

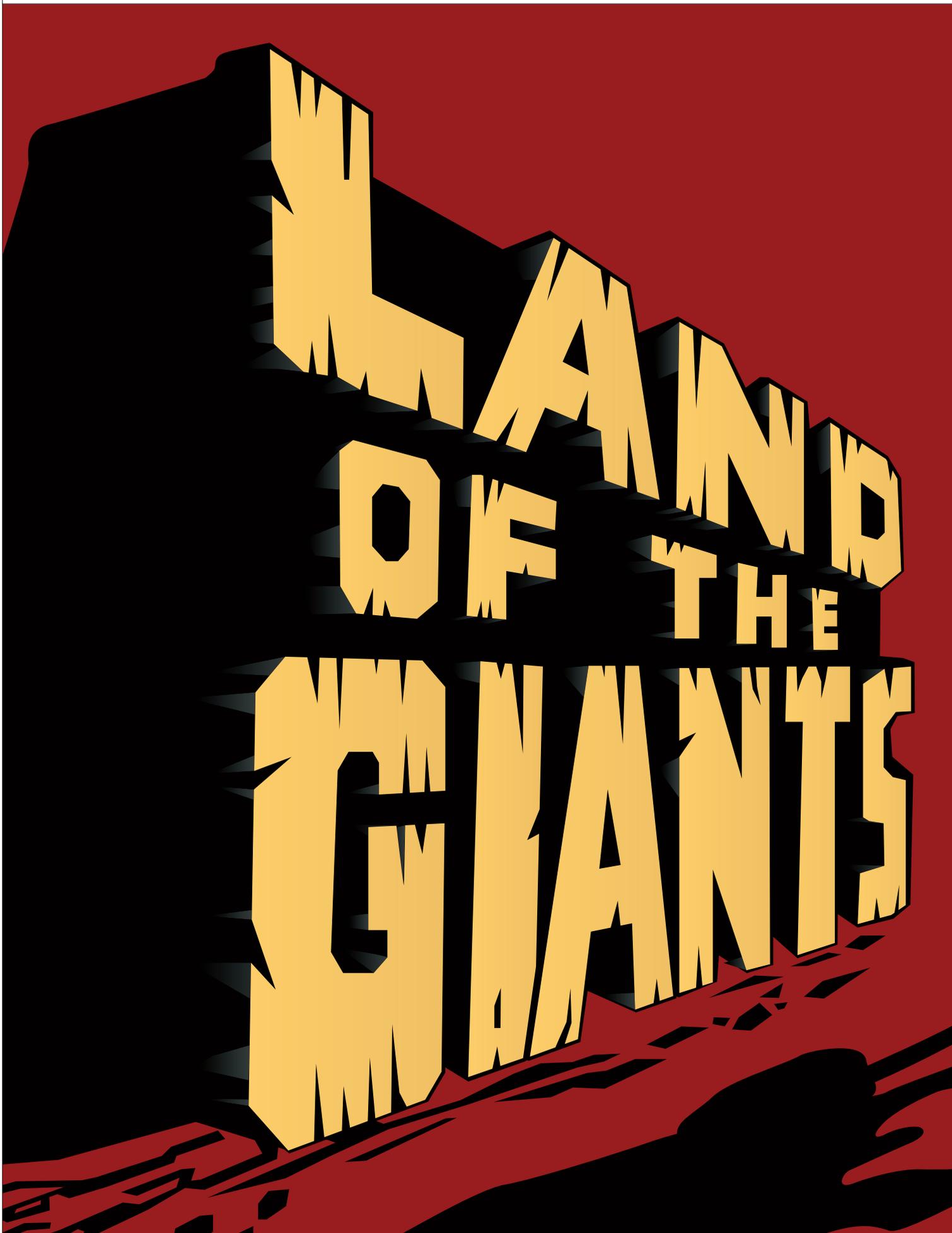
**THE OC&C GROCER
INDEX 2011**



LAND OF THE GIANTS

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

OC&C TOP 150





The fight for survival rages on in food & drink. And this year's OC&C Top 150 reveals that the UK's biggest manufacturers are standing tall. By **Catherine Wheatley**

Food and drink in 2010 was not a place for the faint-hearted. The high hopes for economic recovery faded as consumer confidence remained low and the banks held tightly on to their purse strings, lending far less than many said was needed to rekindle the good times. In the wake of the global recession the war for shoppers' diminishing weekly grocery budgets raged on.

Yet for Britain's 150 biggest food and drink suppliers, the fact that turnover grew by just 4.5% in 2010 – the lowest figure for seven years and a sharp fall from the 7.7% growth recorded the previous year – can in hindsight be seen as a time affording the industry some breathing space.

True, many of the giants were forced to take decisive action – numbers one and three on our list, Associated British Foods and Premier Foods, pressed on with comprehensive restructuring plans – but analysis by OC&C Strategy Consultants reveals that producers' operating margins rose 50 basis points to 7% thanks to a slowdown in the rising cost of raw materials in the first six months of 2010.

And it was predominantly the giants of the industry that outshone smaller challengers when it came to operating margins – recording average margins of 7.8%, compared with the 5.2% recorded by their smaller rivals.

Being the little guy in the land of the giants is never easy. It was even tougher in 2010. Save for a few agile small fry that successfully scrapped for sales, the giants outperformed the market. Of the top 20 firms by turnover, Cadbury, Britvic and **E7 >>>**

OC&C TOP 150

Rank 2010 Change on last year	Company & ownership		Annualised Turnover (£m)		Turnover Growth	Operating Profit (£m)		Profit Growth	Operating Margin (%)		ROCE (%)		Year End	Activity	
			Current	Previous	(%)	Current	Previous	(%)	Current	Previous	Current	Previous			
1	■	Associated British Foods	Listed	10,003	9,280	7.8	911	723	26.0	9.1	7.8	16.8	14.4	Sep-10	C
2	■	Cadbury ¹	UK sub	5,975	5,369	11.3	510	383	33.2	8.5	7.1	22.1	15.3	Dec-09	B
3	▲ 1	Premier Foods	Plc	2,438	2,530	-3.6	304	262	15.9	12.5	10.4	53.4	44.8	Dec-10	B
4	NEW IN	Vion	UK sub	2,202	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Dec-10	C
5	■	Unilever UK	UK sub	1,767	n/a	n/a	106	n/a	n/a	6.0	n/a	12.8	n/a	Dec-09	B
6	▲ 4	Coca-Cola Enterprises	UK sub	1,668	1,619	3.0	253	239	5.8	15.2	14.8	41.4	40.2	Dec-10	B
7	▲ 5	Nestlé UK	UK sub	1,635	1,593	2.7	184	186	-1.5	11.2	11.7	28.5	33.9	Dec-10	B
8	■	Dairy Crest Group	Plc	1,605	1,630	-1.5	107	106	1.2	6.7	6.5	28.8	23.5	Mar-11	C
9	▼ 2	Bakkavör	UK sub	1,547	1,574	-1.7	62	39	62.2	4.0	2.4	17.6	-	Jan-10	O/L
10	▲ 1	Arla Foods	UK sub	1,482	1,435	3.3	41	38	10.3	2.8	2.6	9.6	9.0	Dec-10	C
11	▲ 2	United Biscuits	PE	1,230	1,185	3.8	181	167	8.8	14.8	14.1	34.9	32.7	Jan-10	B
12	▲ 5	Britvic	Plc	1,120	981	14.1	110	105	4.5	9.8	10.7	23.0	45.0	Oct-10	B
13	▲ 1	Findus Group	PE	1,120	1,143	-2.1	79	76	3.2	7.0	6.7	30.2	39.9	Dec-10	B
14	▲ 5	Tulip	UK sub	1,118	1,124	-0.5	42	38	9.1	3.7	3.4	8.1	6.9	Oct-10	C
15	▲ 1	Wm Morrison Produce	UK sub	1,112	1,013	9.8	104	90	16.2	9.4	8.9	26.7	28.0	Jan-10	O/L
16	▼ 1	Princes	UK sub	1,093	1,081	1.1	42	41	2.8	3.9	3.8	18.4	18.7	Mar-10	O/L
17	▼ 8	Mars UK	UK sub	1,040	1,137	-8.5	187	184	1.7	18.0	16.2	86.0	-	Jan-10	B
18	■	Northern Foods ²	UK sub	961	978	-1.7	34	19	84.6	3.6	1.9	10.0	4.8	Apr-10	O/L
19	▲ 1	Robert Wiseman Dairies	Plc	920	889	3.5	36	51	-28.6	3.9	5.7	18.6	26.3	Apr-11	C
20	▲ 6	Boparan Holdings	Family	838	743	12.7	35	43	-17.9	4.2	5.8	30.0	51.3	Jul-10	C
21	▲ 1	Moy Park	UK sub	781	736	6.1	18	-26	-	2.3	-3.5	12.6	-17.2	Dec-09	C
22	▼ 1	HJ Heinz Co	UK sub	768	736	4.3	134	141	-4.8	17.5	19.1	38.8	39.8	Apr-10	B
23	▲ 2	Cranswick	Plc	740	607	22.0	46	39	16.3	6.2	6.5	35.1	32.0	Mar-10	C
24	■	Greencore	Plc	733	693	5.7	68	61	11.5	9.3	8.8	42.2	52.7	Sep-10	O/L
25	▲ 3	Samworth Brothers	Family	658	599	9.9	49	42	16.2	7.4	7.0	34.7	23.3	Jan-10	O/L
26	▲ 1	Gerber Emig Group	PE	636	615	3.3	19	6	237.4	3.0	0.9	9.1	2.9	Dec-09	O/L
27	▲ 6	Finlays	UK sub	610	567	7.7	27	26	2.8	4.4	4.6	9.5	10.0	Dec-10	C
28	▲ 3	Kraft Foods UK	UK sub	567	539	5.2	20	35	-42.7	3.5	6.5	9.4	15.5	Dec-09	B
29	▲ 6	Noble Foods	Family	559	533	4.8	28	23	22.2	5.1	4.3	24.1	23.7	Sep-10	O/L
30	▲ 4	Kerry Foods	Plc	525	476	10.3	16	21	-22.9	3.0	4.3	8.5	13.4	Dec-09	B
31	▲ 1	Warburtons	Family	493	512	-3.6	38	33	13.3	7.7	6.5	10.5	8.6	Sep-10	B
32	▲ 8	Woodhead Bros Meat Co	UK sub	480	396	21.2	46	42	7.7	9.5	10.7	69.9	80.2	Jan-10	B
33	▲ 4	Argent Group Europe	PE	467	437	6.8	12	10	23.2	2.6	2.2	31.0	28.7	Dec-10	B
34	▲ 2	Birds Eye	PE	448	466	-3.9	71	67	6.4	15.8	14.3	26.6	25.8	Dec-10	B
35	▲ 3	L&M Food Group	Family	447	444	0.6	8	7	10.9	1.8	1.6	19.5	19.5	Mar-10	C
36	▲ 3	Müller Dairy UK	UK sub	401	397	1.0	38	22	75.0	9.5	5.5	73.4	8.4	Dec-09	B
37	▲ 5	R&R Ice Cream	PE	389	359	8.2	33	51	-35.6	8.5	14.3	14.7	29.5	Dec-10	O/L
38	NEW IN	Cargill	UK sub	376	350	7.5	-3	4	-	-0.7	1.1	-3.2	4.7	May-10	O/L
39	▲ 4	Fresca Group	Family	358	353	1.5	6	9	-36.4	1.7	2.7	11.8	21.9	Apr-10	C
40	▲ 4	McCain Foods (GB)	UK sub	358	351	2.0	47	42	12.4	13.2	12.0	34.9	31.1	Jun-10	B
41	▲ 8	Farmers Boy	UK sub	354	305	15.8	50	35	42.8	14.1	11.4	40.0	35.6	Jan-10	O/L
42	▲ 10	Nutricia	UK sub	335	292	14.7	22	25	-11.5	6.6	8.5	39.5	41.8	Dec-09	B
43	▲ 3	Bernard Matthews	Family	325	336	-3.3	0	-1	-	0.1	-0.2	0.3	-0.4	Jan-10	B
44	▲ 4	Weetabix Food Co	PE	323	315	2.5	80	78	2.7	24.8	24.8	14.9	17.0	Dec-09	B
45	▲ 30	Lipton	UK sub	316	257	22.7	2	2	4.1	0.7	0.9	3.4	6.3	Dec-10	B
46	▲ 5	Burton's Foods	PE	313	296	5.6	3	4	-22.5	1.0	1.4	3.0	3.4	Jan-10	B
47	▼ 24	Uniq ³	UK sub	312	287	8.6	3	0	-	0.9	-0.1	1.8	-0.1	Dec-10	O/L
48	▲ 5	G'S Group	Family	289	281	2.8	12	6	95.8	4.0	2.1	11.0	6.2	May-10	C
49	▲ 1	Dawn Meats (UK)	UK sub	277	266	4.2	3	-3	-	1.1	-1.3	4.6	-5.1	Dec-10	C
50	▼ 3	Faccenda Group	PE	275	280	-1.7	9	2	303.9	3.4	0.8	19.5	4.4	May-10	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, Heinz and Wm Morrisons' manufacturing subsidiaries) it has not been possible to provide fully consolidated UK group accounts. Some companies include returns from international (eg Cadbury, ABF) and non-food (eg ABF, Unilever) operations Notes¹acquired by Kraft ²acquired by Boparan Holdings ³acquired by Greencore ⁴acquired by Blackstone ⁵acquired by Kerry Foods. Main activity: B (branded), O/L (own-label) and C (commodities). PE (private equity), UK sub (UK subsidiary). Family (family/closely owned)

“The bigger companies found it easier than smaller firms to raise bank finance for NPD”

« 35 Boparan all posted double-digit sales increases. Average revenue growth at companies with sales of more than £500m was 4.7% against the 3.8% recorded by those with revenues of less than £500m.

“Size and financial muscle have helped the bigger companies through a difficult time,” says OC&C partner Will Haylar. “They’ve found it easier than smaller firms to raise bank finance for new product development – and that gap has widened over 2010. Scale economies have helped them to cut costs and reinvest their savings in products and marketing.”

Increased NPD in tough times

Innovation continued despite the chill winds. “We saw increased innovation because of the tough times, not despite them,” says Terry Jones, director of communications at the FDF, which puts the amount invested by British food and drink companies in R&D in 2010 at more than £1bn. “The sector’s resilience is down to its ability to produce efficiently and respond to changing consumer tastes.”

Companies of all sizes have embraced NPD in a bid to stay ahead of rivals. United Biscuits – 11 on the list – gave us mini Hob Nobs, Weetabix (44) launched its child-friendly chocolate cereal, Nichols (137) splashed out on Cherry Vimto, and Heinz (22) introduced its Heinz Beanz fridge packs. The latter delivered a particularly strong performance, recording sales growth of 4.3% with an operating margin of 17.3% while boosting sales across its entire range of ketchup, beans and baby-food products thanks to the ‘It Has To Be Heinz’ campaign.

NPD helped Aunt Bessie’s producer Symington’s break into the Top 150, hitting the 145 spot in 2010. “We have a big engine room of NPD in terms of brands and people,” said David Salkeld, CEO of Symington’s. And he prefers to build the business through NPD rather than synergies. Indeed, in the 12 months to August 2011, the private equity-owned company launched 282 new and 244 refreshed products including four new Aunt Bes- » 39 »



THE LOWDOWN ON THE GIANTS



NESTLÉ UK

POSITION: 7 **TURNOVER: £1.63BN**

Expanding into new markets and adding value to existing brands through healthier or ethically sourced variants has protected Nestlé’s margins. Last year it launched the Jenny Craig diet programme in the UK, while Kit Kat’s switch to Fairtrade cocoa ensured supply security.



COCA-COLA ENTERPRISES

POSITION: 6 **TURNOVER: £1.67BN**

Defying the downturn, annual sales of Coke, Diet Coke and Coke Zero smashed through the £1bn barrier for the first time in Britain last year. Investing in a wider choice of products and sizes and promoting brand values of optimism and authenticity went down well with consumers.



UNITED BISCUITS

POSITION: 11 **TURNOVER: £1.23BN**

Decisive responses to changing consumer trends, such as halving the saturated fat content of McVitie’s Digestives and Hob Nobs, have helped improve turnover at UB. The firm has also boosted efficiency by increasing capital investment, which stood at 3% of turnover last year.



BOPARAN HOLDINGS

POSITION: 20 **TURNOVER: £838M**

Fast becoming a behemoth of British food and drink. Founder Ranjit Singh Boparan is on a buying spree. His latest acquisition earlier in 2011, Northern Foods, would have put Boparan well in the top 10 with combined revenues of £1.5bn, had it been completed in time.



HEINZ

POSITION: 22 **TURNOVER: £768M**

Proved its mettle by protecting its category-leading positions throughout 2010. Innovative packaging formats and new product design – such as the Heinz Beanz fridge packs – have been key, as has the investment in the ‘It Has To Be Heinz’ marketing campaign.

OC&C TOP 150

Rank 2010 Change on last year	Company & ownership	Annualised Turnover (£m)		Turnover Growth	Operating Profit (£m)		Profit Growth	Operating Margin (%)		ROCE (%)		Year End	Activity	
		Current	Previous	(%)	Current	Previous	(%)	Current	Previous	Current	Previous			
51 ▲ 6	Icelandic Group UK	UK sub	266	249	6.9	9	9	-9.8	3.2	3.8	18.8	20.6	Dec-10	C
52 ▲ 6	Meadow Foods	Family	263	247	6.6	6	4	25.2	2.1	1.8	29.4	23.2	Mar-10	C
53 ▲ 8	Walkers	UK sub	262	224	17.0	45	44	3.7	17.3	19.5	6.9	7.0	Dec-09	B
54 ▲ 5	General Mills UK	UK sub	239	234	2.3	2	3	-34.4	0.9	1.5	3.1	5.3	Apr-10	B
55 ▲ 9	Faughan	Family	237	219	7.8	3	3	0.1	1.3	1.4	7.8	8.6	Dec-09	O/L
56 ■	The Kerrygold Co	UK sub	234	249	-6.3	8	3	178.7	3.3	1.1	11.9	5.4	Jan-10	B
57 ▲ 6	Red Bull Co	UK sub	232	233	-0.6	12	23	-45.1	5.3	9.6	24.5	44.7	Dec-10	B
58 ▲ 2	Adelie Food Holdings	PE	226	232	-2.6	-15	5	-	-6.5	2.0	-54.2	16.1	Oct-10	O/L
59 ▲ 9	AG Barr	Listed	223	202	10.4	33	31	9.6	15.0	15.1	41.8	39.6	Jan-11	B
60 ▲ 6	Cott Retail Brands	UK sub	221	207	6.9	15	10	46.8	6.7	4.9	18.3	11.9	Jan-10	O/L
61 ▲ 10	Danone	UK sub	219	195	12.5	26	28	-5.8	11.9	14.2	222.2	332.7	Dec-09	B
62 ▲ 18	Wellness Foods	PE	215	206	4.6	11	11	-1.1	5.3	5.6	23.0	23.5	Dec-10	B
63 ▼ 8	Produce World	Family	214	251	-14.6	2	7	-67.9	1.1	3.0	7.6	24.8	Jul-10	C
64 ▲ 8	Barry Callebaut	UK sub	213	193	10.2	1	2	-8.7	0.7	0.8	5.3	6.0	Aug-10	O/L
65 ■	Real Good Food Co (The)	Listed	200	216	-7.2	3	3	5.0	1.7	1.5	4.9	8.7	Dec-10	B
66 ▲ 25	Galloway	Family	190	151	25.5	6	6	-0.8	3.3	4.1	15.1	17.3	Feb-10	C
67 ▲ 6	Berry Gardens	Family	190	186	1.7	2	2	21.3	1.0	0.8	27.8	24.0	Dec-10	C
68 ▲ 8	KTC	Family	188	163	15.8	1	1	6.7	0.7	0.8	3.3	3.2	Dec-10	O/L
69 ▲ 5	McCormick UK	UK sub	187	180	4.0	2	-5	-	1.1	-2.7	2.3	-5.7	Nov-10	B
70 ■	Wrigley Co (The)	UK sub	183	189	-2.8	45	38	17.9	24.8	20.4	73.7	52.4	Jan-11	B
71 ▲ 16	Tetley GB	UK sub	182	165	9.9	37	46	-18.8	20.3	27.5	29.7	31.7	Mar-10	B
72 ▲ 47	Dr Oetker (UK)	UK sub	182	102	78.2	10	6	78.3	5.5	5.5	16.8	9.4	Dec-09	B
73 ▲ 7	Yeo Valley Group	Family	177	178	-0.7	6	5	18.6	3.4	2.8	16.2	13.8	May-10	B
74 ▼ 5	Heygate & Sons	Family	174	187	-6.5	5	7	-30.6	2.7	3.7	7.6	11.3	Mar-10	C
75 ▲ 7	Dale Farm	UK sub	172	176	-2.4	4	5	-31.8	2.2	3.1	6.5	9.5	Mar-10	C
76 ▲ 12	John West Foods	PE	172	165	3.7	4	4	5.2	2.2	2.1	4.4	4.3	Mar-10	B
77 ▲ 9	Lactalis McLelland	UK sub	171	168	2.3	7	8	-19.9	3.9	5.0	5.7	8.4	Dec-09	O/L
78 ▲ 3	Finsbury Food Group	Listed	169	177	-4.6	9	7	36.6	5.4	3.7	37.9	25.7	Jul-10	O/L
79 ▲ 6	William Jackson Food Group	Family	166	168	-1.4	7	4	56.9	3.9	2.5	9.2	5.9	Apr-10	O/L
80 ▲ 9	Oscar Mayer	Family	166	153	8.0	5	3	67.5	3.2	2.1	22.3	13.5	Mar-10	O/L
81 ▲ 9	Cumbrian Holdings	Family	165	153	7.9	3	-3	-	2.0	-1.8	19.8	-12.1	Mar-10	O/L
82 ▼ 15	The First Milk Cheese Co	Family	165	206	-20.2	-2	-1	-	-1.3	-0.5	-2.0	-1.0	Mar-10	C
83 ▼ 29	Danish Crown UK	UK sub	162	292	-44.6	-0	1	-	-0.2	0.4	-1.2	2.4	Oct-10	C
84 ▲ 8	Ferrero UK	UK sub	159	148	7.8	-0	1	-	-0.2	0.4	-1.4	11.6	Aug-10	B
85 ▼ 2	Greenvale Ap	Family	157	173	-9.2	9	8	11.2	5.8	4.7	29.9	22.7	Jun-10	C
86 ▲ 13	Tangerine Confectionery ⁴	PE	155	131	18.3	7	3	175.6	4.7	2.0	10.3	5.0	Dec-09	B
87 ▲ 19	Glanbia Cheese	UK sub	151	122	23.4	10	3	211.6	6.7	2.7	38.3	14.9	Jan-11	C
88 ▲ 10	Noon Products	UK sub	149	131	13.8	4	0	741.5	2.8	0.4	13.7	1.7	Dec-09	O/L
89 ▼ 11	Delice De France	UK sub	146	179	-18.5	14	12	17.1	9.5	6.6	28.0	25.3	Jul-10	B
90 ▲ 28	Parkham Food Group	Family	144	114	26.4	2	2	-11.4	1.2	1.8	5.5	6.7	Jan-10	C
91 ▲ 5	CSM (UK)	UK sub	138	134	2.8	4	6	-33.6	3.1	4.8	6.4	8.6	Dec-09	B
92 ▲ 2	Danone Waters (UK & Ireland)	UK sub	137	138	-0.8	7	5	49.0	5.2	3.5	29.8	20.6	Dec-09	B
93 ▼ 16	Albert Bartlett & Sons (Airdrie)	Family	136	149	-8.6	7	7	0.0	5.3	4.8	19.9	10.0	May-10	C
94 NEW IN	Stonegate Farmers	Family	133	130	2.6	3	2	21.3	2.2	1.9	6.8	7.3	Oct-09	O/L
95 NEW IN	Tayto Group	Family	133	124	7.1	11	20	-43.1	8.5	15.9	9.1	-	Jul-10	O/L
96 ▲ 1	Yoplait UK	UK sub	133	133	0.2	18	15	20.2	13.2	11.0	49.6	137.4	Jun-10	B
97 ▲ 10	Zetar	Listed	132	119	11.2	7	6	26.5	5.4	4.8	24.7	19.3	Apr-10	O/L
98 ▼ 3	Dairy Produce Packers	UK sub	132	134	-1.8	15	13	11.2	11.1	9.8	32.5	31.7	Dec-09	C
99 ▲ 13	Innocent	Family	130	112	15.7	-5	-2	-	-4.1	-2.1	-13.1	-9.7	Dec-10	B
100 ▲ 3	Baxters Food Group	Family	129	124	4.1	7	9	-21.8	5.2	6.9	9.0	11.9	May-10	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, Heinz and Wm Morrison's manufacturing subsidiaries) it has not been possible to provide fully consolidated UK group accounts. Some companies include returns from international (eg Cadbury, ABF) and non-food (eg ABF, Unilever) operations Notes¹acquired by Kraft ²acquired by Boparan Holdings ³acquired by Greencore ⁴acquired by Blackstone ⁵acquired by Kerry Foods. Main activity: B (branded), O/L (own-label) and C (commodities). PE (private equity), UK sub (UK subsidiary). Family (family/closely owned)

“ Retailers back entrepreneurial companies as they help keep the bigger players in check ”

« 37 sie's gravy flavours.

Meanwhile, another giant, United Biscuits (11th place), won praise for effective cost-cutting and capital management. Owned by Blackstone and PAI, the private equity players, the McVitie's and KP Nuts manufacturer has driven down costs by introducing 'lean' manufacturing processes across all its sites. A hike in capital investment – from 3% to 4% of revenues – is helping to improve efficiency and health & safety. As a result, turnover rose 3.8% while profits were up 8.8%.

Smaller suppliers cannot hope to compete with the financial firepower and superior efficiencies that larger companies enjoy. So how can they compete? Entrepreneurial companies such as Tyrrells Crisps and Gü Puds have used nimble thinking and speed to market to develop new products and attract fresh consumers. “Retailers tend to be supportive of such companies because they are bringing something new to the category, cranking up the competitive pressure and helping to keep the bigger players in check,” Hayllar observes.

Precision targeting

You have to chose your weapons wisely if you're going to slay a giant. AG Barr (59), for example, took on the titans of soft drinks with niche brands such as Im-Bru and precision targeting in its key heartlands of Scotland and northern England. NPD investment and marketing have been focused on labels with niche appeal, including the exotic juice label Rubicon. The company raised turnover by 10.4% and boosted profits by 9.6% last year.

Family-owned Bettys & Taylors of Harrogate (124), manufacturer of traditional tea and cakes, also delivered strong growth to both the top and bottom lines by successfully weighing up risk and reward before engaging with the giants. The company concentrated much of its investment in established brands like Yorkshire Tea and was rewarded with 15.9% growth in turnover. But support for successful products was balanced by measured expansion into new markets, such as the relaunch « 41 »

THE GIANT SLAYERS



HARIBO DUNHILLS

POSITION: 112 TURNOVER: £113M

Offering consumers a guaranteed bag of happiness has been key to confectionery business Haribo's recent success. Last year the company introduced £1 packs, supported by a larger marketing spend. It offers quality and value shoppers trust, says MD Herwig Vennekens.

HAI

NATURES WAY FOODS

POSITION: 131 TURNOVER: £95M

Collaboration is delivering long-term growth at Robert Langmead's bagged salad and prepared fruit business. The firm has focused on tailored products for a few big clients such as Tesco and McDonald's. Strong links with farms have improved supply chain efficiency.

nature way foods
ASSONATE ABOUT FR

NICHOLS

POSITION: 137 TURNOVER: £84M

The manufacturer of Vimto has refreshed parts of the market larger drinks brands cannot reach. Vimto's Seriously Mixed Up campaign attracted a million newcomers – and its new cherry flavour delivered sales of £3.7m. Last year's purchase of Ben Shaw also aided revenues.

nic

SYMINGTON'S

POSITION: 145 TURNOVER: £76M

Aunt Bessie and Ainsley Harriott were never A-list, but their ranges of granulated gravy and flavoured rice have delivered solid returns for Symington's. Its focus on ambient foods has proved a smart one, as its recent successful launch of dried Campbell's Soup has underlined.

THE SYMINGTON'S
FINE FOODS SINCE 1827

THE ENGLISH PROVENDER COMPANY

POSITION: 149 TURNOVER: £72M

Very Lazy may have been theme in a £1.5m marketing campaign, but it hardly describes the condiment company's business approach. Since late 2009 it has rolled out new recipes and revamped packaging in a bid to attract young consumers.

English Provender Company
epc

OC&C TOP 150

Rank 2010 Change on last year	Company & ownership	Annualised Turnover (£m)		Turnover Growth	Operating Profit (£m)		Profit Growth	Operating Margin (%)		ROCE (%)		Year End	Activity
		Current	Previous	(%)	Current	Previous	(%)	Current	Previous	Current	Previous		
101 ▼ 8	O'Kane Poultry Group UK sub	129	133	-2.4	2	1	240.6	1.4	0.4	5.6	1.6	Jul-10	O/L
102 ▼ 2	Pork Farms PE	126	130	-3.2	-7	-15	-	-5.7	-11.6	-29.5	-83.9	Mar-10	O/L
103 ▲ 1	Dole UK sub	126	122	2.8	1	1	-33.7	0.7	1.1	5.5	7.8	Dec-09	O/L
104 ▲ 16	Direct Table Foods UK sub	124	102	21.4	7	3	148.7	5.6	2.7	19.3	8.0	Oct-10	O/L
105 ▲ 8	CPF Group UK sub	124	111	11.1	6	6	-0.7	4.9	5.5	13.9	14.1	Dec-09	B
106 ▲ 17	Dovecote Park Family	123	106	15.8	4	3	26.6	3.2	2.9	26.8	31.1	Oct-10	O/L
107 ▼ 5	McCambridge Group Family	122	125	-2.1	5	0	5,052.9	4.4	0.1	19.0	-	Jun-10	O/L
108 ▲ 2	Kellogg's UK sub	121	115	5.3	-1	0	-	-1.0	0.1	-0.6	0.1	Jan-10	B
109 ▲ 12	S Daniels UK sub	115	101	14.7	12	7	59.6	10.0	7.2	41.1	30.6	Mar-10	B
110 ▼ 5	Maple Leaf Bakery UK UK sub	115	122	-6.1	1	3	-80.1	0.5	2.5	1.4	7.4	Dec-09	B
111 NEW IN	QV Foods Family	113	87	30.5	6	15	-59.3	5.5	17.5	38.7	118.2	May-10	O/L
112 ▲ 12	Haribo Dunhills (Pontefract) Family	113	98	15.2	22	12	85.4	19.5	12.1	17.5	10.5	Dec-10	B
113 ▲ 21	Fonterra UK sub	112	88	27.7	0	0	60.3	0.1	0.1	0.3	0.2	Jul-10	C
114 ▼ 6	Whitworths PE	112	120	-6.5	7	4	57.4	6.1	3.6	20.7	17.1	Apr-10	O/L
115 ▲ 17	Global Foods Family	112	90	24.3	2	1	87.0	1.5	1.0	25.4	18.1	Apr-10	O/L
116 ▼ 5	Del Monte (UK) UK sub	110	138	-20.1	1	3	-77.3	0.6	2.1	1.7	7.9	Dec-10	C
117 ▼ 3	Branston Family	108	110	-1.5	11	11	5.2	10.5	9.8	42.9	47.4	Jul-10	C
118 NEW IN	Browns Food Group Family	108	105	2.9	5	6	-8.1	4.9	5.5	11.3	13.4	Dec-10	C
119 ▲ 6	Cranswick Country Foods (Norfolk) UK sub	108	98	9.7	-2	5	-	-1.5	4.8	-8.2	26.6	Mar-10	C
120 NEW IN	Pinguinlutoso Foods UK UK sub	107	103	3.9	4	7	-42.4	3.6	6.5	9.7	18.3	Dec-09	O/L
121 ▲ 18	Randall Parker Foods Family	105	95	10.5	2	3	-19.8	2.0	2.7	19.7	39.2	Sep-10	O/L
122 ▲ 7	Lactalis Nestlé Chilled Dairy Co Family	105	92	13.7	-3	-6	-	-2.6	-6.0	-37.6	-50.3	Dec-09	B
123 ▲ 4	Lyons Seafoods UK sub	103	95	9.1	12	12	2.0	11.4	12.2	35.6	36.5	Jun-10	B
124 ▲ 19	Bettys & Taylors Of Harrogate Family	103	89	15.9	9	8	18.2	9.1	8.9	11.4	10.3	Oct-10	B
125 ▼ 9	Silver Fern Farms (UK) UK sub	102	106	-4.0	2	1	43.3	1.8	1.2	13.0	6.8	Sep-10	O/L
126 ▼ 4	Park Cakes PE	101	99	1.3	-3	-2	-	-3.4	-2.4	-10.5	-6.7	Mar-10	O/L
127 ▼ 12	Walkers Shortbread Family	100	107	-6.5	10	11	-9.7	10.3	10.6	18.2	21.3	Dec-09	B
128 ▼ 11	Tilda Family	98	105	-6.9	-1	4	-	-0.8	3.7	-1.8	8.9	Dec-09	B
129 ▲ 4	HP Foods UK sub	96	90	7.5	38	37	1.1	39.2	41.7	58.7	59.7	Apr-10	B
130 ▼ 4	Banham Poultry Family	96	81	18.2	2	-6	-	1.7	-8.0	9.9	-22.2	Sep-09	C
131 ▲ 7	Natures Way Foods Family	95	81	17.9	12	5	137.3	12.5	6.2	54.5	21.4	Mar-10	O/L
132 ▼ 4	Kettle Produce Family	94	93	0.9	1	0	-	0.7	-0.0	4.8	-	May-10	O/L
133 ▼ 24	HJ Heinz Frozen & Chilled Foods UK sub	89	118	-24.7	-5	-8	-	-5.9	-6.8	-16.7	-17.4	Apr-10	B
134 ▲ 12	Barfoots Of Botley Family	87	76	14.4	2	1	119.6	2.6	1.4	21.3	8.5	Dec-09	C
135 ▲ 1	Fletchers Bakeries PE	85	83	2.8	-2	-4	-	-2.3	-5.4	-5.2	-12.6	Mar-10	O/L
136 ▼ 5	F Smales & Son (Fish Merchants) Family	78	85	-7.5	0	-1	-	0.5	-0.6	7.8	-10.2	Aug-10	C
137 NEW IN	Nichols Listed	84	72	15.9	15	12	20.9	17.6	16.8	40.9	38.4	Dec-10	B
138 ▲ 4	Country Style Foods Family	83	78	6.4	4	4	11.7	4.7	4.5	21.5	17.5	Apr-10	O/L
139 ▲ 12	Kanes Foods PE	83	74	12.1	8	4	76.7	9.6	6.1	16.5	10.2	Mar-10	O/L
140 ▲ 12	Elisabeth The Chef UK sub	80	89	-10.4	-3	-6	-	-3.5	-6.8	-17.6	-67.5	Jan-11	O/L
141 ▼ 1	Dairygold Food Ingredients (UK) UK sub	80	79	1.2	2	1	16.0	2.0	1.8	4.3	3.9	Dec-10	C
142 ▼ 1	Bel UK UK sub	79	78	0.4	-3	-1	-	-3.4	-1.2	-10.8	-3.7	Dec-09	O/L
143 ▼ 8	Fenmarc Produce Family	77	83	-7.0	3	3	-12.6	3.6	3.9	27.8	27.9	Jun-10	O/L
144 ▼ 14	Armaghdown Creameries UK sub	84	61	38.6	2	0	254.0	1.9	0.7	8.0	2.5	Sep-10	C
145 NEW IN	Symington's PE	76	62	23.6	5	4	15.6	6.2	6.7	28.2	26.4	Feb-10	B
146 ▲ 7	Grapes Direct Family	74	74	0.4	1	1	-14.6	1.1	1.4	10.4	9.3	Sep-10	C
147 NEW IN	Stateside Foods UK sub	74	64	15.1	-2	3	-	-3.3	4.0	-10.0	15.0	Feb-10	O/L
148 ▼ 11	North Downs Dairy Co UK sub	73	81	-9.2	1	4	-81.5	1.0	4.9	2.3	14.9	Jan-10	B
149 NEW IN	English Provender Co Family	72	64	12.6	4	4	22.7	6.1	5.6	34.7	31.1	Aug-10	B
150 ▼ 3	Headland Foods ⁵ UK sub	71	75	-4.5	0	-1	-	0.1	-1.1	0.3	-3.1	Mar-10	O/L

Source: OC&C Strategy Consultants **Methodology:** Index ranks the UK's leading food and soft drink manufacturers and processors. In some cases (including PepsiCo, Heinz and Wm Morrison's manufacturing subsidiaries) it has not been possible to provide fully consolidated UK group accounts. Some companies include returns from international (eg Cadbury, ABF) and non-food (eg ABF, Unilever) operations **Notes:** ¹acquired by Kraft ²acquired by Boparan Holdings ³acquired by Greencore ⁴acquired by Blackstone ⁵acquired by Kerry Foods. Main activity: **B** (branded), **O/L** (own-label) and **C** (commodities). **PE** (private equity), **UK sub** (UK subsidiary). **Family** (family/closely owned)

« 39 of the Betty's Tea Shop website.

Giants always have their weaknesses and savvy smaller players have done well to exploit these in larger, more mainstream rivals' portfolios. For example, soft drinks supplier Nichols has used Vimto's wacky Seriously Mixed Up Fruit campaign to reach a younger audience. Others have realised the importance of having big friends – the supermarkets and restaurant chains – on their side when taking on the giants. Prepared fruit and salad supplier Natures Way Foods has worked closely with McDonald's and Pret a Manger to understand and deliver exactly what they need.

Crucially, these smaller suppliers use their ability to act swiftly and decisively to outstanding effect. Natures Way was the first to understand and respond to demand for sweet and crunchy salads in the UK, for example, while English Provender spotted an opportunity to attract new young customers and rapidly brought its Very Lazy range of chopped ingredients to market.

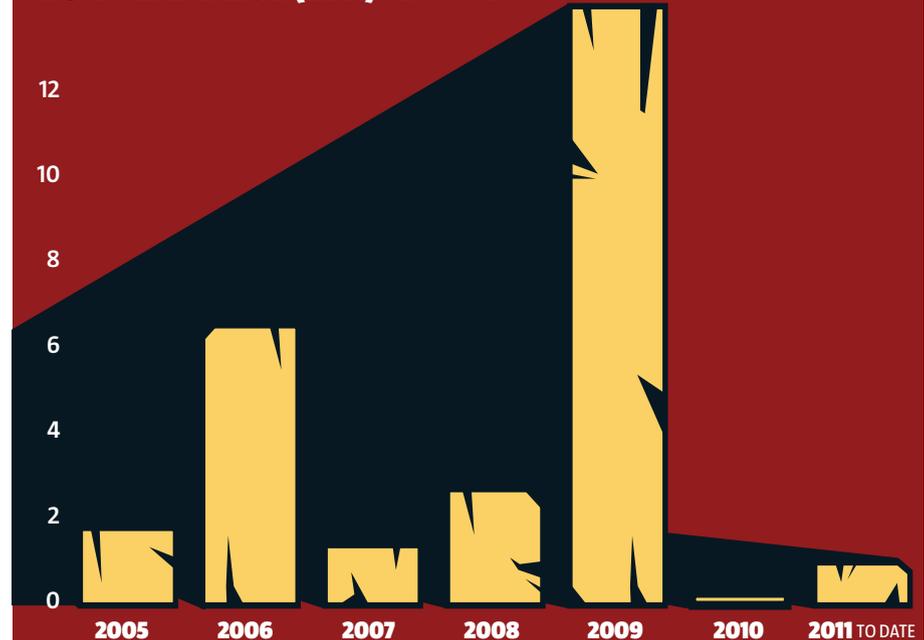
Brands, big and small, have successfully competed against own label using price promotions. But according to OC&C's analysis, the balance of power is starting to shift. Hayllar points to the 4.5% combined turnover growth of own-label producers such as Greencore, Northern Foods and Bakkavör – only slightly behind brand-focused businesses at 4.6% – and an increase in such companies' average margins from 2.2% to 5.6% over the past two years. Sainsbury's Taste The Difference, Tesco Finest and other supermarket own-label premium products have become trusted names in their own right, he adds. "Brands are having to work at being innovative and engaging to justify the premium price."

A perfect storm

The wise are working hard indeed. Coca-Cola Enterprises' Open Happiness campaign – a bid to appeal to hard-pressed consumers by emphasising the brand values of optimism and authenticity – helped lift turnover by 3% last year. Haribo Dunhills turned in growth of 15.2%, an achievement managing director Herwig Vennekens puts down to Haribo's quality and value, emphasised by increased marketing spend. "In difficult times, consumers will trust the brands they know and love. If you have a pound to spend, you spend it wisely," he says.

Of course sales were only part of the battle. As the year wore on, commodity inflation started to rise steadily again, cranking up pressure on margins. After a respite in which suppliers saw margins improve, the prices of rice, oats, palm oil and soya all soared in the second half of the year. By

M&A DEAL VALUE (£BN) 2005-2011



HOW LACK OF BANK LENDING FROZE M&A ACTIVITY

Companies big and small turn to mergers and acquisitions to boost top-line growth, but last year corporate takeovers remained thin on the ground thanks to the ongoing dearth of bank lending. Kraft's £11.6bn takeover of Cadbury in January did not, as had been widely predicted, herald more deal activity. The much-anticipated merger between Northern Foods and Greencore fell through and it was not until early 2011 that Boparan took Northern's hand in marriage. Only four acquisitions with confirmed values of more than £20m – Seafood Holdings, Gü, O'Kane Poultry and Bart Spices – were completed in 2010. "We are starting to see activity again, but it's a year later than expected," says Hayllar.

Source: Mergermarket; OC&C Analysis Notes: Deals exclude private deals where value was not disclosed and abandoned deals

the final quarter, 76% registered a rise in the average cost per unit of output, against just 18% reporting a fall.

"The end of last year felt like a perfect storm: modern manufacturing is extremely complex and just about everything that could increase in price did so," says the FDF's Jones. As a result, between the first half of 2010 and the first half of 2011, margins for firms that report quarterly fell from 7.7% to 6.8%, according to OC&C.

“The end of last year felt like a perfect storm: just about everything that could increase in price did so”

Evidence suggests the industry is learning how to manage price fluctuations, however. When commodity inflation first kicked in back in 2005, the entire supply chain was slow to respond. In the following year, suppliers, unused to asking retailers for more money, saw their margins shrink. Food and drink producers have been catching up ever since: last year their average margins were still 1% below where they were five years ago, according to OC&C.

But lessons have been learned, and an arsenal of cost-cutting tactics, operational efficiencies and good old-fashioned price hikes to maintain profitability is now in wide use. "This time both producers and retailers are more aware of what's happening and understand how to actively manage rising prices," says Hayllar.

Some companies are stripping out costs by restructuring. Associated British Foods, Britain's biggest supplier, improved margins by 9.1% last year with a series of operational revamps such as moving the production of Twinings tea from « 42 »

OC&C TOP 150

“ This time both producers and retailers understand how to actively manage rising prices ”

« 41 North Shields to Poland and shifting Ryvita production to a new facility in Poole.

Others, meanwhile, are focusing on driving down fixed costs. Heinz, for example, has shaved 13% off its annual energy costs with an initiative to capture waste heat at its Kitt Green factory in Wigan. Last year HP Foods, a subsidiary of Heinz, recorded the highest operating margin at 32.9%.

Slings and arrows

Such focus on efficiency will need to continue. An FDF poll in the final quarter of 2010 found just 12% of businesses were optimistic about the outlook while 30% felt more pessimistic than in the previous three months.

With good reason. Consumer sentiment and disposable income have only worsened in 2011. OC&C notes a 0.9 percentage point decline in the operating margins of leading food and drink players in the first half of 2011 to 6.8%, citing increasing input costs. Broker forecasts for margins at companies including Premier and Britvic indicate growth of less than 0.5% in the coming financial year. Consensus forecasts only a modest pick-up in consumer expenditure through the remainder of this year and next. Commodity futures prices suggest that inflation will continue for the rest of this year, followed by a gradual decline in 2012.

In the coming months the giants will have to draw on their size and financial firepower to acquire rivals, restructure inefficient operations and refresh brands. And the smaller challengers will have to respond quickly and cleverly to what the market throws back at them too. ■



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.

WALKING WITH GIANTS



Following in the footsteps of giants is a risky business. But with a little bit of nous, smaller suppliers can learn to not just survive but thrive. Here's OC&C Strategy Consultants' guide to avoiding getting trampled

1 CHOOSE THE RIGHT WEAPONS

Winning on every dimension is not necessary. David didn't use armour. He had a sling. It's a similar story for Tyrrells. Quirky brand personality combined with speed and agility is the weapon of choice for the posh crisp producer. And the giants are struggling to compete.

2 EXPLOIT AREAS OF WEAKNESS

All giants have chinks in their armour. For many brands the weakness can be price, pushed high by massive marketing budgets. Challengers need to make sure they understand the economics of their competitors and what guides (or restricts) their behaviour.

3 PICK THE PERFECT MOMENT

Timing is everything. Just ask Innocent. First the supplier picked a lethal weapon (fresh smoothies; unique at the time), then it rode the zeitgeist all the way to the bank, cashing in on growing demand for healthy products and piggybacking on the

government's high profile 5-a-day campaign. They also judged the economic mood perfectly – shoppers were prepared to pay a premium for their smoothies back then. Now, as a giant in its own right, times are tougher.

4 BALANCE RISK WITH REWARD

Food and drink is a tightrope. Getting the balance between risk and rewards is key. Risks should only be taken if there is a sufficiently attractive and defensible prize at the end. Getting it wrong can hurt, as New Covent Garden found to its cost when it ditched its foray into ready meals six months after launch in 2009.

5 MAKE SOME POWERFUL FRIENDS

Having big friends goes a long way. That means palling up with the retailers if you're a new brand on the block. Dormen Food Co is a case in point – by being the first to develop clip strips for its nuts and snacks, the supplier scored points by effectively adding extra retail space on to the shop floor. The tactic was particularly successful in forecourts and c-stores.

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