

**Food, beverages and tobacco**

**3**

This chapter refers to the processing of food, beverages and tobacco products (NACE Divisions 15 and 16). It should be noted that it therefore excludes the agricultural activities of growing, farming, rearing and hunting and also fishing (NACE Divisions 01 and 05), which are not covered in this publication. A number of products, such as wine, olive oil, eggs or cheese are also sold directly by agricultural holdings. As such, their weight is likely to be under-reported in this publication, as part of their production is recorded as an agricultural activity.

The food, beverages and tobacco manufacturing sector in the EU is comprised of a relatively small number of enterprises that have a considerable global market presence, which operate alongside a high number of relatively small enterprises that serve more local, regional and national markets.

As these enterprises not only produce goods for final consumption but also intermediate products for other manufacturing activities, they are affected by a broad scope of legislation. The main legislative areas affecting the EU's food, beverages and tobacco manufacturing sector, however, tend to involve international trade agreements, or food and feed legislation. As a majority of the EU's agricultural production is processed by the food, beverages and tobacco manufacturing sector<sup>(1)</sup>, developments in Common Agricultural Policy and associated Common Market Organisations can have important implications for costs and processes in the food chain. Regarding food legislation, the European Parliament and the Council proposed an update of the laws regarding the provision of information to consumers<sup>(2)</sup> in

2008, in order to clarify and consolidate existing regulations. In part, this proposal was built on a 2007 White Paper covering a Strategy for Europe on Nutrition, Overweight and Obesity<sup>(3)</sup>, which stressed the need for consumers to have access to clear, consistent and evidence-based nutritional information.

### Structural profile

The EU-27's food, beverages and tobacco (NACE Subsection DA) manufacturing sector comprised 308.6 thousand enterprises in 2006 and employed 4.7 million persons (the equivalent of 3.6 % of the non-financial business economy (NACE Sections C to I and K) workforce). This sector generated EUR 197 billion of value added in 2006, which was equivalent to 3.5 % of the value added generated across the non-financial business economy.

The largest activity (at the NACE group level of detail) within the food, beverages and tobacco manufacturing sector was the manufacture of bread, sugar, confectionary and other food products (NACE Group 15.8); it contributed almost EUR 72.0 billion of value added (36.6 % of sectoral value added) and employed 2.1 million persons (43.8 % of sectoral employment).

The second and third largest subsectors, in terms of employment, were meat processing (NACE Group 15.1) and beverages manufacturing (NACE Group 15.9), together employing a combined 1.5 million persons in 2006 and individually accounting for 21.3 % and 9.8 % of sectoral employment, as well as a third of sectoral value added (15.3 % and 17.3 % respectively).

(1) Confederation of Food and Drink Industries (CIAA): see <http://www.ciaa.be>.

(2) COM(2008) 40.

(3) COM(2007) 279.

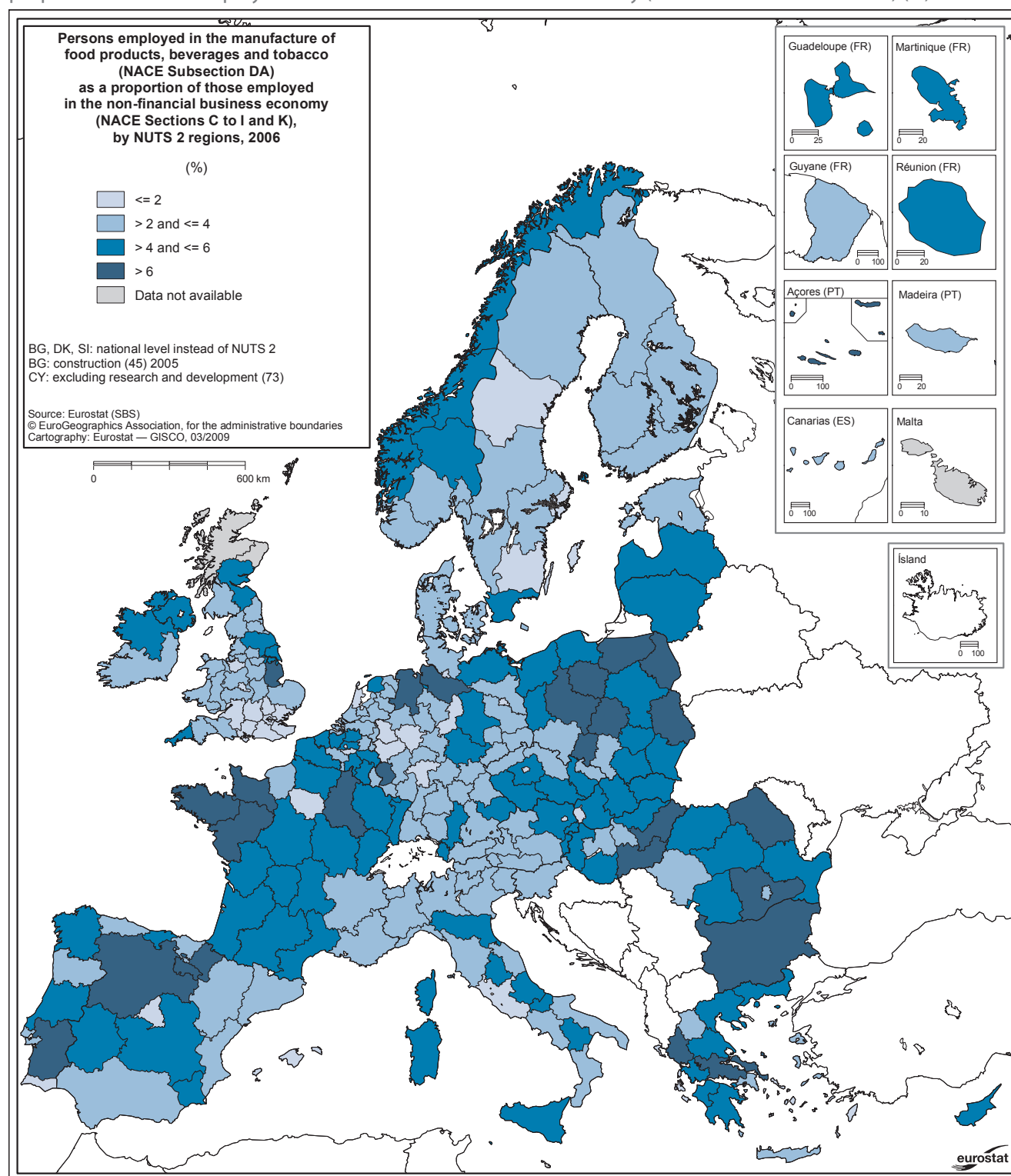
**Table 3.1:** Food products, beverages and tobacco

Largest European agro-food enterprises/groups ranked by world sales in food and drinks products, 2006

	Country	Main products	Food sales (EUR billion)
<b>Nestlé</b>	CH	Multi-product	58.5
<b>Unilever</b>	NL/UK	Multi-product	21.4
<b>Diageo</b>	UK	Alcoholic beverages	14.3
<b>Danone</b>	FR	Dairy products; multi-product	14.1
<b>InBev</b>	BE	Beer	13.4
<b>Cadbury Schweppes</b>	UK	Beverages, confectionery	10.9
<b>Heineken</b>	NL	Beer	8.7
<b>Lactalis</b>	FR	Dairy products	7.5
<b>Associated British Foods</b>	UK	Sugar, starches, prepared foods	8.8

Source: CIAA, <http://www.ciaa.be>

**Map 3.1:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
 Persons employed in the manufacture of food products, beverages and tobacco (NACE Subsection DA) as a proportion of those employed in the non-financial business economy (NACE Sections C to I and K) (%)



Source: Eurostat (SBS)

**Table 3.2:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Structural profile, EU-27, 2006 (1)

	Enterprises		Turnover		Value added		Persons employed	
	(thousand)	(% of total)	(EUR million)	(% of total)	(EUR million)	(% of total)	(thousand)	(% of total)
<b>Food products, beverages &amp; tobacco</b>	308.6	100.0	942 435	100.0	196 666	100.0	4 700.0	100.0
<b>Food products and beverages</b>	308.3	99.9	875 983	92.9	188 417	95.8	4 644.9	98.8
<b>Meat and meat products (2)</b>	44.0	14.3	175 613	19.1	30 000	15.3	1 000.0	21.3
<b>Processed and preserved fish and fish products</b>	4.0	1.3	22 833	2.4	3 955	2.0	129.4	2.8
<b>Dairy products (3)</b>	13.0	4.2	120 000	12.7	17 700	8.9	400.0	8.5
<b>Bread, sugar, confectionery and other food products</b>	192.4	62.3	233 013	24.7	71 951	36.6	2 059.0	43.8
<b>Miscellaneous food products (4)</b>	32.3	10.5	172 517	18.8	29 409	14.8	603.3	12.8
<b>Beverages</b>	22.0	7.1	133 000	14.1	34 000	17.3	460.0	9.8
<b>Tobacco products (5)</b>	0.3	0.1	66 452	7.1	8 250	4.2	64.0	1.4

(1) All data, except for tobacco products, rounded estimates based on non-confidential data.

(2) Turnover, 2005.

(3) Value added, 2005.

(4) Turnover and value added, 2005.

(5) Persons employed, 2005.

Source: Eurostat (SBS)

The remaining third of sectoral value added and quarter of sectoral employment was shared among the remaining food and tobacco subsectors, of which the manufacture of dairy products (NACE Group 15.5) was the next largest (accounting for 8.9 % of sectoral value added in 2005 and 8.5 % of sectoral employment in 2006).

Around one half (49.4 %) of the value added generated by the food, beverages and tobacco manufacturing sector within the EU-27 in 2006 came from just three Member States; these were Germany (17.7 %), the United Kingdom (16.5 %) and France (15.2 %). In each of these countries, the contribution made by this sector to total value added within the non-financial business economy was broadly in line with the EU-27 average of 3.5 %. Among the remaining Member States for which information is available<sup>(4)</sup>, relative specialisation was highest in Poland (2005) and Ireland, where these activities accounted for 9.2 % and 7.0 % respectively of total value added within the non-financial business economy.

In terms of employment, the two most specialised regions (at the NUTS 2 level of detail shown in the map) for food, beverages and tobacco manufacturing were Bretagne (France) and Podlaskie (Poland). In both of these, about one in nine persons employed in the non-financial business economy was working in the food, beverages and tobacco manufacturing sector. The figures for both of these regions were synonymous with wider trends, as several regions in France and Poland

reported a relatively high degree of employment specialisation for these activities.

There was a slow and relatively steady increase in the level of output of food, beverages and tobacco across the EU-27 during the ten years through to 2007. The production index rose by an average of 1.4 % per annum, which was less than the average for total industry (2.3 % per annum). The uniform nature of the evolution of output reflects a relatively constant level of demand across the EU for food and beverages, whereby many products are protected from broader economic cycles as people continue to eat more or less the same amount of food during periods of rapid expansion or recession.

With the exception of 1998, there was a relatively steady decline in the level of employment within the EU-27's food, beverages and tobacco manufacturing sector between 1997 and 2007. The average rate of decline (0.6 % per annum) was about half that noted across the whole of the industrial economy.

In the ten years up until 2007, there were production increases in the EU-27 for eight of the ten NACE groups that make up the food, beverages and tobacco manufacturing sector. The principal exception was the output of tobacco manufacturing (NACE Division 16) where production decreased, on average, by 3.4 % per annum, in part reflecting health concerns and associated Community legislation. The other decline was for

<sup>(4)</sup> Bulgaria, Poland and Romania, 2005; Cyprus, Latvia, Lithuania, Malta and the Netherlands, not available.

**Table 3.3:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Structural profile: ranking of top five Member States, 2006

	Highest value added (1)			Largest number of persons employed (2)			Most specialised: share in the non-financial business economy (%)	
	Country	(EUR million)	(% of EU-27)	Country	(thou-sand)	(% of EU-27)	Value added (3)	Persons employed (4)
1	Germany	34 787	17.7	Germany	833.2	17.7	Poland (9.2)	Bulgaria (6.3)
2	United Kingdom	32 375	16.5	France	630.9	13.4	Ireland (7.0)	Cyprus (6.1)
3	France	29 899	15.2	Italy	464.6	9.9	Bulgaria (5.7)	Poland (5.9)
4	Spain	19 247	9.8	Poland	445.7	9.5	Cyprus (5.2)	Latvia (5.5)
5	Italy	18 975	9.6	United Kingdom	445.2	9.5	Greece (5.0)	Romania (5.1)

(1) Latvia, Lithuania and Malta, not available; the Netherlands and Poland, 2005.

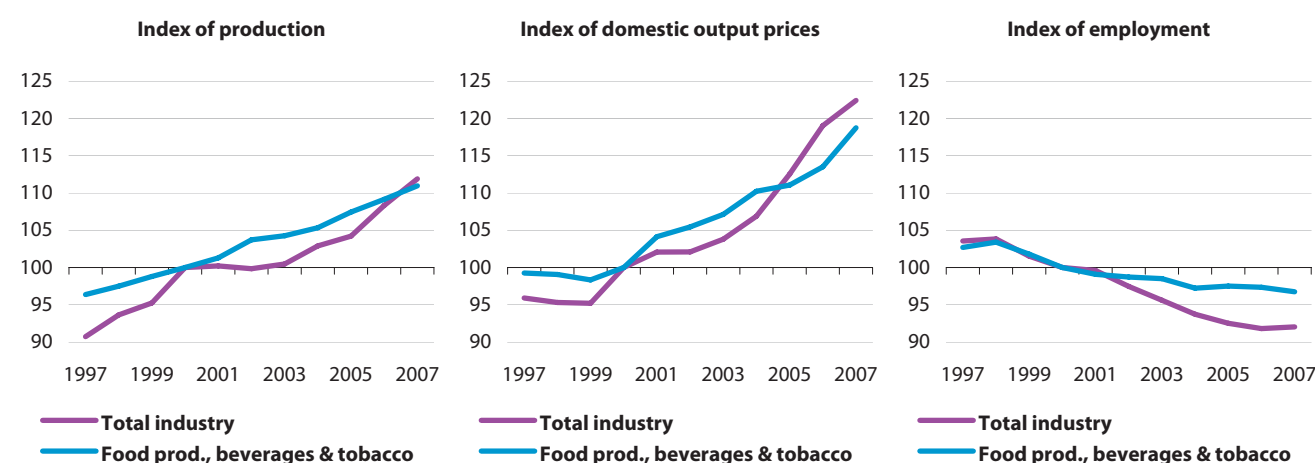
(2) Lithuania and Malta, not available; the Netherlands and Poland, 2005.

(3) Latvia, Lithuania, Malta and the Netherlands, not available; Bulgaria, Cyprus, Poland and Romania, 2005.

(4) Lithuania and Malta, not available; Bulgaria, Cyprus, the Netherlands, Poland and Romania, 2005.

Source: Eurostat (SBS)

**Figure 3.1:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Evolution of main indicators, EU-27 (2000=100)



Source: Eurostat (STS)

vegetable and animal oils and fats manufacturing (-0.3 % per annum). In contrast, the strongest rates of increase were recorded for the processing and preserving of fruit and vegetables subsector (NACE Group 15.3), where production expanded by 2.2 % per annum, and for the processing and preserving of fish and fish products (NACE Group 15.2), despite a relatively sharp fall in output in 2007 (-4.9 %).

Small and medium-sized enterprises (those that employ less than 250 people) generated a relatively low proportion of EU-27 value added (45.5 %) within the food, beverages and tobacco manufacturing

sector in 2006 when compared with the non-financial business economy as a whole (57.9 %). Much of this difference concerned the relative contributions of micro-enterprises (those employing less than ten persons); they contributed just over a fifth (21.0 % in 2005) of total value added within the non-financial business economy, but only 8.2 % of the added value within the food, beverages and tobacco sector. It is possible that the relative weight of micro enterprises is understated, as some small agricultural holdings choose to process and sell their own-production directly (and it is therefore likely that their output is not included within the statistics for Division 15).

**Table 3.4:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Share of value added and persons employed by enterprise size class, EU-27, 2006 (%)

	Value added		Persons employed	
	Non-financial business economy (1)	Food prod., beverages & tobacco	Non-financial business economy	Food prod., beverages & tobacco
1 to 9 persons employed	21.0	8.2	29.7	16.3
10 to 49 persons employed	18.9	14.8	20.7	21.2
50 to 249 persons employed	17.8	22.6	17.0	25.0
250 or more persons employed	42.1	54.5	32.6	37.5

(1) 1 to 9 persons employed and 50 to 249 persons employed, 2005.

Source: Eurostat (SBS)

There was less difference in terms of employment structures, as SMEs within the food, beverages and tobacco manufacturing sector in 2006 accounted for 62.5 % of the workforce, compared with an average of 67.4 % for the non-financial business economy. When combining these relative shares (for value added and employment), the resulting apparent labour productivity ratio for SMEs in the EU-27's food, beverages and tobacco sector stood at EUR 30 500 of value added per person employed, significantly lower than the average for SMEs in the whole of the non-financial business economy (EUR 37.8 thousand per person employed).

Among the Member States for which size-class data are available, it was only in Slovakia that the contribution of SMEs (57.5 % of value added in 2005) to the food, beverages and tobacco manufacturing sector far exceeded the corresponding contribution of SMEs to the total non financial business economy (44.5 % in 2005). The relative importance of SMEs in terms of their contribution to sectoral value added was particularly low in the United Kingdom (22.7 % in 2006), which was less than half the average (50.7 %) for the total non-financial business economy.

### Employment characteristics

The food, beverages and tobacco manufacturing sector is atypical in terms of the number of women who are employed in this activity. The female share of the EU-27 workforce was 42.4 % in 2007, which was well above the non-financial business economy average of 35.1 %. This characteristic was apparent for the majority of the Member States in 2007, the exceptions being Ireland, the Netherlands and the United Kingdom<sup>(5)</sup>. Indeed, women represented at least 50 % of the workforce

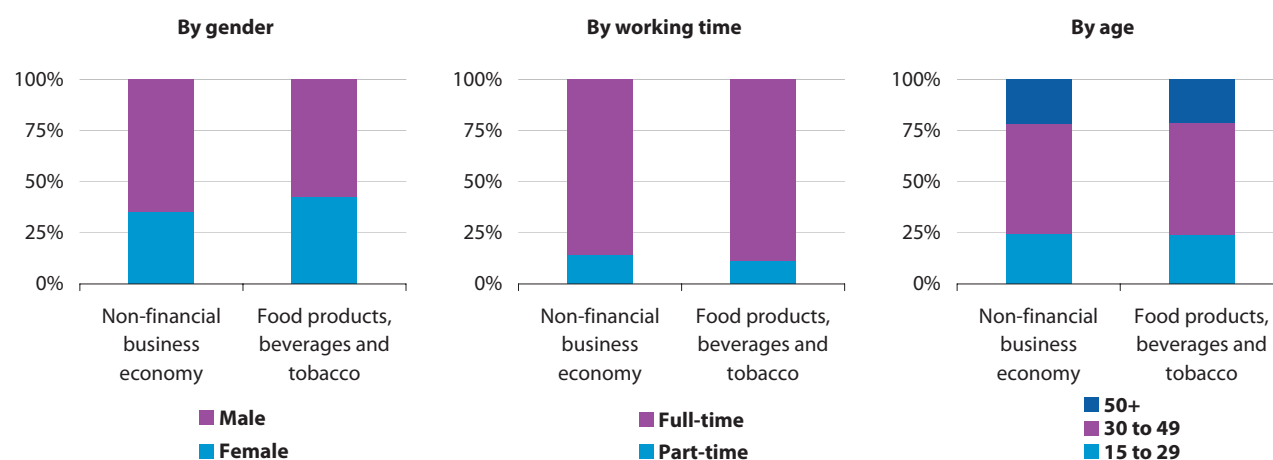
in the food, beverages and tobacco manufacturing sector in Germany, the Czech Republic, Lithuania and Latvia, and almost two thirds (63.9 %) of the total workforce in Estonia.

While there is often a link between female and part-time employment rates, the food, beverages and tobacco manufacturing sector reported a relatively low proportion of persons employed on a part-time basis in 2007 (11.2 % of the workforce compared with 14.3 % for the EU-27's non-financial business economy). This distinction was most apparent in the United Kingdom (12.1 % compared with 21.4 %), but was also notable in Ireland and the Netherlands. Indeed, it was only in Latvia, Germany and Hungary that the proportion of part-time workers in the food, beverages and tobacco manufacturing sector was at the same level or above the average of the non-financial business economy.

The age profile of those working in the EU-27's food, beverages and tobacco manufacturing sector was very similar to that across the broader non-financial business economy in 2007; a little under one quarter (23.9 %) of all persons employed in this sector were under the age of 30, while more than one fifth (21.1 %) were aged over 50, leaving the majority (55.1 %) aged between 30 and 49. In Sweden and Finland, the proportion of younger workers (under the age of 30) in the food, beverages and tobacco manufacturing sector was notably higher than the averages recorded for each of their respective non-financial business economies in 2007 (by 5 to 6 percentage points). In contrast, the share of younger workers was relatively low in each of the Baltic Member States (by about 6 to 7 percentage points) when compared with non-financial business economy averages.

(5) Malta, not available.

**Figure 3.2:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Employment characteristics, 2007



Source: Eurostat (LFS)

### Expenditure, productivity and profitability

The share of total operating expenditure accounted for by personnel costs within the EU-27's food, beverages and tobacco sector was 13.8 % in 2006, which was a little less than the averages for total industry (16.4 %) or the non-financial business economy (16.1 %). At a more detailed level, there were some notable differences; the relative share of personnel costs at the NACE group level<sup>(6)</sup> ranged from a low of 5.3 % for the manufacture of vegetable and animal oils and fats to a high of 20.7 % for the manufacture of bread, sugar, confectionary and other food products.

Tangible investment within the EU-27's food, beverages and tobacco sector accounted for 3.4 % of the total within the non-financial business economy in 2006, which was a similar share to that recorded for food, beverages and tobacco manufacturing in terms of value added (3.5 % of the non-financial business economy total). The relative importance of tangible investment within these activities was highest in Cyprus (7.7 % of the non-financial business economy total in 2005) and in Poland (7.2 % in 2005).

The investment rate, which corresponds to the ratio of tangible investment compared with value added, was 17.9 % in 2006 for the EU-27's food, beverages and tobacco manufacturing sector. This was a similar rate to that recorded for the whole of the non-financial business economy (18.4 %). The investment rate of the manufacture of beverages (NACE Group 15.9), the manufacture of vegetable and animal oils and fats (NACE Group 15.4), as well as the manufacture of grain mill products, starches and starch products (NACE Group 15.6) stood, in each case, at just under 25 %. Among the Member States, the highest investment rates for the food, beverages and tobacco manufacturing sector were recorded in the two Member States that joined the EU in 2007; namely, Romania (76.7 %) and Bulgaria (67.3 %). In contrast, the lowest investment rate was registered in Ireland (7.3 %).

The apparent labour productivity of the EU-27's food, beverages and tobacco manufacturing sector was EUR 41.8 thousand per person employed in 2006, a similar level to the average for the non-financial business economy. However, average personnel costs (EUR 26.0 thousand per employee in 2005) were about 10 % below the non-financial

<sup>(6)</sup> Manufacture of dairy products, 2005; manufacture of prepared animal feeds, 2004

**Table 3.5:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Expenditure, productivity and profitability, EU-27, 2006

	(EUR million)			(EUR thousand per person)		(% )	
	Personnel costs	Purchases of goods & services	Investment in tangible goods	Apparent labour productivity	Average personnel costs	Wage adjusted labour productivity	Gross operating rate
<b>Food products, beverages and tobacco (1)</b>	112 207	700 973	35 301	41.8	26.0	163.0	9.0
<b>Food products and beverages</b>	109 449	681 207	34 608	40.6	25.3	160.5	9.0
<b>Meat and meat products (2)</b>	21 000	150 000	4 900	30.0	22.2	134.1	4.9
<b>Processed and preserved fish and fish products</b>	2 610	19 157	720	30.6	20.8	146.6	5.9
<b>Dairy products (3)</b>	11 000	100 000	4 000	44.3	30.0	150.0	5.8
<b>Bread, sugar, confectionery and other food products</b>	41 755	160 132	10 164	34.9	22.5	155.6	13.0
<b>Miscellaneous food products (4)</b>	16 306	:	6 495	48.2	28.7	:	7.3
<b>Beverages</b>	16 000	90 000	8 300	73.9	36.4	203.3	13.3
<b>Tobacco products (5)</b>	2 759	19 766	693	170.0	:	:	8.3

(1) Average personnel costs and wage adjusted labour productivity, rounded estimates based on non-confidential data, 2005.

(2) Average personnel costs, wage adjusted labour productivity and gross operating rate, rounded estimates based on non-confidential data, 2005.

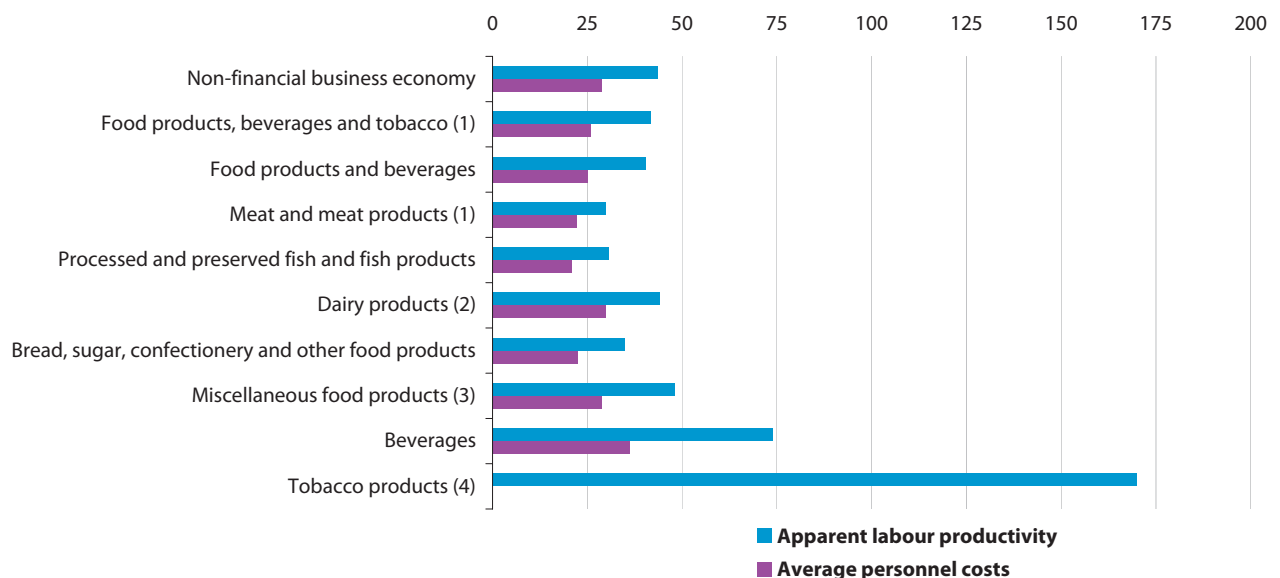
(3) Rounded estimates based on non-confidential data; personnel costs, apparent labour productivity, average personnel costs per employee and wage adjusted labour productivity, 2005.

(4) Apparent labour productivity and gross operating rate, 2005.

(5) Apparent labour productivity, 2005.

Source: Eurostat (SBS)

**Figure 3.3:** Manufacture of food products, beverages and tobacco (NACE Subsection DA)  
Labour output and costs, EU-27, 2006 (EUR thousand per capita)



(1) Average personnel costs, 2005.

(2) Average personnel costs and apparent labour productivity, 2005.

(3) Apparent labour productivity, 2005.

(4) Apparent labour productivity, 2005; average personnel costs, not available.

Source: Eurostat (SBS)



business economy average. As a result, the wage adjusted labour productivity ratio (163.0 %) of the EU-27's food, beverages and tobacco sector in 2006 was higher than the average for the whole of the non-financial business economy (146.5 %). At a more detailed level, the highest wage adjusted labour productivity ratios were recorded for tobacco manufacturing (364.5 % in 2004) and for beverages manufacturing (203.3 %), while the lowest ratio was registered for the production, processing and preserving of meat and meat products (134.1 % in 2005). Among the Member States, the highest wage adjusted productivity ratios for the food, beverages and tobacco manufacturing sector were recorded in Poland (361.7 % in 2005) and Ireland (332.5 %).

As an indicator of profitability, the gross operating rate of the EU-27's food, beverages and tobacco sector in the EU-27 was 9.0 % in 2006, below the average recorded for the whole of the non-financial business economy (10.8 %). This characteristic was repeated in almost all of the Member States (the main exceptions being Romania and Luxembourg). Among those countries for which data are available<sup>(7)</sup>, the gross operating rate of the food, beverages and tobacco manufacturing sector was highest in Poland (21.8 % in 2005) and Ireland (18.4 %), and lowest in France, Slovakia and Slovenia (all between 6 % and 7 %). Gross operating rates (for the EU-27) were particularly low for the manufacture of vegetable and animal fats and oils (4.6 %), as well as for the production, processing and preserving of meat and meat products (4.9 % in 2005); while they were highest for the manufacture of beverages (13.3 %).

### External trade

The EU-27 Member States had a combined trade surplus of EUR 5.7 billion for food products, beverages and tobacco (CPA Subsection DA) in 2007, exporting goods that were valued at EUR 238.9 billion and importing goods to the value of EUR 233.2 billion. Almost three quarters of the trade (76.2 % based on export values) conducted in these goods in 2007 was carried out within the EU-27 (intra-EU-27 trade), a much higher proportion than the average for all industrial products (67.6 % for CPA Sections C to E).

Nevertheless, the lion's share (EUR 4.1 billion) of the EU-27's trade surplus for food, beverages and tobacco products came from trade with the rest of the world (extra-EU-27 trade). The positive trade situation resulted from EU-27 exports of EUR 56.9 billion (a 4.9 % share of all industrial exports) and imports of food products, beverages and tobacco to the value of EUR 52.8 billion (4.0 %). The trade surplus narrowed significantly in 2007 (falling by 27.4 %), perhaps reflecting a steep increase in the price of many raw and/or semi-processed food items.

At a more detailed level (CPA groups), the largest EU-27 trade surplus (EUR 12.8 billion) was recorded for beverages (CPA Group 15.9). Indeed, the surplus for beverages was more than the combined surpluses of the next two largest contributors – bread, sugar, confectionary and other food products (CPA Group 15.8) and dairy products (CPA Group 15.5). In contrast, there was a considerable trade deficit in the EU-27 for fish and fish products (CPA Group 15.2), valued at EUR 11.7 billion.

(7) The Netherlands and Poland, 2005; Lithuania, 2004; Latvia and Malta, not available.

**Table 3.6:** Food products, beverages and tobacco (CPA Subsection DA)  
External trade, EU-27, 2007

	Value (EUR million)			Share of industrial exports (%)	Share of industrial imports (%)
	Extra-EU exports	Extra-EU imports	Trade balance		
<b>Food products, beverages and tobacco</b>	56 912	52 811	4 101	4.9	4.0
<b>Food products and beverages</b>	55 150	52 511	2 639	4.7	3.9
<b>Meat</b>	5 297	6 160	-863	0.5	0.5
<b>Fish</b>	2 206	13 907	-11 701	0.2	1.0
<b>Dairy products and ice cream</b>	6 452	899	5 553	0.6	0.1
<b>Bread, sugar, confectionery and other food products</b>	13 687	7 279	6 409	1.2	0.5
<b>Miscellaneous food products</b>	9 566	19 135	-9 570	0.8	1.4
<b>Beverages</b>	17 943	5 131	12 811	1.5	0.4
<b>Tobacco products</b>	1 762	300	1 462	0.2	0.0

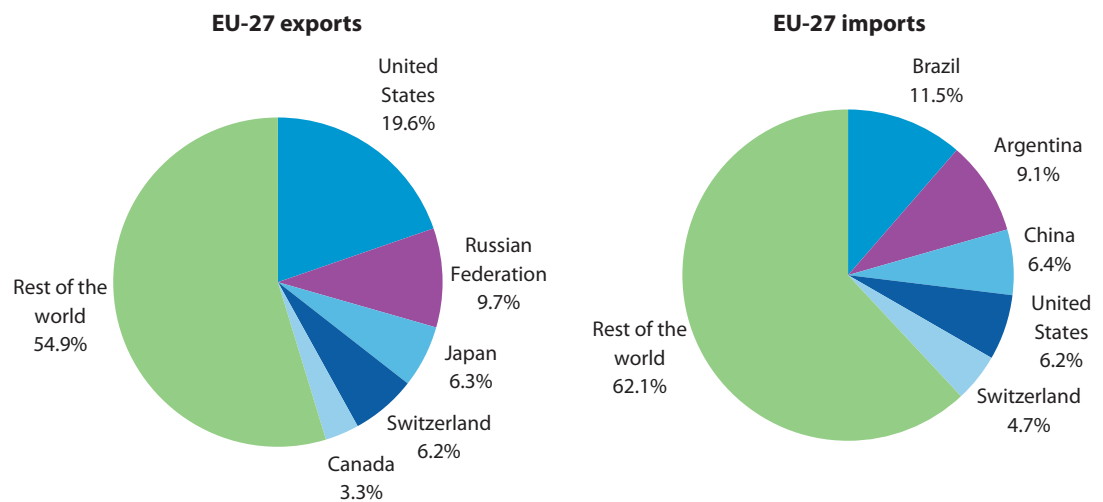
Source: Eurostat (Comext)

The value of EU-27 exports and imports of food, beverages and tobacco products grew strongly in 2007 (up by 5.0 % and 8.8 % respectively on 2006), maintaining the growth in the trade of these products with non-EU countries that has been in evidence since 2003. During the five-year period through until 2007, the main structural change in exports concerned the increase in the relative importance of beverages, whose share of total exports rose by almost two percentage points to 31.5 % in 2007 (mainly at the expense of meat and meat products and tobacco). As regards imports, the main change between 2002 and 2007 was the growth in the relative importance of vegetable and animal oils and fats (up 2.6 percentage points), which was mainly at the expense of fish and fish products and prepared animal feed.

As a proportion of total industrial exports, food, beverage and tobacco products were particularly important for Denmark (accounting for 17.6 % in 2007) and Greece (14.7 %). In terms of imports, these products were also important in Denmark (10.4 %) and Malta (10.3 %).

The United States, Russia, Japan and Switzerland were key export markets for EU-27 food, beverage and tobacco products in 2007, although the relative share of exports to the United States declined from 21.2 % in 2006 to 19.6 % in 2007. Russia accounted for 9.7 % of all EU 27 exports of food, beverage and tobacco products, which was higher than the Russian share of all EU-27 industrial exports (7.2 %). The share of imports of food, beverages and tobacco products into the EU-27 from Brazil and Argentina continued to grow, accounting for a little over one fifth (20.6 %) of the total in 2007.

**Figure 3.4:** Food products, beverages and tobacco (CPA Subsection DA)  
Main trading partners, EU-27, 2007 (% share of exports/imports in value terms)



Source: Eurostat (Comext)

### 3.1: Meat

This subchapter covers all meat processing stages that follow on from animal rearing; in other words, the activities of slaughtering through to the preparation of meat for final consumption (NACE Group 15.1), including fresh, chilled, frozen, processed, dried, salted and smoked meats. The data presented also include the treatment of hides and skins, the rendering of fats and the processing of animal offal.

In recent years, the EU has been active in harmonising animal health measures and systems of disease surveillance, diagnosis and control. It has developed a harmonised legal framework for trade in live animals and animal products. In part, this has been in response to consumer concerns regarding public health and food safety aspects of animal health. In this regard, the European Commission established a framework for animal health and welfare measures for the period 2007-2013<sup>(8)</sup>. The European Commission also made a proposal to the Council in September 2008 regarding improvements in conditions for animals at the time of slaughter or killing in order to ensure that they are humanely treated<sup>(9)</sup>.

As well as policies that affect EU production and processing, the European Commission has also laid down new requirements for imports of meat and meat products that are aimed at maintaining and reinforcing standards, such as new rules that came into force in January 2009 concerning poultry and certain poultry products<sup>(10)</sup>.

### Structural profile

There were 44.0 thousand enterprises across the EU-27 for whom the production, processing and preserving of meat and meat products (NACE Group 15.1, hereafter termed the meat processing sector) was their main area of activity in 2006. These enterprises generated an estimated EUR 30.0 billion of value added in 2006, representing 15.3 % of the food, beverages and tobacco manufacturing sector. The meat processing sector was even more significant in terms of employment; an estimated one million persons worked in these activities in 2006, which was equivalent to 21.3 % of the food, beverages and tobacco manufacturing sector.

Within the EU-27's meat processing sector, the largest activity in terms of both value added and employment was the production of meat and poultry products (NACE Class 15.13); it generated about 60 % of value added and employed over half (54.2 %) of the workforce. About one third of sectoral employment (31.7 %) and value added (32.1 %) could be attributed to the production and preserving of meat (NACE Class 15.11) subsector, the rest coming from the production and preserving of poultrymeat products (NACE Class 15.12) subsector.

In terms of value added, the meat processing sector was, both in absolute and relative terms, particularly important within the German economy. It accounted for 22.6 % of the EU-27's value added in 2006, while meat processing enterprises in France and the United Kingdom generated together a further third (32.9 %).

<sup>(8)</sup> COM(2007) 539.

<sup>(9)</sup> COM(2008) 553.

<sup>(10)</sup> Commission Regulation (EC) No. 798/2008.

**Table 3.7:** Production, processing, preserving of meat, meat products (NACE Group 15.1)  
Structural profile, EU-27, 2006

	Enterprises (thousand)	Turnover (EUR million)	Value added (EUR million)	Persons employed (thousand)	Share in total (%)	
					Value added	Persons employed
<b>Meat and meat products (1)</b>	44.0	175 613	30 000	1 000.0	100.0	100.0
<b>Meat (2)</b>	10.9	76 094	9 622	317.3	32.1	31.7
<b>Poultrymeat (3)</b>	2.0	24 000	4 000	150.0	13.1	15.0
<b>Meat and poultrymeat products</b>	30.8	84 631	17 822	542.0	59.4	54.2

(1) Rounded estimates based on non-confidential data; turnover, 2005.

(2) Rounded estimates based on non-confidential data.

(3) Rounded estimates based on non-confidential data; value added, 2005.

Source: Eurostat (SBS)

**Table 3.8:** Production, processing, preserving of meat, meat products (NACE Group 15.1)  
Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

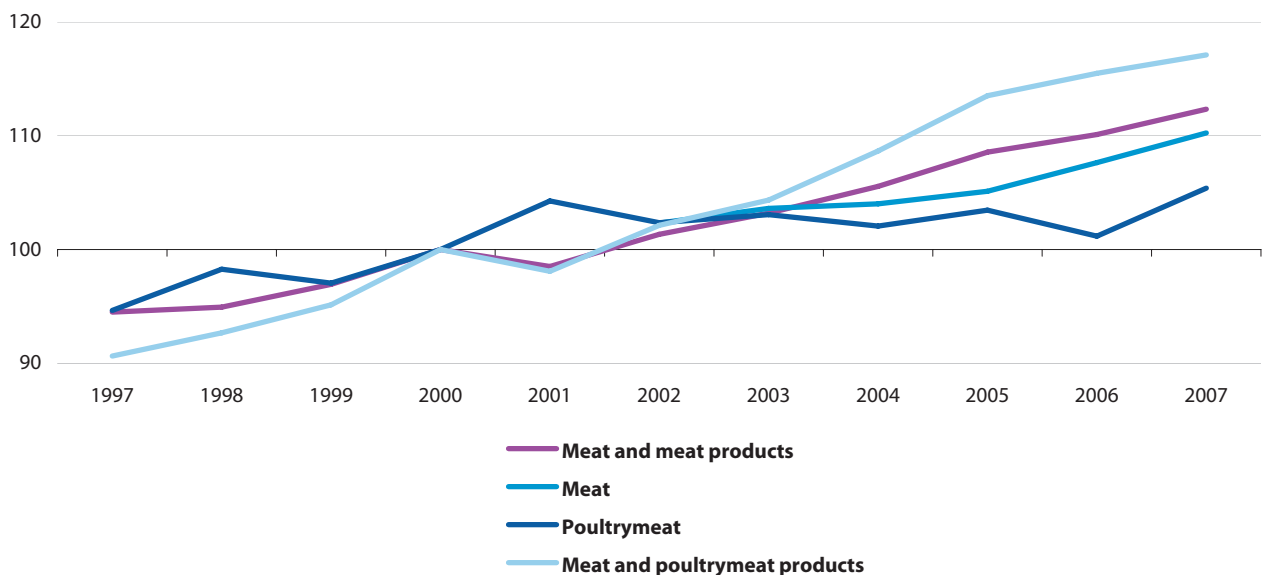
	Highest value added (1)			Largest number of persons employed (1)			Most specialised: share in non-financial business economy (%) (2)	
	Country	(EUR million)	(% of EU-27)	Country	(thousand)	(% of EU-27)	Country	Value added
1	Germany	6 789	22.6	Germany	202.6	20.3	Denmark	1.0
2	France	5 607	18.7	France	156.6	15.7	Romania	0.8
3	United Kingdom	4 253	14.2	Poland	125.0	12.1	Latvia	0.7
4	Spain	3 338	11.1	United Kingdom	102.3	10.2	Bulgaria	0.7
5	Italy	2 589	8.6	Spain	85.4	8.5	Poland	0.7

(1) Malta, not available; Ireland, the Netherlands and Poland, 2005.

(2) Ireland, Malta and the Netherlands, not available; Bulgaria, Cyprus, Poland and Romania, 2005.

Source: Eurostat (SBS)

**Figure 3.5:** Production, processing, preserving of meat, meat products (NACE Group 15.1)  
Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

Across the EU-27 as a whole, the meat processing sector accounted for just 0.5 % of the value added generated within the non-financial business economy in 2006. Relative specialisation was highest in Denmark, at twice the EU-27 average. In terms of employment, Poland was also relatively specialised in meat processing activities, as the 125.0 thousand persons in the workforce in 2005 represented approximately 1.6 % of the Polish non-financial business economy workforce, which was twice the average rate in the EU-27.

Apart from a relatively small decline in 2001, the output of the meat processing sector rose steadily during the ten years through until 2007 (with average growth of 1.7 % per annum). Among the Member States, there was particularly strong output

growth over the period considered in Latvia (8.6 % per annum), Belgium (5.3 % per annum), Greece and Poland (both 5.1 % per annum).

### Expenditure and productivity

The operating cost structure (broken down into personnel costs and purchases of goods and services) of the meat processing sector in the EU-27 was similar to that for the whole of food, beverages and tobacco manufacturing. This was not always the case among the Member States: for example, in Luxembourg personnel costs accounted for a much higher share of total operating costs for meat processing activities (31.3 % compared with 21.0 %), while in Cyprus the opposite was true (9.2 % compared with 20.1 %).

**Table 3.9:** Production, processing, preserving of meat, meat products (NACE Group 15.1)  
Expenditure and productivity, EU-27, 2006

	(EUR million)			(EUR thousand per person)	
	Personnel costs	Purchases of goods & services	Investment in tangible goods	Apparent labour productivity	Average personnel costs
<b>Meat and meat products (1)</b>	21 000	150 000	4 900	30.0	22.2
<b>Meat</b>	6 742	66 734	1 674	30.3	22.2
<b>Poultrymeat (2)</b>	3 000	21 000	700	25.0	20.0
<b>Meat and poultrymeat products</b>	11 806	67 266	2 548	32.9	23.2

(1) Rounded estimates based on non-confidential data.

(2) Rounded estimates based on non-confidential data; apparent labour productivity, 2005.

Source: Eurostat (SBS)

The apparent labour productivity of the EU-27's meat processing sector was estimated at EUR 30.0 thousand per person employed in 2006. This was the lowest level of labour productivity among the ten NACE groups that comprise the food, beverages and tobacco manufacturing sector and well below the sectoral average of EUR 41.8 thousand per person employed. Despite relatively low average personnel costs (EUR 22.2 thousand per employee, almost 15 % less than the food, beverages and tobacco manufacturing average), the wage adjusted labour productivity ratio of the EU-27's

meat processing sector (134.1 % in 2005) remained significantly below that for the whole of the food, beverages and tobacco sector (163.0 % in 2005).

For the overwhelming majority of Member States, wage adjusted labour productivity within the meat processing sector was relatively low (when compared with the whole of the food, beverages and tobacco manufacturing sector). The two main exceptions concerned meat processing activities in Bulgaria (274.7 % compared with 213.4 %) and Cyprus (193.5 % compared with 146.6 %).

### 3.2: Fish

This subchapter includes information on the preparation and preservation of fish, crustaceans and molluscs (be they fresh, frozen, smoked, salted or canned) and the manufacture of prepared fish and seafood dishes, all included within NACE Group 15.2.

The European Commission is reviewing its Common Fisheries Policy, in order to try to make it more efficient in ensuring the economic viability of European fishing fleets, conserving fish stocks, integrating it with Maritime Policy and providing good quality food to consumers. A review was launched at an informal Council meeting on 29 September 2008. Indeed, conservation policies have dominated recent legislative developments in this area: a series of long-term stock plans were launched in 2008, such as for cod<sup>(11)</sup>, herring<sup>(12)</sup>

and blue-fin tuna<sup>(13)</sup>, as well as regulations on mesh size and the thickness of twine to be used in fishing nets<sup>(14)</sup>. There have also been new rules on the control, monitoring and enforcement of fishing activities, as well as structural measures regarding the fishing fleet. These regulations have an impact on supplies to and costs of the EU fish processing sector.

#### Structural profile

The processing and preserving of fish and fish products (NACE Group 15.2, hereafter termed the fish processing sector) is relatively small. In 2006, it consisted of an estimated 4.0 thousand enterprises across the whole of the EU-27, employing 129.4 thousand persons, and generated EUR 4.0 billion of value added (equivalent to 2.0 % of the value added generated across the whole of the food, beverages and tobacco manufacturing sector).

<sup>(11)</sup> Council Regulation (EC) No. 1342/2008.

<sup>(12)</sup> Council Regulation (EC) No 1300/2008.

<sup>(13)</sup> Council Regulation (EC) No. 530/2008.

<sup>(14)</sup> Council Regulation (EC) No. 517/2008.

**Table 3.10:** Processing and preserving of fish and fish products (NACE Group 15.2)

Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

	Highest value added (1)			Largest number of persons employed (1)			Most specialised: share in non-financial business economy (%) (2)	
	Country	(EUR million)	(% of EU-27)	Country	(thousand)	(% of EU-27)	Country	Value added
1	Spain	788	19.9	Spain	22.4	17.3	Latvia	0.4
2	France	631	15.9	United Kingdom	16.5	12.8	Lithuania	0.3
3	United Kingdom	623	15.7	France	15.4	11.9	Estonia	0.3
4	Germany	392	9.9	Poland	15.1	11.7	Denmark	0.2
5	Denmark	268	6.8	Germany	9.7	7.5	Portugal	0.2

(1) The Czech Republic, Italy, Cyprus and Malta, not available; Ireland, Hungary, the Netherlands, Austria and Poland, 2005.

(2) The Czech Republic, Ireland, Italy, Cyprus, Malta and the Netherlands, not available; Bulgaria, Hungary, Austria, Poland and Romania, 2005.

Source: Eurostat (SBS)

The fish processing sectors of Spain, France and the United Kingdom generated more than half (51.6 %) of the total value added in the EU-27 in 2006. They also had the largest workforces in these activities (a combined 42.0 % of the fish processing workforce), while there was also a relatively sizeable fish processing workforce in Poland (11.7 % of the EU-27 total in 2005).

In terms of the relative contribution of fish processing to non-financial business economy value added, Lithuania and Latvia were by far the most specialised Member States. Although fish processing contributed no more than 0.4 % of value added within their respective non financial business economies, this share was, nevertheless, about five times as high as the EU-27 average. Estonia, Denmark, Portugal and Spain were also relatively specialised in fish processing activities in 2006.

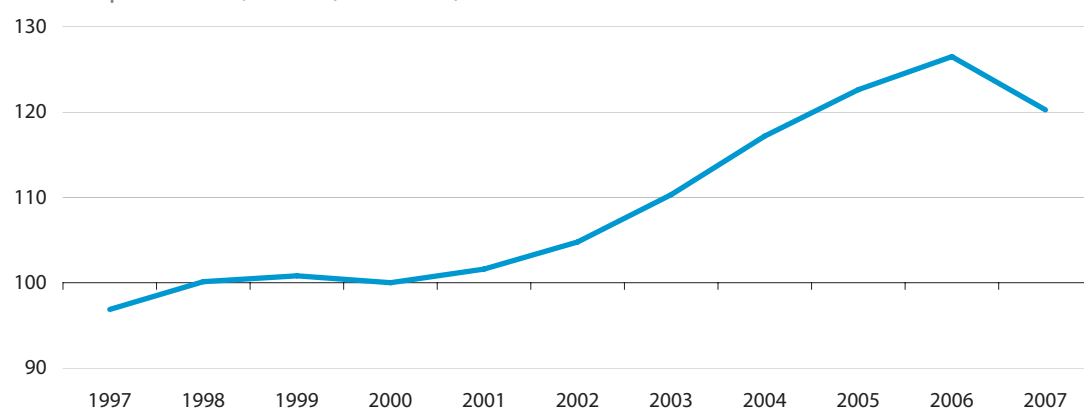
The output of the EU-27's fish processing sector in 2007 was down sharply (4.9 %) on the level for 2006, the first significant cut-back in production since 1997. This downturn in output came after a period of sustained growth, despite concerns that several important fish stocks have been on the verge of collapse. The fish processing sector recorded an average rate of growth between 2000 and 2006 that was equivalent to 4.0 % per annum, one of the highest rates among any of the food, beverage and tobacco manufacturing subsectors. It is likely that this growth in the activity of fish processing has been underpinned by a relatively high increase in fish imports from areas outside of the EU.

### Expenditure and productivity

Personnel costs in the fish processing sector accounted for 12.0 % of total operating costs in 2006, a slightly lower proportion than the average for the whole of the food, beverages and tobacco manufacturing sector. This characteristic was common to almost all of the Member States for which data are available. The relative importance of personnel costs as a share of total operating costs was particularly low in Denmark (9.7 % compared with an average of 15.7 % for the whole of the food, beverages and tobacco manufacturing sector), as well as in Portugal and the United Kingdom. In part, this reflects relatively low average personnel costs, which stood at EUR 20.8 thousand per employee for the EU-27 in 2006 – the lowest level among the ten NACE groups that are covered by the food, beverages and tobacco manufacturing sector – and about 20 % below the average for all of these activities.

The apparent labour productivity of the fish processing sector in the EU-27 was EUR 30.6 thousand per person employed in 2006; this was the second lowest level among the food, beverages and tobacco manufacturing subsectors. Despite relatively low average personnel costs, the wage adjusted labour productivity ratio of the fish processing sector in the EU-27 was, at 146.6 %, beneath the average for the whole of the food, beverages and tobacco manufacturing sector in 2006. The wage adjusted labour productivity ratios for the fish processing sectors of Hungary, Poland and Ireland were particularly low.

**Figure 3.6:** Processing and preserving of fish and fish products (NACE Group 15.2)  
Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

### 3.3: Dairy products

This subchapter includes the production of fresh milk, cream, butter, yoghurt, cheese, whey, ice creams and sorbets which are all classified within NACE Group 15.5. Note that the data presented do not cover any activities within the confines of farms themselves.

To meet growing demand for milk and milk products within the EU and across global markets, the European Commission's proposal<sup>(15)</sup> for a 2 % increase in milk quotas (a total of 2.84 million tonnes) beginning on 1 April 2008 was approved by agricultural ministers. The wider Health Check of the Common Agricultural Policy<sup>(16)</sup> that was adopted in January 2009 formally schedules an end to milk quotas in the EU by 2015; it was proposed that a 'soft landing' be ensured by increasing quotas by 1 % every year between 2009/10 and 2013/14. In a further underpinning of demand, a new version of the European School Milk scheme was adopted in July 2008<sup>(17)</sup>, laying down detailed rules regarding Community aid for supplying milk and certain milk products to pupils in educational establishments.

#### Structural profile

There were about 13.0 thousand enterprises across the EU-27 whose main activity was the manufacture of dairy products (NACE Group 15.5) in 2006. These enterprises employed an estimated

400.0 thousand persons, representing 8.5 % of the food, beverages and tobacco manufacturing sector's workforce (NACE Subsection DA). The overwhelming majority of these workers (83.9 %) were engaged in the operation of dairies and cheese making (NACE Class 15.51). The dairy products manufacturing sector generated EUR 17.7 billion of value added in 2005, equivalent to 8.9 % of the value added generated by food, beverages and tobacco manufacturing activities in 2005.

The largest dairy products manufacturing sectors in terms of value added generated in 2006 were found in France (EUR 3.2 billion), Germany (EUR 2.6 billion) and Italy (EUR 2.5 billion); together these three Member States contributed just under half (48.1 %) of the EU-27's value added. The dairy products manufacturing sectors of the United Kingdom and Spain were also relatively large; they accounted for a combined 18.4 % of EU-27 output in 2005.

On average, the dairy products manufacturing sector contributed 0.3 % to total value added within the EU-27's non-financial business economy in 2005. In these relative terms, Germany and the United Kingdom were among the least specialised Member States. In contrast, Lithuania was by far the most specialised country, as the manufacture of dairy products provided 1.4 % of the added value that was generated within the non-financial business economy in 2006.

<sup>(15)</sup> COM(2007) 802.

<sup>(16)</sup> Council Regulation (EC) No. 72/2009.

<sup>(17)</sup> Commission Regulation (EC) No. 657/2008.

**Table 3.11:** Manufacture of dairy products (NACE Group 15.5)

Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

	Highest value added (1)			Largest number of persons employed (2)			Most specialised: share in non-financial business economy (%) (3)	
	Country	(EUR million)	(% of EU-27)	Country	(thousand)	(% of EU-27)	Country	Value added
1	France	3 175	17.4	France	58.9	14.7	Lithuania	1.4
2	Germany	2 641	15.4	Italy	47.5	11.9	Cyprus	0.8
3	Italy	2 467	15.4	Poland	45.2	11.3	Ireland	0.7
4	United Kingdom	1 803	9.4	Germany	37.2	9.3	Greece	0.7
5	Spain	1 743	9.0	Spain	28.0	7.0	Latvia	0.6

(1) Denmark, Luxembourg and Malta, not available; value added, the Netherlands and Poland, 2005; share of EU-27, 2005.

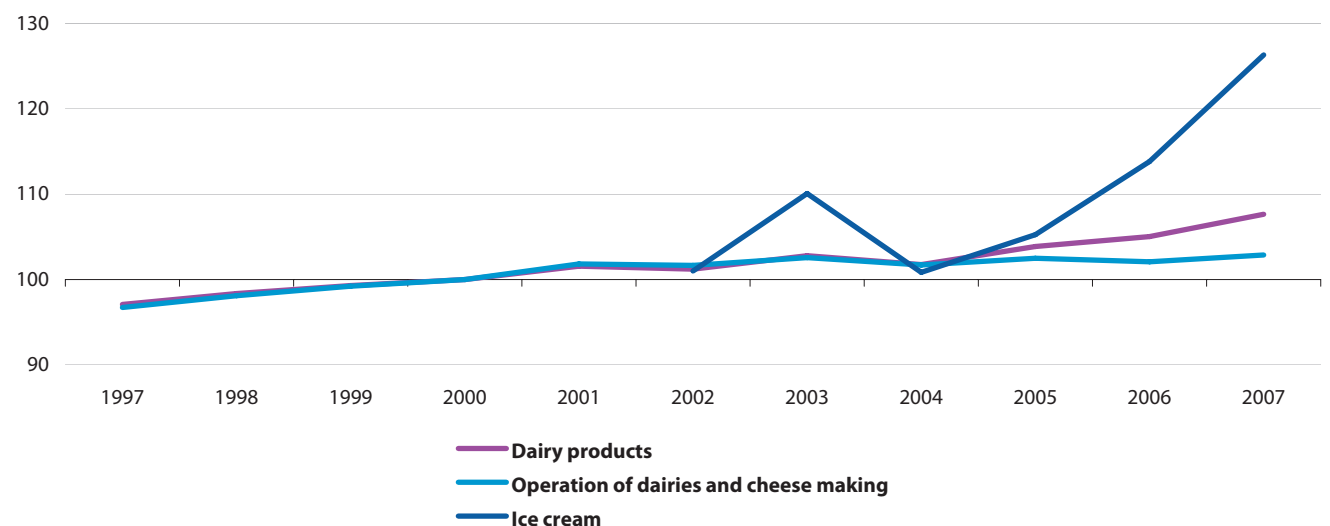
(2) Denmark, Luxembourg and Malta, not available; the Netherlands and Poland, 2005.

(3) Denmark, Luxembourg, Malta and the Netherlands, not available; Bulgaria, Cyprus, Poland and Romania, 2005.

Source: Eurostat (SBS)

**Figure 3.7:** Manufacture of dairy products (NACE Group 15.5)

Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

In the ten years through until 2007, there was an upward trend in the output of dairy products manufacturing across the EU-27, albeit with a couple of relatively small downturns in 2002 and 2004. Overall, the average rate of increase for production over the period considered was 1.0 % per annum. The EU-27 index of production for dairy products rose by 2.5 % in 2007, hence, well above the trend observed during the previous decade. Output grew at a somewhat faster rate than the EU-27 average in the three largest dairy producing countries (France, Germany and Italy) during the ten-year period through to 2007. The strongest rates of growth, however, were recorded for Poland (on average rising by 4.5 % per annum) and Latvia (3.0 % per annum).

### Costs, productivity and profitability

Personnel costs in the EU-27's dairy products manufacturing sector accounted for a lower proportion of operating expenditure (9.9 % in 2005) than across the food, beverages and tobacco manufacturing sector (13.8 %). Nevertheless, average personnel costs stood at EUR 30.0 thousand per employee, which was about 15 % higher than the food, beverages and tobacco manufacturing average in 2005.

Each person employed within the EU-27's dairy products manufacturing sector generated an average of EUR 44.3 thousand of value added in 2005 – above the average for food, beverages and tobacco manufacturing. However, with average personnel costs also being higher, the resulting wage adjusted labour productivity ratio was, at



150.0 % in 2005, lower than the average for the whole of the food, beverages and tobacco manufacturing sector 163.0 %.

In most of the Member States, the wage adjusted labour productivity ratio for the dairy products manufacturing sector was relatively low. Indeed, in Poland and Slovenia it stood at about half the average recorded for food, beverages and tobacco

manufacturing, while in Ireland it was about a third lower, and in the Netherlands and Slovakia about a quarter less. There were a few Member States, however, where the wage adjusted labour productivity ratio of the dairy products manufacturing sector was higher; principally, in Portugal (about 25 % above the food, beverages and tobacco manufacturing average), Spain, Germany, Greece and Bulgaria (all 10-15 % higher).

### 3.4: Bread, sugar, confectionery and other food products

This subchapter refers to the products that are classified within NACE Group 15.8; it covers bread, sugar, confectionery and other food products (including pasta, tea and coffee, homogenised and dietetic foods).

Sugar is found in many natural foods, but is generally only extracted commercially from sugar beet and sugar cane. Sugar beet production in the EU has been protected for many years by the imposition of tariffs on cane sugar. However, a 2006 reform cut the guaranteed minimum price for EU beet sugar by 36 %, opening-up the EU market to more cane-based sugar from developing countries and, in the process, turning the EU from a sugar exporting region to a sugar importing

region. These changes have had an important impact on EU sugar processors, as well as manufacturers of chocolates, biscuits and confectionery, all of which source sugar as an ingredient for use as a sweetener, preservative, flavour enhancer, or bulking agent.

Ensuring that wholesome food is freely available and contributes significantly to the health and well-being of EU citizens, the European Parliament and the Council adopted a common authorisation procedure<sup>(18)</sup> for food additives, food enzymes and food flavourings in December 2008. The legislation underlines that sweeteners, colourings, preservatives, antioxidants, emulsifiers, gelling agents and packaging gases can only be authorised if they are safe for consumers and if there is a technological need for their use.

<sup>(18)</sup> Commission Regulation (EC) No. 1331/2008.

**Table 3.12:** Manufacture of other food products (NACE Group 15.8)  
Structural profile, EU-27, 2006

	Enterprises (thousand)	Turnover (EUR million)	Value added (EUR million)	Persons employed (thousand)	Share in total (%)	
					Value added	Persons employed
<b>Bread, sugar, confectionery and other food products</b>	192.4	233 013	71 951	2 059.0	100.0	100.0
Bread; fresh pastry goods and cakes	159.4	68 643	28 614	1 343.2	39.8	65.2
Rusks and biscuits; preserved pastry goods and cakes	5.6	21 537	6 529	157.3	9.1	7.6
Sugar	0.3	17 593	3 533	45.6	4.9	2.2
Cocoa; chocolate and sugar confectionery (1)	5.5	42 369	10 922	190.0	15.2	9.2
Macaroni, noodles, couscous and similar farinaceous products	7.9	8 980	2 225	58.4	3.1	2.8
Processing of tea and coffee (1)	2.8	18 154	4 899	56.6	6.8	2.7
Condiments and seasonings	1.6	11 964	2 724	53.3	3.8	2.6
Homogenized food preparations and dietetic food (2)	0.7	:	2 000	:	2.9	:
Other food products n.e.c.	8.5	:	:	128.3	:	6.2

(1) Rounded estimates based on non-confidential data.

(2) Value added, rounded estimate based on non-confidential data, 2005.

Source: Eurostat (SBS)

**Table 3.13:** Manufacture of other food products (NACE Group 15.8)  
Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

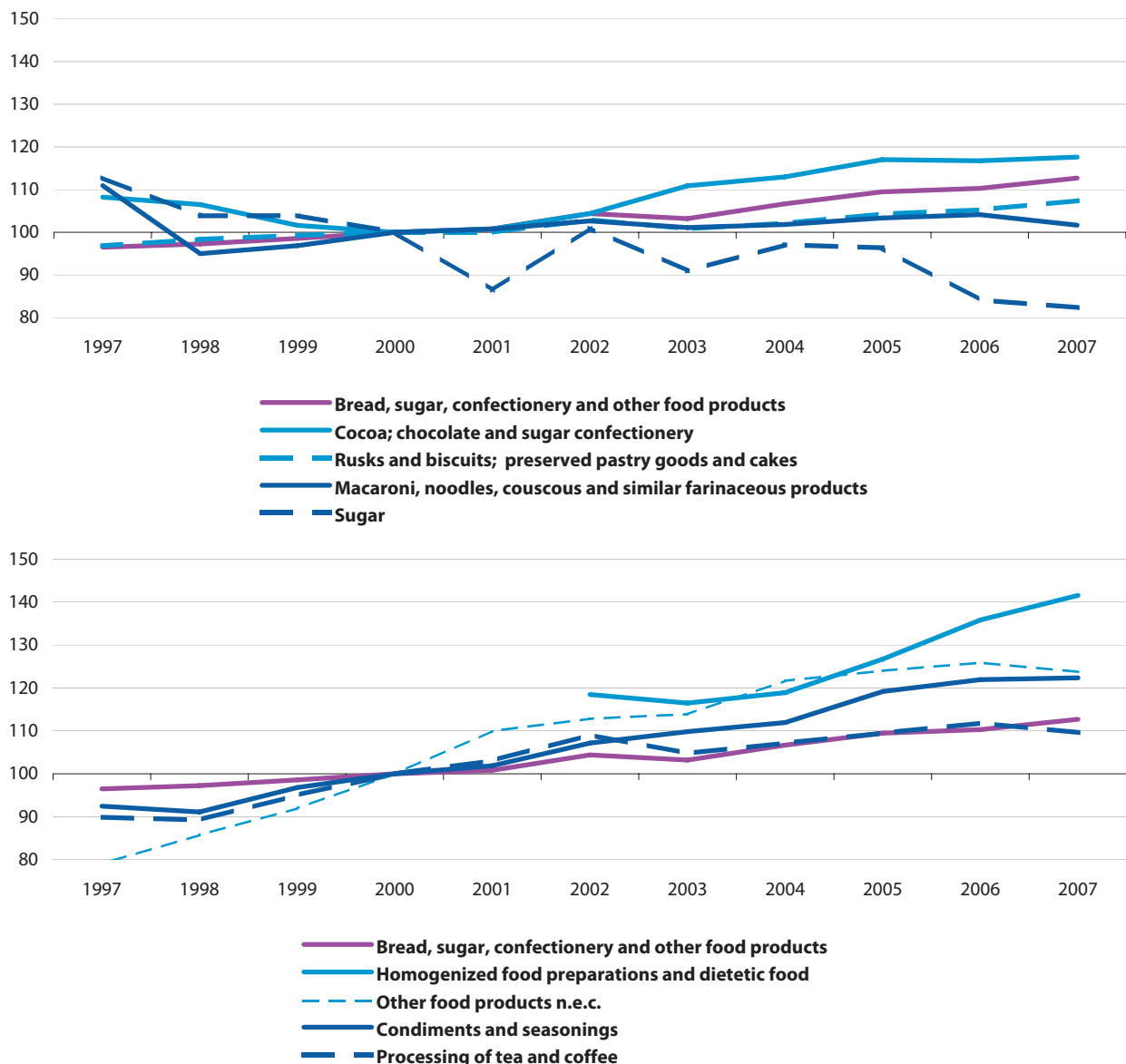
	Highest value added (1)			Largest number of persons employed (1)			Most specialised: share in non-financial business economy (%) (2)	
	Country	(EUR million)	(% of EU-27)	Country	(thousand)	(% of EU-27)	Country	Value added
1	Germany	13 867	19.3	Germany	426.9	20.7	Ireland	4.1
2	United Kingdom	12 519	17.4	France	288.1	14.0	Cyprus	1.8
3	France	11 011	15.3	Italy	250.3	12.2	Poland	1.7
4	Italy	7 932	11.0	United Kingdom	180.2	8.8	Greece	1.7
5	Spain	4 843	6.7	Poland	155.8	7.8	Romania	1.5

(1) Malta, not available; the Netherlands and Poland, 2005.

(2) Malta and the Netherlands, not available; Bulgaria, Cyprus, Poland and Romania, 2005.

Source: Eurostat (SBS)

**Figure 3.8:** Manufacture of other food products (NACE Group 15.8)  
Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

## Structural profile

By far the largest of the NACE groups within food, beverages and tobacco manufacturing (NACE Subsection DA) was the bread, sugar, confectionery and other food products manufacturing (NACE Group 15.8) subsector; it consisted of 192.4 thousand enterprises across the EU-27 in 2006, which generated EUR 72.0 billion of value added (36.6 % of the sectoral total) and employed 2.1 million people (43.8 % of the food, beverages and tobacco manufacturing workforce).

Within the bread, sugar, confectionery and other food products sector, the largest activity was the manufacture of bread, fresh pastry goods and cakes (NACE Class 15.81); it generated two fifths (39.8 % or EUR 28.6 billion) of sectoral value added in the EU-27 in 2006 and accounted for two thirds (65.2 % or 1.3 million persons) of the workforce in this sector. The second and third largest activities, namely the manufacture of cocoa, chocolate and sugar confectionery (NACE Class 15.84) and the manufacture of rusks and biscuits, preserved pastry goods and cakes (NACE Class 15.82), together accounted for around a quarter (24.3 %) of value added and 16.9 % of sectoral employment.

Almost two thirds (63.0 %) of the value added generated within the EU-27's bread, sugar, confectionery and other foods products manufacturing sector in 2006 came from Germany (EUR 13.9 billion), the United Kingdom (EUR 12.5 billion), France (11.0 billion) and Italy (EUR 7.9 billion). In terms of the relative importance of these

activities, as measured by their contribution to the value added of the whole of the non-financial business economy, Ireland was by far the most specialised Member State; the bread, sugar, confectionery and other foods products manufacturing sector contributed 4.1 % of Irish value added in 2006, well above the average share (1.3 %) recorded across all of the Member States.

The output of the EU-27's bread, sugar, confectionery and other foods products manufacturing sector grew, on average, by 1.6 % per annum during the ten-year period through to 2007. This was marginally higher than the overall rate for food, beverages and tobacco manufacturing. In the shortened period between 2000 and 2007, the output of homogenized food preparations and dietetic food (NACE Class 15.88) grew across the EU-27 by an average of 5.1 % per annum. Otherwise, there was also a high average growth rate for other miscellaneous food products n.e.c. (NACE Class 15.89) – although care should be taken when interpreting this residual category, as it is likely that any new products that could not be attributed within the NACE would be placed here. There were considerable fluctuations in the level of sugar manufacturing output (NACE Class 15.83) within the EU-27, which masked to some degree an overall downward trend in the level of activity. The decline in output accelerated in 2006, such that production fell by 12.7 % compared with the year before; this could, at least in part, be linked to the lowering of sugar quotas within the EU's agricultural sector.

**Table 3.14:** Bread, sugar, confectionery and other food products (CPA Group 15.8)  
Production of selected products, EU-27, 2007 (1)

	Prodcom code	Production value (EUR million)	Rounding base (EUR million)	Volume of sold production (million)	Unit of volume	Rounding base (million)
Fresh bread containing by weight in the dry matter state ≤ 5 % of sugars and ≤ 5 % of fat (excluding with added honey; eggs; cheese or fruit)	15.81.11.00	24 792	-	16 411	kg	-
Cake and pastry products; other baker's wares with added sweetening matter	15.81.12.00	16 583	-	5 681	kg	-
Refined white cane or beet sugar in solid form	15.83.12.30	10 353	-	16 146	kg	-
Roasted coffee, not decaffeinated	15.86.11.50	9 068	-	1 760	kg	-
Bakers' wares, no added sweetening (including crêpes, pancakes, quiche, pizza; excluding sandwiches, crispbread, waffles, wafers, rusks, toasted, savoury or salted extruded/expanded products)	15.82.13.90	8 491	-	2 601	kg	-

(1) Excluding products of a generic nature (other), sales of services such as repair, maintenance and installation; estimates; threshold of production value set at EUR 8 billion.

Source: Eurostat (PRODCOM)

**Table 3.15:** Manufacture of other food products (NACE Group 15.8)  
Expenditure and productivity, EU-27, 2006

	(EUR million)			(EUR thousand per person)	
	Personnel costs	Purchases of goods & services	Investment in tangible goods	Apparent labour productivity	Average personnel costs
<b>Bread, sugar, confectionery and other food products</b>	41 755	160 132	10 164	34.9	22.5
Bread; fresh pastry goods and cakes	19 672	39 878	4 256	21.3	16.7
Rusks and biscuits; preserved pastry goods and cakes	4 023	15 033	939	41.5	26.6
Sugar	1 710	13 299	593	77.5	38.3
Cocoa; chocolate & sugar confectionery	5 913	31 492	1 591	57.5	31.1
Macaroni, noodles, couscous and similar farinaceous products	1 333	6 791	511	38.1	27.7
Processing of tea and coffee	2 250	13 002	584	86.6	41.4
Condiments and seasonings	1 687	9 234	345	51.1	32.5
Homogenized food preparations and dietetic food (1)	1 100	5 000	234	80.0	40.0
Other food products n.e.c. (2)	4 000	:	1 100	:	33.0

(1) Rounded estimates based on non-confidential data, 2005.

(2) Rounded estimates based on non-confidential data.

Source: Eurostat (SBS)

### Expenditure and productivity

Personnel costs within the EU-27's bread, sugar, confectionery and other food products manufacturing sector represented a much higher proportion of total operating expenditure than was the case across the food, beverages and tobacco manufacturing sector in 2006 (20.7 % compared with 13.8 %). Average personnel costs (EUR 22.5 thousand per employee) were among the lowest in the food, beverages and tobacco manufacturing sector, pointing to a relatively large, but low-paid workforce.

The apparent labour productivity of those working in EU-27's bread, sugar, confectionery and other food products manufacturing sector was EUR 34.9 thousand per person employed in 2006, almost 20 % lower than the average across the food, beverages and tobacco manufacturing sector. The relatively low average personnel costs in the EU-27's bread, sugar, confectionery and other food products manufacturing sector, however, resulted in a wage adjusted labour productivity ratio (155.6 %) that was close to the food, beverages and tobacco manufacturing average (163.0 %) in 2006. Among the Member States, some of the highest wage adjusted labour productivity ratios were recorded for Ireland (627.6 %) and the United Kingdom (221.9 %).

### 3.5: Miscellaneous food products

This subchapter deals with four of the smaller food processing activities: the processing and preserving of fruit and vegetables (NACE Group 15.3); vegetable and animal oils and fats (NACE Group 15.4); grain mill and starch products (NACE Group 15.6) and prepared animal feed (NACE Group 15.7).

For the varied food processing activities covered in this subchapter, there are a number of relevant policy developments. Regarding prepared animal feed, the European Commission recently proposed a simplification to the rules regarding the placing on the market and use of feed in March 2008<sup>(19)</sup>, in an attempt to increase the competitiveness of the EU's feed and farming sectors, whilst maintaining a high level of animal health protection. Regarding fruit and vegetables, the reform of the Common Market Organisation (CMO) for the fruit and vegetables sector was adopted in two stages<sup>(20)</sup> at the end of 2007; among other objectives, it aims to encourage a higher level of consumption. Natural fats and vegetable oils are used not only in food and feed (for which there are regulations on levels of erucic acid) but also in a number of other manufactured products (such as soaps, paints, cosmetics and pharmaceuticals). The push to use more oils and fats as a biofuel has, therefore, had important implications for many manufacturing sectors.

#### *Processing and preserving of fruit and vegetables (NACE Group 15.3)*

There were an estimated 10.0 thousand enterprises across the EU-27 whose main activity was the processing and preserving of fruit and vegetables, employing 280.6 thousand persons. These enterprises generated EUR 11.4 billion of value added in 2006, representing 5.8 % of the total value added generated by food, beverages and tobacco manufacturing enterprises. In terms of the relative contribution of the processing and preserving of fruit and vegetables sector to total value added in the non-financial business economy, Poland was by far the most specialised Member State<sup>(21)</sup>, followed by Greece and Hungary.

The EU-27 production index for processed and preserved fruit and vegetables grew relatively strongly and steadily in the period between 2000 and 2007 (rising, on average, by 3.4 % per annum). Growth was particularly strong in Poland (10.8 % per annum).

The apparent labour productivity of those working in the processing and preserving of fruit and vegetables sector in 2006 was EUR 40.6 thousand per person employed, only very slightly below the average recorded across the whole of the EU-27's food, beverages and tobacco manufacturing sector. The operating cost structure of this subsector was very similar to that for the whole of food, beverages and tobacco manufacturing (as personnel

<sup>(19)</sup> COM(2008) 124.

<sup>(20)</sup> Council Regulation (EC) No. 1182/2007 and Council Regulation (EC) No. 1580/2007.

<sup>(21)</sup> Bulgaria, Cyprus, Poland and Romania, 2005; Luxembourg, Malta, the Netherlands and Slovakia, not available.

**Table 3.16:** Miscellaneous food products (NACE Groups 15.3, 15.4, 15.6 and 15.7)

Structural profile, EU-27, 2006 (1)

	Enterprises (thousand)	Turnover (EUR million)	Value added (EUR million)	Persons employed (thousand)	Share in total (%)	
					Value added	Persons employed
<b>Miscellaneous food products</b>	32.3	172 517	29 409	603.3	100.0	100.0
<b>Processed and preserved fruit   and vegetables</b>	10.0	52 872	11 402	280.6	38.8	46.5
<b>Vegetable and animal oils and fats</b>	9.1	41 018	3 991	71.5	13.6	11.9
<b>Grain mill products, starches   and starch products</b>	8.0	33 454	6 644	121.2	22.6	20.1
<b>Prepared animal feeds (2)</b>	5.2	50 000	7 000	130.0	23.8	21.5

(1) Rounded estimates based on non-confidential data.

(2) Turnover and value added, 2005.

Source: Eurostat (SBS)

costs accounted for 13.8 % of total operating costs in both cases). Average personnel costs of EUR 24.9 thousand per employee, also meant that wage costs within the EU-27's processing and preserving of fruit and vegetables sector closely resembled those

for the whole of the food, beverages and tobacco manufacturing. Hence, there was no surprise to find that there was also little difference in wage adjusted labour productivity ratios (162.9 % compared with an average of 163.0 %).

**Table 3.17:** Miscellaneous food products (NACE Groups 15.3, 15.4, 15.6 and 15.7)

Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

	Highest value added (1)			Largest number of persons employed (2)			Most specialised: share in non-financial business economy (%) (3)	
	Country	(EUR million)	(% of EU-27)	Country	(thousand)	(% of EU-27)	Country	Value added
1	United Kingdom	5 063	15.4	Germany	70.8	11.7	Poland	1.2
2	Germany	4 484	13.8	Spain	70.6	11.7	Hungary	1.2
3	Spain	3 490	10.9	Poland	67.8	11.1	Greece	1.0
4	Italy	3 077	9.5	United Kingdom	64.9	10.8	Bulgaria	0.9
5	Poland	1 464	5.0	Italy	62.1	10.3	Belgium	0.8

(1) Estonia, France, Latvia, Luxembourg, Malta, the Netherlands, Slovakia and Finland, not available; EU-27, Poland and Sweden, 2005.

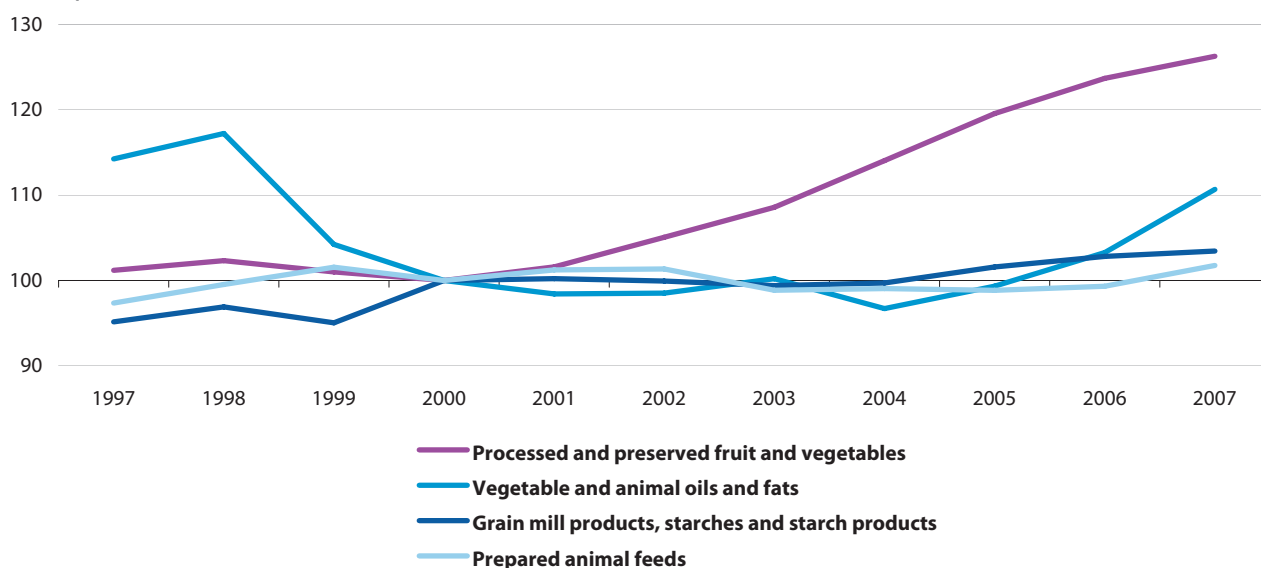
(2) Estonia, France, Luxembourg, Malta, Slovakia and Finland, not available; the Netherlands, Poland and Sweden, 2005.

(3) 2005; the Czech Republic, Denmark, Estonia, France, Latvia, Luxembourg, Malta, the Netherlands, Slovakia, Finland and the United Kingdom, not available.

Source: Eurostat (SBS)

**Figure 3.9:** Miscellaneous food products (NACE Groups 15.3, 15.4, 15.6 and 15.7)

Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

**Table 3.18:** Miscellaneous food products (NACE Groups 15.3, 15.4, 15.6 and 15.7)

Expenditure and productivity, EU-27, 2006

	(EUR million)			(EUR thousand per person)	
	Personnel costs	Purchases of goods & services	Investment in tangible goods	Apparent labour productivity	Average personnel costs
<b>Miscellaneous food products (1)</b>	16 306	64 955	6 495	48.2	28.7
Processed and preserved fruit and vegetables	6 720	42 113	2 583	40.6	24.9
Vegetable and animal oils and fats	2 091	37 257	976	55.8	32.9
Grain mill products, starches and starch products	3 495	27 213	1 657	54.8	30.5
Prepared animal feeds (2)	4 000	1 280	1 280	55.0	33.3

(1) Apparent labour productivity, 2005.

(2) Rounded estimate based on non-confidential data; apparent labour productivity, 2005.

Source: Eurostat (SBS)

### **Vegetable and animal oils and fats (NACE Group 15.4)**

The vegetable and animal oils and fats manufacturing sector was the smallest of the NACE groups within food, beverages and tobacco manufacturing (NACE Subsection DA) in 2006, both in terms of value added and employment. There were 9.1 thousand enterprises across the EU-27 that manufactured vegetable and animal oils and fats as their principal activity. These enterprises together employed 71.5 thousand persons (equivalent to 1.5 % of the food, beverages and tobacco manufacturing workforce) and generated EUR 4.0 billion of added value (2.0 % of the sectoral total).

A little more than half (53.2 %) of the value added generated by vegetable and animal oils and fats manufacturing across the EU-27, came from production in Germany, Spain and Italy. However, among the Member States for which data are available<sup>(22)</sup>, Greece was by far the most specialised country in the production of vegetable and animal oils and fats, as this subsector contributed over five times as much to non-financial business economy value added as the EU-27 average. Hungary was also relatively specialised (about three and a half times the average).

There were strong fluctuations in the production index for vegetable and animal oils and fats across the EU-27 in the ten years through until 2007. A relatively steep but unsteady decline through until 2004 was followed by a strong upsurge in growth thereafter. Over the period as a whole, EU-27 output declined on average by 0.3 % per annum.

Average personnel costs of EUR 32.9 thousand per employee across the EU-27's vegetable and animal oils and fats manufacturing sector in 2006 were above the average recorded for the whole of the food, beverages and tobacco manufacturing sector. Personnel costs accounted for a particularly low proportion of total operating expenditure, some 5.3 %, compared with an average share of 13.8 % across food, beverages and tobacco manufacturing, suggesting a small, but relatively well-paid workforce.

The apparent labour productivity of the EU-27's vegetable and animal oils and fats manufacturing sector was EUR 55.8 thousand per person employed in 2006, which was almost a third (33.4 %) more than the average for food, beverages and

tobacco manufacturing as a whole. When adjusted to take account of relatively high average personnel costs, much of this differential was eroded, with the wage adjusted labour productivity ratio for the vegetable and animal oils and fats manufacturing sector at 166.0 % (compared with 163.0 % for the whole of the food, beverages and tobacco manufacturing sector).

### **Grain mill and starch products (NACE Group 15.6)**

The manufacture of grain mill and starch products was the principal activity of an estimated 8.0 thousand enterprises across the EU-27 in 2006. These enterprises employed 121.2 thousand people and generated EUR 6.6 billion of added value, the equivalent of 2.6 % of the employment and 3.4 % of the value added within the food, beverages and tobacco manufacturing sector. Almost two thirds (67.3 %) of the value added generated by grain mill and starch products manufacturing came from activities in the United Kingdom, France, Germany and Italy. Nevertheless, it was Hungary and Bulgaria (2005) that were the countries within the EU that were most specialised in the manufacture of grain mill and starch products; the contribution of these activities to their respective non-financial business economy value added was about two and a half times the EU-27 average.

There was an upward trend in the output of grain mill and starch products during the period between 1997 and 2007, with average growth of 0.8 % per annum. However, most of this growth was founded on a relatively steep increase in output in 2000 and a more concerted period of expansion since 2004. Among the principal producers within the EU, there were contrasting trends; output levels in the United Kingdom remained little changed from year-to-year, while growth averaged 1.6 % per annum in both Germany (mainly due to an expansion after 2003) and France (where the evolution of output closely followed the trend seen for the whole of the EU-27).

The share of personnel costs in the total operating expenditure of the EU-27's grain mill and starch products manufacturing sector was lower than the average for the food, beverages and tobacco manufacturing sector (11.4 % compared with 13.8 % in 2006), despite average personnel costs of EUR 30.5 thousand per employee being almost a fifth higher than the sectoral average.

<sup>(22)</sup> Bulgaria, Cyprus, Poland and Romania, 2005; Estonia, France, Latvia, Luxembourg, Malta and the Netherlands, not available.

The apparent labour productivity of those working in the EU-27's grain mill and starch products manufacturing sector was EUR 54.8 thousand per person employed in 2006, about one third higher than the average across the whole of the food, beverages and tobacco manufacturing sector. The resultant wage adjusted labour productivity ratio of 179.6 % for the grain mill and starch products manufacturing sector in 2006, was the highest among the EU 27's food manufacturing activities.

#### **Prepared animal feed (NACE Group 15.7)**

The manufacture of animal feed was the principal activity of 5.2 thousand enterprises throughout the EU-27 in 2006. These enterprises employed an estimated 130.0 thousand people in 2006 and generated an estimated EUR 7.0 billion of value added in 2005 (the equivalent of 3.5 % of the total value added generated across food, beverages and tobacco manufacturing). Animal feed manufacturing in France accounted for one fifth (20.1 %) of all of the value added generated across the EU-27 in 2005, the largest contribution among the Member States, ahead of the United Kingdom (14.2 %) and Germany (14.1 %). Nevertheless, Poland, Lithuania and Hungary were the Member States that were most specialised in the manufacture of animal feed, as these activities

contributed about two and a half times more than the EU-27 average to the total value added generated within their respective non-financial business economies.

During the ten years through until 2007, there was almost no change in the level of output of animal feed in the EU-27 (growth average 0.4 % per annum). Among the Member States, growth was particularly strong in Poland (averaging 11.1 % per annum), which was in marked contrast to a declining index of production in France (particularly from 2001 onwards).

The apparent labour productivity of the EU-27's animal feed sector was EUR 55.0 thousand per person employed in 2005, about one third more than the corresponding average for the food, beverages and tobacco manufacturing sector. However, with average personnel costs in animal feed manufacturing also higher than the sectoral average at EUR 33.3 thousand per employee in 2006, these two relatively high ratios cancelled each other out, such that the resulting wage adjusted labour productivity ratio stood at 165.0 % in 2005, almost identical to the average for the food, beverages and tobacco manufacturing sector. This relative parity in wage adjusted labour productivity ratios at the level of the EU-27 was also observed in France, the leading producer among the Member States.

### **3.6: Beverages**

NACE Group 15.9 covers both alcoholic and non-alcoholic beverages. As such, the data presented in this subchapter include mineral waters, soft drinks, beer, wine and spirits. However, they do not include fruit and vegetable juices (NACE Class 15.32) or the processing of tea and coffee (NACE Class 15.86).

A new Council Directive<sup>(23)</sup> clarifying the general arrangements for products subject to excise duty (alcoholic beverages, tobacco products and energy products) entered into force on the 15 January 2009 and will apply across the EU from 1 April 2010. Rules on the labelling of some alcoholic drinks was also updated; the definition, description, presentation, labelling and protection of geographical indications of spirit drinks<sup>(24)</sup> was updated by the European Parliament and Council in January 2008, and that of certain wine products<sup>(25)</sup> in April 2007.

<sup>(23)</sup> 2008/118/EC.

<sup>(24)</sup> European Parliament and Council Regulation (EC) No. 110/2008.

<sup>(25)</sup> Commission Regulation (EC) No. 382/2007.

#### **Structural profile**

There were an estimated 22.0 thousand enterprises across the EU-27 that manufactured beverages as their main activity in 2006. These enterprises employed a little less than half a million persons (the equivalent of about one in every ten persons working in the food, beverages and tobacco manufacturing workforce). The beverages manufacturing sector of the EU-27 generated an estimated EUR 34.0 billion of value added in 2006. After the manufacture of bread, fresh pastry goods and cakes (NACE Group 15.8), this represented the second largest contribution (17.3 %) at the NACE group level to the total value added of the food, beverages and tobacco manufacturing sector in 2006.

The manufacture of beer (NACE Class 15.96) generated EUR 12.5 billion of value added in 2006, a little over one third (36.8 %) of the EU-27 total for these activities. The manufacture of mineral water and soft drinks (NACE Class 15.98) generated



**Table 3.19:** Manufacture of beverages (NACE Group 15.9)  
Structural profile, EU-27, 2006

	Enterprises (thousand)	Turnover (EUR million)	Value added (EUR million)	Persons employed (thousand)	Share in total (%)	
					Value added	Persons employed
<b>Beverages (1)</b>	22.0	133 000	34 000	460.0	100.0	100.0
Distilled potable alcoholic beverages (1)	4.5	20 968	5 814	59.8	17.1	13.0
Production of ethyl alcohol from fermented materials (2)	1.0	2 124	330	9.6	1.0	2.1
Wines	9.4	22 420	5 081	90.1	14.9	19.6
Cider and other fruit wines	0.6	1 943	551	6.8	1.6	1.5
Other non-distilled fermented beverages (3)	0.1	254	80	1.6	0.2	0.3
Beer	2.2	43 185	12 500	133.7	36.8	29.1
Malt (2)	0.1	2 376	:	:	:	:
Mineral waters and soft drinks	4.5	39 785	9 275	154.2	27.3	33.5

(1) Rounded estimate based on non-confidential data.

(2) Number of enterprises, 2005.

(3) Turnover, 2005.

Source: Eurostat (SBS)

**Table 3.20:** Manufacture of beverages (NACE Group 15.9)  
Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

	Highest value added (1)			Largest number of persons employed (1)			Most specialised: share in non- financial business economy (%) (2)	
	Country	(EUR million)	(% of EU-27)	Country	(thou- sand)	(% of EU-27)	Country	Value added
<b>1</b>	United Kingdom	6 431	18.9	Germany	74.4	16.2	Poland	2.5
<b>2</b>	Germany	5 127	15.1	Spain	52.4	11.4	Romania	1.6
<b>3</b>	France	4 837	14.2	United Kingdom	49.0	10.6	Bulgaria	1.3
<b>4</b>	Spain	4 695	13.8	France	44.2	9.6	Lithuania	1.2
<b>5</b>	Poland	3 091	9.0	Italy	37.8	8.2	Ireland	1.1

(1) Cyprus and Malta, not available; the Netherlands and Poland, 2005.

(2) Cyprus, Malta and the Netherlands, not available; Bulgaria, Poland and Romania, 2005.

Source: Eurostat (SBS)

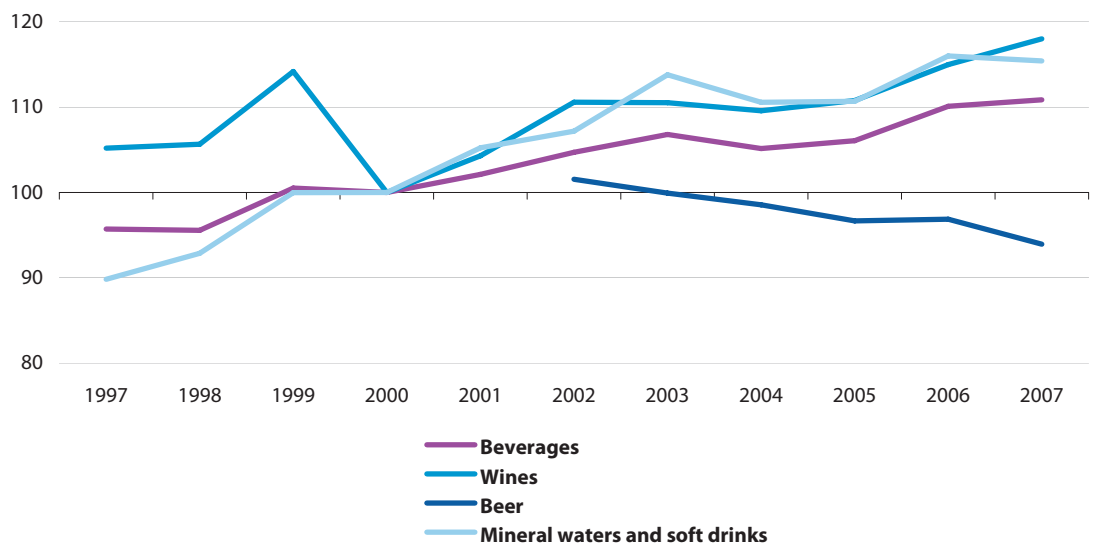
the next highest amount of value added (EUR 9.3 billion), the equivalent of just over a quarter (27.3 %) of the beverages total. The other main activities within the sector included the manufacture of distilled potable alcohol beverages (NACE Class 15.91) and wines (NACE Class 15.93), which generated EUR 5.8 billion and EUR 5.1 billion of value added respectively in 2006.

Beverages manufacturing in the United Kingdom generated EUR 6.4 billion of value added in 2006, a little less than one fifth (18.9 %) of the EU-27 total. Germany, France and Spain were the other main beverages manufacturing Member States, each of a broadly similar size in terms of their respective contributions to EU-27 value added in 2006. Poland was the most specialised Member State for the manufacture of beverages, as these activities contributed about four times the EU

average to value added within the whole of the non-financial business economy in 2005. Romania, Bulgaria and Lithuania were also relatively specialised in beverages manufacturing, with specialisation ratios around 200 %.

There was an upward trend in the production index of beverages in the EU-27 in the ten years through to 2007 (with an average increase of 1.5 % per annum). This long-term evolution was similar to that observed for the food, beverages and tobacco manufacturing sector, albeit somewhat more volatile in nature. The overall growth in the EU-27 index of production for beverages was driven mainly by higher growth for mineral waters and soft drinks (average annual growth of 2.5 %, despite a small decline in 2007) and wine (average growth of 1.4 % per annum being underpinned by the increases in 2006 and 2007). In contrast, the production index for beer in 2007 was 6.1 % less than in 2000.

**Figure 3.10:** Manufacture of beverages (NACE Group 15.9)  
Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

### Expenditure and productivity

The beverages sector recorded the highest average personnel costs (EUR 36.4 thousand per employee) within the EU-27 in 2006 among the NACE groups that make-up the food, beverages and tobacco manufacturing sector. Nevertheless, total personnel costs for beverages manufacturing in the EU-27 represented only a slightly higher proportion of total operating expenditure (15.1 %) than was the case across food, beverages and tobacco manufacturing as a whole (13.8 %), suggesting that this activity had a relatively small but well-remunerated workforce.

The wage adjusted labour productivity ratio (203.3 % in 2006) of the beverages manufacturing sector was the second highest (behind tobacco manufacturing) among the ten NACE groups that comprise food, beverages and tobacco manufacturing. This relatively high ratio was based

on apparent labour productivity of EUR 73.9 thousand across the EU-27's beverages sector in 2006, which was about 75 % higher than the food, beverages and tobacco manufacturing average. Within the beverages sector, the apparent labour productivity of those producing beer (EUR 93.5 thousand per person employed) and distilled potable alcoholic beverages (EUR 97.2 thousand per person employed) was particularly high in 2006.

Relatively high wage adjusted labour productivity ratios were a common feature across almost all of the Member States within the beverages manufacturing sector. In the case of Poland, the ratio was particularly notable (865.2 % in 2005) – which was more than double the national average for the whole of food, beverages and tobacco manufacturing (361.7 %), which was in itself also by far the highest ratio among the Member States.

**Table 3.21:** Manufacture of beverages (NACE Group 15.9)  
Expenditure and productivity, EU-27, 2006

	(EUR million)			(EUR thousand per person)	
	Personnel costs	Purchases of goods & services	Investment in tangible goods	Apparent labour productivity	Average personnel costs
<b>Beverages (1)</b>	16 000	90 000	8 300	73.9	36.4
<b>Distilled potable alcoholic beverages</b>	2 167	13 109	711	97.2	38.3
<b>Production of ethyl alcohol from fermented materials</b>	143	1 766	216	34.3	17.0
<b>Wines</b>	2 245	17 879	1 326	56.4	26.7
<b>Cider and other fruit wines</b>	158	1 031	50	81.0	25.1
<b>Other non-distilled fermented beverages (2)</b>	60	185	13	50.1	40.1
<b>Beer</b>	5 801	23 592	3 494	93.5	44.1
<b>Malt</b>	:	2 082	50	:	40.0
<b>Mineral waters and soft drinks</b>	5 403	30 488	2 490	60.1	35.9

(1) Rounded estimate based on non-confidential data.

(2) Personnel costs and investment in tangible goods, 2005.

Source: Eurostat (SBS)

### 3.7: Tobacco

NACE Division 16 covers the manufacture of all tobacco products, namely, cigarettes, cigarette tobacco, cigars, pipe tobacco, chewing tobacco and snuff.

In July 2008, the European Commission presented a report and a proposal for a Directive<sup>(26)</sup> to amend current EU excise duty legislation on tobacco. The draft Directive foresees a gradual increase in minimum taxation levels on cigarettes and fine cut tobacco up to 2014. The proposal also aims to contribute to reducing tobacco consumption by 10 % within the next 5 years. The European Commission also reported on the implementation of the EU tobacco advertising Directive<sup>(27)</sup> and the application of the tobacco products Directive<sup>(28)</sup> as part of its drive to curb avoidable, tobacco-related deaths in EU.

#### Structural profile

The number of enterprises across the EU-27 with tobacco manufacturing (NACE Division 16) as their main activity was just 0.3 thousand in 2006, demonstrating that this activity is particularly dominated by a few, extremely large multi-national enterprises. There were an estimated 64.0 thousand persons employed within the EU-27's

tobacco manufacturing activities in 2006, which equated to just 1.4 % of the food, beverages and tobacco manufacturing workforce. Nonetheless, these activities generated EUR 8.3 billion of value added, which was a significantly higher share (4.2 %) of sectoral value added.

Tobacco manufacturing was highly concentrated within the EU-27 in geographical terms too, with almost two thirds of the EU-27's value added coming from Poland (26.1 % in 2005), the United Kingdom (20.4 % in 2006) and Germany (18.0 % in 2006). The Netherlands is also a key tobacco manufacturing Member State, although data are not yet available for years later than 2004 (when it accounted for 15.5 % of the EU-27 total).

In relative terms, the value added generated by the tobacco manufacturing sectors of Poland and Bulgaria made much more significant contributions to total value added within their respective non-financial business economies than the EU average. The relative contribution of these activities in Poland was about ten times as high as the EU-27 average in 2005, and in Bulgaria it was about five times as high.

There was a strong downward trend in the production index of tobacco products across the EU-27 during the ten years through until 2007

<sup>(26)</sup> COM(2008) 459/2.

<sup>(27)</sup> COM(2008) 330.

<sup>(28)</sup> COM(2007) 754.

**Table 3.22:** Manufacture of tobacco products (NACE Division 16)  
Structural profile: ranking of top five Member States in terms of value added and persons employed, 2006

	Highest value added (1)			Largest number of persons employed			Most specialised: share in non-financial business economy (%) (2)	
	Country	(EUR million)	(% of EU-27)	Country	(thousand) (3)	(% of EU-27) (4)	Country	Value added
1	Poland	2 845	26.1	Germany	11.5	18.2	Poland	2.3
2	United Kingdom	1 684	20.4	Poland	6.8	11.5	Bulgaria	1.0
3	Germany	1 488	18.0	Bulgaria	6.3	10.7	Greece	0.3
4	Spain	350	4.2	United Kingdom	4.6	9.1	Portugal	0.3
5	Belgium	238	2.9	Spain	4.6	7.7	Cyprus	0.3

(1) The Czech Republic, Denmark, Ireland, France, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Slovenia, Slovakia, Finland and Sweden, not available; Cyprus, Hungary and Poland, 2005.

(2) The Czech Republic, Denmark, Ireland, France, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Slovenia, Slovakia, Finland and Sweden, not available; Bulgaria, Cyprus, Hungary, Poland and Romania, 2005.

(3) The Czech Republic, Denmark, Ireland, France, Italy, Lithuania, Luxembourg, Malta, Austria, Slovenia, Slovakia, Finland and Sweden, not available; Cyprus, Hungary, the Netherlands and Poland, 2005.

(4) 2005; the Czech Republic, Denmark, Ireland, France, Italy, Lithuania, Luxembourg, Malta, Austria, Slovenia, Slovakia, Finland and Sweden, not available.

Source: Eurostat (SBS)

with an average decline of 3.4 % per annum. The EU-27's output of tobacco products in 2007 remained close to its most recent low point recorded in 2006. In the Netherlands output grew rapidly through until 2002, after which there was a sharp decline, although the production index for 2007 remained 4.6 % higher than in 1997. In Poland, there were considerable fluctuations from one year to the next, although the overall evolution of output followed a downward trend (losing an average of 1.5 % per annum), despite a considerable upturn in production in 2007. In Germany and the United Kingdom the downward trend was much more pronounced and sustained. In the United Kingdom, the production index in 2007 stood at 50 % of its level of a decade earlier (corresponding to an average decline of 6.7 % per annum). The rate of decline in tobacco products manufacturing output in Germany was even more pronounced after 2000 (falling on average by 8.4 % per annum between 2000 and 2007).

### Expenditure and productivity

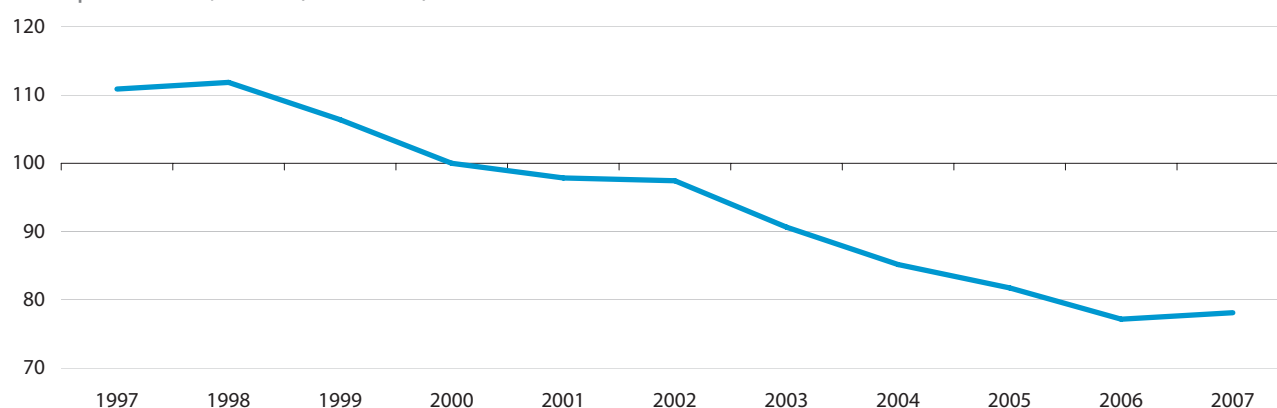
Personnel costs across the EU-27's tobacco manufacturing sector accounted for 12.2 % of total operating expenditure in 2006, slightly below the average for the food, beverages and tobacco

manufacturing sector. However, average personnel costs for tobacco manufacturing (EUR 47.3 thousand per employee in 2005) were much higher than for any of the other nine NACE groups within food, beverages and tobacco manufacturing.

Despite this high level of average personnel costs, the wage adjusted labour productivity ratio of those working in the tobacco manufacturing sector averaged 339.5 % among those countries for which data are available<sup>0</sup>, slightly more than double the ratio for the food, beverages and tobacco manufacturing sector. This high level of wage adjusted labour productivity was based on EUR 170.0 thousand of value added being generated by each person employed in the EU-27's tobacco manufacturing sector in 2005, which was a little more than four times the corresponding level of the food, beverages and tobacco manufacturing sector.

The wage adjusted labour productivity ratio of those working in Poland's tobacco products manufacturing sector was particularly high (2 560 % in 2005), which, at least in part, helps explain why this ratio was particularly high for food, beverages and tobacco manufacturing as a whole (361.7 % in 2005).

**Figure 3.11:** Manufacture of tobacco products (NACE Division 16)  
Index of production, EU-27 (2000=100)



Source: Eurostat (STS)

**Table 3.23:** Manufacture of food products and beverages (NACE Division 15)  
Main indicators, 2006 (1)

	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT
<b>Enterprises</b>	7.5	5.6	6.2	1.8	31.7	0.4	:	15.7	29.0	67.3	:	1.0	0.7	1.3
<b>Persons employed</b>	96.3	109.6	:	:	821.7	17.2	:	85.7	390.1	:	:	12.7	35.2	51.4
<b>Turnover</b>	31 949	3 192	:	:	155 920	1 211	:	11 119	90 303	:	:	1 269	1 566	2 459
<b>Production</b>	30 582	2 831	:	:	143 293	1 080	:	10 584	84 696	:	:	1 130	1 499	2 382
<b>Purch. of goods &amp; serv.</b>	25 898	2 824	:	:	120 231	994	:	8 501	73 558	:	:	915	1 197	2 012
<b>Value added</b>	5 954	528	:	:	33 299	233	:	3 297	18 897	:	:	343	377	530
<b>Personnel costs</b>	3 527	228	:	:	21 494	141	:	1 782	10 174	:	:	224	175	281
<b>Average personnel costs</b>	40.1	2.2	:	:	27.6	8.3	:	25.4	27.5	:	:	18.2	5.0	5.5
<b>Gross operating surplus</b>	2 427	300	:	:	11 805	91	:	1 516	8 724	:	:	119	202	249
<b>Gross investment</b>	1 430	391	:	:	4 660	90	:	577	5 045	:	:	71	174	159
<b>Apparent labour prod.</b>	61.9	4.8	:	:	40.5	13.6	:	38.5	48.4	:	:	27.1	10.7	10.3
<b>Wage adj. labour prod.</b>	154.3	222.7	:	:	146.9	164.1	:	151.1	176.4	:	:	148.5	214.9	186.0
<b>Gross operating rate</b>	7.6	9.4	:	:	7.6	7.5	:	13.6	9.7	:	:	9.4	12.9	10.1
<b>Investment rate</b>	24.0	74.0	:	:	14.0	38.5	:	17.5	26.7	:	:	20.7	46.2	29.9
	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	NO
<b>Enterprises</b>	0.2	6.8	:	4.6	4.1	17.0	10.7	10.6	0.9	:	1.8	3.3	7.0	2.0
<b>Persons employed</b>	:	121.8	:	124.4	75.9	438.8	107.1	205.9	19.5	:	:	:	440.6	49.5
<b>Turnover</b>	:	9 729	:	:	12 994	34 502	12 044	8 443	2 046	:	:	:	106 775	:
<b>Production</b>	:	8 448	:	:	11 884	30 993	10 925	7 662	1 763	:	:	:	98 126	:
<b>Purch. of goods &amp; serv.</b>	:	7 560	:	:	9 310	26 896	9 848	7 743	1 546	:	:	:	71 660	:
<b>Value added</b>	:	1 901	:	:	3 715	8 391	2 476	1 601	475	:	:	:	30 691	:
<b>Personnel costs</b>	:	1 062	:	:	2 335	2 827	1 450	744	334	:	:	:	16 180	:
<b>Average personnel costs</b>	:	9.0	:	:	32.3	6.8	14.0	3.6	17.6	:	:	:	37.2	:
<b>Gross operating surplus</b>	:	839	:	:	1 380	5 564	1 026	858	142	:	:	:	14 511	:
<b>Gross investment</b>	:	517	:	1 570	541	1 647	468	1 242	123	:	:	:	3 658	:
<b>Apparent labour prod.</b>	:	15.6	:	:	48.9	19.1	23.1	7.8	24.4	:	:	:	69.7	:
<b>Wage adj. labour prod.</b>	:	173.1	:	:	151.4	280.5	164.9	213.2	138.9	:	:	:	187.5	:
<b>Gross operating rate</b>	:	8.6	:	:	10.6	16.1	8.5	10.2	6.9	:	:	:	13.6	:
<b>Investment rate</b>	:	27.2	:	:	14.6	19.6	18.9	77.6	25.9	:	:	:	11.9	:

(1) Cyprus, Hungary and Poland, 2005; Austria, 2005 except for number of enterprises; Netherlands, number of enterprises, number of persons employed and gross investment, 2005; unless otherwise stated, values refer to EUR million; number of enterprises and number of persons employed are given in thousands; average personnel costs and apparent labour productivity are given in EUR thousand per person; wage adjusted labour productivity, gross operating rate and investment are ratios expressed as percentages.

Source: Eurostat (SBS)

**Table 3.24:** Manufacture of tobacco products (NACE Division 16)  
Main indicators, 2006 (1)

	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT
Enterprises	0.0	0.0	0.0	0.0	0.0	0.0	:	0.0	0.1	0.0	:	0.0	0.0	0.0
Persons employed	1.9	6.3	:	:	11.5	0.0	:	2.5	4.6	:	:	0.3	0.3	:
Turnover	1352	781	:	:	20 849	0	:	541	875	:	:	142	:	:
Production	1300	760	:	:	14 994	0	:	525	834	:	:	141	:	:
Purch. of goods & serv.	1 116	186	:	:	8 421	0	:	357	521	:	:	33	:	:
Value added	238	75	:	:	1 488	0	:	204	350	:	:	18	:	:
Personnel costs	84	44	:	:	798	0	:	113	224	:	:	10	:	:
Average personnel costs	46.5	7.0	:	:	69.3	:	:	44.6	49.5	:	:	34.6	:	:
Gross operating surplus	154	31	:	:	690	0	:	91	126	:	:	8	:	:
Gross investment	15	15	:	:	180	0	:	12	15	:	:	0	:	:
Apparent labour prod.	127.0	11.8	:	:	128.9	:	:	80.7	76.8	:	:	64.8	:	:
Wage adj. labour prod.	273.3	169.0	:	:	185.9	:	:	180.9	155.2	:	:	187.5	:	:
Gross operating rate	11.4	3.9	:	:	3.3	:	:	16.8	14.4	:	:	5.9	:	:
Investment rate	6.5	20.0	:	:	12.1	:	:	5.9	4.3	:	:	2.1	:	:
	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	NO
Enterprises	0.0	0.0	:	0.0	0.0	0.0	0.0	0.0	0.0	:	0.0	0.0	0.0	0.0
Persons employed	:	1.6	:	4.3	:	6.8	1.1	2.5	:	:	:	:	4.6	0.3
Turnover	:	1 079	:	:	:	3 497	449	916	:	:	:	:	13 444	:
Production	:	883	:	:	:	3 457	454	921	:	:	:	:	12 754	:
Purch. of goods & serv.	:	314	:	:	:	650	206	285	:	:	:	:	1 484	:
Value added	:	88	:	:	:	2 845	206	59	:	:	:	:	1 684	:
Personnel costs	:	48	:	:	:	111	62	33	:	:	:	:	391	:
Average personnel costs	:	30.8	:	:	:	16.2	54.7	13.3	:	:	:	:	85.2	:
Gross operating surplus	:	40	:	:	:	2 734	144	27	:	:	:	:	1 293	:
Gross investment	:	15	:	30	:	64	13	31	:	:	:	:	80	:
Apparent labour prod.	:	56.4	:	:	:	415.3	180.6	24.0	:	:	:	:	367.1	:
Wage adj. labour prod.	:	183.0	:	:	:	2 560.4	330.3	181.3	:	:	:	:	430.6	:
Gross operating rate	:	3.7	:	:	:	78.2	32.0	2.9	:	:	:	:	9.6	:
Investment rate	:	16.6	:	:	:	2.3	6.1	52.8	:	:	:	:	4.7	:

(1) Cyprus, Hungary and Poland, 2005; Austria, 2005 except for number of enterprises; Netherlands, number of enterprises, number of persons employed and gross investment, 2005; Slovenia, number of enterprises, 2005; unless otherwise stated, values refer to EUR million; number of enterprises and number of persons employed are given in thousands; average personnel costs and apparent labour productivity are given in EUR thousand per person; wage adjusted labour productivity, gross operating rate and investment are ratios expressed as percentages.

Source: Eurostat (SBS)