



Deeply Fragmented Market Has Seen 450 Businesses Go To The Wall

Smaller companies are ripe for the picking as retailer power increases

By Elaine Watson

A surge of takeovers in prepared salads, frozen foods, fruit and veg, meat, fish and poultry firms is on the cards as retailers crank up the pressure on suppliers, according to a study of consolidation in UK food manufacturing.

Following big deals in sectors such as butters, spreads, sugar and canned soups in recent years, other categories were ripe for the picking, claimed the study for Grant Thornton and Inflexion Private Equity.

A huge number of small food companies was making only marginal profits and faced closure or takeover, said Jonathan Smith, MD at Axis Consulting, which conducted the research.

In the snacks and crisps market, for example, own label firms were squeezed between category leaders like Walkers and niche branded suppliers, he said.

Sugar confectionery was also “ripe for a well-funded consolidator”, said Smith. “And we would not rule out the possibility of a multinational player acquiring market share if a suitable business became available.”

More than 150 UK food manufacturers went into receivership and 300 were dissolved in the last two and a half years, said Smith.

The food sector was extremely fragmented compared to other industries, with just a handful of sizeable players and thousands of companies turning over less than £10m, he claimed.

Although many niche suppliers and some multinationals were enjoying strong growth and healthy profit margins, many mid-tier players lacked strategic direction and were unable to identify their competitive edge, claimed Smith. “People get so embroiled in the day-to-day running of their business and keeping customers happy that they are not thinking strategically about where they will be in five years time and how they are differentiating themselves in the marketplace.”

Category	Sales	Year-on-year change (%)	Consolidation activity
Fruit and veg	5,900	+3.7	Very high
Total meat, fish and poultry	3,000	+1.0	Very high
Snacks and crisps	1,700	-2.3	Very high
Frozen savoury	1,100	-3.5	Very high
Prepared salads	649	-1.0	Very high
Frozen desserts	325	-5.2	Very high
Milk	2,500	+3.5	High
Bread/morning goods	1,800	+5.0	High
Cheese	1,800	+4.1	High
Chilled ready meals	1,500	+6.6	High
Sugar confectionery	1,200	+0.1	High
Ambient cakes	872	+4.7	High
Fruit juices	795	+5.5	High
Sandwiches	635	+7.7	High
Cooking aids	295	+3.4	High
Home baking	264	+17.3	High