

Famous Brands gets market nod for meat acquisition

By [Zeenat Moorad](#)

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Steers and Debonairs owner Famous Brands' shares rose as much as 6.6% on Monday, 8 December 2014, after saying it had acquired a majority stake in meat distributor Cater Chain Food Services.



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Where Famous Brands can get involved in back-end manufacturing it provides products like coffee and cheese to its franchise network, at a more competitive price - protecting margins in an environment where consumer spending is under pressure.

Other than supplying its own network, it also produces products for the greater food services and hospitality industry.

Cater Chain trades from a 15,900m² production facility with processing equipment and freezer and chiller capacity.

The plant, in City Deep in Johannesburg, has separate Halaal and non-Halaal facilities, with production capacity of about 900 tonnes a month.

Products supplied to the food services market include beef, lamb, mutton, chicken, bacon and ham.

Famous Brands CEO Kevin Hedderwick told Business Day it had long been its stated strategy to continue to invest in bringing manufacturing in-house, replacing outsourcing.

"While we currently manufacture a range of meat products on behalf of our franchisees there are certain cuts that are outsourced to third-party manufacturers like pork products in particular.... Also, our existing Midrand meat processing plant is not Halaal compliant so that part of our business is also outsourced....

"Midrand itself is bursting at the seams, in terms of capacity, so we will also be transferring certain of our existing business to this new facility," he said.

The value of the deal was not disclosed, but will be settled from cash reserves. The transaction is subject to Competition Commission approval.

Cater Chain's senior management team will be retained.

The company was established by siblings Roy and John Tem-Tem in 2004.

Famous Brands has pursued acquisitive growth at the back end over the past few years through a joint-venture partnership with Coega Dairy for the supply of cheese products to the group.

It bought a stake in Java Lava Beverage Manufacturers, a coffee roasting and packaging business, and in The Bread Basket. The company also has a juice, ice-cream, sauce and spice plant.

Vestact Asset Management director Sasha Naryshkine said: "This is where you make the money, the storage space for burger patties, you can take a turn again on the same cheaper burger. Provided of course that the same burger is sold at the same price to the end consumer."

Source: Business Day

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