

THE CURRENT STATE OF THE FOOD AND DRINK SECTOR



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In the latest in our series of trade articles, Kieron Franks, Assistant Head of Risk Underwriting, examines the current state of the food and drink sector.

The food and drink industry has been severely impacted by the pandemic, with labour shortages and reduced transport capacity, along with significant swings in demand, hitting supply chains and business models.

Prior to the pandemic, approximately 25% of food consumed in the UK was outside of the home, in pubs, cafes, restaurants etc. Thanks to social distancing measures and general caution in public places, eating out fell in 2021, down by 7% compared to 2019 according to [Statista data](#).

Meanwhile, as the hospitality sector closed and social distancing was imposed, at-home alcohol demand soared early in lockdown beyond Christmas peaks. [Mintel 's British Lifestyles report](#) showed a 16.3% jump to £3.6bn in alcohol sales in 2020, as drinking moved into the home.

But, despite this, the total volume of alcohol sold during lockdown dropped to 1.3bn litres from 2bn litres the previous year, and it is likely to be five years before the global drinks industry rebounds from the pandemic. This has not been helped by the shortage of HGV drivers in 2021, which saw alcoholic drinks companies warn that Christmas supplies of wine, spirits and beer could be disrupted.

The pandemic brought with it significant changes to consumers' eating and shopping habits and combined with Brexit fall-out, the sector has shown itself to be vulnerable to disruption. Around 2/3 of the UK's supermarket produce is sourced from the EU, and it is feared that supply chain problems that supermarkets have faced in 2021 could be ongoing.

The outgoing head of the Food and Drink Federation says that the supermarket experience as Britain knew it is gone forever because of Brexit and Covid-19.

Casualties of the pandemic include Adelle Foods, whose assets, including the Urban Eat brand, have been acquired by various food industry buyers post-administration. More than 2,000 jobs were lost when the firm, one of Britain's largest sandwich makers, ceased trading in May 2020, due to lockdown measures.

[Total exports of goods](#), excluding precious metals, increased by £0.4bn (1.6%) in October 2021, driven by a £0.8bn (6.2%) increase in exports to non-EU countries, while exports to EU countries decreased by £0.4bn (2.7%).

[Food and drink trade](#): Figures from the Food and Drink Federation for the first half of 2021 show exports to non-EU countries recovering from the losses of 2020 and now worth £4.3bn, or 47% of total exports. Some of the fastest growing markets are located in Central and South America. Exports to the EU fell by 20% compared to 2020, and 27% from 2019, with sales to the Republic of Ireland down almost a third. France was the only major EU market to see some growth since 2020. Imports from the EU were down 11% from 2020.

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