Data and trends

of the **EU food and drink industry**

2005

CIAA

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

CIAA's role and mission

CIAA is the voice of the European food and drink industry - leading manufacturing sector, major employer and exporter in the EU.

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:

- 24 national federations, including 2 observers;
- 32 EU sector associations;
- 21 major food and drink companies grouped together in a Liaison Committee.

In order to fulfil its mission, CIAA participates pro-actively in the development of an environment where all European food and drink companies (whatever their size) can compete effectively for sustainable growth in the context of an enlarged EU and global markets, as well as meeting consumers' needs and playing their part in delivering the targets set by the Lisbon declaration of the European Council - that is, to become the most competitive economy in the world by 2010.

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 three themes:

Food and Consumer Policy

Trade and Competitiveness

Environment

Through these Committees and Expert Groups, manufacturers from all EU countries provide broad and in-depth expertise. They contribute to establishing CIAA positions on key issues which, once approved, are then communicated to European and international decision makers. Moreover, CIAA contributes to the development of a legislative and economic framework addressing competitiveness, food quality and safety, consumer information and respect for the environment as regards the food and drink industry.

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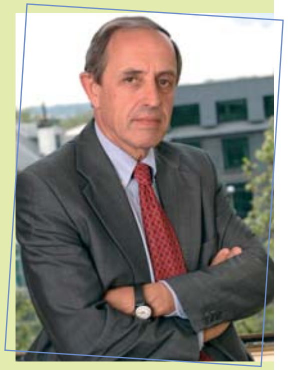
A word from the President



The food and drink sector is one of the major pillars of the European economy. This brochure contains the key data and trend figures for the years covering the period 2001-2004

With a yearly turnover of € 815 billion and employing around four million people, the food and drink industry is the leading manufacturing sector in Europe. The exports of food and drink products from the 25 Member States to third countries totalled € 45 billion in 2004. Needless to say, one of the key objectives of CIAA is to facilitate a better knowledge and understanding of this major industry, not only within the 25 Member States but also outside the European Union.

This brochure allows you to analyse key figures, overview the various aspects of different markets, evaluate trade activities, and appreciate the key role of small and medium sized enterprises (SMEs). The data covers the whole food and drink industry (as defined in division 15 of the EU activity breakdown). One chapter is dedicated to the food and drink industry as seen in an international perspective. Among various other elements, the report contains consumptions figures and habits as well as the ranking of leading food companies both in Europe and internationally.

The food and drink industry is an important pillar of the European economy. The challenge for our industry is to maintain and even improve its performance. The competitiveness of the food and drink industry in the coming years is the key to sustainable economic development of the sector. It is suffering from a number of weaknesses which need to be tackled head-on: modest expenditure on research and development; low level of added value; insufficient participation in the expansion of food markets worldwide.

This brochure provides you with key elements regarding global trade of the food and drink sector: the growing importance of Asian countries compared to North America in food exports is highlighted in particular. Moreover, data on research and development intensity worldwide shows the relative lack of innovation in the EU. The development of innovative products, alongside traditional food, remains vital and essential. It allows the industry to respond to evolving consumer needs with respect to safety, quality, diversity and convenience at the best price.

CIAA is committed to being an active player in a comprehensive and consistent approach of the competitiveness of the food and drink industry and in providing the necessary impetus for progressive development.

Jean Martin,
President

Structure of the food and drink industry

Turnover
€815 billion

Employment
4 million

282,000 companies

of which
279,000 SMEs

Key figures

- The food and drink industry is the largest manufacturing sector in the EU-25, accounting for **14%** of the total turnover.
- In 2004, the food and drink industry turnover reached €815 billion. It registered a modest **2%** growth.
- The food and drink industry is the leading employer in the manufacturing sector with **4** million workers.
- **99%** of the food and drink companies are small and medium sized enterprises. The 279,000 SMEs employ **61%** of the food and drink workers and account for **49%** of the sectors' turnover.
- France, Germany, Italy, the UK and Spain are the leading producers of food and drinks in the EU, accounting for more than 70% of total EU turnover.
- The "various food products" sector is the largest one, representing 26% of total turnover.

Structure of the food and drink industry

Limited but stable growth

In 2004, the EU food and drink industry registered a modest 2% rise in annual turnover compared to the previous year. It follows the trend observed over the last 10 years during which the food and drink industry experienced 1.8% average growth per annum *(Fig.1)*.

Fig. 1 - The food and drink industry in the EU-25

		2001	*2002*	*2003*	*2004/2003*	*2004*
Turnover*	€ billion	785	791	799	↗ 2.0%	815
Employees	million	4.4	4.2	4.1	↘ -4.9%	3.9
Companies	thousand	282	-	-	-	-

** in current prices*
- : not available

Source: Eurostat, sbs and CIAA calculation

Leading position in the manufacturing industry

Fig. 2 - The EU-25 food and drink industry in the manufacturing industry (%)

Rank	*share of turnover in manufacturing total (%)*		*share of value added in manufacturing total (%)*		*share of employment in manufacturing total (%)*		*share of companies' number in manufacturing total* (%)*	
1	Food and drink industry	13.6	Food and drink industry	11.6	Food and drink industry	13.1	Fabricated metal industry	17.0
2	Automobile industry	12.4	Chemical industry	11.2	Fabricated metal industry	11.0	Food and drink industry	12.9
3	Chemical industry	10.4	Machinery and equipment ind.	10.8	Machinery and equipment ind.	10.5	Furniture industry	10.2

** 2001*
Note: the manufacturing sectors are defined at 2-digit level of the NACE Rev.1 (food and drink industry: division 15).

Source: Eurostat, sbs, 2002

With 13.6% of total turnover in the EU-25 manufacturing sector, the food and drink industry ranks first ahead of the automobile and chemicals industries *(Fig. 2)*. It is a major contributor to wealth creation among manufacturing sectors. The food and drink industry is also the largest employer. These data illustrate the key role of this sector in maintaining industrial activities across the EU territory.

Structure of the food and drink industry

Importance of SMEs

The food and drink industry is composed of a diverse range of enterprises, from SMEs (small and medium enterprises) to large companies. 279,000 enterprises have less than 250 employees. These SMEs generate 48.5% of the food and drink turnover and employ 61.3% of the sectorial workforce *(Fig. 3 and 4)*.

Labour productivity

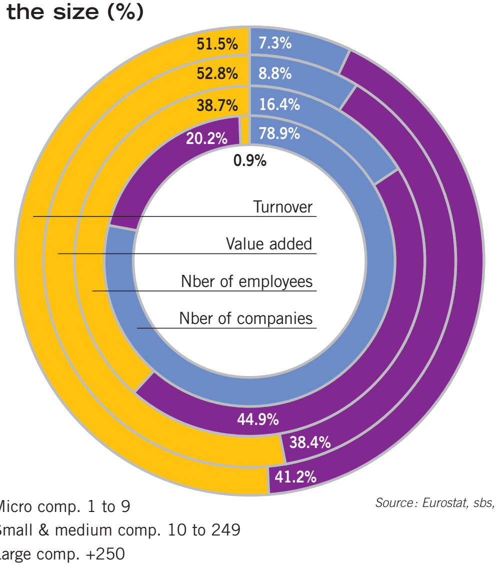
Labour productivity, measured by the value added per employee, reached €40,000 per employee in 2001. Differences between small and large companies are wide in the food and drink sector where productivity in micro enterprises was only just over a third of that in large ones *(Fig. 5)*.

Fig. 3 - Structure profile of the food and drink industry according to the size of companies (%)

	Micro comp.	Small comp.		Medium comp.		Large comp.		
	1 to 9	10 to 19	20 to 49	50 to 99	100 to 249	250 to 499	500 to 999	+1000
Turnover	7.3	5.1	9.8	9.5	16.8	15.4	14.0	22.1
Value added	8.8	6.2	8.9	8.3	15.0	13.8	14.5	24.6
Number of employees	16.4	9.6	11.1	9.3	15.1	12.1	10.8	15.9
Number of companies	78.9	11.0	5.6	2.1	1.5	0.6	0.2	0.1

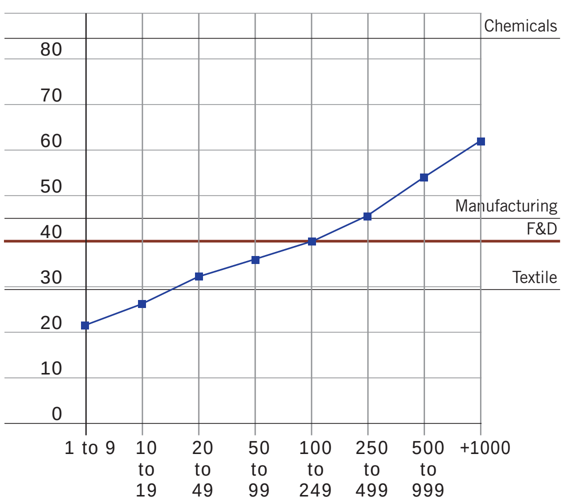
Source: Eurostat, sbs, 2001

Fig 4 - Distribution of EU turnover, value added, employment and companies according to the size (%)



Source: Eurostat, sbs, 2001

Fig. 5 - Distribution of the productivity according to the size of food and drink companies, €1000



Source: Eurostat, sbs, 2001

The food and drink industry in the Member States

One of the largest manufacturing sectors at national level

The food and drink sector is a pillar of the EU-25 economy. Indeed, this sector features in the top 3 manufacturing activities in terms of turnover in several Member States. Moreover, in at least 10 countries, the food and drink sector is ranked first with a share of up to 26% of the total manufacturing turnover in Denmark *(Fig. 1)*.

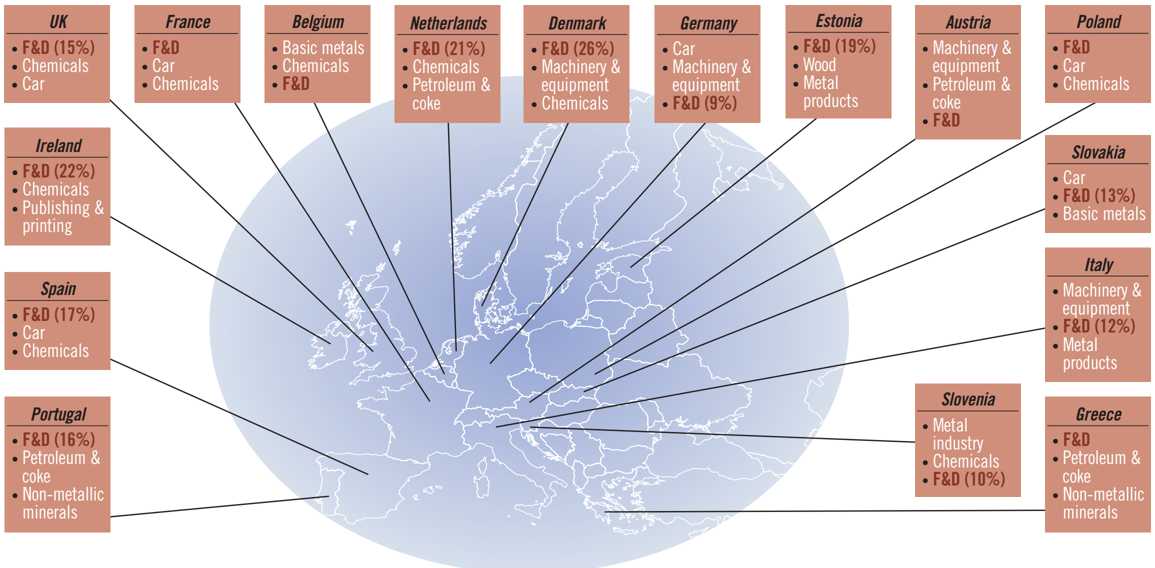
Main operators in the EU

France, Germany, Italy, the UK and Spain are the largest EU-25 producers. Together they account for more than 70% of total EU turnover.

Structure profile of the food and drink industry in the Member States

Figure 2 presents the key data available in the Member States. In most of the countries, the turnover growth was quite low in 2004. The number of employees pursued its downward trends, in particular in the new Member States.

Fig. 1 - The food and drink industry in the top 3 manufacturing activities
(share of the F&D in manufacturing turnover %)



Source: National Federations, Eurostat & CIAA

Fig. 2 - Trends of the food and drink industry in the Member States, 2003

	Turnover (€ billion)			**Employment** (thousand)		
	2003	**2004/2003**	**2004**	**2003**	**2004/2003**	**2004**
Austria	12.2	-	-	72.2	-	-
Belgium	30.4	↗1.9%	31.0	73.1	↘-0.3%	72.9
Czech Rep.	7.8	↗6.4%	8.3	135.0	↘-0.9%	133.8
Denmark	18.3	↘-2.2%	17.9	76.3	↗0.8%	76.9
Estonia	0.7	-	-	21.5	-	-
Finland	8.5 **	↗2.6%	8.7 **	39.0	↘-3.0%	37.8
France	136.0	↗1.5%	138.0	421.0	↘-0.6%	418.5
Germany	127.9	↗1.8%	130.2	525.3	↘-1.0%	520.0
Greece	9.7	-	-	66.0 *	-	-
Hungary	7.6	↗2.6%	7.8	125.7	↘-7.8%	115.9
Ireland	16.0	↗3.8%	16.6	50.2	↗2.8%	51.6
Italy	103.0	↗1.9%	105.0	268.0	↘-1.9%	263.0
Latvia	0.9	↗13.1%	1.0	32.1	↗10.6%	35.5
Netherlands	39.0	-	-	130.3	-	-
Poland	24.9	-	-	471.2	-	-
Portugal	11.1	-	-	105.0	-	-
Slovakia	2.2	↗0.2%	2.2	42.9	↘-9.1%	39.0
Slovenia	0.4	↗0.6%	0.4	18.9	↘-4.2%	18.1
Spain	62.1 **	↗4.8%	65.1 **	438.0	↘-1.8%	430.0
Sweden	14.4	↗2.1%	14.7	60.3	↘-2.4%	58.9
UK	101.1	-	-	484.0	-	-

*Turnover in current prices, * 2002, ** production, -: not available*

Source: National Federations & CIAA

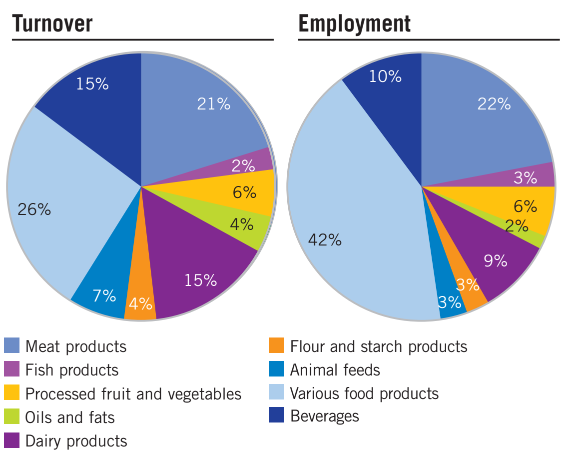
Sectors of the EU food and drink industry

Major sectors

The "various food products" category is the leading sector of the food and drink industry. It accounts for 26% of total turnover and 42% of the workforce. This so-called "various food products" category (division 15.8 of the NACE-Rev. 1) is a heterogeneous group which includes bakery, pastry, chocolate and confectionery products but also pasta and baby food *(Fig. 1 and 2)*.

The meat sector, beverages and dairy products are also key branches of the food and drink industry. Together with the "various food products" category, they represent 77% of the total turnover and 84% of the total number of employees.

Fig. 1 - Distribution of turnover and employment in the sub-sectors



Source: Eurostat, sbs, 2001

Fig. 2 - Breakdown on the composition of the "various food products" category, % in terms of turnover

Bread, fresh pastry goods and cakes	30.8
Rusks and biscuits, preserved pastry goods	9.6
Sugar	8.9
Chocolate and sugar confectionery	17.6
Macaroni, noodles, couscous	3.8
Coffee and tea	7.8
Condiments and seasonings	5.7
Homogenized food preparations and dietetic food	3.5
Others	12.3
Various food products	100.0

Source: Eurostat, sbs, 2001 based on 10 Member States, accounting for 68% of the total turnover, for which consistent data are available.

Various distributions of turnover and value added among enterprise size-classes

Among some of the sub-sectors within the food and drink industry, the contribution of the size-classes to turnover and value added was quite different from the average observed for the sector as a whole *(Fig. 3)*. Medium sized companies contribute to more than 50% of the turnover and value added in the fish and animal feeds sectors, compared with the average of 41% and 38%. In contrast, in the "various food products" category, the micro firms generate 12% of the turnover, almost twice the food and drink average.

Fig. 3 - Distribution of the EU turnover, value added and employment according to the size of companies, %

	Turnover			*Value added*		
Number of employees	*1 to 9*	*10 to 249*	*+ 250*	*1 to 9*	*10 to 249*	*+ 250*
Meat products	6.9	48.2	44.9	9.1	46.5	44.4
Fish products	4.6	58.5	36.9	4.3	57.3	38.4
Processed fruit and vegetables	5.0	46.9	48.0	3.5	43.4	53.1
Oils and fats	7.8	35.1	57.1	9.6	35.1	55.4
Dairy products	3.0	34.8	62.2	3.3	29.4	67.3
Flour and starch products	8.5	52.3	39.1	6.3	47.0	46.7
Animal feed	6.2	59.3	34.5	5.3	54.8	39.9
Various food products	12.2	34.4	53.4	14.5	35.8	49.7
Beverages	4.9	36.2	58.9	3.0	32.1	64.9
F&D industry	7.3	41.2	51.5	8.8	38.4	52.8

Source: Eurostat, sbs, 2001

Markets and consumption

Extra EU exports
€45 billion
Extra EU imports
€41 billion

Trade surplus
€4 billion

Intra EU exports
€139 billion

Household expenditure for food
13%

Key figures

Extra-EU trade

- In 2004, the EU-25 exported **€45 billion** worth of food and drink products to third countries, while importing **€41 billion** worth.
- These figures represented 5% of total manufactured exports and 4.3% of total manufactured imports. These shares are much lower than the corresponding percentages in manufacturing turnover.
- The EU-25 is a net exporter of foodstuffs with a positive balance of more than **€4 billion**. This trade surplus registered a **24%** decrease in 2004 due to the rise of imports.
- "Beverages" and "various food products" sectors accounted for **55%** of the European food and drink exports.

Intra-EU trade

- Exports inside the EU-25 reached **€139 billion**. This amount highlights the importance of the EU internal market.
- The intra-EU exports accounted for **17%** of the turnover. At the same time, exports to third countries represented **6%** of the turnover.

Consumption on the internal market

- The EU enlargement to 25 Member States resulted in 75 million potential new consumers within the single market. The total number of consumers rose to **455 million** people.
- In 2003, about **13%** of total household consumption expenditure in EU-25 was spent on food and non-alcoholic beverages. Since 1995, this percentage registered a **10%** decrease.

Note:
Extra-EU trade: trade with countries outside of the 25 Member States.
Intra-EU trade: trade between the 25 Member States.

Extra-EU trade

Uneven overall trade performance

Following a slight drop in 2003, extra-EU trade of food and drink products registered an increase in 2004 *(Fig. 1)*. The growth rate of imports (8%) was twice that of exports (4%). Despite high oil prices along with the rise in value of the Euro, the EU food and drink industry benefited from growth in trade and output in several third countries.

The EU remained a net exporter of foodstuffs with a positive balance of more than €4 billion. Nevertheless, this trade surplus - particularly attributed to the EU-USA trade with a balance worth €7 billion - followed the 2003 downwards trend *(Fig. 2)*.

USA and Brazil, main EU trading partners

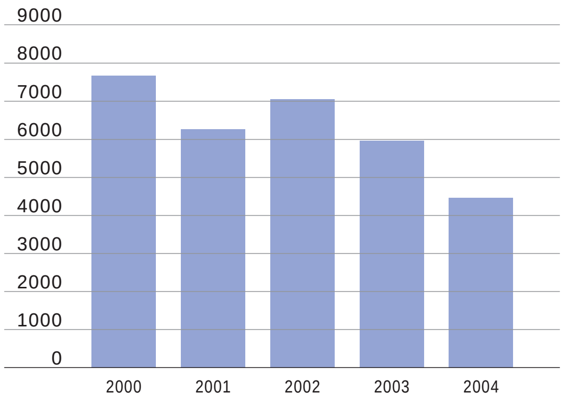
With 22% of all EU exports, the USA is the number one customer for European food and drink industries, although sales to the Americans have stagnated somewhat since 2002. Japan remains second, closely followed by Russia. Exports to Russia have increased by 34% since 2000. Imports from Brazil and Argentina (the two main EU suppliers) resumed their increase in 2004, after stagnation in 2003. Together, they account for one fifth of total EU food and drink imports *(Fig. 3)*.

Fig. 1 - EU-25 key trade figures (€ million)

	2002	*2003/2002*	*2003*	*2004/2003*	*2004*
Export	45,023	↘ -3.4%	43,497	↗ 3.8%	45,153
Import	37,999	↘ -1.0%	37,629	↗ 8.2%	40,706
Balance	7,024	↘ -16.5%	5,868	↘ -24.2%	4,447

Source: Eurostat, Comext

Fig. 2 - Extra-EU trade balance (€ million)



Source: Eurostat, Comext

Fig. 3 - Key EU trading partners, 2004

Destinations of EU F&D products (€ million)	
USA	10,090
Japan	3,633
Russia	3,527
Switzerland	3,017
Canada	1,474
Norway	1,328
Australia	954
South Korea	882
Algeria	628
Croatia	627
Rest of the world	18,993
Total extra-EU	**45,153**

Origin of EU F&D imports (€ million)	
Brazil	4,724
Argentina	3,675
USA	2,986
China	1,675
Switzerland	1,480
New Zealand	1,419
Turkey	1,368
Norway	1,237
Australia	1,222
Chile	936
Rest of the world	19,984
Total extra-EU	**40,706**

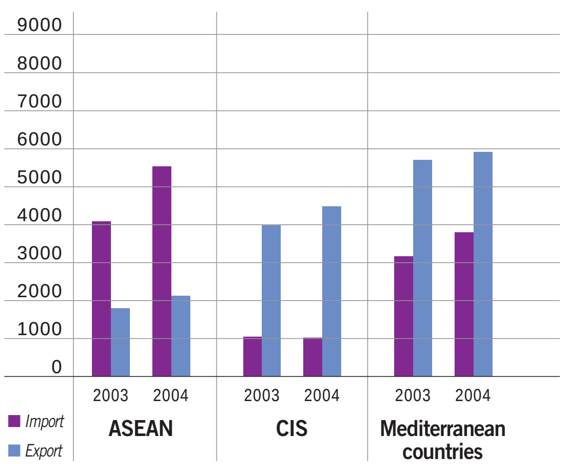
Source: Eurostat, Comext

Extra-EU trade

Asean, CIS and Mediterranean countries, important axes of development of trade flows

Exports to Asean countries and the Commonwealth of Independent States (CIS) recorded the highest growth rates among the main EU trading blocs (+21% and +13% respectively). The statistics show also significant increases of imports from Asean (+37%) and Mediterranean countries (+21%), highlighting the strong economic activity in these countries *(Fig. 4)*.

Fig. 4 - Trade flows with ASEAN, CIS and the Mediterranean countries (€ million)



Note:
ASEAN: Association of Southeast Asian nations
CIS: Commonwealth of Independant States

Source: Eurostat, Comext
CIS: former USSR (except Baltic States)

Trade by sector

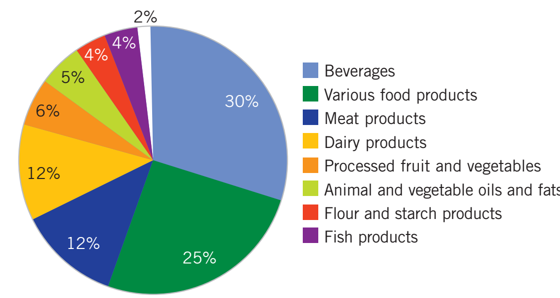
"Beverages" and the "various food products" category such as biscuits and confectionery products are by far the two most important sectors in terms of exports *(Fig. 5)*. Beverages (wine in particular) experienced an erosion of the trade surplus. Meanwhile, the exports of the meat sector grew significantly in 2004 and reached the 2000 level *(Fig. 6 and 7)*.

Fig. 6 - EU F&D sectors' balance (€ million)

Beverages	9,736
Various food products	5,616
Dairy products	4,529
Flour and starch products	1,022
Meat Products	620
Animal feed	44
Processed fruit and vegetables	-2,257
Animal and vegetable oils and fats	-6,702
Fish products	-8,555

Source: Eurostat, Comext

Fig. 5 - Share of the main sectors in the EU F&D exports, 2004 (%)



Source: Eurostat, Comext

Fig. 7 - Exports by sector (€ million)

	2003	2004/2003	2004
Beverages	13,720	-0.6%	13,640
of which - distilled alcoholic beverages	5,264	-2.4%	5,136
- wines	4,440	-0.2%	4,433
Various food products	11,137	1.7%	11,331
of which - biscuits, preserved pastry goods	1,149	1.0%	1,161
- chocolate and sugar confectionary	2,454	0.1%	2,456
Meat products	4,519	21.0%	5,467
Dairy products	5,128	5.4%	5,405
Processed fruit and vegetables	2,667	-0.8%	2,645
Animal and vegetable oils and fats	2,261	4.0%	2,352
Flour and starch products	1,788	3.6%	1,853
Fish products	1,877	-2.2%	1,836
Animal feed	723	5.5%	763

Source: Eurostat, Comext

Extra-EU trade trends for 2005

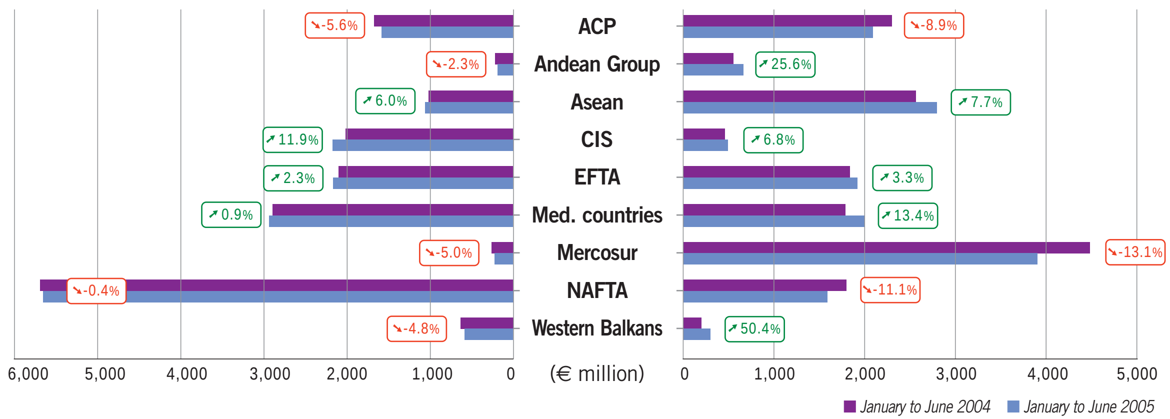
Trade in the first months of 2005

Sales outside the EU-25 increased slightly during the first six months of 2005 *(Fig. 1)*. Exports to Asean countries and CIS followed the 2004 upwards trend. Within the beverages sector (which accounted for more than a quarter of the total exports) sales of alcoholic beverages, mineral waters and soft drinks registered a significant increase while exports of wines (-7%) suffered on competitive third countries' markets.

The imports were almost stable during the same period. The reduction of the imports from Mercosur countries (-13%) should also be noticed *(Fig. 2 and 3)*.

Fig. 2 - Exports by major trading blocs

Imports by major trading blocs



Source: Eurostat, Comext

Fig. 1 - EU-25 key trade figures (€ million)

	January to June		
	2004	2005/2004	2005
Exports	21,664	1.9%	22,074
Imports	19,787	-0.7%	19,649

Source: Eurostat, Comext

Fig. 3 - Exports by sector (€ million)

		January to June		
		2004	2005/2004	2005
Beverages		6,370	1.0%	6,434
of which	*-distilled alcoholic beverages*	2,300	7.2%	2,465
	-wines	2,068	-7.0%	1,924
	-mineral waters, soft drinks	692	11.6%	773
Various food products		5,107	9.9%	5,612
of which	*-sugar*	336	95.8%	658
	-chocolate and sugar confectionery	1,054	-3.5%	1,018
	-coffee and tea	425	25.1%	531
	-baby food and dietetic food	1,824	0.9%	1,841
Dairy products		2,711	2.4%	2,777
Meat products		2,630	-2.4%	2,568
Processed fruit and vegetables		1,223	6.8%	1,306
Animal and vegetable oils and fats		1,183	-10.6%	1,058
Flour and starch products		926	-7.9%	853
Fish products		866	2.5%	888
Animal feed		366	10.1%	403

Source: Eurostat, Comext

Intra-EU trade

Predominance of intra-EU trade versus extra-EU

In 2004, exports within the EU reached €139 billion. Of the 25 Member States, 10 of them exported almost 92% of this total *(Fig. 1)*.

The comparison between intra-EU and extra-EU exports shows the importance of trade flows in the internal market for the European food and drink industry *(Fig. 2)*. About 17% of the turnover was exported to other EU Member States. At the same time, the extra-EU sales accounted for a much lower share (6%). Most of the other EU manufacturing branches export more than 10% of their output to markets external to the EU (10% for clothing, 19% for motor vehicles, 23% for chemicals).

Trade between EU-25 and the new Member States

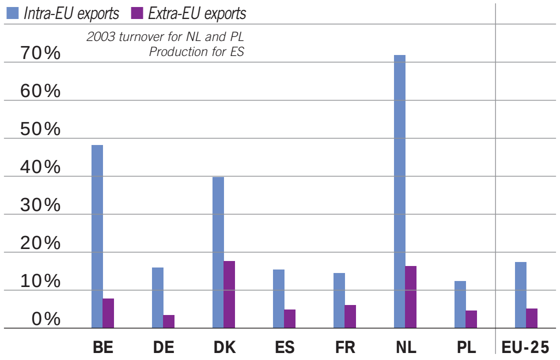
Between 2000 and 2004, the 10 new Member States' exports of food and drink products to the other EU Member States increased by 86%. During the same period, the sales growth of the EU-15 reached much lower percentages, 18% on average. Polish food exports have grown rapidly over the past 5 years, from €1.4 to €3 billion. One third of the 2004 Polish sales were intended for the German market *(Fig. 3)*.

Fig. 1 - Main intra-EU F&D exporters and importers, 2004

Member States	Intra-EU exports (€ million)	Share in total exports (%)	Intra-EU imports (€ million)	Share in total imports (%)
Austria	3,595	2.6	3,909	3.0
Belgium	14,800	10.6	10,883	8.2
Czech Republic	1,209	0.9	1,783	1.3
Denmark	7,287	5.2	3,530	2.7
France	20,048	14.4	16,989	12.8
Germany	20,883	15.0	21,110	16.0
Hungary	1,260	0.9	1,087	0.8
Ireland	5,100	3.7	2,829	2.1
Italy	10,506	7.5	14,083	10.6
Netherlands	28,041	20.1	13,084	9.9
Poland	2,987	2.1	2,142	1.6
Portugal	1,275	0.9	2,971	2.2
Spain	9,231	6.6	7,449	5.6
Sweden	1,491	1.1	3,603	2.7
United Kingdom	8,156	5.9	18,305	13.8
Other Member States	3,384	2.4	8,555	6.5
Total	**139,253**	**100.0**	**132,312**	**100.0**

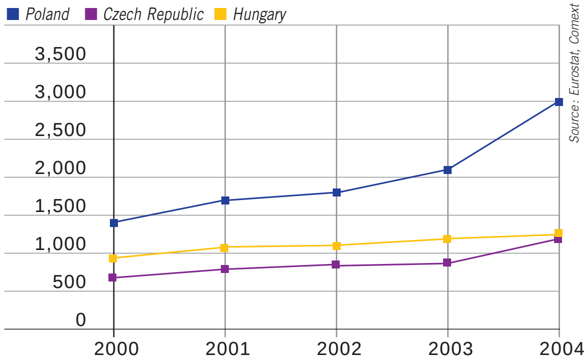
Source: Eurostat, Comext

Fig. 2 - F&D exports by sector relative to turnover in Member States, 2004 (%)



Source: Calculated from National Federations and Eurostat data

Fig. 3 - Exports to the EU-25, 2000-2004, € million



Source: Eurostat, Comext

Consumption of food & drink products

Decline in the share of household expenditure spent on foodstuffs over time

In 2003, about 13% of total household consumption expenditure in EU-25 was spent on food and non-alcoholic beverages *(Fig. 1)*. Foodstuffs traditionally used to account for the largest share of consumption. They are now overtaken by "housing" and "transport". Indeed, the households in EU-25 spent one fifth of their expenditure on housing, water and energy.

Big differences on food expenditure across the EU

Consumers' habits vary substantially among the 25 Member States. Factors such as culture, tradition, household composition, income and degree of urbanisation can influence habits in each country. The accession of the 10 new Member States has made the differences even more apparent than before. The highest share of food expenditure is found in the new Member States where the budget spent on food varies from 16% to 28% *(Fig. 2)*.

Fig. 1 - Trends on the share of the household expenditure spent on food and non-alcoholic beverages in EU-25 (%)

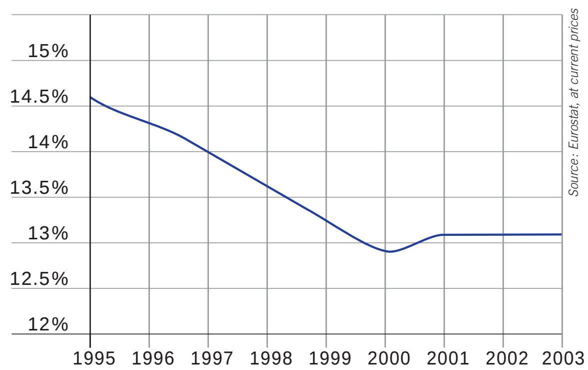


Fig. 3 - Food consumption per capita in the EU-15 in 2002 (kg or litres)

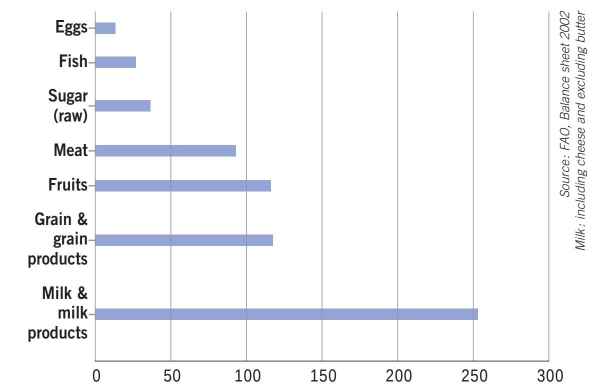
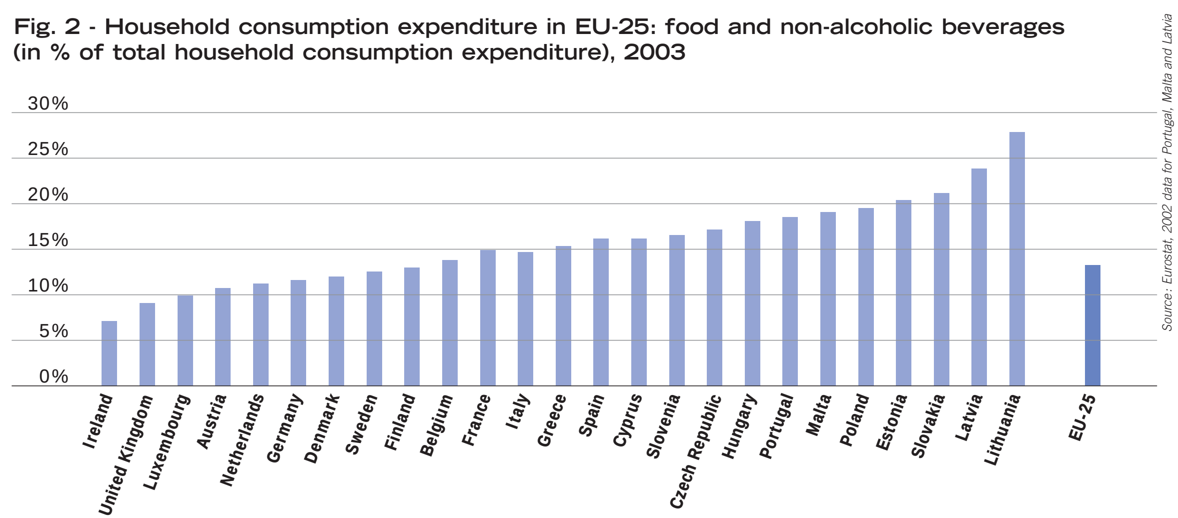


Fig. 2 - Household consumption expenditure in EU-25: food and non-alcoholic beverages (in % of total household consumption expenditure), 2003



World trends

Key figures

- World trade in food and agricultural products reached $627 billion in 2004. The EU-25 is the world's largest exporter and importer of food and agricultural products. In 2004, Australia and New Zealand recorded the strongest growth in exports, while North America and the EU registered the lowest growth rates.

World trade
$627
billion

- R&D intensity remains lower in the EU than in other economies. It accounted only for 0.24% of output in 2001, far beyond the average of 0.35% of its main competitors.

EU R&D
intensity
0.24%

Profile of main F&D industries worldwide

Production growth

The EU food and drink industry has registered relatively limited but stable growth over the past 3 years. International comparisons show that, contrary to the EU, other food production markets are undergoing considerable expansion. This is particularly the case in Latin America and Asia where, for instance, the Chinese food processing industry is continuing to grow at double-digit rates *(Fig. 1 and 2)*.

Fig. 1 - F&D industry contribution to the GDP, 2001

	Share of GDP (%)
Australia	2.6
Canada	2.0
EU-15	2.1
Japan	2.4
Korea	1.6
Mexico	4.9
New Zealand	5.1
United States	1.4

Source: OECD STAN database and CIAA calculations

Fig. 2 - International comparative table of the food industries, 2003

	Production € billion	% of total manufacturing	Number of employees (x1000)	% of total manufacturing
Australia	39	22	187 **	17
Brazil	77 *	17	1,015	19
Canada	55 **	13	241	11
China	137	-	-	-
EU-25	799	14 ***	4,100	13 ***
India	135	-	1,600	-
Japan	223	10	1,568	14
Korea	41	8	296	7
Mexico	70	24	693	20
New Zealand	13 **	43	65	27
South Africa	15	-	-	-
United States	581 **	13	1,784	9

*Sales for EU-25, China and South Africa; * 2004; ** 2001; *** 2002*
-: not available

Source: OECD STAN database, ABIA, China Statistical Yearbook, Australian Government and CIAA

Food products[1] on world markets

Highlights of world trade in 2004

World exports of food products expanded by 14%, to $627 billion in 2004. According to the WTO, the rise in the dollar value of global food trade is largely attributable to price developments. Export growth of food products was lower than for world merchandise trade, bringing the share of food products in global merchandise trade to 7%. Intra-EU trade in food products represented 36% of world trade in 2004.

Performance of the EU-25 on world food markets

The EU is the number one exporter and importer of food and agricultural products worldwide *(Fig. 1)*.

Fig. 1 - Top food exporters / importers, 2004

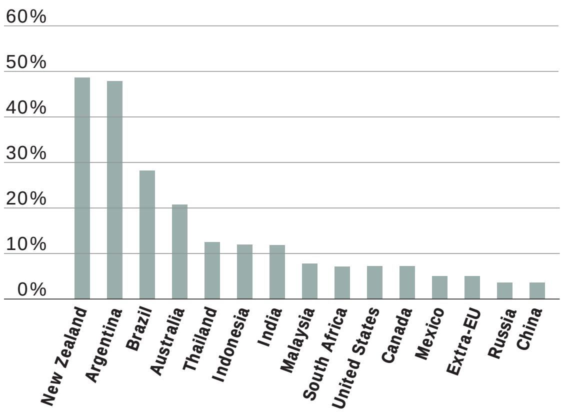
	Exports $ billion	Share in world (%)		Imports $ billion	Share in world (%)
Extra-EU	64.2	10.2	Extra-EU	72.0	10.7
US	59.7	9.5	US	66.7	10.0
Brazil	26.9	4.3	Japan	52.7	7.9
Canada	22.9	3.7	China	21.1	3.2
China	20.8	3.3	Canada	15.8	2.4
Australia	17.9	2.9	Russian	15.0	2.2
Argentina	16.5	2.6	Mexico	11.9	1.8
Thailand	12.2	1.9	Rep. of Korea	11.0	1.6
Mexico	10.3	1.6	Malaysia	5.8	0.9
Malaysia	10.1	1.6	Australia	4.9	0.7

Source: WTO, International Trade Statistics and CIAA calculation

Relative importance of food exports for a selection of countries

The role of the food sector in certain developed and emerging countries (New Zealand, Argentina, Brazil) appears clearly on *figure 2*. This reflects their important farming sector on which the food manufacturing activities are based. At the other end of the graph, stands China whose food exports as a share of total merchandise exports remain low.

Fig. 2 - Share of food exports in total merchandise exports, 2004 (%)

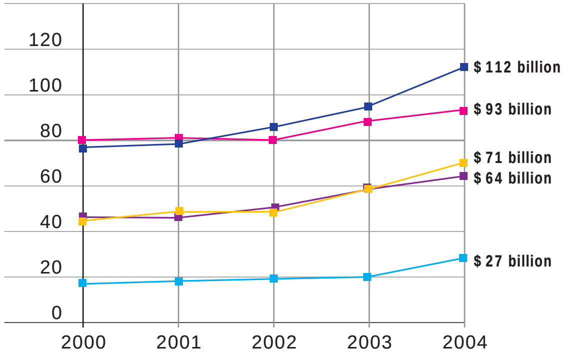


Source: WTO, International Trade Statistics and CIAA calculation

Developments in the main exporting regions

In 2004, Asian countries accounted for almost a fifth of world food trade. They clearly exceeded North American exports which only registered a 6% growth rate, the lowest one among the main exporters. Australia and New Zealand recorded the strongest growth in 2004, followed by South and Central America *(Fig. 3)*.

Fig. 3 - Food exports developments by region*, 2000-2004, $ billion



Source: WTO, International Trade Statistics
** Regions as defined by the WTO*

(1) The definition of food products applied in this page differs from that used in other parts of the brochure. Here, food products include food and live animals, beverages and tobacco, animal and vegetable oils, fats and waxes, oilseeds and oleaginous fruit (SITC sections 0, 1, 4 and division 22).

Research and development

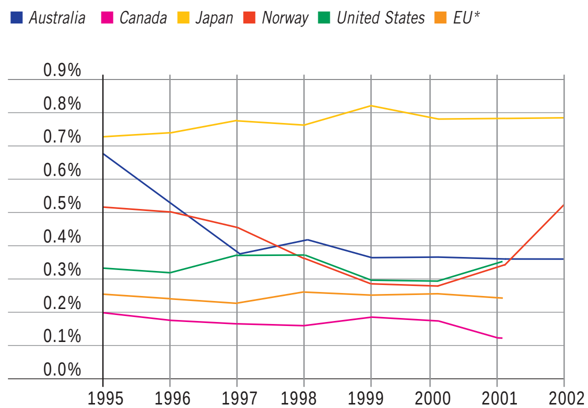
Trends in R&D intensity

R&D intensity, expressed as the R&D expenditure in the food and drink sector as a percentage of output, remains lower in the EU than in other economies *(Fig. 1)*. Even though the amount spent on R&D in the EU rose by 20% between 1997 and 2001, it accounted only for 0.24% of output in 2001, far beyond the average of 0.35% of its main competitors.

EU R&D intensity diverges from country to country *(Fig. 2)*. The Netherlands and Finland achieve an R&D intensity in the food and drink sector of over 0.50%, while new Member States are characterised by very low levels of R&D intensity, 0.02% in the Czech Republic notably. In addition, food and drink companies from large EU-15 Member States, such as Italy, have below average R&D intensities.

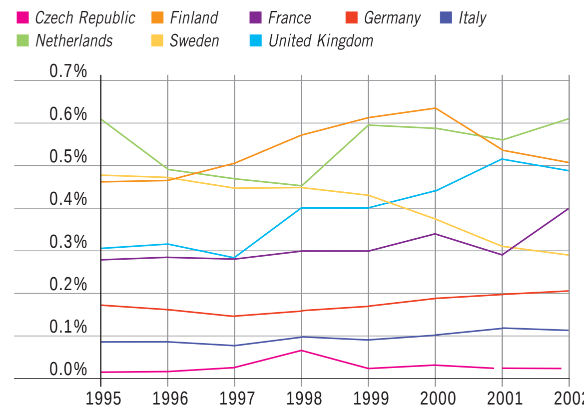
R&D expenditure in food and drink industry as a percentage of industry output

Fig. 1 - R&D intensity worldwide



Source: OECD STAN database and CIAA calculations
** data for the EU are based on 12 Member States for which consistent data are available*

Fig. 2 - R&D intensity in some Member States

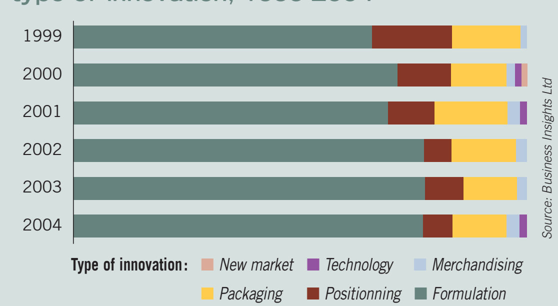


Source: OECD STAN database and CIAA calculations

Trends in food innovation in the USA

77% of food products launched in 2004 were innovative in formulation and only 1.5% of them were innovative in technology. Innovation on formulation increased from 66% in 1999 to 77% in 2004, while innovation on both packaging and positioning decreased.

Percentage of new products rated by type of innovation, 1999-2004



The top world and EU food and drink companies

Ranking of world agri-food companies by sales, 2004-2005

Name	Head-quarter	Total sales € billion	Year-to-year sales growth (%)	Employees (x1000)	Main sectors
Nestlé	CH	56.2	-2.8	247	*multi-product*
Cargill	USA	57.1[c]	13.0	124	*multi-product*
Unilever	NL/UK	40.4	1.4	223	*multi-product*
Archer Daniels Midland	USA	29.0[d]	0.6	26	*cereal processing*
Kraft Foods Inc.	USA	25.9	5.5	98	*dairy, snacks, beverages*
PepsiCo	USA	23.5	8.5	153	*beverages, snacks*
Tyson Foods	USA	21.2[e]	7.7	114	*meat*
Bunge	USA	20.6	13.5	25	*multi-product*
The Coca Cola Company	USA	17.7	4.4	50	*beverages*
Sara Lee	USA	15.4[d]	1.6	137	*prepared foods*
Danone	FR	14.9	12.4	89	*multi-product*
Mars/Masterfoods	USA	14.5	5.9	39	*snacks, beverages, pet food*
Diageo	UK	13.3[d]	0.0	24	*alcoholic beverages*
Anheuser Busch	USA	12.0	5.6	31	*beer, beverages*
ConAgra Foods	USA	11.7[c]	0.3	39	*meat, processed foods*
Asahi Breweries	JP	11.3	7.1	21	*alcoholic beverages*
Heineken	NL	11.0	17.5	61	*beer*
SABMiller	USA	10.3[a]	13.5	40	*beer*
Cadbury Schweppes	UK	9.9	12.5	55	*beverages, confectionery*
Kirin Breweries	JP	9.4	7.9	22	*beer, alcoholic beverages*
Suntory Group	JP	9.4	3.6	28	*alcoholic beverages*
Smithfield Foods	USA	9.1[b]	22.5	46	*meat*
General Mills	USA	9.0[c]	1.6	28	*multi-product*
Dean Foods Company	USA	8.7	17.8	29	*dairy*
InBev	BE	8.5	21.6	75	*beer*
Swift and Company	USA	7.9[c]	2.1	21	*meat*
Kellogg Company	USA	7.8	9.1	25	*breakfast cereals*
Heinz	USA	7.1[b]	5.9	41	*prepared foods*

Source: CIAA, further information on www.ciaa.be.
- *The large majority of sales are food and drink products, however sales from other product groups are not necessarily excluded.*
- *Figures taken out of companies' annual reports are best estimates, more details on their websites. Growth rates are only indicative and refer to the same period in 2003.*
- *Sales refer to the fiscal year ending in December 2004 with the following exemptions: (a) March 2005, (b) April 2005, (c) May 2005, (d) June 2005, (e) September 2005.*
- *Sales in USD, CHF, GBP, DKK have been converted into EUR based on 2004 average exchange rates.*

Ranking of European agri-food companies by sales, 2004-2005

Name	Head-quarter	Total European sales € billion	Employees (x1000)	Year-to-year change of workforce	Main sectors
Nestlé	CH	23.4[a]	95.0	-8.3	*multi-product*
Unilever	NL/UK	17.9	-	-5.0	*multi-product*
Cadbury Schweppes	UK	9.9[b]	24.5	n.a.	*beverages, confectionery*
Danone	FR	9.4	22.5	4.6	*multi-product*
Associated British Food	UK	8.2[b]	25.8	8.8	*sugar, starches, prep. foods*
Scottish&Newcastle	UK	7.3[b]	15.2	2.9	*alcoholic beverages*
Heineken	NL	7.1	-	-	*beer*
Diageo	UK	5.7	-	-	*alcoholic beverages*
Carlsberg	DK	4.8[b]	-	3.9	*beer*
Südzucker	DE	4.8[b]	17.5	-2.7	*sugar, multi-products*
Allied Domecq	UK	4.7[b]	12	-2.7	*alcoholic beverages*
InBev	BE	4.7	-	3.7	*beer*
Tate&Lyle	UK	4.6[b]	6.7	0.0	*sweetener, starches*
Ferrero	IT	4.6[b]	16.6	14.6	*confectionery*
Bongrain	FR	4.1[b]	16.0	3.2	*dairy*
Kerry Group	IR	4.1[b]	21.7	11.7	*multi-products, ingredients*
Nutreco	NL	3.8[b]	12.6	5.0	*meat*
Pernod Ricard	FR	3.6[b]	12.2	3.5	*alcoholic beverages*
Campina	NL	3.5[b]	7.1	-2.6	*dairy*
Oetker-Group	DE	3.4[c]	15.1	20.5	*multi-product*
Danisco	DK	2.2[b]	9.2	8.8	*ingredients*
Ebro Puleva	ES	2.1[b]	6.7	5.9	*rice, sugar, dairy*
Wessanen	NL	2.1[b]	8.4	-12.8	*prepared foods*
SAB Miller	UK	1.9	10.2	-	*beer*
Parmalat	IT	1.9	6.5	-15.7	*dairy, snacks, beverages*

Source: CIAA, further information on www.ciaa.be.
- *Sales refer in general to the fiscal year ending December 2004 stating total sales in Europe, the majority being food and drink products, with the following exemptions: (a) sales of food & drink products in Europe, (b) total company sales, (c) total food and drink sales.*
- *Employees number taken from companies' annual reports are best estimates, more details on their websites.*
- *Sales in USD, CHF, GBP, DKK have been converted into EUR based on 2004 average exchange rates.*

-: not available

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 ry

France
ANIA – Association Nationale des Industries Alimentaires

Germany
BLL – Bund für Lebensmittelrecht und Lebensmittelkunde e.v.
BVE – Bundesvereinigung der Deutschen Ernärhrungsindustrie e.V.

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

Slovakia
UPZPPS – Unia podnikatel'ov a zamestnávatel'ov v potravinárskom priemysle na Slovensku

PKS - Potravinárska Komora Slovenska

Slovenia
GZS – Gospodarska Zbornica Slovenije

National Federations

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:

Norway
NBL – Næringsmiddelbedriftenes Landsforening

Romania
ROMALIMENTA – Federatia Patronala Romana din Industria Alimentara

Sectors

Bakery
AIBI

Beer
THE BREWERS OF EUROPE

Bottled waters
EFBW

Breakfast cereal
CEEREAL

Broth & soup
FAIBP

Cereal flour
GAM

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

Isoglucose
API

Margarine
IMACE

Non-alcoholic beverages
UNESDA

Oils
FEDIOL

Pasta
UNAFPA

Pet food
FEDIAF

Processed meat
CLITRAVI

Processed potatoes
UEITP

Salt
EUSALT

Sauce & condiment
FIC

Semolina
SEMOULIERS

Snacks
ESA

Soluble & roasted coffee
AFCASOLE/EUCA

Spices
ESA

Starch
AAC

Sugar
CEFS

Tea & herbal infusions
EHIA/ETC

Vegetable proteins
EUVEPRO

Yeast
COFALEC

Major food and drink companies

ADM
BUNGE
CAMPBELL FRANCE HOLDING
CARGILL
COCA-COLA
DANONE
FERRERO
HEINEKEN
HEINZ
INBEV
KELLOGG'S
KRAFT FOODS
MASTERFOODS
NESTLE EUROPE
PEPSICO
PERNOD RICARD
PROCTER & GAMBLE
SARA LEE
SÜDZUCKER
TATE & LYLE
UNILEVER

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Confederation of the food and drink industries of the EU

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