    

Shropshire Food and Drink Sector

June 2018

     

   

Shropshire Food & Drink at a Glance

4,500 employees (food and drink processing)

Worth **£211.4 million** (GVA)

85 enterprises (registered for VAT or PAYE)

A **quarter** of all West Midlands dairy and meat processing takes place in **Shropshire**

More than **3,700** farm holdings

83% of land farmed (70% nationally)

160 specialised food retailers,

105 specialised food wholesalers

312 restaurants

330 pubs and bars

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Shropshire Context

Shropshire is one of the most rural and sparsely populated local authorities in the country, with less than one person per hectare compared with more than four persons per hectare in England. The size of the county (319,736 hectares) is approximately ten times that of all inner London Boroughs put together. The population stands at 317,500 people (2017), having grown by almost 13,000 since 2010.

Generally, Shropshire is an affluent location, with low levels of deprivation and minimal unemployment. Economic activity rates are high and the working age population tends to be well qualified.

Shropshire offers a very high quality of life, with a rich natural, historic and cultural heritage. Levels of pollution are low, as are crime rates. It has excellent schools (89% rated outstanding or good by Ofsted as of August 2016), a strong FE offering and the scope of HE provision is also strengthening.

Like many rural areas, the population is ageing, with approaching one in four people aged 65 or over. Since 2011, the Shropshire population of traditional working age (16-64) has been in decline, and it now represents just 60% of the total population. By 2037, this percentage will have declined to 52%.

The large retired population, combined with high out-migration amongst the 16-19 age band, is exerting pressure on the labour market and is causing an upward shift in the age profile of the workforce. This is impacting on the skills pool within the County and succession planning is becoming an issue in some industry sectors.

Despite this, Shropshire's business base is relatively stable and experiences less churn than many other localities. This means that survival rates are good (with 68% of businesses surviving past three years compared with 60% nationally), and staff retention is likewise high. Shropshire's industrial make-up is strongly linked to its rurality, with agriculture, other land-based and ancillary sectors as well as tourism all strong contributors to the economy.

Other key employment sectors include health, education, retail and manufacturing and Shropshire is also over-represented in motor trades and construction. Shropshire is under-represented in private sector services such as professional, scientific and technical and finance and insurance.

Food and Drink – National Context[1]

Food and drink is the largest manufacturing industry in the UK – larger than automotive and aerospace combined. It employs 400,000 people and contributes £28.2 billion to the national economy. In 2016, the value of food and drink exports from the UK reached about £20 billion, with the USA, France and Ireland representing the three largest export markets. Looking at the wider supply chain within the food and drink sector, employment levels are closer to 4 million, with an attributable value to the economy of some £112 billion.

Food and drink also represents one of the fastest growing UK manufacturing sectors – between 1997 and 2015 Gross Value Added (GVA)[2] rose by 27% which is more than twice as fast as the average for manufacturing (+13% over the same period). Between 2010 and 2015, business turnover in the food and drink sector rose by 28%, while profits rose by 10%.

More than 6,800 businesses are active in the sector across the country, 96% of which employ fewer than 250. This means that there are over 270 non-SME food and drink producers in the UK.

The two largest sub-sectors are meat processing (including processing and preserving of meat; processing and preserving of poultry meat; production of meat and poultry meat products), accounting for almost a fifth of employment; and bread, pastry and cake production, accounting for just less than this.

[1] Sources of data: BDO report 2017, The Food & Drink Federation, Business Register of Employment Survey, University of Cambridge
[2] GVA is a means of measuring the contribution to the economy made by producers or sectors. It is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used in production

The sector as a whole provides above average rates of pay, and relatively long tenures of employment.

The industry remains comparatively resilient. During the recent recession, it reduced its output less than any other manufacturing sector, and recovered quicker. It does, however, face of a number of key challenges, including:

- Price inflation and foreign exchange
- Raw material price volatility
- Energy costs
- Employment costs (National Living Wage)
- Labour supply

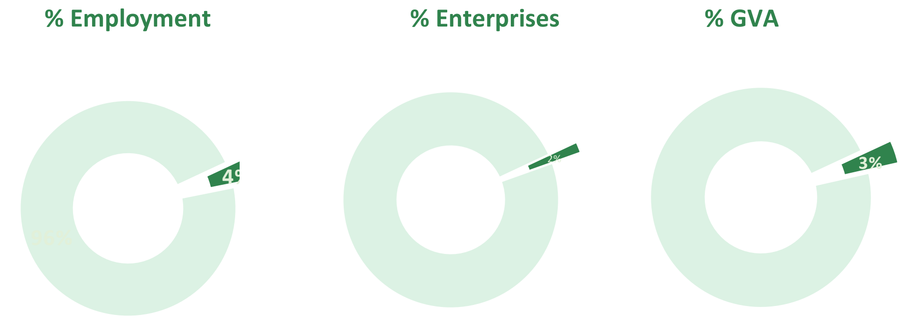
The strength of the large supermarkets in the UK and their continued price war means that food and drink producers are under increasing pressure to improve efficiency. Nationally, food and drink producers invest heavily in product development. Increasingly, despite the fact that food and drink has one of the lowest robot densities of all manufacturing industries in the UK, businesses are targeting investment in automated processes as well as product innovation as they seek to improve productivity. Around 4% of all investment in R&D in the UK is made by the food and drink industry. More than 1,500 new products are introduced every quarter.

The industry has responded positively to environmental and health concerns. Since 1990, food and drink manufacturing has reduced its CO^2 emissions by more than a tenth. Meanwhile, the UK has become a leading source of new foods with health propositions.

Shropshire's Food and Drink Sector

4,500 people were employed in Shropshire's food and drink processing sector in 2016. This is the equivalent of 3.8% of all jobs in the county, and much more than a third (37.5%) of jobs within manufacturing. More than three times as many people are employed in food manufacturing as in any other manufacturing sector. There are 85 enterprises (registered for VAT or PAYE) operating in the sector (1% of all enterprises) and together these contribute 3% to Shropshire GVA.

Food and Drink's Contribution to the Shropshire Economy



Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018, IDBR, Oxford Economics

Compared to the West Midlands and Great Britain, the contribution made by food and drink to the Shropshire economy is large. Nationally, food and drink accounts for 1.4% of employment, 0.4% of enterprises and makes a 1.4% contribution to GVA. In the West Midlands, food and drink accounts for 1.5% of employment, 0.4% of enterprises and 1.2% of GVA. Within the context of the regional food and drink production industry, Shropshire accounts for 12.2% of employment, 11% of business enterprises and 15.1% of GVA.

Employment

The number of jobs in Shropshire's food and drink sector has fallen by just over 5%, or by 250 people since 2010. This compares with 9% growth regionally and 5% growth nationally. A drop in milk production has been largely responsible for this five year contraction in employment. However, employment did rise by 500 from a low of 4,000 between 2015 and 2016.

Food manufacturing takes place in most parts of the country. However, only 17 county or unitary local authorities (out of 206) across the country support a higher penetration of employment in food and drink manufacturing than Shropshire does.

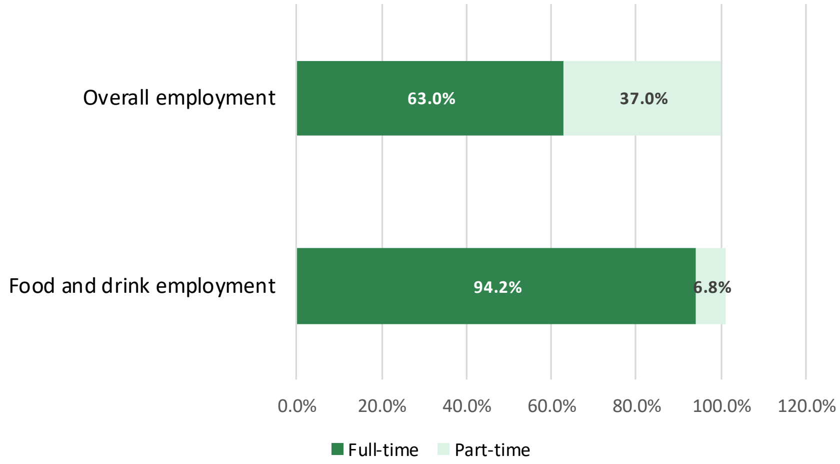
Employment in Food and Drink, 2010-2016

	Employment	% Annual Change	Index, 2010 = 100
2010	4,750	-	100.0
2011	4,500	-5.3%	94.7
2012	4,250	-5.6%	89.5
2013	4,250	0.0%	89.5
2014	4,250	0.0%	89.5
2015	4,000	-5.9%	84.2
2016	4,500	12.5%	94.7

Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018

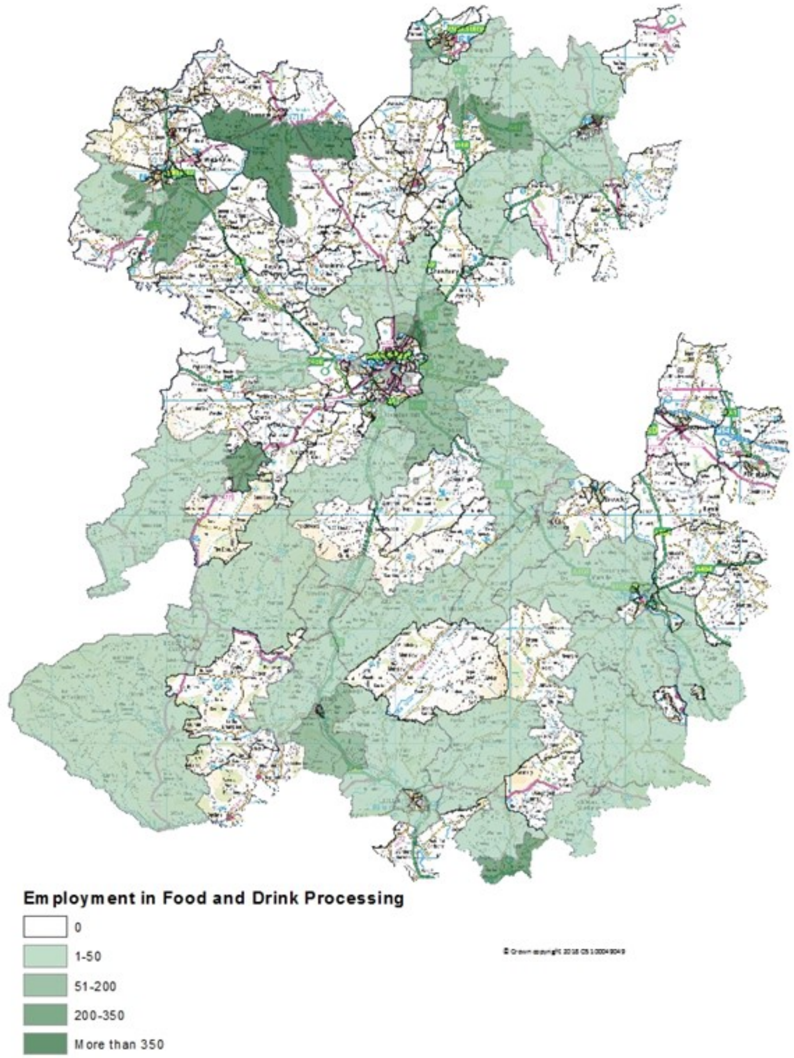
Unlike most sectors in Shropshire where part-time employment is prevalent, the vast majority of jobs in food and drink manufacturing are full-time.

Breakdown between Full-Time and Part-Time Employment, 2016



Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018

Employment Density in the Food & Drink Sector, 2016
(Number of employees per LSOA)

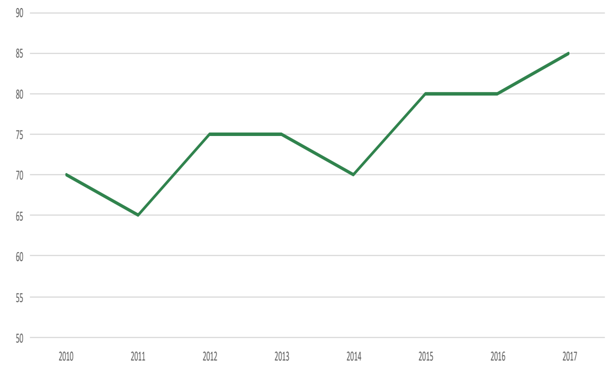


The following map shows where in Shropshire employment in food and drink is located. It is clear that the sector is an important employer across much of the county, with particular clusters in parts of the north.

Business Counts

Official statistics suggest that there are 85 enterprises operating in Shropshire in the food and drink manufacturing sector, of which 65 are in the food sector and 20 produce beverages. This compares with 70 businesses operating in 2010 – consequently, the number of operators has risen by 15 (+21.4%).

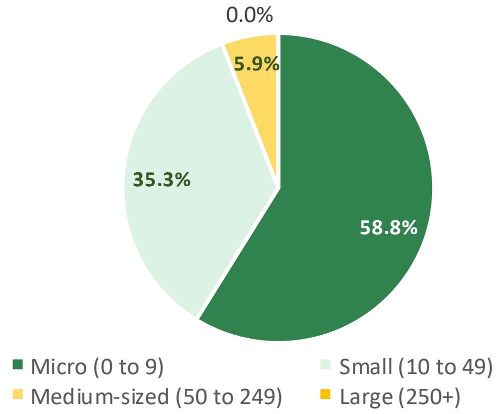
Growth in the Number of Food and Drink Enterprises, 2010-2017



Source: IDBR 2017, ONS © Crown Copyright 2018

The number of enterprises in the sector has risen while employment in the sector has fallen, which means that the average size of businesses has reduced. 58.8% of enterprises have less than 10 employees and a further 35.5% have between 10 and 49 employees. Despite the large number of small businesses, the average size of businesses in the sector is comparatively large (at an average of over 50 employees).

Breakdown of Food and Drink Enterprises by Size, 2017



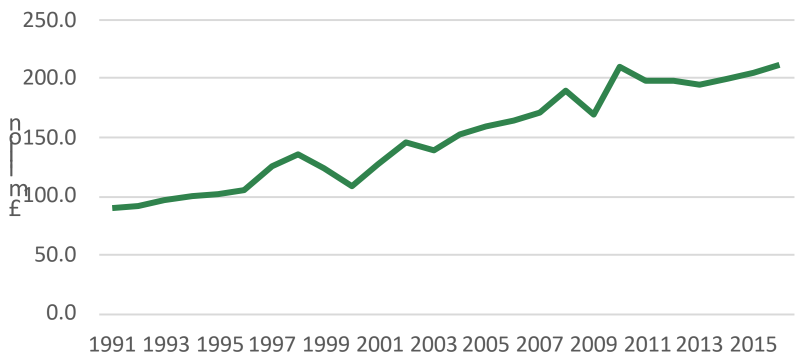
Source: IDBR 2017, ONS © Crown Copyright 2018

As well as enterprises which are captured by official statistics, there are also a number of smaller producers which operate below the VAT or PAYE thresholds. According to the business directory Mint there are 130 food and drink manufacturers in Shropshire (April 2018). Furthermore, some businesses classified in other sectors such as agriculture may also diversify into niche food production.

Gross Value Added

The food and drink sector made a GVA contribution of £211.4 million to the Shropshire economy in 2016. This is the equivalent of more than 3% of the total. The value of the sector has more than doubled over the last quarter of a century (+134%).

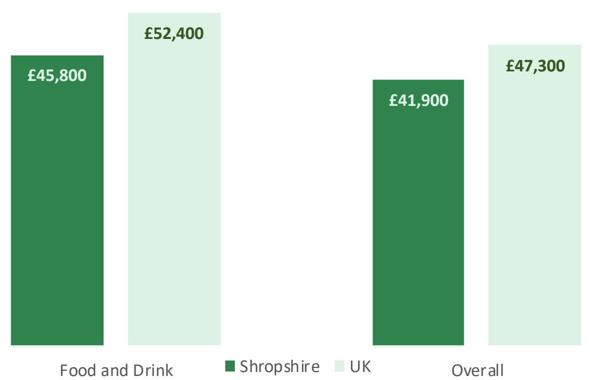
Growth in Food and Drink GVA, 1991-2016



Source: Oxford Economics

GVA per Shropshire employee job is higher in the food and drink sector than the average per job, at approximately £45,800 compared with £41,900. This is £3,900, or 9.3% more However, compared with the national average, GVA per job is lower —12.6% lower for jobs in food and drink manufacturing and 11.4% lower for jobs on average.

GVA per Job, 2016



Source: Oxford Economics

Sub-Sectors

The following table shows the food and drink sub-sectors in which employment in Shropshire is concentrated. More than half of all jobs are in meat processing, with significant numbers also employed in dairy, animal and pet food, fruit and vegetable production and bread and biscuits.

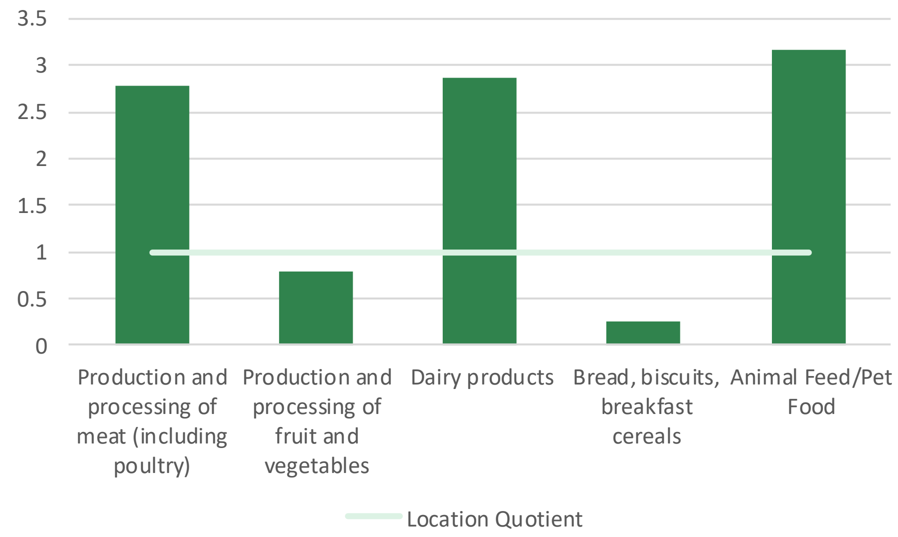
Breakdown of Food and Drink Employment by Sub-Sector, 2016

	Jobs	%
Production and processing of meat (including poultry)	2,400	53.3%
Production and processing of fruit and vegetables	300	6.7%
Dairy products	700	15.6%
Bread, biscuits & breakfast cereal	300	6.7%
Animal Feed/Pet Food	500	11.1%
Other	300	6.7%

Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018

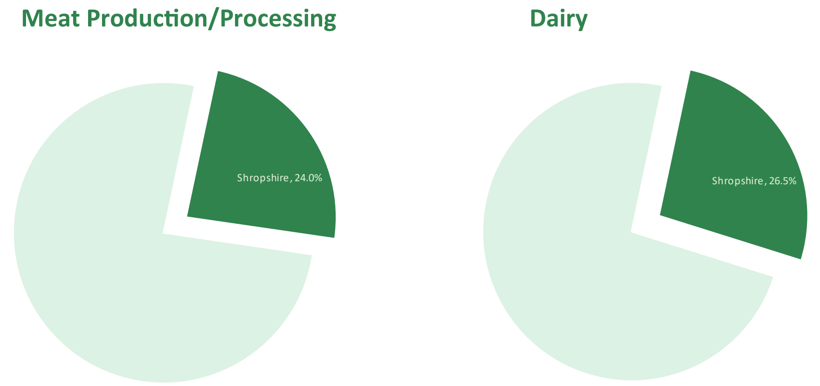
Compared with the national food and drink industry, Shropshire is strongly over-represented in meat production, dairy and animal feed. Although still significant employment sectors for Shropshire, comparatively fewer are employed in fruit and vegetable production or in bread/biscuits.

Relative Importance of Food and Drink Sub-Sectors[3]



Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018

Shropshire's Contribution to West Midlands' Meat and Dairy Production, 2016



Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018

The sub-sector which has been the focus of greatest employment growth in recent years has been meat processing and production. The number of jobs in this sub-sector has risen by more than 200 over the last year (between 2015 and 2016), and by more than 600 since 2010. Almost a quarter of regional meat processing takes place in Shropshire.

Likewise, more than a quarter of West Midlands' dairy production takes place in Shropshire.

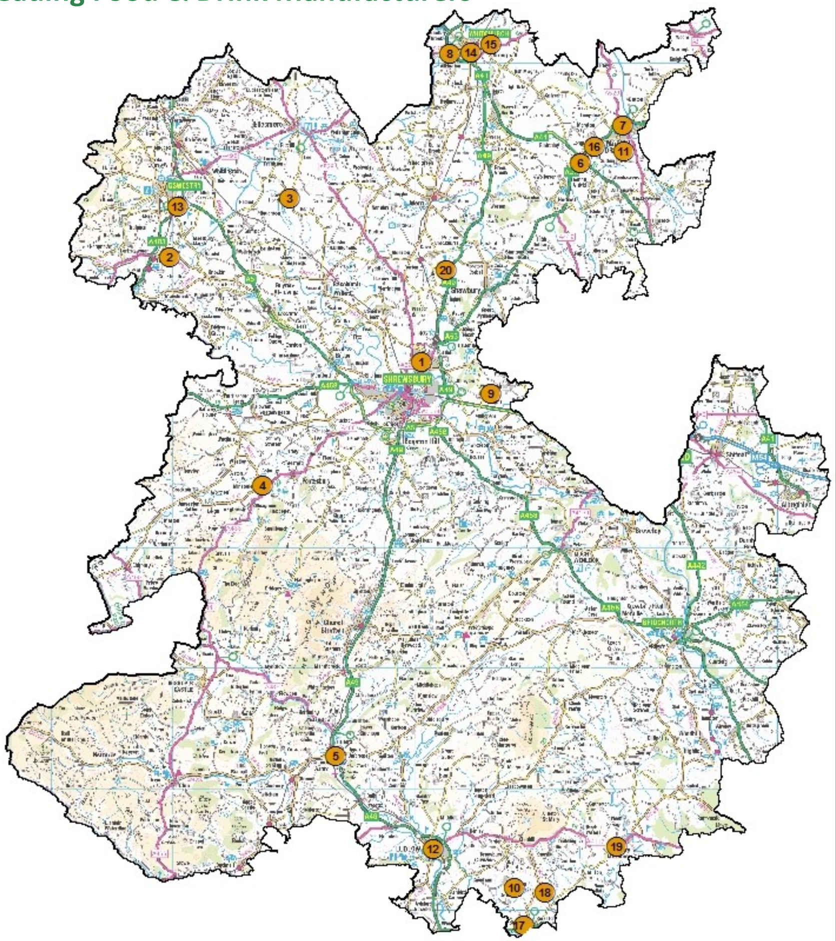
[3] Location Quotient calculated by dividing the relative importance of each sector in Shropshire by the national average

Two sub-sectors which employ significant numbers nationally but which have limited presence in Shropshire are chocolate and sugar confectionery and ready meals.

Top Companies

There are a number of key operators in the food and drink sector in Shropshire, which are identified on the following map. ABP Processing, with factories in Shrewsbury and Ellesmere, Market Drayton based Addo Foods (Palethorpes) and Euro Quality Lambs (Craven Arms) operate in meat processing. Muller is based in Market Drayton and is a global leader in the dairy market. Other key operators in this sub-sector include Arla, Ornua and Belton Farm.

Leading Food & Drink Manufacturers



- 1 = ABP Shrewsbury
- 2 = Lloyds Animal Feed
- 3 = ABP Ellesmere
- 4 = Zwanenberg Food
- 5 = Euro Quality Lamb
- 6 = Muller Dairy
- 7 = Addo Food Group/Palethorpes
- 8 = Belton Farm
- 9 = CJ Wildbird Foods
- 10 = Orchard valley
- 11 = Joules Brewery
- 12 = The Ludlow Nut Company
- 13 = Arla Foods
- 14 = The Cheese Warehouse
- 15 = Ornua
- 16 = Culina
- 17 = Esterform
- 18 = Kerry Ingredients
- 19 = Kudos
- 20 = Oaklands farm Eggs

Labour Force and Skills

Shropshire's labour force is ageing and this is particularly acute in the manufacturing sector. Nationally, a third of all those employed by manufacturing sectors are aged over 50. This proportion is comparable in Shropshire. In terms of occupational structure, Shropshire's manufacturing sector employs fewer managers and professionals, but more associate professionals than is the case nationally. High numbers of process, plant and machine operatives are employed and more in elementary occupations than is the case nationally. Fewer are qualified to degree level, at around a fifth of the manufacturing work force.

Occupational Breakdown, 2017

	Shropshire Manufacturing	UK Manufacturing	Shropshire Total Workplace
Managers, Directors and Senior Officials	10.5%	12.6%	11.2%
Professional Occupations	12.0%	13.0%	14.2%
Associate Professional & Technical	15.0%	14.3%	12.0%
Administrative & Secretarial	12.8%	8.2%	9.2%
Skilled Trades Occupations	12.0%	21.6%	15.9%
Caring, Leisure & other Service	-	0.4%	9.8%
Sales and Customer Service	4.5%	2.9%	6.3%
Process, Plant and Machine Operatives	21.1%	18.5%	6.3%
Elementary Occupations	12.0%	8.5%	15.2%

Source: Annual Population Survey

There is evidence that producers are experiencing increasing concerns in regard to labour supply as Brexit approaches. A third of the overall workforce in food and drink production in the UK is from the EU. 57% of respondents to a recent survey (by BDO) claimed to be experiencing difficulties in recruitment to the necessary skills requirement in 2017.

Food & Drink Supply Chain

Food and drink production sits within a wide range of associated activities required by producers to get their products to market. This includes:

- Food production and processing
- Beverages production and processing (including alcohol)
- Agri-foods/agri-tech
- Distribution and logistics (including wholesale, road / rail freight and warehousing /storage
- Food retailing
- Food services (including restaurants and catering)

Auxiliary services associated with the food and drinks sector also include:

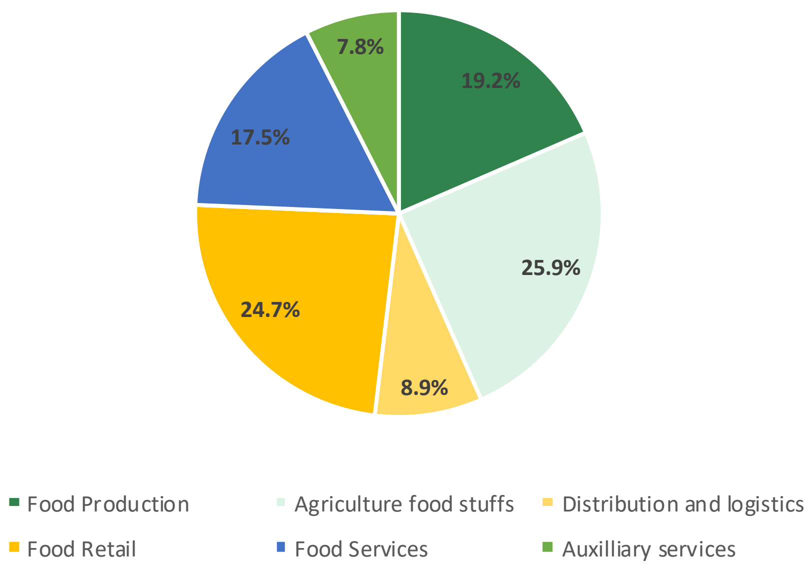
- Packaging
- Equipment
- Testing
- Research and development houses
- Energy from waste providers
- Training providers
- Marketing and PR

Research was undertaken by Ask for Research in 2013 on behalf of the Marches LEP to quantify the value of this wider food and drink industrial sector.

This suggested that approaching a quarter of all GVA generated in Shropshire was attributable to the food and drink sector in its widest sense. This compares with the 3% share of GVA for which food processing alone accounts. The disproportionately large share of GVA attributable to food and drink in Shropshire is highlighted by the much lower share of national GVA associated with food and drink (just over 15%).

Food and drink production, food retail, agriculture foodstuffs and food services account for the largest shares of GVA.

Breakdown of GVA by Food & Drink Activity, 2012



Source: Ask for Research

The following table shows the most recent number of business units and employment levels in various sectors of the food and drink supply chain.

Business Numbers and Employment Levels		
	Jobs	Business Count
Farms	9,700	3,719
Specialist Food Retailers	400	160
Specialist Food Wholesalers	1,500	105
Food Hospitality	9,700	1,020

Source: Business Register of Employment, 2016, ONS © Crown Copyright 2018, DEFRA Census of Agriculture 2016, IDBR business counts, 2017.

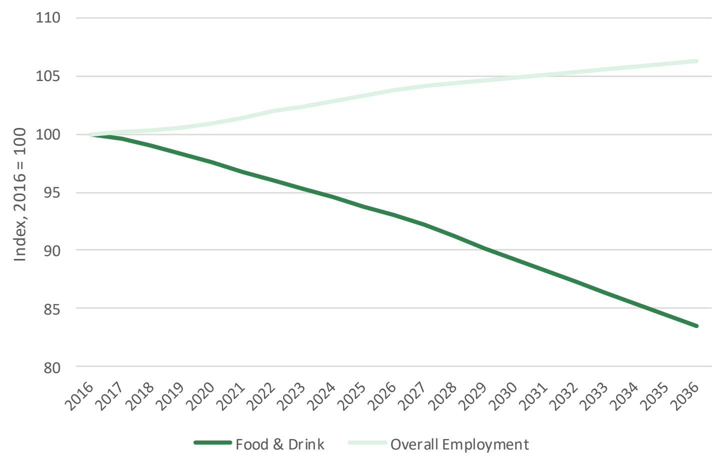
Food retailing does not include non-specialist stores such as supermarkets and variety stores. Food hospitality includes restaurants, cafes, bars, pubs, hotels and other serviced accommodation and event caterers

Growth Prospects

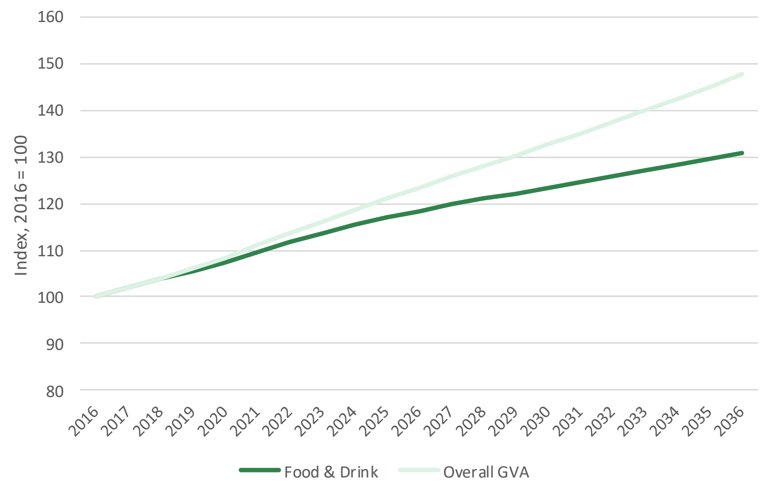
Employment in food and drink manufacturing in Shropshire is forecast to decline by about 17% over the next two decades, which is the equivalent of a loss of some 700 jobs. This represents an annual loss of about 35 jobs. Jobs in the sector are likewise expected to fall in the West Midlands and the UK, albeit at a slightly slower pace (-12% and -15% respectively). Increased use of automation within the sector is likely to negatively impact on employment levels, but should improve productivity.

As a result, the value of the sector is forecast to continue expanding, with a projected GVA worth of £277 million by 2036. This represents growth of 31% (against +47.7% for the overall Shropshire economy). Both the regional and national food and drink sectors are forecast to grow slightly quicker (+39% and +35% respectively).

Forecast Growth in Food & Drink Employment, 2016-2036



Forecast Growth in Food & Drink GVA, 2016-2036



Source: Oxford Economics