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POLICY AND ECONOMICS DIVISION

Size and Performance of the Northern Ireland Food and Drinks Processing Sector, Subsector Statistics 2005,

with provisional estimates for 2006

A National Statistics Publication

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FOREWORD

This annual publication provides comprehensive information on the size and performance of the food and drinks processing sector in Northern Ireland for 2004 and 2005, as well as provisional estimates of gross turnover and level of employment in the sector for 2006. The time-lag between 31 December 2006 and firms' submission of their annual accounts to Companies Registry meant that full accounts information was not available when this report was being prepared. Hence, 2006 estimates are provided for only two variables. It is anticipated that the full set of data on the performance of the sector in 2006 will be published in July 2008.

The 2005 data include estimates of the value of sales, value added, profitability, exports and employment for each of the ten constituent subsectors of the food and drinks processing sector in Northern Ireland. These statistics are supplemented with fifteen performance indicators for each subsector.

One of the main purposes of this report is to enable firms within the food and drinks processing sector to prepare strategies and undertake sector evaluations based on statistical evidence. As a by-product of this compilation of statistics, a number of performance indicators for the subsectors are produced. These benchmarking data will assist businesses when assessing their competitiveness within their subsector.

Last year, it was decided to publish time-series data on each of the indicators contained in the report on the DARD website. These data have been updated to cover the seventeen year period 1989 – 2005, and include provisional estimates for sales and level of employment in 2006. The time-series data will be of particular use to those who require information on performance trends and, indeed, to those involved in the preparation of strategies who may require these data in order to anticipate the potential impact of such strategies in the future. It will also be a useful point of reference for all those involved in the sector. The time-series data can be downloaded from:
www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

A number of organisations provided assistance in the task of compiling the statistics for this report and their help and co-operation are gratefully acknowledged. They include the Statistics Research Branch of the Department of Enterprise, Trade and Investment, Invest Northern Ireland, and Companies Registry. The production of this report would not have been possible without their assistance.

The report was prepared by Karen Collins under the supervision of Hazel Quinn; comments on the report are always welcome and should be forwarded to them using the contact details given below.

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PROVISIONAL ESTIMATES 2006
Gross turnover and employment

1. The total gross turnover of the Northern Ireland food and drinks processing sector is estimated to have decreased by 0.7% from £2,510 million in 2005 to £2,494 million in 2006.

2. It is estimated that the fall in total gross turnover between 2005 and 2006 resulted mainly from decreases in the values of sales in the poultrymeat (-£21.7m) and milk/milk products (-£7.9m) subsectors.

3. The total number of employees in the food and drinks processing sector is estimated to have decreased from 18,714 to 18,372 full-time employees between 2005 and 2006; a decrease of 1.8%. The poultrymeat subsector sustained the largest fall in employment (-318 employees).

FINAL ESTIMATES 2005
Gross turnover, 2004 and 2005

4. Between 2004 and 2005, the total gross turnover of the Northern Ireland food and drinks processing sector increased by 0.7%, from £2,492 million to £2,510 million.

5. The 0.7% increase in total gross turnover between 2004 and 2005 reflects higher gross turnovers in the poultrymeat (+£33.2m)[1], beef/sheepmeat (+£14.9m), fruit and vegetables (+£9.8m), bakeries (+£4.9m) and fish (+£1.2m) subsectors.

6. Five of the subsectors – animal by-products, drinks, eggs, milk/milk products and pigmeat - had lower gross turnovers in 2005 than in 2004.

7. In 2005, the milk/milk products and beef/sheepmeat subsectors continued to be the two largest contributors to total gross turnover. Together, these subsectors accounted for 48% of total gross turnover in both 2004 and 2005.

Value added, 2004 and 2005

8. The contribution of the food and drinks processing sector to the Northern Ireland economy is best represented by its generation of value added. In 2005, food and drinks processing activities generated £500.4 million of value added; 3.5% higher than the 2004 level of £483.5 million.

9. A comparison of the components of value added in 2004 and 2005 illustrates that the 3.5% increase in value added over the period is indicative of the increase in wages and salaries (+£10.75m), the depreciation charge (+£4.14m), the amount of net profit generated (+£0.04m) and the amount of interest paid (+£2.05m).

10. In 2004 and 2005, the poultrymeat, milk/milk products and beef/sheepmeat subsectors continued to be the three main contributors to value added. These

[1] The poultrymeat subsector subsequently recorded a significant fall in gross turnover between 2005 and 2006.

three subsectors generated more than half (54%) of the total value added of the sector in 2005.

11. Every £1,000 worth of sales by the food and drinks processing sector in 2005 resulted in £199 of added value, compared with £194 in 2004.

Semi-processed food purchases, 2005

12. It is estimated that purchases of semi-processed food by the food and drinks processing sector totalled approximately £289 million in 2005. Of this amount, imported semi-processed food was worth £176 million and inter-business sales among firms in Northern Ireland were worth £113 million.

Employment, 2004 and 2005

13. Between 2004 and 2005, the total number of employees in the food and drinks processing sector is estimated to have increased by 1.1%, from 18,517 to 18,714 full-time employee equivalents.

14. The poultrymeat subsector (+629 employees) recorded the greatest increase in employment between 2004 and 2005[2], followed by the fruit and vegetables (+93 employees) subsector. Decreases in employment occurred in six of the ten subsectors; the largest decline was recorded in the bakeries (-201 employees) subsector.

15. The poultrymeat subsector continued to be the largest employer of the ten subsectors, with 4,890 employees in 2005. The three largest employers, poultrymeat, bakeries and beef/sheepmeat subsectors, accounted for just over half (57%) of the total number of employees in the food and drinks processing sector.

Distribution of sales, 2004 and 2005

16. From 1989 to 2003, Northern Ireland had continuously been the most important market for the food and drinks processing sector. In 2004 and 2005, the Great Britain market became more important, and accounted for 38% and 39% of sales in these years respectively.

17. The value of total external sales, i.e. those sales to destinations outside Northern Ireland, increased from £1,554 million in 2004 to £1,599 million in 2005, some 2.9 percentage points higher than in 2004. External sales represented 64% of total processing sector sales in 2005.

18. The value of export sales, i.e. sales to destinations outside the UK, increased from £611.5 million in 2004 to £612.1 million in 2005. In 2005, export sales represented 24% of total processing sector sales.

19. The Republic of Ireland continued to be the largest export market for the food and drinks processing sector, with sales worth £321 million in 2005; some £16 million higher than in 2004. This market accounted for 13% of total processing sector sales in 2005.

[2] The poultrymeat subsector subsequently recorded a significant decline in employment between 2005 and 2006.

20. In 2005, the effects of the continued restrictions imposed on the selling of beef outside the UK were clear; in the beef and sheepmeat subsector, export sales totalled £41.6 million compared with pre-BSE sales levels in exports markets for beef and sheepmeat in 1995 of £161 million.

Profitability, 2004 and 2005

21. The long-term sustainability of the food and drinks processing sector depends on its attainment of an adequate level of profitability. Total profits before taxation were broadly static between 2004 and 2005, at £78.5 million and equated to average profit margins on turnover of 3.1% in both years.

22. As shown in Table 18, the levels of profitability vary among subsectors. In 2005, all of the ten subsectors generated a profit.

23. Between 2004 and 2005, five of the subsectors experienced increases in net profits before taxation. The beef/sheepmeat subsector recorded the largest increase (+£2.8m).

Return on capital employed, 2004 and 2005

24. Total capital employed in the food and drinks processing sector decreased from £942m in 2004, to £939m in 2005. The rate of return on capital employed increased from 9.8% in 2004 to 10.1% in 2005.

25. In terms of capital per employee, the drinks subsector (£185,461) was the most capital intensive of the ten subsectors and the poultrymeat subsector (£16,539) was the least capital intensive in 2005.

Contribution of the 10 largest food and drinks processing businesses, 2005

26. In 2005, the ten largest businesses in the food and drinks processing sector in Northern Ireland accounted for 44% of total gross turnover, 41% of value added and 40% of total employment in the sector.

Contribution of the food and drinks processing sector[3] to the N. Ireland economy, 2005

27. In 2005, the food and drinks processing sector contributed almost 2.1% of Northern Ireland's total gross value added. However, it made the largest contribution to the manufacturing sector's gross value added (14%).

Contribution of the food and drinks processing sector[3] to the manufacturing industry, 2005

28. The food and drinks processing sector is the largest contributor to the sales, external sales and employment of the Northern Ireland manufacturing[4] sector,

[3] These calculations include an estimate of the sales, external sales, export sales, value added and employment of food and drinks processing businesses with turnovers less than £250,000.
[4] Manufacturing sales destinations data from the DETI publication "Northern Ireland Manufacturing Sales & Exports Survey, 2005/06" published on 7 December 2006. Manufacturing employment data from the NISRA publication "Northern Ireland Annual Abstract of Statistics 2006".

accounting for 18.5% of total manufacturing sales, 15.2% of manufacturing external sales and 23% of manufacturing employment in 2005.

29. In 2005, the food and drinks processing sector made the second largest contribution to Northern Ireland's total manufacturing exports, after Electrical and Optical Equipment.

30. The food and drinks processing sector's sales into export markets represented 13.5% of Northern Ireland's total manufacturing[4] export sales in 2005, 0.5 percentage points lower than in 2004. However, when food and drinks processing is defined in such a way as to include hide and skin processing, pet food, animal feed manufacturing, and combined with tobacco processing, it accounted for 17.2% of total manufacturing[4] exports.

I. INTRODUCTION

This booklet contains data estimates for the size and performance of the Northern Ireland Food and Drinks Processing Sector in 2005 and provides revised comparative data for 2004. It also includes provisional estimates of the gross turnover and level of employment in the sector in 2006. The time-lag between 31 December 2006 and firms' submission of their annual accounts to Companies Registry meant that full accounts information was not available when this report was being prepared. Hence, 2006 estimates are provided for only two variables. However, it is anticipated that the full set of data on the performance of the sector in 2006 will be published in July 2008.

A number of data sources are used to derive the estimates included in this report. The estimates are based mainly on information contained in the annual accounts of businesses in Northern Ireland with an annual turnover in excess of £250,000. Other sources include the Manufacturing Sales and Exports Survey and the Northern Ireland Annual Business Inquiry conducted by the Department of Enterprise, Trade and Investment. Information provided by Invest NI and Divisions within DARD is also used. The minimum business turnover threshold of £250,000 is used mainly because of the difficulty in accessing detailed accounting information for small businesses. Their omission from the study is estimated to have a maximum impact of £50 million on the total gross turnover of the sector, and 500 full-time equivalent employees on the level of employment in the sector.

The main measures of size used in the 2004 and 2005 analyses are gross turnover, value added and employment. External and export sales provide good indicators of the dependence of the sector on markets outside Northern Ireland and its external and export revenue earnings. Performance is expressed in 15 different ways and includes parameters such as profitability expressed as a percentage of annual turnover and rate of return on capital employed. These measures of size and indicators of performance are presented for each of the ten food and drinks subsectors and for the whole processing sector.

A number of different definitions are available to describe what food and drinks processing encompasses. The definition used for this compilation of statistics includes only those businesses that are involved in processing activities that 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, hide and skin processing and tobacco 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 this report provides a more useful and practical description of the food and drinks processing sector. Definitions for each of the ten subsectors are given in Annex B.

Throughout this report, the 'total sector' estimates refer to the totals of the ten food and drinks subsectors. This results in a total sector value of gross turnover of £2,510 million in 2005. On occasions, this aggregation of subsectors may not be appropriate. For instance, when data are required for the food sector only, it may be appropriate to exclude the figure for the drinks subsector. This would result in a gross turnover value of £2,236 million in 2005. Often, an estimate is required for the value of that part of the food processing sector which is based on indigenous farm produce. In this circumstance, the drinks, fish and bakeries data plus the estimate of imported semi-processed raw materials might be excluded and would result in a gross turnover value of £1,803 million in 2005. It is hoped that the way in which the data are presented will enable readers to use them to suit their particular purposes.

In total, information for 268 businesses with a turnover of more than £250,000 was used in the 2005 analyses. Each of these businesses was allocated, depending on the main product processed, into one of the ten food and drinks subsectors.

As a result of better information now being available for a small number of businesses, some revisions have been made to the 2004 data published in the previous report. The differences between the previously published and revised data for 2004 are marginal and are as follows:

	2004 Original Estimate	**2004 Revised Estimate**
Total Gross Turnover (£m)	2,508	2,492
Total Value Added (£m)	482	483
Total Exports (£m)	627	611
Total Employment	18,391	18,517

The previous report in this series also included provisional estimates of the food and drinks processing sector's gross turnover and employment in 2005, based on a sample of business returns. The provisional and revised estimates are as follows:

	2005 Provisional Estimate	**2005 Revised Estimate**
Total Gross Turnover (£m)	2,475	2,510
Total Employment	18,565	18,714

The layout of this report is very similar to last year, with the results published in tables and summaries of the main points accompanying each table. Time-series data for each of the main size and performance indicators for the period 1989 to 2005 (2006 where available) will be published on the DARD website at:
www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

II. PRELIMINARY ESTIMATES OF THE GROSS TURNOVER AND EMPLOYMENT OF THE FOOD AND DRINKS PROCESSING SECTOR IN 2006.

Table 1 Gross turnover and full-time employee equivalents in 2005 with provisional estimates for 2006

	2005	2006[1]	% Change 05/06
Gross turnover (£ million)	2,510	2,494	-0.7
Employees (full time equivalents)	18,714	18,372	-1.8

1. Provisional estimates based on a sample of business returns.
   Time-series data on gross turnover and employment, 1989 to 2006 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* Total gross turnover of the Northern Ireland food and drinks processing sector is estimated to be £2,494 million in 2006; 0.7% lower than the 2005 level of £2,510 million.

* When expressed in real terms (using the GDP deflator), gross turnover decreased by 2.5% between 2005 and 2006.

* The estimated number of full-time employee equivalents in the food and drinks processing sector in 2006 is 18,372, representing a 1.8% decrease on the 2005 level of 18,714.

Table 2 Gross turnover, by subsector in 2005 with provisional estimates for 2006

	Gross turnover (£ million)		Estimated % change
	2005	**2006[1]**	**05/06**
Animal By-Products	16.7	17.2	2.6
Bakeries	179.8	180.5	0.4
Beef and Sheepmeat	600.5	601.5	0.2
Drinks	274.0	277.7	1.4
Eggs	31.0	33.2	7.3
Fish	77.9	75.6	-3.0
Fruit and Vegetables	148.0	154.3	4.3
Milk and Milk Products	606.9	599.0	-1.3
Pigmeat	170.1	170.9	0.5
Poultrymeat	405.5	383.8	-5.4
Total Sector	**2,510.3**	**2,493.7**	**-0.7**

1. Provisional estimates based on a sample of business returns.
Time-series data on gross turnover, 1989 to 2006 inclusive, are available on DARD website at:
www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* It is estimated that the gross turnover of the food and drinks processing sector decreased by 0.7% between 2005 and 2006. Decreases in turnover were recorded in three of the ten subsectors. The largest declines occurred in the poultrymeat (-£21.7m) and milk/milk products (-£7.9m) subsectors.

* Seven of the ten subsectors are estimated to have increased their gross turnovers between 2005 and 2006. The largest increases in gross turnover were recorded in the fruit and vegetables (+£6.4m) and drinks (+£3.7m) subsectors.

* The highest rates of growth in turnover between 2005 and 2006 were recorded in the eggs (+7.3%) and fruit and vegetables (+4.3%) subsectors.

* In 2006, the two largest subsectors, beef/sheepmeat and milk/milk products made the largest contribution to the gross turnover of the food and drinks processing sector. The two subsectors collectively accounted for 48% of the total gross turnover of the sector; this was similar to their contribution in 2005.

* The food and drinks processing sector[5] accounted for 18.2% of Northern Ireland's total manufacturing sales[6] in 2006; this represented a slight decrease on the 2005 figure of 18.5%. Despite this, the food and drinks processing sector continued to be the largest contributor to the sales of the Northern Ireland manufacturing sector in 2006.

[5] This calculation includes an estimate of the sales of food and drinks processing businesses with turnovers less than £250,000.
[6] Manufacturing sales destinations data from the DETI publication "Northern Ireland Manufacturing Sales & Exports Survey, 2005/06" published on 7 December 2006.

Table 3 Full-time employee equivalents, by subsector, 2005 with provisional estimates for 2006

	Employees (full-time equivalents)		Estimated % change
	2005	2006[1]	05/06
Animal By-Products	164	162	-1.2
Bakeries	2,933	2,986	1.8
Beef and Sheepmeat	2,896	2,878	-0.6
Drinks	1,246	1,249	0.2
Eggs	151	144	-4.6
Fish	791	761	-3.8
Fruit and Vegetables	1,766	1,778	0.7
Milk and Milk Products	2,436	2,393	-1.8
Pigmeat	1,442	1,451	0.6
Poultrymeat	4,890	4,572	-6.5
Total Sector	**18,714**	**18,372**	**-1.8**

1. Provisional estimates based on a sample of business returns.
Time-series data on employment, 1989 to 2006 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* The level of employment in the food and drinks processing sector is estimated to have decreased by 1.8% from 18,714 employees in 2005 to 18,372 employees in 2006.

* Between 2005 and 2006, decreases in employment were recorded in six of the ten subsectors. The largest decrease in employment is estimated to have occurred in the poultry subsector (-318 employees).

* Increases in employment levels occurred in four of the ten subsectors between 2005 and 2006. The largest increase in employment was recorded by the bakeries subsector (+53 employees).

* In 2006, three subsectors, poultrymeat, bakeries and beef/sheepmeat, accounted for over half (57%) of the total employees in the food and drinks processing sector. These three subsectors, when combined with the milk/milk products subsector, accounted for more than two-thirds (70%) of the total employees in the sector.

* The food and drinks processing sector[7] accounted for 23% of Northern Ireland's total manufacturing employment[8] in 2006.

[7] This calculation includes an estimate of the employment of food and drinks processing businesses with turnovers less than £250,000.
[8] Manufacturing employment data from the NISRA publication "Northern Ireland Annual Abstract of Statistics 2006".

III. SIZE & MARKETING DESTINATIONS OF THE NORTHERN IRELAND FOOD AND DRINKS PROCESSING SECTOR IN 2004 AND 2005.

Table 4 Gross turnover, by subsector, 2004 and 2005

	Gross turnover (£ million)		
	2004	**2005**	**% Change 04/05**
Animal By-Products	17.4	16.7	-4.0
Bakeries	174.9	179.8	2.8
Beef and Sheepmeat	585.6	600.5	2.5
Drinks	290.7	274.0	-5.8
Eggs	34.3	31.0	-9.8
Fish	76.7	77.9	1.5
Fruit and Vegetables	138.2	148.0	7.1
Milk and Milk Products	611.6	606.9	-0.8
Pigmeat	190.6	170.1	-10.7
Poultrymeat	372.3	405.5	8.9
Total Sector	**2,492.4**	**2,510.3**	**0.7**

Time-series data on gross turnover, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* The total gross turnover of the Northern Ireland food and drinks processing sector was £2,510 million in 2005; £18 million higher than in 2004.

* Between 2004 and 2005, turnover increased by 0.7% in current money terms. In real terms, i.e. when inflation is taken into account (using the GDP deflator), turnover decreased by 2%.

* The largest increases in sales occurred in the poultrymeat (+£33.2m), beef/sheepmeat (+£14.9m) and fruit and vegetables (+£9.8m) subsectors.

* Despite the increase in total gross turnover between 2004 and 2005, decreases in gross turnover were recorded by five of the ten subsectors over the same period. The largest decreases occurred in the pigmeat subsector (-£20.5m) and in the drinks subsector (-£16.7m).

* In 2005, the milk/milk products and beef/sheepmeat subsectors continued to be the two largest contributors to total gross turnover. Together, these subsectors accounted for 48% of total gross turnover in both 2004 and 2005.

Table 5a Distribution of processing businesses by subsector and value of annual turnover, 2004[1]

	Turnover (£ million)				
	0.25 - 0.99	1.0 - 9.99	10.0-49.99	50 & over	Total
Animal By-Products	………8……..		0	0	**8**
Bakeries	30	………29………		0	**59**
Beef and Sheepmeat	16	19	………9………		**44**
Drinks	………9……..		………5………		**14**
Eggs	8	9	0	0	**17**
Fish	5	24	0	0	**29**
Fruit and Vegetables	25	………26………		0	**51**
Milk and Milk Products	………13………		7	5	**25**
Pigmeat	0	…………………19…….			**19**
Poultrymeat	………6……..		………7……..		**13**
Total	**93**	**141**	**32**	**13**	**279**

1. Cells amalgamated where the number of firms was less than five.

Table 5b Distribution of processing businesses by subsector and value of annual turnover, 2005[1]

	Turnover (£ million)				
	0.25 - 0.99	1.0 - 9.99	10.0 - 49.99	50 & over	Total
Animal By-Products	………8……….		0	0	**8**
Bakeries	23	27	5	0	**55**
Beef and Sheepmeat	17	17	6	5	**45**
Drinks	………………13……………..				**13**
Eggs	8	7	0	0	**15**
Fish	6	23	0	0	**29**
Fruit and Vegetables	21	………30………		0	**51**
Milk and Milk Products	……….11……..		7	5	**23**
Pigmeat	……….12……..		…………5………		**17**
Poultrymeat	…………………12………………..				**12**
Total	**84**	**135**	**34**	**15**	**268**

1. Cells amalgamated where the number of firms was less than five.

* In 2005, the food and drinks processing sector had 268 businesses with annual turnovers of more than £250,000; eleven less than in 2004.

* The number of food and drinks processing businesses in Northern Ireland with annual turnovers of more than £10 million increased from 45 in 2004 to 49 in 2005.

* In 2005, there were 15 businesses with a turnover in excess of £50 million, which accounted for 56% of the total turnover of the food and drinks processing sector.

Table 6   Value added, by subsector, 2004 and 2005

	Value added (£ million)		
	2004	2005	% Change 04/05
Animal By-Products	5.6	6.0	7.8
Bakeries	61.1	62.0	1.4
Beef and Sheepmeat	78.3	84.0	7.2
Drinks	69.1	68.4	-1.1
Eggs	5.5	5.1	-7.4
Fish	18.4	17.6	-4.2
Fruit and Vegetables	40.5	44.1	8.9
Milk and Milk Products	85.0	84.4	-0.8
Pigmeat	29.7	28.6	-3.7
Poultrymeat	90.1	100.2	11.2
Total Sector	**483.5**	**500.4**	**3.5**

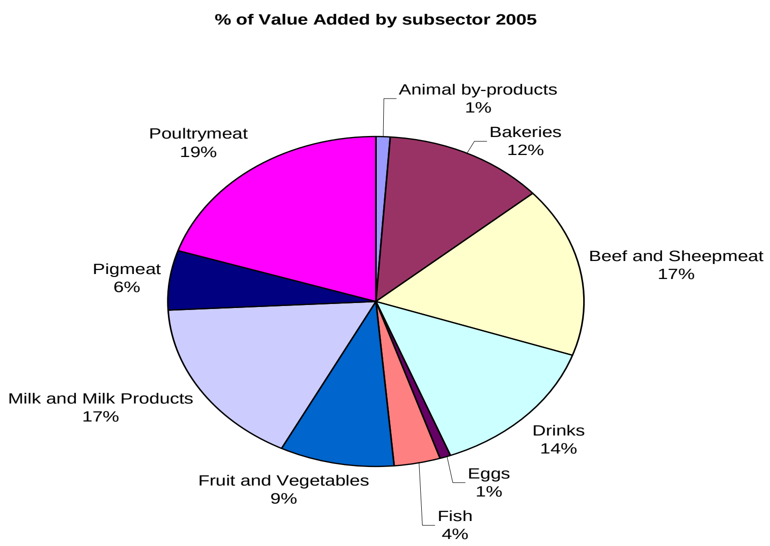
Time-series data on value added, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* Value added is a key indicator of the contribution made by a subsector or sector to the economy. In 2004 and 2005, the total value added generated by the food and drinks processing sector[9] was approximately 2.1% of the Northern Ireland total.

* Food and drinks processing activities generated a total value added of £500.4 million in 2005; 3.5% higher than in 2004.

* Value added for the food and drinks processing sector represented 19.9% of total gross turnover in 2005 compared with 19.4% in 2004.

* In 2005, the poultrymeat (£100.2m), milk/milk products (£84.4m) and beef/sheepmeat (£84.0m) subsectors, continued to generate more than half (54%) of the total value added.



[9] This calculation includes an estimate of the value added of food and drinks processing businesses with turnovers less than £250,000.

Table 7a Components of value added for each subsector, 2004

	Value added (£ million)				
	Wages & salaries	Depreciation charge	Net profit	Interest paid	Value added
Animal By-Products	3.52	0.99	1.09	0.00	5.60
Bakeries	44.08	7.86	7.11	2.04	61.08
Beef and Sheepmeat	50.65	12.37	12.86	2.46	78.34
Drinks	33.63	13.65	19.35	2.52	69.14
Eggs	2.71	1.18	1.33	0.33	5.55
Fish	12.28	2.41	3.20	0.49	18.38
Fruit and Vegetables	27.16	5.22	6.82	1.31	40.52
Milk and Milk Products	49.44	13.65	19.10	2.86	85.05
Pigmeat	24.23	3.55	1.15	0.75	29.67
Poultrymeat	69.67	12.53	6.49	1.45	90.13
Total Sector	**317.36**	**73.40**	**78.50**	**14.20**	**483.46**

Table 7b Components of value added for each subsector, 2005

	Value added (£ million)				
	Wages & salaries	Depreciation charge	Net profit	Interest paid	Value added
Animal By-Products	3.51	1.06	1.47	0.00	6.04
Bakeries	43.71	8.41	7.09	2.74	61.96
Beef and Sheepmeat	53.17	12.27	15.69	2.87	83.99
Drinks	29.39	14.86	21.19	2.97	68.41
Eggs	2.55	1.34	0.97	0.29	5.14
Fish	11.71	2.43	2.97	0.51	17.61
Fruit and Vegetables	30.22	6.02	6.20	1.67	44.12
Milk and Milk Products	52.49	14.66	14.37	2.85	84.37
Pigmeat	23.35	3.32	1.21	0.70	28.58
Poultrymeat	78.00	13.18	7.38	1.66	100.22
Total Sector	**328.11**	**77.54**	**78.54**	**16.25**	**500.43**

Time-series data on each of the components of value added, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* All four of the components of value added increased between 2004 and 2005.

* The wages and salaries component increased by the greatest amount (+£10.8m) from £317 million in 2004 to £328 million in 2005, and accounted for approximately two thirds of the total value added in both years.

* The average full time employee equivalent in the food and drinks processing sector cost £17,140 in 2004 and £17,533 in 2005; an increase of 2.3%.

* The net profit of the sector was broadly static between 2004 and 2005. Net profits represented 16.2% and 15.7% of value added in these years respectively.

Table 8 Full-time employee equivalents, by subsector, 2004 and 2005

	Employees (Full-time equivalents)		
	2004	2005	% Change 04/05
Animal By-Products	170	164	-3.5
Bakeries	3,134	2,933	-6.4
Beef and Sheepmeat	2,846	2,896	1.8
Drinks	1,407	1,246	-11.4
Eggs	172	151	-12.2
Fish	861	791	-8.2
Fruit and Vegetables	1,673	1,766	5.6
Milk and Milk Products	2,423	2,436	0.6
Pigmeat	1,572	1,442	-8.2
Poultrymeat	4,261	4,890	14.8
Total Sector	**18,517**	**18,714**	**1.1**

Time-series data on employment, 1989 to 2005 inclusive, are available on DARD website at:
www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* The total number of employees in the food and drinks processing sector increased by 197 full-time equivalents, from 18,517 in 2004 to 18,714 in 2005.

* Between 2004 and 2005, increases in employment were recorded in four of the ten subsectors.

* The largest increases in employment occurred in the poultrymeat (+629 employees) and fruit and vegetables (+93 employees) subsectors.

* Over the period, decreases in employment were recorded in six of the subsectors, the largest of which occurred in the bakeries (-201 employees) subsector.

* The poultrymeat subsector continued to be the largest employer of the ten subsectors in 2005 with 4,890 employees; the eggs subsector was the smallest with 151 employees.

* Three subsectors, poultrymeat, bakeries and beef and sheepmeat, employed over half (57%) of the total employees in the sector.

* In 2004 and 2005, the food and drinks processing sector was the largest employer of all the sectors in the manufacturing industry.

* In 2005, there were 18,714 full-time employee equivalents employed in food and drinks processing businesses with annual turnovers in excess of £250,000 and there was estimated to be a further 500 employees in the smaller businesses. This equated to 23% of total employment[10] in manufacturing in Northern Ireland.

[10] Manufacturing employment data from the NISRA publication "Northern Ireland Annual Abstract of Statistics 2006".

Table 9 Total sales by country of destination, 2004 and 2005

	Sales (£ million and % of total sales)			
	2004	**%**	**2005**	**%**
Northern Ireland	938.2	38	911.4	36
Great Britain	942.7	38	986.8	39
Republic of Ireland	304.8	12	321.0	13
Other EU	217.7	9	197.1	8
Rest of World	89.0	4	94.0	4
Intervention	0.0	0	0.0	0
Total Sales	**2,492.4**	**100**	**2,510.3**	**100**
External Sales	1,554.2	62	1,598.9	64
Export Sales	611.5	25	612.1	24

Time-series data on total sales by country of destination, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

- Dependency on external markets increased between 2004 and 2005. Sales to destinations outside Northern Ireland totalled £1,599 million in 2005, compared with £1,554 million in 2004; an increase of 2.9%. External sales represented 64% of total processing sector sales in 2005, compared with 62% of total sales in 2004.

- From 1989 to 2003, Northern Ireland had continuously been the most important market for the food and drinks processing sector. In 2004 and 2005, the Great Britain market became more important, and accounted for 38% and 39% of sales in these years respectively.

- Export sales, which are sales from Northern Ireland to markets outside of the United Kingdom, increased slightly from £611.5 million in 2004 to 612.1 million in 2005. As a result, overall dependency on export markets remained relatively constant in both years, with a quarter of sales destined for export markets.

- The Republic of Ireland continued to be the largest export market for the food and drinks processing sector, with sales worth £321 million in 2005; some £16.2m higher than in 2004. In 2005, this market accounted for 13% of total sales.

- In 2004 and 2005 sales into intervention were zero.

Table 10a Destinations and values of subsector sales, 2004

(£ million)

	NI[1]	GB[2]	ROI[3]	Other[4] EU	ROW[5]	Inter-vention	Total Sales	External[6] Sales	Export[7] Sales
Animal By-Products	2.6	12.8	1.2	0.8	0.0	0.0	**17.4**	14.8	2.1
Bakeries	115.3	28.3	30.3	*	*	0.0	**174.9**	59.6	31.2
Beef/Sheepmeat	229.4	319.8	13.8	*	*	0.0	**585.6**	356.2	36.4
Drinks	149.6	12.0	96.6	11.4	21.1	0.0	**290.7**	141.1	129.0
Eggs	7.9	21.6	4.9	0.0	0.0	0.0	**34.3**	26.5	4.9
Fish	21.2	24.9	7.5	21.3	1.8	0.0	**76.7**	55.5	30.6
Fruit/Vegetables	59.3	53.7	17.3	*	*	0.0	**138.2**	78.8	25.1
Milk/Milk Products	181.7	158.8	69.6	136.6	64.9	0.0	**611.6**	429.9	271.1
Pigmeat	88.0	74.8	18.7	*	*	0.0	**190.6**	102.6	27.8
Poultrymeat	83.0	236.0	45.0	8.4	0.0	0.0	**372.3**	289.3	53.3
Total	**938.2**	**942.7**	**304.8**	**217.7**	**89.0**	**0.0**	**2,492.4**	**1,554.2**	**611.5**

Table 10b Destinations and values of subsector sales, 2005

(£ million)

	NI[1]	GB[2]	ROI[3]	Other[4] EU	ROW[5]	Inter-vention	Total Sales	External[6] Sales	Export[7] Sales
Animal By-Products	2.4	11.5	1.6	*	*	0.0	**16.7**	14.3	2.9
Bakeries	122.6	28.4	27.5	1.2	0.1	0.0	**179.8**	57.1	28.7
Beef/Sheepmeat	226.2	332.7	28.7	*	*	0.0	**600.5**	374.3	41.6
Drinks	128.9	10.7	96.7	12.6	25.0	0.0	**274.0**	145.1	134.4
Eggs	5.6	20.4	5.0	0.0	0.0	0.0	**31.0**	25.4	5.0
Fish	23.8	25.6	8.9	17.5	2.1	0.0	**77.9**	54.1	28.5
Fruit/Vegetables	61.1	57.6	29.0	*	*	0.0	**148.0**	86.8	29.3
Milk/Milk Products	181.6	161.3	65.2	137.3	61.6	0.0	**606.9**	425.3	264.0
Pigmeat	74.1	66.4	18.3	*	*	0.0	**170.1**	96.0	29.6
Poultrymeat	85.0	272.3	40.1	8.1	0.0	0.0	**405.5**	320.5	48.2
Total	**911.4**	**986.8**	**321.0**	**197.1**	**94.0**	**0.0**	**2,510.3**	**1,598.9**	**612.1**

*Information has been suppressed to avoid disclosure.
1. Northern Ireland 2. Great Britain 3. Republic of Ireland 4. Other European Union
5. Rest of World 6. Sales outside NI 7. Sales outside UK

∗ In 2004 and 2005, Great Britain was the largest market for the food and drinks processing sector; all ten of the subsectors were dependent upon market outlets in Great Britain. As a proportion of sales, the drinks subsector was the least dependent (4% of total sales), whereas the animal by-products subsector was the most dependent (69% of total sales).

∗ As in previous years, the bakeries and drinks subsectors were heavily reliant upon the Northern Ireland market, which accounted for 68% and 47% of sales respectively in 2005.

∗ Sales to the Republic of Ireland, in 2005, represented between 5% and 35% of total sales for each of the ten subsectors. The subsector which had the highest dependence on the ROI market was the drinks subsector, whilst the beef/sheepmeat subsector had the lowest.

Table 11 Capital employed, by subsector, 2004 and 2005

	Capital employed (£ million) 2004	2005
Animal By-Products	10.8	10.7
Bakeries	56.9	51.0
Beef and Sheepmeat	157.5	169.2
Drinks	253.5	231.0
Eggs	10.1	9.7
Fish	28.7	29.8
Fruit and Vegetables	58.4	60.2
Milk and Milk Products	221.4	234.1
Pigmeat	68.9	62.6
Poultrymeat	75.4	80.9
Total Sector	**941.6**	**939.0**

Time-series data on total capital employed, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

* The total amount of capital employed in the food and drinks processing sector decreased from £941.6 million in 2004 to £939 million in 2005.

* Five of the ten subsectors, drinks (-£22.5m), pigmeat (-£6.3m), bakeries (-£5.9m), eggs (-£0.4m) and animal by-products (£-0.1m), recorded decreases in the total capital employed between 2004 and 2005.

* The largest increase in capital employed between 2004 and 2005 occurred in the milk/milk products (+£12.7m) subsector.

* In 2005, capital employed in the drinks and milk/milk product subsectors constituted half of total capital employed in the food and drinks processing sector.

* The rate of return on capital employed increased from 9.8% in 2004 to 10.1% in 2005. This reflects the lower level of capital employed, a stable level of profits and a higher level of interest paid in 2005.

* In terms of capital per employee, the drinks subsector (£185,461) was the most capital intensive of the ten subsectors and poultrymeat (£16,539) was the least capital intensive subsector in 2005.

* In both years, the poultrymeat subsector had the lowest capital employed per £1,000 of sales, and the drinks subsector had the highest.

Table 12 Contribution of the 10 largest businesses within the food and drinks processing sector in Northern Ireland

	2004	2005
Turnover of the 10 largest businesses as a % of total gross turnover of the food and drinks processing sector	44%	44%
Value added of the 10 largest businesses as a % of total value added of the food and drinks processing sector	39%	41%
Employment in the 10 largest businesses as a % of total employment provided by the food and drinks processing sector	37%	40%

* The ten largest businesses within the food and drinks processing sector in Northern Ireland accounted for 44% of total gross turnover, 41% of value added, and 40% of total employment in the sector in 2005.

* The contribution of the ten largest businesses to total gross turnover remained constant between 2004 and 2005, while their contribution to both value added and employment increased between 2004 and 2005.

* The ten largest food and drinks processing sector businesses had higher average levels of sales and value added per employee than the 258 smaller businesses.

* The 258 smaller businesses had a higher average proportion of sales represented by value added than the ten largest businesses.

* In 2005, four of the ten largest gross turnover food and drinks processing companies were under local ownership.

IV. FOOD AND DRINKS SECTOR PERFORMANCE INDICATORS IN 2004 AND 2005.

Table 13a Average performance indicators for the 10 food and drinks processing subsectors, 2004

	Animal By - Products	Bakeries	Beef & Sheep-Meat	Drinks	Eggs	Fish	Fruit & Veg.	Milk & Milk Products	Pig-meat	Poultry -meat	Ave.
Sales per employee (£)	102,826	55,807	205,765	206,690	199,651	89,098	82,577	252,483	121,280	87,377	134,602
Value added per employee (£)	33,044	19,493	27,526	49,157	32,250	21,346	24,219	35,108	18,882	21,153	26,110
Total capital per employee (£)	63,882	18,145	55,351	180,209	58,715	33,336	34,935	91,385	43,815	17,695	50,850
Ave. wage cost per employee (£)	20,761	14,068	17,798	23,907	15,756	14,267	16,235	20,407	15,416	16,350	17,140
Gross profit as % of sales (%)	24.19	32.74	9.36	31.17	20.21	18.84	28.38	19.32	20.31	17.92	19.70
Net profit as % of sales (%)	6.25	4.06	2.20	6.66	3.87	4.17	4.94	3.12	0.61	1.74	3.15
Value added as % of sales (%)	32.14	34.93	13.38	23.78	16.15	23.96	29.33	13.90	15.57	24.21	19.40
Wages & salaries as % of sales (%)	20.19	25.21	8.65	11.57	7.89	16.01	19.66	8.08	12.71	18.71	12.73
Interest costs as % of sales (%)	0.00	1.17	0.42	0.87	0.96	0.63	0.95	0.47	0.39	0.39	0.57
Sales per £1,000 wages (£)	4,953	3,967	11,561	8,646	12,672	6,245	5,086	12,372	7,867	5,344	7,853
Value added per £1,000 wages(£)	1,592	1,386	1,547	2,056	2,047	1,496	1,492	1,720	1,225	1,294	1,523
Interest costs as % of gross profit	0.00	3.56	4.49	2.78	4.75	3.36	3.35	2.42	1.93	2.18	2.89
Interest costs as % of net profit	0.00	28.68	19.12	13.01	24.85	15.20	19.23	14.96	64.56	22.40	18.09
Rate of return on capital employed (%)	10.06	16.08	9.73	8.63	16.42	12.83	13.92	9.92	2.76	10.53	9.84
Capital employed per £1,000 of sales (£)	621	325	269	872	294	374	423	362	361	203	378

Time-series data on rate of return on capital employed, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Table 13b Average performance indicators for the 10 food and drinks processing subsectors, 2005

	Animal By-Products	Bakeries	Beef & Sheep-meat	Drinks	Eggs	Fish	Fruit & Veg.	Milk & Milk Products	Pig-meat	Poultry -meat	Ave.
Sales per employee (£)	102,324	61,295	207,341	219,976	205,033	98,530	83,784	249,136	117,986	82,922	134,143
Value added per employee (£)	36,936	21,125	29,002	54,923	34,013	22,272	24,983	34,635	19,818	20,495	26,742
Total capital per employee (£)	65,376	17,382	58,436	185,461	63,980	37,671	34,088	96,086	43,381	16,539	50,179
Ave. wage cost per employee (£)	21,456	14,904	18,359	23,598	16,887	14,811	17,113	21,548	16,194	15,951	17,533
Gross profit as % of sales (%)	25.50	33.27	9.89	29.12	19.10	19.38	30.03	17.80	21.58	17.47	19.29
Net profit as % of sales (%)	8.76	3.94	2.61	7.73	3.12	3.81	4.19	2.37	0.71	1.82	3.13
Value added as % of sales (%)	36.10	34.46	13.99	24.97	16.59	22.60	29.82	13.90	16.80	24.72	19.94
Wages & salaries as % of sales (%)	20.97	24.31	8.85	10.73	8.24	15.03	20.43	8.65	13.73	19.24	13.07
Interest costs as % of sales (%)	0.02	1.53	0.48	1.08	0.92	0.65	1.13	0.47	0.41	0.41	0.65
Sales per £1,000 wages (£)	4,769	4,113	11,294	9,322	12,141	6,653	4,896	11,562	7,286	5,198	7,651
Value added per £1,000 wages (£)	1,721	1,417	1,580	2,327	2,014	1,504	1,460	1,607	1,224	1,285	1,525
Interest costs as % of gross profit	0.07	4.59	4.83	3.72	4.84	3.35	3.77	2.63	1.90	2.34	3.36
Interest costs as % of net profit	0.20	38.67	18.27	14.00	29.64	17.02	26.99	19.80	57.82	22.47	20.69
Rate of return on capital employed (%)	13.73	19.29	10.97	10.46	12.95	11.66	13.08	7.36	3.05	11.18	10.09
Capital employed per £1,000 of sales(£)	639	284	282	843	312	382	407	386	368	199	374

Time-series data on rate of return on capital employed, 1989 to 2005 inclusive, are available on DARD website at: www.dardni.gov.uk/northern-ireland-food-and-drinks-processing-sector

Table 14 Sales per employee, by subsector, 2005

	Sales (£ per employee)		
	Minimum[1]	Maximum[1]	Average[2]
Animal By-Products	67,824	135,400	102,324
Bakeries	25,512	78,976	61,295
Beef and Sheepmeat	50,000	270,767	207,341
Drinks	49,571	327,210	219,976
Eggs	133,563	340,348	205,033
Fish	55,230	178,667	98,530
Fruit and Vegetables	40,231	184,000	83,784
Milk and Milk Products	81,813	397,619	249,136
Pigmeat	84,091	249,440	117,986
Poultrymeat	48,492	104,122	82,922
Total Sector	**25,512**	**397,619**	**134,143**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* The average level of sales per employee in the food and drinks processing sector in 2005 was £134,143; a 0.3% decrease against the 2004 level of £134,602.

* Businesses within the milk/ milk products subsector had the highest average level of sales per employee of the ten subsectors, at £249,136 in 2005.

* The lowest average level of sales per employee in 2005 was recorded in the bakeries subsector at £61,295.

* All of the subsectors had a difference between the maximum and minimum sales per employee within a 7:1 ratio.

* Subsectors with high, medium and low average sales per employee (£)

High (>£150,000)	Medium (£90,000 to £150,000)	Low (<£90,000)
Beef and Sheepmeat	Animal By-products	Bakeries
Drinks	Fish	Fruit and Vegetables
Eggs	Pigmeat	Poultrymeat
Milk and Milk Products		

Table 15 Value added per employee, by subsector, 2005

	Value added (£ per employee)		
	Minimum[1]	Maximum[1]	Average[2]
Animal By-Products	30,000	56,391	36,936
Bakeries	13,455	25,131	21,125
Beef and Sheepmeat	18,550	39,444	29,002
Drinks	22,571	74,489	54,923
Eggs	25,098	42,870	34,013
Fish	15,230	41,867	22,272
Fruit and Vegetables	17,250	48,000	24,983
Milk and Milk Products	24,086	50,248	34,635
Pigmeat	18,422	33,368	19,818
Poultrymeat	14,925	24,038	20,495
Total Sector	**13,455**	**74,489**	**26,742**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* The average level of value added per employee in the sector increased from £26,110 in 2004 to £26,742 in 2005.

* Businesses in the drinks subsector had the highest average level of value added per employee, in 2005, at £54,923; businesses in the pigmeat subsector had the lowest, at £19,818.

* All of the subsectors had a difference between the maximum and minimum value added per employee within a 3:1 ratio.

* Subsectors with high, medium and low value added per employee (£)

High (>£30,000)	Medium (£20,000 to £30,000)	Low (<£20,000)
Animal By-products	Bakeries	Pigmeat
Drinks	Beef and Sheepmeat	
Eggs	Fish	
Milk and Milk Products	Fruit and Vegetables	
	Poultrymeat	

Table 16 Total capital employed per employee, by subsector, 2005

	Total capital employed (£ per employee) Minimum[1]	Maximum[1]	Average[2]
Animal By-Products	27,760	102,174	65,376
Bakeries	1,600	32,678	17,382
Beef and Sheepmeat	9,600	104,893	58,436
Drinks	15,297	299,411	185,461
Eggs	39,344	124,824	63,980
Fish	9,525	122,316	37,671
Fruit and Vegetables	6,600	73,250	34,088
Milk and Milk Products	22,200	180,200	96,086
Pigmeat	12,615	65,800	43,381
Poultrymeat	10,681	33,658	16,539
Total Sector	**1,600**	**299,411**	**50,179**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* The average amount of capital employed per employee decreased from £50,850 in 2004 to £50,179 in 2005.

* Businesses within the drinks subsector had the highest average level of capital utilised per employee in 2005, at £185,461. The milk and milk products subsector had the second highest, at £96,086.

* The poultrymeat subsector had the lowest average level of capital per employee of any of the ten subsectors, at £16,539.

* The subsectors with the widest range in the amount of capital employed per employee were the bakeries and drinks subsectors with a ratio of 20:1

* Subsectors with high, medium and low total capital employed per employee (£)

High (>£60,000)	Medium (£40,000 to £60,000)	Low (<£40,000)
Animal By-products	Beef and Sheepmeat	Bakeries
Drinks	Pigmeat	Fish
Eggs		Fruit and Vegetables
Milk and Milk Products		Poultrymeat

Table 17 Average wages and salaries cost per employee, by subsector, 2005

	Wages & Salaries Cost (£ per employee)		
	Minimum[1]	Maximum[1]	Average[2]
Animal By-Products	23,400	26,227	21,456
Bakeries	9,917	18,034	14,904
Beef and Sheepmeat	12,100	20,598	18,359
Drinks	12,429	28,748	23,598
Eggs	10,143	22,375	16,887
Fish	11,333	18,182	14,811
Fruit and Vegetables	11,769	20,277	17,113
Milk and Milk Products	15,129	24,667	21,548
Pigmeat	12,264	16,667	16,194
Poultrymeat	13,095	17,345	15,951
Total Sector	**9,917**	**28,748**	**17,533**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* The average wage cost per full-time employee equivalent in the food and drinks processing sector increased by 2.3% between 2004 and 2005, from £17,140 to £17,533.

* Businesses within the fish subsector had the lowest average wage per full-time employee equivalent, at £14,811.

* The highest average wage cost per full-time employee equivalent was recorded in the drinks subsector, at £23,598.

* All of the subsectors had a difference between the maximum and minimum wages paid per employee within a 2:1 ratio.

* Subsectors with high, medium and low average wages and salaries costs per employee (£)

High (>£19,000)	Medium (£15,000 to 19,000)	Low (<£15,000)
Animal By-products	Beef and Sheepmeat	Bakeries
Drinks	Eggs	Fish
Milk and Milk Products	Fruit and Vegetables	
	Pigmeat	
	Poultrymeat	

Table 18 Net profit as a % of sales, by subsector, 2005

	Net Profit (% of sales)		
	Minimum[1]	**Maximum[1]**	**Average[2]**
Animal By-Products	8	12	8.8
Bakeries	3	12	3.9
Beef and Sheepmeat	1	6	2.6
Drinks	1	19	7.7
Eggs	0	6	3.1
Fish	1	7	3.8
Fruit and Vegetables	1	15	4.2
Milk and Milk Products	1	8	2.4
Pigmeat	1	6	0.7
Poultrymeat	0	3	1.8
Total Sector	**0**	**19**	**3.1**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* The average level of profitability of the food and drinks processing sector remained unchanged between 2004 and 2005 at 3.1% of sales.

* All subsectors made a profit in 2005; however, there were substantial differences in profitability performance among the businesses in each subsector.

* Measuring profitability as net profit as a percentage of sales, the animal by-products subsector was the most profitable (8.8%), closely followed by the drinks subsector (7.7%), whilst the pigmeat subsector was the least profitable (0.7%).

* Subsectors with high, medium and low net profit (% of sales)

High (>4.0%)	Medium (2.0% to 4.0%)	Low (<2.0%)
Animal By-products	Bakeries	Pigmeat
Drinks	Beef and Sheepmeat	Poultrymeat
Fruit and vegetables	Eggs	
	Fish	
	Milk and Milk Products	

Table 19 Value added as a % of sales, by subsector, 2005

	Value added (% of sales)		
	Minimum[1]	Maximum[1]	Average[2]
Animal By-Products	32	48	36.1
Bakeries	26	59	34.5
Beef and Sheepmeat	10	45	14.0
Drinks	20	52	25.0
Eggs	13	20	16.6
Fish	14	31	22.6
Fruit and Vegetables	18	53	29.8
Milk and Milk Products	9	30	13.9
Pigmeat	12	24	16.8
Poultrymeat	18	33	24.7
Total Sector	**9**	**59**	**19.9**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* Value added as a percentage of sales is considered to be one of the most important measures of performance because it provides an indication of the magnitude of value that is added to all the inputs which are used in the activity of processing before leaving the factory gate.

* Between 2004 and 2005, value added as a percentage of sales increased from 19.4% to 19.9%.

* Value added expressed as a percentage of sales was higher for seven of the ten subsectors in 2005, compared with 2004. The three subsectors in which value added expressed as a percentage of sales did not increase between 2004 and 2005 were the bakeries, fish and milk/milk products subsectors.

* The animal by-products subsector recorded the highest average level of value added as a percentage of sales (36.1%), while the milk/milk products subsector had the lowest (13.9%).

* The ranges in value added percentages recorded for the subsectors is partly explained by the presence of primary processing and further processing businesses within each subsector.

* Subsectors with high, medium and low value added (% of sales)

High (>25%)	Medium (17.5% to 25%)	Low (<17.5%)
Animal By-products	Drinks	Beef and Sheepmeat
Bakeries	Fish	Eggs
Fruit and Vegetables	Poultrymeat	Milk and Milk Products
		Pigmeat

Table 20 Wages and salaries as a % of sales, by subsector, 2005

	Wages (% of sales) Minimum[1]	Maximum[1]	Average[2]
Animal By-Products	17	35	21.0
Bakeries	15	44	24.3
Beef and Sheepmeat	6	33	8.9
Drinks	10	25	10.7
Eggs	3	17	8.2
Fish	7	27	15.0
Fruit and Vegetables	8	40	20.4
Milk and Milk Products	5	20	8.6
Pigmeat	5	17	13.7
Poultrymeat	14	28	19.2
Total Sector	**3**	**44**	**13.1**

1. The minimum and maximum values refer to the lower and upper limits of the range in values for 80% of the businesses (i.e. the 10% lowest and 10% highest values are excluded).
2. This is the average value for all businesses in each subsector.

* The wages and salaries bill is one of the main components of cost incurred by businesses. In 2005, the wages bill represented 13.1% of the total value of food and drinks processing sector sales; this was slightly higher than the 2004 average of 12.7%.

* In 2005, the proportions of sales represented by wages and salaries ranged from 8.2% for eggs subsector businesses to 24.3% for bakeries businesses.

* Wages and salaries expressed as a percentage of sales were higher for seven of the ten subsectors in 2005 than in 2004.

* Within each subsector the difference between the minimum and maximum proportion of sales represented by wages was quite large. Such differences have been recorded in previous years and reflect the wide range of types of processing activities undertaken and levels of mechanisation within subsectors.

* Subsectors with high, medium and low wages (% of sales)

High (>17%)	Medium (11% to 17%)	Low (<11%)
Animal By-products	Fish	Beef and Sheepmeat
Bakeries	Pigmeat	Drinks
Fruit and Vegetables		Eggs
Poultrymeat		Milk and Milk Products

V. INTER-BUSINESS SALES WITHIN THE NORTHERN IRELAND FOOD AND DRINKS PROCESSING SECTOR IN 2005.

Some food processing businesses 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 the '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 of the food and drinks processing sector can be estimated.

In the course of the DETI[11] survey on marketing outlets, businesses within the food and drink processing sector were asked to provide estimates for the values of semi-processed food purchased from businesses within and outside Northern Ireland. Data provided by DETI were added to information within DARD, and it is estimated that the total value of purchases of semi-processed food by the food and drinks processing sector was approximately £289 million in 2005. Of this, inter-business sales of semi-processed food between businesses in Northern Ireland were approximately £113 million, and imports of semi-processed food by Northern Ireland businesses were worth approximately £176 million.

Inter-business sales of partially processed foods between firms in Northern Ireland occur to differing extents in the ten 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 ten subsectors. The highest levels of inter-business sales between firms in Northern Ireland generally occur in the beef and sheepmeat and milk and 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 which are used by other subsectors.

The beef and sheepmeat subsector had the largest amount of semi-processed product purchases from other firms in Northern Ireland, worth approximately £32 million in 2005. The milk/milk products subsector had the second largest amount of semi-processed product purchases from other firms in Northern Ireland, worth approximately £23 million in 2005.

Net sales are gross sales (i.e. gross turnover) minus inter-business sales between firms in Northern Ireland. When these inter-business data are taken into account, external sales were 66 per cent of total net sales for the beef/sheepmeat subsector and 73 per cent for the milk and milk products subsector in 2005. In comparison, the proportions based on gross turnover data were 62 per cent for the beef and sheepmeat subsector and 70 per cent for the milk and milk products subsector.

Taking the value of inter-business sales between food and drinks processing firms in Northern Ireland into account, (i.e. £113 million), net sales to the Northern Ireland market were worth £798 million in 2005. Therefore, total net sales for the food and drinks processing sector totalled £2,397 million. This reduction reinforces the importance of the Great Britain market to food and drinks processors, as it accounted for 41% of net sales in 2005, whilst Northern Ireland accounted for 33%.

[11] Department of Enterprise, Trade and Investment (2006). “Northern Ireland Manufacturing Sales and Exports Survey 2005/06.” Belfast: Department of Enterprise, Trade and Investment.

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 percentage 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 percentage 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 percentage 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

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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