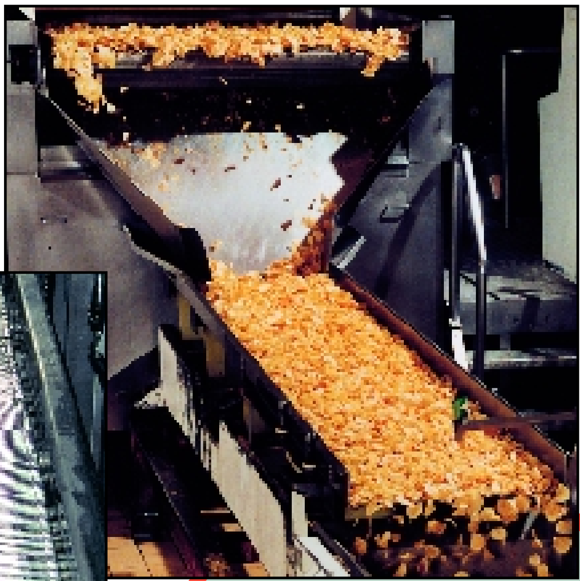
Department of Agriculture and Rural Development

Size and Performance *of the* Northern Ireland Food and Drinks Processing Sector - 10 Years Statistics, 1989 to 1998



A National Statistics Publication

SIZE AND PERFORMANCE
OF THE
NORTHERN IRELAND
FOOD AND DRINKS PROCESSING SECTOR -
10 YEARS STATISTICS, 1989-1998

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FOREWORD

Economics and Statistics Division has published eight annual reports in the series "Size and Performance of the Northern Ireland Food and Drinks Processing Sector". The first report had data for the three years, 1989 to 1991, and the most recent report presented information for 1997 and 1998. As a result 10 years of comparable data are now available.

To make it easier for those who use these statistics, and who wish to consider more than one or two years data, it was decided to prepare this report which covers the first 10 years statistics in this series. The report analyses changes over the period 1989 to 1998, particularly in turnover, value added, profitability, sales destinations and employment for each of the 10 subsectors which comprise the food and drinks processing sector in Northern Ireland. The report should prove to be a useful reference document for those involved in the sector.

Each year, the annual statistics are prepared with the assistance of a number of organisations and their help and co-operation are gratefully acknowledged. They include the Food and Marketing Divisions of the Industrial Development Board and the Local Enterprise Development Unit, Statistics and Research Branch of the Department of Enterprise, Trade and Investment, Companies Registry and the Northern Ireland Economic Research Centre.

The report was prepared by Hazel Patterson under the supervision of Stanley McBurney, the Deputy Chief Agricultural Economist. Any comments on it should be forwarded to them.

T F STAINER
Chief Agricultural Economist
April 2001

CONTENTS

EXECUTIVE SUMMARY

1. Over the 10 year period 1989 to 1998 the total gross turnover of the Northern Ireland food and drinks processing sector increased from £1,644 million to £2,162 million.

2. The annual rate of growth in gross turnover in the period 1989 to 1998 averaged 3.5% in current money terms but declined by 1.0% when inflation is taken into account.

3. Almost 72% of the increase in total gross turnover of £518 million between 1989 and 1998 resulted from increases in the values of sales in the milk and milk products (+£142m), poultrymeat (+£137m) and pigmeat (+£93) subsectors.

4. Beef and sheepmeat was the only subsector to have a smaller gross turnover value in 1998 than in 1989, at £385 million and £418 million respectively.

5. The milk and milk products and beef and sheepmeat subsectors had the two largest subsector gross turnovers of the 10 subsectors, which comprise the food and drinks processing sector, throughout the 10 year period. They jointly accounted for 52% of the total gross turnover generated by the food and drinks processing sector in 1989 and 44% in 1998.

6. The total value added generated by the food and drinks processing sector increased by 35% over the 10 year period, from £287 million in 1989 to £389 million in 1998.

7. Three subsectors, drinks (£84m), poultrymeat (£58m) and milk and milk products (£57m) generated more than half (51%) of the total value added in 1998.

8. The wages and salaries bill for the food and drinks processing sector, which is the largest component of value added, increased from £180 million in 1989 to £266 million in 1998. Average wages and salary costs per employee were £9,383 in 1989 and £13,735 in 1998.

9. Value added generated by the food and drinks processing sector represented 17.5% of total gross turnover in 1989 and 18.0% in 1998.

10. Imported semi-processed food used by the food and drinks processing sector totalled £77 million in 1989 and £68 million in 1998.

11. Inter-business sales of semi-processed food products among Northern Ireland food and drinks processing businesses increased from £78 million in 1989 to £134 million in 1998.

12. Over the 10 year period the level of employment provided by the food and drinks processing sector increased by 227 full-time employee equivalents from 19,165 in 1989 to 19,392 in 1998.

13. The poultrymeat subsector (+790 employees) had the greatest increase in employment between 1989 and 1998, followed by the fruit and vegetables subsector (+453 employees). The largest decreases in employment between 1989 and 1998 took place in the milk and milk products (-1,091 employees) and the beef and sheepmeat (-772 employees) subsectors.

14. Sales of food and drinks products to external markets totalled £841 million in 1989 and £1,133 million in 1998 and represented 51% and 52% of total processing sector sales in these years respectively.

15. Throughout the 10 year period Great Britain continued to be the most important market outside of Northern Ireland for the food and drinks processing sector with sales worth £563 million in 1989 and £752 million in 1998, accounting for 34% and 35% of total sales in these years respectively.

16. Between 1989 and 1998, export sales of food and drinks products increased by £56 million from £261 million in 1989 to £317 million in 1998.

17. In 1989, the beef and sheepmeat subsector had the highest value of exports, at £96 million. In 1998, export sales for the beef/sheepmeat subsector were £21 million as only sheepmeat could be exported due to the UK-wide ban on beef exports.

18. The Republic of Ireland was the largest export market for the food and drinks processing sector throughout the 10 year period with sales of £117 million in 1989 and £156 million in 1998.

19. Between 1989 and 1998 total profits before taxation decreased by 35% from £68 million in 1989 to £44 million in 1998, equating to profit margins of 4.1% in 1989 and 2.0% in 1998.

20. The total amount of capital employed in the food and drinks processing sector doubled between 1989 and 1998 from £441 million to £898 million. The rate of return on capital employed decreased from 17.1% in 1989 to 6.9% in 1998.

21. The Northern Ireland food and drinks processing sector accounted for approximately 27% of total Northern Ireland manufacturing sales in 1989 and 23% in 1998.

22. External sales of the food and drinks processing sector were approximately 20% of total manufacturing external sales in 1989 and 17% in 1998.

23. In 1998, the food and drinks processing sector sales into export markets were 9% of total Northern Ireland manufacturing export sales, 4 percentage points lower than in 1989.

24. In both 1989 and 1998, the food and drinks processing sector accounted for 18% of the total employees in the whole manufacturing sector in Northern Ireland.

25. The food and drinks processing sector contributed 3.1% of total Northern Ireland Gross Domestic Product in 1989 and 2.4% in 1998.

1. INTRODUCTION

This report presents data estimates for the size and performance of the Northern Ireland Food and Drinks Processing Sector over the 10 year period, 1989 to 1998, and analyses the changes which have occurred. The main measures of size of the food and drinks processing sector used throughout this report are gross turnover, value added, employment and exports. Performance has been calculated in a number of ways and includes some of the most commonly used parameters, such as profitability expressed as a percentage of turnover and rate of return on capital employed. Definitions of the terms used throughout the report are given in Annex A.

The data have been classified, depending on the main product processed, into one of 10 food and drinks processing subsectors. In Section 2 of the report information is given which relates to the overall size and performance of the processing sector and this is followed by sections for each of the 10 processing subsectors (Sections 3 to 12). The 1989 and 1998 performance indicators are given at the end of each section for easy reference. These indicators have been calculated by totalling the results for each of the businesses within the subsectors and are, therefore, weighted averages.

In this report, the data presented for the years 1989 to 1994 relate to all food processing sector businesses in Northern Ireland irrespective of their size. However, difficulties were experienced in accessing detailed accounting information for small businesses and the boundary for analysis changed from 1995 onwards. For the years 1995 to 1998 the data relate to those food processing businesses in Northern Ireland which have an annual turnover in excess of £250,000. The omission of the smaller businesses in these years is estimated to have a maximum impact of £50 million on gross turnover.

The analyses carried out in 1989 were based on information from 456 businesses, of which 218 had a gross turnover in excess of £250,000. In 1998, the data refer to 279 businesses with gross turnovers in excess of £250,000.

Turnover £ million	**Number of businesses**	
	1989	**1998**
0.25-0.99	75	88
1.00-9.99	99	141
10.00-49.99	39	38
50.00 and over	5	12
Total	218	279

The data included in this report are based mainly on information contained in the annual accounts of food processing businesses in Northern Ireland. This information was collated from sources such as the Food and Marketing Divisions of the Industrial Development Board and the Local Enterprise Development Unit, Statistics and Research Branch of the Department of Enterprise, Trade and Investment, Companies Registry and the Northern Ireland Economic Research Centre.

A number of different definitions are available to describe what food and drinks processing encompasses. The definition used for this compilation of statistics only includes those businesses that are involved in processing activities, which change the nature of a raw material destined for human consumption. Thus, under this definition, businesses involved in animal feedingstuffs manufacture, pet food production, rendering, and hide and skin processing are not considered to be part of the food and drinks processing sector. This differs from the standard industrial classification definitions, which are used to compile Government's statistics on the manufacturing sector. It is considered that the definition adopted for the report provides a more useful and practical description of the food and drinks processing sector. Definitions for each of the 10 subsectors are given in Annex B.

Importance of the food and drinks processing sector in 1989 and 1998.

The Northern Ireland food and drinks processing sector made smaller contributions to total manufacturing sales, and exports in 1998 than in 1989. In 1989 the sector accounted for 27% of total manufacturing sales, but by 1998 this had declined to 23%; export sales over the same period fell from 13% to 9%. Employment in the food and drinks processing sector accounted for 18% of the total employees in the manufacturing sector in both 1989 and 1998. Overall, the food and drinks sector contributed 3.1% of Northern Ireland Gross Domestic Product in 1989 and 2.4% in 1998.

2. SIZE AND PERFORMANCE OF THE NORTHERN IRELAND FOOD AND DRINKS PROCESSING SECTOR

In this chapter, data are presented to show the changes which occurred in the overall size of the food and drinks processing sector during the 10 year period 1989 to 1998. (The statistical series began in 1989.)

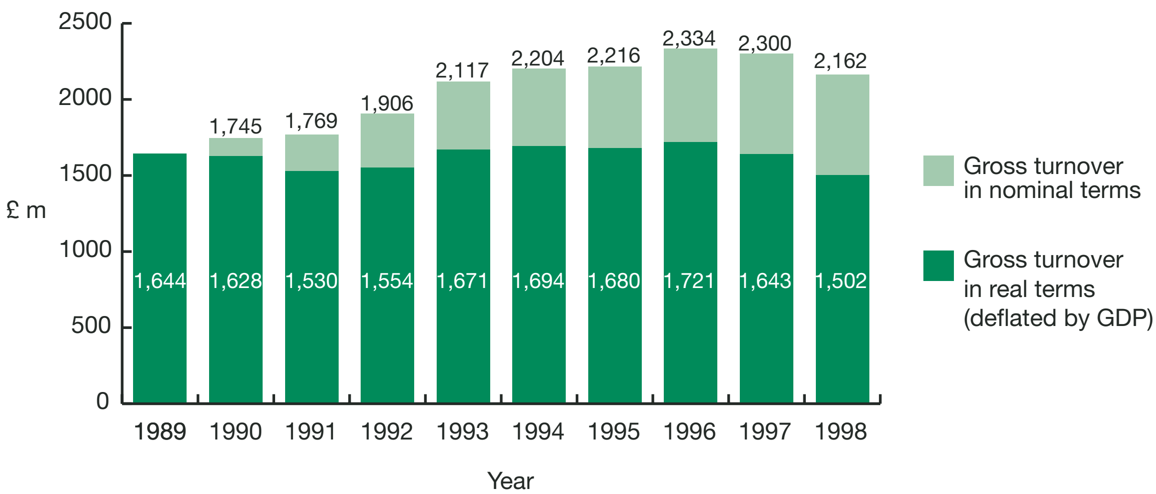
Data for the beginning and end of the 10 year period are given in Table 1 and show that the two main yardsticks of size, gross turnover and value added, increased by 31.6% and 35.4% respectively. These equate to average annual rates of growth of 3.5% and 3.9%. However, in real terms (using the GDP deflator), gross turnover decreased by 8.6%, and value added decreased by 5.9% between 1989 and 1998. The value of export sales and external sales also declined in real value terms but employment recorded a small increase of 1.2% over the 10 year period.

Table 1 Turnover, value added, exports, external sales and employment in the Northern Ireland food and drinks processing sector, 1989 and 1998.

	1989	1998	% change 1989-98	
			Current prices	Real prices*
Gross turnover (£m)	1,644	2,162	31.6	-8.6
Value added (£m)	287	389	35.4	-5.9
Export Sales (£m)	261	317	21.4	-15.7
External Sales (£m)	841	1,133	34.7	-6.4
Employment	19,165	19,392	1.2	n.a.

* adjusted by GDP deflator

Figure 1 Annual gross turnovers, in current and real terms, for the Northern Ireland food and drinks processing sector, 1989 to 1998.



Gross Turnover

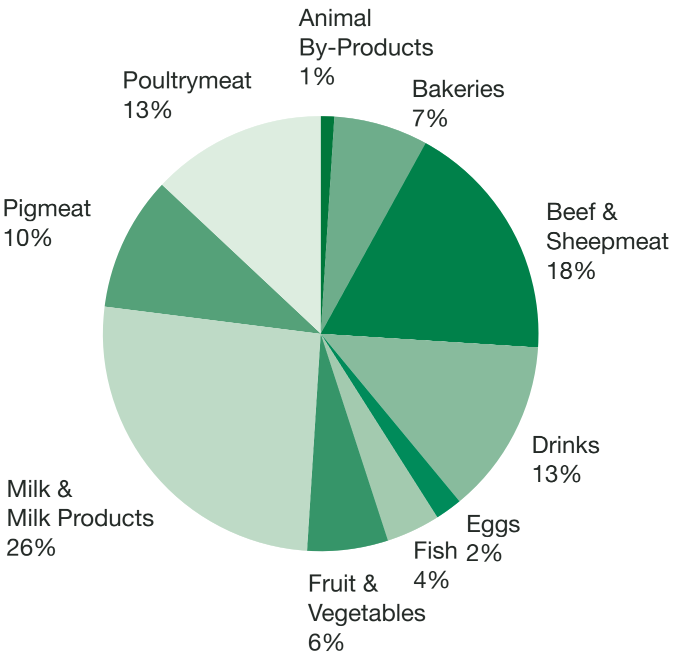
The total gross turnover of the Northern Ireland food and drinks processing sector increased from £1,644 million in 1989 to £2,162 million in 1998. This increase of £518 million resulted from higher turnovers in all of the 10 subsectors which comprise the sector, except for beef and sheepmeat. The milk and milk products and poultrymeat subsectors had the largest increases in turnover over the 10 year period of £142 million and £137 million respectively.

Table 2 Gross turnover, by subsector, 1989 and 1998.

	Gross turnover (£ million) 1989	1998	% Change 1989-98
Animal By-Products	21	23	8.8
Bakeries	135	145	7.1
Beef & Sheepmeat	418	385	-7.9
Drinks	240	290	20.6
Eggs	33	41	26.2
Fish	43	79	84.4
Fruit & Vegetables	47	121	160.0
Milk & Milk Products	434	576	32.7
Pigmeat	133	226	69.5
Poultrymeat	140	277	97.8
Total Sector	**1,644**	**2,162**	**31.6**

Throughout the 10 year period, the milk and milk products and beef and sheepmeat subsectors were the two dominant subsectors, although between 1989 and 1998 their share of the processing sector total gross turnover declined by 7 percentage points to 44%. There was little change in the contribution to total turnover made by the five smallest subsectors over the 10 years. At the beginning of the period animal by-products, eggs, fish, fruit and vegetables and pigmeat jointly accounted for 17% of the total gross turnover, whereas at the end of the 10 year period they contributed 19% of the total, with bakeries replacing pigmeat as one of the 5 smallest subsectors. The highest rates of growth in sales over the period were displayed by the fruit and vegetables and poultrymeat subsectors. These growth rates were well above the sector average of 31.6%, and resulted in the fruit and vegetables subsector's contribution to total gross turnover doubling from 2.8% in 1989 to 5.6% in 1998, and the poultrymeat subsector's contribution increasing from 8.5% in 1989 to 12.8% in 1998.

Figure 2 Subsectors gross turnover, as percentage of total, 1998.



In 1998, 76% of the food processing sector turnover depended on the output from farms in Northern Ireland (i.e. excluding bakeries, drinks and fish subsectors). This was similar to the situation in 1989 when the comparable figure was 75%. Annual imports of semi-processed food raw materials were slightly lower in 1998 than in 1989 at £68 million and £77 million respectively.

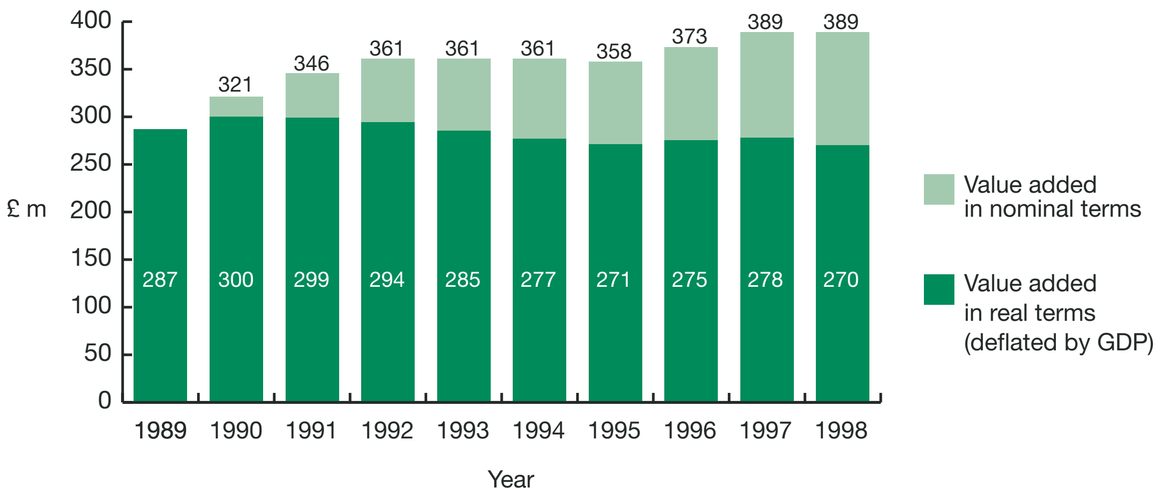
Net Turnover

Some businesses within the food processing sector in Northern Ireland sell partially processed food products which are used as ingredients, or undergo further processing by other Northern Ireland processors. This being so, the ‘outputs’ of some food processing businesses are ‘inputs’ of others, resulting in an over-estimation of the level of net sales into the Northern Ireland market. When the value of inter-business sales is known, the net turnover value of the food and drinks processing sector can be estimated. Inter-business sales and purchases of partially processed foods occur to differing extents in the 10 food processing subsectors. As a result, there is a range in the magnitude of differences between the values of gross and net turnovers for each of the 10 subsectors. The highest levels of inter-business sales generally occur in the beef/sheepmeat and milk/milk products subsectors. This arises because they are the two largest subsectors within the Northern Ireland food processing sector and also because a high proportion of businesses within these subsectors tend to specialise in either primary or further processing activities, or have valuable by-products used by other subsectors. It was estimated that the levels of sales of partially processed food among food processing companies in Northern Ireland were £78 million in 1989 and £134 million in 1998.

Value Added

The amount of 'value added' generated by the food processing sector is a measure of the sector's contribution to the economy. Value added is determined by deducting all of the 'inputs', which are 'outputs' of other sectors from the turnover of the food processing sector. In other words, it is the sum of wages and salaries, interest paid, depreciation and profits.

Figure 3 Annual values added, in current and real terms, for the Northern Ireland food and drinks processing sector, 1989 to 1998.

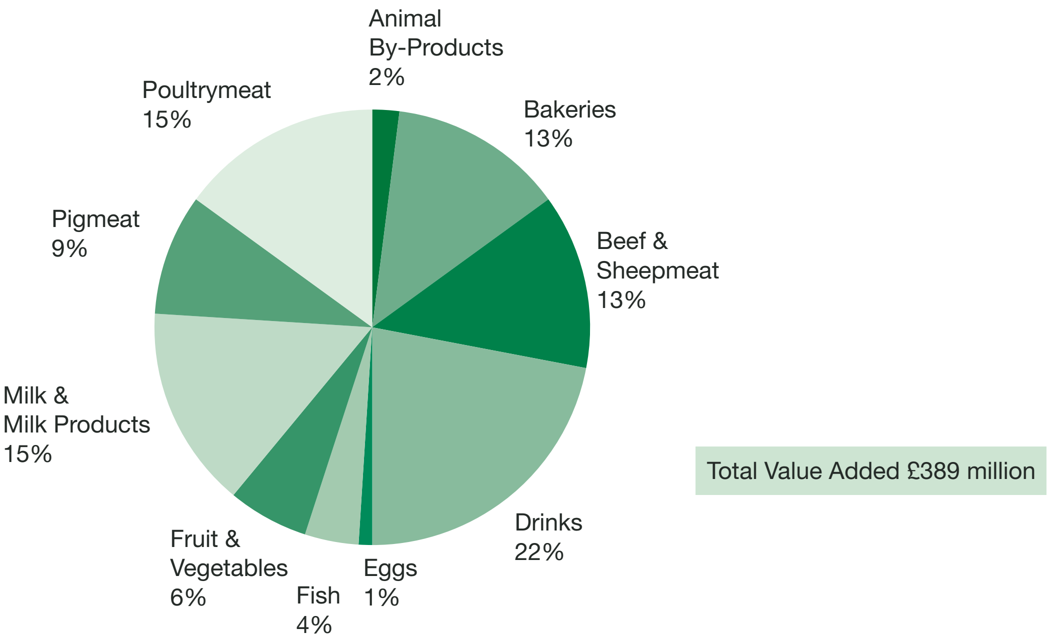


Between 1989 and 1998 total value added in the food and drinks processing sector increased in nominal terms by 35.4% from £287 million to £389 million, indicating an improved contribution to the economy. Value added increased steadily between 1989 and 1992, stabilised at around £360 million between 1992 and 1995, and exhibited small increases between 1995 and 1998. When expressed in real terms, using the GDP deflator, the value added by the processing sector declined by 5.9% over the 10 year period.

Table 3 Value added by subsector, 1989 and 1998.

	Value added (£ million) 1989	1998	% Change 1989-1998
Animal By-Products	6.3	6.7	6.2
Bakeries	47.5	50.3	5.9
Beef & Sheepmeat	34.2	52.2	52.6
Drinks	40.9	83.9	105.1
Eggs	3.3	5.7	71.9
Fish	9.2	16.5	78.9
Fruit & Vegetables	13.1	22.9	74.6
Milk & Milk Products	73.3	56.6	-22.7
Pigmeat	26.1	36.1	38.1
Poultrymeat	33.4	58.3	74.6
Total Sector	287.3	389.1	35.4

Figure 4 Subsectors added value as % of total, 1998.

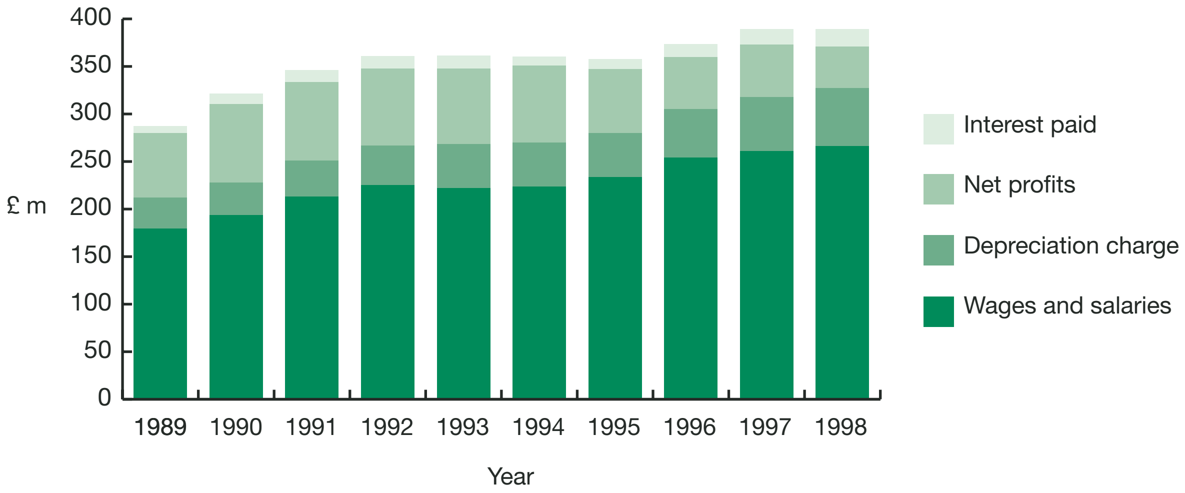


Between 1989 and 1992 the three subsectors that made the largest contribution to value added were milk/milk products, bakeries and drinks. This changed between 1993 and 1998 when the poultrymeat subsector displaced bakeries in the top three. All subsectors, apart from milk and milk products, had higher added values in 1998 compared with 1989. The three subsectors which recorded the largest increases in value added over the 10 years were drinks (+£43 million), poultrymeat (+£25 million) and beef and sheepmeat (+£18 million).

Table 4 Values of the components of value added, 1989 and 1998.

	1989		1998		% Change
	£ million	% of value added	£ million	% of value added	1989-1998
Wages & salaries	179.8	63	266.4	68	48.1
Depreciation charge	32.1	11	60.6	16	88.7
Net profits	68.2	24	44.0	11	-35.5
Interest paid	7.3	2	18.2	5	149.4
Value added	287.4	100	389.1	100	35.4

Figure 5 Annual values of the components of value added, 1989 to 1998.



The total wages and salaries bill for the food and drinks processing sector is the largest component of value added and increased from £180 million in 1989 to £266 million in 1998. These represented 63% of value added in 1989 and 68% in 1998 and equate to average wages and salary costs per employee of £9,383 in 1989 and £13,735 in 1998.

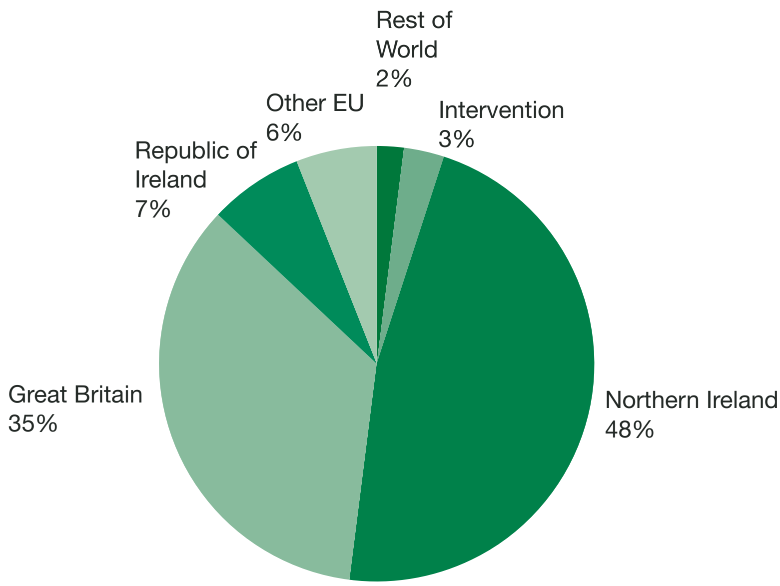
Profits before taxation generated by the food and drinks processing sector was the only component of value added to decline between 1989 and 1998, falling by 35% from £68 million in 1989 to £44 million in 1998. In 1989, profits before taxation represented 24% of value added, whereas by 1998 this had fallen to 11% of value added.

The level of depreciation charge, which reflects the level of new investment, increased from £32 million to £61 million between 1989 and 1998 and its proportion of value added steadily increased from 11% in 1989 to 16% in 1998.

Over the 10 year period, interest costs more than doubled from £7 million to £18 million and increased as a proportion of value added from 2% in 1989 to 5% in 1998.

Destinations of Sales

Figure 6 Destinations of the food and drinks processing sector sales, as % of total, 1998.



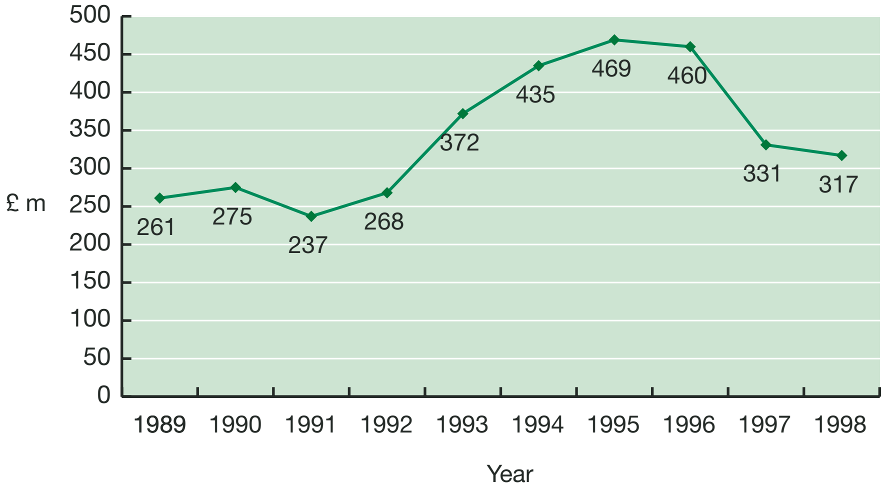
The percentages of total sales to Northern Ireland, Great Britain, Republic of Ireland, and other countries remained quite similar throughout the period 1989 to 1998. In 1998, the value of external sales, (sales from Northern Ireland to other regions of the United Kingdom, intervention and export markets), totalled £1,133 million, and represented 52% of total sales. Sales to external markets in each of the 10 years have accounted for between 51% to 56% of total sales. This proportion increases when the sales are excluded for the three food processing subsectors (bakeries, drinks and fish) which do not utilise the output of the domestic agricultural sector to any significant degree; in 1998 the proportion was 60%.

Table 5 Total sales by country of destination, 1989 and 1998.

	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	802	49	1,029	48
Great Britain	563	34	752	35
Republic of Ireland	117	7	156	7
Other EU	103	6	121	6
Rest of World	42	3	40	2
Intervention	17	1	64	3
Total Sales	1,644	100	2,162	100
External Sales	841	51	1,133	52
Export Sales	261	16	317	15

Export sales, which are sales from Northern Ireland to markets outside the United Kingdom, increased from £261 million in 1989 to £317 million in 1998. In the period 1991 to 1995, sales to export markets almost doubled from £237 million to £469 million. However, since 1995 export sales declined significantly, mainly because of lower exports from the beef and sheepmeat subsector (-£140m) and the milk and milk products subsector (-£28m). The lower value for exported beef sales was as a result of the ban on sales of UK beef into export markets after 20th March 1996, because of BSE, whereas lower milk and milk products export sales was mainly due to the increasing strength of sterling.

Figure 7 Annual food processing sector export sales, 1989 to 1998.



The Republic of Ireland (ROI) maintained its position as the main export market for Northern Ireland food and drinks products between 1989 and 1998, apart from 1995 and 1996 when sales were greater to other European Union (EU) countries. In 1989, sales to the ROI were worth £117 million, increased to a peak of £190 million in 1994, and since then have declined to £156 million in 1998.

The subsectors most reliant on markets in the EU, not including ROI, were milk and milk products, fish, and beef and sheepmeat; these jointly accounted for 81% of the sales to other EU countries (excluding ROI). In 1998 the milk and milk products and drinks subsectors accounted for almost all (91%) of the sales to countries outside the EU.

Employment

The total number of full-time employee equivalents in the food and drinks processing sector in Northern Ireland was 227 higher at 19,392 in 1998 than in 1989.

Table 6 Full-time employee equivalents, by subsector, 1989 and 1998.

	Employees (Full-time equivalents) 1989	1998	% Change 1989-1998
Animal By-Products	237	251	5.7
Bakeries	3,173	3,327	4.8
Beef & Sheepmeat	3,018	2,247	-25.6
Drinks	1,546	1,843	19.2
Eggs	359	360	0.3
Fish	1,055	1,119	6.1
Fruit & Vegetables	853	1,306	53.1
Milk & Milk Products	3,714	2,624	-29.4
Pigmeat	2,106	2,424	15.1
Poultrymeat	3,104	3,894	25.5
Total Sector	19,165	19,392	1.2

Figure 8 Annual full-time employee equivalents (FTEs) in the food and drinks processing sector by subsector, 1989 to 1998.

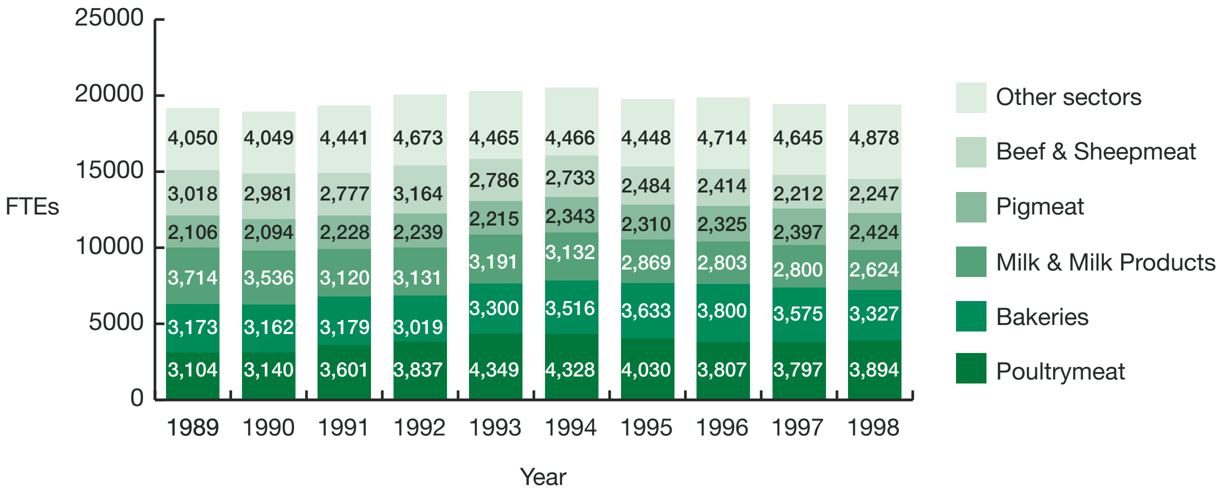


Figure 8 shows that the general trend was an increasing number of employees in the food and drinks processing sector between 1989 and 1994, when it reached a peak of 20,518 and has declined since then to 19,392 in 1998.

In 1989 and 1990, the milk and milk products subsector employed the largest number of people, however since 1991, the poultrymeat subsector replaced the milk/milk products subsector as the largest employer. The bakeries subsector has been the second largest employer, except for 1992 when the number of people employed in the beef/sheepmeat subsector exceeded those in the bakeries subsector. At the other end of the employment range, animal by-products has consistently been the smallest subsector throughout the period. In 1998, as in 1989, the three largest subsectors, poultrymeat, bakeries and milk/milk products, jointly employed over 50% of the total employees in the food and drinks processing sector.

The greatest shedding of employment between 1989 and 1998 occurred in the milk/milk products and beef/sheepmeat subsectors, where employment fell by 1,091 and 772 full-time employee equivalents respectively. The bakeries subsector reached its peak employee requirement in 1996, at 3,800 employees, and has since then recorded significant reductions in employees, decreasing by approximately 230 employees per year. This decrease may in some part be related to a more competitive market-place since the arrival of the large British multiple retailers into Northern Ireland in 1996.

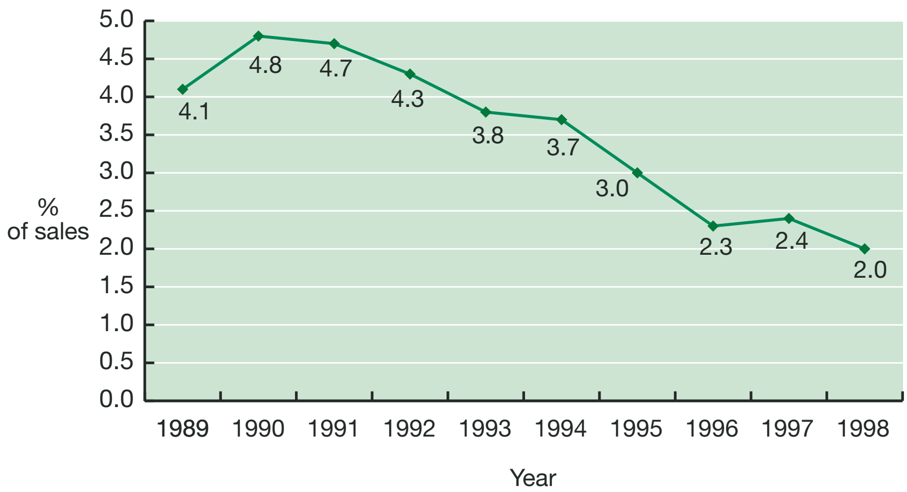
Profitability

Table 7 Net profits, by subsector, 1989 and 1998.

	Net Profits (£ million) 1989	1998	% Change 1989-1998
Animal By-Products	2.6	1.7	-36.5
Bakeries	8.2	0.0	-100.0
Beef & Sheepmeat	5.6	12.3	119.0
Drinks	17.1	36.3	112.3
Eggs	0.8	-0.5	-165.8
Fish	1.9	3.1	64.6
Fruit & Vegetables	4.2	2.2	-46.9
Milk & Milk Products	21.9	-2.5	-111.4
Pigmeat	4.1	-5.4	-232.0
Poultrymeat	1.5	-3.1	-308.6
Total Sector	67.9	44.0	-35.2

The total net profits before tax generated by the food and drinks processing sector decreased from £68 million to £44 million over the period 1989 to 1998. As shown in Figure 9, these equate to average margins of profitability of 4.1% in 1989 and 2.0% in 1998, when profits are expressed as a percentage of gross turnovers.

Figure 9 Annual net profits as a percentage of sales, 1989 to 1998.



In the period 1989 to 1993, all of the 10 food and drinks processing subsectors generated profits. Since 1993, the pigmeat subsector has incurred annual trading losses, and the bakeries subsector had losses in 1997 and 1998. A further 3 subsectors made losses in 1998, namely eggs, poultrymeat and milk and milk products. Only the drinks, beef and sheepmeat and fish subsectors had higher levels of profits in 1998 than in 1989. Over the 10 year period the animal by-products subsector recorded the highest average level of profitability performance, at 11.4% of sales, followed by the drinks subsector, at 10.8% of sales.

Capital Employed

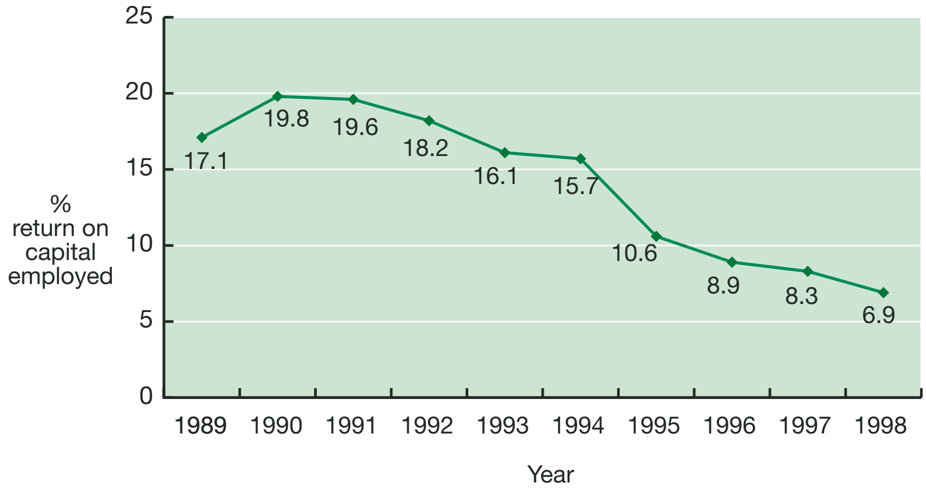
The total amount of capital employed in the food and drinks processing sector doubled between 1989 and 1998 from £441 million to £898 million. This substantial increase in capital requirement reflects the much higher amount of fixed capital and working capital now tied up in the sector. Eight of the subsectors had higher capital requirements in 1998 than in 1989, the exceptions were the eggs and animal by-products subsectors. The largest increases in capital employed between 1989 and 1998 were recorded in the drinks (+£172m), pigmeat (+£64m) and beef and sheepmeat (+£60m) subsectors. The average annual increase in capital required in the food and drinks processing sector over the period 1989 to 1998 was £51 million.

Table 8 Capital employed, by subsector, 1989 and 1998.

	Capital employed (£ million)		**% Change**
	1989	**1998**	**1989-1998**
Animal By-Products	13.8	8.5	-38.1
Bakeries	35.0	67.1	91.7
Beef & Sheepmeat	43.8	104.3	138.1
Drinks	78.1	250.2	220.3
Eggs	19.0	8.7	-54.1
Fish	13.1	27.2	107.4
Fruit & Vegetables	22.4	50.5	125.5
Milk & Milk Products	148.8	200.0	34.4
Pigmeat	30.4	94.2	209.9
Poultrymeat	36.2	87.3	141.2
Total Sector	440.5	898.1	103.9

The rate of return on capital employed may be determined in a number of ways. In this analysis it is calculated as the total net profits plus interest paid expressed as a percentage of the sum of share capital, reserves and total borrowings. This results in average rates of return of 17.1% in 1989 and 6.9% in 1998. Since 1990 the rate of return on capital has steadily declined, both because of the greater capital intensity and the lower level of profits generated by the sector. The rates of return do differ among the subsectors and these are presented in the subsector sections of this report.

Figure 10 Annual rates of return on capital employed, 1989 to 1998.



Performance Indicators

There is a large number of different ways to express how a business, subsector or sector is performing. The indicators in Table 9 are based on, and include, all of the main items collected in the course of this study. In this section of the report the average weighted data across all subsectors for 1989, 1994 and 1998 are presented.

Table 9 Average food and drinks processing sector performance data, 1989, 1994 and 1998.

	1989	1994	1998	General Trend
Sales per employee* (£)	85,748	107,384	111,504	Increase
Value added per employee* (£)	14,995	17,575	20,066	Increase
Total capital per employee* (£)	22,984	28,119	46,312	Increase
Average wage cost per employee* (£)	9,383	10,900	13,735	Increase
Gross profits as a % of sales (%)	15.30	21.26	20.25	Increase
Net profits as a % of sales (%)	4.13	3.68	2.03	Decrease
Value added as a % of sales (%)	17.49	16.36	18.00	Increase
Wages and salaries as a % of sales (%)	10.94	9.80	12.32	Increase
Interest costs as a % of sales (%)	0.44	0.43	0.84	Increase
Sales per £1,000 wages (£)	9,141	9,852	8,118	Decrease
Value added per £1,000 wages (£)	1,598	1,612	1,461	Decrease
Interest costs as % of gross profits (%)	2.91	2.03	4.16	Increase
Interest costs as % of net profits (%)	10.79	11.73	41.38	Increase
Rate of return on capital employed (%)	17.1	15.7	6.9	Decrease
Capital employed per £1,000 sales (£)	268	262	415	Increase

*Full-time equivalent

See Annex A for definitions of terms.

3. SIZE AND PERFORMANCE OF THE ANIMAL BY-PRODUCTS SUBSECTOR

The animal by-products subsector includes those businesses which process red offals, blood and fat that enter the human food chain. It excludes pet food, rendering, and hide and skin processing businesses. Some of the large meat processing businesses which have an abattoir process their own animal by-products. Where this occurred, their by-products sales were included along with the sales of the businesses' main products. In consequence, the value of by-products processing in Northern Ireland is greater than indicated in this section of the report.

Table 10 Distribution of animal by-products processing businesses by turnover, 1998.

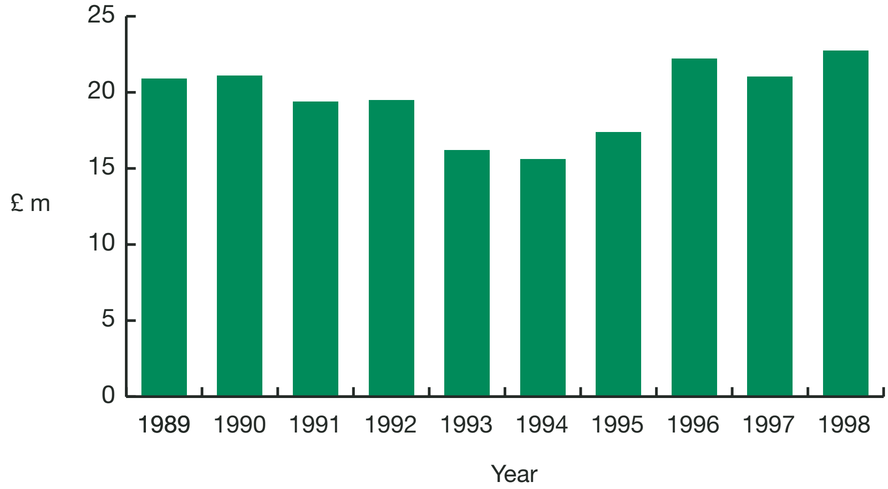
Turnover £ million	Number of businesses
0.25-0.99	5
1.0-9.99	5
Total	**10**

In 1998 there were 10 specialist businesses identified in the animal by-products subsector with turnovers in excess of £250,000 and all had annual turnovers of less than £10 million. These businesses were involved in the processing and packaging of edible red offals, which include kidneys, livers and hearts, sausage casing manufacture, as well as the refining and packaging of edible fat.

Gross Turnover

The animal by-products subsector was the smallest of the 10 food and drinks subsectors throughout the 10 year review period, with gross turnovers of £21 million in 1989 and £23 million in 1998. These turnovers represented 1.3% of the total of the food and drinks processing sector in 1989 and 1.1% in 1998. Figure 11 shows that sales were approximately £21 million in 1989 and 1990, but by 1994 had decreased to a low of £15.6 million. This was followed by a period of increased sales to reach levels above £20 million since 1996.

Figure 11 Annual gross turnovers in the animal by-products subsector, 1989 to 1998.



Value Added

At the beginning and end of the 10 year period the total added values of the animal by-products subsector were very similar at £6.3 million and £6.7 million. In the intervening period, as shown in Figure 12, value added increased from £6.3 million in 1989 to a peak of £8.3 million in 1991. The value added of the subsector then fell to a low of £4.3 million in 1994 and since then has increased to £6.7 million.

Throughout the period 1989 to 1998, value added averaged 33% of gross turnover, and was the highest average percentage among the 10 subsectors at almost twice the processing sector average of 17.5%. Because animal by-products had a relatively small gross turnover, this subsector contributed only 1.7% of the food and drinks processing sector value added in 1998.

Figure 12 Annual values of components of value added in the animal by-products subsector, 1989 to 1998.

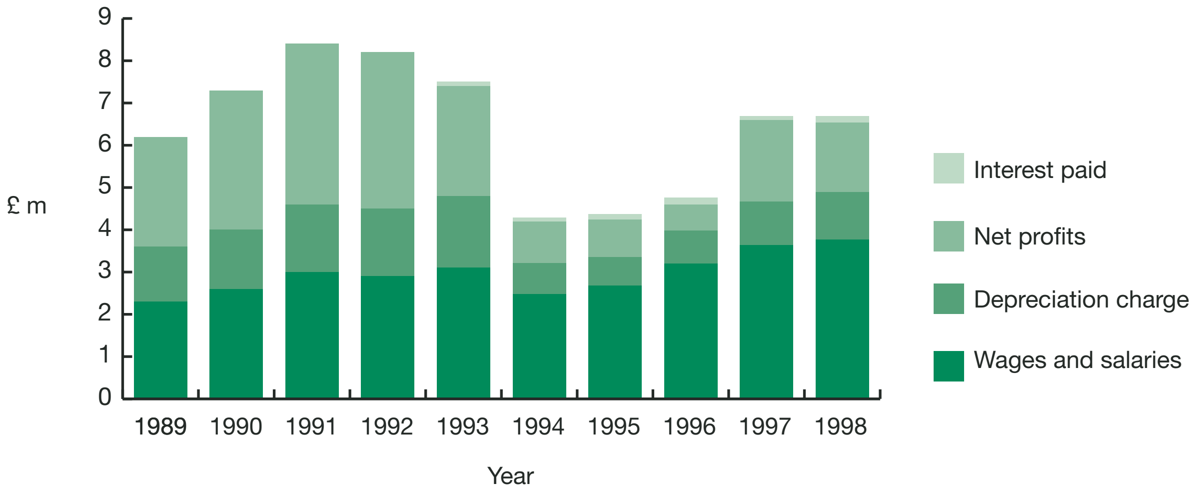


Table 11 Values of the components of value added in the animal by-products subsector, 1989 and 1998.

	1989		1998	
	£ million	**% of value added**	**£ million**	**% of value added**
Wages and salaries	2.3	37	3.8	57
Depreciation charge	1.3	21	1.1	16
Net profits	2.6	41	1.7	25
Interest paid	0.0	0	0.1	1
Value added	6.3	100	6.7	100

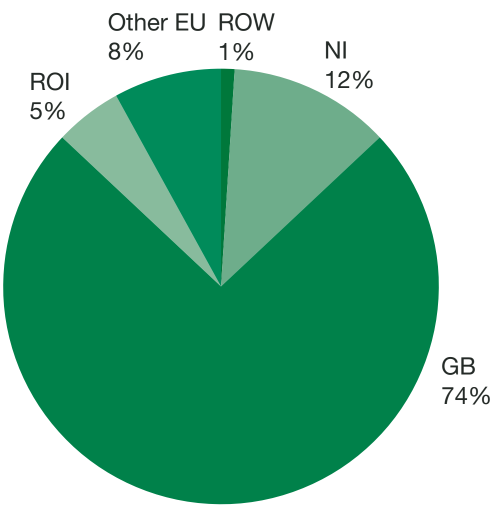
Between 1989 and 1998 the proportions of value added accounted for by the four components changed considerably. The wages and salaries bill increased by 20 percentage points, mainly at the expense of profits. Each of the components of value added in the animal by-products subsector represented very different proportions of the total to most other subsectors. For the whole processing sector in 1998, wages and salaries represented 68% and net profits represented 11% of value added compared with 57% and 25% respectively for the animal by-products subsector.

Destinations of Sales

The main market for the animal by-products subsector was Great Britain, with sales worth £16.8 million in 1998. These sales represented 74% of total sales and were more than twice the processing sector average proportion of sales to Great Britain of 35%. The eggs and fish subsectors were the only other subsectors that marketed more than 50% of their sales in Great Britain. Throughout the 10 years, the annual proportions of animal by-products sales to external markets were within the range 80% to 88% of total sales.

"Other EU" countries (i.e. those outside of the UK or ROI), was the most important export market for the subsector with 8% of sales in 1998. Sales to the Republic of Ireland steadily increased from 1% of sales in 1989 to 5% of sales in 1998. Over the 10 years the proportion of sales to export markets was within the range 5% to 27%.

Figure 13 Destinations of animal by-products subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union;
ROW: Rest of World]

Table 12 Values of animal by-products subsector sales by destination, 1989 and 1998.

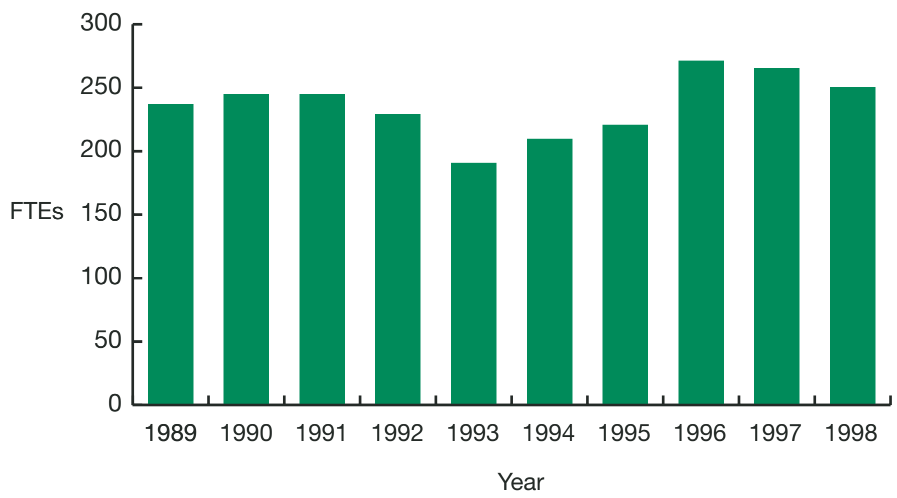
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	4.1	20	2.7	12
Great Britain	14.6	70	16.8	74
Republic of Ireland	0.2	1	1.2	5
Other EU	1.9	9	1.9	8
Rest of World	0.0	0	0.1	1
Total Sales	20.8	100	22.7	100
External Sales	16.7	80	20.0	88
Export Sales	2.1	10	3.2	14

Employment

The animal by-products subsector had the smallest workforce throughout the 10 year period, of all the 10 subsectors, providing employment for 237 full-time employee equivalents (FTEs) in 1989 and 251 in 1998. The level of employment fluctuated over the 10 year period, reaching a low in 1993 of 191 FTEs and a high in 1996 of 272 FTEs. In 1998 the workforce in this subsector represented 1.3% of the total employees in the food and drinks processing sector .

In 1998, the wages and salaries cost averaged £15,054 per employee and was £1,319 higher than the processing sector average of £13,735. However, the average wage cost is affected by the level of drawings by directors and this can have an appreciable effect, particularly in subsectors such as animal by-products which have relatively small numbers of employees. This relatively high wage cost per employee, when expressed as a percentage of gross turnover, resulted in wages and salaries representing 16.6% of gross turnover compared with the processing sector average of 12.3%.

Figure 14 Annual numbers of full-time employee equivalents (FTEs) in the animal by-products subsector, 1989 to 1998.



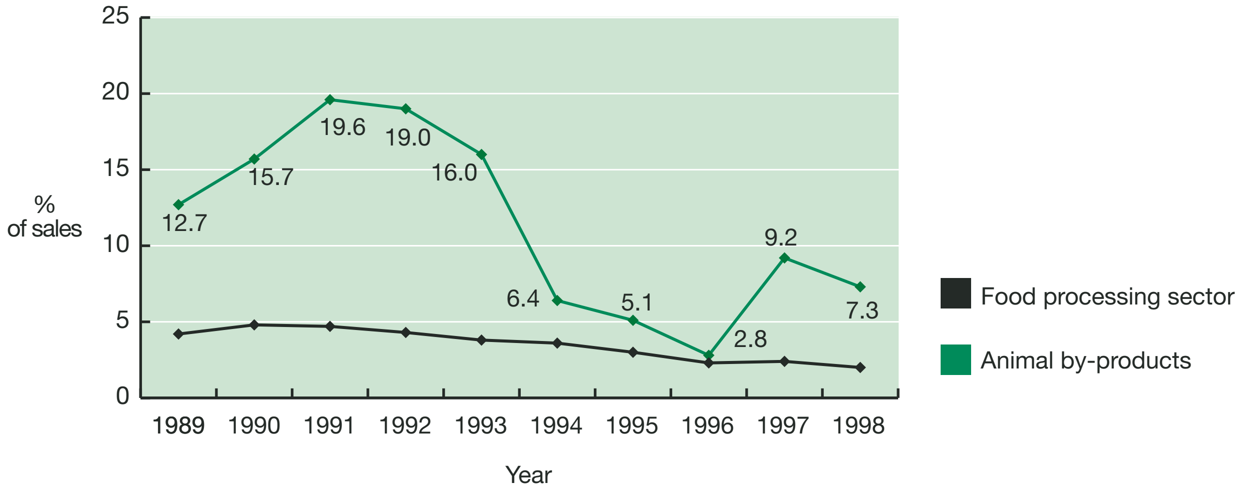
Profitability

The total net profits, before tax, generated by the animal by-products subsector was £1.7 million in 1998, and represented 7.3% of gross turnover. On average, from 1989 to 1998, the animal by-products subsector had, by far, the highest level of profitability margin of any of the subsectors, at 11.4%. As such, the profitability margin over the 10 years was approximately 3 times the processing sector average of 3.5%.

Table 13 Net profits in the animal by-products subsector, 1989 and 1998.

	1989	1998	Average 1989 to 1998
Net profits in the animal by-products subsector (£ million)	2.6	1.7	2.2
Net profits as a % of sales in animal by-products subsector	12.7	7.3	11.4
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 15 Annual net profits as a percentage of sales in the animal by-products subsector, 1989 to 1998.



Capital Employed

The total amount of capital employed in the animal by-products subsector was £5.3 million less in 1998, at £8.5 million, than in 1989. Between 1989 and 1994 the animal by-products subsector was characterised by having the lowest ratio of sales in relation to the amount of capital employed, averaging 1.2 in this period. In comparison, the food processing sector ratio was 3.7. However, by 1998, the animal by-products subsector ratio had increased to 2.7, and was higher than the processing sector average of 2.4. In 1998, the average capital invested per employee was £34,088 and was considerably less than the processing sector average of £46,312. In contrast, the 1989 comparable data were £58,537 for animal by-products and £22,984 for the processing sector.

Table 14 Total capital employed and rate of return on capital employed in the animal by-products subsector, 1989 and 1998.

	1989	**1998**
Total capital employed (£ million)	13.8	8.5
Rate of return on capital employed (%)	19.1	21.1

The rates of return on capital employed in the animal by-products subsector ranged from a high of 25.6% in 1997 to a low of 10.5% in 1994. In all years, except 1992 and 1994, the rates of return in the animal by-products subsector were higher than the processing sector averages. It had the highest return on capital of all 10 subsectors in 1998, at 21.1%, and this was considerably higher than the food processing sector average of 6.9%.

Figure 16 Annual rates of return on capital employed in the animal by-products subsector, 1989 to 1998.

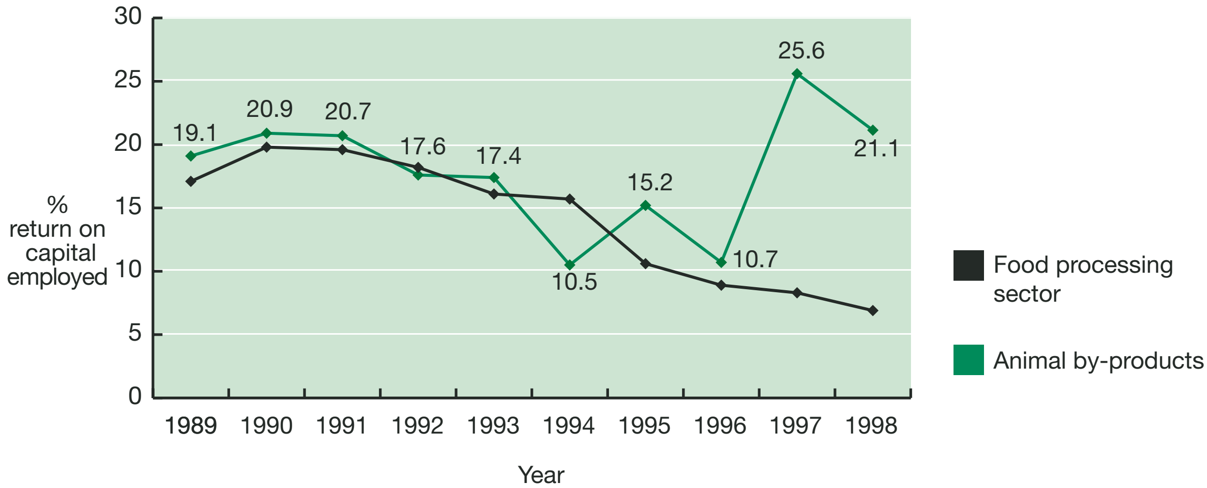


Table 15 Percentage change in gross turnover, value added, employment, external and export sales in the animal by-products subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Animal By-products Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	8.8	Below average
Value added	35.4	6.2	Below average
Employment	1.2	5.7	Above average
External sales	34.7	19.8	Below average
Export sales	21.4	54.6	Above average

Table 16 Summary of performance indicators in the animal by-products subsector, 1989 and 1998.

	1989			**1998**		
	Food & Drinks Sector	**Animal By-Products Subsector**	**Comment**	**Food & Drinks Sector**	**Animal By-Products Subsector**	**Comment**
£ Per employee						
Sales	85,748	88,127	Above average	111,504	90,774	Below average
Value added	14,995	26,498	Highest	20,066	26,699	Above average
Total Capital employed	22,984	58,537	Highest	46,312	34,088	Below average
Average wage cost	9,383	9,946	Above average	13,735	15,054	Above average
% of sales						
Profitability	4.13	12.66	Highest	2.03	7.26	Above average
Value added	17.49	30.00	Above average	18.00	29.41	Above average
Wages and salaries	10.94	11.26	Above average	12.32	16.58	Above average
Interest costs	0.44	0.00	Lowest	0.84	0.66	Below average
%						
Rate of return on capital employed	17.1	19.1	Above average	6.9	21.1	Highest

* Highest/lowest: i.e. of the 10 subsectors

4. SIZE AND PERFORMANCE OF THE BAKERIES SUBSECTOR

The bakeries subsector includes those businesses involved in flour milling and the manufacture of bread, cake and pastry products. In 1998, there were 54 businesses in this subsector which had annual turnovers greater than £250,000. However, the majority of the businesses (59%) had a turnover of less than £1 million and these accounted for less than 12% of the subsector's total gross turnover. The five largest businesses had turnovers between £10 million and £25 million and accounted for 66% of the total subsector gross turnover. The distribution of businesses within the bakeries subsector by turnover is given in Table 17.

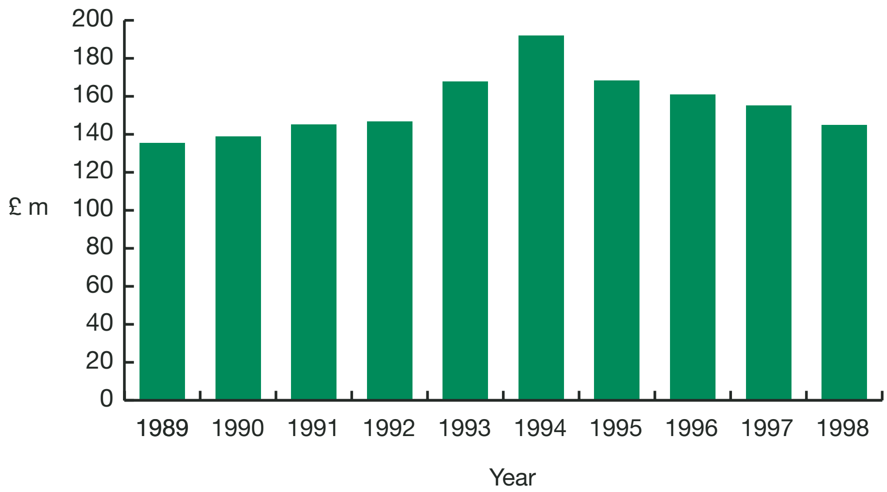
Table 17 Distribution of businesses within the bakeries subsector, by turnover, 1998

Turnover £ million	Number of businesses
0.25-0.99	32
1.0-9.99	17
10.0-49.99	5
50.0 and over	0
Total	54

Gross Turnover

In 1998, the gross turnover of the bakeries subsector in Northern Ireland was £145 million, £10 million greater than in 1989, and represented 7% of total food processing sector gross turnover. During the period 1989 to 1994, sales of bakery products increased year on year until reaching a peak of £192 million, but since then, sales have steadily declined year on year.

Figure 17 Annual gross turnovers in the bakeries subsector, 1989 to 1998.



Value Added

The value added generated by the bakeries subsector increased from £47.5 million in 1989 to £50.3 million in 1998. In 1989, the bakeries subsector was the second largest, after milk/milk products in terms of the amount of value added generated by any of the 10 subsectors, and accounted for 17% of the total food and drinks value added. By 1998, it was the fifth largest subsector after drinks, poultrymeat, milk/milk products and beef/sheepmeat, and accounted for 13% of the total value added. In terms of the percentages of gross turnover represented by value added, the bakeries subsector had the highest at the beginning and end of the 10 year period at 35.1% in 1989 and 34.7% in 1998. These percentages are almost double the processing sector averages of 17.5% in 1989 and 18% in 1998.

Figure 18 Annual values of components of value added in the bakeries subsector, 1989 to 1998.

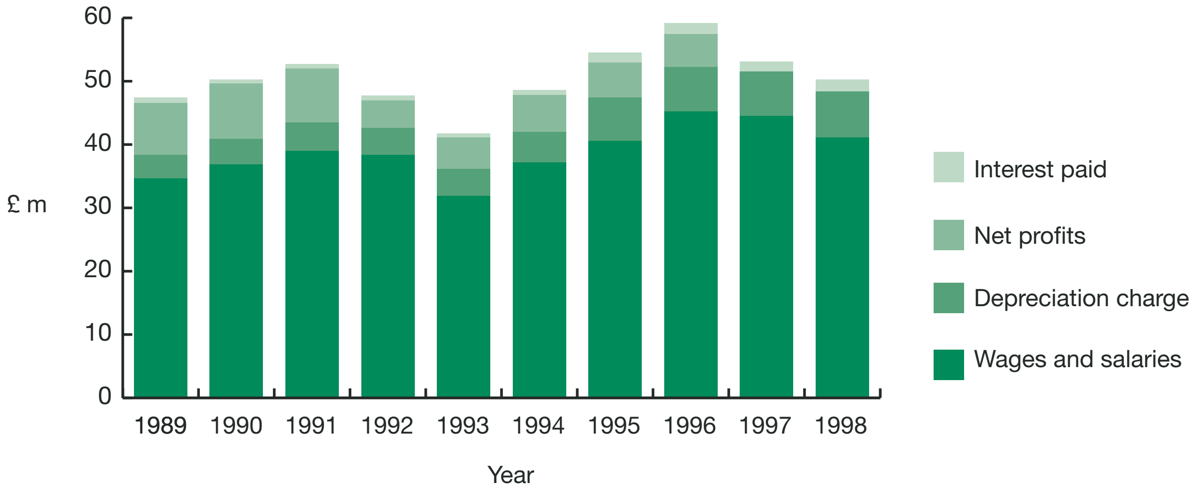


Table 18 Values of the components of value added in the bakeries subsector, 1989 and 1998.

	1989		1998	
	£ million	**% of value added**	**£ million**	**% of value added**
Wages and salaries	34.7	73	41.1	82
Depreciation charge	3.7	8	7.3	14
Net profits	8.2	17	0.0	0
Interest paid	0.8	2	1.9	4
Value added	47.5	100	50.3	100

The wages and salaries bill for the bakeries subsector increased from £34.7 million in 1989 to £41.1 million in 1998 and the percentages of total value added represented by wages and salaries increased from 73% to 82%. In 1998, this proportion was considerably higher than the processing sector average of 68%, and partly resulted from the lack of profits in 1998. This higher percentage also reflects the relatively more labour intensive nature of the work in the bakeries subsector.

Depreciation charges almost doubled from £3.7 million to £7.3 million over the 10 year period. As a consequence of very similar totals for value added in 1989 and 1998, depreciation's proportion of value added almost doubled from 8% in 1989 to 14% in 1998. Interest costs were small percentages of value added in both years at 2% in 1989 and 4% in 1998.

Net profits in the bakeries subsector declined from £8.2 million in 1989, which represented 17% of value added, to a breakeven position in 1998, and as a result made no contribution to value added in that year.

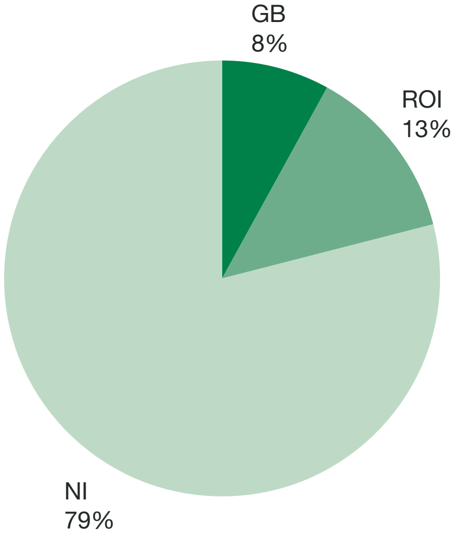
Destinations of Sales

Throughout the period 1989 to 1998, the home market was by far the most important for the bakeries subsector. Sales to customers in Northern Ireland were worth £125 million in 1989 and £114 million in 1998, and accounted for 92% of total sales in 1989 and 79% in 1998. In comparison, the food and drinks processing sector had 49% of total sales in the local market in 1989 and 48% in 1998.

The Republic of Ireland (ROI) was the most important external market for bakery products over the period 1989 to 1998. Annual sales to the ROI trebled from £6 million to £18 million and increased from 5% of total sales in 1989 to 13% in 1998. The Great Britain market also developed as an outlet for Northern Ireland bakeries products, and sales increased from £4 million in 1989 to £12 million in 1998. During this period this market increased its share from 3% to 8% of total sales.

Sales to other countries both within the EU and to the rest of the world have been relatively small in value throughout the 10 year period and were worth £0.4 million in 1998.

Figure 19 Destinations of bakeries subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland]

Table 19 Values of bakeries subsector sales by destination, 1989 and 1998.

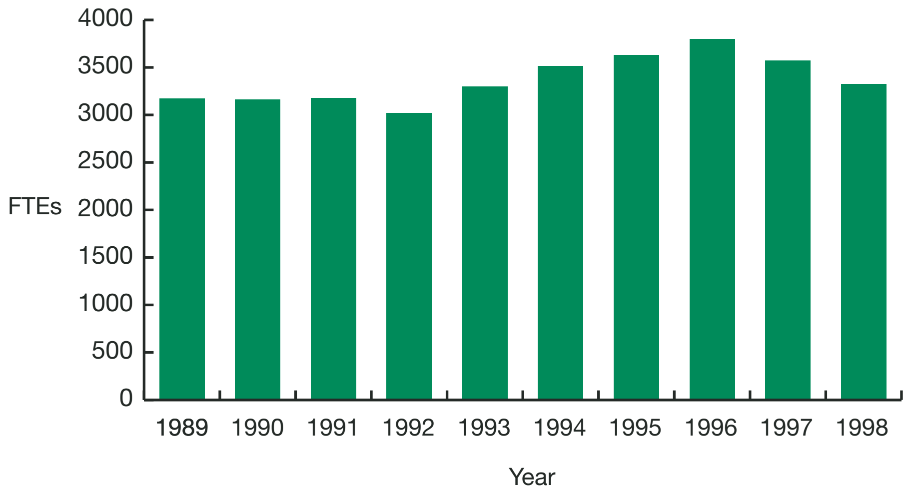
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	125.1	92	114.4	79
Great Britain	4.1	3	11.8	8
Republic of Ireland	6.1	5	18.5	13
Other EU	0.1	0	0.1	0
Rest of World	0.0	0	0.3	0
Total Sales	135.4	100	145.0	100
External Sales	10.3	8	30.6	21
Export Sales	6.2	5	18.8	13

Employment

The level of employment provided in the bakeries subsector increased by 5% from 3,173 full-time employee equivalents in 1989 to 3,327 in 1998. Except for 1992, the bakeries subsector was the second largest employer in the food and drinks processing sector. In both 1989 and 1998 it employed 17% of the total workforce in the food and drinks processing sector.

The average wage costs per employee in the bakeries subsector were £10,943 in 1989 and £12,366 in 1998. In comparison, the food and drinks processing sector averages were £9,383 per employee in 1989 and £13,735 per employee in 1998. Expressed as a percentage of gross turnover, the bakeries subsector's wages and salaries bill was the highest of all 10 subsectors throughout the period. The wages and salaries bill, at 28.4% of turnover in 1998, was 16 percentage points higher than the food processing sector average. This relatively high percentage reflects the high level of manual activities and the subsector's relatively low level of sales per employee. Of the 10 subsectors, the bakeries subsector had the lowest sales per employee at £43,592 in 1998 and equated to 39% of the processing sector average of £111,504.

Figure 20 Annual numbers of full-time employee equivalents (FTEs) in the bakeries subsector, 1989 to 1998.



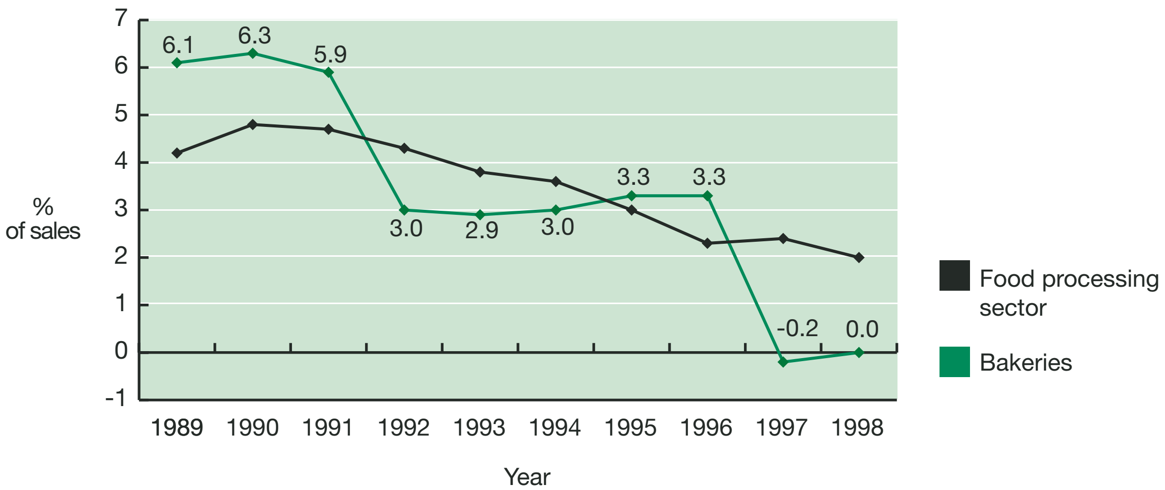
Profitability

Bakeries was the third most profitable subsector in 1989 with net profits of £8.2 million. However, since 1996 it has not made a profit, recording a loss of £0.4 million in 1997 and a break even situation in 1998. In consequence, net profits as a % of sales has decreased from approximately 6% in the period 1989 to 1991, to zero in 1998. The average net profits expressed as a percentage of sales over the period 1989 to 1998 was 3.4%, and this was slightly less than the food processing sector average of 3.5%.

Table 20 Net profits in the bakeries subsector, 1989 and 1998.

	1989	1998	Average 1989 to 1998
Net profits in the bakeries subsector (£ million)	8.2	0.0	5.1
Net profits as a % of sales in the bakeries subsector	6.1	0.0	3.4
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 21 Annual net profits as a percentage of sales in the bakeries subsector, 1989 to 1998.



Capital Employed

The amount of capital employed in the bakeries subsector increased by 92%, from £35.0 million in 1989 to £67.1 million in 1998. This increase was marginally lower than the processing sector average of 104%. As a result, the bakeries subsector's proportion of the total capital employed in the food and drinks processing sector remained relatively unchanged. Throughout the period 1989 to 1998, apart from 1990, the bakeries subsector had the lowest amount of capital per employee of all 10 subsectors. In 1998, capital per employee was £20,175, which was 44% of the processing sector average of £46,312.

The rate of return on capital employed in the bakeries subsector has changed significantly over the 10 year period. In 1989 it had the highest rate of return on capital employed, at 25.8%. This was some 8 percentage points higher than the average for the food and drinks processing sector of 17.1%. The rate of return on capital achieved in the subsector fell steadily over the period 1989 to 1998, and a trading loss in 1997 and a break even position in 1998 resulted in it recording rates of return of 2.1% and 2.8% in these years which were below the processing sector averages of 8.3% in 1997 and 6.9% in 1998.

Table 21 Total capital employed and rate of return on capital employed in the bakeries subsector, 1989 and 1998.

	1989	**1998**
Total capital employed (£ million)	35.0	67.1
Rate of return on capital employed (%)	25.8	2.8

Figure 22 Annual rates of return on capital employed in the bakeries subsector, 1989 to 1998.

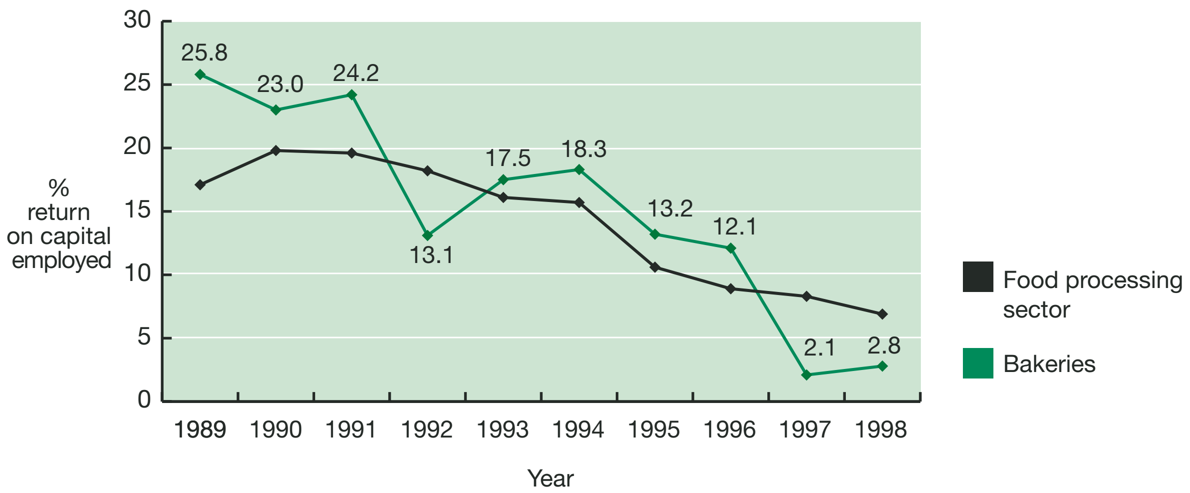


Table 22 Percentage change in gross turnover, value added, employment, external and export sales in the bakeries subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Bakeries Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	7.1	Below average
Value added	35.4	5.9	Below average
Employment	1.2	4.8	Above average
External sales	34.7	197.1	Above average
Export sales	21.4	203.7	Above average

Table 23 Summary of performance indicators in the bakeries subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Bakeries Subsector**	**Comment**	**Food & Drinks Sector**	**Bakeries Subsector**	**Comment**
£ Per employee						
Sales	85,748	42,669	Below average	111,504	43,592	Lowest
Value added	14,995	14,960	Average	20,066	15,127	Below average
Total Capital employed	22,984	11,016	Lowest	46,312	20,175	Lowest
Average wage cost	9,383	10,943	Above average	13,735	12,366	Below average
% of sales						
Profitability	4.13	6.09	Above average	2.03	0.00	Below average
Value added	17.49	35.06	Highest	18.00	34.70	Highest
Wages and salaries	10.94	25.65	Highest	12.32	28.37	Highest
Interest costs	0.44	0.59	Above average	0.84	1.31	Above average
%						
Rate of return on capital employed	17.1	25.8	Highest	6.9	2.8	Below average

* Highest/lowest: i.e. of the 10 subsectors

5. SIZE AND PERFORMANCE OF THE BEEF AND SHEEPMEAT SUBSECTOR

The types of businesses included in the beef and sheepmeat processing sector range from large beef and sheep abattoirs with primary processing facilities and with annual turnovers in excess of £50 million to relatively small specialised beef and sheepmeat product processing plants with turnovers of less than £0.5 million. The final products include fresh and frozen pre-packed cuts of meat, ready cooked meat pies, sausages, burgers and hot-dogs. In 1998, there were 43 beef and sheepmeat processing businesses with annual turnovers in excess of £250,000 in Northern Ireland, and 12 of these had annual turnovers greater than £10 million.

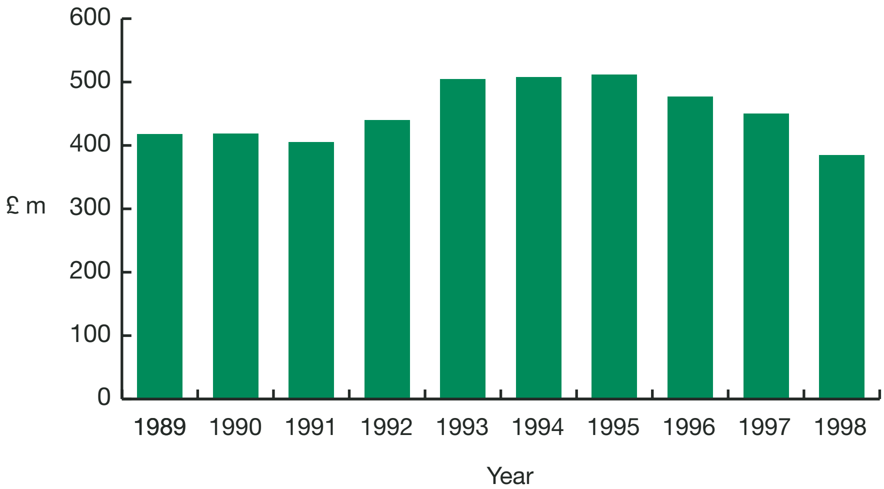
Table 24 Distribution of beef and sheepmeat processing businesses by turnover, 1998.

Turnover £ million	**Number of businesses**
0.25-0.99	16
1.0-9.99	15
10.0-49.99	11
50.0 and over	1
Total	43

Gross Turnover

Over the 10 year period 1989 to 1998, the total annual turnover value of the beef and sheepmeat processing subsector declined from £418 million to £385 million. As such, it was the only subsector to record a decline between 1989 and 1998 and resulted in its contribution to the total processing sector turnover falling from 25% in 1989 to 18% in 1998. Even so, it continued to be the second largest of the 10 food and drinks subsectors in terms of gross turnover throughout the period; only milk/milk products was larger. Figure 23 shows that annual turnover in the subsector peaked at £512 million in 1995, but since then has steadily declined mainly as a result of the effect of BSE.

Figure 23 Annual gross turnovers in the beef and sheepmeat subsector, 1989 to 1998.



Value Added

In terms of total value added, the beef and sheepmeat subsector's performance improved from £34 million in 1989 to £52 million in 1998. Even so, when value added is expressed as a percentage of gross turnover, the beef and sheepmeat subsector had the poorest performance using this indicator, averaging 9% in the period up to 1996. In 1997 and 1998, the percentage improved and averaged 11.7% in 1997 and 13.6% in 1998, but these were still well below the averages for the food and drinks processing sector of 17% in 1997 and 18% in 1998.

The wages and salaries bill for the beef and sheepmeat subsector increased from £22.6 million in 1989 to £31.6 million in 1998. This represented 60% of value added in 1998, and was slightly lower than the processing sector average of 68%.

The level of net profits in the beef and sheepmeat subsector more than doubled over the 10 year period 1989 to 1998, from £5.6 million to £12.3 million. In 1998, net profits in the subsector represented 24% of value added, some 13 percentage points higher than that for the whole food and drinks processing sector. Depreciation charges almost trebled over this period from £2.8 million in 1989 to £7.4 million in 1998, and represented 14% of value added in 1998. Beef and sheepmeat was the only subsector to record a decrease in the amount of interest paid over the period 1989 to 1998, from £3.2 million to £1 million.

Figure 24 Annual values of components of value added in the beef and sheepmeat subsector, 1989 to 1998.

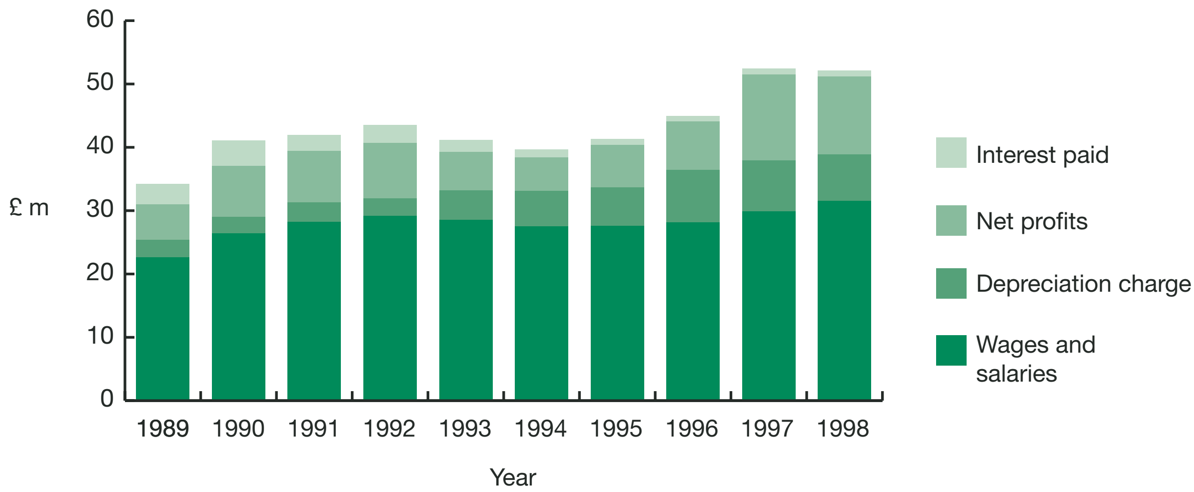


Table 25 Values of the components of value added in the beef and sheepmeat subsector, 1989 and 1998.

	1989		1998	
	£ million	% of value added	£ million	% of value added
Wages and salaries	22.6	66	31.6	60
Depreciation charge	2.8	8	7.4	14
Net profits	5.6	16	12.3	24
Interest paid	3.2	9	1.0	2
Value added	34.2	100	52.2	100

Destinations of Sales

The sales destinations for beef changed after 1996, following the announcement of a possible link between BSE and new variant CJD on 20th March 1996 when a ban was imposed on sales of UK beef into export markets. In 1989, export sales for the beef and sheepmeat subsector were £95.5 million, whereas in 1998 they had fallen to £20.7 million as only sheepmeat could be exported.

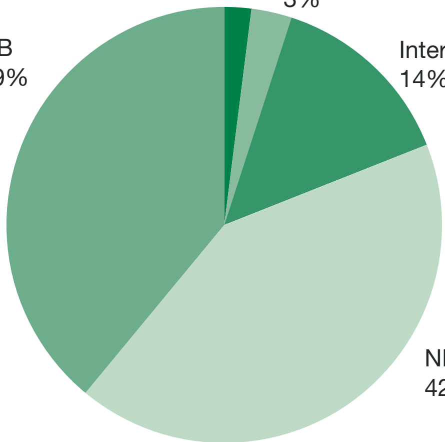
Over the period 1996 to 1998, the home market was the most important destination for sales of beef and sheepmeat products. Sales to customers in Northern Ireland were worth £159 million in 1998, and accounted for 42% of total sales. At the beginning of the 10 year period, the home market was the second most important sales destination, after Great Britain, with sales worth £142 million, and accounted for 34% of total sales.

The beef and sheepmeat subsector had a heavy reliance on external markets throughout the 10 year review period and accounted for 66% of total sales in 1989 and 59% in 1998. Great Britain was the largest external market outlet, worth £162 million in 1989 and £151 million in 1998, and accounted for 39% of the beef/sheepmeat sales in both these years.

Sales to the Republic of Ireland decreased from £31 million in 1989 to £10 million in 1998 mainly as a result of the ban on beef exports after March 1996. Exports to European Union countries other than ROI also decreased over the period from £59 million in 1989 to £11 million in 1998. These export markets accounted for 21% of total sales in 1989 and 5% in 1998.

Apart from 1994 and 1995, intervention was used as a market outlet by some businesses in the beef and sheepmeat subsector in each of the years between 1989 and 1998.

Figure 25 Destinations of beef and sheepmeat subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union]

Table 26 Values of beef and sheepmeat subsector sales by destination, 1989 and 1998.

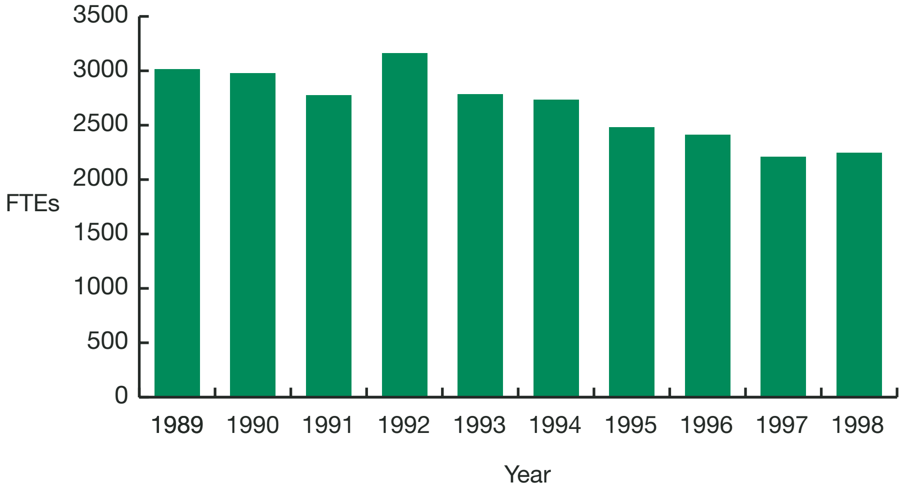
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	142.4	34	159.4	42
Great Britain	162.4	39	150.9	39
Republic of Ireland	30.9	7	9.5	2
Other EU	58.8	14	10.8	3
Rest of World	5.8	1	0.4	0
Intervention	17.1	4	53.5	14
Total Sales	417.5	100	384.6	100
External Sales	275.0	66	225.2	59
Export Sales	95.5	23	20.7	5

Employment

Between 1989 and 1998 the number of employees in the beef and sheepmeat subsector fell by 26%, from 3,018 to 2,247 FTEs. In 1989, the subsector employed 16% of the total employees in food processing activities and was the fourth largest employer. By 1998, it was the fifth largest employer and employed 12% of the total employees.

The average wage cost per employee in the beef and sheepmeat subsector almost doubled over the 10 year period from £7,490 in 1989 to £14,049 in 1998. This increase moved the subsector's average wages and salaries cost per employee from below to above the average wage rate of the food processing sector. Wage costs as a proportion of gross turnover were the lowest of all the subsectors in the period 1989 to 1997. In 1989 wage costs represented 5.4% of turnover compared with the sector average of 10.9%. By 1998, wage costs had increased as a proportion of turnover to 8.2% and this was 4 percentage points lower than the average for the sector. These relatively low proportions have resulted in the subsector having the highest level of sales per £1,000 wages in every year apart from 1998.

Figure 26 Annual numbers of full-time employee equivalents (FTEs) in the beef and sheepmeat subsector, 1989 to 1998.



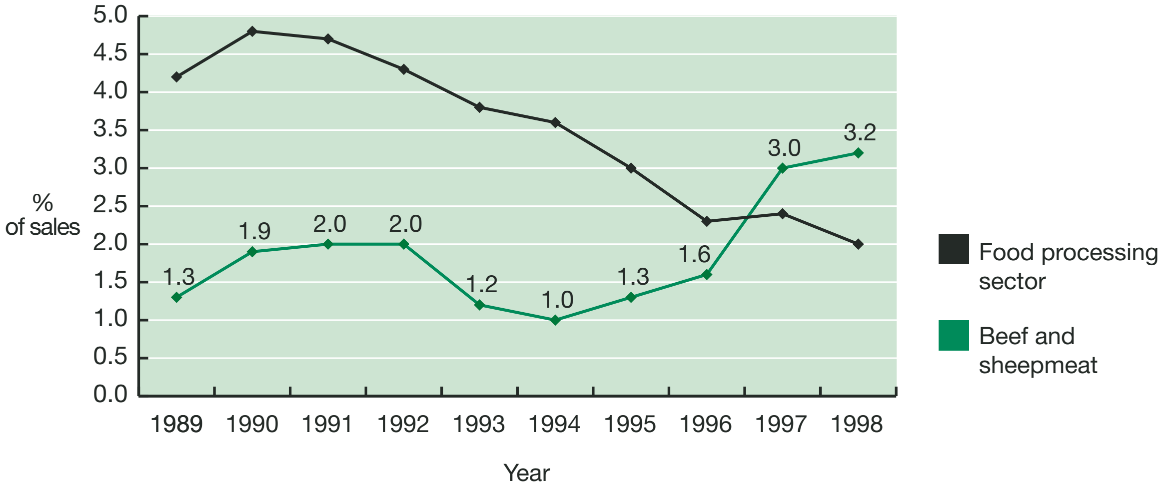
Profitability

Net profits, before tax, both in nominal terms and as a percentage of turnover were higher in the beef and sheepmeat subsector in 1998 than in 1989. It was one of only three subsectors where this improvement occurred. However, Figure 27 shows that the level of profitability in this subsector did fluctuate over the period, reaching a low in 1994 but increasing in every year since then. In terms of the average net profits as a percentage of sales over the 10 year period, the beef and sheepmeat was the second least profitable subsector, only pigmeat was lower.

Table 27 Net profits in the beef and sheepmeat subsector, 1989 and 1998.

	1989	**1998**	**Average 1989 to 1998**
Net profits in the beef and sheepmeat subsector (£ million)	5.6	12.3	8.2
Net profits as a % of sales in the beef and sheepmeat subsector	1.3	3.2	1.9
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 27 Annual net profits as a percentage of sales in the beef and sheepmeat subsector, 1989 to 1998.



Capital Employed

The total amount of capital employed in the beef and sheepmeat subsector increased from £43.8 million in 1989 to £104.3 million in 1998. This increase of 138% was above the sector average of 104%. The subsector is characterised as having the lowest amount of capital employed per £1,000 of sales of the 10 subsectors up to 1997, but this changed when it became the subsector with the second lowest amount of capital employed at £271 per £1,000 sales in 1998, some £144 lower than the average for the food and drinks processing sector. In 1989 the average amount of capital employed per employee in the beef and sheepmeat subsector was considerably less at £14,521 than the average of £22,984 for the whole processing sector. However, by 1998, capital per employee averaged £46,427 and was similar to the food processing sector average of £46,312.

The average rate of return on capital employed in the beef and sheepmeat subsector declined over the 10 year period, from 20.2% in 1989 to 12.7% in 1998. In comparison, the processing sector averages were 17.1% and 6.9% in these years. Apart from 1994 and 1995, the rates of return in the beef and sheepmeat subsector were higher than the processing sector averages.

Table 28 Total capital employed and rate of return on capital employed in the beef and sheepmeat subsector, 1989 and 1998.

	1989	1998
Total capital employed (£ million)	43.8	104.3
Rate of return on capital employed (%)	20.2	12.7

Figure 28 Annual rates of return on capital employed in the beef and sheepmeat subsector, 1989 to 1998.

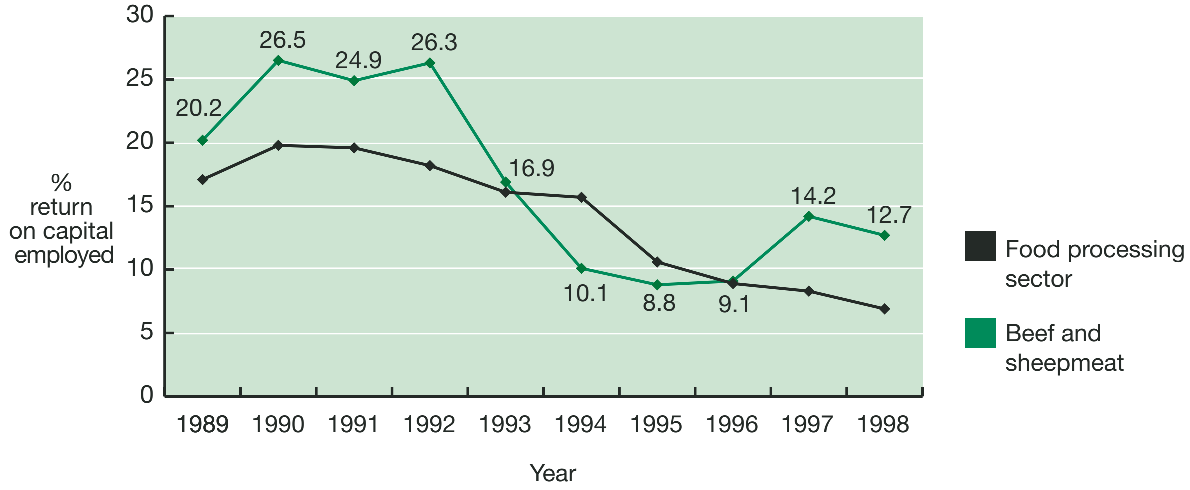


Table 29 Percentage change in gross turnover, value added, employment, external and export sales in the beef and sheepmeat subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Beef & Sheepmeat Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	-7.9	Lowest
Value added	35.4	52.6	Above average
Employment	1.2	-25.6	Below average
External sales	34.7	-18.1	Below average
Export sales	21.4	-78.3	Lowest

Table 30 Summary of performance indicators in the beef and sheepmeat subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Beef & Sheepmeat Subsector**	**Comment**	**Food & Drinks Sector**	**Beef & Sheepmeat Subsector**	**Comment**
£ Per employee						
Sales	85,748	138,326	Above average	111,504	171,207	Above average
Value added	14,995	11,342	Below average	20,066	23,236	Above average
Total Capital employed	22,984	14,521	Below average	46,312	46,427	Average
Average wage cost	9,383	7,490	Below average	13,735	14,049	Above average
% of sales						
Profitability	4.13	1.34	Below average	2.03	3.19	Above average
Value added	17.49	8.20	Lowest	18.00	13.57	Below average
Wages and salaries	10.94	5.41	Lowest	12.32	8.21	Below average
Interest costs	0.44	0.77	Above average	0.84	0.26	Lowest
%						
Rate of return on capital employed	17.1	20.2	Above average	6.9	12.7	Above average

*Highest/lowest: i.e. of the 10 subsectors

6. SIZE AND PERFORMANCE OF THE DRINKS SUBSECTOR

The drinks subsector includes businesses involved in the production of alcoholic and non-alcoholic drinks. It comprises activities such as brewing and bottling of beer, distilling of whiskey and the preparation and packaging of soft drinks, mineral waters, coffee and tea. A total of 13 businesses with annual gross turnovers greater than £250,000 were involved in the subsector in 1998. Three of these businesses had annual turnovers in excess of £50 million and accounted for 73% of the subsector's gross turnover.

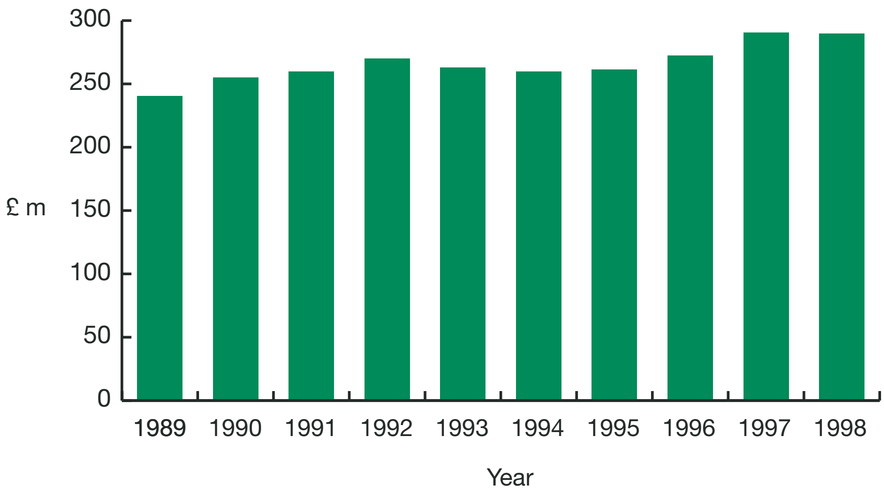
Table 31 Distribution of drinks processing businesses by turnover, 1998.

Turnover £ million	Number of businesses
0.25-0.99	1
1.0-9.99	7
10.0-49.99	2
50.0 and over	3
Total	13

Gross Turnover

The gross turnover of the subsector was 21% higher in 1998 than in 1989, increasing from £240 million to £290 million. This increase was less than the average for the whole food processing sector of 32%, and as a result the drinks subsector's proportional contribution to the total sector gross turnover decreased from 15% in 1989 to 13% in 1998. Except for 1994, the drinks subsector had the 3rd largest gross turnover of the 10 subsectors which comprise the food and drinks processing sector.

Figure 29 Annual gross turnovers in the drinks subsector, 1989 to 1998.



Value Added

Value added in the drinks subsector more than doubled over the 10 year period from £41 million in 1989 to £84 million in 1998. From 1995 to 1998, it recorded the largest value added of the 10 subsectors, and in 1998 contributed to just over one fifth (22%) of total value added for the food and drinks processing sector. In terms of the percentage of gross turnover represented by value added, the drinks subsector had the third highest percentage, at 29%; only bakeries and animal by-products were higher.

The drinks subsector had a very different proportional contribution by wages, depreciation, profits and interest paid to value added than the other subsectors over the 10 year period. This arose because of the high level of profitability. At the beginning of the 10 year period, the contribution of profits to value added in the drinks subsector was twice the average for the whole food processing sector. By the end of the period, the contribution of profits to value added of 43%, was almost four times the average for the food processing sector, of 11%.

Wages and salaries in the subsector increased from £19 million to £34 million between 1989 and 1998 and represented 46% of the value added in 1989 and 40% in 1998. These were considerably lower than the comparable averages of 63% and 68% recorded for the whole processing sector.

Depreciation charges increased from £4.4 million in 1989 to £8.9 million in 1998, however, the contribution to value added remained constant at 11%. Interest paid increased from £0.4 million in 1989 to £5.1 million in 1998; this resulted in an increase in share of value added from 1% in 1989 to 6% in 1998.

Figure 30 Annual values of components of value added in the drinks subsector, 1989 to 1998.

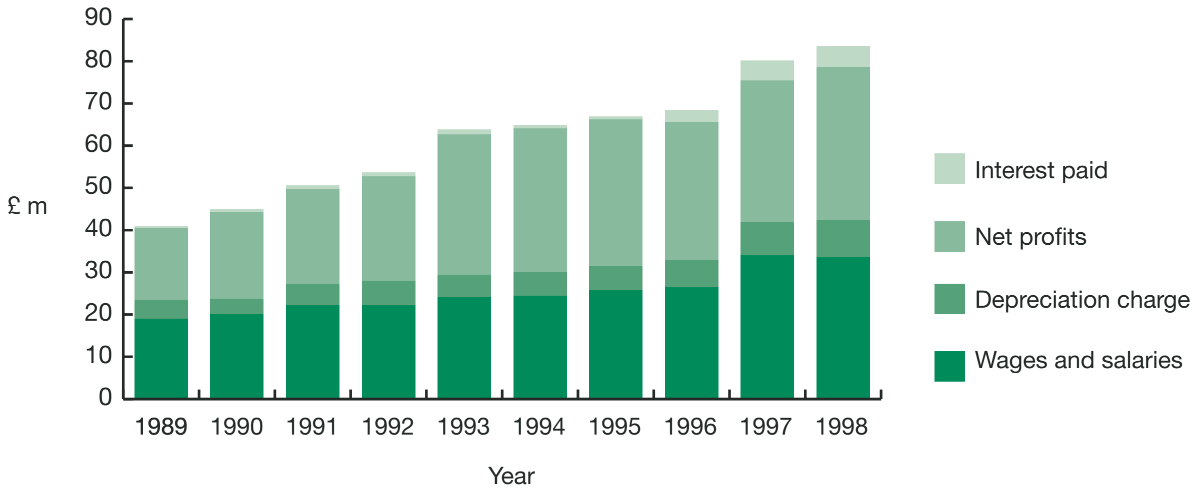


Table 32 Values of the components of value added in the drinks subsector, 1989 and 1998.

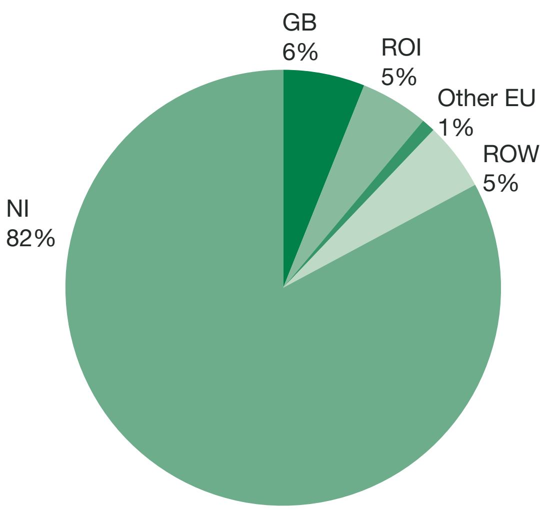
	1989		1998	
	£ million	% of value added	£ million	% of value added
Wages and salaries	19.0	46	33.6	40
Depreciation charge	4.4	11	8.9	11
Net profits	17.1	42	36.3	43
Interest paid	0.4	1	5.1	6
Value added	40.9	100	83.9	100

Destinations of Sales

Northern Ireland was the most important market for the drinks subsector over the 10 year period 1989 to 1998. It was one of only two subsectors that had more than 50% of sales in the Northern Ireland market, the other was the bakeries subsector. In 1989, sales to customers in Northern Ireland were valued at £158 million, and accounted for 66% of the total; by 1998 sales had increased to £239 million, and accounted for 82% of the total.

External sales decreased from £82 million in 1989 to £51 million in 1998, and the proportions of total sales fell from 34% to 18%. This decline was the result of lower sales to Great Britain, from £43 million in 1989 to £19 million in 1998, and lower sales to the Republic of Ireland, from £33 million in 1989 to £14 million in 1998. In contrast a small increase in sales was recorded to markets outside of the United Kingdom and Republic of Ireland, from £7 million in 1989 to £18 million in 1998.

Figure 31 Destinations of drinks subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union;
ROW: Rest of World]

Table 33 Values of drinks subsector sales by destination, 1989 and 1998.

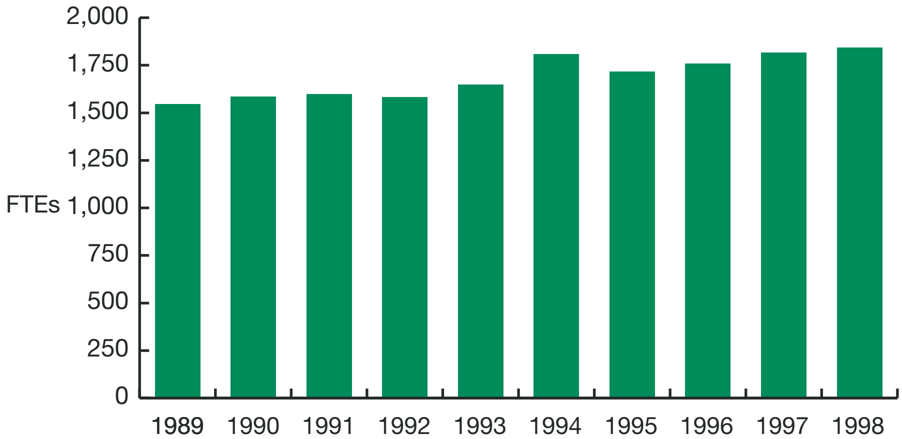
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	158.0	66	239.0	82
Great Britain	42.9	18	18.7	6
Republic of Ireland	32.6	14	13.6	5
Other EU	0.9	0	4.0	1
Rest of World	5.9	2	14.5	5
Total Sales	240.3	100	289.8	100
External Sales	82.2	34	50.8	18
Export Sales	39.3	16	32.1	11

Employment

The level of employment in the drinks subsector increased between 1989 and 1998 from 1,546 to 1,843 FTEs. This increase of 19% was the third highest among the 10 subsectors, being surpassed only by the poultrymeat and fruit and vegetables subsectors, and was 18 percentage points higher than the processing sector average of 1%.

The wages and salaries bill increased from £19 million in 1989 to £34 million in 1998, resulting in an increase in the average wage costs per employee from £12,263 to £18,243. At both the beginning and end of the 10 year period, the drinks subsector had the highest wage cost per employee of all 10 subsectors. In 1989 it was £2,880 more than the processing sector average of £9,383, and in 1998 it was £4,508 more than the sector average of £13,735. Even so, wages and salaries represented lower proportions of gross turnover in the drinks subsector, at 7.9% in 1989 and 11.6% in 1998, than the sector averages of 10.9% and 12.3% respectively.

Figure 32 Annual numbers of full-time employee equivalents (FTEs) in the drinks subsector, 1989 to 1998.



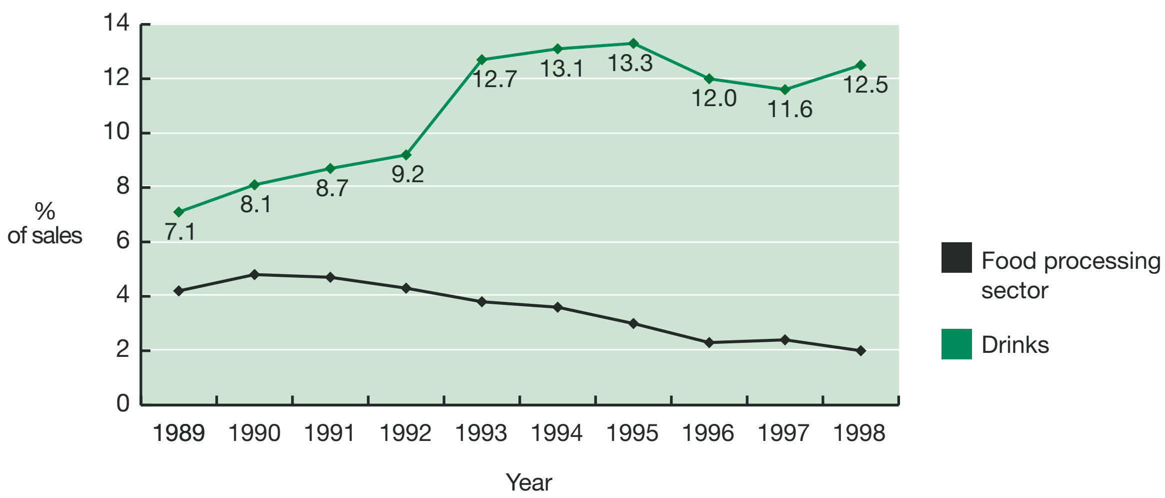
Profitability

Net profits, before taxation, generated by the drinks subsector increased from £17.1 million in 1989 to £36.3 million in 1998. This was partly due to the increase in gross turnover but mainly reflected an improved profitability margin, which increased from 7.1% to 12.5% of gross turnover between 1989 and 1998. The drinks subsector had the highest level of profits among the 10 subsectors from 1991 to 1998, the highest profitability margin from 1994 to 1998 and was one of only 3 subsectors to increase the level of net profits between 1989 and 1998. In 1998, the £36.3 million profit generated by the drinks subsector accounted for 82% of the total profits of the food and drinks processing sector.

Table 34 Net profits in the drinks subsector, 1989 and 1998.

	1989	**1998**	**Average 1989 to 1998**
Net profits in the drinks subsector (£ million)	17.1	36.3	29.0
Net profits as a % of sales in the drinks subsector	7.1	12.5	10.8
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 33 Annual net profits as a percentage of sales in the drinks subsector, 1989 to 1998.



Capital Employed

Between 1989 and 1998, the amount of capital employed in the drinks subsector more than trebled from £78 million to £250 million. This was the largest increase in the amount of capital employed by any of the 10 subsectors, and was in part due to the retention of a high proportion of profits by businesses, which increased their revenue reserves and therefore capital employed. In 1998, the drinks subsector had the highest average amount of capital employed per employee, at £135,767, compared with the sector average of £46,312, and the highest capital employed per £1,000 sales which at £863 was more than double the sector average of £415.

Table 35 Total capital employed and rate of return on capital employed in the drinks subsector, 1989 and 1998.

	1989	**1998**
Total capital employed (£ million)	78.1	250.2
Rate of return on capital employed (%)	22.5	16.6

The rate of return on capital employed for the drinks processing subsector averaged 22.5% in 1989, but by 1998 had declined to 16.6%. There was a relatively steady decline during the intervening years, apart from in 1993 and 1994. Compared with the processing sector averages, the drinks subsector's rate of return was 5 percentage points higher in 1989 and 10 percentage points higher in 1998. These higher rates of return reflect the relatively favourable profitability margins in the drinks subsector.

Figure 34 Annual rates of return on capital employed in the drinks subsector, 1989 to 1998.

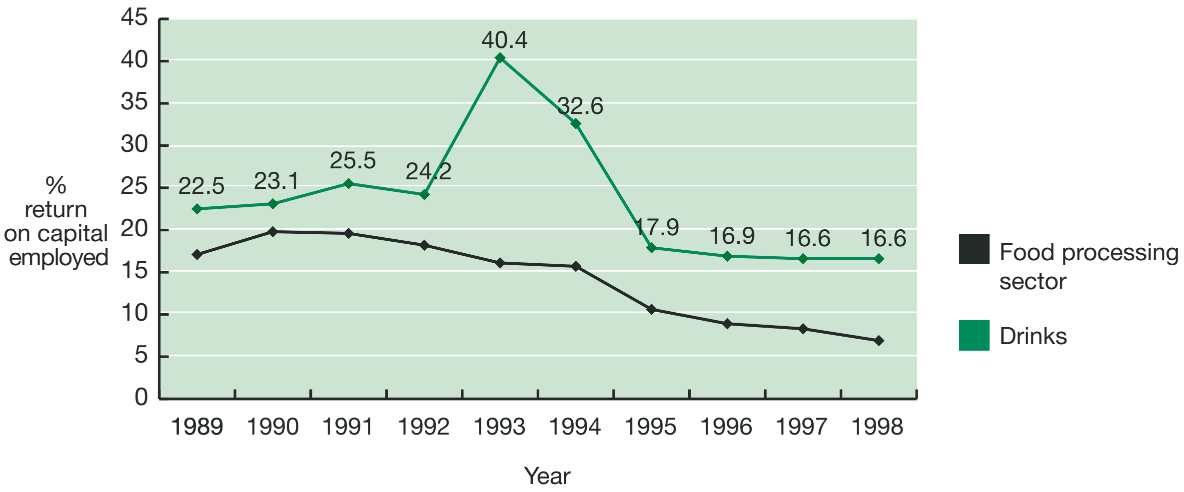


Table 36 Percentage change in gross turnover, value added, employment, external and export sales in the drinks subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Drinks Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	20.6	Below average
Value added	35.4	105.1	Highest
Employment	1.2	19.2	Above average
External sales	34.7	-38.2	Lowest
Export sales	21.4	-18.2	Below average

Table 37 Summary of performance indicators in the drinks subsector, 1989 and 1998.

	1989			**1998**		
	Food & Drinks Sector	**Drinks Subsector**	**Comment**	**Food & Drinks Sector**	**Drinks Subsector**	**Comment**
£ Per employee						
Sales	85,748	155,384	Highest	111,504	157,270	Above average
Value added	14,995	26,454	Above average	20,066	45,532	Highest
Total Capital employed	22,984	50,485	Above average	46,312	135,767	Highest
Average wage cost	9,383	12,263	Highest	13,735	18,243	Highest
% of sales						
Profitability	4.13	7.13	Above average	2.03	12.52	Highest
Value added	17.49	17.20	Average	18.00	28.95	Above average
Wages and salaries	10.94	7.89	Below average	12.32	11.60	Below average
Interest costs	0.44	0.17	Below average	0.84	1.77	Highest
%						
Rate of return on capital employed	17.1	22.5	Above average	6.9	16.6	Above average

*Highest/lowest: i.e. of the 10 subsectors

7. SIZE AND PERFORMANCE OF THE EGGS SUBSECTOR

The three main types of eggs processing businesses included in this subsector were those which graded and packed eggs, those which processed liquid eggs for use by catering and bakeries businesses and those which manufactured eggs products. In 1998, there were 18 businesses in the subsector with turnovers greater than £250,000. Only one of these had a turnover above £10 million.

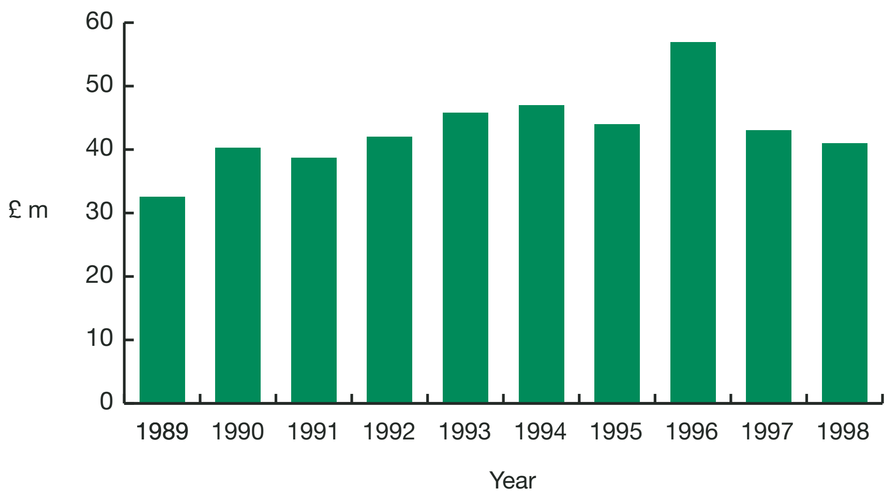
Table 38 Distribution of eggs processing businesses by turnover, 1998.

Turnover £ million	Number of businesses
0.25-0.99	4
1.0-9.99	13
10.0-49.99	1
50.0 and over	0
Total	18

Gross Turnover

The gross turnover of the eggs processing subsector increased from £33 million in 1989 to £41 million in 1998. Of the 10 food and drinks processing subsectors, the eggs subsector remained the second smallest subsector throughout the 10 year period; only the animal by-products subsector was smaller. The proportion of the total processing sector gross turnover contributed by the eggs subsector throughout the period 1989 to 1998 remained at approximately 2%.

Figure 35 Annual gross turnovers in the eggs subsector, 1989 to 1998.



Value Added

The value added generated by the eggs subsector was £3.3 million in 1989 and £5.7 million in 1998. This increase resulted in the subsector's contribution to total value added by the food and drinks processing sector rising, from 1.1% in 1989 to 1.5% in 1998. In both 1997 and 1998, eggs was the smallest of the subsectors in terms of value added.

Figure 36 Annual values of components of value added in the eggs subsector, 1989 to 1998.

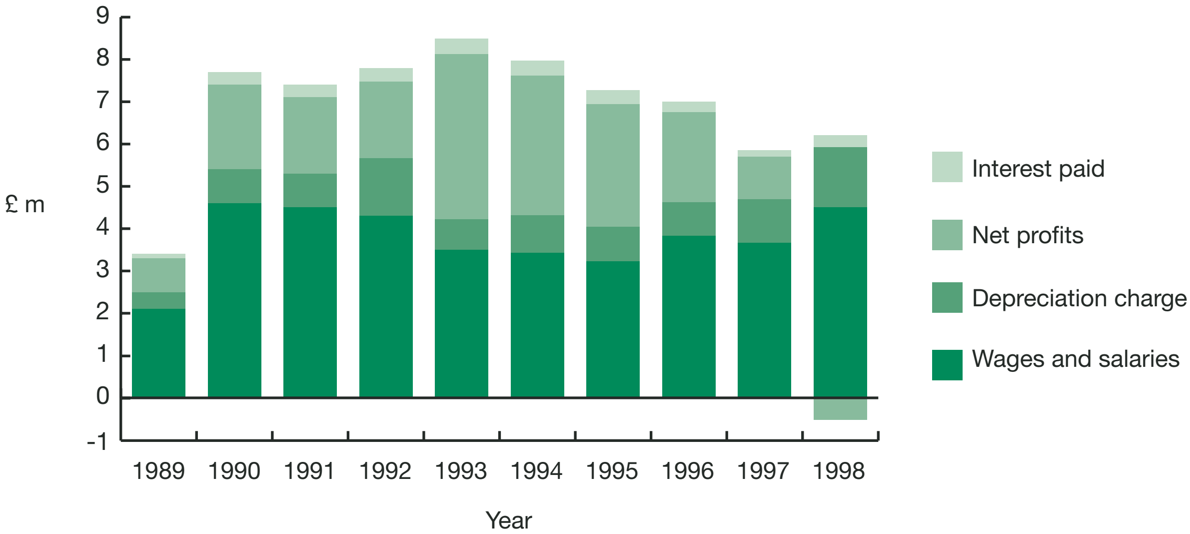


Table 39 Values of components of value added in the eggs subsector, 1989 and 1998.

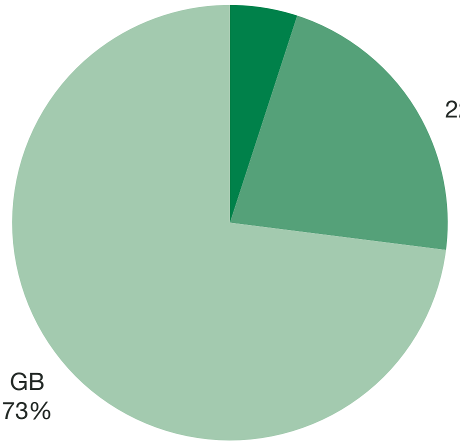
	1989		1998	
	£ million	**% of value added**	**£ million**	**% of value added**
Wages and salaries	2.1	64	4.5	79
Depreciation charge	0.4	12	1.4	25
Net profits	0.8	24	-0.5	-9
Interest paid	0.1	3	0.3	5
Value added	3.3	100	5.7	100

Each of the components of value added for the eggs subsector represented very similar proportions to the average of the processing sector in 1989. This changed in 1998 because the subsector did not generate a profit.

Destinations of Sales

Great Britain has been the most important market for eggs produced in Northern Ireland between 1989 and 1998. In 1989, sales to Great Britain were worth £15.8 million and accounted for 49% of the total, whereas by 1998 sales had increased to £30 million and accounted for 73% of the total. This increase has had an impact on the other main markets for the subsector, particularly the Northern Ireland market where sales declined from £13.2 million in 1989 to £9.0 million in 1998. A small decline in the level of sales to the Republic of Ireland also occurred, from £3.5 million in 1989 to £2.2 million in 1998. In the period 1989 to 1998, there were no sales of eggs to other countries in mainland Europe or the rest of the world.

Figure 37 Destinations of eggs subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland]

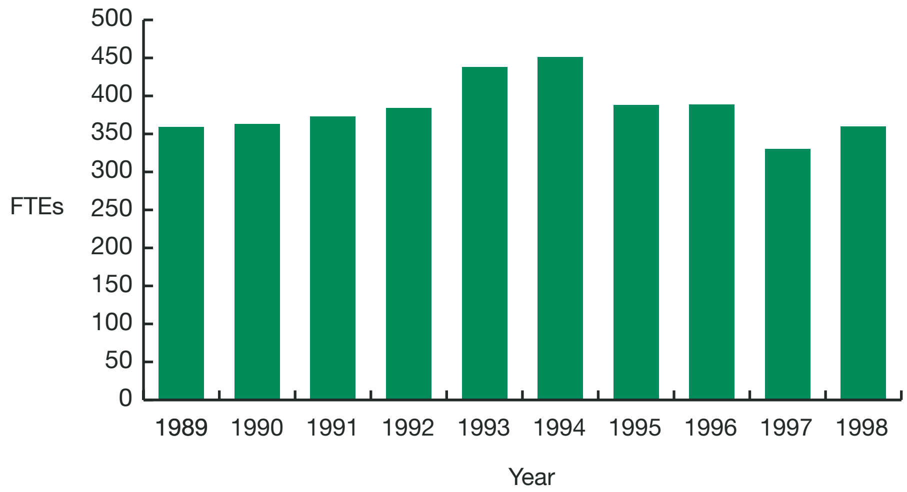
Table 40 Values of eggs subsector sales by destination, 1989 and 1998.

	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	13.2	41	9.0	22
Great Britain	15.8	49	29.9	73
Republic of Ireland	3.5	11	2.2	5
Other EU	0.0	0	0.0	0
Rest of World	0.0	0	0.0	0
Total Sales	32.5	100	41.0	100
External Sales	19.3	59	32.0	78
Export Sales	3.5	11	2.2	5

Employment

There was little change in the level of employment in the eggs subsector in 1989 and 1998, at 359 and 360 employees. In the intervening period, the number of employees increased to a peak of 451 in 1994, and then decreased to a low of 330 in 1997, before reaching the 1998 level of 360. In employment terms, the eggs subsector was the second smallest subsector throughout the period 1989 to 1998.

Figure 38 Annual numbers of full-time employee equivalents (FTEs) in the eggs subsector, 1989 to 1998.



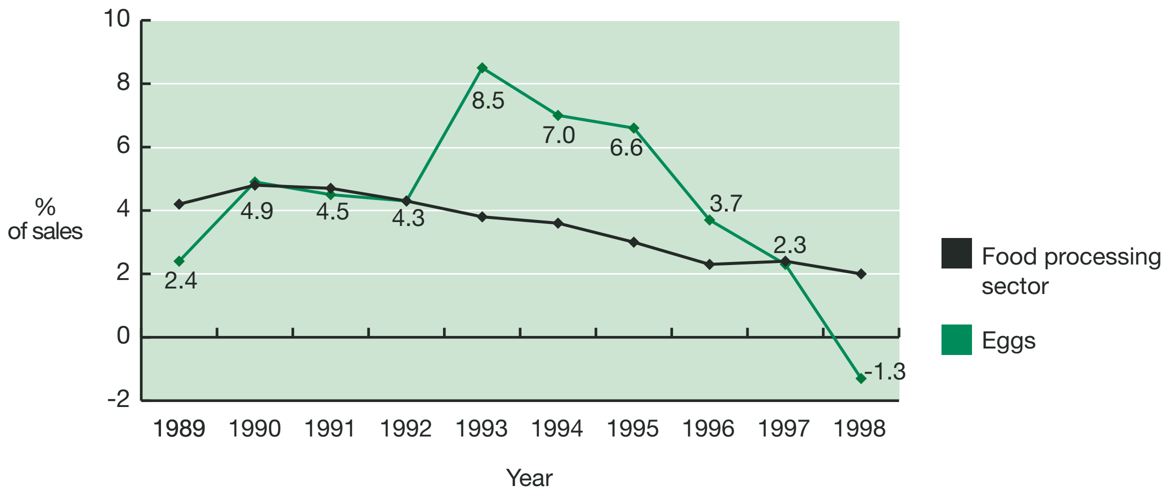
Profitability

The eggs subsector generated a profit of £0.8 million in 1989, and this represented 2.4% of gross turnover of the subsector. At the end of the 10 year period the subsector incurred a loss. However, in all of the intervening years a profit was generated. Figure 39 shows that the profitability margin in this subsector increased from 2.4% in 1989 to a peak of 8.5% in 1993 and has since decreased year on year.

Table 41 Net profits in the eggs subsector, 1989 and 1998.

	1989	**1998**	**Average 1989 to 1998**
Net profits in the eggs subsector (£ million)	0.8	-0.5	1.9
Net profits as a % of sales in the eggs subsector	2.4	-1.3	4.3
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 39 Annual net profits as a percentage of sales in the eggs subsector, 1989 to 1998.



Capital Employed

The amount of capital employed in the eggs subsector was 54% lower in 1998, at £8.7 million, than in 1989. At the beginning of this 10 year period, the eggs subsector had the second highest amount of capital employed per £1,000 of sales, at £585, but by 1998, it had the lowest, at £213. The amount of capital employed per full-time employee equivalent also declined, from £53,002 in 1989 to £24,228 in 1998, which was approximately half of the food processing sector average of £46,312.

The rate of return on capital employed in the eggs subsector was lower than the processing sector average at both the beginning and end of the 10 year review period. It was 4.6% in 1989, compared with a processing sector average of 17.0%, then increased to a peak of 16.5% in 1995 which was 6 percentage points higher than the processing sector average, and since then has fallen to zero in 1998, some 7 percentage points lower than the average for the processing sector.

Table 42 Total capital employed and rate of return on capital employed in the eggs subsector, 1989 and 1998.

	1989	**1998**
Total capital employed (£ million)	19.0	8.7
Rate of return on capital employed (%)	4.6	0.0

Figure 40 Annual rates of return on capital employed in the eggs subsector, 1989 to 1998.

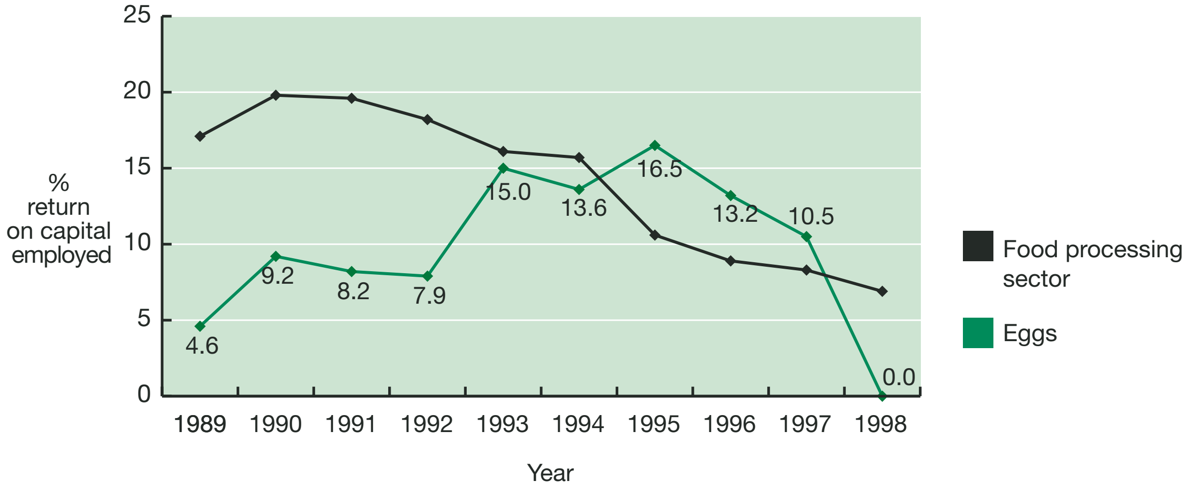


Table 43 Percentage change in gross turnover, value added, employment, external and export sales in the eggs subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Eggs Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	26.2	Below average
Value added	35.4	71.9	Above average
Employment	1.2	0.3	Below average
External sales	34.7	66.1	Above average
Export sales	21.4	-38.3	Below average

Table 44 Summary of performance indicators in the eggs subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Eggs Subsector**	**Comment**	**Food & Drinks Sector**	**Eggs Subsector**	**Comment**
£ Per employee						
Sales	85,748	90,616	Above average	111,504	113,889	Above average
Value added	14,995	9,331	Below average	20,066	15,756	Below average
Total Capital employed	22,984	53,002	Above average	46,312	24,228	Below average
Average wage cost	9,383	n.a.	n.a.	13,735	12,500	Below average
% of sales						
Profitability	4.13	2.44	Below average	2.03	-1.28	Below average
Value added	17.49	10.30	Below average	18.00	13.83	Below average
Wages and salaries	10.94	n.a.	n.a.	12.32	10.98	Below average
Interest costs	0.44	0.31	Below average	0.84	0.69	Below average
%						
Rate of return on capital employed	17.1	4.6	Lowest	6.9	0.0	One of the lowest

*Highest/lowest: i.e. of the 10 subsectors

8. SIZE AND PERFORMANCE OF THE FISH SUBSECTOR

The fish subsector consists of businesses which process and package freshwater and sea fish species. In 1998, there were 36 fish processing businesses with turnovers in excess of £250,000 identified in Northern Ireland and none had a turnover of more than £10 million. The majority of these businesses were located at the main fishing ports of Ardglass, Kilkeel, Portavogie and Annalong. Those that processed freshwater fish were normally located in inland areas. The fish processing activities undertaken in these businesses included filleting, breading of scampi and preparation of cooked fish products.

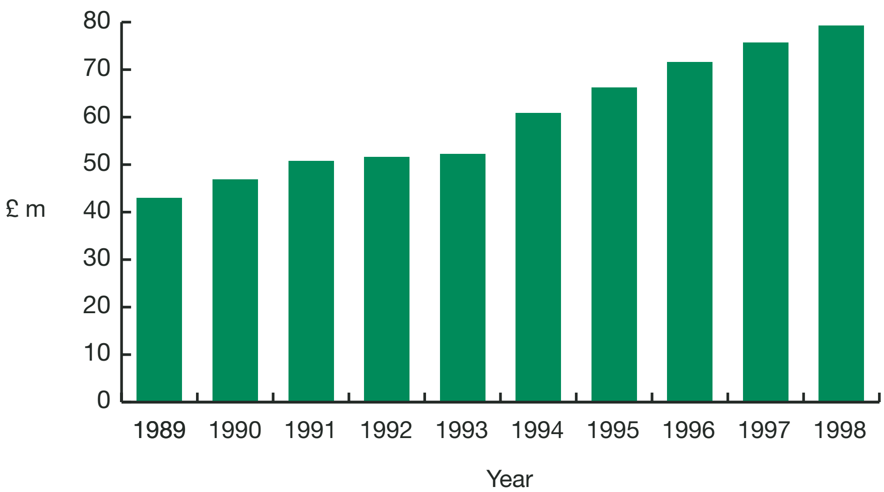
Table 45 Distribution of fish processing businesses by turnover, 1998.

Turnover £ million	**Number of businesses**
0.25-0.99	12
1.0-9.99	24
10.0-49.99	0
50.0 and over	0
Total	36

Gross Turnover

The gross turnover of the fish processing subsector increased from £43 million in 1989 to £79 million in 1998. This 84% increase was considerably higher than the average increase in turnover of 32% for the food and drinks processing sector. Throughout the 10 year period the fish processing subsector was consistently the third smallest subsector of the 10 subsectors. In 1998 it contributed 3.7% of total food and drinks processing sector sales.

Figure 41 Annual gross turnovers in the fish subsector, 1989 to 1998.



Value Added

The fish processing subsector generated a value added of £16.5 million in 1998, £7.3 million more than in 1989. These represented 3.2% of the food and drinks processing sector total in 1989 and 4.2% in 1998. Only the eggs and animal by-products subsectors had smaller amounts of value added. Throughout the 10 year period, the value added generated by the fish subsector represented a higher proportion of fish processing gross turnover, at 20.3%, than did the whole food and drinks processing sector which averaged 17.5%.

Wages and salaries was the largest component of value added and accounted for 63% of the value added of the subsector in 1989 and 62% in 1998. These were similar percentages to those for the processing sector which averaged 63% in 1989 and 68% in 1998.

The net profits of the fish subsector accounted for 21% of value added in 1989 and 19% in 1998. In comparison, the food and drinks processing sector averages in these years were 24% and 11%.

Figure 42 Annual values of components of value added in the fish subsector, 1989 to 1998.

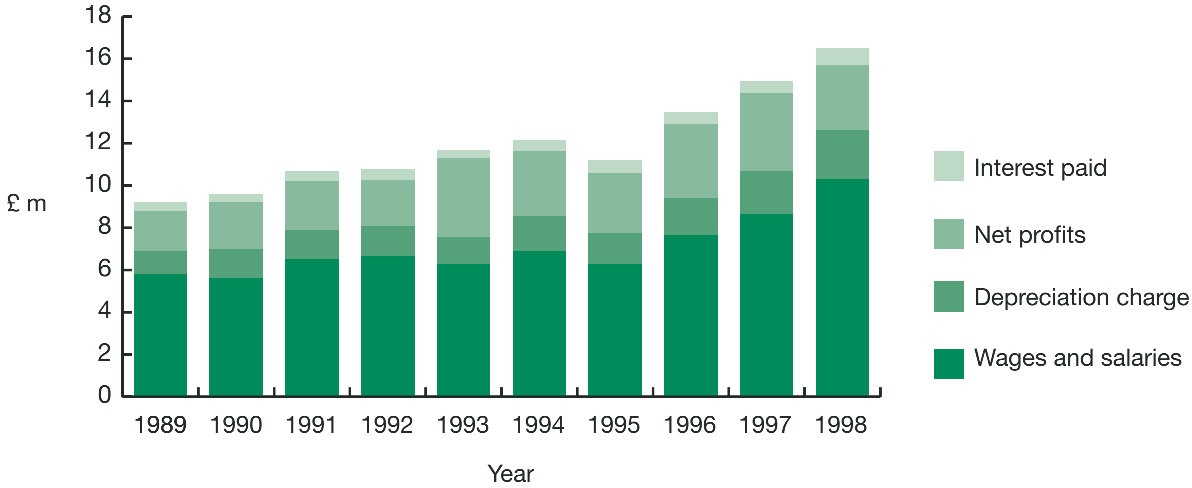


Table 46 Values of the components of value added in the fish subsector, 1989 and 1998.

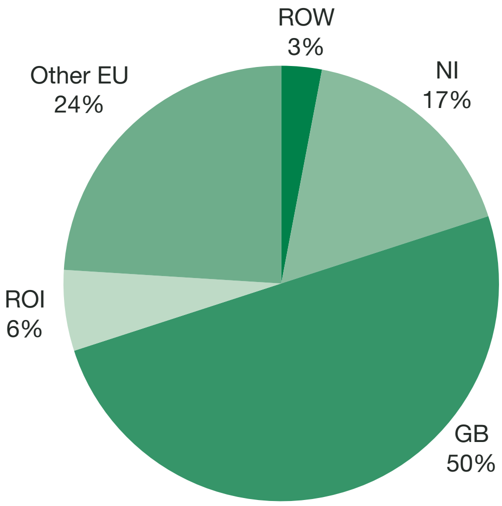
	1989		1998	
	£ million	% of value added	£ million	% of value added
Wages and salaries	5.8	63	10.3	62
Depreciation charge	1.1	12	2.3	14
Net profits	1.9	21	3.1	19
Interest paid	0.4	4	0.8	5
Value added	9.2	100	16.5	100

Destinations of Sales

The fish subsector had a high dependence on external markets at the beginning and end of the 10 year period, with 80% of total sales to markets outside Northern Ireland in 1989 and 83% in 1998. Great Britain was the largest external market with sales of £21 million in 1989 and £40 million in 1998, and these sales accounted for 48% and 50% of total sales in these years. Export market sales were worth £14 million in 1989 and £26 million in 1998 and accounted for 32% and 33% of total sales respectively.

The fish subsector was one of three subsectors which had less than 25% of sales to Northern Ireland in 1998. This proportion was considerably lower than the processing sector average of 48%.

Figure 43 Destinations of fish subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union;
ROW: Rest of World]

Table 47 Values of fish subsector sales by destination, 1989 and 1998.

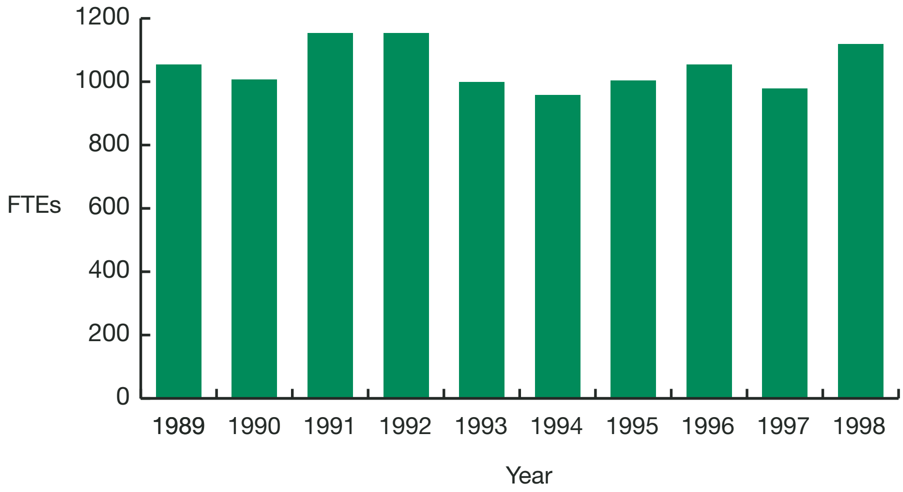
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	8.5	20	13.5	17
Great Britain	20.8	48	39.8	50
Republic of Ireland	3.3	8	5.1	6
Other EU	10.2	24	18.6	24
Rest of World	0.1	0	2.2	3
Total Sales	43.0	100	79.3	100
External Sales	34.5	80	65.8	83
Export Sales	13.7	32	26.0	33

Employment

The number of employees in the fish subsector was slightly higher in 1998, at 1,119 full-time employee equivalents (FTEs), than in 1989 when there were 1,055 FTEs. It is the third smallest subsector, being larger only than the animal by-products and eggs subsectors. Throughout the period 1989 to 1998, it accounted for 5% to 6% of the total employees in the food and drinks processing sector, even though it accounted for between 3% and 4% of the total gross turnover. Fish processing is more labour intensive than most other subsectors as shown by the levels of sales per employee, of £40,763 in 1989 and £79,873 in 1998, which were considerably below the food and drinks processing sector averages of £85,748 in 1989 and £111,504 in 1998.

The total wages and salaries bill in 1998 was almost twice that of 1989, rising from £5.8 million to £10.3 million. Over this period the average wage costs increased from £5,469 per full-time employee to £9,167. These average costs were the lowest among all of the 10 subsectors; the food and drinks processing sector averages were £9,383 in 1989 and £13,735 in 1998.

Figure 44 Annual numbers of full-time employee equivalents (FTEs) in the fish subsector, 1989 to 1998.



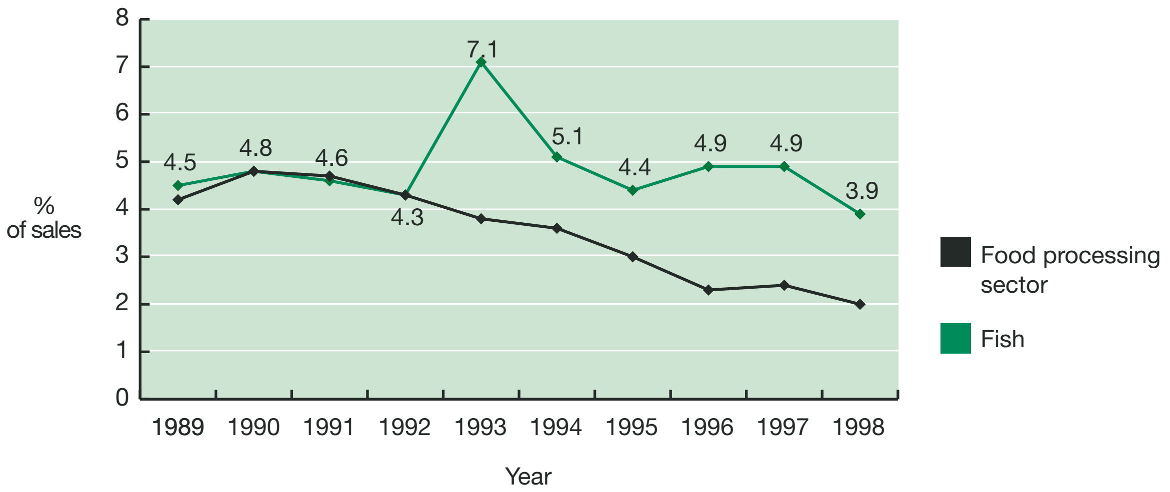
Profitability

The fish subsector, along with drinks and beef/sheepmeat subsectors, was one of only three subsectors that recorded a higher level of net profits in 1998, than in 1989, increasing from £1.9 million in 1989 to £3.1 million in 1998. These profits equated to profitability margins of 4.5% in 1989 and 3.9% in 1998. In both these years, these were higher than the processing sector averages of 4.1% in 1989 and 2.0% in 1998. Except for 1993, the profitability margin of fish processing was within 0.6 percentage points of 4.5% throughout the 10 year period, as shown in figure 45.

Table 48 Net profits in the fish subsector, 1989 and 1998.

	1989	1998	Average 1989 to 1998
Net profits in the fish subsector (£ million)	1.9	3.1	2.9
Net profits as a % of sales in the fish subsector	4.5	3.9	4.8
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 45 Annual net profits as a percentage of sales in the fish subsector, 1989 to 1998.



Capital Employed

The amount of capital employed in the fish subsector increased from £13.1 million in 1989 to £27.2 million in 1998. By the very nature of the type of processing undertaken the amount of capital employed per employee is low compared with other subsectors. In 1989 the capital employed per employee was £12,397, compared with the processing sector average of £22,984. At the end of the 10 year period, the difference was even greater with a fish subsector average of £24,283 and a processing sector average £46,312.

The rate of return on capital employed was lower in 1998 at 14.3% than in 1989 when it was 17.6%. These rates of return on capital were above the food and drinks processing sector averages of 17.1% in 1989 and 6.9% in 1998. Apart from the period 1990 to 1992, the fish subsector generated a higher rate of return to capital employed than the average for the food and drinks processing sector.

Table 49 Total capital employed and rate of return on capital employed in the fish subsector, 1989 and 1998.

	1989	1998
Total capital employed (£ million)	13.1	27.2
Rate of return on capital employed (%)	17.6	14.3

Figure 46 Annual rates of return on capital employed in the fish subsector, 1989 to 1998.

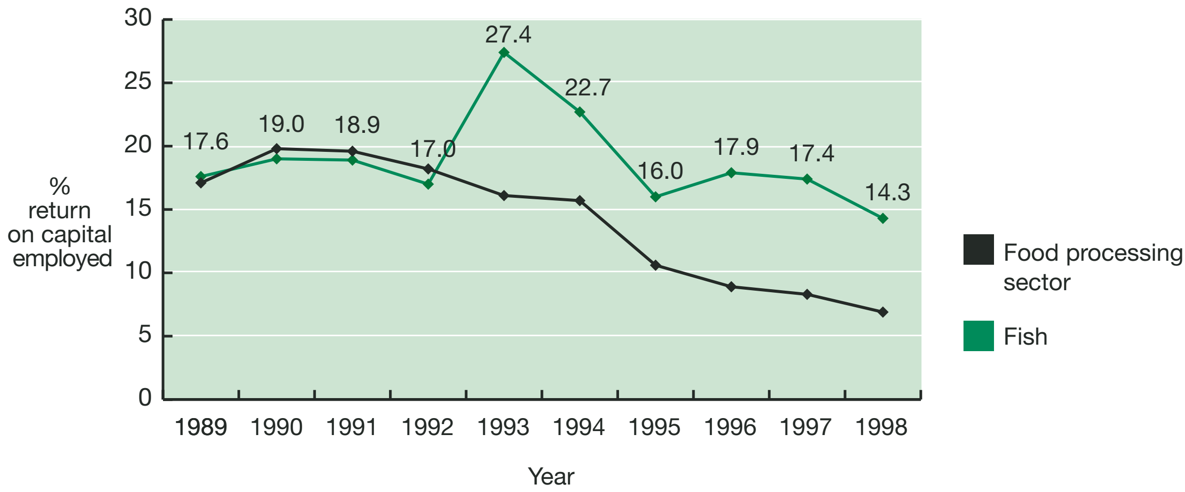


Table 50 Percentage change in gross turnover, value added, employment, external and export sales in the fish subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Fish Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	84.4	Above average
Value added	35.4	78.9	Above average
Employment	1.2	6.1	Above average
External sales	34.7	90.9	Above average
Export sales	21.4	89.8	Above average

Table 51 Summary of performance indicators in the fish subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Fish Subsector**	**Comment**	**Food & Drinks Sector**	**Fish Subsector**	**Comment**
£ Per employee						
Sales	85,748	40,763	Lowest	111,504	70,873	Below average
Value added	14,995	8,713	Lowest	20,066	14,707	Lowest
Total Capital employed	22,984	12,397	Below average	46,312	24,283	Below average
Average wage cost	9,383	5,469	Lowest	13,735	9,167	Lowest
% of sales						
Profitability	4.13	4.53	Average	2.03	3.94	Above average
Value added	17.49	21.37	Above average	18.00	20.75	Above average
Wages and salaries	10.94	13.42	Above average	12.32	12.93	Above average
Interest costs	0.44	0.93	Highest	0.84	0.96	Above average
%						
Rate of return on capital employed	17.1	17.6	Above average	6.9	14.3	Above average

*Highest/lowest: i.e. of the 10 subsectors

9. SIZE AND PERFORMANCE OF THE FRUIT AND VEGETABLES SUBSECTOR

The fruit and vegetables processing subsector encompasses a wide range of businesses, from those primarily involved in grading and packing activities to those preparing processed vegetable products such as potato crisps. In total, 44 businesses with a turnover greater than £250,000 were identified in 1998. Of these, only 2 businesses had a turnover greater than £10 million.

Table 52 Distribution of fruit and vegetables processing businesses by turnover, 1998.

Turnover £ million	**Number of businesses**
0.25-0.99	14
1.0-9.99	28
10.0-49.99	2
50.0 and over	0
Total	44

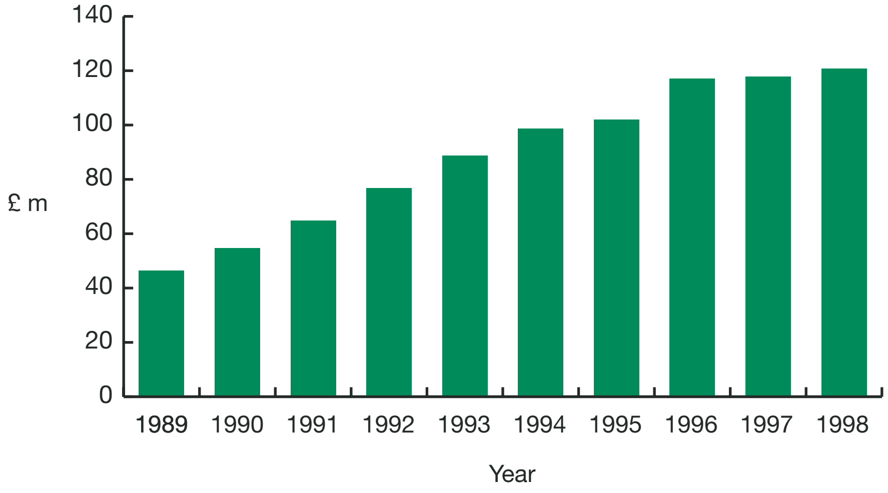
Gross Turnover

Over the 10 year period, 1989 to 1998, the fruit and vegetables subsector had a steadily increasing annual turnover value. Of the 10 subsectors, it had the highest percentage growth between 1989 and 1998 of 160%, from £47 million in 1989 to £121 million in 1998. Even so, it was the fourth smallest subsector throughout the 10 year period, and accounted for 2.8% of total sales in 1989 and 5.6% in 1998.

This subsector has a relatively high dependence on manual labour for processing operations, and as a result sales per employee were low at £54,503 in 1989 and £92,567 in 1998, compared with the averages for the processing sector of £85,748 and £111,504. Other subsectors with relatively low levels of sales per employee were fish, bakeries and poultrymeat.

It should be noted that imports of fruit and vegetables for direct distribution through wholesale outlets in Northern Ireland are not included in the data for this subsector. The data included relate only to fruit and vegetables produced in Northern Ireland.

Figure 47 Annual gross turnovers in the fruit and vegetables subsector, 1989 to 1998.



Value Added

Value added for the fruit and vegetables processing subsector over the 10 year period was lowest in 1989 at £13.1 million and highest in 1998 at £22.9 million. Between the beginning and end of the period the increase was relatively steady, apart from small declines between 1993 and 1994 and more recently between 1996 and 1997. Even though the value added by the subsector increased it was not in proportion to the rate of increase in the value of turnover. As a result the proportion of gross turnover that was represented by value added fell from 28.3% in 1989 to 18.9% in 1998. However, these were above the averages for the processing sector of 17.5% and 18% in 1989 and 1998 respectively.

In 1998, the component contributions to value added in the fruit and vegetables subsector were similar to those for the whole food and drinks processing sector. Wages and salaries accounted for 66% of value added, depreciation for 19% and interest costs for 5%. The main change between 1989 and 1998 was due to the decline in net profits, resulting in a decrease in the net profits' contribution to value added from 32.1% to 9.6%.

Figure 48 Annual values of components of value added in the fruit and vegetables subsector, 1989 to 1998.

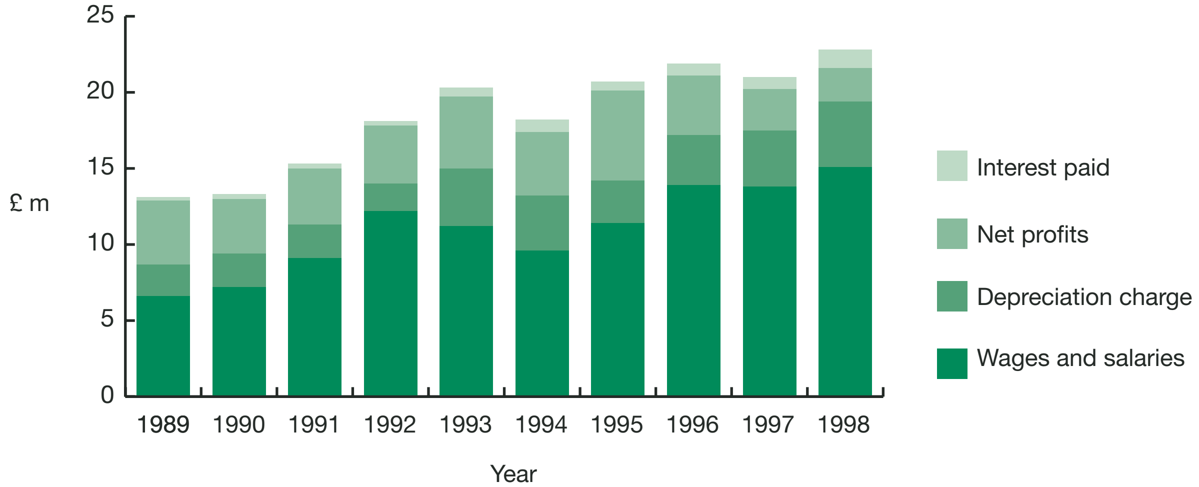


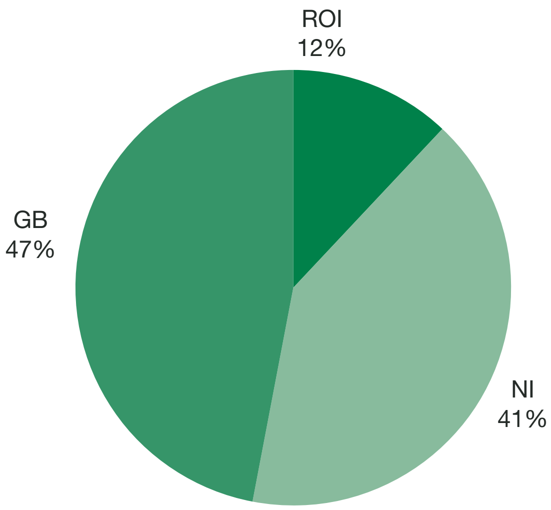
Table 53 Values of the components of value added in the fruit and vegetables subsector, 1989 and 1998.

	1989		1998	
	£ million	% of value added	£ million	% of value added
Wages and salaries	6.6	50	15.1	66
Depreciation charge	2.1	16	4.3	19
Net profits	4.2	32	2.2	10
Interest paid	0.2	2	1.2	5
Value added	13.1	100	22.9	100

Destinations of Sales

The two main markets for the fruit and vegetables subsector throughout the 10 year period were Great Britain and Northern Ireland. In 1989 they jointly accounted for 90% of total sales and in 1998 for 88% of the total. The largest market for the subsector in 1989 was Northern Ireland whereas in 1998 Great Britain was the main market. Sales to the Republic of Ireland accounted for 10% of the total in 1989 and 12% of the total in 1998. Sales to other EU and other countries were negligible throughout the period.

Figure 49 Destinations of fruit and vegetables subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland]

Table 54 Values of fruit and vegetables subsector sales by destinations, 1989 and 1998.

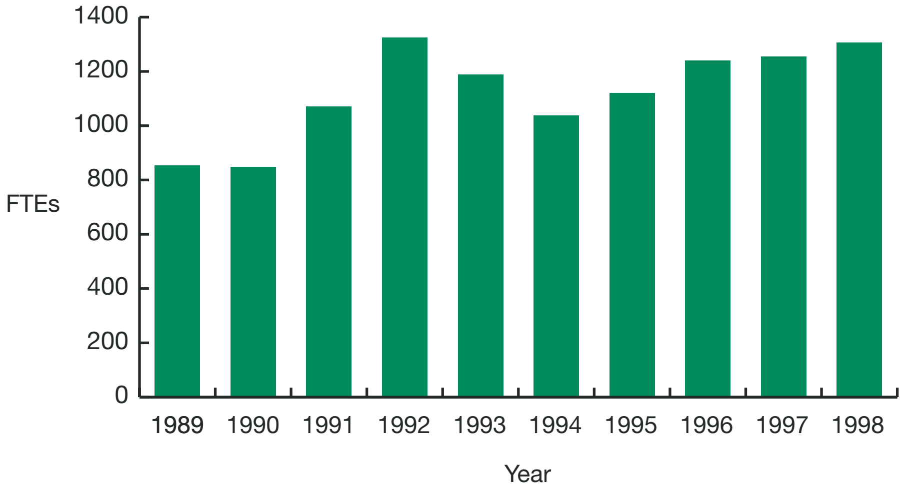
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	22.7	49	49.4	41
Great Britain	19.1	41	56.8	47
Republic of Ireland	4.6	10	14.3	12
Other EU	0.2	0	0.1	0
Rest of World	0.0	0	0.2	0
Total Sales	46.5	100	120.9	100
External Sales	23.8	51	71.5	59
Export Sales	4.7	10	14.6	12

Employment

The level of employment in the fruit and vegetables subsector was 53% higher in 1998 than in 1989, and this was the highest percentage increase in the number of full-time jobs of any of the 10 subsectors. Within the 10 year period, the number of employees in 1992 and 1993 were outside the steady trend apparent over most of the period. The overall increase in employees of 453, from 853 FTEs in 1989 to 1,306 FTEs in 1998 was the second largest of the 10 subsectors; only the poultrymeat subsector was greater. This increase resulted in the subsector's contribution to total processing sector employment increasing from 4.5% in 1989 to 6.7% in 1998.

The largest percentage increase in the full-time labour requirement of all the 10 subsectors over the period 1989 to 1998 contributed to the subsector having the highest average rate of increase in the wages and salaries bill of 129%, from £6.6 million in 1989 to £15.1 million in 1998. Average wage costs per employee increased from £7,787 in 1989 to £11,565 in 1998, both of which were below the processing sector averages of £9,383 in 1989 and £13,735 in 1998. These lower levels of wages per full-time equivalent are a reflection of the type of work undertaken in some of the businesses, such as grading and packing. Wages expressed as a percentage of gross turnover were 14.3% in 1989 and 12.5% in 1998, and these were slightly higher than the averages for the processing sector of 10.9% and 12.3% in 1989 and 1998 respectively.

Figure 50 Annual numbers of full-time employee equivalents (FTEs) in the fruit and vegetables subsector, 1989 to 1998.



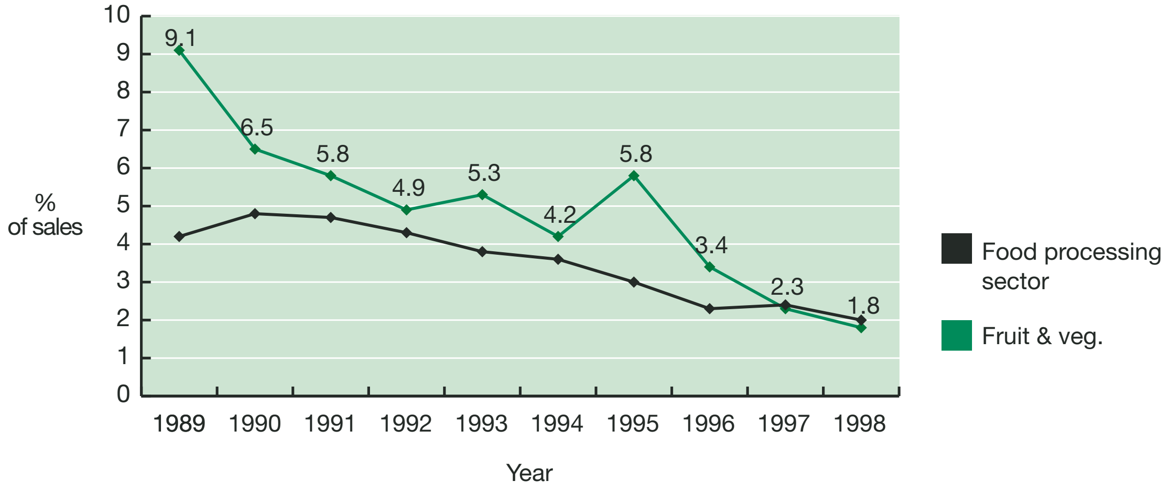
Profitability

Net profits, before tax, in the fruit and vegetables subsector were 47% lower in 1998 than in 1989, at £2.2 million compared with £4.2 million. This decline in profits occurred in a period when gross sales increased by 160%, and highlights the sharp fall that occurred in the profitability margin, from 9.1% in 1989 to 1.8% in 1998. The decline in profitability margin in the fruit and vegetables subsector occurred relatively consistently throughout the 10 year period. In 1989 it was considerably higher than the processing sector average but fell below the average for the whole sector in 1997 and 1998. Even so, it was one of only 5 subsectors that made a profit in 1998.

Table 55 Net profits in the fruit and vegetables subsector, 1989 and 1998.

	1989	1998	Average 1989 to 1998
Net profits in the fruit and vegetables subsector (£ million)	4.2	2.2	3.9
Net profits as a % of sales in the fruit and vegetables subsector	9.1	1.8	4.9
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 51 Annual net profits as a percentage of sales in the fruit and vegetables subsector, 1989 to 1998.



Capital Employed

Between 1989 and 1998, the total capital employed in the fruit and vegetables subsector more than doubled, from £22.4 million in 1989 to £50.5 million in 1998. This increase of 126% was higher than the food processing sector average of 104%. Capital employed per £1,000 sales was the third highest of the 10 subsectors, only drinks and bakeries subsectors had higher amounts in 1998. Capital employed per full-time employee in the fruit and vegetables subsector was higher in 1998, at £38,677, than in 1989 when it was £26,265. The 1989 level was higher than the processing sector average of £22,984, and slightly lower than the processing sector average of £46,312 in 1998.

The rates of return on capital employed in the fruit and vegetables subsector declined over the 10 year period, starting at 19.7% in 1989 and ending at 6.8% in 1998. These rates of return were similar to the processing sector averages of 17.1% in 1989, and 6.9% in 1998.

Table 56 Total capital employed and rate of return on capital employed in the fruit and vegetables subsector, 1989 and 1998.

	1989	1998
Total capital employed (£ million)	22.4	50.5
Rate of return on capital employed (%)	19.7	6.8

Figure 52 Annual rates of return on capital employed in the fruit and vegetables subsector, 1989 to 1998.

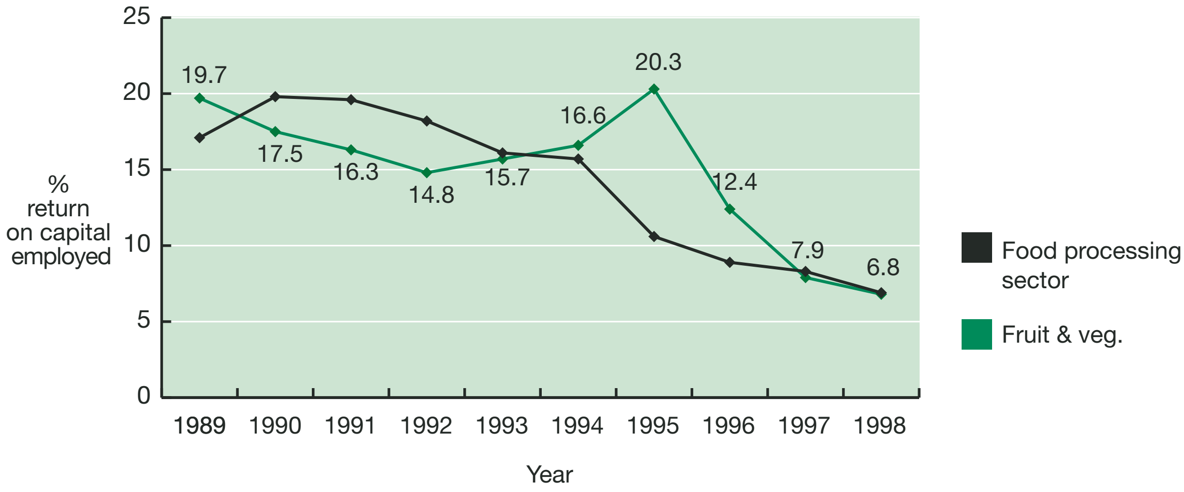


Table 57 Percentage change in gross turnover, value added, employment, external and export sales in the fruit and vegetables subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Fruit & Vegetables Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	160.0	Highest
Value added	35.4	74.5	Above average
Employment	1.2	53.1	Highest
External sales	34.7	200.2	Highest
Export sales	21.4	211.1	Above average

Table 58 Summary of performance indicators in the fruit and vegetables subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Fruit & Vegetables Subsector**	**Comment**	**Food & Drinks Sector**	**Fruit & Vegetables Subsector**	**Comment**
£ Per employee						
Sales	85,748	54,503	Below average	111,504	92,567	Below average
Value added	14,995	15,409	Above average	20,066	17,511	Below average
Total Capital employed	22,984	26,265	Above average	46,312	38,677	Below average
Average wage cost	9,383	7,787	Below average	13,735	11,565	Below average
% of sales						
Profitability	4.13	9.05	Above average	2.03	1.84	Below average
Value added	17.49	28.27	Above average	18.00	18.92	Average
Wages and salaries	10.94	14.29	Above average	12.32	12.49	Average
Interest costs	0.44	0.43	Average	0.84	0.99	Above average
%						
Rate of return on capital employed	17.1	19.7	Above average	6.9	6.8	Average

*Highest/lowest: i.e. of the 10 subsectors

10. SIZE AND PERFORMANCE OF THE MILK AND MILK PRODUCTS SUBSECTOR

The milk and milk products subsector includes businesses which pasteurise milk as well as those which manufacture a range of milk products such as butter, cheese, milk powder, ice cream and yoghurt. In 1998, there were 25 businesses with a turnover greater than £250,000 identified in this subsector. Fifteen of these businesses had an annual turnover of more than £10 million.

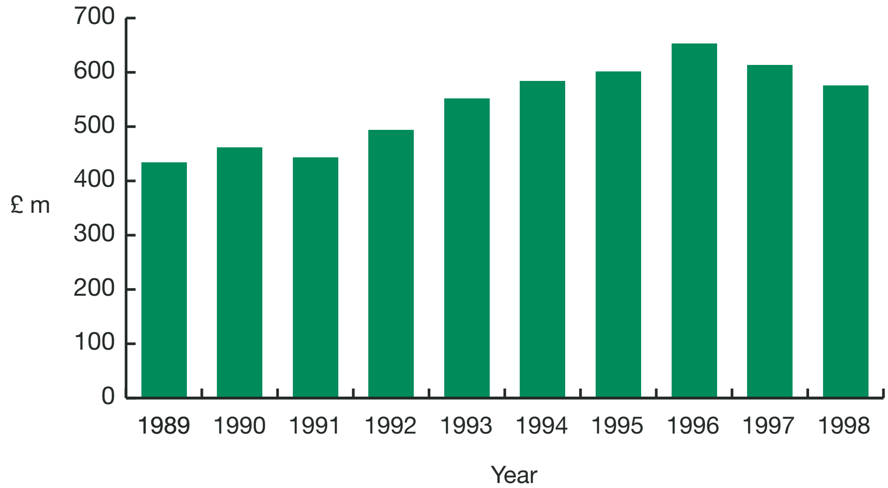
Table 59 Distribution of milk and milk products processing businesses by turnover, 1998.

Turnover £ million	Number of businesses
0.25-0.99	2
1.0-9.99	8
10.0-49.99	11
50.0 and over	4
Total	25

Gross Turnover

The milk and milk products subsector was the largest of the 10 subsectors throughout the period 1989 to 1998. In 1989, sales were £434 million and accounted for 26% of the processing sector total, and in 1998, sales had increased to £576 million and accounted for 27% of the total. The level of contribution made by the milk/milk products subsector to total food and drinks processing sector sales changed little throughout the period 1989 to 1998, ranging from 25% to 28%. Over the 10 year period, 1989 to 1998, milk and milk products businesses recorded the largest increase in turnover values, at £142 million. As shown in Figure 53 the value of turnover increased steadily from £434 million in 1989 to a peak of £653 million in 1996, and has declined since then to £576 million in 1998.

Figure 53 Annual gross turnovers in the milk and milk products subsector, 1989 to 1998.



Value Added

The milk and milk products subsector had the largest value added of the 10 subsectors in 1989, at £73.3 million. By 1998, the value added generated had decreased by 23% to £56.6 million, and between 1989 and 1998, it was the only subsector to record a fall in value added. The decrease reflects the large decline in terms of trade and the subsequent reduction in the level of net profits in the subsector, from £21.9 million in 1989 to a loss of £2.5 million in 1998. Even so, the milk and milk products subsector had the third highest level of value added in 1998; only the drinks (£83.9 million) and poultrymeat (£58.3 million) subsectors generated higher amounts.

Value added for the milk and milk products subsector, when expressed as a percentage of gross turnover started the 10 year review period at 16.9%, but by the end of the period, it had fallen to 9.8%. This trend is different to that for the processing sector as a whole where the average improved from 17.5% in 1989, to 18% in 1998. At the end of the 10 year period, the milk and milk products subsector had the lowest value added expressed as a percentage of gross turnover of the 10 subsectors.

Wages and salaries costs increased by 7.0% between 1989 and 1998 and this much lower increase than for the processing sector of 48.1% is mainly as a result of a much smaller workforce in 1998. The subsector incurred a loss in 1998, and this resulted in wages and salaries being a much higher proportion of value added at 76% than in 1989, when it was 55% of the total. These proportions differ from the processing sector average of 63% in 1989 and 68% in 1998.

Figure 54 Annual values of components of value added in the milk and milk products subsector, 1989 to 1998.

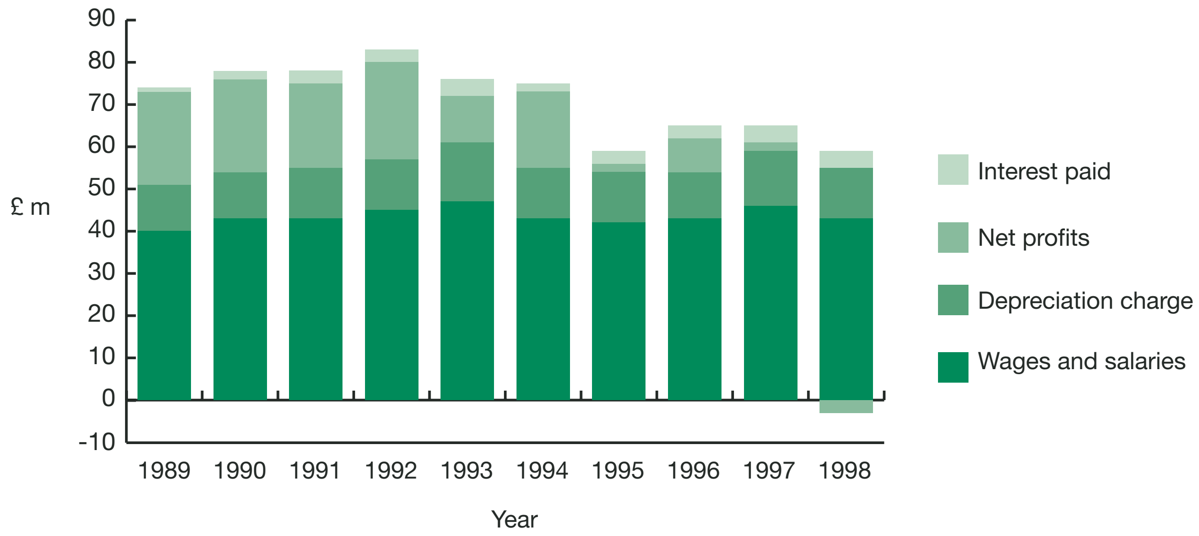


Table 60 Values of the components of value added in the milk and milk products subsector, 1989 and 1998.

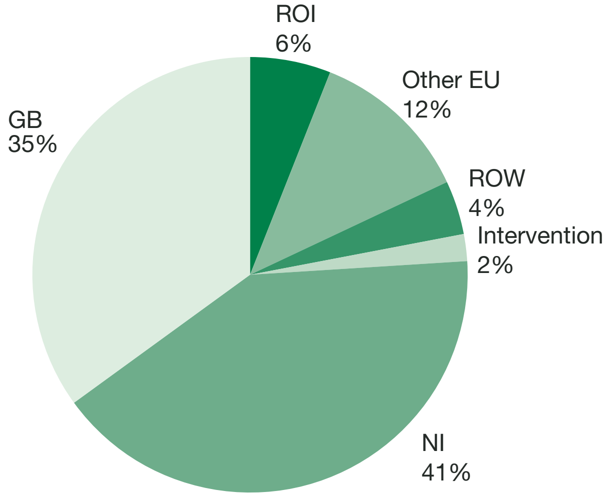
	1989		1998	
	£ million	% of value added	£ million	% of value added
Wages and salaries	40.4	55	43.2	76
Depreciation charge	10.5	14	12.1	21
Net profits	21.9	30	-2.5	-4
Interest paid	0.5	1	3.8	7
Value added	73.3	100	56.6	100

Destinations of Sales

Of the 10 subsectors, the milk and milk products subsector had the largest amount of external sales in 1998 at £337 million, £109 million higher than in 1989. In 1998, these external sales represented 30% of sales to external markets made by the whole food and drinks processing sector. Great Britain was the main external market throughout the 10 year period, and was the second most important market, after Northern Ireland, for milk products. The values of sales to Great Britain were £155 in 1989 and £203 million in 1998 and accounted for 36% of the subsector's sales in 1989 and 35% in 1998. The next single largest market was the Republic of Ireland with sales of £13 million in 1989 and £33 million in 1998. Over the period 1989 to 1998 sales to the Republic of Ireland increased as a proportion of the total milk sales from 3% to 6%.

In 1998, sales to markets in other European Countries were more than double those in 1989, rising from £30 million to £69 million, and from 7% to 12% of total milk/milk products sales. In contrast, sales of milk and milk products to countries outside Europe were lower in 1998 at £22 million, compared with £30 million in 1989. Intervention was used as a market outlet by some milk and milk products businesses during the periods 1989 to 1991 and 1996 to 1998.

Figure 55 Destinations of milk and milk products subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union;
ROW: Rest of World]

Table 61 Values of milk and milk products subsector sales by destination, 1989 and 1998.

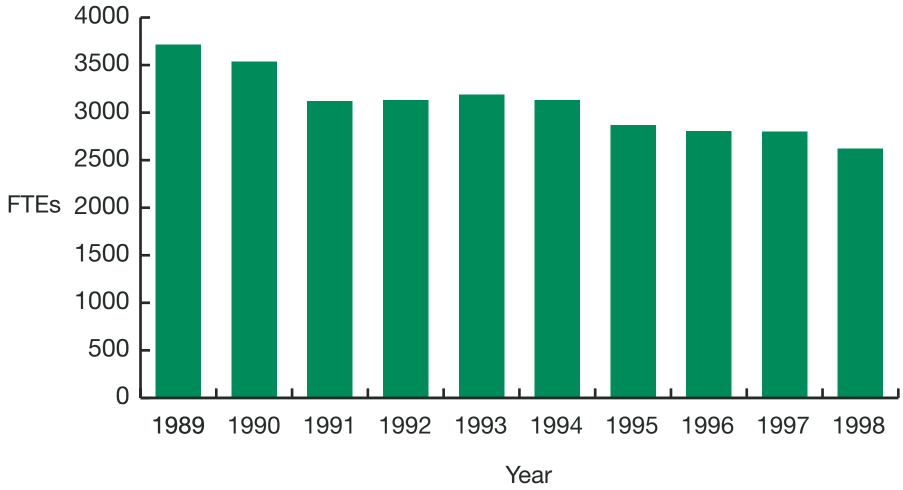
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	205.7	47	238.7	41
Great Britain	155.2	36	202.8	35
Republic of Ireland	13.0	3	33.4	6
Other EU	30.1	7	68.5	12
Rest of World	29.6	7	22.2	4
Intervention	0.4	0	10.4	2
Total Sales	434.1	100	576.1	100
External Sales	228.3	53	337.4	59
Export Sales	72.7	17	124.2	22

Employment

Over the period 1989 to 1998, the number of jobs in the milk/milk products subsector fell, from 3,715 to 2,624 full-time equivalents. Of the 10 subsectors, the milk/milk products subsector was one of only two subsectors which had fewer employees in 1998 than in 1989; the other was the beef/sheepmeat subsector which had 772 fewer full-time jobs in 1998. Even so, the milk/milk products subsector was the third largest subsector in employment terms in 1998, only poultrymeat and bakeries subsectors were larger employers, and it accounted for 13.5% of the total employees in food and drinks processing.

The wages and salaries bill in the milk and milk products subsector increased from £40 million in 1989 to £43 million in 1998, and this was the smallest percentage increase over the period of any of the 10 subsectors. Wages and salaries accounted for 9.3% of sales in 1989 and 7.5% in 1998, and in 1998 was the lowest proportion of sales among the 10 subsectors. Throughout the period 1989 to 1998, wages expressed as a percentage of sales was consistently lower than the average for the processing sector as a whole. This was not the case for average wage costs per employee which were £10,870 in 1989, and £16,472 in 1998, both were well above the processing sector averages of £9,383 in 1989 and £13,735 in 1998. The milk and milk products subsector had the second highest average wages costs per employee in both 1989 and 1998; only the drinks subsector incurred higher employee wage costs.

Figure 56 Annual numbers of full-time employee equivalents (FTEs) in the milk and milk products subsector, 1989 to 1998.



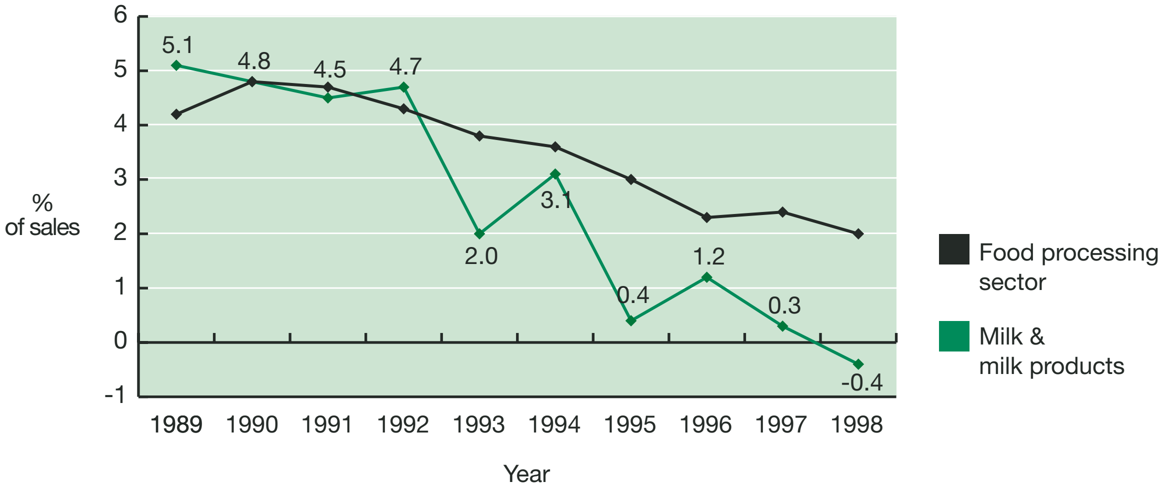
Profitability

In 1989, the milk processing subsector had the highest levels of profits, at £21.9 million, of any of the 10 subsectors. In the following eight years, the subsector made a profit, but in 1998 a loss of £2.5 million was incurred. Net profits expressed as a percentage of sales was above the sector average at 5.1% in 1989, but in 1998, at –0.4%, was below the sector average profitability of 2.0%. During the intervening period, the profitability margin in the milk and milk products subsector declined relatively steadily, and was consistently below the processing sector average from 1993 onwards, as shown in Figure 57.

Table 62 Net profits in the milk and milk products subsector, 1989 and 1998.

	1989	**1998**	**Average 1989 to 1998**
Net profits in the milk and milk products subsector (£ million)	21.9	-2.5	12.6
Net profits as a % of sales in the milk and milk products subsector	5.1	-0.4	2.6
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 57 Annual net profits as a percentage of sales in the milk and milk products subsector, 1989 to 1998.



Capital Employed

Total capital employed in the milk/milk products subsector was, at £200 million, 34% higher in 1998 than in 1989. This increase was considerably lower than for the processing sector as a whole, which averaged an increase of 104%. In 1989, capital employed per £1,000 of sales was £343, and this was higher than the processing sector average of £268. In 1998, the amount of capital had risen marginally to £347 per £1,000 of sales and was then lower than the processing sector average of £415. In terms of capital employed per employee, the milk/milk products subsector averages of £40,067 in 1989 and £76,250 in 1998, were considerably higher than the processing sector averages of £22,984 and £46,312 in these years.

The rates of return on capital employed in the milk and milk products subsector were 15.1% in 1989 to 0.6% in 1998. Throughout the period 1989 to 1998, the rates of return on capital employed in the milk processing subsector were consistently lower than the annual averages for the food and drinks processing sector (Figure 58).

Table 63 Total capital employed and rate of return on capital employed in milk and milk products subsector, 1989 and 1998.

	1989	**1998**
Total capital employed (£ million)	148.8	200.0
Rate of return on capital employed (%)	15.1	0.6

Figure 58 Annual rates of return on capital employed in the milk and milk products subsector, 1989 to 1998.

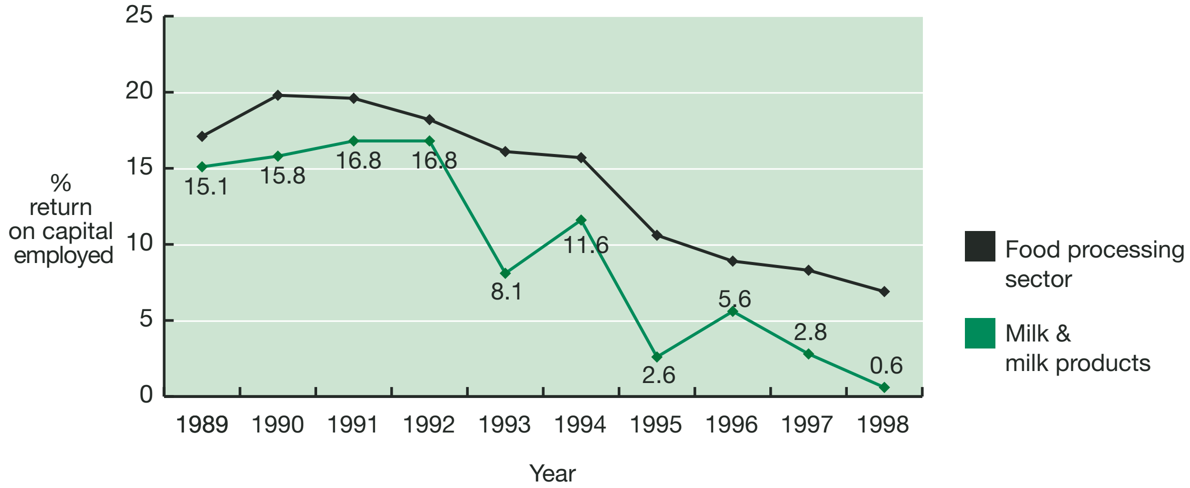


Table 64 Percentage change in gross turnover, value added, employment, external and export sales in the milk and milk products subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Milk & Milk Products Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	32.7	Above average
Value added	35.4	-22.7	Lowest
Employment	1.2	-29.4	Lowest
External sales	34.7	47.8	Above average
Export sales	21.4	70.8	Above average

Table 65 Summary of performance indicators in the milk and milk products subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Milk & Milk Products Subsector**	**Comment**	**Food & Drinks Sector**	**Milk & Milk Products Subsector**	**Comment**
£ Per employee						
Sales	85,748	116,872	Above average	111,504	219,568	Highest
Value added	14,995	19,739	Above average	20,066	21,588	Above average
Total Capital employed	22,984	40,067	Above average	46,312	76,250	Above average
Average wage cost	9,383	10,870	Above average	13,735	16,472	Above average
% of sales						
Profitability	4.13	5.06	Above average	2.03	-0.43	Below average
Value added	17.49	16.89	Below average	18.00	9.83	Lowest
Wages and salaries	10.94	9.30	Below average	12.32	7.50	Lowest
Interest costs	0.44	0.12	Below average	0.84	0.66	Below average
%						
Rate of return on capital employed	17.1	15.1	Below average	6.9	0.6	Below average

*Highest/lowest: i.e. of the 10 subsectors

11. SIZE AND PERFORMANCE OF THE PIGMEAT SUBSECTOR

The pigmeat processing subsector includes those businesses which are involved in the slaughtering of pigs and processing of pigmeat. In 1998, there were 23 of these businesses with annual gross turnovers greater than £250,000 identified in Northern Ireland. Six of the 23 had turnovers greater than £10 million.

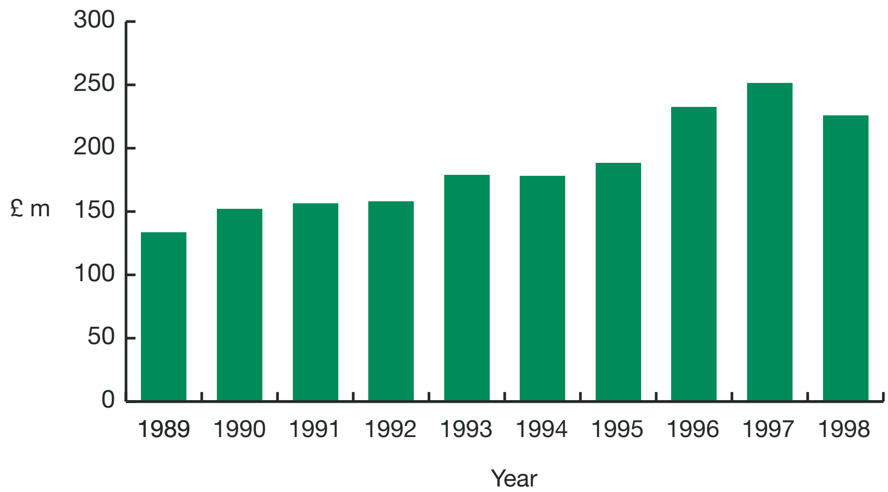
Table 66 Distribution of pigmeat processing businesses by turnover, 1998.

Turnover £ million	Number of businesses
0.25-0.99	1
1.0-9.99	16
10.0-49.99	4
50.0 and over	2
Total	23

Gross Turnover

The gross turnover of the pigmeat subsector was £226 million in 1998, and this was 69% higher than in 1989. Over the 10 year period, the subsector increased its contribution to total processing sector gross turnover from 8.1% in 1989 to 10.4% in 1998, and by 1998 was the fifth largest subsector. Apart from 1994 and 1998, the value of pigmeat gross turnover Northern Ireland increased year on year, peaked at £252 million in 1997 and then declined to £226 million in 1998.

Figure 59 Annual gross turnovers in the pigmeat subsector, 1989 to 1998.



Value Added

The value added generated by the pigmeat subsector was £10 million higher in 1998, at £36.1 million, than in 1989. Throughout the 10 year period the general trend was a steady increase in value added apart from between 1993 and 1994. When value added is expressed as a percentage of gross turnover, the proportion decreased from 19.6% in 1989 to 16.0% in 1998. The 1989 percentage was above the food and drinks sector average of 17.5%, but the 1998 percentage was below the sector average of 18.0%.

The increase in value added was mainly absorbed in the wages and salaries costs, depreciation and interest paid over the period 1989 to 1998. This was not the case for net profits in the subsector which fell from a profit of £4.1 million in 1989 to a loss of £5.4 million in 1998.

Figure 60 Annual values of components of value added in the pigmeat subsector, 1989 to 1998.

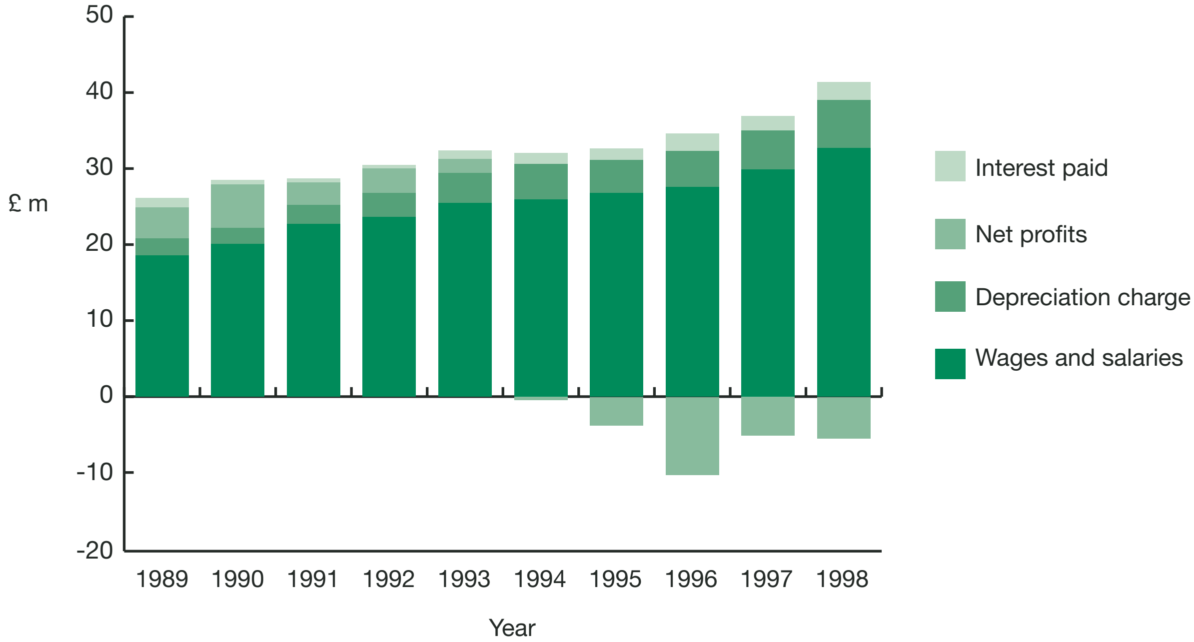


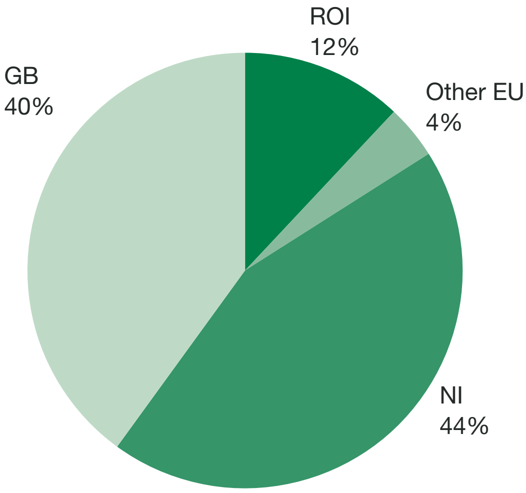
Table 67 Values of the components of value added in the pigmeat subsector, 1989 and 1998.

	1989		**1998**	
	£ million	**% of value added**	**£ million**	**% of value added**
Wages and salaries	18.6	71	32.7	91
Depreciation charge	2.2	8	6.3	17
Net profits	4.1	16	-5.4	-15
Interest paid	1.2	5	2.4	7
Value added	26.1	100	36.1	100

Destinations of Sales

Throughout the period 1989 to 1998, the pigmeat subsector, as for 7 other subsectors, relied on markets outside Northern Ireland for the majority of sales. Sales to external markets were worth £73 million in 1989 and £127 million in 1998, and accounted for 55% and 56% of pigmeat sales in these years respectively. The main external market was Great Britain with sales of £62 million in 1989 and £90 million in 1998. Over this 10 year period, the proportion of sales to Great Britain declined from 47% in 1989 to 40% in 1998. The other main external market was the Republic of Ireland and sales there increased from £11 million in 1989 to £28 million in 1998, and accounted for 8% and 12% of sales in these two years. Sales to other European Countries were at their highest in 1998, at £9.6 million, and accounted for 4% of the total.

Figure 61 Destinations of pigmeat subsector sales, as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union]

Table 68 Values of pigmeat subsector sales by destination, 1989 and 1998.

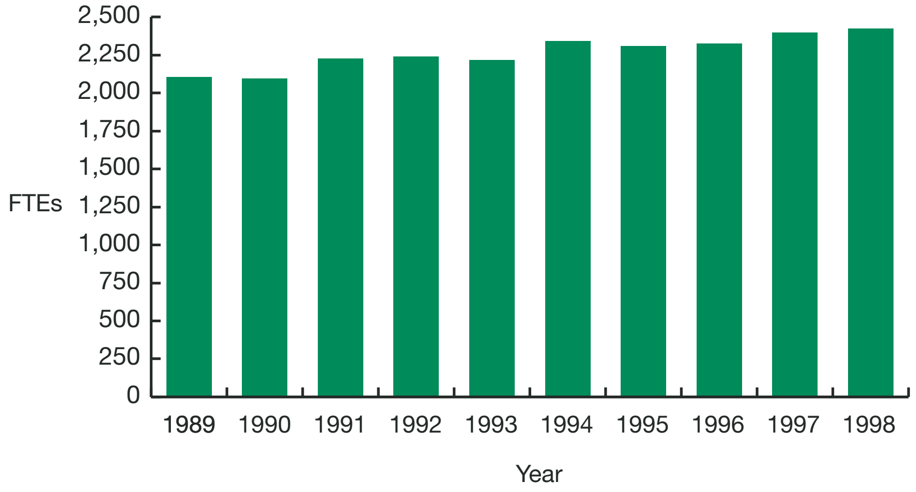
	Sales (£ million and % of total sales)			
	1989		1998	
	£ million	%	£ million	%
Northern Ireland	60.2	45	98.9	44
Great Britain	62.0	47	89.6	40
Republic of Ireland	10.7	8	27.6	12
Other EU	0.4	0	9.6	4
Rest of World	0.0	0	0.2	0
Total Sales	133.3	100	225.9	100
External Sales	73.1	55	127.0	56
Export Sales	11.1	8	37.5	17

Employment

The level of employment in the pigmeat subsector increased from 2,106 full-time equivalent employees (FTEs) in 1989 to 2,424 in 1998. Only the poultrymeat and fruit and vegetables subsectors had greater increases in employees between 1989 and 1998. Employment in this subsector represented 12% of the food and drinks processing sector total in 1998, and was the fourth largest employer.

The wages and salaries bill in the pigmeat subsector increased from £18.6 million in 1989 to £32.7 million in 1998, as a result of 318 more employees, and a higher average wage cost per employee. Average wage costs per employee increased from £8,832 in 1989 to £13,499 in 1998, and apart from 1994, wage costs per employee in the pigmeat subsector were lower than the averages for the processing sector. Wages and salaries costs averaged 14.0% of gross turnover in 1989 and 14.5% in 1998. These were higher than the averages for the processing sector of 10.9% in 1989 and 12.3% in 1998.

Figure 62 Annual numbers of full-time employee equivalents (FTEs) in the pigmeat subsector, 1989 to 1998.



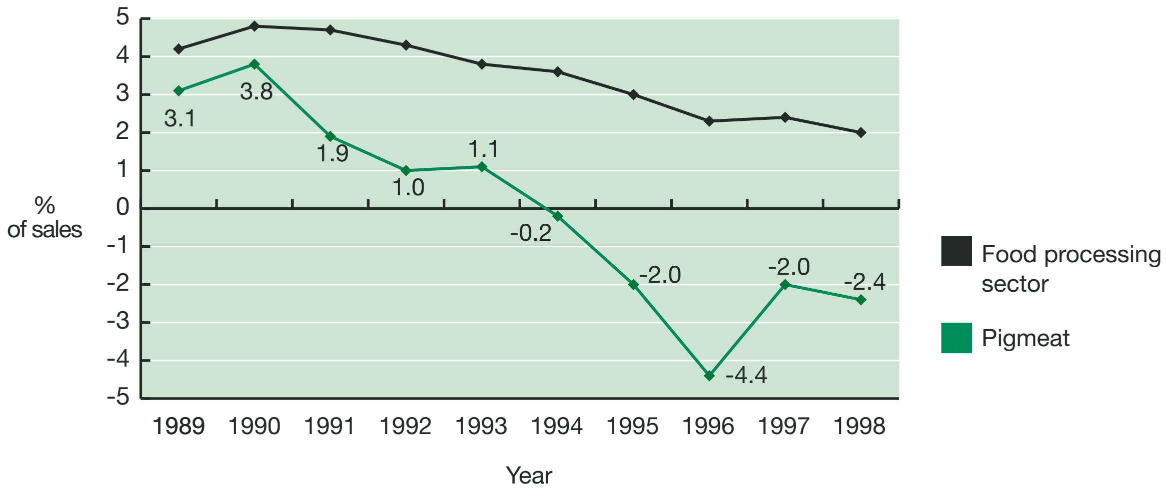
Profitability

At the beginning of the 10 year review period in 1989 the pigmeat subsector had profits of £4.1 million but by the end of the 10 years in 1998 it had incurred an annual loss of £5.4 million. From 1992 to 1998, pigmeat was the least profitable of the 10 subsectors, and in 1994 it moved from a profit to a loss making situation and has made a loss in each of the years from 1994 to 1998.

Table 69 Net profits in the pigmeat subsector, 1989 and 1998.

	1989	1998	Average 1989 to 1998
Net profits in the pigmeat subsector (£ million)	4.1	-5.4	-0.9
Net profits as a % of sales in the pigmeat subsector	3.1	-2.4	0.0
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 63 Annual net profits as a percentage of sales in the pigmeat subsector, 1989 to 1998.



Capital Employed

The amount of capital employed in the pigmeat subsector increased from £30.4 million in 1989 to £94.2 million in 1998. This was the second largest increase in the amount of capital employed by the 10 subsectors, at £63.8 million. Capital per employee increased from £14,421 in 1989 to £38,874 in 1998, but was lower than the average for the processing sector throughout the period, except for 1994. Capital employed per £1,000 sales in the pigmeat subsector almost doubled from £228 in 1989 to £417 in 1998. Over this period the subsector changed from having less capital per £1,000 sales than the processing sector average of £268 in 1989, to being very close to the average of £415 in 1998.

In 1989, the rate of return on capital in the pigmeat subsector averaged 17.3%, and this was just above the processing sector average of 17.1%. However, the very low level of profits in the pigmeat subsector from 1992 to 1994 resulted in it having the lowest rates of return on capital employed of all 10 subsectors in this period. Similarly, in the period 1995 to 1998, it was the worst performing subsector, and did not generate a return to capital employed.

Table 70 Total capital employed and rate of return on capital employed in the pigmeat subsector, 1989 and 1998.

	1989	1998
Total capital employed (£ million)	30.4	94.2
Rate of return on capital employed (%)	17.3	0.0

Figure 64 Annual rates of return on capital employed in the pigmeat subsector, 1989 and 1998.

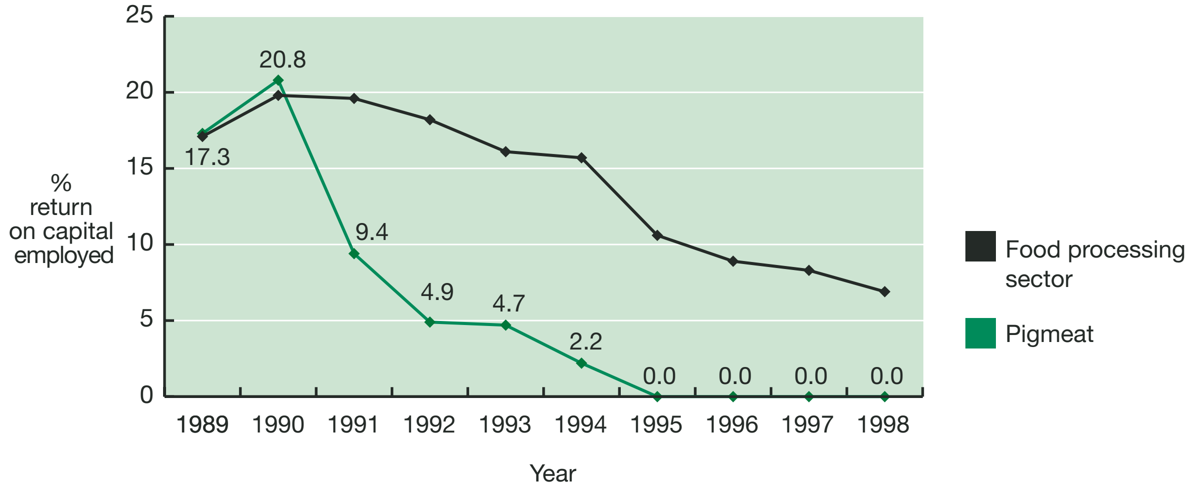


Table 71 Percentage change in gross turnover, value added, employment, external and export sales in the pigmeat subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Pigmeat Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	69.5	Above average
Value added	35.4	38.1	Above average
Employment	1.2	15.1	Above average
External sales	34.7	73.8	Above average
Export sales	21.4	237.4	Highest

Table 72 Summary of performance indicators in the pigmeat subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	Pigmeat Subsector	Comment	Food & Drinks Sector	Pigmeat Subsector	Comment
£ Per employee						
Sales	85,748	63,284	Below average	111,504	93,217	Below average
Value added	14,995	12,389	Below average	20,066	14,876	Below average
Total Capital employed	22,984	14,421	Below average	46,312	38,874	Below average
Average wage cost	9,383	8,832	Below average	13,735	13,499	Average
% of sales						
Profitability	4.13	3.08	Below average	2.03	-2.40	Lowest
Value added	17.49	19.58	Above average	18.00	15.96	Below average
Wages and salaries	10.94	13.96	Above average	12.32	14.48	Above average
Interest costs	0.44	0.90	Above average	0.84	1.06	Above average
%						
Rate of return on capital employed	17.1	17.3	Average	6.9	0.0	One of the lowest

*Highest/lowest: i.e. of the 10 subsectors

12. SIZE AND PERFORMANCE OF THE POULTRYMEAT SUBSECTOR

The poultrymeat processing subsector consists of those businesses involved in the slaughter and processing of table poultry, including broilers, cull hens, ducks and turkeys. In 1998 there were 13 businesses in this subsector with annual turnovers greater than £250,000 identified in Northern Ireland. Four of the 13 businesses had a turnover above £10 million. It was the only subsector within the food and drinks processing sector in Northern Ireland which had a business with an annual turnover in excess of £100 million in 1998.

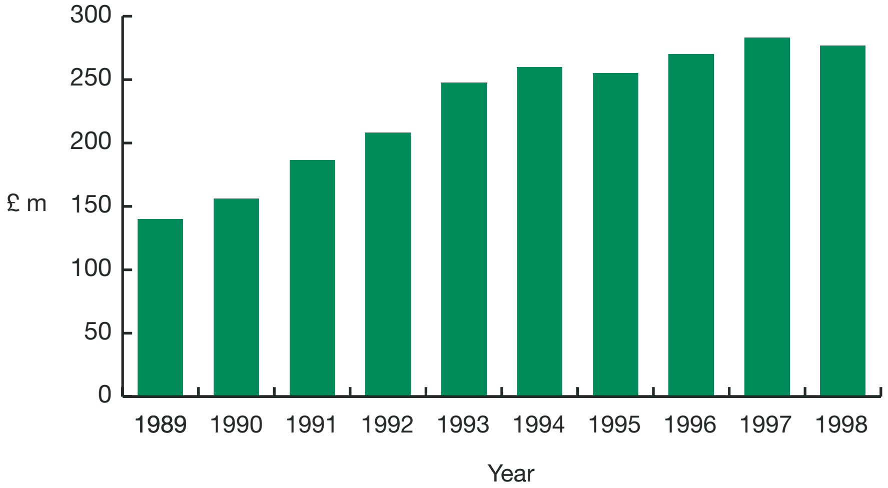
Table 73 Distribution of poultrymeat processing businesses by turnover, 1998.

Turnover £ million	Number of businesses
0.25-0.99	1
1.0-9.99	8
10.0-49.99	2
50.0 and over	2
Total	13

Gross Turnover

Over the 10 year period 1989 to 1998, the gross turnover of the poultrymeat processing subsector increased by 98%, from £140 million to £277 million. This rate of increase was the second largest of the 10 subsectors, and was much higher than the sector average of 32%. Poultrymeat sales increased their proportional contribution to the total sector gross turnover from 8.5% in 1989 to 12.8% in 1998. In all years, except 1994, it was the fourth largest of the 10 subsectors in terms of annual gross turnover.

Figure 65 Annual gross turnovers in the poultrymeat subsector, 1989 to 1998.



Value Added

The value added generated by the poultrymeat processing subsector was £33.4 million in 1989 and £58.3 million in 1998. These added values represented 11.6% of the total generated by the food and drinks processing sector in 1989 and 15% in 1998. In 1998, only the drinks subsector generated a higher value added than poultrymeat. Value added in the poultrymeat subsector, expressed as a percentage of sales, was 23.9% in 1989 and 21.1% in 1998 and these were considerably above the processing sector averages, of 17.5% in 1989 and 18% in 1998.

The increase in value added was mainly taken up in higher wages and salaries, which increased from £27.7 million in 1989 to £50.5 million in 1998, and to a lesser extent by higher depreciation and interest costs. Net profits in the subsector of £1.5 million in 1989 contributed to value added but because the subsector incurred a loss of £3.1 million in 1998 this was not the case at the end of the 10 year review period.

Figure 66 Annual values of components of value added in the poultrymeat subsector, 1989 to 1998.

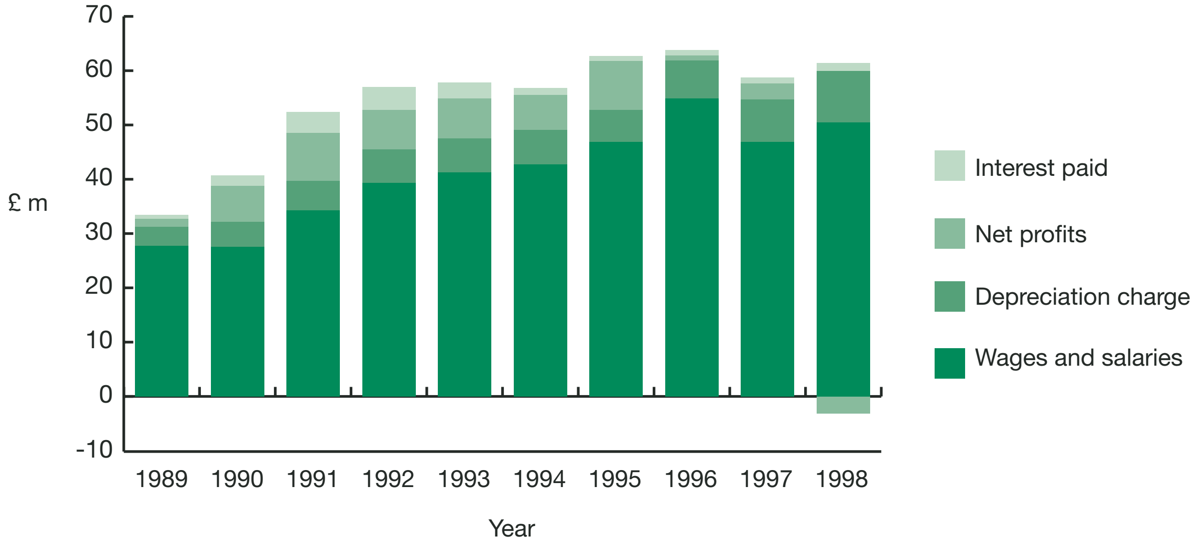


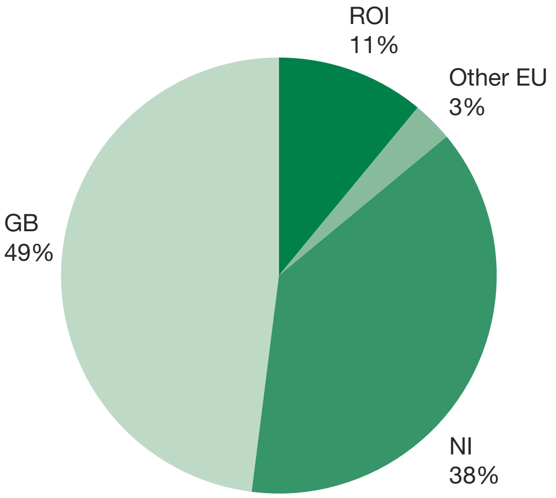
Table 74 Values of the components of value added in the poultrymeat subsector, 1989 and 1998.

	1989		1998	
	£ million	% of value added	£ million	% of value added
Wages and salaries	27.7	83	50.5	87
Depreciation charge	3.5	11	9.4	16
Net profits	1.5	4	-3.1	-5
Interest paid	0.7	2	1.6	3
Value added	33.4	100	58.3	100

Destinations of Sales

The value of external sales of poultrymeat products increased by £95 million over the 10 year period, from £78 million in 1989 to £173 million in 1998, and increased from 56% to 62% of total sales. Great Britain remained the main external market throughout the period, taking 49% of total sales in 1998 and 47% in 1989.

Table 67 Destinations of poultrymeat subsector sales as % of total, 1998.



[**NI**: Northern Ireland;
GB: Great Britain;
ROI: Republic of Ireland;
Other EU: Other European Union]

Table 75 Values of poultrymeat subsector sales by destination, 1989 and 1998.

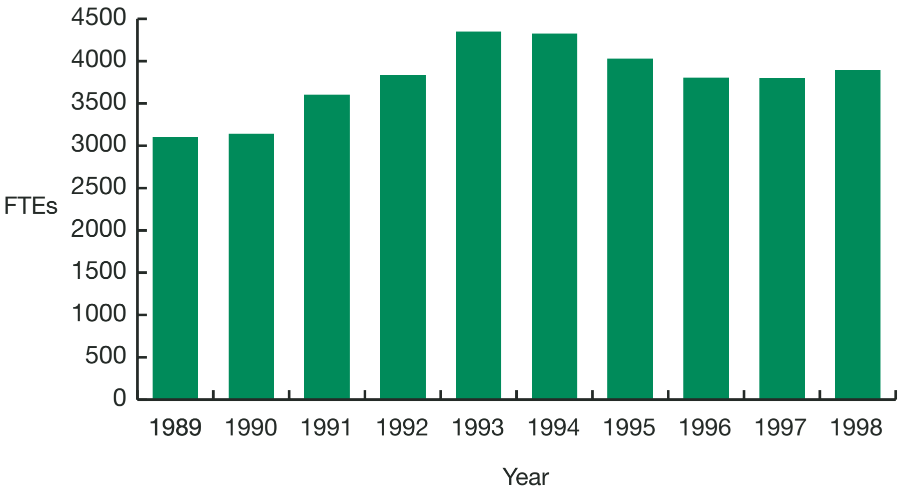
	Sales (£ million and % of total sales)			
	1989		**1998**	
	£ million	**%**	**£ million**	**%**
Northern Ireland	62.1	44	104.1	38
Great Britain	66.0	47	135.5	49
Republic of Ireland	11.7	8	30.1	11
Other EU	0.2	0	7.4	3
Rest of World	0.0	0	0.0	0
Total Sales	140.0	100	277.0	100
External Sales	77.9	56	172.9	62
Export Sales	11.9	9	37.4	14

The value of poultrymeat sales into the local Northern Ireland market increased quite substantially from £62.1 million in 1989 to £104.1 million in 1998. Even so, their proportion of total sales fell, from 44% in 1989 to 38% in 1998. Sales to the Republic of Ireland increased from £11.7 million in 1989 to £30.1 million in 1998, and accounted for 8% and 11% of total sales in these years. Sales to other export markets within the EU increased from £0.2 million in 1989 to £7.4 million in 1998.

Employment

The poultrymeat subsector had the largest increase in the numbers employed over the 10 year period, from 3,104 full-time equivalents (FTEs) in 1989 to 3,894 FTEs in 1998. In 1989 and 1990, the poultrymeat subsector had the third largest number of employees, and then became the largest subsector in 1991 and maintained this position for the remainder of the period. In 1998, 20.1% of the total employees involved in food and drinks processing activities were in the poultrymeat subsector.

Figure 68 Annual numbers of full-time employee equivalents (FTEs) in the poultrymeat subsector, 1989 to 1998.



The total wages and salaries bill increased from £27.7 million in 1989 to £50.5 million in 1998. This was due to an increase in the number of employees and higher wage costs per employee, which increased from £8,927 in 1989 to £12,962 in 1998. These wage costs were below the averages for the processing sector of £9,383 in 1989 and £13,735 in 1998.

Due to the relatively high level of manual operations in the processing of poultrymeat, the wages and salaries bill expressed as a percentage of gross turnover was relatively high, at 19.8% in 1989 and 18.2% in 1998. Only the bakeries subsector, which is also labour intensive, had higher percentages. The average percentages for the processing sector were 10.9% in 1989 and 12.3% in 1998.

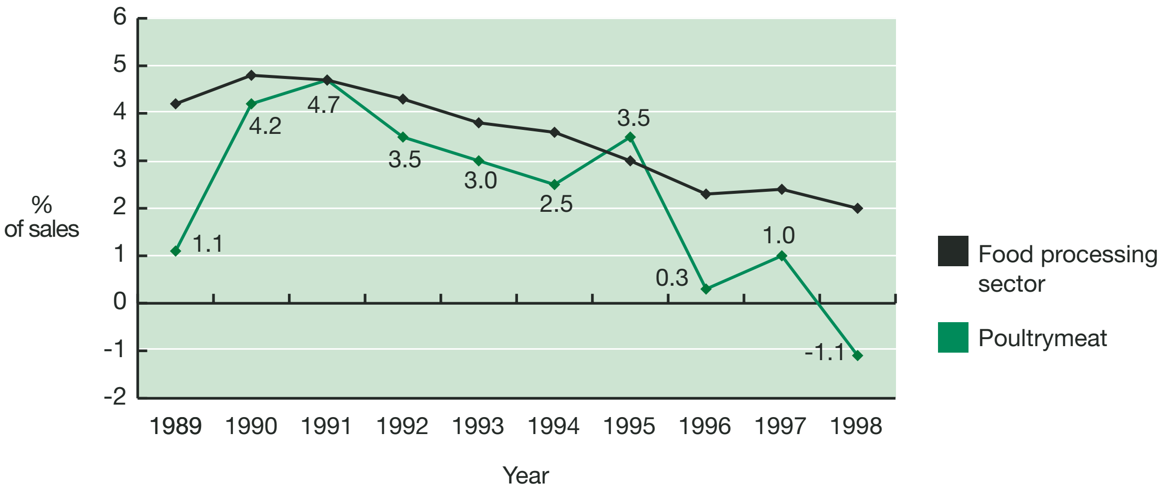
Profitability

The poultrymeat subsector generated a net profit, before taxation, in each of the years 1989 to 1997, but moved to a loss making situation in 1998. A net profit of £1.5 million was generated in 1989, whereas a loss of £3.1 million was incurred in 1998. The net profit margin was 1.1% of gross turnover in 1989 and increased significantly over the next 2 years to peak at 4.7% in 1991. The poor performance in 1989 reflected the salmonella health scare in that year. From 1991 onwards, the general trend was a decline in profit margin between years. Over the 10 year period, the poultrymeat subsector had below average processing sector profitability margins in every year except for 1991 and 1995.

Table 76 Net profits in the poultrymeat subsector, 1989 and 1998.

	1989	1998	Average 1989 to 1998
Net profits in the poultrymeat subsector (£ million)	1.5	-3.1	4.8
Net profits as a % of sales in the poultrymeat subsector	1.1	-1.1	2.3
Net profits as % of sales in total food processing sector	4.1	2.0	3.5

Figure 69 Annual net profits as a percentage of sales in the poultrymeat subsector, 1989 to 1998.



Capital Employed

The amount of capital employed in the poultrymeat subsector increased from £36.2 million in 1989 to £87.3 million in 1998. Even though this increase of 141% was higher than the sector average of 104%, the amounts of capital employed as proportions of turnover and per employee were low in 1998, making it one of the least capital intensive subsectors. The amount of capital per employee was the second lowest among the 10 subsectors in 1989 and 1998, at £11,648 and £22,421 respectively. The bakeries subsector had the lowest amount of capital per employee. Capital employed per £1,000 of sales averaged £259 in 1989 and £315 in 1998 and while similar in 1989 to the food and drinks processing sector average of £268, it was well below the sector average of £415 in 1998.

The rate of return on capital employed in the poultrymeat subsector was low at 6.2% in 1989, but peaked at 23% in 1990, as a result of the recovery in sales and profits after a salmonella health scare. Since then the return on capital fell in most years, and in 1998, trading losses resulted in a negative rate of return on capital.

Table 77 Total capital employed and rate of return on capital employed in poultrymeat subsector, 1989 and 1998.

	1989	1998
Total capital employed (£ million)	36.2	87.3
Rate of return on capital employed (%)	6.2	0.0

Figure 70 Annual rates of return on capital employed in the poultrymeat subsector, 1989 to 1998.

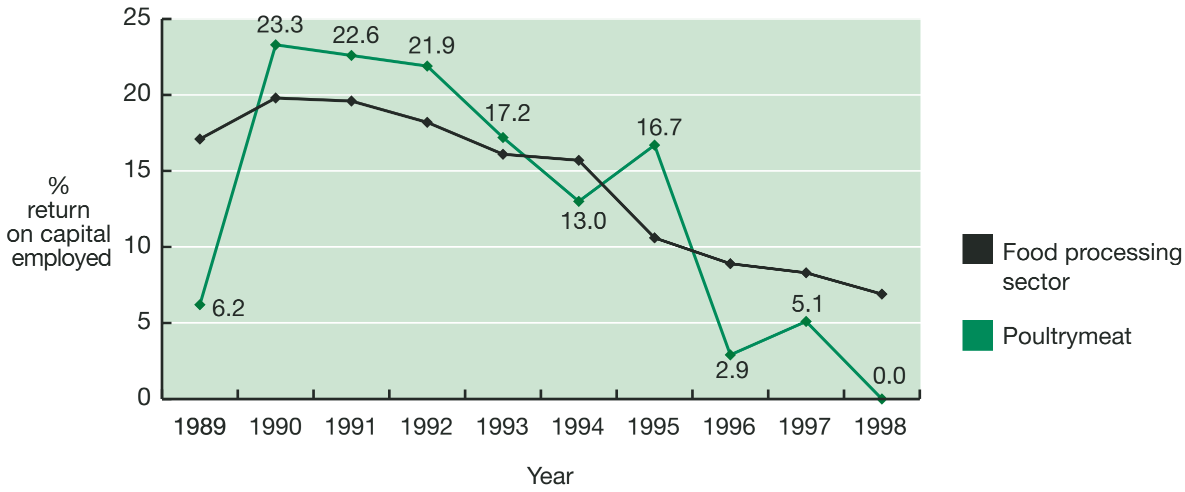


Table 78 Percentage change in gross turnover, value added, employment, external and export sales in the poultrymeat subsector between 1989 and 1998.

	Food & Drinks Sector *% Change 1989 to 1998*	**Poultrymeat Subsector** *% Change 1989 to 1998*	**Comment**
Gross turnover	31.6	97.8	Above average
Value added	35.4	74.62	Above average
Employment	1.2	25.5	Above average
External sales	34.7	122.0	Above average
Export sales	21.4	214.5	Above average

Table 79 Summary of performance indicators in the poultrymeat subsector, 1989 and 1998.

	1989			1998		
	Food & Drinks Sector	**Poultry-meat Subsector**	**Comment**	**Food & Drinks Sector**	**Poultry-meat Subsector**	**Comment**
£ Per employee						
Sales	85,748	45,093	Below average	111,504	71,130	Below average
Value added	14,995	10,769	Below average	20,066	14,978	Below average
Total Capital employed	22,984	11,648	Below average	46,312	22,421	Below average
Average wage cost	9,383	8,927	Below average	13,735	12,962	Below average
% of sales						
Profitability	4.13	1.10	Lowest	2.03	-1.13	Below average
Value added	17.49	23.88	Above average	18.00	21.06	Above average
Wages and salaries	10.94	19.80	Above average	12.32	18.22	Above average
Interest costs	0.44	0.50	Above average	0.84	0.58	Below average
%						
Rate of return on capital employed	17.1	6.2	Below average	6.9	0.0	One of the lowest

*Highest/lowest: i.e. of the 10 subsectors

Annex A

Definitions of terms

ANNEX A

DEFINITIONS OF TERMS

Gross turnover *of a subsector is the sum of the annual turnovers of all the businesses in the subsector. It is also equal to the total annual sales of the businesses within the subsector.*

Net turnover *of a subsector is the gross turnover of the subsector minus the purchases of partially processed food products from other food processing businesses in Northern Ireland.*

Value added *of a subsector is determined by deducting all of the 'inputs', which are the 'outputs' of other industries, from the gross turnover of the processing subsector. It is equal to the sum of the wages and salaries bill, depreciation, net profit and interest paid in the subsector.*

Full-time employee *is someone employed for at least 30 hours per week.*

Part-time employee *is someone employed for less than 30 hours per week.*

Casual/seasonal employee *is someone not employed on a regular basis.*

Full-time employee equivalents *in a subsector are the part-time and casual employees converted to full-time equivalents, (by multiplying part-time employees by 0.5 and casual by 0.25), and added to the number of full-time employees.*

Semi-processed food *is defined as an agricultural commodity which has been modified in some way, but which will be further processed before sale by the purchasing processing business.*

Gross profit *is the difference between gross turnover and cost of sales.*

Wages and salaries *is the total remuneration to directors and employees including National Insurance contributions.*

Depreciation *is the depreciation charge made against all the tangible fixed assets in the business.*

Net profit *is the profit generated after deduction of all costs and charges, including interest costs, but before deduction of tax.*

Total capital employed *is the sum of the share capital, reserves and total borrowings for incorporated businesses and net worth plus total borrowings for partnerships and sole traders.*

Sales per employee *in each subsector is the gross turnover of the subsector divided by the total number of full-time employee equivalents in the subsector.*

***Value added per employee** in each subsector is the total subsector value added divided by the total number of full-time employee equivalents in the subsector.*

***Total capital per employee** in each subsector is the total capital employed divided by the total number of full-time employee equivalents in the subsector.*

***Average wage cost per employee** is the subsector's wages and salaries bill divided by the total number of full-time employee equivalents in the subsector.*

***Gross profit as a % of sales** is the subsector gross profit divided by the subsector gross turnover and expressed as a percentage.*

***Net profit as a % of sales** is the subsector total net profit divided by the subsector gross turnover and expressed as a percentage.*

***Value added as a % of sales** is the subsector total value added divided by the subsector gross turnover and expressed as a percentage.*

***Wages and salaries as a % of sales** is the subsector wages and salaries bill divided by the subsector gross turnover and expressed as a percentage.*

***Interest costs as a % of sales** is the total interest paid by businesses within the subsector divided by the gross turnover and expressed as a percentage.*

***Sales per £1,000 wages** is the sales of the subsector divided by the wages and salaries bill and multiplied by 1,000.*

***Value added per £1,000 wages** is the subsector value added divided by the wages and salaries bill and multiplied by 1,000.*

***Interest costs as a % of gross profit** is the total interest paid by businesses in the subsector divided by the total subsector gross profit and expressed as a percentage.*

***Interest costs as a % of net profit** is the total interest paid by businesses in the subsector divided by the total subsector net profits and expressed as a percentage.*

***Rate of return on capital employed** is the total subsector net profits plus interest paid divided by the total capital employed in the subsector and expressed as a percentage.*

Annex B

Definitions of subsectors

ANNEX B

DEFINITIONS OF SUBSECTORS

Animal By-Products *- those businesses which process red offals and fats which enter the human food chain. It excludes pet food, rendering, and hide and skin processing businesses.*

Bakeries *- flour milling and bread and pastry manufacturers. Home bakeries, which sell their products through their own retail outlets, are excluded.*

Beef and Sheepmeat *- all the businesses involved in the slaughtering of cattle and sheep and the processing of beef and sheepmeat.*

Drinks *- both alcoholic and non-alcoholic drinks manufacturing businesses. The main products are soft drinks, beers and whiskey.*

Eggs *- those businesses involved in the grading and packing of eggs and the preparation of egg components for bakeries and catering businesses.*

Fish *- businesses which process and package freshwater and sea fish species. Activities range from filleting to preparing cooked products.*

Fruit and Vegetables *- a wide range of businesses from those principally involved in the grading and packing of fruit and vegetables to those which manufacture products such as potato crisps. All of the businesses within this subsector used fruit and vegetables grown in Northern Ireland. Wholesale fruit and vegetable businesses are excluded.*

Milk and Milk Products *- businesses which pasteurise milk and those which manufacture milk products such as butter, cheese, ice-cream and yoghurt. Data do not include milk roundsmen activities.*

Pigmeat *- all businesses involved in the slaughter and processing of pigs. Products include bacon, pork and hams.*

Poultrymeat *- all slaughtering and processing of table poultry such as chickens, ducks and turkeys. Products range from whole birds to highly developed ready meals based on chicken.*

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