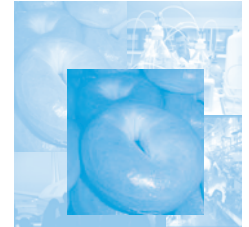


## Food, beverages and tobacco



Enterprises within food, beverages and tobacco processing activities not only generate products for final consumption (many of which are essential daily products) but also intermediate products for other manufacturing activities (such as oils, fats and sugars).

The food, beverages and tobacco manufacturing sector is fragmented; there are a small number of large enterprises/groups that have a global market presence (see Table 2.1) and a large number of much smaller enterprises/groups that serve more local and national markets. There has been continued consolidation, with a number of the larger enterprises/groups growing through acquisitions and partnerships.

Although this manufacturing sector does not cover agricultural activities these are clearly linked; the Confederation of Food and Drink Industries (CIAA) of the EU estimated in February 2007 that “70 % of EU agricultural production is processed by EU food and drink companies”. Therefore, the sector is not only affected by legislation such as food hygiene (the EU’s new Hygiene Package came into force at the start of 2006) and labelling, but also aspects of the Common Agricultural Policy (CAP) that may have implications for processes and costs (such as the European Commission’s Communication on a Community Action Plan on Animal Welfare <sup>(1)</sup> and improved competitiveness (such as the European Commission’s simpler framework for the CAP <sup>(2)</sup>).

<sup>(1)</sup> COM(2006) 13.

<sup>(2)</sup> COM(2006) 822.

This chapter refers to the processing of food, beverages and tobacco products (NACE Divisions 15 and 16). Importantly, it 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). Given that a number of products, such as wine, olive oil, eggs and cheese are also sold directly by agricultural holdings and recorded in part, therefore, as an agricultural activity when own-produced, this distinction is important to bear in mind.

### NACE

- 15: manufacture of food products and beverages;
- 15.1: production, processing and preserving of meat and meat products;
- 15.2: processing and preserving of fish and fish products;
- 15.3: processing and preserving of fruit and vegetables;
- 15.4: manufacture of vegetable and animal oils and fats;
- 15.5: manufacture of dairy products;
- 15.6: manufacture of grain mill products, starches and starch products;
- 15.7: manufacture of prepared animal feeds;
- 15.8: manufacture of other food products;
- 15.9: manufacture of beverages;
- 16: manufacture of tobacco products.

**Table 2.1**  
Largest agro-food enterprises/groups in Europe ranked by world sales in food products, 2005

	Country	Main products	Food sales (EUR billion)
<b>Nestlé</b>	CH	Multi-product	58.8
<b>Unilever</b>	NL/UK	Multi-product	39.7
<b>Diageo</b>	UK	Alcoholic beverages	14.2
<b>Danone</b>	FR	Multi-product	13.0
<b>InBev</b>	BE	Beer	11.7
<b>Heineken</b>	NL	Beer	10.8
<b>Cadbury Schweppes</b>	UK	Beverages, confectionery	9.5
<b>Associated British Foods</b>	UK	Sugar, starches, prepared foods	8.8

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

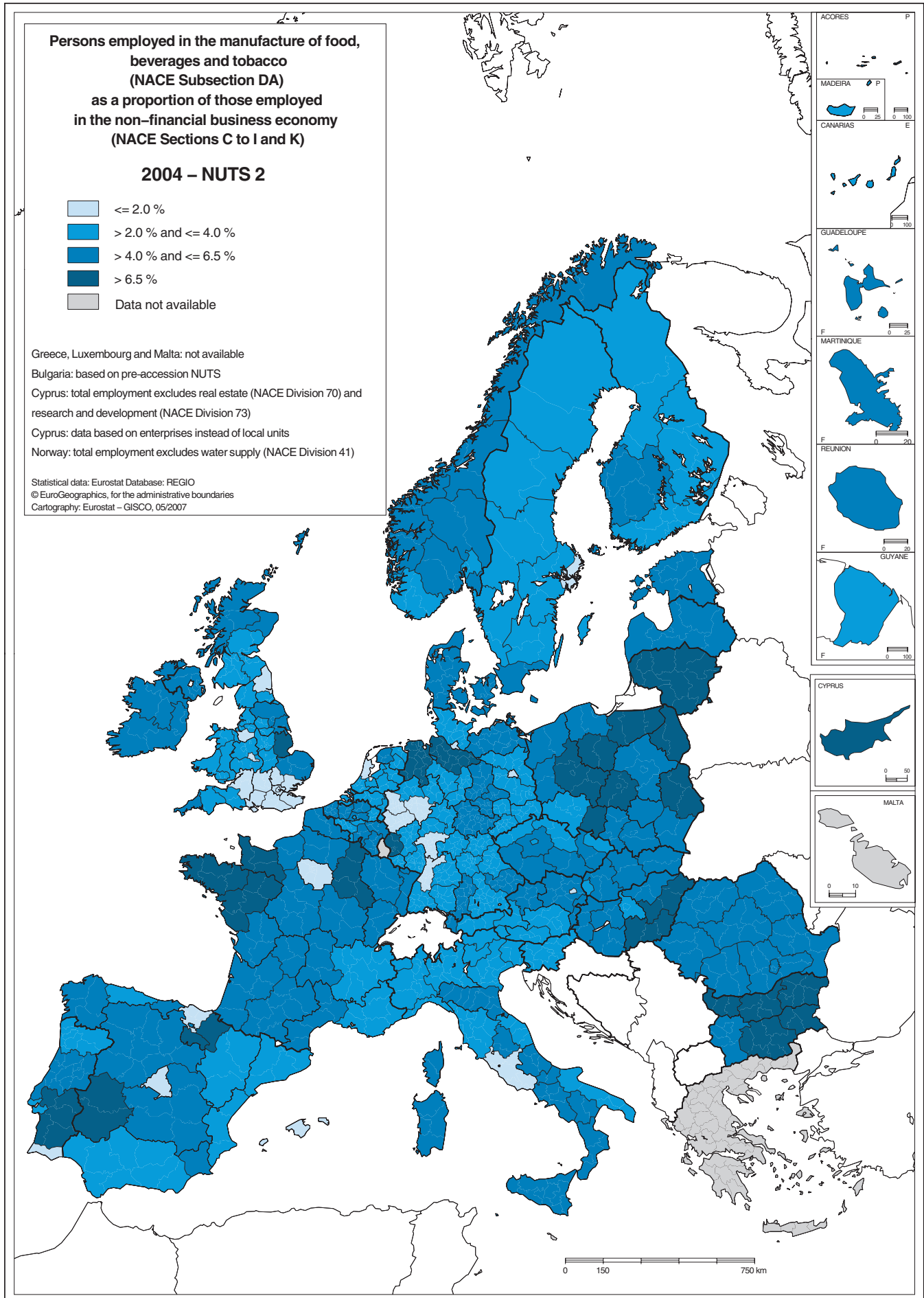


Table 2.2

**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Structural profile, EU-27, 2004**

	No. of enterprises		Turnover		Value added		Employment	
	(thousands)	(% of total)	(EUR million)	(% of total)	(EUR million)	(% of total)	(thousands)	(% of total)
<b>Food products, beverages and tobacco</b>	296.1	100.0	927 582	100.0	199 630	100.0	4 772.1	100.0
<b>Meat and meat products</b>	46.1	15.6	182 528	19.7	31 260	15.7	1 039.0	21.8
<b>Processing and preserving of fish and fish products</b>	4.0	1.3	19 571	2.1	3 790	1.9	128.7	2.7
<b>Dairy products (1)</b>	12.5	4.2	120 000	12.9	18 095	9.4	400.0	8.4
<b>Bread, sugar, confectionery and other food products</b>	181.3	61.2	221 417	23.9	71 527	35.8	2 043.1	42.8
<b>Miscellaneous food products (2)</b>	30.0	10.1	180 000	19.4	29 000	14.5	600.0	12.6
<b>Beverages (1)</b>	21.8	7.4	130 000	14.0	34 234	17.7	479.6	10.1
<b>Tobacco products</b>	0.3	0.1	75 472	8.1	10 850	5.4	66.9	1.4

(1) Rounded estimates based on non-confidential data; value added, 2003.

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

Source: Eurostat (SBS)

Table 2.3

**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of non-financial business economy					
	Value added (EUR million) (1)	Employment (thousands) (2)	No. of enterprises (3)	Turnover (4)	Value added (4)	Employment (3)
1	Germany (36 477)	Germany (858.5)	France (3.1 %)	Poland (7.3 %)	Poland (9.0 %)	Lithuania (6.8 %)
2	United Kingdom (33 051)	France (653.6)	Romania (2.9 %)	Lithuania (6.3 %)	Lithuania (6.6 %)	Bulgaria (6.4 %)
3	France (30 523)	United Kingdom (476.5)	Bulgaria (2.6 %)	Romania (6.1 %)	Latvia (6.5 %)	Latvia (6.1 %)
4	Italy (20 398)	Italy (462.0)	Lithuania (2.3 %)	Bulgaria (6.0 %)	Bulgaria (5.5 %)	Poland (6.0 %)
5	Spain (17 554)	Poland (449.2)	Slovakia (2.3 %)	Denmark (5.8 %)	Hungary (5.3 %)	Romania (5.2 %)

(1) Greece and Malta, not available; Latvia and Luxembourg, 2003.

(2) Greece and Malta, not available; Luxembourg, 2003.

(3) Ireland, Greece, Cyprus and Malta, not available; Luxembourg, 2003.

(4) Ireland, Greece, Cyprus and Malta, not available; Latvia and Luxembourg, 2003.

Source: Eurostat (SBS)

**STRUCTURAL PROFILE**

Across the EU-27, the 296 000 enterprises within the food products, beverages and tobacco (NACE Subsection DA) manufacturing sector in 2004 generated EUR 200 billion of value added, accounting for 3.9 % of the value added of the non-financial business economy. In employment terms the food, beverages and tobacco manufacturing sector is also one of the key sectors, employing 4.8 million persons in 2004 (a 3.8 % share of employment in the non-financial business economy of the EU-27).

Within the food, beverages and tobacco manufacturing sector, the largest activity in terms of both value added and employment was the manufacture of bread, sugar, confectionery and other food products (NACE Group 15.8) – see Table 2.2; it contributed a little over one-third (35.8 %) of sectoral value added, and employed 2.0 million persons (42.8 % of all sectoral employment).

The second and third largest subsectors were meat processing (NACE Group 15.1) and beverages manufacturing (NACE Group 15.9), which together employed a further 1.4 million persons (individually accounting for 21.8 % and 10.1 % of sectoral employment respectively in 2004) and accounted for about a further one-third of sectoral value added (individually accounting for 15.7 % in 2004 and 17.7 % in 2003 respectively).

The remaining one-third of sectoral value added and one-quarter of sectoral employment was shared among the remaining food and tobacco subsectors, for which the manufacture of dairy products (NACE Group 15.5) accounted for the next largest share (9.4 % of sectoral value-added in 2003 and 8.4 % of sectoral employment in 2004).

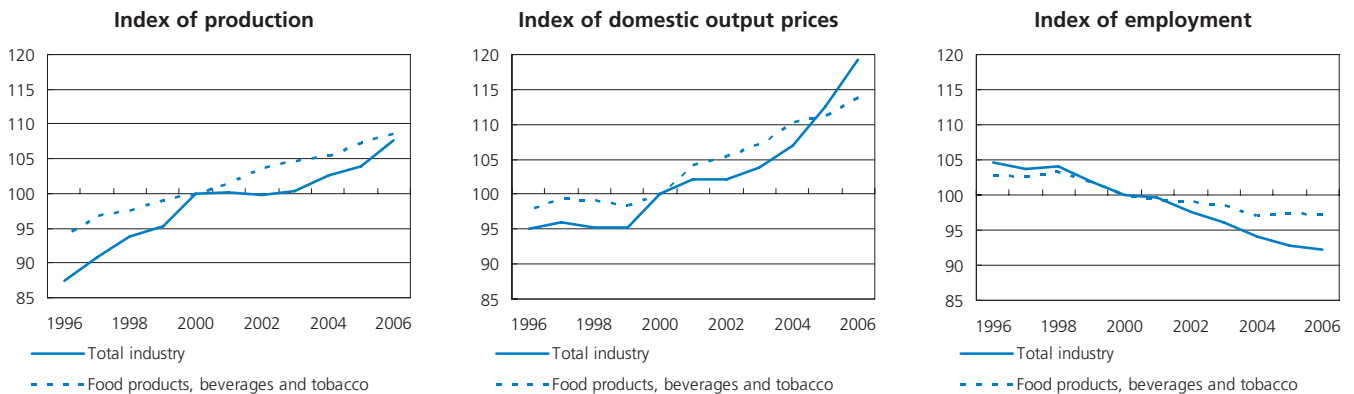
Around half (50.1 %) of the value added generated by the manufacture of food products, beverages and tobacco in the EU-27 as a whole came from Germany (18.3 %), the United Kingdom (16.6 %) and France (15.3 %) combined. The relative importance of this sector

within the non-financial business economy was not, however, especially high in these three Member States. Among the Member States for which information is available <sup>(3)</sup>, this proportion was highest in Poland (9.0 %), Lithuania (6.6 %), Latvia (6.5 % in 2003) and Bulgaria (5.5 %) – see Table 2.3.

Regional specialisation in these activities is shown on the map on page 48, which is based on the non-financial business economy employment share of this sector. The two most specialised regions (at the level of detail shown in the map) were Bretagne (France) and Podlaskie (Poland), where more than one worker in every ten within the non-financial business economy was employed in food, beverages or tobacco manufacturing. There were several regions in France, Poland and Bulgaria that were particularly specialised in the manufacturing of food, beverages and tobacco, as well as Cyprus, Latvia, Lithuania (which are each considered as a single region at the level of detail in the map).

<sup>(3)</sup> Latvia and Luxembourg, 2003; Ireland, Greece, Cyprus, and Malta, not available.

**Figure 2.1**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Evolution of main indicators, EU-27 (2000=100)**



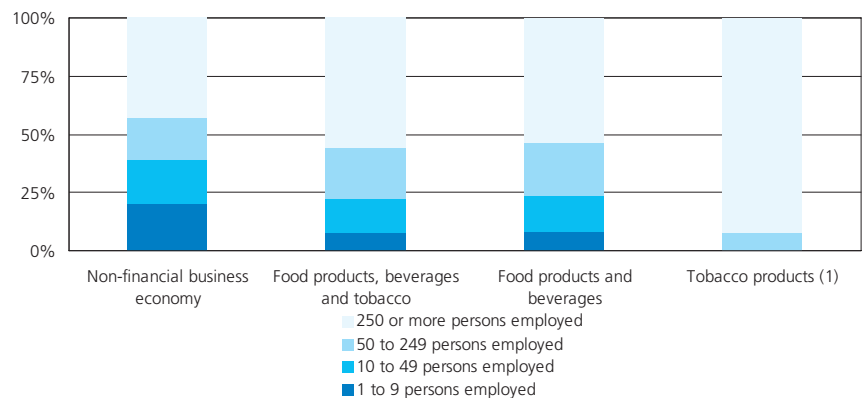
Source: Eurostat (STS)

There was a constant and steady rise in the output of food, beverages and tobacco in the EU-27 over the past decade, the production index rising by an average of 1.5 % per annum between 1996 and 2006. The relative immunity of food, beverages and tobacco output from broader economic downturns in part reflects the fact that many foods and beverages are essential daily items. Although steady, the average rate of growth in food, beverage and tobacco output was lower than the more volatile industrial average which grew by 2.1 % per annum over the same period (see Figure 2.1).

Employment within food, beverages and tobacco manufacturing fell steadily during the same period, although the decline of 0.6 % per annum on average was a little less than half the rate for industry as a whole (a decline of 1.3 % per annum).

Within food, beverages and tobacco manufacturing, the fastest rates of growth in the production index for the EU-27 during the past decade were recorded for the processing and preserving of fruit and vegetables (NACE Group 15.3), on average rising by 2.1 % per annum, and the processing and preserving of fish and fish products manufacturing (NACE Group 15.2), which rose by 2.0 % per annum on average. In contrast, tobacco manufacturing (NACE Divisions 16) output declined sharply (an average of -3.6 % per annum between 1996 and 2006); this decline may well reflect health concerns and associated Community legislation to some extent.

**Figure 2.2**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Share of value added by enterprise size class, EU-27, 2004**



(1) Size 50 to 249 persons employed includes also enterprises with 1 to 49 persons employed.  
 Source: Eurostat (SBS)

Small and medium-sized enterprises (SMEs) that employ less than 250 people generated a significantly lower proportion of EU-27 value added within the food, beverages and tobacco manufacturing sector (44.1 %) than they did across the non-financial business economy as a whole (57.0 %) – see Figure 2.2. Much of this difference between the two concerned the relative contributions of micro-enterprises (those employing less than ten persons); they contributed a little over one-fifth (20.2 %) of the value added of the non-financial business economy, but only 7.7 % of food, beverages and tobacco value added. In terms of employment, a slightly smaller majority of workers were employed in SMEs in the EU-27's

food, beverages and tobacco manufacturing sector (62.0 %) than the proportion of workers in SMEs across the non-financial business economy as a whole (67.1 %). As a result the apparent labour productivity (EUR 29 700 per person employed) of SMEs in the sector was notably less than the average for the non-financial business economy as a whole (EUR 34 900 per person).

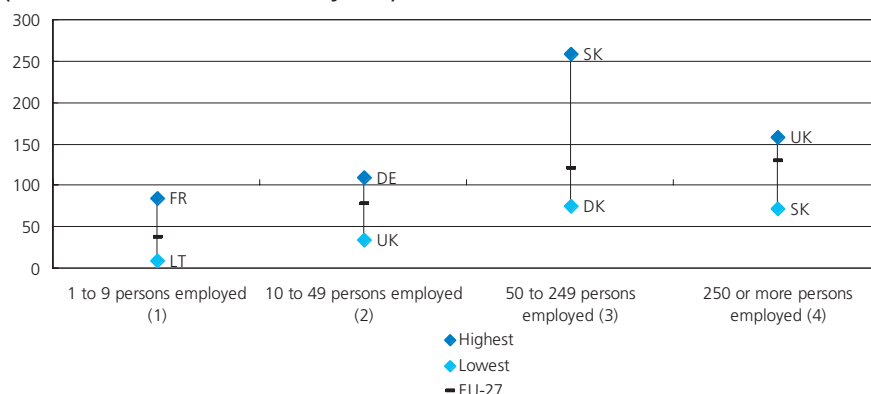
There were some Member States for which the distribution of value added among the size classes was quite different in their respective food, beverages and tobacco manufacturing sectors than for the non-financial business economy as a whole (see Figure 2.3). In the United Kingdom, the contribution of SMEs to the value added generated by all enterprises in the food, beverages and tobacco manufacturing sector was less than half the share of the value added they generated across the non-financial business economy as a whole. Among the Member States (4) for which information is available, it was only in Slovakia that the value added contribution of SMEs to the food, beverages and tobacco manufacturing was much above their average for the non-financial business economy as a whole.

**EMPLOYMENT CHARACTERISTICS**

The female proportion of the workforce in the food, beverages and tobacco manufacturing sector of the EU-27 was higher than the average for the non-financial business economy in 2006 (40.8 % compared with 35.0 %, as shown in Figure 2.4). This was a characteristic noted for a majority of Member States in 2006, the exceptions being Ireland, Malta, the Netherlands and the United Kingdom. Indeed, in the Czech Republic, Germany, Portugal and particularly Lithuania and Estonia, women represented at least half the workforce in this sector in 2006.

(4) Belgium, Denmark, Germany, Estonia, Ireland, Greece, Cyprus, Latvia, Luxembourg, Hungary, Netherlands, Austria, Portugal, Slovenia and Finland, not available.

**Figure 2.3**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Distribution of value added by size class relative to national averages, 2004**  
**(non-financial business economy=100)**



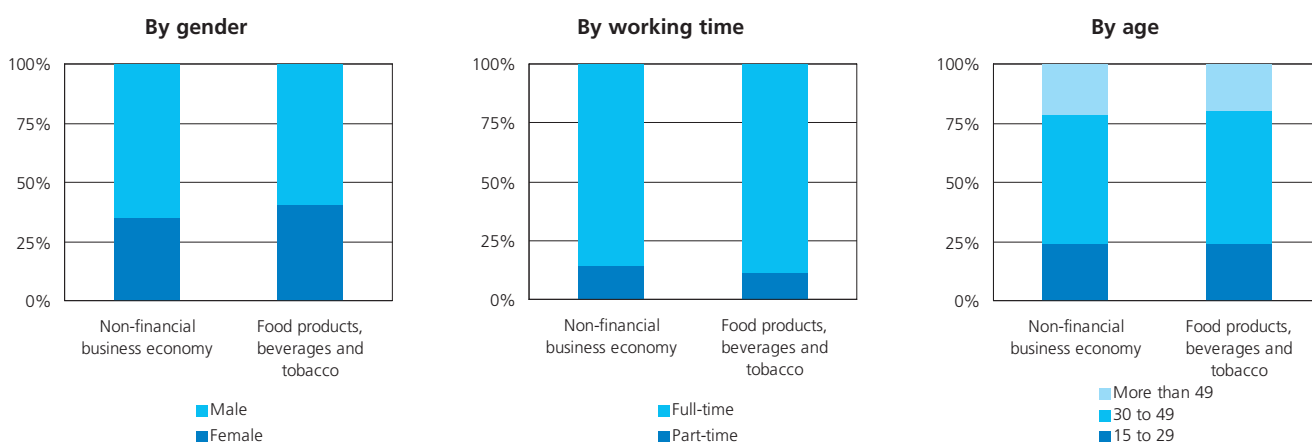
(1) Belgium, Denmark, Germany, Estonia, Ireland, Greece, Cyprus, Latvia, Luxembourg, Hungary, Malta, Netherlands, Austria, Portugal, Slovenia and Finland, not available; Slovakia, 2003.  
 (2) Belgium, Ireland, Greece, Cyprus, Luxembourg, Hungary, Malta, Netherlands, Slovenia and Finland, not available; Denmark, Latvia, Portugal and Slovakia, 2003.  
 (3) Estonia, Ireland, Greece, Cyprus, Luxembourg, Malta, Netherlands, Austria, Portugal, Slovenia and Finland, not available; Germany, Latvia and Hungary, 2003.  
 (4) Belgium, Denmark, Estonia, Ireland, Greece, Cyprus, Latvia, Luxembourg, Malta, Netherlands, Austria, Portugal, Slovenia and Finland, not available; Germany and Hungary, 2003.  
 Source: Eurostat (SBS)

In contrast to the non-financial business economy as a whole, however, there was a relatively low proportion of part-time work in the EU-27's food, beverages and tobacco manufacturing sector in 2006 (an average of 11.4 % compared to 14.4 %). This distinction was most acute in the United Kingdom (see Figure 2.5), where a little over one in every five (21.8 %) of those employed in the non-financial business economy worked part-time in 2006 compared to less than one in every ten of all workers in the food, beverages and tobacco

manufacturing sector (9.9 %). Indeed, among the Member States for which information was available (5), it was only in the Czech Republic, Germany and Slovenia that the proportion of part-time workers in the food, beverages and tobacco manufacturing sector was above the average proportion across the non-financial business economy.

(5) Bulgaria, Estonia, Ireland, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania and Slovakia, not available.

**Figure 2.4**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Labour force characteristics, EU-27, 2006**



Source: Eurostat (LFS)

The age profile of those working in the food, beverages and tobacco manufacturing sector was very similar to that across the broader non-financial business economy of the EU-27 in 2006. A little under one quarter of the workforce (24.1 %) in the sector was under the age of 30, although in Austria, Poland, and Finland this was nearer to one third (along with Sweden, this representing a much higher proportion of younger workers than across their respective non-financial business economies). At the other end of the age spectrum, about one in every five workers in the sector were aged over 50 in 2006 (19.9 % for the EU-27), although this share was much higher in the Czech Republic (29.6 %).

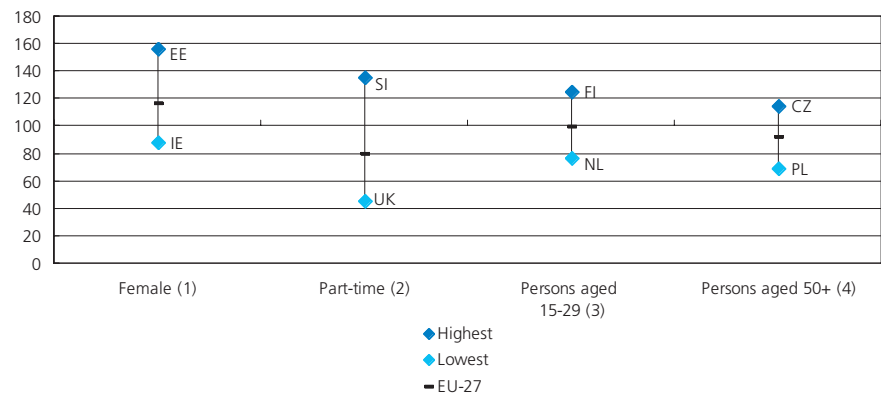
It can be noted that the proportion of paid employees in persons employed within the food, beverages and tobacco manufacturing sector (93.9 %) was significantly higher than across the non-financial business economy as a whole (86.2 %) in 2004.

### COSTS, PRODUCTIVITY AND PROFITABILITY

Compared with many other manufacturing subsections, the proportion of total expenditure (gross operating and tangible investment expenditure) accounted for by personnel costs in the food, beverages and tobacco sector of the EU-27 was relatively low (an average of 13.2 % in 2004 – see Table 2.4). To some extent, this may reflect the high expenditure on raw products for processing combined with the less skilled nature of many of the jobs in the sector. Within the sector, the relative share of personnel costs within total expenditure was lowest at the NACE group level <sup>(6)</sup> in one of the activities grouped into miscellaneous food

<sup>(6)</sup> The manufacture of dairy products (NACE Group 15.5) and the manufacture of beverages (NACE Group 15.9), not available.

**Figure 2.5**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Labour force characteristics relative to national averages, 2006**  
**(non-financial business economy=100)**



(1) Malta and Luxembourg, not available.

(2) Bulgaria, Estonia, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania and Slovakia, not available.

(3) Estonia and Luxembourg, not available.

(4) Estonia, Luxembourg and Malta, not available.

Source: Eurostat (LFS)

products - the manufacture of vegetable and animal oils and fats (an average of 5.0 %) - and highest in the manufacture of bread, sugar, confectionery and other food products (an average of 19.9 %).

As a share of total expenditure, the investment in tangible goods in the food, beverages and tobacco sector was relatively low in 2004 (an average of 4.1 % across the EU-27). The share for the sector as a whole was generally highest among the Member States that have joined the EU in 2007; in Bulgaria such investment was the equivalent of 9.9 % of total expenditure, and in Romania it was 9.8 %.

The apparent labour productivity of the food, beverages and tobacco manufacturing sector in 2004 was EUR 41 800 per person employed, very similar to the average across the non-financial business economy (only being 2.2 %

higher). However, relatively low average personnel costs in the sector (11.6 % lower) explain why the wage adjusted labour productivity of the EU-27 food, beverages and tobacco sector (171.7 %) in 2004 was significantly above the average for the non-financial business economy as a whole (148.0 %). Among Member States, the highest ratios for the food, beverages and tobacco manufacturing sector as a whole were in Ireland (391.5 %) and Poland (346.8 %). Within the food, beverages and tobacco manufacturing sector (see Table 2.5) the highest wage adjusted labour productivity ratios were in tobacco (339.4 %) and beverages (210 %) and the lowest in the production, processing and preserving of meat and meat products (140.6 %).

**Table 2.4**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Total expenditure, EU-27, 2004**

	Value (EUR million)				Share (% of total expenditure)		
	Total expenditure	Purchases of goods and services	Personnel costs	Investment in tangible goods	Purchases of goods and services	Personnel costs	Investment in tangible goods
<b>Food products, beverages and tobacco</b>	823 953	681 446	109 105	33 403	82.7	13.2	4.1
Meat and meat products	178 872	152 217	21 357	5 298	85.1	11.9	3.0
Processing and preserving of fish and fish products	19 144	15 996	2 474	674	83.6	12.9	3.5
Dairy products (1)	:	100 000	:	3 868	:	:	:
Bread, sugar, confectionery and other food products (2)	199 523	150 911	39 612	9 000	75.6	19.9	4.5
Miscellaneous food products (3)	172 000	150 000	16 000	6 000	87.2	9.3	3.5
Beverages	:	15 051	:	7 646	:	:	:
Tobacco products	26 248	22 333	3 179	736	85.1	12.1	2.8

(1) Rounded estimate for purchases of goods and services based on non-confidential data.

(2) Rounded estimate for investment in tangible goods based on non-confidential data.

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

Source: Eurostat (SBS)

**Table 2.5**  
**Manufacture of food products, beverages and tobacco (NACE Subsection DA)**  
**Productivity and profitability, EU-27, 2004**

	Apparent labour productivity (EUR thousand)	Average personnel costs (EUR thousand)	Wage adjusted labour productivity (%)	Gross operating rate (%)
<b>Food products, beverages and tobacco</b>	41.8	24.4	171.7	9.8
<b>Meat and meat products</b>	30.1	21.4	140.6	5.4
<b>Processing and preserving of fish and fish products</b>	29.4	19.6	150.0	6.7
<b>Dairy products (1)</b>	44.0	28.0	160.0	5.8
<b>Bread, sugar, confectionery and other food products</b>	35.0	21.4	163.3	14.4
<b>Miscellaneous food products (1)</b>	48.0	27.0	180.0	7.4
<b>Beverages (1)</b>	70.0	33.0	210.0	15.4
<b>Tobacco products</b>	162.2	47.8	339.4	10.2

(1) Rounded estimates based on non-confidential data.  
 Source: Eurostat (SBS)

The gross operating rate for the food, beverages and tobacco sector in the EU-27 was 9.8 % in 2004, below the average of the non-financial business economy (11.0 %). According to this measure of profitability, there were particularly high rates in the manufacture of bread, sugar, confectionery and other food products (14.4 %) and beverages (15.4 %). In contrast, the gross operating rate for the production, processing and preserving of meat and meat products was about half the average for the non-financial business economy. Among the Member States for which data are available <sup>(7)</sup>, the rates were highest in Ireland (22.7 %) and Poland (21.5 %) and lowest in Slovakia, Slovenia and Estonia (between 4.9 % and 5.9 %).

#### EXTERNAL TRADE

The EU-27 had a positive trade balance of EUR 5.9 billion with the rest of the world in food products, beverages and tobacco (CPA Subsection DA) in 2006. This surplus resulted from EU-27 exports of EUR 54.0 billion (a

<sup>(7)</sup> Latvia and Luxembourg, 2003; Greece and Malta, not available.

5.0 % share of total industrial exports) and imports of food products, beverages and tobacco to the value of EUR 48.2 billion (a 3.8 % share of total industrial imports) – see Table 2.6.

This trade surplus comprised a large trade surplus mainly in beverages (CPA Group 15.9), bread, sugar, confectionery and other food products (CPA Group 15.8) and dairy products (CPA Group 15.5), outweighing the large deficits in fish products (CPA Group 15.2) and miscellaneous food products (the grouping of CPA Groups 15.3, 15.4, 15.6 and 15.7).

Exports and imports of food, beverages and tobacco products both grew strongly in 2006 (each up 10 %), maintaining the upturn in growth since 2003 and sustaining the level of trade surplus noted since 2001. Nevertheless, there was some change in the composition of exports and imports of food, beverages and tobacco products in the period between 2001 and 2006; within EU-27 exports, the shares of beverages and of other food products rose to 31.1 % and 26.1 % respectively in 2006 at the

expense, principally, of dairy products (down from 12.3 % to 9.5%) and within EU-27 imports, the share of miscellaneous food products rose to 34.5 %, principally at the expense of meat and meat products (CPA Group 15.1, down from 13.3 % to 12.1 %) and dairy products (down from 2.9 % to 1.7 %).

Almost three-quarters (74.6 %) of the value of exports of food, beverages and tobacco products by EU-27 Member States were to other EU Member States, the highest proportion among any of the chapters in this publication. As a proportion of industrial exports, the export of food, beverage and tobacco products was particularly important for Denmark (accounting for 17.9 % in 2006) and Greece (14.8 %). In terms of industrial imports, these products were also important in Denmark (10.2 %) and Malta (10.1 %). The United States was the EU-27's largest export market for food products, beverages and tobacco as a whole (a 21.2 % share of EU-27 exports), followed by Russia (9.2 %).

**Table 2.6**  
**Food products, beverages and tobacco (CPA Subsection DA)**  
**External trade, EU-27, 2006**

	Extra-EU exports		Extra-EU imports		Trade balance (EUR million)	Cover ratio (%)
	(EUR million)	(% share of industrial exports)	(EUR million)	(% share of industrial imports)		
<b>Food products, beverages and tobacco</b>	54 044	5.0	48 169	3.8	5 875	112.2
<b>Meat</b>	5 227	0.5	5 805	0.5	-578	90.0
<b>Fish</b>	2 053	0.2	13 509	1.1	-11 456	15.2
<b>Dairy products and ice cream</b>	5 129	0.5	823	0.1	4 307	623.4
<b>Bread, sugar, confectionery and other food products</b>	14 108	1.3	6 605	0.5	7 503	213.6
<b>Miscellaneous food products</b>	8 937	0.8	16 594	1.3	-7 658	53.9
<b>Beverages</b>	16 803	1.6	4 480	0.4	12 323	375.1
<b>Tobacco products</b>	1 788	0.2	354	0.0	1 434	504.7

Source: Eurostat (Comext)

## 2.1: 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.

With various animal sanitary health crises in recent years, the European Commission and Council have been active in revising and strengthening legislation in the areas of animal health and welfare. In January 2006, the European Commission launched a Community Action Plan on the Protection and Welfare of animals 2006-2010<sup>(8)</sup>. This is expected to be complemented by a Commission Communication on animal health policy. Furthermore, the Regulation on the Protection of Animals during Transport came into effect<sup>(9)</sup> in January 2007. The European Commission also requested in February 2007 that the European Food Agency give it advice on the implications of the commercial use of meat from cloned animals.

## STRUCTURAL PROFILE

The production, processing and preserving of meat and meat products (NACE Group 15.1, hereafter termed the meat processing sector) was the main activity of 46 000 enterprises in the EU-27 in 2004, which generated EUR 31.3 billion in value added in 2004, representing 15.7 % of the total generated by food, beverages and tobacco manufacturing as a whole (NACE Subsection DA). There were just over one million workers in the meat processing

<sup>(8)</sup> COM(2006) 13.

<sup>(9)</sup> Council Regulation (EC) No 1/2005.

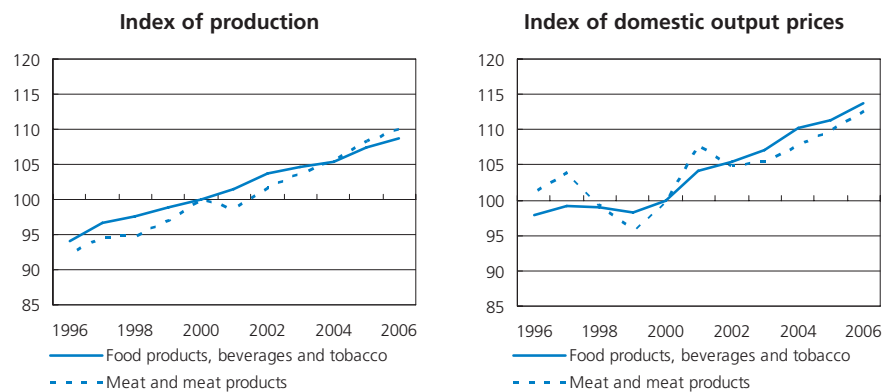
sector of the EU-27 in 2004, representing over one in five (21.8 %) of all those working in food, beverages and tobacco manufacturing. Within the meat processing sector, the production of meat and poultry products (NACE Class 15.13) was the largest, both in terms of value added and employment; it generated 60 % of the EU-27's meat processing sector value added in 2004 and employed a little over half (54.9 %) of all those working in the sector. A little less than one third (30.8 %) of the sectoral workforce were also employed in the EU 27's production and preserving of meat (NACE Class 15.11) subsector, almost double the level of those employed in the production and preserving of poultrymeat products (NACE Class 15.12) subsector.

More than half (57.0 %) of the value added in the meat processing sector of the EU-27 came from Germany, France and the United Kingdom (see Table 2.7). These three Member States also

had about one half (48.2 %) of the EU-27's meat processing workforce, Poland accounting for a further 11.8 % of workers. Denmark was the only country, however, that showed notable specialisation in the activities of meat processing in terms of value added; its contribution to the value added of the non-financial business economy being more than twice the EU-27 average in 2004. Employment specialisation (within the non-financial business economy) in meat processing was highest in Poland (almost double the EU-27 average) but also relatively high in Hungary, Denmark, Lithuania and France.

Over the decade between 1996 and 2006, the output price index for meat processing included some downturns, notably in 1998, 1999 and 2002 when it is likely that food health scares had an impact on demand, with some corresponding adjustment to production levels (see Figure 2.6).

**Figure 2.6** Production, processing, preserving of meat, meat products (NACE Group 15.1)  
Evolution of main indicators, EU-27 (2000=100)



Source: Eurostat (STS)

**Table 2.7** Production, processing, preserving of meat, meat products (NACE Group 15.1)  
Structural profile: ranking of top five Member States, 2004

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (1)	Value added specialisation ratio (EU-27=100) (2)	Employment specialisation ratio (EU-27=100) (2)
1	Germany (23.2)	Germany (20.8)	Denmark (214.9)	Poland (196.5)
2	France (18.6)	France (16.2)	Hungary (135.4)	Hungary (167.6)
3	United Kingdom (15.2)	Poland (11.8)	France (132.0)	Denmark (151.9)
4	Spain (9.0)	United Kingdom (11.3)	Finland (114.4)	Lithuania (150.2)
5	Italy (8.5)	Spain (7.6)	Germany (110.8)	France (141.4)

(1) Greece and Malta, not available; Luxembourg, 2003.

(2) Ireland, Greece, Cyprus and Malta, not available; Luxembourg, 2003.

Source: Eurostat (SBS)



Table 2.8

**Production, processing, preserving of meat, meat products (NACE Group 15.1)**  
**Productivity and profitability, EU-27, 2004**

	Apparent labour productivity (EUR thousand)	Average personnel costs (EUR thousand)	Wage adjusted labour productivity (%)	Gross operating rate (%)
<b>Meat and meat products</b>	30.1	21.4	140.6	5.4
<b>Meat (1)</b>	:	21.0	:	:
<b>Poultrymeat (1)</b>	23.0	20.0	120.0	3.1
<b>Meat and poultrymeat products (1)</b>	33.2	22.0	148.0	7.2

(1) Rounded estimates based on non-confidential data.  
 Source: Eurostat (SBS)

Table 2.9

**Production, processing, preserving of meat, meat products (NACE Group 15.1)**  
**External trade, EU-27, 2006**

	Extra-EU exports		Extra-EU imports		Trade balance (EUR million)	Cover ratio (%)
	(EUR million)	(% share of chapter)	(EUR million)	(% share of chapter)		
<b>Meat</b>	5 227	9.7	5 805	12.1	-578	90.0
<b>Fresh and preserved meat, except poultry</b>	3 650	6.8	3 956	8.2	-306	92.3
<b>Fresh and preserved poultry meat</b>	781	1.4	586	1.2	195	133.2
<b>Meat and poultry meat products</b>	796	1.5	1 262	2.6	-466	63.1

Source: Eurostat (Comext)

### COSTS, PRODUCTIVITY AND PROFITABILITY

The cost structure of the meat processing sector of the EU-27 was broadly similar to the food, beverages and tobacco manufacturing sector as a whole. Among the Member States, the proportion of gross investment in tangible goods within total expenditure (gross operating and tangible investment expenditure) was highest in Latvia (17.4 %), Slovenia (10.9 %) and Lithuania (10.6 %).

The apparent labour productivity of the EU-27 meat processing sector was EUR 30 100 per person employed in 2004 (see Table 2.8), considerably lower than the average level for the food, beverages and tobacco manufacturing sector as a whole (EUR 41 800 per employee) and the non-financial business economy (EUR 40 900 per employee). Although average personnel costs in the meat processing sector of the EU-27 (EUR 21 400 per employee) were almost one-quarter (22.5 %) less than the average across the non-financial business economy in 2004, wage adjusted labour productivity ratio for the meat processing sector (140.6 %) in the EU-27 remained 5 % below that of the non-financial business economy and significantly less than the ratio for the food, beverages and tobacco sector (171.7 %).

For the majority of Member States, the wage adjusted labour productivity of their meat processing sectors was significantly lower than the ratio for their respective non-financial business economies; the most notable exception was Bulgaria, where the wage adjusted labour productivity of the meat processing sector was 34.7 % higher than the ratio for the non-financial business economy.

The profitability of the meat processing sector, as indicated by the gross operating rate, was the lowest of all the food, beverages and tobacco manufacturing sectors in 2004 at 5.4 %, just under half the rate of profitability of the non-financial business economy (11.0 %). Indeed, profitability was particularly low in the production of meat and poultry meat products (3.1 %). The characteristic of relatively low profitability in the sector was common to all of the Member States for which data are available <sup>(10)</sup>.

<sup>(10)</sup> Luxembourg, 2003; Ireland, Greece, Cyprus and Malta, not available.

### EXTERNAL TRADE

Extra EU-27 exports of meat and meat products (CPA Group 15.1) in 2006 were valued at EUR 5.2 billion, representing 9.7 % of all exports of food products, beverages and tobacco products (CPA Subsection DA) – see Table 2.9. Combined with imports of EUR 5.8 billion, this led to a trade deficit of EUR 578 million. There was a moderate trade surplus of EUR 195 million in fresh and preserved poultrymeat (CPA Class 15.12) in 2006, but this was outweighed by the trade deficits of EUR 466 million for meat and poultrymeat products (CPA Class 15.13) and EUR 306 million for fresh and preserved meat, except poultry (CPA Class 15.11).

Exports of meat and meat products by EU-27 Member States were mainly intra-EU-27 based (85.3 %). The main external markets for EU-27 exports were Russia (22.9 %) and Japan (16.7 %). Almost two-thirds of the value of EU-27 imports came from Brazil (34.0 %), New Zealand (18.5 %) and Argentina (9.2 %).

Among the Member States, Denmark, the Netherlands, Ireland and Belgium recorded the largest trade surpluses (intra and extra-EU) in 2006. In contrast, the United Kingdom and Italy were the Member States that were most reliant on imports of meat and meat products in 2005 (recording trade deficits of EUR 4.6 billion and EUR 3.5 billion respectively).

## 2.2: 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 activity of this sector is linked to the fishing sector, and the issues relating to fish stocks and quotas. In May 2006, the European Commission published a Communication <sup>(11)</sup> titled "Halting the loss of biodiversity by 2010" that aims to clarify the responsibilities concerning the implementation of existing policies, and this underlined the damaging impact current practices have on commercially harvested fish stocks as well as on non-target species and habitats. Conservation policies have dominated recent legislative developments; there have been Council Regulation proposals for new multi-annual (recovery) plans for cod stocks <sup>(12)</sup>, bluefin tuna stocks <sup>(13)</sup>, conservation and enforcement measures in the North Atlantic Fisheries Organisation <sup>(14)</sup> and the use of drift nets <sup>(15)</sup>.

## STRUCTURAL PROFILE

The fish processing sector (NACE Group 15.2) of the EU-27 consisted of 4 000 enterprises which generated a value added of EUR 3.8 billion in 2004, representing only 1.9 % of the value added generated by food, beverages and tobacco manufacturing (NACE Subsection DA). The 128 700 people employed in fish processing in the EU-27 in 2004 represented 2.7 % of the food, beverages and tobacco workforce. A little more than half (53.1 %) of the value added generated by the fish

<sup>(11)</sup> COM(2006) 216.

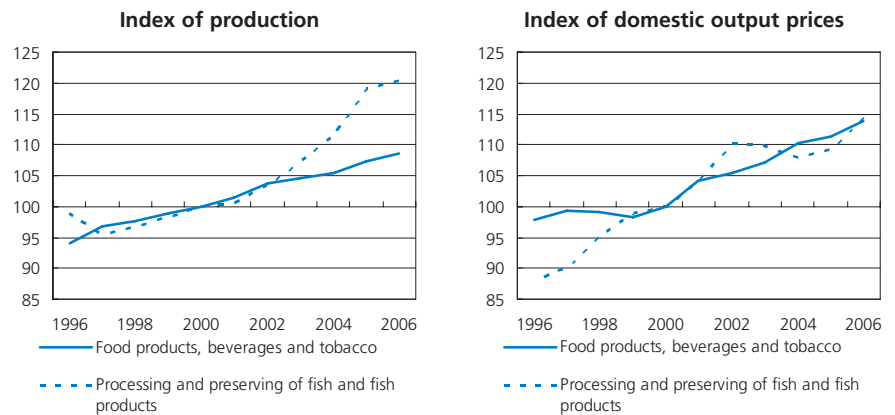
<sup>(12)</sup> COM(2006) 411.

<sup>(13)</sup> COM(2007) 169.

<sup>(14)</sup> COM(2006) 609.

<sup>(15)</sup> COM(2006) 511.

**Figure 2.7** Processing and preserving of fish and fish products (NACE Group 15.2)  
Evolution of main indicators, EU-27 (2000=100)



Source: Eurostat (STS)

processing sectors of the EU-27 came from France, Spain and the United Kingdom. These three Member States also had the largest workforces in fish processing (a combined 43.7 %), with Poland also having a sizeable workforce (10.2 %) – see Table 2.10. In relative terms, the fish processing sectors in the Baltic Member States and Denmark were, by far, the most specialised. In Latvia and Lithuania, the contribution of the value added of fish processing activities to the value added of the non-financial business economy was between six and seven times the EU-27 average.

The output of EU-27 fish processing grew every year since a relative trough in 1997 (see Figure 2.7), despite concerns about the EU's own fish stocks. Indeed, growth in output (an average 2.0 % per annum) was among the highest of the food, beverages and tobacco manufacturing sectors and accelerated in the period between 2001 and 2005 (an average 4.3 % per annum).

## COSTS, PRODUCTIVITY AND PROFITABILITY

The apparent labour productivity of fish processing activities in the EU-27 was EUR 29 400 per person employed, the lowest among the food, beverages and tobacco manufacturing sectors. However, average personnel costs in the fish processing sector were EUR 19 600 per employee and resulted in a wage adjusted labour productivity ratio (150.0 %) for fish processing close to the non-financial business economy (148.0 %), but considerably less than the average ratio for food, beverages and tobacco (171.7 %). In Hungary and Estonia, the wage adjusted productivity level of the fish processing sector was about half (51.3 % and 54.4 % respectively) that of the non-financial business economy.

The gross operating rate of 6.7 % for the fish processing sector was also low, both compared to the wider food, beverages and tobacco manufacturing sector (9.8 %) and the non-financial business economy average (11.0 %).

**Table 2.10** Processing and preserving of fish and fish products (NACE Group 15.2)  
Structural profile: ranking of top five Member States, 2004

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	United Kingdom (18.4)	Spain (17.6)	Latvia (675.4)	Latvia (1 180.1)
2	Spain (18.3)	United Kingdom (14.1)	Lithuania (600.1)	Estonia (867.8)
3	France (16.4)	France (12.0)	Estonia (485.1)	Lithuania (587.4)
4	Germany (11.1)	Poland (10.2)	Denmark (371.4)	Denmark (342.1)
5	Denmark (7.4)	Germany (7.7)	Portugal (246.7)	Portugal (184.8)

(1) Czech Republic, Greece, Italy, Cyprus, Malta, Netherlands, Austria, Slovenia and Sweden, not available; Luxembourg and Finland, 2003.

(2) Czech Republic, Greece, Italy, Cyprus, Malta, Austria, Slovenia and Sweden, not available; Luxembourg and Finland, 2003.

(3) Czech Republic, Ireland, Greece, Italy, Cyprus, Malta, Netherlands, Austria, Slovenia and Sweden, not available; Luxembourg and Finland, 2003.

(4) Czech Republic, Ireland, Greece, Italy, Cyprus, Malta, Austria, Slovenia and Sweden, not available; Luxembourg and Finland, 2003.

Source: Eurostat (SBS)

**EXTERNAL TRADE**

Strong demand for fish and fish products in the EU-27, coupled with low fish stocks in EU waters, is leading to an increasing reliance on imports of fish and fish products from a spread of non-member countries. Imports of fish and fish products (CPA Group 15.2) were valued at EUR 13.5 billion in 2006, accounting for 28 % of all imports of food products, beverages and tobacco (CPA Subsection DA). A quarter of the

value of EU-27 imports came from Norway (9.0 %), China (8.6 %) and Iceland (7.2 %) combined. Although the value of EU-27 exports of fish and fish products increased to EUR 2.1 billion in 2006, the trade deficit grew to EUR 11.5 billion, the largest deficit recorded among the ten CPA groups that make up food, beverages and tobacco products.

**2.3: 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. The data presented do not cover activities within the confines of farms themselves.

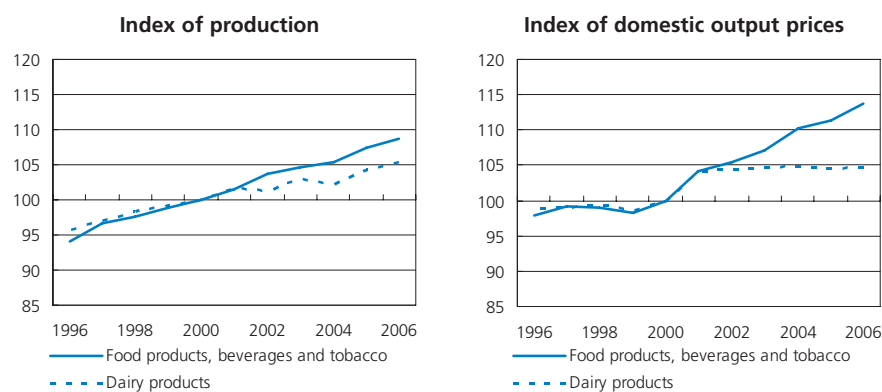
There are three main policy areas of relevance to the dairy products manufacturing sector. The first concerns changes in the current framework conditions for dairy products in the EU; in April 2007, there was an increase of 0.5 % in milk quotas that came into force in 11 Member States, and in July 2007 there was a further cut in the intervention price of butter. The second concerns the so-called "Dairy-Mini Package" that is part of the European Commission's "Action Plan on the Simplification of the CAP", which was published in October 2006, and has important proposals on protein standardisation (important for powder manufacturers and milk processors), and the liberalisation of fat content of drinking milk, which may give manufacturers greater flexibility to respond to consumer trends towards low-fat milks. The third area of policy concerns the World Trade Organisation negotiations, suspended in July 2006, which included proposals for the possible phasing out of export subsidies, without volume restrictions, and a proposal on market access for dairy products from third countries.

**STRUCTURAL PROFILE**

There were 400 000 persons employed in the 12 500 enterprises with the manufacture of dairy products (NACE Group 15.5) as their main activity in the EU-27 in 2004, representing 8.4 % of the workforce in the food, beverages and tobacco manufacturing sector. The majority of these workers (87.5 %) were engaged in the operation of dairies and cheese making (NACE Class 15.51). The manufacture of dairy products in the EU-27 generated EUR 18.1 billion of value added in 2003, representing 9.4 % of the total recorded for food, beverages and tobacco manufacturing (NACE Subsection DA).

The main Member States for dairy products manufacturing in terms of value added in 2004 were France (EUR 3.2 billion), Germany (EUR 3.1 billion), Italy (EUR 2.8 billion), the United Kingdom and Spain (both EUR 1.7 billion). However, Germany and the United Kingdom were among the least specialised Member States in dairy products manufacturing. In contrast, the dairy products sector in Latvia accounted for a little over twice the EU-27 average share of the non-financial business economy value added in 2003 (see Table 2.11).

**Figure 2.8**  
Manufacture of dairy products (NACE Group 15.5)  
Evolution of main indicators, EU-27 (2000=100)



Source: Eurostat (STS)

**Table 2.11**

**Manufacture of dairy products (NACE Group 15.5)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	France (17.4)	France (15.8)	Latvia (222.8)	Lithuania (430.1)
2	Italy (17.3)	Italy (13.0)	Estonia (190.8)	Latvia (222.1)
3	Germany (16.5)	Poland (11.5)	Poland (177.8)	Estonia (221.4)
4	United Kingdom (11.1)	Germany (10.5)	Italy (155.6)	Poland (192.8)
5	Spain (8.2)	United Kingdom (7.5)	Hungary (152.7)	Bulgaria (147.7)

(1) 2003; Denmark, Greece, Luxembourg, Malta and Sweden, not available.

(2) Denmark, Greece, Luxembourg and Malta, not available.

(3) 2003; Denmark, Ireland, Greece, Cyprus, Lithuania, Luxembourg, Malta and Sweden, not available.

(4) Denmark, Ireland, Greece, Cyprus, Luxembourg and Malta, not available.

Source: Eurostat (SBS)

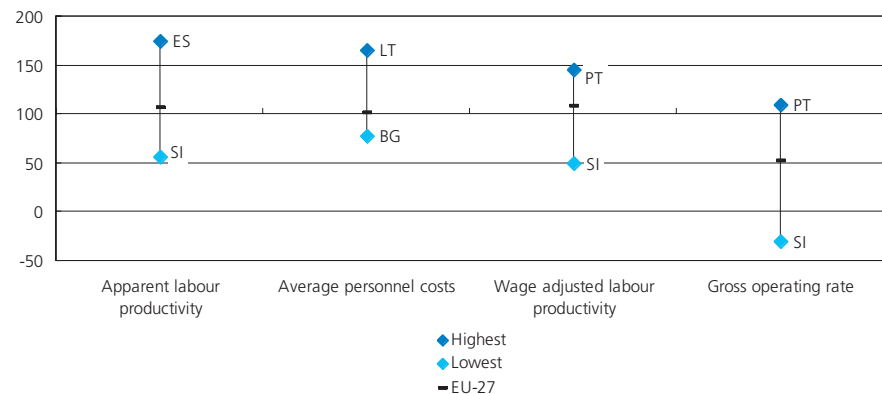
There was relatively steady growth in the production index of dairy products in the EU-27 between 1996 and 2006. Over the period as a whole, there was an average rate of growth of 1.0 % per annum despite small declines in 2002 and 2004. In contrast, the domestic price index for dairy products was largely stagnant except for a 4.2 % jump in prices in 2001 – see Figure 2.8.

### COSTS, PRODUCTIVITY AND PROFITABILITY

Average personnel costs in the dairy products manufacturing sector were EUR 28 000 per employee in the EU-27 in 2004, a little higher (1.4 %) than the average across the non-financial business economy and more significantly above the average (14.8 % higher) within the food, beverages and tobacco manufacturing sector. The apparent labour productivity of EUR 44 000 per person employed in the dairy products sector was 7.6 % higher than the average rate for the non-financial business economy in 2004. This situation in 2004 resulted in a wage adjusted labour productivity ratio of 160.0 % for the dairy products sector, which was moderately higher than the average ratio for the non-financial business economy (148.0 %). In Spain and Portugal, the wage adjusted labour productivity ratio of the dairy products sector was significantly higher (37.8 % and 45.2 % respectively) than the average ratio for their non-financial business economies in 2004 (see Figure 2.9), despite the fact that average personnel costs in the dairy sector were also sharply higher (27.4 % and 20.5 %). In contrast, the wage adjusted labour productivity ratio of dairy products was half (50 %) that of the non-financial business economy in Slovenia, the lowest relative level among the Member States.

The profitability of the EU-27 dairy products manufacturing sector, as measured by the gross operating rate was only 5.8 % in 2004, about half (52.7 %) of the rate of profitability of the non-financial business economy. This characteristic was common across the majority of the Member States; only in Hungary and Portugal were the gross operating rates of the dairy products sector slightly higher than the average rates for their respective non-financial business economies. Indeed, in the Netherlands and Slovenia the gross operating rate of the dairy products sector was negative in 2004 (-1.0 and -2.8 % respectively), due to a negative gross operating surplus as personnel costs were higher than value added.

**Figure 2.9**  
**Manufacture of dairy products (NACE Group 15.5)**  
**Productivity and profitability characteristics relative to national averages, 2004**  
**(non-financial business economy=100) (1)**



(1) Denmark, Ireland, Greece, Cyprus, Luxembourg and Malta, not available.  
Source: Eurostat (SBS)

### EXTERNAL TRADE

The EU-27 exported EUR 5.1 billion of dairy products and ice cream (CPA Group 15.5) in 2006, representing 9.5 % of food, beverages and tobacco product (CPA Subsection DA) exports. Dairy products accounted for almost all (97.2 %) of these exports. During the period 2001 to 2005, there was a trend of falling imports of dairy products and ice cream and an uneven rise in exports, which had resulted in a growing trade surplus. However, this pattern of trade was not continued in 2006 with the value of imports rising (3.1 % higher), the value of exports falling (down 4.5 %) and the trade surplus shrinking 5.8 % to EUR 4.3 billion.

Extra-EU exports accounted for nearly one-fifth (19.6 %) of the value of all exports (intra- and extra-EU) of dairy products and ice cream by the EU-27 Member States in 2004. The principal external export markets for these products were the United States and Russia (13.6 % and 11.7 % respectively of EU exports). A little over two-thirds of dairy product imports to the EU-27 came from Switzerland (37.0 %) and New Zealand (32.0 %).

Among the Member States, France recorded the largest trade surplus in dairy products in 2006 (a total of EUR 2.4 billion, of which EUR 0.9 billion was extra-EU trade). The Netherlands, Germany, Denmark and Ireland also registered (extra and intra-EU) trade surpluses for dairy products at or above EUR 1.0 billion. In contrast, Italy and the United Kingdom recorded trade deficits of EUR 1.4 billion and EUR 1.6 billion respectively in dairy products in 2006.

## 2.4: 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 an important ingredient in the manufacture of chocolate, biscuits and confectionery, so changes in the sugar market in the EU can have ripple effects. For sugar processing, planning has been more difficult because the amount of quota renounced has fallen far short of the six million tonnes envisaged under the reform of the Common Market Organisation <sup>(16)</sup> for the EU's sugar sector, which was introduced in February 2006.

<sup>(16)</sup> Council Regulation (EC) No 318/2006.

In 2006 the European Commission proposed a Directive of the European Parliament and Council on Nominal Quantities <sup>(17)</sup> that would give producers the freedom to choose the size of packaging for most of their pre-packed products. This would replace 27 different national rules and two EU directives on nominal quantities, and it is expected that this Directive will be adopted in the near future. This will be important for many food and drink manufacturers, notably for soft drinks and frozen foods producers, as well as for bread manufacturers (scrapping rules on the size of loaves), and for sugar processors.

<sup>(17)</sup> COM(2006) 171.

### STRUCTURAL PROFILE

The bread, sugar, confectionery and other food products manufacturing (NACE Group 15.8) sector was by far the largest of the NACE groups within food, beverages and tobacco manufacturing (NACE Subsection DA) in terms of both value added and employment; it consisted of 181 000 enterprises which generated EUR 71.5 billion of value added (35.8 % of the total) and employed 2.0 million people in 2004 (42.8 % of those employed in food, beverages and tobacco manufacturing).

The manufacture of bread, fresh pastry goods and cakes (NACE Class 15.81) was the main activity within the bread, sugar, confectionery and other food products sector, generating EUR 28.0 billion in value added in 2004 (39.1 % of the sectoral total) and employing 1.3 million people (63.6 % of the sectoral total).

Table 2.12

### Manufacture of bread, sugar, confectionery and other food products (NACE Group 15.8) Structural profile: ranking of top five Member States, 2004

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (1)	Value added specialisation ratio (EU-27=100) (2)	Employment specialisation ratio (EU-27=100) (2)
1	Germany (20.2)	Germany (21.1)	Poland (131.7)	Bulgaria (150.9)
2	United Kingdom (17.8)	France (14.3)	Netherlands (118.1)	Romania (143.7)
3	France (15.7)	Italy (11.8)	Belgium (117.8)	Lithuania (141.1)
4	Italy (11.3)	United Kingdom (9.1)	France (111.5)	Poland (130.7)
5	Spain (6.1)	Poland (7.8)	Lithuania (111.5)	Germany (127.4)

(1) Greece and Malta, not available; Luxembourg, 2003.

(2) Ireland, Greece, Cyprus and Malta, not available; Luxembourg, 2003.

Source: Eurostat (SBS)

Table 2.13

### Production of selected products - other food products (CPA Group 15.8), EU-27, 2006 (1)

	Prodcom code	Production value (EUR million)	Volume of sold production (thousands)	Unit of volume
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	23 194	19 094 053	kg
Cake and pastry products; other baker's wares with added sweetening matter	15.81.12.00	18 167	7 565 435	kg
Refined white cane or beet sugar in solid form	15.83.12.30	11 429	19 271 117	kg
Roasted coffee, not decaffeinated	15.86.11.50	7 967	1 633 318	kg
Sauces and preparations therefor, mixed condiments and mixed seasonings (excluding soya sauce, tomato ketchup, other tomato sauces, mustard flour or meal and prepared mustard)	15.87.12.70	5 662	1 802 641	kg
Sweet biscuits (including sandwich biscuits; excluding those completely or partially coated or covered with chocolate or other preparations containing chocolate)	15.82.12.55	4 386	2 467 884	kg
Sweet biscuits; waffles and wafers completely or partially coated or covered with chocolate or other preparations containing cocoa	15.82.12.53	4 317	1 415 102	kg
Soups and broths and preparations therefor	15.89.11.00	3 500	1 477 564	kg
Filled chocolate blocks; slabs or bars consisting of a centre (including of cream, liqueur or fruit paste; excluding chocolate biscuits)	15.84.22.33	3 293	788 639	kg
Gums; fruit jellies and fruit pastes in the form of sugar confectionery (excluding chewing gum)	15.84.23.65	2 218	800 741	kg

(1) Estimated.

Source: Eurostat (PRODCOM)

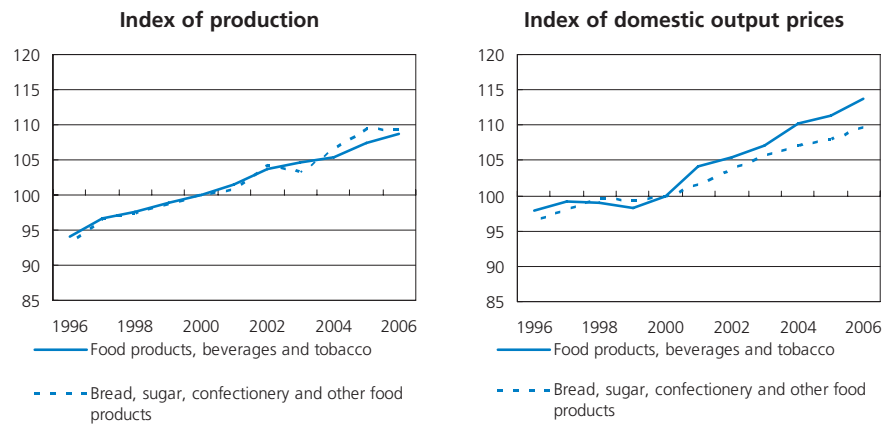
The manufacture of bread, sugar, confectionery and other foods products in Germany generated the highest value added among Member States in 2004 (EUR 14.5 billion), which corresponded to one fifth of the contribution to the EU-27's bread, sugar, confectionery and other foods products manufacturing sector (see Table 2.12). A further one-third (33.5 %) of value-added came from the United Kingdom (EUR 12.7 billion) and France (EUR 11.2 billion) combined. Among the Member States for which data are available <sup>(18)</sup>, Poland was the most specialised in the manufacture of bread, sugar, confectionery and other foods products, as it contributed about a third more (31.7 %) to the national non-financial business economy than the average across the EU-27.

The production index of bread, sugar, confectionery and other foods products grew (an average 1.6 % per annum) at a very similar rate to the production index for food products, beverages and tobacco as a whole, despite small declines of less than 1.0 % in 2003 and 2006 (see Figure 2.10). There were contrasting developments, however, in the production index of many of the activities within the sector. Although, typically, there were strong annual fluctuations in sugar manufacturing output (NACE Class 15.83), these occurred within the framework of a downward trend over the period studied (the fall of 25 % in 2006 accelerating the average rate of decline to 3.4 % per year). In contrast, there was strong and relatively steady growth at an average rate of 3.2 % in the output of condiments and seasoning (NACE Class 15.87), and average growth of 5.0 % and 5.1 % <sup>(19)</sup> per annum respectively in the output of other miscellaneous food products n.e.c. (NACE Class 15.89) and homogenised food preparations and dietetic food (NACE Class 15.88).

<sup>(18)</sup> Luxembourg, 2003; Ireland, Greece, Cyprus and Malta, not available.

<sup>(19)</sup> Between 2000 and 2006.

**Figure 2.10** **Manufacture of bread, sugar, confectionery and other food products (NACE Group 15.8)**  
**Evolution of main indicators, EU-27 (2000=100)**



Source: Eurostat (STS)

The domestic output price index for bread, sugar, confectionery and other foods products manufacturing increased by an average of 1.3 % per annum over the period 1996 to 2006, a similar rate to that for food and beverages as a whole. It is interesting to note, however, that the output price of sugar manufacturing declined over the period (an average 0.8 % per annum), despite there also being a fall in output over the same period.

#### **COSTS, PRODUCTIVITY AND PROFITABILITY**

In the EU-27's bread, sugar, confectionery and other food products manufacturing sector, the proportion of total expenditure (gross operating and tangible investment expenditure) accounted for by personnel costs was 19.9 %, much higher than the average across food, beverages and tobacco manufacturing. Average personnel costs in the sector (EUR 21 400 per employee), however, were among the lowest in food, beverages and tobacco manufacturing in 2004 and almost one-quarter (22.5 %) less than the average across the non-financial business economy of the EU-27.

Wage adjusted labour productivity for the bread, sugar, confectionery and other food products manufacturing sector in the EU-27 was 163.3 % in 2004, a little less than the ratio for food, beverages and tobacco manufacturing but about 10 % higher than the average across the non-financial business economy as a whole. Among the Member States, however, it was only in a minority of countries that this ratio was higher than the average for the non-financial business economy, most notably in the United Kingdom where it was 28.1 % higher. In contrast the ratio was between 20 % and 25 % lower than the respective non-financial business economy ratios in Bulgaria and Estonia.

The bread, sugar, confectionery and other food products manufacturing sector in the EU-27 was one of only two NACE groups within food, beverages and tobacco manufacturing (the other being beverages) that had a higher gross operating rate (14.4 %) than the average for the non-financial business economy in 2004 (11.0 %). This relatively high level of profitability extended to most of the Member States, among whom the rates for the United Kingdom (22.4 %) and Ireland (32.5 %) were the highest. It also extended to most of the NACE classes within the bread, sugar, confectionery and other food products manufacturing sector in the EU-27, with the rate of 17.3 % for the processing of tea and coffee (NACE Class 15.86) being the highest (see Table 2.14).

Table 2.14

**Manufacture of bread, sugar, confectionery and other food products (NACE Group 15.8)**  
**Productivity and profitability, EU-27, 2004**

	Apparent labour productivity (EUR thousand)	Average personnel costs (EUR thousand)	Wage adjusted labour productivity (%)	Gross operating rate (%)
<b>Bread, sugar, confectionery and other food products</b>	35.0	21.4	163.3	14.4
<b>Bread; fresh pastry goods and cakes</b>	21.0	16.0	130.0	13.9
<b>Rusks and biscuits; preserved pastry goods and cakes</b>	40.0	25.0	150.0	11.0
<b>Sugar</b>	:	:	240.0	15.0
<b>Cocoa; chocolate and sugar confectionery</b>	59.9	30.0	200.0	14.5
<b>Macaroni, noodles, couscous and similar farinaceous products</b>	36.2	25.0	140.0	:
<b>Processing of tea and coffee</b>	83.0	36.0	230.0	17.3
<b>Condiments and seasonings</b>	50.5	33.4	151.0	8.1
<b>Homogenized food preparations and dietetic food</b>	80.0	40.0	210.0	15.0
<b>Other food products n.e.c.</b>	:	30.8	:	:

Source: Eurostat (SBS)

### EXTERNAL TRADE

A little over one-quarter (26.1 %) of the EU-27 exports of food, beverages and tobacco products (CPA Subsection DA) in 2006 concerned exports of the goods that are grouped together as bread, sugar, confectionery and other food products (CPA Group 15.8). The upward trend in the value of EU-27 exports of bread, sugar, confectionery and other food products continued in 2006 to reach EUR 14.1 billion. Extra-EU exports accounted for about 30 % of all trade (intra- and extra-EU-27) by EU-27 Member States. The EU-27's principal export markets were the United States (a 13.0 % share of exports) and Russia (8.1 %). EU-27 imports of bread, sugar, confectionery and other food products reached EUR 6.6 billion in 2006, mainly originating from Switzerland (16.6 % share of such imports), the United States (7.9 %) and Brazil (6.6 %). These flows resulted in an EU-27 trade surplus for bread, sugar, confectionery and other food products of EUR 7.5 billion in 2006, the second largest trade surplus behind beverages within the nine CPA groups of food products and beverages.

All nine of the CPA classes within the grouping of bread, sugar, confectionery and other food products showed a trade surplus in 2006. The two largest were for tea and coffee (EUR 2.0 billion, CPA Class 15.86), which almost doubled between 2001 and 2006, and other food products n.e.c. (EUR 1.4 billion, CPA Class 15.89).

The highest trade surplus (intra- and extra-EU) in bread, sugar, confectionery and other food products, was recorded by the Netherlands (at EUR 3.1 billion), slightly higher than the surpluses for Germany and Italy (both EUR 2.7 billion). The largest trade deficit in these products in 2006 was recorded for the United Kingdom (EUR 2.7 billion).

## 2.5: 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).

There were a number of developments in European Commission policies of relevance to the varied food processing activities covered in this subchapter. For example, the European Commission proposed a reform of the Common Market Organisation (CMO) for the fruit and vegetables sector <sup>(20)</sup> in January 2007, with the objective to increase the consumption of fruit and vegetables. In March 2007, the European Parliament's Committee on Agriculture and Rural Development published a draft report <sup>(21)</sup> that suggested greater funding for fruit- and vegetable-promotion campaigns and improved conditions for their free distribution.

<sup>(20)</sup> COM(2007) 17.

<sup>(21)</sup> 2007/012(CNS).

Table 2.15

**Manufacture of miscellaneous food products (NACE Groups 15.3, 15.4, 15.6 and 15.7)**  
**Relative weight within food products, beverages and tobacco, EU-27, 2004 (%)**

	No. of enterprises	Turnover	Value added	Employment
<b>Miscellaneous food products (1)</b>	10.1	19.4	14.5	12.6
<b>Processing and preserving of fruit and vegetables (1)</b>	3.0	5.4	5.8	5.9
<b>Vegetable and animal oils and fats (2)</b>	2.4	4.0	2.0	1.4
<b>Grain mill products, starches and starch products</b>	2.9	3.8	3.4	2.7
<b>Prepared animal feeds</b>	1.7	5.9	3.6	2.8

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

(2) Rounded estimates based on non-confidential data; employment, 2003.

Source: Eurostat (SBS)

### PROCESSING AND PRESERVING OF FRUIT AND VEGETABLES

The processing and preserving of fruit and vegetables was the main activity of about 9 000 enterprises in the EU-27 and generated EUR 11.5 billion of value added in 2004, representing 5.8 % of the total value added generated by food, beverages and tobacco manufacturing (NACE Subsection DA) – see Table 2.15. With 280 000 people working in this activity, the average apparent labour productivity was EUR 40 000 per person employed, slightly below the average across the food, beverages and tobacco manufacturing sector as a whole. This sector's average personnel costs (EUR 24 000 per employee), the wage adjusted labour productivity ratio (172.0 %) and the gross operating rate (9.9 %) were all similar to the food, beverages and tobacco manufacturing averages.

The manufacture of processed and preserved fruit and vegetables in the United Kingdom provided about one fifth (21.5 %) of the value added generated in this activity by the EU-27 as a whole in 2004. Among the Member States

for which data are available <sup>(22)</sup>, however, Poland and Hungary were the most specialised in this activity (see Table 2.16), the value added generated by their processing and preserving of fruit and vegetables sector contributing between two and three times as much to their respective national non-financial business economies as the average across the EU-27.

The value of EU-27 exports of processed and preserved fruit and vegetable products (CPA Group 15.3) in 2006 was EUR 3.2 billion, some EUR 2.4 billion lower than the value of imports (EUR 5.6 billion). Almost half (48.4 %) of these imports came from Turkey, China and Brazil. The United States and Russia were the main export markets, accounting together for almost one-third (31.9 %) of EU-27 exports of processed and preserved fruit and vegetable products. It should be noted, however, that the EU-27 export market for these goods was relatively small accounting for just (17.7 %) of all exports (intra- and extra-EU) by the EU-27 Member States.

<sup>(22)</sup> Greece, Luxembourg, Malta and Slovakia, not available.

Table 2.16

**Processing and preserving of fruit and vegetables (NACE Group 15.3)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (1)	Value added specialisation ratio (EU-27=100) (2)	Employment specialisation ratio (EU-27=100) (2)
1	United Kingdom (21.5)	Poland (14.9)	Poland (262.3)	Poland (248.6)
2	Germany (13.0)	United Kingdom (13.7)	Hungary (206.5)	Bulgaria (220.8)
3	Italy (12.4)	Spain (12.4)	Bulgaria (157.9)	Hungary (208.7)
4	France (11.2)	Italy (11.7)	Slovenia (152.6)	Slovenia (148.4)
5	Spain (10.8)	Germany (10.9)	Belgium (151.5)	Belgium (129.1)

(1) Greece, Luxembourg, Malta and Slovakia, not available.

(2) Ireland, Greece, Cyprus, Luxembourg, Malta and Slovakia, not available.

Source: Eurostat (SBS)



Table 2.17

**Manufacture of vegetable and animal oils and fats (NACE Group 15.4)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	Spain (20.7)	Spain (20.0)	Hungary (392.2)	Bulgaria (273.6)
2	Italy (20.5)	Italy (18.9)	Romania (237.9)	Romania (259.7)
3	Germany (20.0)	Germany (11.5)	Spain (230.1)	Slovakia (212.3)
4	United Kingdom (5.4)	Romania (8.3)	Bulgaria (191.3)	Spain (198.9)
5	Sweden (3.1)	Czech Republic (4.8)	Italy (184.2)	Czech Republic (165.2)

(1) Estonia, Greece, France, Latvia, Luxembourg, Malta, Netherlands, Slovenia and Finland, not available.

(2) All Member States, 2003, except Denmark, Estonia, Greece, Luxembourg, Malta and Sweden, not available.

(3) Estonia, Ireland, Greece, France, Cyprus, Latvia, Luxembourg, Malta, Netherlands, Slovenia and Finland, not available.

(4) All Member States, 2003, except Denmark, Estonia, Ireland, Greece, Cyprus, Lithuania, Luxembourg, Malta and Sweden, not available.

Source: Eurostat (SBS)

### VEGETABLE AND ANIMAL OILS AND FATS

Vegetable and animal oils and fats manufacturing was the main activity of 7 200 enterprises in the EU-27 and generated EUR 3.9 billion of value added in 2004, representing 2.0 % of the food, beverages and tobacco manufacturing (NACE Subsection DA) total. Despite average personnel costs in the sector (EUR 30 400 per employee) that were relatively high in the EU-27 in 2004, the wage adjusted productivity ratio (200.0 %) of this sector was a little over one third higher (35.1 %) than the ratio for the non-financial business economy.

The majority of the value added (61.2 %) generated by the manufacture of vegetable and animal oils and fats in the EU-27 came from production in Germany, Spain and Italy. However, among the Member States for which data are available <sup>(23)</sup>, Hungary was by far the most specialised in the production of vegetable and animal oils and fats, as it contributed almost four times as much to the value added of its non-financial business economy as the EU-27 average (see Table 2.17), with Spain and Romania also being relatively specialised with contributions that were more than twice the average.

<sup>(23)</sup> Estonia, Ireland, Greece, France, Cyprus, Latvia, Luxembourg, Malta, Netherlands, Slovenia and Finland.

The EU-27 had a trade deficit in vegetable and animal oils and fats (CPA Group 15.4) to the value of EUR 6.8 billion in 2004. This was the second largest deficit among the CPA groups of the food, beverages and tobacco products (CPA Subsection DA). Imports of these oils and fats accounted for almost one-fifth (19.5 %) of all EU-27 imports of food, beverages and tobacco products and were valued at EUR 9.4 billion in 2004. One-half (49.5 %) of these imports came from Argentina and Brazil. The vast majority of imports (85 %) were of crude oils and fats, the largest part of which was soya for animal compound feed.

### GRAIN MILL AND STARCH PRODUCTS

The manufacture of grain mill and starch products was the principal activity of 8 500 enterprises across the EU-27 in 2004, which generated EUR 6.8 billion of value added, representing 3.4 % of the total value added for the food, beverages and tobacco sector (NACE Subsection DA). A little over one quarter (26.4 %) of the value added was generated in the United Kingdom. These activities employed 127 900 people across the EU-27, representing 2.7 % of the workforce in the food, beverages and tobacco sector. Hungary and Romania were relatively specialised in the manufacture of grain mill and starch products; this activity contributed over twice as much of the value

added of the respective national non-financial business economies than the EU-27 average in 2004 (see Table 2.18).

Personnel costs in the grain mill and starch products manufacturing sector of the EU-27 accounted for a relatively low proportion (10.6 %) of total expenditure (gross operating and tangible investment expenditure) compared to the non-financial business economy (16.4 %). However, average personnel costs in the sector were almost one-tenth (8.7 %) higher than the non-financial business economy average, at EUR 30 000 per employee in 2004. The apparent labour productivity of those working in the sector (EUR 53 400 per person employed) was almost one-third (30.6 %) higher than the non-financial business economy average. The higher personnel costs, however, narrowed the difference between the respective wage adjusted labour productivity ratios to 23 % (a ratio of 182.0 % for the sector compared with 148.0 % for the non-financial business economy as a whole).

EU-27 exports of grain mill and starch products (CPA Group 15.6) were valued at EUR 1.7 billion in 2006, accounting for only 3.2 % of the value of EU-27 exports of food, beverages and tobacco products (CPA Subsection DA).

Table 2.18

**Manufacture of grain mill products, starches and starch products (NACE Group 15.6)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	United Kingdom (26.4)	Germany (12.3)	Hungary (234.6)	Romania (383.7)
2	France (15.4)	Romania (12.3)	Romania (203.9)	Bulgaria (264.8)
3	Germany (14.8)	United Kingdom (11.7)	Bulgaria (190.2)	Hungary (207.6)
4	Italy (11.1)	France (11.4)	Slovakia (186.8)	Slovakia (194.9)
5	Spain (6.0)	Poland (10.0)	Poland (156.6)	Poland (167.4)

(1) Estonia, Greece, Lithuania, Luxembourg and Malta, not available.

(2) Estonia, Greece, Lithuania, Luxembourg and Malta, not available; Slovenia, 2003.

(3) Estonia, Ireland, Greece, Cyprus, Lithuania, Luxembourg and Malta, not available.

(4) Estonia, Ireland, Greece, Cyprus, Lithuania, Luxembourg and Malta, not available; Slovenia, 2003.

Source: Eurostat (SBS)

Table 2.19

**Manufacture of prepared animal feeds (NACE Group 15.7)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	France (19.6)	France (16.3)	Hungary (240.2)	Slovakia (194.8)
2	Germany (14.7)	Spain (11.3)	Poland (218.3)	Hungary (194.8)
3	United Kingdom (13.8)	Germany (11.0)	Netherlands (210.4)	Czech Republic (183.0)
4	Spain (10.5)	United Kingdom (10.0)	Czech Republic (190.4)	Netherlands (159.4)
5	Netherlands (9.7)	Poland (8.2)	Portugal (156.9)	Portugal (145.9)

(1) Denmark, Greece and Malta, not available; Cyprus, Latvia, Lithuania and Luxembourg, 2003.

(2) Denmark, Greece and Malta, not available; Cyprus, Lithuania, Luxembourg and Slovenia, 2003.

(3) Denmark, Ireland, Greece, Cyprus, Lithuania and Malta, not available; Latvia and Luxembourg, 2003.

(4) Denmark, Ireland, Greece, Cyprus, Lithuania and Malta, not available; Luxembourg and Slovenia, 2003.

Source: Eurostat (SBS)

### PREPARED ANIMAL FEED

There were 5 100 enterprises in the EU-27 with the manufacture of animal feed as their main activity in 2004, employing 132 700 people and generating EUR 7.2 billion of value added. The major producers of animal feed in the EU-27 were France, Germany, the United Kingdom and Spain. Among the Member States for which data are available <sup>(24)</sup>, however, Hungary, Poland and the Netherlands

were the most specialised, as these activities' contribution to the non-financial business economy value added was a little more than double the EU-27 average (see Table 2.19).

Personnel costs in the animal feed manufacturing sector of the EU-27 accounted for a low proportion (7.7 %) of total expenditure (gross operating and tangible investment expenditure), although compared

to the non-financial business economy, average personnel costs in the sector (EUR 32 000 per employee) were relatively high (15.9 % more). Although the apparent labour productivity of those employed in the animal feed sector was relatively high (at EUR 54 100 per person employed), the relatively high personnel costs kept the wage adjusted labour productivity ratio down to 169.1 % in 2004.

<sup>(24)</sup> Denmark, Greece, Cyprus, Lithuania, Luxembourg and Malta, not available.

## 2.6: BEVERAGES

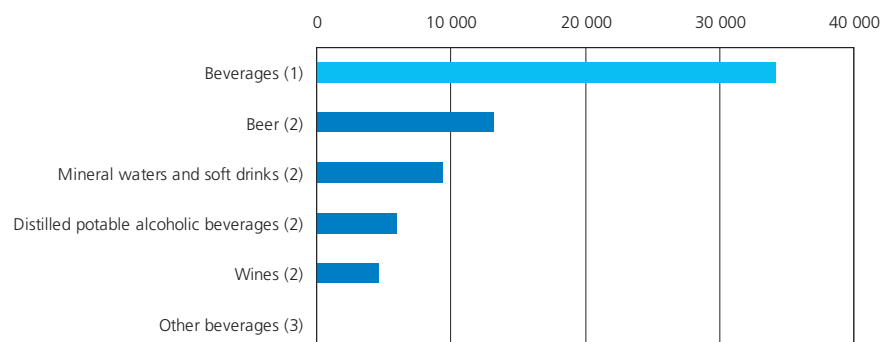
NACE Group 15.9 covers both alcoholic and non-alcoholic beverages. As such, the data presented in this subchapter include mineral waters, soft drinks, beer, wine and spirits. However, they do not include fruit and vegetable juices (NACE Class 15.32) or the processing of tea and coffee (NACE Class 15.86).

In September 2006, the European Commission adopted a proposal on revised excise duties on alcohol and alcoholic beverages <sup>(25)</sup> that would increase the minimum rates of excise duty applied to alcohol and alcoholic beverages by 31 % (beer and spirits only, as the excise rate for wine would remain at zero) and this proposal is currently under discussion. In October 2006, the European Commission also adopted a Communication <sup>(26)</sup> on reducing alcohol-related health and social harm that set out priorities to fight alcohol abuse.

<sup>(25)</sup> COM(2006) 486.

<sup>(26)</sup> COM(2006) 625.

**Figure 2.11**  
**Manufacture of beverages (NACE Group 15.9)**  
**Value added, EU-27, 2004 (EUR million)**



(1) Value added, 2003.

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

(3) Not available; share of value added is approximately 3 %.

Source: Eurostat (SBS)

Table 2.20

**Manufacture of beverages (NACE Group 15.9)**

**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	Germany (16.6)	Germany (16.7)	Poland (400.1)	Bulgaria (265.4)
2	United Kingdom (15.9)	Spain (10.8)	Romania (270.1)	Slovakia (215.5)
3	France (14.3)	United Kingdom (10.8)	Latvia (265.9)	Romania (198.1)
4	Spain (11.8)	France (9.7)	Bulgaria (186.4)	Lithuania (181.5)
5	Poland (7.5)	Italy (7.8)	Czech Republic (181.6)	Hungary (169.4)

(1) All Member States, 2003, except Greece, Malta and Sweden, not available.  
 (2) Greece and Malta, not available; Ireland, Luxembourg and Slovenia, 2003.  
 (3) All Member States, 2003, except Ireland, Greece, Cyprus, Lithuania, Malta and Sweden, not available.  
 (4) Ireland, Greece, Cyprus and Malta, not available; Luxembourg and Slovenia, 2003.  
 Source: Eurostat (SBS)

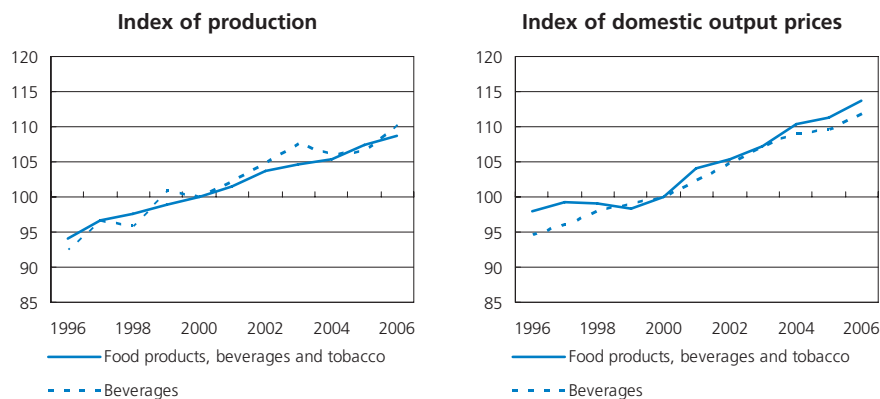
**STRUCTURAL PROFILE**

The beverages sector (NACE Group 15.9) of the EU-27 consisted of about 22 000 enterprises, which generated EUR 34.2 billion of value added in 2003. Within food, beverages and tobacco manufacturing (NACE Subsection DA) as a whole, this represented the second largest share (17.7 %) at the NACE group level. Within the EU-27's beverages sector, the manufacture of beer (NACE Class 15.96) generated EUR 13.2 billion of value added in 2004, the largest amount at the NACE class level (see Figure 2.11). The manufacture of mineral water and soft drinks (NACE Class 15.98) generated a further EUR 9.4 billion, the manufacture of distilled potable alcohol beverages (NACE Class 15.91) EUR 6.0 billion, and wines (NACE Class 15.93) another EUR 4.6 billion of value added. The beverages sector was also a major employer, engaging 479 600 people throughout the EU-27, corresponding to almost one in every ten people (10.1 %) working within food, beverages and tobacco manufacturing as a whole in 2004.

The beverages sector in the United Kingdom generated EUR 5.9 billion of value added in 2004, a little more than in Germany (EUR 5.3 billion) and France (EUR 5.1 billion). Together, these three Member States accounted for almost half of the value (46.7 %) added generated by the beverages sector in the EU-27 in 2003 (note that EU-27 data are not available for 2004). Poland, Romania and Latvia were the Member States that were the most relatively specialised in the manufacture of beverages, generating between two and a half and four times as high a share of the non-financial business economy's value added in this sector as the EU-27 average (see Table 2.20).

Figure 2.12

**Manufacture of beverages (NACE Group 15.9)**  
**Evolution of main indicators, EU-27 (2000=100)**



Source: Eurostat (STS)

Over the period between 1996 and 2006, there was an upward trend in the production index of beverages in the EU-27 that was similar to that of food, beverages and tobacco as a whole (see Figure 2.12). The index for beverages was somewhat more volatile, however, with relatively strong increases in output in 1997 (up 4.4 %), 1999 (up 5.3 %) and 2003 (up 2.8 %), followed in each case by relatively small declines (all between 0.8 % and 1.4 %). The production index for beverages rose by 3.5 % in 2006, to its highest level over the decade. At the NACE class level the strongest expansion in output over the reference period was noted for mineral waters and soft drinks (average annual growth of 3.3 %). In the case of wine, output has stabilised at relatively high levels since 2002. In the case of beer, annual output has been relatively stable since 2000.

**Table 2.21**  
**Manufacture of beverages (NACE Group 15.9)**  
**Productivity and profitability, EU-27, 2004 (1)**

	Apparent labour productivity (EUR thousand)	Average personnel costs (EUR thousand)	Wage adjusted labour productivity (%)	Gross operating rate (%)
<b>Beverages</b>	70.0	33.0	210.0	15.4
<b>Wines</b>	55.0	26.0	210.0	11.6
<b>Beer</b>	88.0	40.0	220.0	16.8
<b>Malt</b>	70.0	37.0	200.0	:
<b>Mineral waters and soft drinks</b>	60.0	33.0	180.0	11.5

(1) Rounded estimates based on non-confidential data; distilled potable alcoholic beverages, production of ethyl alcohol from fermented materials, cider and other fruit wines and other non-distilled fermented beverages, not available.  
 Source: Eurostat (SBS)

**Table 2.22**  
**Beverages (CPA Group 15.9)**  
**External trade, EU-27, 2006**

	Extra-EU exports		Extra-EU imports		Trade balance (EUR million)	Cover ratio (%)
	(EUR million)	(% share of chapter)	(EUR million)	(% share of chapter)		
<b>Beverages</b>	16 803	31.1	4 480	9.3	12 323	375.1
<b>Distilled alcoholic beverages</b>	6 374	11.8	950	2.0	5 424	671.2
<b>Ethyl alcohol</b>	53	0.1	295	0.6	-242	18.0
<b>Wines</b>	5 541	10.3	2 414	5.0	3 127	229.5
<b>Cider and other fruit wines</b>	59	0.1	20	0.0	38	286.7
<b>Other non-distilled fermented beverages</b>	137	0.3	3	0.0	134	5 095.1
<b>Beer</b>	1 938	3.6	258	0.5	1 681	752.4
<b>Malt</b>	599	1.1	7	0.0	593	8 800.7
<b>Mineral waters and soft drinks</b>	2 101	3.9	534	1.1	1 568	393.8

Source: Eurostat (Comext)

### COSTS, PRODUCTIVITY AND PROFITABILITY

Average personnel costs in the beverages sector of the EU 27 were EUR 33 000 per employee (see Table 2.21), relatively high compared to the average across non-financial business economy (19.6 % higher) and particularly when compared to the average cost across food, beverages and tobacco manufacturing activities as a whole (35.2 % higher). Despite these relatively high average personnel costs, the wage adjusted labour productivity ratio of the beverages sector (210.0 %) in 2004 was the second highest behind tobacco manufacturing among the ten NACE groups that comprise food, beverages and tobacco manufacturing, much higher than the average for the non-financial business economy as a whole (148.0 %). This was due to the high apparent labour productivity ratio of EUR 70 000 per person employed in the beverages sector.

As a measure of profitability, the gross operating rate of 15.4 % for the beverages sector in 2004 was the highest among the ten NACE groups of food, beverages and tobacco manufacturing and almost 40 % higher than the average for the non-financial business economy.

### EXTERNAL TRADE

Exports to non-member Community countries accounted for a much higher share (44.6 %) of all exports of beverages (intra- and extra-EU) than other food and tobacco products (an average share of 21.2 %). The value of EU-27 exports of beverages (CPA Group 15.9) was EUR 16.8 billion in 2006 (see Table 2.22), representing a little less than one third (31.1 %) of the value of EU-27 exports of all food, beverages and tobacco (CPA Subsection DA). The key export market for EU beverages in 2006 was the United States (41.7 % in value terms), which dwarfed the next largest market, Japan (6.8 %). Exports of distilled alcoholic beverages (CPA Class 15.91) and wines (CPA Class 15.93) accounted for more than two-thirds (70.9 %) of the value of EU-27 exports of beverages.

The value of EU-27 imports of beverages was EUR 4.5 billion in 2006, and as such the trade surplus was EUR 12.3 billion. A little over half (53.9 %) of all EU-27 imports of beverages were wines (valued at EUR 2.4 billion in 2006), of which the largest shares came from Australia (35.9 %), Chile (18.1 %) and South Africa (15.7 %). The largest part of the trade surplus for beverages in 2006 came from distilled alcoholic beverages (EUR 5.4 billion), with the other significant contribution coming from wine (EUR 3.1 billion).

Among the Member States, France recorded the largest trade surplus (intra- and extra-EU) in beverages in 2006 (EUR 8.6 billion), followed by Italy (EUR 3.1 billion) both with large surpluses in wine, and Austria (EUR 1.2 billion) with a large surplus from mineral water and soft drinks.

## 2.7: TOBACCO

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

In January 2007, the European Commission issued a Green Paper <sup>(27)</sup> titled "towards a Europe free from tobacco smoke" looking at policy options ranging from binding legislation to voluntary measures and from self-regulation to co-ordinated convergence. The European Commission also launched a review of the structure and rates of excise duty applied on cigarettes and other manufactured tobacco. It is intended that a legislative proposal will be put forward by the European Commission at the end of 2007.

<sup>(27)</sup> COM(2007) 27.

## STRUCTURAL PROFILE

The tobacco manufacturing sector (NACE Division 16) consisted of only 300 enterprises across the EU-27, although they generated EUR 10.8 billion of value added in 2004, contributing 5.4 % to the total value added for food, beverages and tobacco manufacturing (NACE Subsection DA). The tobacco manufacturing sector of the EU-27 is concentrated in a few Member States; a little over two-thirds (68.4 %) of the value added of the EU-27 tobacco sector in 2004 came from Poland (21.0 %), the United Kingdom (17.2 %), the Netherlands (15.7 %) and Germany (14.5 %) – see Table 2.23. The tobacco sector was relatively small in terms of numbers of people employed (66 900 in 2004), with about two in every four workers (41.8 %) employed in the four aforementioned Member States. In relative terms, Poland, Bulgaria and the Netherlands were highly specialised in tobacco manufacturing activities, with the proportion of value added from this sector in their respective national non-financial business economies significantly higher than the EU-27 average.

Between 1998 and 2006, there were consecutive annual reductions in the production index of tobacco products (NACE Division 16), at an average rate of decline of 4.5 % per annum (see Figure 2.13). In contrast, there was a steep increase in prices over the period from 1996 to 2006. Prices increased every year during this period, at an average rate of 6.0 % per annum.

Table 2.23

**Manufacture of tobacco products (NACE Division 16)**  
**Structural profile: ranking of top five Member States, 2004**

Rank	Share of EU-27 value added (%) (1)	Share of EU-27 employment (%) (2)	Value added specialisation ratio (EU-27=100) (3)	Employment specialisation ratio (EU-27=100) (4)
1	Poland (21.0)	Germany (17.3)	Poland (1 022.4)	Bulgaria (899.9)
2	United Kingdom (17.2)	Bulgaria (12.7)	Bulgaria (452.6)	Netherlands (191.7)
3	Netherlands (15.7)	Poland (9.8)	Netherlands (341.4)	Poland (163.4)
4	Germany (14.5)	Spain (9.2)	Portugal (128.3)	Belgium (158.6)
5	France (6.2)	United Kingdom (7.6)	Romania (104.5)	Romania (148.6)

(1) Czech Republic, Denmark, Greece, Italy, Latvia, Lithuania, Luxembourg, Malta, Austria, Slovenia, Slovakia and Sweden, not available; Ireland, France and Finland, 2003.

(2) Czech Republic, Denmark, Ireland, Greece, France, Italy, Lithuania, Luxembourg, Malta, Austria, Slovenia, Slovakia, Finland and Sweden, not available.

(3) Czech Republic, Denmark, Ireland, Greece, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Austria, Slovenia, Slovakia and Sweden, not available; France and Finland, 2003.

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

Source: Eurostat (SBS)

Table 2.24

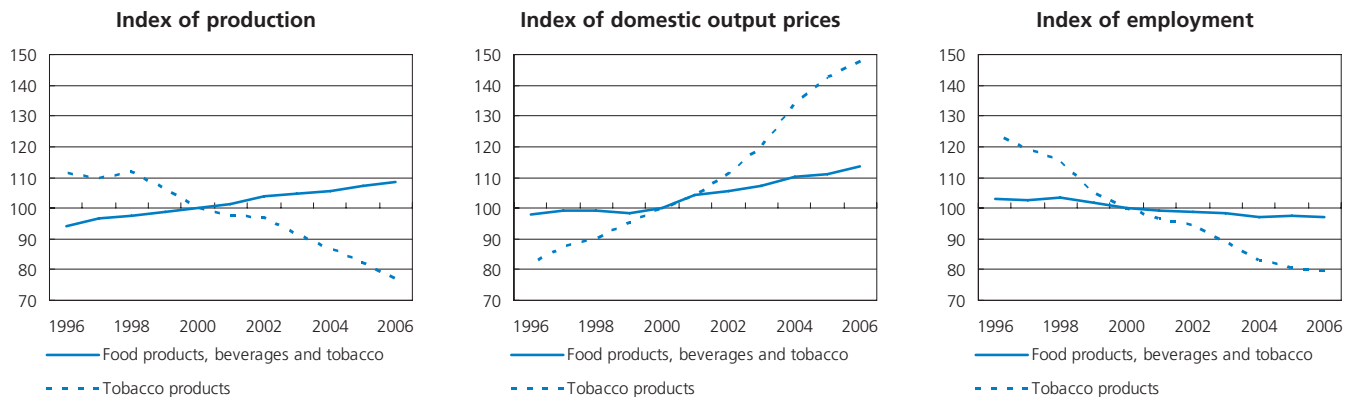
**Production of selected products - tobacco products (CPA Division 16), EU-27, 2006 (1)**

	Prodcom code	Production value (EUR million)	Volume of sold production (thousands)	Unit of volume
<b>Cigarettes containing tobacco or mixtures of tobacco and tobacco substitutes (excluding tobacco duty)</b>	16.00.11.50	13 190	795 204 656	units
<b>Cigars, cheroots and cigarillos containing tobacco or mixtures of tobacco and tobacco substitutes (excluding tobacco duty)</b>	16.00.11.30	1 283	11 741 885	units
<b>Smoking tobacco (excluding tobacco duty)</b>	16.00.12.30	1 249	97 987	kg

(1) Estimated.

Source: Eurostat (PRODCOM)

Figure 2.13  
**Manufacture of tobacco products (NACE Division 16)**  
**Evolution of main indicators, EU-27 (2000=100)**



Source: Eurostat (STS)

### COSTS, PRODUCTIVITY AND PROFITABILITY

Average personnel costs in the tobacco manufacturing sector of EUR 47 800 per employee were the highest among the ten NACE groups within the food, beverages and tobacco manufacturing sector and almost three-quarters (73.2 %) more than the average across the non-financial business economy. Nevertheless, as a proportion of gross operating and intangible investment expenditure, personnel costs only accounted for 12.1 %, significantly less than the 16.4 % average for the non-financial business economy. Despite the high average personnel costs, the wage adjusted labour productivity ratio in the tobacco manufacturing sector was 339.4 %, more than double the average ratio of the non-financial business economy, thanks to a very high level of apparent labour productivity (EUR 162 200 per person).

The gross operating rate for the EU-27's tobacco manufacturing sector was 10.2 % in 2004, suggesting that whilst profitability was similar to the level across the food, beverages and tobacco sector as a whole (9.8 %), it remained a little lower than the average across the non-financial business economy (11.0 %). There were considerable differences in this measure of profitability, however, between Member States; the gross operating rate of the tobacco manufacturing sector was substantially lower than the average rate of the non-financial business economy in some countries in 2004 (particularly in Hungary, Germany and Romania) but more than double it in the Netherlands and Spain, triple it in Portugal, or five times the non-financial business economy rate of profitability in Poland.

### EXTERNAL TRADE

EU-27 trade in tobacco products (CPA Division 16) was relatively small; exports of tobacco products were sustained at EUR 1.8 billion in 2006, representing 3.3 % of the value of EU-27 exports of food, beverages and tobacco products (CPA Subsection DA), and imports of tobacco products remained at EUR 350 million, accounting for only 0.7 % of the value of EU-27 imports of food, beverages and tobacco products. The main non-member countries for tobacco products exports in 2006 were Turkey (9.3 % of the total value of EU-27 exports), the United Arab Emirates (8.4 %) and Japan (7.1 %).

Table 2.25

## Manufacture of food products and beverages (NACE Division 15)

## Main indicators, 2004

	EU-27	BE	BG	CZ	DK	DE	EE	IE (1)	EL	ES	FR	IT (1)	CY	LV	LT
No. of enterprises (thousands)	295.8	8.2	6.3	6.1	1.8	32.6	0.4	0.7		29.8	68.1	70.0	1.0	0.8	
Turnover (EUR million) (2)	852 109	29 790	2 492			161 684	1 013	21 884		82 607	142 794		1 174	1 219	
Production (EUR million) (2)	780 416	28 339	2 175			148 335	899	19 476		78 494	128 923		1 077	1 132	
Value added (EUR million) (2)	188 780	5 866	376			34 904	176	7 150		16 959	28 824		335	272	
Gross operating surplus (EUR million) (2)	82 854	2 447	191			12 302	60	5 308		7 804	9 893		126	130	
Purchases of goods & services (EUR million) (2)	659 112	23 685	2 195			123 979	857	14 308		68 086	112 520		826	915	
Personnel costs (EUR million) (2)	105 926	3 419	185	1 041		22 602	116	1 842		9 155	18 931		210	141	
Investment in tangible goods (EUR million) (2)	32 667	1 103	269	610		4 670	52	456		3 918	4 966		61	146	
Employment (thousands) (2)	4 705	99	104			847	18	49		378	649		13	36	
Apparent labour prod. (EUR thousand) (2)	40.1	59.3	3.6			41.2	9.8	144.6		44.8	44.4		24.9	7.6	
Average personnel costs (EUR thousand) (2)	24.0	38.1	1.9			27.8	6.5	37.5		25.6	31.0		15.9	4.0	
Wage adjusted labour productivity (%) (2)	167.1	155.5	190.0			148.2	150.4	385.9		175.0	143.5		156.6	191.4	
Gross operating rate (%) (2)	9.7	8.2	7.7			7.6	5.9	24.3		9.4	6.9		10.7	10.7	
Investment / employment (EUR thousand) (2)	6.9	11.1	2.6			5.5	2.9	9.2		10.4	7.6		4.5	4.1	
	LU (1)	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	NO	
No. of enterprises (thousands)	0.2	7.0		4.5	4.3	18.3	8.5	10.9	0.8		1.9	3.2	7.1	2.0	
Turnover (EUR million) (3)		9 916		48 708		29 341	11 501	5 974			8 989		108 796		
Production (EUR million) (3)		8 667		43 590		26 480	10 775	5 508			8 132		97 863		
Value added (EUR million) (3)		1 859		8 990		7 202	2 455	963			2 146		31 180		
Gross operating surplus (EUR million) (3)		808		3 956		4 718	1 113	502			800		15 799		
Purchases of goods & services (EUR million) (3)		7 828		39 726		23 138	9 234	5 668			6 999		73 216		
Personnel costs (EUR million) (3)		1 051		5 035		2 484	1 343	461			1 390		15 382		
Investment in tangible goods (EUR million) (4)		544		1 381		1 628	704	637			424				
Employment (thousands) (3)		130		128		443	103	203			40		471	53	
Apparent labour prod. (EUR thousand) (3)		14.3		70.3		16.3	23.8	4.7			53.7		66.1		
Average personnel costs (EUR thousand) (3)		8.3		41.1		6.0	13.5	2.3			35.3		33.0		
Wage adjusted labour productivity (%) (3)		172.2		171.1		273.2	176.6	205.9			152.3		200.3		
Gross operating rate (%) (3)		8.1		8.1		16.1	9.7	8.4			8.9		14.5		
Investment / employment (EUR thousand) (4)		4.2		10.6		3.7	6.8	3.1			10.6				

(1) 2003. (2) France, 2003. (3) Finland, 2003. (4) Netherlands and Finland, 2003.

Source: Eurostat (SBS)

Table 2.26

## Manufacture of tobacco products (NACE Division 16)

## Main indicators, 2004

	EU-27	BE	BG	CZ	DK	DE	EE	IE (1)	EL	ES	FR	IT (1)	CY	LV	LT
No. of enterprises (thousands)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.1	0.0	0.0	0.0	0.0	
Turnover (EUR million) (2)	75 472	1 594	632			18 694	0	1 748		1 374	12 352		162		
Production (EUR million) (2)	64 790	1 549	604			13 549	0	1 632		1 372	9 948		147		
Value added (EUR million) (2)	10 850	235	80			1 573	0	275		595	628		12		
Gross operating surplus (EUR million) (2)	7 671	124	30			444	0	216		324	404		4		
Purchases of goods & services (EUR million) (2)	22 333	1 336	212			7 834	0	275		796	3 033		41		
Personnel costs (EUR million) (2)	3 179	112	50	36		1 129	0	59		271	223		8		
Investment in tangible goods (EUR million) (2)	736	20	20	11		176	0	21		46	41		1		
Employment (thousands) (2)	67	2	9			12	0	1		6	4		0	0	
Apparent labour prod. (EUR thousand) (2)	162.2	116.2	9.4			135.9		346.0		96.8	153.0		32.8		
Average personnel costs (EUR thousand) (2)	47.8	56.7	5.9			97.6		73.8		44.4	54.4		22.2		
Wage adjusted labour productivity (%) (2)	339.4	204.9	158.3			139.2		468.8		218.0	281.3		147.6		
Gross operating rate (%) (2)	10.2	7.7	4.7			2.4		12.4		23.6	3.3		2.5		
Investment / employment (EUR thousand) (2)	11.0	9.9	2.4			15.2		26.7		7.5	10.0		2.8		
	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	NO	
No. of enterprises (thousands)	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	
Turnover (EUR million) (3)		1 042		5 608		2 768	420	694			108		13 550		
Production (EUR million) (3)		936		5 348		2 816	418	713			91		13 136		
Value added (EUR million) (3)		70		1 700		2 279	176	48			19		1 870		
Gross operating surplus (EUR million) (3)		11		1 424		2 185	122	27			6		1 493		
Purchases of goods & services (EUR million) (3)		271		1 905		529	224	279			88		1 549		
Personnel costs (EUR million) (3)		60		276		94	54	21			17		377		
Investment in tangible goods (EUR million) (4)		13		75		51	20	60			1				
Employment (thousands) (3)		2		5		7	1	3			0		5	0	
Apparent labour prod. (EUR thousand) (3)		41.0		359.4		348.3	131.7	15.1			48.9		367.1		
Average personnel costs (EUR thousand) (3)		34.8		58.0		14.4	40.3	6.7			44.9		74.1		
Wage adjusted labour productivity (%) (3)		117.9		619.3		2 426.4	326.9	225.2			108.9		495.6		
Gross operating rate (%) (3)		1.0		25.4		79.0	29.1	3.9			5.4		11.0		
Investment / employment (EUR thousand) (4)		7.5		16.2		7.8	14.9	18.7			3.6				

(1) 2003. (2) France, 2003. (3) Finland, 2003. (4) Netherlands and Finland, 2003.

Source: Eurostat (SBS)

