



# FOCUS ON FOOD

A PARTNERSHIP STRATEGY FOR THE  
FOOD INDUSTRY IN NORTHERN IRELAND

May 2010





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## Ministerial Foreword

In May 2008, new support structures were announced to strengthen joint working across Government on food issues, and to provide the industry with a strategic forum to offer advice to Government Departments and Agencies on public policy, funding priorities and development support for the food sector.

Since then an Interdepartmental Group (IDG) of senior officials from DARD, DETI, DEL and Invest NI has been established, alongside an Industry Advisory Panel (IAP). This arrangement gives the important food sector unprecedented, direct influence at a strategic level on public policy and its delivery across our respective departments, and promotes joined-up working.

After consideration and consultation with the IDG and IAP, we take great pleasure in launching this new Food Strategy. This is undoubtedly a positive development and is evidence of the success of our new emphasis on encouraging industry to play a significant advisory role in policy development.

It will provide a framework for our shared vision of a successful food industry, capable of growing and competing within both the domestic and international marketplace. The food industry is one of our largest manufacturing industries and it makes a substantial contribution to the economy. We look forward to working with the industry to implement this strategy.



**Arlene Foster MLA**  
**Department of Enterprise,  
Trade & Investment**



**Michelle Gildernew MP MLA**  
**Department of Agriculture  
& Rural Development**

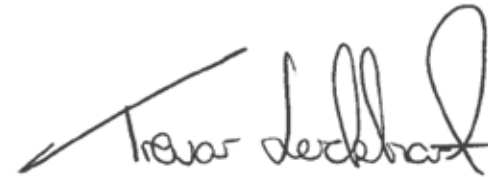
## Foreword from the Chair of the Industry Advisory Panel

The agri-food sector in Northern Ireland is one of the most important contributors to the Northern Ireland economy in terms of revenue and employment. The Industry Advisory Panel welcomes the recommendation that the economy should remain the top priority of the Executive for many years to come, and the recognition of the need to support local businesses which will unquestionably remain the bedrock of the Northern Ireland economy.

Together food production and food and drink processing employ more than 50,000 people directly and it is the single largest employer in Northern Ireland's private sector. Associated activities such as transport, supply of sophisticated inputs and technical support further increase the scale of the totality of the food industry in economic terms. It is also our largest manufacturing sector and is largely export driven.

This food strategy has been developed by the Industry Advisory Panel in partnership with DARD and Invest NI and details for the first time key performance indicators that will capture and reflect the economic performance of the food industry in Northern Ireland. It also sets out targets against performance measures, and key strategic themes upon which to focus.

The Industry Advisory Panel welcomes the collaborative approach taken between food production and processing and DETI/Invest NI, DARD and DEL in the development of this vitally important sector.

A handwritten signature in black ink, reading "Trevor Lockhart". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

**Trevor Lockhart**  
Chairman, Industry Advisory Panel

1. The Food Strategy Implementation Partnership (FSIP) in collaboration with Government largely completed delivery of the previous food strategy for Northern Ireland by 2007. New structural arrangements consisting of an Industry Advisory Panel (IAP) and an Interdepartmental Group (IDG) from DETI, Invest NI, DARD and DEL were then established in May 2008 to further develop and update this work. The vision for taking the development of the industry forward is set out in this document.
2. The document restates the key strategic themes for further developing the food industry, namely Market Understanding and Development; Fostering Innovation; Supply Chain Management and Capability Development, and in recognition of the sustainability agenda, adds the Energy and Waste theme.
3. This has been enhanced by agreeing key performance indicators against which all existing development activity and any additional work relating to gaps in provision or opportunities identified by the IAP and IDG will be measured.
4. Targets for the industry are based on the extrapolation of past and current trends with due consideration being given to underlying conditions and unforeseeable economic conditions and events.
5. Throughout this report the 'food industry' refers to the entire agri-food industry from primary production/farming through to manufacture and supply of food products by the ten food and drink subsectors of the manufacturing industry. These ten subsectors are listed in the Glossary at Annex F.

1. In 2008, DARD and DETI Ministers established new structures to facilitate joint working across Government Departments on food issues - the Interdepartmental Group (IDG) - and to provide the industry with a strategic forum to offer advice to Government Departments on public policy, funding priorities and development support for the food industry - the Industry Advisory Panel (IAP). The overarching structural framework is depicted at Annex A.
2. The IAP and IDG recognised the need to confirm that the development priorities identified in the previous food strategy, Fit for Market, remained appropriate and therefore commissioned an updated strategy with agreed Key Performance Indicators which would serve as a measure of success.
3. This paper aims to fulfil that purpose. It sets out a vision for a successful Northern Ireland food industry of the future, a five strand development strategy along with a series of high level performance indicators. This provides a shared framework for both industry and government in shaping and targeting combined efforts to improve the economic performance of the Northern Ireland food industry.

4. The previous strategic development framework for the food industry and the prioritised agenda influencing public policy are contained in the Report “Fit for Market”. This Report was formulated by an industry-led Food Strategy Group and its proposals for the development of the Northern Ireland food sector for the following three years were accepted by Government in November 2004. A Food Strategy Implementation Partnership (FSIP) was established to provide oversight to the implementation of the “Fit for Market” strategy in the short term.
5. The “Fit for Market” Report had 31 recommendations broadly falling into four strategic areas where the industry and government had a role to play in developing the food sector:
  - Market Understanding and Development;
  - Fostering Innovation;
  - Supply Chain Development;
  - Capability Development.
6. “Fit for Market” proved to be a successful initiative and the FSIP strengthened the public sector’s response to the food industry. Many of these practical developments remain in place today having been mainstreamed into DETI/Invest NI and DARD’s activity. The implementation of the “Fit for Market” Strategy achieved a number of practical outcomes over its three-year lifespan:
  - sixty graduates received training and entered employment in the food sector - these were graduates who had not considered the food industry as a first choice in their career options;
  - in 2004, there were no dedicated food marketing executives promoting Northern Ireland food in either GB or the Republic of Ireland. There are now four marketing executives in place in these markets backed up by a programme of activities promoting Northern Ireland food, including PR services and inward and outward buyer events;
  - a series of significant market research exercises were undertaken including work with Bord Bia and the Institute of Grocery Distribution as well as access to Dunhumby consumer purchasing information;



- Invest NI established a dedicated Food Division and centralised all food industry development activity within this Division, along with all food start-up activity which had previously been regionally based;
  - a series of projects on supply chain development and awareness were activated in the sector designed to improve communication and collaboration along the supply chain, including e.g. sector specific programmes for the redmeat and apple sectors;
  - EU State Aid approval for a Regional Food Programme was secured to assist food promotional activities within the local market;
  - commissioned and published by the FSIP in December 2006, the report "Vision 2020" identified and recommended actions in the area of innovation as it applies to the food sector;
  - facilitated and funded extensive research into consumer trends and attitudes towards marketing enabling the industry to establish Food Promotion NI, which developed the "Good Food is in our Nature" campaign based on the findings of this research;
  - a series of initiatives on innovation were activated in the sector including projects on packaging and design, and quality where two separate programmes were put in place to assist local food businesses in achieving GB recognised quality accreditations, namely BRC and SALSA;
  - an innovation and best practice mission to New Zealand for the Red Meat Sector to contribute towards implementation of the Northern Ireland Red Meat Strategy;
  - MSc in Agri-food Business Development established and delivered by the University of Ulster in conjunction with the Babson Institute, Boston.
7. At the national level, the Programme for Government constitutes the overarching framework for public policy and authority for Government intervention. Growing a dynamic, innovative economy, supporting rural businesses and contributing to a more sustainable environment represent high level Government objectives. These in turn inform Departmental strategic business plans, goals and delivery responses. This framework in conjunction with this updated Food Strategy will continue to govern the role for public policy in supporting the Northern Ireland food industry.

8. The food industry plays a central role in contributing to the wider Northern Ireland economy. Together food production and processing employ almost 50,000 directly. The single largest employer in the private sector, it is a key contributor to external sales. Associated activities, such as transport, supply of sophisticated inputs and technical support further increase the scale of the totality of the food industry in economic terms.

## 9. The Primary Producing Sector

9.1 The Primary Producing Sector encompasses food production activities on farms and those enterprises engaged in agriculture. Table 1 below outlines the current economic position of the agricultural sector providing a general indication of the importance of the sector to the Northern Ireland economy in comparison with the rest of the UK and Europe (see Table 1).

9.2 The figures indicate that agriculture in Northern Ireland makes a very important contribution to the economy, accounting for 1.1% of GVA and employing 30,000 individuals (4.0%) of the region's workforce, higher than the UK average.

Table 1 - Agri-food Primary Producing sector - General Data

	NI	UK	ROI	EU <sup>15*</sup>
Share of total Gross Value Added (GVA)	1.1 <sup>1,P</sup>	0.5 <sup>2</sup>	2.5 <sup>3</sup>	1.8 <sup>5</sup>
Employment in agri-food ('000 Annual Work Units)	30 <sup>1</sup>	467 <sup>1</sup>	96 <sup>1</sup>	-
Share of employment %	4.0 <sup>1</sup>	1.6 <sup>1</sup>	5.0 <sup>1</sup>	3.7 <sup>4</sup>
Agricultural area ('000 ha)	1,008 <sup>1</sup>	17,464 <sup>2</sup>	4,200 <sup>4</sup>	128,416 <sup>5</sup>
As % of total area	74.6 <sup>1</sup>	77 <sup>2</sup>	60.8 <sup>2</sup>	39.7 <sup>5</sup>
Number of farms (000)	25.3 <sup>1</sup>	326.8 <sup>2</sup>	128 <sup>3</sup>	5,799 <sup>5</sup>
Average farm size (ha)	39.9 <sup>1</sup>	53.8 <sup>2</sup>	32.3 <sup>3</sup>	26.9 <sup>5</sup>

Source: DARD Statistical Review of Northern Ireland Agriculture 2009

Key: 1 - 2009, 2 - 2008, 3 - 2007, 4 - 2006, 5 - 2005, P=Provisional estimates

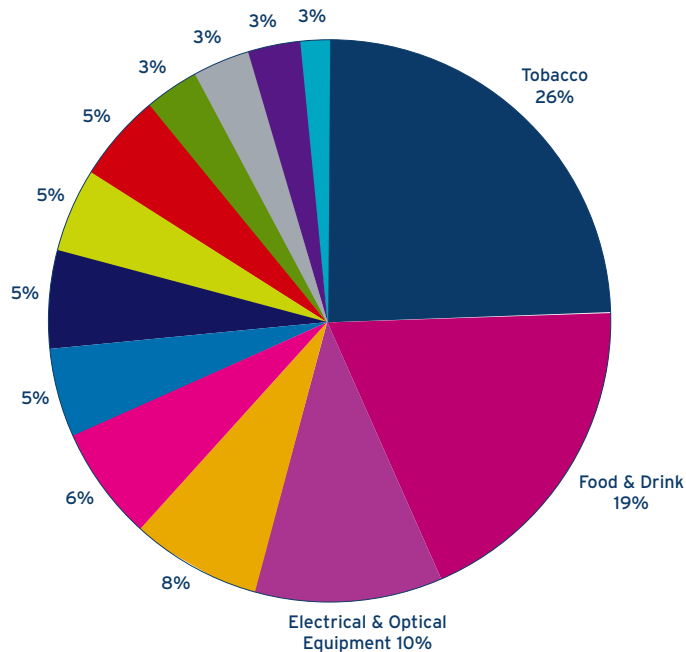
\* Note: the EU15 comprises the following 15 countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the UK.

9.3 The agricultural industry is predominantly grass based, with grazing livestock accounting for more than two-thirds of the gross industry output. This has not changed significantly since the “Fit For Market” report in 2004. However since 2004 the agricultural share of GVA in Northern Ireland has deteriorated. This trend is similar across the UK and Republic of Ireland. Over the same period the EU15 States increased their agricultural share.

**10. The Food Processing Industry**

10.1 The Northern Ireland food processing industry had an estimated gross turnover of £2,975m in 2008, accounting for 19.4% of the total Northern Ireland manufacturing sales - the industry continues to be the largest contributor to the sales of the Northern Ireland manufacturing sector (excluding Tobacco).

**Total Sales by Industrial Sector 07/08 (est & p)**



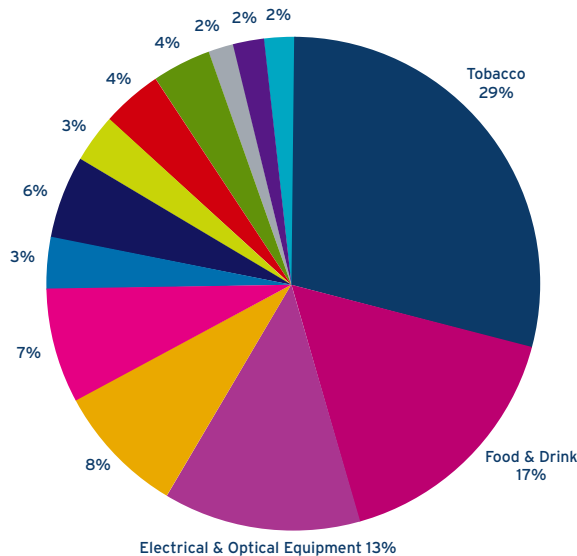
Legend for Pie Charts (pages 11 and 12):



\* Source: Northern Ireland Manufacturing Sales & Exports Survey 2007/2008 (DETI). The Food & Drink Statistics have been taken from the DARD Size and Performance of the Northern Ireland Food and Drinks Processing Sector Subsector Statistics 2007.

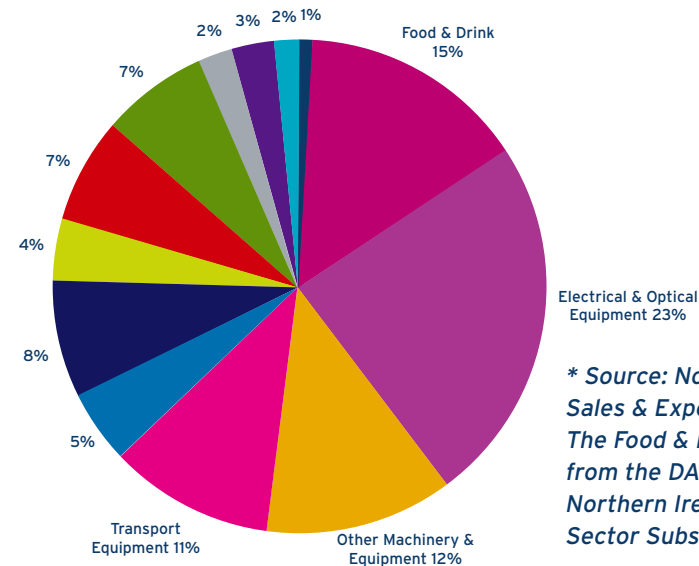
- 10.2 The largest 16 companies (i.e. turnover in excess of £50m) accounted for 61% of the industry's total turnover.
- 10.3 The two largest subsectors, Milk and Milk Products and Beef and Sheepmeat accounted for almost half of the industry's turnover, reflecting the importance of these commodities within Northern Ireland primary production. Poultrymeat was the next biggest sector followed by Drinks.
- 10.4 An estimated 18,910 are employed full-time in the food processing industry, accounting for 22.2% of total employment in manufacturing in Northern Ireland.

**External Sales by Industrial Sector 07/08 (est & p)**



- 10.5 The processing sector is heavily dependent on external markets, with sales outside of Northern Ireland accounting for two-thirds of total industry turnover. Great Britain is by far the most important outlet, accounting for almost 40% of total sales. The Republic of Ireland continues to be the most important export market for the industry with sales worth £448m in 2007, accounting for 16% of total sales.

**Export Sales by Industrial Sector 07/08 (est & p)**



*\* Source: Northern Ireland Manufacturing Sales & Exports Survey 2007/2008 (DETI). The Food & Drink Statistics have been taken from the DARD Size and Performance of the Northern Ireland Food and Drinks Processing Sector Subsector Statistics 2007.*

11. The Northern Ireland food processing industry comprises a diverse range of business operations, from small scale, family owned food production and processing enterprises with a domestic or niche market orientation to larger firms focused on the national retail and foodservice markets and the exploitation of wider international markets. It operates across the product spectrum from commodity markets to the speciality and regionally distinctive market categories.
12. The two main market outlets for food - the highly concentrated food retail and diverse foodservice sectors - will continue to place exacting demands on the food supply industry. Fundamentally, quality, value and service represent basic requirements within both market structures. Consumer interest and the competitive pressures within the food markets will drive increasing emphasis on traceability, provenance, convenience and nutritional composition, even in mass market product categories.
13. The food system will continue to be technically complex. It has to meet wide-ranging safety and quality standards and the changing demands for product specifications within a highly segmented consumer market. Most food operations incur high levels of energy and water demand, which together with waste disposal, transportation and labour costs, create concern about the future cost environment implications in maintaining competitiveness.
14. The Northern Ireland food industry operates within unique policy frameworks set at local, National, EU and International levels. Each will create its own response and tensions within the food supply system while the sector seeks to respond to changing market forces.
15. The global food industry accounts for a significant proportion of the world's greenhouse gases, produced both through manufacturing and through livestock and land management practices. Although the effects of climate change on food are difficult to predict accurately, how the food industry responds and adapts to climate change may have to be an increasingly important feature of the strategic framework for food moving forward. A key driver will be the need for economically, socially and environmentally sustainable food systems.
16. Aspects of human health will also be an important driver in the future of food, fuelled by increasing concerns over health, levels of obesity and related non-communicable disease in the population. Additionally, current and emerging infectious diseases in animals and plants and concerns over the use of antibiotics and chemical inputs are likely to continue to be challenges into the future.

17. It is the combination of competitive challenges raised by market dynamics, changing demographics, lifestyles and consumer consumption patterns which serve to underline a continued need for priority to be given to industry investment in both marketing and innovation and points to the need to further stimulate capability development across these critical strategic areas.
20. Those regional strategies which specified outcomes have prioritised the key measurements as Export Sales Revenue, Value Added and Employment. The Republic of Ireland has also specifically identified a strategic outcome in relation to the organic and artisan sector. Scotland and the Republic of Ireland have set targets in relation to these measurements.

#### **The Approach of Other Regions in the British Isles**

18. A synthesis of current food strategies in place across the UK and the Republic of Ireland is attached at Annex B.
19. As would be expected there are a number of similar elements and themes to these strategies although some variation in emphasis is apparent. Most identify sustainable economic growth and competitiveness as key strategic priorities. Marketing, innovation, more efficient supply chains and building regional brand identity in the marketplace also feature in most of the strategic plans. Nearly all, to varying extents, recognise the importance of promoting healthier diets and more environmentally sustainable food systems.

21. Our vision for the Northern Ireland food industry is influenced by local, national, EU and other international policies and factors. The UK Government vision for food, described in Food 2030 (published in January 2010) is one that is more sustainable - economically, socially and environmentally. By 2030 it envisions:
- Consumers are informed, can choose and afford healthy, sustainable food. This demand is met by profitable, competitive, highly skilled and resilient farming, fishing and food businesses, supported by first class research and development.
  - Food is produced, processed and distributed, to feed a growing global population in ways which:
    - use global natural resources sustainably;
    - enable the continuing provision of the benefits and services a healthy natural environment provides;
    - promote high standards of animal health and welfare;
    - protect food safety;
    - make a significant contribution to rural communities; and
    - allow us to show global leadership on food sustainability.
  - Our food security is ensured through strong UK agriculture and food sectors and international trade links with EU and global partners, which support developing economies.
  - The UK has a low carbon food system which is efficient with resources - any waste is reused, recycled or used for energy generation.
22. At a regional level, the vision for food is to capitalise on Northern Ireland's core strengths to build future value growth and development, and to continue to be Northern Ireland's largest manufacturing industry sector and most significant exporter. This vision embraces a sharp focus on the overarching principles of productivity, sustainability and competitiveness. It requires a strong and resilient food sector capable of growing and competing within the competitive environment which exists in both the domestic and international marketplace. An emphasis on aiming to become one of the most sustainable food producing regions in Europe is envisaged. The following summarises the characteristics of the vision of a successful Northern Ireland food industry of the future:
- it must be profitable, market orientated and capable of responding rapidly to changing customer needs;

- its profitability will be founded on the interplay of market knowledge, effective supply chain linkages, the capacity to innovate, the deployment of capital and the availability of talented and appropriately skilled people;
- it will grow sales on the basis of adding value, tapping into market recognition for safe, healthy, high quality and innovative food products;
- it will have concern for sustainability and take responsibility for minimising the environmental impact of its operations including carbon/greenhouse gas efficient production systems, combined with robust biosecurity and traceability regimes;
- it will recognise its responsibilities and opportunities in improving communities' health and nutrition;
- it will capitalise on a strong research and development capability and supportive educational and skills infrastructure;
- Northern Ireland's vibrant and innovative local food culture will be recognised internationally as a key part of our local identity and will be integrated into our tourism offering and promotion.



23. This updated strategy for the Northern Ireland food industry builds on the former broad-based strategic approach laid out in "Fit for Market". This strategy re-emphasises the requirement for improved productivity, sustainability, and competitiveness. The main principles and areas identified in "Fit for Market" where industry and government have a role to play in developing the sector remain valid and constitute priorities moving forward. This updated strategy therefore requires continued emphasis on innovation, marketing and people as well as effective co-operation and collaboration within the supply chain.

One significant additional component to this strategy recognises the escalating importance of environmental sustainability and related drivers and costs. This strategy requires action to ensure food is produced, processed and distributed in ways which use natural resources responsibly and efficiently. This requires strategic priority to also be given to the area of energy and waste. This updated strategy will be target driven with a set of indicators that will be used to measure the impact of industry and government efforts.

24. This strategy is structured around these core issues and the five strategic priorities are:

- market understanding and development;
- fostering innovation;
- supply chain management;
- capability development; and
- energy and waste.

#### **25. Market Understanding and Development**

Supporting the industry's performance in key export and home markets will be a critical success factor in the future. Significant industry emphasis needs to be placed on marketplace promotion and development as well as investment in market intelligence and interpretation. Developing a brand-led Northern Ireland food and drink industry will enhance the region's reputation with commercial food buyers and consumers alike.

## 26. Fostering Innovation

Investment in innovation is essential to the future success of the local food sector. Taking forward prioritised actions from the MATRIX initiative and emphasis on innovation to meet consumer needs for fresh, healthy nutritional foods with high eating qualities will be strategically important. Commercialisation of research and effective systems for knowledge and technology transfer will require effective engagement between industry and R&D providers. Innovation within the food industry also requires investment in near-market R&D and the development and adoption of innovation at primary production level.

## 27. Supply Chain Management

Effective and efficient supply chains and channels to market are essential for future competitive advantage. Collaboration and co-operation across the food supply system including the animal feed, transport, hygiene and packaging ancillary sectors, will help to address consumer concerns on issues such as food safety and health, as well as helping the industry operate more efficiently. Maximising operational efficiency and market response at both primary production and processing levels will require effective information flow and the development of innovative systems for collaboration.

## 28. Capability Development

The food industry provides a range of employment opportunities at all levels of educational achievement. Continued emphasis is needed on training and upskilling the workforce, at all levels from factory floor to the Boardroom. Efforts should continue to promote career opportunities which exist across the industry.

## 29. Waste and Energy

Sustainable and environmentally responsible food production systems will combine to promote greater operational efficiency and potential economic opportunity for Northern Ireland, placing it as an internationally-recognised leader in sustainable development.

## Key Performance Indicators

30. The purpose of this section is to outline the set of indicators that will be used to establish targets and measure progress in the achievement of the goals within this Food Strategy. Additional context and background information on the Key Performance Indicators (KPIs) being used is detailed in Annexes C and D. Where possible, the headline indicators will:

- (i) capture and distil the key aspects of industry performance within a small number of easily understood measures;
- (ii) reflect business outcomes which are directly determined by, or lie significantly within the control of, businesses (and the influence of government) without being dominated by external factors (such as exchange rate fluctuations or international commodity markets);
- (iii) use existing sources of data, thereby avoiding unnecessary, time-consuming and costly data collection exercises.

### 31. Key Performance Indicator 1 - Return on Capital Employed

The effectiveness with which capital is employed within the business to generate profit is a robust measure of managerial performance and an indicator of longer term viability. Therefore, the first Key Performance Indicator is: **Return on Capital Employed (ROCE)**.

ROCE is a strong indicator of overall economic performance as determined and influenced by the managerial capabilities and actions within the sector. This information can be derived from normal accounting data lodged by companies and does not require additional data capture.

### 32. Key Performance Indicator 2 - Productivity

Improvement in productivity has been highlighted as one of the key challenges facing the local economy within the Economic Vision for Northern Ireland. When benchmarked against other parts of the UK, productivity locally is low. Addressing this deficit is seen as vital in improving the international competitiveness of the region's economy. Therefore, the second Key Performance Indicator is: **Productivity**.

Productivity is essentially a measure of the level of output achieved for a given level of input and various measures are available. Improvements in this ratio can flow from using resources more efficiently either to produce more output from the same level of input or the same output from fewer inputs (or any combination of these).

For the food processing sector a measure of productivity has to be accepted, driven by what is available from the financial reporting systems of food firms. In addition, data constraints dictate that it is not possible to combine labour and capital productivity in one measure. Consequently, two measures of productivity will be used, one for labour and one for capital, using GVA to dampen out the effect of fluctuating commodity prices, i.e.:

**Gross Value Added (2008 prices) per Full Time Employee**

**AND**

**Gross Value Added per £1000 of Capital Employed**

### **33. Key Performance Indicator 3 - External Sales as a Percentage of Total Turnover**

A longstanding measure of performance relates to export/external sales which is seen as a measure of the food sector's ability to expand into new markets, capturing both increasing volume effects

and increasing value added. However, it is a measure that is highly susceptible to the influences of international commodity markets as well as currency effects. To try and dampen down the effects of these exogenous factors, it is proposed that rather than simply tracking the value of export/external sales, the focus instead should be on the percentage of total sales that are sold outside Northern Ireland. Therefore, the third Key Performance Indicator is **External Sales as a Percentage of Total Turnover**.

### **34. Additional Performance Indicators**

These three KPIs should capture and reflect the overall efforts of businesses and government to improve the economic performance of the food industry in Northern Ireland. However, there are five key themes to the Food Strategy which will contribute to this improved performance, i.e.:

1. Market Understanding and Development;
2. Fostering Innovation;
3. Supply Chain Management;
4. Capability Development;
5. Energy and Waste.

It is appropriate that the performance of each of these key themes is also measured so that appropriate targets for improvement can be set and progress assessed. It is proposed that each Project Teams established to address these strategic themes should be remitted to consider and agree an appropriate set of performance indicators. Each strategic theme will have two or three indicators at most and these will be mapped directly to the strategic gaps that are identified, actions proposed and outcomes sought.

### 35. Setting Targets

The KPIs have been chosen to try and capture the impact of measures and initiatives undertaken by business (supported by government where appropriate) to improve performance, while at the same time trying to minimise, as far as possible, the influence of exogenous factors over which neither business nor government has control (such as exchange rates). However, it is not possible to eliminate completely the influence of external factors from the KPIs. This was considered carefully when setting future performance targets.

A review of available statistics from other parts of the UK has failed to identify comparator information against which the performance of the food and drinks industry in Northern Ireland can satisfactorily be benchmarked. Such information would have been valuable in assessing directly the performance of the local industry against other regions facing broadly the same set of economic challenges

and opportunities. Targets could have been set to improve relative performance rather than absolute performance. Given that this is not possible, targets based on Northern Ireland industry trends have been developed (i.e. targets for performance set in absolute terms).

Trend analysis for each KPI is appended at Annex C together with an explanation on the approach used to extrapolate these trends. It is recommended that the target for the current year (April 2010 - March 2011) should be to maintain performance at trendline projections or, if the trendline is decreasing, to sustain performance at the current level. In subsequent years further detailed consideration is required. This will require the drawing together of the collective expertise and experience of the key actors within industry and government to consider factors such as those outlined in Annex C and come to a consensus view of what would represent an ambitious and realistic set of performance targets over a given timeframe. In the longer term it is these to which both industry and government will subscribe and which will guide the decisions and actions of both.

Table 2 below outlines the current performance of the Northern Ireland food processing industry against each of these KPIs, along with trendline targets for 2010-11.

Table 2 - Food Processing Industry Performance and Targets

				TARGET
Rate of Return on Capital Employed (%)	2008	2009	2010	2011
	8.0	8.0	8.0	8.0
External Sales as a Percentage of Total Gross Turnover (%)	2008	2009	2010	2011
	69.0	70.8	72.6	74.4
Productivity, GVA per £1,000 of total capital employed	2008	2009	2010	2011
	505	504	504	504
Productivity, GVA per full-time employee equivalent (£) in 2008 prices	2008	2009	2010	2011
	29,174	29,356	29,538	29,719

Source: *Size and Performance of the Northern Ireland Food Processing Sector, Subsector Statistics (DARD)*; and *Northern Ireland Research & Development Statistics (DETI)*

### 36. Timeliness of Data

A number of organisations provide assistance in compiling the statistics for the DARD publication "Size and Performance of the Northern Ireland Food Processing Sector, Subsector Statistics" including the Statistics Research Branch of the Department of Enterprise, Trade and Investment, Invest NI, and Companies

Registry. This publication is however published with a two year time lag (though some provisional estimates with a 1-year time lag are also published). This reflects the time it takes for companies to log their accounts with Companies Registry and for data to be extracted and analysed. In order to secure more timely information, the possibility of deriving estimates based on sample information will be investigated.

## Taking the Strategy Forward

37. This strategy identifies five strategic themes which combine to form the framework for industry and government to work together to enhance the economic performance of the food and drink industry in Northern Ireland.

### Structures

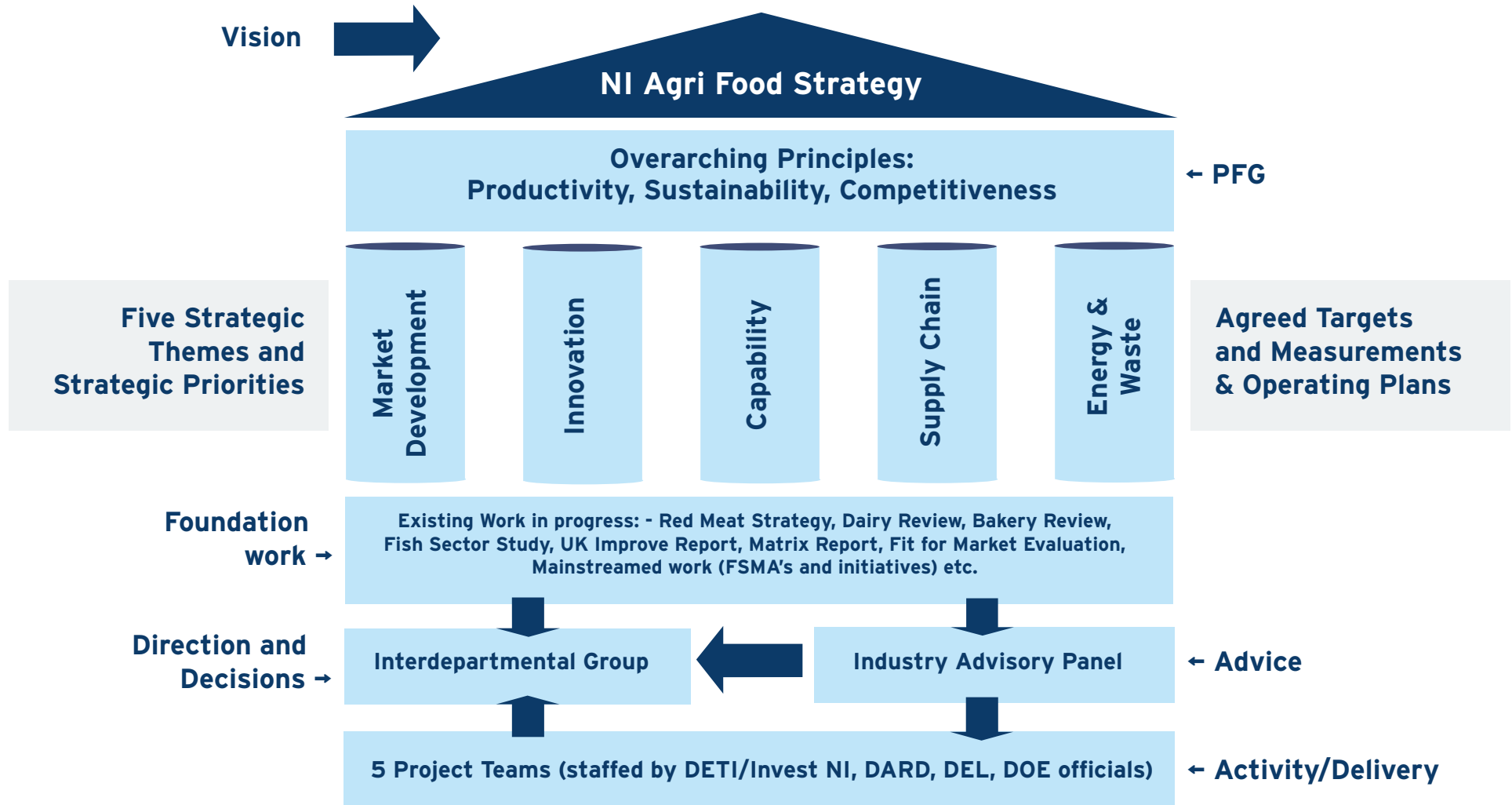
38. Expertise and resources from DARD and Invest NI have been brought together to establish five Interdepartmental Project Teams together with appropriate IAP representation on each team to address the five strategic themes. The Project Teams are charged with developing Action Plans which will contribute to the goals of this Strategy and to the targets set for each of the high level Key Performance Indicators.

The Programme for Government which places priority on raising productivity and increasing competitiveness has stimulated development of other strategies and wider industry initiatives. There is a clear need to cross-link the identified strategic themes for the food industry with relevant initiatives at the regional level to maximise the benefits to the Northern Ireland food industry.

It is also recognised that the five strategic themes are interrelated and effective integration and communication between the Project Teams will be important. Therefore quarterly meetings of Project Team Chairs with the Food Directors in Invest NI and DARD will be held with an emphasis on developing an integrated approach, monitoring progress and ensuring effective communication. This may be extended to include senior members of the IDG and the IAP Member working with each Project Team.

An annual workshop for all members of the five Project Teams will also be established to further build on this important communication agenda.

Structural Framework





## Current and Recent Food Strategies across the UK and Ireland

### NORTHERN IRELAND:

#### Fit For Market (2004)

Developed by the Food Strategy Group, this was a three-year strategy (2005 - 2008) with a vision of:

- A market led, customer focused agri-food industry
- A competitive and profitable primary production sector, linked to the processing sector and aware of market trends.

4 Strategic Priorities: i) Market Understanding and Penetration; ii) Fostering innovation; iii) Supply Chain Management and Development; and iv) Capability Development.

No targets for growth were set but measurements proposed were: i) Sales outside Northern Ireland; ii) GVA; iii) Share of Northern Ireland Economy; iv) ROCE; and v) New Jobs Created.

#### Vision Twenty/Twenty (2006)

Developed by the Foresight Leadership Group with the vision of a distinctive and competitive agri-Food sector through:

- Integrating food, diet and health.
- Leading edge food and ingredients.
- New Alternative Enterprises.
- Mastering risk and change.

Strategic Priorities proposed were a Series of 18 Innovation Programmes across 4 areas, an R&D spend of £45m over the next 10-15 years and the creation of internationally recognised centres of excellence. No measurements or targets were set for the delivery of this strategy.

#### Red Meat Strategy (2009)

The Northern Ireland Red Meat Industry Taskforce ([www.niredmeattaskforce.co.uk](http://www.niredmeattaskforce.co.uk)) was established to develop a 5 to 10 year strategy for the beef and sheepmeat industry in Northern Ireland. The Task Force engaged widely with industry and studied the viability of a range of production models. It published its findings in October 2007 setting out five key principles against which a series of recommendations were made. This implementation process is ongoing and very much a part of the strategy for Northern Ireland food.

**UK:****Food 2030 (January 2010)**

Vision of informed consumers choosing affordable healthy, sustainable food. This demand will be met by profitable, competitive, highly skilled and resilient farming, fishing and food businesses, supported by first class research and development.

Food security will be ensured through strong UK agriculture and food sectors and international trade links with EU and global partners, which support developing economies.

The UK will have a low carbon food system which is efficient with resources.

Strategic Priorities to include ensuring a resilient, profitable and competitive food system, increasing food production sustainably, reducing the food system's greenhouse gas emissions, increasing the impact of skills, knowledge, research and technology.

Measurements to include: i) Diet related ill-health; ii) GVA; iii) Total factor productivity of the food chain beyond the farm gate; iv) Energy use across the supply chain; v) GHG emissions from UK food chain;

vi) Food and drink manufacturing waste; vii) Investment in training; and viii) Development and uptake of knowledge and innovation.

**Cabinet Office Strategy Unit - Food Matters - Towards a Strategy for the 21st Century (July 2008)**

The Government's vision for the food system is one that is more sustainable - economically, socially and environmentally.

The Government's four strategic policy objectives for food should be to secure:

- fair prices, choice, access to food and food security through open and competitive markets;
- continuous improvement in the safety of food;
- the changes needed to deliver a further transition to healthier diets; and
- a more environmentally sustainable food chain.

There are no additional public expenditure implications of this report within the current Spending Review period (2008-11). The actions set out in the report are to be taken forward within departments' existing budgets.

## REPUBLIC OF IRELAND:

### Department of Agriculture, Fisheries and Food Statement of Strategy 2008-10

Vision - To lead the sustainable development of a competitive, innovative, consumer focused agriculture, food, fishery and forestry sector and contribute to a vibrant rural and coastal economy and society.

#### Strategic Objectives:

- Provide an appropriate policy framework to support the development of an internationally competitive, innovative and consumer focused sector (Goal 1).
- Promote economic, social, environmental sustainability, and appropriate structural change in the agriculture, forestry, fisheries, bio-energy and food production sectors (Goal 3).

Measurements to include: i) Value/volume of organic, artisan, local sector; ii) Share of market supplied by indigenous organic products; iii) the previous four strategic priorities of marketing, innovation, supply chain and capability GVA.

### 2020 Strategy - Department of Agriculture, Fisheries and Food

In February 2010 the Minister for Agriculture, Fisheries and Food launched a major initiative to draw up a long-term strategy for the agri-food, forestry and fisheries sectors in the Republic of Ireland. A consultation process with stakeholders to obtain views on what

policies and structures will best enhance the future development of the agriculture, forestry, fishing and food industries has been completed and the 2020 Committee is due to report to the Minister by the 1st June 2010.

The new strategy will both complement existing strategies and provide a new vision for the agri-food industry. It is planned that the strategy will position the industry to take advantage of the opportunity to develop and expand the Irish food industry to create a sustainable high-value industry at the forefront of premium food production.

### Bord Bia Strategic Priorities 2009-11

Aim is to drive the success of a world class Irish Food, Drink and Horticulture industry through strategic market development, promotion and information services.

Strategic Objectives/Priorities: i) Promoting Ireland - The Sustainable Food island; ii) Delivering business development initiatives to broaden export reach; iii) Enhancing the position of Irish food, drink and horticulture on the Irish market; iv) Driving consumer focussed innovation through market knowledge; v) Pursuing a repositioning and differentiation strategy for Irish meat; and vi) Supporting a dynamic and growth-oriented small business sector.

Export Sales will be measured with Export Revenue targets across Dairy, Alcoholic Beverages, Prepared Foods, Meat and Other being set. Aim to increase Annual Export Revenue from €8bn to €10bn by 2011.

## SCOTLAND:

### Scottish Enterprise - Scottish Food and Drink Strategy

Vision/Mission in 2010 (Abridged version):

- Unrivalled reputation in food, drinks and related products and services.
- Perceived as natural, high quality, and completely in tune with today's world and consumer tastes.
- Organisations operate in an environment of trust and mutual respect.
- Scottish business becoming more sophisticated, gaining advantage from strong linkages between farmers, fishermen, processors and customers.
- Used its international connections to sell more abroad and its inherent innovativeness to offer new products and services to a fast-changing market.
- Exploited the best technologies and made the most of its image to boost perceptions of quality and service.
- A culture of real innovation enabled by connections between producers, scientists and production companies.
- Businesses invested in their people, their processes and the marketing of their products to the customers who really mattered.
- These shifts in attitude attracted ambitious young people into a vibrant industry.

Measurements: i) Sales growth; ii) Value added; iii) Export sales growth; iv) Employment growth.

Targets (relevant targets to be established with the drinks industry):

- Increase sales of food and soft drinks from £4.2bn to £7.4bn (6% annually);
- Increase value added from £1bn to £2.5bn (9% annually);
- Treble exports to £1.5bn;
- Increase Food Manufacturing Employment from 48,000 to 54,000.

### Scottish Government - Recipe for Success - Scotland's National Food and Drink Policy

Recipe for Success sets out the next steps of Scotland's National Food and Drink Policy and sets out how they will:

- Support the growth of their food and drink industry;
- Build on their reputation as a land of food and drink;
- Ensure healthy and sustainable choices are made;
- Make their public sector an exemplar for sustainable food procurement;
- Ensure their food supplies are secure and resilient to change;
- Make food available and affordable to all; and
- Ensure that people understand more about the food they eat.

### Scotland Food and Drink - 'Fresh Thinking' Strategy Document

Vision: Scotland to have a reputation as a 'Land of Food and Drink'.

Mission: To grow the industry turnover to £12.5bn by 2017 and GVA to £6.1bn.

Overall aim: To provide support for businesses across the key areas of innovation, collaboration, skills, sustainability and scale.

## WALES:

### Welsh Assembly Agri-Food Partnership

The Welsh agriculture, fisheries and food production industry is undergoing a transformation designed to realise its full potential in the economy. It aims to help producers become more market focused and add value to Welsh food through:

- Better co-ordination between producers, processors and others in the food chain;
- Support for the development of new products;
- More sophisticated marketing of Welsh food.

Headed by the Agri-Food Partnership which draws together interest groups in the food chain to build on the industry's existing market strengths, it is industry led and supported by the Welsh Assembly Government.

Five Action Plans have been developed against Dairy, Fishery & Aquaculture, Horticulture, Lamb & Beef, and Organic. Each of these Action Plans analyses the threats and opportunities facing each sector, provides a plan for future development, identifies projects to achieve industry goals and objectives and develops a means of delivering the plan.

### Red Meat Strategy

Being taken forward by Hybu Cig Cymru, the Strategy's Strategic Objectives/Priorities are:

- To differentiate Welsh Lamb and Beef products in the market so that they compete more on quality and less on price;
- To strengthen the value added in the food supply chain; To differentiate Welsh Lamb and Beef products in the market so that they compete more on quality and less on price;
- To strengthen the value added in the food supply chain; and
- To develop an integrated approach to achieving better quality and more cost efficient production on Welsh farms.

### Rural Development Sub Committee Inquiry into the Production and Promotion of Welsh Food (July 2009)

Strategic Objectives/Priorities

- Examining the challenges facing the Welsh agri-food sector;
- Assessing the success of Welsh Assembly Government initiatives in this area to date;
- Evaluating the appropriateness of the Welsh Assembly Government's proposals for the future of the sector; and
- Making recommendations to the Welsh Assembly Government.

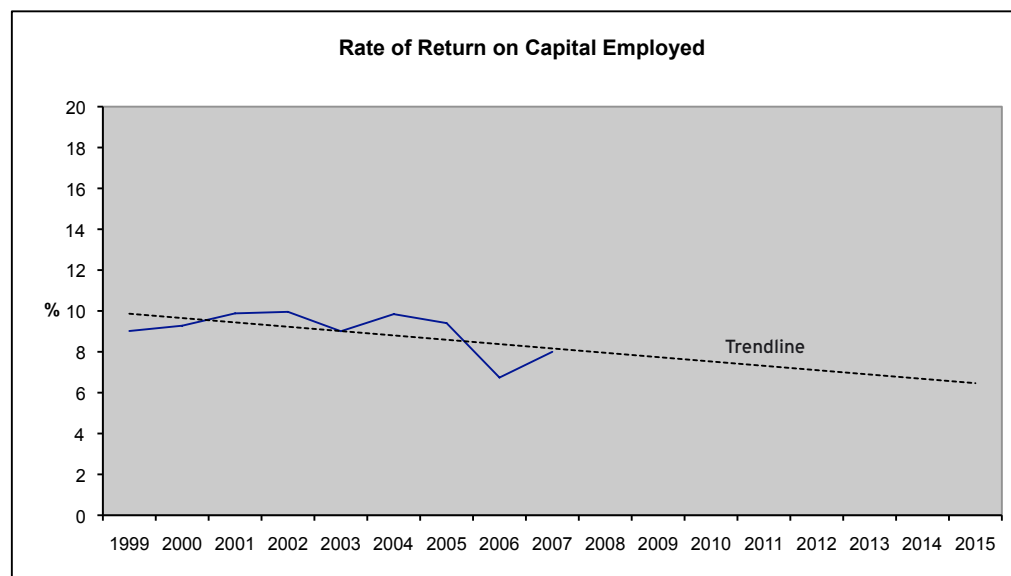
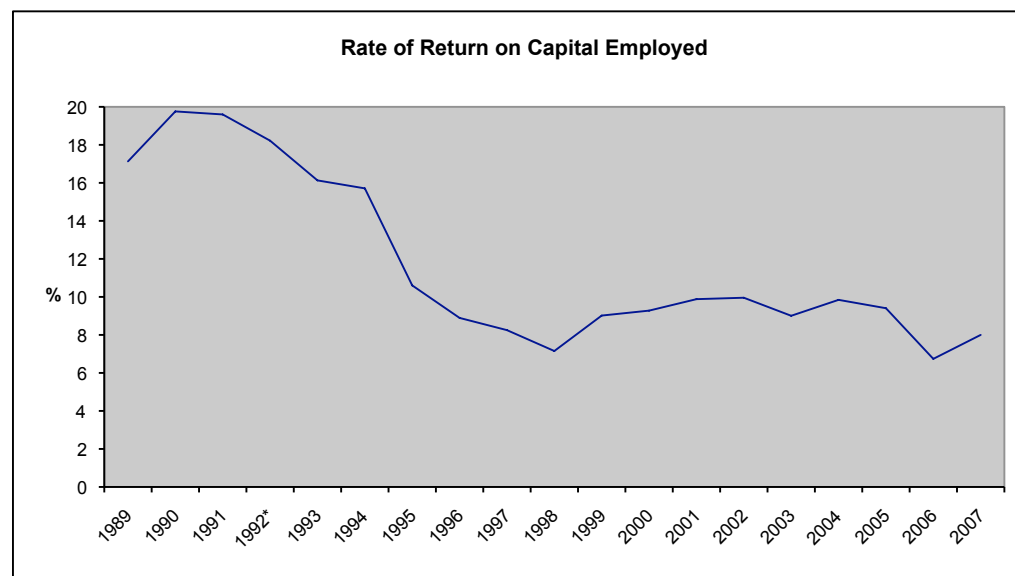
## Northern Ireland Food Industry Key Performance Indicator Trends

Rate of Return on Capital Employed (%)<sup>1</sup>

	1989	1990	1991	1992*	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Animal By-Products	19.1	20.9	20.7	17.6	17.4	10.5	15.2	10.7	25.6	21.1	18.0	10.4	17.4	22.8	12.0	10.1	14.1	20.2	24.7
Bakeries	25.8	23.0	24.2	13.1	17.5	18.3	13.2	12.1	2.1	3.2	2.2	6.2	4.0	6.0	7.2	16.1	21.7	17.8	11.0
Beef & Sheepmeat	20.2	26.5	24.9	26.3	16.9	10.1	8.8	9.1	14.2	12.7	13.6	14.3	16.2	12.4	8.6	9.7	11.0	9.8	9.6
Drinks	22.5	23.1	25.5	24.2	40.4	32.6	17.9	16.9	16.6	16.6	14.7	15.1	14.4	12.8	8.1	8.6	10.3	7.1	9.2
Eggs	4.6	9.2	8.2	7.9	15.0	13.6	16.5	13.2	10.5	0.0	0.6	3.1	20.6	7.7	14.7	16.4	10.1	15.5	16.6
Fish	17.6	19.0	18.9	17.0	27.4	22.7	16.0	17.9	17.4	14.3	17.4	13.6	14.6	13.7	11.9	12.8	11.3	9.4	7.8
Fruit & Vegetables	19.7	17.5	16.3	14.8	15.7	16.6	20.3	12.4	7.9	6.8	14.1	11.1	6.2	3.7	10.6	13.9	12.5	11.8	11.4
Milk & Milk Products	15.1	15.8	16.8	16.8	8.1	11.6	2.6	5.6	2.8	1.3	3.6	3.7	3.9	9.7	10.6	9.9	6.0	6.1	7.3
Pigmeat	17.3	20.8	9.4	4.9	4.7	2.2	0.0	0.0	0.0	0.0	9.5	7.0	8.3	6.2	2.9	2.8	3.2	2.1	3.8
Poultrymeat	6.2	23.3	22.6	21.9	17.2	13.0	16.7	2.9	5.1	0.0	0.0	1.0	5.5	6.5	12.5	10.5	7.0	0.0	0.2
<b>Total</b>	<b>17.1</b>	<b>19.8</b>	<b>19.6</b>	<b>18.2</b>	<b>16.1</b>	<b>15.7</b>	<b>10.6</b>	<b>8.9</b>	<b>8.3</b>	<b>7.2</b>	<b>9.0</b>	<b>9.3</b>	<b>9.9</b>	<b>10.0</b>	<b>9.0</b>	<b>9.8</b>	<b>9.4</b>	<b>6.7</b>	<b>8.0</b>

\* 1992 figures for ROCE are calculated by adding net profit to estimated interest paid and dividing by total capital employed.

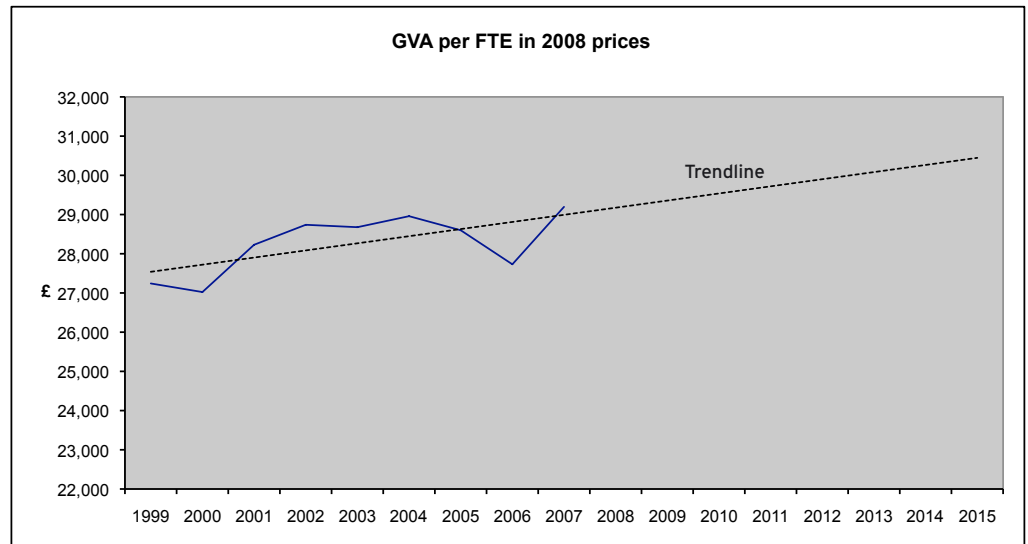
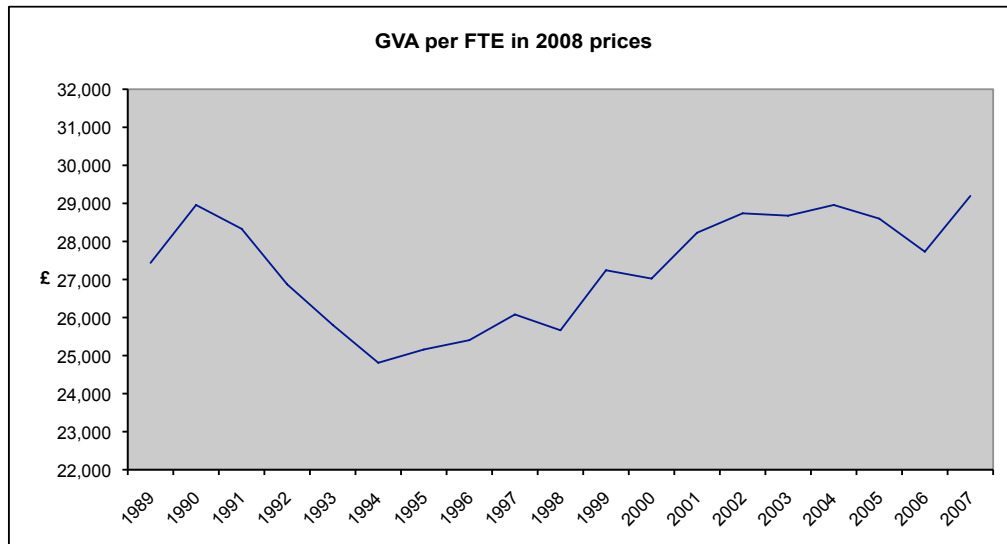
<sup>1</sup>These figures do not include an estimate of the rate of return on capital employed of food and drinks processing businesses with turnovers less than £250,000.



**Productivity, i.e. gross value added per full-time employee equivalent<sup>1</sup>(£) in 2008 prices**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Animal By-Products	48,650	50,208	53,651	54,189	56,952	28,907	27,675	23,680	32,829	33,892	32,585	31,119	34,739	34,949	34,936	36,649	39,858	43,494	48,708
Bakeries	27,398	27,124	26,403	23,672	18,371	19,473	20,853	21,051	19,242	20,031	19,160	19,888	19,320	20,270	20,284	21,620	22,959	23,083	21,488
Beef & Sheepmeat	20,739	23,555	24,009	20,602	21,396	20,507	23,167	25,175	30,882	29,508	32,175	30,304	32,655	30,281	31,344	30,529	31,340	29,682	29,254
Drinks	48,418	48,367	50,214	51,728	56,291	50,569	54,224	52,656	57,514	57,801	55,216	52,695	53,977	57,097	52,629	54,520	59,005	58,539	62,265
Eggs	16,823	35,769	30,994	30,369	28,147	25,042	26,153	24,319	23,092	18,995	21,898	25,293	34,202	27,147	32,266	35,768	33,306	34,555	36,171
Fish	15,960	16,287	14,684	13,992	16,986	17,978	15,506	17,237	19,938	18,670	21,220	19,861	23,201	23,891	23,510	23,675	23,376	22,910	22,915
Fruit & Vegetables	28,107	26,795	22,793	20,536	24,783	24,753	25,815	23,837	21,771	22,068	24,478	24,100	23,691	25,994	27,437	26,862	27,151	26,988	28,981
Milk & Milk Products	36,120	37,735	39,338	39,872	34,635	34,482	28,973	31,562	29,982	28,555	31,953	33,689	34,569	40,620	39,650	38,938	36,041	36,006	36,644
Pigmeat	22,681	23,334	20,400	19,298	21,215	19,040	17,391	14,186	17,242	19,188	23,530	22,291	23,245	22,566	19,884	20,942	21,387	20,328	21,395
Poultrymeat	19,693	22,199	23,045	22,210	19,276	18,527	21,627	22,642	20,172	18,537	19,127	20,158	22,048	22,062	23,039	23,461	22,073	19,754	23,644
<b>Total</b>	<b>27,436</b>	<b>28,958</b>	<b>28,332</b>	<b>26,872</b>	<b>25,806</b>	<b>24,811</b>	<b>25,159</b>	<b>25,405</b>	<b>26,080</b>	<b>25,665</b>	<b>27,242</b>	<b>27,023</b>	<b>28,229</b>	<b>28,739</b>	<b>28,677</b>	<b>28,958</b>	<b>28,599</b>	<b>27,731</b>	<b>29,196</b>

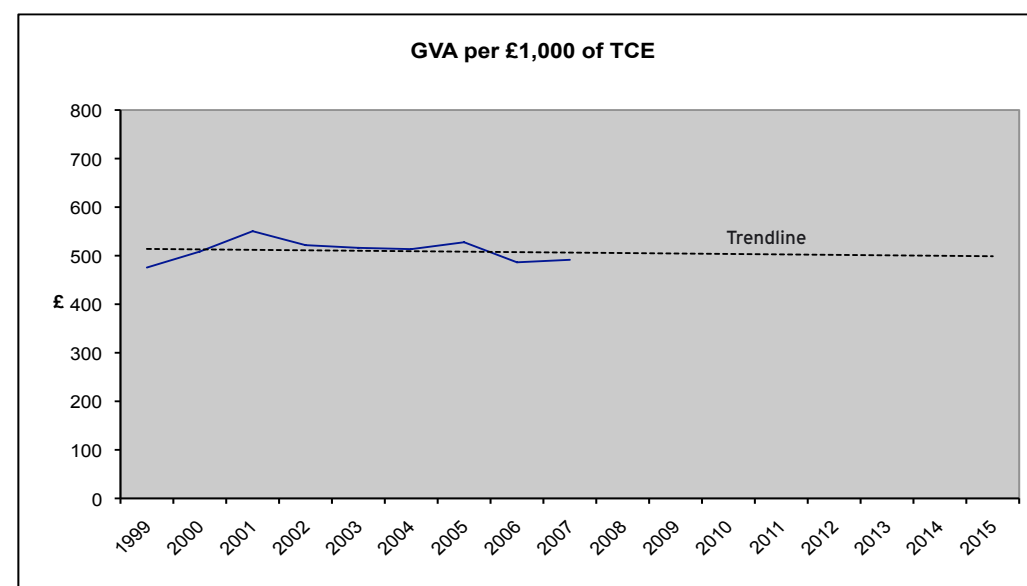
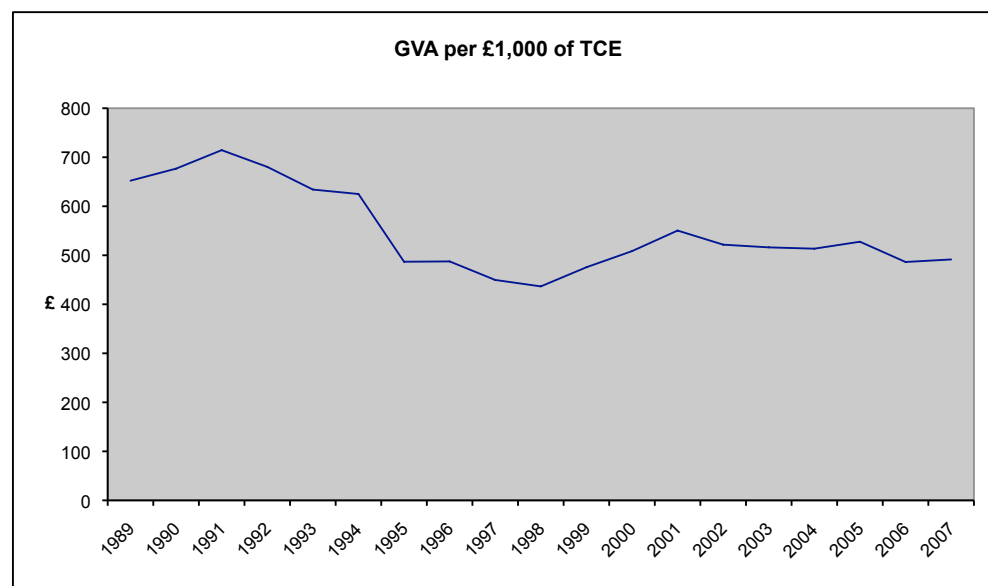
<sup>1</sup>These figures do not include an estimate of the productivity of food and drinks processing businesses with turnovers less than £250,000.



### Productivity, gross value added per £1,000 of total capital employed<sup>1</sup>

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Animal By-Products	457	459	449	395	484	413	664	652	844	783	754	692	782	807	555	517	579	776	687
Bakeries	1357	1227	1395	1219	1302	1358	1018	1027	902	817	976	1054	911	838	801	1074	1374	1253	900
Beef & Sheepmeat	781	899	972	991	874	616	471	478	511	500	573	553	621	533	491	497	497	504	514
Drinks	524	486	550	516	751	607	337	326	347	335	312	352	382	323	277	273	295	241	271
Eggs	174	317	298	291	295	297	372	388	531	560	560	420	614	426	520	549	525	582	570
Fish	702	691	709	671	775	680	514	589	609	606	668	602	646	621	602	640	560	533	506
Fruit & Vegetables	585	602	621	655	606	612	645	574	474	456	589	582	511	530	695	693	701	658	612
Milk & Milk Products	493	509	574	539	408	426	281	331	323	281	301	310	365	405	447	384	349	376	400
Pigmeat	859	941	778	693	497	677	686	468	297	396	587	568	530	525	431	431	472	482	477
Poultrymeat	923	1115	934	1086	954	965	1047	937	749	675	748	948	1020	1009	1186	1195	1067	731	740
<b>Total</b>	<b>652</b>	<b>677</b>	<b>714</b>	<b>680</b>	<b>634</b>	<b>625</b>	<b>487</b>	<b>487</b>	<b>450</b>	<b>437</b>	<b>476</b>	<b>508</b>	<b>550</b>	<b>522</b>	<b>516</b>	<b>513</b>	<b>528</b>	<b>486</b>	<b>491</b>

<sup>1</sup>These figures do not include an estimate of the productivity of food and drinks processing businesses with turnovers less than £250,000.



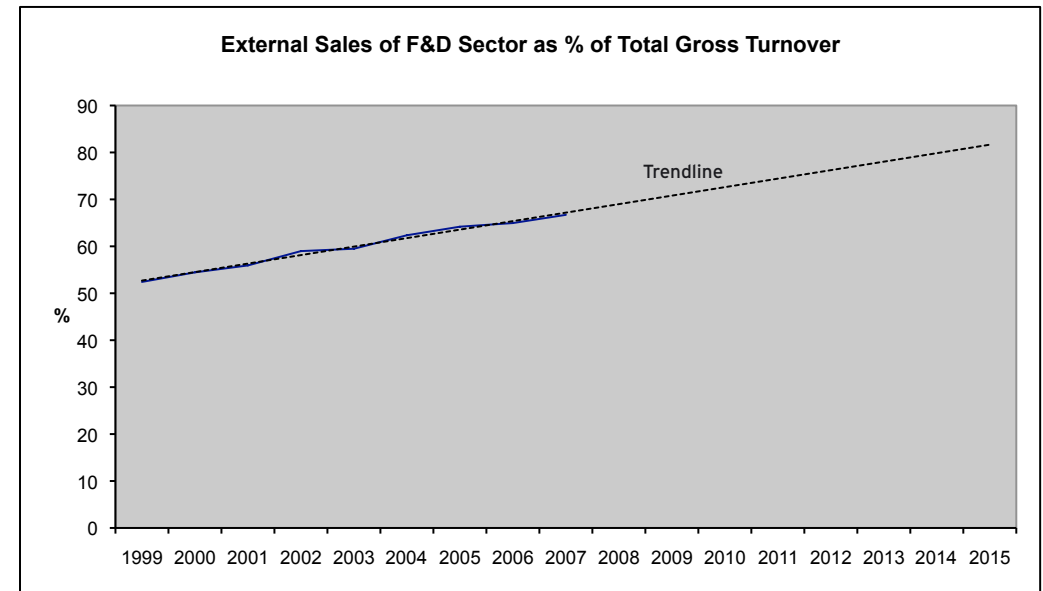
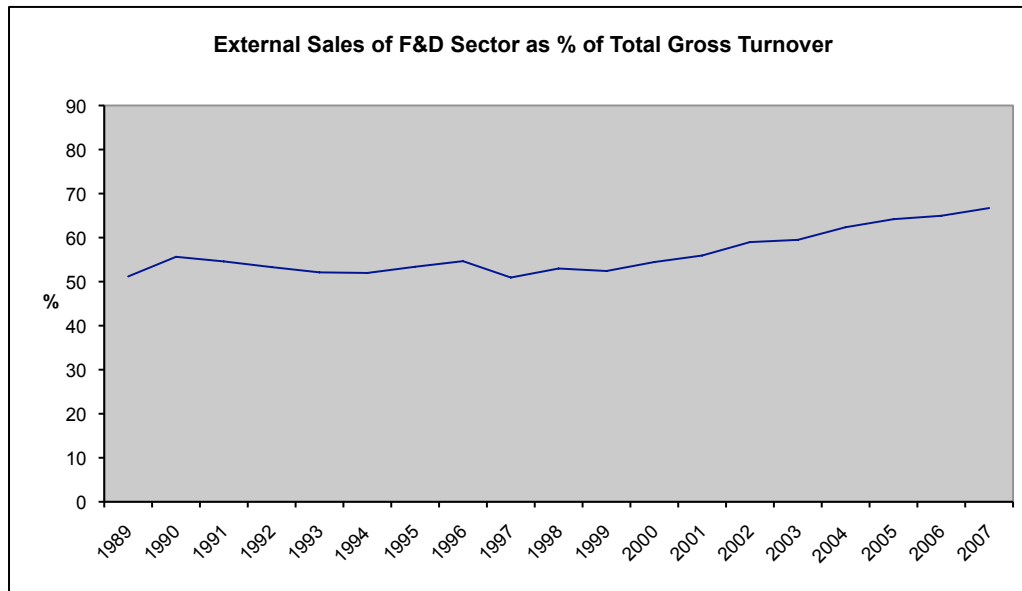


## External Sales<sup>1</sup> as a Percentage of Total Gross Turnover (%)<sup>2</sup>

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Animal By-Products	79.9	86.3	86.1	76.9	83.3	82.1	82.8	81.9	87.3	88.0	80.7	82.5	83.3	86.6	87.9	85.0	85.6	90.5	87.8
Bakeries	7.6	8.1	8.3	9.2	9.2	12.0	12.8	13.6	16.7	21.2	25.4	25.2	24.8	28.1	30.3	34.1	31.9	35.6	38.7
Beef & Sheepmeat	65.9	78.4	72.8	71.5	68.5	67.5	66.5	64.4	58.6	58.5	54.8	51.0	57.3	57.8	58.7	60.8	62.4	61.9	63.4
Drinks	34.2	38.1	40.2	31.4	24.8	23.7	21.2	23.5	26.4	17.5	17.0	31.7	33.6	50.3	47.8	48.5	53.0	52.0	54.9
Eggs	59.4	59.1	60.2	64.4	70.1	69.8	72.5	76.3	78.7	77.3	75.8	76.7	76.2	76.0	78.1	77.1	82.0	76.2	56.7
Fish	80.2	76.3	77.9	77.1	79.1	79.1	68.4	77.5	77.9	83.0	82.0	77.5	75.7	76.2	75.3	72.3	69.5	69.3	76.0
Fruit & Vegetables	51.2	56.4	59.0	54.5	53.2	47.4	49.7	49.7	54.1	58.5	54.8	59.0	52.7	56.7	57.5	57.1	58.7	57.8	56.3
Milk & Milk Products	52.6	53.7	53.2	52.4	53.2	55.8	61.1	62.5	52.2	59.6	62.5	64.2	65.9	64.6	64.3	70.3	70.3	71.0	72.9
Pigmeat	54.8	56.8	54.0	58.1	57.4	57.3	52.6	57.2	55.6	58.6	57.1	52.8	48.4	49.8	50.7	53.8	56.5	55.1	60.0
Poultrymeat	55.6	58.7	62.6	62.0	59.2	57.4	61.5	61.5	60.4	62.9	63.2	68.9	71.0	73.3	77.0	77.7	80.4	86.5	86.8
<b>Total</b>	<b>51.2</b>	<b>55.6</b>	<b>54.6</b>	<b>53.3</b>	<b>52.1</b>	<b>52.0</b>	<b>53.4</b>	<b>54.7</b>	<b>50.9</b>	<b>53.0</b>	<b>52.4</b>	<b>54.5</b>	<b>55.9</b>	<b>59.0</b>	<b>59.5</b>	<b>62.4</b>	<b>64.2</b>	<b>65.0</b>	<b>66.7</b>

<sup>1</sup>External sales are defined as sales to destinations outside of Northern Ireland.

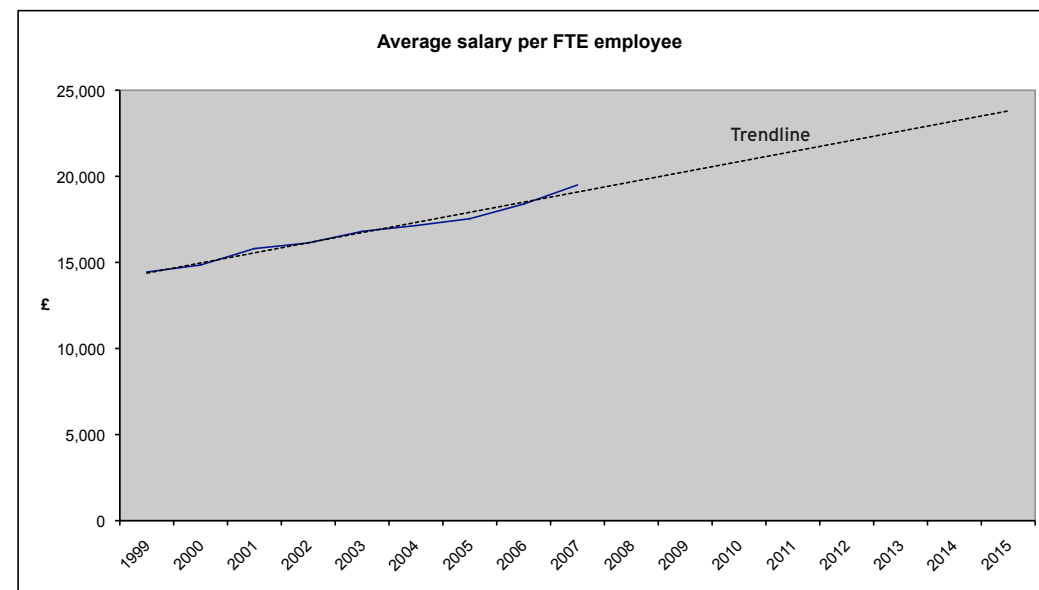
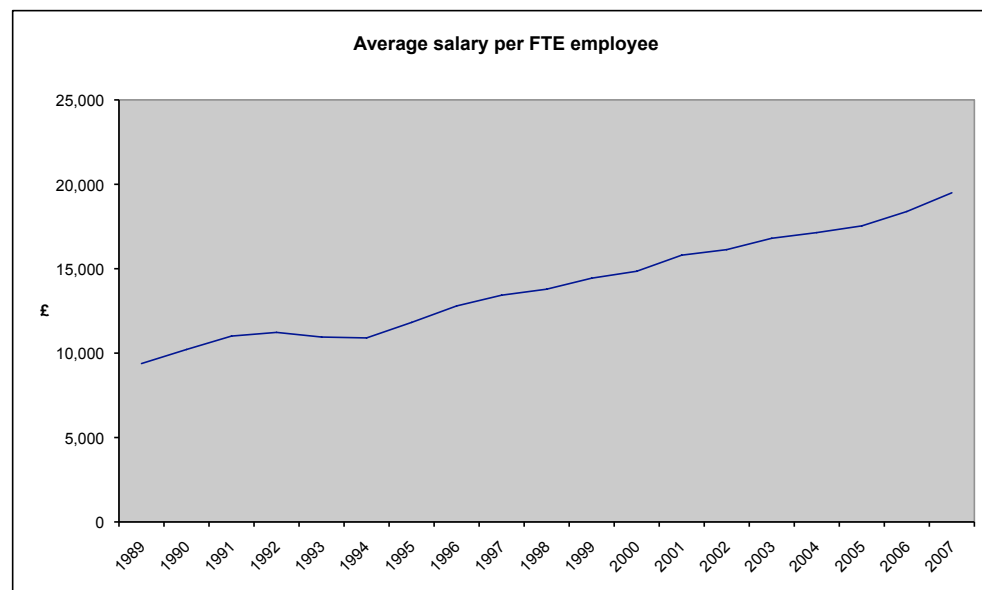
<sup>2</sup>These figures do not include an estimate of the productivity of food and drinks processing businesses with turnovers less than £250,000.



Average Wages and Salaries per full time employee equivalent (£)<sup>1</sup>

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Animal By-Products	9,705	10,612	12,245	12,816	16,013	11,810	12,127	11,786	13,702	15,054	15,602	16,402	17,989	16,533	18,515	20,761	21,456	23,920	23,424
Bakeries	10,936	11,670	12,268	12,724	9,682	10,589	11,181	11,912	12,460	13,018	13,192	13,470	13,539	13,857	13,687	14,068	15,091	15,880	15,702
Beef & Sheepmeat	7,488	8,856	10,155	9,241	10,219	10,066	11,127	11,672	13,513	14,049	16,049	15,032	16,326	15,964	18,365	17,798	18,360	18,420	19,179
Drinks	12,290	12,673	13,884	14,693	14,668	13,505	14,980	15,107	18,710	18,243	18,362	18,978	21,696	22,880	24,942	23,907	23,598	26,202	28,586
Eggs	5,850	12,672	12,064	11,198	7,999	7,605	8,299	9,846	11,094	12,197	12,866	13,453	13,863	14,373	14,472	15,756	17,540	16,439	18,916
Fish	5,498	5,561	5,633	5,755	6,302	7,171	6,275	7,251	8,847	9,167	9,513	9,924	12,315	12,976	13,693	14,267	14,211	14,616	15,562
Fruit & Vegetables	7,737	8,491	8,505	9,233	9,411	9,287	10,179	11,205	10,988	11,542	11,982	12,782	13,984	16,078	16,500	16,235	17,235	17,649	19,183
Milk & Milk Products	10,878	12,076	13,910	14,468	14,728	13,863	14,796	15,351	16,392	16,622	17,726	19,639	20,534	20,783	19,997	20,407	21,645	22,497	23,313
Pigmeat	8,832	9,599	10,189	10,558	11,517	11,067	11,602	11,888	12,480	13,567	13,253	13,381	13,488	14,263	14,018	15,416	16,194	15,951	16,670
Poultrymeat	8,924	8,790	9,525	10,250	9,485	9,868	11,640	14,418	12,364	12,613	13,262	13,736	14,512	14,672	15,323	16,350	15,951	17,477	19,328
<b>Total</b>	<b>9,382</b>	<b>10,215</b>	<b>11,010</b>	<b>11,228</b>	<b>10,953</b>	<b>10,900</b>	<b>11,819</b>	<b>12,795</b>	<b>13,432</b>	<b>13,788</b>	<b>14,440</b>	<b>14,849</b>	<b>15,803</b>	<b>16,131</b>	<b>16,803</b>	<b>17,140</b>	<b>17,537</b>	<b>18,389</b>	<b>19,498</b>

<sup>1</sup>These figures do not include an estimate of the wages and salaries of food and drinks processing businesses with turnovers less than £250,000.



## Contextualising the Measurements and KPIs

### Key Performance Indicator 1 - Return on Capital Employed (ROCE)

For any business, the ultimate objective and single most important measure of success is long term profitability. In the short term, profitability may be sacrificed in favour of, for example, growing market share or business restructuring to remove costs. However, these actions are motivated by the aspiration of better profitability over the longer term.

Profitability itself is a meaningless measure unless it is assessed relative to the resources that are used to generate that profit. The effectiveness with which capital (both owned and borrowed) is employed within the business to generate profit is a robust measure of managerial performance and an indicator of longer term viability. It also allows different business models (e.g. rapid turnover/low margin versus slower turnover/higher margin) to be assessed on a common and fair basis.

Therefore, the first Key Performance Indicator is Return on Capital Employed.

This can be derived from normal accounting data lodged by companies and does not require additional data capture. For food processing companies which buy raw/semi-processed agricultural commodities and sell semi-processed/processed foods in an open EU trading environment, the

influence of factors such as exchange rates and international commodity markets are felt on both the input and output side of the profit equation. Therefore, these external influences on bottom line profitability are significantly muted (particularly when compared with primary production enterprises). Hence, ROCE is a strong indicator of overall economic performance as determined and influenced by the managerial capabilities and actions within the sector.

### Key Performance Indicator 2 - Productivity

Improvement in productivity has been highlighted as one of the key challenges facing the local economy within the Economic Vision for Northern Ireland. When benchmarked against other parts of the UK, productivity locally is low. Addressing this deficit is seen as vital in improving the international competitiveness of the region's economy.

Therefore, the second Key Performance Indicator is Productivity.

There are various measures of productivity available. Productivity is essentially a measure of the level of output achieved for a given level of input. Improvements in this ratio can flow from using resources more efficiently either to produce more output from the same level of input or the same output from fewer inputs (or any combination of these).

In primary agriculture, measures already exist of Total Factor Productivity (i.e. the ratio of all outputs achieved to all inputs consumed (including labour and capital). This is calculated at constant prices to avoid the “clouding” influence of input price and output price fluctuations. The advantage of Total Factor Productivity is that it captures the efficiency with which all inputs are used and is not skewed by substitutions between labour and capital.

Another measure of productivity is Labour Productivity, which again is calculated for primary agriculture as the ratio of net value added at constant prices per total labour input (expressed in Annual Work Units). The difficulty with this measure is that different sectors will have differing Labour Productivity ratios depending on the particular mix of capital and labour that is typical of the sector and the degree to which one is being substituted for the other. For example, a rapid improvement in Labour Productivity may be achieved by heavy capital investment, but this may not be reflected in a similar improvement in Total Factor Productivity.

These relatively sophisticated measures of productivity at constant prices are possible within primary agriculture because of the extensive data collection and analysis systems that exist. These systems are not replicated for the food processing sector. Therefore, a less robust measure of productivity has to be accepted, driven by what is available from the financial reporting systems of food firms. In addition, data constraints

dictate that it is not possible to combine labour and capital productivity in one measure. Consequently, it is suggested that two measures of productivity are used, one for labour and one for capital, i.e.

#### **Gross Value Added (2008 prices) per Full Time Employee**

#### **Gross Value Added per £1000 of Capital Employed**

Using GVA dampens out the effect of fluctuating commodity prices (which would be a problem if, for example, the value of total output was used in the top line of these ratios).

#### **Key Performance Indicator 3 - External Sales as a Percentage of Total Turnover**

A longstanding measure of performance, and included within the “Fit for Market” report, relates to export/external sales. This is seen as a measure of the food sector’s ability to expand into new markets, capturing both increasing volume effects and increasing value added. However, it is a measure that is highly susceptible to the influences of international commodity markets (well illustrated by the huge fluctuations in dairy commodity prices over the past two years), as well as currency effects. These have the capacity to swamp the impact of decisions and initiatives taken by businesses and governments to increase export/external sales, and it is these latter issues on which the performance indicators must focus if they are to have any use or relevance.

Therefore, to try and dampen down the effects of these exogenous factors, it is proposed that rather than simply tracking the value of export/external sales, the focus instead should be on the percentage of total sales that are sold outside Northern Ireland. In theory, the rise and fall of international commodity markets and the effect of exchange rates should affect domestic market revenues as well as the external market revenues. Therefore, external sales as a percentage of total sales should be a more stable measure of export performance than simple tracking values.

Therefore, the third Key Performance Indicator is External Sales as a Percentage of Total Turnover.

#### **Additional Performance Indicators**

These three Key Performance Indicators should capture and reflect the overall efforts of businesses and government to improve the economic performance of the food industry in Northern Ireland. However, there are five key themes to the Food Strategy which will contribute to this improved performance, i.e.:

1. Market Understanding and Development;
2. Fostering Innovation;
3. Supply Chain Management;
4. Capability Development; and
5. Energy and Waste.

It is appropriate that the performance of these individual strands is also measured so that appropriate targets for improvement can be set and progress assessed. It is proposed that each of Project Teams established to address these strategic themes should be remitted to consider and agree an appropriate set of performance indicators. Each strategic theme will have two or three indicators at most and these will be mapped directly to the strategic gaps that are identified, actions proposed and outcomes sought.

#### **Setting Targets**

The KPIs have been chosen to try and capture the impact of measures and initiatives undertaken by business (supported by government where appropriate) to improve performance, while at the same time trying to minimise, as far as possible, the influence of exogenous factors over which neither business nor government has control (such as exchange rates). However, it is not possible to eliminate completely the influence of external factors from the KPIs. This is something that needs to be considered carefully when setting future performance targets.

A review of available statistics from other parts of the UK has failed to identify comparator information against which the performance of the food and drinks industry in Northern Ireland can be benchmarked. Such information would have been valuable in assessing directly the performance of the local industry against competitors facing broadly the same set of economic challenges and opportunities. Targets could have been set to improve relative performance rather than absolute

performance (thereby largely stripping out the remaining influence of exogenous factors which cannot be controlled but which would apply to all). Given that this is not possible, targets based on Northern Ireland industry trends need to be developed (i.e. targets for performance set in absolute terms). Trend analysis for each KPI is appended at Annex C.

Where a target is to be based on an extrapolation of past and current trends, several factors need to be considered. The key consideration is whether the underlying conditions which have created that trend are likely to continue over the projection period. For example, if we are considering growth in the value of external sales (as a percentage of total sales), due consideration needs to be given to the underlying availability of raw material for processing. Can the red meat sector sustain external sales growth against a backdrop of a falling domestic suckler cow herd and breeding sheep flock? Will increases in value added per unit of external sales be sufficient to offset any contraction in volume? Will the economic conditions that underpinned the creation of the current trend persist and thus permit the continuation of that trend over the projection period? Are there foreseeable events that could alter the underlying trend (e.g. the forthcoming abolition of milk quotas)?

Due consideration also needs to be given as to whether a trend is sustainable. For example, external sales as a percentage of total sales have been growing steadily, but cannot continue to grow indefinitely (de facto, they can not exceed 100%). Therefore, the question needs to be considered as to when the trend growth will start to slow or level off.

Following on from this basic consideration of the factors that will affect the continuation of the existing trend, thought then needs to turn to the actions and resources that will be deployed by industry and government to try to improve performance, as well as their effectiveness. Will these be higher or lower than in the past, or will they be more or less effective?

In an ideal world, there would be an understanding and knowledge of the improvement in performance for any given level of investment in resource or effort, which, of course, will differ depending on whether the investment is a one-off or is continuing/cumulative. There would also be an appreciation of the time lags involved, i.e. it is highly unlikely that £x invested today will yield an instant and constant shift in performance. For example, an investment in research leading, in due course, to innovative (and ultimately profitable) new products and processes may not feed through to an enhanced return on capital employed for many years (after allowing the necessary time and investment to bring these innovations to market and to grow sales volumes).

It also has to be recognised that the food and drinks industry is extremely diverse. At its most basic, some elements exist largely to process and market (both domestically and externally) a set of raw materials produced locally. Others have no linkage to a domestic supply base and exist largely to process imported materials to meet a local demand for the finished product. Some elements may have great potential to expand external sales, others to improve productivity, others to add value. Therefore, any given future performance target which may be

easily achievable by one sub-sector could prove extremely challenging, even unrealistic, for another.

Pulling all of these factors together means that setting future performance targets based purely on the extrapolation of past and current trends may be appropriate and expedient in the short term.

It is therefore recommended that the target for the forthcoming year should be to maintain performance at trendline projections. In subsequent years further detailed consideration is required. This will require the drawing together of the collective expertise and experience of the key actors within industry and government to consider factors such as those outlined above and come to a consensus view of what would represent an ambitious and realistic set of performance targets over a given timeframe. In the longer term it is these to which both industry and government would subscribe and, most importantly, which would guide the decisions and actions of both.

#### **Timeliness of Data**

The current DARD publication “Size and Performance of the Northern Ireland Food Processing Sector, Subsector Statistics” is published with a two year time lag for most of the indicators contained in the publication. This reflects the time it takes for companies to log their accounts with Companies Registry and for data to be extracted and analysed. There is a

one year time lag for gross turnover (although a two year time lag applies to external sales and exports) and employment data, however, these will only be reported as provisional estimates for the most recent year for which data is available, i.e. it is anticipated that the full set of data on the performance of the sector in 2008, along with provisional estimates of gross turnover and employment in 2009, will be published in July 2010.

A number of organisations provide assistance in compiling the statistics for this DARD publication including the Statistics Research Branch of the Department of Enterprise, Trade and Investment, Invest NI, and Companies Registry.

An examination of the key indicator data presented in Annex C reveals considerable variation between the various food and drinks sub-sectors (reflecting the particular characteristics of each). Therefore, it would not be possible to construct indicators from a sample of firms and expect that these would be representative of the performance of the food and drinks sector as a whole, given the diversity that exists. Consequently, data lags will continue to be a problem. IDG and IAP will wish to consider this further.

**Membership of the Industry Advisory Panel and the Interdepartmental Group****IAP Membership**

Trevor Lockhart - Fane Valley (Chair of IAP)  
Clarke Black - Ulster Farmers' Union  
David Dobbin - Dale Farm & NIFDA  
John Gilliland - Farmer  
Tracy Hamilton - Mash Direct & NIFDA Board Member  
Des Lamph - McDonald's Franchisee  
Brian McErlain - McErlain's Bakery  
Richard Moore - Linden Foods, Linergy & NIFDA  
Tony O'Neill - O'Kane Poultry  
Claire Passmore - Independent (Academic)  
Will Taylor - Farmer  
Angus Wilson - Wilson's Country

**IDG Membership**

Ian Murphy - Invest NI  
David Thomson - DETI  
Maynard Mawhinney - Invest NI  
Peter McArdle - Invest NI  
Mark Browne - DARD  
John Speers - DARD  
Norman Fulton - DARD  
Roy McClenaghan - DARD  
Ciaran Cunningham - DARD  
Michael Gould - DEL  
Arora Upritchard (minute taker) - Invest NI



## Glossary

<b>Additional Work</b>	Work identified by Project Teams in conjunction with IAP member as an opportunity contributing to Strategic Themes and KPI's or a gap in existing provision.
<b>AFBI</b>	Agri-Food and Biosciences Institute.
<b>BERD</b>	Business Expenditure on Research and Development is a measure of expenditure on R&D by UK businesses and is monitored by the Office for National Statistics. Northern Ireland Statistics on BERD are available through <a href="http://www.detini.gov.uk">www.detini.gov.uk</a>
<b>CAFRE</b>	College of Agriculture, Food and Rural Enterprise.
<b>Core Activity</b>	Generic programmes and activities delivered by Invest NI, DARD, DEL.
<b>DARD</b>	Department of Agriculture and Rural Development.
<b>DEL</b>	Department for Employment and Learning.
<b>DETI</b>	Department for Enterprise, Trade and Investment.
<b>DEFRA</b>	Department for Environment, Food and Rural Affairs.
<b>DOE</b>	Department of the Environment.
<b>DRC</b>	Direct Running Costs are the wages and salary costs + overhead costs of delivery staff.
<b>Export Sales</b>	Sales external to the United Kingdom.
<b>External Sales</b>	Sales external to Northern Ireland.
<b>Fit For Market Report (FFM)</b>	Strategic report completed by the Food Strategy Group in 2004. Recommendations from this report were implemented by Invest NI and DARD under the oversight of the FSIP (see below).
<b>Food Industry</b>	The term 'food industry' in relation to this report encompasses the complete agri-food supply chain, including those enterprises engaged in agriculture and the processing of food and drink into value-added food items.
<b>FSIP</b>	Food Strategy Implementation Partnership.
<b>GVA</b>	Gross Value Added.
<b>IAP</b>	Industry Advisory Panel.
<b>IDG</b>	Interdepartmental Group.

<b>IGD</b>	Institute of Grocery Distributors.
<b>Invest NI</b>	Invest Northern Ireland.
<b>KPI</b>	Key Performance Indicator.
<b>Mainstreamed Work</b>	Work activity that had been delivered successfully over the past 1-2 years and a business case agreed to include this work as Core Activity e.g. Food Sector Marketing Advisors are now contract employees of Invest NI, the Cadetship Programme has been incorporated into DARD.
<b>New business start-ups</b>	New food businesses with initial local market focus but with planned export sales within 3 years.
<b>NI</b>	Northern Ireland.
<b>NIFDA</b>	Northern Ireland Food and Drink Association.
<b>Operating Plan</b>	Annual plans drawn up by Departments/Agencies setting out targets and expenditure.
<b>PfG</b>	Programme for Government. This sets out the Northern Ireland Executive's strategic priorities and key plans for 2008-11.
<b>Project Team</b>	Team of officials drawn from Invest NI, DARD, DEL and DOE to address any gaps in provision or develop opportunities for each strategic theme.
<b>PSA</b>	Public Service Agreements detail the aims and objectives of the Government including performance indicators and targets.
<b>RDP</b>	Rural Development Programme.
<b>ROCE</b>	Return on Capital Employed - the total subsector net profits plus interest paid divided by the total capital employed in the subsector and expressed as a percentage.
<b>ROI</b>	Republic of Ireland.
<b>Subsectors</b>	The food processing industry in Northern Ireland is categorised into 10 subsectors: i) Animal By-Products; ii) Bakeries; iii) Beef and Sheepmeat; iv) Drinks; v) Eggs; vi) Fish; vii) Fruit and Vegetables; viii) Milk and Milk Products; ix) Pigmeat; x) Poultrymeat.
<b>Strategic Themes</b>	The five themes agreed by the IAP and IDG: Market Understanding & Development; Fostering Innovation; Supply Chain Management; Capability Development; Energy & Waste.



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