Data & trends of the European Food and Drink Industry 2008

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:

- 26 national federations, including 3 observers;
- 28 EU sector associations;
- 19 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 themes: trade and competitiveness, food and consumer policy, environment, commercial relations, diet, nutrition and health.

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This report presents EU-27 data unless otherwise specified.

At a glance

the EU-27 Food and Drink Industry in 2007

Turnover

€ 913 billion
(+4.2% compared to 2006)

Largest manufacturing sector in the EU (13.4%), ahead of the automobile and chemical industries

Employment

4.3 million people
(-0.6% compared to 2006)

Leading employer in the EU (13.5%), ahead of the fabricated metal and machinery & equipment industries

SMEs

48.5% of the food and drink turnover

63.0% of the food and drink employment

External trade

Exports € 54.7 billion
(+5.1% compared to 2006)

Imports € 52.7 billion
(+9.2% compared to 2006)

Trade balance € 2.0 billion

Net exporter of food and drink products

Number of companies

308,000[1]

Fragmented industry

EU market share of global export market

19.8% (24.6% in 1998)

Shrinking share of EU exports in global markets

Value added

(% of EU GDP)

2%

Consumption

(% of household expenditure)

12.6%

Declining share

R&D

(% of food and drink output)

0.24%[2]

Insufficient R&D expenditure

(1) 2006 data
(2) EU-15 figure in 2004

Structure of the food and drink industry

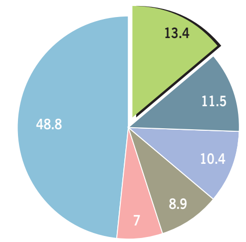
The food and drink industry in the EU

		2006	2007/2006*	2007*
Turnover	€ billion	876	↗ 4.2%	913
Value added	€ billion	188		-
Employees	million	4.3	↘ -0.6%	4.3
Companies	thousand	308		-

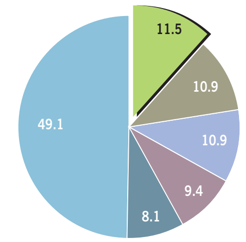
(*) CIAA estimates based on Eurostat figures
(-) not available

Source: Eurostat, SBS and CIAA calculation

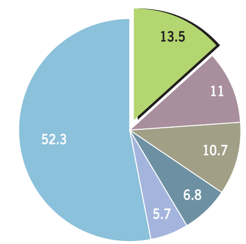
Share of turnover in manufacturing industry (%)



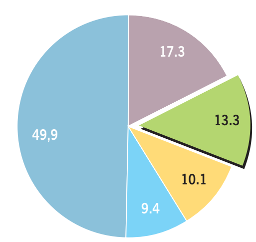
Share of value added in manufacturing industry (%)



Share of employment in manufacturing industry (%)



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



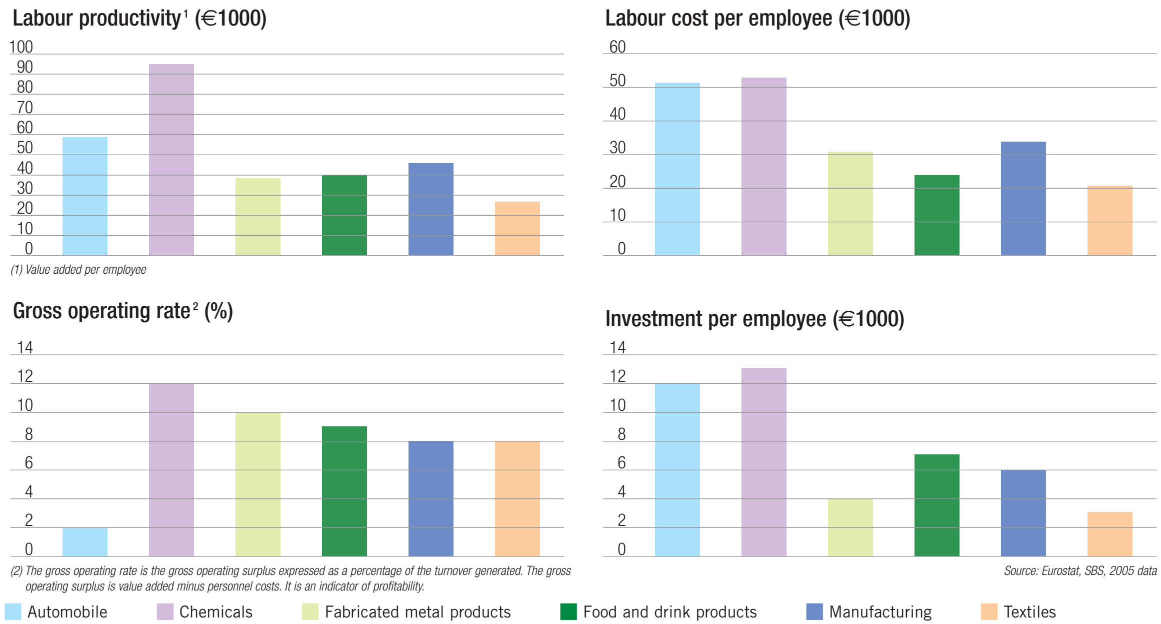
Food and drink
Machinery and equipment
Coke and refined petroleum products
Automobile
Fabricated metal products
Publishing and printing
Chemicals
Others
Furniture

Note: the manufacturing sectors are defined at 2-digit level of the NACE-Rev.1 (food and drink industry: division DA 15).

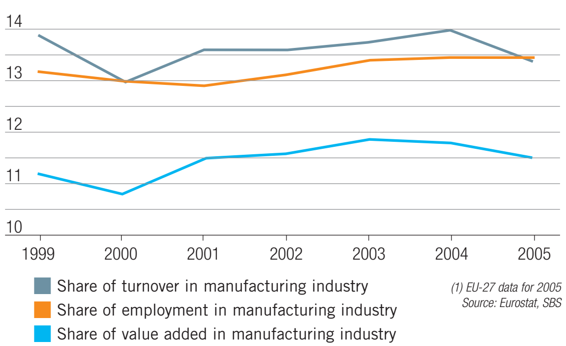
Source: Eurostat, SBS, 2005 data

- 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 (after fabricated metal products) in terms of number of companies in the EU.
- The share of the food and drink industry in the manufacturing industry registered slight variations, of one percentage point as a maximum, since 1999.
- The growth of the food and drink industry's turnover is on average similar to the one of the manufacturing industry over the period 2000-2007. The number of employees decreased less in the food and drink industry than in the manufacturing industry over the same period (-2.8% and -7.1% respectively).

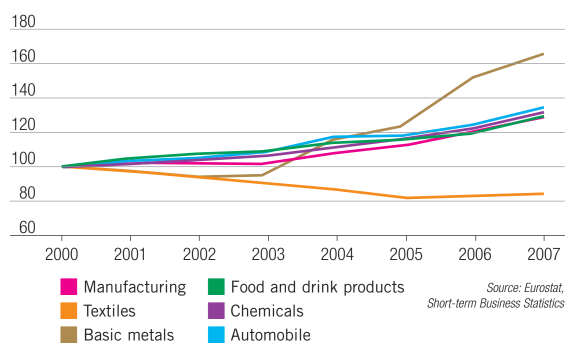
Labour productivity, labour cost, profitability and investment in the manufacturing industry



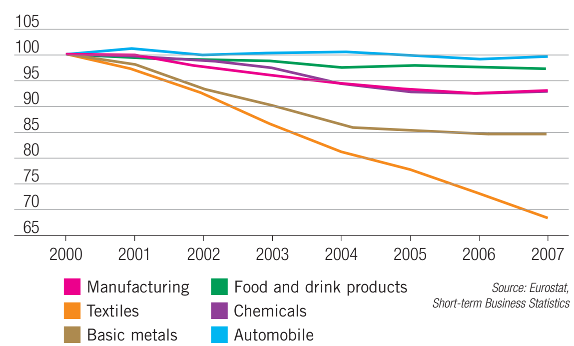
Share of food and drink industry turnover, value added and employment in manufacturing industry, 2000-2005, EU-25[1] (%)



Evolution of turnover in the manufacturing industry, 2000-2007, (2000=100)



Evolution of employment in the manufacturing industry, 2000-2007, (2000=100)



SMEs in the food and drink industry

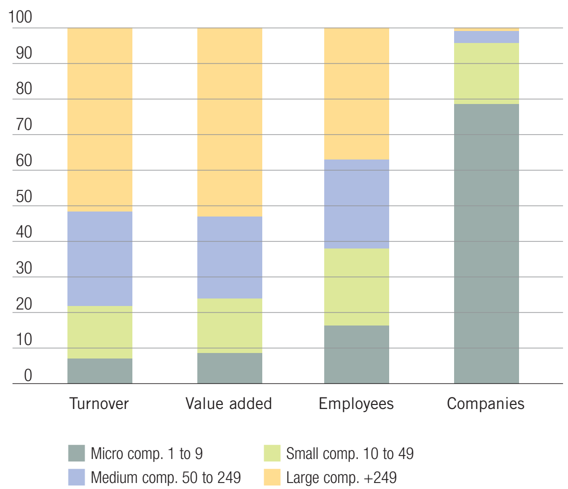
- The food and drink sector includes approximately 308,000 companies.
- The food and drink industry is composed of a diverse range of companies from SMEs (defined as having less than 250 employees) to large companies.
- The food and drink industry is a fragmented industry. SMEs make up 99.1% of the food and drink business population. These companies generate 48.5% of food and drink turnover and employ 63% of the sectorial workforce.
- Large companies account for 0.9% of all food and drink enterprises but they provide 51.5% of the turnover, 52.9% of the value added and contribute to 37% of the employment.

Turnover, value added, employees and number of companies in the food and drink industry and in the manufacturing industry by size (%)

		Micro comp.	*Small comp.*	*Medium comp.*	*SMEs*	*Large comp.*
		1 to 9	*10 to 49*	*50 to 249*		*+ 249*
Turnover	**Manufacturing**	6.0	12.7	21.0	39.7	60.3
	Food and drink	7.0	14.8	26.7	48.5	51.5
Value added	**Manufacturing**	7.4	15.5	22.4	45.3	54.7
	Food and drink	8.7	15.2	23.2	47.1	52.9
Number of employees	**Manufacturing**	14.0	20.6	24.7	59.3	40.7
	Food and drink	16.2	21.8	25.0	63.0	37.0
Number of enterprises	**Manufacturing**	80.6	15.0	3.6	99.2	0.8
	Food and drink	78.5	17.0	3.6	99.1	0.9

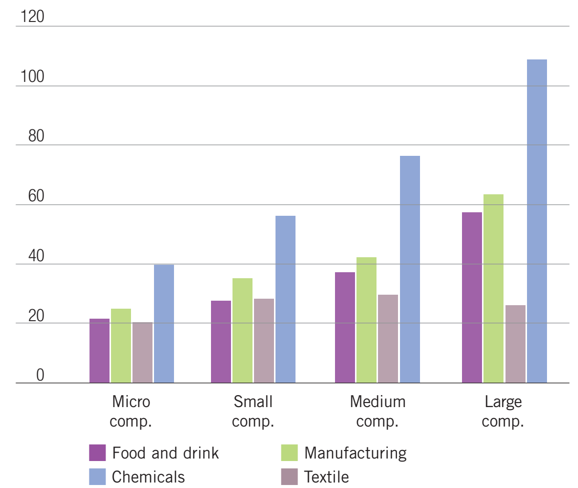
Source: Eurostat, SBS size-class, 2005 data

Turnover, value added, employees and number of companies by size in the food and drink industry (%)



Source: Eurostat, SBS size-class, 2005 data

Labour productivity[1] by size in the manufacturing industry (€ 1000)

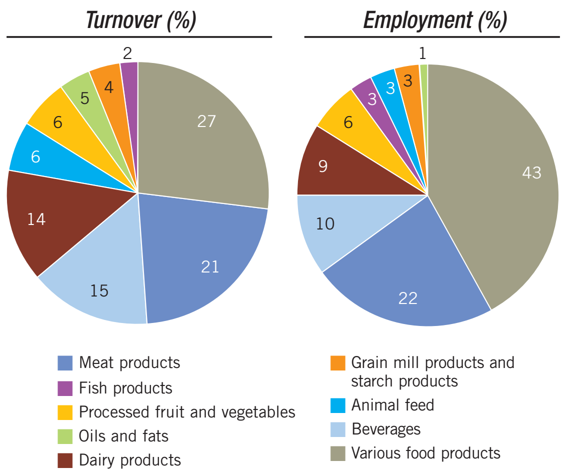


(1) Value added per employee

Source: Eurostat, SBS size-class, 2005 data

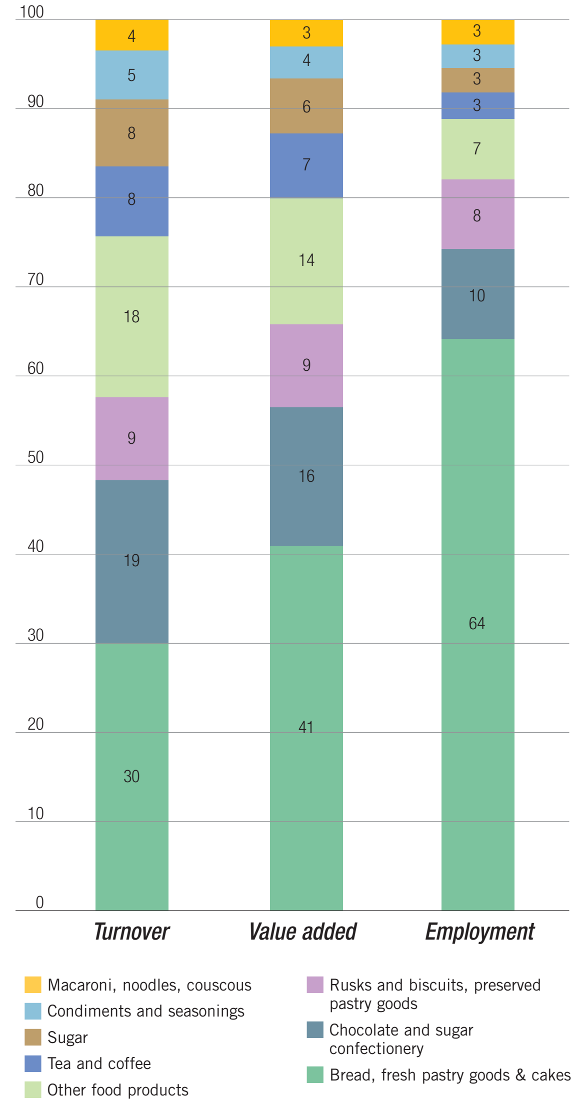
- The “various food products” category is the largest sub-sector, representing 27% of total turnover and 43% of the workforce. It is a heterogeneous group which includes bakery, pastry, chocolate and confectionery products as well as pasta and baby food.
- The meat sector, beverages and dairy products are also key branches of the industry and, together with the “various food products” category, they represent 77% of the total turnover and 84% of the total number of employees.

Distribution of turnover and employment in sub-sectors



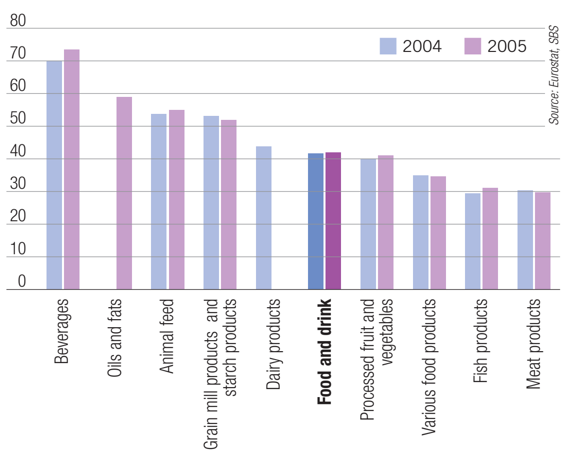
Source: Eurostat, SBS, 2005 data

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



Source: Eurostat, SBS, 2005 data

Labour productivity[1], 2004-2005 (€1000)

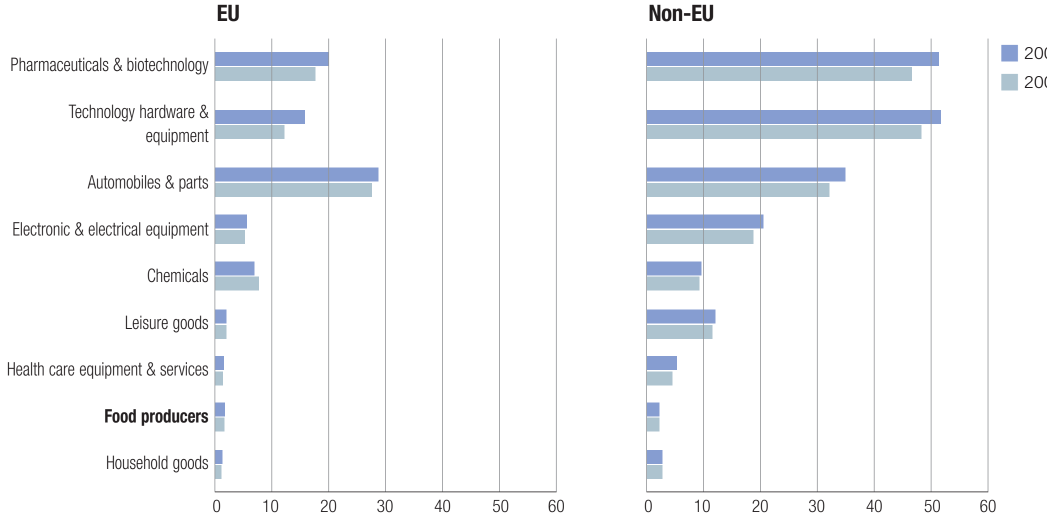


(1) Value added per employee

Investment per employee, 2004-2005 (€1000)

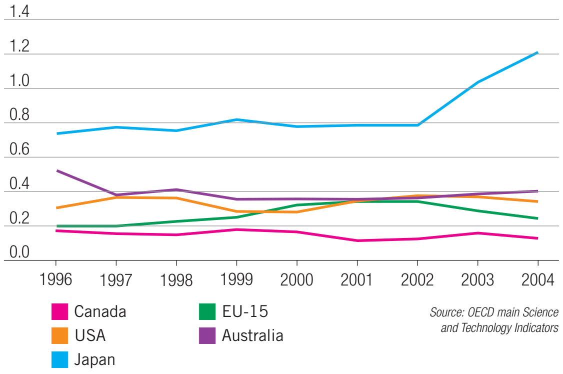
- R&D investment is traditionally very low in the food and drink industry, both in and outside the EU. In comparison with most other industries, R&D investment does not increase over the years.
- In 2004, Research and Development (R&D) investment by the EU-15 food and drink industry reached 0.24% of the total output, as compared to 0.29% in 2003, and it was below the R&D spending of the food and drink industries in most other developed countries.
- When comparing the research intensity of the largest EU and non-EU food and drink companies, the same trend emerges.
There is, however, a substantial level of diverse innovation activity in the sector, much linked to small changes in products and processes. The sectors that are most active in innovation among the food and drink industry are dairy products, water and soft drinks, frozen foods, biscuits, snacks and cheeses with 5-10% product innovation.

R&D investment in EU and non-EU countries (€ billion)



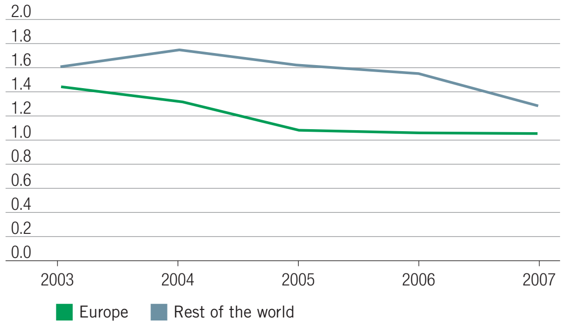
Source: 2008 EU R&D investment scoreboard, European Commission, JRC and DG RTD

R&D as a percentage of industry output for food and drink industries in various countries (%)



Source: OECD main Science and Technology Indicators

R&D intensity in EU and non-EU food and drink companies (%)

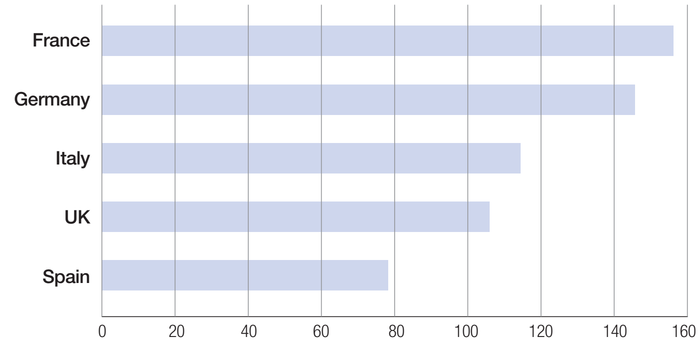


2006 & 2007: top 1000 EU and top 1000 non-EU companies, 2005: top 700 EU and top 700 non EU companies.

Source: Industrial R&D investment scoreboard, 2008.

- The food and drink industry is a pillar of the EU economy. This 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. Together they account for almost 70% of the total EU turnover.
- The table presents key available data. The sales growth rate registered important discrepancies between Member States. The number of employees pursued its downward trends in almost all Member States.

Top 5 Member States in terms of food and drink industry sales, 2007 (€ billion)



Source: National Federations

Food and drink industry data as published by National Federations[1]

	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Net sales[2] (€ billion)																											
2006	10.4	33.2	2.8*	1.3*	9.7	138.2	21.0	1.1	77.4	9.0	144.3	11.2	7.4	23.3	110.0	2.5	0.7*	1.6	0.3	57.2	-	12.0	8.4	15.7	1.9	2.9	106.8
2007	11.0	36.9	-	-	10.3	146.8	22.7	1.2	78.2	9.6	154.4	11.5	8.0	-	113.0	-	-	1.8	0.3	-	41.6	12.3	10.1	16.4	2.0	-	106.2
2007/2006 (%)	↗5.7	↗11.2			↗6.2	↗6.2	↗8.1	↗4.5	↗0.9	↗6.7	↗7.0	↗2.7	↗7.6		↗2.7			↗14.0	↘-19.7			↗2.5	↗20.9	↗4.5	↗6.4		↘-0.6
Rank[3]	5th	3rd	-	-	5th	5th	1st	2nd	1st	4th	1st	1st	3rd	1st	2nd	-	-	-	-	1st	1st	1st	-	4th	5th	4th	1st
Employment (thousand)																											
2006	58.9	90.0	101.0*	12.3*	126.5	532.1	68.4	17.3	486.0	35.3	414.0	72.0	107.0	44.3	260.0	50.7	4.4*	35.2	3.0	122.2	-	107.1	203.8	57.2	16.7	35.0	440.0
2007	58.0	89.6			121.9	531.5	66.0	17.3	487.6	34.8	415.0	72.1	101.5		256.0			33.0	2.9		420.0	108.5	206.7	55.9	15.2		438.0
2007/2006 (%)	↘-1.5	↘-0.4			↘-3.6	↘-0.1	↘-3.5		↗0.3	↘-1.4	↗0.2	↗0.1	↘-5.1		↘-1.5			↘-6.3	↘-5.1			↗1.3	↗1.4	↘-2.3	↘-8.8		↘-0.5

(1) or by National Statistics Institutes or Eurostat
(2) or production value (in current prices)
(3) Rank of the food and drink industry in the manufacturing activities in terms of turnover at national level
(*) 2005 data

Source: National Federations and CIAA (details available on request)

Markets and consumption

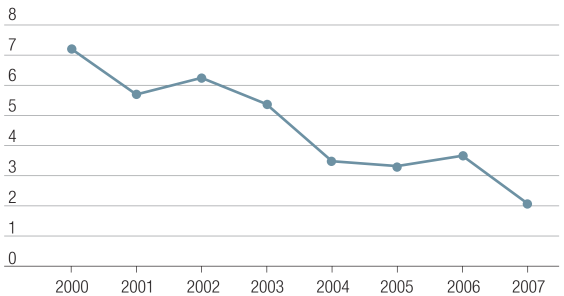
EU key trade figures (€ million)

	2005	2006/2005	2006	2007/2006	2007
Export	46,929	↗10.8%	51,998	↗5.1%	54,672
Import	43,602	↗10.6%	48,237	↗9.2%	52,655
Balance	3,327		3,761		2,017

Source: Eurostat, Comext

- The EU is a net exporter of food and drink products with a positive trade balance of €2 billion in 2007, which is significantly lower than previous years. The trade surplus decreased by 46% compared to last year, resulting from a significantly higher increase of imports (9%) than of exports (5%).
- With 21% of all EU exports, the US is the number one customer of the European food and drink industries. Exports to China continue to increase rapidly with an increase of 28% in 2007, corresponding to approximately €1,25 billion. Even though exports to Russia continue to increase, they grew less rapidly than during previous years: only 12% in 2007 compared to 24% in 2006.
- Imports from Brazil and Argentina remain important and account for 20% of total EU food and drink imports. Emerging economies present the steepest growth of imports to the EU, in particular Malaysia (24%), Vietnam (21%) and Thailand (19%).
- EU food and drink imports decreased only for a couple of countries such as Canada (-8%) and the US (-2%).

EU food and drink trade surplus, 2000-2007 (€ billion)



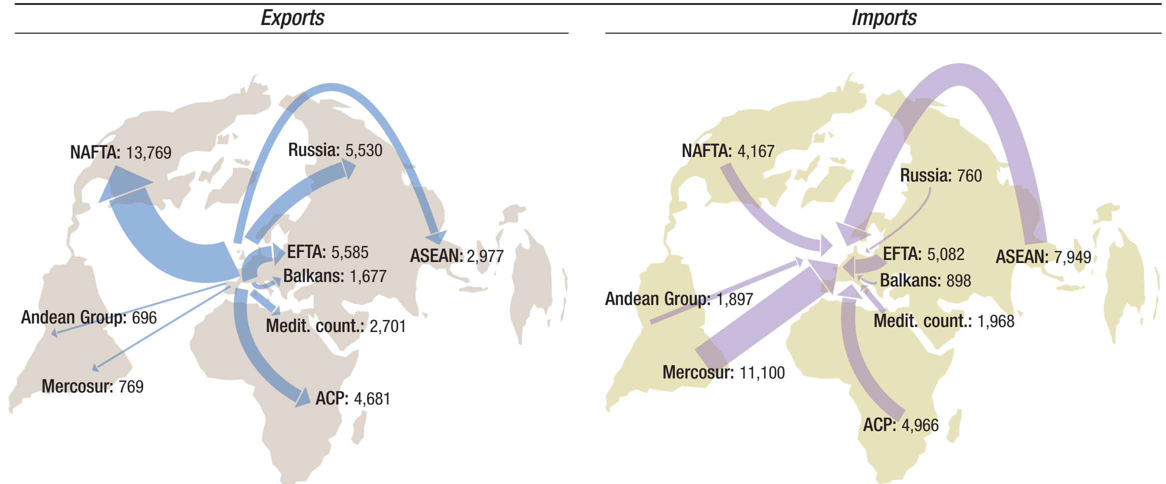
Source: Eurostat, Comext

Top EU trading partners, 2007 (€ million)

Export		'07/'06	Import		'07/'06
USA	11,251	↘ -3.0%	Brazil	5,945	↗ 13.4%
Russia	5,530	↗ 11.9%	Argentina	4,828	↗ 10.9%
Switzerland	3,555	↗ 6.5%	China	3,201	↗ 17.5%
Japan	3,251	↘ -5.9%	USA	3,122	↘ -2.1%
Canada	1,888	↗ 2.6%	Switzerland	2,364	↗ 18.7%
Norway	1,831	↗ 12.1%	Thailand	1,917	↗ 18.6%
Australia	1,287	↗ 9.0%	Turkey	1,732	↗ 1.0%
China	1,245	↗ 28.4%	Indonesia	1,666	↗ 14.7%
Saudi Arabia	1,193	↗ 8.4%	New Zealand	1,609	↗ 0.6%
South Korea	1,118	↗ 4.0%	Norway	1,567	↗ 6.2%

Source: Eurostat, Comext

EU trade by region, 2007 (€ million)



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; **Mercosur:** Brazil, Argentina, Uruguay and Paraguay; **NAFTA:** Canada, USA, Mexico.

Source: Eurostat, Comext

Exports to emerging countries, 2000-2007

	Rank[1]	2007 € million	2007/2000
China	8	1,245	↗ 183%
South Korea	10	1,118	↗ 49%
Ukraine	15	767	↗ 136%
South Africa	19	631	↗ 117%
Mexico	20	629	↗ 0%
Brazil	21	625	↗ 24%
Thailand	25	460	↗ 16%
Malaysia	28	337	↗ 19%
Indonesia	34	285	↘ -4%
Vietnam	37	234	↗ 126%
India	49	159	↗ 80%
Chile	60	117	↗ 41%
Argentina	80	77	↘ -58%

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

Source: Eurostat, Comext

Imports from emerging countries, 2000-2007

	Rank[2]	2007 € million	2007/2000
Brazil	1	5,945	↗ 52%
Argentina	2	4,828	↗ 63%
China	3	3,201	↗ 110%
Thailand	6	1,917	↗ 52%
Indonesia	8	1,666	↗ 49%
Malaysia	11	1,467	↗ 118%
Chile	12	1,354	↗ 100%
India	14	1,168	↗ 79%
Ukraine	17	843	↗ 248%
South Africa	18	787	↗ 34%
Vietnam	21	724	↗ 321%
Mexico	30	323	↗ 71%
South Korea	53	121	↗ 10%

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

Source: Eurostat, Comext

Extra-EU trade by sector in 2007

Top EU food and drink products exports and imports, 2007 (€ million)

Exports		*Rank[1] in 2000*
Spirits	6,642	1
Wine	6,012	2
Food preparations	3,184	6
Cheese	2,438	5
Concentrated milk	2,069	3
Animal feed/ pet foods	2,019	9
Malted beer	2,003	7
Pork meat fresh, frozen	1,993	4
Malt extract, prepared	1,857	10
Chocolate	1,847	12
Soft drinks	1,669	31
Pastries or biscuits	1,664	11
Olive oil	1,262	14

Source: Eurostat, Comext

(1) Rank of the same product within top exports in 2000

Imports		*Rank[2] in 2000*
Oilcake (soybean)	4,894	1
Fish filets	4,276	3
Frozen, cooked crustaceans	3,999	2
Palm oil	2,857	15
Wine	2,712	4
Prepared fish	1,976	6
Fruit juices	1,670	5
Fresh, frozen beef meat	1,565	10
Frozen fish	1,461	7
Sugars	1,375	8
Other prepared fruit	1,268	12
Coconut oil	1,253	17
Prepared meat	1,162	20
Meat of sheep or goats	1,093	9

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

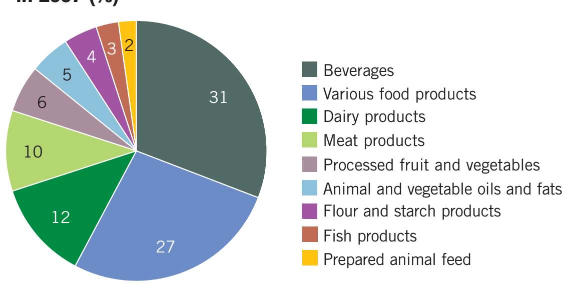
- "Beverages" and "various food products" (including goods like chocolate, biscuits, confectionery, pasta, prepared meals, etc..) accounted for almost 60% of EU food and drink exports. Together, they generated a trade balance of almost €22 billion.
- After record growth rates in 2006, exports of spirits and wine grew at lower, though still significant rates of 3% and 8% respectively.
- The greatest export growth rate was recorded by the dairy sector (20%), which stands in sharp contrast to the decrease of dairy exports of 5% in 2006.
- Animal feed exports increased by 17%, while exports of chocolate and sugar confectionery (9%), mineral waters and soft drinks (7%) also grew significantly.
- It is worth noting that, in each sector, high value added products, such as cheese and soft drinks, recorded significant sales' growth on non-EU country markets at the expense of goods with lower added value.

Exports by sector 2006-2007 (€ million)

		2006	*2007*	*'07/'06*
Beverages		16,767	17,832	↗6%
of which	*spirits*	6,388	6,610	↗3%
	wines	5,482	5,936	↗8%
	mineral waters and soft drinks	2,124	2,290	↗7%
Various food products		15,943	15,565	↘-2%
of which	*biscuits, preserved pastry goods*	1,327	1,314	↘-1%
	Chocolate and sugar confectionery	2,731	3,001	↗9%
Dairy products		5,244	6,552	↗20%
Meat products		5,383	5,386	↗0%
Processed fruit and vegetables		3,073	3,236	↗5%
Animal and vegetable oils and fats		2,561	2,540	↘-1%
Flour and starch products		1,925	1,973	↗2%
Fish products		2,039	1,773	↘-15%
Animal feeds		938	1,128	↗17%

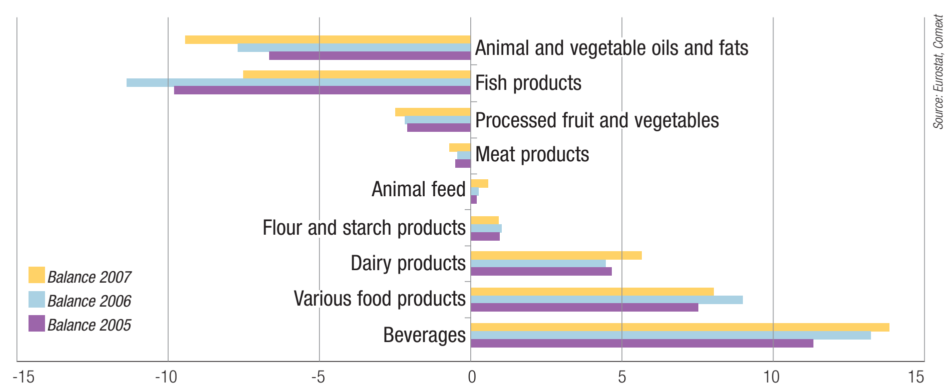
Source: Eurostat, Comext

Share of main sectors in the EU food and drink exports in 2007 (%)



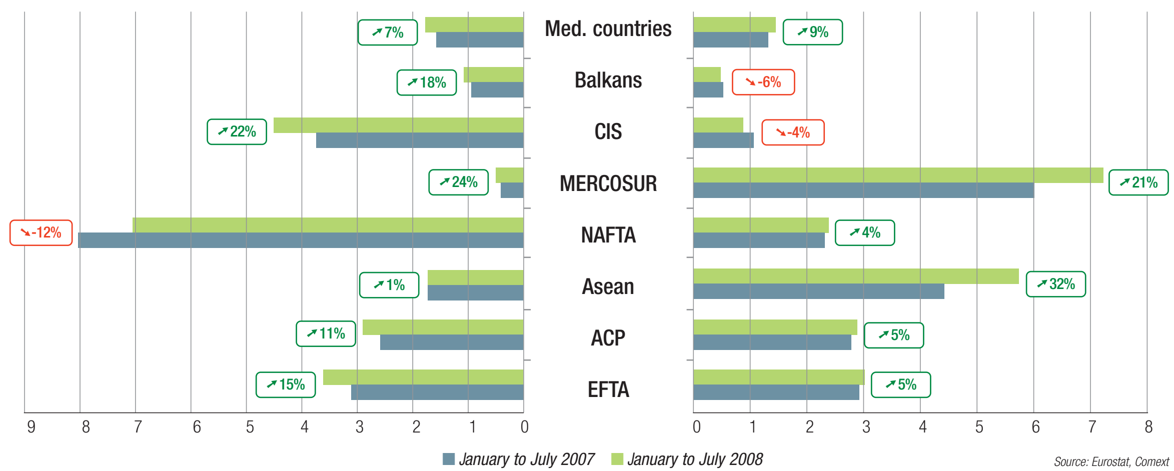
Source: Eurostat, Comext

EU food and drink sectors' balance, 2005-2007 (€ billion)



- During the first 7 months of 2008, the value of EU food and drink sales outside the EU increased significantly, reaching a growth rate of almost 9%. However, during the same period, food and drink imports into the EU grew even more (14%). As a result, the EU balance presents a trade deficit of €305 million for the first 7 months of 2008.
- The steep increase in imports results almost entirely from increased imports from ASEAN and Mercosur economies. This can in particular be explained by increased imports of oilcake and palm oil (75% and 63%). Other food products also show important growth rates of imports (prepared meat and fruit notably).
- While exports of beverages decreased during the first 7 months of 2007, exports of dairy products (5%), wines (7%), meat (16%) and animal and vegetable oils (20%) increased significantly.

Exports to major trading blocs (€ billion) **Imports from major trading blocs (€ billion)**



Source: Eurostat, Comext

EU key trade figures (€ million)

	January to July 2007	2008	2008/2007
Export	30,328	32,971	8.7%
Import	29,239	33,276	13.8%
Balance	1,089	-305	

Source: Eurostat, Comext

Top EU food and drink products' exports and imports, January to July 2007-2008 (€ million)

Exports, January to July	2007	2008	2008/2007
Wine	3,288	3,528	7%
Spirits	3,662	3,377	-8%
Food preparations	1,857	1,865	0%
Concentrated milk	1,262	1,502	19%
Pork meat	1,112	1,493	34%
Cheese	1,321	1,480	12%
Malt extract	1,036	1,215	17%
Beer	1,191	1,184	-1%
Chocolate	847	868	3%
Soft drinks	980	857	-13%
Olive oil	747	732	-2%
Frozen fish	501	638	27%
Prepared vegetables	522	552	6%

Source: Eurostat, Comext

Imports, January to July	2007	2008	2008/2007
Oilcake (soybean)	2,170	3,797	75%
Fish fillets	2,087	2,332	12%
Palm oil	1,260	2,058	63%
Processed crustaceans	1,840	2,046	11%
Wine	1,314	1,361	4%
Prepared fish	1,000	1,242	24%
Coconut oil	611	832	36%
Fruit juices	822	824	0%
Prepared meat	567	793	40%
Prepared fruit	571	788	38%
Cane or beet sugar	636	776	22%
Frozen fish	758	759	0%
Meat of sheep, goats	640	756	18%

Source: Eurostat, Comext

Prices of agricultural raw materials and food products

- In 2006, prices of key raw materials increased significantly resulting in rising costs throughout the food supply chain. Raw material prices continued to go up in 2007 often doubling their pre-2006 levels. Mid-2007 the prices of dairy products started to go down dramatically. The prices of almost all other raw materials continued to increase until the end of 2007. At the beginning of 2008, their prices started to decline as well. Only the cost of oilseeds and oilseed products continued to increase until the spring of 2008. Currently most raw material prices are lower than last year, but still higher than in 2006. The prices of cocoa and coffee remain high.
- Food prices have on average risen more than the all-items inflation rate during the last year, event though it appears that growth rates are getting closer to each other. Currently the all-items inflation between October 2006 and October 2007 is 3.7%, while the food prices have gone up by 5.6%.

There are considerable price variations between Member States. Consumers in new Member States face the highest inflation rates, both for food and all-items.

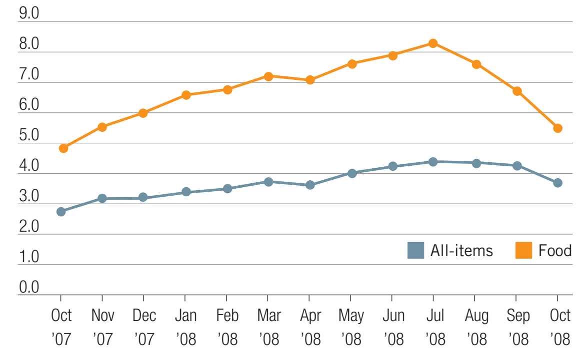
World and EU market prices for selected commodities and agricultural raw materials, 2007-2008

Market Price for	*Oct '08 / Oct '07*
Skimmed milk powder, fob Oceania	-48.3%
Skimmed milk powder, EU	-42.0%
Butter, fob Oceania	-21.3%
Butter, EU	-43.3%
Maize, fob US Gulf	8.5%
Wheat, fob US Gulf	-42.4%
Wheat, EU	-32.4%
Soybeans, US, cif Rotterdam	-13.5%
Sunflower seed, EU	-44.5%
Rape seed, EU	-16.7%
Soybean oil, EU	-9.6%
Rapeseed oil, EU	-12.9%
Sunflower seed oil, EU	-30.9%
Sugar, London daily Nr.5	37.8%
Beef, Australia, Cif US*	26.0%
Beef, EU	12.3%
Pork, US**	-10.8%
Pork, EU	23.8%
Poultry, US*	13.4%
Poultry, EU*	-5.4%
World price for coffee	8.2%
World price for cocoa	16.2%

(*) Sept '08/Sept '07
(**) May'08/May '07

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.

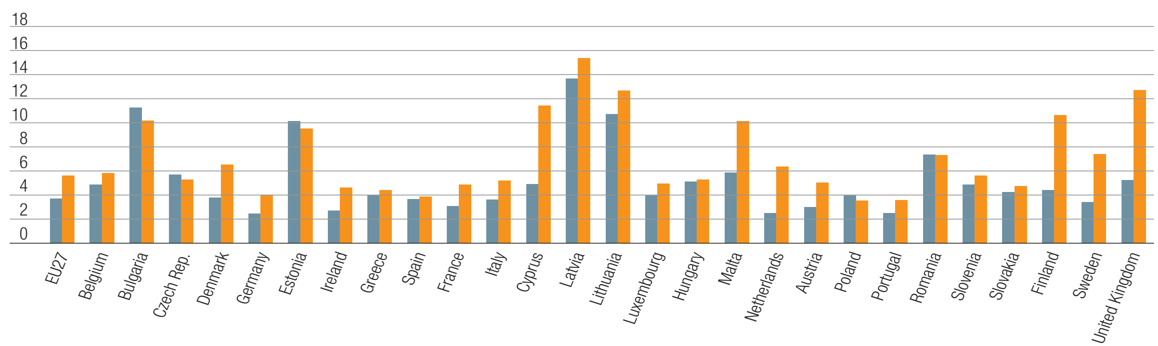
Monthly comparison between food prices and consumer price inflation[1] in the EU, 2007-2008 (month/month-12)



(1) Inflation measured by the annual average rate of change of the harmonised index of consumer prices for all items

Sources: Eurostat, Harmonised indices of Consumer Prices (HICPs)

Comparison between food prices and consumer price inflation[1] in the Member States (October 2008/October 2007)

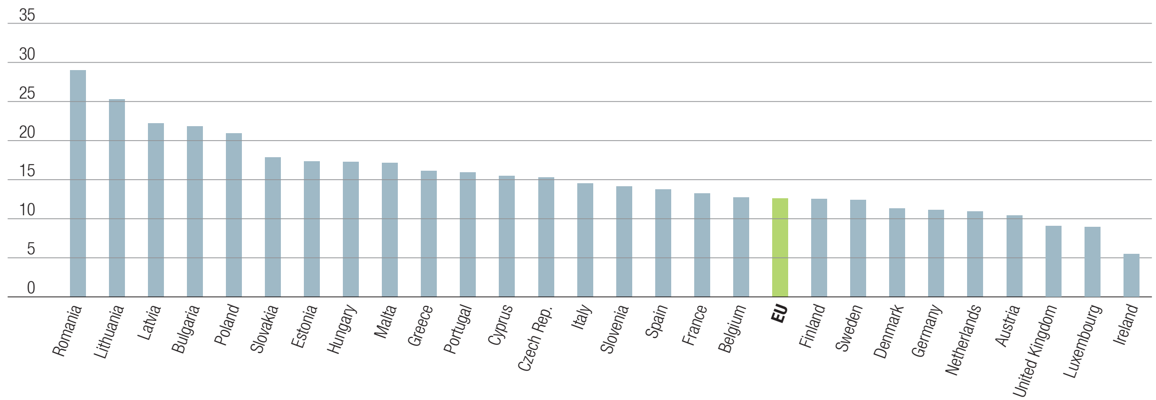


(1) Inflation measured by the annual average rate of change of the harmonised index of consumer prices for all items

Sources: Eurostat, Harmonised indices of Consumer Prices (HICPs)

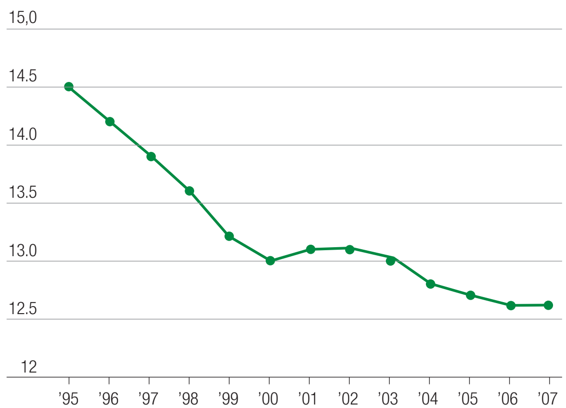
- In 2007, households spent on average 12.6% of their expenditure on food and non-alcoholic beverages. This is similar to the 2006 percentage. Since 1995, this percentage has declined by 2 percentage points.
- Foodstuffs rank third in the consumption expenditure of households by category, after "housing, water and energy" and "transport" (21.5% and 13.6% respectively in 2007).
- The highest share of food expenditure is found in new Member States where the budget spent on food varies from 14.2% to 29.1%.

Household consumption expenditure in the EU: food and non-alcoholic beverages, 2007[1] (% of total household consumption expenditure)



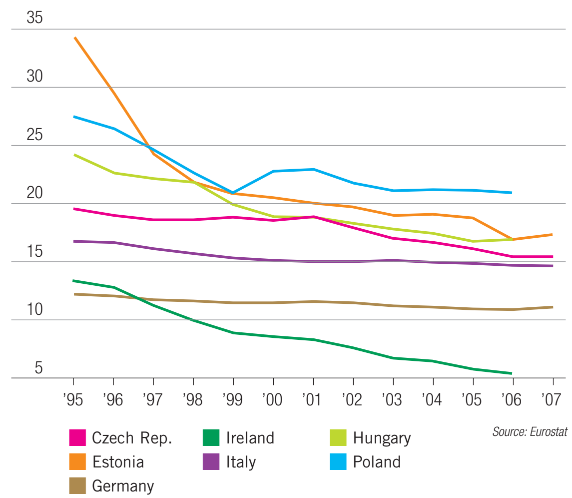
Source: Eurostat
(1) 2007 data or latest available data

Share of the household expenditure spent on food and non-alcoholic beverages in the EU, 1995-2007 (%)



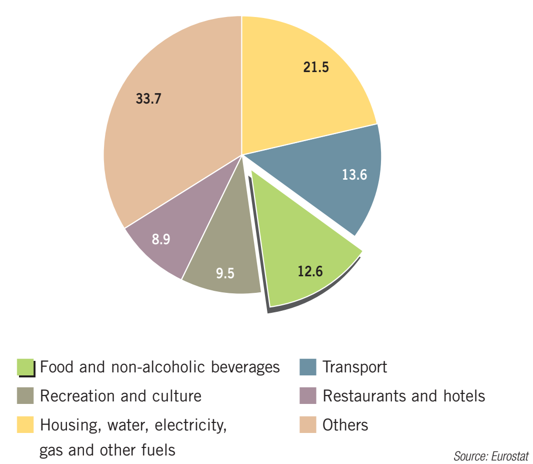
Source: Eurostat

Share of the household expenditure spent on food and non-alcoholic beverages in some Member States, 1995-2007 (%)



Source: Eurostat

Consumption expenditure of households on goods and services, 2007 (% of total household consumption expenditure)



Source: Eurostat

- The food chain connects three economically important sectors: the agricultural sector, the food and drink industry and the retail sector. Together they account for 6% of the EU value added and 12% of the EU employment.
- In 2005, they generated a total value added of about €650 billion and provided employment for 32 million people.
- The food and drink industry generates more than one quarter of the turnover and the value added of the whole food chain whereas its share in terms of employment is much less.

Structural overview of the food chain

		Agricultural holdings	*Food and drink manufacturers*	*Wholesale of food and drinks*	*Specialised food and drink retailers*	*Non-specialised food and drink retailers*	*Restaurants, bars, canteens, catering*
Number of operators	x 1000	14,406	310	211	443	475	1,392
Number of persons employed	million	12.7[1]	4.7	1.8	1.3	5.1	6.7
Turnover	€ billion	319	850	717	104	800	279
Value added	€ billion	149	188	72	21	110	110

(1) expressed in annual work units, which are full-time labour equivalents.

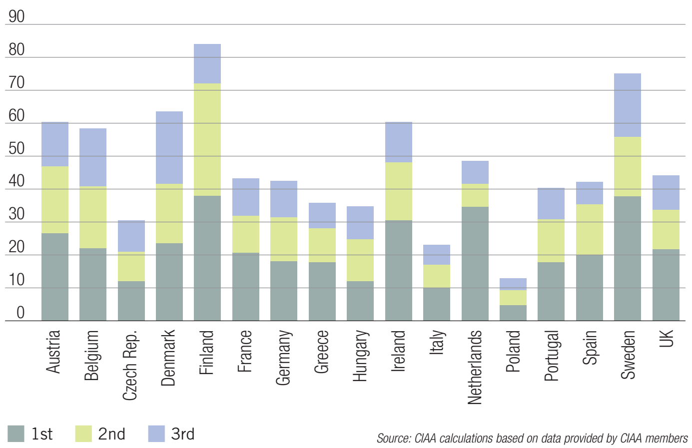
Source: Eurostat and CIAA, 2005 (details available on request)

- In Europe, the food retail markets are very concentrated. In almost every EU country the three largest retailers represent at least 30% percent of the market. In many countries they actually account for 40% reaching up to 60 % in Western European countries such as Austria and Belgium and over 70 and even 80 % in the Nordic countries.

  These high concentration rates stand in contrast to the very fragmented food and drink processing industry. Food and drink industries, particularly SMEs, face considerable pressure from retailers on product prices.

- During recent years the share of private label products (labels developed by retailers or wholesalers) has increased significantly reaching 48% in traditional retailers and 94% in discounters. Between 2006 and 2007 the share of private labels increased in almost every top 30 retailer. Retailers selling private labels have more control over pricing. As a result the bargaining power of the food and drink industry declines when the share of private labels of a retailer increases.

Current market share of the three largest retailers in various Member States



Source: CIAA calculations based on data provided by CIAA members

Private label share of the world's top 30 retailers by retail banner sales

Rank	*Company*	*Private label share 2007* (%)*	*Change 07/06*
1	Wal-Mart	38	↗
2	Carrefour	35	↗
3	Metro Group	17	↗
4	Tesco	48	↗
5	Ahold	24	↗
6	Seven & I[1]	28	↗
7	Costco	16	↗
8	Sears	42	=
9	Kroger	25	=
10	Target	17	↗
11	Rewe	27	↗
12	Schwarz Group	61	↗
13	Auchan	25	↗
14	Casino	32	↗
15	AEON	21	↗
16	Walgreens	12	=
17	Aldi	94	=
18	CVS	13	=
19	Edeka	14	↗
20	Leclerc	32	↗
21	Safeway (USA)	25	=
22	SuperValu	18	↗
23	Best Buy	8	=
24	ITM (Intermarché)	37	↗
25	Sainsbury	46	↗
26	Woolworths (AUS)	13	↗
27	Tengelmann	35	↗
28	Coles Group	15	↗
29	Rite Aid	13	=
30	El Corte Inglés	23	↗

(*) estimate.
(1) Seven & I includes consolidated operations only.
Source: Planet Retail Ltd - www.planetretail.net

World trends

Food and drink industry worldwide, 2007

	Total sales* (€ billion)	Total sales compared to previous year (%)	% of total manufacturing sales	Employees (x1000)
Australia	49	1.1	21.2	191
Brazil	87	10.7	17.7	1,323
Canada	56	2.2	13.5	272
China	234	12.4	7.3	5,358
Japan	200	1.2	10.0	1,352
Mexico	38	11.2	23.9	374
New Zealand	17	1.0	31.0	76
United States	496	0.5	12.4	1,542

(*) For Mexico and the US 2006

Source: CIAA (details available on request)

- Over recent years, the EU food and drink industry's sales have been growing by around 3% per annum. International comparisons show that, contrary to the EU or the US, other food and drink producers are expanding considerably. This is in particular the case in Asia where the Chinese food processing industry recorded a double digit growth rate over the same period.

Productivity of the food and drink industry worldwide, 2007[1]

	Productivity (output in € per employee)
USA	322
Australia	256
New Zealand	220
Canada	205
EU	**157**
Japan	148
Mexico	103
Brazil	59
China	42

(*) For Mexico and the US 2006

Source: CIAA (details available on request)

- EU plays a key role in world trade. It is the world largest exporter and importer in food and drink products worldwide (excluding intra-EU trade).
- The EU share of the global export market for food and drink products has been shrinking over the last ten years (from 24.6% to 19.8%) due to strong competition from other exporters such as Brazil and China.
- Compared to the US, the EU external trade balance has resisted over the last ten years much better to the pressure from emerging economies. However, in 2007, the EU trade surplus decreased significantly (from $7.1 to $3.4 billion), while the US deficit decreased (from $-23.5 to $-20.4 billion).
- The performance of EU products in expanding markets like China and Brazil, measured as the share of food and drink imports originating from the EU compared to the share of imports originating from other countries, remains stable in most countries, except in Brazil, where a considerable decrease of market share occurred.

Top 15 exporters of food and drink products, 2007

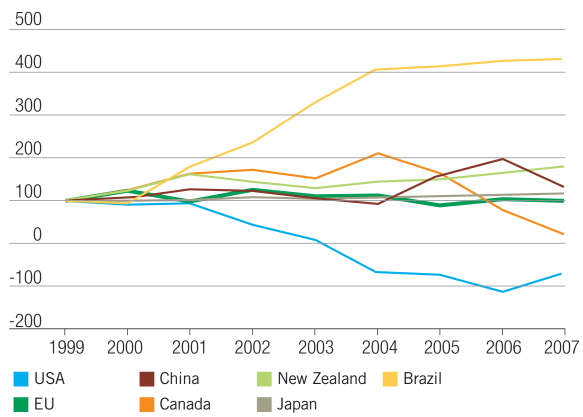
	Exports ($ billion)	*Share in world (%)*
EU	74.3	19.8
United States	43.0	11.5
Brazil	27.6	7.4
China	24.5	6.5
Argentina	17.7	4.7
Canada	17.1	4.6
Thailand	16.7	4.5
Australia	13.7	3.6
New Zealand	0.5	3.3
Indonesia	10.5	2.8
Malaysia	10.0	2.7
Mexico	8.3	2.2
India	7.5	2.0
Vietnam	7.0	1.9
Norway	4.2	1.1

Top 15 importers of food and drink products, 2007

	Imports ($ billion)	*Share in world (%)*
EU	70.9	18.8
United States	63.4	16.8
Japan	36.2	9.6
China	19.3	5.1
Russia	17.5	4.6
Canada	16.6	4.4
Mexico	10.8	2.9
South Korea	10.7	2.8
Hong Kong, China	8.0	2.1
Saudi Arabia	6.9	1.8
Australia	6.7	1.8
Switzerland	6.2	1.6
Singapore	5.4	1.4
Malaysia	4.6	1.2
Taiwan	4.5	1.2

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

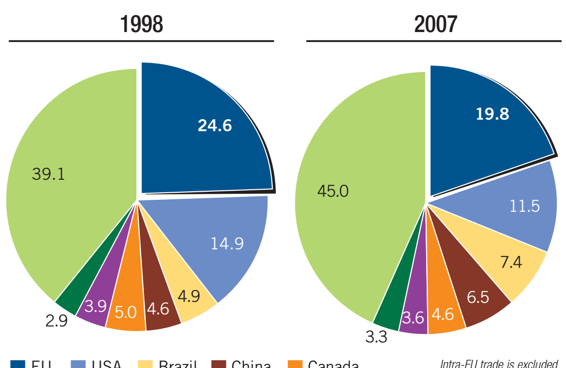
Evolution of the external trade balance of various food and drink industries (1999=100)



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

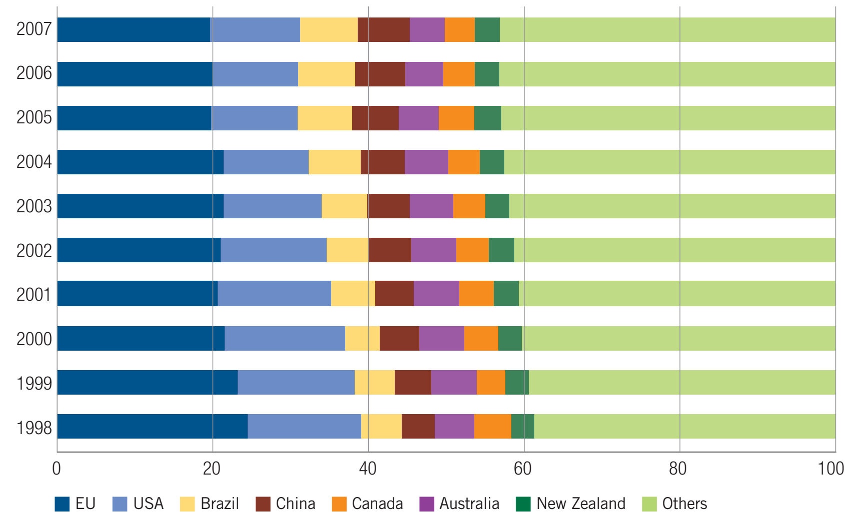
EU food and drink products on world markets

Market shares of world food and drink exports, 1998-2007 (%)



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

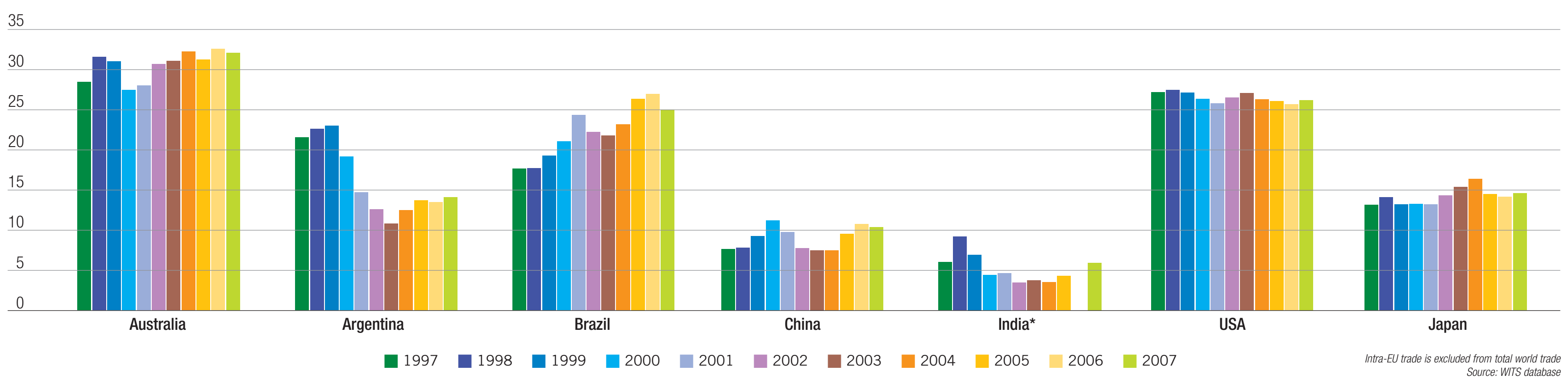
Share of various countries in world food and drink exports (% of total)



Intra-EU trade is excluded from total world trade

Source: WITS database

Share of EU-25 products in total food and drink imports of various countries, 1997-2007 (%)



Intra-EU trade is excluded from total world trade
Source: WITS database
(*) No data for 2006

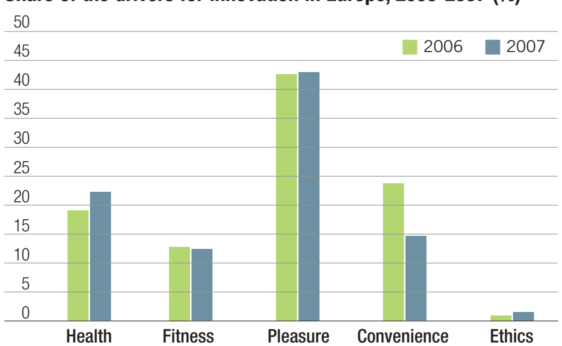
- Innovation can be divided into 15 trends, grouped together in 5 categories: pleasure, health, fitness, convenience and ethics.
- Pleasure-driven innovation is dominant in Europe (43%). It is followed by the health category (22.5%) that overtook the convenience category in 2007.
- In 2007, at European and world level, the health axis as a driver for innovation had the largest increase. The concepts with naturality boosted the health axis. The pleasure axis progressed in 2007, thanks to the sophistication and variety of senses trends.
- Worldwide, dairy sectors confirm their place as leaders in innovation. Biscuits, chocolated products and ready meals registered increases while sweets, cheeses and soft drinks showed downward trends in innovation.

Share of the main trends within the categories for innovation in Europe, 2006-2007 (%)

Category	*Trends*	*2006*	*2007*
Pleasure	Sophistication	18.6	19.8
	Exotism	7.8	5.8
	Variety of senses	10.2	12.2
	Fun	6.1	5.2
Health	Medical	10.1	11.1
	Naturality	7.8	9.4
	Vegetarianism	1.0	2.0
Fitness	Diet	11.3	10.7
	Energy, well-being	1.8	1.9
	Cosmetics	0.1	0.3
Convenience	Easy to handle	11.4	11.4
	Time saving	8.9	6.2
	Nomadism	3.7	2.3
Ethics	Ecology/citizenship	1.1	1.5

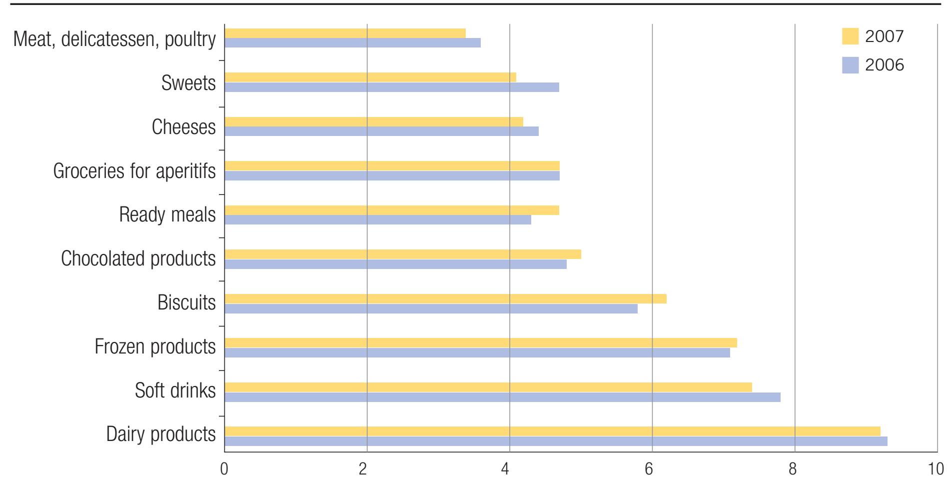
Source: XTC world innovation 2008 (www.xtcworldinnovation.com)

Share of the drivers for innovation in Europe, 2006-2007 (%)



Source: XTC world innovation 2008 (www.xtcworldinnovation.com)

The most innovating sectors worldwide, 2006-2007 (share in %)



Source: XTC world innovation 2008 (www.xtcworldinnovation.com)

The top world and EU food and drink companies

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

Name	Head-quarter	Year end	Sales in € billion	Growth to previous year (%)	Employees (x1000)	Main sectors
Cargill*	US	May07	79.4	36.0	160.0	*Multi-product*
Nestlé	CH	Dec07	53.2	-9.1	265.0	*Multi-product*
PepsiCo Inc.	US	Dec07	28.9	12.0	185.0	*Beverages, snacks*
Kraft Foods Inc.	US	Dec07	27.3	8.4	103.0	*dairy, snacks, beverages*
The Coca-Cola Company	US	Dec07	21.1	9.7	94.0	*Beverages*
Unilever Plc/Unilever NV	NL/UK	Dec07	19.8	-7.8	49.0	*Multi-product*
Tyson Foods Inc.	US	Sep07	19.7	-3.7	179.0	*Meat*
Mars Inc.	US	Dec07	17.7	5.6	48.0	*Prepared foods, confectionery*
Archer Daniels Midland	US	Jun07	14.6	-46.6	27,0	*Cereal processing*
InBev SA	BE	Dec07	13.6	2.1	86.0	*Beer*
Groupe Danone	FR	Dec07	12.8	9.7	76,0	*Dairy, waters, baby &med. nutrition*
SABMiller Plc	US	Mar07	12.6	2.9	60.0	*Beer*
Heineken N.V.	NL	Dec07	12.6	6.2	54.0	*Beer*
Anheuser-Busch Company Inc.	US	Dec07	11.7	-7.2	30.8	*Beer, beverages*
Cadbury Plc	UK	Dec07	11.6	6.1	50.0	*Beer, confectionery*
General Mills Inc.	US	May08	10.9	10.6	29.5.	*Prepared foods*
Diageo Plc	UK	Jun07	10.0	-30.1	22.0	*Alcoholic beverages*
Kirin Brewery Company Ltd	JP	Dec07	9.6	-12.4	34,5	*Beer, alcoholic beverages*
Lactalis	FR	Dec07	8.7	15.0	34.5	*Dairy products*
Dean Foods Company	US	Dec07	8.6	22.5	26.0	*Dairy products*
Kellogg Company	US	Dec07	8.6	8.0	32.0	*Breakfast Cereals, convenience foods*
Asahi Breweries Ltd.	JP	Dec07	8.5	-8.0	16.6	*Beer, alcoholic beverages*
ConAgra Foods Inc.	US	May08	8.5	-27.1	25.0	*Prepared foods*
Suntory Ltd.	JP	Dec07	8.3	-18.5	20.8	*Alcoholic beverages*
Smithfield Foods Inc.	US	Apr08	7.6	-16.5	57.0	*Meat, processed foods*
Associated British Food	UK	Sep07	7.5	8.5	96.0	*Sugar, starchm prepared foods*
Sara Lee Corporation	US	Jun07	7.5	-18.5	44.0	*Prepared foods*
Fonterra	NZL	May07	7.4	9.0	11.0	*Dairy products*
HJ Heinz Company	US	Apr08	7.1	3.0	35.1	*Prepared foods*
Vion	NL	Dec07	7.0	2.6	26.0	*Multi-products, ingredients*

(*) Cargill sales include food, agricultural and risk management products and services.

Ranking of European agri-food companies by European food and drink sales

Name	Head-quarter	Year end	Sales in € billion	Growth to previous year (%)	Employees (x1000)	Main sectors
Nestlé	CH	Dec07	19.5	-14.1	54.4	*Multi-product*
Heineken N.V.	NL	Dec07	9.1	4.9	36.7	*Beer*
Unilever Plc/Unilever NV	NL/UK	Dec07	8.8	2.8	43.0	*Multi-product*
Lactalis	FR	Dec07	8.5	33.5	30.7	*Dairy products*
Groupe Danone	FR	Dec07	7.4	7.4	32.4	*Dairy, waters, baby &med. nutrition*
Vion	NL	Dec07	6.4	-0.1	23.8	*Multi-products, ingredients*
Danish Crown	DK	Oct07	6.3	-3.5	25.0	*Meat products*
Sudzucker	DE	Feb08	5.8	0.3	18.6	*Sugar, multi-product*
Carlsberg	DK	Dec07	5.7	9.0	17.0	*Beer*
Royal Friesland Foods N.V.	NL	Dec07	5.1	8.6	9.3	*Dairy products*
Associated British Food	UK	Sept06	5.0	18.4	46.0	*Sugar, starch, prepared foods*
Ferrero	IT	Dec07	5.0	8.7	19.0	*Confectionery*
Campina	NL	Dec07	4.0	11.3	6.9	*Dairy products*
Nutreco	NL	Dec07	4.0	32.1	9.1	*Meat products*
Diageo Plc	UK	June08	3.9	11.6	0.7	*Alcoholic beverages*
Barilla	IT	Dec07	3.8	6.2	17.0	*Beverages, confectionery*
Oetker-Group	DE	Dec07	3.6	1.1	15.7	*Multi-product*
Kerry Group	IR	Dec07	3.1	1.5	14.3	*Multi-product*
Cadbury Plc	UK	Dec07	3.0	5.7	23.5	*Confectionery*
Pernod Ricard	FR	June08	2.9	8.6	8.9	*Alcoholic beverages*
Tate&Lyle	UK	March08	2.8	4.2	6.3	*Ingredients, prepared foods*
Bongrain	FR	Dec07	2.7	8.4	15.5	*Dairy products*
InBev SA	BE	Dec07	2.6	5.7	5.6	*Beer*
Danisco	DK	April08	2.5	0.0	4.2	*Ingredients*
Ebro Puleva	ES	Dec07	2.1	5.5	7.2	*Rice, sugar, dairy*

CIAA members

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 Ελληνικων Βιομηχανιων Τροφιμων / 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
PFPZ – Polska Federacja Producentów Żywności

Portugal
FIPA – Federação das Indústrias Portuguesas Agro-alimentares

Romania
Romalimenta – Federatia Patronala din Industria Alimentara

Slovakia
UPZPPS – Unia podnikatel'ov a zamestnávatel'ov v potravinárskom priemysle na Slovensku
PKS – Potravinárska Komora Slovenska

National Federations

Slovenia
GZS – Zbornica kmetijskih in zivilskih podjetij

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:

Croatia
HUP – Hrvatska udruga poslodavaca

Norway
NHO – Mat og Drikke

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 & confectionery
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 SCHWEPPES
CAMPBELL FRANCE HOLDING
CARGILL
COCA-COLA
DANONE
FERRERO
GENERAL MILLS
HEINEKEN
HEINZ
KELLOGG'S
KRAFT FOODS
MARS
NESTLE EUROPE
PEPSICO
SÜDZUCKER
TATE & LYLE
UNILEVER

Status of January 2009

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

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