

APPENDIX 1

(referred to in paragraph 12)

The proportion of reference goods supplied by Unilever in 1973 and 1974

1. Our estimates of the total supply of reference frozen foods in 1973 and 1974 and the proportion of that supply accounted for by companies of the Unilever Limited Group were as follows:

The total supply of reference frozen foods in 1973 and 1974 at suppliers' net current selling prices

	1973 (£ million)	1974 (£ million)
<i>Vegetables</i>		
sales to households ¹	58.9	68.9
sales to caterers ²	28.0	34.0
Total³	86.9	102.9
<i>Confectionery and fruit</i>		
sales to households (excluding cream and yoghurt) ⁴	14.5	16.3
sales to households of cream and yoghurt ⁵	0.3	0.4
sales to caterers ⁶	5.0	7.0
Total⁷	19.8	23.7
<i>Meat</i>		
sales to households (excluding sausages, minced meat, rabbit and uncooked poultry parts) ⁸	39.0	46.3
sales of sausages to households ⁹	1.0	1.2
sales to caterers (excluding minced meat, rabbit and uncooked poultry parts) ¹⁰	27.0	32.0
sales of minced meat ¹¹	2.0	2.5
sales of rabbit ¹²	0.5	0.6
sales of uncooked poultry parts ¹³	13.3	16.6
Total	82.8	99.2
<i>Fish</i>		
sales of white fish and white fish products ¹⁴	100.0	118.9
sales of UK produced non-white fish ¹⁵	5.5	6.7
sales of imported non-white fish ¹⁶	9.6	11.3
sales of UK produced shellfish ¹⁷	13.2	13.4
sales of imported shellfish ¹⁸	25.2	30.8
Total	153.5	181.1
Total supply of reference frozen foods	343.0	407.0
Sales of reference goods by Unilever	117.0	133.5
Unilever's sales of reference frozen foods as a percentage of the total supply of reference frozen foods	34.1%	32.8%

2. Birds Eye criticised the methods used by us to estimate the total supply of reference goods and to determine the share of Unilever in the total supply. These criticisms were taken into account by us in our final estimate of the total supply of reference goods. The following are the main criticisms of our methods by Birds Eye which we have not met in our estimates as set out in paragraph 1 above, together with our comments in reply to each of these main criticisms.

(a) The use of value to determine the share of Unilever in the total supply of reference goods

Birds Eye stated that the only common characteristic of reference foods was that a particular process of preservation had been applied to them. Where an industry was concerned with processing bought-in raw foods, Birds Eye considered it wrong to take value, which depended largely upon the cost of the bought-in raw food, as a basis of measurement. Birds Eye considered weight to be the appropriate basis on which to determine a company's share of the total supply of frozen foods. The weight of goods supplied was the major determinant of the processing, packing, storage and distribution capacities of a company engaged in the production of frozen foods, and, furthermore, value added was much more closely related to the weight than to the value of the goods supplied.

We considered that, because of the wider variety of frozen food products covered by the reference and the great variation in value per unit of weight between different reference goods (for instance, between prawns and potato chips), value was a better basis than weight both for calculating the total supply of reference goods and for measuring a company's share of that value. Value provided a better measure both of the importance of a group of products to consumers and of the relative importance of the sales of a particular company. The value of its sales was a better measure of the company's command over resources than was the weight of those sales.

(b) The data used by the Commission

Birds Eye stated that, in the absence of reliable published statistics of use for the purposes of the Commission's inquiry, a reliable conclusion about the proportion of reference goods supplied by Unilever could be based only upon a proper investigation going back to primary data. Birds Eye argued that our estimates underestimated the total supply.

Our estimates of the supply of reference goods were based on data from a wide range of sources and were subject to varying degrees of error. We disagreed with the view of Birds Eye that a reliable total could be obtained from sales figures derived from individual suppliers. Because of the difficulty of identifying all the suppliers of reference goods, the difficulties for suppliers in distinguishing between frozen foods falling within and without the reference, and the danger, due to sales between suppliers, of counting the same products twice, we calculated that an aggregation of sales of individual suppliers (who did not use uniform periods for calculating their sales) would not have given us a more accurate estimate of the total supply than that obtained by the methods we used. Where reliable estimates of the sales of particular products were not available from surveys and where it was possible to identify all the major suppliers of individual products, as in the cases of cream and yoghurt, sausages, mince, poultry parts and some fish, we were able to obtain figures for the aggregate of the sales of each product from individual suppliers of these products. However, we could not be sure that we could have done this for each and every frozen food product.

Birds Eye stated that underestimation of the total supply was of particular importance in the case of the following sources of data.

(i) *Estimates of household expenditure based on National Food Survey (NFS) data*

Birds Eye said that the use of NFS data was likely to lead to considerable inaccuracy in the estimation of the supply of frozen foods to households in the United Kingdom and noted that the NFS report for 1967 specifically warned against the use of the data for estimating the total quantities of particular foods consumed by the nation. Birds Eye considered that estimates of the total supply to households of particular types of frozen foods based on NFS data were likely to be subject to inaccuracies arising from the following causes:

- (a) NFS data are subject to sampling error because the NFS household sample is not perfectly representative of the whole household population of the United Kingdom.
- (b) The residents in some of the households selected for the NFS sample are out of their homes when visited by the NFS and consequently these households take no part in the survey. Birds Eye considered that these households were likely to be those where the housewife was engaged in outside employment and where the consumption of frozen foods was likely to be above average.
- (c) Households' food consumption patterns are likely to alter when they are surveyed by the NFS and households are likely to consume smaller quantities of frozen foods and other convenience foods and greater quantities of fresh and unprepared foods during the NFS survey period.
- (d) Total household consumption of frozen foods is not identical with total manufacturers' sales to the retail trade due to wastage and losses in distribution and changes in the level of distributors' stocks.

Birds Eye stated that an indication of the tendency for consumer expenditure surveys to understate total sales of frozen foods to households was provided by estimates of sales of Birds Eye's products prepared by Audits of Great Britain Ltd (AGB). Birds Eye claimed that AGB's figures for Birds Eye's sales to households represented on average only 72 to 73 per cent of Birds Eye's retail sales. Birds Eye believed that this failure to identify all household expenditure on frozen foods was as great, if not greater, with the NFS.

We considered that, because the NFS based its sample on a large number of households, because the survey was carefully conducted and because its methods had improved since it started in 1940, NFS data of expenditure on, and consumption of, frozen foods were not subject to a magnitude of error which would render them unreliable for the calculation of the total supplies of particular frozen foods to households. We noted that, while the NFS expressed reservations in Appendix F to its report for 1967 concerning the calculation of total household expenditure on particular foods from its survey averages, its reservations related primarily to the problem of the appropriate

multiplier with which to gross up the NFS averages per person to arrive at total household expenditure on particular foods.

The multiplier we used for this purpose made allowance for the population of the United Kingdom resident outside households. As regards sampling error we noted that the NFS publishes estimates of sampling errors and, if the NFS figures of average expenditure per person per week used in our estimates were increased by twice the standard error* for 1973, then our estimate of the total supply of frozen foods in 1973 and in 1974 would be increased by approximately £12 million in each year. As regards Birds Eye's suggestions that the NFS data are subject to errors from the exclusion from the survey of households from which no response is gained by NFS interviewers and that households are likely to consume less frozen food than usual when surveyed by the NFS, we have received no evidence from the NFS that either of these sources of error leads to a serious understatement of NFS figures of frozen food consumption. We acknowledge that there will be a lack of precise correspondence between consumers' purchases and manufacturers' sales, but we do not consider that wastage and losses in distribution and changes in distributors' stocks led to a serious discrepancy between consumers' purchases and manufacturers' sales in 1973 and 1974.

As regards Birds Eye's suggestion that the NFS like AGB did not identify all household consumption of frozen foods, we noted that a precise check between AGB consumer audit data and Birds Eye's own sales data was not possible since Birds Eye could not calculate the precise amount of its sales to households and also that the discrepancy between AGB data and manufacturers' sales data was considerably less for Ross Foods than for Birds Eye. In general, therefore, while we recognise that the grossing up of NFS data to estimate sales of particular frozen foods to households is subject to error, neither we, nor the NFS, had any reason to suppose, nor evidence to suggest, that the NFS underestimated the household consumption of frozen foods to the extent suggested by Birds Eye.

(ii) *Estimates of sales of frozen vegetables, frozen confectionery and fruit and frozen meat products to caterers*

Birds Eye stated that it had not been informed of the methods used by Ross Foods and BIS Marketing Research Ltd (BIS) in arriving at their estimates of supplies of frozen foods to caterers. Birds Eye noted that sales of frozen fish to caterers as estimated by both Ross Foods and BIS appeared to be considerably below the estimate of sales of frozen fish to caterers implicit in the Commission's figures for total sales of frozen fish. Birds Eye claimed that this discrepancy cast serious doubts on the credibility of Ross Foods' and BIS' estimates of sales to caterers of other frozen products.

*The standard error of the NFS estimates of average expenditure per person per week on a particular type of food is a measure of the possible inaccuracy caused by chance variation due to sampling. The NFS report for 1973 states: 'Conventionally, the extent of this inaccuracy (above or below the estimate presented) is expected rarely to exceed twice the standard error'.

With respect to the estimates supplied by Ross Foods, Birds Eye also suggested that it was wrong for the Commission to rely upon estimates of sales provided by one of Birds Eye's competitors.

We discussed with Ross Foods and BIS the sources of their estimates of sales of frozen vegetables, frozen confectionery and fruit and frozen meat products to caterers. While we agreed with Birds Eye that, because of the large number of suppliers of frozen foods to the catering trade and the variety of caterers, estimation of the sales of frozen foods to them was difficult and prone to error, we recognised no definable bias in the estimates of Ross Foods or BIS due to omission of catering establishments or of frozen food products. Our estimates of the sales of frozen vegetables and frozen confectionery and fruit—based partly on Ross Foods' estimates of sales to caterers—were substantially confirmed by data from the Business Monitor series.

(iii) *Sales of frozen poultry parts*

Birds Eye suggested that we seriously under-estimated the total supply of frozen poultry parts because we had not taken into account the practice whereby wholesalers and retailers cut frozen whole birds into parts which they packed for sale as frozen poultry parts. Birds Eye put forward alternative estimates supplied by J P Wood and Sons Ltd and based upon consumer audit data. These estimates valued the total supply of frozen poultry parts at £28 million in 1973 and £37 million in 1974 as compared with our figures of £13.3 million in 1973 and £16.6 million in 1974.

We considered that we had consulted all the main producers of frozen poultry parts, and we were satisfied that no significant quantities of frozen whole birds were cut by wholesalers or retailers into parts which were then packed for sale as frozen poultry parts. As regards the alternative estimates put forward by Birds Eye we noted that the estimates were based upon a number of arbitrary estimates which reduced their usefulness.

(c) **The exclusion of frozen uncooked bacon and frozen uncooked ham from the reference**

Birds Eye considered that frozen uncooked bacon and frozen uncooked ham should not be excluded from the estimation of the total supply of reference goods. Birds Eye suggested that ham should be regarded as cooked and that all trade in frozen ham was within the reference. Birds Eye argued that the term 'butchers' meat', as usually understood, did not include bacon which was not, therefore, excluded from the reference as 'uncooked butchers' meat'. Even if the Commission insisted on regarding bacon as 'butchers' meat', bacon could be regarded as having been 'dipped or stuffed or otherwise prepared for cooking' and therefore included within the reference.

We considered that uncooked bacon and uncooked ham were included in the description of 'butchers' meat' in the reference. We did not regard the process of curing undergone by bacon and ham as being covered by

the term 'dipped or stuffed or otherwise prepared for cooking'. We regarded cooked and frozen ham as being within the reference, and the supply of these products was included in our estimates of supplies of meat to households and caterers.

(d) The form of supply

Birds Eye suggested that, in calculating the value of reference goods supplied by Unilever, we should not have included the value of reference goods 'co-packed' by Unilever for other companies for sale by the latter under their own brand names as well as the value of reference goods 'co-packed' for Unilever by other companies for sale by Unilever.

We did not accept this suggestion. We concluded that the value of reference goods supplied by Unilever should include the value of reference goods 'co-packed' for Unilever by other companies for sale by Unilever and the value of reference goods 'co-packed' by Unilever for other companies for sale by the latter companies under their own brand names (except where these companies were themselves processors of reference goods).

If the value of reference goods is calculated in accordance with this conclusion, our estimate of the share of Unilever in the total supply is 34.1 per cent for 1973 and 32.8 per cent for 1974. We noted that, even if we had accepted Birds Eye's suggestion for excluding from Unilever's sales either sales of frozen foods co-packed for Unilever by other companies or Unilever's sales of frozen foods co-packed under the brand names of its customers, Unilever's share of the total supply of reference frozen foods would have fallen only slightly. If Unilever's sales of frozen foods co-packed by other companies for Unilever were excluded, then Unilever's share of our estimate of the total supply of reference frozen foods would have fallen in 1973 from 34.1 per cent to 33.1 per cent and in 1974 from 32.8 per cent to 31.7 per cent. If Unilever's sales of products co-packed under the brand names of its customers were excluded, Unilever's share of the total supply would have been reduced to 33.8 per cent in 1973 and 32.4 per cent in 1974.

(e) The date to which the estimate of Unilever's share of the total supply should relate

Birds Eye argued that we should base our conclusion as to the share of Unilever in the total supply of reference goods on the situation at the date of our report; we should therefore not restrict ourselves to estimates of the share of Unilever in 1973 and 1974, but should take into account the downward trend in the share of Unilever, and in that of Birds Eye, which, Birds Eye said, had occurred since 1974. Birds Eye suggested that, in consequence of this trend, Unilever's share of the total supply might have fallen below 25 per cent in 1975 even if it had been above 25 per cent in 1974. In estimating the total supply of reference goods and the share of Unilever in that supply we took the two most recent years for which data were available. We noted that, according to our estimates, the share of Unilever in the total supply fell only slightly, from 34.1 to

32.8 per cent, in these two years. We had no evidence that Unilever's share of the total supply fell so much in 1975 as to lead us to conclude on that score that a monopoly situation did not exist in favour of Unilever.

The overall effect of Birds Eye's submissions

3. Birds Eye claimed that, if we were to accept its arguments about the desirability of using weight as the basis for calculating the share of Unilever in the total supply of reference goods, about the supply of poultry parts and about the underestimation resulting from the use of NFS data, then Unilever's share would be less than 25 per cent of the total supply in 1974. Even if the Commission did not accept these arguments in their entirety, the other criticisms made by Birds Eye all suggested that the total supply had been underestimated and if the validity of various combinations of these criticisms were admitted, this could suffice to reduce Unilever's share below 25 per cent. Birds Eye submitted that in its view the Commission had no alternative but to conclude that a monopoly situation in favour of Unilever could not be established in relation to the supply of reference goods.

Our overall response to Birds Eye's submissions

4. We have not accepted Birds Eye's argument that weight is a better basis than value for estimating the total supply of reference goods. Nor do we agree that we have seriously underestimated the total supply of frozen poultry parts. We accept that some underestimation of the total supply of reference goods may result from the use of NFS data but we do not believe that it is likely to be as serious as Birds Eye has argued. As to the estimates by Ross Foods of sales to the catering market, we recognise that the figures could be an underestimate at least for those products for which we have been unable to cross-check the figures, in particular, meat. We do not consider that the underestimation could be so large, even when added to the possibilities of underestimation inherent in some of our other data, as to make Unilever's share of the total supply less than 25 per cent. Moreover, whereas Birds Eye's criticisms all imply that we have underestimated the total supply, we believe that our estimate of the total supply of frozen fish is an overestimate of the proportion of such supply which falls within the reference.

5. It is impossible to estimate exactly the total supply of reference goods. A variety of data has to be used and some degree of error in the estimates has to be accepted. Having taken note of the submissions made by Birds Eye on our methods and figures, we conclude that Unilever's share of the total supply of reference goods in both 1973 and 1974 was above 25 per cent.

Notes:

¹ Sales of frozen foods to households were calculated from figures of average expenditure in pence per person per week published by the National Food Survey Committee (NFS) in its Annual Reports for 1973 and 1974. Frozen vegetables are covered by codes 203, 204, 205 and 208 of the NFS food classification. NFS data on expenditure per person per week were converted to United Kingdom annual expenditure at retail prices by multiplying by 52 (weeks) and by population totals of 53.0 million in 1973 and 53.1 million in 1974. These population totals represent the UK *de facto* population adjusted for persons resident outside of households. A subtraction of 20 per cent was then made to reduce retail prices to suppliers' net selling prices.

For 1974 the NFS figures of average expenditure per person per week on frozen foods were adjusted in response to Birds Eye's suggestion that the NFS had underestimated the consumption of frozen foods in the third and fourth quarters of 1974 and that an estimated decline in the quantities of frozen foods consumed in these quarters had not taken place. Although the NFS agreed that its estimate for frozen fish consumption for the fourth quarter of 1974 might have been too low, we had no evidence that the NFS had in fact underestimated the consumption of frozen foods as a whole for the third and fourth quarters of 1974. We agreed, however, to assume that there had been no decline in the consumption of frozen foods between the second half of 1973 and the second half of 1974. As a result, average expenditure per person per week during the third and fourth quarters of 1974 was calculated by assuming that the quantities consumed in these quarters were the same as in the corresponding quarters of 1973 and by applying to these quantities the average prices for the third and fourth quarters of 1974.

² The estimates given of sales of frozen foods to caterers were supplied to us by Ross Foods. For 1973 estimates of caterers' expenditure on frozen foods have also been made by BIS Marketing Research Ltd (BIS). The estimates for 1973 for broadly comparable product groups were as follows:

	<i>Ross Foods</i>	<i>BIS</i>
Vegetables	28.0	29.0
Meat (excluding poultry and butchers' meat)	27.0	35.9 (meat, ready dishes and bulk entrees)
Fish	30.0	28.0
Confectionery and fruit (excluding ice cream)	5.0	5.0
	<u>90.0</u>	<u>97.9</u>

The BIS figures were not supplied to us in the form shown above; the BIS figures for the four groups of reference products shown above involved some disaggregation and reaggregation of the BIS data by us.

³ A limited cross-check of the total figure for sales of frozen vegetables in 1974 is available from figures of sales of frozen vegetables by manufacturing establishments in the United Kingdom employing 25 or more persons.

These figures are published in the Business Monitor, series PQ 218, and were available for the first and second quarters of 1975. Sales of frozen vegetables in the United Kingdom during these quarters were £53.73 million. Adjusting these figures for seasonal variation (annual sales were regarded as being equivalent to 1.92 times sales in the first two quarters of the year) and for increases in price between 1974 and 1975 (prices of frozen vegetables were estimated as being 18 per cent higher in 1975 than in 1974) results in an estimate of £87.42 million for sales in the United Kingdom by manufacturing establishments in 1974. Adding imports of frozen vegetables in 1974 (£7.43 million) gives a total value of supply of £94.84 million. Such a figure does not suggest that our estimate of frozen vegetable sales of £102.9 million is an underestimate of the true value of sales.

⁴ Sales to households of confectionery and fruit (other than cream and yoghurt) are based on NFS figures of household expenditure on frozen fruit and fruit products (code 241), frozen convenience cereal products (code 294) and mousse (part of code 332). The breakdown of code 332 was based on Birds Eye's own estimation procedure. The NFS figures for 1974 were recalculated by the method outlined in note 1 and the 'grossing-up' of average expenditure per person per week was on the same basis as in note 1.

⁵ Sales to households of frozen cream and frozen yoghurt were calculated from sales figures given to us by suppliers of these products.

⁶ Ross Foods' estimates, see note 2.

⁷ A limited cross-check of the figure for total sales of frozen fruit and confectionery is possible from Business Monitor data on sales of frozen fruit by United Kingdom manufacturing establishments (PQ 218) and sales of frozen desserts, liquid essences and vegetable extracts by United Kingdom manufacturing establishments (PQ 228.2). Sales figures for frozen fruit are available only for the first two quarters of 1975 when sales totalled £1.52 million. Adjusted for seasonal variation (annual sales were regarded as being 1.71 times sales for the first two quarters) and for increases in price between 1974 and 1975 (a 12 per cent price rise was assumed), annual sales of frozen fruit by United Kingdom producers in 1974 were estimated at £2.32 million. Adding sales of quick-frozen desserts, liquid essences and vegetable extracts in 1974 by United Kingdom manufacturing establishments at £13.65 million and imports of frozen fruit in 1974 at £3.09 million gives an estimate of total sales of frozen desserts and fruit of £19.06 million. As in the case of frozen vegetables, the figure given by these alternative sources does not suggest that our estimate of total sales in 1974 of £23.7 million is likely to underestimate the true figure.

The comparatively low figure for sales of frozen desserts and fruit given by Business Monitor data could reflect the fact that, in contrast to frozen vegetables, a significant proportion of the production of frozen desserts and fruit takes place in establishments employing fewer than 25 persons.

⁸ Sales to households of frozen meat products (excluding sausages, minced meat, rabbit and uncooked poultry parts) are based on NFS figures of household expenditure on frozen convenience meats and frozen convenience meat products (code 88). The NFS figures for 1974 were recalculated by the method outlined in note 1 and the 'grossing-up' of average expenditure per person per week was on the same basis as in note 1.

⁹ Figures of sales of frozen sausages were obtained from suppliers of these products. Total sales of frozen sausages by the suppliers we identified were £3.07 million in 1973 and £3.63 million in 1974. Approximately one-third of sales were to the retail trade (including home freezer centres).

¹⁰ Ross Foods' estimates (see note 2).

¹¹ Estimates based on the sales of frozen mince by a number of manufacturers. Since frozen mince is produced by manufacturers of frozen meat products, retail butchers and supermarket and home freezer chains, and not all suppliers could be identified, the figures are approximations.

¹² Frozen rabbit parts are included in the reference; frozen whole rabbits are excluded. Imports of chilled and frozen rabbit totalled £3.244 million in 1973 and £4.266 million in 1974; of these totals about 10 per cent was estimated to be parts. Assuming all the parts were frozen and adding 50 per cent to the values to convert values at c.i.f. to suppliers' selling prices, the supply of imported frozen rabbit portions was £0.5 million in 1973 and £0.6 million in 1974. United Kingdom production of frozen rabbit portions for supply to the domestic market was believed to be trivial.

¹³ Sales of United Kingdom produced frozen poultry parts were obtained by aggregating sales by United Kingdom producers of these products. Imports of poultry cuts (fresh, chilled and frozen) were 1,942.6 tons in 1973 and 3,765.2 tons in 1974. Assuming 75 per cent were frozen and the average supplier's price was 25 pence per lb in 1973 and 28 pence per lb in 1974, the supply of frozen imported poultry parts was £0.816 million in 1973 and £1.77 million in 1974.

¹⁴ Sales of frozen white fish and frozen white fish products were 141,773 tons in 1973 and 136,140 tons in 1974 (*White Fish Authority Annual Report and Accounts 1974-75*, Appendix II). The tonnage figures were converted to values by applying the average suppliers' prices of 31.5 pence per lb in 1973 and 38 pence per lb in 1974. The frozen fish included in the sales figures includes frozen fish which is subsequently thawed by the wholesaler or retailer and bulk packs of frozen fish. The figures include some non-reference supplies: fish which is supplied in a thawed state, fish which is used for the manufacture of fish products which are supplied unfrozen and fish for animal consumption.

¹⁵ United Kingdom produced frozen pelagic and freshwater fish consist mainly of herring, mackerel, salmon, trout and kippers. Sales figures were obtained from producers of these products.

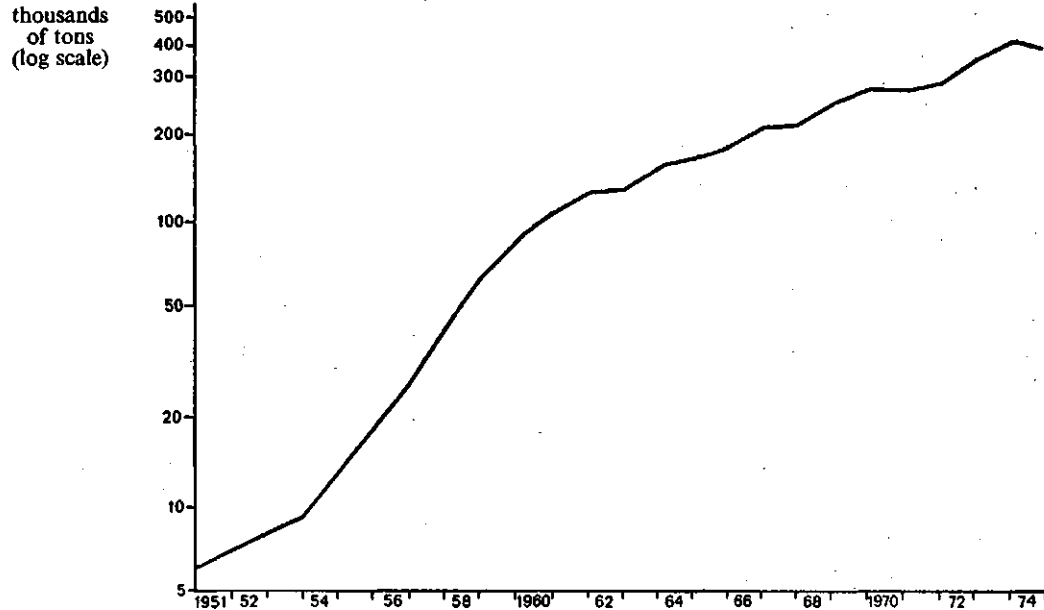
¹⁶ Imports of frozen pelagic and freshwater fish were increased in value by 50 per cent to convert them from c.i.f. values to suppliers' net selling prices.

¹⁷ United Kingdom production of frozen shellfish is principally of shrimps and scampi. Total landings of shrimps and nephrops were 309,000 cwts in 1973 and 259,974 cwts in 1974. Two-thirds are believed to be frozen with a wastage of 55 per cent in processing. At average suppliers' selling prices of £1.08 per lb in 1973 and £1.30 per lb in 1974 and with the addition of £2 million as an estimate of sales of other frozen shellfish produced in the United Kingdom, total sales were £13.2 million in 1973 and £13.4 million in 1974. Sales figures obtained from United Kingdom producers of frozen shellfish suggest that the totals for 1973 and 1974 are approximately correct.

¹⁸ The value of imports of frozen shellfish (including squid, cuttlefish and octopus) was converted to suppliers' net selling prices by adding an average mark-up of 60 per cent.

APPENDIX 2
(referred to in paragraph 14)

The growth of total sales of frozen foods for household consumption 1950 to 1974



Source: *Birds Eye*, based on National Food survey data. The graph has been updated to 1974 by Monopolies and Mergers Commission staff using NFS data for 1974.

APPENDIX 3

(referred to in paragraph 16)

The sales to households of the major categories of frozen foods
and the major categories of all foods 1964 to 1973

'000 tons

	VEGETABLES			FISH			MEAT			CONFECTIONERY AND FRUIT			TOTAL ²		
	Frozen	All vegetables	Percentage Frozen	Frozen	All fish	Percentage Frozen	Frozen	All meat	Percentage Frozen	Frozen	All ¹	Percentage Frozen	Frozen	All	Percentage Frozen
1964	80	6,862	1.2	55	454	12.1	23	2,657	0.9	6	1,176	0.5	164	11,149	1.5
1965	82	6,926	1.2	57	455	12.5	26	2,647	1.0	8	1,183	0.7	173	11,211	1.5
1966	106	6,853	1.5	59	459	12.9	29	2,614	1.1	12	1,214	1.0	206	11,140	1.8
1967	108	6,882	1.6	59	460	12.8	35	2,648	1.3	12	1,189	1.0	214	11,179	1.9
1968	125	6,912	1.8	67	457	14.7	38	2,604	1.5	15	1,242	1.2	245	11,215	2.2
1969	135	6,715	2.0	75	436	17.2	41	2,604	1.6	18	1,256	1.4	269	11,011	2.4
1970	139	7,039	2.0	80	429	18.6	41	2,684	1.5	21	1,246	1.7	281	11,398	2.5
1971	149	6,855	2.2	73	415	17.6	44	2,669	1.6	22	1,220	1.8	288	11,159	2.6
1972	175	6,674	2.6	84	407	20.6	53	2,533	2.1	23	1,214	1.9	335	10,828	3.1
1973	225	6,635	3.4	86	383	22.5	60	2,411	2.5	29	1,323	2.2	400	10,752	3.7

Source: Birds Eye, based on National Food Survey data.

Notes: ¹ Excludes yoghurt.

² The totals relate only to the totals of the preceding food categories.

APPENDIX 4
(referred to in paragraph 17)

Analysis of the growth of household demand for frozen foods

Table A. Demand analysis of household consumption changes 1967 to 1973

	Real ¹ price (in % change in consumption per head per annum)	Effect of Real ² income	Underlying ³ demand	Total change
Quick frozen white fish				
1967 to 1970	3.4	0.5	8.7	12.9
1970 to 1973	-6.0	2.7	6.3	2.8
Quick frozen fish products				
1967 to 1970	1.6	0.3	6.9	8.8
1970 to 1973	-4.2	0.8	7.1	3.6
Quick frozen peas and beans				
1967 to 1970	3.8	1.1	2.1	7.1
1970 to 1973	11.0	4.3	-4.6	10.5
Quick frozen meat and meat products				
1967 to 1970	4.0	0 ⁴	8.4	12.7
1970 to 1973	-1.9	1.1	11.2	10.3

Source: Calculated by Birds Eye on the basis of National Food Survey data.

Notes:

- ¹ 'Real price' is the average price of the category in relation to the General Index of Retail Prices.
- ² 'Real income' is personal disposable income per head adjusted for changes in the General Index of Retail Prices.
- ³ 'Underlying demand' is the percentage change in consumption per head per annum after allowing for the effects of changes in real price and real income.
- ⁴ Income elasticity not estimated.

Table B. Comparison between income elasticities of demand for frozen food products and other food groups 1974

	Income elasticity of quantity purchased (See note 1)
Frozen meat and frozen meat products	0.29
Carcass meat	0.25
White uncooked frozen fish	0.55
White filleted fresh fish	0.25
All frozen vegetables (See note 2)	0.84
Fresh green vegetables	0.15
Frozen fruit and frozen fruit products	1.46
Fresh fruit	0.55
Frozen cereal foods	1.15
Cakes and biscuits	0.14

Source: National Food Survey.

Notes:

1. Income elasticity of demand shows by how much in percentage terms the quantity of purchases of the item will increase if real disposable income per person increases by one per cent.
2. The income elasticity of demand for all frozen vegetables is the average of the income elasticities of demand for frozen peas, frozen beans, frozen chips and all frozen vegetables and frozen vegetable products not specified elsewhere; the income elasticities were weighted by the average consumption per person per week of each of the categories of frozen vegetables.

APPENDIX 5

(referred to in paragraph 84)

**Birds Eye's retail product list
at 25 August 1975**

<i>Vegetables</i>	<i>Pack size (oz.)</i>	<i>Fish—(contd)</i>	<i>Pack size (oz.)</i>
Garden peas	32	Fish cakes	12
" "	16	" "	8
" "	8	" "	4
" "	4	Salmon fish cakes	4
Supreme peas	16	Economy fish sticks	9
" "	8	" "	5.4
Petits pois	32	Battered fish fingers	9
Economy peas	32	" "	4½
" "	16	Cod fillet in batter	—
Peas and baby carrots	16	Cod filets in breadcrumbs	7½
" "	8	Breaded plaice filets	7½
Peas and sweet corn	8	Cod steaks	14
Peas and pearl onions	8	" "	7
Sliced green beans	32	Haddock steaks	14
" "	16	" "	7
" "	8	Buttered kipper filets	10
" "	12	" "	6
" "	4	Buttered smoked haddock	7½
Brussels sprouts	32	Savoury fish cakes	4
" "	8	Cod steaks in batter	7½
" "	12	Cod steaks in bread crumbs	8
" "	4	Haddock steaks in breadcrumbs	8
Supreme sprouts	8	Three cod portions in breadcrumbs	6
Casserole vegetables	8	Crispy cod fries (handipack)	7
Broad beans	8	Cod and chips (handipack)	9
" "	4	Cod in butter sauce	6
Sweet corn	6	Cod in sauce—other varieties	6
Corn on the cob	12	Cod filets	13
Cauliflower	12	" "	7½
Crinkle cut chips	32	Haddock filets	13
" "	12	" "	7½
" "	6	Plaice filets	13
Potato fries	12	" "	7½
Potato croquettes	6	Hake filets	7½
Potato fritters	8	" "	7½
Tasti-fries	8		
Mushy processed peas	10	<i>Meat</i>	
Petits pois	10	Beefburgers	48
Whole french beans	8	" "	16
Chopped spinach	8	" "	8
Broccoli	9	" "	4
Small onions and white sauce	5	Minceburgers	8
Potato waffles	12	" "	4
Mixed vegetables	4	American style beefburgers	8
Savoury vegetable rice (peas and mushrooms)	8	Savoury rissoles	9
Savoury vegetable rice (sweet corn and peppers)	8	" "	4½
Savoury vegetable rice (pearl onions, peppers and mushrooms)	8	Chicken rissoles	4½
		Brunchies	4
		Steaklets	11
		" "	5½
		Skinless pork sausages	10
		" "	6½
		Battered bangers	7
		Gravy and lean roast beef	12
		" "	8
		" "	4
		" "	4

Meat—(contd)

	<i>Pack size (oz.)</i>
Gravy and roast chicken	12
" " " "	4
Gravy and roast leg of pork	12
" " " " "	4
Shepherds pie	16
" "	8
Faggots	13
Faggot dinner	14
Roast beef dinner	12½
Roast chicken dinner	11
Chicken and mushroom casserole	6
Lamb casserole	6
Braised kidneys in gravy	5
Beef stew and dumpling	16
" " " " "	7½
Minced beef in "gravy"	16
" " " " " " "	6
Liver with onion and gravy	5
Quarter chicken	9
" "	8
" "	7
Four crispy pancake rolls	8
Special fried rice	8
Sweet and sour pork in crispy batter	8
Sweet and sour chicken	8
Chicken chow mein	8
Prawn curry	8
Beef pie	Serves 3/4
" " " " " "	1
Steak and kidney pie	Serves 2/3
" " " " "	1
Chicken pie	Serves 2/3
" " " " "	1
Chicken and mushroom pie	" 1
Minced beef and onion pie	" 1

Meat—(contd)

	<i>Pack size (oz.)</i>
Pizza bolognese	8
Pizza tomato and cheese	8
Six sausage rolls	—
Two large beef and onion rolls	—
Two large pork and onion rolls	—
Egg, bacon and cheese flan	—
Danish savoury rolls	12
" " "	6
 <i>Cakes, desserts and pastries</i>	
Mousse cartons	9
Ripple mousse cartons	9
Mousse tubs	—
Ripple mousse tubs	—
Trifle	—
Lovely	—
Melba	—
Cream desserts	—
Arctic roll	—
Dairy cream sponge	—
Chocolate cream sponge	—
Four eclairs	—
Cheesecake (strawberry and blackcurrant)	—
Cheesecake (cream)	—
Gateaux	—
Puff pastry	13
" "	7½
Short crust pastry	13
" " "	7½
Raspberries	8
Strawberries	8
Florida orange juice	—
Florida grapefruit juice	—

APPENDIX 6
(referred to in paragraph 85)

Birds Eye's total sales of frozen foods to wholesalers and retailers analysed by product groups

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	1964			1967			1971		
<i>Sales to retailers and wholesalers:</i>	<i>tons</i>	<i>£'000</i>	<i>Per cent of total sales value</i>	<i>tons</i>	<i>£'000</i>	<i>Per cent of total sales value</i>	<i>tons</i>	<i>£'000</i>	<i>Per cent of total sales value</i>
vegetables	43,750	11,915	33.1	59,920	16,532	31.6	65,155	21,879	28.9
fish	31,709	12,736	35.4	39,479	16,773	32.0	43,618	24,663	32.5
meat	20,013	9,889	27.5	30,838	15,608	29.8	33,495	21,525	28.4
confectionery	3,901	1,432	4.0	9,924	3,422	6.5	15,666	7,703	10.2
Total	99,373	35,972	100.0	140,161	52,335	100.0	157,934	75,770	100.0
Total sales of reference goods	111,191	38,778	—	158,774	57,521	—	180,588	84,091	—

	1972			1973			1974		
vegetables	68,628	22,058	27.8	75,970	25,151	26.3	81,902	30,322	28.2
fish	42,040	26,643	33.6	42,172	31,629	33.1	37,912	34,313	31.9
meat	33,760	23,336	29.4	38,197	30,403	31.8	37,579	32,695	30.4
confectionery	14,106	7,283	9.2	15,856	8,402	8.8	16,609	10,178	9.5
Total	158,534	79,320	100.0	172,195	95,585	100.0	174,002	107,508	100.0
Total sales of reference goods	184,947	88,610	—	203,970	109,011	—	214,929	126,785	—

APPENDIX 7
(referred to in paragraph 217)

**Comparisons between the prices of Birds Eye
and County Fair products (at 25 August 1975)**

<i>Birds Eye</i>	<i>Stockist price per pack (p)</i>	<i>County Fair</i>	<i>Stockist* price per pack (p)</i>
Garden peas 2lb	39.5	Peas (select) 2lb	29.3
Economy peas 2lb	37	Peas (economy) 2lb	26.8
Sliced green beans 2lb	43.3	Sliced green beans (select) 2lb	34.3
Brussels sprouts 2lb	54	Brussels sprouts (select) 2lb	36.8
Crinkle cut chips 2lb	34.5	Crinkle cut chips 2lb	22.7
24 Beefburgers	155	24 Beefburgers	89.5
60 Economy fish sticks	136	60 Fish fingers	107.5
Arctic roll	104	Ice cream roll	92
24 Fish cakes	90	24 Fish cakes	72
24 Eclairs	113	24 Dairy cream eclairs	98

*County Fair prices are for deliveries of between 50 and 100 cases.

APPENDIX 8
(referred to in paragraph 218)

**Birds Eye, Findus and Ross Foods: comparative prices
of certain products at 1 September 1975**

		<i>Stockist price per dozen (£)</i>	<i>Recommended retail price per pack (p)</i>
<i>Peas</i>			
Birds Eye Garden Peas	2lb	4.74	—
	½lb	1.47	15
Findus Value Peas	2lb	4.57	—
Findus Garden Peas	½lb	1.58	16
Ross Fine Standard Peas	2lb	4.20	—
Ross Garden Peas	½lb	1.48	15
<i>Brussels sprouts</i>			
Birds Eye	8oz	1.96	20
Findus	8oz	2.21	22½
Ross	8oz	1.97	20
<i>Crinkle cut chips</i>			
Birds Eye	12oz	1.91	19½
Findus	12oz	2.11	21½
Ross	12oz	2.06	21
<i>Sliced green beans</i>			
Birds Eye	8oz	1.76	18
Findus	8oz	2.01	20½
Ross	8oz	1.77	18
<i>Fish fingers</i>			
Birds Eye	10oz	3.29	33
Findus	10oz	3.29	33
Ross	9oz	2.99	30
<i>Plaice fillets</i>			
Birds Eye	13oz	6.18	62
Findus	12oz	6.13	62
Ross	13oz	6.30	63
<i>Cod fillets</i>			
Birds Eye	13oz	4.90	49
Findus	12oz	5.03	50½
Ross	13oz	5.20	52
<i>Buttered kipper fillets</i>			
Birds Eye	6oz	2.52	25½
Findus	6oz	2.91	29½
Ross	6oz	2.57	26
<i>Fish cakes</i>			
Birds Eye	4oz	1.08	11
Findus	4oz	1.03	10½
Ross	4oz	1.10	11
<i>Shepherds pie</i>			
Birds Eye	8oz	2.10	21
Findus	8oz	2.03	20½
Ross	8oz	2.13	21

APPENDIX 9
(referred to in paragraph 219)

**Changes in the recommended retail prices of certain products supplied by Birds Eye,
Findus and Ross Foods November 1971 to July 1975**

*B: Birds Eye
F: Findus
R: Ross Foods*

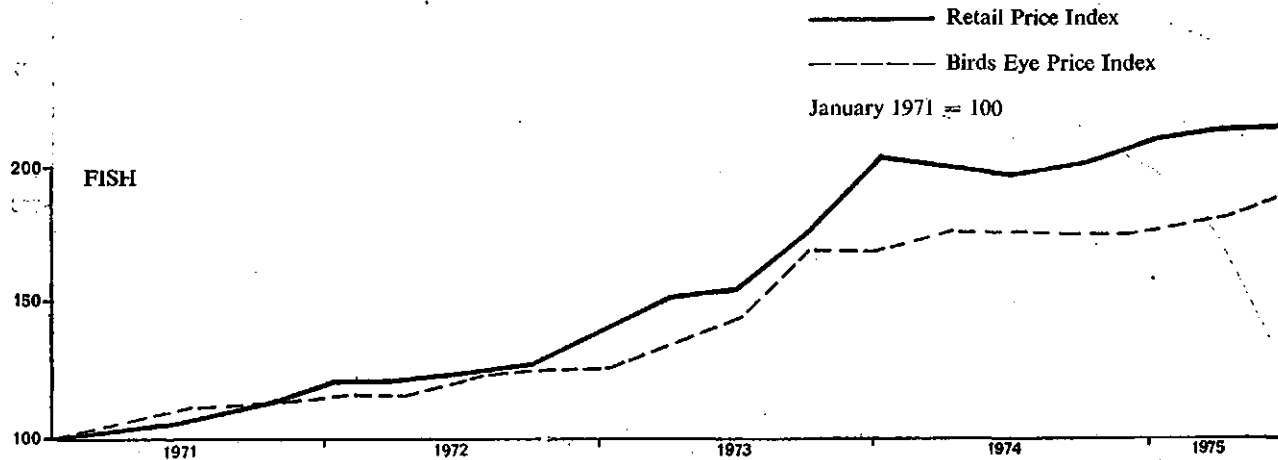
		Price at Nov '71	1971		1972				1973					1974					1975								
			Dec	Jan	Apr	June	July	Oct	Feb	Mar	Apr	June	July	Sept	Oct	Nov	Feb	May	Aug	Sept	Nov	Dec	Feb	Mar	Apr	May	
Fish	B	19	20			21½			22½	23		25		26½	28½		30									31	32
Fingers	F	19		20		21½			22½	23			25		28		31		30							31	32
10 oz	R	18		19				20½	21½	22			24	26		28	29½		26		26					26	27
Beef-	B	20½	22			23½			24½	26½	27½	28½					29½									30	31
Burgers	F	20½		22		23½			24½	26½	27½		28½				29½									30	31
8 oz	R	20½		22				23½	24½	26½	27½		28½				29½										31
Peas	B	9½	10		10*							11		9†		9½	10	11		11½						12½	14
8 oz	F	9½		10			9½						10½							11½						12½	15
	R	9½		10			9						9½				10	10½	11½		12					12½	14
Sliced	B	11½										12½					13½		14½		16½					16	17
Green	F	11½											13		13½	14½	15½			16½		17				18½	19½
Beans	R	11½											12½				13½		14½		15½						17

* Weight of pack increased from 8 oz to 10 oz.
† Weight of pack reduced from 10 oz to 8 oz.

		<i>Stockist price per dozen (£)</i>	<i>Recommended retail price per pack (p)</i>
<i>Chicken pie</i>			
Birds Eye (individual)		1.69	17
Findus	5oz	1.88	19
Ross	5oz	1.70	17
<i>Beefburgers</i>			
Birds Eye	8oz	3.30	33
Findus	8oz	3.25	32
Ross	8oz	3.32	33
<i>Steak and kidney pie</i>			
Birds Eye	serves 1 person	1.69	17½
Findus	serves 1 person	1.85	17½
Ross	5oz	1.75	19
<i>Mousse</i>			
Birds Eye		0.73	7½
Findus ripple mousse cups		0.79	8
Ross mousse cups		0.66	7

APPENDIX 10
(referred to in paragraph 220)

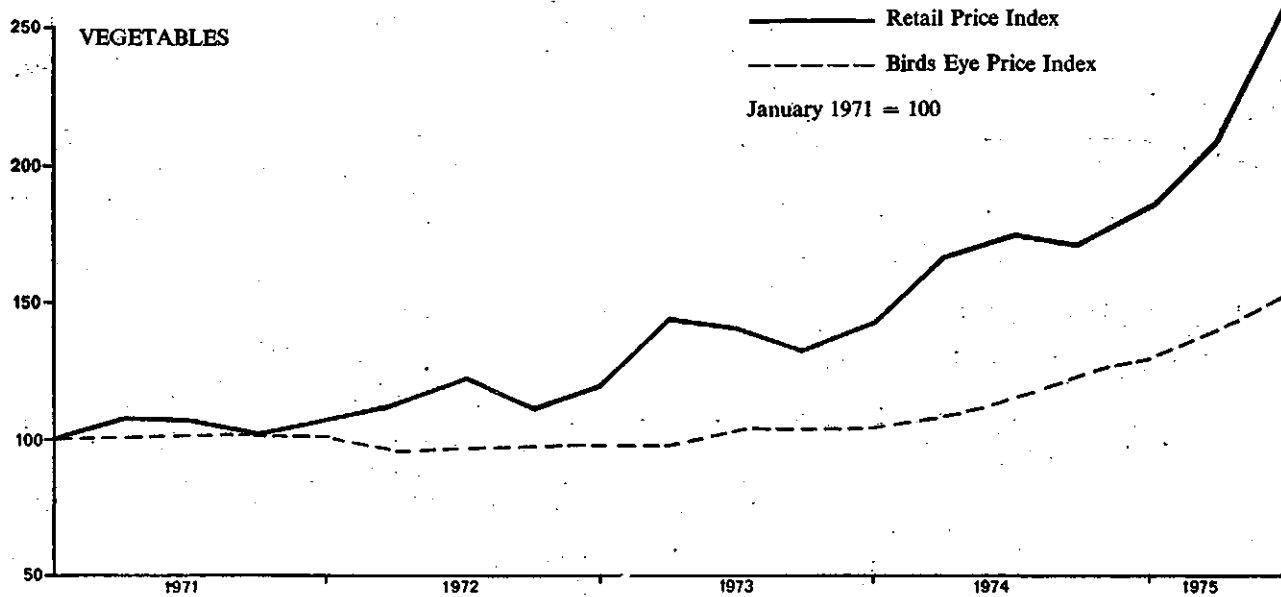
**Retail price indices for certain groups of food products and price indices for
Birds Eye products January 1971 to July 1975**



Source: Birds Eye (the retail price indices for groups of food products are taken from the Department of Employment Gazette).

APPENDIX 10
(referred to in paragraph 220)

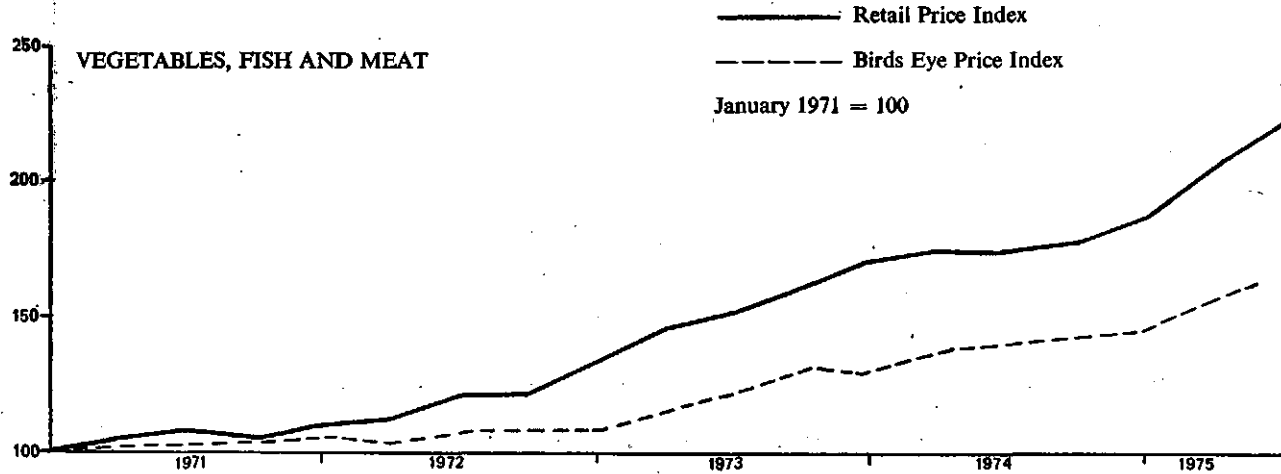
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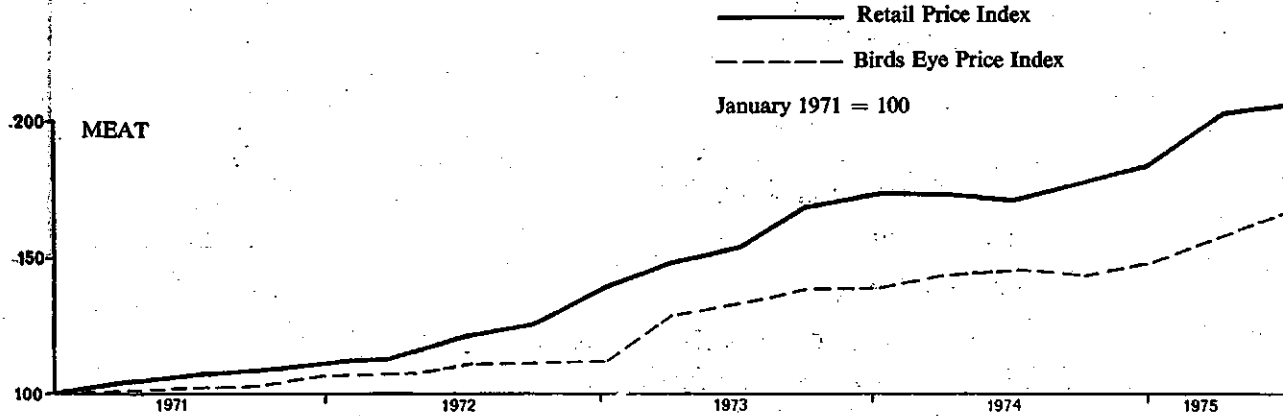
Source: Birds Eye (the retail price indices for groups of food products are taken from the Department of Employment Gazette).

APPENDIX 10

(referred to in paragraph 220)

**Retail price indices for certain groups of food products and price indices for
Birds Eye products January 1971 to July 1975**

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Source: Birds Eye (the retail price indices for groups of food products are taken from the Department of Employment Gazette).

APPENDIX 12
(referred to in paragraph 233)

Birds Eye's sales, costs and profits for reference activities, 1964 to 1974

	1964		1967		1971		1972		1973		1974	
	£'000	Per cent	£'000	Per cent	£'000	Per cent	£'000	Per cent	£'000	Per cent	£'000	Per cent
Net sales value	38,778	100·0	57,521	100·0	84,091	100·0	88,610	100·0	109,011	100·0	126,785	100·0
Fluctuating costs (See note 1)	(21,185)	(54·6)	(31,510)	(54·8)	(46,074)	(54·8)	(50,481)	(57·0)	(66,406)	(60·9)	(77,684)	(61·3)
	17,593	45·4	26,011	45·2	38,017	45·2	38,129	43·0	42,605	39·1	49,101	38·7
Expenses (See note 2)	14,438	37·3	19,963	34·7	30,393	36·1	31,686	35·7	35,555	32·6	43,027	33·9
Net profits: on management replacement cost basis	3,155	8·1	6,048	10·5	7,624	9·1	6,443	7·3	7,050	6·5	6,074	4·8
Depreciation adjustment (See note 3)	115	0·3	108	0·2	155	0·2	547	0·6	724	0·6	927	0·7
Net profits: on historic cost basis	3,270	8·4	6,156	10·7	7,779	9·3	6,990	7·9	7,774	7·1	7,001	5·5

Notes:

1. 'Fluctuating costs' is a Birds Eye management term, used to cover the sum of direct costs (raw material and other ingredients and 'co-packed' purchases, packaging materials and direct labour) and 'fluctuating expenses'. The latter are made up of (a) electricity, gas, water and fuel oil costs used in the operations together with (b) the labour costs of compressor operators and salary costs of certain supervisory staff.
2. Expenses comprise all other expenditure and charges not included in fluctuating costs and exclude interest.
3. The depreciation adjustment is the excess of 'management replacement cost basis' depreciation charges over 'historic cost basis', as estimated by the Commission to be attributable to reference activities.

APPENDIX 11
(referred to in paragraph 223)

**Birds Eye's returns on capital employed years ended 31 December
1964, 1967 and 1971 to 1974**
(see note 1)

<i>Birds Eye</i>	1964	1967	1971	1972	1973	1974
Basis						
Historic cost (See note 2)	16.2	22.2	19.1	18.4	18.7	15.9
Management replacement cost basis (See note 3)	14.1	18.9	16.5	13.3	13.1	10.1
Current purchasing power (See note 4)	N/A	N/A	N/A	N/A	N/A	4.2
UK manufacturing industry (See note 5)						
Basis						
Historic cost (See note 2)	14.6	12.0	12.5	14.9	17.4	17.4 (See note 5)
Current purchasing power (See note 4)	11.9	9.2	6.2	8.7	10.3	5.8
UK food manufacturing industry (See note 7)						
Basis						
Historic cost (See note 2)	16.4	14.4	12.3	16.0	16.8	16.6 (provisional)

Notes:

1. In calculating all the rates above, net profits (the numerator) represent the pre-taxation sum remaining after charging against sales all costs, including depreciation, other than interest charges and non-recurring items; non-trading income is excluded. In the case of Birds Eye net profits are before charging 'advisory and service fees' to Unilever and the profit contributions to SPD. The charges for depreciation vary according to the basis used (see notes 2 to 4 below).
2. Historic cost basis. Annual charges for depreciation were calculated on an 'historic' cost basis. Capital employed (the denominator) is represented by the sum of tangible fixed assets at original cost less accumulated depreciation and current assets less current liabilities from which bank borrowings are excluded.
3. Management replacement cost basis. This method is used by Birds Eye for internal management purposes. Fixed assets other than land are valued at estimated net replacement cost. Land is valued at cost. Capital employed is on a four point average during the year. In all other respects the valuations of assets and liabilities are the same as those used for historic computations. Depreciation is charged on estimated replacement cost at the start of each year without adjustment for accumulated prior year under-depreciation.
4. Current purchasing power basis. All adjustments to the historic data are based on the proposals in Provisional Statement of Standard Accounting Practice 7 issued by the Accounting Standards Steering Committee, except that in the case of Birds Eye:
 - (i) capital employed was calculated including both loans from Unilever and bank borrowings, and therefore did not take account of the gain in shareholders' purchasing power resulting from the effect of inflation on borrowings, and
 - (ii) fixed assets, other than land, were valued at their net replacement cost which, Birds Eye's auditors confirm, is suitable for CPP purposes.
5. These rates are derived from information contained in 'Business Monitor' and are based on the accounts of 'quoted' companies engaged mainly in the United Kingdom in manufacturing activities. For 1970 onwards the statistics related to companies with net assets of £2.0 million or more or gross income of £0.2 million or more in 1968.
6. The Commission's report on Building Bricks gave for United Kingdom manufacturing industry provisional rates of return on capital employed for 1974 on historic cost and CPP bases. Since the completion of the Building Bricks inquiry information has become available for further companies. The rates for 1974 given above are based on information relating to about four-fifths of the total number of companies qualifying for inclusion (see note 5).
7. These rates relate to those companies in 'UK manufacturing industry' (see note 5) whose main activity is the manufacture of food.

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