

Hard to Swallow

The Facts about Food Poverty

Kellogg's

Key Findings

This report, conducted on behalf of Kellogg's by the Centre for Economics and Business Research (CEBR) ¹ attempts to measure food poverty, and considers the implications for shoppers, businesses and government.

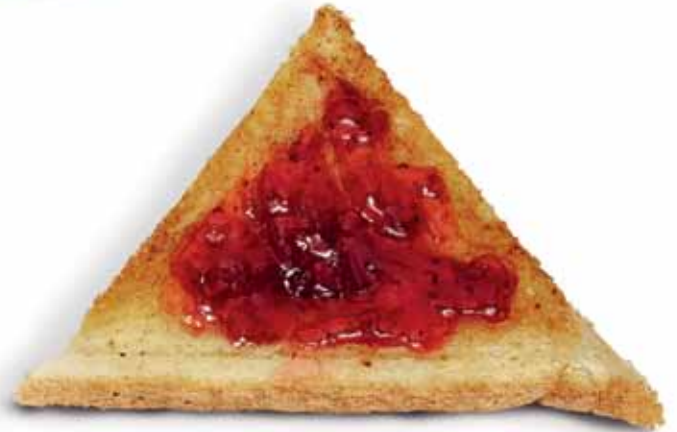
Our findings show food poverty in the UK is increasing, with a significant impact on families already struggling to meet basic nutritional needs

The report demonstrates:

- The average UK household annual food bill is forecast to rise by £357 by the end of 2017.
- People are spending more on food, but actually eating less. UK expenditure on food and non-alcoholic beverages has increased by almost 20% in the past five years, but the volume of food consumed dropped by a little over 7%.
- The poorest 10% of households spent almost a quarter of their income (23.8%) on food and non-alcoholic drink in 2012 compared with an annual spend of around 4.2% by the richest 10% of households.
- Single parent households and retired households both spend more than 10% of their gross income on food and non-alcoholic drink, at 12.2% and 11.2% respectively in 2012.
- The amount of people fed by foodbanks per year has increased from 26,000 to 128,697 in the last three years in response to rising food prices and the on-going squeeze on household incomes. This is estimated to rise again to over 280,000 people during this financial year.
- Four out of five teachers say some of their pupils are coming to school hungry.



**People are increasingly
spending more on food...**



**... but eating less
nutritious options**



Hard to Swallow – the facts about food poverty

New research from Kellogg's and the Centre for Economics and Business Research (CEBR) has found that people in the UK are spending more on food, but eating less, with the average food bill set to increase by £357 by the end of 2017.

We believe all children should have the opportunity to start the day with breakfast and that's why Kellogg's will provide half a billion breakfasts worldwide to help children and families facing hunger and food insecurity by the end of 2016.

15 million of those breakfasts and snacks will be distributed in the UK in the form of grants to school breakfast clubs, breakfast programmes and food donations to foodbanks such as those run by the Trussell Trust.

We want to do our bit to tackle food poverty. That's why Kellogg's:

1. Will donate 15 million portions of cereal and snacks to people in the UK living in food poverty – through our breakfast club programme and donations to foodbanks.
2. Wants the UK Government to monitor food poverty in a similar way to how it monitors fuel poverty.
3. Would like to start a conversation with other large manufacturers about how we can do more to help communities affected by food poverty.

Around 20% of our company is owned by a charitable trust which aims to help children in poverty across the globe





Playing our part

Helping people is at the heart of Kellogg's. Around 20% of our company is owned by a charitable trust started in the 1930s by our founder, WK Kellogg, to help children in poverty across the globe.

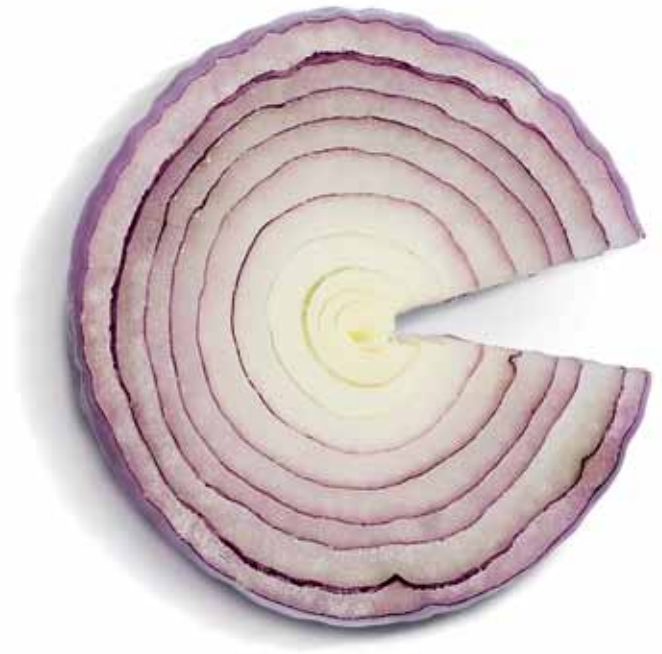
Here in the UK, we've spent the last decade setting up more than 1,000 breakfast clubs which serve more than two million breakfasts each year to the children who need them most. This is about getting kids into the breakfast habit and nothing more. That's why our donations come in the form of a grant for the club's organiser to invest as they see fit and vouchers for much needed food.

Lacking essential vitamins and minerals

People in food poverty may be cutting back on food to the point of malnutrition.

Our research finds that the UK's poorest households are not able to maintain a healthy, balanced diet and are being forced to cut back on fruit by 20% and vegetables by 12%





- Lower income households have a lower intake of vitamins A and C, iron and fibre.
- Fibre and iron intake per person among the poorest 20% of households are both 4.9% lower than among the richest 20% of households.
- Intake of vitamin A is 7.7% lower, while intake of vitamin C is 17.7% lower.
- Four out of five (79%) teachers have told Kellogg's that their pupils are coming to school hungry and the problem is getting worse.
- Financial hardship is an issue, according to more than half (57%) of the teachers we consulted.



What is food poverty?

There is currently no established government measure of food poverty in the UK (unlike the measure for fuel poverty). This is despite the fact that the average UK household spends more than twice as much on food as it does on utilities.

For the purposes of this report, we define households that have to spend more than 10% of their income on food as being in food poverty. But this statistical measure doesn't tell the whole story.

People's spending on food adjusts according to their situation and some families struggling to make ends meet will cut back on food expenditure and may even go without meals such as breakfast.

Working single parents are facing the squeeze just to feed their children

This means that families in food poverty are often unable to give their children the best start to the day. Missing breakfast can impact on children in a range of ways, from not performing to their full potential at school, to not getting the vitamins, minerals and fibre that are essential for healthy growth.

Some households may even be choosing to cut back on food to the point of malnutrition as a means of keeping the share of income spent on food relatively constant.

With the UK economy still weak, households continue to face a significant erosion of their living standards as inflation remains higher than household income growth. For most of the post-financial crisis period, food price inflation has been notably above overall inflation.

Recent trends in food consumption in the UK

During the last five years (Q3 2007 to Q3 2012), expenditure on food and non-alcoholic beverages in the UK rose sharply – by almost a fifth (19.9%).

This increase came despite a steep decline in the actual volume of food and non-alcoholic beverages consumed – consumption declined by 7.3% over the same time period, as illustrated in Figure 1 below.

This leads us to conclude that UK households are spending much more on food than they were five years ago but eating much less.

Given that the decline in how much is being spent on food occurred as the UK entered recession in 2008, the decrease in food consumption appears to be a response to the impact of the weak economy on household incomes, in addition to high food price inflation since 2008.

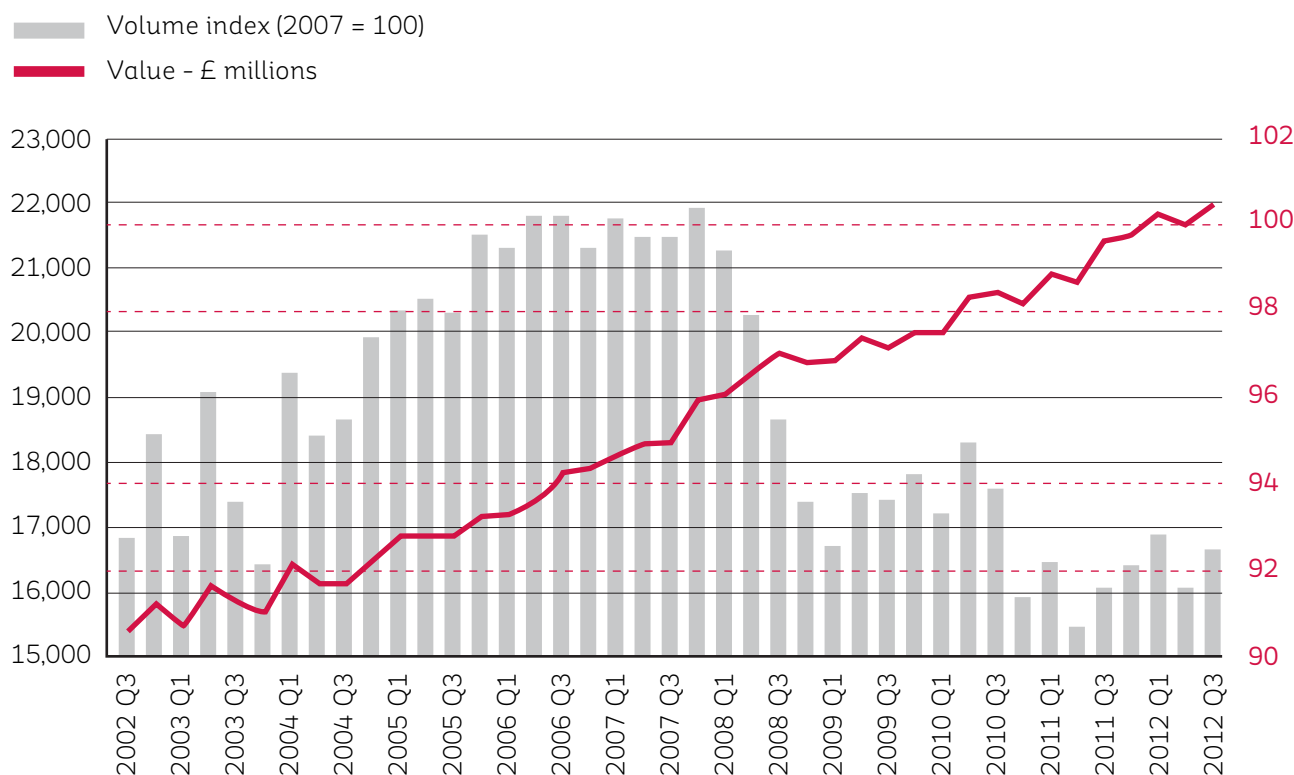


Figure 1: Consumption of food and non-alcoholic beverages in the UK – volume and value

Figure 2 below shows food price inflation has been above headline CPI inflation for most of the period since 2007. Figure 2: CPI inflation and price inflation for food and non-alcoholic beverages

Between December 2007 and December 2012, while the consumer price index (CPI) increased by 17.7%, the price of food and non-alcoholic beverages increased by 28.2%.

Analysis of data on food consumption by category shows that consumers in the UK are spending considerably more on most products than they

were five years ago, yet the volume of the foods they are consuming has fallen significantly.

As an example of this overall trend, expenditure on vegetables has risen by 15.3% yet the volume consumed has fallen by 8%.

This is an indication that the ability of some families to buy enough food to feed themselves is being challenged.

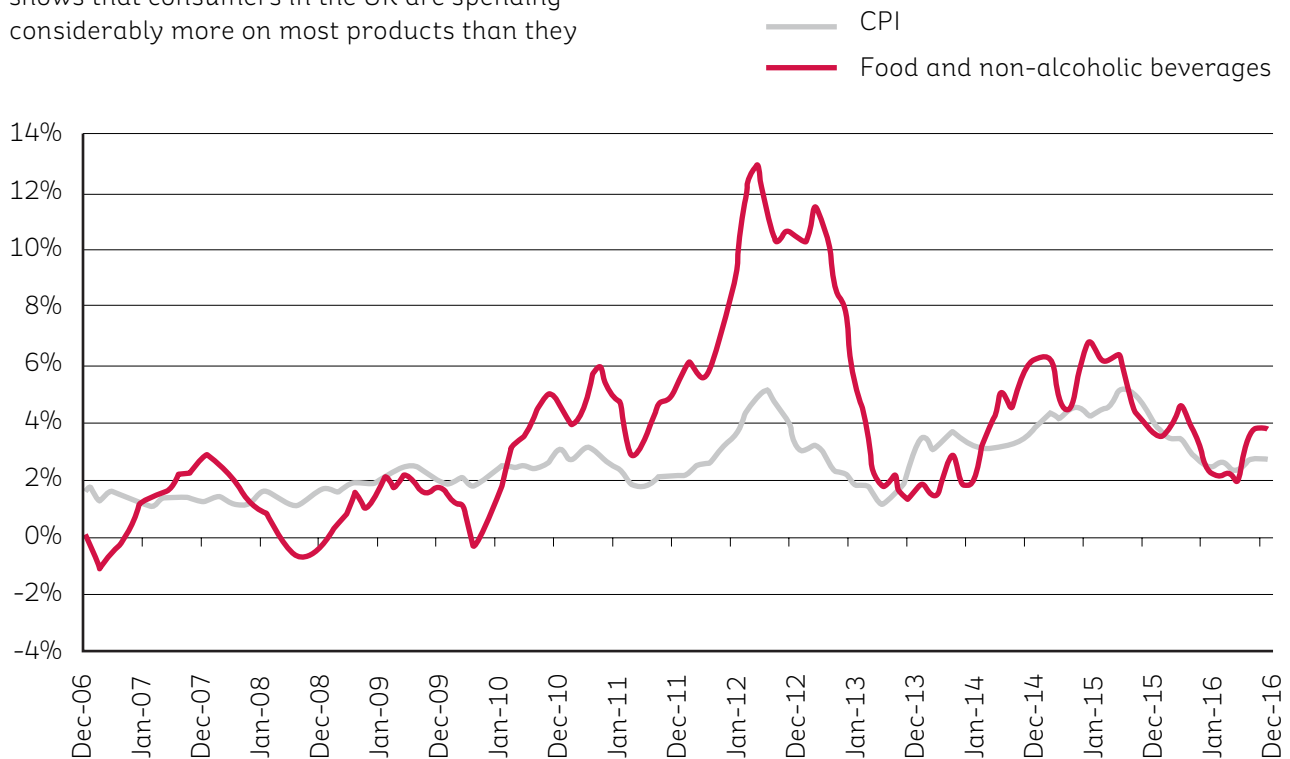


Figure 2: CPI inflation and price inflation for food and non-alcoholic beverages



The average annual UK food bill is set to rise by £357 by the end of 2017

Food poverty in the UK – the future

The average household annual food bill is expected to rise by £357 by the end of 2017. The current economic environment means food spending is likely to continue taking up a higher share of household incomes than in 2007.

Single parent, elderly and low income households are the most likely to find themselves in food poverty.

The average household spent £2,940 on food and non-alcoholic beverages last year, up from £2,502 in 2007 – an increase of 17.5%. This is expected to increase by a further £357 (12.1%) over the years 2012-2017, reaching £3,297 per annum.

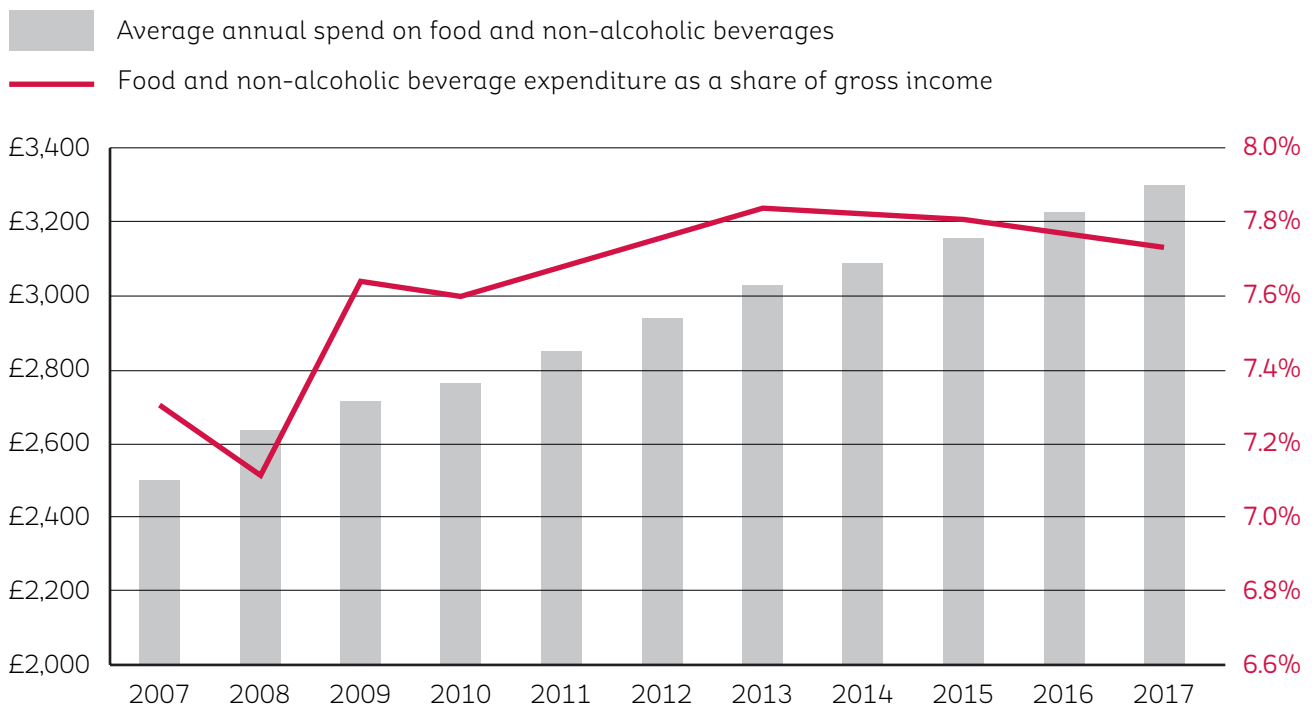


Figure 3: Average UK household expenditure on food and non-alcoholic beverages, and expenditure on food and non-alcoholic beverages as a share of gross income

If we look at expenditure on food as a share of income across different income brackets, we see wide variations.

We estimate that the poorest 10% of households in the UK spent nearly a quarter (23.8%) of their gross income on food and non-alcoholic beverages in 2012. This is in stark comparison with just 4.2% for the richest 10% of households.

Food expenditure is taking up an increasing share of the gross income of the poorest 10% of UK households.

The expenditure share rose from 23.3% in 2007 to 23.8% in 2012, and is set to stand at 24% in 2017 partly due to benefit reforms over the next few years.

If you're in the poorest 10% in the UK, almost 25% of your income will go on food and beverages. If you're in the rich 10%, it's just 4.2%

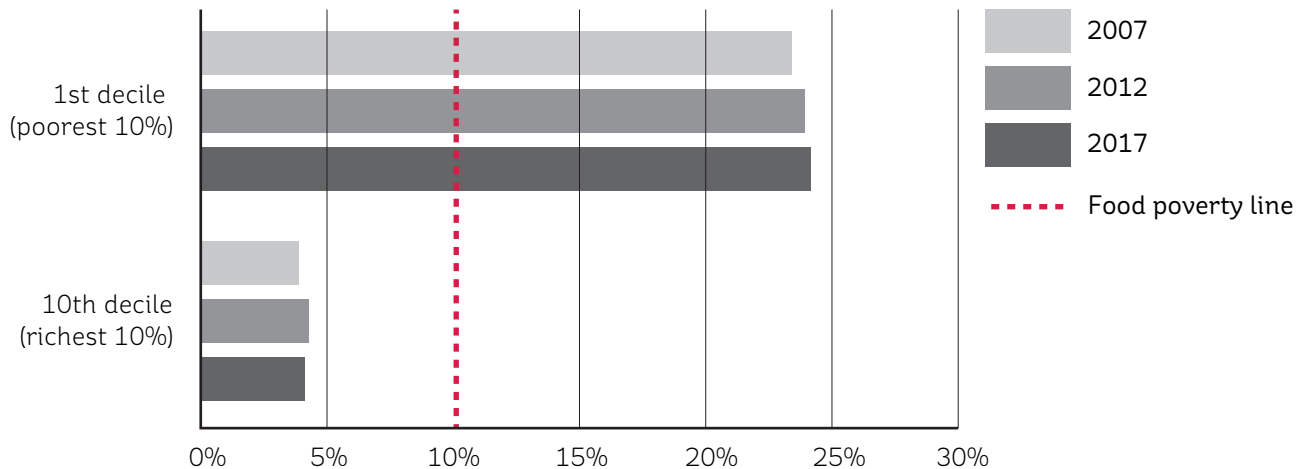


Figure 4: Expenditure on food and non-alcoholic beverages as a share of total expenditure and as a share of gross income, split into 2 household gross income brackets



Poorest 10% of households
spend 23.8% of their total
income on food



Richest 10% of households
spend only 4.2% of their total
income on food

Between 2012 and 2017, the average annual food bill of the poorest 10% of households is forecast to rise by £190, as the following graph shows.

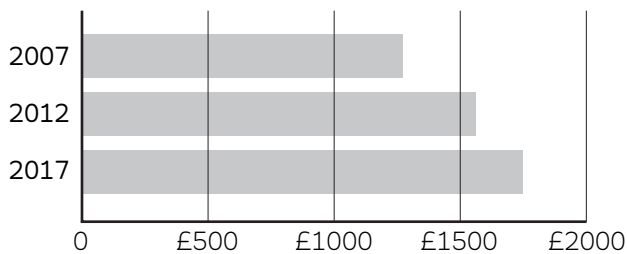


Figure 5A: Annual expenditure on food and non-alcoholic beverages, for the poorest 10% of households

On a regional basis, there is no single part of the UK where the average household spends more than 10% of its income on food (though of course, there are poorer households within every region that will be in food poverty).

The closest is Northern Ireland, where the average household spent 9.8% of its gross income on food and non-alcoholic beverages in 2012 – very near the 10% line for food poverty.

Wales follows, with the average household spending 8.9% of its income on food and non-alcoholic beverages.

At the other end of the scale, the average household in London, the South East and East of England will spend the lowest share of income on food and non-alcoholic beverages.

Across every part of the UK however, food and non-alcoholic beverage expenditure as a share of gross income is set to remain higher than in 2007 over the coming years.

The below maps show how the annual food bill varies across the UK's regions, in cash terms.

In 2012, the annual food bill of an average household in Northern Ireland was joint-highest with London at £3,201.

This is despite average gross household incomes in Northern Ireland being 36.6% lower than in the capital.

Food price inflation is expected to see the annual food bill increase by a further £389 in Northern Ireland by the end of 2017.

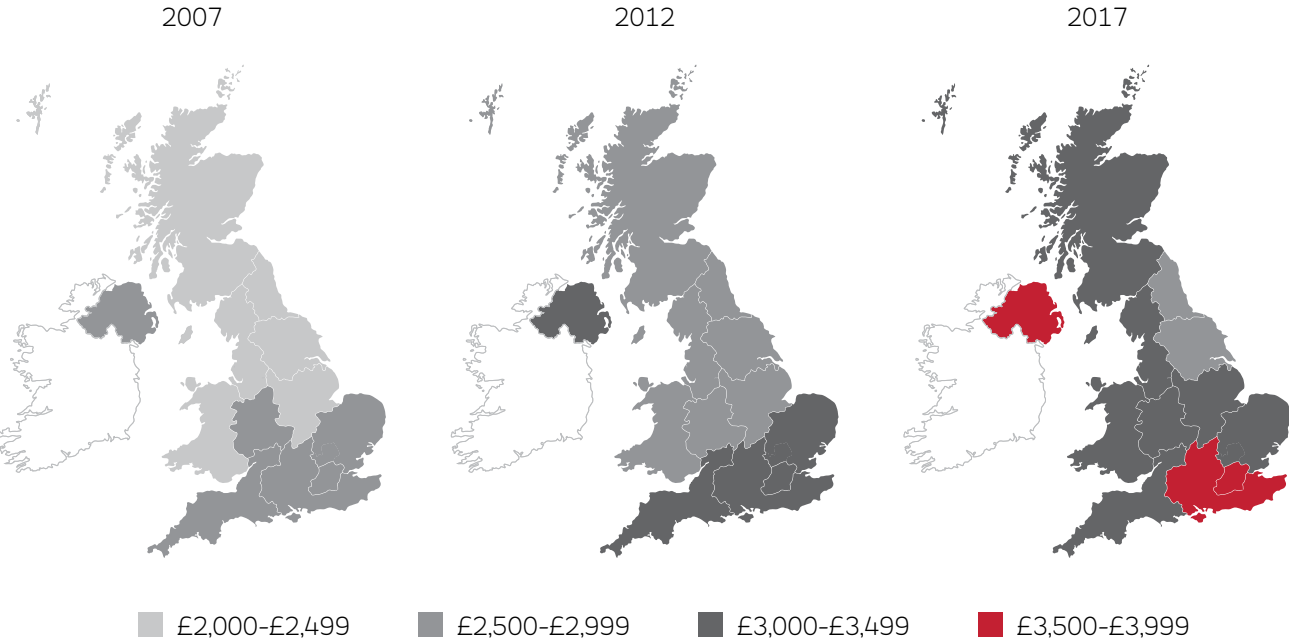


Figure 5B: Annual expenditure on food and non-alcoholic beverages, by income region

We have also been able to analyse food poverty by different households in the UK.

The analysis identifies two key groups where the average household spends more than 10% of their gross income on food and non-alcoholic beverages – single parent households and retired households, where the food expenditure share was 12.2% and 11.2% respectively in 2012.

For most types of household composition, food expenditure as a share of gross income will be higher in 2017 than in 2007.

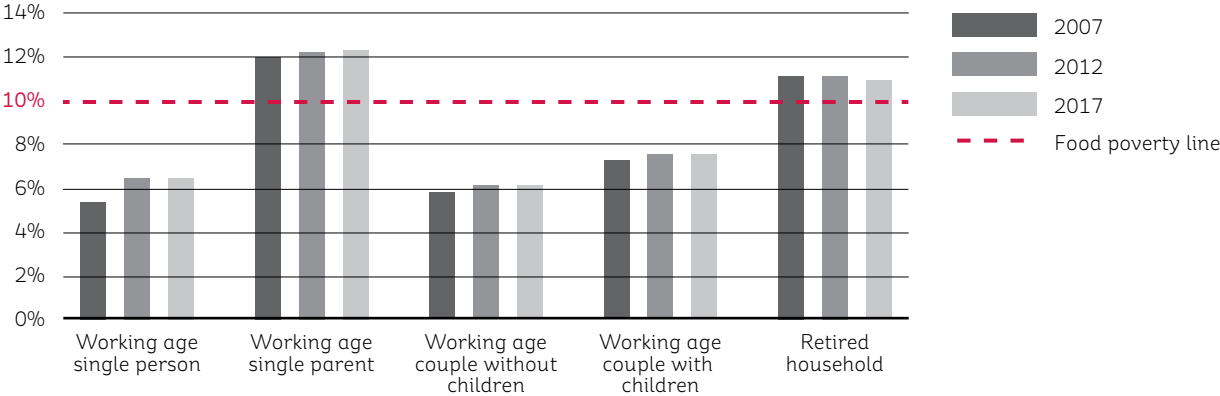


Figure 6: Expenditure on food and non-alcoholic beverages as a share of gross income, by household composition

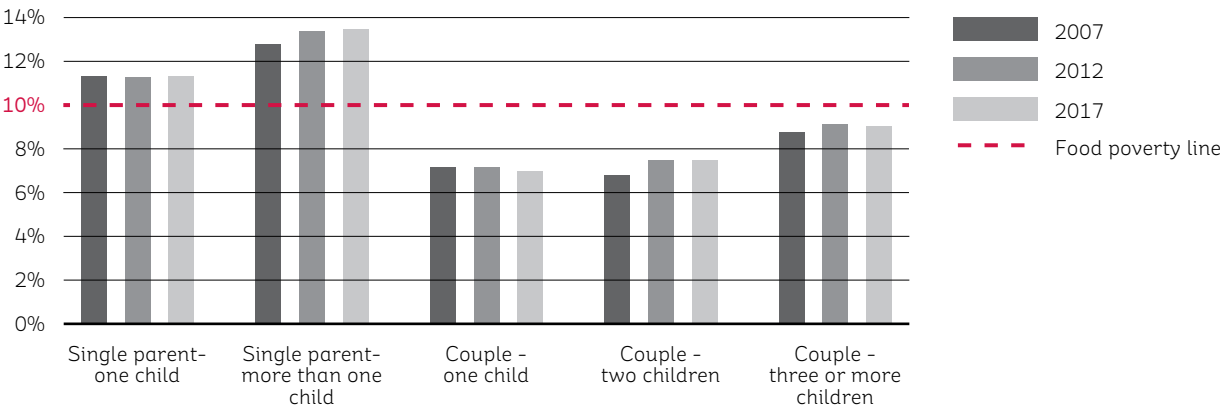


Figure 7: Expenditure on food and non-alcoholic beverages as a share of gross income, by working age household composition

Households with more children, spend, on average, a greater share of their income on food than those with fewer children.

Single parent households with more than one child spend the greatest share of their income on food – at 13.2% in 2012 (up from 12.8% in 2007 and forecast to rise to 13.4% by 2017).

Single person households with one child and more than one child are expected to see their annual average food bills increase by £244 and £341 respectively by the end of 2017.

Working age households	Annual food bill, 2007	Annual food bill, 2012	Annual food bill, 2017	Change, 2012-2017
Single person, no children	£1,252	£1,497	£1,679	£182
Single person, with one child	£1,919	£2,007	£2,251	£244
Single person, with more than one child	£2,366	£2,807	£3,148	£341
Couple, no children	£2,586	£2,903	£3,256	£353
Couple, with one child	£3,042	£3,542	£3,972	£430
Couple, with two children	£3,645	£4,154	£4,658	£505
Couple, with three or more children	£3,791	£4,647	£5,212	£565
Retired household	£1,852	£2,342	£2,627	£285

Table 1: Annual expenditure on food and non-alcoholic beverages, by household composition

Foodbanks

Data from the Trussell Trust – which operates a network of foodbanks across the UK – shows that demand for foodbanks has risen sharply in recent years.

In 2008/09 Trussell Trust foodbanks fed 26,000 people nationwide. By 2011/12 this rose to 128,697. An estimated 280,000 individuals will be fed in the 2012/13 financial year. The Trussell Trust has launched almost 150 new foodbanks in the last year alone and is launching three new foodbanks every week to help meet demand.

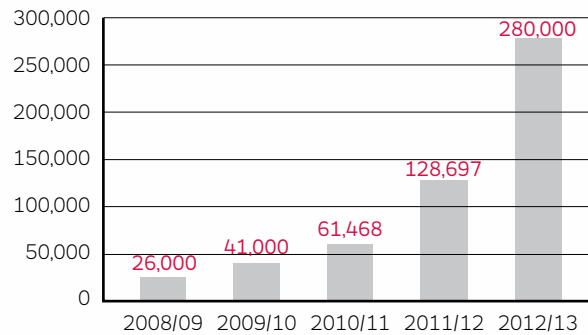


Figure 8: Number of people fed by Trussell Trust foodbanks (2012/13 is an estimate) – Trussell Trust have given emergency food to over 260,000 already in 2012/13

Source: Trussell Trust, “Don’t ignore the hunger on our doorstep”, August 2012



About one third of the individuals fed by Trussell Trust foodbanks are children, perhaps reflecting the finding that single parents spend more on food (as a share of their gross income) than other types of household.


Less than 5% of Trussell Trust foodbank clients are homeless.

The single biggest reason that people were referred to foodbanks in 2011/12 was benefit delay (29%), followed by low income (19%).

Other reasons for referrals according to the Trussell Trust include delayed wages, domestic violence, sickness, unemployment, debt, welfare reforms, refused crisis loans, homelessness and absence of free school meals during school holidays.

**The use of UK Foodbanks has increased
from 26,000 to 128,697 in just three years**



The background of the entire image is a repeating pattern of white bowls. Each bowl contains a different type of cereal or snack, such as cornflakes, bran flakes, or small round biscuits. A silver spoon is placed in each bowl. The bowls are arranged in a grid-like pattern, creating a textured, food-focused background.

**We will donate 15 million portions
of cereal and snacks to people in the UK
living in food poverty**

Conclusion

Food poverty in the UK is a serious and growing problem.

- People are spending more on food, but eating less nutritious food.
- A growing number of people are living in food poverty – with single parent households and retired people suffering the most.
- Those in food poverty spend more than 10% of their household's gross income on food and non-alcoholic beverages on average and have to choose cheaper, less healthy food. These people will be relying more and more on foodbanks over the coming years.
- Foodbank use has risen sharply in recent years in response to rising food prices, high unemployment and an erosion of household spending power.

We want the government to closely monitor the growing problem of food poverty in this country

Kellogg's Is Taking Action

Over the last decade we've set up more than 1000 breakfast clubs helping to provide more than two million breakfasts a year to children who need it most, but we appreciate more needs to be done.

That's why we will donate 15 million portions of cereal and snacks to people in the UK living in food poverty over the next three years.

We're calling on the government to monitor food poverty as much as it monitors fuel poverty and set a clear measure for what food poverty means.



In addition, we are calling for other food producers to follow our lead and give as much to foodbanks as they can.

**Chris Mould,
Chairman of Trussell Trust, says:**

“The Trussell Trust welcomes Kellogg’s in depth research which provides powerful further evidence that UK food poverty needs serious and urgent attention. The research findings are shocking, though perhaps not surprising, and are deeply concerning as they highlight the reduced level of nutrition as well as the reduction of food consumption overall.

The research reflects what Trussell Trust foodbanks are experiencing on the ground: every day we’re meeting mothers who are skipping meals to feed their children, or people forced to choose between paying the bills or buying food. We’ve been working hard to provide nutritionally balanced emergency food to people in crisis and are delighted that Kellogg’s is partnering with us to help stop UK hunger.”



This is at the heart of our strategy to feed every family in the UK throughout the day



**Jonathan Myers,
Kellogg's UK Managing Director, says:**

"We believe businesses can play a part in tackling the issues outlined in this report.

That's why Kellogg's is continuing its work to set up and support more breakfast clubs in vulnerable areas of the country as well as donating food to foodbanks across the UK.

We'd encourage the whole of the food industry to do more and donate surplus food to help families living in food poverty."

Appendix One

Report methodology

The analysis in this report is based on publicly available data from the Office for National Statistics (ONS) and Department for Environment, Food and Rural Affairs (Defra), in conjunction with the Centre for Economics and Business Research's central economic forecasts to provide insights on the outlook for food poverty by the end of 2017.

Our analysis of food expenditure as a share of household gross income is based on data in the ONS Family Spending report. To produce projections for the years to 2017, we have grown

food expenditure in line with CEBR's central forecast for food price inflation. We have grown household incomes based on CEBR's central projections for growth in the various sources of income, namely:

- Earnings
- Investment income
- Social security benefits (including the State Pension)
- Annuities and pensions



Appendix Two

About the Trussell Trust

Trussell Trust foodbanks provide three days nutritionally balanced emergency food to UK people in crisis. Non-perishable food is donated by the public and sorted by volunteers. Foodbank recipients are referred by frontline care professionals such as doctors, social workers, CAB, Jobcentre Plus or schools liaison officers using a voucher system.

As well as providing emergency food, Trussell Trust foodbanks signpost clients to other agencies and charities able to help resolve the underlying cause of the crisis. To prevent dependence on a foodbank, clients may receive up to three consecutive foodbank vouchers in a row, with additional help available in exceptional circumstances. www.trusselltrust.org





Kellogg's has already partnered with Foodbanks in:
Russia, Denmark, Germany, Greece, Lebanon, Belgium,
France, Italy, Spain, the UK and Ireland.

Who do Foodbanks Help?

Many foodbank clients are low income families hit by a crisis that is not their fault such as redundancy, reduced working hours or something as seemingly small as an unexpected bill. Others are victims of domestic violence, people experiencing benefit delay or facing debt problems or those hit by illness.

Less than five per cent of foodbank clients are homeless, many are working families. Typically, one third of foodbank recipients are children.

How Does a Foodbank Work?

Foodbanks are run by the community for the community: non-perishable food is donated by local people – schools, businesses, churches and individuals. Volunteers of all backgrounds help run foodbanks by packing, sorting and distributing the food. Every client is referred to the foodbank by a frontline care professional such as a doctor or social worker.

Food parcels have been designed by dieticians to provide recipients with nutritionally balanced food for three days. Rural foodbanks often operate delivery services to reach those unable to get to a foodbank.





Kellogg's Breakfasts for
Better Days

¹ The Centre for Economics and Business Research (CEBR) is an independent consultancy recognised as one of the country's leading independent commentators on economics and business trends, regarded highly by business people, policy makers and journalists. Its predictions for the UK economy are used and published by the Treasury.

Fuel poverty statistics estimate the number of households that need to spend more than 10 per cent of their income on fuel to maintain a satisfactory heating regime, as well as meeting their other fuel needs (lighting and appliances, cooking and water heating).
Source: <http://www.statistics.gov.uk/hub/business-energy/energy/fuel-poverty>