

# The UK Food & Drink Industry

Within the European Community, the food and drink industry (excluding primary agriculture) is the largest manufacturing sector with some 300,000 enterprises employing around 4.7m people. Germany has the largest share in terms of total value added with just under 18% of the European Community (EC) total but the UK is not far behind with a 16.5% share. France has the third largest share at just over 15%. None of the other EC Member States have a share in excess of 10%. Within the industry, bread and confectionery is the largest sub-sector contributing a third of the total value added in the EC. It is also the most labour-intensive food sub-sector.

While the majority of enterprises in the sector are SMEs, the sector is dominated by large multi-nationals with Nestle as the largest European firm. Unilever is second in the rankings while Diageo PLC is third. Associated British Foods is the next largest UK firm ranking eighth across Europe. Other important European firms include Danone and Heineken.



In the UK, the food and drink sector has proved remarkably resilient in the recent recession and has maintained its leading position in UK manufacturing in terms of overall employment, turnover and value added. The industry is particularly important in the East of the country, especially the Lincolnshire area. Competition in the industry is increasingly strong both nationally and internationally. Mergers and divestments are quite frequent and private equity firms have been active in the sector – United Biscuits, one of the largest UK food firms was in the FTSE 100 until December 2006 when it was acquired by a consortium of Blackstone Group and PAI Partners.



Productivity in the UK food and drink sector has been below the UK manufacturing average but the challenge posed by the purchasing power of the industry's main customers provides a powerful incentive to reduce costs and boost added value. Innovation is an increasingly important factor in driving up value added, especially technical innovation. Since its formation in 1996, Industry Forum has undertaken a number of projects in the UK food sector and there is plenty of evidence that our approach yields benefit within the sector. This experience provides a good foundation to expand our customer base in the sector and we have recently begun to work for a global confectionery major with a significant UK footprint. We are also working in the supply chain for two of the UK's leading and most competitive supermarkets.

## Business Excellence Through Inspired People

---

October 2011

The Food and Drink Federation is the industry's trade association and it recently engaged the Institute for Manufacturing at Cambridge University to explore future scenarios for the industry. Emerging from this work is a major agenda starting with the formation of a clear future vision by stakeholders including the Government and a richer dialogue between industry, Government and society at large.

Increased skills will be important for the industry so that it can produce in more innovative ways in particular innovation linked to sustainability. The Sector Performance Standards in Food Manufacturing Excellence have been developed by the Food and Drink Sector Skills Council, Improve, and were launched in 2009 after consultation with the sector. These standards have been used to develop proficiency qualifications which recognise improvement skills in the context of the food and drink sector. Industry Forum is working with Improve, through the National Skills Academy Food and Drink Manufacturing Lean Manufacturing Network.



Author: Iain Cameron, SMMT Industry Forum



scan with smartphone