



# Firms set to exploit global food sector

by Brian O'Mahony

FOOD companies are well placed to commercially exploit the burgeoning global food market, according to a study into the sector.

Because of their modest size, Irish food companies have the flexibility to adapt to the challenges and opportunities opening up.

Huge opportunities are available to those interested and capable of exploiting the various market niches that have opened up. Firms like IAWS, Greencore and Kerry are showing the way in that regard. The world markets offer terrific opportunities to firms willing and able to exploit what the markets have to offer, according to a major report by Goodbody Stockbrokers.

But Irish food companies

face strategic decisions regarding the \$3,500 billion global food market. They have to decide whether to go the low-cost commodity route or single out the \$500bn premium end of the world food sector that offers better returns.

Based on analysis of publicly quoted companies Donegal Creameries, Glanbia, Fyffes, Greencore Group, IAWS, Norish and Kerry Group, food analyst Liam Igoe says that IAWS and Kerry have been the outstanding performing food companies in the world, achieving annual earnings of 18.4% and 16.1%, respectively. Irish companies will continue to face serious challenges from continued retailer consolidation and it will also face a stiffer regulatory environ-

ment.

The report says that up to 70% of production by the seven companies analysed is targeted at the more rewarding value-added categories.

Since 1988, they have spent close to €7 billion on capital investment and acquisitions that have given them a strategic presence in the markets of the world. "This they have been able to do much easier than the very large international food companies," said Mr Igoe.

Called Carving Out Niches — Challenges and Opportunities for Irish

Food Companies, the report's examination of the broader dairy sector has questioned the rationalisation process called for in the

recent Prospectus report.

When all the chatter is discounted, Mr Igoe said the basic test of any group or sector's performance is the return they achieve on the capital invested in the business.

Firms have done best when they expanded into higher-growth niche markets. Specifically in the case of the dairy sector, Mr Igoe concludes that "a federation-style approach to each of the basic commodities may be more appropriate than full-scale mergers."

Goodbody Stockbrokers have given Greencore, Kerry, IAWS and Fyffes Buy recommendations, with Donegal Creameries, Norish and Glanbia listed as worth adding to investor portfolios due to their on going progress.