

**THE OC&C GROCER  
INDEX 2010**



# TRADING BLOWS

OC&C's annual review of the UK's top 150 food and soft drink producers

## OC&G TOP 150 FOOD & DRINK SUPPLIERS







# TRADING BLOWS

**IT'S BEEN A BRUISING YEAR FOR FOOD AND DRINK SUPPLIERS BUT THE WINNERS WERE THOSE WHO ATTACKED THEIR COST BASE AND PACKED A PUNCH WITH ADS AND NPD, REPORTS IVAN CASTANO**

**P**rofit warnings, hostile takeover bids, restructures, layoffs and a constant clamour for bigger promotions and lower prices – last year was bruising for UK food and drink suppliers.

As a result, the UK's top 150 food and drink suppliers delivered the slowest rate of growth in five years, up 7.7%, while margins dipped from 6.8% to 6.5%, a 10-year low. There were some notable casualties. As well as the much-publicised declines recorded in the ready meals and dairy sectors, Tate & Lyle was forced into a major restructuring as profits slumped by 86%; Heinz sold its frozen and chilled foods division following an 8% sales drop-off; a distress sale saw Serious Food Company snapped up by Noble Foods; and declining profits at Wellness Foods resulted in the departure of senior management.

Yet, as OC&C's analysis of the Top 150 suppliers shows, whether it's with savage cuts, leaner structures, savvy NPD or deft marketing, the biggest brands and the smallest own-label producers alike also came out of 2009 with their heads held high, profits up, reputations enhanced.

So who were the biggest winners? Among the big hitters, it was arguably Cadbury that delivered the most impressive performance. In a market where **37 >>>**

## OC&amp;G TOP 150 FOOD &amp; DRINK SUPPLIERS

| Company and ownership |                                     |        | Annualised turnover (£m) |          | Turnover growth | Operating profit (£m) |          | Profit growth | Operating margin (%) |          | Return on capital (%) |          | Year-end | Activity |
|-----------------------|-------------------------------------|--------|--------------------------|----------|-----------------|-----------------------|----------|---------------|----------------------|----------|-----------------------|----------|----------|----------|
|                       |                                     |        | Current                  | Previous | %               | Current               | Previous | %             | Current              | Previous | Current               | Previous |          |          |
| 1                     | Associated British Foods            | Listed | 9,280                    | 8,348    | 11.2            | 729                   | 649      | 12.4          | 7.9                  | 7.8      | 14.6                  | 14.6     | Sep 09   | C        |
| 2                     | Cadbury <sup>1</sup>                | Listed | 5,711                    | 4,800    | 19.0            | 507                   | 370      | 37.0          | 8.9                  | 7.7      | 23.2                  | 16.5     | Jun 09   | B        |
| 3                     | Tate & Lyle                         | Listed | 3,607                    | 3,553    | 1.5             | 25                    | 178      | -86.0         | 0.7                  | 5.0      | 1.0                   | 7.3      | Mar 10   | C        |
| 4                     | Premier Foods                       | Listed | 2,682                    | 2,769    | -3.1            | 270                   | 279      | -3.4          | 10.1                 | 10.1     | 46.1                  | 45.3     | Dec 09   | B        |
| 5                     | Unilever                            | UK sub | 2,172                    | 2,057    | 5.6             | 169                   | 295      | -43.0         | 7.8                  | 14.1     | 15.4                  | 37.8     | Dec 08   | O/L      |
| 6                     | Grampian Country Group <sup>2</sup> | F/O    | 1,694                    | 1,807    | -6.3            | -28                   | -2       | 0             | -1.6                 | -0.1     | -7.4                  | -0.5     | May 07   | O/L      |
| 7                     | Bakkavör Group (Iceland)            | F/O    | 1,650                    | 1,614    | 2.3             | 87                    | 25       | 244.2         | 5.3                  | 1.6      | 24.3                  | 6.1      | Dec 09   | O/L      |
| 8                     | Dairy Crest Group                   | Listed | 1,630                    | 1,648    | -1.1            | 122                   | 93       | 31.9          | 7.5                  | 5.6      | 27.1                  | 17.6     | Mar 10   | C        |
| 9                     | Mars                                | UK sub | 1,594                    | 1,548    | 3.0             | 326                   | 345      | -5.4          | 20.5                 | 22.3     | 107.6                 | 100.8    | Dec 08   | B        |
| 10                    | Coca-Cola Enterprises               | UK sub | 1,492                    | 1,415    | 5.4             | 197                   | 210      | -6.6          | 13.2                 | 14.9     | 33.5                  | 37.9     | Dec 08   | B        |
| 11                    | Arla Foods                          | F/O    | 1,435                    | 1,408    | 1.90            | 38                    | 12       | 209.2         | 2.6                  | 0.9      | 9.0                   | 2.2      | Dec 09   | C        |
| 12                    | Nestlé UK                           | UK sub | 1,374                    | 1,269    | 8.30            | 97                    | 75       | 28.8          | 7.0                  | 5.9      | 13.3                  | 10.6     | Dec 08   | B        |
| 13                    | United Biscuits                     | PE     | 1,185                    | 1,142    | 3.80            | 188                   | 166      | 13.0          | 15.8                 | 14.5     | 36.8                  | 20.0     | Jan 09   | B        |
| 14                    | Findus Group                        | PE     | 1,092                    | 894      | 22.10           | 90                    | 58       | 54.7          | 8.3                  | 6.5      | 47.1                  | 37.7     | Sep 08   | B        |
| 15                    | Princes                             | F/O    | 1,081                    | 944      | 14.50           | 41                    | 40       | 2.3           | 3.8                  | 4.3      | 18.7                  | 19.5     | Mar 09   | O/L      |
| 16                    | Wm Morrison Produce                 | Listed | 1,013                    | 980      | 3.30            | 90                    | 101      | -11.0         | 8.9                  | 10.3     | 28.0                  | 39.9     | Feb 09   | O/L      |
| 17                    | Britvic                             | Listed | 981                      | 929      | 5.60            | 102                   | 86       | 18.2          | 10.4                 | 9.3      | 43.6                  | 26.1     | Sep 09   | B        |
| 18                    | Northern Foods                      | Listed | 961                      | 978      | -1.70           | 34                    | 19       | 84.6          | 3.6                  | 1.9      | 10.0                  | 4.8      | Apr 10   | O/L      |
| 19                    | Tulip                               | F/O    | 957                      | 942      | 1.50            | 35                    | 35       | 2.6           | 3.7                  | 3.7      | 6.5                   | 6.8      | Sep 08   | C        |
| 20                    | Robert Wiseman Dairies              | Listed | 889                      | 834      | 6.60            | 51                    | 34       | 46.6          | 5.7                  | 4.1      | 26.1                  | 17.9     | Apr 10   | C        |
| 21                    | HJ Heinz Company                    | UK sub | 736                      | 678      | 8.70            | 153                   | 146      | 4.9           | 20.8                 | 21.5     | 43.2                  | 28.3     | Apr 09   | B        |
| 22                    | Moy Park                            | F/O    | 736                      | 730      | 0.80            | -34                   | -10      | 0             | -4.6                 | -1.3     | -22.5                 | -6.0     | Dec 08   | C        |
| 23                    | Uniq                                | Listed | 718                      | 795      | -9.70           | 10                    | -34      | 0             | 1.4                  | -4.2     | 4.2                   | -12.1    | Dec 09   | O/L      |
| 24                    | Greencore Convenience Foods         | F/O    | 701                      | 686      | 2.20            | 41                    | 36       | 14.1          | 5.8                  | 5.2      | 35.2                  | 20.2     | Sep 09   | O/L      |
| 25                    | Cranswick                           | Listed | 653                      | 597      | 9.40            | 42                    | 38       | 8.9           | 6.4                  | 6.4      | 33.9                  | 32.8     | Mar 09   | C        |
| 26                    | Boparan                             | Family | 627                      | 449      | 39.60           | 35                    | 29       | 20.4          | 5.5                  | 6.4      | 45.6                  | 48.3     | Aug 08   | O/L      |
| 27                    | Gerber Emig Group                   | PE     | 625                      | 549      | 13.90           | 5                     | 9        | -49.8         | 0.8                  | 1.7      | 2.4                   | 5.5      | Dec 08   | O/L      |
| 28                    | Samworth Brothers                   | Family | 599                      | 569      | 5.20            | 42                    | 41       | 1.1           | 7.0                  | 7.3      | 23.3                  | 24.9     | Dec 08   | O/L      |
| 29                    | Anglo Beef Processors               | F/O    | 577                      | 542      | 6.40            | 19                    | 6        | 220.8         | 3.3                  | 1.1      | 17.1                  | 6.0      | Apr 07   | C        |
| 30                    | Milk Link                           | Family | 547                      | 521      | 4.90            | 19                    | 24       | -20.3         | 3.5                  | 4.6      | 13.3                  | 0        | Apr 09   | C        |
| 31                    | Kraft Foods UK                      | UK sub | 539                      | 554      | -2.70           | 33                    | 47       | -29.8         | 6.1                  | 8.4      | 14.5                  | 21.6     | Dec 08   | B        |
| 32                    | Warburtons                          | Family | 512                      | 499      | 2.60            | 64                    | 58       | 10.0          | 12.4                 | 11.6     | 16.4                  | 16.3     | Sep 09   | B        |
| 33                    | James Finlay                        | Family | 508                      | 330      | 53.80           | 21                    | 16       | 27.0          | 4.0                  | 4.9      | 8.3                   | 7.7      | Dec 08   | C        |
| 34                    | Kerry Foods                         | F/O    | 476                      | 440      | 8.30            | 21                    | 25       | -15.9         | 4.3                  | 5.6      | 13.4                  | 18.9     | Dec 08   | B        |
| 35                    | Noble Foods                         | Family | 467                      | 329      | 41.80           | 22                    | 0        | 8,241.5       | 4.7                  | 0.1      | 20.1                  | 0.2      | Sep 08   | O/L      |
| 36                    | Birds Eye                           | UK sub | 457                      | 425      | 7.50            | 37                    | 2        | 1,431.4       | 8.1                  | 0.6      | 18.2                  | 1.6      | Dec 08   | B        |
| 37                    | Argent Group Europe                 | Family | 446                      | 403      | 10.80           | 10                    | 10       | 0.3           | 2.2                  | 2.5      | 29.7                  | 27.4     | Dec 09   | B        |
| 38                    | L&M Food Group                      | Family | 444                      | 359      | 23.80           | 7                     | 8        | -12.9         | 1.6                  | 2.3      | 19.7                  | 24.9     | Mar 09   | O/L      |
| 39                    | Müller Dairy UK                     | UK sub | 401                      | 397      | 1.00            | 38                    | 22       | 75.0          | 9.5                  | 5.5      | 73.4                  | 8.4      | Dec 09   | B        |
| 40                    | Neerock                             | UK sub | 396                      | 306      | 29.40           | 42                    | 12       | 239.4         | 10.7                 | 4.1      | 80.2                  | 37.0     | Feb 09   | O/L      |
| 41                    | Marshall Food Group                 | UK sub | 390                      | 334      | 16.90           | 1                     | -2       | 0             | 0.3                  | -0.6     | 1.9                   | -2.3     | Nov 08   | B        |
| 42                    | R&R Ice Cream                       | PE     | 354                      | 299      | 18.6            | 43                    | 8        | 446.9         | 12                   | 2.6      | 26.8                  | 5.2      | Dec 08   | B        |
| 43                    | Fresca Group                        | Family | 353                      | 352      | 0.40            | 9                     | 11       | -20.2         | 2.6                  | 3.3      | 21.3                  | 30.5     | Apr 09   | C        |
| 44                    | McCain Foods (GB)                   | UK sub | 351                      | 321      | 9.50            | 42                    | 40       | 3.9           | 12.0                 | 12.6     | 31.1                  | 32.0     | Jun 09   | B        |
| 45                    | Sun Valley Foods                    | F/O    | 350                      | 274      | 27.90           | 4                     | 8        | -46.5         | 1.2                  | 2.8      | 5.0                   | 11.5     | May 09   | O/L      |
| 46                    | Bernard Matthews                    | Family | 339                      | 350      | -3.00           | -1                    | -14      | 0             | -0.2                 | -3.9     | -0.4                  | -7.8     | Dec 08   | B        |
| 47                    | Faccenda Holdings                   | Family | 337                      | 337      | 0.00            | 4                     | -2       | 0             | 1.1                  | -0.5     | 3.8                   | -1.7     | Apr 09   | O/L      |
| 48                    | Weetabix                            | PE     | 315                      | 296      | 6.50            | 81                    | 79       | 3.6           | 25.8                 | 26.6     | 17.8                  | 19.8     | Dec 08   | B        |
| 49                    | Farmers Boy                         | UK sub | 305                      | 276      | 10.60           | 35                    | 26       | 36.2          | 11.4                 | 9.3      | 35.6                  | 32.6     | Feb 09   | O/L      |
| 50                    | Dawn Meats (UK)                     | F/O    | 298                      | 311      | -4.00           | -3                    | -4       | 0             | -1.2                 | -1.4     | -5.1                  | -6.6     | Dec 08   | C        |

**Source:** OC&G Strategy Consultants **Methodology:** Index ranks the UK's leading food and soft drink manufacturers and processors. In some cases (including PepsiCo, Mars-Wrigley, Danone, Unilever, Vion, Heinz and Wm Morrisons' manufacturing subsidiaries) it has not been possible to provide fully consolidated UK group accounts. Some companies include returns from international (Cadbury, ABF, Tate & Lyle) and non-food (ABF, Unilever) operations **Notes** <sup>1</sup> acquired by Kraft <sup>2</sup> acquired by Vion and known as Granite Country Group Main activity: **B** (branded), **O/L** (own-label) and **C** (commodities). **Listed** (plc), **PE** (private equity), **UK sub** (UK subsidiary) **F/O** (other foreign-owned) **Family** (friend/family-owned)

# HEAVYWEIGHT CHAMPIONS



## NOBLE FOODS

**Position: 35**

**Turnover: £467m**

Who says you can't go to work on an egg? Chief exec Peter Thornton has developed a cute but compelling brand-based strategy using 'happy', health-enhancing and eco-friendly premium quality eggs to boost turnover by 41.8% in the year to September 2008 and saw margins return to a respectable 4.7%. The addition of two complementary luxury desserts businesses, in the form of The Serious Food Company and, in January, Gü, suggest there's more potential.



## BIRDS EYE

**Position: 36**

**Turnover: £457m**

A real captain of the food and drink industry, Birds Eye's UK performance crowned a remarkable three-year turnaround for Birds Eye. Innovation such as salmon fish fingers and the award-winning Baked to Perfection range was mixed to telling effect with great marketing, but just as important was the focus on the less glamorous side of the business, such as cost control, consolidation, manufacturing and supply chain excellence.



## RED BULL

**Position: 62**

**Turnover: £224m**

Europe's leading energy drinks maker lifted sales by 12% – despite taking the axe to marketing expenses, which had been running way above the sector average at 15.3% – and grew its share of the UK functional off-trade market to 8.4% from 8.2% the previous year. Operating margins also rose by just under 1%, and that in the face of rising raw material and energy costs in 2009, aided by new energy shots and a larger can.



## AG BARR

**Position: 68**

**Turnover: £202m**

Barr's acquisition of premium drinks rival Rubicon in 2008 proved inspired. As well as adding £15m to revenues, it introduced the Scottish drinks manufacturer to new, fast-growth higher margin segments of the soft drinks category. Further NPD here was combined with clever advertising and new packaging developments for the company's flavoured carbonates business. Barr also controlled costs to grow margins to 15.1%.



## DANONE

**Position: 71**

**Turnover: £195m**

NPD and marketing have worked wonders for the UK subsidiary of French dairy giant Danone. A 37% rise in operating profits to £28m saw margins improve to an impressive 14.2%, as Danone added new formats and flavours to its top-selling Activia label, as well as the Actimel liquid yoghurt. Fat-free, high-fibre and luxury variants were launched at a marginal price premium and without sacrificing taste. Impressive stuff.

« 35 raw material price inflation was flattering top-line growth to some extent, Cadbury's 19% sales growth was the product, chiefly, of new products. "Cadbury has set the pace for NPD for the past two years, and asked a lot of questions of its rivals," says Chris Etherington, CEO of P&H. In the meantime, Cadbury's profits rose 37% thanks to global restructuring.

This winning game plan – product innovation, sector consolidation, cost-base management – ultimately made Cadbury an attractive target, and Kraft's £11.9bn hostile takeover was to prove a haymaker blow. But there were a number of other strong performers for whom the strategy has worked a treat, with OC&C's list of champions including UK subsidiaries of multinational giants such as Danone, Red Bull and

Birds Eye, as well as smaller, home-grown specialists such as AG Barr, Noble Foods, Walkers Shortbread and Tilda.

The slowdown in growth affected firms of all types, as raw material price inflation stabilised and the recession started to bite. In general, however, larger branded players

“ Cadbury has set the pace for NPD for the past two years and has asked a lot of questions of its rivals ”

were more resilient (see box), with margins 2.4% higher. Weetabix once again recorded the highest operating profit margins, though they declined slightly, from 26.6% to 25.8%. Other branded suppliers also delivering strong performances included Unilever, HJ Heinz and Mars, with the latter reporting the highest ROCE, at 107.6%.

But OC&C also found a number of small own-label players thriving. Potato specialist Branston, fresh meat supplier JW Galloway and Cranswick Country Foods (Norfolk) – all with turnovers well below £200m – delivered sales increases of up to 30%; and up to a 72.4% return on capital.

Own-label poultry supplier Boparan (owner of 2Sisters, Lloyd Maunder and the Harry Ramsden fish restaurant chain) also demonstrates the possibilities for » 38 »

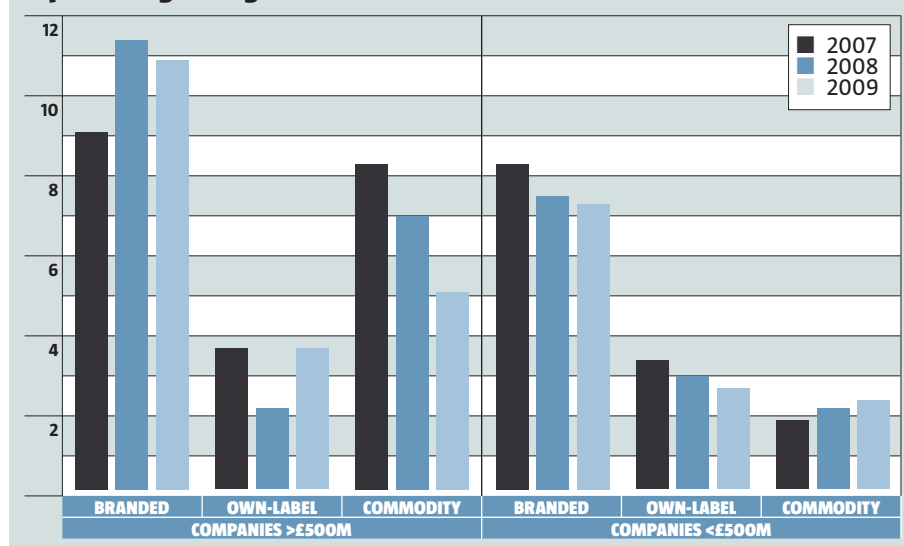


## OC&amp;C TOP 150 FOOD &amp; DRINK SUPPLIERS

| Company and ownership |                                    | Annualised turnover (£m) |          | Turnover growth | Operating profit (£m) |          | Profit growth | Operating margin (%) |          | Return on capital (%) |          | Year-end | Activity |     |
|-----------------------|------------------------------------|--------------------------|----------|-----------------|-----------------------|----------|---------------|----------------------|----------|-----------------------|----------|----------|----------|-----|
|                       |                                    | Current                  | Previous | %               | Current               | Previous | %             | Current              | Previous | Current               | Previous |          |          |     |
| 51                    | Burton's Foods                     | PE                       | 296      | 278             | 6.40                  | 4        | 5             | -7.2                 | 1.4      | 1.6                   | 3.6      | 4.2      | Jan 09   | B   |
| 52                    | Nutricia                           | UK sub                   | 292      | 253             | 15.20                 | 24       | 18            | 36.5                 | 8.4      | 7.1                   | 41.2     | 29.5     | Dec 08   | B   |
| 53                    | G's Group Holdings                 | Family                   | 281      | 240             | 17.20                 | 6        | -8            | -                    | 2.1      | -3.2                  | 6.2      | -9.7     | May 09   | O/L |
| 54                    | Danish Crown UK                    | F/O                      | 269      | 213             | 26.00                 | 1        | 2             | -38.8                | 0.4      | 0.9                   | 2.6      | 5.2      | Sep 08   | C   |
| 55                    | Produce World                      | Family                   | 251      | 223             | 12.50                 | 8        | 4             | 82.0                 | 3.1      | 1.9                   | 25.7     | 17.3     | Jun 09   | C   |
| 56                    | The KerryGold Company              | F/O                      | 249      | 212             | 17.50                 | 3        | 4             | -34.2                | 1.1      | 1.9                   | 5.2      | 9.4      | Jan 09   | B   |
| 57                    | Icelandic Group UK                 | F/O                      | 249      | 239             | 4.00                  | 9        | -7            | -                    | 3.8      | -2.9                  | 20.6     | -15.5    | Dec 09   | C   |
| 58                    | Meadow Foods                       | Family                   | 247      | 244             | 1.10                  | 4        | 5             | -14.7                | 1.8      | 2.1                   | 23.2     | 25.3     | Mar 09   | C   |
| 59                    | General Mills UK                   | UK sub                   | 234      | 209             | 12.00                 | 5        | 5             | -7.8                 | 2.1      | 2.6                   | 7.5      | 7.4      | Apr 09   | B   |
| 60                    | Adelie Food Holdings               | PE                       | 232      | 237             | -2.20                 | 5        | 6             | -16.6                | 2.0      | 2.4                   | 16.1     | 21.6     | Oct 09   | O/L |
| 61                    | Walkers Snack Foods                | UK sub                   | 224      | 197             | 13.50                 | 41       | 31            | 30.4                 | 18.2     | 15.9                  | 6.5      | 5.7      | Dec 08   | B   |
| 62                    | Red Bull Company                   | UK sub                   | 224      | 200             | 12.20                 | 23       | 18            | 22.8                 | 10.0     | 9.2                   | 44.7     | 41.2     | Dec 09   | B   |
| 63                    | Tropicana United Kingdom           | UK sub                   | 224      | 190             | 18.00                 | 24       | 34            | -30.3                | 10.6     | 17.9                  | 16.9     | 41.6     | Dec 08   | B   |
| 64                    | Faughan                            | Family                   | 219      | 181             | 21.30                 | 3        | 0             | -                    | 1.3      | -                     | 8.2      | -        | Dec 08   | O/L |
| 65                    | Real Good Food Company             | Listed                   | 216      | 218             | -1.10                 | 3        | 2             | 46.1                 | 1.5      | 1.0                   | 8.6      | 5.3      | Dec 09   | B   |
| 66                    | Cott Retail Brands                 | F/O                      | 207      | 202             | 2.20                  | 10       | 13            | -19.7                | 4.9      | 6.2                   | 11.9     | 14.5     | Dec 08   | O/L |
| 67                    | The First Milk Cheese Company      | Family                   | 206      | 227             | -9.10                 | -1       | 9             | -                    | -0.40    | 3.80                  | -0.80    | 9.10     | Mar 09   | C   |
| 68                    | AG Barr                            | Listed                   | 202      | 167             | 21.00                 | 31       | 24            | 25.0                 | 15.1     | 14.7                  | 39.6     | 30.4     | Jan 10   | B   |
| 69                    | Heygate & Sons                     | Family                   | 202      | 169             | 19.20                 | 6        | 0             | 2995.6               | 3.0      | 0.1                   | 10.0     | 0.3      | Mar 09   | C   |
| 70                    | Wrigley Company                    | UK sub                   | 198      | 207             | -4.50                 | 38       | 41            | -5.9                 | 19.3     | 19.6                  | 45.2     | 47.1     | Dec 08   | B   |
| 71                    | Danone                             | UK sub                   | 195      | 165             | 17.80                 | 28       | 20            | 37.3                 | 14.2     | 12.2                  | 332.7    | -        | Dec 08   | B   |
| 72                    | Barry Callebaut Manufacturing (UK) | F/O                      | 193      | 172             | 11.90                 | 2        | 2             | -4.5                 | 0.8      | 0.9                   | 5.7      | 6.2      | Aug 09   | O/L |
| 73                    | Berry Gardens                      | Family                   | 186      | 177             | 5.20                  | 7        | 3             | 109.5                | 3.9      | 2.0                   | 111.3    | 58.3     | Dec 09   | C   |
| 74                    | McCormick UK                       | F/O                      | 185      | 180             | 2.80                  | -3       | 2             | -                    | -1.7     | 1.0                   | -3.7     | 2.1      | Nov 08   | B   |
| 75                    | Lipton                             | UK sub                   | 184      | 130             | 40.90                 | 0        | -1            | -                    | 0.2      | -0.5                  | 6.1      | -8.0     | Dec 08   | B   |

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Main activity: **B** (branded), **O/L** (own-label) and **C** (commodities). **Listed** (plc), **PE** (private equity), **UK sub** (UK subsidiary) **F/O** (other foreign-owned) **Family** (friend/family-owned)

## Operating margins as % of turnover



Big was definitely better at maintaining margin through the recession. Companies over £500m turnover hung on to their 2007 average of 7.6%, after last year's Tate & Lyle restructure was stripped out. Branded was well ahead of the pack at both ends of the scale, shadowing own label – although the largest own-label suppliers that restructured during the period saw their efforts rewarded with margin growth up from 2.2% to 3.7% last year.

« 37 a well-run own-label outfit: while margins are relatively slim, Boparan's 45.6% ROCE was bettered by precious few, although at 80%, and with margins of over 10%, Morrisons' meat-processing subsidiary Neerock shows the potential of operating within an integrated supply chain.

Large own-label producers were, in fact, one of the few groups to increase margins overall, up from 2.2% in 2008 to 3.3% as restructuring efforts started to flow through to the bottom line. And the real pinch came in the middle of the market, says OC&C partner Will Hayllar. "A number of mid-sized branded and own-label firms have struggled as they don't have the power of the largest branded producers to shape their markets and are not as nimble as the best smaller firms that maintain total focus on a specific area."

## Restructuring

To improve profitability, several suppliers engaged in further restructuring – including, most spectacularly, Tate & Lyle, of course, but also Bakkavör, Uniq 41 »

## OC&amp;G TOP 150 FOOD &amp; DRINK SUPPLIERS

| Company and ownership |                                   | Annualised turnover (£m) |          | Turnover growth | Operating profit (£m) |          | Profit growth | Operating margin (%) |          | Return on capital (%) |          | Year-end | Activity |     |
|-----------------------|-----------------------------------|--------------------------|----------|-----------------|-----------------------|----------|---------------|----------------------|----------|-----------------------|----------|----------|----------|-----|
|                       |                                   | Current                  | Previous | %               | Current               | Previous | %             | Current              | Previous | Current               | Previous |          |          |     |
| 76                    | KTC (Edibles)                     | Family                   | 182      | 109             | 66.60                 | 2        | 2             | 22.30                | 1.2      | 1.7                   | 5.8      | 6.3      | Dec 08   | O/L |
| 77                    | Albert Bartlett & Sons (Airdrie)  | Family                   | 182      | 165             | 10.00                 | 16       | 14            | 9.8                  | 8.7      | 8.7                   | 21.8     | 14.2     | May 09   | O/L |
| 78                    | Delice De France                  | UK sub                   | 179      | 193             | -7.00                 | 10       | 6             | 68.20                | 5.7      | 3.1                   | 21.7     | 9.4      | Jul 09   | B   |
| 79                    | Yeo Valley Group                  | Family                   | 178      | 174             | 2.80                  | 5        | -2            | -                    | 2.7      | -1.1                  | 13.1     | -5.3     | May 09   | B   |
| 80                    | Wellness Foods                    | PE                       | 178      | 153             | 16.60                 | 7        | 14            | -46.90               | 4.1      | 8.9                   | 16.8     | 38.9     | Dec 08   | B   |
| 81                    | Finsbury Food Group               | Listed                   | 177      | 165             | 7.50                  | 7        | 8             | -12.60               | 3.7      | 4.6                   | 25.7     | 31.5     | Jul 09   | O/L |
| 82                    | Dale Farm                         | UK sub                   | 176      | 176             | -0.20                 | 5        | 1             | 311.30               | 3.1      | 0.7                   | 9.5      | 2.5      | Mar 09   | C   |
| 83                    | Greenvale AP                      | Family                   | 173      | 176             | -1.40                 | 9        | 5             | 60.60                | 4.9      | 3.0                   | 23.7     | 25.5     | Jun 09   | C   |
| 84                    | Key Country Foods                 | UK sub                   | 170      | 157             | 8.20                  | 2        | 3             | -37.90               | 1.1      | 1.9                   | 4.4      | 8.0      | Dec 08   | O/L |
| 85                    | William Jackson & Son             | Family                   | 168      | 147             | 14.40                 | 4        | 7             | -36.30               | 2.5      | 4.4                   | 5.9      | 9.4      | Apr 09   | O/L |
| 86                    | Lactalis McLelland                | F/O                      | 168      | 187             | -10.30                | 8        | 12            | -32.30               | 4.9      | 6.5                   | 8.3      | 11.6     | Dec 08   | O/L |
| 87                    | Tetley GB                         | F/O                      | 165      | 159             | 4.30                  | 46       | 47            | -3.50                | 27.5     | 29.7                  | 31.7     | 29.5     | Mar 09   | B   |
| 88                    | John West Foods                   | PE                       | 165      | 171             | -3.20                 | 3        | -1            | -                    | 2.0      | -0.3                  | 4.0      | -0.7     | Mar 09   | B   |
| 89                    | Oscar Mayer                       | Family                   | 153      | 135             | 13.10                 | 3        | 2             | 95.00                | 2.1      | 1.2                   | 13.5     | 7.5      | Mar 09   | O/L |
| 90                    | Cumbrian Holdings                 | Family                   | 153      | 136             | 12.20                 | -3       | 2             | -                    | -1.9     | 1.6                   | -13.0    | 9.3      | Mar 09   | O/L |
| 91                    | JW Galloway                       | Family                   | 151      | 120             | 25.90                 | 6        | 2             | 271.20               | 4.6      | 1.4                   | 17.8     | 5.0      | Mar 09   | C   |
| 92                    | Ferrero UK                        | F/O                      | 148      | 137             | 8.00                  | 0        | 2             | -                    | -0.1     | 1.6                   | -2.4     | 38.5     | Aug 09   | B   |
| 93                    | O'Kane Group                      | Family                   | 138      | 132             | 5.00                  | 0        | 2             | -                    | -0.1     | 1.2                   | -0.3     | 4.1      | May 09   | O/L |
| 94                    | Danone Waters (UK & Ireland)      | UK sub                   | 138      | 154             | -10.80                | 5        | 4             | 27.60                | 3.7      | 2.6                   | 21.9     | 14.8     | Dec 08   | B   |
| 95                    | Dairy Produce Packers             | F/O                      | 134      | 103             | 30.70                 | 13       | 1             | 1,082.00             | 9.7      | 1.1                   | 31.6     | 2.3      | Dec 08   | C   |
| 96                    | Bakemark UK                       | F/O                      | 134      | 123             | 9.20                  | 8        | 13            | -37.10               | 6.2      | 10.8                  | 11.1     | 23.5     | Dec 08   | B   |
| 97                    | Yoplait UK                        | F/O                      | 133      | 130             | 2.10                  | 15       | 23            | -36.40               | 11.0     | 17.6                  | 137.4    | 332.5    | Jun 09   | B   |
| 98                    | Noon Products                     | F/O                      | 131      | 116             | 13.20                 | 0        | 5             | -91.10               | 0.4      | 4.7                   | 1.7      | 20.5     | Dec 08   | O/L |
| 99                    | Tangerine Confectionery           | Family                   | 131      | 63              | 105.70                | 3        | 4             | -37.60               | 2.0      | 6.7                   | 5.0      | 12.7     | Dec 08   | B   |
| 100                   | Pork Farms                        | PE                       | 130      | 138             | -5.90                 | -15      | -18           | -                    | -11.6    | -13.1                 | -83.9    | -136.4   | Mar 09   | O/L |
| 101                   | Britannia Food Ingredients        | Family                   | 125      | 83              | 50.80                 | 3        | 2             | 23.20                | 2.0      | 2.5                   | 35.6     | 29.4     | Mar 09   | O/L |
| 102                   | McCormick Group Holdings          | Family                   | 125      | -               | -                     | 0        | -             | -                    | 0.1      | -                     | -        | -        | Jun 09   | C   |
| 103                   | Baxters Food Group                | Family                   | 124      | 118             | 5.70                  | 9        | 2             | 326.70               | 6.9      | 1.7                   | 11.9     | 2.7      | May 09   | B   |
| 104                   | Dole Fresh UK                     | F/O                      | 122      | 149             | -18.00                | 1        | -1            | -                    | 0.8      | -0.9                  | 5.3      | -6.8     | Dec 08   | O/L |
| 105                   | Maple Leaf Bakery UK              | F/O                      | 122      | 103             | 19.10                 | 3        | 10            | -69.50               | 2.4      | 9.5                   | 7.3      | 29.5     | Dec 08   | B   |
| 106                   | Glanbia Cheese                    | F/O                      | 122      | 123             | -0.50                 | 3        | 4             | -19.60               | 2.3      | 2.9                   | 13.0     | 14.4     | Jan 10   | C   |
| 107                   | Zetar                             | Listed                   | 121      | 111             | 9.50                  | 3        | 7             | -65.10               | 2.1      | 6.6                   | 8.7      | 24.4     | Apr 09   | O/L |
| 108                   | Whitworths                        | PE                       | 120      | 104             | 15.90                 | 4        | 3             | 31.50                | 3.6      | 3.2                   | 17.1     | 15.4     | Apr 09   | O/L |
| 109                   | HJ Heinz Frozen & Chilled Foods   | PE                       | 118      | 128             | -8.00                 | -8       | 2             | -                    | -6.8     | 1.9                   | -17.4    | 3.2      | Apr 09   | B   |
| 110                   | Kellogg Company of GB             | UK sub                   | 115      | 128             | -10.30                | 13       | 24            | -46.60               | 11.1     | 18.7                  | 6.7      | 13.0     | Jan 09   | B   |
| 111                   | Del Monte (UK)                    | F/O                      | 113      | 149             | -24.10                | -3       | 5             | -                    | -2.6     | 3.7                   | -8.3     | 18.3     | Dec 08   | C   |
| 112                   | Innocent Drinks                   | Family                   | 112      | 105             | 7.10                  | -2       | -8            | -                    | -2.1     | -8.0                  | -9.7     | -59.4    | Dec 09   | B   |
| 113                   | CP Foods (UK)                     | F/O                      | 111      | 111             | 0.60                  | 6        | 5             | 27.50                | 5.5      | 4.3                   | 14.1     | 11.7     | Dec 08   | B   |
| 114                   | Branston                          | Family                   | 110      | 110             | -0.20                 | 12       | 5             | 133.50               | 10.5     | 4.5                   | 72.4     | 47.6     | Jul 09   | C   |
| 115                   | Walkers Shortbread                | Family                   | 107      | 94              | 14.30                 | 7        | 6             | 21.60                | 6.8      | 6.3                   | 13.5     | 11.1     | Dec 08   | B   |
| 116                   | Silver Fern Farms (UK)            | UK sub                   | 106      | 90              | 17.60                 | 1        | 2             | -20.00               | 1.2      | 1.8                   | 6.8      | 7.9      | Aug 09   | O/L |
| 117                   | Tilda                             | Family                   | 105      | 91              | 16.00                 | 3        | 3             | 35.10                | 3.3      | 2.8                   | 7.9      | 5.6      | Dec 08   | B   |
| 118                   | Parkham Food Group                | Family                   | 102      | 95              | 8.20                  | 2        | 3             | -23.30               | 2.0      | 2.8                   | 6.7      | 9.4      | Dec 08   | C   |
| 119                   | Dr Oetker (UK)                    | F/O                      | 102      | 56              | 82.3                  | 5        | 4             | 32.5                 | 5.5      | 7.6                   | 9.4      | 13.4     | Dec 08   | B   |
| 120                   | Direct Table Foods                | F/O                      | 101      | 84              | 19.90                 | 4        | 3             | 35.10                | 3.6      | 3.2                   | 11.9     | 9.5      | Sep 08   | O/L |
| 121                   | S Daniels                         | F/O                      | 101      | 97              | 3.70                  | 7        | 8             | -11.90               | 7.1      | 8.4                   | 30.1     | 35.6     | Dec 08   | B   |
| 122                   | Park Cakes                        | PE                       | 99       | 99              | -0.20                 | -2       | -5            | -                    | -2.4     | -4.9                  | -6.7     | -13.7    | Mar 09   | O/L |
| 123                   | Dovecote Park                     | Family                   | 98       | 89              | 10.10                 | 3        | 3             | -10.40               | 3.0      | 3.6                   | 28.1     | 30.8     | Sep 08   | O/L |
| 124                   | Dunhills (Pontefract)             | Family                   | 98       | 87              | 13.60                 | 12       | 14            | -17.50               | 12.1     | 16.7                  | 10.5     | 13.9     | Dec 09   | B   |
| 125                   | Cranswick Country Foods (Norfolk) | Family                   | 98       | 75              | 30.00                 | 5        | 2             | 155.60               | 4.8      | 2.4                   | 26.7     | 12.0     | Mar 09   | C   |

Source: OC&C Strategy Consultants **Methodology:** Index ranks the UK's leading food and soft drink manufacturers and processors. In some cases (including PepsiCo, Mars-Wrigley, Danone, Unilever, Vion, Heinz and Wm Morrisons' manufacturing subsidiaries) it has not been possible to provide fully consolidated UK group accounts. Some companies include returns from international (Cadbury, ABF, Tate & Lyle) and non-food (ABF, Unilever) operations <sup>1</sup>Notes acquired by Kraft <sup>2</sup>acquired by Vion and known as Granite Country Group Main activity: **B** (branded), **O/L** (own-label) and **C** (commodities). **Listed** (plc), **PE** (private equity), **UK sub** (UK subsidiary) **F/O** (other foreign-owned) **Family** (friend/family-owned)

# BOBBING & WEAVING



## JW GALLOWAY

**Position:** 91  
**Turnover:** £151m  
This Scottish premium meat exporter, which trades as Scotbeef, had a storming 2008/9, tripling profits to £6m and lifting revenues by nearly 26%. It purpose-built a retail packing facility and ramped up exports to key markets in Europe, including Italy and France. It also acquired Dumfriesshire-based GD Vivers, which enabled it not only to grow revenues by another 10%, but also slash distribution costs to boost margins.



## BRANSTON

**Position:** 114  
**Turnover:** £110m  
One of the UK's largest buyers, packers and distributors of potatoes, Branston grew profits by 133.5% to £12m in the period, despite a modest slip in sales. The family-owned firm's impressive results followed a £14m investment in lean manufacturing techniques and the decision to park its own Real Potato Co brand in favour of working more closely with multiples – principally Tesco – on adding value to own brand varietal potatoes.



## WALKERS SHORTBREAD

**Position:** 115  
**Turnover:** £107m  
The iconic family-owned Walkers Shortbread posted a 14% revenue increase, bouncing back from a very difficult 2008, as it benefited from rising domestic prices for its products. Falling raw material prices in the second half of 2009 helped boost profits by more than 20% to £7m. It also looked outside the UK for growth, ramping up exports to 85 countries. International sales now make up 40% of sales.



## TILDA

**Position:** 117  
**Turnover:** £105m  
The fast-growing UK basmati rice brand sharply grew turnover and profits – by 16% and 35.1% respectively in the year to December 2008 as it responded to new competition and raw material price inflation with the introduction of a host of new varieties to its premium steamed basmati range, helping it capitalise on 32% growth in the UK rice market [Mintel]. Basmati has accounted for more than half of that increase.



## CCF NORFOLK

**Position:** 125  
**Turnover:** £98m  
Tesco fresh pork supplier Bowes was bought by Cranswick Country Foods to create CCF Norfolk in a £17.2m deal last April. The family-owned firm had already boosted revenues by 30% to £98m in the year to March 2009 and more than doubled profits to £5m as it took advantage of thrifty shoppers trading down from beef and lamb to pork. The industry as a whole also benefited from heavy promotion of cheaper cuts.

« 38 and Burton's – with non-performing assets written off or sold.

Since OC&C's report is based on statutory accounts, the overall dip in margins isn't as bad as it might seem, adds Hayllar.

“Many of these [restructured] companies are and will be in better operating shape going forward. The industry's underlying profitability was relatively stable”.

Firms also cut back hard on marketing costs – not necessarily a surprise in a recession – but those that were prepared to invest were very often rewarded with better value. “We kept the advertising pressure up, partly because we found we could buy it more cheaply. We got a lot more bang for our buck,” Birds Eye chairman and CEO Martin Glenn reports.

Investment in new product development

and brand development also declined overall, with the majority focused on either changes in pack size or product extensions.

However, Julian Hunt, director of communications at the Food & Drink Federation, believes “the scale of product

“ Rather than a chocolate fish finger, we thought – let's pick up on consumer needs

launches, renovation and relaunch has stayed pretty high”.

And figures compiled this month for the FDF by the Cambridge Institute for Manufacturing found food and drink manufacturers remain among the biggest spenders on R&D in the UK.

Investment was certainly a feature for OC&C's heavyweight champions. Extensions in Danone's Activia range, for example, paid off handsomely with a 35.8% sales uplift. And Birds Eye's Glenn believes that “better beats different”, especially in this market. “Rather than a wacky new idea like a chocolate fish finger, we thought, let's pick up on consumer and customer needs,” he says.

The result was innovation such as Birds Eye's award-winning Baked to Per- 42 »

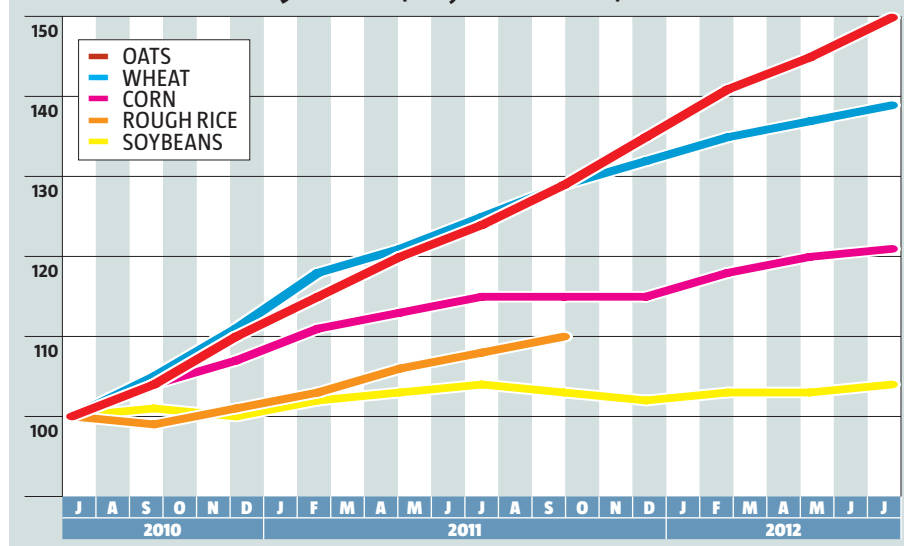


## OC&amp;G TOP 150 FOOD &amp; DRINK SUPPLIERS

| Company and ownership                | Annualised turnover (£m) |          | Turnover growth | Operating profit (£m) |          | Profit growth | Operating margin (%) |          | Return on capital (%) |          | Year-end | Activity |     |
|--------------------------------------|--------------------------|----------|-----------------|-----------------------|----------|---------------|----------------------|----------|-----------------------|----------|----------|----------|-----|
|                                      | Current                  | Previous | %               | Current               | Previous | %             | Current              | Previous | Current               | Previous |          |          |     |
| 126 Banham Poultry                   | Family                   | 96       | 81              | 18.20                 | 2        | -6            | -                    | 1.7      | -8.0                  | 9.9      | -22.2    | Sep 09   | C   |
| 127 Lyons Seafoods                   | F/O                      | 95       | 97              | -2.20                 | 12       | 11            | 2.50                 | 12.2     | 11.7                  | 36.5     | 39.9     | Jun 09   | B   |
| 128 Kettle Produce                   | Family                   | 93       | 85              | 9.70                  | 0        | 2             | -94.90               | 0.1      | 2.6                   | 1.0      | 22.1     | May 09   | C   |
| 129 Lactalis Nestlé Chilled Dairy Co | Family                   | 92       | 73              | 26.90                 | -6       | -7            | -                    | -6.0     | -9.3                  | -50.3    | -61.1    | Dec 08   | O/L |
| 130 Armaghdown Creameries            | Family                   | 91       | 73              | 24.80                 | 4        | 3             | 38.30                | 4.2      | 3.8                   | 25.3     | 19.1     | Sep 08   | C   |
| 131 F Smales & Son (Fish Merchants)  | Family                   | 90       | 84              | 7.30                  | 0        | 0             | -                    | -0.1     | -0.2                  | -1.4     | -2.1     | Aug 08   | C   |
| 132 Global Foods                     | Family                   | 90       | 58              | 56.20                 | 1        | 1             | 17.70                | 1.2      | 1.6                   | 21.4     | 21.3     | Apr 09   | O/L |
| 133 HP Foods                         | UK sub                   | 90       | 81              | 10.40                 | 37       | 35            | 5.50                 | 41.7     | 43.6                  | 59.7     | 58.6     | Apr 09   | B   |
| 134 Fonterra (Logistics)             | F/O                      | 88       | 134             | -34.20                | 0        | 1             | -94.70               | 0.1      | 1.0                   | 0.2      | 4.7      | Jul 09   | C   |
| 135 Fenmarc Produce                  | Family                   | 83       | 82              | 1.50                  | 3        | 2             | 39.30                | 3.9      | 2.8                   | 27.9     | 18.2     | Jun 09   | O/L |
| 136 Fletchers Bakeries               | PE                       | 83       | 91              | -8.70                 | -4       | -11           | -                    | -5.4     | -12.1                 | -12.6    | -23.6    | Mar 09   | O/L |
| 137 North Downs Dairy Co             | F/O                      | 81       | 65              | 23.90                 | 4        | 4             | 13.50                | 4.9      | 5.4                   | 14.9     | 13.8     | Jan 09   | B   |
| 138 Natures Way Foods                | Family                   | 81       | 79              | 1.80                  | 5        | 3             | 51.70                | 6.2      | 4.2                   | 21.4     | 15.4     | Mar 09   | O/L |
| 139 Randall Parker Foods             | Family                   | 81       | 37              | 120.90                | 2        | 1             | 105.00               | 2.6      | 2.8                   | 37.8     | 35.1     | Sep 08   | O/L |
| 140 Dairygold Food Ingredients (UK)  | F/O                      | 79       | 61              | 30.10                 | 2        | 1             | 30.20                | 1.9      | 1.9                   | 4.6      | 4.6      | Dec 08   | C   |
| 141 Bel UK                           | UK sub                   | 78       | 63              | 24.30                 | -3       | 3             | -                    | -3.2     | 5.0                   | -10.2    | 13.4     | Dec 08   | O/L |
| 142 Country Style Foods              | Family                   | 78       | 80              | -2.30                 | 4        | 3             | 21.80                | 4.5      | 3.6                   | 17.5     | 13.9     | Apr 09   | O/L |
| 143 Bettys & Taylors Group           | Family                   | 77       | 68              | 12.50                 | 8        | 8             | -5.80                | 10.3     | 12.3                  | 11.1     | 12.4     | Oct-08   | B   |
| 144 Stubbins Marketing               | Family                   | 77       | 79              | -3.10                 | 1        | 1             | -46.50               | 1.0      | 1.9                   | 3.9      | 7.7      | Jun 09   | C   |
| 145 Schwan's Consumer Brands UK      | UK sub                   | 76       | 67              | 13.50                 | -1       | 0             | -                    | -1.2     | 0.2                   | -3.4     | 0.6      | Jan 09   | B   |
| 146 Barfoots of Botley               | Family                   | 76       | 71              | 7.20                  | 1        | 2             | -38.00               | 1.4      | 2.4                   | 8.5      | 16.6     | Dec 08   | C   |
| 147 Headland Foods                   | Family                   | 75       | 64              | 16.60                 | -1       | 0             | -                    | -1.1     | -0.1                  | -3.1     | -0.3     | Dec 08   | O/L |
| 148 Wyke Farms                       | Family                   | 75       | 58              | 27.6                  | 2        | 3             | -41.0                | 2.4      | 5.2                   | 6.1      | 13       | Mar 09   | O/L |
| 149 Glisten                          | Listed                   | 74       | 74              | 1.20                  | 5        | 10            | -49.00               | 7.2      | 14.2                  | 34.6     | 63.7     | Jun 09   | O/L |
| 150 Campina UK                       | UK sub                   | 74       | 74              | -0.80                 | 2        | 2             | -16.20               | 2.5      | 3.0                   | 7.9      | 10.2     | Dec 08   | B   |

**Source:** OC&C Strategy Consultants **Methodology:** Index ranks the UK's leading food and soft drink manufacturers and processors. In some cases (including PepsiCo, Mars-Wrigley, Danone, Unilever, Vion, Heinz and Wm Morrisons' manufacturing subsidiaries) it has not been possible to provide fully consolidated UK group accounts. Some companies include returns from international (Cadbury, ABF, Tate & Lyle) and non-food (ABF, Unilever) operations. **Notes** <sup>1</sup> acquired by Kraft <sup>2</sup> acquired by Vion and known as Granite Country Group. Main activity: **B** (branded), **O/L** (own-label) and **C** (commodities). **Listed** (plc), **PE** (private equity), **UK sub** (UK subsidiary) **F/O** (other foreign-owned) **Family** (friend/family-owned)

## Future Commodity Prices (July 2010=100)



Commodity futures and general inflation forecasts point to steady food price rises over the medium term, says OC&C. Increasing food consumption in developing nations, in particular a growing appetite for grain-fed meat, the shift to biofuels, and poor harvests will contribute, along with increasing energy costs. The tailing off of Eastern labour supplies and increased wage demands, once the current austerity measures have fed through, will also affect UK prices.

« 40 fection range. "Of course, there's room for occasional bits of flair and luck, but success is mostly good execution of a straightforward strategy," he adds.

## The future

The recovery in the second half of 2009, and the decline in commodity prices, provided some short-term relief for suppliers and retailers alike, as not all of this was passed on to consumers. Margins for suppliers whose accounts cover the second half of 2009 rose by 0.5 percentage points as a result. And the latest trading figures show leading listed firms saw a 1.2 percentage point year-on-year improvement in Q1 2010.

But whether these benefits can be sustained is far from certain, with supermarkets reporting flat growth, commodity costs back on the rise and a tough consumer environment as fiscal tightening starts to bite.

"Spending could be even lower," warns Hayllar, who predicts the industry will struggle to grow margins by even 45 »

## OC&amp;C TOP 150 FOOD &amp; DRINK SUPPLIERS

# KNOCKOUT NPD



## CADBURY

**Position: 2**  
**Turnover: £5,711m**  
**NPD:** Prior to Cadbury's controversial takeover by Kraft, the chocolate maker was making all the running in the confectionery aisles with a raft of launches in 2009, including Cadbury Clusters, Giant Buttons, Peanuts/Raisins and Wispa Gold. The choc-full portfolio went down well with independents in particular, which placed all five products among their top 10 in a survey of 5,000 outlets.



## UNILEVER

**Position: 5**  
**Turnover: £2,172m**  
**NPD:** Unilever's brand Knorr was given an unexpected lift when celebrity chef Marco Pierre White publicly praised the little cubes of stock. But the launch of Knorr stock pots – a jelly-like ambient stock originally launched in China, where it is known as Dense Soup Treasure – has exceeded all UK expectations. Unilever's most successful launch last year, it has sold £11.9m, growing the category by 60%, despite being twice the price of an ordinary cube.



## NESTLÉ

**Position: 12**  
**Turnover: £1,374m**  
**NPD:** Nestlé's randomly shaped jelly sweets arrived with perfect timing last spring, just as sugar confectionery was coming back into vogue, and helped lift the Rowntree's brand by 8.7% in value last year. Launched into the impulse category, they were supported by an off-the-wall £10m ad campaign, which drove £7.2m of sales in their first six months. Nestlé has just extended the sweets into sharing bags this month.



## WALKERS

**Position: 61**  
**Turnover: £224m**  
**NPD:** The first-ever premium crisp from Walkers, all-natural Red Sky originally launched in Australia under the name Red Rock Deli in a successful challenge to the growth of Kettle Chips down under. It's worked here too: the innovation helped Walkers grow sales by 13%, outperforming the market by nearly two points, with additional support from superb marketing programmes and the development of new sharing bags.



## BAXTERS

**Position: 103**  
**Turnover: £124m**  
**NPD:** Profits soared 326% last year as this family-owned Scottish soup manufacturer celebrated its 80th birthday with a bold relaunch that saw 11 new recipes added to the canned range, including five chunky variants, to meet demand for more healthy, more substantial soups. The firm also improved 15 existing recipes, redesigned the packaging and supported it with a £1.5m national advertising campaign.

« 42 1% as weaker consumption offsets any gains from operating efficiencies.

“When you look at input costs – whether ingredients, energy or transport – it still feels incredibly volatile,” says Hunt. “Managing that volatility is getting harder and harder. That’s the challenge.”

Glenn agrees raw material price rises are inevitable, but he is unfazed: “I would rather see modest inflation than deflation,” he adds.

And OC&C is convinced the worst is over, pointing to an increase in merger and acquisition activity in 2010/11.

Beyond Kraft's whopping £13.7bn purchase of Cadbury, the sector saw little consolidation last year. Indeed only four deals over £20m hit the market, down from a record 21 in 2007.

But investors are looking more favourably on the industry, says Hayllar, while those companies with strong balance sheets are ready to invest as market capitalisations remain 28% below their pre-recession highs, albeit 33% above their mid-recession low.

“There are signs finance is opening up,” says Hayllar. “Many businesses have performed well during the past two years so buyers have a better understanding of how food companies operate.”

Acquisitions are also being driven by a desire to absorb fixed cost, adds Glenn, citing not only Kraft's acquisition of Cadbury but Nestlé's £2.5bn purchase of Kraft's pizza business in January, and InBev's acquisition of Anheuser-Busch in July 2008 as examples. “Growth rates are not partic-

ularly exciting, and while they are better in Asia and the Far East, they aren't as exciting as they once were,” he says. “What multinationals have done is to put a lot of focus on cost.”

And Hayllar predicts that a number of UK-based middleweights will get caught out, too. “Mid-sized firms who are struggling are easy targets as stronger players seek to strengthen their position.” ■



The Top 150 Food & Drink Suppliers survey is supplied by OC&C, a consultancy offering strategic advice to top management on the most complex issues in fmcg. To find out more about the Top 150 study, contact OC&C on 0207 010 8000.

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