

**Food Sector
Growth Potential**

**Prepared for
Leicestershire County Council
and
Leicestershire Learning and Skills Council**

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by

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Food Sector

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Summary

- This study examined at the staffing levels, turnover, markets and potential for growth of the food and drink sector in Leicestershire. A total of 84 companies were identified as being in the food and drink sector and details of staffing, turnover and markets were obtained for all of these. Information on growth potential and interest in various sector specific forums was obtained from 56 of the 65 non-meat companies.
- Meat processing companies were excluded due to the foot and mouth epidemic which would cause great uncertainty for this sector.
- One in three companies were small with ten or fewer employees but one in five (20%) employed more than 200 people.
- The majority of companies supplied retailers or the catering trade.
- The majority of companies thought there was potential for growth in their current markets. This rose to all companies employing more than 20 people.
- Almost all of these companies thought that their company was in a position to take advantage of this.
- The most significant factor which might affect companies ability to grow was finding suitable trained or experienced staff.
- Other key factors were:
 - ® Lack of capital for expansion
 - ® Too much competition
 - ® Availability of local labour
 - ® Interest rates
- There was a considerable level of interest in sector specific forums:
 - ® 36% very interested in helping to create a stronger local business network
 - ® 21% very interested in joining an industry led forum with the aim of developing an action plan looking at local sourcing
 - ® 21% very interested in joining an industry led forum with the aim of developing an action plan looking at promoting marketing
 - ® 21% very interested in helping to promote local brands or products

1 Introduction

A study of the food sector in Leicestershire was conducted to look at the extent to which companies thought they might grow and any constraints on their growth. The questionnaire also asked about the level of interest in being involved in any networks to help promote and develop the food sector.

Due to the on-going foot and mouth situation companies primarily involved with processing meat were not included. This included the Melton Mowbray pork-pie manufacturers.

2 Methodology

A list of businesses was supplied by East Midlands Development Agency (emda) as part of a study to look at the manufacturing sector as a whole in Leicestershire. This list was compiled from the Link Track database held by Leicestershire County Council supplemented by companies listed in the Kompass Directory.

All companies were contacted by phone and asked about their products and their markets together with information on their size, their turnover and quality standards. Additional questions (see Appendix) were asked of the food sector. A number of companies on the original list were in fact either growers or distributors. These have not been included.

A total of 84 companies were finally identified as food and drink sector manufacturers/processors. This is unlikely to be fully comprehensive as it only reflected the companies listed on the two data sources mentioned above.

The additional questions on growth and barriers to growth were asked to the 65 companies who were not involved with meat processing. Interviews were achieved with 56 of these companies, a response rate of 86%.

3 Profile of companies

Basic company details were obtained for 84 companies in the food and drink sector in the County.

They were distributed across the County as follows:

Table 1 Location of food and drink companies

	Number	%
Blaby	3	4
Charnwood	11	13
Harborough	8	10
Hinckley and Bosworth	4	5
Leicester	30	36
Melton	9	11
North West Leicestershire	12	14
Oadby and Wigston	7	8
Base: County total	84	100

When compared with the distribution of all companies there are higher than average proportion of food companies in Melton and North West Leicestershire. The companies which gave details on their employment employed a total of about 10900 people.

Table 2 Size of food and drink companies

	Number	%
1-10	30	36%
11-20	15	18%
21-50	12	14%
51-100	6	7%
101-199	4	5%
200+	17	20%
Base	84	100

A quarter of the companies were small with a turnover of less than £0.5m.

Table 3 Turnover

	Number	Percentage All	Percentage of those giving response
£0-£.5m	22	26%	39%
£0.5-£1m	9	11%	16%
£1m-£5m	14	17%	25%
£5m-£10m	2	2%	4%
£10m-£20m	-	-	-
£20m-£50m	7	8%	13%
More than £50m	2	2%	4%
DK, refused	28	33%	-
Base:	84	100	56

Table 4 shows the range of sectors covered. One in three of the companies are bakers, making bread, cakes, biscuits or confectionery. Almost a quarter were meat processing companies.

Table 4 Sector

	Number	Percentage
Meat	19	23%
Milk, cheese, ice cream	12	14%
Veg, potatoes	1	1%
Snack foods	3	4%
Bakers, cakes, sweets	29	35%
Other products	15	18%
Animal feed	1	1%
Brewing, soft drinks	4	5%
Base	84	100%

Distinctive areas are the production of Melton Mowbray Pork Pies and Stilton Cheese. There are a number of high profile companies manufacturing crisps and snack foods.

Food and drink companies comprise the following:

Degreasing bones	1
Slaughter and/or preparation of chicken or game and cooked chicken products	4
Preparation of sausages and cooked meat products such as hams, pies, kebabs	13
Frozen meals, chilled meals	2
Preparation of vegetables, salads, sandwiches	3
Ethnic foods	5
Crisps and snack foods	3
Cheese, yoghurt, dairy products, milk, ice cream	11
Animal feed compounders	1
Pet food	1
Bakery, bread, cakes and biscuits	25
Flour milling	2
Pickles, condiments, 'ingredients', sauces	6
Brewery	3
Soft drinks	1

Food and drink companies are slightly larger than the average company in Leicestershire with 20% employing more than 200 people.

Markets:

The majority of food and drink companies sold to the catering sector, wholesalers or retailers (Table 5).

Table 5 Markets served

	Number	%
	84	100
Agriculture	1	1
Food processing	5	6
Chemicals	1	1
Wholesale	24	27
Retailers	55	65
Catering, pubs, hotels, restaurants	41	49
General public	18	21
Education	3	4
Health	1	1
Airlines	1	1

4 Growth potential and barriers to growth

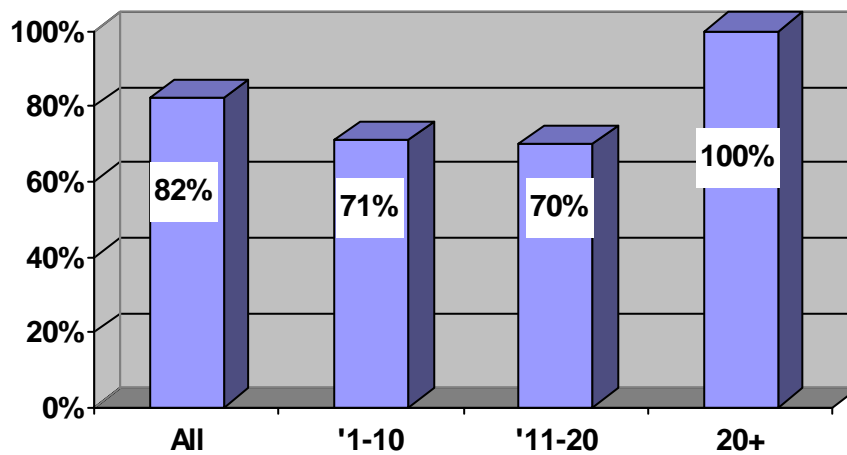
The questions about growth were asked to the 65 companies which were not involved in processing meat.

Four out of five companies (82%) said that there was growth potential in their current markets.

All companies employing more than 20 staff said they felt there was growth potential in their current markets.

There was no obvious correlation with sector.

Table 6 Do you feel that there is growth potential in your current markets? Percentage saying yes, by number of employees



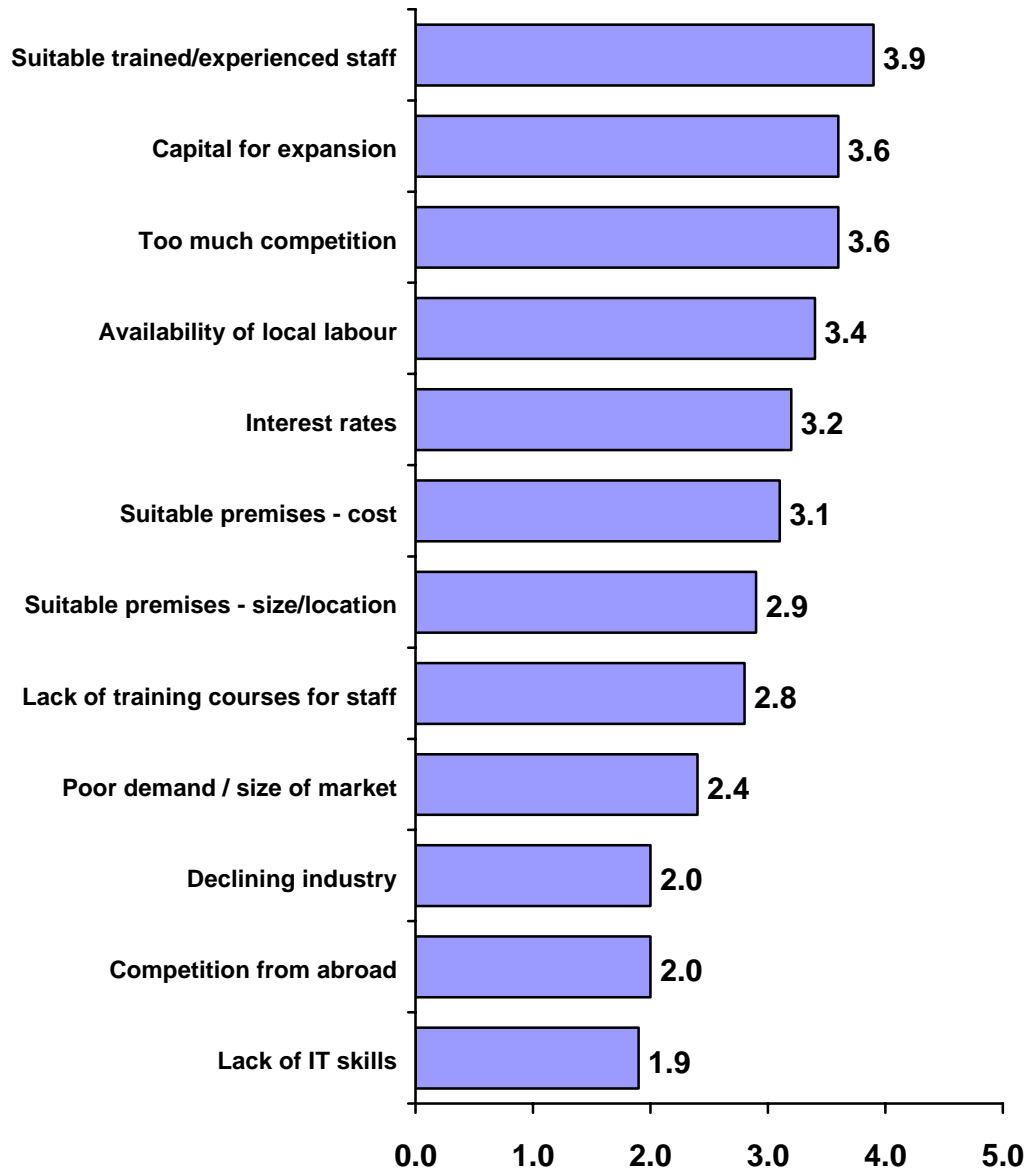
Almost all of those who thought there was potential for growth (96%) said that their company was in a position to take advantage of this. One company said they were not in a position to take advantage due to the problems of finding staff and lack of space.

Barriers to growth

All companies were asked the extent to which various possible factors were a barrier to growth (Table 7). They were asked to rate each issue on a scale of 1 to 5 where 1 rated as completely unimportant and 5 as very important.

Overall, the three most significant barriers were finding suitably trained staff, capital for expansion and too much competition.

Table 7 Barriers to growth – mean score



Capital for expansion: This was the third most significant barrier overall and the most significant for larger companies. 43% of companies rated this as very important and 20% as completely unimportant. It was more of a problem for large companies than for smaller companies with those with 20+ staff rating this as 4.1 and those with under 20 staff as 3.2. There was little difference between sectors.

Interest rates: This factor ranked 5th of the twelve factors considered. 29% of companies rated this as very important and 25% as completely unimportant. There was little difference between sectors or by size.

Suitable premises – size/location: This factor ranked 7th out of the twelve considered. 29% of companies rated this as very important and 36% as completely unimportant. It was more of a problem for smaller companies

with those with 50+ staff rating this as 2.1 and those with under 20 staff as 3.0. There was little difference between sectors.

Suitable premises – cost: This factor ranked 6th out of the twelve considered. 29% of companies rated this as very important and 29% as completely unimportant. It was more of a problem for smaller companies with those with 50+ staff rating this as 2.5 and those with under 20 staff as 3.2. There was little difference between sectors.

Finding suitable trained/experienced staff: Problems with finding suitable staff were the most significant barrier to growth for the companies surveyed. 39% of companies rated this as very important and only 5% as completely unimportant. There was little difference between sectors or by size.

Finding suitable training course for staff: Problems with finding suitable training courses for staff ranked 8th of the twelve factors considered. 14% of companies rated this as very important and 23% as completely unimportant. This was of slightly more concern to smaller companies.

Availability of local labour: Problems with finding local labour for staff ranked 4th of the twelve factors considered. 27% of companies rated this as very important and 11% as completely unimportant. This was of slightly more concern to larger companies.

Too much competition: This was the second most significant barrier to growth amongst the companies surveyed. 34% of companies rated this as very important and only 4% as completely unimportant. There was little correlation with size, with companies with under 10 staff and those with over 200 staff being the most concerned.

Poor demand or size of market: Problems with lack of demand or a too small market ranked 9th of the twelve factors considered. 7% of companies rated this as very important and 34% as completely unimportant. This was of slightly more concern to smaller companies.

Competition from abroad: This factor ranked 11th of the twelve factors considered. 11% of companies rated this as very important and 59% as completely unimportant. This was of slightly more concern to smaller companies.

Lack of IT skills: Problems with lack of IT skills was the least significant factor of the twelve factors considered. No companies rated this as very important and 39% as completely unimportant. This was of slightly more concern to smaller companies.

This is a declining industry: Problems with the company being in a declining sector (as for example textiles companies are) was not of major concern ranking 10th of the twelve factors considered. 7% rated this as very important and 54% as completely unimportant.

5 Interest in support networks

Companies were asked to say how interested they would be in the following:

- being involved in helping to create a stronger local business network
- joining an industry lead forum with the aim of developing an action plan looking at promoting local sourcing
- joining an industry lead forum with the aim of developing an action plan looking at promoting marketing
- helping to promote local products or brands

There was a considerable level of interest (Table 8) and the names of the companies interested have been passed to the County Council separately.

Table 8 Level of interest in various local networks and for a

	Stronger local business network %	Local sourcing %	Marketing %	Promote local products / brands %
Very interested	36	21	21	21
Fairly interested	41	41	39	38
Not interested	13	25	25	27
Not sure	11	13	11	14
Base: all	56	56	56	56

The greatest level of interest was in helping to create a stronger local business network.

Table 9 Interest in developing stronger local networks – proportion saying very interested

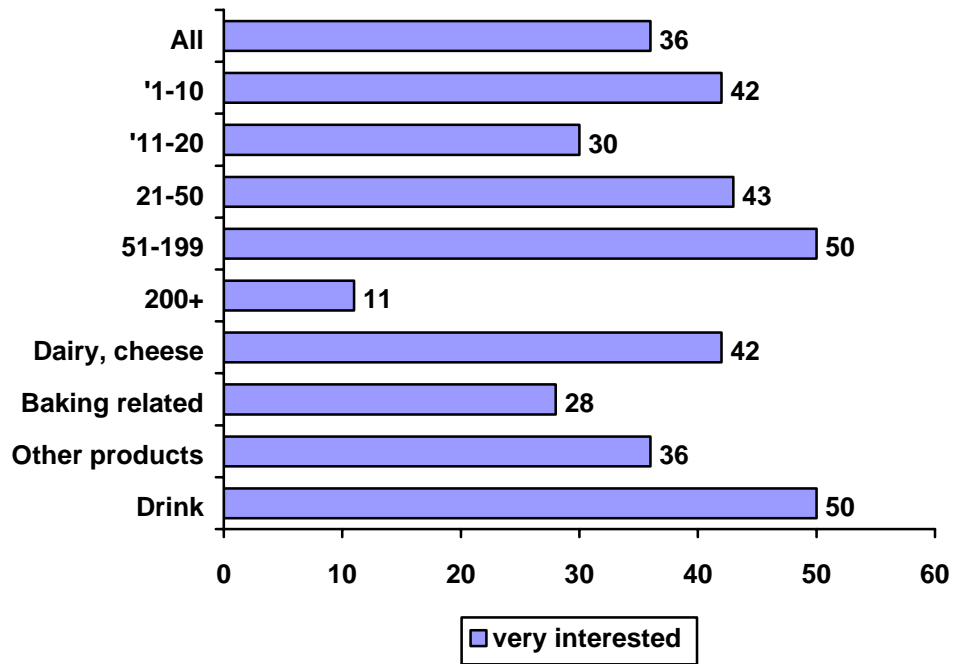


Table 10 Interest in joining an industry lead forum looking at local sourcing - proportion very interested

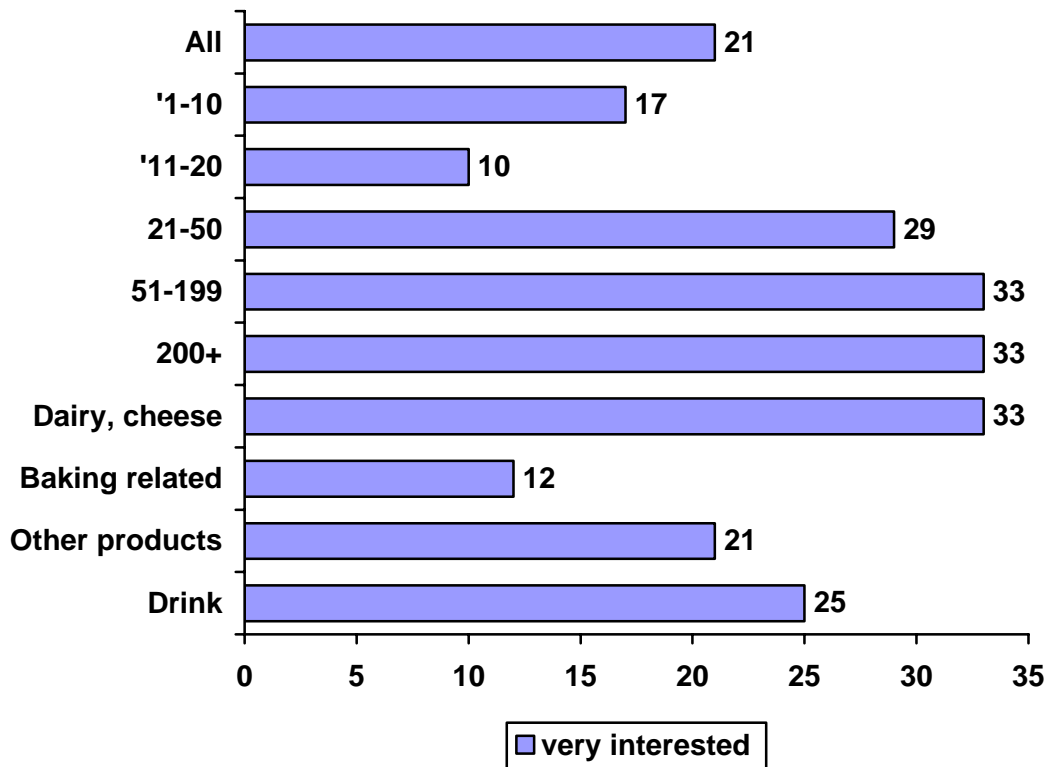


Table 11 Interest in joining an industry lead forum looking at marketing – proportion very interested

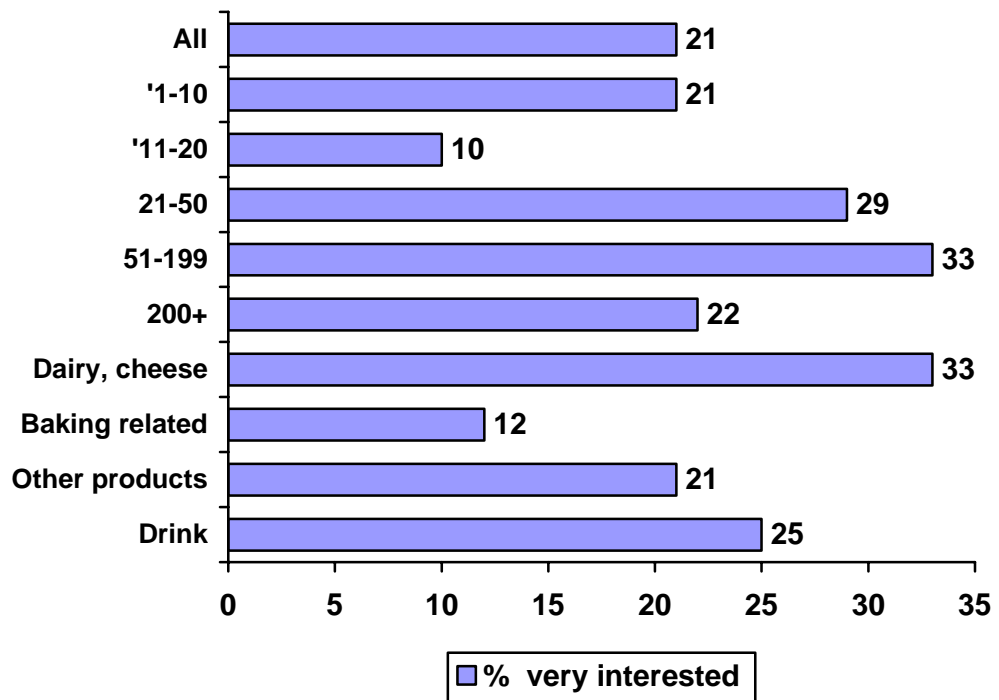
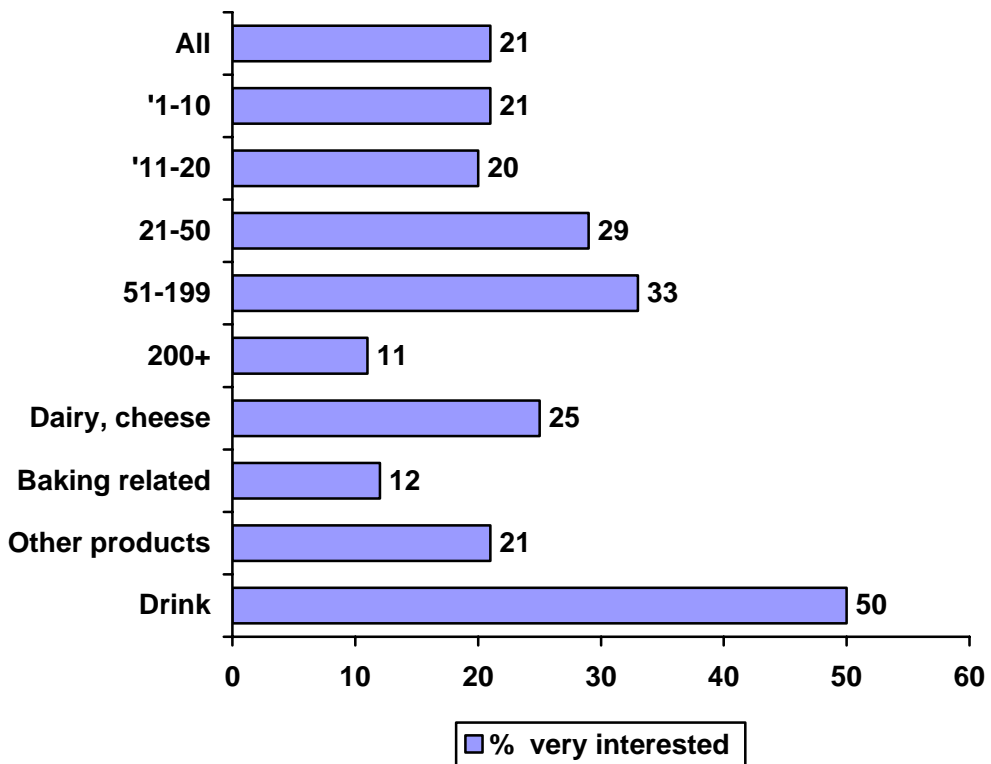


Table 12 Interest in helping promote local products/brands - proportion very interested



Appendix The Questionnaire

1 Do you feel that there is growth potential in your current markets?

- Yes 1 Ask 2
 No 2 Go to 3
 Not sure 3 Go to 3

2 Do you feel your company is in a position to take advantage of these growth areas?

- Yes 1 Go to 4
 No 2 Ask 3
 Not sure 3 Go to 4

3 If not, what is preventing your company from taking advantage of these growth areas?

Write in

4 I am going to read you a list of things which might make it difficult for a company to expand or develop. For each could you say on a scale of 1 to 5 how important it is for you. 1 is completely unimportant and 5 is very important.

Capital for expansion	1	2	3	4	5	(6)
Interest rates	1	2	3	4	5	(6)
Finding suitable premises in terms of size or location	1	2	3	4	5	(6)
Finding suitable premises in terms of cost	1	2	3	4	5	(6)
Finding suitable trained/experienced staff	1	2	3	4	5	(6)
Lack of suitable training courses for staff	1	2	3	4	5	(6)
Availability of local labour	1	2	3	4	5	(6)
Too much competition	1	2	3	4	5	(6)
Poor demand/size of the market	1	2	3	4	5	(6)
Competition from abroad	1	2	3	4	5	(6)
Lack of IT skills	1	2	3	4	5	(6)
This is a declining industry	1	2	3	4	5	(6)

5 How interested is your company in being involved in helping to create a stronger local business network?

- Very interested 1
 Fairly interested 2
 Not interested 3
 Not sure 4

6 How interested would you be interested in joining an industry lead forum with the aim of developing an action plan to look at promoting

	Very interested	Fairly interested	Not interested	Not sure
Local sourcing?	1	2	3	4
Marketing?	1	2	3	4

7 How interested would you be interested in helping to promote local products/brands?

Very interested	1	Not interested	3
Fairly interested	2	Not sure	4