Vegetarian Foods Market Assessment 2007

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A number of factors have affected the vegetarian foods market over the period covered by this Market Assessment report. The market experienced significant growth between 1999/2000 and 2001/2002, when annual value increases of 12.2%, 14.6% and 16.6%, respectively, were achieved. However, more recently (since 2002/2003), growth has fallen to within a range of 3.9% and 8.3% year-on-year, with the latest 12-month period (ending March 2007) showing growth at the top end of this. This increase is significant when compared with the food market as a whole.

Positive features affecting the market include the Government's efforts to make people more aware of healthy eating, encouraging the consumption of at least five portions of fruit and vegetables per day. Government figures show a reduction over the past several years in meat eating (although this has currently stabilised), undoubtedly in part a result of food scares. In addition, figures reveal a growth in the consumption of fruit and some vegetables.

A further factor expected to boost the vegetarian foods market is the recent acquisition activity in the sector. Marlow Foods (manufacturer of the dominant Quorn range) and Cauldron Foods have been bought by Premier Foods. Furthermore, much of the frozen and chilled food businesses of Heinz (including the Linda McCartney brand) and Haldane Foods have been acquired by Hain Celestial. Findus and Unilever's Birds Eye brand have been bought by the private-equity companies CapVest and Permira, respectively. This activity is likely to result in greater promotional activity, principally within the frozen vegetarian foods sector.

Despite these positive influences, the number of vegetarians in the UK population is estimated to have been in decline since 1999, after peaking in around 1997. However, continued growth in vegetarian food sales indicates that the market has become mainstream with maturity, with `vegetarian' foods being eaten by many people who would not describe themselves particularly as being vegetarians. They may see themselves as meat reducers, or just seeking a healthier and more varied diet. Vegetarian foods are claimed to be lower in saturated fat, and contain higher levels of dietary fibre, minerals and vitamins. Vegetarian food manufacturers have recognised this change, and are now marketing their products more as being `suitable for vegetarians' or `not just for vegetarians'.

Virtually all growth in the vegetarian foods market is derived from the chilled sector, which accounts for the majority share of the total market. Retailer own-label products are dominant in this sector, with growth in chilled foods at the expense of frozen foods being a pattern set throughout the food market. Frozen vegetarian foods account for nearly all of the balance of the market, with a very small sector of ambient products. Retailer own label is less dominant here, with brands holding the major share. The various subsectors within both chilled and frozen foods, such as ready meals, pastry products, potato-based accompaniments and sausages/grills/burgers, have shown a mixture of growth and decline.

By far the most important manufacturer of vegetarian brands is Marlow Foods, with its Quorn range of chilled and frozen products. Other important producers of vegetarian brands are Hain Celestial, with the Linda McCartney range and Haldane Foods, and Cauldron Foods. Smaller manufacturers are Birds Eye and Findus both of which have some vegetarian products within their traditional ranges Dalepak, Goodlife Foods and Tivall. Many of these companies also make for own label.

There is little display advertising for vegetarian foods, with Quorn being the only brand receiving such support. However, even here, main media advertising expenditure halved between the years ending March 2006 and 2007.

The report forecasts that, over the next 5 years (2007 to 2011), sales of vegetarian foods will continue to grow, but at a slower rate of between 6.2% and 6.9% year-on-year. Despite this, there will still be significant overall value growth in the market over the period.