



# Scotland Food & Drink Partnership

Summary of all insights and findings from the research study considering export opportunities.

April 22 2021

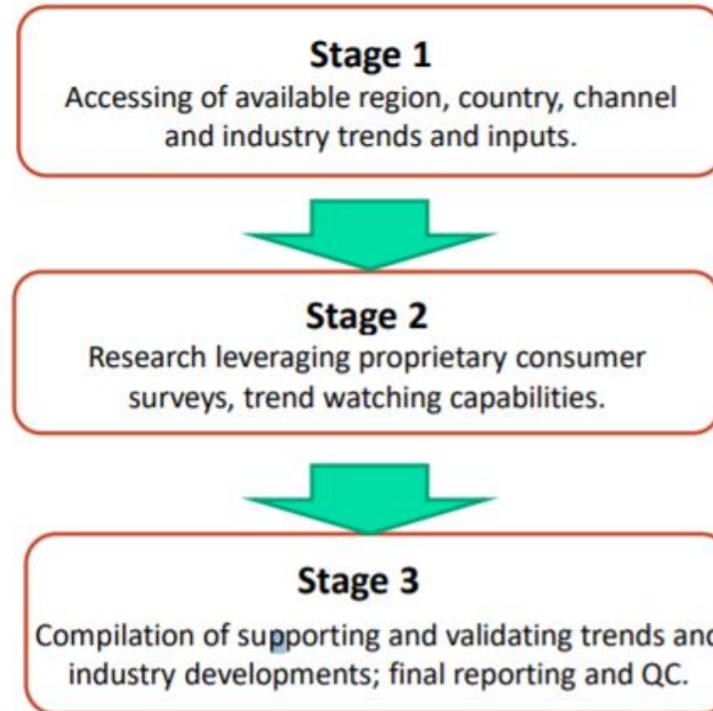
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Turning insight into action

# Methodology outline



GlobalData provides a proven methodology that has delivered actionable insight



To ensure robust and consistent research GlobalData used their internal database Intelligence Centre as a starting point in the research of:

- Macro-economic and socio-demographic inputs for each country in scope
- Identification of category sizing by country of scope, for relevant categories where Scottish provenance items may be of priority
- Identification of market sizing by target country to demonstrate per capita consumptions, and other scale-of-opportunity metrics
- Leverage all manufacturer and operator metrics to demonstrate leading players in each market (retailer / manufacturer)
- Utilise the nationally representative consumer questionnaires to identify responses at global, regional (and country level where appropriate) and report on the key consumer trends from a decision-making standpoint

# Project scope



The following geographies have been considered to be in-scope for this study:

- Argentina
- Australia
- Bahrain
- Belgium
- Brazil
- Canada
- Chile
- China
- Denmark
- Finland
- France
- Germany
- Hong Kong
- India
- Italy
- Japan
- Mexico
- Netherlands
- Norway
- New Zealand
- Saudi Arabia
- South Africa
- South Korea
- Spain
- Sweden
- Thailand
- UAE
- USA
- South East Asia
  - Singapore
  - Vietnam
  - Indonesia
  - Malaysia
  - The Philippines
  - Taiwan

The following channel and data metrics have been considered to be in-scope for this study:

## Categories:

- Total food
- Total beverages: alcoholic vs non-alcoholic

## Channels:

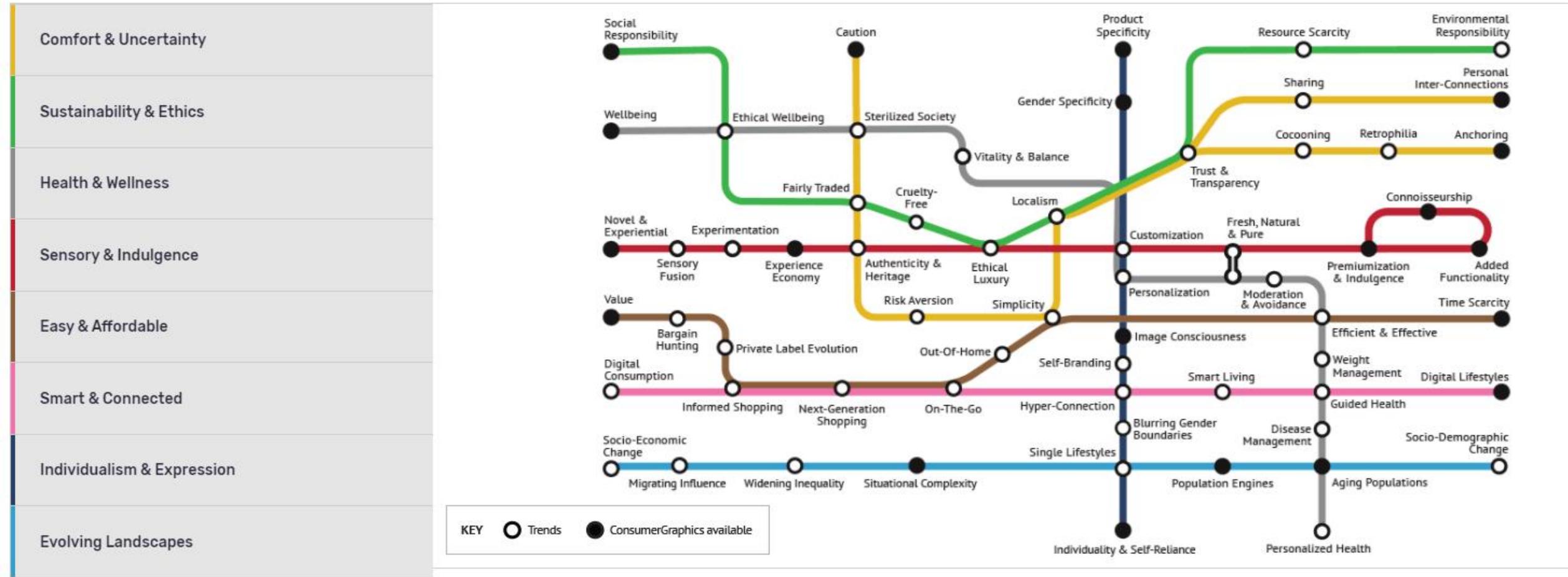
- Supermarkets & Hypermarkets
- Convenience
- Cash & Carry / Wholesale
- Travel
- Accommodation

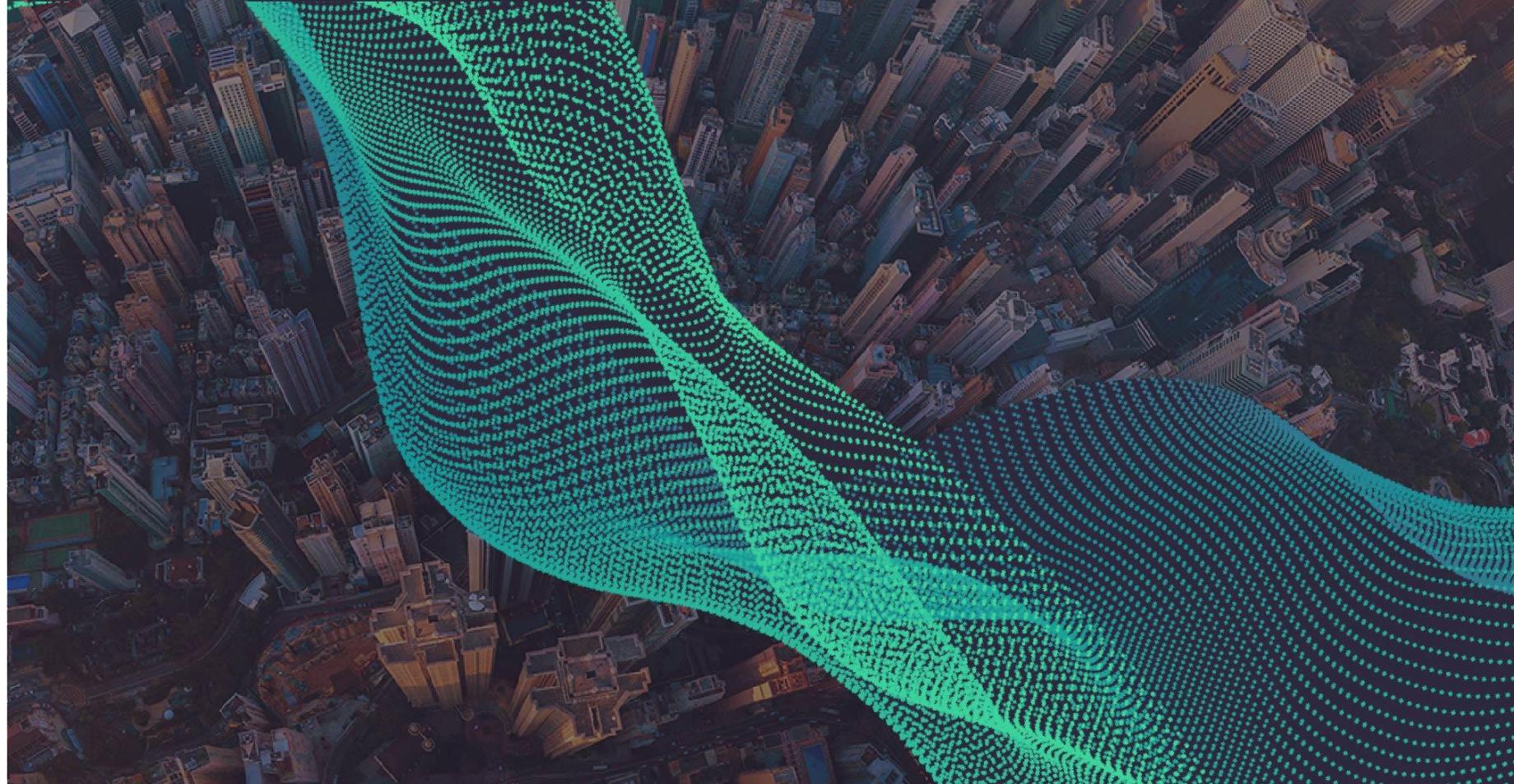
The market in each country has been reported for years 2018, 2019, 2020 in USD value at operator selling price (OSP) level except in travel and accommodation which is reported in USD operator buying price (OBP)

# Methodology outline – TrendSights Map



GlobalData leveraged the trends and themes that are detailed in the proprietary insights framework “TrendSights”.





## Metrics – Reading and Understanding the Data



# Total non-alcoholic beverages market overview



Accounting for 35% share of total value sales, Asia is the largest market for non-alcoholic beverages



Source: [1] GlobalData Consumer Intelligence Center (global value across 33 countries which are in scope)

# Total alcoholic beverages market overview



Asia, the largest market for alcoholic beverages, also posted the least annual decline of 9.5% in 2020



Source: [1] GlobalData Consumer Intelligence Center (global value across 33 countries which are in scope)

# Total food market overview



Asia dominated the food market with a share of 40.5%, largely as the region is home to the world's two most populous nations – China and India



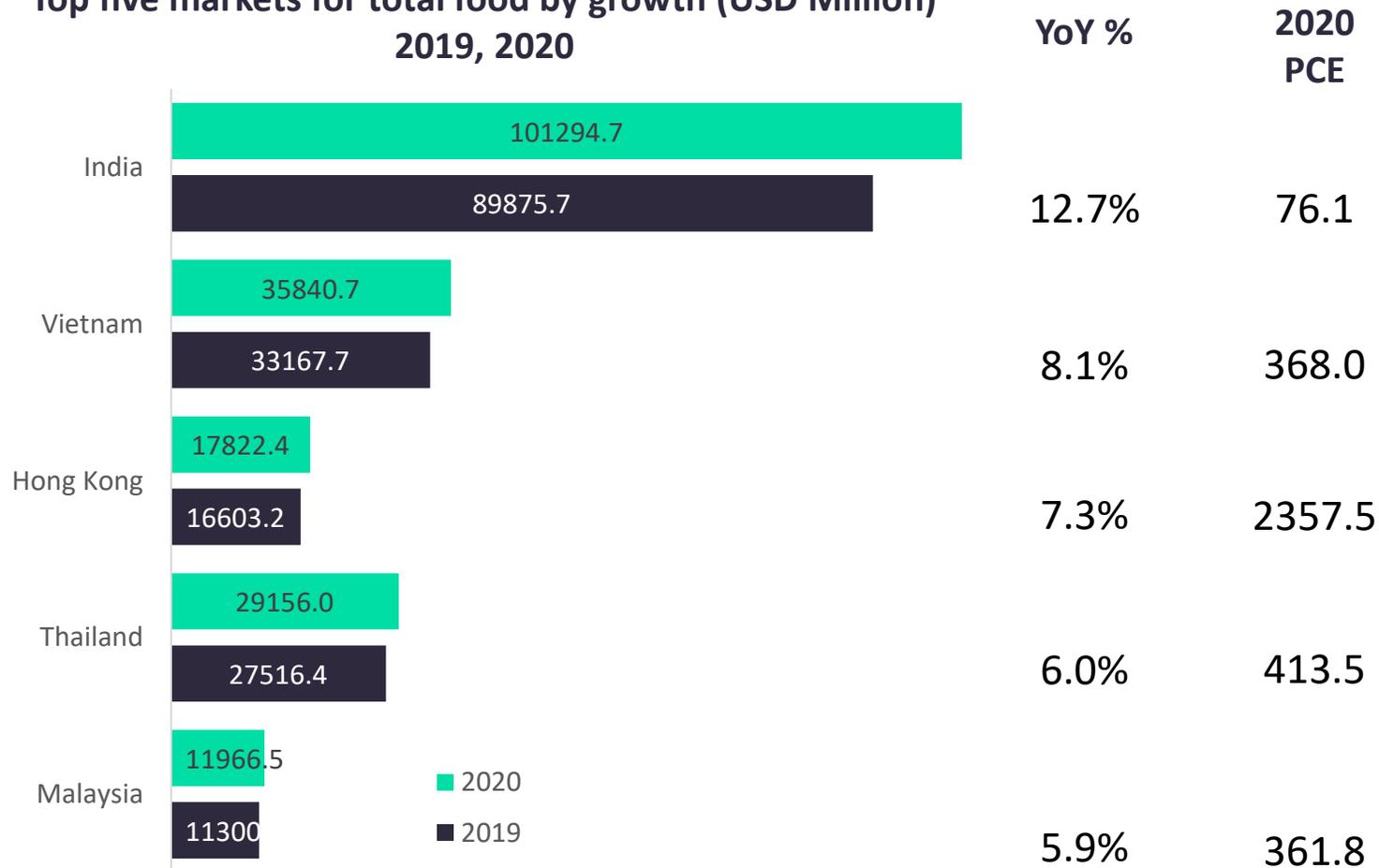
Source: [1] GlobalData Consumer Intelligence Center (global value across 33 countries which are in scope)

# Total food overview by top five markets by growth



A growing population and an increasing focus on healthy choices, makes India a market with strong potential

Top five markets for total food by growth (USD Million)  
2019, 2020



- YoY growth in **India reached double digits** as many **food sales went online** during the pandemic.
- However, looking at the performance of specific categories within India does highlight key trends that are taking place across the globe. For example, purchases in **impulse categories such as confectionary are down in many channels** demonstrating the importance of store visits and driving footfall into traditional locations in order to maintain sales.
- **Premiumized and high value products such as prepared meals were also down in many channels** confirming that in times of economic uncertainty, **consumers will cut back on food categories that are more costly and not staple items.**

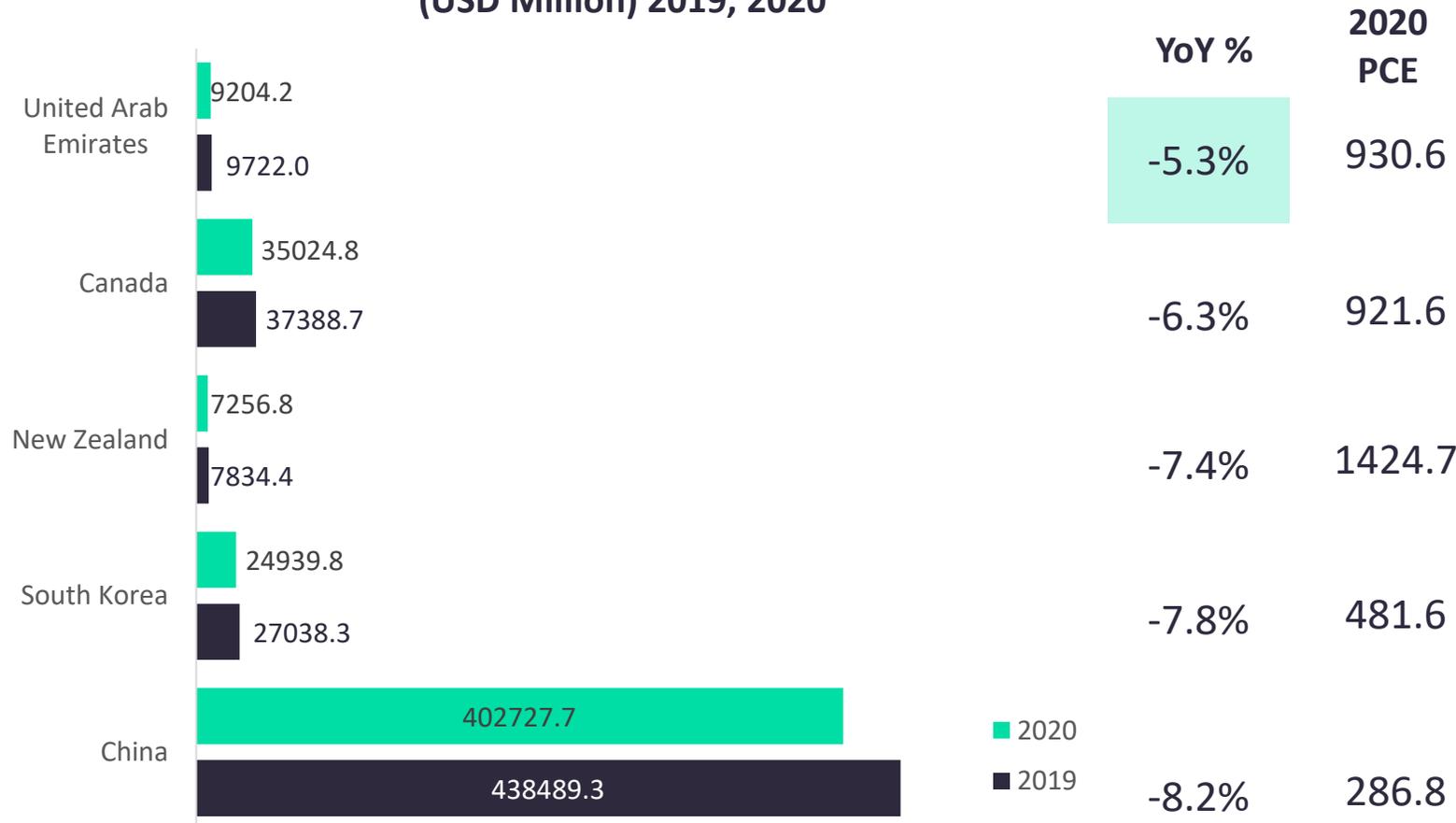
Source: [1] GlobalData Consumer Intelligence Center (global value across 33 countries which are in scope)

# Total alcoholic beverage sector overview by growth



Markets that could keep trade open for longer suffered least during the pandemic

**Top five markets for alcoholic beverages by growth  
(USD Million) 2019, 2020**



- Growth has been in decline in all markets from 2019-2020 in alcoholic beverages due to the impact of the pandemic
- The UAE have suffered least in terms of YoY performance as this market managed to maintain tourism levels for some time
- Canada and New Zealand that also have fairly spaced out/remote living locations also managed to contain the pandemic relatively well compared to other markets and so this is reflected in their performance for year to year
- China also dealt with the pandemic and its effects relatively early and so from 2019-2020 its performance shows in the top five markets

Source: [1] GlobalData Consumer Intelligence Center (global value across 33 countries which are in scope)

An aerial photograph of a city, likely New York City, showing a dense grid of skyscrapers. A large, wavy, green data visualization is overlaid on the city, consisting of many small dots connected by thin lines, forming a series of undulating bands that flow across the urban landscape. The green color is vibrant and stands out against the muted tones of the city buildings.

## Country Level Analysis – an example: USA

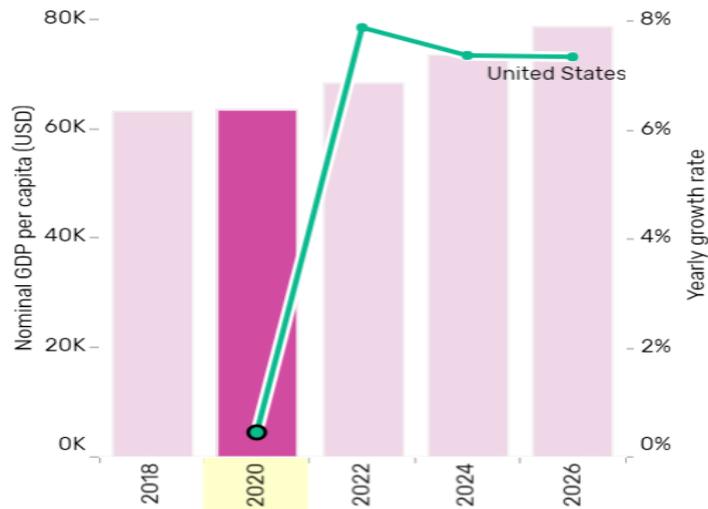
# US: Macroeconomic Outlook – Economic Growth



The federal government's initiatives coupled with the successful vaccination program will help revive economic activity in the US

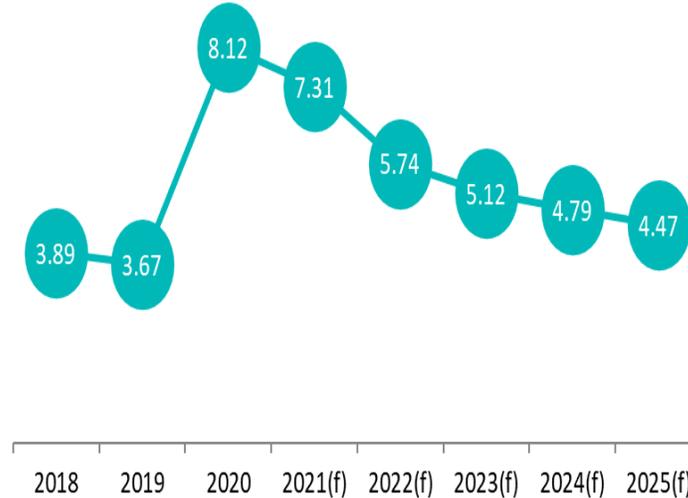
## GDP Per capita 2020

US\$63,371



## Unemployment 2020

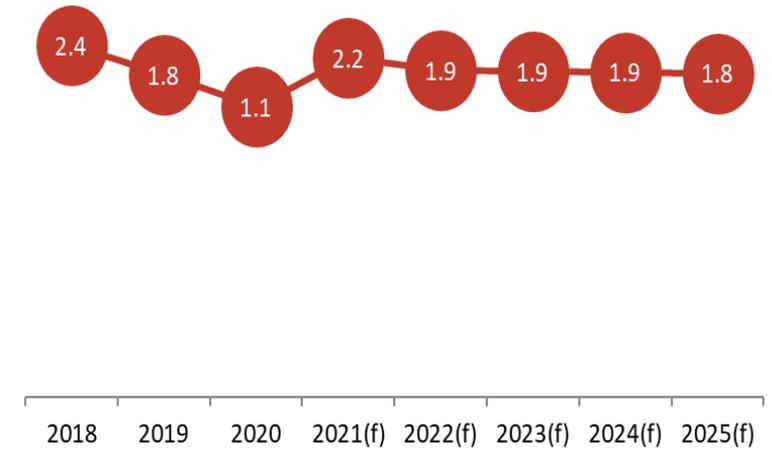
8.1%



## Inflation 2020

1.1%

(CPI)



The US economy shrank by 2.5% in 2020, despite a strong Q3 and Q4 recovery from the sharp decline earlier in the year. The federal government's Payment Protection Program (PPP) which expanded to cover struggling Americans up to May 2021 coupled with other stimulus initiatives will keep consumer spending active.

Unemployment rate in the US stood at 8.1% in 2020, up from 3.7% in 2019 owing to COVID-19 driven economic disruptions. Over 40 million jobs were lost in the country at the height of the pandemic, according to the Bureau of Labor Statistics, with young workers (aged 16-24) being hit the hardest.

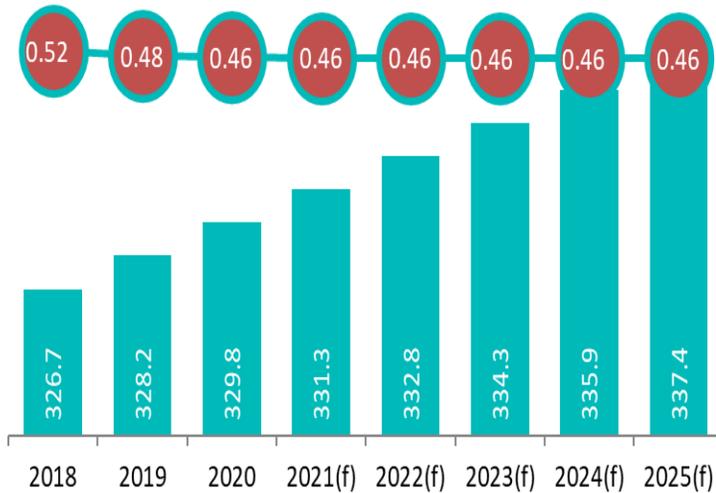
CPI reached 1.1% amid the pandemic led disruptions but is expected to stabilize through 2025 as the economy makes a rebound.

# US: Macroeconomic Outlook – Demographics



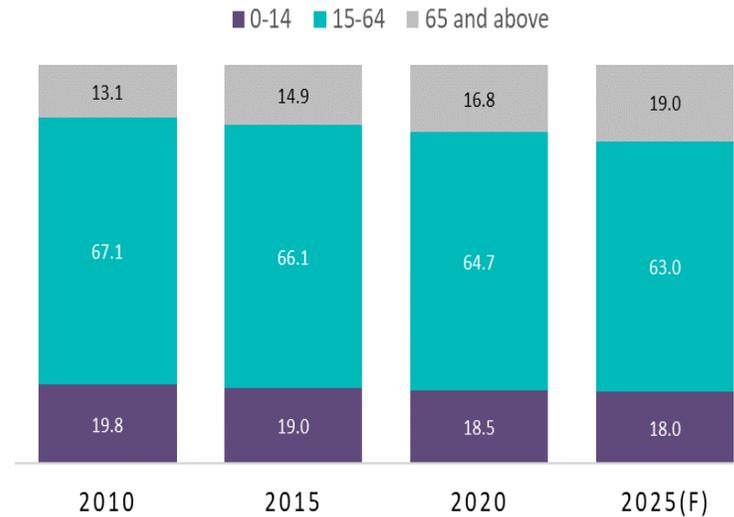
The US will remain the third most populous nation behind China and India

### Population (millions)



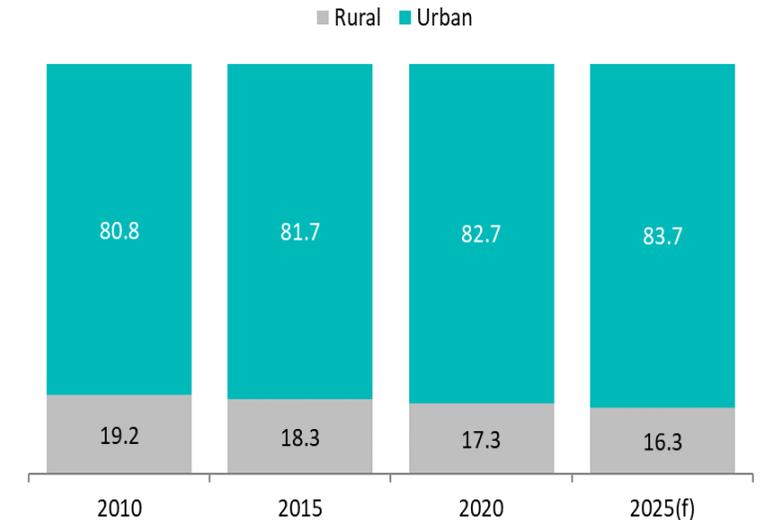
The US is the third most populous country in the world following China and India. The country's population stood at 329.8 million in 2020. The country's population is expected to grow further to 337.4 million by 2025. However, the year-on-year population growth rate is expected to register flat growth and reach 0.5% by 2025.

### Age Structure (%)



In terms of age structure, the country has a large working age population (people in the 15–64-year age group), which accounted for 64.7% in 2020 however is expected to drop and reach 63% by 2025. The decline is attributed to increasing ageing population (65+ years), which is likely to grow from 16.8% in 2020 to 19% by 2025.

### Urban Vs rural population (%)



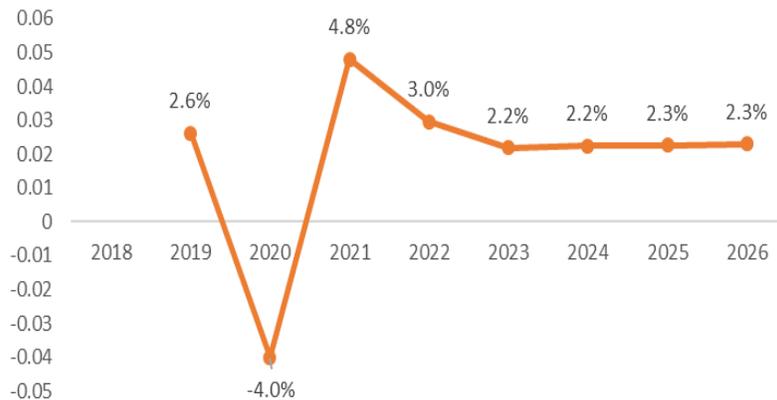
The share of urban residents in the country increased from 81.7% in 2015 to 82.7% in 2020 and is further expected to grow to 83.7% by 2025.

# US: Macroeconomic Outlook – Overall Consumption

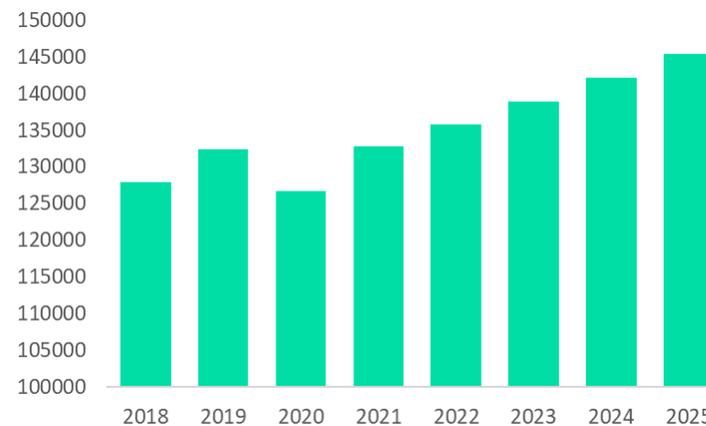


Economic recovery will help revive household expenditure growth and disposable income levels

## Nominal household final consumption expenditure growth rate



## Gross household disposable income (per household) USD



## Consumption breakdown by category of goods, per capita (US\$) – Top 5

Food	
Meat	606.0
Bakery & Cereals	380.0
Dairy & Soy Food	192.0
Confectionery	125.5
Savory Snacks	122.5
Beverages	
Soft Drinks	599.5
Spirits	267.5
Beer & Cider	260.3
Wine	127.3
Hot Drinks	44.8

Final household consumption expenditure growth rate fell sharply in 2020 amid the economic disruptions caused by the pandemic and is expected to recover along with the revival of the economy.

Household disposable income fell in 2020 in the wake of the COVID-19 induced job losses, pay cuts and economic disruptions. However disposable income levels are expected to revive to the pre-COVID levels as the economy stabilizes through 2025.

Per capita expenditure was the highest on meat and bakery & cereals among food sectors while soft drinks had the highest spend among beverages.



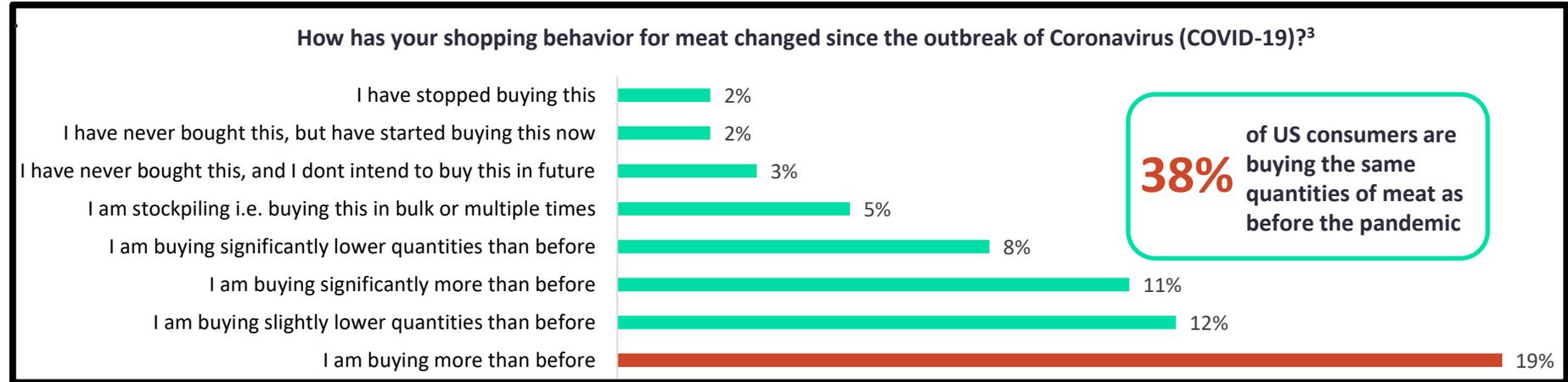
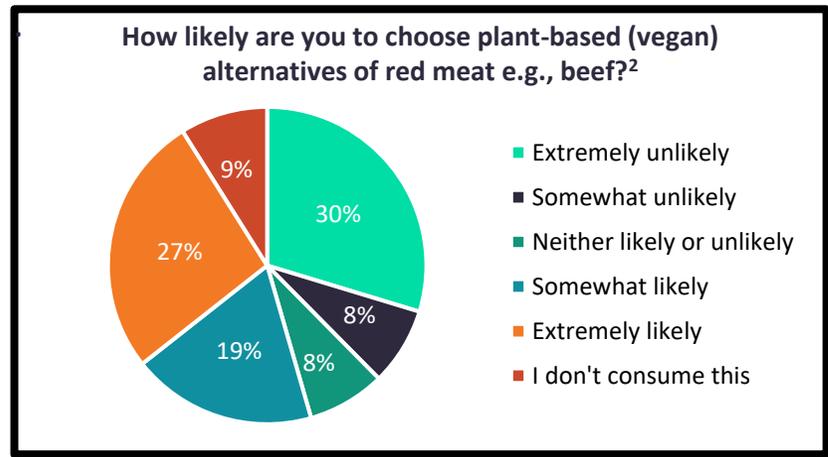
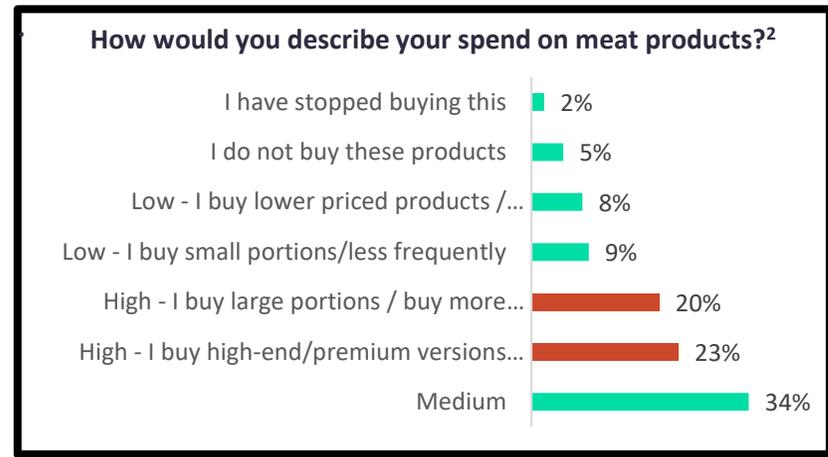
# US: Trends and Insights

The US market has remained in the top three positions for every food and drink sector during 2019-2020

Despite the popular current trends of **veganism in the US** market with successful brands such as Beyond Meat offering a variety of plant-based alternatives, the US meat sector saw significant growth by 7.1% from 2019-2020. 38% of consumers continue to buy the **same amount of meat**, followed by a further 19% who are consuming more meat than before the pandemic began.

One in five consumers are buying in the **high-end/premium** meat product range, reflecting consumers willingness to pay higher prices for better quality produce.

The US market has been closed to exports of **beef from the EU** since 1998. However, in October 2020, the first shipment of beef from the UK was dispatched. This important milestone **gives exporters great potential to expand into the US meat sector** in the months and years to come as more companies gain approval.<sup>1</sup>

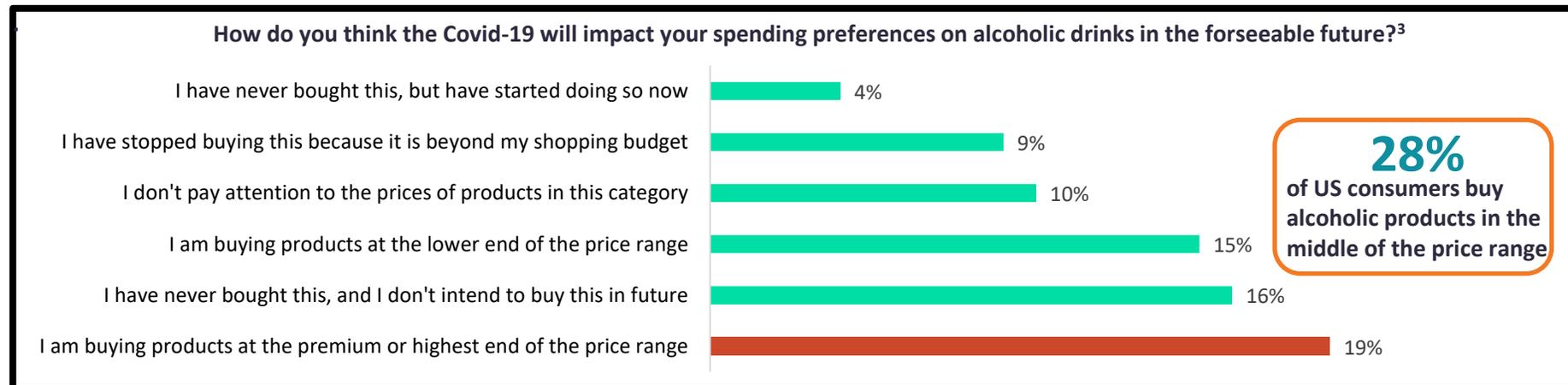
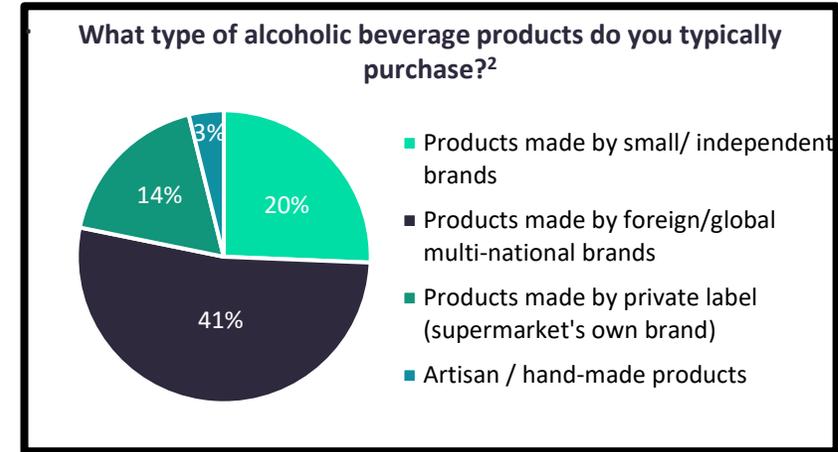
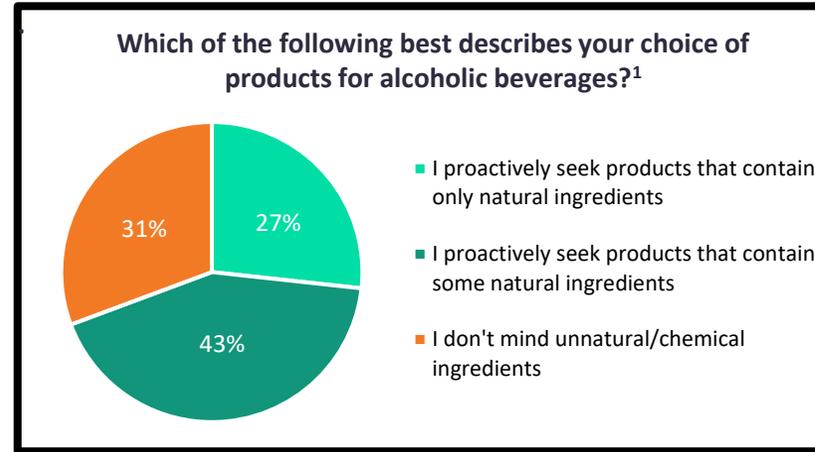


Source: [1] Food Safety News, October 2020; [2] GlobalData 2021 Q1 Consumer Survey; [3] GlobalData 2020 Coronavirus (COVID-19) Recovery Consumer Survey



# US: Trends and Insights

The majority of US consumers prefer to buy alcoholic beverages that contain some natural ingredients



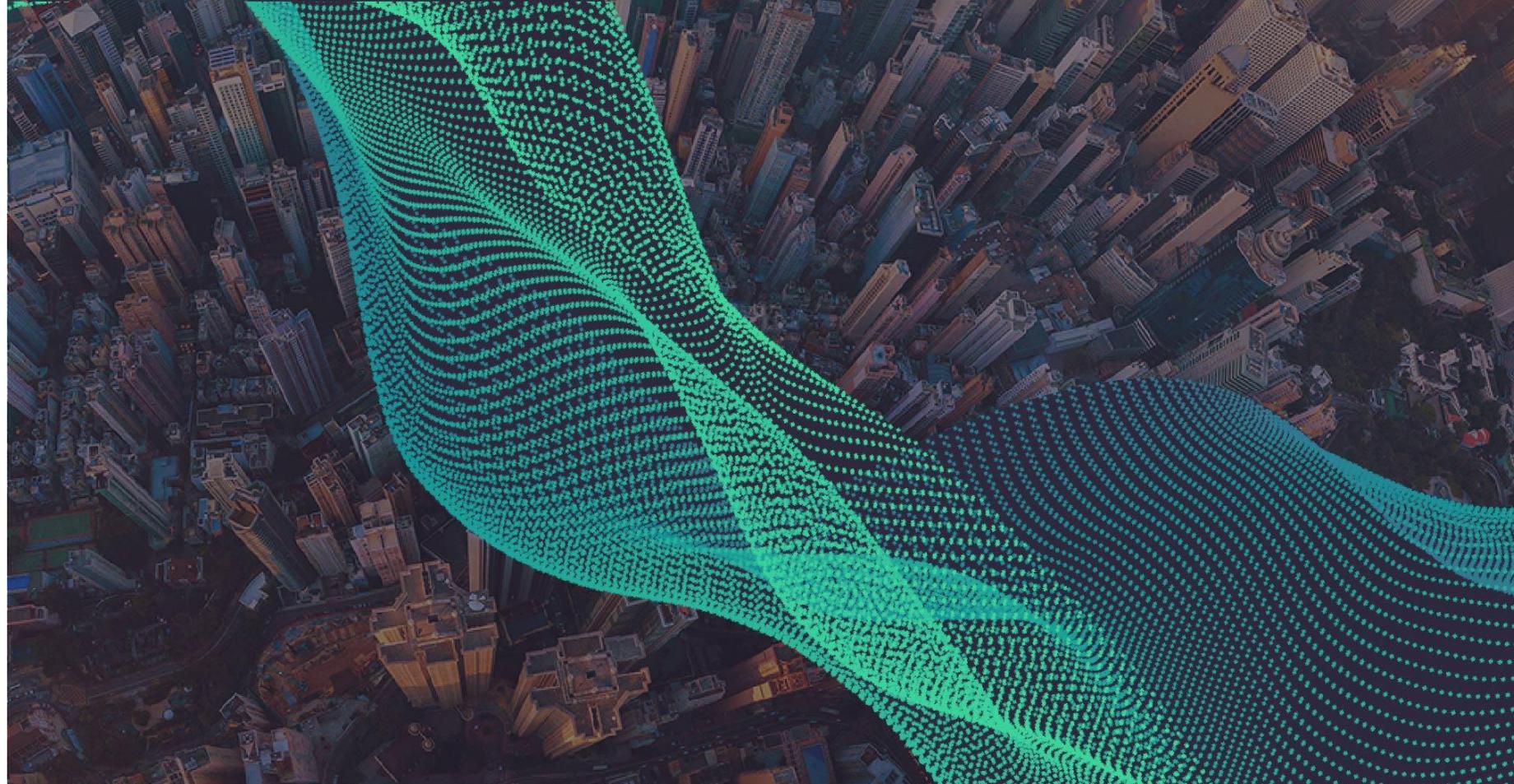
Source: [1] GlobalData 2019 Q3 Consumer Survey; [2] GlobalData 2021 Q1 Consumer Survey; [3] GlobalData 2020 Coronavirus (COVID-19) Recovery Consumer Survey; [4] The Guardian, March 2021

The concept of **non/low alcoholic drinks** has always been less appealing to the US market than Europe. However, in recent years US consumers have been more receptive to switching with major brands, such as the launch of Heineken 0.0 in 2019, giving consumers better-tasting products than smaller craft beer brands.

Despite the increase in the **variety of non-alcoholic variants** available and the **influence of popular health and wellness trends** impacting consumer behavior, US consumers still prefer to purchase alcoholic drinks, with the majority spending the most on the **middle of the price range**.

One in five consumers is buying a **high-end/premium product**, reflecting the potential growth for imported alcoholic drinks of better quality. A significant number of consumers (41%) prefer to buy alcoholic products made by **foreign/global multinational brands**.

In March 2021, it was announced that the White House agreed to **suspend retaliatory US tariffs on UK exports**, including **scotch whisky**, raising hopes for exporters regarding a post-Brexit trade deal.<sup>4</sup>



**Prioritising countries of focus**



# Top markets consistently for value and growth



The countries with larger populations are naturally higher in value and there are some key insights from countries with consistently high growth rates

**Top five markets consistently for value  
(USD Million) 2019 - 2020**

	China
	USA
	Japan
	Germany
	France

**Top five markets consistently for growth  
(% Change) 2019 - 2020**

	India
	China
	Vietnam
	Hong Kong
	USA

- The countries appearing consistently in the top 5 for market value are reflective of the largest consumer markets across the globe.
- The top five markets in terms of growth provide further insight into which categories are driving value in both larger and smaller markets. For examples, savoury snack and dairy and soy categories are some of the highest growing in India and alcoholic beverages and fish and seafood are perhaps keys areas of focus in China. Whilst not appearing in the top 5 for growth Bahrain had one of the highest growth figures within a specific category for bakery and cereals and the UAE was notable for its growth in alcoholic beverages.

# GlobalData identified five of the most challenging countries



Although all 34 countries have been impacted by Covid19 some will struggle more than others to recover

## Spain



Spain has been hit hard by the pandemic and the localised restrictions to address COVID-19 outbreaks and continued disruption to travel and tourism will be a hinder the recovery until an effective vaccine is widely deployed. High uncertainty and adverse labour market conditions will weigh on private consumption. The adverse impact of the new containment measures on activity, especially in the hospitality sector, is assumed to ease slowly. Consequently, the recovery will be gradual and the level of GDP will remain below pre-crisis levels by the end of 2022. As a result, Spain should be approached with caution due to its recovery being set to be gradual and incomplete.

## Italy



Coronavirus has caused a multi-faceted crisis in the country, damaging vital sectors of the country such as healthcare, tourism, real estate, and manufacturing, due to the prolonged lockdown of industries and mandatory quarantine measures across the country. The rise in infections, restrictions on activity and uncertainty have halted the sharp recovery in activity. The unemployment rate in Italy will pick up during 2021 and remain high in 2022. Consumption growth is projected to slowly recover in the coming years along with the Italian economy however, this will be slow and unequal.

## Argentina



Argentina is one of the largest economies among Latin American countries. However, Argentinian economy contracted by 12.35% in 2020 mainly due to the outbreak of the COVID-19 pandemic. Additionally, the household consumption contracted by 10.5% in 2020. Widespread job losses have reduced the purchasing power of households. Additionally, Argentina's retail trade has contracted since March 2020. In June 2020, retail trade had contracted by 82.2% compared to the same period in the previous year. Argentina has been struggling with sluggish industrial production and the spread of the pandemic worsened the situation.

## Brazil



The pandemic has crippled the Brazilian economy and path towards recovery is expected to be long and rocky. The GDP of Brazil contracted by 5.5% in 2020, in the wake of the COVID-19 pandemic. The pandemic is estimated to have pushed 11 million workers out of the labor force. As a result, households were dragged into a steep consumption cut in 2020. While the virus continues to affect Brazil, investment activity is expected to remain low, hampering economic recovery. According to GlobalData forecasts, the economy is expected to grow by 3.6% in 2021, backed by 3.8% growth in household consumption expenditure. Brazil has been one of the worst affected countries by the pandemic. The threat of a new wave of the virus may hamper Brazil's economic recovery.

## Vietnam



In the context of the outbreak, there has been a severe impact on the Vietnamese economy. With businesses closing down due to the lockdown and international travel bans, there has been a slowdown in economic activity and overall employment in the country. According to GlobalData, GDP growth is forecasted to slowdown to 1.3% in 2020, compared to 7% in the previous year. Although, compared to the other four countries, Vietnams economy is recovering much better it still deemed as a more uncertain recovery.

# GlobalData identified five countries which could be a great opportunity



Although these five countries were hit hard by Covid19 they are well on their way to recovery

## USA



The US has one of the most developed economic systems in the world, enabling it to overcome the deep global economic crisis. The country's real GDP in 2020 stood at US\$17.4tn. Diversity and a strong position in the manufacturing and services sectors strengthen the economy. The recession of the economy in 2020 is a major concern. The Fed is following a monetary easing policy to pave a smooth recovery path in the future. The revival of consumer spending and investments are strategically important to push the economy forward. Furthermore, the possible revival of trade relations between the US and China in 2021 and a rise in global demand is expected to aid growth.

## Denmark



The economic downturn from the pandemic led to a decline in GDP per capita. Although Denmark's economy has suffered from the effects of the outbreak, it has managed to outperform many other countries in Europe. GlobalData forecasts a rapid turnaround in 2021 on the back of government fiscal stimulus measures and easing restrictions. The job retention scheme, protecting more than 8% of workers at the peak, has protected household incomes, which along with freed holiday savings and high wealth will bolster private consumption.

## Singapore



Singapore has historically enjoyed a stable economy with strong macroeconomic fundamentals. Although, the Singaporean economic growth shrank significantly in the first two quarters of 2020 due to economic shutdown and short-term uncertainties amid global crisis. Additionally household consumption expenditure decreased at a faster pace due to a rise in unemployment and poor consumer sentiment. However, we are likely to see growth this year, anticipating a firmer improvement in the manufacturing and finance sectors. Additionally, the outlook also improved for the labour market, marking in a lower overall unemployment rate by the year-end.

## New Zealand

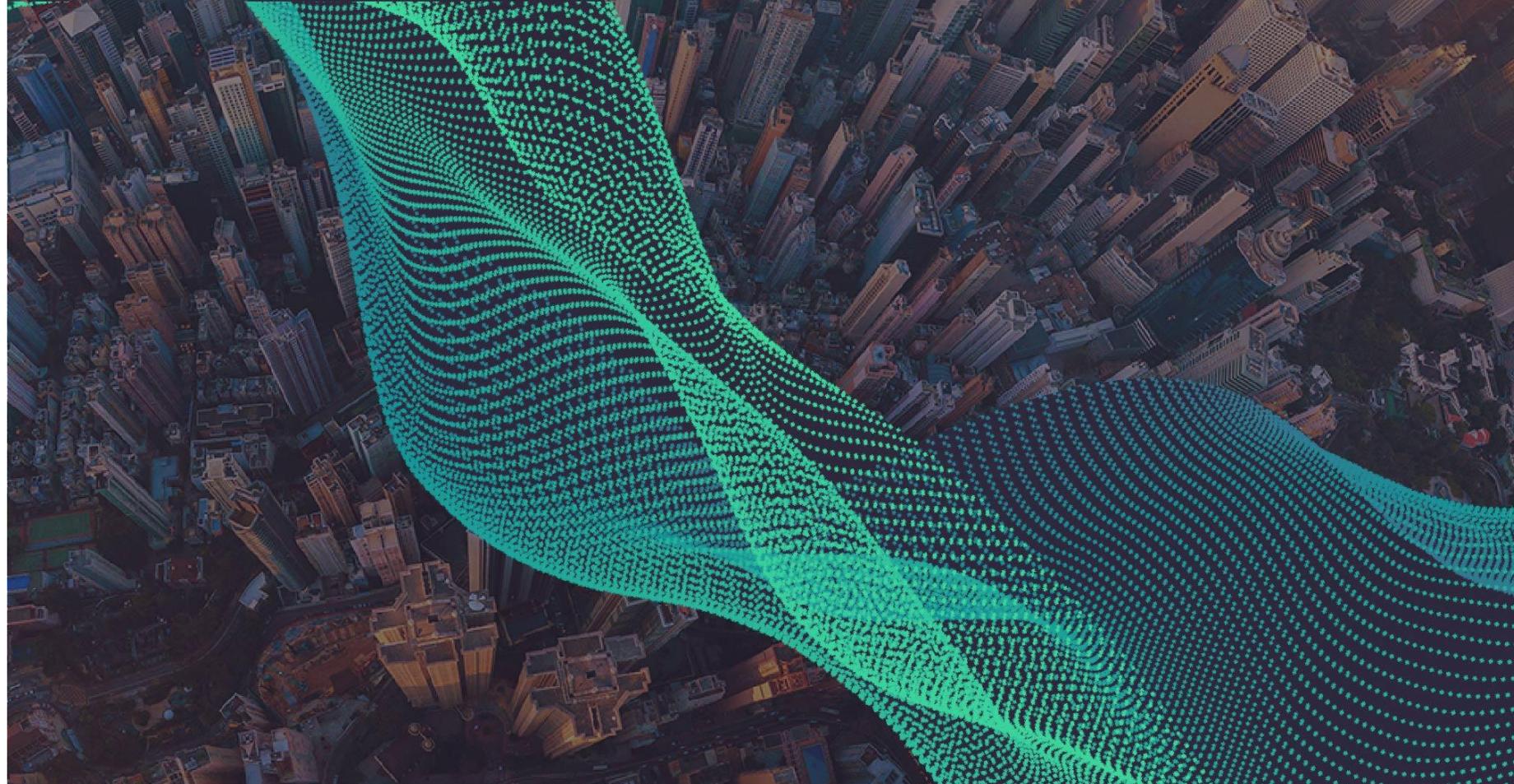


The strict lockdown measures adopted by the government during April and May brought the economy to a standstill, affecting some of the main sectors of the economy such as tourism. GlobalData forecasts that the economy will rebound with growth of 5.8% in 2021. Although unemployment rate reached 5.6% following the pandemic induced job losses in 2020. The recovery in economic activity will help ease unemployment rate in the coming years. Additionally, private consumption, helped by expansionary fiscal and monetary policies, will support domestic demand, and the gradual reopening of the global economy will boost the external sector.

## Sweden



Sweden's nominal GDP will grow from Skr4,865.1 billion (US\$528.2 billion) to Skr6,021.9 billion (US\$756.2 billion) by 2025. Consumption is projected to gradually regain traction, provided the number of infections remains low in most of the country and an effective vaccine is deployed. Despite the absence of a lockdown in Sweden, sectors like hotels, restaurants and transport have been severely hit and unemployment has risen markedly. However, the increase in unemployment was damped thanks to the short-time work scheme, but it will continue for some time, as employers will first raise working hours of existing employees before hiring. Resulting in the overall recovery being steady, therefore, making this a great opportunity market.



**Insights into actions**



# Some final conclusions.....



All of the top five markets for Scotland's food exports saw positive growth in 2020, including the US, which saw a 5.3% YoY increase in food value despite being one of the worst-hit countries by the pandemic

- YoY performance across all markets and categories for 2019-2020 were affected by climate change, Brexit, and the COVID-19 pandemic, the latter of which introduced new regulatory measures. In many cases, the number of flights scheduled were impacted. Companies experienced increased volumes of paperwork to be completed, which served as a blocker for many brands that weren't prepared for such a major disruption to the supply chain
- In the overall food sector, Asian countries make up the top five fastest growers in the world, with between 5.9% and 12.7% YoY growth
- Fish and Seafood has been significantly affected by Brexit and Covid-19 regulations
- South East Asia is expected to continue growing its potential for importing Dairy and Soy food, with India leading the region in terms of growth at over 19% YoY value growth.
- The US has shown growth in key sectors such as Dairy & Soy and Meat
- Due to global disruption in on-trade channels, alcoholic beverage sales have struggled, seeing a shrink in YoY value in all countries. Having experienced the pandemic's peak earlier than the rest of the world, China was able to sustain its on-trade channels for a significant amount of time throughout the year, which helped alcohol sales.
- China and Japan were both hotspots for hot drinks sales in 2020, seeing double-digit growth of 9.0% and 15.3%, respectively. The shift in consumer behavior away from on-the-go consumption helped maintain growth in non-alcoholic beverages in similar countries in 2020
- The US, followed by China, took the lead for the majority of value sales of products in bakery and cereals and savory snacks categories, reflecting the region's high populations. Hypermarkets/supermarkets followed by food and drink specialists were the two most popular channels across the two markets, significantly contributing to the highest export values