

Department of Agriculture and Rural Development

***SIZE AND PERFORMANCE
OF THE
NORTHERN IRELAND
FOOD AND DRINKS PROCESSING SECTOR
2000
SUBSECTOR STATISTICS***

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SUBSECTOR STATISTICS***

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INVESTOR IN PEOPLE

FOREWORD

This is the tenth report in the series “Size and Performance of the Northern Ireland Food and Drinks Processing Sector” and presents information for the 1999 and 2000 calendar years. The first report covered the period 1989 to 1991, thus 12 years comparable data are now available. In each of the reports, estimates of the value of sales, value added, profitability, exports and employment are given for each of the 10 constituent subsectors of the Food and Drinks Processing Sector in Northern Ireland. These statistics are supplemented with 15 performance indicators for each subsector.

A number of organisations provided assistance in the task of compiling the statistics for this report and their help and co-operation are gratefully acknowledged. They include Invest Northern Ireland, Statistics Research Branch of the Department of Enterprise, Trade and Investment, Companies Registry and the Northern Ireland Economic Research Centre. Without their assistance the report would be less comprehensive. Thanks are due also to Josephine Rainey and Melanie Watson for their assistance with the preparation of the report.

The report was prepared by Jenny Gilmour under the supervision of Hazel Patterson. Any comments on it should be forwarded to them.

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July 2002

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EXECUTIVE SUMMARY

- 1. The total gross turnover of the Northern Ireland food and drinks processing sector increased from £2,132 million in 1999 to £2,146 million in 2000.*
- 2. The increase in total gross turnover resulted mainly from increases in the values of sales in the beef and sheepmeat (+£81.6m), the poultrymeat (+£6.9m) and the fish (+£5.2m) subsectors.*
- 3. Five of the subsectors, animal by-products, drinks, fruit and vegetables, milk and milk products and pigmeat, had lower gross turnovers in 2000 than in 1999.*
- 4. The total value added generated by the food and drinks processing sector was 2.5% higher, at £423 million in 2000, than in 1999.*
- 5. Three subsectors, drinks (£79.7m), poultrymeat (£69.3m) and beef and sheepmeat (£69.2m) generated more than half (52%) of the total value added in 2000.*
- 6. Every £1,000 worth of sales by the food and drinks processing sector resulted in £197 of added value in 2000 compared with £193 in 1999.*
- 7. Imported semi-processed food used by the food and drinks processing sector totalled £159 million in 2000.*
- 8. Inter-business sales of semi-processed food products among Northern Ireland food businesses totalled £107 million in 2000.*
- 9. The level of employment provided by the food and drinks processing sector was very similar in 1999 and 2000 at 18,822 and 18,830 full-time employee equivalents respectively.*
- 10. The pigmeat subsector (-500 employees) recorded the greatest decline in employment, followed by the milk and milk products (-75 employees) subsector. The largest increases in employment in 2000 took place in the poultrymeat (+325 employees) and the beef and sheepmeat (+287 employees) subsectors.*
- 11. Sales of food and drinks products to external markets totalled £1,143 million in 2000, compared with £1,118 million in 1999, and represented 53% of total processing sector sales.*
- 12. Great Britain continued to be the prime market outside Northern Ireland for the food and drinks processing sector with sales worth £779 million in 2000, accounting for 36% of total sales.*
- 13. Between 1999 and 2000, export sales of food and drinks products increased by £17 million from £347 million in 1999 to £364 million in 2000.*
- 14. The Republic of Ireland was the largest export market for the food and drinks processing sector in 2000 with sales worth £172 million, some £10 million higher than in 1999.*
- 15. Total profits before taxation increased from £62 million in 1999 to £65 million in 2000, equating to profit margins of 2.9% in 1999 and 3.0% in 2000.*

- 16. Total capital employed in the food and drinks processing sector was estimated at £882 million in 2000, an increase of £15 million between 1999 and 2000. The rate of return on capital employed averaged 9.2% in 2000 compared with 9.0% in 1999.*
- 17. The 10 largest businesses in the food and drinks processing sector in Northern Ireland accounted for 38% of total gross turnover, 40% of value added, and 36% of total employment in the sector in 2000.*
- 18. The Northern Ireland food and drinks processing sector accounted for 20% of total manufacturing sales in 2000.*
- 19. External sales of the food and drinks processing sector were 14% of total manufacturing external sales in 2000.*
- 20. In 2000, the food and drinks processing sector sales into export markets were 9% of total manufacturing export sales.*

I. INTRODUCTION

The booklet contains data estimates for the size and performance of the Northern Ireland Food and Drinks Processing Sector in 2000 with some comparative data for 1999. A number of data sources are used but the estimates are mainly based on information contained in the annual accounts of businesses in Northern Ireland with an annual turnover in excess of £250,000. This minimum business turnover threshold is used mainly because of the difficulty in accessing detailed accounting information for small businesses. Their omission from the estimates is calculated to have a maximum impact of £50 million on total gross turnover of the sector.

The main measures of size used in the analyses are gross turnover, value added and employment. External and export sales provide good indicators of the dependence of the sector on markets outside Northern Ireland and its export revenue earnings. Performance is expressed in 15 different ways and includes parameters such as profitability, expressed as a percentage of annual turnover, and rate of return on capital employed. These measures of size and indicators of performance are presented for each of the 10 food and drinks subsectors and for the whole processing sector.

A number of different definitions are available to describe what food and drinks processing encompasses. The definition used for this compilation of statistics only includes those businesses that are involved in processing activities, which change the nature of a raw material destined for human consumption. Thus, under this definition, businesses involved in animal feedingstuffs manufacture, pet food production, rendering, and hide and skin processing are not considered to be part of the food and drinks processing sector. This differs from the standard industrial classification definitions, which are used to compile Government's statistics on the manufacturing sector. It is considered that the definition adopted for the report provides a more useful and practical description of the food and drinks processing sector. Definitions for each of the 10 subsectors are given in the Annex B. In total, information for 287 businesses was used in the 2000 analyses. Each of these businesses was allocated, depending on the main product processed, into one of the 10 food and drinks subsectors.

Some revisions have been made to the 1999 data published in last year's report as a result of better information now available for a small number of businesses. The finalised data for 1999 for the key data are given below along with the original estimates. They show very marginal differences between the two estimates.

	Original Estimate	Revised Estimate
<i>Total Gross Turnover (£m)</i>	2,145	2,132
<i>Total Value Added (£m)</i>	411	412
<i>Total Exports (£m)</i>	334	347
<i>Total Employment</i>	18,835	18,822

The layout of this report is very similar to last year with the results published in tables and summaries of the main points accompanying each table.

Total gross turnover

The total gross turnover of the sector increased by 0.6% between 1999 and 2000 after three consecutive years of decline. The increase resulted from higher gross turnovers in 4 of the 10 subsectors which comprise the sector.

The largest increases occurred in the beef and sheepmeat (+£81.6 million), poultrymeat (+£6.9 million) and fish (+£5.2 million) subsectors. The largest decline occurred in the pigmeat (-£46.5 million) subsector. The performances of the two largest subsectors (milk/milk products and beef/sheepmeat), which contributed 47.0% of the sectors total gross turnover, continue to have a considerable impact on the whole sector.

Total value added

This is the best overall measure of the importance of the sector and of its contribution to the Northern Ireland economy. Between 1999 and 2000 the level of total value added increased by 2.5% to £423 million. Furthermore value added per £1,000 sales increased from £193 in 1999 to £197 in 2000. When the components of value added in 1999 and 2000 are compared, the main difference is in wages and salaries, which increased from £272 million to £280 million. The level of profits also increased, but there were small decreases in the amount of interest paid and the depreciation charge.

Total external sales / Exports

The value of total external sales, i.e. those sales to destinations outside Northern Ireland, increased from £1,118 million in 1999 to £1,143 million in 2000. Furthermore, exports, i.e. sales to destinations outside the UK, increased from £347 million in 1999 to £364 million in 2000, a 5% increase, despite the strength of sterling. The continued restrictions imposed on the selling of beef outside the UK are clear; in the beef and sheepmeat subsector sales totalled £31 million for sheepmeat compared with pre-BSE sales levels in exports markets for beef and sheepmeat in 1995 of £161 million. Milk and milk products was the main export subsector with sales of £162 million in 2000 followed by poultrymeat and drinks, with sales of £37 million and £33 million respectively. The Republic of Ireland (ROI) was the main export market for the sector accounting for sales of £172 million. Sales of milk and milk products, poultrymeat and bakeries accounted for almost 60% of the total sales to this destination.

Employment

The overall levels of employment in the food and drinks processing sector were very similar in 1999 and 2000. The pigmeat (-500 employees) subsector recorded the greatest decline followed by milk and milk products (-75 employees) and bakeries (-38 employees). The decline was negated by increases in 3 other subsectors in 2000, poultrymeat (+325 employees), beef and sheepmeat (+287 employees) and fish (+44 employees), resulting in an increase of 8 employees between 1999 and 2000. Poultrymeat continued to be the largest employer of the 10 subsectors with 4,104 employees in 2000. The three largest employee subsectors, poultrymeat (4,104), bakeries (3,286) and beef and sheepmeat (2,788) accounted for just over half (54%) of the total number of employees in the food and drinks processing sector.

Importance of the food and drinks processing sector in 2000

The food and drinks gross turnover value represented 20% of Northern Ireland's total manufacturing sales, and external and export sales represented 14% and 9% respectively of the totals for the manufacturing sector. In terms of employment there were 18,830 full-time employee equivalents employed in food and drinks businesses with annual turnovers in excess of £250,000 and there were estimated to be a further 500 employees in the smaller businesses. This equates to 19% of the total employees in the whole manufacturing sector in Northern Ireland. Overall, the food and drinks processing sector contributed approximately 2.4% of total Northern Ireland Gross Value Added.

Level of profitability

Adequate profitability is required if the food and drinks processing sector is to survive and develop. As shown in Table 10b the levels of profitability differ among subsectors. The average profitability of the food and drinks sector increased from 2.9% in 1999 to 3.0% in 2000. This is in stark contrast to the general trend of declining margins of profitability throughout the 1990s. The level of profits is of foremost importance, not only to the processing business, but also the suppliers of raw materials and retailers as each depend on the others for survival. All of the 10 subsectors generated profits in 2000 whereas in 1999 three subsectors failed to generate a profit. For pigmeat this is the second year that the subsector has recorded a profit and follows 5 years of losses.

Ranges in performance within subsectors

Considerable ranges in performance existed within subsectors in 2000 and these are presented in tables 11 to 17. These show that some firms are doing well while others are not. The data provide the starting point for businesses to assess their own situation and to determine where improvements could be introduced. Except for the drinks subsector, there were businesses in each of the subsectors which failed to generate profits. The businesses that generated a profit may well throw some light on where changes need to be introduced in the poorer performing businesses.

Alternative food and drinks processing sector definitions

Throughout this report the 'total sector' estimates refer to the totals of the 10 food and drinks subsectors. This results in a total sector value of gross turnover of £2,146 million in 2000. On occasions this aggregation of subsectors may not be appropriate. For instance when data are required for the food sector only it may be appropriate to exclude the figure for the drinks subsector. This would result in a gross turnover value of £1,848 million in 2000. Often an estimate is required for the value of that part of the food processing sector which is based on farm produce. In this circumstance, the drinks, fish and bakeries data plus the estimate of imported semi-processed raw materials might be excluded and would result in a gross turnover value of £1,469 million in 2000. It is hoped that the way in which the data are presented will enable readers to use them to suit their particular purposes.

II. SIZE & MARKETING DESTINATIONS OF THE NORTHERN IRELAND FOOD AND DRINKS PROCESSING SECTOR

Table 1 Gross turnover, by subsector, 1999 and 2000

	Gross turnover (£ million)		% change 99/00
	1999	2000	
<i>Animal By-Products</i>	23.9	23.6	-1.1
<i>Bakeries</i>	140.6	142.3	1.2
<i>Beef and Sheepmeat</i>	404.4	486.0	20.2
<i>Drinks</i>	302.7	298.0	-1.5
<i>Eggs</i>	43.0	43.0	0.0
<i>Fish</i>	72.3	77.5	7.1
<i>Fruit and Vegetables</i>	125.6	123.3	-1.8
<i>Milk and Milk Products</i>	550.4	522.6	-5.0
<i>Pigmeat</i>	195.7	149.1	-23.8
<i>Poultrymeat</i>	273.5	280.4	2.5
Total Sector	2,132.2	2,145.9	0.6

- * The total gross turnover of the Northern Ireland food and drinks processing sector was £2,146 million in 2000.
- * Between 1999 and 2000 turnover increased by 0.6% in current money terms and declined by 1.7% when inflation is taken into account.
- * The milk and milk products and beef and sheepmeat subsectors jointly accounted for 47.0% of the total gross turnover of the processing sector in 2000; some 2.2 percentage points higher than 1999.
- * The largest increases in sales occurred in the beef and sheepmeat (+£81.6m), poultrymeat (+£6.9m) and fish (+£5.2m) subsectors.
- * Five of the subsectors; animal by-products, drinks, fruit and vegetables, milk and milk products, and pigmeat had lower gross turnovers in 2000 than in 1999.

Table 2a *Distribution of subsector processing businesses by annual turnover, 1999*

	<i>Turnover (£ million)</i>				<i>Total</i>
	<i>0.25 - 0.99</i>	<i>1.0 - 9.99</i>	<i>10.0 - 49.99</i>	<i>50 & over</i>	
<i>Animal By-Products</i>	4	6	0	0	10
<i>Bakeries</i>	37	17	5	0	59
<i>Beef and Sheepmeat</i>	17	19	9	1	46
<i>Drinks</i>	2	6	4	2	14
<i>Eggs</i>	8	11	0	0	19
<i>Fish</i>	11	23	0	0	34
<i>Fruit and Vegetables</i>	15	27	3	0	45
<i>Milk and Milk Products</i>	1	9	8	4	22
<i>Pigmeat</i>	0	18	2	1	21
<i>Poultrymeat</i>	1	7	2	2	12
<i>Total Sector</i>	96	143	33	10	282

Table 2b *Distribution of subsector processing businesses by annual turnover, 2000*

	<i>Turnover (£ million)</i>				<i>Total</i>
	<i>0.25 - 0.99</i>	<i>1.0 - 9.99</i>	<i>10.0 - 49.99</i>	<i>50 & over</i>	
<i>Animal By-Products</i>	5	5	0	0	10
<i>Bakeries</i>	32	20	5	0	57
<i>Beef and Sheepmeat</i>	18	19	8	2	47
<i>Drinks</i>	3	6	5	2	16
<i>Eggs</i>	8	12	0	0	20
<i>Fish</i>	14	21	1	0	36
<i>Fruit and Vegetables</i>	14	28	3	0	45
<i>Milk and Milk Products</i>	2	9	8	5	24
<i>Pigmeat</i>	0	17	2	1	20
<i>Poultrymeat</i>	2	6	2	2	12
<i>Total Sector</i>	98	143	34	12	287

* The food and drinks processing sector had 287 businesses with an annual turnover of more than £250,000 in 2000, five more than in 1999.

* In 2000 there were 46 food and drinks processing businesses in Northern Ireland with annual turnovers of more than £10 million compared with 43 businesses in 1999.

* The 12 businesses in 2000 with a turnover in excess of £50 million accounted for 43% of the total turnover of the food and drinks processing sector.

Table 3 Value added, by subsector, 1999 and 2000

	Value added (£ million)		% change 99/00
	1999	2000	
<i>Animal By-Products</i>	7.2	6.7	-7.0
<i>Bakeries</i>	51.2	53.0	3.5
<i>Beef and Sheepmeat</i>	64.7	69.2	6.9
<i>Drinks</i>	80.8	79.7	-1.4
<i>Eggs</i>	6.3	7.4	17.8
<i>Fish</i>	16.2	16.2	0.2
<i>Fruit and Vegetables</i>	27.0	26.9	-0.2
<i>Milk and Milk Products</i>	63.2	66.8	5.7
<i>Pigmeat</i>	37.7	27.4	-27.1
<i>Poultrymeat</i>	58.1	69.3	19.1
Total Sector	412.4	422.7	2.5

- * Value added is a key indicator of the contribution made by a subsector or sector to the economy.
- * Food and drinks processing activities created a total value added of £422.7 million in 2000, some 2.5% higher than in 1999.
- * In 2000, the total value added generated by the food and drinks processing sector was approximately 2.4% of the Northern Ireland total.
- * Value added for the food and drinks processing sector represented 19.7% of total gross turnover in 2000 compared with 19.3% in 1999.
- * Four of the 10 subsectors, pigmeat, fruit and vegetables, drinks and animal by products, generated a lower value added in 2000 than in 1999.
- * Three subsectors, drinks (£79.7m), poultrymeat (£69.3m) and beef and sheepmeat (£69.2m) generated more than half (52%) of the total value added in 2000.

Table 4a Components of value added for each subsector, 1999

	Value added (£ million)				Value added
	Wages & salaries	Depreciation charge	Net profit	Interest paid	
<i>Animal By-Products</i>	4.31	1.20	1.60	0.13	7.25
<i>Bakeries</i>	43.84	6.22	-0.52	1.68	51.22
<i>Beef and Sheepmeat</i>	40.14	9.21	13.40	1.97	64.73
<i>Drinks</i>	33.42	9.37	34.78	3.27	80.84
<i>Eggs</i>	4.59	1.63	-0.22	0.29	6.29
<i>Fish</i>	9.02	2.94	3.68	0.54	16.18
<i>Fruit and Vegetables</i>	16.40	4.11	5.27	1.18	26.95
<i>Milk and Milk Products</i>	43.57	12.13	4.06	3.42	63.17
<i>Pigmeat</i>	26.37	5.21	4.59	1.50	37.65
<i>Poultrymeat</i>	50.12	10.42	-4.59	2.20	58.14
Total Sector	271.79	62.43	62.04	16.17	412.42

Table 4b Components of value added for each subsector, 2000

	Value added (£ million)				Value added
	Wages & salaries	Depreciation charge	Net profit	Interest paid	
<i>Animal By-Products</i>	4.33	1.39	0.92	0.09	6.74
<i>Bakeries</i>	44.21	6.15	1.40	1.26	53.02
<i>Beef and Sheepmeat</i>	41.85	9.45	15.77	2.13	69.20
<i>Drinks</i>	34.50	10.38	30.91	3.96	79.74
<i>Eggs</i>	4.69	1.68	0.73	0.32	7.41
<i>Fish</i>	9.85	2.65	3.26	0.47	16.22
<i>Fruit and Vegetables</i>	17.65	4.38	3.74	1.14	26.90
<i>Milk and Milk Products</i>	46.54	11.02	5.71	3.52	66.80
<i>Pigmeat</i>	20.18	3.99	2.23	1.03	27.43
<i>Poultrymeat</i>	56.38	10.54	0.39	1.95	69.26
Total Sector	280.17	61.64	65.06	15.86	422.73

- * The interest paid and the depreciation charge were the only components of value added to decline between 1999 and 2000.
- * The net profit of the food and drinks processing sector increased by 5% from £62 million in 1999 to £65 million in 2000 and represented 15% of value added in 2000.
- * Wages and salaries accounted for approximately two thirds (66%) of the total value added in 2000.
- * The total wages and salaries bill for the food and drinks processing sector increased from £272 million in 1999 to £280 million in 2000. This equates to an average wage per employee cost of £14,879 in 2000, compared with £14,440 in 1999.

Table 5 Full-time employee equivalents, by subsector, 1999 and 2000

	<i>Employees (Full-time equivalents)</i>		<i>% change 99/00</i>
	<i>1999</i>	<i>2000</i>	
<i>Animal By-Products</i>	277	264	-4.5
<i>Bakeries</i>	3,324	3,286	-1.1
<i>Beef and Sheepmeat</i>	2,501	2,788	11.5
<i>Drinks</i>	1,820	1,815	-0.3
<i>Eggs</i>	357	344	-3.6
<i>Fish</i>	948	992	4.6
<i>Fruit and Vegetables</i>	1,369	1,365	-0.3
<i>Milk and Milk Products</i>	2,458	2,383	-3.1
<i>Pigmeat</i>	1,990	1,490	-25.1
<i>Poultrymeat</i>	3,779	4,104	8.6
<i>Total Sector</i>	18,822	18,830	0.0

- * *The total number of employees in the food and drinks processing sector increased by 8 full time equivalents from 18,822 in 1999 to 18,830 in 2000.*
- * *The pigmeat subsector (-500 employees) recorded the greatest decline in employment.*
- * *The largest increases in employment in 2000 took place in the poultrymeat (+325 employees) and the beef and sheepmeat (+287 employees) subsectors.*
- * *The poultrymeat subsector was the largest employer of the 10 subsectors with 4,104 employees, and animal by-products was the smallest with 264 employees in 2000.*
- * *Three subsectors, poultrymeat, bakeries and beef and sheepmeat employed over half (54%) of the total employees in the sector.*

Table 6 Total sales by country of destination, 1999 and 2000

	Sales (£ million and % of total sales)			
	1999	%	2000	%
<i>Northern Ireland</i>	1,014.6	48	1,002.9	47
<i>Great Britain</i>	762.3	36	779.2	36
<i>Republic of Ireland</i>	162.7	8	172.3	8
<i>Other EU</i>	147.5	7	143.0	7
<i>Other Countries</i>	37.2	2	48.3	2
<i>Intervention</i>	7.9	0	0.2	0
Total Sales	2,132.2	100	2,145.9	100
<i>External Sales</i>	1,117.6	52	1,143.0	53
<i>Export Sales</i>	347.4	16	363.6	17

- * Sales of food and drinks products to external markets totalled £1,143 million in 2000, compared with £1,118 million in 1999, and represented 53% of total processing sector sales.
- * Great Britain was the major market outside Northern Ireland for the food and drinks processing sector with sales worth £779 million in 2000.
- * Export sales were worth £364 million, some £16 million higher than 1999.
- * The Republic of Ireland was the largest export market for food and drinks products in 2000 with sales worth £172 million; nearly £10 million higher than 1999.
- * Sales to other European Union Countries declined by almost £5 million to £143 million in 2000.
- * Intervention was used as a market outlet by some businesses in the beef and sheepmeat and milk subsectors in 1999 and by some businesses in the milk subsector in 2000.

Table 7a Destinations and values of subsector sales, 1999

	<i>NI</i> ¹	<i>GB</i> ²	<i>ROI</i> ³	<i>Other</i> ⁴ <i>EU</i>	<i>(£ million)</i> <i>ROW</i> ⁵		<i>Inter-</i> <i>vention</i>	<i>Total</i> <i>Sales</i>	<i>External</i> ⁶ <i>Sales</i>	<i>Export</i> ⁷ <i>Sales</i>
<i>Animal By-Products</i>	4.6	16.2	1.2	1.8	0.1	0.0	0.0	23.9	19.3	3.1
<i>Bakeries</i>	104.9	14.5	20.6	0.4	0.2	0.0	0.0	140.6	35.8	21.2
<i>Beef and Sheepmeat</i>	182.8	190.2	9.7	17.7	0.0	4.1	4.1	404.4	221.6	27.4
<i>Drinks</i>	251.2	19.6	12.4	4.6	14.9	0.0	0.0	302.7	51.5	31.9
<i>Eggs</i>	10.4	29.8	2.8	0.1	0.0	0.0	0.0	43.0	32.6	2.8
<i>Fish</i>	13.0	33.5	4.6	21.0	0.2	0.0	0.0	72.3	59.3	25.8
<i>Fruit and Vegetables</i>	56.8	51.9	16.4	0.3	0.3	0.0	0.0	125.6	68.8	17.0
<i>Milk and Milk Products</i>	206.3	188.9	38.7	91.1	21.6	3.8	3.8	550.4	344.1	151.4
<i>Pigmeat</i>	83.9	82.3	23.5	6.0	0.0	0.0	0.0	195.7	111.8	29.5
<i>Poultrymeat</i>	100.7	135.5	32.9	4.5	0.0	0.0	0.0	273.5	172.8	37.3

Table 7b Destinations and values of subsector sales, 2000

	<i>NI</i> ¹	<i>GB</i> ²	<i>ROI</i> ³	<i>Other</i> ⁴ <i>EU</i>	<i>(£ million)</i> <i>ROW</i> ⁵		<i>Inter-</i> <i>vention</i>	<i>Total</i> <i>Sales</i>	<i>External</i> ⁶ <i>Sales</i>	<i>Export</i> ⁷ <i>Sales</i>
<i>Animal By-Products</i>	4.1	16.2	1.3	1.8	0.2	0.0	0.0	23.6	19.5	3.3
<i>Bakeries</i>	105.9	12.4	23.5	0.3	0.2	0.0	0.0	142.3	36.4	24.0
<i>Beef and Sheepmeat</i>	249.3	205.9	9.7	19.9	1.1	0.0	0.0	486.0	236.7	30.8
<i>Drinks</i>	204.2	61.3	12.4	6.4	13.7	0.0	0.0	298.0	93.9	32.6
<i>Eggs</i>	8.0	30.0	4.8	0.3	0.0	0.0	0.0	43.0	35.0	5.0
<i>Fish</i>	17.4	32.7	5.2	21.0	1.2	0.0	0.0	77.5	60.0	27.3
<i>Fruit and Vegetables</i>	51.2	53.4	17.4	0.9	0.4	0.0	0.0	123.3	72.1	18.7
<i>Milk and Milk Products</i>	198.0	162.3	49.6	81.1	31.5	0.2	0.2	522.6	324.6	162.1
<i>Pigmeat</i>	70.1	55.7	19.0	4.3	0.0	0.0	0.0	149.1	79.0	23.3
<i>Poultrymeat</i>	94.6	149.2	29.5	7.0	0.0	0.0	0.0	280.4	185.8	36.5

1. Northern Ireland 2. Great Britain 3. Republic of Ireland 4. Other European Union
5. Rest of World 6. Sales outside NI 7. Sales outside UK

- * All 10 of the subsectors depend on market outlets in Great Britain. The bakeries subsector was the least dependent (9% of total sales), whereas the eggs subsector was the most dependent subsector, (70% of total sales).
- * All 10 of the subsectors had export sales in 2000 ranging from £3.3 million (animal by-products) to £162.1 million (milk and milk products).
- * The bakeries, drinks and beef and sheepmeat subsectors relied heavily on the Northern Ireland market which accounted for 74%, 69% and 51% of their sales respectively. All other subsectors had less than 50% of their sales to market outlets in Northern Ireland.
- * Sales to the Republic of Ireland represented between 2% and 16% of total sales for each of the 10 subsectors. The bakeries subsector had the highest dependence on the ROI market and beef and sheepmeat the lowest, whereas the milk and milk products subsector had the highest value of sales to the ROI market.

Table 8 Capital Employed, by subsector, 1999 and 2000

	<i>Capital employed (£ million)</i>	
	<i>1999</i>	<i>2000</i>
<i>Animal By-Products</i>	9.6	9.7
<i>Bakeries</i>	52.5	49.5
<i>Beef and Sheepmeat</i>	112.9	123.0
<i>Drinks</i>	259.4	279.0
<i>Eggs</i>	11.2	12.8
<i>Fish</i>	24.2	26.9
<i>Fruit and Vegetables</i>	45.7	47.1
<i>Milk and Milk Products</i>	209.8	217.5
<i>Pigmeat</i>	64.2	43.9
<i>Poultrymeat</i>	77.7	72.5
<i>Total Sector</i>	867.2	881.8

- * *The total amount of capital employed in the food and drinks processing sector increased from £867.2 million in 1999 to £881.8 million in 2000.*
- * *Over half (56%) of the capital employed in the food and drinks processing sector is tied up in two subsectors, namely drinks and milk and milk products.*
- * *The subsectors that had the largest increases in capital employed between 1999 and 2000 were drinks (+£19.6m), beef and sheepmeat (+£10.1m) and milk and milk products (+£7.7m).*
- * *Three of the ten subsectors, bakeries (-£3.0m), pigmeat (-£20.3m) and poultrymeat (-£5.2m), recorded decreases in the total capital employed between 1999 and 2000.*
- * *The rate of return on capital employed averaged 9% in 1999 and 9.2% in 2000.*
- * *The drinks subsector was the most capital intensive (£153,747 capital per employee) of the 10 subsectors and bakeries (£15,066) was the least capital-intensive subsector in both 1999 and 2000.*
- * *The beef and sheepmeat subsector (£253) had the lowest capital employed per £1,000 of sales and drinks (£936) the highest in 2000.*

Table 9 The 10 companies which made the largest contribution in order of importance in 2000 were:-

<i>Gross Turnover</i>	<i>Value Added</i>	<i>Employment</i>
<i>Moy Park Ltd.</i>	<i>Moy Park Ltd.</i>	<i>Moy Park Ltd.</i>
<i>Dungannon Meats</i>	<i>Dungannon Meats</i>	<i>Dungannon Meats</i>
<i>Coca-Cola Bottlers (Ulster) Ltd.</i>	<i>Coca-Cola Bottlers (Ulster) Ltd.</i>	<i>O'Kane Poultry Ltd.</i>
<i>Dromona Quality Foods Ltd.</i>	<i>Bass Ireland Ltd.</i>	<i>Coca-Cola Bottlers (Ulster) Ltd.</i>
<i>Leckpatrick Dairies Ltd.</i>	<i>Irish Bonding Co Ltd.</i>	<i>A H Foods Ltd.</i>
<i>Linden Foods Ltd.</i>	<i>Leckpatrick Dairies Ltd.</i>	<i>W D Irwin & Sons Ltd.</i>
<i>Irish Bonding Co Ltd.</i>	<i>Dairy Produce Packers Ltd.</i>	<i>Malton Foods Ltd.</i>
<i>Armaghdown Creameries Ltd.</i>	<i>Old Bushmills Distillery Company Ltd.</i>	<i>Bass Ireland Ltd.</i>
<i>O'Kane Poultry Ltd.</i>	<i>A H Foods Ltd.</i>	<i>Henry Denny & Sons Ltd.</i>
<i>Pritchitt Foods Ltd.</i>	<i>Linden Foods Ltd.</i>	<i>Farm Fed Chickens Ltd.</i>

N.B – Some multi-national companies do not produce consolidated accounts for their Northern Ireland operations, even though they have more than one subsidiary in Northern Ireland. This may have excluded them from being listed as one of the 10 largest companies.

- * *The 10 largest businesses within the food and drinks processing sector in Northern Ireland accounted for 38% of total gross turnover, 40% of value added, and 36% of total employment in the sector in 2000.*
- * *The 10 largest food and drinks processing sector businesses had a higher average sales per employee and a higher level of value added per employee than the 277 smaller businesses.*
- * *The 277 smaller businesses had a higher average proportion of sales represented by value added than the 10 largest businesses.*
- * *Moy Park Ltd. was the largest food processing company in terms of gross turnover, added value and employment.*
- * *There were 2 changes between 1999 and 2000 in the 10 largest companies determined by the annual gross turnover (Linden Foods Ltd and Pritchitt Foods Ltd replaced Malton Foods Ltd and Dairy Produce Packers Ltd).*
- * *The 10 largest companies in terms of employment includes 3 poultrymeat, 2 bakeries, 2 drinks, 2 pigmeat and 1 beef and sheepmeat. This relatively high proportion of poultrymeat and bakeries companies reflects their relatively low level of sales per employee compared with their representation amongst the 10 largest gross turnover companies.*
- * *Five of the ten largest gross turnover food and drinks processing companies were under local ownership.*
- * *As a consequence of recent changes in ownership of some companies, particularly in the beef and sheepmeat and milk and milk products subsectors, it is most likely that this will be reflected in some new companies featuring in the 10 largest companies analysis for 2001 and 2002.*

III. FOOD AND DRINKS SECTOR PERFORMANCE INDICATORS

Table 10a *Average performance indicators for the 10 food and drinks processing subsectors, 1999*

	<i>Animal By - Products</i>	<i>Bakeries</i>	<i>Beef & Sheep- Meat</i>	<i>Drinks</i>	<i>Eggs</i>	<i>Fish</i>	<i>Fruit & Veg.</i>	<i>Milk & Milk Products</i>	<i>Pig- meat</i>	<i>Poultry -meat</i>	<i>Ave.</i>
<i>Sales per employee (£)</i>	86,452	42,313	161,696	166,295	120,448	76,269	91,766	223,923	98,360	72,382	113,283
<i>Value added per employee (£)</i>	26,210	15,411	25,880	44,413	17,613	17,680	19,689	25,701	18,926	15,385	21,912
<i>Total capital per employee (£)</i>	34,770	15,786	45,150	142,491	31,476	25,538	33,411	85,345	32,264	20,564	46,076
<i>Ave. wage cost per employee (£)</i>	15,602	13,192	16,049	18,362	12,866	9,513	11,982	17,726	13,253	13,262	14,440
<i>Gross profit as % of sales (%)</i>	23.72	28.11	13.72	32.12	10.67	17.69	23.36	11.65	19.30	36.86	20.98
<i>Net profit as % of sales (%)</i>	6.70	-0.37	3.31	11.49	-0.52	5.09	4.19	0.74	2.34	-1.68	2.91
<i>Value added as % of sales (%)</i>	30.32	36.42	16.01	26.71	14.62	22.38	21.46	11.48	19.24	21.25	19.34
<i>Wages & salaries as % of sales (%)</i>	18.05	31.18	9.93	11.04	10.68	12.47	13.06	7.92	13.47	18.32	12.75
<i>Interest costs as % of sales (%)</i>	0.54	1.20	0.49	1.08	0.67	0.75	0.94	0.62	0.77	0.80	0.76
<i>Sales per £1,000 wages (£)</i>	5,541	3,207	10,075	9,057	9,362	8,018	7,659	12,633	7,422	5,458	7,845
<i>Value added per £1,000 wages (£)</i>	1,680	1,168	1,613	2,419	1,369	1,749	1,643	1,450	1,428	1,160	1,517
<i>Interest costs as % of gross profit</i>	2.27	4.26	3.55	3.36	6.23	4.24	4.02	5.34	3.96	2.18	3.62
<i>Interest costs as % of net profit¹</i>	8.05	n.a	14.71	9.39	n.a	14.75	22.41	84.35	32.64	n.a	26.07
<i>Rate of return on capital employed (%)²</i>	18.00	2.21	13.62	14.67	0.55	17.43	14.09	3.57	9.48	0.00	9.02
<i>Capital employed per £1,000 of sales (£)</i>	402	373	279	857	261	335	364	381	328	284	407

¹N.a. – not appropriate because of either a trading loss or small profit relative to interest paid.

² Zero in cases where the sum of net profits plus interest paid is negative

Table 10b Average performance indicators for the 10 food and drinks processing subsectors, 2000

	<i>Animal By - Products</i>	<i>Bakeries</i>	<i>Beef & Sheep- meat</i>	<i>Drinks</i>	<i>Eggs</i>	<i>Fish</i>	<i>Fruit & Veg.</i>	<i>Milk & Milk Products</i>	<i>Pig- meat</i>	<i>Poultry -meat</i>	<i>Ave.</i>
<i>Sales per employee (£)</i>	89,572	43,292	174,308	164,255	125,061	78,077	90,395	219,357	100,100	68,327	113,966
<i>Value added per employee (£)</i>	25,523	16,136	24,822	43,947	21,538	16,350	19,716	28,037	18,411	16,877	22,450
<i>Total capital per employee (£)</i>	36,860	15,066	44,110	153,747	37,134	27,077	34,545	91,271	29,476	17,650	46,829
<i>Ave. wage cost per employee (£)</i>	16,402	13,453	15,009	19,011	13,628	9,924	12,938	19,535	13,545	13,738	14,879
<i>Gross profit as % of sales (%)</i>	21.84	27.53	11.41	29.46	12.82	19.82	21.23	19.59	16.73	36.16	21.59
<i>Net profit as % of sales (%)</i>	3.90	0.98	3.25	10.37	1.69	4.20	3.03	1.09	1.50	0.14	3.03
<i>Value added as % of sales (%)</i>	28.49	37.27	14.24	26.76	17.22	20.94	21.81	12.78	18.39	24.70	19.70
<i>Wages & salaries as % of sales (%)</i>	18.31	31.08	8.61	11.57	10.90	12.71	14.31	8.91	13.53	20.11	13.06
<i>Interest costs as % of sales (%)</i>	0.39	0.89	0.44	1.33	0.73	0.60	0.92	0.67	0.69	0.70	0.74
<i>Sales per £1,000 wages (£)</i>	5,461	3,218	11,613	8,640	9,177	7,867	6,987	11,229	7,390	4,973	7,659
<i>Value added per £1,000 wages (£)</i>	1,556	1,199	1,654	2,312	1,580	1,647	1,524	1,435	1,359	1,228	1,509
<i>Interest costs as % of gross profit</i>	1.78	3.22	3.84	4.51	5.73	3.04	4.33	3.44	4.13	1.93	3.42
<i>Interest costs as % of net profit</i>	10.00	89.95	13.51	12.80	43.59	14.34	30.38	61.66	46.15	<i>n.a</i>	24.38
<i>Rate of return on capital employed (%)</i>	10.42	5.37	14.56	12.50	8.15	13.86	10.33	4.25	7.43	3.23	9.18
<i>Capital employed per £1,000 of sales (£)</i>	412	348	253	936	297	347	382	416	294	258	411

Table 11 Sales per employee, by subsector, 2000

	<i>Sales (£ per employee)</i>		
	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>
<i>Animal By-Products</i>	50,642	130,618	89,572
<i>Bakeries</i>	13,043	350,243	43,292
<i>Beef and Sheepmeat</i>	30,556	322,667	174,308
<i>Drinks</i>	36,256	233,976	164,255
<i>Eggs</i>	68,151	215,875	125,061
<i>Fish</i>	40,246	313,333	78,077
<i>Fruit and Vegetables</i>	26,268	323,800	90,395
<i>Milk and Milk Products</i>	36,300	353,129	219,357
<i>Pigmeat</i>	47,891	251,583	100,100
<i>Poultrymeat</i>	40,431	150,958	68,327
<i>Total Sector</i>	13,043	353,129	113,966

* *The average level of sales per employee in the food and drinks processing sector increased from £113,283 in 1999 to £113,966 in 2000.*

* *Businesses within the milk and milk products subsector had the highest average level of sales per employee of the 10 subsectors, at £219,357 in 2000.*

* *The lowest average sales per employee was recorded for the bakeries subsector, at £43,292.*

* *Businesses in the bakeries subsector exhibited the widest range in sales per employee with the maximum greater than the minimum by a factor of 27.*

* *All of the other subsectors had a difference between the maximum and minimum sales per employee within a 12:1 ratio.*

* *Subsectors with high, medium and low sales per employee (£)*

High
(>£150,000)

Medium
(£90,000 to £150,000)

Low
(<90,000)

Beef and Sheepmeat

Eggs

Animal by-products

Drinks

Fruit and Vegetables

Bakeries

Milk and Milk Products

Pigmeat

Fish

Poultrymeat

Table 12 Value added per employee, by subsector, 2000

	Value added (£ per employee)		
	Minimum	Maximum	Average
<i>Animal By-Products</i>	13,469	59,912	25,523
<i>Bakeries</i>	7,067	27,633	16,136
<i>Beef and Sheepmeat</i>	10,261	46,500	24,822
<i>Drinks</i>	12,200	80,979	43,947
<i>Eggs</i>	15,166	31,176	21,538
<i>Fish</i>	7,107	44,000	16,350
<i>Fruit and Vegetables</i>	7,707	40,667	19,716
<i>Milk and Milk Products</i>	14,082	64,000	28,037
<i>Pigmeat</i>	12,000	27,462	18,411
<i>Poultrymeat</i>	8,877	27,000	16,877
Total Sector	7,067	80,979	22,450

* Between 1999 and 2000 the average level of value added per employee in the sector was relatively unchanged increasing from £21,912 to £22,450.

* Businesses in the drinks subsector had the highest average level of value added per employee of £43,947, and bakeries the lowest at £16,136.

* All of the subsectors had a difference between the maximum and minimum value added per employee within a 7:1 ratio.

* Subsectors with high, medium and low value added per employee

<i>High</i> (>£25,000)	<i>Medium</i> (£17,500 to £25,000)	<i>Low</i> (<£17,500)
<i>Animal by-products</i>	<i>Beef and Sheepmeat</i>	<i>Bakeries</i>
<i>Drinks</i>	<i>Eggs</i>	<i>Fish</i>
<i>Milk and Milk Products</i>	<i>Fruit and Vegetables</i>	<i>Poultrymeat</i>
	<i>Pigmeat</i>	

Table 13 Total capital employed per employee, by subsector, 2000

	<i>Total capital employed (£ per employee)</i>		
	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>
<i>Animal By-Products</i>	6,400	118,393	36,860
<i>Bakeries</i>	2,087	128,702	15,066
<i>Beef and Sheepmeat</i>	7,250	124,507	44,110
<i>Drinks</i>	10,788	233,231	153,747
<i>Eggs</i>	7,781	95,708	37,134
<i>Fish</i>	3,143	94,333	27,077
<i>Fruit and Vegetables</i>	4,000	99,228	34,545
<i>Milk and Milk Products</i>	6,857	254,571	91,271
<i>Pigmeat</i>	6,864	64,857	29,476
<i>Poultrymeat</i>	4,116	79,750	17,650
<i>Total Sector</i>	2,087	254,571	46,829

- * *The average amount of capital employed per employee increased slightly from £46,076 in 1999 to £46,829 in 2000.*
- * *Businesses within the drinks and milk and milk products subsectors had the highest average level of capital requirements per employee.*
- * *The bakeries subsector businesses had the lowest average amount of capital at £15,066 per employee.*
- * *The subsector with the widest range in the amount of capital employed per employee was bakeries with a ratio of 62:1.*
- * *Subsectors with high, medium and low total capital employed (£ per employee)*

<i>High</i> (>£50,000)	<i>Medium</i> (£25,000 to £50,000)	<i>Low</i> (<£25,000)
<i>Drinks</i>	<i>Animal by-products</i>	<i>Bakeries</i>
<i>Milk and Milk Products</i>	<i>Beef and Sheepmeat</i>	<i>Poultrymeat</i>
	<i>Eggs</i>	
	<i>Fish</i>	
	<i>Fruit and Vegetables</i>	
	<i>Pigmeat</i>	

Table 14 Average wages and salaries cost per employee, by subsector, 2000

	Wages (£ per employee)		
	Minimum	Maximum	Average
<i>Animal By-Products</i>	12,444	24,971	16,402
<i>Bakeries</i>	5,455	20,355	13,453
<i>Beef and Sheepmeat</i>	5,200	23,542	15,009
<i>Drinks</i>	7,333	24,730	19,011
<i>Eggs</i>	9,958	14,176	13,628
<i>Fish</i>	4,500	17,814	9,924
<i>Fruit and Vegetables</i>	5,600	18,811	12,938
<i>Milk and Milk Products</i>	7,636	25,164	19,535
<i>Pigmeat</i>	8,250	20,795	13,545
<i>Poultrymeat</i>	9,357	15,247	13,738
Total Sector	4,500	25,164	14,879

- * The average wage cost per employee in the food and drinks processing sector increased by 3.0% between 1999 and 2000, from £14,440 to £14,879.
- * Businesses within the fish subsector had the lowest average wage per full-time employee equivalent, at £9,924.
- * The milk and milk products subsector had the highest average wage cost per full-time employee equivalent, at £19,535.
- * All of the subsectors were within a ratio of 5 to 1 between the maximum and minimum wages paid per employee.
- * Subsectors with high, medium and low wages (£ per employee)

<i>High</i> (>£15,000)	<i>Medium</i> (£12,500 to 15,000)	<i>Low</i> (<£12,500)
<i>Animal by-products</i>	<i>Bakeries</i>	<i>Fish</i>
<i>Beef and Sheepmeat</i>	<i>Eggs</i>	
<i>Drinks</i>	<i>Fruit and Vegetables</i>	
<i>Milk and Milk Products</i>	<i>Pigmeat</i>	
	<i>Poultrymeat</i>	

Table 15 Net Profit as a % of sales, by subsector, 2000

	<i>Net Profit (% of sales)</i>		
	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>
<i>Animal By-Products</i>	-3	15	3.9
<i>Bakeries</i>	-13	20	1.0
<i>Beef and Sheepmeat</i>	-5	12	3.2
<i>Drinks</i>	1	24	10.4
<i>Eggs</i>	-15	7	1.7
<i>Fish</i>	-3	23	4.2
<i>Fruit and Vegetables</i>	-24	25	3.0
<i>Milk and Milk Products</i>	-7	28	1.1
<i>Pigmeat</i>	-5	11	1.5
<i>Poultrymeat</i>	-11	8	0.1
<i>Total Sector</i>	-24	28	3.0

- * *The average level of profitability of the food processing sector increased from 2.9% of sales in 1999 to 3.0% of sales in 2000.*
- * *All subsectors made a profit in 2000 although there were substantial differences in profitability performance among the businesses in each subsector.*
- * *The drinks subsector recorded the highest average level of profitability, at 10.4%.*
- * *None of the businesses included in the drinks subsector incurred a loss in trading in 2000.*
- * *Subsectors with high, medium and low net profit (% of sales)*

<i>High</i> (>5.0%)	<i>Medium</i> (1.0% to 5.0%)	<i>Low</i> (<1.0%)
<i>Drinks</i>	<i>Animal by-products</i>	<i>Poultrymeat</i>
	<i>Bakeries</i>	
	<i>Beef and Sheepmeat</i>	
	<i>Eggs</i>	
	<i>Fish</i>	
	<i>Fruit and Vegetables</i>	
	<i>Milk and Milk Products</i>	
	<i>Pigmeat</i>	

Table 16 Value added as a % of sales, by subsector, 2000

	<i>Value added (% of sales)</i>		<i>Average</i>
	<i>Minimum</i>	<i>Maximum</i>	
<i>Animal By-Products</i>	20	41	28.5
<i>Bakeries</i>	7	82	37.3
<i>Beef and Sheepmeat</i>	8	59	14.2
<i>Drinks</i>	12	63	26.8
<i>Eggs</i>	10	26	17.2
<i>Fish</i>	-1	36	20.9
<i>Fruit and Vegetables</i>	3	58	21.8
<i>Milk and Milk Products</i>	6	40	12.8
<i>Pigmeat</i>	8	36	18.4
<i>Poultrymeat</i>	8	33	24.7
<i>Total Sector</i>	-1	82	19.7

* *Value added as a percentage of sales is considered to be one of the most important measures of performance, because it provides an indication of the magnitude of value which is added to all the inputs which are used on the activity of processing before leaving the factory gate.*

* *Between 1999 and 2000 the average level of value added increased from 19.3% to 19.7% of sales.*

* *Value added expressed as a percentage of sales was higher for 6 of the 10 subsectors in 2000 compared with 1999. Only the animal by-products, beef and sheepmeat, fish and pigmeat subsectors had lower average levels of value added in 2000 than in 1999.*

* *Bakeries had the highest average value added as a percentage of sales (37.3%), and milk and milk products businesses the lowest (12.8%).*

* *The ranges in value added percentages recorded for the subsectors is partly explained by the presence of primary processing and further processing businesses within each subsector.*

* *Subsectors with high, medium and low value added (% of sales)*

High
(>25%)

Medium
(15% to 25%)

Low
(<15%)

Animal by-products
Bakeries
Drinks

Eggs
Fish
Fruit and Vegetables
Pigmeat
Poultrymeat

Beef and Sheepmeat
Milk and Milk Products

Table 17 Wages as a % of sales, by subsector 2000

	Wages (% of sales)		
	Minimum	Maximum	Average
<i>Animal By-Products</i>	12	25	18.3
<i>Bakeries</i>	5	65	31.1
<i>Beef and Sheepmeat</i>	1	39	8.6
<i>Drinks</i>	6	19	11.6
<i>Eggs</i>	5	24	10.9
<i>Fish</i>	1	27	12.7
<i>Fruit and Vegetables</i>	2	44	14.3
<i>Milk and Milk Products</i>	5	23	8.9
<i>Pigmeat</i>	3	28	13.5
<i>Poultrymeat</i>	6	31	20.1
Total Sector	1	65	13.1

* *The wages and salaries bill is one of the main components of cost incurred by businesses. In 2000 the wages bill represented 13.1% of the total value of food and drinks processing sector sales and this was slightly higher than the 1999 average of 12.8%.*

* *The proportions of sales which wages and salaries represented in 2000 ranged from 8.6% for beef and sheepmeat sector businesses to 31.1% for bakeries businesses.*

* *For 8 of the 10 subsectors, wages and salaries expressed as a percentage of sales were higher in 2000 than in 1999.*

* *Within each subsector the difference between the minimum and maximum proportion of sales represented by wages was quite large. Such differences have been recorded in previous years and reflect the wide range of types of processing activities undertaken and levels of mechanisation within subsectors.*

* *Subsectors with high, medium and low wages (% of sales)*

<i>High</i> (>15%)	<i>Medium</i> (12.5% to 15%)	<i>Low</i> (<12.5%)
<i>Animal by-products</i>	<i>Fish</i>	<i>Beef and Sheepmeat</i>
<i>Bakeries</i>	<i>Fruit and Vegetables</i>	<i>Drinks</i>
<i>Poultrymeat</i>	<i>Pigmeat</i>	<i>Eggs</i>
		<i>Milk and Milk Products</i>

IV. INTER-BUSINESS SALES WITHIN THE NORTHERN IRELAND FOOD AND DRINKS PROCESSING SECTOR.

Some food processing businesses in Northern Ireland sell partially processed food products which are used as ingredients, or undergo further processing by other Northern Ireland processors. This being so, the 'outputs' of some food processing businesses are the 'inputs' of others, resulting in an over-estimation of the level of net sales into the Northern Ireland market. When the value of inter-business sales is known the net turnover value of the food and drinks processing sector can be estimated.

Inter-business sales and purchases of partially processed foods occur to differing extents in the 10 food processing subsectors. As a result, there is a range in the magnitude of differences between the values of gross and net turnovers for each of the 10 subsectors. The highest levels of inter-business sales generally occur in the beef and sheepmeat and milk and milk products subsectors. This arises because they are the two largest subsectors within the Northern Ireland food processing sector and also because a high proportion of businesses within these subsectors tend to specialise in either primary or further processing activities, or have valuable by-products which are used by other subsectors.

In the course of the NIERC¹ study on marketing outlets, businesses within the food and drink processing sector were asked to provide estimates for the values of semi-processed food purchased from businesses within and outside Northern Ireland. These data indicated that inter-business purchases in Northern Ireland were approximately £107 million and imports of semi-processed food were worth approximately £159 million in 2000. The beef and sheepmeat subsector had the largest amount of semi-processed product purchases, worth approximately £137 million in 2000. Of these, semi-processed products from other firms in Northern Ireland were worth £60 million. The milk and milk products subsector had the second largest amount of semi-processed product purchases, worth approximately £19 million in 2000. Of this amount, semi-processed purchases from other firms in Northern Ireland were worth approximately £18 million.

Net sales are gross sales minus inter-business sales between firms in Northern Ireland. When these inter business data are taken into account, external sales were 56 per cent of total sales for the beef/sheepmeat subsector and 64 per cent for the milk/milk products subsector in 2000. In comparison, the proportions based on gross turnover data were 49 per cent for the beef and sheepmeat subsector and 62 per cent for the milk and milk products subsector.

Taking the value of inter-business sales between food and drinks processing firms in Northern Ireland into account, (i.e. £107 million), net sales to the Northern Ireland market were worth £896 million in 2000. Therefore, total net sales for the food and drinks processing sector totalled £2,039 million. This reduction means that the Northern Ireland market was a destination for 44% of the total net sales, i.e. external sales were 56% of the total.

¹ Department of Enterprise, Trade and Investment (2002). "Made in Northern Ireland, Sold to the World. Northern Ireland Sales & Exports 1999/00 – 2000/01." Belfast: Department of Enterprise, Trade and Investment.

ANNEX A

DEFINITIONS OF TERMS

Gross turnover of a subsector is the sum of the annual turnovers of all the businesses in the subsector. It is also equal to the total annual sales of the businesses within the subsector.

Net turnover of a subsector is the gross turnover of the subsector minus the purchases of partially processed food products from other food processing businesses in Northern Ireland.

Value added of a subsector is determined by deducting all of the 'inputs', which are the 'outputs' of other industries, from the gross turnover of the processing subsector. It is equal to the sum of the wages and salaries bill, depreciation, net profit and interest paid in the subsector.

Full-time employee is someone employed for at least 30 hours per week.

Part-time employee is someone employed for less than 30 hours per week.

Casual/seasonal employee is someone not employed on a regular basis.

Full-time employee equivalents in a subsector are the part-time and casual employees converted to full-time equivalents, (by multiplying part-time employees by 0.5 and casual by 0.25), and added to the number of full-time employees.

Semi-processed food is defined as an agricultural commodity which has been modified in some way, but which will be further processed before sale by the purchasing processing business.

Gross profit is the difference between gross turnover and cost of sales.

Wages and salaries is the total remuneration to directors and employees including National Insurance contributions.

Depreciation is the depreciation charge made against all the tangible fixed assets in the business.

Net profit is the profit generated after deduction of all costs and charges, including interest costs, but before deduction of tax.

Total capital employed is the sum of the share capital, reserves and total borrowings for incorporated businesses and net worth plus total borrowings for partnerships and sole traders.

Sales per employee in each subsector is the gross turnover of the subsector divided by the total number of full-time employee equivalents in the subsector.

Value added per employee in each subsector is the total subsector value added divided by the total number of full-time employee equivalents in the subsector.

Total capital per employee in each subsector is the total capital employed divided by the total number of full-time employee equivalents in the subsector.

Average wage cost per employee is the subsector's wages and salaries bill divided by the total number of full-time employee equivalents in the subsector.

Gross profit as a % of sales is the subsector gross profit divided by the subsector gross turnover and expressed as a percentage.

Net profit as a % of sales is the subsector total net profit divided by the subsector gross turnover and expressed as a percentage.

Value added as a percentage of sales is the subsector total value added divided by the subsector gross turnover and expressed as a percentage.

Wages and salaries as a % of sales is the subsector wages and salaries bill divided by the subsector gross turnover and expressed as a percentage.

Interest costs as a % of sales is the total interest paid by businesses within the subsector divided by the gross turnover and expressed as a percentage.

Sales per £1,000 wages is the sales of the subsector divided by the wages and salaries bill and multiplied by 1,000.

Value added per £1,000 wages is the subsector value added divided by the wages and salaries bill and multiplied by 1,000.

Interest costs as a percentage of gross profit is the total interest paid by businesses in the subsector divided by the total subsector gross profit and expressed as a percentage.

Interest costs as a percentage of net profit is the total interest paid by businesses in the subsector divided by the total subsector net profits and expressed as a percentage.

Rate of return on capital employed is the total subsector net profits plus interest paid divided by the total capital employed in the subsector and expressed as a percentage.

ANNEX B

DEFINITIONS OF SUBSECTORS

Animal By-Products - those businesses which process red offals and fats which enter the human food chain. It excludes pet food, rendering, and hide and skin processing businesses.

Bakeries - flour milling and bread and pastry manufacturers. Home bakeries, which sell their products through their own retail outlets, are excluded.

Beef and Sheepmeat - all the businesses involved in the slaughtering of cattle and sheep and the processing of beef and sheepmeat.

Drinks - both alcoholic and non-alcoholic drinks manufacturing businesses. The main products are soft drinks, beers and whiskey.

Eggs - those businesses involved in the grading and packing of eggs and the preparation of egg components for bakeries and catering businesses.

Fish - businesses which process and package freshwater and sea fish species. Activities range from filleting to preparing cooked products.

Fruit and Vegetables - a wide range of businesses from those principally involved in the grading and packing of fruit and vegetables to those which manufacture products such as potato crisps. All of the businesses within this subsector used fruit and vegetables grown in Northern Ireland. Wholesale fruit and vegetable businesses are excluded.

Milk and Milk Products - businesses which pasteurise milk and those which manufacture milk products such as butter, cheese, ice-cream and yoghurt. Data do not include milk roundsmen activities.

Pigmeat - all businesses involved in the slaughter and processing of pigs. Products include bacon, pork and hams.

Poultrymeat - all slaughtering and processing of table poultry such as chickens, ducks and turkeys. Products range from whole birds to highly developed ready meals based on chicken.