

Reindustrialisation and food manufacturing

Briefing note: the case for food manufacturing in a new reindustrialisation strategy

October 2026

01 Executive summary

Andy Burnham intends to rebuild Britain's industrial capacity, particularly in the North of England, whose manufacturing base has been in severe decline over many decades. A proper reindustrialisation agenda will require a dedicated plan, active policy intervention, and political choices over trade-offs between different sectors, regions and technologies.

The previous government attempted to boost Britain's industrial capacity with an Industrial Strategy which identified eight "high-growth" sectors; chosen according to a series of criteria relating to productivity, economic footprint, trade deficit, and so on. The food manufacturing sector was not included in the strategy, and, whilst there were strong arguments in favour of its inclusion, some would argue it was left out for good reason since the original strategy was designed with a narrow focus on a small number of high-growth frontier sectors.

However, given the renewed focus of the Burnham government on a much broader "reindustrialisation" agenda, it is worth looking more closely at food manufacturing and its role in the British economy.

Our analysis suggests food manufacturing is a core pillar of the UK economy, delivering much higher-than-average productivity growth, in turn helping to keep food prices lower and drive balanced regional growth across the country. The sector directly employs over 400,000 people and generates £30bn in annual economic value added, and has a much more evenly spread economic footprint than several of the sectors that were chosen in the Industrial Strategy. In spite of strong headwinds, recent productivity gains highlight the strong potential of the sector if an active policy agenda were to be implemented to ensure these growth rates can be sustained.

Several other key findings from this analysis are outlined below:

Key findings from our analysis

- **Rapid productivity growth:** Since 2000, food manufacturing productivity (output per hour worked) has increased by **+72%**, outperforming most other sectors in the UK economy.
- **A productivity growth leader:** The sector's rate of productivity growth since 2000 has been more than **3.3 times the average rate across the whole economy**.

- **Momentum that has been maintained amid a wider productivity slowdown:** More than three-quarters of this increase in food manufacturing productivity has occurred in the past decade. Between 2015 and 2025, the sector ranked **6th for productivity growth** out of 78 industries evaluated.
- **Further, the food manufacturing sector is one of the larger sectors with strong productivity growth.** Among the top 10 industries for productivity growth over the past decade, the sector is the fourth largest in absolute terms, as measured by gross value added (GVA).
- **Growing faster than the economy:** Over the past decade, the sector's real GVA has grown by 4.9% a year – 3.6 times the 1.4% rate seen across the wider UK economy.
- **Food manufacturing's economic GVA and job-creation footprint are spread across UK regions.** Boosts to the sector yield direct economic dividends and employment opportunities across every region of the UK, in particular outside London and the South East. The sector provides jobs in all but one parliamentary constituency.
- **The biggest jobs dividend of any sector modelled:** A 5% boost to food manufacturing would create around 20,400 jobs – more than an equivalent boost to life sciences and more than double defence or clean energy – and would create more jobs than any other sector modelled in 8 of the UK's 12 nations and regions
- **The growth of the sector comes despite strong headwinds.** Sub-sectors such as baked goods manufacturing are among the most highly energy-intensive in the UK and have been significantly affected by electricity and gas price increases. Rising employment costs and other input costs – such as for raw agricultural products – have all added to pressure on the industry, as has a greater regulatory burden.

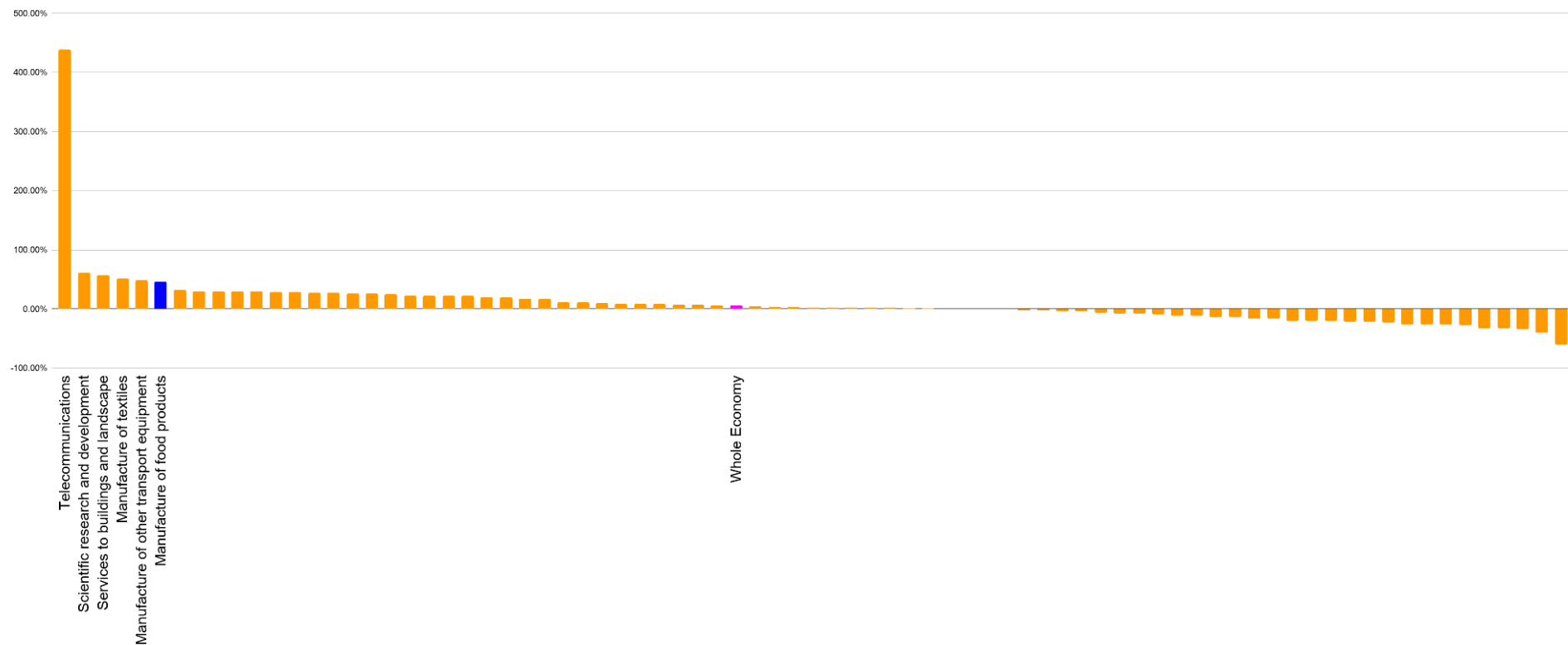
The evidence above strongly supports the case for any new reindustrialisation programme to include food manufacturing capacity for three reasons:

1. Unlike concentrated high-tech hubs, **the sector's economic footprint is distributed across all but one constituency in the UK**, directly serving regional growth objectives.
2. **Domestic processing capabilities are vital for food security and national supply chain resilience.** This is clearer today than it was 18 months ago. Weak harvests and global disruption to fertiliser and grain supplies have made food resilience a much larger risk economically. With ongoing geopolitical uncertainty, the Government declared in 2025 that “food security is national security”. A potentially record-strength El Niño is likely to compound the problem and disruption to global fertiliser and grain supplies ought to make domestic food resilience a first-order priority.
3. **Active policy intervention could have a material impact on both resilience and regional growth.** Ultimately, the right programme of interventions in the sector could help manage inflationary impacts of food supply shocks, playing a critical role shielding households from the coming food price shock. Given the stress felt by food manufacturing in the form of higher energy and labour costs, as well as inflation, there is a converse risk that without intervention the sector struggles to maintain its productivity growth due to increasing costs and hampered investment.

Commissioned by Associated British Foods, this PF Global briefing note outlines the above analysis in detail and suggests a package of practical policy recommendations to bring about greater industrial capacity and productivity growth in domestic food manufacturing.

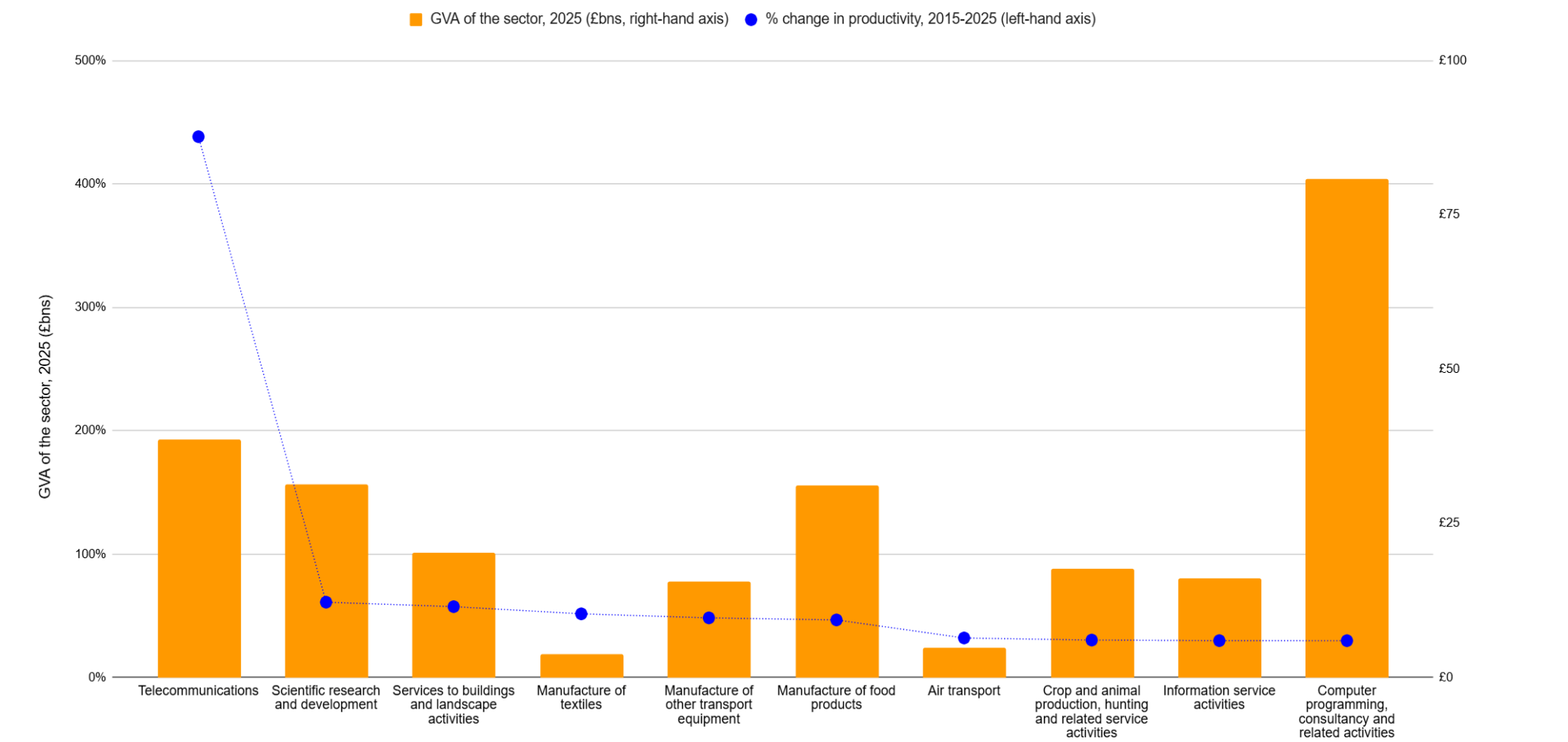
02 Food manufacturing: a productivity growth leader

Change in productivity (output per hour worked), 2015-2025, by industry division



Source: PF Global analysis of ONS data

Top 10 industries for productivity growth and relative size of industry in terms of gross value added



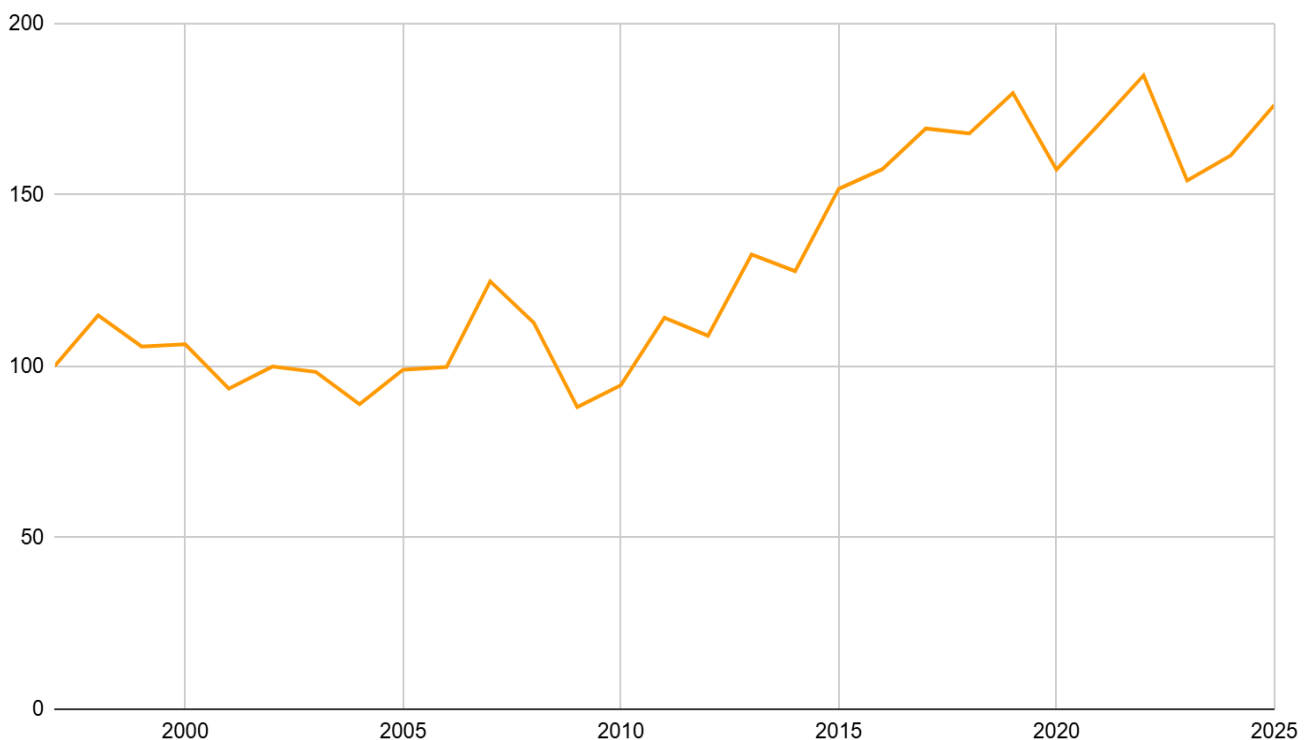
Source: PF Global analysis of ONS data

Explaining the productivity growth observed

It is difficult to establish firmly the causes of the food manufacturing sector's recent strong productivity performance, though a number of factors are likely to have played a role:

- **Skills shortages and labour scarcity have forced firms to become more labour-efficient.** Food manufacturing has experienced more labour shortages than the wider economy¹, which is likely to have led to increased investment in automation.
- **The food production process lends itself unusually well to automation and continuous efficiency gains.** A lot of food manufacturing consists of repetitive, high-volume processes - filling, packing, sorting, inspection, palletisation, temperature/process control - for which robotics, sensors, machine vision and digital production management can generate fairly direct savings.
- **According to official statistics, rates of business investment in the food & drinks sector have increased markedly over the past 15 years.** Real business investment increased by 87% between 2010 and 2025, compared with 80% in the wider manufacturing sector and 62% across the whole economy.

Food & drink sector business investment, inflation-adjusted, 1997 = 100



Source: PF Global analysis of ONS business investment statistics

¹ [United Kingdom Food Security Digest 2025 - GOV.UK](#)

03 Regional footprint and Industrial Strategy value

Unlike several high-productivity growth or Industrial Strategy sectors whose economic activity is heavily concentrated in specific hubs, measures that support the food manufacturing sector have a wider geographical impact across the UK.

Impact of a 5% increase in sector GVA (£mn increase in GVA) - food manufacturing versus selected Industrial Strategy sectors

Region	Food manufacturing	Defence	Life sciences	AI*	Clean energy
East Midlands	£233	£35	£132	£14	£71
London	£132	£50	£772	£308	£43
Yorkshire and The Humber	£185	£15	£114	£17	£71
Eastern	£138	£45	£690	£48	£100
Wales	£79	£25	£82	£8	£43
North West	£206	£110	£198	£32	£157
South West	£124	£180	£102	£27	£129
Scotland	£80	£65	£100	£18	£129
West Midlands	£93	£35	£189	£22	£71
South East	£121	£175	£897	£81	£100
North East	£35	£10	£27	£8	£43
Northern Ireland	£71	£5	£43	£5	£17
UK total	£1,496	£750	£3,346	£590	£974

Source: PF Global analysis. * AI is a subset of the Digital and Technologies Industrial Strategy (IS-8 sector)

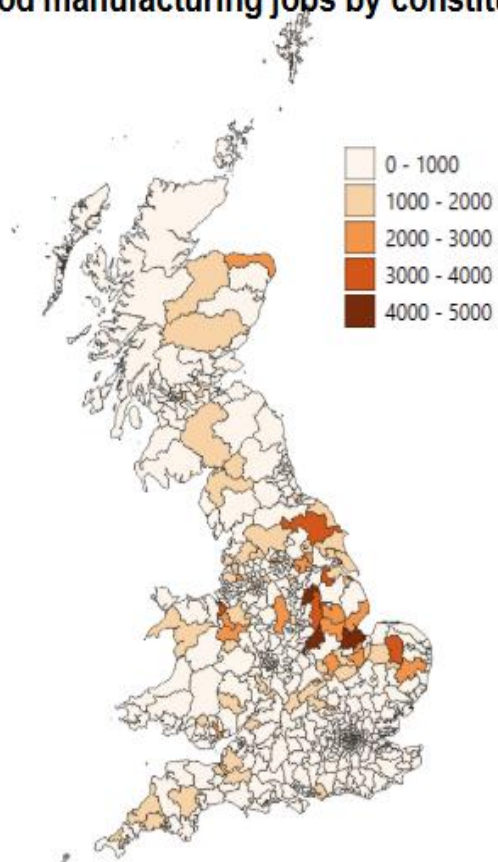
Impact of a 5% increase in sector jobs (increase in employment) - food manufacturing versus selected Industrial Strategy sectors

Region	Food manufacturing	Defence	Life sciences	AI*	Clean energy
East Midlands	2,968	450	1,121	103	625
London	1,573	588	2,845	2,248	375
Yorkshire and The Humber	2,904	188	1,225	125	625
Eastern	1,779	538	2,542	353	875
Wales	1,143	325	664	60	375
North West	2,498	1,325	1,623	237	1,375
South West	1,648	2,175	800	198	1,125
Scotland	1,453	813	856	129	1,125
West Midlands	1,394	400	1,188	164	625
South East	1,374	2,088	4,240	594	875
North East	635	138	402	56	375
Northern Ireland	1,069	45	473	39	150
UK total	20,437	9,070	17,979	4,307	8,525

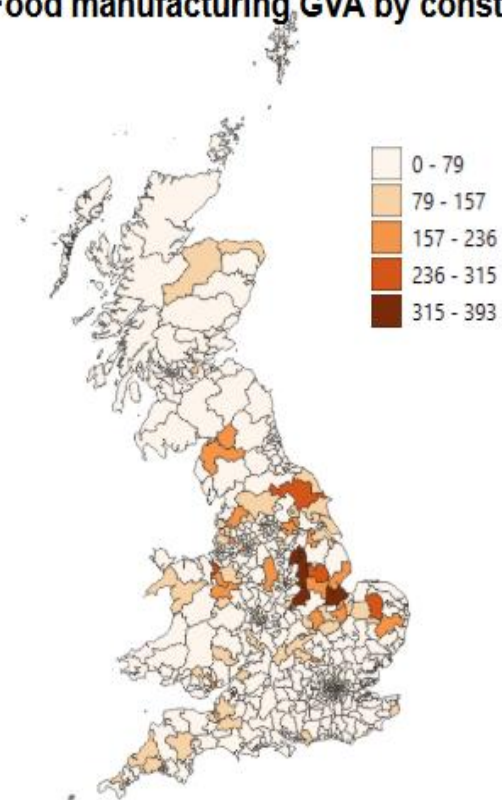
Source: PF Global analysis. * AI is a subset of the Digital and Technologies Industrial Strategy (IS-8 sector)

According to data in the Business Register and Employment Survey, all bar one parliamentary constituency in Great Britain has jobs in the food manufacturing sector - highlighting the breadth of employment across the country.

Food manufacturing jobs by constituency



Food manufacturing GVA by constituency, £ m



Source: Public First analysis of the Business Register and Employment Survey. Regional productivity data was used to produce constituency estimates of food manufacturing GVA.

Constituency distribution of jobs in food manufacturing in Great Britain

Number of jobs in food manufacturing	Number of constituencies	% of constituencies
0	1	0.2%
1 up to 100	116	18.7%
100 up to 200	91	14.7%
200 up to 300	61	9.8%
300 up to 400	57	9.2%
400 up to 500	53	8.5%
500 up to 600	29	4.7%
600 up to 700	37	6.0%
700 up to 800	30	4.8%
800 up to 900	23	3.7%
900 up to 1000	13	2.1%
1000 up to 2000	78	12.6%
2000 up to 3000	25	4.0%
3000 up to 4000	11	1.7%
4000 up to 5000	6	1.0%
5000+	1	0.2%

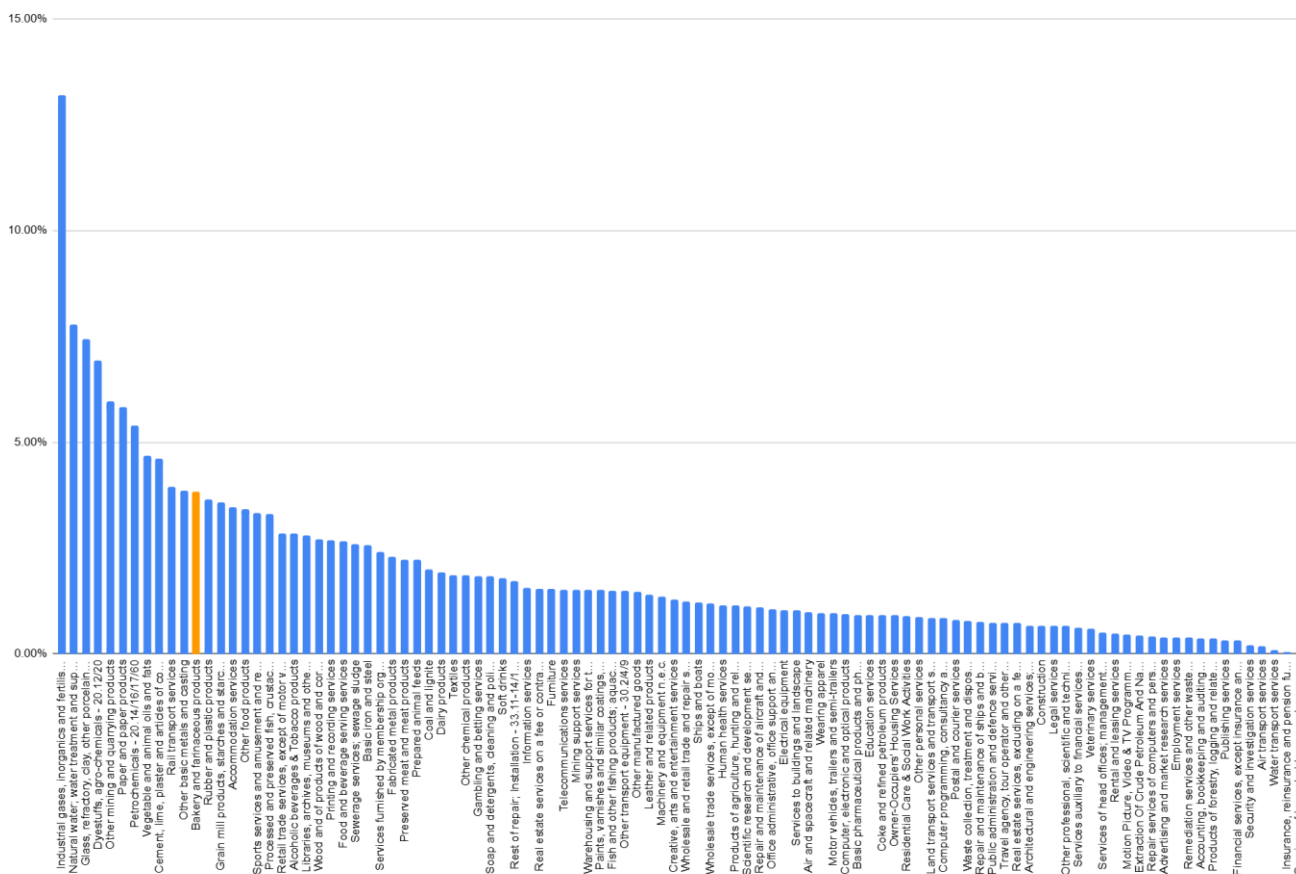
Source: PF Global analysis of the Business Register and Employment Survey

04 Growth despite cost pressures

Food manufacturing has expanded despite intense pressure on margins in recent years. The sector has faced sharp increases in energy, labour, agricultural commodity, packaging and regulatory costs. Yet the sector has continued to grow, as set out above. This resilience suggests that firms have offset part of the cost shock through investment, automation, energy efficiency and other productivity improvements — strengthening the case for policy that helps sustain investment rather than allowing persistent cost pressures to erode future capacity.

Baked foods, in particular, are among the most energy-intensive industries in the UK. PF Global analysis shows that, out of 102 industry categories, baked goods are the 12th most energy-intensive industry, as shown below:

Combined electricity and gas costs as % of factory gate prices. Baked goods and farinaceous products highlighted orange



Source: PF Global analysis of ONS input-output tables

05 The case for designating food manufacturing a priority sector in industrial policy

The original Industrial Strategy under the Keir Starmer administration named eight priority sectors. Although food manufacturing is one of the UK's largest manufacturing sectors, it was not selected. This section tests that decision against the previous government's own selection criteria, drawing on the new analysis set out above, to inform consideration of which sectors to prioritise in a future reindustrialisation agenda. We find that, looking backwards, the case was genuinely mixed. **Looking forward, however, it is clear that sustained productivity outperformance, an unusually broad regional footprint and a sharply deteriorating outlook for global food supply mean food manufacturing ought to be included as a key sector in any future reindustrialisation strategy.**

The previous government's selection criteria

The previous government argued that, to maximise its impact on growth, "the Industrial Strategy will focus on stimulating investment and activity in sectors with the highest growth potential". It noted that the top 30% of sectors ranked by productivity in 1997 accounted for roughly 60% of all productivity growth from 1997 to 2022². This was put forward as the main case for focusing on eight sectors:

- Advanced manufacturing
- Clean energy industries
- Creative industries
- Defence
- Digital and technologies
- Financial services
- Life sciences
- Professional and business services

The previous government's methodology³ considered the "different characteristics and needs of existing and emerging sectors" in order to identify:

- **Current strengths:** the UK's highest productivity and most internationally competitive sectors and key drivers of growth within the economy
- **Emerging strengths:** sectors in which the UK could feasibly develop a comparative advantage, often because of their proximity to the UK's current strengths:
 - Forecast growth

² [Invest 2035: the UK's modern industrial strategy - GOV.UK](#)

³ [Invest 2035: the UK's modern industrial strategy - GOV.UK](#)

- The future importance of the sector
- The UK's global position now and in the future

However, the full analysis undertaken by the Government has not been published. The Government noted that “measuring emerging technologies is also challenging as they are not linear and predictable, and they interact with each other. To mitigate data challenges, evidence was triangulated from academic evidence, market intelligence, industry reports, and relevant datasets.” This suggests a range of data sources underpinned decision-making.

The cases for and against including food manufacturing

Based on the stated criteria for Industrial Strategy priority sectors, food manufacturing had a mixed case for inclusion.

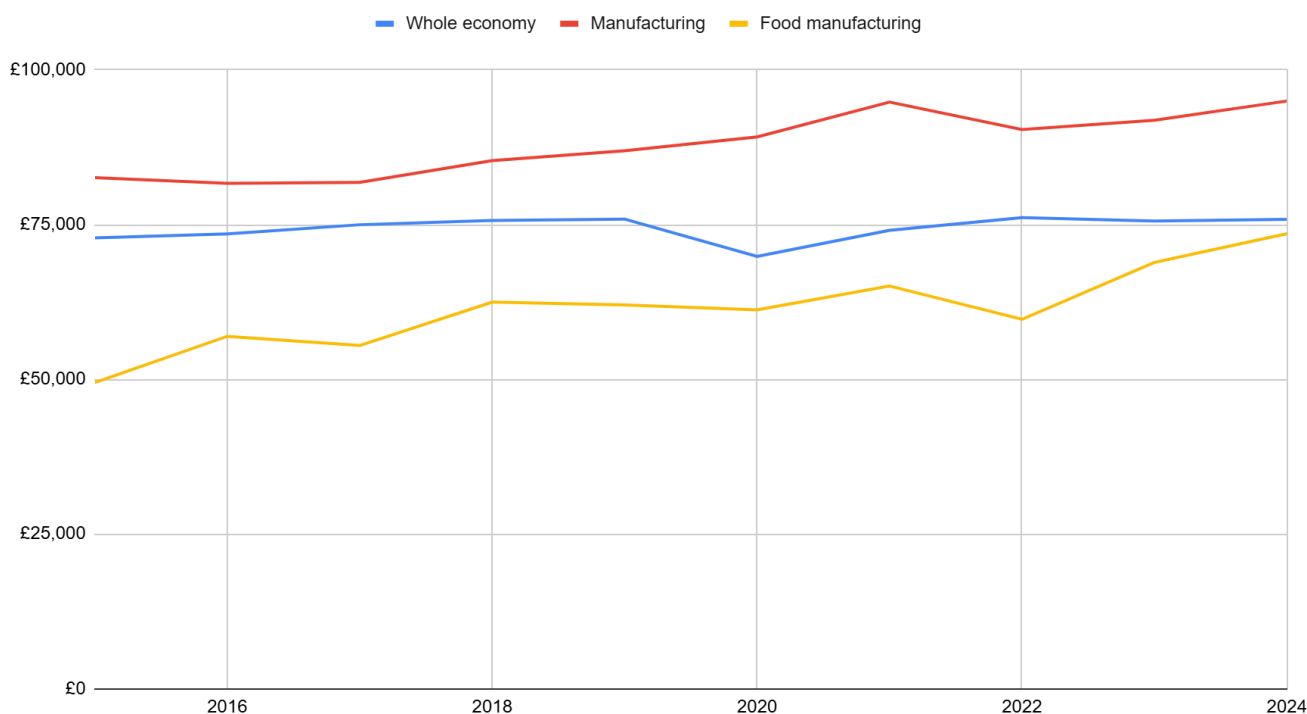
The case based on current strengths

As discussed earlier, food manufacturing has seen some of the strongest productivity growth in the UK economy. Further, as we showed earlier, it is a significantly larger sector than some of the other industries included in the Industrial Strategy in terms of both GVA and jobs. These are both strong cases for inclusion as an Industrial Strategy sector.

Further, the sector's impact is well-distributed regionally in the UK.

On the other hand, however, the absolute *level* of productivity is relatively modest. In level terms our analysis suggests the food manufacturing sector has been enjoying a period of strong catch-up growth, with economic output per worker converging with the national average after sitting below it:

Productivity (GVA per worker, 2023 prices)



Source: PF Global analysis of ONS data

Evidence on the international strength of Britain's food manufacturing sector - another consideration for inclusion in the Industrial Strategy - is both difficult to come by and mixed. For example, analysis by the Food and Drink Federation shows the UK food & drinks sector performing in the "middle of the pack" among the G7 nations in terms of productivity - above France and Germany, roughly on par with Italy, and behind Canada and the US⁴. However, the extent to which this is a like-for-like comparison is debatable: at least some of the productivity differential between countries will be a reflection of the types of food and drink products manufactured, rather than the innate productivity rate in producing a particular item such as baked goods. Therefore, this analysis is of limited use.

The case based on future strengths

It is probably the future-based selection criteria which make the most compelling case for inclusion of food manufacturing in any future industrial strategy.

The sector is undoubtedly of future importance. Beyond being a contributor to economic growth and employment, domestic food manufacturing is key for guaranteeing food security - and in turn national security - in a geopolitically turbulent world.

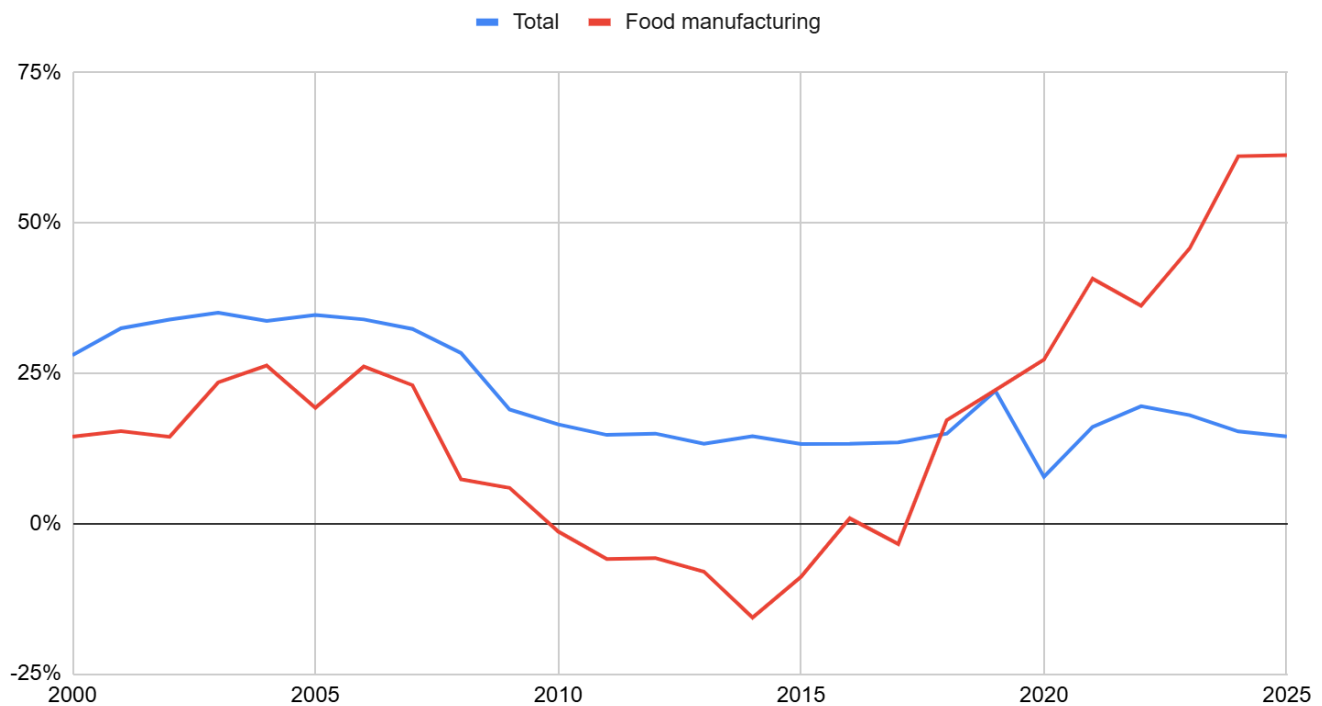
And, in terms of future growth, the recent picture for the sector shows considerable outperformance compared with the wider UK economy. Over the past decade, the compound annual growth rate for the sector, in terms of real gross value added (GVA), stood at 4.9%, 3.6 times higher than the 1.4% seen in the

⁴ [Future Factory Report](#)

wider UK economy. The sector has gone from slower-than-average growth to a rate of expansion significantly above the national average.

As a necessity (albeit with discretionary elements within it), food demand is structurally more resilient than demand in many other sectors of the economy, supporting this growth picture.

Rolling 10-year growth rates, in terms of real GVA

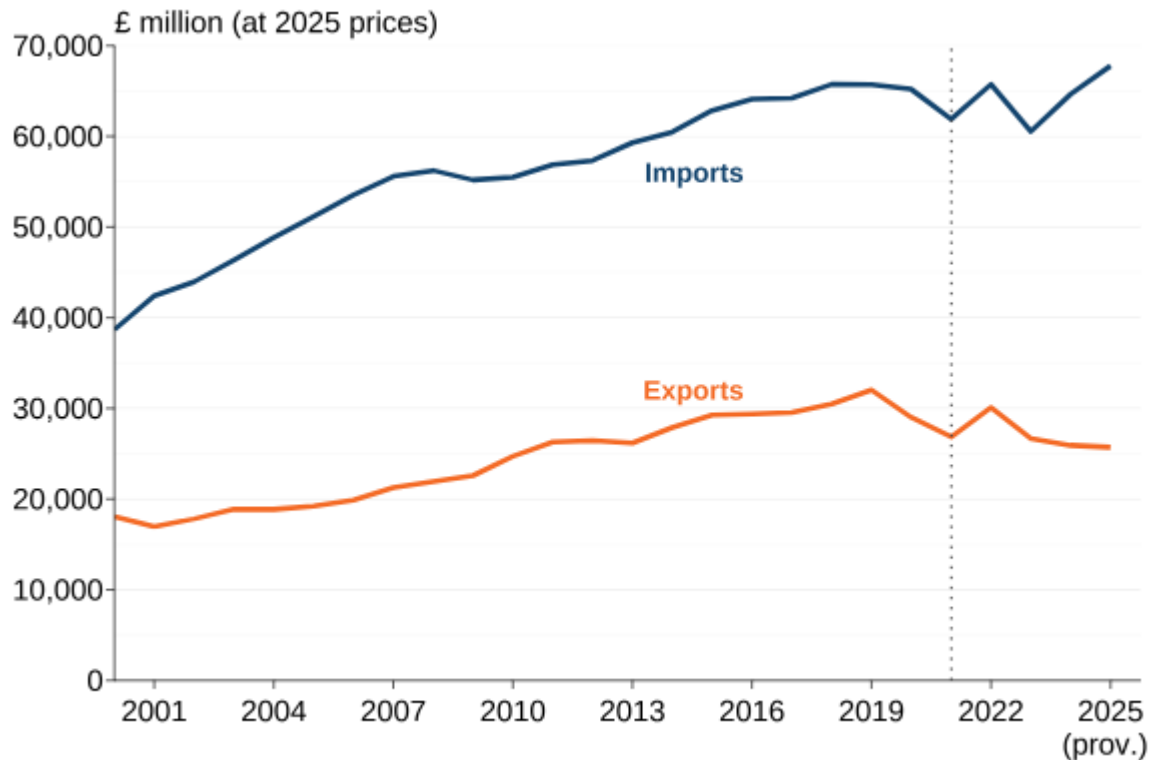


Source: PF Global analysis of ONS low-level aggregate GVA statistics

In terms of the UK's *global* position in food manufacturing - another consideration in the Industrial Strategy methodology - the case is weak. The UK has a significant trade deficit in terms of food products, importing more than it exports in value terms⁵. Further, food exports have declined in recent years – see below. However, in the context of needing to support food security, there is now a strong case for protecting and strengthening the UK's sovereign food manufacturing base.

⁵ [Chapter 13: Overseas trade - GOV.UK](#)

Value of trade in food, feed and drink in 2025 prices (£ millions)



Source: HMRC

Changing priorities for a new reindustrialisation agenda

When the priority sectors were chosen, food security was a lower-order priority for government. Following disruption to supply chains from conflict and increased severe weather events, including record heatwaves this summer, and now a record El Niño likely this year, this position is becoming harder to sustain. This year will likely see one of the worst harvests on record, and the subsequent impacts on food supply and food inflation are likely to be serious, hitting consumers hard in 12 to 18 months. In this context domestic food manufacturing is more critical than ever. Our analysis points to three links:

- **Productivity is a defence against food inflation:** A sector that has raised output per hour by 72% since 2000 has been absorbing cost pressures that would otherwise have been passed on to households. Sustaining that productivity growth is one of the few levers available to cushion consumers from imported price shocks.
- **Import dependence is a resilience risk as well as a competitiveness weakness:** The trade deficit identified above counts against food manufacturing on the Industrial Strategy’s ‘global position’ test. As supply chains become more vulnerable, this strengthens the case for building domestic processing capacity as opposed to de-prioritising the sector.
- **Resilience in every region:** As our analysis shows, food manufacturing’s footprint is spread across the UK; investment in capacity strengthens supply chains in every nation and region while creating jobs outside the established growth hubs.

Since the priority sectors were chosen, therefore, food manufacturing now fits more squarely into the IS's 'future importance' category.

Conclusion

Whether food manufacturing should be included as a priority sector in any future reindustrialisation agenda depends on how government weighs competing strategic objectives:

- **The case for inclusion:** Food manufacturing offers strong productivity momentum (+72% growth since 2000, 3.3 times the national average), significant economic scale (£30bn GVA, over 400,000 jobs) with a strong rate of growth (over the past decade the compound annual growth rate for the sector has been 3.6 times higher than the wider economy). Unlike concentrated high-tech hubs, its economic footprint and job creation are distributed across every UK region and all but one constituency, directly serving regional rebalancing goals. Furthermore, domestic processing capabilities are vital for food security and national supply chain resilience.
- **The case against:** The sector's absolute productivity level (GVA per worker) remains relatively modest compared to frontier technology industries, reflecting strong catch-up growth rather than high baseline value-add. Additionally, weak international export performance and a persistent trade deficit suggest structural competitiveness challenges.
- **What has changed:** A likely record-strength El Niño, drought-hit harvests and disruption to fertiliser and grain supplies have made food resilience a much larger risk economically. That strengthens the 'future importance' case and makes it imperative to resolve the trade deficit by supporting domestic capacity.

The previous Government prioritised high-margin export champions. However, Andy Burnham has signalled a move towards a broader reindustrialisation agenda to spread growth regionally. If government is to succeed in delivering resilient, broad-based growth across every region of the UK while strengthening national security, food manufacturing would represent a high-impact, high-performing partner. **The Government's ambitions to drive growth across the whole country and make the economy more resilient are the right ones. Against that purpose, the sector that ranked 6th of 78 industries for productivity growth over the past decade, with the most job-creation of any sector we modelled and a direct role in shielding households from the coming food price shock, must be included.**

The obvious question is how food manufacturing might be supported in any reindustrialisation agenda.

06 Practical policy interventions to support food manufacturing productivity

Our analysis suggests the sector's productivity gap is largely a capital and technology gap rather than a structural ceiling. The following asks are designed to close that gap, whilst building resilience:

- **Competitive industrial energy costs:** Ensure energy-intensive food sectors such as baking, milling, sugar, dairy and chilled food are fully eligible for electricity cost relief. Furthermore, the government needs to provide relief for industries that are heavy users of gas and incentivise decarbonisation, including enabling grid connections and subsidising the transition from gas to electricity.
- **A dedicated food manufacturing sector plan:** Give food manufacturing a dedicated sector plan similar to the eight priority sectors. This could include a joint industry and government council, clear productivity targets, clarity over long-term trade policy, and Ministerial lead in the Department for Business, Innovation, Science and Trade as well as Defra so that investment signals are long-term and consistent.
- **Planning certainty:** Fast-track planning decisions for factory expansions and other manufacturing investment, where the case can be made that such investment supports domestic capacity and food resilience.
- **Automation and robotics adoption:** Extend full expensing to leased plant and machinery, on which many mid-sized food manufacturers rely, and scale up proven adoption programmes such as Made Smarter nationally with a dedicated food strand. Automation is the most direct route to closing the productivity level gap with European peers.
- **Co-investment in capacity, innovation and R&D:** The manufacture of food and drinks receives disproportionately less government funding than the OECD average at 0.1% compared to 5%⁶. Government should address this gap. Firstly, by creating a food manufacturing strand within Innovate UK and the High Value Manufacturing Catapult so the sector can draw on the same innovation infrastructure as the priority sectors. Secondly, it should allow the British Business Bank to allocate its £4bn of Industrial Strategy Growth Capital⁷ beyond the eight priority sectors towards food manufacturing. Thirdly, it should task the National Wealth Fund with co-investing in capacity in exposed food categories where feasible, prioritising projects that raise output per hour while reducing exposure to the supply shocks set out above.

Taken together, these measures could target the sector's productivity level gap directly, spread the gains across every region, and strengthen the UK's resilience to the food shocks now in prospect. All of the above would help government to meet its objective of higher, more broadly shared growth.

⁶ [UK value capture from innovation Projects for the National Technology Adviser](#)

⁷ [industrial-strategy-tracker-march-2026.pdf](#)