

**THE OC&C GROCER  
INDEX 2008**



# FEELING THE SQUEEZE

Annual review of the UK's top 150 food and drink companies

**OC&C Strategy Consultants is a global consulting firm with extensive expertise in the food and drink sector.**

**Clients include leading manufacturers, primary producers, retailers and investment institutions. The firm advises on group-level and business unit strategy, profit improvement and mergers and acquisitions.**

## THE OC&amp;C GROCER INDEX TOP 150 SUPPLIERS

# WHOSE TURN IS IT IN THE SUN?

With the economic cycle swinging full circle, we are seeing a realignment of the retail scene. Mark Choueke reports

As the cost of living rises and daily news reports continue to flood us with glum tales of inflation in the price of food, fuel and interest rates, good news is certainly at a premium. A new report, though, shows reason for optimism. The Grocer/OC&C Index, an annual look in detail at the fortunes of the UK's top 150 food and drink manufacturers, brings with it a definite modicum of hope.

There is an eternal truth that should reassure all those currently feeling the pressure of rising costs: all cycles turn and economic cycles are no different. One day soon, victims currently at the sharpest end of the crisis will have their turn in the sun.

The current strength of the commodity producers is evidence enough to justify such confidence. While profit margins across the food and drink manufacturing sector remain flat due to rocketing commodity input inflation, the commodity producers themselves, who suffered so badly last year, have now restored their margins. As the cycle has turned they have come out the other side with operating profit margin jumping from 4.7% to 6.9% – a return to the margins of 2005.

Tate & Lyle is perhaps the example that offers the most cheer. Sugar companies took a big hit in profits in the year before last, due in part to new EU sugar regime regulations, and Tate & Lyle suffered more than most. This year it recovered strongly and is listed in the top 10 companies for profit growth. It grew its operating profits 247.2% to £434m. This success was driven by improved sales – up by 9.4% – and margins in both its food and industrial ingredients business.

In total, 80% of commodities companies increased

## Turnover growth

### ALL FOOD AND DRINK MANUFACTURERS

Branded 2006	6.3%
2007	9.3%
Own-label 2006	10.1%
2007	6.9%
Commodity 2006	11.3%
2007	8.1%

**Shopping focus:** Consumers needing to cut costs were more selective in their shopping, but sales of the most popular brands remained healthy

## Profit growth

### ALL FOOD AND DRINK MANUFACTURERS

Branded 2006	10.4%
2007	9.7%
Own-label 2006	4.3%
2007	3.8%
Commodity 2006	4.7%
2007	6.9%

**Jealous eyes:** Branded and own-label manufacturers will be looking enviously at the margin recovery experienced by commodity producers

their profits in the past year and of these nearly 60% saw profits grow by more than 20%.

However, while at any time, one side of every planet in the solar system benefits from the warmth and light of the sun, the other half is shrouded in darkness. Similarly, there are those still awaiting the completion of the cycle and the better fortunes that have come the way of the commodities producers.

Many manufacturing companies' margins are still being squeezed. Raw material and energy costs have risen so much that farmers are now paying up to 80% more than they were two years ago to bring their produce to market. Ambient grocery manufacturers have seen their input costs hiked by up to 60%.

"The input inflation is generally causing a short-term hit to margins as the price increases and efficiency measures needed to offset it lag the input increases," says report author Will Hayllar.

This has led to a deterioration in margins for own-label and branded suppliers.

And there were some genuine heavyweights among the losers. Premier Foods saw its margins halve due to cost inflation and increased competition. Unilever Bestfoods (with profits down £39.4m) was affected also by competition and by an increase in share of central costs with Unilever plc. Even Coca-Cola Enterprises suffered, with a £30.7m decline in profits due to retail pricing pressure and the long-term trend away from sugared and sweetened soft drinks. But the biggest decline in absolute terms was Cadbury, which saw a drop in profits of £91.6m – almost 10%. Much of that can be put down to the one-off costs of restructuring.

## THE OC&C GROCER INDEX TOP 150 SUPPLIERS



While the maker of Dairy Milk incurred costs due to acquisitions and product launches, it also worked all year to demerge its US beverages business, a complex operation finally completed in May of this year. Activist investors such as Nelson Peltz will be happy that Cadbury plc is now a pure confectionery business but it has some work to do now to defend itself against the strength of rival Mars following the latter's market-changing deal with US gum giant Wrigley.

On the other hand, the smaller branded manufacturers were able to increase their profit growth to 8.4% last year from 7.9% the year before. More than 50% of branded producers increased operating profit margins, the only non-commodity-led increase in operating margins in 2007, indicating just how tough market conditions became. Regardless of size, however, strong brands with high awareness are always going to have an advantage when consumers are tightening their belts as they can utilise the brand awareness, trust and power they hold to appeal to shoppers in a way that own label perhaps cannot.

The vast majority of own-label producers, on the other hand, have seen margin compression. Seventy nine per cent of own-label producers saw a drop in operating profits and nearly 40% saw a more than 2% fall in margins. In this climate, return on capital employed (ROCE), which includes stock as well as other assets such as machinery, increased by 1.6%, with commodity companies big and small benefiting (up from 9.8% to 15.4%), while branded and own-label manufacturers again saw a decline.

Further along the supply chain and there is another story of light and shade. The price of com-

### Food and drink manufacturers

#### OWN-LABEL

Rise in operating margins	21%
Drop in operating margins	79%

#### BRANDED

Rise in operating margins	53%
Drop in operating margins	47%

**Brands leverage trust:** Small own-label companies struggled to offset price increases whereas the more resilient branded players leveraged the awareness and trust they enjoy to make themselves essential to shoppers.

### Big four multiples

#### OPERATING MARGINS

2003	4.9%
2004	5.0%
2005	4.4%
2006	4.6%
2007	4.5%

**Self defence:** Retailers used every trick available to protect their margins while advertising their low price offers to consumers. Juggling price increases from aisle to aisle meant they could pass on price hikes to shoppers while engaging one another in 'war' on the high street.

modities increased 14% between 2005 and 2007 and that meant an impact of £4.3bn had to be faced up to by the manufacturers in our top 150. With margins falling among even the largest of suppliers, it was clear that much of that had to be passed on. This was initially the source of much friction between retailers and suppliers but though each individual price increase still requires tough negotiations on the part of the suppliers, the retailers have softened their stance and with good reason, according to Hayllar. "The retailers are taking a rational view. These price increases are so big that they realise many of their suppliers cannot absorb them and survive. They will remain tough over taking on new price rises but they want to keep their supplier base as stable as possible."

As a result of the £4.3bn rise in commodity prices, £3.5bn has been passed on to retailers. And retailers have in turn passed on an incredible £3.7bn to consumers, helping them keep the loss of margin (down from 4.6% to 4.5% for the big four in 2007) to a minimum.

The multiples, says Hayllar, have used their market knowledge and their size to insulate themselves from commodity inflation. "The supermarkets are very sophisticated about how they manage and juggle their prices from aisle to aisle. They also know that at present, consumers understand they are going to pay higher prices for their goods because they're following price increase stories in the press. Therefore it is easier in the current climate to slip a few pence on to various goods where it can help maintain margins without consumers raising an eyebrow."

Company & rank		OWNER-SHIP	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	Cadbury Schweppes	plc	7,971.0	7,447.4	7.0%	850.0	941.6	-9.7%	10.7%	12.6%	31.6%	33.1%	Dec-07	B
2	Associated British Foods	plc	6,818.7	6,012.5	13.4%	669.8	519.4	29.0%	9.8%	8.6%	17.0%	13.3%	Sep-07	C
3	Tate & Lyle	plc	4,070.0	3,720.0	9.4%	434.0	125.0	247.2%	10.7%	3.4%	20.6%	6.2%	Mar-07	C
4	Premier Foods	Listed	2,312.7	840.7	175.1%	169.8	123.5	37.5%	7.3%	14.7%	36.8%	39.6%	Dec-07	B
5	Grampian Country Food Group	Family	1,807.0	1,851.9	-2.4%	(1.8)	30.5	N/a	-0.1%	1.6%	-0.5%	7.8%	May-06	O/L
6	Mars UK	UK sub	1,471.0	1,498.0	-1.8%	230.6	188.3	22.5%	15.7%	12.6%	59.1%	48.4%	Dec-06	B
7	Bakkavör Group	Other F/O	1,471.0	1,219.2	20.7%	113.5	116.3	-2.4%	7.7%	9.5%	35.2%	39.3%	Dec-07	O/L
8	Coca-Cola Enterprises	UK sub	1,432.0	1,398.6	2.4%	170.2	200.9	-15.3%	11.9%	14.4%	33.4%	42.4%	Dec-06	B
9	Dairy Crest Group	Listed	1,413.6	1,355.2	4.3%	75.6	51.7	46.2%	5.3%	3.8%	15.5%	10.5%	Mar-07	C
10	Nestlé UK	UK sub	1,287.4	1,352.4	-4.8%	2.8	(34.0)	N/a	0.2%	-2.5%	0.4%	-5.7%	Dec-06	B
11	Arla Foods	Other F/O	1,258.6	1,252.2	0.5%	45.4	33.0	37.4%	3.6%	2.6%	8.0%	7.4%	Dec-07	C
12	United Biscuits Group	PE	1,063.1	1,022.6	4.0%	155.2	99.7	55.7%	14.6%	9.7%	20.6%	14.7%	Dec-06	B
13	Tulip	Other F/O	954.7	929.8	2.7%	34.9	38.3	-8.9%	3.7%	4.1%	7.3%	8.7%	Oct-06	C
14	Northern Foods	Listed	934.5	1,209.2	-22.7%	45.4	17.5	158.9%	4.9%	1.5%	12.5%	3.8%	Mar-08	O/L
15	Wm Morrison Produce	Listed	897.0	800.2	12.1%	94.1	87.2	7.9%	10.5%	10.9%	51.2%	81.3%	Feb-07	O/L
16	FoodVest	PE	894.4	693.2	29.0%	58.3	40.1	45.2%	6.5%	5.8%	37.7%	39.4%	Sep-07	B
17	Princes	Other F/O	890.9	763.1	16.7%	35.2	38.3	-8.2%	4.0%	5.0%	18.6%	25.5%	Mar-07	O/L
18	Archer Daniels Midland Int	Other F/O	863.2	903.4	-4.5%	37.5	24.0	56.2%	4.3%	2.7%	6.3%	3.0%	Dec-05	C
19	Unilever Bestfoods UK	UK sub	849.2	841.1	1.0%	88.0	127.4	-30.9%	10.4%	15.1%	74.1%	103.7%	Dec-06	B
20	Uniq	Listed	822.4	825.1	-0.3%	9.3	(12.2)	N/a	1.1%	-1.5%	4.3%	-5.7%	Dec-06	O/L
21	Gands (UK)	Other F/O	771.3	569.2	35.5%	2.1	13.8	-85.0%	0.3%	2.4%	1.4%	10.5%	Dec-06	O/L
22	Britvic	Listed	718.3	679.8	5.7%	77.7	65.2	19.2%	10.8%	9.6%	34.5%	28.1%	Sep-07	B
23	Greencore Convenience Foods	Other F/O	632.5	618.3	2.3%	42.9	46.9	-8.5%	6.8%	7.6%	18.8%	24.1%	Sep-07	O/L
24	Kraft Foods UK	UK sub	630.7	653.0	-3.4%	53.6	71.5	-25.1%	8.5%	11.0%	21.9%	30.6%	Dec-06	B
25	Robert Wiseman Dairies	Listed	607.0	570.1	6.5%	35.2	27.6	27.7%	5.8%	4.8%	24.4%	20.3%	Mar-07	C
26	Anglo Beef Processors	Other F/O	576.9	542.0	6.4%	18.9	5.9	220.8%	3.3%	1.1%	17.1%	6.0%	Apr-07	C
27	Birds Eye	UK sub	574.3	632.8	-9.2%	40.8	58.1	-29.9%	7.1%	9.2%	29.1%	39.2%	Nov-06	B
28	HJ Heinz Co	UK sub	561.5	573.0	-2.0%	117.5	135.6	-13.4%	20.9%	23.7%	24.2%	31.1%	May-06	B
29	Gerber Emig Group	PE	550.3	498.5	10.4%	15.1	24.1	-37.4%	2.7%	4.8%	9.6%	15.9%	Dec-06	O/L
30	Cranswick	Listed	524.8	441.2	19.0%	37.1	34.1	8.8%	7.1%	7.7%	38.3%	39.1%	Mar-07	C
31	Samworth Brothers	Family	520.2	463.3	12.3%	37.0	37.0	0.0%	7.1%	8.0%	23.9%	26.2%	Dec-06	O/L
32	Kerry Foods	Other F/O	435.5	459.7	-5.3%	20.8	21.5	-2.9%	4.8%	4.7%	16.3%	21.4%	Dec-06	B
33	Müller Dairy UK	UK sub	433.2	443.6	-2.3%	34.4	32.9	4.4%	7.9%	7.4%	17.2%	18.7%	Dec-06	B
34	Bernard Matthews Holdings	Family	423.5	481.2	-12.0%	33.4	38.4	-13.1%	7.9%	8.0%	18.0%	21.0%	Dec-06	B
35	Milk Link Holdings	Family	391.7	434.9	-9.9%	13.6	4.9	176.0%	3.5%	1.1%	10.2%	3.3%	Mar-07	C
36	Boparan Holdings	Family	377.2	315.3	19.6%	25.1	23.8	5.5%	6.7%	7.6%	66.8%	93.8%	Jul-06	O/L
37	Warburtons	Family	367.1	322.7	13.7%	47.6	49.9	-4.7%	13.0%	15.5%	22.5%	26.0%	Sep-06	B
38	Fresca Group	Family	355.4	360.9	-1.5%	8.5	8.0	6.1%	2.4%	2.2%	19.7%	16.8%	Apr-07	C
39	Dawn Meats (UK)	Other F/O	322.3	313.6	2.8%	(2.9)	(3.1)	N/a	-0.9%	-1.0%	-4.3%	-4.6%	Dec-06	C
40	Faccenda Holdings	Family	313.9	285.5	9.9%	10.9	4.9	124.6%	3.5%	1.7%	10.8%	5.1%	Apr-07	O/L
41	McCain Foods (GB)	UK sub	307.7	291.2	5.7%	27.7	25.1	10.6%	9.0%	8.6%	22.4%	19.7%	Jun-07	B
42	Icelandic Group UK	Other F/O	304.1	286.5	6.1%	5.2	6.4	-18.9%	1.7%	2.2%	9.7%	12.2%	Dec-06	C
43	Neerock	Listed	285.7	250.2	14.2%	11.6	10.8	7.8%	4.1%	4.3%	46.1%	68.9%	Feb-07	O/L
44	Weetabix	PE	280.5	255.5	9.8%	72.6	54.9	32.2%	25.9%	21.5%	20.5%	16.8%	Dec-06	B
45	Burton's Foods (Holdings)	PE	279.2	287.9	-3.0%	8.8	3.0	197.5%	3.2%	1.0%	9.0%	2.5%	Dec-06	B
46	The Real Good Food Co	Listed	246.1	250.8	-1.9%	9.9	13.0	-23.6%	4.0%	5.2%	13.4%	24.6%	Dec-07	B
47	Farmers Boy	Listed	238.7	213.8	11.6%	24.0	22.2	7.9%	10.0%	10.4%	38.9%	53.7%	Feb-07	O/L
48	Nutricia	UK sub	229.1	191.8	19.4%	24.1	24.6	-2.0%	10.5%	12.8%	47.5%	69.9%	Dec-06	B
49	Sun Valley Foods	Other F/O	218.0	218.3	-0.1%	5.9	6.0	-2.2%	2.7%	2.8%	9.6%	9.6%	May-07	O/L
50	James Finlay	Family	217.4	203.9	6.6%	15.9	15.5	2.6%	7.3%	7.6%	8.5%	8.8%	Dec-06	C

**Methodology:** The index is compiled by OC&C Strategy Consultants, using figures from the latest annual accounts of the UK's leading manufacturers and processors. For groups with major subsidiaries, OC&C has listed, where possible, details of the major operating companies. Some companies include returns from international operations, notably Cadbury Schweppes, ABF and Tate & Lyle. Companies have been classified as **B** (branded), **O/L** (own-label) and **C** (commodity-based) according to their main activity. **Plc** = Plc, **Family** = Family or closely owned, **UK sub** = UK subsidiary, **Listed** = Other UK-listed, **PE** = Private Equity, **F/O** = Other foreign-owned

## THE OC&C GROCER INDEX TOP 150 SUPPLIERS

### Costs haven't hit peak yet

The phrase 'It's going to get worse before it gets better' could not be more apt.

After a year where profit margins across the industry were squeezed by a combination of global factors including the credit crunch, rising food inflation and increasing costs of energy and transport, one would be forgiven for hoping that good news is just around the corner.

The truth is relief is still as far away as 2009 when inflationary pressures are expected to ease.

In the meantime, costs have not yet hit their peak according to forecasts made by the Bank of England, the Treasury and the International Monetary Fund.

Similar views were put forward by 10 City brokers, polled for the purpose of The Grocer/OC&C Grocer Index, who suggested that underlying drivers will see inflationary pressures in food continue, albeit not at the heights of the recent past.

Such factors include the continued growth of consumption in developing nations, the ongoing drive towards biofuels to secure energy supply in the United States, and the continued inflation of oil prices.

"In short," says Will Hayllar, OC&C associate director and author of The Grocer/OC&C Index, "we have at least another year of tough market conditions to deal with."



The price of corn is set to grow throughout this year and keep up the price pressures on the industry before levelling off in 2009

"The trading environment for 2008-09 remains challenging given the upward pressure on raw materials costs and other cost increases," says one broker. "Price hikes to offset the raw material cost inflation of 5-6% will be greater than in 2007," warns another.

But cycles turn and there is some good news on the horizon. The ability of commodity producers to offset the impact of inflationary pressures by increasing efficiency and reducing costs paves the way for branded and own-label producers to take similar steps.

And in addition the prices of soybeans, wheat, corn, rice and other commodities are set to level out, albeit at different rates, from the beginning of 2009 and will remain stable

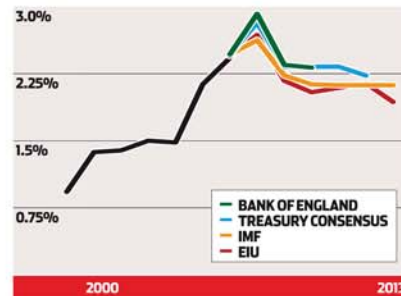
throughout 2010, experts predicted. And that will have the desired impact on margin recovery.

The brokers' forecasts for the profit margins of the Top 10 listed companies continue to dip for the remainder of this year but begin rising again after Christmas.

This, it should be said, assumes average harvests versus relatively poor harvests in the recent past.

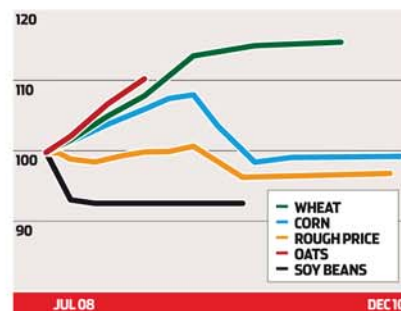
"The cost of commodity inflation has largely been passed through the grocery chain on to consumers but food is still the one thing that consumers simply have to buy," says Hayllar. It seems as though consumers will continue to pick up the bill for the rising cost of food for a little while yet.

### Looking ahead: UK CPI



Peak: Finance experts believe Consumer Price Index will peak this year before falling again

### Prices will level out



Looking forward: commodity prices will continue to rise before stabilising in 2009

### Outlook: margins will rise



A good forecast: Brokers predict sunnier times for profit margins of top 10 listed grocery companies

CONTINUED FROM PAGE 2

Of course, there figures will inevitably be seized upon as evidence of profiteering, but since the majority of results relate to the period prior to both the most recent increase in prices in the first half of 2008 and the economic downturn, it remains to be seen whether the multiples can continue to pass on costs so successfully. As Tesco's Sir Terry Leahy noted, referencing the success of Aldi, Iceland and the other deep discount stores in the first half of 2008, it was "their turn in the sun".

So with commodity producers smiling again and retailers thus far protecting themselves and their suppliers, are consumers the only ones waiting to emerge from the shade?

Well, not quite.

If the credit crunch has left food manufacturers shivering in the shade while commodities produc-

ers warm themselves in the sun, a similar divide has emerged in the M&A market. Where 2006 was typified by mega blockbuster deals, mostly involving private equity, the value and nature of the average deal in the food and drink industry has changed considerably. The number of smaller deals - involving companies worth less than £20m - rose. So, even though the number of deals actually rose (from 21 to 22) in 2007 the average deal size fell from £6.8bn to £1.9bn. And it was trade buyers who were behind most of them, with private equity the successful bidding company in only seven of 22 deals.

Buyers were increasingly looking for smaller, successful 'on-trend' companies, as the credit crunch reduced buyer access to the debt necessary to pull off the larger deals of the past, with a focus on potential for rapid growth and healthy profits, even in a landscape where competition is rife. Buy-

ers were looking to add scale to brands such as Dorset Cereals and Tyrrells crisps.

Since the numbers were crunched, the cycle has carried on turning. A new trend is visibly occurring that is likely to characterise the market in 2008 according to experts. While private equity is working hard to maintain its interest in the food and drink sector, its activities are still being played out in the marketplace inhabited by small cap companies. But trade buyers are now risking the multi-billion dollar transformational-type deals that were once the exclusive territory of the buyout houses.

As mentioned earlier, Mars recently paid \$23bn for chewing gum giant Wrigley making it the number one player in the global confectionery market and giving it a foothold in gum, the fastest-growing sector in that category. And while InBev

CONTINUED ON PAGE 5

## Commodity companies

### TOP DOGS FOR PROFIT GROWTH 2007

Tate & Lyle (+247%)	+309m
Associated British Foods (+29%)	+150m
Dairy Crest Group (+46%)	+24m
Archer Daniels Midland (+56%)	+13m
Anglo Beef Processors (+221%)	+13m

**Revival:** The commodity producer revival included smaller players as well as industry giants

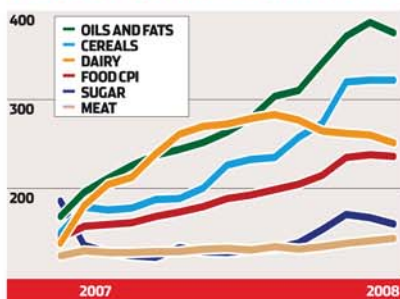
## Return on capital employment

### COMMODITIES WIN OUT

Branded 2006	25.2%
2007	24.4%
Own-label 2006	16.9%
2007	14.9%
Commodity 2006	9.8%
2007	15.4%

**Sweating their assets:** Commodity producers got more from stock, machinery and factories

## The painful picture of price rises



**Across the board:** UK food prices reflect sharp rises in global commodities since early 2007

## Times turn a bit sweeter

Commodities were first into the bear market. As prices have risen, margins have recovered.

Because commodity producers were among the first hit by the credit crunch and the rising cost of raw materials, they were quicker to react and have now restored margins.

Commodity companies saw average profit growth increase from 4.7% in 2006 to 6.9% in 2007. But the news was even better for the larger commodity companies.

Those with a market capitalisation of more than £500m saw average profit margin growth of more than 8%.

Companies with a market cap of less than £500m, who had more difficulty than their larger rivals in negotiating the recovery of extra costs from their customers, grew average profits by just 0.2%.

But it will also have helped the larger commodity producers that they have had more time and greater opportunities to restructure and remove costs when economic times made it necessary to do so.

Associated British Foods fuelled its 29% profit increase by a large reduction in operating costs.

And the overall recovery of the commodity producers has been led by the big sugar producers because they had been hit by trade tariffs in 2006, so



The overall recovery of the commodity producers has been led by big sugar producers who had been hit by trade tariffs in 2006

one would expect to see Associated British Foods, which owns British Sugar and Tate & Lyle, among the top 10 companies in terms of pure profit growth.

Also in the list of fastest growers is soybean, corn and wheat processor Archer Daniels Midland, whose profits soared more than 56% to £37.5m, and Anglo Beef Processors whose profits leapt 221% to just under £19m.

"The hardest point for these companies was when the credit crunch and the effect of rising food inflation first hit," says Will Hayllar, associate director of the OC&C and the author of The Grocer/OC&C Index.

"They are now succeeding in restructuring and renegotiating to mitigate the effects of the price rises and are set to go for-

ward with a steadier footing in a market where others are still feeling the effects."

At the same time, though projections of commodity prices still spell trouble for many in the short term, the price of wheat, corn, rice and soy beans are expected to stabilise from the second half of 2009.

Nevertheless the profit margins of the commodity companies pale into insignificance beside the margins of the big brands. In a list of the top 10 companies by profit margin, chewing gum manufacturer Wm Wrigley took a 31.5% cut. That was up from the 29.3% the previous year. And while Tetley GB saw a small drop in margins, from 29.1% to 28.2%, third-placed Weetabix grew margins from 21.5% to 25.9%.

CONTINUED FROM PAGE 4

may have been knocked back in last week's bid for Anheuser-Busch nobody in the market is ruling out the Belgian's bold approach turning hostile as the Stella owner seeks to consolidate the market and find a way into the US, the largest beer market in the world and the only territory that currently eludes it.

What are the factors behind the re-emergence of the more powerful trade buyers who, on the evidence of recent months, are stepping back into the M&A battlefield better armed than ever before?

"It's perfect timing," says Hayllar. "The larger global companies are taking advantage of the ready cash they have flushing around within their businesses. Even those that rely on borrowing money to fund their acquisition plans have better access to the debt markets than private equity firms.

"While buyers are looking strong in terms of their cashflow, their targets are as cheap as they've been in years, so the conditions are ripe for more of the truly transformational deals we've seen very recently."

Hayllar is not the only one to have noticed that food companies are now better value. Others will have been monitoring the fact that between 1998 and 2008, the market capitalisation of the top 10 UK-listed food companies fell by more than 35%, with a sharp drop in the past 12 months in particular. Share prices, it seems, have stopped being artificially propped up by the possibility of being taken out by private equity. A more realistic value has been placed on companies as private equity has been forced to become more careful and selective in its targets.

Amid all the change generated by the turning of

the economic cycles, there are still some brands that continue to grow regardless. The OC&C report picks five 'champions' that experienced notable success in the past 12 months.

The first is Innocent Drinks, which doubled both turnover and its profits year-on-year to £75.6m and £9.3m respectively. This despite the first signs of 'tall-poppy' syndrome with negative stories in the media concerning its sale to McDonald's, non-compostable bottles and the upholding of a complaint by the ASA about its use of the term 'detox'.

Weetabix, which was named top dog in another recent OC&C report that rated companies for the strength and staying power of their innovations following its acquisition by private equity firm Lion Capital has also grown its top line and margins, "translating its strong innovation pipeline into

CONTINUED ON PAGE 8

## THE OC&C GROCER INDEX TOP 150 SUPPLIERS

Company & rank		OWNER-SHIP	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	Danish Crown UK (Dbi)	Other F/O	213.7	98.3	117.3%	1.3	1.4	-8.1%	0.6%	1.5%	5.9%	7.1%	Sep-06	C
52	G's Group Holdings	Family	212.9	173.1	23.0%	(0.3)	1.6	n/a	-0.2%	0.9%	-0.4%	2.3%	May-07	O/L
53	Wrigley Company (The)	UK sub	206.6	214.2	-3.5%	65.1	62.8	3.7%	31.5%	29.3%	73.9%	76.6%	Dec-06	B
54	Meadow Foods (Holdings)	Family	200.0	205.7	-2.8%	0.3	(0.8)	n/a	0.2%	-0.4%	1.7%	-3.8%	Mar-07	C
55	L&M Food Group	Family	198.5	179.7	10.5%	5.1	4.6	9.6%	2.6%	2.6%	20.9%	23.9%	Mar-07	O/L
56	The Kerrygold Company	Other F/O	196.5	183.4	7.1%	6.7	5.5	23.3%	3.4%	3.0%	17.3%	15.0%	Dec-06	B
57	Danone Waters (UK & Ireland)	UK sub	186.2	176.7	5.4%	5.8	11.2	-48.3%	3.1%	6.4%	21.0%	50.3%	Dec-06	B
58	Cott Retail Brands	Other F/O	185.7	139.8	32.8%	6.1	9.2	-33.5%	3.3%	6.6%	6.9%	13.4%	Dec-06	O/L
59	Red Bull Company	UK sub	185.7	160.7	15.6%	19.7	11.9	65.7%	10.6%	7.4%	46.3%	27.6%	Dec-07	B
60	General Mills UK	UK sub	180.2	166.0	8.6%	4.0	5.0	-21.2%	2.2%	3.0%	5.4%	9.9%	Apr-07	B
61	Greenvale Ap	Family	175.8	140.1	25.5%	9.4	8.9	5.0%	5.3%	6.4%	49.9%	37.2%	Jun-07	C
62	Walkers Snack Foods	UK sub	174.7	162.0	7.8%	20.2	(9.8)	n/a	11.6%	-6.0%	4.2%	-2.1%	Dec-06	B
63	McCormick UK	Other F/O	169.1	144.6	16.9%	2.3	2.3	2.6%	1.4%	1.6%	2.5%	2.3%	Nov-06	B
64	JP Fresh	Other F/O	165.1	141.9	16.3%	2.8	3.4	-16.3%	1.7%	2.4%	14.1%	18.3%	Dec-06	O/L
65	Del Monte Fresh Produce (UK)	Other F/O	163.6	184.0	-11.1%	(0.3)	0.7	n/a	-0.2%	0.4%	-0.9%	1.7%	Dec-06	C
66	Lactalis McLelland	Other F/O	160.9	169.5	-5.1%	7.7	13.2	-42.1%	4.8%	7.8%	6.8%	14.0%	Dec-06	O/L
67	Yeo Valley Group	Family	159.0	135.4	17.4%	4.2	8.5	-50.0%	2.7%	6.3%	11.6%	27.9%	Jun-07	B
68	Key Country Foods	Other F/O	157.1	140.0	12.2%	3.0	2.6	12.1%	1.9%	1.9%	8.0%	8.0%	Dec-07	O/L
69	Tetley GB	Other F/O	156.9	156.3	0.4%	44.3	45.5	-2.8%	28.2%	29.1%	26.6%	32.6%	Mar-07	B
70	Danone	UK sub	154.6	142.7	8.3%	19.3	18.2	5.7%	12.5%	12.8%	n/a	n/a	Dec-06	B
71	Produce World	Family	151.1	114.7	31.7%	4.6	3.0	55.5%	3.1%	2.6%	34.1%	20.6%	Jun-07	C
72	Perkins Foods Holdings	Family	150.7	218.1	-30.9%	4.1	(3.0)	n/a	2.7%	-1.4%	10.5%	-3.2%	Dec-06	O/L
73	AG Barr	Listed	148.0	142.3	4.0%	21.0	14.6	43.8%	14.2%	10.3%	25.8%	18.1%	Jan-08	B
74	Albert Bartlett & Sons (Airdrie)	Family	145.4	84.7	71.8%	5.0	6.9	-27.1%	3.5%	8.1%	5.7%	10.3%	May-07	O/L
75	Quaker Oats	UK sub	145.3	127.9	13.6%	8.2	11.5	-29.3%	5.6%	9.0%	12.8%	21.4%	Dec-06	B
76	Berry Gardens	Family	142.7	125.8	13.5%	1.4	0.7	104.6%	1.0%	0.5%	21.0%	12.5%	Dec-06	C
77	John West Foods	PE	142.6	139.9	1.9%	5.6	(0.8)	n/a	3.9%	-0.6%	9.0%	-1.7%	Mar-07	B
78	Heygate & Sons	Family	141.2	129.4	9.1%	2.6	4.4	-41.0%	1.8%	3.4%	4.9%	8.6%	Mar-07	C
79	Lipton	UK sub	140.6	124.0	13.4%	0.8	0.3	155.5%	0.5%	0.2%	10.0%	3.0%	Dec-06	B
80	Dale Farm	Family	139.7	134.4	4.0%	2.5	2.3	9.1%	1.8%	1.7%	5.4%	5.0%	Mar-07	C
81	O'Kane Group	Family	139.0	135.4	2.7%	(4.4)	(5.6)	n/a	-3.1%	-4.1%	-10.9%	n/a	Apr-07	O/L
82	Kellogg Co Of Great Britain	UK sub	138.4	130.5	6.1%	3.6	9.7	-62.9%	2.6%	7.5%	1.6%	4.1%	Dec-06	B
83	Barry Callebaut Manufacturing UK	Other F/O	135.9	116.2	16.9%	1.6	1.7	-4.4%	1.2%	1.5%	6.5%	7.0%	Aug-07	O/L
84	HJ Heinz Frozen and Chilled Foods	PE	130.4	173.5	-24.9%	8.3	16.9	-50.8%	6.4%	9.8%	9.1%	16.6%	May-07	B
85	Cumbrian Holdings	Family	127.5	116.5	9.4%	2.1	5.9	-64.7%	1.6%	5.1%	10.6%	39.6%	Apr-07	O/L
86	First Milk Cheese Co	Family	124.6	n/a	n/a	(3.4)	n/a	n/a	-2.8%	n/a	n/a	n/a	Mar-07	C
87	Oscar Mayer	Family	121.8	140.2	-13.2%	2.0	6.2	-67.4%	1.7%	4.4%	9.9%	30.7%	Mar-07	O/L
88	William Jackson & Son	Family	120.7	95.8	26.0%	1.7	(0.0)	n/a	1.4%	0.0%	2.5%	0.0%	Apr-07	O/L
89	Délice de France	UK sub	120.0	120.0	-0.1%	5.5	4.1	34.9%	4.6%	3.4%	10.2%	11.4%	Jul-07	B
90	Yoplait Dairy Crest	Other F/O	118.3	117.0	1.1%	19.6	18.7	4.7%	16.6%	16.0%	224.4%	n/a	Jun-07	B
91	Ferrero UK	Other F/O	115.9	114.1	1.6%	(0.0)	(0.2)	n/a	0.0%	-0.2%	0.0%	-1.8%	Aug-06	B
92	Bakemark UK	Other F/O	114.2	112.6	1.4%	3.2	(2.4)	n/a	2.8%	-2.1%	7.0%	-4.7%	Dec-06	B
93	Adams Pork Products	Family	113.9	113.4	0.5%	(2.2)	1.7	n/a	-2.0%	1.5%	-5.6%	4.3%	Mar-07	O/L
94	JW Galloway	Family	113.8	108.2	5.2%	2.0	2.5	-18.7%	1.8%	2.3%	6.7%	11.1%	Feb-07	C
95	WA Baxter & Sons	Family	112.1	106.5	5.2%	7.7	7.5	2.1%	6.8%	7.1%	12.0%	16.0%	Jun-07	B
96	CP Foods (UK)	Other F/O	110.6	100.4	10.1%	4.8	3.4	38.0%	4.3%	3.4%	11.7%	9.6%	Dec-07	B
97	Finsbury Food Group	Listed	109.8	73.3	49.7%	4.6	2.7	70.7%	4.2%	3.7%	33.5%	22.6%	Jun-07	O/L
98	Glanbia Cheese	Other F/O	109.3	107.4	1.8%	2.2	0.7	228.9%	2.0%	0.6%	7.1%	2.1%	Dec-06	C
99	J&J Tranfield	Family	109.2	51.9	110.4%	2.9	2.9	0.3%	2.6%	5.5%	14.2%	27.4%	Mar-07	O/L
100	Adelie Food Holdings	PE	108.8	n/a	n/a	6.0	n/a	n/a	5.5%	n/a	n/a	n/a	Sep-06	O/L

**Methodology:** The index is compiled by OC&C Strategy Consultants, using figures from the latest annual accounts of the UK's leading manufacturers and processors. For groups with major subsidiaries, OC&C has listed, where possible, details of the major operating companies. Some companies include returns from international operations, notably Cadbury Schweppes, ABF and Tate & Lyle. Companies have been classified as **B** (branded), **O/L** (own-label) and **C** (commodity-based) according to their main activity. **Plc** = UK plc, **Family** = Family or closely owned, **UK sub** = UK subsidiary of global company, **Listed** = Other UK-listed, **PE** = Private equity, **Other F/O** = Other foreign-owned.



Company & Rank		OWNER-SHIP	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		
101	Branston	Family	108.7	91.0	19.5%	5.5	5.2	5.3%	5.1%	5.8%	42.9%	38.9%	Jul-07	C
102	Noon Products	Other F/O	104.1	91.5	13.8%	6.1	7.1	-14.9%	5.8%	7.8%	26.8%	31.0%	Dec-06	O/L
103	Whitworths	PE	103.1	93.1	10.7%	8.1	4.6	75.9%	7.8%	4.9%	41.3%	26.4%	Apr-07	O/L
104	Fletchers Bakeries	PE	101.7	105.0	-3.1%	(4.9)	2.6	n/a	-4.8%	2.5%	-9.3%	5.3%	Mar-07	O/L
105	B Brooks (Norwich)	Other F/O	96.0	86.9	10.4%	0.2	0.3	-47.4%	0.2%	0.4%	0.7%	1.5%	Sep-06	O/L
106	Fonterra (Logistics)	Other F/O	95.2	137.4	-30.7%	0.2	(0.3)	n/a	0.2%	-0.2%	0.8%	-0.9%	May-07	C
107	Zetar	Listed	94.9	57.9	64.1%	7.5	4.8	55.9%	7.9%	8.3%	50.2%	n/a	Apr-07	O/L
108	Dovecote Park	Family	89.5	81.4	9.9%	3.2	3.4	-5.8%	3.6%	4.2%	30.8%	32.0%	Sep-07	O/L
109	Lyndale Group	Family	89.1	95.3	-6.5%	(4.6)	2.3	n/a	-5.1%	2.4%	-34.2%	17.4%	Sep-06	B
110	Dairy Produce Packers	Other F/O	88.1	75.8	16.3%	2.7	1.3	115.6%	3.1%	1.7%	5.1%	2.5%	Dec-06	C
111	Lyons Seafoods	Other F/O	87.8	77.1	13.8%	7.6	6.0	27.9%	8.7%	7.7%	33.6%	29.5%	Jun-07	B
112	Wellness Foods	PE	87.7	n/a	n/a	6.2	n/a	n/a	7.1%	n/a	n/a	n/a	Dec-06	B
113	KTC (Edibles)	Family	86.8	71.7	21.0%	1.3	1.1	18.4%	1.5%	1.5%	6.0%	5.4%	Dec-06	O/L
114	Walkers Shortbread	Family	86.3	79.8	8.1%	11.0	10.8	2.0%	12.7%	13.5%	21.9%	23.7%	Dec-06	B
115	Serious Foods	Other F/O	85.7	80.8	6.1%	1.6	1.2	35.3%	1.9%	1.5%	6.8%	7.3%	Dec-06	B
116	Fenmarc Produce	Family	85.5	93.9	-9.0%	3.4	3.9	-12.2%	4.0%	4.1%	27.7%	30.0%	Jun-07	O/L
117	Lloyd Maunder	Family	85.1	112.8	-24.6%	(5.2)	5.3	n/a	-6.2%	4.7%	-48.0%	44.1%	Sep-06	O/L
118	Recordline	Family	82.4	72.1	14.3%	1.3	0.9	45.4%	1.5%	1.2%	4.8%	3.5%	Dec-06	C
119	S Daniels	Other F/O	80.7	65.3	23.6%	6.9	5.0	37.3%	8.5%	7.7%	31.6%	23.2%	Dec-06	B
120	Tilda	Family	80.1	79.9	0.2%	2.2	2.3	-3.5%	2.7%	2.8%	4.5%	4.9%	Dec-06	B
121	Marshall Bros (Holdings)	Family	79.8	81.1	-1.7%	0.9	0.7	14.7%	1.1%	0.9%	4.9%	5.0%	Dec-06	C
122	F Smales & Son (fish merchants)	Family	78.1	77.4	0.9%	(0.8)	0.3	n/a	-1.0%	0.4%	-11.7%	4.5%	Aug-06	C
123	Dunhills (Pontefract)	Family	76.8	74.0	3.7%	13.2	12.2	8.4%	17.2%	16.5%	16.1%	16.7%	Dec-06	B
124	Innocent	Family	75.6	37.9	99.7%	9.3	4.2	121.6%	12.3%	11.1%	137.8%	131.5%	Dec-06	B
125	HP Foods	UK sub	75.4	126.4	-40.3%	20.8	28.6	-27.4%	27.6%	22.7%	45.9%	90.3%	May-07	B
126	Campina UK	UK sub	74.4	79.1	-5.9%	3.8	3.2	21.6%	5.1%	4.0%	17.5%	15.6%	Dec-07	B
127	Bowes Of Norfolk	Family	72.6	68.6	5.9%	3.8	1.7	125.7%	5.3%	2.5%	26.3%	11.1%	Mar-07	C
128	Natures Way Foods	Family	72.1	68.1	5.9%	3.0	2.9	2.3%	4.1%	4.2%	14.9%	15.2%	Mar-07	O/L
129	Kettle Produce	Family	71.8	74.7	-3.9%	1.8	0.4	328.3%	2.5%	0.6%	18.7%	4.5%	Jun-07	C
130	Typhoo Tea	Other F/O	71.3	n/a	n/a	(0.1)	n/a	n/a	-0.1%	n/a	n/a	n/a	Mar-07	B
131	W Jordan (Cereals)	UK sub	70.5	66.5	6.1%	5.3	3.7	43.2%	7.5%	5.6%	22.9%	16.4%	Feb-07	B
132	Banham Poultry	Family	70.1	63.4	10.7%	(1.2)	0.2	n/a	-1.7%	0.2%	-3.9%	0.8%	Mar-07	C
133	Stubbins Marketing	Family	69.2	52.8	31.1%	2.7	0.5	491.9%	3.9%	0.9%	14.5%	2.5%	Jun-07	C
134	Country Style Foods	Family	68.3	61.7	10.8%	2.1	2.6	-19.6%	3.0%	4.2%	11.1%	15.5%	Apr-07	O/L
135	Worldwing Investments	Family	68.0	61.8	9.9%	(2.3)	(1.9)	n/a	-3.3%	-3.1%	-12.9%	-10.7%	Sep-06	B
136	North Downs Dairy Co	Other F/O	66.8	69.5	-3.9%	3.0	2.9	5.6%	4.5%	4.1%	12.9%	12.1%	Dec-06	B
137	Cuisine De France (UK)	Other F/O	65.9	64.6	1.9%	1.1	1.0	6.5%	1.7%	1.6%	3.9%	6.1%	Jul-06	B
138	Kanes Foods	Family	64.3	62.2	3.4%	6.1	7.2	-16.4%	9.4%	11.7%	16.9%	23.0%	Mar-07	O/L
139	Del Monte Europe	Other F/O	62.8	66.3	-5.3%	(0.7)	2.3	n/a	-1.1%	3.4%	-0.4%	1.4%	Dec-06	B
140	Bettys & Taylors Group	Family	62.3	57.2	9.0%	6.4	6.5	-1.7%	10.2%	11.3%	10.0%	11.7%	Oct-06	B
141	Direct Table Foods	Other F/O	62.0	58.2	6.6%	4.7	2.8	68.4%	7.5%	4.8%	19.7%	17.8%	Oct-06	O/L
142	WT (Holdings)	PE	61.9	90.9	-31.9%	(1.7)	5.1	n/a	-2.7%	5.6%	-12.5%	22.2%	Mar-07	O/L
143	Wight Salads	Other F/O	60.9	47.1	29.4%	1.8	1.0	82.4%	2.9%	2.0%	63.3%	52.0%	Dec-06	C
144	Schwan's Consumer Brands UK	UK sub	60.1	71.8	-16.3%	(4.6)	(11.5)	n/a	-7.7%	-16.0%	-17.1%	-36.1%	Dec-06	B
145	Headland Foods	Family	59.0	66.9	-11.8%	(1.4)	1.5	n/a	-2.3%	2.3%	-5.2%	5.6%	Dec-06	O/L
146	Bel UK	Other F/O	58.8	57.7	1.8%	0.6	1.4	-55.8%	1.1%	2.5%	5.8%	13.2%	Dec-06	B
147	Lindt & Sprungli (UK)	Other F/O	58.7	48.1	22.1%	3.9	4.8	-18.6%	6.6%	10.0%	22.3%	31.0%	Dec-06	B
148	Glisten	Listed	58.6	55.6	5.4%	6.1	5.4	13.6%	10.4%	9.7%	38.1%	33.2%	Jun-07	O/L
149	The Chitty Food Group	Family	58.6	46.7	25.5%	0.8	2.0	-62.1%	1.3%	4.4%	10.5%	26.2%	Oct-06	C
150	Armaghdown Creameries	Family	58.4	62.1	-6.0%	(1.2)	(0.3)	n/a	-2.1%	-0.5%	-8.7%	-2.2%	Sep-06	C

\* The specific accounts used for United Biscuits and Innocent are Regent Realm Ltd and Fresh Trading Ltd entities

**Methodology:** The index is compiled by OC&C Strategy Consultants, using figures from the latest annual accounts of the UK's leading manufacturers and processors. For groups with major subsidiaries, OC&C has listed, where possible, details of the major operating companies. Some companies include returns from international operations, notably Cadbury Schweppes, ABF and Tate & Lyle. Companies have been classified as **B** (branded), **O/L** (own-label) and **C** (commodity-based) according to their main activity. **Plc** = Plc, **Family** = Family or closely owned, **UK sub** = UK subsidiary of global company, **Listed** = Other UK-listed, **PE** = Private equity, **Other F/O** = Other foreign-owned.

## THE OC&C GROCER INDEX TOP 150 SUPPLIERS

### The year that ethics arrived

2007 was the year when ethical products entered the mainstream. "Products sourced ethically and sustainably are not new and have been in growth for almost a decade," argues OC&C associate director Will Hayllar. "What is new is the scale and that's the real story."

A look at the retail sales of products under the Fairtrade mark illustrates Hayllar's point. Fairtrade-certified producer retail sales reached nearly £500m in 2007, with volumes more than doubling in a single year, and awareness of the Fairtrade scheme hit a record 70%

One in four UK shoppers regularly buy several products bearing the Fairtrade mark according to OC&C, a trend surely helped by the adoption of the scheme by heavyweights.

Sainsbury's and Waitrose both switched to 100% Fairtrade bananas in 2007 and Fairtrade now accounts for a quarter of all bananas sold in the UK. Tate & Lyle launched its first Fairtrade retail product in February 2008 and plans for all its retail cane sugar to be Fairtrade by 2009. It was the biggest-ever move to Fairtrade by a UK company, increasing by tenfold the volume of Fairtrade sugar in this country.

Beyond Fairtrade other global giants were exploring how they could alter parts of their business to adopt more ethical



Awareness of the Fairtrade scheme hit a record 70% and Fairtrade-certified producer retail sales reached nearly £500m in 2007

processes. Unilever approached the Rainforest Alliance to certify its tea brands, PG Tips and Lipton. Elsewhere, McDonald's has reported a 22% increase in coffee sales since its introduction of Rainforest Alliance-certified coffee in January 2007.

"The adoption of the ethical stance of the global corporations in the past 18 months is of real interest," says Hayllar. "But will the new ethical commitments benefit sales long term? Ethical and sustainable are at the heart of what is happening in grocery but the question is how much of a premium the consumer is willing to bear."

He has a point. While retailers are trying to keep prices low for consumers who are feeling the squeeze, the premium on ethically sourced bananas can be as

high as 15%, and that's nothing compared with the premium paid for ethically produced chocolate and coffee.

For shoppers frustrated about being priced out of buying ethically sourced goods, the move towards certified schemes by mainstream and global companies should be good news, says Hayllar. "We think the premiums charged by companies such as Green & Black's will come down with more and more mainstream products adopting an ethical stance. For now, shoppers accept that buying Green & Black's will cost more as a Fairtrade premium is bundled into the price, but that won't be the case when a rival chocolate producer is able to bring a product with an 'ethical plus value' proposition to market."

### Estimated UK Fairtrade sales

#### SALES SOAR

1998	£16.7m
2002	£63m
2003	£92.3m
2004	£140.8m
2005	£195m
2006	£286.3m
2007	£493m

**Fairtrade frenzy:** Sales of Fairtrade goods rocketed as mainstream brands joined the fray

### Fairtrade banana UK retail sales

#### FAIRTRADE'S BESTSELLER

2002	£17.3m
2003	£24.3m
2004	£30.6m
2005	£47.7m
2006	£65.6m
2007	£150m

**Gone bananas:** Accounting for 60% of all Fairtrade product sales internationally by volume, Fairtrade banana sales grew 128% in UK in 2007

### The Rainforest Alliance

#### COFFEE VOLUMES ON RISE (TONNES)

2003	3,100
2004	6,000
2005	12,000
2006	24,800
2007	41,400

**Coffee fix:** The Rainforest Alliance aims to supply 10% of global coffee

CONTINUED FROM PAGE 5

healthy numbers", says Hayllar.

The third leading light among our top 150 companies may have grown its profits with a clever restructuring of its UK operations but in reality it has been pulled out of the list for honourable mention for one main reason.

Mars' ballys bid for Wrigley has set the standard for merger and acquisition activity in the coming year. Other successes include FoodVest, the acquisitive arm of venture capital group CapVest, which grew profits by 45% to £58.3m, and which has been key to the resurgence of the frozen food category and especially frozen seafood.

"The shrewd acquisition of Young's and Findus have both been integrated very effectively," says Hayllar. "Now the management is refocusing the enlarged business to drive profitable growth."

And the last 'champion', also picked out by Hayllar and co for its "on-message" acquisition programmes, is Wellness Foods.

Founded in the past few years and a newcomer to our list, Wellness is building a scale business of natural and 'healthy' brands, bolstered by the acquisition of Dorset Cereals.

The £50m deal followed takeovers of similarly 'now' brands such as Orchard House fruit juice, Rowse honey and organic juice provider Grove Fresh. Wellness Foods projects sales in 2008 of £220m and aims to more than double that turnover to £500m in 2011.

What does the success of these champions prove? Well, it shows that with the right focus and strategy there is money to be made and growth to be achieved no matter where the food and drink industry is in the economic cycle.

The trends that these five companies align themselves with such as health – Mars saw exactly why gum has grown at a greater rate than the rest of the confectionery category and made its move accordingly – and premiumisation are long term and pre-date both the credit crunch and the rise in food inflation.

Taking advantage of such trends can help a manufacturer build itself a robust market-leading position. Everyone else it seems, must wait for their turn in the sun. ■



# Offices

[www.occstrategy.com](http://www.occstrategy.com)

## Abu Dhabi

T +971 2631 6111

## Boston

T +1 617 896 9900

## Brussels

T +32 25 00 56 56

## Dubai

T +971 4368 1725

## Düsseldorf

T +49 211 86 07 0

## Hamburg

T +49 40 40 17 56 0

## Hong Kong

T +852 2201 1700

## London

T +44 207 010 8000

## Mumbai

T +91 22 6619 1166

## New Delhi

T +91 11 4051 6666

## New York

T +1 212 803 7280

## Paris

T +33 1 58 56 18 00

## Rotterdam

T +31 10 217 55 55

## San Francisco

T +1 415 354 4670

## Shanghai

T +86 21 6115 0310