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International Markets Bureau

MARKET INDICATOR REPORT | FEBRUARY 2012

Packaged Food Sales
in the United Kingdom

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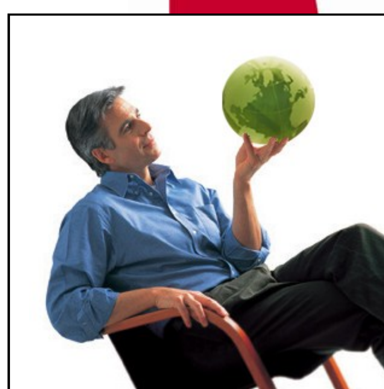


Growing Forward

Canada

EXECUTIVE SUMMARY

According to the latest figures released by the United Kingdom (U.K.) Office for National Statistics, the total U.K. population is expected to be upwards of 64 million by 2016. As a whole, the population is also aging as life expectancy increases and birth rates decline. More women are working outside of the home, families are spending less time eating together, and the number of single-person households is increasing. Along with rising prosperity, these trends have led to massive consumer demand for quick, convenient foods that require little preparation.

Across all processed food sectors, variety and convenience are paramount. Individual sub-sectors have emerged to cater to those looking for products described as healthy, of premium quality, organic, children-oriented, or of overall good value.

INSIDE THIS ISSUE

MARKET TRENDS

In the U.K., consumers are eagerly responding to all time-saving innovations, be they prepared side-dishes or sauces that supplement home cooking, or complete meal replacements that include multiple prepared components. One of the latest ideas for time-strapped consumers is a package of pre-measured, partially prepared ingredients with instructions on how to convert them into a luxury meal. Such products take the guess-work out of preparing a meal, while allowing consumers to enjoy cooking at home.

As generations become increasingly accustomed to meal solutions such as these, their understanding of what represents a "home-cooked meal" has somewhat shifted. For example, 60% of respondents to a British Potato Council survey felt that chicken nuggets and baked beans could be classified as a home-cooked meal, and 59% felt the same about pasta with a prepared sauce (British Potato Council, 2007).

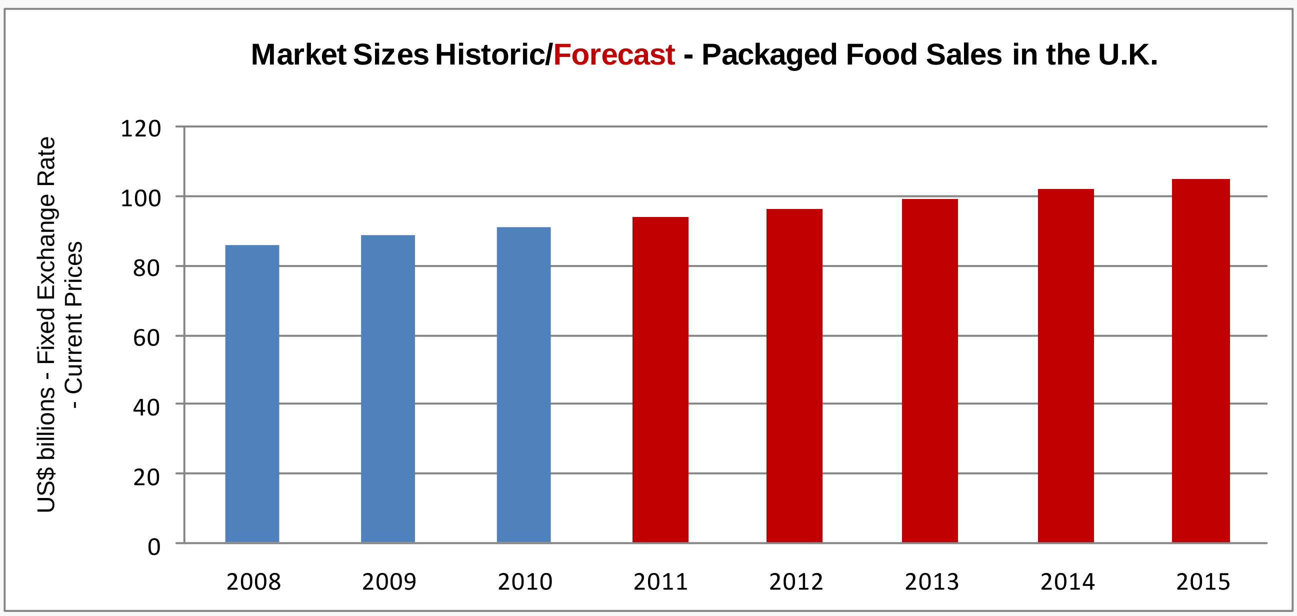
MARKET TRENDS (continued)

- Leatherhead Food Research predicts that ten trends will dominate the U.K. packaged food and beverage industry in 2011/2012. They identify the trends as:

  - Reformulations and stealthy reductions (the removal or gradual reduction of artificial additives and ingredients)
  - Sustainability
  - Health and wellness
  - Post-recession budgeting
  - Ever-expanding tastes influenced by regional cuisines, including Nordic and Middle Eastern
  - Provenance awareness
  - Small indulgences
  - Frozen food popularity
  - A "less is more" mentality (convenience over quantity)
  - Obesity-conscious products (better-for-you and weight management variations)

- Growth in the packaged food market is largely driven by ongoing innovation from the leading players, even in many mature product areas. Producers in this sector are focusing on offering healthier products, with many reducing the salt, sugar, trans-fat, and fat content of their products. This was encouraged by growing consumer demand for healthier products, which in turn was encouraged by the British government's nutritional education campaigns.

- According to Euromonitor International, the packaged food sector will continue to see growth in upcoming years, despite the lingering impact of the economic downturn on many consumers' income levels and purchasing habits.



Source: *Euromonitor International, 2011.*

TOP PACKAGED FOOD CATEGORIES

Packaged Food Sales in United Kingdom by Category
in US$ Millions

Categories	2008	2009	2010	2011	2015
Packaged Food	85,865	88,913	91,053	94,112	105,252
Chilled Processed Food	16,480	17,003	17,389	18,048	19,022
Chilled Fish/Seafood	1,594	1,613	1,629	1,666	1,713
Chilled Lunch Kits	66	61	58	57	51
Chilled Noodles	7	7	8	8	10
Chilled Pizza	586	609	625	646	685
Chilled Processed Meat	7,572	7,807	7,944	8,223	8,418
Chilled Ready Meals	4,075	4,201	4,291	4,418	4,596
Chilled Soup	195	212	231	257	357
Chilled/Fresh Pasta	152	158	169	181	232
Fresh Cut Fruits	345	368	388	411	461
Prepared Salads	1,888	1,966	2,046	2,180	2,500
Bakery	14,503	14,796	14,999	15,275	16,963
Baked Goods	9,247	9,333	9,359	9,449	10,297
Biscuits	2,585	2,681	2,804	2,936	3,492
Breakfast Cereals	2,670	2,782	2,837	2,890	3,173
Dairy	13,679	14,222	14,531	14,833	16,511
Cheese	3,849	3,948	4,051	4,155	4,769
Drinking Milk Products	5,874	6,121	6,182	6,149	6,490
Yogurt and Sour Milk Drinks	2,385	2,536	2,638	2,813	3,339
Other Dairy	1,570	1,617	1,660	1,716	1,913
Confectionery	11,418	11,665	12,115	12,755	15,347
Chocolate Confectionery	8,198	8,464	8,825	9,350	11,591
Gum	633	536	530	526	525
Sugar Confectionery	2,586	2,665	2,760	2,879	3,231
Ready Meals	8,896	9,157	9,322	9,638	10,199
Canned/Preserved Ready Meals	473	481	487	497	507
Chilled Pizza	586	609	625	646	685
Chilled Ready Meals	4,075	4,201	4,291	4,418	4,596
Dinner Mixes	127	131	135	140	149
Dried Ready Meals	38	38	37	37	36
Frozen Pizza	585	629	643	674	736
Frozen Ready Meals	1,124	1,101	1,057	1,046	991
Prepared Salads	1,888	1,966	2,046	2,180	2,500
Frozen Processed Food	7,125	7,335	7,215	7,209	7,368
Frozen Bakery	149	146	145	146	144
Frozen Desserts	453	447	441	434	401
Frozen Meat Substitutes	271	282	274	268	275
Frozen Pizza	585	629	643	674	736
Frozen Processed Fish/Seafood	1,279	1,348	1,334	1,325	1,420
Frozen Processed Potatoes	1,016	1,058	1,072	1,109	1,165
Frozen Processed Poultry	896	930	896	876	865
Frozen Processed Red Meat	411	429	418	412	424
Frozen Processed Vegetables	730	757	723	705	728
Frozen Ready Meals	1,124	1,101	1,057	1,046	991
Frozen Soup	11	1	-	-	-
Other Frozen Processed Food	203	207	211	216	220

***Source**: Euromonitor, 2011. ***Note:** 2011 figures (displayed in blue text) are estimates based on part-year data.*

The total packaged food sector in the U.K. is expected to reach sales of over US$105 billion by 2015.

TOP PACKAGED FOOD CATEGORIES (continued)

Packaged Food Sales in United Kingdom by Category
in US$ Millions

Categories	2008	2009	2010	2011	2015
Sweet and Savoury Snacks	6,402	6,713	7,085	7,521	9,162
Chips/Crisps	2,496	2,646	2,782	2,910	3,533
Extruded Snacks	1,456	1,485	1,575	1,699	2,116
Fruit Snacks	905	946	998	1,073	1,289
Nuts	726	753	784	826	951
Popcorn	245	255	271	290	348
Pretzels	68	76	86	94	125
Tortilla/Corn Chips	288	323	352	377	482
Other Sweet and Savoury Snacks	217	228	237	252	319
Canned/Preserved Food	3,921	4,245	4,289	4,441	4,789
Canned/Preserved Beans	542	643	636	676	741
Canned/Preserved Fish/Seafood	745	836	802	832	886
Canned/Preserved Fruit	176	179	176	177	177
Canned/Preserved Meat and Meat Products	452	485	481	498	524
Canned/Preserved Pasta	179	189	197	206	242
Canned/Preserved Ready Meals	473	481	487	497	507
Canned/Preserved Soup	522	564	586	606	715
Canned/Preserved Tomatoes	265	280	325	334	356
Canned/Preserved Vegetables	453	474	493	513	545
Other Canned/Preserved Food	114	114	107	103	98
Sauces, Dressings and Condiments	3,762	3,939	4,080	4,224	4,952
Cooking Sauces	2,004	2,111	2,184	2,254	2,630
Dips	240	252	272	290	357
Pickled Products	379	384	389	393	452
Table Sauces	1,032	1,082	1,121	1,171	1,383
Tomato Pastes and Purées	74	76	77	78	87
Other Sauces, Dressings and Condiments	34	35	36	38	44
Oils and Fats	2,399	2,414	2,450	2,545	2,842
Butter	868	881	899	931	1,059
Cooking Fats	39	37	35	34	29
Margarine	53	54	55	56	57
Olive Oil	258	239	230	238	280
Spreadable Oils and Fats	874	910	942	983	1,061
Vegetable and Seed Oil	308	294	290	303	355
Dried Processed Food	1,754	1,897	1,979	2,108	2,423
Dehydrated Soup	31	35	39	41	52
Dessert Mixes	136	139	151	152	156
Dried Pasta	355	368	382	400	489
Dried Ready Meals	38	38	37	37	36
Instant Noodles	324	349	373	397	485
Instant Soup	141	152	158	164	184
Plain Noodles	61	64	71	78	105
Rice	668	754	769	839	917

***Source**: Euromonitor, 2011. ***Note:** 2011 figures (displayed in blue text) are estimates based on part-year data.*

TOP PACKAGED FOOD CATEGORIES (continued)

Packaged Food Sales in United Kingdom by Category in US$ Millions

Categories	2008	2009	2010	2011	2015
Ice Cream	2,083	2,173	2,258	2,354	2,612
Frozen Yogurt	17	18	20	21	26
Impulse Ice Cream	807	839	888	940	1,052
Retail Artisanal Ice Cream	85	86	88	91	103
Take-Home Ice Cream	1,174	1,230	1,263	1,302	1,432
Soup	938	1,003	1,055	1,112	1,362
Canned/Preserved Soup	522	564	586	606	715
Chilled Soup	195	212	231	257	357
Dehydrated Soup	31	35	39	41	52
Frozen Soup	11	1	-	-	-
Instant Soup	141	152	158	164	184
UHT Soup	38	39	42	44	55
Baby Food	789	872	949	1,005	1,162
Dried Baby Food	48	51	53	56	60
Milk Formula	419	468	512	536	601
Prepared Baby Food	236	258	279	302	364
Other Baby Food	86	96	104	111	137
Pasta	685	715	748	786	962
Canned/Preserved Pasta	179	189	197	206	242
Chilled/Fresh Pasta	152	158	169	181	232
Dried Pasta	355	368	382	400	489
Spreads	656	699	739	783	920
Chocolate Spreads	43	54	64	72	98
Honey	161	179	194	209	264
Jams and Preserves	301	302	305	316	359
Nut-based Spreads	72	82	89	95	103
Yeast-based Spreads	80	82	87	92	96
Snack Bars	647	685	711	737	874
Breakfast Bars	415	424	418	411	384
Energy and Nutrition Bars	36	38	40	45	59
Fruit Bars	25	24	24	23	22
Granola/Muesli Bars	101	113	134	154	242
Other Snack Bars	70	87	95	104	169
Noodles	392	420	452	484	600
Chilled Noodles	7	7	8	8	10
Frozen Noodles	-	-	-	-	-
Instant Noodles	324	349	373	397	485
Plain Noodles	61	64	71	78	105
Snack Noodles	-	-	-	-	-
Meal Replacement	83	85	88	92	100
Convalescence	18	19	20	21	24
Meal Replacement Slimming	65	66	68	71	76

***Source**: Euromonitor, 2011. ***Note:** 2011 figures (displayed in blue text) are estimates based on part-year data.*

KEY MARKET SEGMENTS: 2009-2010

CHILLED PROCESSED FOOD

- Chilled processed food sales increased by about 2.3%, or from US$17 billion to US17.4 billion, which was somewhat slower than the 3% growth recorded in 2009 and the 3% compound annual growth rate (CAGR) from 2005 to 2010. Sales volume increased by 1.7% from 2009 to 2010.

Main Sectors

- Chilled processed meat sales grew from US$7.8 billion to US$7.9 billion.
- Chilled ready meals increased slightly from US$4.2 billion to US$4.3 billion.
- Chilled fish and seafood remained relatively stable at US$1.6 billion.

Main Producers and their British Brands

- Tesco was the leader in the chilled processed food market, holding 16.8% of retail sales, followed by J. Sainsbury with 11.3%
- Bernard Matthews LTD, with its brand by the same name, held a 2.2% share of the market for chilled processed products in 2010.
- Private label sales made up 72% of the category in 2010.

Forecasts for 2011-2015

- Retail sales of chilled processed food products are expected to grow by 5.4% in value. Chilled soup and chilled/fresh pasta products will increase in value by 38.8% and 27.8%, respectively, and sales of chilled noodles will grow by 21.1% over the period. Chilled fish and seafood sales are forecast to grow by 2.8%.

BAKERY PRODUCTS

- The bakery products category grew by 1.2% in value to US$15 billion, but declined 0.8% in volume from 2009 to 2010. The U.K. retailing industry is highly consolidated, particularly in the bakery products segment, and the supermarkets/hypermarkets channel holds substantial bargaining power, which is exercised when dealing with manufacturers in order to continue to provide the lowest price possible for consumers.

Main Sectors

- Sales of baked goods increased from US$9.3 billion to US$9.4 billion.
- Biscuit sales increased from US$2.7 billion to US$2.8 billion.
- Breakfast cereal sales remained fairly stable at US$2.8 billion.

Main Producers and their British Brands

- Artisanal baked goods held 15.3% of the market in 2010, followed by Warburton's with 8.1%, and Premier Food Plc with 6.0%.
- The leading company in the biscuits market was United Biscuits (U.K.) LTD, holding a 31.7% market share in 2010. Its leading brands were McVitie's Digestive, Mini Cheddars, and Jacob's.
- Great Britain's Kellogg Co held 28.6% of the breakfast cereals market in 2010. Its top three brands were Kellogg's Special K, Kellogg's Crunchy Nut, and Kellogg's Corn Flakes.
- Private label controlled 22.5% of the bakery products market in 2010.

Forecasts for 2011-2015

- Retail sales of bakery products are forecast to increase by 11.0%. By the end of 2015, sales of baked goods are expected to have increased by 9.0%, while biscuits are expected to grow by 19.0%, and breakfast cereals by 9.8%.

KEY MARKET SEGMENTS: 2009-2010 (continued)

DAIRY PRODUCTS

- Sales value increased 2.2% from US$14.2 billion to US$14.5 billion.

Main Sectors

- Cheese sales increased from US$3.9 billion to US$4.1 billion.
- Drinking milk products sales increased slightly from US$6.1 billion to US$6.2 billion.
- Yogurt and sour milk drinks sales increased from US$2.5 billion to US$2.6 billion.

Main Producers and their British Brands

- Tesco was the leader in Dairy Products, holding 19.1% of the market in 2010, followed by Sainsbury PLC with 15.1%, and ASDA group LTD with 14.3%.
- Cathedral City maintained fourth place positioning in cheese, increasing its retail value share from 9.2% in 2009 to 9.8% in 2010.
- Private label accounted for 48.7% of total dairy sales in 2010.

Forecasts for 2011-2015

- This sector is forecast to grow by 11.3% from 2010 to 2015. Yogurt and sour milk drinks sales are expected to increase by 18.7%. Cheese sales will increase by 14.8%, and sales of drinking milk products and other dairy are expected to increase by 5.5% and 11.5%, respectively.

CONFECTIONERY

- Sales value in this sector grew from US$11.7 billion to US$12.1 billion, while sales volume rose from 932,000 tonnes to 947,000 tonnes.

Main Sectors

- Sales of chocolate confectionery grew from US$8.5 billion to US$8.8 billion.
- Sugar confectionery sales increased slightly from US$2.6 billion to US$2.8 billion.
- Sales of gum decreased from US$536 million to US$530 million.

Main Producers and their British Brands

- Kraft Foods held 32.9% of the confectionery market in the U.K. in 2010. Its top two brands were Cadbury's and Terry's.
- Mars Inc held 21% of the market in 2010. Its main brands were Galaxy, Wrigley's, and Mars.
- Nestle held 15.6% of the market in 2010. Its main brands were Kitkat and Quality Street.
- Private label held 7.1% of confectionery market in the U.K.

Forecasts for 2011-2015

- Sales of confectionery are expected to grow by 20.3% over the period. Sales of sugar confectionery are forecast to increase by 12.2%, chocolate confectionery by 24.0%, and gum will see a slight decrease of 0.2%.

KEY MARKET SEGMENTS: 2009-2010 (continued)

READY MEALS

- Sales in this sector grew from US$9.2 billion to US$9.3 billion from 2009 to 2010. Sales volume increased by 1.6%, to 1.1 million tonnes.

Main Sectors
- Sales of chilled ready meals increased from US$4.2 billion to US$4.3 billion.
- Prepared salad sales increased from US$1.9 billion to US$2.0 billion.
- Sales of frozen ready meals remained relatively stable at US$1.1 billion.

Main Producers and their British Brands
- Samworth Bros Ltd held 3.0% of the market in 2010. Its top brands were Ginsters and Samworth Brothers.
- Oetker-Gruppe held 2.1% of the market in this sector in 2010. Its main brands were Chicago Town and Ristorante.
- Heinz held 1.7% of the ready meals market in 2010. Its main brand was Heinz.
- Private label represented 75% of the total market of the ready meals sector.

Forecasts for 2011-2015
- Sales of ready meals are expected to grow by 5.8% over the period. Prepared salads (14.6%), frozen pizza (9.2%), dinner mixes (6.8%) and chilled pizza (6.1%) will see the largest value growth in this category.

FROZEN PROCESSED FOOD

- Value sales in this sector decreased from US$7.3 billion to US$7.2 billion, and volume sales remained stable at 1.5 million tonnes.

Main Sectors
- Frozen processed fish/seafood sales remained stable at US$1.3 billion.
- Frozen processed potatoes sales remained stable at US$1.1 billion.
- Frozen pizza sales rose from US$629 million to US$643 million.

Main Producers and their British Brands
- Birds Eye Iglo Group led the frozen processed food market with 14.1% of sales. Its major brand is Birds Eye.
- Youngs Bluecrest Seafood held 5.9% of the frozen processed food market in 2010. Its main brand was Youngs.
- McCain Foods Ltd held 5.4% of the market in 2010. Its main brand was McCain.
- Private label held 47.4% of frozen processed food sales in 2010.

Forecasts for 2011-2015
- Frozen processed food sales are forecast to increase by 2.2% by the end of 2015. Frozen processed fish/seafood sales will increase by 7.1%, frozen potato sales by 5.1%, and frozen pizza by 9.2%.

KEY MARKET SEGMENTS: 2009-2010 (continued)

SWEET AND SAVOURY SNACKS

- Sales of sweet and savoury snacks increased from US$6.7 billion to US$7.1 billion. Sales volume increased from 427 000 tonnes to 436 000 tonnes.

Main Sectors
- Sales of chips and crisps grew from US$2.6 billion to US$2.8 billion.
- Sales of extruded snacks increased from US$1.5 billion to US$1.6 billion.
- Sales of fruit snacks rose from US$946 million to US$998 million.

Main Producers and their British Brands
- PepsiCo Inc led the sweet and savoury snacks market with a share of 30.1% in 2010. Its leading brands were Walkers and Doritos.
- United Biscuits (Holdings) Plc held 9.6% of the sector in 2010. Its main brands were McCoy's and Hola Hoops.
- Procter & Gamble Co held the third spot in the sweet and savoury snacks market, with a 5.5% share. Its main brand was Pringles.
- Private label represented 20.3% of the total market for sweet and savoury snacks.

Forecasts for 2011-2015
- Sales of sweet and savoury snacks are expected to see an increase in value of 21.8% over the period. Chips and crisps will grow by 21.4%, extruded snacks by 24.5%, and fruit snacks are forecast to grow by 20.2% over the period.

CANNED/PRESERVED FOOD

- This sector's sales value increased from US$4.2 billion to US$4.3 billion, while retail volume remained stable at 1.5 million tonnes.

Main Sectors
- Sales of canned/preserved beans decreased from US$643 million to US$636 million.
- Sales of canned/preserved pasta increased from US$189 million to US$197 million.
- Sales of canned/preserved meat and meat products fell from US$485 million to US$481 million.

Main Producers and their British Brands
- Heinz Co. HJ led the market for canned and preserved food with a share of 25.8% in 2010. The company's leading brand was Heinz.
- Princes Ltd held 9.2% of the market in 2010. Its main brand was Princes.
- Premier Foods Plc held 7.3% of the market for canned and preserved food in 2010. Its main brand was Fray Bentos.
- Private label controlled 31.1% of the canned and preserved food market in 2010.

Forecasts for 2011-2015
- Sales of canned/preserved food are forecast to increase by 7.8% by the end of 2015. Sales of preserved pasta are expected to increase by 17.8%, preserved soups are expected to grow by 18.0%, and preserved fish and seafood are forecast to increase by 6.4%.

COMPANY SHARES

Top 20 British Packaged Food Market Company Shares (by Global Brand Owner)
Retail Sales Value - % Breakdown

Companies	2006	2007	2008	2009	2010
Kraft Foods Inc	1.0	1.0	1.0	1.0	5.5
Mars Inc	3.1	3.2	3.8	3.7	3.7
Premier Foods Plc	1.7	3.6	3.8	3.7	3.6
Nestlé SA	2.7	2.7	2.6	2.6	2.6
PepsiCo Inc	2.5	2.4	2.4	2.5	2.6
Unilever Group	2.5	2.5	2.5	2.5	2.5
Heinz Co, HJ	1.7	1.7	1.8	1.9	1.9
United Biscuits (Holdings) Plc	1.9	1.9	1.9	1.8	1.9
Warburtons Ltd	1.1	1.2	1.3	1.4	1.3
Associated British Foods Plc (ABF)	0.9	1.1	1.3	1.3	1.3
Dairy Crest Group Plc	1.0	1.5	1.4	1.3	1.3
Kellogg Co	1.3	1.3	1.3	1.3	1.3
Birds Eye Iglo Group	1.2	1.2	1.2	1.2	1.1
Danone, Groupe	0.6	0.8	0.9	1.0	1.1
Molkerei Alois Müller GmbH & Co KG	0.8	0.8	0.9	0.9	0.8
Arla Foods Amba	1.1	0.7	0.8	0.8	0.8
Kerry Group Plc	0.6	0.6	0.6	0.6	0.6
Bernard Matthews Ltd	0.8	0.7	0.6	0.6	0.6
Princes Ltd	0.5	0.5	0.5	0.5	0.5
Youngs Bluecrest Seafood Ltd	0.4	0.5	0.5	0.5	0.5

***Source**: Euromonitor, 2011.*

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