



Department of
**Agriculture and
Rural Development**

www.dardni.gov.uk

AN ROINN
**Talmhaíochta agus
Forbartha Tuaithe**

MÄNNYSTRIE O
**Fairms an
Kintra Fordèrin**

POLICY AND ECONOMICS DIVISION

Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Ten Years Statistics, 2000 to 2009



A National Statistics publication

National Statistics are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. You can also find out more about National Statistics on the Internet – go to www.statisticsauthority.gov.uk

Brief extracts from this publication may be reproduced provided the source is fully acknowledged.

Proposals for reproduction of larger extracts should be addressed to:

Controller of Her Majesty's Stationery Office (HMSO)
(Crown Copyright Officer)
Crown Copyright Section
The National Archives
Kew
Richmond
Surrey
TW9 4DU
Tel: +44 (0) 20 8876 3444

© Crown copyright 2011

FOREWORD

Policy and Economics Division annually publishes a report entitled “Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics”. The reports include estimates of the value of sales, value added, profitability, exports, capital employed and employment for each of the ten constituent subsectors of the food and drinks processing sector in Northern Ireland.

To make it easier for those who are interested in trends in the sector, it was decided to prepare this report which analyses changes in the sector’s size and performance over the ten year period 2000 to 2009 inclusive. The contribution of the food and drinks processing sector to the wider economy is presented in Section III.

The publication should be of particular use to those involved in the preparation of strategies that may require information on trends in order to anticipate the potential impact of such strategies in the future. Businesses may also find the information useful to provide a context against which to compare trends in their own performance.

If users wish to consider trends commencing from a year earlier than 2000, it should be noted that the DARD website provides a time series of data, which was updated in July 2011, and now covers the main size and performance variables over the period 1989 to 2009, along with provisional estimates for sales and level of employment in 2010. The time-series data can be downloaded from:

www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

A number of organisations provided assistance in the task of compiling the statistics presented in this report. Their help and co-operation are gratefully acknowledged. They include the Economic and Labour Market Statistics Branch, Netherleigh, Invest Northern Ireland and Companies House. The production of this publication would not have been possible without their assistance.

The report was prepared by William Taylor of Policy and Economics Division, DARD. Comments on the report are always welcome and should be forwarded using the contact details given below.

Norman Fulton
Director of Policy and Economics
December 2011

Department of Agriculture & Rural Development
Policy and Economics Division
Dundonald House
Upper Newtownards Road
Ballymiscaw
Belfast BT4 3SB

Tel (028) 90 524640
Fax (028) 90 524676
E-mail: stats.econ@dardni.gov.uk

CONTENTS

	Page
Executive Summary	1
I. Introduction	4
II. Size and Performance of the Northern Ireland Food and Drinks Processing Sector	6
Gross turnover	7
Value added	9
Destination of sales	13
Employment	17
Profitability	19
Capital employed	20
Performance indicators	21
III. Importance of the Food and Drinks Processing Sector to the Northern Ireland Economy	25
Annex A Definitions of terms	28
Annex B Definitions of subsectors	30

EXECUTIVE SUMMARY

1. The number of businesses in the Northern Ireland food and drinks processing sector with an annual turnover of more than £250,000 decreased over the ten year period 2000 to 2009, from 290 to 278. Despite this, the total gross turnover of the Northern Ireland food and drinks processing sector increased over the period, from £2,149 million in 2000 to £3,397 million in 2009; a 58 per cent increase. This equates to an average increase in gross turnover of 6.5 per cent per annum.
2. When the effect of inflation is removed (using the GDP deflator), the sector's gross turnover increased by 29 per cent between 2000 and 2009, which equates to an annual average rate of growth of 3.2 per cent in real terms. The comparable figure for the manufacturing industry is an average annual increase of 0.3 per cent.
3. The beef and sheepmeat and milk and milk products subsectors had the largest gross turnovers throughout the ten year period; together they consistently accounted for almost half of the sector's total gross turnover.
4. The majority (85 per cent) of the increase in total gross turnover between 2000 and 2009 resulted from increases in the value of sales in the beef and sheepmeat (+£377 million), poultrymeat (+£315 million), milk and milk products (+£251 million) and bakeries (+£118 million) subsectors.
5. The fish (-£10 million) and animal by-products (-£3 million) subsectors were the only subsectors to record a decrease in total gross turnover between 2000 and 2009.
6. The poultrymeat subsector recorded the highest rate of growth in gross turnover between 2000 and 2009 (+111 per cent). As a result, it increased its contribution to the total gross turnover of the sector from 13 per cent in 2000, to 18 per cent in 2009.
7. The contribution of the food and drinks processing sector to the Northern Ireland economy is best represented by its generation of value added. Between 2000 and 2009, total value added generated by businesses in the food and drinks processing sector increased by 45 per cent, from £418 million to £608 million. This equates to an average rate of growth of 5.0 per cent per annum. When the effect of inflation is removed, value added increased on average by 2.1 per cent per annum.
8. The poultrymeat subsector had the largest increase in value added between 2000 and 2009, almost doubling its contribution to the economy from £70 million to £136 million.
9. In 2009, eighty-one per cent of the sector's value added was accounted for by five subsectors, namely, the poultrymeat (£136 million), beef and sheepmeat (£100 million), milk and milk products (£99 million), bakeries (£89 million) and drinks (£69 million) subsectors.
10. The wages and salaries bill for the food and drinks processing sector, which was the largest component of value added, increased from £280 million in 2000 to £423 million in 2009.
11. The sector's growth in gross turnover between 2000 and 2009 was derived from strong growth in sales to external markets. In contrast, sales to the domestic market remained static (+4 per cent) over this period, and decreased in real terms, that is, when the effect of inflation is removed (-15 per cent).

12. Sales of food and drink products to external markets, that is, to markets outside of Northern Ireland, more than doubled between 2000 and 2009, from £1,170 million to £2,377 million. External markets accounted for 54 per cent of total sales in 2000. However, by 2009, these markets accounted for 70 per cent of total sales.
13. From 2000 until 2003, the Northern Ireland market was recorded as the most important for the food and drinks processing sector. However, since 2004, the Great Britain market has become increasingly more important, and by 2009, sales to this destination represented 42 per cent of total sales. During the period from 2000 to 2009 sales to this destination almost doubled, from £750 million to £1,435 million.
14. Export sales, which are sales from Northern Ireland to markets outside of the United Kingdom, increased by 122 per cent, from £420 million in 2000 to £931 million in 2009. As a proportion of total processing sales for the sector, export sales represented 20 per cent of total sales in 2000 and 27 per cent in 2009.
15. The Republic of Ireland was the largest export market for the food and drinks sector throughout the ten year period, with sales increasing from £216 million in 2000 to £598 million in 2009. The proportion of total sales from the sector to this destination increased from 10 per cent in 2000 to 18 per cent in 2009.
16. Over the ten year period the total number of employees¹ in the food and drinks processing sector increased from 18,875 full-time employee equivalents to 19,464 full-time employee equivalents; an increase of 3.1 per cent (+589 employees).
17. Increases in employment were recorded in five of the ten subsectors between 2000 and 2009, with the largest occurring in the poultrymeat (+876 employees), beef and sheepmeat (+691 employees) and fruit and vegetables (+360 employees) subsectors. The drinks (-579 employees) and fish (-429 employees) subsectors recorded the largest decreases in employment.
18. Throughout the ten year period, the poultrymeat subsector was consistently the largest employer within the sector, increasing its proportion of total employment from 22 per cent in 2000 to 26 per cent in 2009. Three subsectors, poultrymeat, beef and sheepmeat and bakeries, together accounted for 62 per cent of the total number of employees in the sector in 2009.
19. The long-term sustainability of Northern Ireland's food and drinks processing sector is dependent on its ability to generate adequate profit. Between 2000 and 2009, total aggregate profit before taxation increased by 55 per cent, from £60 million to £94 million. However, in the intervening years, the level of net profit generated by the sector fluctuated year on year. The most significant change in net profit was recorded between 2008 and 2009 (+£29 million), which was mainly as a result of the poultrymeat subsector changing from a net loss situation in 2008 (-£12 million) to generating net profit in 2009 (£10 million).
20. While the level of net profit between 2000 and 2009 increased in aggregate terms, there was no change to profit margins; net profit as a percentage of sales was 2.8 per cent in both 2000 and 2009.

¹ Employment figures throughout this publication normally relate to employees on the businesses' payrolls; this means that they generally do not take account of staff supplied by employment agencies.

21. Total capital employed in the food and drinks processing sector is estimated to have increased by 39 per cent between 2000 and 2009, from £823 million to £1,142 million. However, the rate of return on capital employed remained steady at 9.3 per cent and 9.4 per cent respectively in 2000 and 2009.
22. Between 2000 and 2009, the food and drinks processing sector increased its contribution to the performance of the manufacturing industry. In 2009, the sector was the largest contributor to the sales, external sales, export sales, value added and employment levels of the Northern Ireland manufacturing industry.
23. In percentage terms, the food and drinks processing sector's contribution to the Northern Ireland economy's Gross Value Added decreased over the period 2000 to 2006, from 2.2 per cent to 1.8 per cent. However, while difficult trading conditions have been experienced by most sectors from 2007 onwards, the food and drinks processing sector's value added has continued to grow. As a result, its contribution to the Gross Value Added of the overall economy has increased gradually from the 2006 level of 1.8 per cent of Northern Ireland's Gross Value Added to 2.2 per cent in 2009.

I. INTRODUCTION

This publication presents a comparison of data estimates for the size and performance of the Northern Ireland Food and Drinks Processing Sector over the ten year period 2000 to 2009. The main measurements of size used in the analyses are gross turnover, value added and employment. External and export sales over the period, are also presented and provide good indicators of the dependence of the sector on markets outside of Northern Ireland and its external and export revenue earnings. Performance is expressed in a number of different ways and includes parameters such as net profit expressed as a percentage of annual sales and the rate of return on capital employed. The contribution of the sector to the wider economy is presented in Section III. Definitions for all the terms used throughout the publication are provided in Annex A.

These statistics generally refer only to businesses with a turnover greater than £250,000. This minimum business turnover threshold was introduced mainly because of the difficulty in accessing detailed accounting information for smaller businesses. Their omission from the analysis is estimated to have a maximum annual impact of £50 million on the total gross turnover of the sector, and 500 full-time equivalent employees on the level of employment in the sector. However, in Chapter III, these estimates of the gross turnover and employment of small firms have been included when discussing the contribution of the sector to the Northern Ireland economy.

A number of different definitions are available to describe what food and drinks processing encompasses. The definition used for this compilation of statistics includes only those businesses that are involved in processing activities that 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, hide and skin processing and tobacco 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 industry. It is considered that the definition adopted for this report provides a more useful and practical description of the food and drinks processing sector. Businesses were allocated to one of the ten food and drinks processing subsectors included in the report depending on the main product processed. Definitions for each of the ten subsectors are given in Annex B.

A number of data sources were used to derive the estimates included in this publication. The estimates are based mainly on information contained in the annual accounts of businesses in Northern Ireland obtained through Companies House. Other sources of data include the Manufacturing Sales and Exports Survey and the Northern Ireland Annual Business Inquiry conducted by the Economic and Labour Market Statistics Branch, Netherleigh. Information provided by Invest Northern Ireland and Divisions within the Department of Agriculture and Rural Development was also used.

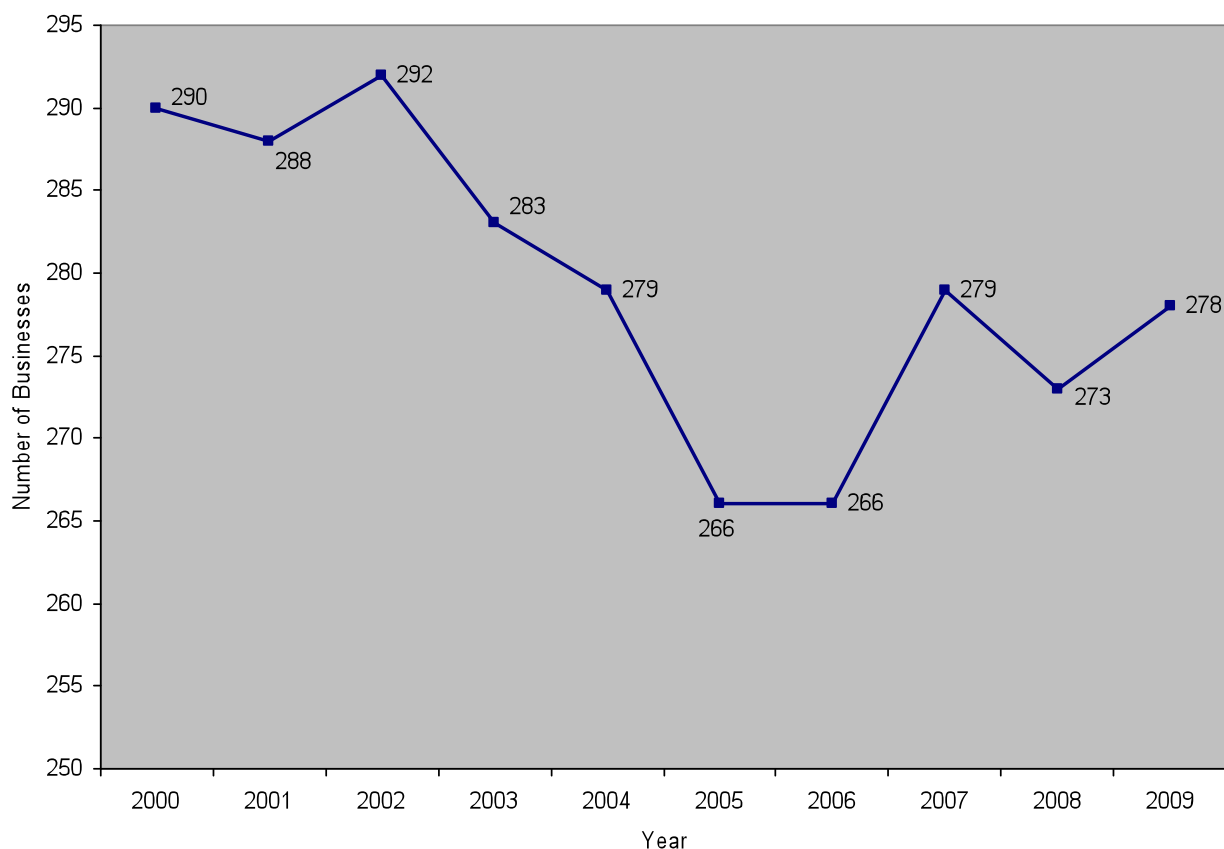
Table 1 below provides an overview of the number and size of the businesses included in the analyses.

Table 1 Distribution of businesses by annual turnover, 2000 and 2009

Turnover (£ million)	Number of businesses	
	2000	2009
0.25 – 0.99	104	90
1.0 – 9.99	141	134
10.0 – 49.99	33	35
50.0 and over	12	19
Total Sector	290	278

Figure 1 below shows the number of businesses included in the analyses in this report, that is, the number of businesses with a gross turnover in excess of £250,000 per annum over the period 2000 to 2009. The general trend during the period was a decrease in the number of businesses of this size.

Figure 1 Number of businesses with gross turnover over £250,000 during the period 2000 to 2009



II. SIZE AND PERFORMANCE OF THE NORTHERN IRELAND FOOD AND DRINKS PROCESSING SECTOR

In this section, data are presented to show the changes which occurred in the food and drinks processing sector during the ten year period 2000 to 2009. However, should users wish to consider trends from years earlier than 2000, a time-series of the data for each of the main size and performance indicators is available for the period 1989 to 2009 (2010 for two variables, namely gross turnover and employment) on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Table 2 below presents data on two of the main measurements of size of the sector, namely gross turnover and value added, which increased by 58 per cent and 45 per cent respectively between 2000 and 2009. These equate to average annual rates of growth of 6.5 per cent and 5.0 per cent respectively.

However, when the estimates are converted into real terms using the GDP deflator, to remove the impact of inflation, gross turnover and value added increased by 29 per cent and 19 per cent respectively. These equate to average annual growth rates of 3.2 per cent and 2.1 per cent respectively.

The value of export sales and external sales in the sector increased substantially over the period, growing by 122 per cent and 103 per cent respectively in nominal terms between 2000 and 2009. These equate to average annual rates of growth of 14 per cent and 11 per cent respectively.

When the effect of inflation is removed, (using the GDP deflator), export and external sales increased in real terms by 81 per cent and 66 per cent respectively between 2000 and 2009. These equate to average annual real growth rates of 9.0 per cent and 7.3 per cent respectively.

Total employment², however, recorded a more modest increase over the ten year period, increasing from 18,875 full-time equivalent employees in 2000 to 19,464 full-time equivalent employees in 2009; an increase of 3.1 per cent. This equates to growth of 0.3 per cent per annum.

Table 2 Gross turnover, value added, exports, external sales and employment in the Northern Ireland food and drinks processing sector, 2000 and 2009

	2000	2009	% change 2000-2009	
			Nominal terms	Real terms
Gross turnover (£ million)	2,149	3,397	+58	+29
Value added (£ million)	418	608	+45	+19
Export sales (£ million)	420	931	+122	+81
External sales (£ million)	1,170	2,377	+103	+66
Employment (full-time equivalent)	18,875	19,464	+3.1	N/A

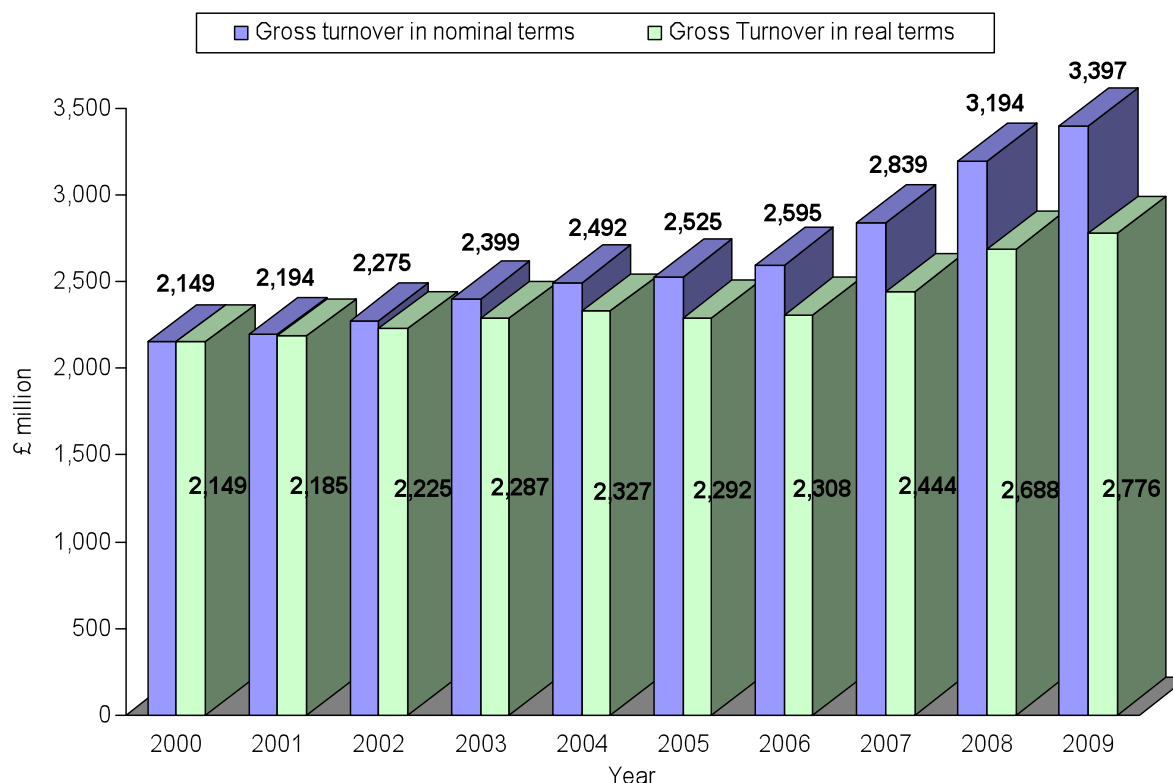
Time-series data for the above variables, 1989 to 2009 inclusive (2010 where available), are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

² Employment figures throughout this publication normally relate to employees on the businesses' payrolls; this means that they generally do not take account of staff supplied by employment agencies.

GROSS TURNOVER

The total gross turnover of the Northern Ireland food and drinks processing sector increased from £2,149 million in 2000 to £3,397 million in 2009. This increase of £1,248 million resulted from higher turnovers in eight of the ten subsectors.

Figure 2 Annual gross turnover, in nominal and real terms, for the Northern Ireland food and drinks processing sector, 2000 to 2009



The animal by-products and fish subsectors recorded a decrease in the value of turnover between 2000 and 2009. The beef and sheepmeat (+£377 million), poultrymeat (+£315 million), milk and milk products (+£251 million) and bakeries (+£118 million) subsectors recorded the largest increases in turnover over the ten year period and accounted for 85 per cent of the total increase in sales. Table 3 below shows the movements across all ten subsectors over the period 2000 to 2009.

Table 3 Gross turnover, by subsector, 2000 and 2009

	Gross turnover (£ million)		% change 2000-2009
	2000	2009	
Animal By-Products	23.6	20.6	-13
Bakeries	144.5	262.2	+82
Beef and Sheepmeat	489.6	866.9	+77
Drinks	298.8	328.9	+10
Eggs	33.5	65.0	+94
Fish	78.3	68.8	-12
Fruit and Vegetables	126.9	182.1	+43
Milk and Milk Products	522.6	774.1	+48
Pigmeat	147.8	230.8	+56
Poultrymeat	283.6	598.2	+111
Total Sector	2,149.3	3,397.5	+58

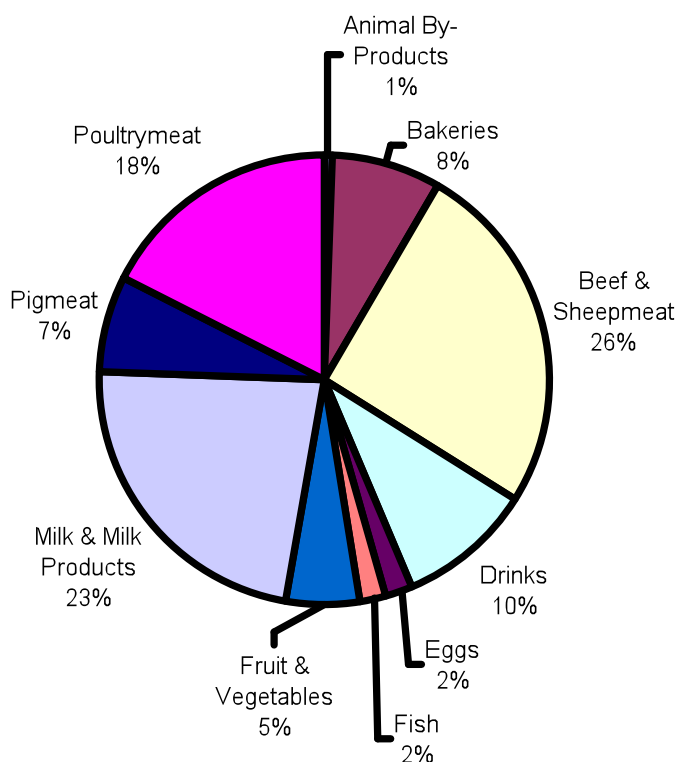
Time-series data on gross turnover, 1989 to 2010 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Throughout the ten year period, the milk and milk products and beef and sheepmeat subsectors were the two largest subsectors, accounting for almost half of the gross turnover of the sector in each year. At the start of the period, the drinks subsector was the third largest subsector in terms of turnover, however, in 2002, the poultrymeat subsector became the third largest subsector, and this situation continued to 2009.

The poultrymeat subsector also recorded the highest rate of growth in gross turnover between 2000 and 2009 (+111 per cent). As a result, it increased its contribution to the total gross turnover of the sector from 13 per cent in 2000 to 18 per cent in 2009. High rates of growth were also recorded for the eggs (+94 per cent), bakeries (+82 per cent) and beef and sheepmeat (+77 per cent) subsectors. These rates of growth were all well above the sectoral average of 58 per cent.

Figure 3 below shows the proportion of gross turnover contributed by each of the ten subsectors towards the food and drinks processing sector in 2009.

Figure 3 Subsector's gross turnover as a percentage of total gross turnover, 2009

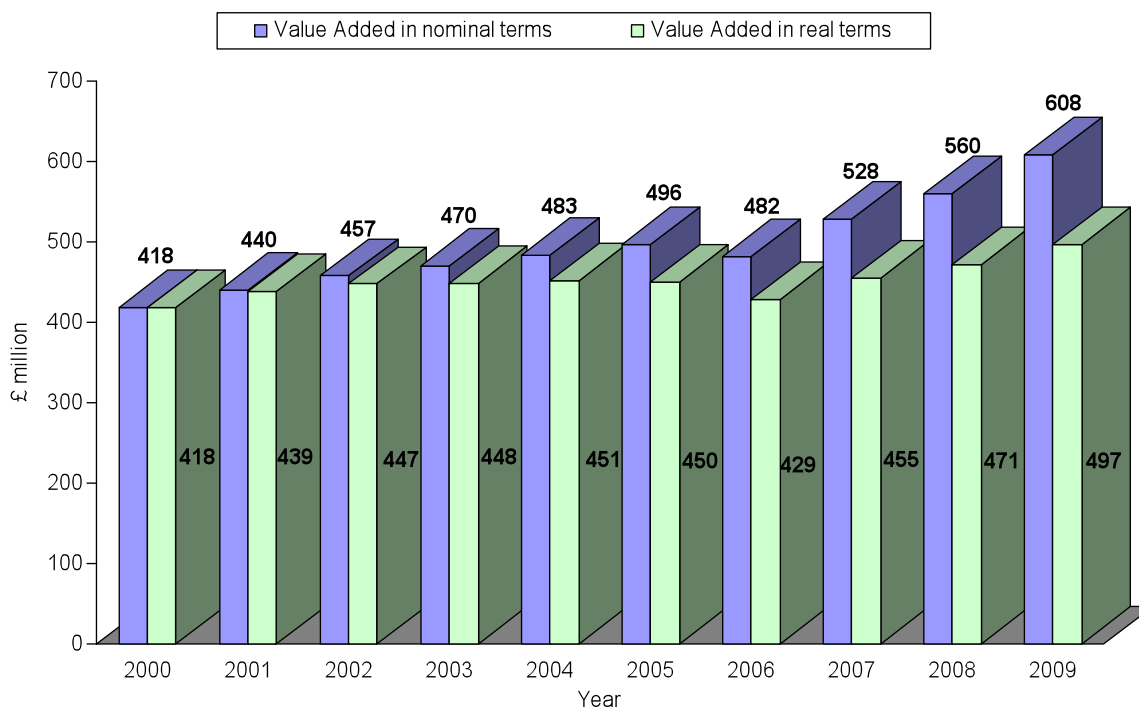


In 2009, 81 per cent of the food processing sector turnover was reliant on the outputs of farms (i.e. excluding bakeries, drinks and fish subsectors). This was a five percentage point increase from the situation at the start of the period, in 2000, when the comparable figure was 76 per cent.

VALUE ADDED

The amount of value added generated by the food and drinks processing sector is a key indicator of the sector's contribution to the economy. Value added is determined by deducting all of the 'inputs', which are 'outputs' of other sectors, from the turnover of the food and drinks processing sector. In other words, it is the sum of wages and salaries, the depreciation charge, net profit and interest paid. Figure 4 below illustrates the contribution of the food and drinks processing sector to the Northern Ireland economy in terms of value added during the period 2000 to 2009 in both nominal and real terms.

Figure 4 Annual value added, in nominal and real terms, of the Northern Ireland food and drinks processing sector, 2000 to 2009



Between 2000 and 2009, total value added in the food and drinks processing sector increased in nominal terms by 45 per cent, from £418 million to £608 million. This equates to an average rate of growth in value added of 5.0 per cent per annum. Figure 4 shows that value added in nominal terms increased over the period year on year, except for between 2005 and 2006 when there was a small decrease.

In real terms, when inflation is taken into account, value added increased by 19 per cent between 2000 and 2009. This equates to an average real rate of growth of 2.1 per cent per annum.

The value added contributed by each of the ten subsectors is shown in table 4 below and varies significantly depending on the importance of the subsector and the number and scale of the businesses that it comprises.

Table 4 Value added, by subsector, 2000 and 2009

	Value added (£ million)		
	2000	2009	% change 2000-2009
Animal By-Products	6.7	7.4	+9
Bakeries	54.3	89.0	+64
Beef and Sheepmeat	69.7	100.3	+44
Drinks	76.2	69.4	-9
Eggs	4.0	10.5	+163
Fish	16.2	14.5	-10
Fruit and Vegetables	28.3	48.3	+71
Milk and Milk Products	65.8	98.6	+50
Pigmeat	27.6	34.7	+26
Poultrymeat	69.5	135.6	+95
Total Sector	418.3	608.2	+45

Time-series data on value added, 1989 to 2009 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

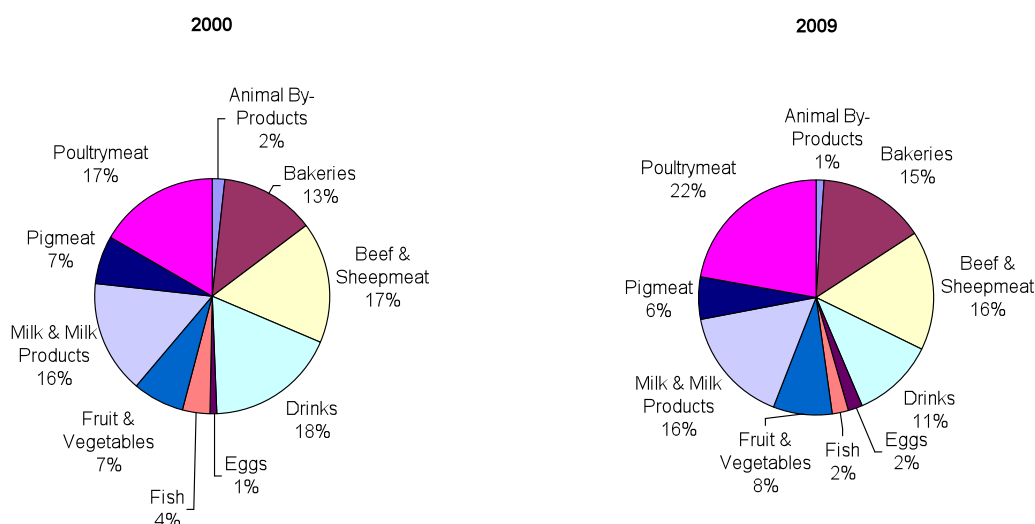
Between 2000 and 2005 inclusive, the four subsectors which made the largest contributions to value added were the drinks, milk and milk products, beef and sheepmeat and poultrymeat subsectors, although their rank order in terms of importance often changed year on year. This situation also reoccurred in 2007, but in 2006 and in the more recent years of 2008 and 2009, the bakeries subsector became one of the four largest contributors to the sector's value added. In these years, the drinks subsector fell back into fifth place. In 2009, 81 per cent of the sector's value added was contributed by these five subsectors.

Eight of the ten subsectors recorded an increase in value added between 2000 and 2009. The poultrymeat subsector had the largest increase in value added between 2000 and 2009, almost doubling its contribution to the economy from £70 million to £136 million. The eggs subsector enjoyed the highest rate of growth between 2000 and 2009, with an increase in value added of 163 per cent. The average percentage increase in the value added of the sector from 2000 to 2009 was 45 per cent. Other subsectors which recorded above average rates of growth between 2000 and 2009 were poultrymeat (+95 per cent), fruit and vegetables (+71 per cent), bakeries (+64 per cent) and milk and milk products (+50 per cent).

Two of the ten subsectors made a lower contribution towards value added in 2009 than in 2000. These were the fish (-10 per cent) and drinks (-9 per cent) subsectors.

Figure 5 below shows the proportion of value added contributed by each of the ten subsectors towards the food and drinks processing sector in 2000 and 2009.

Figure 5 Subsector's value added as a percentage of total value added, 2000 and 2009



Components of Value Added

Table 5 below presents the value of each of the four components of value added in 2000 and 2009.

Table 5 Values of the components of value added, 2000 and 2009

	2000		2009		% change
	£ million	% of value added	£ million	% of value added	2000-2009
Wages & Salaries	280.3	67	422.6	69	+51
Depreciation charge	61.7	15	78.1	13	+26
Net profit	60.2	14	93.6	15	+55
Interest paid	16.1	4	13.9	2	-14
Value added	418.3	100	608.2	100	+45

Time-series data on value added, 1989 to 2009 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

The total wages and salaries bill³ for the food and drinks processing sector is the largest component of value added. It increased from £280 million in 2000 to £423 million in 2009. Wages and salaries represented 67 per cent of value added in 2000 and grew by 2 percentage points to 69 per cent of value added in 2009. The contribution of wages and salaries to value added remained relatively stable over the period, accounting for between 66 per cent and 71 per cent of total value added. Total employment costs per employee were £14,849 in 2000, and £21,713 in 2009; an increase of 46 per cent. This equates to an average increase of 5.1 per cent per annum.

The depreciation charge increased from £62 million in 2000 to £78 million in 2009. However, its contribution to total value added fell slightly from 15 per cent in 2000 to 13 per cent in 2009. This component is a reflection of the level of investment by companies

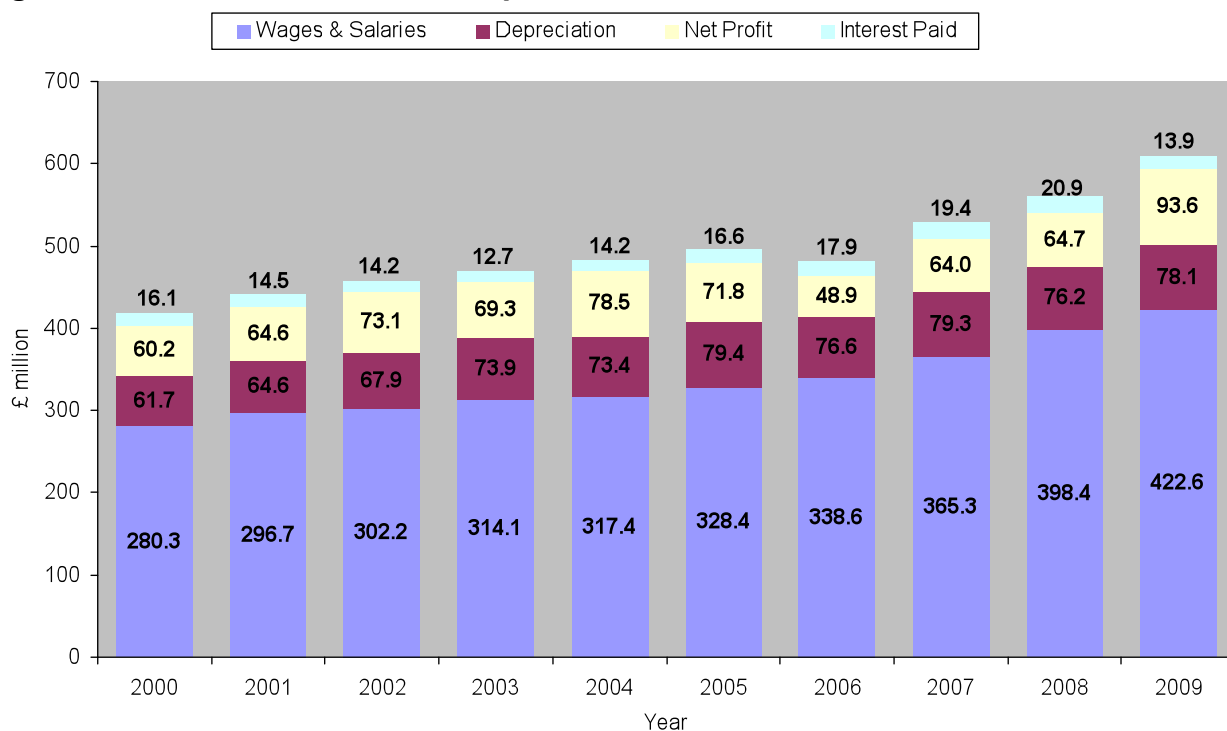
³ Employment figures throughout this publication normally relate to employees on the businesses' payrolls; this means that they generally do not take account of staff supplied by employment agencies.

in the sector. The contribution of the depreciation charge to value added remained relatively consistent, over the period, within a range from 13 per cent to 16 per cent. Net profit generated by the food and drinks processing sector increased from £60 million in 2000 to £94 million in 2009. However, its contribution to value added remained broadly the same in these years (14 per cent in 2000 and 15 per cent in 2009). Despite the increase in net profit between 2000 and 2009, the level of profit fluctuated in the years in between. In 2006, net profit fell to its lowest value of the ten year period, £49 million. Subsequently, net profit increased sharply to £64 million in 2007; it remained at a similar level in 2008, but increased significantly to £94 million in 2009. The £29 million increase between 2008 and 2009 was mostly due to the poultrymeat subsector returning to profitability; it had made a loss of £12 million in 2008, but generated net profit of £10 million in 2009. Despite this volatility, the contribution of net profit towards the total value added of the sector remained relatively stable over the period, accounting for between 10 per cent and 16 per cent of total value added.

Interest costs increased from £16 million in 2000 up to £21 million in 2008, before falling to £14 million in 2009. Its proportion of total value added remained constant throughout the period at around 3 to 4 per cent between 2000 and 2008, before falling to 2 per cent in 2009.

Figure 6 below illustrates the values of the components of value added during the period 2000 to 2009.

Figure 6 Annual values of the components of value added, 2000 to 2009



DESTINATIONS OF SALES

Table 6 below provides a comparison of the food and drinks processing sector's sales by country of destination in 2000 and 2009.

Table 6 Total sales by country of destination, 2000 and 2009

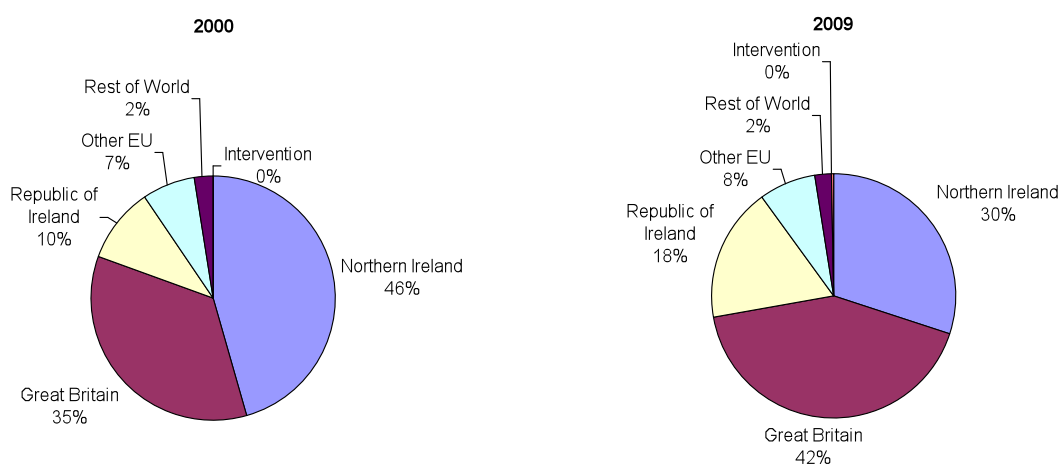
	Sales (£ million and % of total sales)				% change in sales 2000-2009
	2000	%	2009	%	
Northern Ireland	979.0	46	1,020.9	30	+4
Great Britain	750.4	35	1,435.5	42	+91
Republic of Ireland	215.6	10	598.2	18	+177
Other EU	152.1	7	259.3	8	+71
Rest of World	52.0	2	74.0	2	+42
Intervention	0.2	0	9.6	0	+4356
Total Sales	2,149.3	100	3,397.5	100	+58
External Sales	1,170.3	54	2,376.6	70	+103
Export Sales	419.7	20	931.5	27	+122

Time-series data on total sales by country of destination, 1989 to 2009 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

The sector's growth in gross turnover between 2000 and 2009 was derived from strong growth in sales to external markets (i.e. markets outside of Northern Ireland). In contrast, sales to the domestic market remained static (+4 per cent) over this period, and decreased in real terms (-15 per cent), i.e. when the effect of inflation is removed.

Great Britain has replaced the domestic market as the primary destination for sales from the sector since 2004 onwards, and the Republic of Ireland market has also become increasingly more important over the period. Figure 7 below shows the proportion of sales to each destination by the food and drinks processing sector in 2000 and 2009.

Figure 7 Destinations of the food and drinks processing sector sales as a percentage of total sales, 2000 and 2009



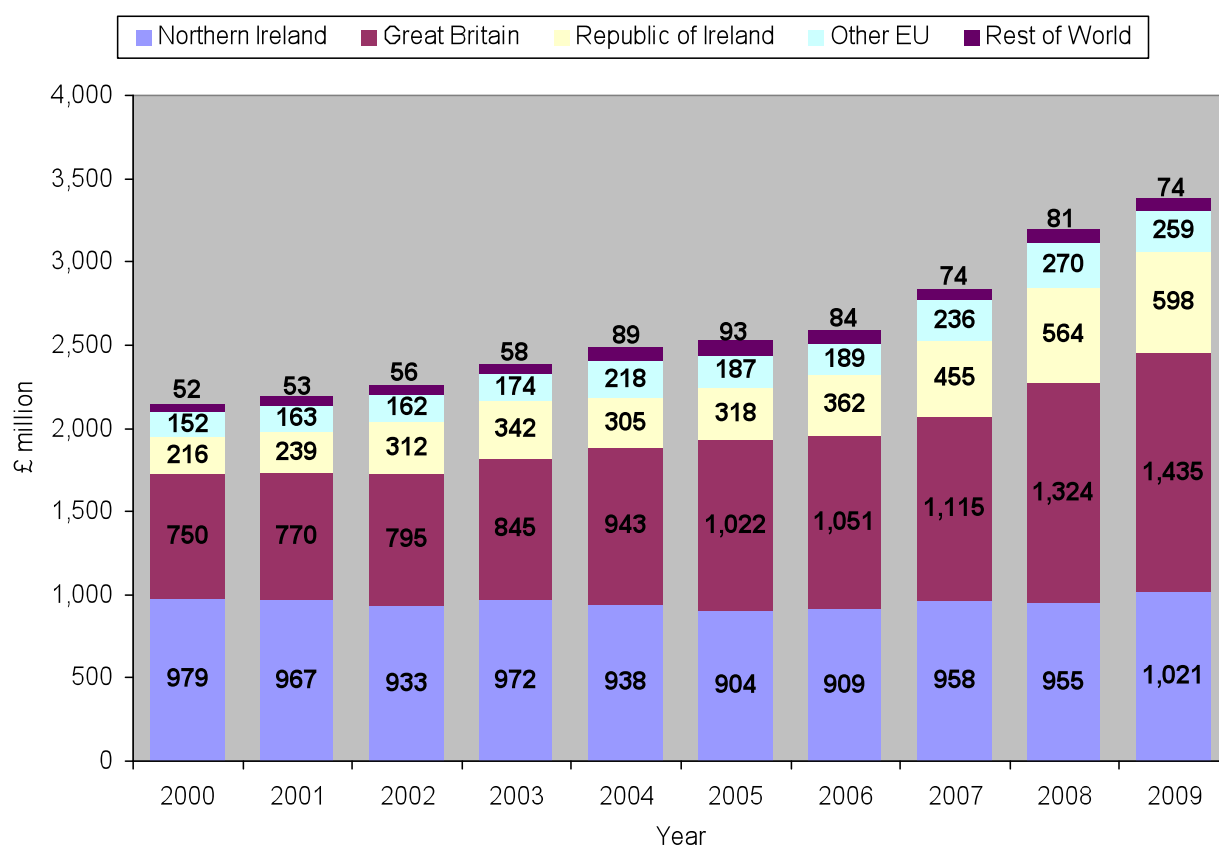
Over the ten year period, the Great Britain market significantly increased its importance as a sales destination; it accounted for 35 per cent of total sales in 2000 and 42 per cent of total sales in 2009. The value of sales to this market increased by 91 per cent between 2000 and 2009, from £750 million to £1,435 million.

The Northern Ireland market was not as dominant in 2009 as it was ten years earlier; however, it remains an important sales outlet, accounting for 30 per cent of total sales in 2009. Sales to this market were worth £1,021 million in 2009, compared with £979 million in 2000.

Throughout the ten year period, the largest export market for the food and drinks processing sector was the Republic of Ireland. Sales to the Republic of Ireland increased substantially during the period, from £216 million in 2000 to £598 million in 2009; an increase of 177 per cent. In 2000, this market accounted for 10 per cent of total sales, however, by 2009, it accounted for 18 per cent of total sales which means that this market had the highest growth in percentage terms over the ten year period.

Figure 8 below illustrates the annual sales within the food and drinks processing sector by country of destination during the period 2000 to 2009.

Figure 8 Annual food and drinks processing sector sales by country of destination, 2000 to 2009

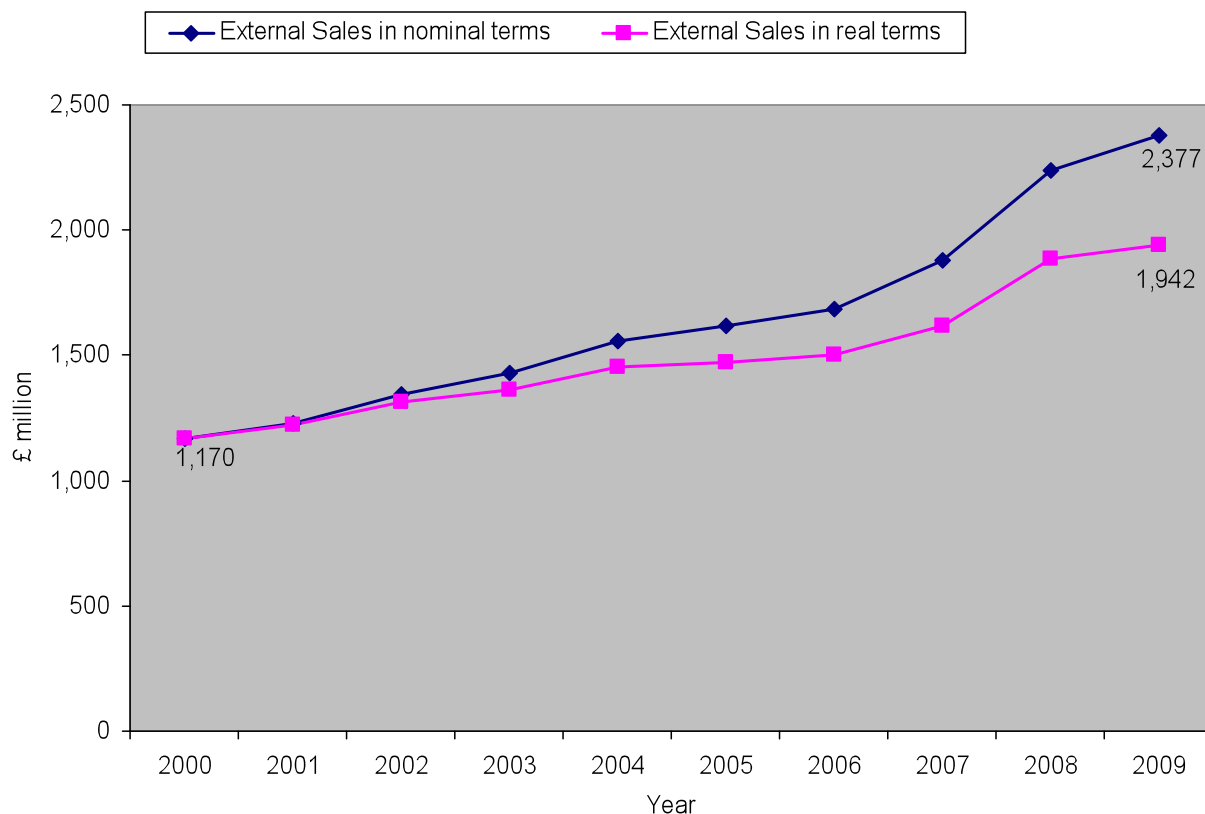


External sales, which are sales to destinations outside of Northern Ireland, increased by 103 per cent over the period in nominal terms, from £1,170 million in 2000 to £2,377 million in 2009. The sector has become increasingly reliant on external sales over the ten year period; external sales accounted for 54 per cent of total sales in 2000, however, they account for 70 per cent of total sales in 2009. The reliance on external markets increased further (to 74 per cent in 2009) when the sales are excluded for the three subsectors, bakeries, drinks and fish, which do not utilise the output of domestic agricultural sector to any significant degree.

When the effect of inflation is removed (using the GDP deflator), external sales increased in real terms by 66 per cent between 2000 and 2009. This equates to an average real growth rate of 7.3 per cent per annum.

Figure 9 below illustrates the growth in external sales by the food and drinks processing sector in Northern Ireland over the period from 2000 to 2009.

Figure 9 Annual food and drinks processing sector external sales, 2000 to 2009

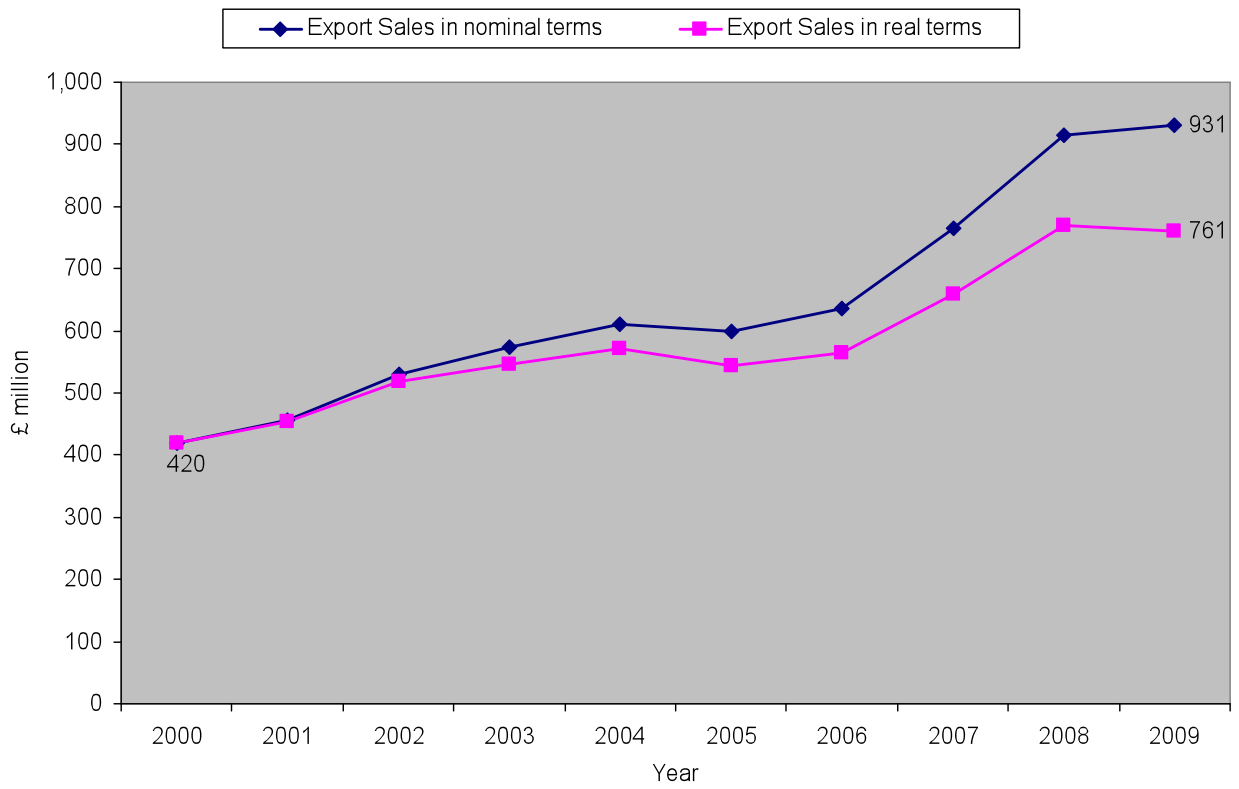


Export sales, which are sales to destinations outside of the United Kingdom, increased by a considerable 122 per cent over the period in nominal terms, from £420 million in 2000 to £931 million in 2009. The vast majority (75 per cent) of the growth in total export sales is due to the increase in sales to the Republic of Ireland market. The importance of the Other European Union and Rest of World markets as sales destinations for the sector has remained relatively steady over the ten year period.

When inflation is taken into account (using the GDP deflator), export sales increased in real terms by 81 per cent between 2000 and 2009. This equates to an average annual real growth rate of 9.0 per cent.

Figure 10 below illustrates the growth in export sales by the food and drinks processing sector in Northern Ireland over the period from 2000 to 2009.

Figure 10 Annual food and drinks processing sector export sales, 2000 to 2009



EMPLOYMENT

The number of full-time employee equivalents⁴ in the food and drinks processing sector in Northern Ireland increased by 589 between 2000 and 2009. In 2009, there were 19,464 full-time employee equivalents in the sector.

Table 7 below shows the movements within each of the ten subsectors. Between 2000 and 2009, decreases in employment were recorded in five of the ten subsectors; the largest reductions occurred in the drinks (-579 employees) and fish (-429 employees) subsectors. However, the reductions in employment were more than offset by large increases in the poultrymeat (+876 employees), beef and sheepmeat (+691 employees) and fruit and vegetables (+360 employees) subsectors.

Table 7 Full-time employee equivalents by subsector, 2000 and 2009

	Employees (Full-time equivalents)		% Change 2000-2009
	2000	2009	
Animal By-Products	264	123	-53
Bakeries	3,331	3,408	+2
Beef and Sheepmeat	2,803	3,494	+25
Drinks	1,763	1,184	-33
Eggs	192	206	+7
Fish	992	563	-43
Fruit and Vegetables	1,433	1,793	+25
Milk and Milk Products	2,383	2,225	-7
Pigmeat	1,510	1,390	-8
Poultrymeat	4,205	5,081	+21
Total Sector	18,875	19,464	+3

Time-series data on employment, 1989 to 2010 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Figure 11 below shows the number of full-time employee equivalents within each of the subsectors of the food and drinks processing sector.

Throughout the ten year period, 2000 to 2009, the poultrymeat subsector was consistently the largest employer within the sector. The poultrymeat subsector's share of employment increased from 22 per cent in 2000 to 26 per cent in 2009. The bakeries subsector was consistently the second largest employer between 2000 and 2008, accounting for between 16 and 19 per cent of total employment. However, in 2009, the beef and sheepmeat subsector, which had been the third largest employer in earlier years, overtook the bakeries subsector to become the second largest employer. It accounted for 18 per cent of total employment in 2009.

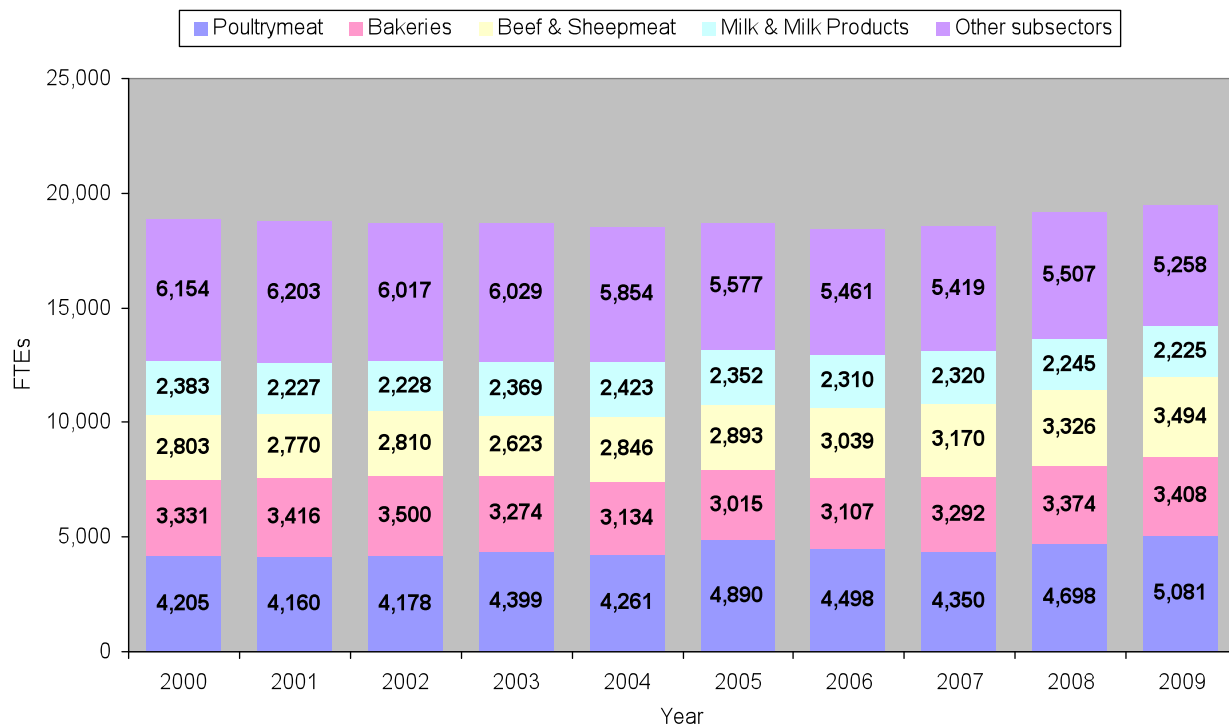
At the opposite end of the range, the smallest employers continued to be the animal by-products, eggs and fish subsectors. The collective contribution of these subsectors to employment reduced from 8 per cent of total employment in 2000 to 5 per cent in 2009.

The three largest employing subsectors, poultrymeat, beef and sheepmeat and bakeries, accounted for 62 per cent of total employment in the sector in 2009; up from 55 per cent in

⁴ Employment figures throughout this publication normally relate to employees on the businesses' payrolls; this means that they generally do not take account of staff supplied by employment agencies.

2000. When the fourth largest employing subsector, milk and milk products, is added, the combined employment contribution increases to 67 per cent in 2000 and 73 per cent in 2009.

Figure 11 Annual full-time employee equivalents (FTEs) in the food and drinks processing sector by subsector, 2000 to 2009



PROFITABILITY

The total net profit generated by the food and drinks processing sector increased from £60 million in 2000 to £94 million in 2009. However, in the intervening years, the level of net profit fluctuated, as shown in figure 6 above. Table 8 provides a breakdown of net profit by subsector.

Table 8 Net profit, by subsector, 2000 and 2009

	Net Profit (£ million)	
	2000	2009
Animal By-Products	0.9	3.0
Bakeries	1.9	11.1
Beef and Sheepmeat	15.9	15.9
Drinks	28.6	11.0
Eggs	0.0	4.4
Fish	3.3	2.8
Fruit and Vegetables	4.2	5.5
Milk and Milk Products	4.4	23.5
Pigmeat	2.5	6.1
Poultrymeat	-1.3	10.4
Total Sector	60.2	93.6

Time-series data on net profit, 1989 to 2009 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Of the ten subsectors, the drinks subsector generated the highest level of net profit consistently throughout the period 2000 to 2007. However, in 2008 and 2009, the milk and milk products subsector generated the highest level of net profit. In 2008 and 2009 the drinks subsector fell back into fourth place behind the milk and milk products, beef and sheepmeat and bakeries subsectors.

Throughout the period 2000 to 2009, all subsectors consistently generated a net profit or broke-even (eggs subsector), except for the poultrymeat subsector which recorded a loss in 2000, 2006, 2007 and 2008. However, the poultrymeat subsector returned to a positive net profit situation again in 2009. Indeed, in 2009, all ten subsectors generated a net profit, and this resulted in the sector delivering the highest level of profit recorded over the ten year period, at £94 million. Considering that the average level of net profit between 2000 and 2008 was £66 million, the 2009 figure was significantly higher than the average over the period to this point (42 per cent higher).

Eight of the ten subsectors achieved the same, or a higher, level of net profit in 2009 than in 2000. Only two subsectors had a lower net profit, namely the drinks (-£18 million) and fish (-£0.5 million) subsectors.

CAPITAL EMPLOYED

The total amount of capital employed in the food and drinks processing sector increased between 2000 and 2009 from £823 million to £1,142 million. Nine of the ten subsectors had higher amounts of capital employed in 2009 than in 2000, with the exception being the animal by-products subsector. Table 9 below provides a summary of the amount of capital employed within each of the ten subsectors in 2000 and 2009.

Table 9 Capital employed, by subsector, 2000 and 2009

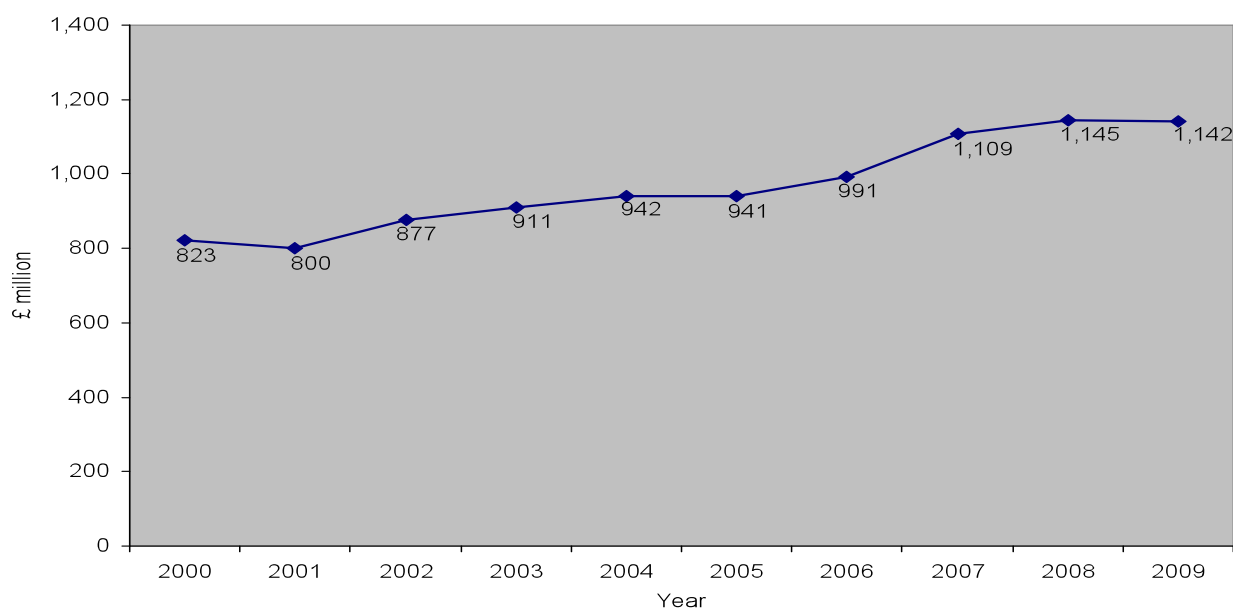
	Capital employed (£ million)		% change 2000-2009
	2000	2009	
Animal By-Products	9.7	9.3	-5
Bakeries	51.5	90.1	+75
Beef and Sheepmeat	126.0	210.7	+67
Drinks	216.2	264.6	+22
Eggs	9.5	16.8	+77
Fish	26.9	29.0	+8
Fruit and Vegetables	48.7	89.6	+84
Milk and Milk Products	212.3	238.5	+12
Pigmeat	48.6	65.3	+34
Poultrymeat	73.3	128.4	+75
Total Sector	822.8	1,142.3	+39

Time-series data on total capital employed, 1989 to 2009 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Four subsectors consistently had the highest amount of capital employed throughout the ten year period, 2000 to 2009. These were the drinks, milk and milk products, beef and sheepmeat and poultrymeat subsectors. The largest increases in capital employed were recorded in the beef and sheepmeat (+£85 million), poultrymeat (+£55 million), drinks (+£48 million) and fruit and vegetables (+£41 million) subsectors.

Figure 12 below illustrates the amount of capital employed within the Northern Ireland food and drinks processing sector. The average annual increase in the capital employed in the sector over the period was £35 million or 4.3 per cent per annum.

Figure 12 Capital employed in the food and drink processing sector, 2000 to 2009



PERFORMANCE INDICATORS

There is a number of different ways to express how a business, sector or subsector is performing. Table 10 below provides 15 performance indicators for which data are available. Please see Annex A for definitions of the terms used.

Table 10 Average food and drinks processing sector performance indicators, 2000, 2003, 2006 and 2009

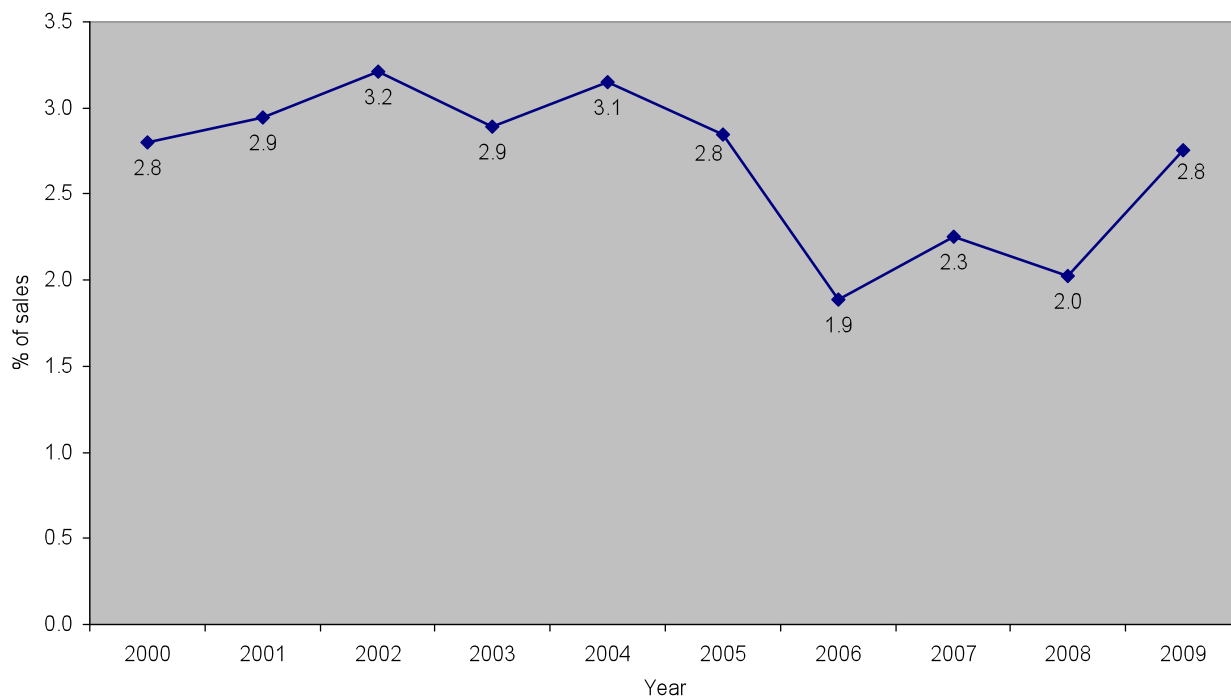
	2000	2003	2006	2009	change 2000-2009
Sales per employee (£)	113,870	128,352	140,946	174,557	+53%
Value added per employee (£)	22,164	25,147	26,177	31,248	+41%
Total capital per employee (£)	43,591	48,723	53,827	58,687	+35%
Average employment cost per employee (£)	14,849	16,803	18,389	21,713	+46%
Gross profit as a % of sales (%)	18.85	19.48	17.68	17.50	-1.35
Net profit as a % of sales (%)	2.80	2.89	1.89	2.76	-0.04
Value added as a % of sales (%)	19.46	19.59	18.57	17.90	-1.56
Wages and salaries as a % of sales (%)	13.04	13.09	13.05	12.44	-0.60
Interest costs as a % of sales (%)	0.75	0.53	0.69	0.41	-0.34
Sales per £1,000 wages (£)	7,668	7,639	7,665	8,039	+5%
Value added per £1,000 wages (£)	1,493	1,497	1,424	1,439	-4%
Interest costs as % of gross profit (%)	3.97	2.72	3.89	2.34	-1.63
Interest costs as % of net profit (%)	26.71	18.35	36.47	14.86	-11.85
Rate of return on capital employed (%)	9.28	9.01	6.74	9.41	+0.13
Capital employed per £1,000 sales (£)	383	380	382	336	-12%

Time-series data on rate of return on capital employed, 1989 to 2009 inclusive, are available on the DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Net profit as a percentage of sales

As shown in figure 13 below, the average margins of profitability for the whole sector, when expressed as net profit as a percentage of gross turnover, are the same in 2000 as in 2009, at 2.8 per cent. However, the margin fluctuated during the ten year period; the highest was recorded at 3.2 per cent in 2002, and the lowest was 1.9 per cent in 2006.

Figure 13 Annual net profit as a percentage of sales, 2000 to 2009

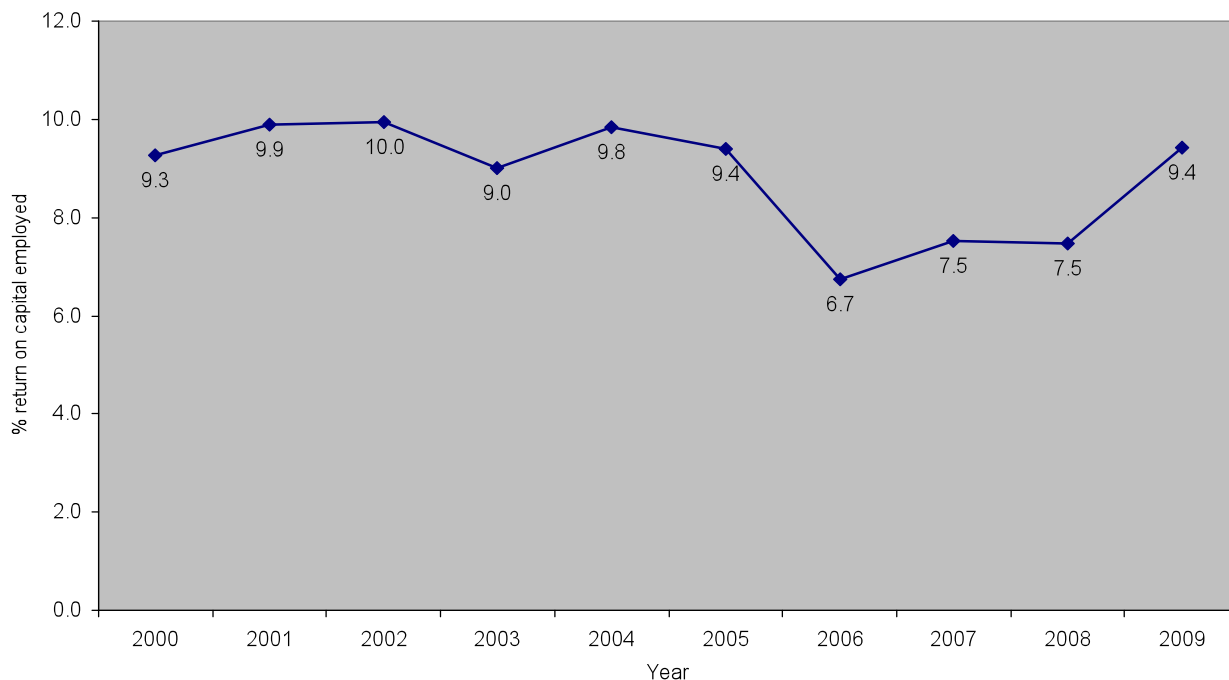


Rate of return on capital employed

The rate of return on capital employed (ROCE) may be determined in a number of ways. In this publication it is calculated as total net profit plus interest paid expressed as a percentage of total capital employed. ROCE is a strong indicator of overall economic performance within the sector.

The food and drinks processing sector's average ROCE increased slightly from 9.3 per cent in 2000 to 9.4 per cent in 2009. The ROCE had been on a downward trajectory from 1990 to 2000, however during the period 2000 to 2009, there has been more fluctuation. The variations in ROCE year on year mainly reflect the fluctuations in the level of net profit generated by the sector, discussed previously in relation to figure 6. The ROCE did increase between 2000 and 2002, before falling again in 2003. A brief increase in 2004 was followed by a sharp fall to 6.7 per cent by 2006; the lowest rate recorded during the ten year period. Since then, it increased to 7.5 per cent in 2007, stayed at this rate in 2008, and increased to 9.4 per cent in 2009. Figure 14 below shows the movements in the ROCE over the period from 2000 to 2009.

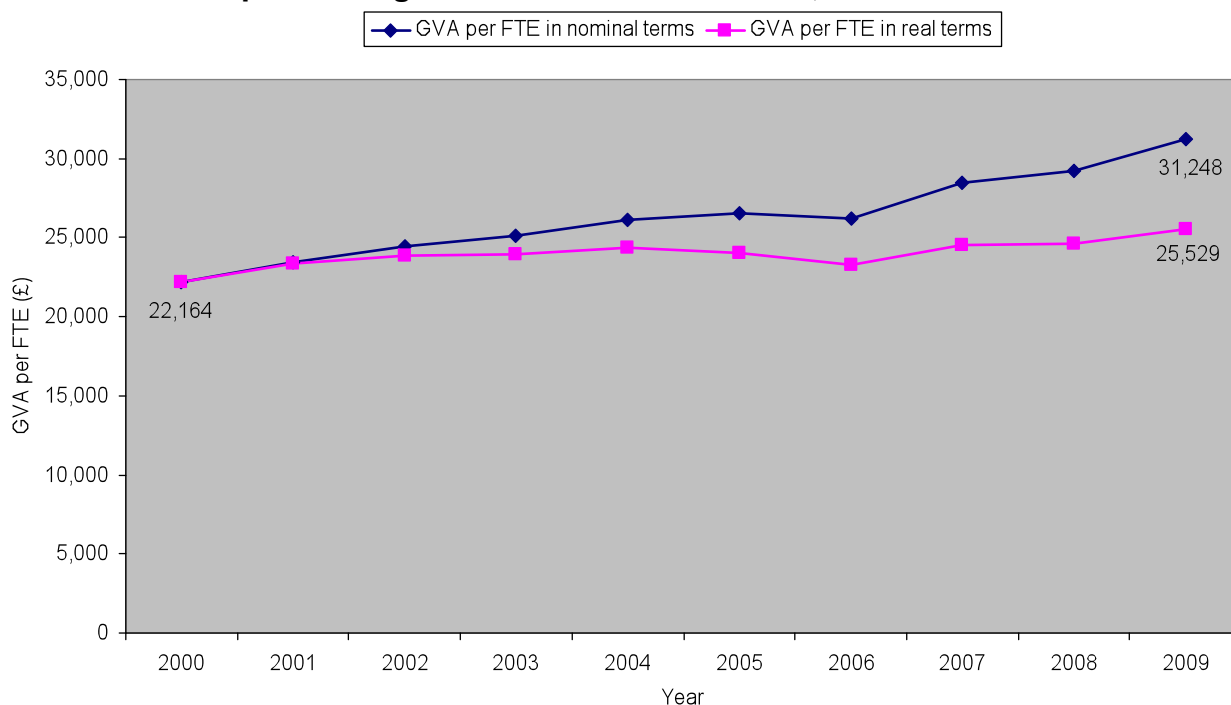
Figure 14 Annual rates of return on capital employed, 2000 to 2009



Gross Value added per full-time employee equivalent

A performance indicator that measures the change in employee⁵ productivity over time is value added per full-time employee equivalent. Figure 15 below shows this measure increased steadily over the period, from £22,164 per full-time employee equivalent in 2000 to £31,248 per full-time employee equivalent in 2009; an increase of 41 per cent. This equates to an annual average rate of increase of 4.6 per cent. When the effect of inflation is removed, the annual average real rate of increase was 1.7 per cent.

Figure 15 Annual value added per full-time employee equivalent in the food and drinks processing sector in Northern Ireland, 2000 to 2009

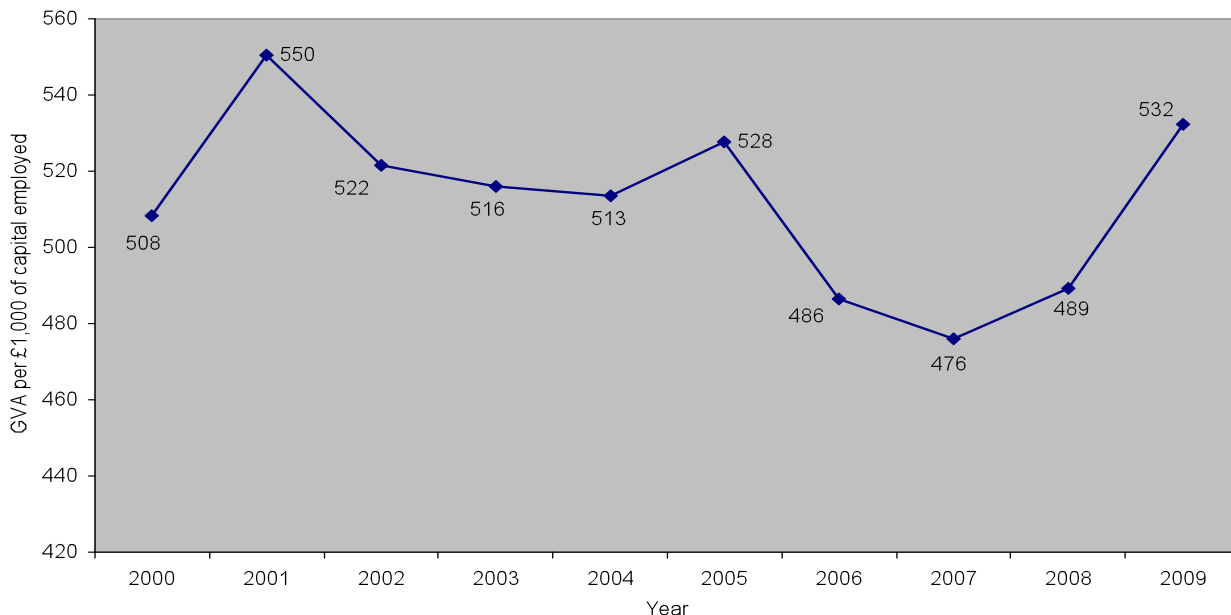


⁵ Employment figures throughout this publication normally relate to employees on the businesses' payrolls; this means that they generally do not take account of staff supplied by employment agencies.

Gross Value added per £1,000 of capital employed

An indicator that measures the change in productivity of capital is value added per £1,000 of capital employed. Figure 16 below shows this measure over the period 2000 to 2009. The amount of value added per £1,000 of capital employed increased by 4.7 per cent between 2000 and 2009 from £508 to £532. However, as shown in figure 16, there was fluctuation in this indicator throughout the period.

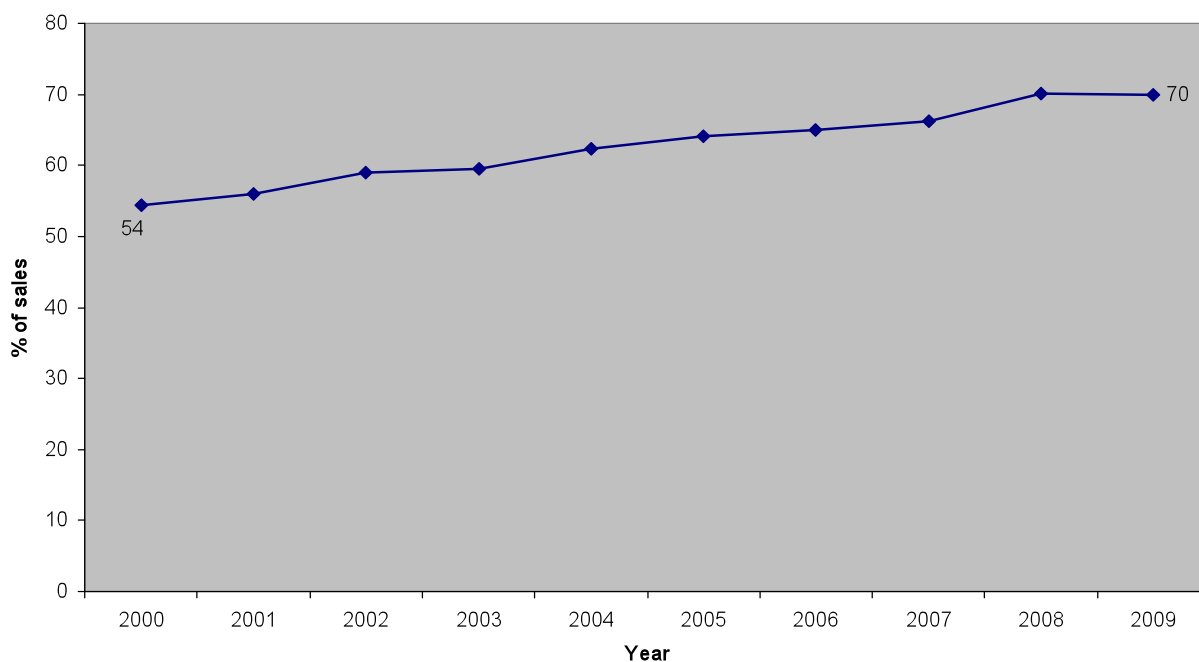
Figure 16 Annual value added per £1,000 of capital employed, 2000 to 2009



External sales as a percentage of turnover

An indicator that measures the sector's performance outside of its domestic market is external sales as a percentage of turnover. Figure 17 below shows that this measure has been increasing steadily year on year over the period 2000 to 2009 and has increased by 16 percentage points. This equates to an annual average rate of increase of 1.8 percentage points.

Figure 17 Annual external sales as a percentage of turnover, 2000 to 2009



III. IMPORTANCE OF THE FOOD AND DRINKS PROCESSING SECTOR TO THE NORTHERN IRELAND ECONOMY

Table 11 below provides a summary of the contribution made by the Northern Ireland food and drinks processing sector⁶ towards the manufacturing industry⁷ and the Northern Ireland economy in 2000 and 2009.

Table 11 Summary of the contribution made by the Northern Ireland food and drinks processing sector, 2000 and 2009

	2000	2009	% change 2000-2009	
			Nominal terms	Real terms
Sales (£ million)				
Manufacturing industry	12,561	15,736	+25	+2.4
Food and Drinks processing sector	2,199	3,447	+57	+28
<i>F&D sector as a % of manufacturing industry</i>	18	22	<i>+4 percentage points</i>	
External Sales (£ million)				
Manufacturing industry	9,721	12,216	+26	+2.7
Food and Drinks processing sector	1,170	2,377	+103	+66
<i>F&D sector as a % of manufacturing industry</i>	12	19	<i>+7 percentage points</i>	
Export Sales (£ million)				
Manufacturing industry	3,974	5,727	+44	+18
Food and Drinks processing sector	420	931	+122	+81
<i>F&D sector as a % of manufacturing industry</i>	11	16	<i>+5 percentage points</i>	
Gross Value Added (£ million)				
Manufacturing industry	4,042	4,170	+3.2	-16
Food and Drinks processing sector	428	617	+44	+18
<i>F&D sector as a % of manufacturing industry</i>	11	15	<i>+4 percentage points</i>	
Northern Ireland economy	19,244	28,256	+47	+20
<i>F&D sector as a % of Northern Ireland economy</i>	2.2	2.2	<i>No change</i>	
Employment (full-time employee equivalent)				
Manufacturing industry	99,965	72,830	-27	N/A
Food and Drinks processing sector	19,375	19,964	+3.0	N/A
<i>F&D sector as a % of manufacturing industry</i>	19	27	<i>+8 percentage points</i>	

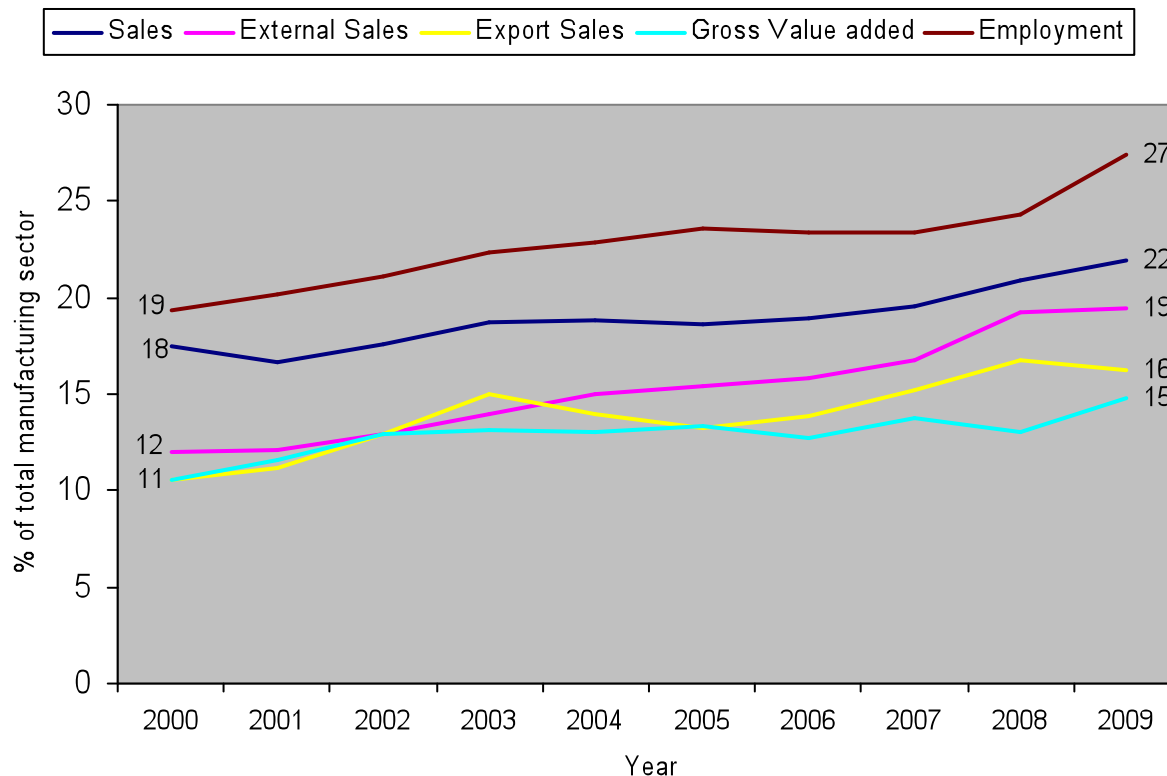
The food and drinks processing sector has had a higher rate of growth in sales, external sales, export sales, value added and employment levels between 2000 and 2009 than experienced by the manufacturing industry.

⁶ These calculations include an estimate of the sales, external sales, export sales, value added and employment of food and drinks processing businesses with a turnover of less than £250,000.

⁷ Manufacturing sales destinations data from the NISRA publications "Northern Ireland Manufacturing Sales and Exports Survey" published annually in December each year. Manufacturing employment data from the NISRA Northern Ireland Abstract of Statistics Online.

As a result, the food and drinks processing sector increased its contribution towards the sales (+4 percentage points), external sales (+7 percentage points), export sales (+5 percentage points), value added (+4 percentage points) and employment levels (+8 percentage points) of the manufacturing industry between 2000 and 2009, as shown in figure 18 below.

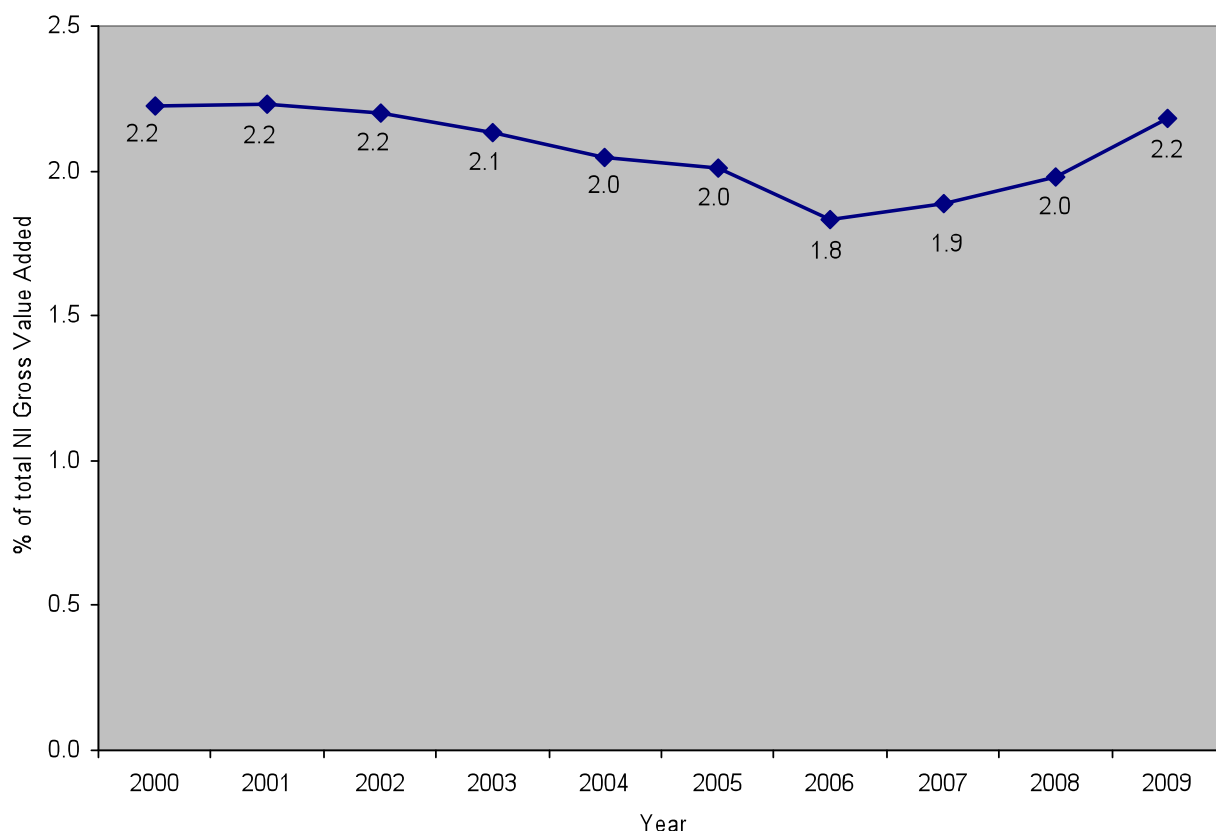
Figure 18 Food and drinks processing sector’s contribution as a percentage of the manufacturing industry, 2000 to 2009



In 2009, the food and drinks processing sector was the largest contributor to the sales, external sales, export sales, employment levels and value added of the Northern Ireland manufacturing industry.

Figure 19 below shows the contribution made by the food and drinks processing sector towards Northern Ireland’s Gross Value Added over the period 2000 to 2009.

Figure 19 Food and drinks processing sector's Gross Value Added as a percentage of the Northern Ireland Gross Value Added, 2000 to 2009



In percentage terms, the food and drinks processing sector's contribution to the Northern Ireland economy's Gross Value Added decreased over the period 2000 to 2006, from 2.2 per cent to 1.8 per cent. However, while difficult trading conditions have been experienced by most sectors from 2007 onwards, the food and drinks processing sector's value added has continued to grow. As a result, its contribution to the Gross Value Added of the overall economy has increased gradually from the 2006 level of 1.8 per cent of Northern Ireland's Gross Value Added to 2.2 per cent in 2009.

ANNEX A

DEFINITIONS OF TERMS

Nominal terms refer to values expressed in money terms (that is, in units of a currency) in a given year or series of years. This type of measure reflects the values actually recorded in each year of the series, and does not make any adjustments to reflect factors such as inflation.

Real terms refer to nominal values that have been adjusted in order to remove the effects of price changes over time; that is, the effect of inflation (a general increase in prices) is removed. In other words, real values reflect what the situation would have been if prices had been constant in each year of the series.

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.

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.

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

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

Interest costs as a percentage 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 profit and expressed as a percentage.

Rate of return on capital employed is the total subsector net profit 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. 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 does 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.

Policy and Economics Division
Department of Agriculture
and Rural Development
Dundonald House
Upper Newtownards Road
Ballymiscaw
BELFAST BT4 3SB



Department of
**Agriculture and
Rural Development**

www.dardni.gov.uk

AN ROINN
**Talmhaíochta agus
Forbartha Tuaithe**

MÁNNYSTRIE O
**Fairms an
Kintra Fordèrin**



**INVESTORS
IN PEOPLE**

**ISBN 978-1-84807-270-1
£6.00**

DMS 11.12.136