

Food & Drink

11

## *Natural Success Story*

Michael Bell

**Northern Ireland's food and drink sector has a hard-earned reputation for quality and freshness which sits happily with external perceptions of Northern Ireland as naturally beautiful and unspoilt.**

It's a charming but rather laid back analogy which shows just one dimension of what is an extremely complex and competitive marketplace. Behind the scenes, the food and drink sector has been coping with turbulent times.

Food and drink manufacturing continues to be the backbone of the Northern Ireland economy. Perhaps surprisingly, its profile is not particularly high among local consumers, but its importance to Northern Ireland cannot be underestimated.

Food and drink manufacturing has a long tradition on the island of Ireland, both North and South, and the sector is one of the largest economic activities on the island and is certainly the largest area of cross-border trade.

In Northern Ireland we have 176 food and drink manufacturers whose turnover is greater than £1m. The total turnover of the industry is more than £2,365m and employment today is 19,295.

It is interesting to chew over those statistics, if you will forgive the shameless pun.

Food and drink manufacturing employment has been relatively constant over the past five years, steady at about 19,000. This hides the fact, that in this period, the industry has made huge strides in manufacturing efficiency gain and added value per employee gain, and indeed has faced employment shortages in Northern Ireland, such that the industry is now using numbers of foreign labour.

The future for the industry, while tough, is bright, and with sufficient government help could be brighter, although Northern Ireland's food and

drink industry has not progressed as well over the past number of years as the sector has in the Republic.

---

**... the sector is one of the largest economic activities on the island and is certainly the largest area of cross-border trade ...**

---

This is in some measure due to exchange rates and local government support. Having said that, we have many companies that enjoy global reputations for excellence and which are category champions among many of the major retailers.

As an industry we enjoy a strong reputation amongst the best in many areas.

The big challenges facing the sector include the cost of energy locally. Food and drink manufacturing average net

margin is approximately 2%. Energy costs and movements in them are therefore a very significant part of this percentage and can have a huge effect on manufacturing economics.

The Government's announcement of a £30m rebate last year was a hugely welcome lift for the industry . . . and the subsequent withdrawal of that is disingenuous to say the least. Energy costs continue to run approximately 50% above those of our UK-based colleagues and this is a significant – some might even say impossible – hurdle for the sector to overcome.

The recent requisition of Safeway Northern Ireland by Morrison's presents another challenge for the supply base. Whether Morrison's decides to come here or to sell, either scenario will prompt some supplier base contraction. Turbulence in the market place is always difficult for suppliers and, with low margins, food is especially sensitive.

Michael Bell





The continuing highly competitive market place, with deflation being a regular feature over the past number of years, looks set to continue and, indeed, deflation appears to be spreading into other sectors, notably electronics and automotive.

However, in food, deflation cannot continue ad infinitum without some serious effects. The principal of these will be the exporting of most of our food supply chains to third world countries. While this may have major cost advantages for retailers and consumers in the short term, longer-term problems include security of food supply, vulnerability to oil price fluctuations, and bio-security with issues around disease control and traceability.

Probably the most important issue however is sustainability and the impact of farming activities on the environment.

The commercial difficulties facing Northern Ireland's farmers and the agricultural community generally have been well documented and much work is being done to arrest – even reverse – the decline of this all-important facet of our economy. As farming suffers, so too does the food and drink sector for the two are inextricably linked.

---

### **As an industry we enjoy a strong reputation amongst the best in many areas**

---

While external factors have combined against both, these are also sectors that are working hard to change themselves. Traditional at the core, each has found change difficult, but they recognise that change is



essential to survival.

Northern Ireland's food and drink sector is learning to be as keen and lean as it is green.

Costs are kept tight so that companies can cope with the low margins that are commonplace in the industry. But we are increasingly

looking at ways to add value, pushing up margins and building new 'customer delight' into our product offers.

*Michael Bell is executive director of the Northern Ireland Food & Drink Association*

## *At the Heart of the Economy*

Tim Brannigan

**A decade ago few would have foreseen the extent and rapidity of the changes that the province's food sector would undergo during the course of ten years.**

**T**he arrival of the UK multiples in the mid-1990s was the first in a series of developments that have completely transformed the industry for producers, processors, and suppliers alike. As the UK's big supermarkets quickly embedded themselves into Northern Ireland's retail landscape, they not only brought fresh opportunities, but also new threats.

Globalisation and the ever-changing demands of the consumer have created further turbulence in the sector and precipitated major restructuring in an industry that has long been central to the prosperity of Northern Ireland.

---

**... a very stable and robust part of our economy ...**

---

As Michael Bell of the Northern Ireland Food & Drink Association (NIFDA) states, the food industry, along with its sister sector the drinks industry, has always been at the heart of the province's economy, employing around 20,000 people and producing close to 7% of the province's gross domestic product (GDP).

He also notes that whereas the new economy took its toll on other traditional industries, most notably textiles, the food industry has managed to sustain employment levels and grow output. This resilience, the NIFDA executive director says, can be attributed to a number of factors.

"The island of Ireland as a whole is a very strong food and drink manufacturing entity, not least because of some simple fundamentals. We're blessed with a moderate climate, there's no heavy industry or nuclear industry, and our products therefore have an international reputation for being clean and wholesome."

He instances competence and forward thinking among the industry's leaders as the key components in driving the food sector's fight for survival.

"Northern Ireland's food industry has had to adapt quickly to changing circumstances, but its continued strength is a tribute to those within the industry," he says.

"Right across the supply chain people have had to seek out new

opportunities by developing new products and understanding the importance of good marketing. This has ultimately made our industry stronger and more sustainable."

The province's big food processors – such as Moy Park, Dale Farm, and Linden Foods – have led the industry's response to new market conditions with an outward looking determination.

Dale Farm chief executive and CBI

## *Continuing Excellence*



Paul Rankin

Paul and Jeanne Rankin's award-winning Cayenne restaurant in Belfast has won yet another prize for its quality cuisine, having been acclaimed the 'Best Restaurant 2004' by The Grub Club.

Cayenne, on Belfast's Shaftesbury Square, is the only restaurant in the history of the awards to have received the prize on two occasions, as the Rankins also received the award in 2000.

The awards were established in 1970 and are judged by its 22 members who visit various restaurants throughout Northern Ireland during the course of the year.

Paul Rankin is delighted to receive the award for the second time. "All of the staff at Cayenne work hard to offer customers the ultimate dining experience. This accolade is testament to their dedication and hard work. The fact that we have received the award on two occasions demonstrates our consistently high level of service and first class food."

Celebrity chefs Paul and Jeanne Rankin have picked up many other accolades for their Cayenne restaurant. For instance, it has been placed in the top 10 restaurants in the UK in the Time Out's guide to eating and drinking in Great Britain and Ireland - the only Northern Ireland restaurant to make the list.

Other awards include that of 'Best Restaurant in Ireland' from the Jameson's Guide and the 'Bib Gourmand' from Michelin.

Cayenne has also been named as one of the UK's best restaurants by The Observer Food Monthly magazine, which said that "the atmosphere in Paul and Jeanne Rankin's restaurant is just as hot and modern as the menu".

Northern Ireland chairman David Dobbin sums up the climate succinctly.

“It’s a case of gearing up or clearing out,” he says.

“Our customers are getting stronger and larger as we see consolidation on the high street and in the food service sector. The enlargement of the European Union, the outcome of the world trade talks, and the review of the EU’s Common Agricultural Policy will present additional challenges for which we need to be prepared. Either you compete in that environment and succeed or you’re going to have to leave the sector altogether.”

The companies that will survive, Mr Dobbin says, need to take a global view and play to their strengths.

“Any company that’s going to thrive in this environment is going to have to be much more competitive, much more market focused, and more inventive and innovative in terms of trying to differentiate what they’re offering against a crowd,” he says.

The recent performance of Dale Farm, which is wholly owned by farmers’ co-operative United Dairy Farmers, is a testament to Mr Dobbin’s strategy. The company anticipated changes in the dairy processing sector and shifted its focus accordingly from commodities to value-added products.

“Dale Farm has doubled the size of its sales in the past four years and decreased its reliance on commodity sales, which now account for just 40% of sales, compared with 80% previously.

“Consumer product sales have quadrupled over the same period and I think that growth is a sign that we must be doing something right.”

Dale Farm’s restructuring, which has been achieved against a background of paying the best possible price for milk to its shareholder suppliers, has been expensive, Mr Dobbin concedes.

The company has spent £30m on acquisitions, £20m on re-equipping itself with better information

technology and increased manufacturing capability, and a further £10m on developing a state-of-the-art innovation and product development centre to drive its product range forward.

“We’ve done all that and we still say we have a lot to do,” he says, “but we feel we’ve made a good start.”

‘Innovation’ and ‘adding value’ are also the key terms at Wilson’s Country Vegetables in Portadown, where founder and chief executive Angus Wilson has had to counter low-cost competition from outside the province.

---

### ... the food industry ... has always been at the heart of the province’s economy ...

---

“We in Northern Ireland can’t match the scale of our counterparts in Great Britain who are often dealing in five to ten times the quantity,” says Mr Wilson.

“The efficiencies of their larger operations mean that in many instances they can pack product at lower cost.”

The Wilson’s Country Vegetables response to their larger competitors’ advantage has been to focus on regional and added-value products. They tailor these products, mainly for the local market, through a strategy that to date has proved successful.

“We have ways of adding value and trying to regionalise our products,” says Mr Wilson. “For example, there is more demand for our fertiliser-free potatoes in the home market than in Britain because the Irish like dry potatoes. It is in areas like these that we have to differentiate and add value.”

As the food sector has become more outward-looking, attitudes between regional competitors within the province have also changed. Dale Farm chief executive David Dobbin’s assertion that the company two miles down the road is “no longer regarded as the enemy” is echoed by NIFDA’s Michael Bell, who believes that the

industry as a whole can move forward together.

“We have a cluster of companies in Northern Ireland that I believe helps us to maintain competitive advantage,” he says.

“As staff migrate from one firm to the other and share best practice, it helps to keep the industry on its toes and ensures that we remain competitive. It also has its advantages in creating critical mass.”

Mr Bell is adamant, however, that the government must play its part in augmenting what is already an inherently strong sector and one that has often been neglected.

“Despite our significant input, we have been disappointed with the outcome of both the government’s *Strategy 2010* document and the Department of Agriculture and Rural Development’s *Vision* report,” he says.

“We think that this needs to be addressed and recently in developing a Food Strategy Group with the Department of Enterprise, Trade and Investment we have raised a number of criticisms.”

Not least among the industry’s concerns is its failure to receive due recognition, whether it’s from the government or from the general public. Mr Bell is optimistic, however, that the perception will soon change.

“We have between 200 and 300 businesses forming a very stable and robust part of our economy and this needs to be reflected in the support we receive,” he says.

“We need a clear and decisive strategy from the government that translates into action.”

With this and all the other key components in place, Michael Bell insists, the sector once written off as a ‘sunset industry’ can maintain the Northern Ireland food industry’s position on the world map.

*Tim Brannigan is a freelance journalist*

## A Massive Contribution

Tim Brannigan

**In a region that has had more than its fair share of bad news, the food and drinks industry stands tall as one of the shining lights of the Northern Ireland economy.**

**T**he figures for the industry are impressive. Annual turnover is £2.3bn and, if farming is taken into account, the sector produces around 6% to 7% of Northern Ireland's gross domestic product (GDP).

However, many people remain unaware of its true significance, says Michael Bell, executive director of the Northern Ireland Food and Drinks Association.

"The food and drinks sector is a real success story for Northern Ireland but we do not get the recognition we deserve despite making a massive contribution to the economy.

"The food and drinks sector is the backbone of the Northern Irish economy – there's no other way to say it.

"We have a good industry here which is rising to the global challenge and is meeting that challenge," says Mr Bell.

He feels that trading in Northern Ireland presents unique difficulties.

Being on an island on the periphery of Europe throws up logistical issues,

and the problem of high fuel costs has been well-documented. Predictably, the issue of the lack of attention from the government in Northern Ireland is also an area of concern to the industry.

---

### ... demonstrated continuous growth ...

---

"The government has tended to focus on other directions and that has had a negative effect on the entire private sector and not just manufacturing," says Mr Bell.

The government's attitude needs to change, he believes. It should focus on supporting the food and drink industry because there are a "huge number of issues to be addressed".

Despite the lack of attention, the industry has demonstrated its resourcefulness. The strength and resilience of this sector is perhaps best underlined by figures which show that in 1996, there were about 26,000 jobs in textiles and 21,000 in manufacturing. Now, eight years later, there are 19,500 in food and drink manufacturing and fewer than 7,000 in textiles.

Further, industry leaders are keen to point out, these are long-term reliable jobs and often they have a crucial

social as well as economic role.

"Many of the jobs we're providing give employment for educational low attainers, which is an important part of a mixed economy," says Mr Bell.

He says that his association's members are passionate about food and drink manufacturing. "It's a very strong industry here in terms of global competitiveness and we've got an industry with a superb reputation in terms of quality and standards."

Within the food and drinks industry, the soft drinks sector – which makes up around 10% of the industry – is generally considered to be innovative and enjoys high margins.

The view from one of the leading soft drinks makers in the Northern Ireland remains optimistic.

John Barrett, chairman of Coca-Cola Bottlers (Ulster), describes the soft drinks market as 'matured' but still offering the prospect of strong growth. The soft drinks market is healthy at the moment with annual growth of around 3%.

---

### ... one of the shining lights of the Northern Ireland economy ...

---

"The key factor in the market is the movement of consumers towards a far more diverse and varied portfolio of non-alcoholic beverages," says Mr Barrett.

"This trend has been prevalent across the entire food and drink industry over the past ten years and soft drinks is no exception. The development of the category in the past decade has been phenomenal, with water, sports, and energy drinks growing quickly to form significant sales volumes."

There is still a lot of potential growth left in the water market, as the per capita consumption in Northern Ireland is still well below the European average.

"Consumers want products that will





## ***Oldest Whiskey Distillery in the World***

The Old Bushmills Distillery at Bushmills in Co Antrim claims its record status from a seven-year licence to distil issued in April 1608.

The distillery has had an eventful history, having been destroyed by fire

in 1885 and undergoing several changes of ownership. It was acquired in 1972 by the Irish Distillers Group, which itself was taken over by the Groupe Pernod Ricard.

Bushmills produces many fine

whiskeys, of which the best-known is the world-renowned Bushmills Irish Whiskey, as well as the classic Bushmills Black Bush and, since 1996, Bushmills Malt, a 16-year-old rare single Irish malt whiskey.

help them to do specific things as well as taste great," says Mr Barrett. "Whether it's to help them perform better during a match or give them a boost during the day, these drinks have found a place and a role in changing consumer lifestyles."

However, Mr Barret maintains that reports of the death of the carbonated drinks market are "tremendously overstated". In fact this area of the market is enjoying a very bouyant time.

The outlook for the soft drinks sector – one of the most exciting areas of the food and drinks market - remains extremely positive. As consumer lifestyles change and develop, they provide the incentive for companies to innovate.

"The category also offers retailers strong margin potential and has demonstrated continuous growth even when other categories such as alcohol have experienced declines," says John

Barrett.

"Looking across the globe at other markets, we can see that there are many more new beverages and drinks which have yet even to show themselves within Northern Ireland, so there is definitely more opportunity out there for growth."

*Tim Brannigan is a freelance journalist*

