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UK food and beverage companies look to invest at home and abroad amid growing global optimism



Driven by rising optimism globally, many UK food and beverage companies are looking to increase investment across areas such as facilities, equipment, IT and product development over the next 12 months, according to a new report* from leading business and financial advisory firm Grant Thornton.

The report, [‘Hunger for growth: food and beverage looks to the future’](#), also identifies that barriers to growth remain, with over 40% of UK respondents predicting that raw material prices will rise by 1-5%. Subsequently this was identified as the biggest challenge for the sector in the year ahead.

Steve Hammell, director in corporate finance at Grant Thornton in Yorkshire, said: “There’s been a new wave of optimism a cross UK food and drink businesses, partly driven by export opportunities and partly due to improved consumer sentiment, which is increasing investment in the sector. However, wider challenges remain for the sector, not just in terms of rising raw material prices, but also in managing the volatility in the price and supply of many key commodities, and ensuring the continuity of supply when product availability is short in the UK or globally.”

Despite the UK being a net-importer, findings from the report indicate there will be an increase (a move from 2% to 5% over the next two years) in the number of UK businesses selling at least 25% of their products abroad.



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Mr Hammell continued: "Seven out of 10 respondents said growth was the more important factor over the next year rather than cost reduction, a sentiment that can partly be accounted for by increased export opportunities. This optimism, along with beneficial exchange rates, trusted 'safe' supply chains and demand for British brands and products are all likely to contribute to an increase in UK food and beverage exports."

On supermarket shelves, the report finds that approximately half of UK respondents expect positive effects from the trend towards locally sourced goods – few expect a negative impact. Businesses have invested heavily to maintain and improve product integrity and to apply more rigour to their supply chains, some as a direct result of the horsemeat scandal.

Mr Hammell concluded: "Recently, there's been a trend towards locally sourced food and interestingly some supermarkets have adopted a 'UK sourcing only' policy on all meat products, forcing many suppliers to use only UK meat, changing food chain behaviour and encouraging investment in UK production. Although this isn't as straightforward as it may seem as there will be imbalances caused by consumer preference for certain types of popular meat, and price conscious consumers are already causing some retailers to reintroduce imports. These imports will be better policed than in the past, which will benefit the quality operators in the market."

The report finds that almost two thirds (60%) of UK food and beverage businesses are likely to require additional funding over the next 12 months. Outside of Western Europe, China (37%), South East Asia (30%) and Africa (37%) are three key markets many UK food and beverage firms are intending to enter over the next two years.

For more information you can download the full report from the Grant Thornton UK website: <http://www.grant-thornton.co.uk/en/Publications/2013/Hunger-for-growth--Food-and-Beverage-looks-to-the-future/>.

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* The Grant Thornton conducted research amongst UK food and beverage senior executives, with surveys received in May, June, and July 2013.

Photo shows: Steve Hammell, director in corporate finance at Grant Thornton in Yorkshire

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