Future Issues and Opportunities for the NI Food Processing Industry

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Agri-Food Development Service

Future Issues and Opportunities - Overview

- **Industry Competitiveness Issues**
  - Size & Scale
  - "People" factors
  - Adoption of Best Practice
  - Integrating the Food Supply Chain
  - Improved Marketing Focus
- **Future Opportunities**

Future Issues - ***from an AFDS Perspective***

Competitiveness:

- **Industry Size and Scale**
- **"People" Factors**
- **Adoption of Best Practice Systems**
- **Integrating the Food Supply Chain**
- **Improved Marketing Focus**

Food Processing Opportunities

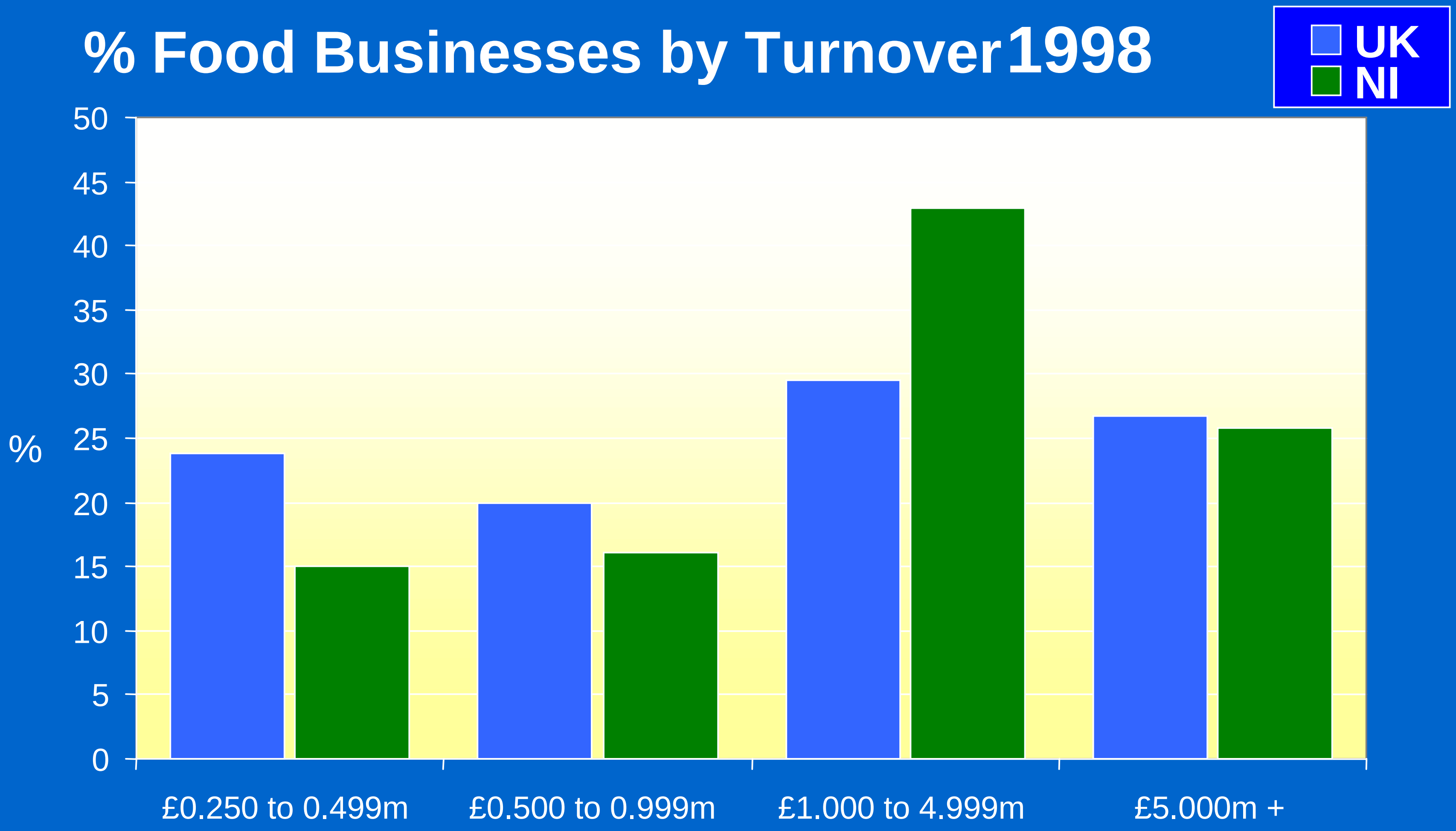
- **Commodities produced from grass**
- **Industry Restructuring**
- **Use Size to advantage**
- **Differentiate -** Organics
  Speciality
  Farm Based Foods
- **Focused Marketing**

NI Food Industry - Size & Scale

- **Gross Turnover:** **£2.162bn (-6%)**
- **Total value Added:** **£239m**
- **Employment:** **19.34k people**
- **Importance:**
  - 23% manufacturing sales
  - 18% man.total employees
  - 2.4% contribution to GDP

Source: DARD

Industry Size & Scale



Source: Keynote & DARD

Industry Size & Scale

"There is always someone bigger !"

	Turnover £m	No. Employees
Moy Park	174.5	3,121
Northern Foods	2,000	23,750
Unigate plc	2,300	28,000

Industry Size & Scale

- 12 food Companies in NI Top 100
- 3 in NI Top 20 by employee number
- 6 food companies profitable in Top 100
- 4 Dairy ; 2 Meat

Source: Ulster Grocer

Key Drivers to Commodity

- Globalisation
- Pressure for improved efficiencies
- Market Concentration
- Manufacturer Concentration
- Own Label Dominance

Market Concentration

- **UK Food Retail Market**

  1980 - top 14 retailers had 23% share

  2000 - top 9 retailers have 63% share

- **US market 5 retailers dominate, was 23 in 1995**

Market Concentration

- **Retailer Efficiencies**

  UK's are Europe's best - 7 in top 8 (€000 per sq m per year)

- **Own Label Sales**

  UK are Europe's best - 5 in top 7 (total own label sales €bn per year)

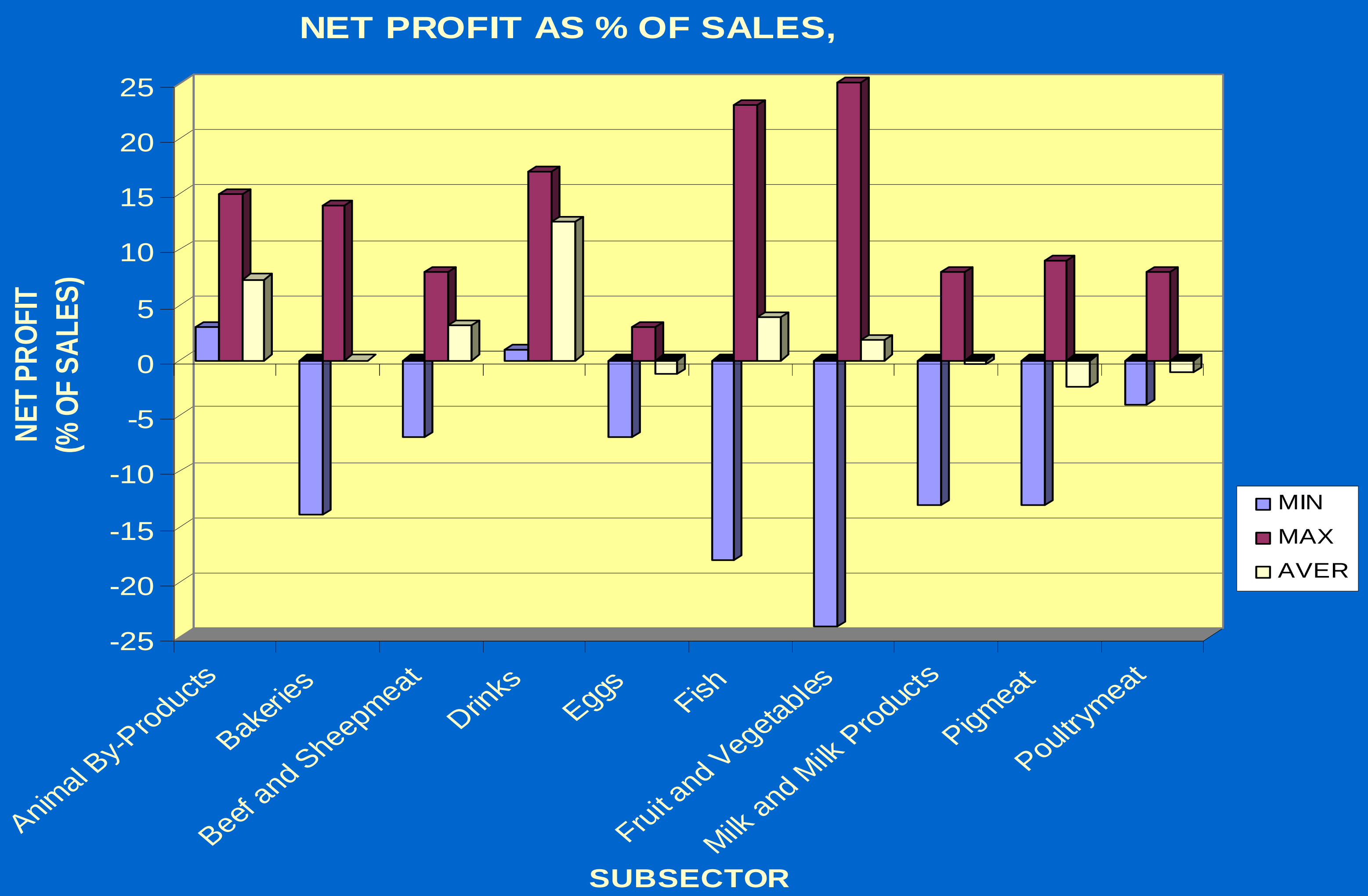
- **"3-5 global retailers in 7 years"**

  CH van der Hoeven, CEO Royal Ahold

Implications of Commodity

- “Volume Treadmill”
- Need to be World Class
- Need for Benchmarking
- Benchmarks
- Information to identify where we can compete - and where we can’t

Need for Benchmarking



"People" Factors

- **Shrinking Industry?**
- **Attitude to Change**
- **Attracting new entrants:**
  - Workforce
  - Management
  - Entrepreneurs

“People” Factors

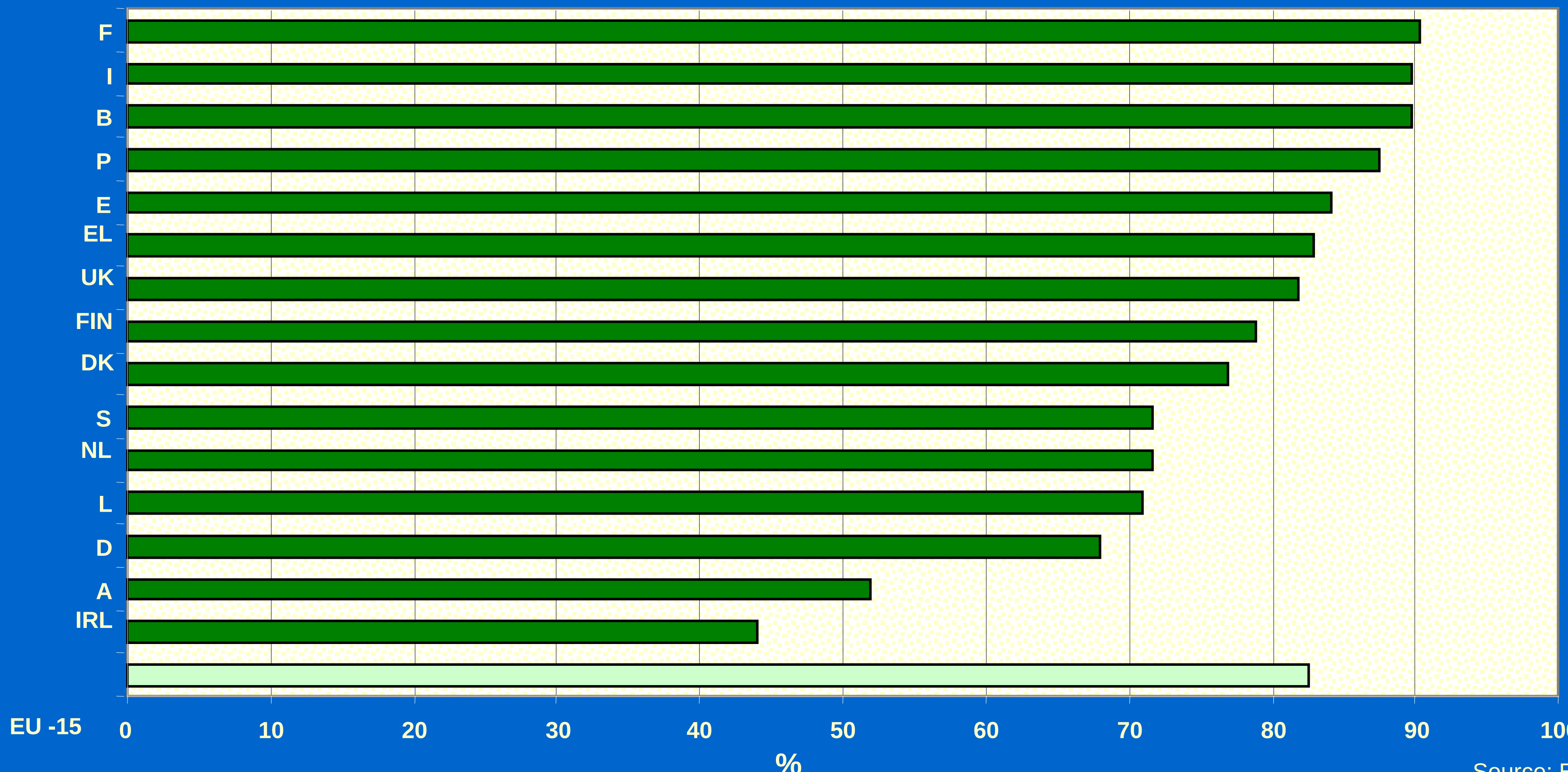
- Workforce - recruitment & retention
- Management - recruitment & retention
- Attracting Entrepreneurs
- Micro-business development

Attracting Entrepreneurs

- **Developing the Rural Economy**
- **TSN Directives**
- **Speciality Food Production**
- **Farm Based Food Production**
  - Farmhouse Cheese Example

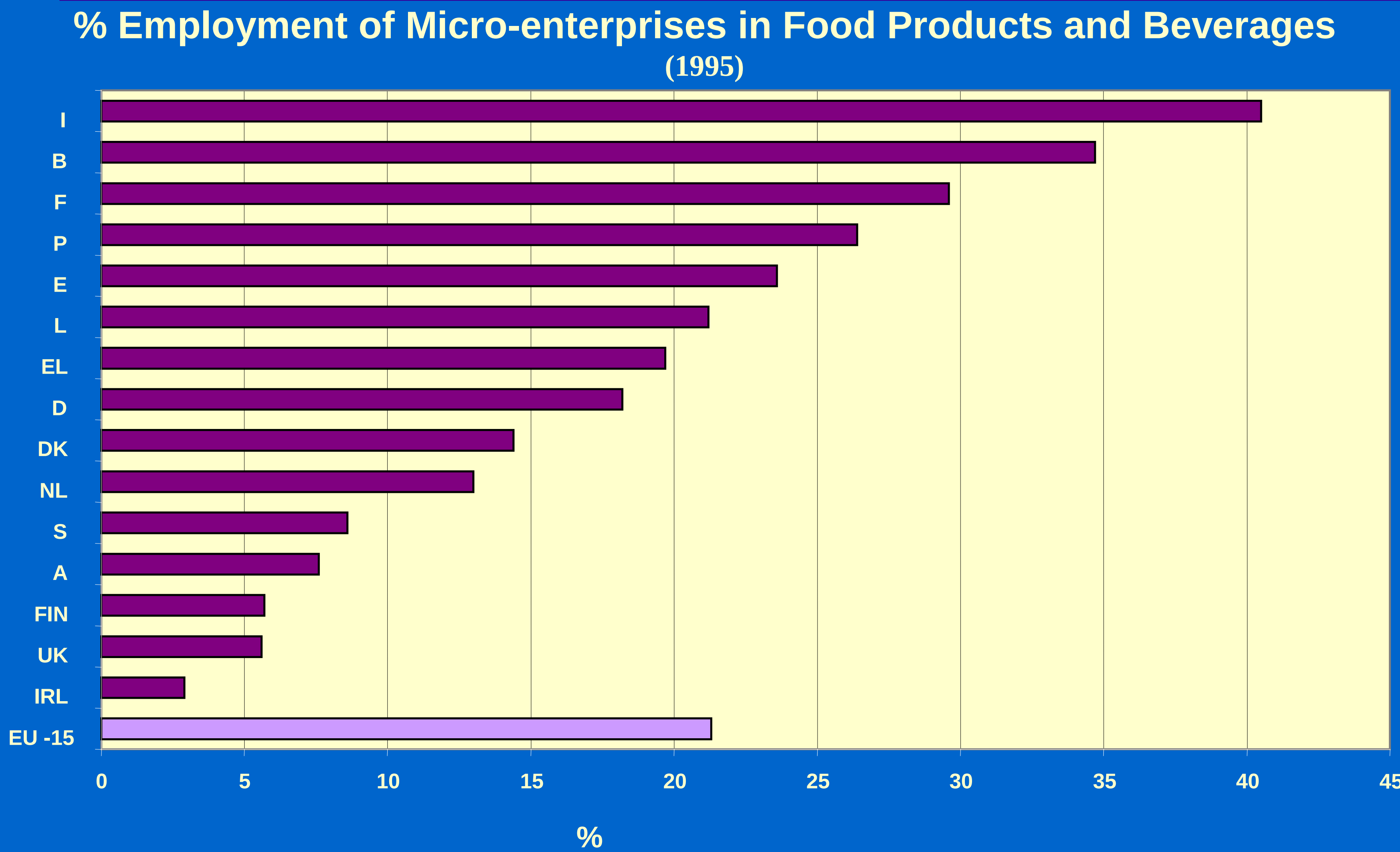
EU Micro-business Comparison

% Micro-enterprises in Food Products and Beverages (1995)



Source: Eurostat

EU Micro-business Comparison



Source: Eurostat

EU Micro-Business Comparison

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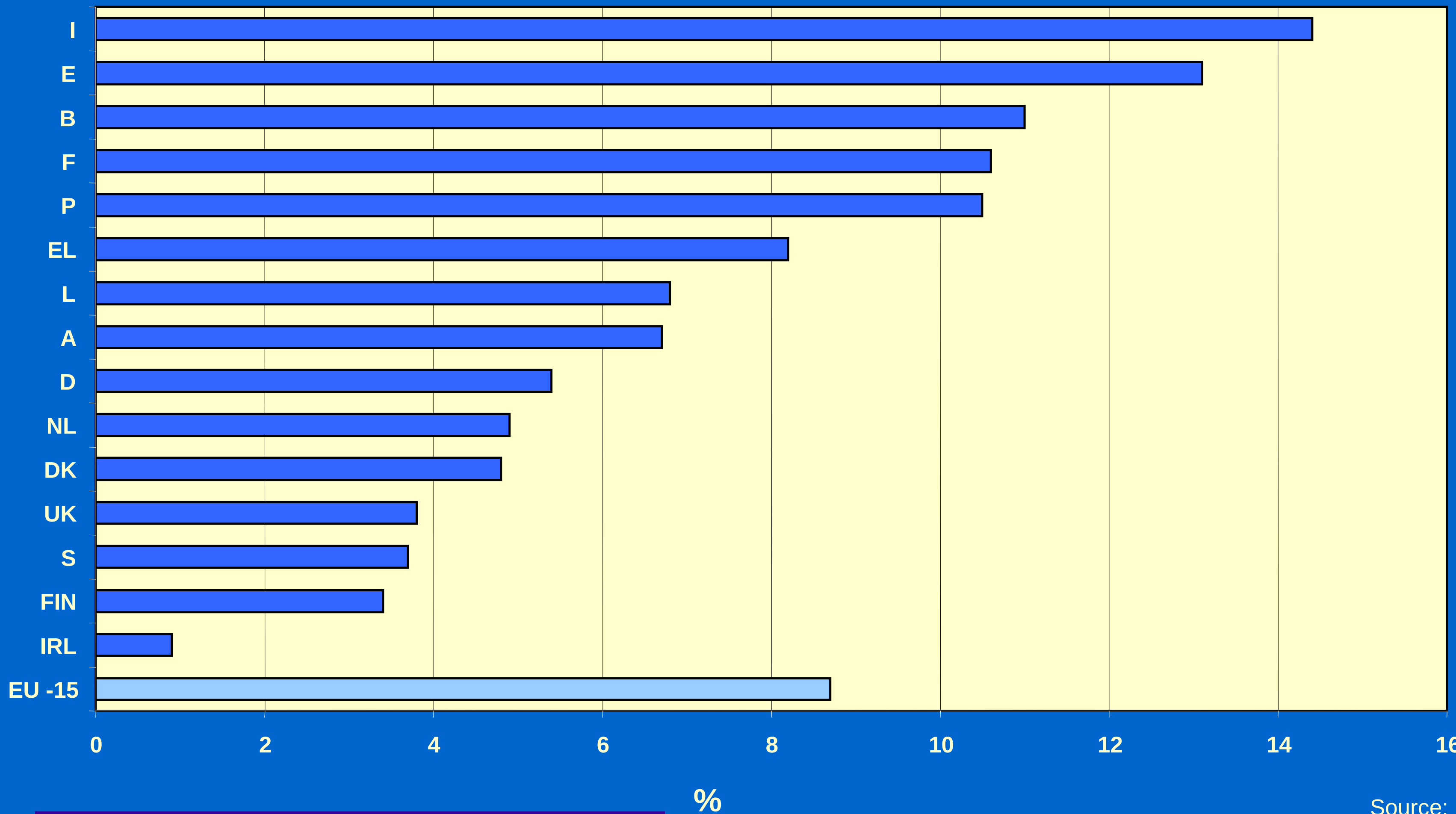

Source: Eurostat

Adopting Best Practice Systems

- Not barrier but business essential
- Product integrity and QA systems
- Retailer developments
- Quality of raw materials
- Integrating the Supply Chain - Sweden

Integrating the Food Supply Chain

- NI Size & Scale
- ECR and Supply Chain Management
- “Walk the Supply Chain” initiatives - GB
- Next Steps - NI

Improved Marketing Focus

- **Supplier Consolidation**
- **The Need for Market Intelligence**
  - The Customer
  - The Customer's Customer
- **A Better Way? - Lessons from Bord Bia**

Commodity v Differentation

- **Differentiation Factors**
  - Quality & Integrity
  - Innovation
  - ‘Regionality’
  - Packaging
  - Customer Service

Opportunities - Speciality Foods

- UK Turnover - £ 3.5bn (5% UK total)
- 52,000 employed (10% total)
- 3,100 companies - 70% rural
- 60% source half their ingredients locally
- 45% sell half turnover into local regions

Speciality Foods - Key Issues

- Product quality & range
- Marketing including Market Intelligence
- Packaging
- New Product Development
- Distribution - Access to markets
- QA Systems management

Opportunities - Farm Based Foods

- EU micro-business comparison
- Developing the Rural Economy
- Farmhouse Cheese
- Future potential - Peace II

Conclusions

- **Address Competitiveness Issues**
- **Exploit Future Opportunities**
  - Grass based commodities
  - Organics
  - Speciality Foods
  - Farmbased Food Production