Data & trends

of the European Food and Drink Industry

2006

CIAA

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

About CIAA

CIAA is the voice of the European food and drink industry - the leading manufacturing 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:

- 25 national federations, including 3 observers;
- 32 EU sector associations;
- 22 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 three themes:

Food and Consumer Policy

Trade and Competitiveness

Environment

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This report presents EU-25 data unless otherwise specified.

A word from the President

Welcome to the 2006 Data and Trends Brochure of the food and drink industry in the EU-25

The food and drink industry is the largest EU manufacturing sector and one of the major pillars of the European economy. The sector produces safe and high quality products to serve consumer needs and to respond to changing consumer demand. Europe's cultural diversity and its tradition are the foundation of the EU food and drink industry and a key asset for further industry development.

Needless to say that, when it comes to delivering the Lisbon declaration target, the food and drink industry can make a strong contribution. CIAA has worked on an assessment of the competitiveness of the food and drink industry and issued the first Benchmarking Report on Competitiveness in mid-2006. R&D, innovation, the cost of raw materials, access to international markets and the regulatory burden our industry is confronted with were all analysed in the Report, as these are the key issues specifically influencing the competitiveness of the food and drink industry.

This brochure gives an overview of the structure of this industry, evaluates trade activities, highlights the major role of the EU food and drink industry on global markets and provides key data on R&D and innovation developments. Finally, it contains consumption figures and habits as well as the ranking of leading international food companies.

The data presented covers the whole food and drink industry (as defined in division 15 of the EU activity breakdown). These are a compilation of indicators taken from Eurostat databases as well as those received from our members. Other sources such as OECD and World Bank have also been used.

I invite you to read this report, which will help you to have a fuller picture of the structure and economics of our industry.

Jean Martin,
President

At a glance

the EU-25 Food and Drink Industry in 2005

Turnover
€836 billion
(+2.6% compared to 2004)

Largest manufacturing sector in the EU (13.6%), ahead of the automobile and chemical industries

Value added as a share of GDP
1.8%

Employment
3.8 million people
(-1.5% compared to 2004)

Leading employer in the EU manufacturing industry (13%), ahead of the fabricated metal and machinery & equipment industries

282,600[1]
companies
(Fragmented industry)

R&D
(as a % food and drink output)
0.24% in 2004[2]

Still insufficient R&D expenditure

Exports
€48 billion
(+5.3% compared to 2004)
Imports
€43 billion
(+5.5% compared to 2004)
Trade balance
€4.5 billion

Net exporter of food and drink products

EU market share of global export market
20%
(24% in 1997)

Shrinking share of EU exports in global markets

(1) 2003 figure
(2) EU-15 figure

Structure of the food and drink industry

Key figures

The food and drink industry in the EU-25

		2002	2003	2004	2005	2005/2004
Turnover*	€ billion	791	799	815	836	↗ 2.6%
Value added*	€ billion	178	181	-	-	
Employees	million	4.2	4.1	3.9	3.8	↘ -1.5%
Companies	thousand	-	282.6	-	-	

(*) in current prices
(-) not available

Source: Eurostat, SBS and CIAA calculation

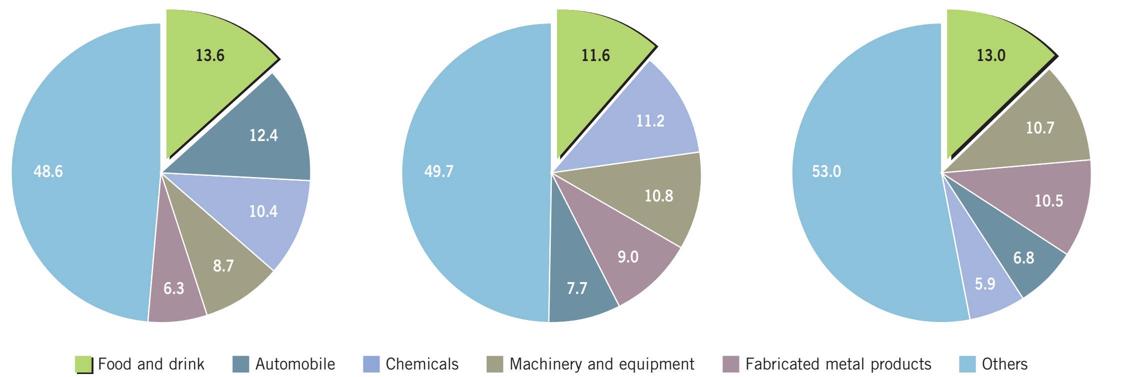
The food and drink industry is a major contributor to the EU economy

- In 2005, the food and drink turnover reached €836 billion. It registered a 2.6% growth which slightly exceeds the trend observed over the past 10/15 years during which the industry experienced a stable 1.8% average growth per annum.
- The food and drink industry is the largest manufacturing sector in the EU, accounting for 13.6% of total manufacturing turnover.
- The food and drink industry is the leading employer in the manufacturing sector with 3.8 million workers in 282,600 companies. The trend towards a reduction of the workforce was confirmed in 2005 with a 1.5% drop in the number of employees compared to 2004.
- The food and drink industry is a fragmented industry, dominated by SMEs which account for about 50% of the turnover.
- France, Germany, Italy, the UK and Spain are the leading producers of food and drinks in the EU, accounting for about 70% of total EU turnover.
- The “various food products” category, including pasta, chocolate and confectionery products, pastry, is the largest sector, representing 26% of total turnover.

The food and drink industry in the manufacturing sector

- With a turnover reaching €836 billion, the food and drink industry ranks number one, ahead of the automobile and chemical industries. The food and drink industry is also the single largest manufacturing activity in value added and employment terms.
- Labour productivity in the EU food and drink industry is considerably lower than in most other industries.
- Due to a relatively high proportion of part-time employment and a comparatively low percentage of higher-level skills, the personal cost per employee in the food and drink industry is below the figures registered for most other sectors.
- Gross operating rate, which is one indicator of profitability, is relatively high in the food and drink industry thanks to lower personnel costs and relatively high value added.

Share of turnover in manufacturing industry (%) | **Share of value added in manufacturing industry (%)** | **Share of employment in manufacturing industry (%)**



Note: the manufacturing sectors are defined at 2-digit level of the NACE-Rev.1 (food and drink industry : Division DA15)

Source: Eurostat, SBS, 2002 data

Personnel cost, labour productivity and profitability within the manufacturing industry

	Apparent labour productivity €1000	*Personnel cost per employee €1000*	*Gross operating rate[1] (%)*
Manufacturing	46.2	32.3	9.1
Food and drink products	40.9	24.8	9.9
Chemicals	84.1	44.7	13.4
Machinery & equipement	47.1	37.2	7.9
Automobile	54.5	43.7	3.3
Textile	28.8	21.8	8.8

(1) The gross operating rate is the gross operating surplus expressed as a percentage of the turnover generated. The gross operating surplus is value added minus personnel costs.

Source : Eurostat, SBS (2002 data when 2003 data not available)

SMEs in the food and drink industry

- The food and drink industry is composed of a diverse range of companies from SMEs (small and medium-sized enterprises defined as having less than 249 employees) to large companies.
- SMEs make up 99.1% of the food and drink business population. These 282,600 companies generate 47.8% of food and drink turnover and employ 61.3% of the sectorial workforce.
- Large companies account for just 0.9% of all food and drink enterprises but they provide 52.2% of the turnover, 53.8% of the value added and contribute to 38.7% of the employment.
- Comparison with the manufacturing industry as a whole highlights the important role of SMEs in the food and drink industry.
- The turnover generated by medium-sized and large enterprises showed much higher growth rate (15% and 14% respectively) than the other 2-size classes since 1999.

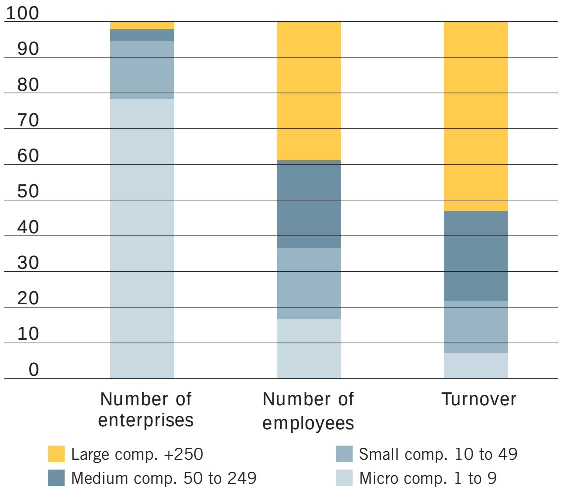
Comparison between turnover, value added and number of employees of the food and drink industry and the manufacturing industry by size of companies (%)

		Micro comp. 1 to 9	*Small comp. 10 to 49*	*Medium comp. 50 to 249*	*Large comp. + 250*
Turnover	**Manufacturing ind.**[1]	6.8	13.3	20.8	59.1
	F&D ind.	6.8	15.1	26.0	52.2
Value added	**Manufacturing ind.**[1]	7.3	15.8	22.3	54.6
	F&D ind.	8.7	15.0	22.5	53.8
Number of employees	**Manufacturing ind.**[2]	9.5	21.8	25.2	43.4
	F&D ind.[3]	16.4	20.7	24.3	38.7

(1) EU-25 except MT, FI, SE
(2) EU-25 except MT, LU, SE, PL, FI
(3) 2001 figures

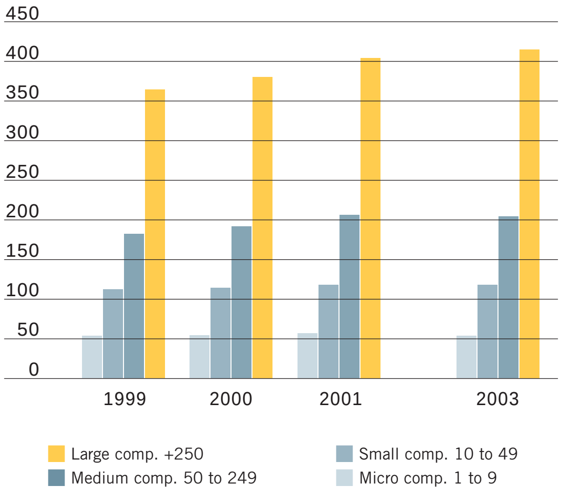
Source: Eurostat, SBS size class, 2003 data

Breakdown of number of enterprises, turnover and value added by size of companies (%)



Source: Eurostat, SBS size class, 2003 data

Turnover of the food and drink industry by size of companies (€ billion)



Source: Eurostat, SBS size class, 1999-2003 data

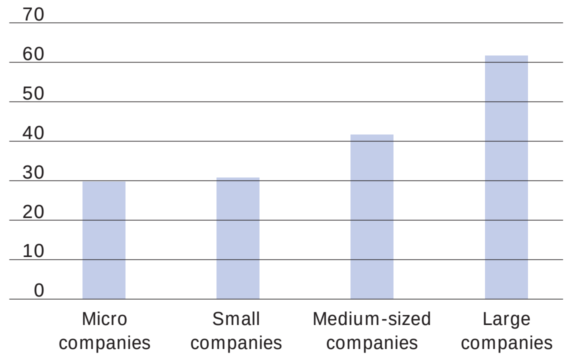
SMEs and innovation

A large European survey in the context of SMEs-NET[1], conducted in 2005 and 2006, aims to scrutinise the current situation of EU food and drink SMEs with respect to technical innovation:

- The amount of innovation[2] undertaken by firms tends to increase with firm size. Nonetheless, a number of indicators demonstrate that most food companies, including SMEs, are genuine innovators and look continuously for opportunities to innovate.
- Two categories can be distinguished within companies that innovate: the "big innovators," large and medium-sized companies which invest many resources in R&D and frequently introduce new products on the markets, and the "small innovators," companies that innovate without introducing radical changes and that are mostly small enterprises.
- Among the companies that carry out product and process innovation (85% of all firms), at least 40% do not have a department dedicated formally to R&D. Instead the decisive factor is the percentage of qualified personnel.
- Product improvement is the top activity for SMEs. These innovations lead to a quick improvement in those characteristics of a food product immediately related to satisfaction (i.e. taste, nutritional value). Process improvement comes second among the changes pursued by SMEs.
- By contrast, major product and process innovations are relevant for a majority of large companies. These innovations are targeted at the introduction of technical changes with substantial effects on the industrial activity of companies.

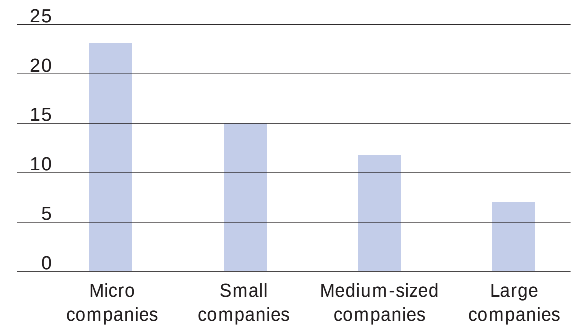
(1) The SMEs-NET project is funded within the 6th Framework Programme. Its core activity has been a European survey on innovations within the food industry across 11 Member States. More than 1200 SMEs took part in the project. For more information http://smes-net.ciaa.eu
(2) Innovative company defined as " firm that introduced in the last 3 years at least some improvements in product or process".

Major innovators by company size in the last three years (%)



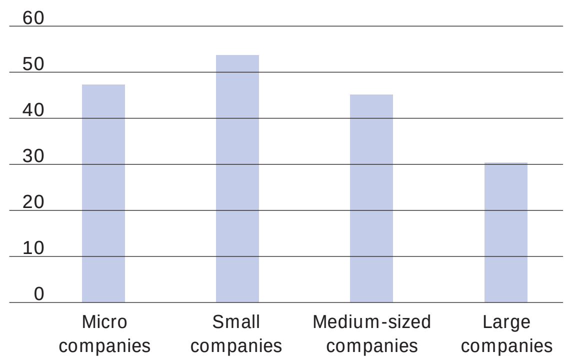
Companies which introduced technical changes with substantial effects on the industrial activity

Companies that did not introduce innovations in the last three years (%)



Source: Vision Paper, SME-NET, 2006
100% for each company size category

Firms that introduced product and process improvements by company size in the last three years (%)



Companies that did not introduce major innovations

Patents in the food and drink industry by firm size

	Number of employees in the company						
	0 to 9	10 to 19	20 to 49	50 to 249	250 to 499	500 to 999	1000 to 9999
No patents	92	68	60	69	52	36	21
1 to 4 patents	8	20	29	18	34	31	40
5 to 50 patents	0	9	5	3	3	8	26
More than 50 patents	0	0	0	0	4	1	8
Not known	0	4	6	11	8	24	4
Total	100	100	100	100	100	100	100

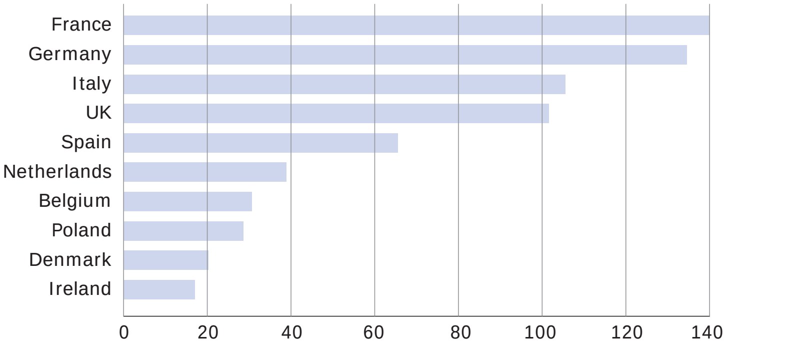
Source: Vision Paper, SME-NET, 2006

The number of patents owned by each company is a frequently used indicator to assess the propensity to innovate in an industrial sector. Patents are possessed by a small number of companies, generally large ones but not so infrequently by medium firms.

The food and drink industry in the Member States

- In a majority of Member States, the food and drink sector features in the top 3 manufacturing industries in terms of turnover. Moreover, in at least 10 countries, it ranked first. The food and drink industry has thus a key role in maintaining industrial activities across the EU.
- The table presents key available data. The turnover growth rate registered important discrepancies between Member States. In large EU producers, it remains quite low in 2005. The number of employees pursued its downward trends in almost all the Member States.

Top 10 Member States in terms of food and drink industry turnover, 2005 (€ billion)



2005 data or latest available *Source: National Federations and CIAA*

The food and drink industry in each Member State, 2004-2005

	AT	BE	CZ	DE	DK	EE	ES	FI	FR	GR	HU	IE	IT	LV	NL	PL	PT	SK	SI	SE	UK	RO
Turnover (€ billion)																						
2004	9.6	31.0	8.3	130.2	17.9	1.0	65.1[2]	8.6[2]	137.1	-	7.8	16.6	105.0	1.1	39.0[4]	28.4	11.5	2.5	1.8	14.7	102.5	-
2005	9.9	31.5	9.4	133.6	20.5	1.1	65.4[2]	8.9[2]	139.7	10.5	7.5	17.8	107.0	1.3	-	-	11.9	2.4	1.8	15.2	-	5.3
2005/2004	↗ 2.5%	↗ 1.6%	↗ 2.6%	↗ 2.6%	↗ 14.7%	↗ 10%	↗ 0.6%	↗ 3.5%	↗ 1.9%		↘ -4.2%	↗ 7.2%	↗ 1.9%	↗ 17%			↗ 3.1%	↘ -1.4%	↘ -3.3%	↗ 3.4%		
Rank[1]	3rd	3rd	-	3rd	1st	1st	1st	4th	1st	1st	3rd	1st	2nd	-	1st	1st	1st	2nd	3rd	4th	1st	-
Employment (thousand)																						
2004	58.4	91.2	133.8	520.0	76.9	17.7	430.3	37.7	421.7	-	115.9	51.6	263.0	35.6	130.3[4]	464.3	103.1	39.1	18.1	58.9	462.0	-
2005	58.5	90.4	131.4	517.0	73.5	16.7	481.7[3]	37.2	420.0	67.8	113.4	46.0	258.0	35.3	-	-	-	36.8	18.3	58.7	-	172.0
2005/2004	↗ 0.2%	↘ -0.9%	↘ -1.8%	↘ -0.6%	↘ -4.4%	↘ -5.6%		↘ -1.3%	↘ -0.4%		↘ -2.2%	↘ -10.9%	↘ -1.9%	↘ -0.6%				↘ -5.9%	↗ 1.1%	↘ -0.3%		

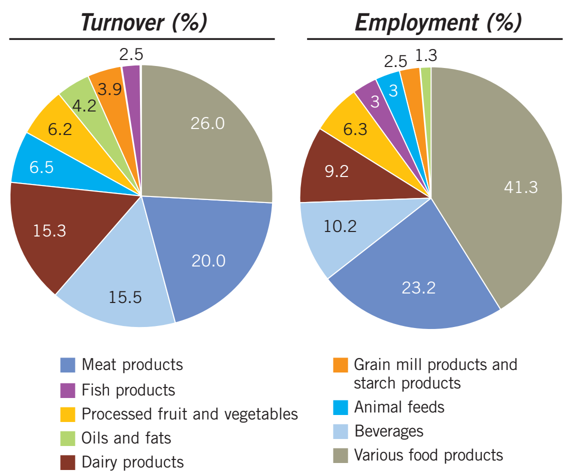
Turnover in current prices
(1) Rank of the food and drink industry in the manufacturing activities in terms of turnover at national level
(2) Production
(3) Change of methodology in 2005
(4) 2003 data

Source: National Federations and CIAA

Sectors of the food and drink industry

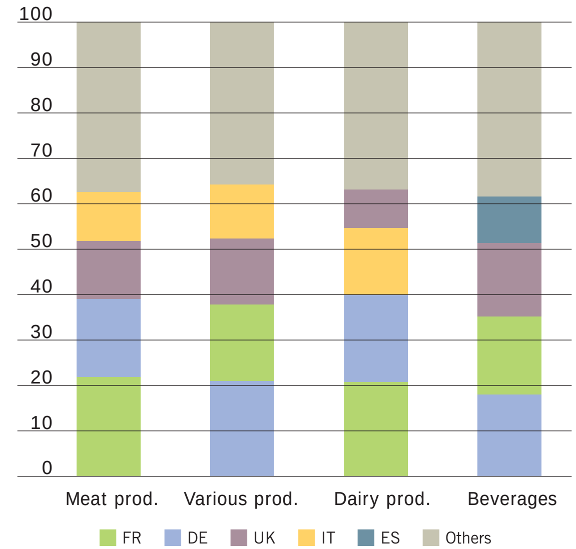
- The "various food products" category is the largest sector of the food and drink industry: it accounts for 26% of total turnover and 42% of the workforce. This so-called "various food products" category (division 15.8 of the NACE-Rev. 1) is a heterogeneous group which includes bakery, pastry, chocolate and confectionery products but also pasta and baby food.
- 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.
- In the meat, dairy, various food products and beverages categories, more than 60% of EU turnover is processed in 4 Member States. France ranks first in the meat and dairy sectors, while Germany dominates the "various products" category and the beverages sector.

Distribution of turnover and employment in sub-sectors



Source: Eurostat, SBS, 2003 data

Top four Member States producers by sub-sectors (% in terms of turnover)



Source: Eurostat, SBS, 2003 data

Breakdown on the composition of the "various food products" category (% in terms of turnover)

Bread, fresh pastry goods and cakes	33.0
Chocolate and sugar confectionery	17.4
Rusks and biscuits, preserved pastry goods	9.9
Sugar	8.7
Coffee and tea	7.8
Condiments and seasonings	5.2
Macaroni, noodles, couscous	4.3
Homogenized food preparations and dietetic food	3.5
Others	10.2
Various food products	**100.0**

Source: Eurostat, SBS, 2003 datat based on 10 Member States, accounting for 66% of total turnover, for which consistent data are available.

Markets and consumption

Key figures

Extra-EU trade

- In 2005, the EU exported €47.6 billion worth of food and drink products to non-EU countries, while importing €43.1 billion. The EU registered a positive balance of €4.5 billion.
- The US is by far the number one EU trading partner (exports plus imports), followed by Brazil, Switzerland and Russia.
- Food and drink exports rose in 2005/2004 by 5.3%, significantly faster than the EU foodstuffs turnover.
- Beverages and “various food products” sectors accounted for 56% of EU food and drink exports.

Intra-EU trade

- In 2005, exports inside the EU reached €146.4 billion. This amount is considerably higher than the extra-EU sales.
- The intra-EU exports account for 17.5% of the turnover in 2005. At the same time, trade to non-EU countries accounted for 5.7% of the turnover.

Consumption in the internal market

- In 2005, about 12.4% of total household consumption expenditure in the EU was spent on food and non-alcoholic beverages.

Extra-EU trade in 2005

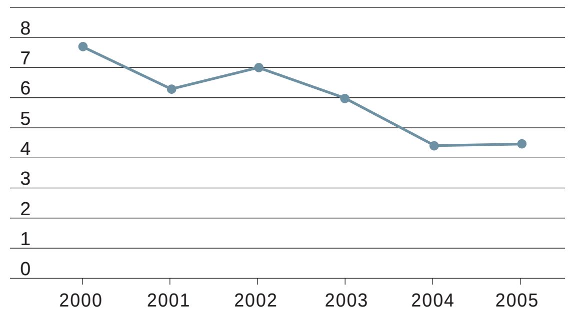
- With a trade surplus of €4.5 billion, the downward trend of the EU food and drink industry trade balance, registered since 2000, was halted in 2005 thanks to the relatively good performance of exports in certain sectors.
- Exports gained momentum in 2005 growing by 5.3%, the strongest annual increase since 2000. Meanwhile, the growth rate of imports of food and drink products (5.5%) was much lower than the one registered in 2004.
- With 22% of all EU exports, the US is the number one customer for European food and drink industries. For the first time, Russia is the second country of destination, overtaking Japan, thanks to a strong rise in exports (11%) in 2005.
- Imports from Brazil and Argentina stagnated in 2005; both countries remain nevertheless main EU suppliers with 20% of EU food and drink imports.

EU key trade figures (€million)

	2003	*2004/2003*	*2004*	*2005/2004*	*2005*
Export	43,497	↗3.8%	45,153	↗5.3%	47,567
Import	37,492	↗8.9%	40,817	↗5.5%	43,075
Balance	6,005	↘-27.8%	4,336	↗3.6%	4,492

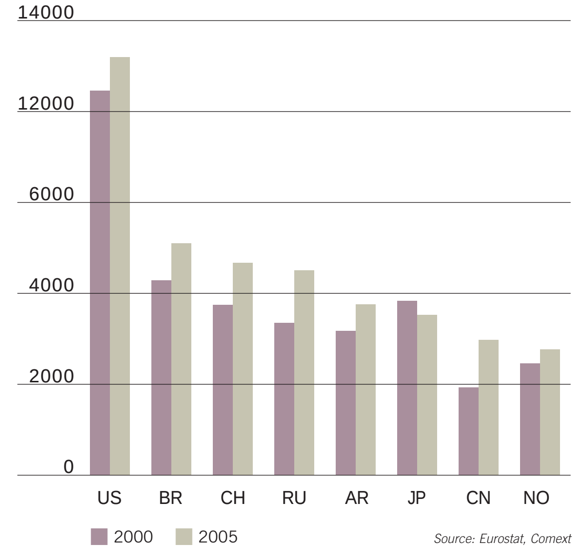
Source: Eurostat, Comext

EU food and drink trade surplus (€billion)



Source: Eurostat, Comext

Total trade (imports plus exports) for top EU trading partners, 2000-2005 (€million)



Source: Eurostat, Comext

Top EU trading partners, 2005 (€million)

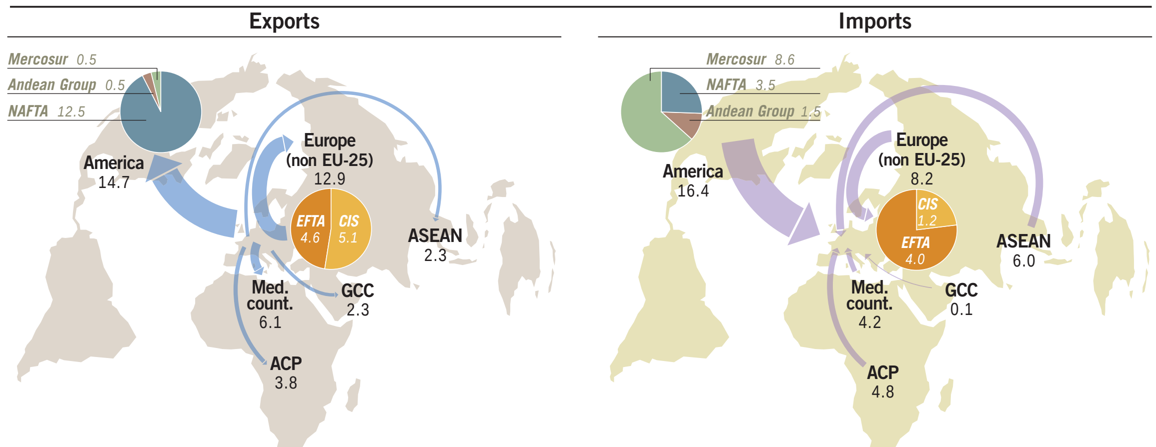
Export		*Import*	
USA	10,389	**Brazil**	4,696
Russia	3,920	**Argentina**	3,708
Japan	3,453	**USA**	2,745
Switzerland	3,025	**China**	2,155
Canada	1,596	**Turkey**	1,681
Norway	1,455	**Switzerland**	1,623
Saudi Arabia	1,037	**New Zealand**	1,493
Australia	1,007	**Indonesia**	1,381
South Korea	957	**Norway**	1,326
Romania	776	**Thailand**	1,311

Source: Eurostat, Comext

Extra-EU trade in 2005

- While North American countries remained the key EU trading partner and an important source of trade surplus, 2005 trade with the Commonwealth of Independent States (CIS) grew rapidly (12% for exports and 15% for imports) with a positive balance of nearly €4 billion.
- Among the other major regions, Mediterranean countries and the Andean Group registered the highest growth rates for imports in 2005.
- Imports from most of the emerging countries increased over the last 5 years while, on the export side, the performance of EU food and drink products is mixed.
- With an impressive 66% growth rate between 2000 and 2005, ASEAN countries became an important source for EU imports.
- It is worth noting that exports to China increased by 24% in 2005 to reach €765 million. After several years of stagnation, food and drink imports from China exceeded €2 billion, further to a 29% increase in 2005.

EU trade by region, 2005 (€billion)



Note: ***ACP:*** *Africa, Caribbean and Pacific countries;* ***Andean Group:*** *Bolivia, Colombia, Ecuador, Peru and Venezuela;* ***ASEAN:*** *Association of Southeast Asian Nations;* ***CIS:*** *Commonwealth of Independent States;* ***EFTA:*** *European Free Trade Area;* ***GCC:*** *Gulf Cooperation Council;* ***NAFTA:*** *Canada, USA, Mexico.*

Source: Eurostat, Comext

Exports to emerging countries, 2000-2005

	Rank[1]	2005 €million	2005/2000
South Korea	9	957	↗27%
China	11	765	↗72%
Mexico	18	563	↘-11%
Ukraine	19	525	↗62%
Thailand	25	432	↗8%
Brazil	26	417	↘-18%
South Africa	27	389	↗33%
Malaysia	38	260	↘-8%
Indonesia	41	244	↘-17%
India	60	116	↗32%
Chile	72	90	↗9%
Argentina	95	51	↘-12%

(1) Rank in top countries of destination for EU food and drink exports *Source: Eurostat, Comext*

Imports from emerging countries, 2000-2005

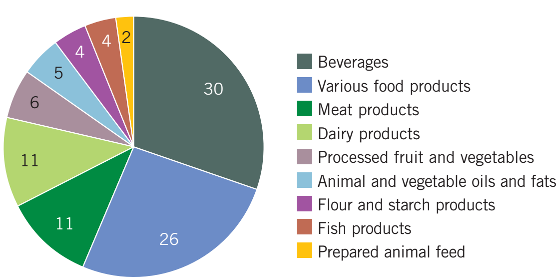
	Rank[2]	2005 €million	2005/2000
Brazil	1	4,696	↗23%
Argentina	2	3,708	↗25%
China	4	2,155	↗42%
Indonesia	8	1,381	↗23%
Thailand	10	1,310	↗4%
Malaysia	12	1,087	↗63%
Chile	13	1,074	↗59%
South Africa	15	822	↗40%
India	16	808	↗23%
Ukraine	24	383	↗61%
Mexico	31	289	↗55%
South Korea	69	83	↘-25%

(2) Rank in top countries of origin for EU food and drink imports *Source: Eurostat, Comext*

Extra-EU trade by sector

- Among the wide range of foodstuffs, four sectors stand out in terms of trade to non-EU countries: beverages, dairy, meat processing industries and various food products (including goods like chocolate, biscuits, confectionery products, pasta, prepared meals, etc...).
- Beverages and the various food products category are by far the two most important sectors in terms of exports. After years of uneven performance, exports of wines and spirits recorded growth rates of 5% and 9% respectively. Sales of soft drinks also grew significantly and reached €1.1 billion. Meanwhile, the chocolate, biscuits and confectionery sector experienced a decrease in its trade surplus in 2005 (lowest surplus since 2000), due to the stagnation of its exports and a regular increase of imports.
- Meat, dairy and starch products recorded a weak performance with regards to exports on average in 2005. Within these categories, value added products, such as cheese or processed pork meat, continue to record significant sales on non-EU countries' markets.

Share of main sectors in the EU food and drink exports, 2005 (%)



Source: Eurostat, Comext

Top EU food and drink products' imports and exports, 2005 (€million)

Exports		*Imports*	
Spirits	5,642	Oilcake (soya-bean)	4,065
Wine	4,672	Fish filets	3,310
Food preparations	2,702	Wine	2,444
Cheese	2,022	Frozen, cooked crust.	2,273
Pork meat	1,989	Palm oil	1,957
Beer	1,729	Prepared fish	1,716
Concentrated milk	1,689	Frozen, cooked molluscs	1,494
Sugars	1,456	Other prepared fruit	1,389
Malt extract	1,439	Fruit juices	1,227
Biscuits	1,404	Sugars	1,179
Chocolate	1,300	Frozen fish	1,139
Olive oil	1,176	Meat of sheep, goats	1,086
Soft drinks	1,124	Coconut oil	1,056

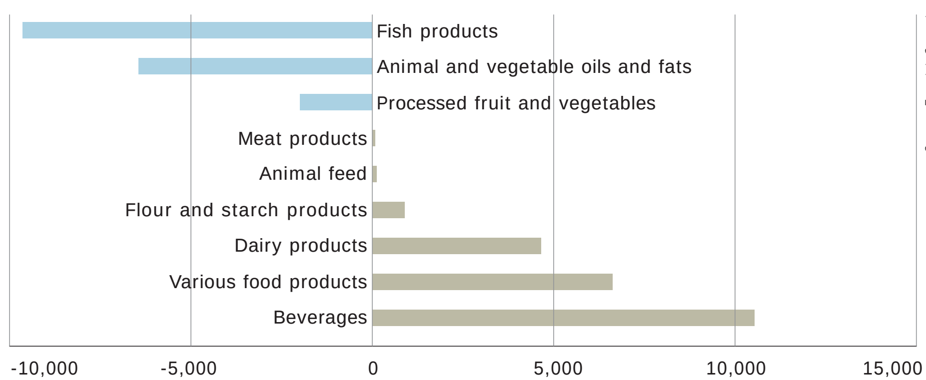
Source: Eurostat, Comext

Exports by sector, 2004-2005 (€million)

	2004	*2005*	*2005/2004*
Beverages	13,677	14,504	↗6.0%
Various food products	11,415	12,470	↗9.2%
Meat sector	5,472	5,349	↘-2.2%
Dairy products	5,424	5,450	↗0.5%
Processed fruit and vegetables	2,670	2,793	↗4.6%
Anim. and veget. oils and fats	2,395	2,400	↗0.2%
Fish products	1,840	1,934	↗5.1%
Flour and starch products	1,831	1,752	↘-4.3%
Prepared animal feed	771	850	↗10.2%

Source: Eurostat, Comext

EU food and drink sectors' balance, 2005 (€million)

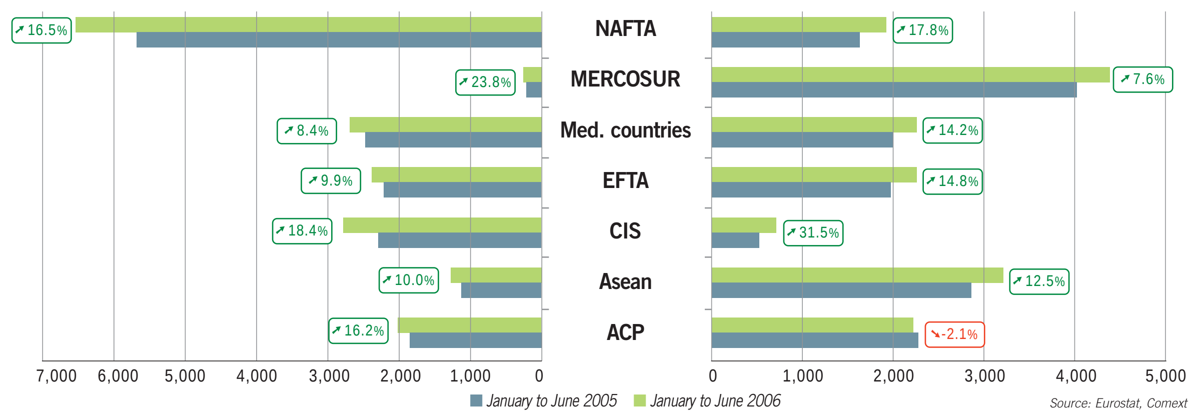


Source: Eurostat, Comext

Extra-EU trade trends for 2006

- Sales outside the EU registered a strong increase in the first six months of 2006 (12%). Further to the 2005 growth, exports to the Commonwealth of Independent States (CIS) continue their strong development (18%). The growth of sales to NAFTA (17%) is also worth noting.
- In 2006, the beverages' sector, soft drinks, wines and spirits notably, pursue their 2005 upward trend with high growth rates. Within this overall positive picture, some products such as butter, concentrated milk and sugar confectionery experienced weak performance on third countries' markets.
- Imports of food and drink products also registered a steep rise. Growth import rates from most of the EU key partners doubled compared to the ones reached in 2005.

Exports by major trading bloc (€million) **Imports by major trading bloc (€million)**



Source: Eurostat, Comext

EU key trade figures (€million)

	January to June		
	2005	2006	2006/2005
Export	22,309	25,003	↗12%
Import	20,201	22,301	↗10%

Source: Eurostat, Comext

Exports of key food and drink products (€million)

	January to June		
	2005	2006	2006/2005
Spirits	2,481	2,859	↗15%
Wine	2,006	2,448	↗22%
Food preparations	1,334	1,527	↗14%
Pork meat	1,032	1,107	↗7%
Cheese	964	1,020	↗6%
Concentrated milk	950	777	↘-18%
Malt	715	776	↗8%
Biscuits	576	678	↗18%
Olive oil	557	689	↗24%
Soft drinks	538	750	↗39%
Chocolate	511	629	↗23%
Butter	414	273	↘-34%
Sugar confectionery	262	251	↘-4%
Pasta	254	264	↗4%
Other prepared meat	162	159	↘-1%
Sausages	93	95	↗3%

Source: Eurostat, Comext

Intra-EU trade

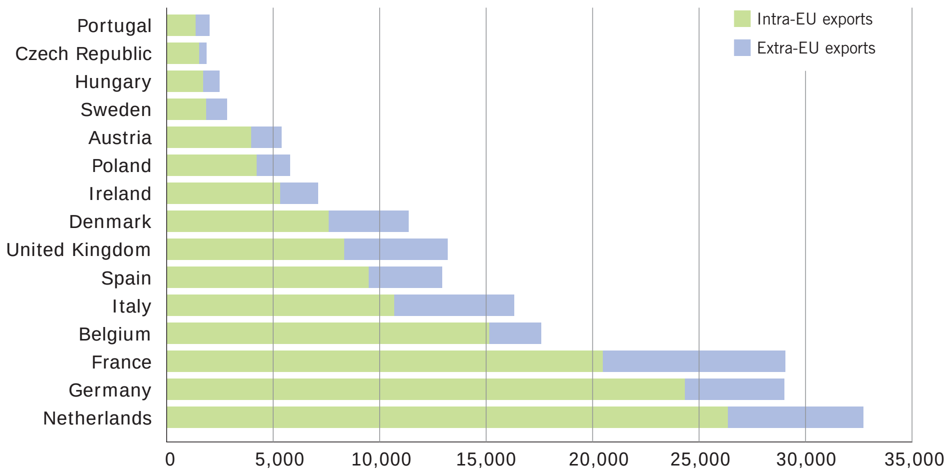
- In 2005, exports within the EU reached € 146 billion. Two thirds of this amount is exported by 5 Member States (Netherlands, Germany, France, Belgium, Italy).
- Comparisons between intra and extra-EU exports highlight the importance of trade flows in the internal market. Intra-EU exports account for 60% to 85% of total sales in each of the 25 Member States.
- Imports of food and drink products, processed fruit and vegetables notably, from Bulgaria, Romania, Turkey and Croatia to the EU-25 have grown rapidly over the past 6 years. Imports from Bulgaria, Romania and Turkey registered an increase of about 80% while, over the same period, worldwide imports of food and drink products reached 24 % growth on average.

Intra-EU food and drink exporters, 2005

States	*Intra-EU exports (€ million)*	*Share in total intra-EU exports (%)*
Austria	3,897	3
Belgium	15,186	10
Czech Republic	1,513	1
Denmark	7,695	5
France	20,454	14
Germany	24,091	16
Hungary	1,613	1
Ireland	5,372	4
Italy	10,841	7
Netherlands	25,996	18
Poland	4,213	3
Portugal	1,431	1
Spain	9,592	7
Sweden	1,774	1
United Kingdom	8,308	6
Other Member States	4,393	3
Total	**146,371**	**100**

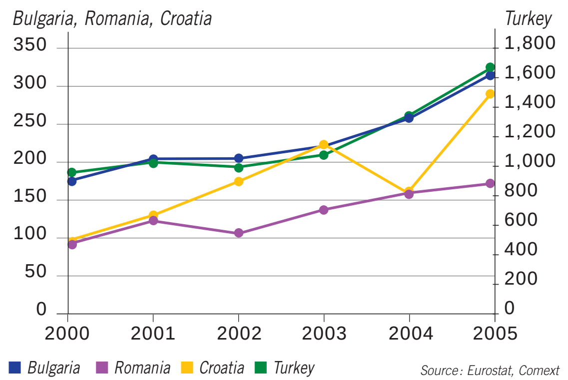
Source: Eurostat, Comext

Intra and extra-EU exports by Member State, 2005 (€ million)



Source: Eurostat, Comext

EU imports, 2000-2005 (€ million)

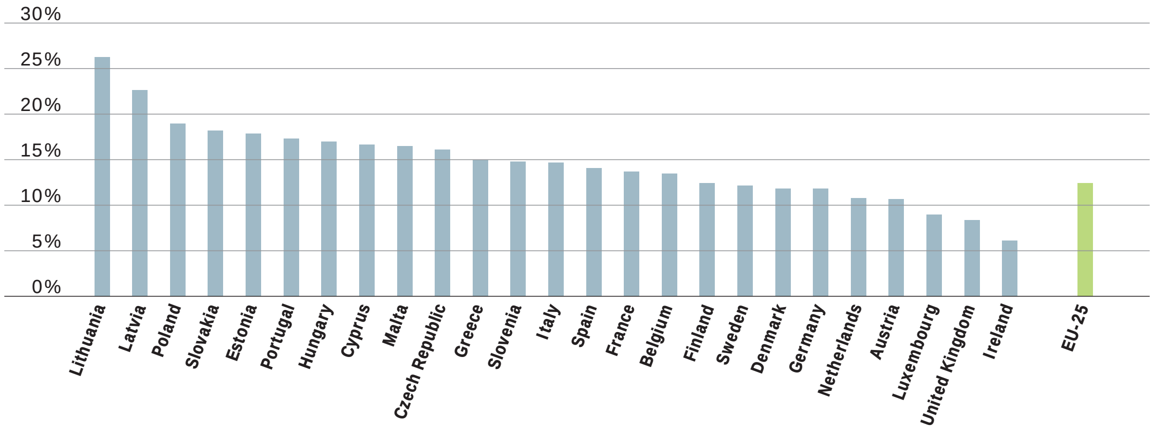


Source: Eurostat, Comext

Consumption of food and drink products

- In 2005, households spent on average 12.4% of their expenditure on food and non-alcoholic beverages. Over the past 10 years, this percentage has declined by 2 percentage points. Expenditures related to "housing, water and energy" and "transport" account for the largest shares of consumption (22% and 14% respectively).
- In 9 out of 10 new Member States, households spent more than 15% of their budget on food and non-alcoholic drinks. This share is much lower in the Northern countries, reaching 6% in Ireland.
- Food consumption per capita varies substantially in the EU and across the world. Factors such as culture, tradition, household composition, income and degree of urbanisation can influence habits in each country.

Household consumption expenditure in the EU: food and non-alcoholic beverages, 2005 (% of total household consumption expenditure)



Source: Eurostat

Food consumption per capita and per year, 2003 (kg)

	Brazil	China	USA	EU-15	France	Sweden	Italy
Sugar & sweeteners	56	8	71	41	41	47	32
Vegetables	41	270	123	126	143	78	178
Fruit	96	50	113	117	95	115	131
Coffee	2	0	4	5	5	10	6
Meat	81	55	123	92	98	77	91
Butter	1	0	2	4	8	4	3
Milk (excluding butter)	118	17	262	255	275	378	252
Eggs	7	18	15	12	15	11	11
Fish and seafood	6	25	21	26	31	34	26

Source: FAO, Food Balance Sheet

World trends

Key figures

- The EU-25 plays a key role in world trade of food and drink products. It is the world's largest exporter of foodstuffs and the number two importer.
- The EU market share of global export market in food and drink products reached 20% in 2005.
- R&D intensity remains lower in the EU than in the other economies. It accounts for 0.24% of food and drink industry output.

Food and drink industry worldwide, 2005

	Value of output (€ billion)	*% of total manufacturing*	*Value added/ GDP (%)*	*Number of employees (x1000)*	*% of total manufacturing*
Argentina [1]	13	36	2	200	30
Australia	43	20	2	194	18
Brazil	61	20	2	1,206	20
Canada [3]	49	14	2	269	13
China [3]	127	7	1	3,860	6
Japan	242	11	2	1,240	15
Mexico	37	25	2	348	27
New Zealand [2]	12	25	3	75	29
United States	496	13	2	1,563	17

(1) 2002; (2) 2003; (3) 2004

Source: ABIA; Japanese Ministry of Economy Trade and Industry, U.S. Department of Commerce, INEGI, National Bureau of Statistics of China, Canada's business and consumer site, New Zealand's Economic Development Agency, AFFA

Profile of the food and drink industries worldwide

Over recent years, the EU food and drink industry has been growing at some 1.8%. The US has registered a similar modest trend whereas the Japanese industry's production decreased slightly over the period 2000-2003. On the contrary, other food industries in emerging countries are undergoing considerable expansion. This is in particular the case in Latin America and Asia. The Brazilian and Chinese food production recorded double-digit growth rates (16% and 22% respectively) from 2001 to 2004.

EU-25 food and drink products on world markets

- World exports of food and drink products reached $289 billion in 2005 and registered a 60% increase over the period 2000-2005.
- The EU is the number one exporter and number two importer of food and drink products world-wide.
- The EU market share of global export market in food and drink products has been shrinking over the last ten years (from 24% to 20%) to the benefit of other exporters such Brazil and China (the EU-15 market share decreased from 24% in 1997 to 18% in 2004).
- After some years of decrease, the performance of EU products in expanding markets like China, Brazil and India, measured as the share of EU goods com-pared to imports of food and drink products from other origins, registered a slight upward trend in 2005.
- EU external trade balance has resisted better than the US. Emerging countries, Brazil in particular, registered huge rises of their trade balance over recent years.
- On average, less than 6% of the EU production value is exported to non-EU markets. This share is comparable to the US level, but much lower than in agricultural exporting countries such as New Zealand and Australia.

Top food exporters, 2005

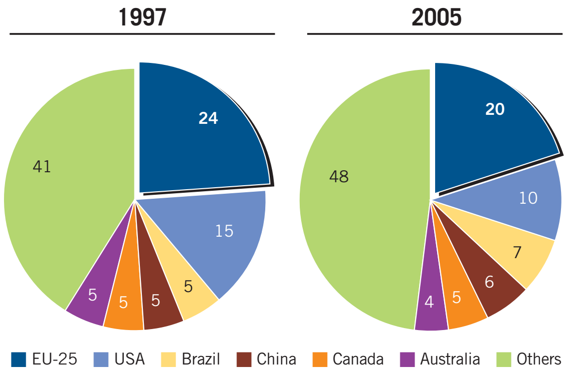
	Exports ($ billion)	*Share in world (%)*
EU	59.2	20.4
United States	32.4	10.5
Brazil	20.4	6.6
China	17.4	5.6
Canada	15.6	5.0
Australia	12.4	4.0
Thailand	12.3	4.0
Argentina	11.9	3.9
New Zealand	9.9	3.2
Malaysia	8.4	2.7

Top food importers, 2005

	Imports ($ billion)	*Share in world (%)*
United States	53.1	18.0
EU	52.7	17.9
Japan	36.3	12.3
Canada	12.4	4.2
China	11.9	4.0
Russia	11.4	3.9
Mexico	9.1	3.1
Rep. of Korea	8.0	2.7
Hong Kong	6.3	2.2
Saudi Arabia	5.2	1.8

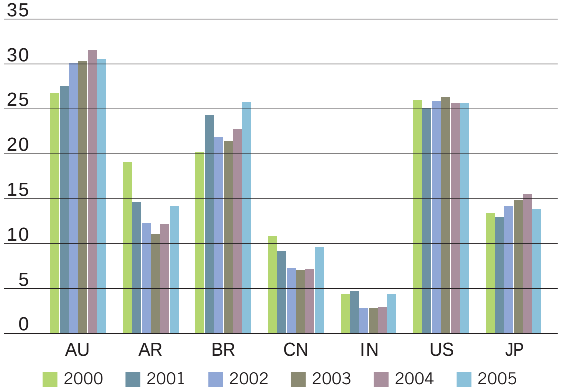
Intra-EU trade is excluded from total world trade.
Source: Worldbank WITS database

Exporters' market share of global exports in food and drink products, 1997-2005 (%)



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

Share of EU-15 products in total food and drink imports of various countries, 2000-2005 (%)



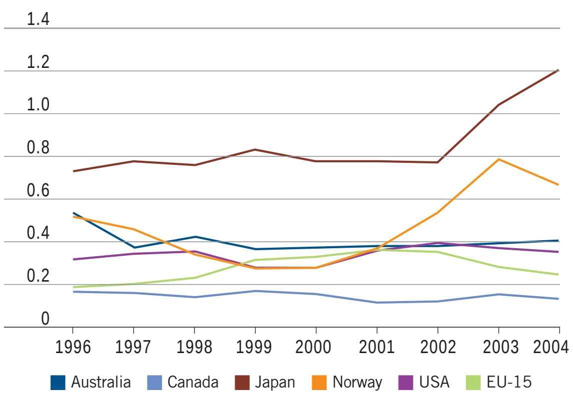
Source: Worldbank WITS database

R&D and innovation

- In 2004, EU-15 R&D intensity, expressed as the R&D expenditure in the food and drink industry as a percentage of industry output, was, on average, 0.24%. It is below the spending by the food and drink industries of its main competitors: the US (0.35%), Australia (0.40%) and Japan (1.21%).
- Within the food and drink sector, Nestlé was the world's biggest R&D investor in 2005. Unilever ranks second (R&D figure includes all the company food and non-food activities). Apart from these enterprises, three EU and four non-EU companies register R&D investment above the €100 million threshold.
- Worldwide R&D investment continues to be concentrated in technology hardware, pharmaceuticals, biotechnology and automobiles. The food sector ranks 15th in the industrial sectors by aggregate R&D from the global top 2000 companies (1% of the total against 55% for the 4 above-mentioned sectors)[1].

(1) Source: 2006 EU Industrial R&D Investment Scoreboard, Europan Commission, DG RTD and DG JRC-IPTS

R&D intensity worldwide (%)



Source: OECDSTAN database and CIAA calculations

Top 20 EU food and drink companies by R&D investment, 2005

Company	*Country*	*Rank[1]*	*R&D investment (€ million)*	*R&D/Net sales ratio (%)*
Unilever	UK	28	953	2.4
Danisco	DK	118	126	4.5
Danone	FR	119	125	0.9
Kerry	IE	120	125	2.8
Cadbury Schweppes	UK	157	84	0.8
Numico	NL	230	45	2.3
Arla Foods	DK	267	37	0.6
Vilmorin Clause	FR	274	36	7.1
CSM	NL	277	35	1.3
Tate & Lyle	UK	296	31	0.6
Südzucker	DE	300	30	0.6
Barilla GeR Fratelli	IT	300	30	1.2
Nutreco	NL	337	25	0.8
Campina	NL	340	25	0.7
Royal Friesland Foods	NL	377	21	0.5
Wittington Investments	UK	451	16	0.2
Fromageries Bel	FR	507	13	0.8
Valio	FI	540	12	0.7
Royal Cosun	NL	555	11	0.8
Raisio	FI	569	10	2.4

(1) Rank in top EU 1000 companies by R&D investment in 2005

Source: 2006 EU Industrial R&D Investment Scoreboard, Europan Commission, DG RTD and DG JRC-IPTS

Top 6 non-EU food and drink companies by R&D investment, 2005

Company	*Country*	*Rank[2]*	*R&D investment (€ million)*	*R&D/Net sales ratio (%)*
Nestlé	CH	52	964	1.6
Ajinomoto	JP	217	204	2.6
Kellogg	US	267	153	1.8
General Mills	US	278	147	1.5
Meiji Seika Kaisha	JP	313	121	4.6
Campbell soup	US	446	81	1.3

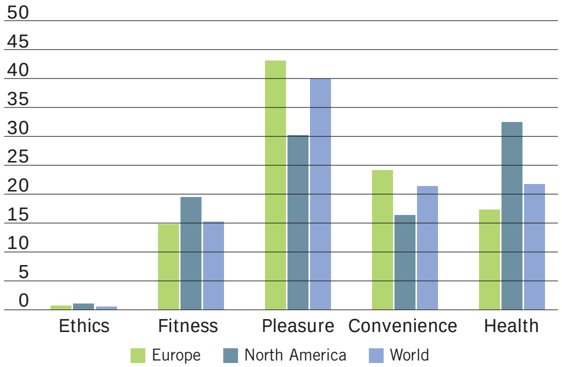
(2) Rank in top non-EU 1000 companies by R&D investment in 2005

Source: 2006 EU Industrial R&D Investment Scoreboard, Europan Commission, DG RTD and DG JRC-IPTS

R&D and innovation

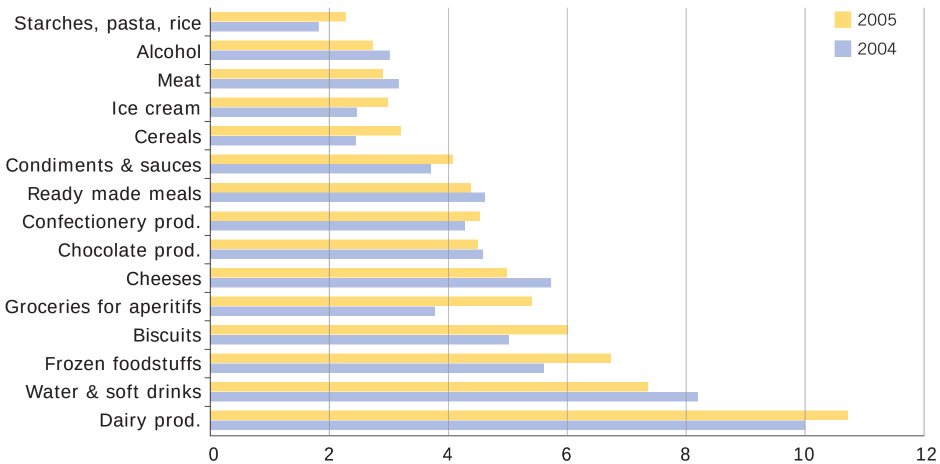
- Innovation can be divided into 15 trends, grouped together in 5 categories: pleasure, health, fitness, convenience and ethics.
- North America is the only region in the world where health-driven innovation is dominant (32.4%). The notion of pleasure as a driver for innovation in Europe is slightly above the world average.
  The convenience category loses importance both in the EU and in the US.
- In Europe, the diet trend increased in 2005 and became the second dynamics for innovation before the easy to handle trend.
- Worldwide, dairy sectors confirm their place as leaders in innovation. Frozen products, biscuits and groceries for aperitifs registered increases while cheeses fell from the third to the sixth place. Innovations in water and soft drinks decreased also.

Share of the drivers for innovation in Europe, in North America and in the world, 2005 (%)



Source: World Innovation Panorama 2006, International trends & innovation book, SIAL 2006
100%: total food innovation in one region in 2005

The most innovating sectors worldwide, 2005 (share in %)



Source: World Innovation Panorama 2006, International trends & innovation book, SIAL 2006

Share of the main trends within the categories for innovation in Europe, 2004-2005 (%)

Category	*Trends*	*2004*	*2005*
Pleasure	Sophistication	17.7	18.0
	Exotism	7.8	9.8
	Variety of senses	9.1	9.1
	Fun	7.0	6.1
Health	Medical	7.5	8.9
	Naturality	7.7	7.2
	Vegetarism	1.7	1.2
Fitness	Diet	10.2	12.6
	Energy, Well-being	2.6	2.1
	Cosmetics	0.1	0.2
Convenience	Easy to handle	13.5	10.4
	Time saving	9.3	9.9
	Nomadism	5.1	3.7
Ethics	Ethics	0.6	0.7

Source: World Innovation Panorama 2006, International trends & innovation book, SIAL 2006

The top world and EU food and drink companies

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

Name	Head-quarter	Sales in € billion	Net growth to 2004 (%)	Employees (x1000)	Main sectors
Cargill	US	60.5 [c, iii]	5.8	149.0	*multi-product*
Nestlé	CH	58.8	7.5	253.0	*multi-product*
Procter & Gamble	US	45.6 [ii]	10.3	138.0	*convenience products*
Unilever Plc / Unilever NV	NL/UK	39.7	2.9	206.0	*multi-product*
Anheuser-Busch Company Inc.	US	35.3	5.1	31.5	*beer, beverages*
Archer Daniels Midland	US	28.9 [d]	-0.6	25.6	*cereal processing*
Kraft Foods Inc.	US	27.4	5.9	94.0	*dairy, snacks, beverages*
PepsiCo Inc.	US	26.2	11.3	157.0	*beverages, snacks*
Tyson Foods Inc.	US	20.9 [e]	-1.6	110.0	*meat*
Bunge	US	19.5	-3.5	23.5	*multi-product*
Coca-Cola Co.	US	18.6	6.3	55.0	*beverages*
Mars Inc.	US	14.5 [i]	na	30.0	*prepared foods, confectionary*
Diageo Plc	UK	14.2	8.2	22.0	*alcoholic beverages*
Groupe Danone	FR	13.0	7.8	88.0	*dairy, multi-product*
Sara Lee Corp	US	12.8 [d]	-0.5	109.0	*prepared foods*
SABMiller plc	US	12.3 [a]	18.6	53.8	*beer*
Kirin Brewery Company Ltd	JP	11.9	-1.4	22.2	*beer, alcoholic beverages*
InBev SA	BE	11.7	36.0	77.4	*beer*
Heineken N.V.	NL	10.8	7.3	64.3	*beer*
Asahi Breweries, Ltd.	JP	10.4	-1.0	15.4	*beer, alcoholic beverages*
Cadbury Schweppes Plc	UK	9.5	7.0	58.6	*beverages, confectionery*
Suntory Ltd.	JP	9.4 [i]	na	4.6	*alcoholic beverages*
General Mills, Inc.	US	9.4 [c]	3.5	28.1	*prepared foods*
ConAgra Foods Inc.	US	9.3 [c]	0.7	33.0	*prepared foods*
Smithfield Foods, Inc	US	9.2 [c]	1.4	52.5	*meat, processed foods*
Associated British Food	UK	8.8	6.7	75.0	*sugar, starch, prepared foods*
Dean Foods Company	US	8.4	4.7	27.0	*dairy products*
Kellogg Company	US	8.2	5.9	25.6	*breakfast cereals, convenience food*
Swift and Company	US	7.5 [c]	-3.3	20.2	*meat products*
Heinz	US	6.9 [c]	6.7	36.0	*prepared foods*

(*) Sales refer to the fiscal year ending in December 2005 with the following exemptions: (a) March 2006, (b) April 2006, (c) May 2006, (d) June 2006, (e) September 2006.
- The large majority of sales are food and drink products, however sales from other product groups are not excluded.
(i) estimates based on 2004 global sales, (ii) largely non-food sales, (iii) including agriculture, food, financial and industrial.
- 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 the fiscal year before.
- Sales in USD, CHF, GBP, DKK, JP have been converted into EUR based on Eurostat 2005 average exchange rates.

Ranking of European agri-food companies by European sales 2005*

Name	Head-quarter	Sales in € billion	Net growth to 2004 (%)	Employees (x1000)	Main sectors
Nestlé	CH	17.8	4.3	69.1	*multi-product*
Unilever Plc / Unilever NV	NL/UK	16.2	-2.6	49.0	*multi-product*
Heineken N.V.	NL	8.2	3.9	na	*beer*
Groupe Danone	FR	8.2	1,0	32.2	*dairy products*
Danish Crown Amba	DK	6.5 [i, g]	9,5	28.6	*meat products*
Diageo Plc	UK	5.6 [e]	na	na	*alcoholic beverages*
Tate&Lyle	UK	5.4 [i, b]	11.4	9.3	*ingredients, prepared foods*
Südzucker	DE	5.3 [i, a]	10.8	19.9	*sugar, multi-product*
Associated British Food	UK	5.2 [f]	na	75.0	*sugar, starch, prepared foods*
InBev SA	BE	5.1	8.9	na	*beer, beverages*
Groupe Lactalis	FR	4.9	na	26.5	*dairy products*
Carlsberg	DK	4.9	4.3	30.3	*beer*
Scottish&Newcastle	UK	4.8 [i]	1.4	15.6	*beer, beverages*
Ferrero	IT	4.6 [iii]	na	na	*confectionery*
Royal Friesland Foods N.V.	NL	4.4 [i]	-0.7	16.4	*dairy products*
Oetker-Group	DE	3.6 [ii]	5.5	21.3	*multi-product*
Cadbury Schweppes Plc	UK	3.4	na	21.6	*beverages, confectionery*
Bongrain	FR	3.3 [i]	1.4	18.1	*dairy products*
Campina	NL	3.1 [e]	na	6.8	*dairy products*
Nutreco	NL	3.0 [i]	-8.2	7.0	*meat products*
Kerry Group	IR	2.9	na	23.3	*multi-product*
Danisco	DK	2.8 [i, c]	17.3	15.7	*ingredients*
Pernod Ricard	FR	2.7 [e]	41.1	11.9	*alcoholic beverages*
Ebro Puleva	ES	2.2 [i]	21.9	6.6	*rice, sugar, dairy*
Wessanen	NL	1.9 [i]	-9.3	na	*prepared foods*
Numico	NL	1.6	15.7	10.5	*baby food, nutrition*

(*) Sales refer to the fiscal year ending in December 2005 with the following exemptions: (a) February 2006, (b) March 2006, (c) April 2006, (d) May 2006, (e) June 2006, (f) September 2006, (g) October 2006.
- Sales refer in general to the fiscal year ending December 2005 stating total sales in Europe, the majority being food and drink products, with the following exemptions: (i) company's global total sales, (ii) company's global food and drink sales, (iii) estimate based on 2004 global sales
- Employees number taken from companies' annual reports are best estimates and are often referring to the global workforce, more details on their websites.
- Sales in USD, CHF, GBP, DKK have been converted into EUR based on 2005 average exchange rates.

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
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 din Industria Alimentara
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
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
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
HEINEKEN
HEINZ
INBEV
KELLOGG'S
KRAFT FOODS
MASTERFOODS
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Confédération des industries agro-alimentaires de l'UE
Confederation of the food and drink industries of the EU

CIAA AISBL
Avenue des Arts 43
1040 Brussels
Belgium

Phone +32 2 514 11 11
Fax +32 2 511 29 05
ciaa@ciaa.eu
e.dollet@ciaa.eu
www.ciaa.eu

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