



FOOD AND DRINK INDUSTRY REPORT 2021

Full Year Export Report. April 2021

fdf food & drink
federation
passionate about food & drink

In partnership with:

 **Santander**

Foreword



The last twelve months have been particularly challenging for food and drink manufacturers. Businesses have been focused on their own corporate survival and of that of their suppliers and customers. That has involved mitigating the impact of COVID-19 on food supplies at exactly the same time as preparing for the end of the EU Exit Transition period, and dealing with the complexities and difficulties that have arisen as a result. All of us in the industry are immensely proud of the way in which all points of the food and drink supply chain - from farm to fork - have responded to these challenges. Our people have been the hidden heroes of this most testing year.

As the UK forges its new identity as an independent trading nation and looks to promote economic recovery, there remains significant headroom for growth for UK food and drink exports, both within the EU and further afield. Food and drink exports are a UK success story. They are prized around the world for their quality and provenance. After more than a decade of continuous growth, we experienced a significant drop in our exports over the first nine months of 2020 due to the impacts of COVID-19. The loss of these exports will have critical impacts for profitability across our supply chain - with knock-on effects for both prices and availability for the UK's shoppers and consumers.

Government must now look to implement longer-term export support - as recommended by the UK's Trade and Agriculture Commission, industry members of the Food and Drink Sector Council and the FDF - to put in place the 'bounce-back plan' for agri-food and drink exporters.

Ian Wright, CBE
Chief Executive
Food and Drink Federation



2020 was a difficult year. Although the food and drink industry didn't escape the pandemic and Brexit unscathed, it has certainly not let these challenges beat it. The pandemic not only squeezed resources in food and drink production, it gave manufacturers accustomed to supplying the HORECA (hospitality, restaurants, cafes) sector a particularly torrid time as demand was significantly affected. At the same time, the industry experienced difficulties with getting products into Europe because of Brexit, consequently hitting the UK's EU exports hard.

In the face of these challenges, the industry demonstrated adaptability and resilience. It coped admirably with everything that 2020 threw at it and, crucially, it has assured the UK's food security.

Challenges continue, but there are opportunities for our newly independent trading nation to build on the export successes of the past decade. With food and drink networks across more than 20 international markets, Santander is well placed to help UK companies take advantage of these global opportunities, notably including the US, Middle East and Asia. We offer support to companies throughout their international expansion journey, from market-readiness to finding distributors and retailers by leveraging our in-country networks.

While the industry is feeling the effects of Brexit on its exports, I am confident these are mere teething issues and solutions will come to smooth trade. The industry should not give up on this important market and Santander can support UK companies to build on exports to the EU.

Santander is proud to work with the FDF to support UK companies at this crucial time, and we are available to help this great industry continue to grow.

Andrew Williams
Head of Food & Drink Sector
Santander Corporate & Commercial Banking



COVID-19 and Brexit: What next for our industry?

A global pandemic coupled with the end of the EU transition period in December contrived for difficult trading in 2020 for the UK's food and drink sector.

The COVID-19 crisis hit us hard. Hospitality suppliers saw their businesses brutally curtailed as outlets in the UK and abroad shut. Suppliers into the high-end restaurant trade in Europe face further disruptions as the slow start to the EU vaccine programme means that our neighbours face continued restrictions in 2021. Even our members supplying into retail at home and abroad have been hit by additional costs to keep Covid-secure and manage huge production uplifts at times when the workforce was depleted.

The pandemic slowed exports as border and transportation networks shut down. Who can forget the lorries stacked at Manston airfield, many of them filled with Christmas produce destined for European shoppers.

EU border issues will vex our members well into 2022. Cautious producers have reined in their ambitions for exporting and January 2021's export figures saw a drop of 75.5% compared to the same period last year. In January 2020, Ireland was our biggest market accounting for 18% of total food and drink exported. A year on, that has crashed to 5%.

Through this period, the FDF has continued to support its members with these two weighty issues, but also other priority areas such as diet and health and plastics and packaging. It's no exaggeration to say that some members have told us that they could not have got through without the support of their trade association.

With vaccines rolling out we should start to see the global economy re-open and with it, the demand for hospitality. With four years of uncertainty around the EU exit arrangements, exporters had already started to look beyond Europe for their customers and we hope to see strong growth in promising markets such as Asia and the Middle East. Many of the trends seen in the UK, such as demand for health and wellness products, plant-based and luxury and indulgence, will be mirrored globally and the UK has long been a leader in these sectors.

For those of you working in food and drink production I wish you a better 2021, and for everyone else, do continue to watch this exciting sector with interest.



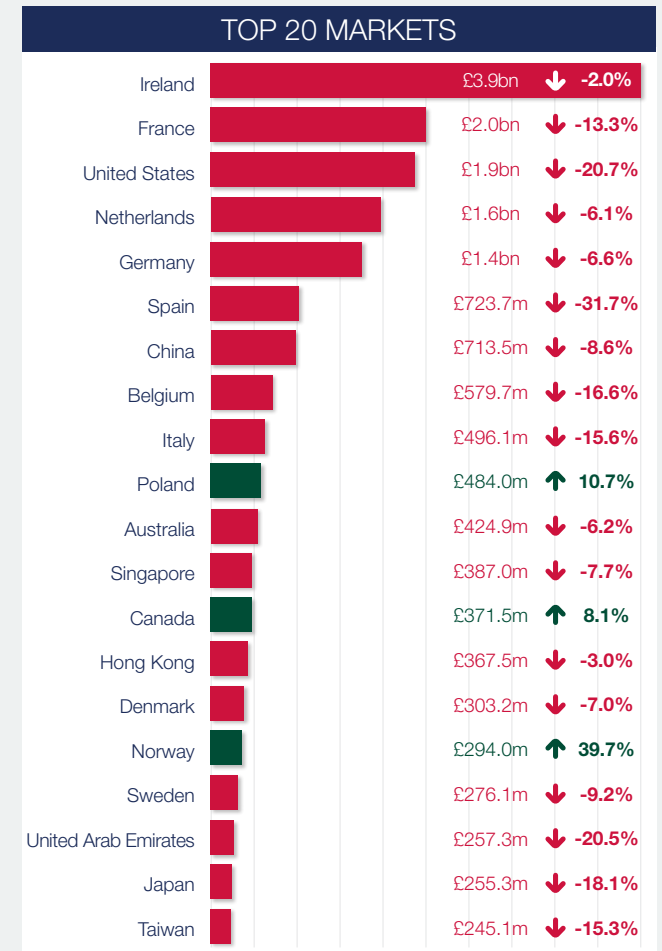
Nicki Hunt
Director of Membership and
Commercial Engagement

Executive Summary

- In 2020, the COVID-19 pandemic had a significant impact on businesses operating across the food and drink sector. Exports fell by 9.7% compared to the previous year, with the value amounting to £21.3bn. This fall began early in Q1, when COVID-19 restrictions first had an impact in February and March.
- Despite sporadic re-openings of the hospitality and travel sectors throughout the year, UK food and drink exports declined substantially in all quarters.
- However, an easing of restrictions and the need for businesses to move goods into the EU before the end of the transition period meant that exports only declined by 1.7% in Q4 2020.
- Unfortunately, we expect the partial recovery of exports in Q4 to only be temporary. Early data for January suggests a further reduction in the value of exports to EU markets, with the full data set to be published in the FDF's forthcoming Q1 Exports report.
- A decline in value of exports in 2020 was seen in both EU and non-EU markets, falling by -8% and -12.1% respectively. The trade deficit continued to grow, with the dependence on imports increasing by 9.2% compared to 2019.
- Most of the top 10 food and drink products exported by the UK were negatively impacted by COVID-19 and restrictions of movement. However, branded products demonstrated continued growth.

KEY INDICATORS			
	2019	2020	Change
All food & drink	£23.6bn	£21.3bn	-9.7%
EU	£14.2bn	£13.0bn	-8.0%
Non-EU	£9.5bn	£8.3bn	-12.1%
EU share	59.9%	61.0%	1.1 pp
Non-EU share	40.1%	39.0%	-1.1 pp
Trade balance	-£24.3bn	-£26.5bn	9.2%

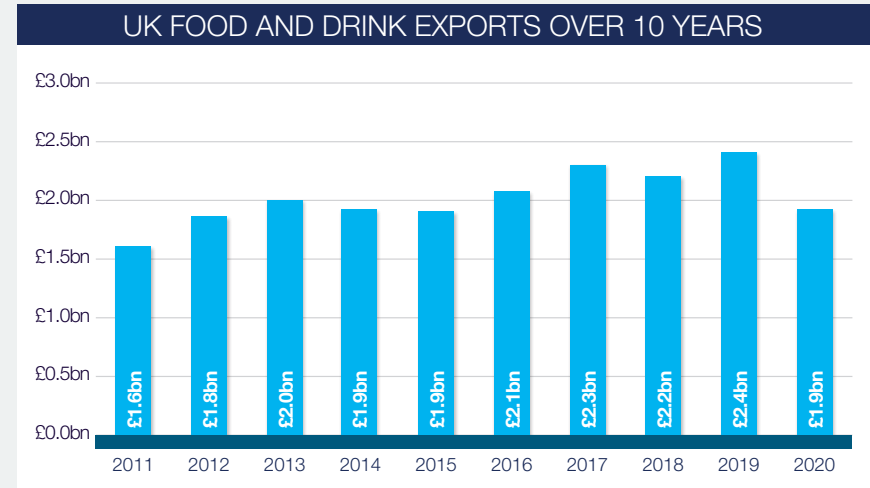
TOP 10 PRODUCTS					
	Top market of destination	2019	2020	Change	
				Value	Volume
Whisky	United States	£5.0bn	£3.9bn	-22.3%	-13.7%
Chocolate	Ireland	£778.1m	£786.3m	1.1%	-2.3%
Cheese	Ireland	£707.9m	£653.6m	-7.7%	-7.5%
Pork	China	£580.0m	£629.7m	8.6%	6.2%
Salmon	France	£833.5m	£617.1m	-26.0%	-21.4%
Gin	United States	£674.9m	£573.5m	-15.0%	-10.7%
Wine	Hong Kong	£662.3m	£534.9m	-19.2%	-8.7%
Breakfast cereals	Ireland	£490.5m	£526.1m	7.3%	12.7%
Beef	Ireland	£588.2m	£509.9m	-13.3%	-9.2%
Soft drinks	Ireland	£462.6m	£471.2m	1.9%	-6.4%



Exports to the United States

- The United States is the world's largest economy and the third-most important market for UK food and drink exports.
- Over the last decade we've seen UK food and drink exports to the United States increase almost 50% before the COVID-19 pandemic reversed most of these gains in 2020. Whisky and salmon, the UK's two highest value exports in 2019, fell by over 30% and over 40% respectively. Of last year's top 10 products exported, only soft drinks saw an increase of nearly two-thirds in 2020.
- A tough year for the United States' sugar production due to adverse weather conditions has led to increased imports of refined beet sugar, including from the UK. This has led to sugar becoming a new entrant in the top 10 products, growing to £30m from less than £1m in 2019.
- Exporting to the United States can be challenging due to different standards and a variety of market access barriers. Companies interested in exporting to the United States can find further guidance in the February 2021 [Promar reports](#) produced by Defra with support from the FDF.

TOP 10 PRODUCTS			
	2019	2020	Change (%)
Whisky	£1.1bn	£749.8m	-31.1%
Gin	£206.4m	£196.4m	-4.9%
Salmon	£248.0m	£144.8m	-41.6%
Beer	£106.9m	£101.7m	-4.9%
Soft drinks	£47.5m	£78.8m	65.9%
Spirits	£70.1m	£52.6m	-25.0%
Cheese	£54.1m	£44.3m	-18.2%
Wine	£90.1m	£43.8m	-51.5%
Fish	£48.8m	£34.7m	-28.8%
Sugar	£0.2m	£30.2m	14486.9%



Rest of the World United States

USA - Santander Insight

During our latest Global Food Forum event, we learnt that the UK exports almost £2bn worth of food and drink products to the United States.

There has been significant growth in the health and wellbeing category as people look for healthier and sustainable options. This trend has predominantly been driven by COVID-19, but is also due to people having more time to experiment with new produce whilst working from home. Consumers are also paying more attention to sustainability and how products are sourced. Ethical standards of brands and fair trade policies have all made an impact on consumers in the United States.

However, people do still want to treat themselves, and sales to the United States of British chocolate, ready to eat confectionary and beer all remain strong.

The Comprehensive and Progressive Agreement of Trans-Pacific Partnership: a focus on Canada

- The UK is seeking to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the third largest free-trade area in the world by GDP.
- Of its 11 current members, Canada, Australia, New Zealand, Mexico, Singapore and Japan are of particular importance for UK food and drink exporters.
- In 2020, UK food and drink exports to countries in the CPTPP totalled £1.8bn, or 8.5% of all UK exports. Growth had been trending upwards since 2015, peaking at £2bn in 2019 before falling back in 2020.
- Top products exported to countries in the CPTPP included whisky, gin and chocolate. In 2020, exports fell for most of the top 10 products, although they increased for chocolate, beer and gin.
- One of the few CPTPP markets that saw increasing food and drink exports in 2020 is Canada. A key market for UK producers, exports to Canada totalled £371.5m in 2020, up by 8% from the previous year.
- On 9 December 2020, the UK and Canada signed a trade agreement that locks in their existing trading relationship, and committed to negotiate a more ambitious trade deal in 2021.

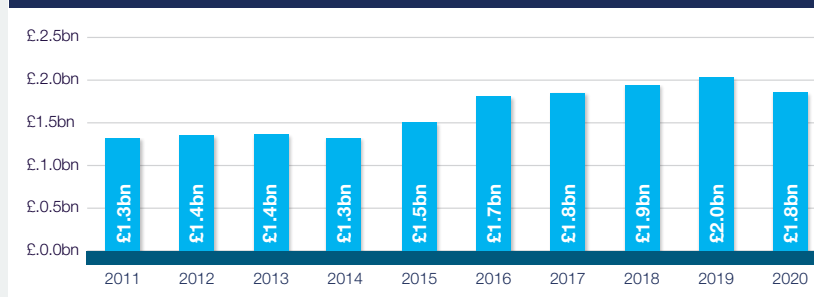
CPTPP - Santander Insight

It comes as welcome news that the UK Government is in discussions to become a member of CPTPP, which will provide trading opportunities in these regions for the food and drink sector. Specific Santander food and drink ecosystems have been established in many of these member states where we have distributor connections and market partners. Santander is planning connectivity events and ongoing distributor projects in Australia, Canada, Japan, New Zealand, Malaysia, Singapore and LATAM to support UK businesses with their export objectives.

TOP 5 PRODUCTS EXPORTED TO CPTPP

	2019	2020	Change
Whisky	£889.6m	£731.3m	-17.8%
Gin	£70.1m	£73.5m	4.9%
Chocolate	£59.1m	£65.4m	10.5%
Beer	£52.9m	£53.7m	1.4%
Sweet biscuits	£52.6m	£47.4m	-10.0%

UK FOOD AND DRINK EXPORTS TO CPTPP



Canada - Santander Insight

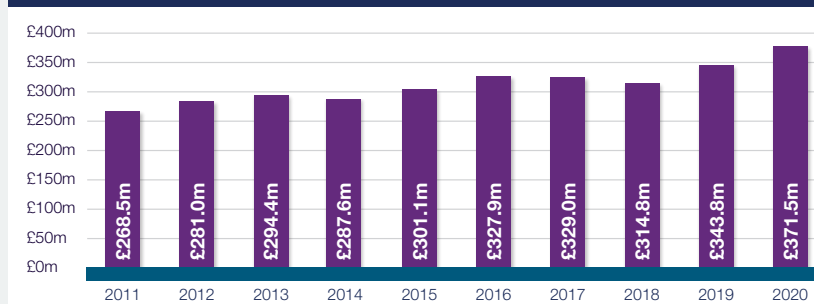
Health and wellbeing products continue to be in demand in Canada, with an increase in sales of plant-based products, free from brands and alcohol-free gins and beers.

We've also seen increased demand for imported frozen foods. With tighter lockdown restrictions in Canada than other parts of the world, Canadians have had fewer opportunities to visit shops and have adapted to buying online. Longer-lasting products and frozen foods have become part of a staple diet, leading to increased demand. Although restrictions have begun to ease in recent months, there has not been a drop-off in demand for frozen goods, as might have been anticipated.

TOP 5 PRODUCTS EXPORTED TO CANADA

	2019	2020	Change
Whisky	£95.5m	£90.7m	-5.0%
Beer	£29.3m	£32.0m	8.9%
Chocolate	£21.4m	£26.4m	23.2%
Gin	£20.8m	£24.6m	18.4%
Beef	£9.6m	£20.3m	110.1%

UK FOOD AND DRINK EXPORTS TO CANADA



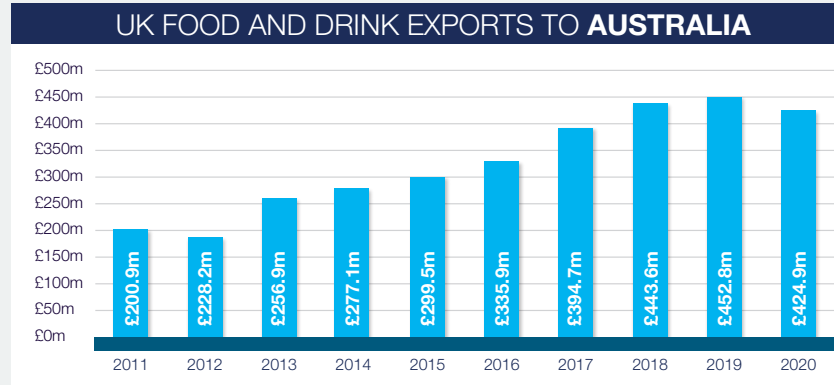
New opportunities: Exports to Australia and New Zealand

- UK exports to Australia and New Zealand have more than doubled in the last decade. The UK is currently negotiating trade agreements with Australia and New Zealand, which together imported £484m of food and drink from the UK in 2020.
- Australia is the 11th most important destination for UK exports in terms of value, though exports fell by 6% in 2020. This is below the average reduction in UK food and drink exports for 2020.
- Top 5 products exported to Australia in 2020 included whisky, gin and savoury snacks. Despite the reduction in the overall value of food and drink exports, sales of many of the UK's top products exported to Australia increased when compared to 2019.
- Exports to New Zealand continued to grow in 2020, albeit more slowly than recent years. Growth was reflected in sales of top products.
- Australia is the world's 13th largest economy - it has one of the highest levels of per capita GDP in the world and is ranked first for median wealth per adult¹. Prior to the onset of COVID-19 the Australian economy recorded 29 years of consecutive economic growth.
- The Australian Government implemented strong restrictions in response to COVID-19 and has had one of the lowest rates of infections globally. Underpinning Australia's strong economy is its open and transparent trade and investment environment, and strong trade and economic links.

1 - Mintel opinion: October 2020
2 - Credit Suisse's 2020 Global Wealth Report.

Australia - Santander Market Trends

Consumer priorities over the next two years are forecast to be health and wellness, premiumisation – primarily in indulgent categories, sustainability, value, convenience, trust and safety². There will continue to be an increase in consumers buying local and Australian products, especially in staple categories like milk and bread. However, there are still opportunities for imported products, especially if they're unique and not a duplication of a product already available in the market e.g inherently English, Scottish, Irish or Welsh.



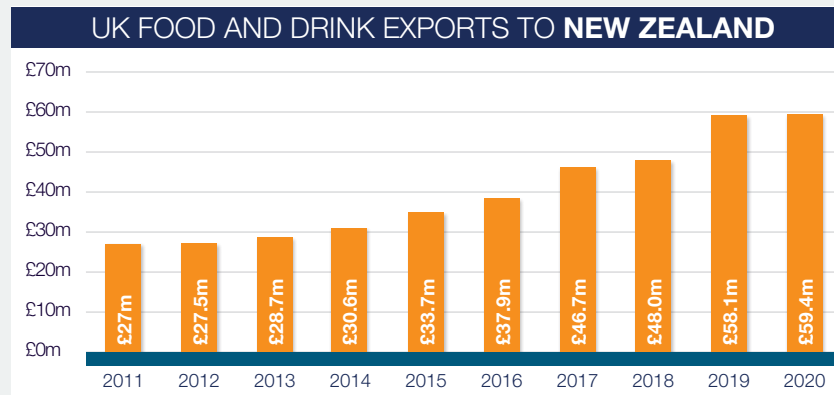
TOP 5 PRODUCTS exported to Australia

	Value (2019)	Value (2020)	Change (%)
Whisky	£119.7m	£115.7m	-3.3%
Gin	£23.6m	£27.6m	16.8%
Savoury snacks	£29.2m	£26.8m	-8.1%
Spirits	£22.6m	£26.4m	17.0%
Chocolate	£20.8m	£16.7m	-19.9%

New Zealand - Santander Market Trends

Future preferential agreements with Australia and New Zealand should aim to secure improved market access to level the playing field with other competitors that already benefit from preferential access with these markets.

Santander has developed a partnership with a global distributor network, the association is represented both in Australia and New Zealand. Alongside this we have an established ecosystem of trade facilitation partners who can support businesses with a range of tailored solutions aimed at helping simplify their international trade journeys.



TOP 5 PRODUCTS exported to New Zealand

	Value (2019)	Value (2020)	Change (%)
Whisky	£7.7m	£9.7m	26.4%
Whey	£6.2m	£5.1m	-16.8%
Gin	£2.8m	£3.6m	26.1%
Soft drinks	£2.4m	£2.9m	19.7%
Chocolate	£4.1m	£2.8m	-31.3%

UK national and regional exports

- The fall in exports throughout 2020 translated into a reduction in trade at the national and regional level.
- FDF's analysis of national data reveals that Scotland remains the largest exporter of food and drink out of all UK nations and regions. Scotland's food and drink businesses make up 10% of all UK businesses in the sector, but they accounted for 25% of all UK exports.
- The value of Scotland's exports totalled £5.2bn in 2020, down 16% compared to the previous year. A fall in exports of whisky and salmon, meant that Scotland saw the largest percentage fall in exports in 2020, followed by South East England and London.
- Welsh food and drink businesses represent almost 5% of our sector, but only account for 3% of exports.
- Welsh exports were down by 4% in 2020, totalling £0.5bn. Welsh businesses are particularly specialised in exports of lamb, red meat and dairy. Despite a fall in exports of both red meat and dairy, UK lamb and mutton exports increased by 10% in 2020.

Footnotes: Data for this section includes the export of tobacco and live animals
 Not all trade can be assigned to one of the 9 English Regions, Wales, Scotland or Northern Ireland. This is classified as "Unallocated Trade"

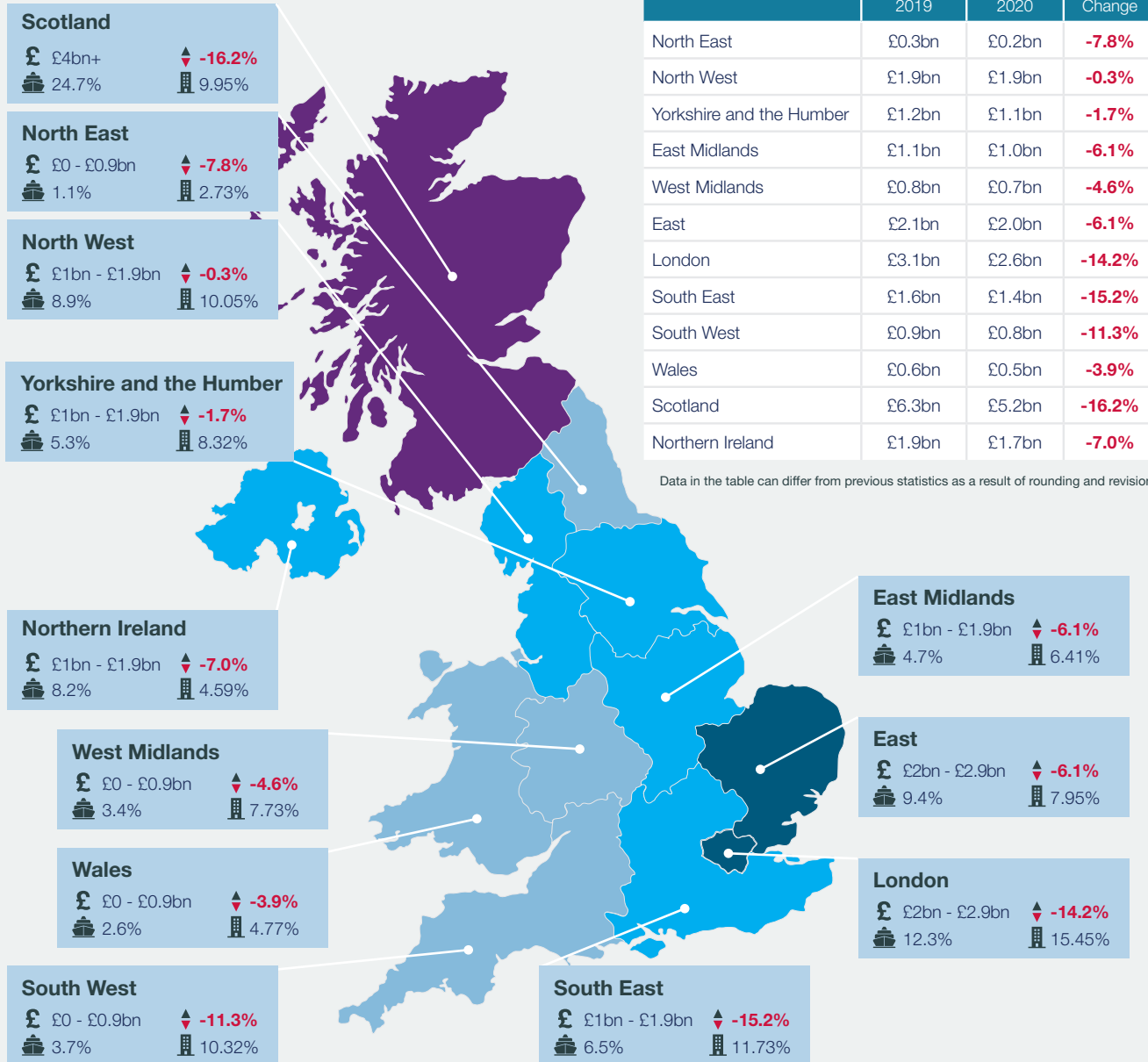
Exports Value

- Below £0.9bn
- £1 - 1.9bn
- £2 - 2.9bn
- £3.0 - 3.9bn
- Above £4bn

Symbols

- Value of exports (range)
- Change from previous year
- Percentage of UK exports
- Percentage of businesses

EXPORTS HEAT MAP



FOOD AND DRINK EXPORTS FROM DIFFERENT UK NATIONS AND REGIONS

	2019	2020	Change
North East	£0.3bn	£0.2bn	-7.8%
North West	£1.9bn	£1.9bn	-0.3%
Yorkshire and the Humber	£1.2bn	£1.1bn	-1.7%
East Midlands	£1.1bn	£1.0bn	-6.1%
West Midlands	£0.8bn	£0.7bn	-4.6%
East	£2.1bn	£2.0bn	-6.1%
London	£3.1bn	£2.6bn	-14.2%
South East	£1.6bn	£1.4bn	-15.2%
South West	£0.9bn	£0.8bn	-11.3%
Wales	£0.6bn	£0.5bn	-3.9%
Scotland	£6.3bn	£5.2bn	-16.2%
Northern Ireland	£1.9bn	£1.7bn	-7.0%

Data in the table can differ from previous statistics as a result of rounding and revision.

Scotland Insights



It's not a surprise to see that COVID-19 had a significant impact on Scotland's food and drink exports last year. This was partly due to the closure of hospitality across the globe - where iconic Scottish products like salmon, whisky, and many more are enjoyed.

Scotland has always had a strong success story in exporting our food and drink. Top markets include the EU, Asia, North America and the Middle East. We punch well above our weight for such a small nation. It is interesting to see that Scottish food and drink

businesses make up only 10% of all UK businesses in the sector, but that 25% of all UK food and drink exports come from Scotland. This is certainly a great achievement and one that we must build upon.

I am optimistic about the long-term economic health of our industry. It is vital that we all support the Scottish food and drink industry to recover from the impacts of COVID-19 and the changes brought about by Brexit. It is also important that food and drink businesses are helped to achieve their export ambitions - helping our industry grow sustainably into the future.

The successful partnership working between our food and drink businesses and the Scottish Government, the Scottish Parliament and other partners has been a key strength. I look forward to working with the next Scottish Government and MSPs from across the political parties to support the future success of our vital industry.

David Thomson
Chief Executive Officer, FDF Scotland



SCOTTISH EXPORTS THROUGHOUT 2020							
Q1	Change from Q1 2019	Q2	Change from Q2 2019	Q3	Change from Q3 2019	Q4	Change from Q4 2019
£1.2bn	-15%	£1.0bn	-33%	£1.5bn	-13%	£1.6bn	-7%

Wales Insights



In the face of a particularly challenging year for overseas trading in the UK, food and drink exports in Wales only saw a decline of 4% in 2020, totalling £0.5bn for the year - a testament to the reputation of Welsh food and drink globally.

With the closure of hospitality and food service sectors across the world, Wales' world-renowned exports of red meat and dairy fell in 2020. Despite this, UK-wide lamb and mutton exports increased by 10% in 2020, perhaps helping to boost Welsh export figures throughout the year where other nations declined.

Welsh food and drink businesses represent almost 5% of all UK businesses in the sector, and make up for 3% of total UK food and drink exports. There remain many opportunities overseas for Welsh food and drink exporters as we navigate our way through economic recovery, strengthen our resilience as an industry, and seize upon the opportunities that the UK's new trading relationships offer. Although Wales is small in size geographically, we have lots to offer and I am confident that with the right support, we can compete on an even bigger scale and boost our share of UK-wide exports.

Looking ahead, it is vital that we continue our work with the Welsh Government and industry partners to deliver sustainable export growth over the next few months and make sure our industry has the support it needs. I look forward to seeing how Wales rises to this challenge over the coming years.

Pete Robertson
Chief Executive, FDF Cymru



WELSH EXPORTS THROUGHOUT 2020							
Q1	Change from Q1 2019	Q2	Change from Q2 2019	Q3	Change from Q3 2019	Q4	Change from Q4 2019
£127m	-11%	£128m	-2%	£148m	-2%	£143m	-1%

Our Industry at a Glance

In 2019, UK food & drink exports exceeded

£23bn

and went to over 220 countries worldwide

In 2019 the food & drink industry was the biggest manufacturing sector in the country by turnover...
...larger than automotive & aerospace combined

In 2019 our industry had a turnover of more than £104bn, accounting for almost 20% of total UK manufacturing



In 2019 our industry employed over 440,000 people



across every region and nation of the UK

Sources: ONS Annual Population Survey, ONS Annual Business Survey, ONS UK Manufacturers' Sales by Product (PRODCOM), BEIS Business Population Estimates, Her Majesty's Revenue & Customs, Defra Agriculture in the UK, FDF Environmental Ambition Progress Report 2019 and FDF Business Confidence Survey.



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