Closing Address: Food & Beverage Manufacturing Summit 2008
19 February 2008, Westwood Hall, Leeds

SLIDE ONE

Thanks Helen – another excellent presentation I am sure you will agree.

Now, we have covered a lot of ground in the past few hours, and I for one have certainly learnt plenty.

But as we reach the end of today's conversations, prepare for tonight's networking, and perhaps think about tomorrow's work, it's probably a good time to take a little step back from what we have learnt so far and try to put it into a broader context.

Which is where I come in.

I'm not for a second claiming to be a manufacturing expert but I am someone helping many of your businesses deal with the difficult public debates in which our industry is now collectively, and individually, engaged.

Now, as I noted in my opening remarks this morning, I felt that the titles of one our sessions today summed up rather neatly how many of us in business think. We are operating in 'A world in flux'. And while some will no doubt argue that change is happening faster than ever, it has surely always been a feature of commercial life, as has the fact that the successful companies have always been those that are not only able to keep responding to such systemic flux, but have also anticipated it and adopted leadership positions.

To prosper, the industry must be nimble and fit enough to keep adapting – whether through the development of innovative products or processes. Another important theme of today's conference.

And with all that in mind, I am going to start my brief presentation at the end of the food chain – with the consumer; that's because arguably one of the biggest variables in our business planning has to be the way in which British society has been undergoing revolutionary change in recent decades. Changes to which our industry, it must be said, has responded brilliantly.

SLIDE TWO

There has been a fundamental shift from the austerity of the post-war years, when almost one-third of disposable income was spent on food, and shortages were frequent, to the situation today where a wide choice of reasonably-priced food is available to consumers, who are spending half what they did on food in the 1950s.

We are living longer; there are more single person households; we work harder than ever and stay later at the office. Families are different too; the nuclear family is changing. Today, we are more likely to have 2.4 cars than 2.4 kids.

We are ageing as a society as well, which on one level is good news clearly – but it does mean society will become more concerned about quality of life issues, alongside our existing concerns about the way in which lifestyle diseases put pressure on our health system.

At the same time, consumers lack the time to cook, or don’t have the skills. So we are spending less time cooking the main meal of the day. And our eating habits are changing; we are moving from three clear meal times to a more flexible pattern of consuming through the day.

You could summarise this chart by saying that a nation getting older, fatter and lonelier – it’s not the prettiest of pictures is it.

Now, these changes in society have altered citizen’s relationships with food.

And I think this slide goes some way towards explaining how different agendas on the environment and health are becoming increasingly blurred – too many cars on the road, for instance, is not only making us lazier and fatter it is also damaging the planet; and the fact that food is now, relatively speaking, a cheap commodity, and we have becoming deskilled in the kitchen, are just a couple of reasons why we are happy wasting as much as we do at home.

All of which has created headaches for those policy makers faced with trying to find solutions to complex, multi-factorial issues such as, for example, obesity – which have been building over a number of decades and have not, despite what you read in some quarters of the media, unexpectedly popped out of the system.

But we should not lose sight of the fact that some really positive changes have also occurred since the post-war years – and these have been delivered, in no small part, by the existence of a highly competitive grocery market supplied by a responsive food and drink manufacturing sector.

The success of our sector has also provided the foundations on which companies have been able to build over many years – investing in product reformulation and innovation to meet consumer needs, reducing our social impacts (including recent efforts to improve our environmental performance), investing in our people and improving the communities in which our companies operate.

It is only by sustaining healthy, profitable businesses that these wide-ranging investments can continue in the long term.

But ours remains a highly competitive market attracting plenty of (perhaps understandable) attention from policy makers.

So our challenge at the Food and Drink Federation is working across Government to ensure that we create the right business climate in which to keep nurturing a vibrant, innovative and successful food manufacturing sector in the UK in the future.

The goal for manufacturers is clear: we want to keep providing consumers with affordable, safe, nutritious food of the highest quality that meets their ever-changing demands, while ensuring that we continue to improve the sustainability of our sector by working to improve simultaneously our social, environmental and economic performance.

SLIDE THREE

Aah – sustainability, surely on of the hottest buzzwords of the moment. But in reality FDF and its members have long been champions of sustainability, particularly this widely accepted definition. Indeed, we developed a sustainability strategy for the food and drink manufacturing sector way back in 2002 – which Defra subsequently built on and extended to all sectors beyond the farmgate through its Food Industry Sustainability Strategy.

And on a related theme, I should also point out that there is a major review of food and food policy being undertaken by the Cabinet Office Strategy Unit at the moment. It has been asked by the Prime Minister to look at all aspects of the industry – analysing the main trends in food production and consumption, their implications for society, to assess the robustness of the current policy framework and draw out the implications all their analysis for future policy.

It’s pretty heavy stuff. The team is due to report back in April to the PM and the findings will almost certainly impact the policy environment in which we find ourselves doing business. And I would urge all of you to keep a watch on the Strategy Unit’s work.

Now, to help us better understand the issues that our industry feels are undermining their ability to build a truly sustainable future, we asked Professor Bruce Traill of the University of Reading to conduct a survey of senior executives from across our membership last year.

The survey identified many reasons to be cheerful, but it also confirmed our worst fears that industry leaders felt they received limited support from Government; worse, they feared that our sector is all too often made a scapegoat by policy makers who fail to appreciate the positive role it plays in the overall economy. This tendency is felt to be much more pronounced than in other countries, notably the US, where our members believe industry and Government work closely as a partnership.

SLIDE FOUR

And this SWOT analysis of the industry based on Professor Traill's survey identifies regulatory issues as the biggest perceived threat to the future competitiveness of the sector.

Companies cite key areas of concern as being: over-regulation, inconsistency, premature regulation, legislation that is not science-based and a perception (rightly or wrongly) that EU legislation is over-enforced compared with other Member States.

We would add that UK companies are increasingly finding themselves on the wrong end of regulatory creep, particularly when policies and guidelines are brought in by national bodies and implemented as if they had legislative force.

This is particularly frustrating given that, as we all know in this room, the bulk of technical regulation impacting our industry actually comes from Brussels – not Westminster. And that brings its own complications – and very rarely the win-in example we heard about this morning.

SLIDE FIVE

You can see why executives are so worried about the regulatory agenda – here's a snapshot of just some of the things that we are dealing with on industry's behalf. By no means exhaustive, just topics that have appeared in our last two membership newsletters!

Professor Traill's research cited other concerns – such as our ability to access raw materials, our concerns about skills and how the industry's poor image is creating an issue in terms of recruitment – but in the time available I think it's really telling that regulatory burdens remain the biggest perceived threat to our industry's future competitiveness.

You can read more in copies of his report which I have left with the reception desk.

Anyway, lobbying across these sorts of issues – particularly to ensure daft legislative ideas do not become legal reality – is bread and butter stuff for organisations such as ours.

However, we have increasingly recognised that we need to do a better job at reminding all our stakeholders – particularly politicians – of some basic facts about our industry, which is today the UK's largest manufacturing sector and which plays a vital role in sustaining a healthy British economy.

All the evidence suggests that, given the relatively inelastic nature of food demand, our industry is (relatively speaking) little affected by the income variations of the business cycle and so acts as a stabilising force to manufacturing output and employment. That's due in no small measure to the sort of work we have been hearing about today.

SLIDE SIX

I will just give you one fact from the stream of data out there: we directly employ about 470,000 people and estimate that up to 1.2 million people in ancillary services, such as packaging, processing machinery and distribution, depend on our industry for their jobs.

Or as we keep reminding MPs, that averages out to about 3,000 jobs for each constituency in the UK.

Despite the challenges we face, and the competitive pressures we are under, our industry is responsible for making some of the country's best known, and best loved, brands, the success of which are based solely on the strong relationships they have forged with consumers, usually over many, many decades. In short, food and drink manufacturing is a great British success story.

And I think it is important that we keep reminding ourselves of these facts.

Because as I said earlier we need to tell all our stakeholders that our industry must be successful if we are to continue investing in the innovations, product developments and new processes that will be necessary to meet changing consumer demands ***and*** respond to society's concerns about big issues such as the health of the nation and the wellbeing of the planet.

And I think our industry's response to the concerns about the health of the nation is a cracking example of what we can achieve.

Here, we can argue, with some justification, that the UK is now leading the world in terms of reformulating products, extending consumer choice with better for you variants and healthier alternatives, and improving the nutrition labelling on packs.

SLIDE SEVEN

On labelling, industry is providing consumers with clearer on-pack information though a scheme that takes the information printed on the back of virtually all food packs here and puts it on the front in the form Guideline Daily Amount labels. These allow consumers to assess the calories, sugars, fat, saturates and salt that are suggested for a balanced diet. By knowing what's inside the food they are buying, consumers can make better-informed decisions about what they are eating and, we hope GDAs will be one way of improving the food literacy of consumers too.

As you may have read over the past couple of years, not everybody agrees with our approach. But GDAs are now rolling out across the whole of Europe – and has been backed by the European Commission as the best approach to nutrition labelling in its recently published Consumer Information Regulation. Truly ground-breaking stuff.

SLIDE EIGHT

On reformulation, our approach has been equally impressive.

For instance, a recent survey of our leading members suggests that since 2004 an impressive £15bn worth of their products have been reformulated to have lower levels of salt, fat or sugar. In addition, a further £11.5 billion worth of products have been launched in lower salt, fat or sugar variants.

Last month, FDF teamed up with researchers TNS Worldpanel to attempt to quantify the impact of industry's salt reformulation efforts. And we found that in five key food categories – crisps, breakfast cereals, bread, home cooking and canned goods – shoppers are purchasing the equivalent of 2,000 tonnes of salt less than 12 months ago. Don't forget this is on top of all the work undertaken by industry for many years.

And I have put other examples of our reformulation efforts in this pyramid of industry achievements.

Challenges remain, of course. The Food Standards Agency has recently unveiled its Saturated Fat and Energy Strategy, for instance, which aims to encourage industry to find new ways of reformulating products to reduce their saturated fat content. That will be tough – because saturated fat is not the same as, say, salt; finding new ways to reduce our dietary intakes will be incredibly complex.

Still, FSA recognises the importance of building strong and constructive working relationships with key partners as a way of generating positive health outcomes – as it did in the area of salt reduction.

Partnerships are important. And the Government has rightly put partnership with industry at the heart of its obesity strategy, unveiled last month.

SLIDE NINE

The strategy picks up on key themes of the Foresight report into obesity published last October and has five elements: the healthy growth and development of children; promoting healthier food choices; building physical activity into citizens' lives; creating incentives for better health; personalised advice and support.

Now, this strategy and some of the work that has gone before it, represents an attempt by Government to get truly 'joined up' and finally start to deliver long-term solutions to some complex issues.

The headline for industry, if not the Daily Mail, was about the strategy's efforts to promote healthier food choices through various initiatives including a Healthy Food Code of Good Practice that will be finalised in partnership with the food and drink industry.

The Healthy Food Code has seven pillars covering

- food labelling
- portion sizes
- marketing
- reducing saturated fat and sugar levels in food and drinks
- increasing the consumption of fruit and vegetables
- a requirement that food businesses work with the FSA, DH and others stakeholders to deliver a single set of key healthy eating messages
- and a call for nutrition information to be provided in the foodservice.

Agreeing all of that will be tricky. But this strategy does at least attempt to start joining up Government and a pledge to work with partnership with industry and others to deliver results.

SLIDE TEN

And that joining-up thing is really important – as this scary slide illustrates. ***This is a real map of all the bodies we are now having to deal on the single issue of childhood obesity. You need more than a compass to navigate your way around it.***

Of course, the health and wellbeing debate is not new.

SLIDE ELEVEN

For many years, the industry has been locked into what investors have called the ‘corporate battle for health’. And the opportunities – and threats – posed by our collective response to this agenda were again highlighted in Professor Traill’s research.

It’s also important to remember that in the UK the industry has been working on its own action plan since 2004 – delivering tangible results in many of the areas outlined in the new Obesity Strategy.

We are under no illusions: the work the industry is doing to reformulate its products, to provide greater choice and to introduce better nutritional information for consumers are important and will make a real difference. But they cannot provide the entire solution to the nation’s concerns about diet and health.

We certainly believe that education about healthy eating and healthy lifestyles – which include an understanding of the importance of physical activity – will be an essential part of any strategy to improve the health of the nation. So we are pleased that it forms a core part of the Government’s new plan for tackling obesity.

SLIDE TWELVE

Nearer to home, FDF members are committed to being an exemplar for promoting healthy living within their workforces. And one of the pledges in our Food and Health

Manifesto centred on workplace wellbeing and we are key partner in a major initiative being unveiled soon by Business in the Community to make workplace wellbeing a boardroom issue for all industries.

Don't get misunderstand me – when it comes to the debate about health and wellbeing, our industry remains under fire. But we should be proud of what has, in truth, been achieved in recent years. We are a responsive industry that is behaving responsibly.

And the action we have taken has placed us right at the heart of developing new ideas – many of them world leading solutions – for doing our bit to tackle what is a complex issue for us all.

So…

I have touched briefly upon the economics of our sector and highlighted some of things that our members fear will hold back its future growth; and I have also touched upon health and wellbeing, which is surely one of the biggest social issues facing us at the moment.

SLIDE THIRTEEN

To join the sustainability circle, therefore, I am going to finish quickly with our views on the environment – and how we think our members are showing real leadership here too, and for once their efforts are being praised by politicians, campaign groups and the media.

Our Five-Fold Environmental Ambition is a collective commitment that builds on the outstanding work that many companies have been doing individually for many years. It focuses on the areas where we feel that we can make the biggest difference in reducing our sector's impact on the environment. And we feel this is a bold move – no other food trade body has tried to take this collective approach and no industry sector has tried show such leadership in this area.

SLIDE FOURTEEN

Our collective ambition looks like this:

We want to achieve a 20% absolute reduction in CO_2 emissions by 2010 compared to 1990 and to show leadership nationally and internationally by aspiring to a 30% reduction by 2020;

We want to send zero food and packaging waste to landfill from 2015
[*Currently the sector as a whole sends three million tonnes to landfill];*

We want to make a significant contribution to WRAP's work to achieve an absolute reduction in the level of packaging reaching households by 2010 compared to 2005 [*approx 340,000 tonnes*]. And provide more advice to consumers on how best to recycle or otherwise recover used packaging [*We will report annually on our contribution to WRAP's target];*

We want to achieve significant reductions in water use and contribute to an industry-wide absolute target to reduce water use by 20% by 2020 compared to 2007;

And we want to embed environmental standards in our transport practices, including our contracts with hauliers as they fall for renewal, to achieve fewer and friendlier food transport miles. We also want to contribute to an absolute target for the food chain to reduce its environmental and social impacts by 20% by 2012 compared to 2002.

The goals are challenging – but that's a sign of how seriously we are taking society's concerns about the environment. And you can find out more about all this work on our website.

[So one of pillars of our ambition is to strive to reduce the carbon emissions of our sector, for instance. And we believe that if achieved, this would save about one-and-a-half million tonnes of CO2 a year compared to 1990, the equivalent of taking about 350,000 cars off the road per annum.]

[Food and drink manufacturers are responsible for 11% of the food chain's green house gases - and FDF members about 6-7% of the total. Agriculture accounts for about 50%. Food and drink manufacturers reduced their CO2 emissions by 15% between 1990-2005 and are working to achieve more [FDF's voluntary Climate Change Agreement].

[Carbon reduction for the food and drink manufacturing sector as a whole is already reported under FDF's climate change agreement with Defra. FDF has also committed to publishing annually the progress made by its members against our ambitious carbon reduction targets.]

We can only do so much on our own – which is why we are working with best practice bodies such as Envirowise, Carbon Trust and WRAP, as well as urging the Government to encourage the development of new infrastructure in line with the priorities set out in its Waste Strategy.

And this new way of working was demonstrated very publicly just a couple of weeks ago when we unveiled our water commitment developed in partnership with resource efficiency experts Envirowise.

SLIDE FIFTEEN

At launch, twenty-one of the UK's leading food and drink manufacturers signed an historic agreement to improve their water efficiency and thereby reduce water use.

Once rolled out across the sector as a whole, the initiative could save some 140 million litres of water per day – equivalent to 56 Olympic-size swimming pools – and a combined financial saving of around £60m per year on water bills. That's right it's about saving money as much as it is reducing your environmental impact – there's nothing wrong with enlightened self interest.

We called it the Federation House Commitment, and the first 21 signatories have pledged to review their on-site water use and take action to reduce this wherever possible.

The Commitment will help FDF members to achieve their water reduction goals set out in our Five-fold Environmental Ambition. Importantly, it will also be central to achieving the industry-wide target in the Food Industry Sustainability Strategy to reduce water use, outside of that embedded in products themselves, by 20% by 2020 compared to 2007.

Companies working with Envirowise will review their current water use and develop site specific action plans to significantly cut water use and costs within six months of signing up to the commitment. They will report annually to Envirowise on water and cost savings made on site. Envirowise will offer signatories a package of support measures to help them.

And the good news is that this is not just a scheme for FDF members – if you are interested in finding out more, please go to the Federation House Commitment website which is **www.fhc2020.co.uk**

There's another environmental debate that's growing in importance, of course, and that to do with carbon labelling.

From our perspective, how carbon generally becomes communicated will ultimately depend upon how work on broader carbon measurement pans out and importantly consumer research. And we feel there is an important distinction to be made between carbon measurement and carbon communication or, indeed, labelling.

As far as carbon measurement goes, a single methodology for industry as a whole is essential; to be effective, the methodology must be practicable, based on sound science and easily understood by consumers.

We welcome the fact that there are two key steering groups taking forward work in this area – one led by the BSI is overseeing carbon measurement; and one led by the Carbon Trust is looking at carbon communication. FDF is represented on both. And I understand they will be reporting soon.

I could talk for ever on this aspect alone. But I am conscious of the time and so I hope that really quick canter through some of the big issues that our industry faces gives you enough food for thought – and highlights some broad, contextual issues that can be debated later this evening and, perhaps, on day two of this summit.

To recap: a sustainable industry is one that is able to move forward on the three pillars of economic, social and environmental all at the same time. In today's market, that is pretty challenging to say the least – even for manufacturers that are striving for excellence by becoming leaner, fitter and quicker.

But one of our main jobs at FDF is helping our members navigate through an ever-changing regulatory climate, defending our industry against unjustified attacks and ensuring your ability to compete is not undermined by poor policy making.

I have enjoyed being with you today. I hope you have taken as much out of the sessions as I have. And as you head out the door back to the conservatory for drinks can I wish you all the very best in your future endeavours.

Thank you

SLIDE SIXTEEN