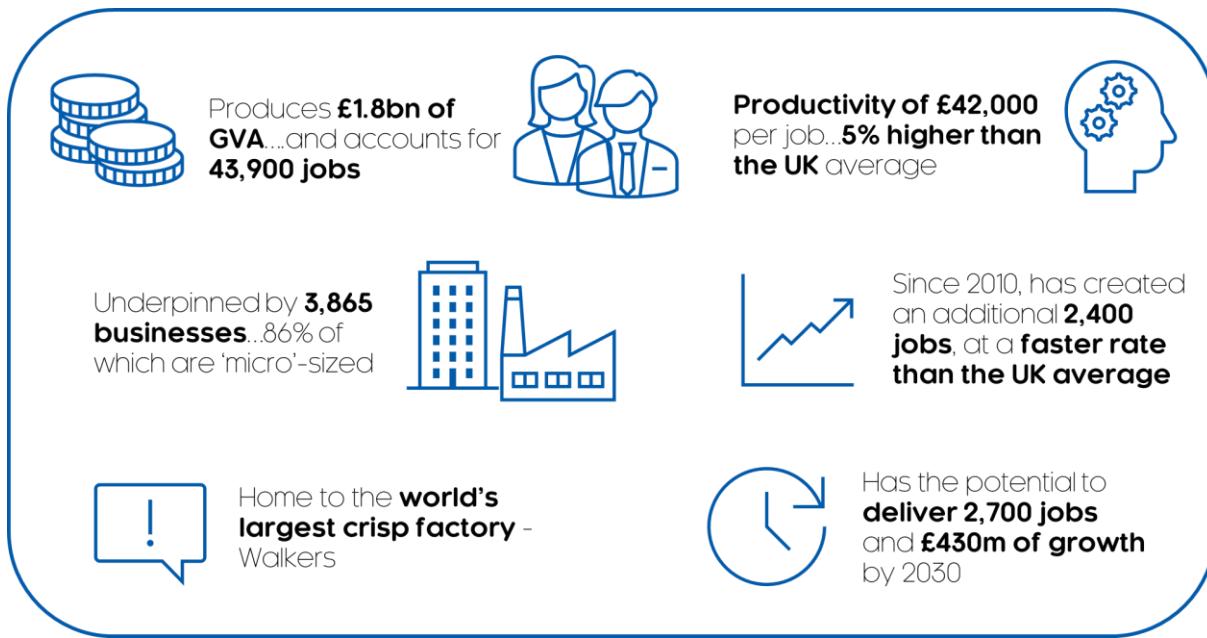


Sector profile: Agri-food and Drink in Leicester and Leicestershire



Source(s): See *Economic and growth indicators*

Defining Agri-food and Drink

Agri-food and drink comprises agricultural and food production, food and drink manufacturing, and related wholesale and retail. As such, the sector captures the full value chain of stakeholders who participate in the coordinated production and value-adding activities that are needed to make food and drink products.

Market and economic outlook

Global market

Global agri-food trade has more than doubled since 1995, amounting to \$1.5 trillion in 2018 [according to the Food and Agriculture Organisation](#) of the United Nations, with emerging and developing countries' exports on the rise and accounting for over one-third of the world's total.

It is estimated that one-third of global agricultural and food exports are traded within a **global value chain** and cross borders at least twice. The rise of global value chains has been driven by income growth, lower trade barriers and technological advancements, which have transformed markets and trade processes, linking farmers to traders and consumers across regions and countries.

Emerging trends include the increasing use of digital technologies – which can help markets to function better and can improve farmers' access to them. Innovations, such as

food e-commerce, can benefit both farmers and consumers. **The evolution of trade and markets will continue to be driven by** technological progress; urbanization; population and income growths; lower transport costs; trade policies and a decline in average import tariffs.

Sustainability is another challenge facing agri-food markets globally. The promotion and wider application of voluntary sustainability certification schemes and standards in agriculture, are likely to increase as they can address trade-offs between economic, environmental and social objectives. Sustainability certification schemes can promote fair trade, inclusion, non-discrimination, and environmentally-friendly farm practices. They also can ensure occupational safety, ban child labour, and encourage investments. However, there remains significant progress to be made - whilst bananas are one of the most traded tropical commodities in the world, only an estimated 5-8 percent are covered under sustainability standards.

COVID-19 impacts have led to severe and widespread increases in global food insecurity, affecting vulnerable households in almost every country, with impacts expected to continue through 2021 and into 2022. Covid-19 has disrupted land management and preparation, planting, processing, harvesting, animal husbandry, transport to market, and market transactions. Global food prices have risen by 40% since January 2020. Maize prices are 66% higher, wheat prices are 23% higher and cereal prices are 45% higher than in January 2020.

Surging prices reflect strong demand, along with weather uncertainties, macroeconomic conditions, and COVID-19-related supply disruptions. Numerous countries are experiencing high food price inflation at the retail level, reflecting lingering supply disruptions due to COVID-19 social distancing measures, currency devaluations, and other factors. Rising food prices have a greater impact on people in low- and middle-income countries since they spend a larger share of their income on food than people in high-income countries.

UK market

In the UK, the agri-food sector accounted for a total estimated GVA of £120 billion, or 6.3% of the total, employing 4 million. In the UK, 72% of land is utilised for agriculture, with 476,000 employed. Agriculture contributes 1.45% to UK GDP. The value of food, feed and drink (FFD) exports was £23.6 billion in 2018/19 and the value of food, feed and drink imports as £47.9 billion. As a result, the trade gap in food, feed and drink was £24.3 billion.

The food and drink sector is the UK's largest manufacturing sector, contributing £28 billion to the economy annually and employing over 430,000 people. Representing almost 20 per cent of total UK manufacturing, the food and drink industry has a turnover of £105 billion. Exports of food and drink make an important contribution to the economy, are worth £23bn and go to over 220 countries worldwide. The top 3 export partners are Ireland, the USA and France.

Business impacts of Covid-19 and Brexit

The UK's Agriculture sector is being buffeted by a range of acute challenges. There is the transition to a new policy framework and the ending of direct payments to farmers after the UK's departure from the EU. Policy is now being shaped by the desire to deliver public benefits, notably environmental goods, rather than income support. In England, the phasing out of direct payment over the 7-year agricultural transition and introduction of the new Environmental Land Management (ELM) scheme presents many challenges. The loss of direct payments will leave many farm businesses under financial pressure unless they evolve. Defra's Farm business survey data suggests that the grazing livestock and cereal sectors are most vulnerable, with a high proportion of their profits coming from support payments.

Performance varies enormously between farmers. Agriculture and Horticulture Development Board (AHDB) analysis shows that a staggering 70% of variations in business performance are down to the decisions farmers make. Just 5% of the variation in business performance is down to geographic factors like soil and climate. DEFRA statistics (Agriculture in the UK, 2019) noted that one-fifth of UK farms failed to make a positive Farm Business Income (FBI) in 2018/19.

Labour costs are set to rise for the Agri-food and drink sector. Free movement of labour between the UK and the EU ended on 31 December, leaving the industry exposed to a significant future recruitment challenge. In a normal year over 95 per cent of the 60-70,000 seasonal, casual and gang labour jobs across agriculture and horticulture are filled by EU nationals. High numbers are also found in the food manufacturing sector, with migrant workers making up about 40 per cent of the workforce. With these changes it looks like the industry will need to compete with other sectors to recruit domestic workers.

Prior to Covid-19 hitting the UK, investment in the food and drink manufacturing sector had already begun to fall in late 2019, while GVA and exports had seen growth over the year. Productivity had started to decline after reaching a 12-year high in 2017. Current circumstances have been challenging for the sector. The onset of the pandemic, and subsequent lockdown, led to domestic turnover falling by 8.6% in Q1 compared with Q4 2019, and a further 4.0% decline in Q2. As the UK officially entered recession, GVA in the industry was also down (year-on-year) for the seventh consecutive month in June. According to FDF survey data, net business confidence declined in both Q1 and Q2. Members are also facing increased costs. 48% reported increased costs of stockpiling in Q1, 40% increased ingredient costs in Q2 and over one third reported import costs rising by 5% or more. The challenge now is to successfully restart all sectors of the industry, protect food industry employees and customers, and support businesses in each sector of the food chain through to recovery.

As a result of Covid-19, many food & drink businesses have replaced some of their B2B customers with direct B2C sales. As a result of COVID and the temporary collapse of the hospitality sector, many Agri-food and Drink businesses have by necessity partially replaced their B2B customers in the hospitality sector by expansion into direct B2C sales – particularly in the supply of more profitable quality food and drink. Some businesses are now saying that in the future they see B2C as a much larger possibility particularly as the industry view is that hospitality may never get back to pre-COVID levels (for example, the risk that there are much lower city centre footfalls due to the continuance of home working as a default).

Brexit brings further challenges in terms of maintaining uninterrupted supply of imported food and ingredients to all parts of the UK.

Activities and key organisations in Leicester and Leicestershire

As with large parts of the UK, the economy of Leicester and its county was based on agriculture which produced food and drink for the local population. The industrial revolution during the 18th and 19th centuries saw rapid and extensive growth in the city of Leicester and outlying towns such as Coalville, Market Harborough and Loughborough. The ethnic diversity of Leicester and its environs has given rise to a much broader range of Agri-food and Drink sector capabilities than may be found in other parts of the UK. The more traditional pork pie and Stilton cheese production located around the town of Melton Mowbray in the east of the LLEP area has given rise to a growing 'premium brand' image which is being successfully developed, based on the town as 'The Rural Capital of Food'. Notable sides for the Food and drink industry include the Leicester Food Park and the Melton Food Enterprise Zone (FEZ).

Significant agricultural and farming businesses and operations include Pilgrims, Britain's biggest provider of higher welfare pork and sustainable pig farming; Clawson's Dairy – producer of Blue Stilton, Blue Shropshire and Rutland Red cheeses; Woodhouse Farm, producing Tamworth Pigs.

There are a number of long-established food and drink manufacturers in the area, many with household names such as Walkers snack foods – a subsidiary of US giant PepsiCo, Everard's the brewers, Pedigree (part of Mars Corporation) and United Biscuits, one of the UK's largest producers of biscuits and snack foods, and Samworth Brothers Ltd – whose products include Ginsters and West Cornwall Pasties, Melton Mowbray Pork Pies, Walkers Sausage Co., and SCI-MX products. Recent growth firms include prize-winning Stilton cheese producers Long Clawson Dairy Ltd, Pukka Pies, Lakshmi & Sons, and Fresh-Pak Chilled Foods.

Altogether there are around 200 F&D manufacturing businesses in the area producing a wide range of products, but with a prevalence of bread and pastry bakeries, meat products and snack food providers. The ethnic diversity of the area is also represented by the sector with a number of producers of spices, sauces and traditional Indian foods.

University and R&D expertise

The UK Centre for Ecology and Hydrology (UKCEH), based at the University of Leicester plays a prominent role in peatland research and management. The university also runs a number of courses on agricultural and related sciences, including Environmental Science, Applied and Environmental Geology, Zoology, and Geography.

The University of Loughborough is a global leader in sports nutrition research, offering support to athletes for performance nutrition.

De Montfort University offers courses on nutrition as part of its life sciences and medical courses.

The Allerton Project researches the effects of different farming methods on wildlife and the environment, sharing results of its research through advisory and educational activities. This is undertaken on the project's 320-hectare demonstration farm based in Leicestershire. The Allerton Project identifies management that delivers multiple benefits for our rural landscape. Its work covers natural capital accounting, agri-environment schemes and regenerative farming systems.

From soil and water, to woodland and environmental habitat that increases biodiversity, the project's aim is to build farmland resilience. The project's research team collaborate with other research organisations and help co-supervise numerous PhD and MSc projects. Visitors to the project include businesses, policy makers, non-government organisations, regulators, farmers, advisors, students and schools. The Allerton Project is an award winning, pioneering blueprint for future rural landscapes.

Economic and growth indicators

Table 1: Summary of key economic and growth indicators for the Agri-food and Drink sector in Leicester and Leicestershire

	Value, 2019	% of economy total	% of economy total (UK average)
GVA (£m)	1,844	7.5%	5.5%
Jobs	43,900	8.0%	6.8%
Businesses	3,865	7.8%	8.3%
Productivity (£)	42,000	94.4%	80.9%
	Value, 2010-19	% change p.a.	% change p.a. (UK average)
Real GVA growth (£m)	52	0.3%	2.0%
Jobs created	2,400	0.6%	0.1%
New businesses	495	14.7%	8.4%
Productivity growth	-	-0.3%	1.8%

Source: ONS, Cambridge Econometrics.

Worth £1.8bn and accounting for 43,900 jobs (according to official statistics - see [Table 1](#) above), Leicester and Leicestershire is home to a large and historically significant agri-food and drink sector, with some clear and long-established areas of expertise and comparative advantage.

Recent growth has been employment-led, with 2,400 additional jobs created since 2010, at a significantly faster rate (0.6% p.a.) than the UK average (0.1% p.a.). Accompanying productivity growth however has been subdued, contracting by 0.3% p.a. (in contrast to the UK average of 1.8% p.a. growth), pulling down headline GVA growth (only +£50m).

The sector remains some 8% more productive in Leicester and Leicestershire than the UK average, however, highlighting the strength and expertise of the sector locally, though this was down on a decade ago, where local activity was some 20% more productive.

The sector is comprised of almost 4,000 local businesses, of which 86% are 'micro'-sized (employing <9 people). An additional 495 agri-food and drink businesses have been established in the LLEP area since 2010.

Additional evidence and research

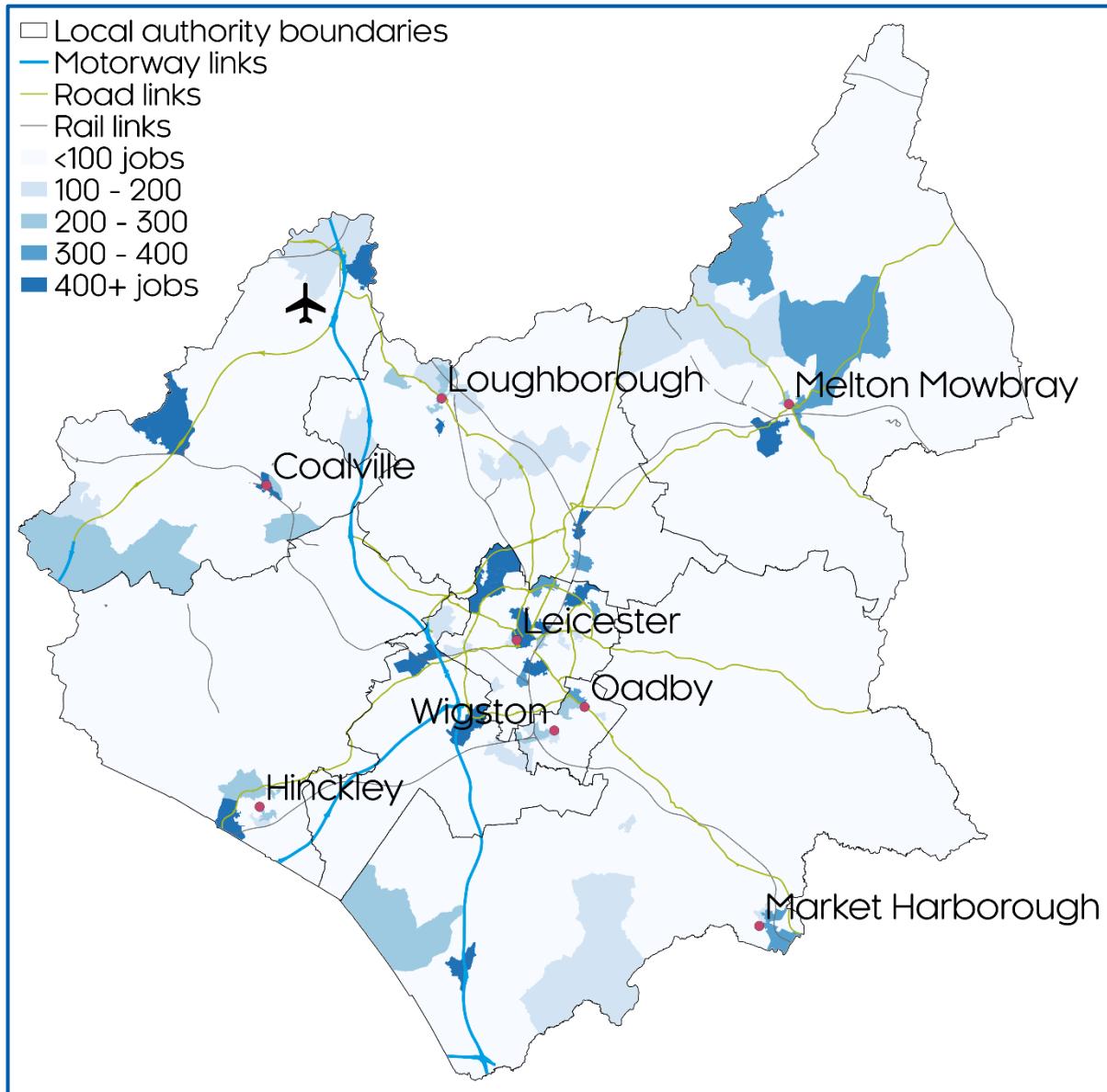
Additional indicators and research on the sector in Leicester and Leicestershire show:

- [DEFRA data](#) highlights the size and strength of the local livestock sector; in 2017, despite representing 15% of farmable land in the East Midlands, Leicestershire accounted for more than a third of all dairy cattle (39,600 livestock) in the region, and almost a quarter of all beef cattle (83,400) and sheep (298,900).
- The same dataset showed 188,600 hectares of farmable land were present in the county, of which 171,100 hectares are utilised for arable crops, and only 400 hectares for horticultural crops. 17,100 hectares is dedicated to livestock and other uses
- [BEIS estimates](#) the sector has helped reduce agricultural CO₂ emissions by 9% in Leicestershire since 2005, though this is lower than the East Midlands average (12%)

Spatial structure and clusters

The sector is well represented across Leicestershire, with a strong presence across both urban/semi-urban and rural areas in the county, as [Figure 1](#) below shows.

[Figure 1: Agri-food and Drink clusters in Leicester and Leicestershire](#)



Source: ONS, Cambridge Econometrics.

Leicester retains a significant share of activity, reflecting the city's excellent transport connectivity, proximity to suppliers, and strong corporate and research presence relating to food and drink – including the world's largest crisp factory (Walkers).

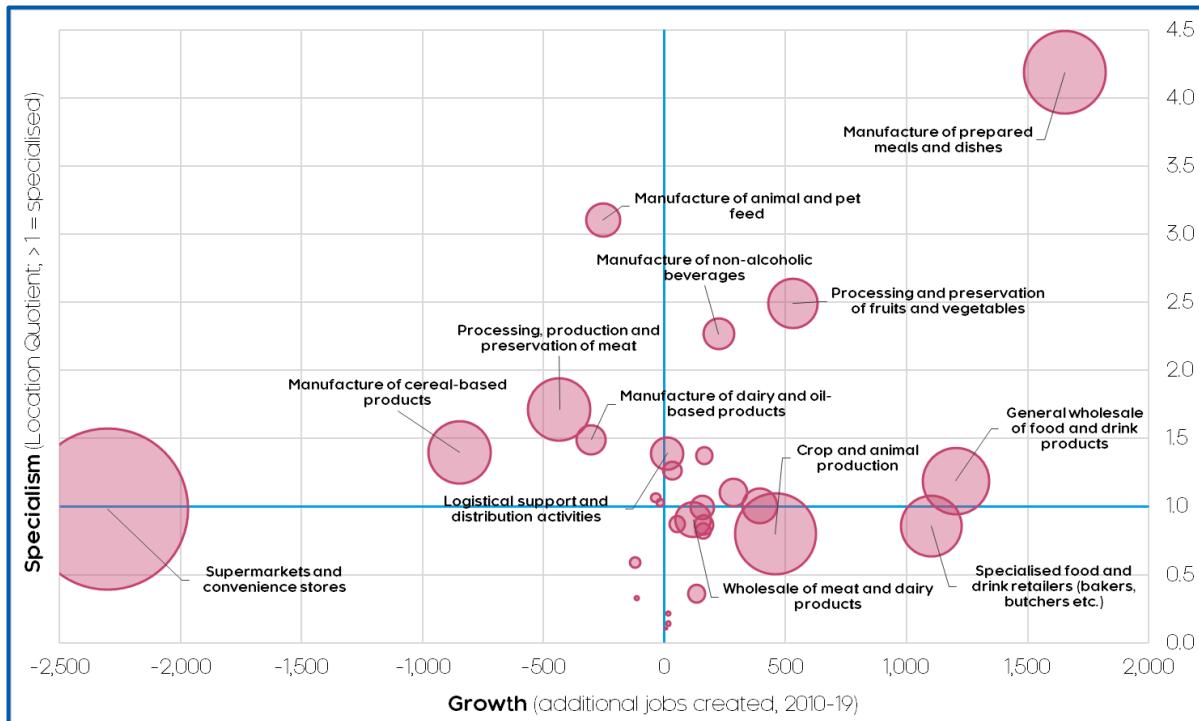
Reflecting its international recognition in food and drink and strong agricultural links, Melton Mowbray also shows a notable clustering of activity. The sector also has a strong presence within Leicestershire's other market towns, including Hinckley, Harborough, Coalville and Ashby, reflecting the agricultural heritage related to these areas.

Industry structure and specialisms

Leicester and Leicestershire supports some well-established yet fast-growing specialisms in the sector, particularly relating to food and drink production, as **Figure 2** below shows:

- **Manufacture of prepared meals and dishes** – 4,400 jobs, £300m GVA; both the most specialised and fastest growing activity in the LLEP area, and also one of the largest
- **General wholesale of food and drink products** - 2,900 jobs, £100m GVA
- **Processing, production and preservation of meat, and fruits and vegetables** - combined 4,100 jobs, £270m GVA
- **Manufacture of non-alcoholic beverages** - 600 jobs, £100m GVA
- **Crop and animal production** - 4,300 jobs, £160m GVA
- **Manufacture of dairy and oil-based products** – 600 jobs
- **Supermarkets and convenience stores** – 16,700 jobs, £430m GVA: the largest activity locally, but also one of the slowest growing

Figure 2: Local specialisms and growth within Agri-food and Drink



Source: ONS, Cambridge Econometrics. Note: Size of bubbles relate to size of activity (in jobs terms). Bubbles above the blue horizontal indicate a specialism. Bubbles to the right of the blue vertical indicate growth (in jobs terms).

Sector prospects in Leicester and Leicestershire

Economic impact and recovery from Covid-19 and Brexit

With the sector operating largely uninterrupted even during strict 'lockdowns', adverse impacts from the Covid-19 pandemic are expected to be relatively minimal – in fact, some 300 additional jobs have been created in the LLEP area to manage increased demand in the sector through 2020. Yet losses could still total £85m locally, as **Table 2** below shows.

Table 2: Covid-19 impacts and recovery prospects for the Agri-food and Drink sector in Leicester and Leicestershire

Forecasted Covid-19 impact (2020)			
	Value, 2020	% change	% change (UK average)
GVA impact (£m)	-85	-4.6%	-3.8%
Jobs impact	300	0.8%	-0.5%
Productivity impact	-	-5.4%	-3.3%
Forecasted Covid-19 recovery (2021-30)			
	Value, 2021-30	% change p.a.	% change p.a. (UK average)
Real GVA growth (£m)	427	2.2%	1.7%
Jobs created	2,700	0.6%	0.1%
Productivity growth	-	1.6%	1.6%

Source: Cambridge Econometrics Spring 2021 Forecasts.

There is the potential for a robust recovery, with post-Covid rates of growth (2.2% p.a.) faster than the LLEP economy average (2.0%), driven by stronger productivity growth, with automation and digitisation further accelerated post-pandemic. The £430m of growth by 2030 will more than offset 2020's losses.

With an aging workforce, reduced migrant labour (particularly EU-based) and sectoral shifting, demand for employment will remain strong, with the potential for 2,300 additional jobs in the sector by 2030, particularly in sales and support service functions.

Skills needs and challenges

The sector will increasingly rely on technical skills – to operate advanced and digitised machinery and production – as well as softer skills and management aptitude – to manage and oversee complex supply chains and increasing employee autonomy.

By 2024, [UKCES expects](#) almost two-fifths (37%) of the agri-food workforce in the East Midlands will require high-level (QCF4+) qualifications, twice that of a decade ago, with vocational and technical-training routes a popular and successful way to address such skills-needs.

Sector profile: Agri-food and Drink

Yet uncertainty relating to the availability of migrant labour could also push up demand for lower-skilled, manual-based roles, whilst the sector has the potential to continue providing good, well-paid opportunities for those without higher-level qualifications.

Appendix A: Sector definition and sources

Data has primarily been sourced from [Cambridge Econometrics LEFM](#). For a full and detailed overview of definitions, sources and forecasting methodology, please refer to the Technical Summary report accompanying this profile.

The sector has been defined using 5-digit [Standard Industrial Classifications \(SICs\)](#), detailed as follows. These have been informed by government and/or industry recommended definitions, and aim to capture as much of the sectors value chain as possible:

- 01000: DEFRA/Scottish Executive Agricultural Data
- 01610: Support activities for crop production
- 01621: Farm animal boarding and care
- 01629: Support activities for animal production (other than farm animal boarding and care) nec
- 01630: Post-harvest crop activities
- 01640: Seed processing for propagation
- 01700: Hunting, trapping and related service activities
- 02100: Silviculture and other forestry activities
- 02200: Logging
- 02300: Gathering of wild growing non-wood products
- 02400: Support services to forestry
- 03110: Marine fishing
- 03120: Freshwater fishing
- 03210: Marine aquaculture
- 03220: Freshwater aquaculture
- 10110: Processing and preserving of meat
- 10120: Processing and preserving of poultry meat
- 10130: Production of meat and poultry meat products
- 10200: Processing and preserving of fish, crustaceans and molluscs
- 10310: Processing and preserving of potatoes
- 10320: Manufacture of fruit and vegetable juice
- 10390: Other processing and preserving of fruit and vegetables
- 10410: Manufacture of oils and fats
- 10420: Manufacture of margarine and similar edible fats
- 10511: Liquid milk and cream production
- 10512: Butter and cheese production
- 10519: Manufacture of milk products (other than liquid milk and cream, butter, cheese) nec
- 10520: Manufacture of ice cream

10611: Grain milling

10612: Manufacture of breakfast cereals and cereals-based foods

10620: Manufacture of starches and starch products

10710: Manufacture of bread; manufacture of fresh pastry goods and cakes

10720: Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes

10730: Manufacture of macaroni, noodles, couscous and similar farinaceous products

10810: Manufacture of sugar

10821: Manufacture of cocoa, and chocolate confectionery

10822: Manufacture of sugar confectionery

10831: Tea processing

10832: Production of coffee and coffee substitutes

10840: Manufacture of condiments and seasonings

10850: Manufacture of prepared meals and dishes

10860: Manufacture of homogenised food preparations and dietetic food

10890: Manufacture of other food products nec

10910: Manufacture of prepared feeds for farm animals

10920: Manufacture of prepared pet foods

11010: Distilling, rectifying and blending of spirits

11020: Manufacture of wine from grape

11030: Manufacture of cider and other fruit wines

11040: Manufacture of other non-distilled fermented beverages

11050: Manufacture of beer

11060: Manufacture of malt

11070: Manufacture of soft drinks; production of mineral waters and other bottled waters

20150: Manufacture of fertilisers and nitrogen compounds

20200: Manufacture of pesticides and other agrochemical products

28301: Manufacture of agricultural tractors

28302: Manufacture of agricultural and forestry machinery (other than agricultural tractors)

28930: Manufacture of machinery for food, beverage and tobacco processing

46110: Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods

46170: Agents involved in the sale of food, beverages and tobacco

46210: Wholesale of grain, unmanufactured tobacco, seeds and animal feeds

46220: Wholesale of flowers and plants

46230: Wholesale of live animals

- 46310: Wholesale of fruit and vegetables
- 46320: Wholesale of meat and meat products
- 46330: Wholesale of dairy products, eggs and edible oils and fats
- 46341: Wholesale of fruit and vegetable juices, mineral waters and soft drinks
- 46342: Wholesale of wine, beer, spirits and other alcoholic beverages
- 46360: Wholesale of sugar and chocolate and sugar confectionery
- 46370: Wholesale of coffee, tea, cocoa and spices
- 46380: Wholesale of other food, including fish, crustaceans and molluscs
- 46390: Non-specialised wholesale of food, beverages and tobacco
- 46610: Wholesale of agricultural machinery, equipment and supplies
- 47110: Retail sale in non-specialised stores with food, beverages or tobacco predominating
- 47210: Retail sale of fruit and vegetables in specialised stores
- 47220: Retail sale of meat and meat products in specialised stores
- 47230: Retail sale of fish, crustaceans and molluscs in specialised stores
- 47240: Retail sale of bread, cakes, flour confectionery and sugar confectionery in specialised stores
- 47250: Retail sale of beverages in specialised stores
- 47290: Other retail sale of food in specialised stores
- 47810: Retail sale via stalls and markets of food, beverages and tobacco products
- 49200: Freight rail transport (1.0% of SIC code only)
- 49410: Freight transport by road (7.5% of SIC code only)
- 50200: Sea and coastal freight water transport (1.2% of SIC code only)
- 50400: Inland freight water transport (1.2% of SIC code only)
- 51210: Freight air transport (0.1% of SIC code only)
- 52101: Operation of warehousing and storage facilities for water transport activities of division 50 (0.8% of SIC code only)
- 52102: Operation of warehousing and storage facilities for air transport activities of division 51 (0.8% of SIC code only)
- 52103: Operation of warehousing and storage facilities for land transport activities of division 49 (0.8% of SIC code only)
- 52211: Operation of rail freight terminals (0.8% of SIC code only)
- 52219: Other service activities incidental to land transportation, nec (not including operation of rail freight terminals, passenger facilities at railway stations or passenger facilities at bus and coach stations) (0.8% of SIC code only)
- 52220: Service activities incidental to water transportation (0.8% of SIC code only)
- 52230: Service activities incidental to air transportation (0.8% of SIC code only)
- 52241: Cargo handling for water transport activities of division 50 (0.8% of SIC code only)
- 52242: Cargo handling for air transport activities of division 51 (0.8% of SIC code only)

Sector profile: Agri-food and Drink

52243: Cargo handling for land transport activities of division 49 (0.8% of SIC code only)

52290: Other transportation support activities (0.8% of SIC code only)

64201: Activities of agricultural holding companies

72110: Research and experimental development on biotechnology

77310: Renting and leasing of agricultural machinery and equipment

82920: Packaging activities (0.8% of SIC code only)

