



Cornwall County Council & Cornwall and Isles of Scilly Economic Forum

# FOOD & DRINK

CORNWALL AND ISLES OF SCILLY SECTOR PROFILE:

December 2008

This research has been undertaken to update the previous sector profiles that had been requested by Cornwall Enterprise to stimulate a better understanding of their 10 priority sectors. This work will provide additional detail to underpin *Strategy and Action* in order to help to inform future decisions on the kind of support that is provided for local businesses and economic development projects.

## The Sector

*"Excellent growth has been demonstrated within the sector over the last few years and much of this can be attributed to the investment through the Objective One programme which has stimulated capitol investment . The sector will face serious economic threats in the immediate future and processors and manufacturers are already experiencing issues around procurement of raw materials, rising prices of commodities and the unwillingness of buyers to absorb these costs will become critical to price negotiations. Fuel costs, climate change and carbon literacy, linked with the geographical disadvantage posed by Cornwall's position will take on increasing significance. However the integrity of Cornwall's 'brand' still holds a distinct advantage for food manufacturing and this will continue to gain strength as issues around traceability etc become even more important to the consumer"*

Angie Coombes, Cornwall Taste of the West.

- The narrow definition of the food & drink sector includes those enterprises engaged in the manufacturing of food and drink.
- A broad definition of food and drink includes both food manufacturing and wholesale and retail activities involving food.
- Given the close relationship between food production on farms and the food processing industry it is also increasingly important to consider these two important sectors together.

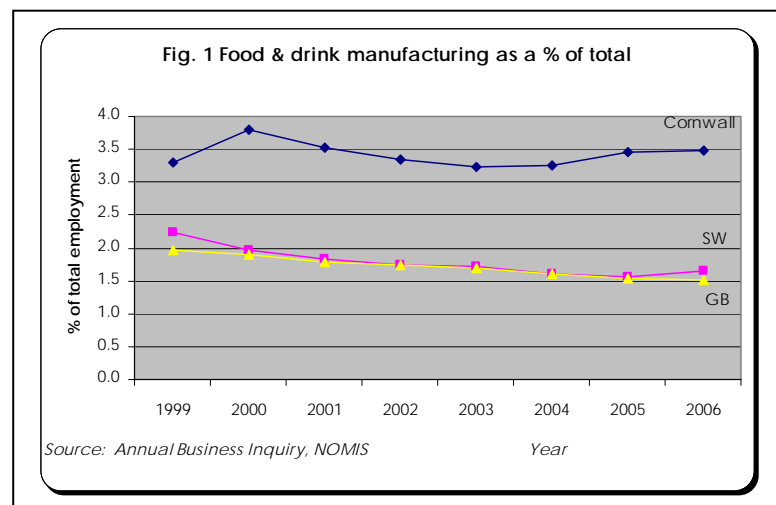
## Headline facts

- Food and drink manufacturing employs 6,700 with 21,000 employed in the broader food sector.
- In contrast to the situation across Great Britain, employment in absolute and relative terms has grown in Cornwall. An increase of 1800 or 37%.
- In line with employment trends, the number of business units in the food and drink manufacturing sector has increased though the number of units in the broader sector has declined.
- Employee earnings levels in food processing for the UK are close to the average (median) figure (£364) with earnings in retail about 50% of the average.
- In 2006 the overall GVA for the sector was £205 million, equal to 3% of total GVA.

## Overview

- The food market is subject to continuous change reflecting often conflicting consumer attitudes – demand for greater convenience foods, locally sourced products and organic; and external events – BSE, FMD.
- The UK Food and Drink Manufacturing (FDM) sector has performed strongly over recent years, with most relevant economic indicators, such as value added, productivity and profitability, demonstrating its continued overall good health. Defra (2007), UK Food and Drink Manufacturing: An Economic Analysis.
- The food processing sector in Cornwall '*is dominated by a small group of very large processors and manufacturers who supply the national and international market.*' (Lobley, et al. 2006).
- The market for food products in Cornwall varies, with some manufacturers focussing on the local market while others, the 'bulk commodity producers' (Lobley, et al. 2006), supply almost exclusively a national market.
- The degree to which raw materials are sourced locally varies. Some materials are either not available locally e.g. fats and flour, or there is insufficient volume locally to meet demand, or the quality of local sources may not be suitable. (Lobley, et al. 2006).
- Growth in output of processed food may lead to a greater use of imported materials unless local production can be increased.
- Rising food prices may impact upon consumer demand and hence the nature of the sector. '*In the early 1990s, economic downturn saw a likelihood of consumers to trade down from premium foods to value brands.*' (ADAS, 2007).
- Across the UK, the decline in the meat manufacturing sector has been attributed to a shift of production overseas and increasing mechanisation. However, employment in Cornwall has risen in this sub-sector.

## Employment



- There are

- 6,700 jobs in the food and drink manufacturing sector in Cornwall.
- Between 1999 and 2006 employment in the food and drink manufacturing sector in Cornwall increased by 37%, compared to declines of 18% across both the SW and GB.
- Growth in employment in this sector in Cornwall is overwhelmingly in full time employment.
- Full time jobs now account for 91% of the total employment in the food and drink manufacturing sector in Cornwall, slightly lower than GB but above the SW figure.
- There are 21,000 jobs in the broader food and drink sector in Cornwall.
- Most of the jobs in the broader sector (12,200), are in the retail sector.
- Between 1999 and 2006 employment in the food and drink sector in Cornwall increased by 18%, compared to a stable position across the SW and a decline of 3% across GB.
- As fig. 1 shows, there has been a significant growth in employment, when measured as a proportion of total employment; the sector has shown a slight increase. In contrast there has been a decline across both the South West and GB.
- Table 1 shows that in 2006 employment in food and drink manufacturing in Cornwall was over twice as significant as nationally. However, analysis of a broader definition of the sector (to include retail and wholesale activities) closes the gap, though the percentage in Cornwall is still 1.6 times the GB figure.

	Cornwall	SW	GB
Food & drink	3.5%	1.7%	1.5%
Broad definition	10.8%	7.5%	6.6%

Table 1

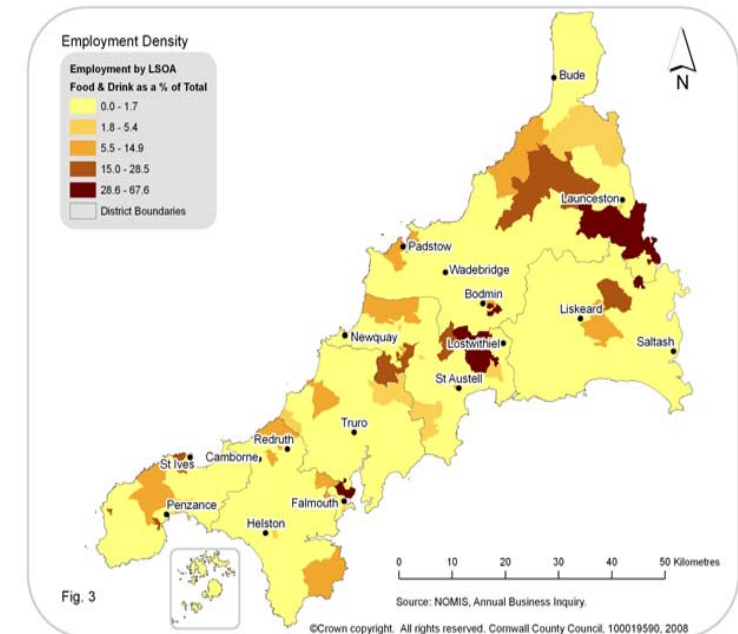
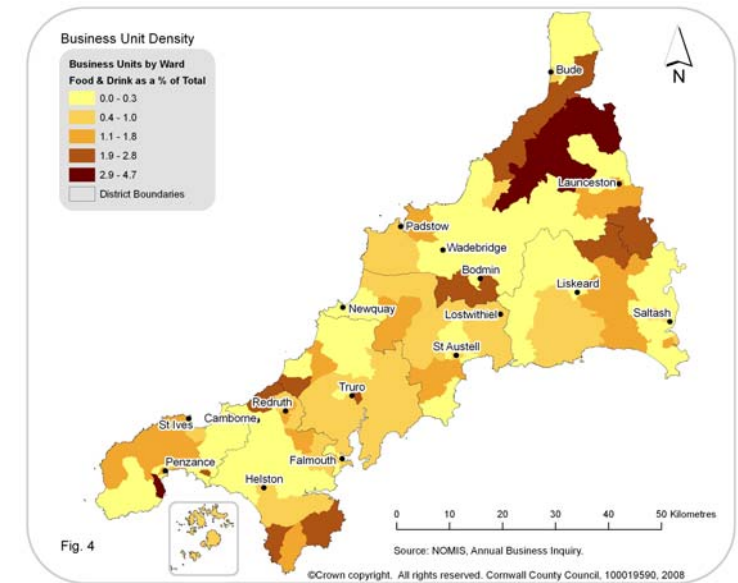
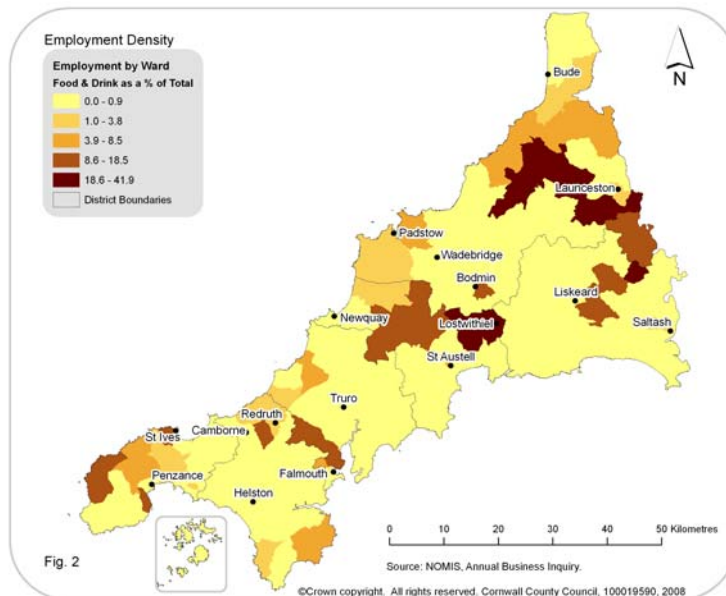
## Business Units

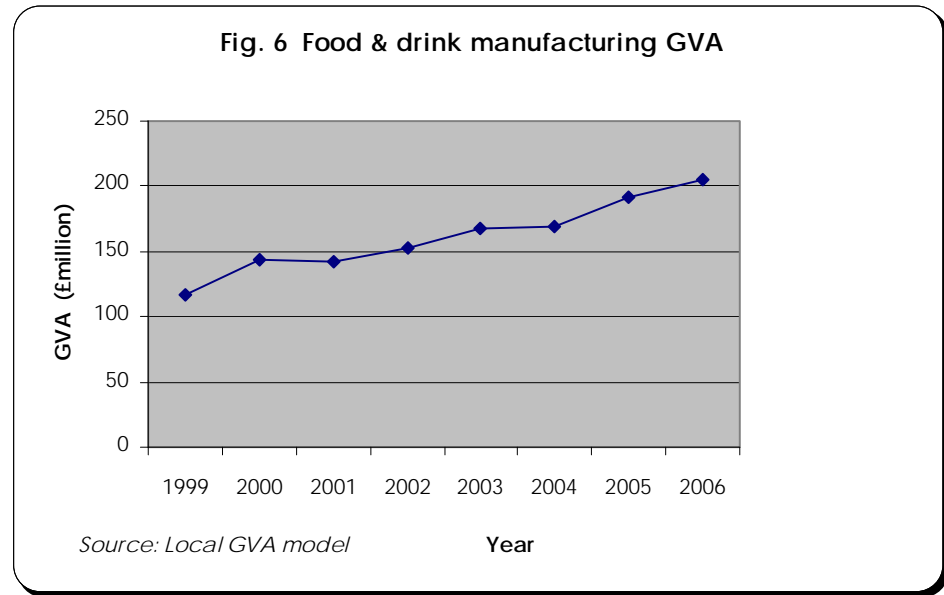
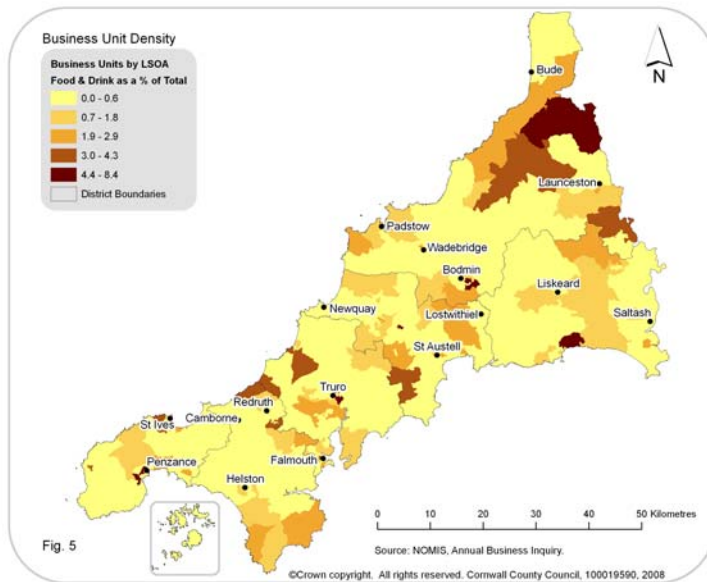
- There are 200 business units in the food and drink manufacturing sector in Cornwall.
- Between 1999 and 2006 the number of business units in Cornwall increased by 15%
- Conversely, the number of business units declined across both Britain and the South West during the same period, by 15% and 16% respectively.
- The distribution of units by sizeband in Cornwall is similar to that found across Britain, with a concentration in the 1-10 sizeband.
- The majority of employees however, are employed in units of 200 or more employees. Over the 1999-2006 period, the average for Cornwall was 61%, compared to 56% across the South West and 60% across Britain.
- There are 1200 business units in the broad food and drink sector in Cornwall.
- In total units in this sector constitute 5.6% of all units. The figures for the South West and Great Britain are 4% and 4.5% respectively.
- Between 1999 and 2006 the number of business units in Cornwall declined by 13%.
- The rate of decline was similar to that across both Britain and the South West during the same period.
- The distribution of units by sizeband in Cornwall is similar to that found across Britain, with four-fifths concentrated in the 1-10 sizeband.

- The majority of employees however, are employed in units of 200 or more employees. Over the 1999-2006 period, the average for Cornwall was 44%, compared to 47% across the South West and 48% across Britain
- Business units in the food and drink manufacturing sector are larger than the average. Each data unit employs 43.4 employees compared to an average of 8.9 per unit across the Cornish economy.

## Spatial distribution

- Two-thirds of all employment in food and drink manufacturing are located in six wards - Bodmin St Petroc (1,400), Callington (900), Illogan South (600), South Petherwin (600), Lostwithiel (500), and Rock (400).
- Food and drink manufacturing accounts for over 20% of employment in four wards.
- Two-thirds of employment in food and drink manufacturing are located in seven LSOAs.
- Food and drink manufacturing accounts for over 20% of employment in ten LSOAs.
- The spatial distribution of units does not necessarily follow the same pattern as that for employment as employment in some areas is dominated by a few large units.
- Wards where 2% or more of units are in the food and drink processing sector account for 28% of all those employed. However, only one of these wards is in the top seven for employment (accounting for 66% of the total).





## Gross Value Added

- The food and drink manufacturing sector in Cornwall has shown a small increase in both relative and absolute terms of GVA. In relative terms growing slightly from 2.8 to 3%, in absolute terms (as shown in fig. 6) the sector has grown from £112 million in 1999 to £205 million in 2006.
- In 2006, food and drink manufacturing made up 3% of the economy in Cornwall. In 2004 it contributed to 2.8% of total GVA, compared to 2.1% across the UK.
- Since 1999, the annual growth rate in GVA has been 9.1% compared to the 7.9% growth in GVA across all sectors in Cornwall.
- Growth in food and drink manufacturing since 1996 has largely been concentrated in the districts of Carrick (14.2% p.a. [per annum]) and North Cornwall (14% p.a.).
- Meat & meat products and bread & biscuits together make up 81% of the food and drink manufacturing sector in Cornwall.
- Bread & biscuits dominate this sub-sector in Caradon (83%), and Carrick (65%); meat & meat products in Kerrier (76%), Restormel (62%), and North Cornwall (51%); while in Penwith, bread & biscuits (47%), and fish (20%) dominate.
- For further detailed analysis of food and drink GVA refer to Nankivell (2008) The Cornwall economy 1996-2006.

## Productivity

- Productivity, measured by GVA per worker, equalled £30,200, 10% above the average for each worker in Cornwall.
- Measured per Full Time Equivalent (FTE), the figure was £31,500, 8% below the average for Cornwall.

## Earnings

- In 2007 median earnings for all employees in the food processing sector across the UK were close to the average for all employee earnings, £380 compared to £375.
- Median earnings for full-time employees were 12% below average, with part-time earnings 19% above.
- Male median earnings were 9% below the UK average, with female median earnings 5% above the UK average.
- In 2006 median earnings for all employees in the food retail sector across the UK were about half the average for all employee earnings.
- Median earnings for full-time employees varied between 62% and 68% of the median for all full-time employees.

**NB Earnings data by employment sector only available at a UK level.**

## Caveats:

The size of the sector in this profile may differ to other research as each sector is made up by aggregating a number of other "subsectors" (see notes for employment SIC sectors incorporated in this profile). Other studies may use a broader or narrower definition.

**Totals from each profile should not be added as data included within one profile may also be included within another profile. For example, 3220 - Manufacture of television and radio transmitters... and 3230 - Manufacture of television and radio receivers ..., are included in both the ICT sector profile and the Creative Industries (Broad) sector profile. Fish processing is included in both food and drink and fishing.**

This profile only analyses the *economic* value of a sector. The social, cultural and environmental value of a sector should also be thoroughly considered.

Sector definitions used in this profile may vary slightly between GVA and employment as the GVA data does not have such a detailed sector breakdown. This is because calculating GVA on a local level relies upon numerous data sources, some of which are only available at a broad sector level. For this reason, it has not been possible to include GVA data for some of the more specific or cross-cutting sectors without further extensive research. In addition, the national accounting system's classification limits the way in which we can understand the economy, for example, for the marine profile surf shops and wetsuit manufacturing cannot be drawn from the current structure, they are included in retail and rubber manufacturing, respectively. Again, further extensive research would be required to penetrate this detail.

All data in this profile refers to workplace.

### Business units

Business units, in this publication, refer to business premises and/or head offices. This is the most comprehensive measure of activity as it incorporates counts of individual branches or sites – this is more useful than mapping the enterprise or business alone as this would only provide a count of the location of each head office.

The source of the business units data is the Inter-Departmental Business Register. This register is produced by the Office for National Statistics using VAT (value added tax) and PAYE (pay as you earn) records, therefore, it captures all businesses that either trade over the VAT threshold – for 2006 a turnover of 61,000, and/or are PAYE registered – employ at least one member of staff who earns more than £94/week, or £408/month.

### Annual Business Inquiry (ABI) - Employee Analysis, Workplace Analysis

Data source: NOMIS. Based on a sample.

Discontinuities in 2003 and 2006 make comparisons difficult over a period of time. The 2006 discontinuity means that comparisons of the 2006 ABI employment estimates with earlier years do not provide a reliable comparison.

Elements contributing to the discontinuity include:

1. Change in reference date from December to September.
2. Use of Business Register Survey data within the ABI/1 results.
3. Change to the Minimum Domain Methodology.

NOMIS state that *'It is not possible to measure the impact of the changes made precisely, however the scale of the overall discontinuity between the 2005 and 2006 ABI/1 is estimated to be in the range of 150,000 to 350,000 (0.6 to 1.3 per cent of the total number of employees) in a downward direction.'*

All employment data from the ABI employee analysis has been rounded to the nearest 100 in line with release of data rules.

### Geographical anomalies

Data from different sources differs in its geographical coverage. The ABI covers Great Britain, ASHE data covers the United Kingdom.

## Data:

### Employment

The employment figures in this profile refer to the number of jobs in the food and drink sector. Figure 1 uses the total figure, thus incorporating both part and full time work.

#### Food & drink manufacturing sector

	Part Time Workers	Full Time Workers	Total
1999	600	4300	4900
2000	700	5400	6000
2001	600	5400	6000
2002	500	5500	6000
2003	500	5400	5900
2004	400	5400	5800
2005	400	5900	6300
2006	600	6100	6700

Source: NOMIS, Annual Business Inquiry © Crown Copyright

#### Food & drink manufacturing sector

	Cornwall %	SW %	GB %
1999	3.3	2.2	2.0
2000	3.8	2.0	1.9
2001	3.5	1.8	1.8
2002	3.3	1.7	1.7
2003	3.2	1.7	1.7
2004	3.3	1.6	1.6
2005	3.4	1.6	1.5
2006	3.5	1.7	1.5

Source: NOMIS, Annual Business Inquiry © Crown Copyright  
**Food & drink broad definition**

	Part Time Workers	Full Time Workers	Total
1999	7,700	10,000	17,700
2000	8,000	10,700	18,700
2001	8,300	11,500	19,900
2002	9,500	11,600	21,100
2003	9,300	12,100	21,400
2004	9,200	11,700	20,900
2005	8,200	12,700	20,900
2006	7,900	13,000	20,900

Source: NOMIS, Annual Business Inquiry © Crown Copyright

## Business units

### Sector business units as a percentage of all units

	Cornwall and Isles of Scilly	South West	Great Britain
1999	7.7	5.3	5.7
2000	7.3	5.0	5.5
2001	7.1	4.9	5.4
2002	6.7	4.8	5.3
2003	6.5	4.6	5.1
2004	6.0	4.3	4.9
2005	5.7	4.1	4.6
2006	5.6	4.0	4.5

Source: NOMIS, Annual Business Inquiry © Crown Copyright

## Gross Value Added (GVA)

Food and drink manufacturing GVA data has been sourced from the Local GVA model for Cornwall level data and the Office for National Statistics (ONS) for UK statistics. The following tables provide the raw data from which the graphs on page one were produced.

### GVA (£ million)

	Cornwall	UK
1999	111.6	20 221
2000	142.8	20 261
2001	142.5	20 914
2002	153.0	21 052
2003	167.7	21 654
2004	168.5	22 288
2005	191.4	na
2006	204.7	na

Source: Owen Nankivell, (2008) *Local GVA model*; ONS, (2006), *UK Input-Output Analyses*.

### GVA (% of total)

	Cornwall	UK
1999	2.8	2.5
2000	3.3	2.4
2001	3.0	2.4
2002	2.9	2.3
2003	2.9	2.2
2004	2.8	2.1
2005	3.0	na
2006	3.0	na

Source: Owen Nankivell, (2008) *Local GVA model*; ONS, (2006), *UK Input-Output Analyses*.

## Earnings

**Employee weekly pay – food and drink sector** [NB Earnings data by employment sector only available at a UK level].

**Weekly pay - Gross (£) - For all employee jobs: United Kingdom, 2007**

Description	Code	Median	As % of all
<b>ALL EMPLOYEES</b>		374.9	100.0
MANUFACTURE OF FOOD PRODUCTS; BEVERAGES AND TOBACCO	DA	380.4	101.5
Manufacture of food products and beverages	15	377.6	100.7
Production, processing and preserving of meat and meat products	151	330.5	88.2
Processing and preserving of fish and fish products	152	281.5	75.1
Processing and preserving of fruit and vegetables	153	375.0	100.0
Manufacture of vegetable and animals oils and fats	154	328.7	87.7
Manufacture of dairy products	155	396.7	105.8
Manufacture of grain mill products, starches and starch products	156	472.4	126.0
Manufacture of prepared animal feeds	157	478.1	127.5
Manufacture of other food products	158	352.1	93.9
Manufacture of beverages	159	509.9	136.0
Manufacture of tobacco products	160	596.0	159.0
Agents involved in the sale of food, beverages and tobacco	5117	x	na
Wholesale of food, beverages and tobacco	513	352.0	93.9
Retail sale of food, beverages and tobacco in specialised stores	522	200.6	53.5

Source: ONS, (2007), *Annual Survey of Hours and Earnings*, Table 16.1a Weekly pay - Gross (£) - For all employee jobs: United Kingdom, 2007

## Comparative earnings data

The table below shows earnings levels in Cornwall compared to both the South West and Great Britain. All data for 2007.

### Median Earnings by workplace 2007

Area	All		All Full-time		All Part-time	
	£	%	£	%	£	%
Cornwall	304.9	81.3	373.3	81.7	140.4	97.6
South West	349.2	93.1	427.8	93.7	144.7	100.6
United Kingdom	374.9	100	456.7	100	143.9	100
Area	Male		Male full-time		Male part-time	
	£	%	£	%	£	%
Cornwall	358.9	77.3	399	80.1	149.7	108.6
South West	441.4	95	476.5	95.6	147.9	107.3
United Kingdom	464.5	100	498.3	100	137.8	100
Area	Female		Female Full-time		Female Part-time	
	£	%	£	%	£	%
Cornwall	239	83.1	344.4	87.4	138.7	95.3
South West	267	92.9	363.3	92.2	144	98.9
United Kingdom	287.5	100	394	100	145.6	100

Source: Annual Survey of Hours and Earnings, (2007). Table 7.1a Weekly pay - Gross (£) - For all employee jobs: United Kingdom, 2007.

## References

Adas Ltd (2007), *Research into UK Food & Drink Manufacturing – Final Report* (Desk Research).

Office for National Statistics, (2007), *Annual Survey of Hours and Earnings - 2007*, Weekly pay - Gross (£) - For all employee jobs.

Lobley, M., Reed, M., Metcalf, R., and Stephens, J. (2006), *Food production, processing and distribution in Cornwall and the Isles of Scilly*. CRR Research Report No. 20.

Nankivell, O. (2008), *The Cornwall Economy 1996-2006*.

# Notes:

## Spatial distribution

The maps indicating the spatial distribution of employment and business units use both ward and Lower Super Output Areas. The wards are those used for District Council elections. Super output areas are a new geographical hierarchy designed to improve the reporting of small level statistics. They are now used in preference to administrative boundaries such as wards as they are of roughly equal population levels and are based on the area's characteristics, not historical events. The lower super output areas have a mean population size of 1,500.

## Gross Value Added (GVA)

### What is Gross Value Added?

GVA measures the contribution each sector, industry or producer makes to the economy, and when added, the total value of economic activity in a particular area. It is used as an indicator of the value of economic activity that takes place within a sector, or area.

Food & drink manufacturing in this profile refers to the following SIC(2003) activities:

- 1511 Production and preserving of meat
- 1512 Production and preserving of poultry meat
- 1513 Production of meat and poultry meat products
- 1520 Processing and preserving of fish and fish products
- 1531 Processing and preserving of potatoes
- 1532 Manufacture of fruit and vegetable juice
- 1533 Processing and preserving of fruit and vegetables not elsewhere classified
- 1541 Manufacture of crude oils and fats
- 1542 Manufacture of refined oils and fats
- 1543 Manufacture of margarine and similar edible fats
- 1551 Operation dairies and cheese making
- 1552 Manufacture of ice cream
- 1561 Manufacture of grain products
- 1562 Manufacture of starches and starch products
- 1571 Manufacture of prepared feeds for farm animals
- 1572 Manufacture of prepared pet foods
- 1581 Manufacture of bread; manufacture of fresh pastry goods and cakes
- 1582 Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes
- 1583 Manufacture of sugar
- 1584 Manufacture of cocoa, chocolate and sugar confectionary
- 1585 Manufacture of macaroni, noodles, couscous and similar farinaceous products
- 1586 Processing of tea and coffee
- 1587 Manufacture of condiments and seasonings
- 1588 Manufacture of homogenised food preparations and dietetic foods
- 1589 Manufacture of other food products not elsewhere classified
- 1591 Manufacture of distilled potable alcoholic beverages
- 1592 Production of ethyl alcohol from fermented materials
- 1593 Manufacture of wines
- 1594 Manufacture of cider and other fruit wines
- 1595 Manufacture of other non-distilled fermented beverages
- 1596 Manufacture of beer
- 1597 Manufacture of malt

1598 Manufacture of mineral waters and soft drinks

In addition, the broader definition of food and drink also incorporates food retail and wholesale

## Sector profiles in this format:

Advanced engineering  
Agriculture & forestry  
Agri-food  
Creative industries  
Environmental Technology  
Fishing  
Food and Drink  
Information & communication technology  
Manufacturing  
Marine  
Medical & health  
Tourism  
Voluntary

For further information about this or the other profiles in the series please contact Peter Wills, Corporate Economy and Europe Unit, Cornwall County Council: 01872 322520, [pwills@cornwall.gov.uk](mailto:pwills@cornwall.gov.uk)