit volume reduction. A single-digit volume reduction was registered for dairy products, fruits and vegetables, and meat products.</p>

Trade balance in € million		
	Q2	
	2012	2013
Total of Food and Drink	5.715	6.353
Meat products	1.224	1.324
Fish and sea food products	-3.324	-3.204
Processed fruit and vegetables	-754	-752
Oils and fats	-3.187	-2.935
Dairy products	2.192	2.387
Grain mill and starch products	281	308
Bakery & farinaceous products	808	855
Other food products	2.217	2.370
Prepared animal feed	580	584
Drinks	5.604	5.429

The mission of FoodDrinkEurope is to represent Europe's food and drink industry – the largest manufacturing sector in the EU 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 26 national federations, including 3 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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