

# MAKING THE CUT

Callan Bacon is enjoying a significant slice of the action in the British market

**J**ohn Walshe, a chartered accountant by trade, returned from living abroad in 1985 to assume control of Callan Bacon. Since then he has transformed the firm into one of Ireland's leading secondary pork processing companies.

When John took over, the company employed 12 staff with a turnover of £900,000 and worked from a 200-year-old factory. Today Callan employs 200 people and operates out of a custom built 57,000 sq foot processing plant. In 2012, Callan's turnover was €43million and this year it is on track to come in well north of over €50million.

## Background

Callan Bacon has been in operation since 1924. The company was purchased in 1985 by M&M Walshe Ltd, a bacon slicing company owned by John Walshe's parents. When John returned from his travels abroad he got involved.

Almost immediately he put a plan in place to change the Callan business model. "I bought five acres outside of Callan straight away and in April 1990 we opened a new 20,000 sq foot processing plant," says John. "It was a big investment because there wasn't a lot of money around at the time."

This move to the new plant meant the end of the slaughtering side of the business. "We stopped slaughtering our pigs from then on. All our pork was delivered to the back door as we ordered it," explains John. "I think we were very innocent at the time when it came

to the costs of the move. I got a big shock when I saw our first ESB bill. It was a big learning curve for us."

At first Callan Bacon outsourced all its pork slicing to M&M Walshe in Limerick and then sold on to Dunnes Stores and Supervalu. In 2004 John made the decision to try and break into the British food market.

"We went abroad to look for growth," says John. "It was small at first, just a few Lidl's around the country. Slowly but surely we started getting extra business over there. It was mainly with Aldi and Lidl because we already had been dealing with them here in Ireland."

John went on to say how the Irish bacon industry is mainly aimed at Britain. The difference in tastes and cultures on mainland Europe mean that bacon is not very popular there. Over the years Callan has grown its business in Britain substantially by chasing more and more contracts tendered by the multiples.

"The major multiples are growing their share of the markets all the time," says John. "They are a direct route to market for any food company in Ireland. It is a tough industry and you have to be competitive but if you can meet their criteria you will have a great route to market."

Today roughly 60% of Callan's business comes from Britain. To meet the growing demand for its product in the last 10 years, Callan opened a new state of the art 57,000 sq foot processing plant in June 2010.

"I wanted to consolidate the business on one site," says John. "We closed the slicing plant in Limerick and moved all our slicing into the new plant. As well as this we moved away from processing. Everything is now cured, dry cured and vac packed exactly the way the consumer wants it."

**"Everything is now cured, dry cured and vac packed exactly the way the consumer wants it"**

Callan Bacon directors John O'Flynn, Geraldine Chohessy and John Walshe.





A selection of Callan Bacon products.

### Currency fluctuation

One of the biggest challenges that Callan has to contend with week in week out is exposure to sterling. "It is one of the great unknowns of exporting. Currency values can be changed by the smallest things," says John. "A strong euro or a weak pound is not good for our industry. Ideally, the euro needs to remain close to 80p. Both of our economies (Ireland and Britain) are very challenged right now."

John tries to handle the currency fluctuations in a number of ways. "I use Irish and British currency providers all the time. To get the best rates you need at least two quotes. A small difference in the rate can make a big difference to us."

Some companies trying to deal with currency movements will try and hedge funds against the currency. John explains how Callan has a strict policy on hedging.

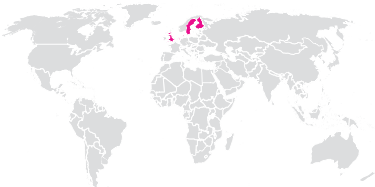
"We only hedge a percentage of what you are owed at any given time. I would be very nervous hedging on anything over three months. If you don't hedge sometimes you won't make the money you thought you would so you have to be very careful."

For John, the banking situation in this country right now is far from ideal. "At the moment lenders are very risk averse. I believe that they do not want to loan money or support industry."

The banks in Ireland have been making a lot of noise over the past year or so saying that they are ready and willing to lend to businesses but from John's point

### Exports destinations

Callan Bacon and Ribworld



of view it is all just for show. "Everybody is afraid to be associated with a bad debt or a bad decision. There is nobody to stand up and make a decision in the banks today. Nobody wants to accept responsibility."

Callan has been lucky that it is a well-financed company. "For us it is fundamental to be well financed," says John. "I would hate to be dealing with the banks right now if we were struggling. All our machinery and equipment is paid for in full up front. We re-invest everything we have here into the company to ensure its competitiveness."

John is quick to thank Enterprise Ireland for the help they have given him. "They have done a lot on the education side of things by providing training courses for me and my staff. I recently completed my fourth strategic development course which helps me improve my business methods, thinking and

strategy. You can always learn more."

The market for Callan's product is largely confined to Britain and Ireland as continental Europe does not have a tradition of eating bacon (e.g. rashers) as distinct from pork. It's essential Callan remains a reliable supplier to the multiples in Ireland and Britain to ensure a direct route to market.

### Ribworld

In 2011, Liam Dowdall of Smith & Williamson Freaney was appointed receiver of the pork rib processor, Ribworld.

When John Walshe saw the company was in receivership he approached the receiver to buy it out. "I had always liked the Ribworld brand," admits John. "I thought they had done a great job of building the brand there. When I looked at it I felt that I knew enough about the business to run it efficiently."

Ribworld had several characteristics that made it stand out to John. It was based nearby in Clonmel and it had great potential to grow in his eyes. John and his team already knew the pork processing business and knew where they could improve efficiency.

In December 2011 John purchased Ribworld. Not only did he protect the 65 jobs at the plant but he has also been able to significantly grow the business since then. Today Ribworld exports to Denmark, Finland, Holland, Sweden and Britain, with significant potential of developing into new markets down the line.