



Llywodraeth Cymru  
Welsh Government

REPORT

# Food and Drink Wales Industry Board: update from the Chair (April 2023)

The latest on the Welsh food and drink industry.

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As we move into a much welcomed spring, I am very aware that we continue to find ourselves in challenging times in the UK food and drink industry . . . but it's not all doom and gloom!

Let's reflect briefly on the UK trade position. The latest figures show that imports decreased by £4.9 billion (8.7%) in January 2023 versus December 2022. This is having a big impact on UK logistics companies, particularly if they own vacant warehouse facilities. Indeed, talk to anyone at Felixstowe, the UK's business container port, you'll know that it's now much quieter than two years ago.

So, overall, UK imports for all goods are down in January but this is only one month so February figures will be an interesting read. What about UK exports? Well, the good news is that exports appear to be holding their ground into early 2023 but its early days and only time will tell.

Focusing now on food and drink trade, things are looking positive with UK export sales hitting a new record high in 2022, rising 23% to nearly £25 billion. Ireland, France and USA continue to be important markets with chocolate remaining our top overall UK food export, worth £824 million, but UK cheese exports are increasing nicely! Drinks are likewise doing well with whisky exports currently dwarfing those of foods at around £6.4 billion up around 20% in 2022 vs 2021.

At the same time UK food and drink imports were up 30% comparing 2022 to the previous year. January 23 figures are not available so we don't know at this stage if UK food and drink has followed the same downward trend as all UK imported goods for the month of January.

That's the UK background but how have we fared in Wales?

For Welsh Export, [the latest figures](#) on Business Wales reveal:

- Welsh Food and Drink exports were worth £641 million in 2021, the highest recorded yearly value from HMRC.

- Wales had the largest percentage increase in the value of food and drink exports out of the four UK nations from 2020 to 2021.
- Welsh food and drink exports increased by £89 million from 2020 to 2021, a 16.1% increase.
- The highest value export categories for Welsh food and drink in 2021 were Meat and Meat Products (£187m) and Cereal and Cereal Preparations (£139m).
- 73% of the value of Welsh food and drink goods exports went to the EU.

One of the key questions to me is how much of these increased exports were because of market growth and how much was down to rising prices and weak sterling. We may know more in the coming months.

I am intrigued by the potential for UK businesses to trade with Countries under the new Free Trade Agreements currently being negotiated. On one side, sourcing inputs must be done without undermining our home industries but these Free Trade Agreements do have the potential to help us expand our exports if we understand where we have competitive advantage. Indeed, the news last Friday about the UK concluding negotiations to join the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) could provide opportunities for the food and drink sector which we need to understand better. CPTPP is a vast free trade area including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

It is hoped that joining CPTPP will boost growth and strengthen our ties with some of the world's most dynamic economies, with a combined GDP of £11 trillion once the UK joins. It has the potential to be a gateway to the wider Indo-Pacific region, which is set to account for the majority of global economic growth and around half of the world's 2.7 billion middle-class consumers in the decades ahead.

I believe our accession to CPTPP has the potential to future proof the economy.

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After all, CPTPP is widely recognised as one of the most progressive free trade agreements, with provisions for digital trade, e-commerce, trade in services and protection of intellectual property that are ideally suited to the UK economy. It also sets very high standards in agreements for sustainability, anti-corruption and improving workers' rights.

That's enough about trade. Let's now reflect on another key issue for our industry – inflation. Driven by rising import costs, energy inflation, tight labour market, continued supply chain disruption and the ongoing war in Ukraine, food and drink inflation has risen significantly over recent months and is estimated to peak around 20% in the first part of 2023 before slowing down.

As a result, companies are under relentless pressure to reduce cost and not pass on price increases to the retailers who are pushing back on price increases. In fact, even today I was buying well known chocolate biscuits (named after an animal from the South Pole!) when I noticed that last week the pack contained 8 biscuits and this week it contains 7 but at the same price as the original 8 biscuit pack! Is this smart marketing or will it be rumbled by the consumer? Either way, my children are not impressed!

Just a reminder, If you see unfair practises in the supply chain, you should report them to **The Groceries Code Adjudicator** on Gov.UK who is responsible for regulating the relationships between the UK's largest grocery retailers and their direct suppliers by encouraging, monitoring and enforcing compliance with the Groceries Supply Code of Practice.

And finally, I saw recently that charities who redistribute surplus food to vulnerable people, are experiencing very low stock levels at the moment and are struggling to meet the demand from some of Wales's most vulnerable people to access food. If your business has any surplus food then FareShare Cymru would really appreciate your help and want to hear from you urgently.

Thank you for what you all continue to do for our amazing industry! As a Food &

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Drink Board we will continue to do all we can to support and advocate for you in 2023.

**Andy Richardson, Chair of the Food and Drink Wales Industry Board.**

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