

Food Group Focus



Whatever happened to the quoted food sector?

2012 certainly got off to a lively start with Müller's £280m agreed takeover bid for leading British liquid milk processor Robert Wiseman Dairies, following rumours last year that Müller had also been interested in the other quoted liquid milk company, Dairy Crest. Given the strength of Müller's position in the UK yogurt market, it is perhaps not surprising that the company should be keen on extending its dairy reach into liquid milk in this country. However, Müller's tremendous success in yogurt has come with the strength of its brand and innovative products. The liquid milk market here is very largely retailer own label and hugely competitive.



The leading UK retailers (if not dairy farmers) will be pleased to see three strong liquid milk players remaining after the Wiseman deal (Dairy Crest and Arla being the others), as the chilled own label sector saw some marked consolidation last year: the takeover of Northern Foods by 2 Sisters Food Group, the acquisition of Uniq by Greencore and Premier Foods' Brookes-Avana also going to 2 Sisters. So is this a sign that, in chilled private label at least, food manufacturers believe that scale is vital in dealing with the major multiples? Perhaps another explanation is that the demise of Northern, Uniq and Wiseman is down to the parlous state of the quoted food producers.

The Food Producers Index of the London Stock Exchange used to be populated by the titans of UK food manufacturing with companies such as United Biscuits and Rank Hovis McDougall being household names which would have figured in many a share portfolio. The businesses and the products may remain, but the Index is now a pale imitation of what it was in the 1990s and before.

Giants Unilever and Nestlé apart, there are still some substantial listed food plcs such as Associated British Foods, Cranswick, Kerry and Tate & Lyle. But takeover speculation has surrounded others like Dairy Crest and Greencore, whilst debt-laden Premier Foods has been forced into a series of disposals under new management. It seems inevitable that the list of quoted food companies will shrink further in the next few years.

Almost certainly the power of the big four UK retailers, Tesco, Asda, Sainsbury's and Morrisons, together accounting for 76% of British grocery spend, has made the Stock Market wary of the prospects of UK food manufacturers, with some justification. Should this be a concern? Yes, it should be. Britain needs a strong food manufacturing industry to reduce air miles, generate exciting product development and innovative new brands, and create the large number of jobs which food production requires.

The Christmas trading figures from the major multiples hardly set the Stock Market on fire and the overriding focus on price in recent years is starting to show the strain. Long gone are the days when the most innovative retailers like Marks & Spencer relied on a close partnership with their main suppliers such as Northern Foods and Geest. In its place has come the constant round of price tendering which has squeezed so much innovation and investment out of the industry.

But the UK is still a great place to do business with arguably the best retailers in the world. So it will be interesting to see whether Müller's takeover of Wiseman is the forerunner of more acquisition activity by foreign buyers in the British market.

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Month by month guide to mergers and acquisitions

May 2011

Wynnstay Group announced that it had acquired **Wrekin Grain**, a grain marketing and agricultural inputs supplier based in Telford.

Leeds-based GT Produce bought Kent business **RS Fruits** to expand its fresh produce wholesaling activities.

Loseley Dairy Ice Cream went into administration with the loss of up to 83 jobs in Cwmbran.

Andrew Jones Pies in Huddersfield was the subject of a pre-pack and continues to trade as AJ Pies and Pastries.

Soft drinks company Britvic acquired wholesale distributor **Quinns of Cookstown** from C&C Northern Ireland.

Bottlegreen Drinks, controlled by Piper Private Equity, was sold to Northern Ireland's SHS Group.

General Mills agreed to acquire a 51% controlling interest in French yogurt maker **Yoplait** and a 50% stake in the related entity which holds the global Yoplait brands. Sodial retains the ownership of the remainder.

Luke Johnson's Risk Capital Partners acquired a large stake in London artisan baker **Bread** and its wholesale business The Bread Factory and the Gail's café estate.

Leading egg company Stonegate acquired Monmouthshire egg supplier **Farmhouse Freedom Eggs**.

Dairy cooperative First Milk acquired **Kingdom Cheese**, a supplier of mozzarella cheese and cheddar mixes, and **Kingdom Dairies**, a producer of cottage cheese and soft cheeses, based in Scotland.

June 2011

Grocery retailer **Haldanes Stores**, formed in 2009 and with 600 employees, went into administration, followed later by **Ugo Stores**.

Lincolnshire-based The Original Cake Company acquired **Special Little Cakes** in Nottinghamshire.

Life-science business Provoxis agreed to buy **Science in Sport**, which supplies sports nutrition products, for £8m.

Nutricia Advanced Medical Nutrition, part of Danone, acquired **Complan Food UK**, the nutritional supplements business.

Carr's Milling Industries in Carlisle sold its **Carrs Fertilisers** division to Irish agribusiness, Origin Enterprises, for £19m.



Fats and oils supplier AAK, which has a major UK presence, acquired US flaked shortenings maker **Golden Foods** and **Golden Brands** in Kentucky.

The Cake Bake Company, best known for the Skoda car cake and based in Kent, was sold to West Midlands bakery, Baker Boys, after going into administration.

Pemberton Capital acquired a controlling stake in **Mathiesons Foods**, the Scottish baker, which had been bought out of administration by a management team in 2010.

July 2011

US private equity firm Blackstone Group, part-owners of United Biscuits, bought a majority stake in Blackpool-based **Tangerine Confectionery**, the UK's largest sugar confectionery and branded popcorn manufacturer, providing an exit for Growth Capital Partners.

French dairy group Lactalis acquired Italian dairy company **Parmalat**, in which it already owned 29%, in a deal worth €3.4bn.

Nestlé paid €1.2bn for a 60% stake in Chinese confectionery company **Hsu Fu Chi**.

Swiss-based chocolate maker Barry Callebaut agreed the sale of its European consumer business **Stollwerk** to Belgium's Baronie Group.

Greencore made a successful cash offer of £113m for chilled foods group **Uniq**, shortly after which Uniq announced the end of yogurt and everyday desserts production at its Minsterley site.

Wessanen, owner of Kallo Foods, sold its subsidiary **Tree of Life UK** to a MBI team led by Mike Cole, Chairman of Brands of Distinction.

In the Republic of Ireland Musgrave Group, owners of the Supervalu brand, agreed to buy rival **Superquinn** in administration.

Major UK dairy company Dairy Crest acquired **MH Foods** in Erith, Kent, a manufacturer of spray cooking oils and salad dressings, for £13m.

Ray Coyle, the founder of Ireland-based **Largo Foods**, agreed to sell a 25% stake in the company to German snack company Intersnack, which already owned 15% of Largo.

Associated Seafoods bought prawn supplier **Moray Seafoods** and smoked salmon processor **Lossie Seafoods**, both based in Buckie.

Princes completed the acquisition of **Premier Foods'** canning operations at Long Sutton and Wisbech in East Anglia.

Attempts to find a buyer for Stilton producer **Quenby Hall Dairy** in administration failed.

August 2011

Japanese brewing company Kirin bought out a majority shareholder in Brazilian brewer **Schincariol** for \$2.6bn.

Sausage casing manufacturer **Devro** sold its German division to Visko Teepak of Finland.

YFM Equity Partners backed Andy Micklethwaite in a MBI at Leeds-based bagel bakery and retail business **Bagel Nash**.

Mr Micklethwaite's former business, Symington's, agreed a deal with **Unilever** to acquire the sauce brands Chicken Tonight and Ragù.

Kraft Foods announced plans to split in two, one half being a global snacks business, including Cadbury, and the other being its North American grocery business.

Northern Irish meat products business **Millar Savoury Foods** was wound up after administrators failed to find a buyer.

Valeo Foods, backed by Origin Enterprises and Capvest, agreed the purchase of another Irish food company, **Jacob Fruitfield**, owners of Jacob's biscuits in Ireland, creating a group with sales of €300m.

US cereals manufacturer Ralcorp agreed to buy **Sara Lee's** North American dough business for \$545m.

Leading Chinese company Bright Food agreed to acquire a 75% stake in Australia's **Manassen Foods** for \$416m.

Christian Rose led a MBO of gin and vodka supplier **Greenall** from the De Vere Group to create G&J Greenall Group.

Young & Co sold its 40% stake in Wells & Young's, its JV with Charles Wells, to end brewing after 180 years and focus on its pub estate. Soon after, the McEwan's and Younger's beer brands were bought by Wells & Young's from **Heineken UK** for £20m.

Private equity firm Permira sold animal feed producer **Provimi** to US agrifood giant Cargill in a €1.5bn deal.

SABMiller made another hostile takeover bid of A\$9.9bn for Australian beer group **Foster's** and received shareholder approval in December.

Acquisitive Israeli flavours company Frutarom acquired Hertfordshire flavours business **Aromco** for £15m.

Grimsby-based fish supplier **Superior Seafoods** went into administration.

Bacon supplier **Becketts Foods**, based in Coventry, was acquired by CPC Foods, whilst Denbighshire seed and fruit bar business **Wholebake** was the subject of a MBO.

Protexin acquired another digestive products maker, **The Healthy Bowels Company**, owners of Lepicol.

September 2011

New Zealand dairy company **Fonterra** announced a JV with UK dairy cooperative **First Milk** to develop premium whey proteins within Europe. In another JV, Essex-based grain and bakery ingredients supplier **Edme** joined with Dutch brand **CereX**.



R&R Ice Cream announced the purchase of **Pilpa**, the ice cream division of Maison Boncolac, based in Carcassone, for €17.7m plus stock.

Bakkavor sold its fish spreads business in France to seafood company Alfesca, majority owned by French co-operative Lur-Berri.

Kerry acquired **SuCrest**, the sweet ingredients business with production in Germany and Belarus and sales of €50m. Shortly afterwards, it was announced that Kerry would buy **Cargill's** global flavours business for \$230m.

Berwyn Bakery in Bala, North Wales, was sold out of administration to a MBI team, whilst Wrexham-based distributor **Willow Foods** was bought by Birchall Foodservice.

Ethnic breads business **Honeytop Speciality Foods** was bought by Swiss food business Aryzta, owners of Cuisine de France and Delice de France.

Cumbria beef abattoir firm **Duerden Lindal Moor** was acquired by Dawn Meats.

October 2011

Tangerine Confectionery acquired the Highland toffee and Wham brands from **New McCowans** after the Stenhousemuir-based business had gone into administration.

US natural foods business Hain Celestial, best known in the UK for the Linda McCartney range of frozen vegetarian meals, bought **Daniels Group**, owners of New Covent Garden Soup and Johnsons fruit juices, for £144m.

Greencore announced a takeover approach after movement in its share price, but revealed in December that discussions had been ended.

Crewe-based meat company **Heathfield Foods** was acquired by Irish food business Dunbia.

Leicestershire desserts and savouries manufacturer **Barton & White** was acquired by Redditch-based Proper Pies, part of Oliver James Foods.

The Competition Commission cleared Kerry Group's takeover of frozen ready meals competitor **Headland Foods**, a deal signed back in January which provoked retailer complaints. In February 2012 Kerry commenced consultation on the closure of the Headland factory in Grimsby.

Members of **Nisa-Today's** voted for Today's Wholesale Services to separate, leaving Nisa with its 950 retail members.

November 2011

C&C Group, the Irish maker of Magners cider, agreed to acquire **Hornsby's**, the second-largest US cider brand, based in California.

Donegal Creameries acquired **AJ Allan Seed Potatoes**, based in Brechin.

Sara Lee completed the sale of its American Fresh Bakery business to Mexico's Grupo Bimbo for \$709m and also agreed the sale of its fresh bakery business in Spain and Portugal to the same buyer for \$154m.

Liverpool-based Bibby Line Group concluded the acquisition of Yorkshire convenience retailer **Costcutter**.

Robert Wiseman Dairies formed a JV with New Zealand milk company **A2 Corp** to develop a range of products for lactose intolerant consumers.

Soup company Baxters acquired canned meat pie business **Fray Bentos** from Princes, a disposal required by the competition authorities following the acquisition of Premier Foods' canning businesses.

Cooks the Bakery, a retailer of bakery products, went into administration.

Tulip, the UK arm of meat giant Danish Crown, bought West-Yorkshire-based **Parkam Foods**, including sandwich maker Freshway Chilled Foods.

Dutch private equity firm Gilde bought German frozen food operator **Eisman** from Intermediate Capital Group.

Bakery Products bought the assets of Hobson Foods in administration, trading as **Tinsdale & Stanton** in County Durham.

Countrywise Water Coolers announced a merger with North Yorkshire water distributor **Chilburne Spring**.



December 2011

R&R Ice Cream continued on the acquisition trail, buying Bremen-based ice cream manufacturer **Durigon Gelato**.

Royal Bank of Scotland sold 918 tenanted pubs to Heineken for £412m to end its time as one of Britain's largest pub landlords.

Cumbrian Seafoods in administration, with sites at Seaham, Whitehaven and Amble, was sold to Lion Capital, owners of Young's Seafood, later shedding up to 550 jobs.

In another fish deal Whitby Seafoods acquired County Down scampi rival **Rockall Seafoods**.

Premier Foods agreed another disposal with the sale of its RF Brookes chilled meals and Avana Bakeries businesses to 2 Sisters Food Group for £30m. This was followed shortly after by Premier selling its Irish

brands, including Chivers and Gateaux, to The Boyne Valley Group for just under £35m.

PK Foods, the former Pasta King, acquired Chester-based **Tasties**, a sandwich supplier into the healthcare and education sectors.

Compass Group announced the acquisition of Czech foodservice business **DORA Gastro**.

The merger was announced of Swedish confectionery businesses **Cloetta** and **Leaf** in a €753m deal.

Japan's Mitsui sold Bracknell canned fish business **MCM Select Foods** and a sister operation in Holland to private equity firm Manfield Partners.

January 2012

Israeli ingredients company Frutarom added another acquisition with the purchase of Essex-based **Savoury Flavours** in a deal worth just under €5m.

Another active acquirer, Tangerine Confectionery, picked up sugar confectionery brands **Smith Kendon Travel Sweets** and **York Fruits**.

Tyrrells, the crisp maker owned by Langholm Capital, acquired vegetable crisp producer **Glennans**.

Cumbria's **Turbo Drinks**, makers of Turbo Shandy, was acquired by a team including Welsh rugby players Gareth Thomas and Gareth Williams and will move to Bridgend.

PAI sold its final 25.7% stake in **Christian Hansen** to privately-held Novo A/S for €560m.

The Co-operative Group bought Scottish independent retailer **David Sands** with 28 stores.

East Kilbride liquid milk processor **Robert Wiseman Dairies** agreed a £280m takeover by Müller, offering shareholders a 60% premium on the pre-bid share price.

Esher-based cake company **Cookie Man** was bought out of administration by Dutch bakery business CSM.

Aberdeenshire soft drinks producer **Sangs**, maker of Macb flavoured water, and Fife-based **Kingdom Bakers** were both placed into administration.

Multiple retailer Morrisons added to its own manufacturing capacity, buying a fresh pork and lamb processing plant at Winsford in Cheshire from **Vion**.

Flour millers Whitworth Bros acquired the assets of **Smiths Flour Mills** in administration with mills in Worksop, Langley Mill and Holbeach.

Vestey Foods Group bought Royal Warrant-holding online meat supplier **Donald Russell** with sales of £30m.

Dutch confectionery company BIP acquired Derbyshire-based **What Next Candy**, a supplier of children's novelty and character licensed confectionery.

In the US Ralcorp completed the spin-off of its **Post** cereals business, acquired from Kraft in 2007.

Rollits advises Riverford Organic on BoxFresh deal

Rollits Food Group advised Riverford Organic Vegetables on its acquisition of BoxFresh Organics and its wholesale arm Flights Orchard Organics.



Nasim Sharf and Julian Wild of Rollits LLP

Riverford is the UK's largest box scheme supplier of organic fruit, vegetables and other food and BoxFresh is the third largest box scheme operator with bases in Shropshire and Herefordshire.

Riverford is headquartered at Wash Farm in Devon and has other sites at farms in Cambridgeshire, Yorkshire and Hampshire, enabling Riverford to provide national coverage of organic vegboxes.

Riverford's MD Jack Slatter commented: *"We are a good fit with BoxFresh customers and, in areas we already operate in, it will double our wholesale business."*

Rollits' Food Group Director, Julian Wild, said: *"Rollits has developed a strong reputation for working with a wide range of high quality food companies. Although we are based in Yorkshire, with offices in Hull and York, this was an excellent opportunity to work with the leading box scheme company in the country, located near Buckfastleigh in Devon, to acquire a business based in Ledbury, Herefordshire."*

"Riverford is a tremendous business and we are delighted to have worked with them on this transaction."

The legal work on behalf of Riverford was led by Rollits' corporate partner Nasim Sharf with assistance from John Flanagan.

Top chef Tim Bilton collects Champion award



Julian Wild (on the left), presenting to Tim Bilton

The excellence of Yorkshire's food businesses was on full display at the seventh annual deliciouslyyorkshire awards on 14 November 2011.

Over 400 guests at Rudding Park, Harrogate, saw top Yorkshire chef Tim Bilton, from gastropub The Butcher Arms in Hepworth, collect the prestigious deliciouslyyorkshire Champion Award sponsored by Rollits for his contribution to the region's food and drink sector. The evening was hosted by BBC Radio 2's

resident foodie Nigel Barden and Nick Stafford of Hambleton Ales.

Deliciouslyyorkshire Chair Cath Clelland said: *"Year on year the quality of entrants has been exemplary and reinforces Yorkshire's position as a leading force in the UK's food and drink sector."*

The Pipe and Glass Inn named Michelin Pub of the Year 2012

The 2010 winner of the deliciouslyyorkshire Champion award, also sponsored by Rollits, was James Mackenzie of Michelin-starred The Pipe and Glass Inn at South Dalton, near Beverley, in East Yorkshire.

Now The Pipe and Glass Inn has been named Pub of the Year in the 2012 edition of the Michelin Eating Out in Pubs Guide.

Rebecca Burr, editor of the guide, said: *"This award is given to a pub which we feel offers something extra special. Here it is a combination of factors which include the warmth of the welcome, the friendliness of the staff, the character of the place and, of course, the food. The Pipe and Glass Inn is a wonderfully warm pub and nothing is ever too much trouble for the owners."*



James and Kate Mackenzie with Julian Wild

Information

If you have any queries on any articles in this newsletter please contact: Julian Wild on +44 (0) 1482 337304 or email julian.wild@rollits.com

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