

**THE OC&C GROCER
INDEX 2013**



ON THE REBOUND

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



Small players take fight to foreign shores

Simon Creasey

They're performing ahead of the branded giants in the latest OC&C Top 150 supplier rankings thanks to flourishing exports and innovation

It's not just the Premiership that's being taken over by foreign players. Over the last 10 years, UK-based ownership of the Top 150 food & drink suppliers has declined significantly as big multinationals have come to the UK to shop. In 2003 68% (102 companies) of the 150 were British-owned. In 2013, just 85 companies, or 56% of the total, are still British.

So, as the cream of British brands are snaffled up – only this week Lucozade and Ribena were sold to Japanese drinks giant Suntory – have the remaining UK players been left to fight over the scraps? Who have been the biggest winners and losers? And with the UK starting to see green shoots, how bullish are The Grocer food & drink 150 companies about the future?

Compiled for The Grocer by OC&C Strategy Consultants, the Food & Drink 150 shows, unquestionably, that meat and poultry producers are operating on wafer-thin, or non-existent margins (see p14). But on the branded and added-value side, many smaller, British-owned players are doing well on their home turf. And if there is a flipside to the internationalisation of the OC&C 150, it's the fact that several of these British success stories now derive a significant and growing chunk of their revenue from exports (see table p41).



Nor are the big, expansive multinationals having it all their own way. As revenues increased by an impressive-looking 6%, The Grocer/OC&C 150 found it tough to convert this into extra profits, as the revenue was generated mostly through commodity price increases. Operating margins fell a further 0.5ppts from 5.7% to 5.2% – their lowest level in 20 years. And the biggest surprise was that it was the larger branded players (with a turnover of £500m+) that struggled most. With sales growth slowing 3.3%, large branded players saw a 1.2 ppt drop in margins (from 8.6% to 7.4%).

“We’ve seen a real shift away from big branded in terms of profitability,” says Hayllar. “Unbranded producers experienced a small [0.1ppt] reduction in margin, branded producers saw more of a drop [0.4ppt], and bigger branded producers saw the biggest drop of all. There’s a sense that they’re having to invest harder and harder to hold back competition from own label.”

Although a 0.8 percentage point fall may not sound like an awful lot, it’s a significant slump, says Hayllar.

“Average margins are around 8% to 9%, so a circa 10% decline is a serious change,” he adds. “If you look overall at the average index figures then, generally speaking, profitability doesn’t change by more than half a percentage point in most years.”

“We’ve seen a real shift away from big branded in terms of profitability”

Will Hayllar, OC&C

Sales growth for unbranded suppliers was significantly higher, at 7.6%, though the 8.5% growth of larger unbranded players was skewed by large acquisitions from Boparan and Greencore. And though small unbranded players grew sales by 6.2%, margins declined by 0.4ppts to 2.8%.

That makes smaller branded producers the star performers of this year’s OC&C Food & Drink 150. Sales growth was up 1.1ppts to 4.7%. And with margins of 8.3%, they were actually higher than for large branded players (7.4%), and the only group in the OC&C 150 to see an improvement in return on capital (0.4%).

“This signals that some of the smaller brands are doing a better job of engaging with their target set of consumers and that some of those traditional advantages of scale are being eroded and are no longer there to the same extent. It’s more possible for a smaller brand to do a good job in engaging consumers now than it has been in the past.”

There are three factors that define the success of the smaller players, according to Hayllar: innovation; leveraging of the UK’s heritage brands; and international expansion.

One company that fits perfectly into the first category is McCambridge. In addition to navigating ↗

cover story oc&c food & drink 150

RANK	change	COMPANY	OWNERSHIP	ANNUALISED TURNOVER (£M)			OPERATING PROFIT (£M)			OPERATING MARGIN (%)			ROCE (%)		YEAR END	ACTIVITY
				Current	Last	y-o-y%	Current	Last	y-o-y%	Current	Last	(ppts)	Current	Last		
1	■ -	Associated British Foods	Listed	3,744	3,693	1.4	174	203	-14.4	4.6	5.5	-0.9	11.2	13.9	09-12	B
2	■ -	Vion Food UK	Family	2,476	2,403	3.0	-58	5	-	-2.4	0.2	-2.6	-10.2	1.2	12-11	UB
3	▲ 8	Boparan Holdings	Family	2,346	1,380	70.0	128	53	140.1	5.5	3.9	1.6	31.2	19.6	07-12	UB
4	■ -	Unilever UK	UK sub	1,829	1,772	3.2	128	142	-9.8	7.0	8.0	-1.0	16.2	20.8	12-11	B
5	■ -	Coca-Cola Enterprises	UK sub	1,765	1,668	5.8	247	252	-1.8	14.0	15.1	-1.1	37.2	38.5	12-11	B
6	▼ -3	Premier Foods	Listed	1,751	2,000	-12.4	121	196	-38.1	6.9	9.8	-2.9	30.0	42.4	12-12	B
7	■ -	Bakkavör	Family	1,699	1,682	1.0	67	56	19.5	3.9	3.3	0.6	5.3	3.9	12-12	UB
8	▼ -2	Nestlé UK	UK sub	1,644	1,609	2.2	36	73	-51.6	2.2	4.6	-2.4	2.7	15.4	12-12	B
9	■ -	Arla Foods	UK sub	1,587	1,482	7.1	37	41	-10.6	2.3	2.8	-0.5	11.6	12.9	12-11	UB
10	▲ 4	Princes	UK sub	1,508	1,184	27.3	48	41	17.5	3.2	3.5	-0.3	14.6	18.3	03-12	B
11	▼ -3	Dairy Crest Group	Listed	1,423	1,628	-12.6	34	19	82.9	2.4	1.2	1.3	6.3	4.6	03-13	UB
12	▲ 1	Britvic	Listed	1,260	1,294	-2.6	97	113	-14.8	7.7	8.8	-1.1	28.1	33.6	09-12	B
13	▲ 2	Wm Morrison Produce	UK sub	1,195	1,168	2.3	106	111	-4.6	8.8	9.5	-0.6	19.3	23.6	01-12	UB
14	CE	Mondelez UK	UK sub	1,154	na	na	27	na	na	2.4	na	na	na	na	12-11	B
15	▲ 3	Mars UK	UK sub	1,122	1,067	5.1	151	152	-0.8	13.4	14.2	-0.8	33.6	45.5	12-11	B
16	■ -	Tulip	UK sub	1,121	1,109	1.1	43	39	10.1	3.9	3.6	0.3	8.2	7.9	09-12	UB
17	▲ 6	Greencore Convenience Foods	Listed	1,094	720	51.9	69	48	42.9	6.3	6.7	-0.4	36.6	26.9	09-12	UB
18	▼ -1	Moy Park	UK sub	1,087	1,072	1.3	28	8	252.0	2.5	0.7	1.8	11.5	3.4	12-12	UB
19	▼ -7	United Biscuits	PE	1,053	1,056	-0.2	125	125	0.7	11.9	11.8	0.1	22.3	21.7	12-12	B
20	▼ -1	Hilton Food Group	Listed	1,034	984	5.1	26	27	-0.9	2.6	2.7	-0.2	34.9	39.1	12-12	UB
21	▼ -1	Robert Wiseman Dairies	UK sub	946	920	2.8	10	35	-71.8	1.1	3.8	-2.8	4.6	18.2	01-12	UB
22	▼ -1	Cranswick	Listed	875	819	6.9	48	46	5.2	5.5	5.6	-0.1	26.5	26.3	03-13	UB
23	▼ -1	HJ Heinz	UK sub	823	781	5.4	148	148	0.3	18.0	19.0	-0.9	26.4	37.4	04-12	B
24	■ -	Samworth Brothers	Family	747	718	4.0	45	47	-4.6	6.0	6.5	-0.5	18.9	21.0	12-11	UB
25	■ -	Kerry Foods	UK sub	679	568	19.5	9	26	-66.9	1.3	4.6	-3.3	4.3	14.0	12-11	B
26	▲ 3	Gerber Emig	Family	648	635	2.1	11	-3	-	1.6	-0.4	2.1	5.4	-1.4	12-12	UB
27	▲ 1	Milk Link	Listed	638	590	8.2	28	28	-0.2	4.3	4.7	-0.4	15.5	15.9	03-12	UB
28	▼ -2	Kellogg's	UK sub	633	659	-3.9	12	12	4.4	2.0	1.8	0.2	14.1	14.0	12-11	B
29	▲ 1	Noble Foods	Family	593	595	-0.3	29	24	20.6	4.8	4.0	0.8	23.7	19.6	09-12	UB
30	▲ 1	James Finlay	UK sub	591	611	-3.3	12	18	-36.4	2.0	3.0	-1.0	4.2	6.4	12-11	UB
31	▲ 1	Woodhead Bros Meat Co	UK sub	569	535	6.4	42	52	-18.0	7.4	9.6	-2.2	27.8	43.6	01-12	UB
32	▲ 2	Warburtons	Family	515	497	3.7	55	49	10.8	10.6	9.9	0.7	14.4	13.6	09-12	B
33	▲ 2	Fletcher Bay Investment	PE	497	490	1.5	13	10	21.6	2.5	2.1	0.4	31.2	34.3	12-12	UB
34	▲ 2	Birds Eye	UK sub	462	457	1.2	78	68	14.2	16.9	15.0	1.9	45.9	29.0	12-12	B
35	CE	Young's Seafood	PE	458	na	na	3	na	na	0.7	na	na	na	na	12-11	B
36	▲ 5	Sun Valley Foods	UK sub	441	369	19.6	-14	-24	-	-3.2	-6.5	3.3	-21.7	-39.1	05-12	UB
37	▲ 2	McCain Foods (GB)	UK sub	404	372	8.8	46	49	-5.3	11.5	13.2	-1.7	28.4	35.0	06-12	B
38	▼ -1	Fresca Group	Family	395	391	1.0	5	9	-40.5	1.3	2.3	-0.9	9.0	15.3	04-12	UB
39	▲ 1	Farmers Boy	UK sub	384	370	3.9	54	55	-2.3	13.9	14.8	-0.9	26.2	33.7	01-12	UB
40	▼ -2	Müller Dairy UK	UK sub	372	393	-5.3	36	41	-13.2	9.6	10.5	-0.9	168.5	116.2	12-11	B
41	▲ 6	Faccenda Group	PE	352	314	12.3	4	3	52.0	1.1	0.8	0.3	8.2	5.6	04-12	UB
42	▲ 1	G's Group Holdings	Family	351	329	6.6	6	9	-33.1	1.8	2.8	-1.1	5.9	9.0	05-12	UB
43	▼ -1	Burton's Foods	PE	343	323	6.1	9	13	-29.1	2.6	3.9	-1.3	7.0	10.5	12-11	B
44	▲ 2	Bernard Matthews Holdings	Family	342	315	8.8	5	-16	-	1.4	-4.9	6.3	3.7	-10.3	07-12	B
45	▲ 3	Meadow Foods (Holdings)	Family	340	301	13.1	9	9	5.1	2.7	2.9	-0.2	47.5	46.6	03-12	UB
46	▼ -1	Weetabix	UK sub	336	321	4.8	91	129	-29.1	27.2	40.2	-13.0	12.7	20.0	12-11	B
47	▼ -3	Adams Foods	UK sub	321	323	-0.9	5	-0	-	1.6	-0.1	1.7	5.4	-0.3	12-12	B
48	▲ 1	Dawn Meats (UK)	Listed	299	277	8.0	0	3	-89.5	0.1	1.1	-0.9	0.5	4.6	12-11	UB
49	▲ 3	Icelandic Group UK	UK sub	291	268	8.6	8	6	33.9	2.8	2.3	0.5	16.1	8.0	12-12	UB
50	NEW	Linden Foods	UK sub	283	259	9.2	5	3	78.7	1.7	1.0	0.6	15.5	-	09-12	UB

Methodology: Index ranks the UK's leading food and soft drink manufacturers and processors. In some cases (including PepsiCo and Heinz) it has not been possible to provide fully consolidated group accounts. Some companies include returns from international (e.g. ABF, Hilton Food Group) and non-food (eg Unilever) operations where it was not possible to separate based on accounts. **Ownership:** Listed (publicly listed), PE (private equity), UK sub (UK subsidiary), Family (family/closely owned) **Main activity:** B (branded), U (unbranded) **Rank:** CE (changed entity) NEW (new entry) **Notes on specific companies:** #2 Vion Food UK: Acquired by Boparan Holdings but results not yet consolidated in Boparan accounts #16 Tulip: Part of Danish Crown but results not consolidated in Danish Crown UK accounts #21 Robert Wiseman: Acquired by Muller but results not yet consolidated in Muller accounts #27 Milk Link: Acquired by Arla but results not yet consolidated in Arla accounts #31 Woodhead Bros: Accounts filed as Neerock #64 Adelle Food Holdings: Accounts filed as Tigermetal TopCo #99 Haribo: Accounts filed as Dunhills

© a profit turnaround through operational improvements, the company's focus on value-added NPD in the Soreen part of the business has paid dividends, says Paul Tripp MD and director of McCambridge (North) at Soreen Bakery.

"We decided a couple of years ago that we needed to really focus on growing the number of households that buy into Soreen by listening to what consumers wanted," says Tripp. "We then capitalised on this consumer insight to leverage innovation, which has helped to extend our range to cater for more eating occasions and snacking formats."

The introduction of a Soreen Toastie Loaf and snack-size Soreen Lunchbox Loaves has enabled the company to grow the breakfast category despite the attention of some of the larger branded bakery operators, which have turned their attention to morning goods to address long-term declines in their own businesses. Thankfully for Soreen, in addition to introducing these new variants, with a further "exciting pipeline of NPD that we haven't brought to the market yet" according to Tripp, the company hasn't got caught up in the deep-cut price promotional tactics that some of the larger branded bakers have.

"We decided a couple of years ago that we were all promoting too much and it was unsustainable, so we came off 'buy one get one free' promotions and moved into round-pound points so we could focus on bringing innovation to the market and help grow the category," says Tripp.

Eschewing price-cutting tactics

Another company that's performed well after eschewing category price-cutting tactics is Nichols, which owns soft drinks brands like Vimto and Sunkist. "In the UK it was evident last year that soft drink sales, particularly in the carbonates market, were very promotionally driven," says Tim Croston, group FD at Nichols. "If you walk down the soft drinks aisle in a supermarket and look at a two-litre bottle, typically you'll see it on promotion at £1. This is very rich in terms of a deal for the consumer, but as a supplier the margins are not favourable, so our decision at the end of last year was to pull back on the depth and frequency of our carbonate promotional activity. The result has been flat sales year on year, but we've had something like a 10% increase in our bottom line profit."

Although Nichols' move may have been considered a risky strategy, it's one of the smaller branded players that has significantly benefited from overseas sales, particularly in Africa and the Middle East, where the drink enjoys a major uptick in sales around Ramadan.

According to Marnie Millard, Nichols' CEO, the group has worked hard at growing its international business, which is more than 100 years old. "Whilst the growth in overseas sales appears to be very measured and consistently steady, there's a lot of activity that takes place behind the scenes in nurturing new relationships and new markets, because unfortunately it's not as simple as going to see the buyer at Tesco and seeing your product listed in 600 stores. It's a considerably longer process," says Millard.

It's a template that's been embraced by Walkers Shortbread, with international business accounting

International ownership and expansion

Ownership of OC&C 150 by region



Region	Percentage
UK	67
Europe	19
N America	11
Asia	1
Other	1



Region	Percentage
UK	53
Europe	27
N America	14
Asia	4
Other	2

Who exports the most from the UK?

% revenues

Company	INTERNATIONAL	UK
Hilton Food Group	73	27
R&R Group	67	33
Gerber Emig	51	49
Walkers Shortbread	41	59
Baxters	36	64
Scottish Salmon Co.	33	67
G's Group	32	68
Quorn Foods	29	71
Britvic	28	72
J W Galloway	25	75
Randall Parker Foods	24	76
Nicholls	21	79
Average*	13	87

Notes: Measuring exports by British companies is not straightforward. Of the 85 British-owned food and drink companies in *The Grocer/OC&C 150*, only 47 break out their international sales. The remaining 38 may comprise UK-only sales but may also just be non-specified.

"Overseas growth is not as simple as going to see the buyer at Tesco and having your product listed in 600 stores"

Marnie Millard, Nichols

for about 40% of sales. "Our growth has been pretty consistent in both the home trade and in export markets over the last few years and we sell just as enthusiastically in both markets," explains Jim Walker.

For Walker, the key to the company's export success is built around creating "consistent, sustainable growth" rather than chasing huge growth in a market and then suffering just as huge a fall.

"We're fortunate because the product has integrity and it's unashamedly dressed as Scottish and that strong identity is easily recognisable overseas," says Walker. "Exports can be hard work, but it's staying power that counts. A lot of companies decide they're going to export but then they hit hard times and pull back. With exports you will hit hard times, but to be successful you need to be committed to it in the long term and you need buy in from the top down."

Over 35 countries want meat alternatives

This approach has worked for Quorn, which was snapped up by private equity group Exponent Private Equity from Premier Foods in 2011. According to Kevin Brennan, CEO at Quorn Foods, under Premier the meat alternative brand lacked investment, with

cover story oc&c food & drink 150

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				Current	Last	y-o-y%	Current	Last	y-o-y%	Current	Last	(ppts)	Current	Last		
51	▼ -1	Cott Beverages	UK sub	280	240	16.7	18	16	9.8	6.5	6.9	-0.4	8.1	12.0	12-11	UB
52	▲ 2	General Mills UK	UK sub	261	251	4.1	4	3	3.6	1.4	1.4	-0.0	4.3	9.4	04-12	B
53	NEW	LDH (La Doria)	UK sub	259	226	14.5	11	8	26.6	4.1	3.7	0.4	23.8	-	12-11	UB
54	▲ 26	Forza AW	Family	254	234	8.9	14	10	42.6	5.5	4.2	1.3	45.1	40.1	12-12	UB
55	▼ -2	Walkers Snack Foods	UK sub	252	254	-0.8	46	30	55.6	18.3	11.7	6.6	8.6	4.5	12-11	B
56	▼ -1	Fyffes Group	Listed	244	217	12.3	11	8	46.1	4.6	3.5	1.1	14.1	9.7	12-11	UB
57	▼ -1	Faughan	Family	241	217	10.8	5	4	46.7	2.2	1.6	0.5	13.3	9.8	12-11	UB
58	▼ -1	Danone	UK sub	240	239	0.4	30	23	30.5	12.3	9.5	2.8	113.6	101.2	12-11	B
59	▼ -1	AG Barr	Listed	238	224	6.6	32	35	-7.4	13.4	15.4	-2.0	35.8	42.3	01-13	B
60	▼ -1	Red Bull	UK sub	236	232	1.8	14	12	10.7	5.8	5.3	0.5	30.2	24.5	12-11	B
61	▲ 8	Wrigley	UK sub	230	195	18.2	55	40	37.6	24.0	20.6	3.4	90.0	66.8	12-12	B
62	▲ 5	Yeo Valley Group	Family	229	202	13.4	4	2	89.7	1.8	1.1	0.7	9.2	5.6	05-12	B
63	▼ -3	KTC (Edibles)	Family	228	188	21.2	2	1	21.0	0.7	0.7	-0.0	3.9	3.3	12-11	UB
64	▼ -3	Adelie Food Holdings	PE	226	232	-2.6	-3	5	-	-1.5	2.0	-3.5	-12.6	16.1	10-10	UB
65	▲ 5	The First Milk Cheese	Family	223	194	15.1	2	6	-63.2	1.0	3.2	-2.2	2.1	9.3	03-12	UB
66	▼ -3	JW Galloway	Family	219	215	2.1	2	8	-76.3	0.9	3.8	-2.9	4.2	18.2	02-12	UB
67	▼ -5	Wellness Foods	PE	214	222	-3.5	17	15	10.4	7.8	6.8	1.0	31.8	30.8	12-12	B
68	▲ 3	Dale Farm	UK sub	211	192	10.4	2	2	9.7	1.1	1.1	-0.0	3.1	3.2	03-12	UB
69	▲ 8	Danish Crown UK	UK sub	210	183	15.1	2	1	77.0	0.9	0.6	0.3	6.4	3.8	09-12	UB
70	▼ -6	Lactalis McLelland	UK sub	209	182	15.0	10	7	52.8	4.8	3.6	1.2	7.0	5.0	12-11	UB
71	▲ 1	Finsbury Food Group	Listed	208	190	9.4	9	9	-1.8	4.4	5.0	-0.5	36.3	38.9	06-12	UB
72	▲ 2	McCormick UK	UK sub	206	189	9.2	1	3	-73.8	0.4	1.8	-1.4	0.9	3.4	11-12	B
73	▼ -5	Berry Gardens	Family	202	210	-4.1	3	2	86.6	1.6	0.8	0.8	35.2	18.7	12-12	UB
74	▼ -8	Barry Callebaut Manufacturing	UK sub	198	204	-2.7	1	2	-19.4	0.7	0.8	-0.1	4.4	6.3	08-12	UB
75	▲ 3	Oscar Mayer	Family	195	177	10.0	6	7	-13.7	3.2	4.1	-0.9	22.7	29.4	03-12	UB
76	▲ 11	CSM (UK)	UK sub	188	156	20.9	6	7	-14.4	3.2	4.5	-1.3	8.2	10.1	12-12	B
77	▲ 5	Ferrero UK	UK sub	184	169	8.9	-6	1	-	-3.0	0.4	-3.5	-23.3	3.2	08-12	B
78	▼ -2	Noon Products	UK sub	184	166	11.0	4	1	160.1	2.1	0.9	1.2	12.6	4.7	12-11	UB
79	▼ -6	Tata Global Beverages	UK sub	181	189	-4.3	26	31	-15.4	14.3	16.2	-1.9	15.0	20.6	03-12	B
80	▲ 3	William Jackson Food Group	Family	180	166	8.6	12	8	51.4	6.4	4.6	1.8	15.1	10.7	04-12	UB
81	▼ -16	Produce World	Family	179	207	-13.4	1	na	na	0.7	na	na	3.4	na	06-12	UB
82	▼ -3	John West Foods	UK sub	177	149	18.6	3	-1	-	1.5	-1.0	2.5	4.2	-2.1	12-11	B
83	▲ 5	Tayto Group	Family	165	157	5.0	4	7	-41.1	2.5	4.5	-2.0	4.6	4.9	06-12	UB
84	■ -	Innocent	UK sub	163	130	25.4	8	5	-	-5.0	-4.1	-0.9	-20.8	-13.1	12-11	B
85	■ -	Fayrefield Foods	Family	161	154	4.4	1	1	44.8	0.6	0.4	0.2	4.6	3.5	12-11	B
86	NEW	Vitacress	UK sub	159	152	4.5	3	-1	-	1.9	-0.8	2.8	3.4	-	12-12	UB
87	▼ -1	Tangerine Confectionery	PE	157	154	1.8	8	12	-31.7	5.2	7.7	-2.5	10.6	16.5	12-11	B
88	▲ 8	Dovecote Park	Family	156	135	15.7	3	3	-8.0	1.8	2.2	-0.5	15.3	18.0	09-12	UB
89	NEW	Winterbotham Darby & Co	UK sub	156	129	20.4	6	6	-3.7	4.0	5.0	-1.0	39.8	-	03-12	UB
90	▼ -9	Greenvale AP	Listed	150	172	-12.7	7	5	37.6	5.0	3.1	1.8	29.1	19.7	06-12	UB
91	▲ 2	R&R Ice Cream UK	UK sub	150	138	8.4	23	25	-7.9	15.6	18.3	-2.8	54.0	87.5	12-12	UB
92	▼ -1	QV Foods	Family	145	142	2.2	5	2	121.3	3.3	1.5	1.8	19.3	10.1	05-12	UB
93	▲ 14	Whitworths	PE	144	119	21.0	6	8	-24.8	4.0	6.4	-2.4	14.3	21.5	04-12	UB
94	▼ -4	Pork Farms	PE	143	134	6.4	0	-2	-	0.3	-1.6	1.9	1.1	-8.9	03-12	UB
95	▼ -6	Direct Table Foods	UK sub	142	145	-2.2	4	7	-41.5	3.1	5.1	-2.1	11.4	24.0	09-12	UB
96	▲ 1	Dyplait UK	UK sub	140	134	4.9	23	22	5.7	16.5	16.4	0.1	70.5	61.2	04-12	B
97	▼ -5	Dairy Produce Packers	UK sub	139	136	2.4	1	7	-80.1	0.9	4.8	-3.9	2.0	12.0	12-11	UB
98	▼ -4	Dr Oetker (UK)	UK sub	137	151	-9.6	4	8	-46.5	3.2	5.4	-2.2	8.1	13.8	12-11	B
99	▲ 6	Haribo	UK sub	135	122	10.7	16	15	7.3	11.8	12.2	-0.4	10.4	10.7	12-12	B
100	▲ 4	Baxters Food Group	Family	135	126	6.6	7	9	-18.3	5.5	7.1	-1.7	9.1	11.6	06-12	B

Methodology: Index ranks the UK's leading food and soft drink manufacturers and processors. In some cases (including PepsiCo and Heinz) it has not been possible to provide fully consolidated group accounts. Some companies include returns from international (e.g. ABF, Hilton Food Group) and non-food (eg Unilever) operations where it was not possible to separate based on accounts. **Ownership:** Listed (publicly listed), PE (private equity), UK sub (UK subsidiary), Family (family/closely owned) **Main activity:** B (branded), U (unbranded) **Rank:** CE (changed entity) NEW (new entry) **Notes on specific companies:** #2 Vion Food UK: Acquired by Boparan Holdings but results not yet consolidated in Boparan accounts #16 Tulip: Part of Danish Crown but results not consolidated in Danish Crown UK accounts #21 Robert Wiseman: Acquired by Muller but results not yet consolidated in Muller accounts #27 Milk Link: Acquired by Arla but results not yet consolidated in Arla accounts #31 Woodhead Bros: Accounts filed as Neerock #64 Adelie Food Holdings: Accounts filed as Tigermetal TopCo #99 Haribo: Accounts filed as Dunhills

“We’ve identified 35 countries that have a category for a meat alternative product like ours and we’re in about 12”

Kevin Brennan, Quorn Foods

☞ advertising slashed and little focus on NPD.

As a result, the business was in decline. Since the change of ownership, Brennan says Quorn is enjoying double-digit growth, with much of this down to expansion overseas.

“What we’ve tried to do is look at markets where we can create a model and build the brand,” says Brennan. “We’ve identified in excess of 35 countries that have a category for a meat alternative product like ours and we’re in about 12 of those countries at the moment. There is plenty of scope for further growth.”

A key strand of Quorn’s overseas strategy has been localising its export offer. Brennan cites the example of America, where the brand is currently enjoying significant growth, thanks to its localised approach.

“In the US the herbs and flavours they put into a lasagne are completely different from the UK. If it hasn’t got basil in it isn’t considered a lasagne in America. Our chicken-style products are another good example. When you buy them they’re quite pale, but they brown in the oven. However, in the US most people microwave everything so the product was coming out the same colour. Now we put a golden crumb on any of our coated products knowing that, by and large, it’s going to be placed into a microwave and there won’t be a change of colour.”

Exports made easy

For the time being at least, Quorn’s focus is on delivering this localised approach in the countries where it has identified scope for growth, with many of these markets close to home.

“Most of the larger producers have got big businesses in Western markets already so they’re looking to the BRIC nations for expansion. However, we’ve still got pretty much half of Europe where the category exists and we’re not in countries like France, Italy, Spain and Germany, so there’s no need for us to go to India and Latin America when there are markets on our own doorstep that we haven’t entered.”

Another reason Brennan is reluctant to target some of the BRIC nations is because he feels the infrastructure needed to support a brand like Quorn isn’t in place yet. “Take India. It’s definitely going to be a very exciting market, but there’s an incredibly small number of frozen fridges in the whole country in retail, so although it’s on our radar, it needs the retail sector to develop a bit more.”

Jim Walker also sees India as a tremendous opportunity for its shortbread, but one that carries significant caveats. “India has got hardly any infrastructure and prices are a challenge because we’re quite ☞



overseas winners

Hilton Food Group

RANK: 20

The company is expanding operations across Europe and is now looking at Asia. International revenues account for more than 70% of turnover.

R&R

RANK: 97

The ice cream specialist is pursuing a successful ‘buy and build’ strategy, with multiple acquisitions across Europe to create a group that now generates two-thirds of its sales overseas.

Baxters Food Group

RANK: 100

Like Walkers, the company is cashing in on its Scottish heritage with more than 35% of sales coming from overseas.

Walkers Shortbread

RANK 111

Successfully selling its Scottish heritage and provenance around the world with 40% of its sales now from international markets.

Quorn Foods

RANK: 117

The meat alternative manufacturer is exploiting a unique product range around the world with nearly 30% of sales derived from overseas.

Nichols

RANK: 119

More than 20% of the company’s sales are from international markets with particularly strong positions for Vimto in the Middle East in addition to a growing presence in Europe and Africa.

cover story oc&c food & drink 150

RANK	change	COMPANY	OWNERSHIP	ANNUALISED TURNOVER (£M)			OPERATING PROFIT (£M)			OPERATING MARGIN (%)			ROCE (%)		YEAR END	ACTIVITY
				Current	Last	y-o-y%	Current	Last	y-o-y%	Current	Last	(ppts)	Current	Last		
101	▲ 9	Bettys & Taylors Group	Family	133	117	13.2	10	9	12.3	7.6	7.6	-0.1	11.0	10.3	10-12	B
102	NEW	Kober	Family	132	71	86.9	2	1	93.5	1.7	1.6	0.1	25.0	-	12-12	UB
103	▼ -4	Danone Waters (UK & Ireland)	UK sub	132	131	0.9	6	3	129.4	4.4	2.0	2.5	20.9	8.9	12-11	B
104	▼ -4	Dole Fresh UK	UK sub	131	128	1.8	4	1	258.7	3.2	0.9	2.3	25.1	6.9	12-11	UB
105	▼ -10	CP Foods (UK)	UK sub	128	135	-5.1	3	4	-16.1	2.6	2.9	-0.3	5.8	3.7	12-12	UB
106	▼ -4	Zetar	Listed	128	135	-5.3	4	7	-37.7	3.4	5.2	-1.8	12.6	24.3	04-12	UB
107	▲ 2	Global Foods	Family	127	119	7.4	1	2	-31.6	1.0	1.6	-0.6	14.7	24.5	04-12	UB
108	▲ 7	Randall Parker Foods	Family	119	110	9.0	2	2	-7.7	1.7	2.0	-0.3	14.7	16.8	09-12	UB
109	▲ 7	Park Cakes	PE	119	109	8.9	-2	-2	-	-1.4	-1.8	0.4	-5.9	-6.7	03-12	UB
110	▼ -12	Daniels Chilled Foods	UK sub	119	134	-10.9	7	9	-21.7	6.2	7.1	-0.9	19.9	28.1	06-12	B
111	▼ -3	Walkers Shortbread	Family	119	106	12.1	9	9	-4.7	7.5	8.8	-1.3	14.7	16.3	12-11	B
112	▼ -11	Albert Bartlett & Sons (Airdrie)	Family	119	130	-8.6	8	8	7.2	6.9	5.9	1.0	15.1	14.4	05-12	UB
113	▲ 7	Browns Food Group	Family	117	104	12.3	7	4	66.9	5.6	3.8	1.8	11.7	8.3	12-12	UB
114	▼ -3	McCambridge Group Holdings	PE	113	116	-2.4	9	3	171.9	7.6	2.7	4.9	29.1	9.5	06-12	UB
115	▼ -3	Lactalis Nestlé Chilled Dairy	Family	111	107	3.8	-1	-3	-	-1.2	-3.0	1.8	-13.3	-116.0	12-11	B
116	▼ -10	Branston Holding	Family	111	121	-8.7	6	2	230.2	5.7	1.6	4.2	22.1	6.5	07-12	UB
117	NEW	Quorn Foods	PE	110	na	na	12	na	na	10.5	na	n/a	na	na	12-11	B
118	▼ -4	Natures Way Foods	Family	109	110	-0.9	7	15	-54.5	6.1	13.2	-7.2	22.5	60.5	03-12	UB
119	▲ 7	Nichols	Listed	107	99	8.7	21	18	14.6	19.4	18.4	1.0	64.7	54.2	12-12	B
120	▼ -2	Symington's	PE	107	82	31.1	9	6	50.4	8.5	7.4	1.1	45.8	42.6	02-12	B
121	▲ 1	Tilda	Family	104	103	1.4	2	2	0.5	2.1	2.1	-0.0	5.3	5.1	12-11	B
122	▲ 1	Fletchers Bakeries	PE	104	93	11.2	-1	-1	-	-1.0	-1.4	0.4	-2.6	-3.5	03-12	UB
123	▲ 2	HP Foods	UK sub	104	99	4.5	50	45	11.4	48.2	45.2	3.0	72.1	65.4	04-12	B
124	▼ -3	Stonegate Farmers	Family	103	104	-0.8	4	3	34.1	3.5	2.6	0.9	8.4	6.4	09-12	UB
125	▼ -6	Lyons Seafoods	UK sub	102	104	-1.9	6	8	-28.5	5.5	7.5	-2.0	16.6	23.6	06-12	B
126	▼ -9	Pinguinlutosa Foods UK	UK sub	101	108	-6.4	-5	4	-	-4.6	3.7	-8.3	-8.1	9.4	03-12	UB
127	■ -	Fonterra (Logistics)	UK sub	101	98	3.0	0	0	-34.7	0.1	0.1	-0.1	0.3	0.4	07-12	B
128	■ -	Kanes Foods	Family	101	96	4.2	10	8	21.0	9.7	8.4	1.3	15.8	14.9	03-12	UB
129	NEW	New Zealand Farmers	UK sub	100	104	-3.8	-1	2	-	-1.2	1.6	-2.8	-8.4	-	09-12	UB
130	▼ -17	Del Monte Foods	UK sub	97	110	-11.4	0	1	-60.4	0.3	0.6	-0.3	0.9	1.7	12-11	UB
131	▲ 2	Green Label Foods	Family	97	91	6.5	2	2	-25.4	1.8	2.6	-0.8	5.7	8.7	12-12	B
132	▲ 9	Country Style Foods	Family	95	81	16.8	4	5	-23.3	3.9	5.9	-2.0	20.8	24.9	04-12	UB
133	▼ -1	Kettle Produce	Family	95	93	2.0	-1	-0	-	-0.6	-0.2	-0.5	-2.4	-0.8	06-12	UB
134	▲ 5	Stateside Foods	UK sub	94	82	14.7	5	2	223.2	5.3	1.9	3.4	12.7	4.2	02-12	UB
135	▲ 5	F Smales & Son	Family	94	82	14.5	1	1	14.2	1.1	1.1	-0.0	19.8	18.1	08-12	UB
136	▼ -7	Banham Poultry	Family	93	95	-1.8	-0	-1	-	-0.1	-0.9	0.8	-1.5	-8.7	09-12	UB
137	▼ -7	Barfoots of Botley	Family	91	95	-3.3	2	1	102.5	2.6	1.3	1.4	21.7	11.9	12-11	UB
138	▼ -7	Armaghdown Creameries	Family	89	94	-5.0	1	7	-84.2	1.2	7.2	-6.0	6.4	36.9	09-12	UB
139	▼ -5	Scottish Sea Farms	UK sub	89	110	-19.3	14	30	-53.1	16.0	27.5	-11.5	23.9	58.1	12-11	UB
140	▼ -3	Fenmarc Produce	PE	87	83	4.6	3	1	147.7	3.3	1.4	1.9	23.2	9.4	06-12	UB
141	▲ 3	English Provender	Family	85	80	6.6	5	5	5.4	5.8	5.8	-0.1	28.1	30.7	08-12	B
142	■ -	Bel UK	UK sub	85	81	4.9	-1	0	-	-1.3	0.6	-1.9	-5.8	2.9	12-12	UB
143	▼ -19	Maple Leaf Bakery UK	UK sub	84	100	-16.1	-1	-4	-	-1.6	-3.7	2.1	-3.7	-9.6	12-12	B
144	NEW	Angus Soft Fruits	Family	84	90	-6.3	0	0	127.7	0.5	0.2	0.3	9.0	-	04-12	UB
145	NEW	Alpro	UK sub	83	76	9.3	3	3	-21.7	3.2	4.5	-1.3	6.9	-	12-12	B
146	▼ -10	Dairygold Food Ingredients	UK sub	83	80	3.9	1	2	-28.0	1.4	2.0	-0.6	3.0	4.3	12-11	UB
147	▼ -9	Lindt & Sprüngli (UK)	UK sub	83	80	3.2	3	3	28.2	4.0	3.2	0.8	16.0	13.4	12-11	B
148	NEW	The Scottish Salmon Company	UK sub	82	90	-9.0	-3	14	-	-4.1	15.5	-19.6	-4.1	-	12-12	UB
149	▼ -6	Intersnack	UK sub	82	80	2.4	-1	-1	-	-0.7	-1.3	0.6	-1.5	-4.0	12-11	B
150	NEW	Frank Roberts & Sons	Family	81	79	2.7	6	5	9.4	7.2	6.8	0.4	-	-	09-12	UB

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expensive [compared with domestic brands],” says Walker. “Many companies get there, but developing sales is quite difficult.”

That’s not to say the UK and European markets don’t have their problems at the moment. Hilton Food Group has a blossoming overseas business, building strong sales in Europe and last month announcing plans to move into Asia-Pacific by constructing a new meat processing facility in Victoria, Australia, as part of a joint venture deal with Woolworths.

But it’s not all plain sailing, concedes Hilton Food Group chief executive Robert Watson. “Hilton’s growth prospects are encouraging. The short-term economic outlook in our European markets, however, remains relatively challenging, continuing to feature both comparatively high prices for meat and other key basic foodstuffs, and maintained pressure on consumer spending.”

Economic recovery

At least recent economic indicators suggest the UK economy is slowly but surely starting to improve. And while the theme of The Grocer/OC&C Food & Drink 150 last year was ‘The Big Squeeze’, this time around there’s a sense of belt loosening, and that we might be able to put the recession behind us.

“UK food and drink companies will certainly be hoping that 2012 marked the bottom of the profit dip,” says Hayllar. “With improving consumer spending conditions in the UK, and commodity prices coming down, producers should start to see some of the recent pressures ease. In fact, that’s starting to flow through in some of the most recent results.”

While OC&C’s research suggests UK plcs have been affected more heavily than UK subsidiaries, or family or private equity owned food and drink suppliers in 2012, the most recent financial statements of leading listed companies – such as Britvic, Premier Foods, ABF, Greencore, Dairy Crest, Cranswick and Hilton Food Group – support forecasted margin improvement, with some increases already recorded, Hayllar adds.

The recovery is by no means limited to the PLCs however. And the bigger question is over the mix, as the power struggle continues between brands and own label; while smaller producers continue to fight their corner.

“Whether big brands can reassert their old muscle or smaller brands and unbranded players will continue to outperform will be a key aspect to watch as the recovery takes hold. Beyond the UK market the increasing globalisation of the food industry should continue to provide new opportunities as well as new competitive threats for UK producers.” A fascinating and exciting period beckons ahead. ●



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 020 7010 8000 or visit www.ocstrategy.com



innovation winners

Wrigley

RANK: 61

Adapted well to new European health legislation and market trends towards healthier, functional foods with NPD such as Extra Ice. As a result, the company has enjoyed double-digit revenue growth (18%).

William Jackson

RANK: 80

NPD and marketing campaigns to grow the higher-margin retail business – in particular the Aunt Bessie’s brand – has paid off with good revenue growth (9%) and improved margins (1.7%).

Bettys & Taylors

RANK 101

Driven sustained, double-digit growth through the recession

(13% in latest financial year), turning Yorkshire Tea into a major national brand through NPD and marketing focus, whilst growing profits (7.6%).

McCormick

RANK: 114

Negotiated a successful profit turnaround (+4 percentage points) through operational improvements and focus on the higher-margin Soreen part of the business, which has enjoyed strong revenue growth.

Fenmarc

RANK: 140

Enjoyed successive years of revenue growth and recent margin improvement (1.4%), partially through a PR push promoting the exclusive ‘Rudolph’ potato.

Our annual review of the UK's Top 150 food and soft drink producers highlights a number of trends impacting the industry, with dynamic smaller brands and larger unbranded businesses both chipping away at the large brand owners who have historically held primacy within the industry. Meanwhile globalisation presents new competitive pressures but also opens up further opportunities for those with real strength.

These shifts in the industry pose a number of questions for producers:

- Have I got the right balance between scale and differentiated focus in markets where consumer tastes, shopping channels and media consumption are all fragmenting?
- Am I alert to new competitive pressures that international players may exert in my categories?
- Are there brands, products and capabilities in my business with international potential and how can I best develop these?

If the OC&C Grocer Top 150 feature and these themes resonate with you we'd love to meet up and share our thoughts with you.

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