

## Natural touch behind family yoghurt firm's sweet success

Company set up in Lancashire in 1980s is taking on giant rivals Müller and Danone

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**B**ritons' growing distaste for sugar is offering a sweet opportunity for one dairy company in Rochdale. Lancashire Farm Dairies, which makes natural yoghurt, says the value of its own-brand products has surged 14pc in the past year to £11m, as more people move away from flavoured treats.

"In the past, lots of people were buying fruit yoghurts but that's changing now. Fruit yoghurts are often viewed as synthetic with added sugar – now people are buying natural yoghurt, and cutting up their own fruit to add in," says Azhar Zouq, the company's managing director.

Lancashire Farm uses milk from 11 different farms around the county to create its yoghurt and dairy products, receiving various batches each day.

The business was started in the early Eighties by Ghulam Zouq, Azhar's father, who came over to England from Pakistan in the late Sixties and had been selling fruit and vegetables before spotting yoghurt's growth potential.

It was in the Seventies that yoghurt consumption exploded in Britain, as eating habits from continental Europe spread. Sales have trebled since then. The Zouq family joined the bandwagon in 1984, just a few years before brands such as Müller entered the UK. Now aged 76, Ghulam Zouq still works full-time at the firm, taking care of the company's finances.

"We work very closely with local councils, as well as schools and universities, to spread our farming message. We have a presence from Swansea to Glasgow, although obviously our biggest base is in the North West," explains Azhar Zouq.

Lancashire Farm originally focused on buying and selling yoghurt, and only began manufacturing its own products in the late Nineties after it moved to a large manufacturing plant that was able to support 24-hour production five days a week.

Its yoghurts are now stocked in all of the UK's "Big Four" supermarkets, as well as countless independents, and it has recently started supplying the discounters. The company makes its own products under the brand name "Lancashire Farm", and also produces own label yoghurts for retailers.

The firm, which currently has an annual turnover of £24m and employs 150 people, aims to become Britain's yoghurt brand of choice. However, it has a tough battle ahead if it wants to topple the major brands that dominate supermarket shelves.

Germany's Müller and Paris-based food conglomerate Danone account for the majority of yoghurt sales in the UK. The most popular yoghurt is Müller Corner, whose sales of £250m account for 15pc of total yoghurt market share.

Danone's Activia takes 14pc of market share and Müllerlight has 11pc. The largest independent yoghurt brand in the UK is currently Yeo Valley, a family-owned organic dairy company based in Somerset.

"We're talking to three other retail chains at the moment. We are getting more market penetration and consumption is always increasing. [Data firm] Kantar World Panel said the value of the Lancashire Farm



Azhar Zouq, Lancashire Farm Dairies managing director, says distaste for sugar has improved its natural yoghurt sales

brand grew 14.4pc last year to £11m. However, we can't compare ourselves to Yeo Valley, a big company that has been around a lot longer and offers far more products than us," says Zouq. Still, yoghurt production offers a fruitful opportunity, even for smaller

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brands. Estimated at £2bn in 2014, sales of yoghurt and yoghurt drinks have experienced growth of almost 14pc since 2009, according to the latest figures from research firm Mintel. Three in five people in the UK

now choose the dairy product as a dessert.

However, there are other challenges facing the firm this year. Like other manufacturers and retailers, Lancashire Farm expects to be hit by the new living wage, which will come in from April. It is also witnessing first-hand the crisis facing dairy farmers in Britain as Lancashire Farm doesn't produce its own milk, and is reliant on local suppliers. Zouq says dairy farms are culling their flocks and choosing to sell the cows for beef, or switch to producing other products.

"There will be a flip side to this soon," warns Zouq. "A few years ago there was a shortage of milk when dairy farmers downed tools. We don't want that to happen again."

The UK's dairy crisis centres around

the low prices farmers are paid for their milk. The EU's decision to end milk quotas has led to an increase in production, causing an oversupply across Europe. Farmers across the continent often price their milk cheaper than British farmers, leaving some struggling to compete.

British farmers received an average of 22.78p per litre of milk in December, a 34pc drop on the same month in 2014, according to the Agriculture and Horticulture Development Board.

Nevertheless, Zouq remains optimistic. He says it's up to dairy manufacturers to pay a fair price for milk. "We pay a premium for our milk, and always have done. You need to look after your farms so they look after you. Our yoghurts are only as good as the milk we're using," he said.