

COST SECTOR CATERING GOING THROUGH A TOUGH TIME

The latest information kindly provided by Peter Backman of Horizons FS Ltd. shows a depressing state for the contract-catering sector. The problem is spread across all sectors and all temperature regimes. The worst affected area is within the education sector showing total food purchases down by 16.2% in 2007 vs. 2004. Frozen is faring slightly worst than the average at a decline of 18.2%.

The decline in food purchases is absolutely mirrored by the reduction in the number of meals being served. The number of meals served is down by 16.5% in 2007 compared to 2004 and this equates to 67 million meals. The last two years in particular has seen contract caterers pulling out of unprofitable contracts in this sector of the market.

Staff catering and health care frozen foods purchases have both declined by just a little over 2% in 2007 compared to 2004.

The total amount of money being spent on frozen and contract catering is now just a little over £200 million and has declined since 2004 by 6% or £13 million per annum.

If you would like to understand more about the detail of these numbers, please feel free to contact Peter Backman at Horizons.

BFFF

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BRITISH FROZEN FOOD FEDERATION

FOCUS ON FOODSERVICE 2004 AND 2007 COMPARISON - CONTRACT CATERING SECTOR



Source: Horizons FS Ltd.

FOOD PURCHASES

Food Categories	STAFF CATERING			HEALTHCARE			EDUCATION			TOTAL		
	2004 £ millions	2007 £ millions	% Percentage Gain/Loss	2004 £ millions	2007 £ millions	% Percentage Gain/Loss	2004 £ millions	2007 £ millions	% Percentage Gain/Loss	2004 £ millions	2007 £ millions	% Percentage Gain/Loss
Frozen	118	115	-2.5	45	44	-2.2	44	36	-18.2	216	203	-6.0
Chilled - Long Life	99	100	1.0	36	36	0.0	51	43	-15.7	209	200	-4.3
Chilled - Short Life	236	244	3.4	72	74	2.8	58	50	-13.8	392	395	0.8
Ambient	285	278	-2.5	45	44	-2.2	76	63	-17.1	446	424	-4.9
Total	738	737	-0.1	198	198	0.0	229	192	-16.2	1,298	1,230	-5.2

GENERAL INFORMATION

Information Categories	STAFF CATERING			HEALTHCARE			EDUCATION			TOTAL		
	2004	2007	% Percentage Gain/Loss	2004	2007	% Percentage Gain/Loss	2004	2007	% Percentage Gain/Loss	2004	2007	% Percentage Gain/Loss
No. of Outlets	9,925	9,675	-2.5	864	864	0.0	5,517	5,102	-7.5	17,782	16,580	-6.8
No. of Meals Served - Millions	738	745	0.9	272	272	0.0	405	338	-16.5	1,615	1,511	-6.4
Food and Drink Sales - £ millions	1,956	1,954	-0.1	282	259	-8.2	384	323	-15.9	2,748	2,664	-3.1



Source: Horizons FS Ltd. For further information, contact Peter Backman, Horizons FS Ltd. Tel: 020 8349 0162
Website: www.horizonsforsuccess.com

The total includes Other Contract Catering contracts. The total value of frozen food purchases in Other is only £7 million

FOCUS ON FOODSERVICE SECTOR 2004 TO 2007 - CONTRACT CATERING

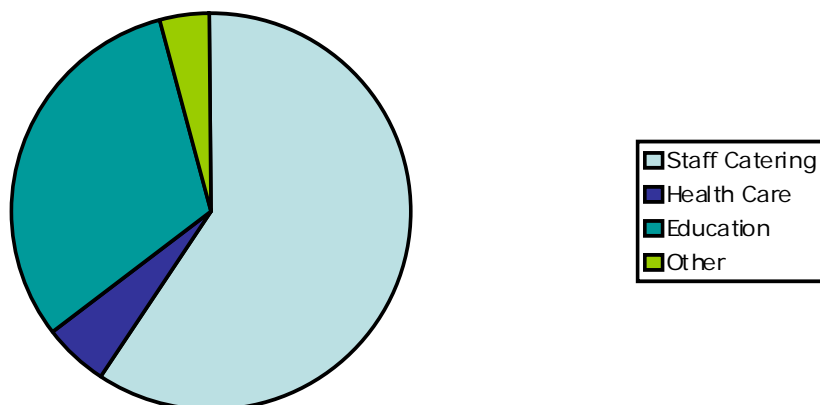
Outlets

	2004	2007
Staff Catering	9,925	9,675
Health Care	864	864
Education	5,517	5,102
Other	720	682
TOTAL	17,782	16,580

Source: Horizons

- Although only operating out of fewer than 17,000 outlets, the contract catering sector is one of the most important foodservice markets for food suppliers
- This importance arises because of the scale of the companies active in this market and the wide range of food categories that they require
- Despite that, the contract catering sector has seen has a distinct plateauing of its overall outlook over the last few years.
- The 1,200 fall in the number of contracted outlets since 2004 is one example of this

Number of outlets: 2007



**FOCUS ON FOODSERVICE SECTOR 2004 TO 2007
- CONTRACT CATERING**

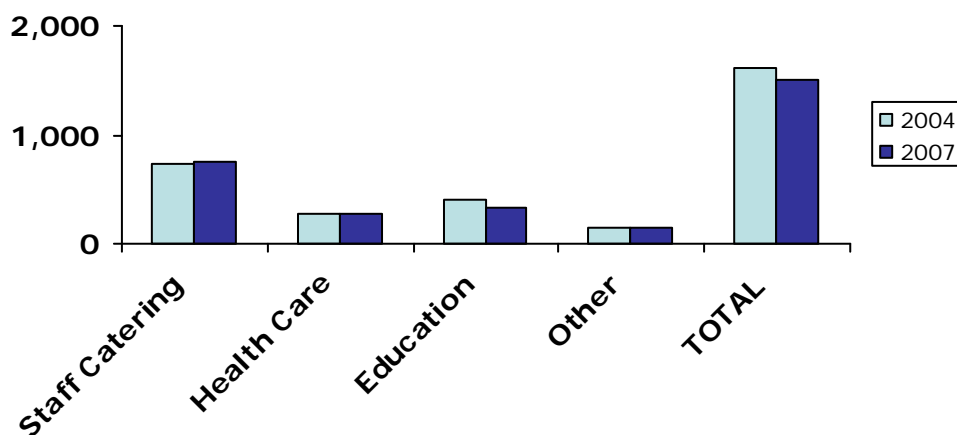
Meals

	Millions	Millions
	2004	2007
Staff Catering	738	745
Health Care	272	272
Education	405	338
Other	145	145
TOTAL	1,615	1,511

Source: Horizons

- Staff catering - otherwise referred to as B&I or Business & Industry - is the key sector for contract catering in general. It accounts for almost exactly half of meals served by contract caterers
- Although the B&I share has declined over the last twenty years, over the more recent past it has in fact seen its share grow
- Education has accounted for a declining share as contractors have exited unprofitable contracts in this sector
- There has also been a real, as well as relative, growth in a variety of small sectors combined within the "Others" category

Meals (Millions): 2004 -2007



**FOCUS ON FOODSERVICE SECTOR 2004 TO 2007
- CONTRACT CATERING**

Food Purchases 2004

£ Millions

	Total	Ambient	Chilled - long life	Chilled - short life	Frozen
Staff Catering	738	285	99	236	118
Health Care	198	45	36	72	45
Education	229	76	51	58	44
Other	97	41	22	27	8
TOTAL	1,298	446	209	392	216

Source: Horizons

- Frozen food accounted for 18% of all food purchased by contracted caterers in 2003
- The health care sector - including hospitals and care homes - were especially reliant on frozen foods which accounted for about a quarter of their food purchases

Food Purchases 2007

£ Millions

	Total	Ambient	Chilled - long life	Chilled - short life	Frozen
Staff Catering	737	278	100	244	115
Health Care	198	44	36	74	44
Education	192	63	43	50	36
Other	96	39	22	27	7
TOTAL	1,230	424	200	395	203

Source: Horizons

- Fresh food (also called chilled - short life food) accounted for a third of purchases in 2007.
- Frozen sales fell by about £13 million in real terms although, actual sales, after adding in price increases, grew over the three year period to 2007.

**FOCUS ON FOODSERVICE SECTOR 2004 TO 2007
- CONTRACT CATERING**

Food & Drink Sales

£ Millions

	2004	2007
Staff Catering	1,956	1,954
Health Care	282	259
Education	384	323
Other	126	127
TOTAL	2,748	2,664

Source: Horizons

- Over the three years from 2004 to 2007, food and drink sales fell slightly 3% in real terms
- However, contract caterers do not solely rely on sales to customers but they also receive income from their "clients" on whose sites they operate food service or catering services.

For full definitions of these sectors go to Horizons website <http://www.horizonsforsuccess.com/> and click on the link in the "Resources" section