

## **BRITISH SOCIETY OF BAKING CONFERENCE – 08 APRIL 2008**

### SLIDE ONE: INTRO

Thank you and my thanks to the British Society of Baking for inviting me to speak at today's event.

Now, I have deliberately chosen a rather grand title for my presentation this morning. Given the time available, and the huge breadth of issues that I could have discussed, I thought rather than canter through everything I would try to focus on a few of the issues which we at FDF are dealing, and highlight where we genuinely believe our members are showing real leadership.

So, leadership, if you like, will be this morning's theme.

And to help explain some of the ways in which we work, I thought it would be useful to give you a little bit of background to the Food and Drink Federation.

### SLIDE TWO

Simply put, FDF's mission is to be the voice of the food and drink manufacturing industry here in the UK.

Our members are companies of all sizes, representing all types of ownership structure, manufacturing everything from chocolate to organic muesli, own label products to big brands, retail lines to those for foodservice.

We also represent other trade associations and sector groups, ensuring that FDF is the key trade association for this vast and incredibly diverse industry.

Our main role 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 here in the UK in the future.

To help us do that, FDF last year restructured to ensure it was in the best position to respond to the challenges now shaping the world in which our members operate.

Our structure now gives us a sharper focus around three key priority areas:

- Food Safety and Science;
- Health and Wellbeing; and
- Sustainability and Competitiveness

Strategic steering groups have been created to direct our work in each of these three priority areas. Each group is chaired by a CEO from a member company and provides the

leadership necessary to ensure that we continue to deliver results for our members in these three areas.

As a sector, our goal is to keep providing consumers with affordable, safe, nutritious food of the highest quality that meets their ever-changing demands. Our role at FDF is working with our members to ensure that they can achieve that goal while continuing to improve the sustainability of our sector by working to improve simultaneously its social, environmental and economic performance.

### SLIDE THREE

One a related theme, it's worth reminding you 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 a matter of weeks to the PM and the findings will almost certainly impact the policy environment in which we find ourselves doing business. We are staying close to that project and I would urge all of you to keep a watch on the Strategy Unit's work.

### SLIDE FOUR

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.

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 or guidelines are brought in by national bodies and implemented as if they had legislative force, even though the bulk of technical regulation impacting our industry actually comes from Brussels – not Westminster.

Anyway, lobbying across these sorts of issues – particularly to ensure poorly thought-through legislative proposals do not become legal reality – is, if you will excuse the pun, bread and butter stuff for organisations such as ours.

#### SLIDE FIVE

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 the UK's largest manufacturing sector; playing a vital role in sustaining a healthy British economy.

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.

Our sector has proved to be fit, nimble and highly innovative – which is why 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 good quality, reasonably-priced and safe food is available to consumers, who are spending half what they did in the 1950s, despite recent concerns about raw materials price hikes.

And despite all the challenges we currently face, and the competitive pressures we are under, we should not lose sight of the fact that 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.

It's vital that our industry is successful if we are to continue investing in the innovations, product developments and new processes that will be necessary to meet changing

consumer demands as well as respond to society's concerns about big issues such as the health of the nation and the wellbeing of the planet.

Now, 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 SIX

First, I thought it was probably worth reminding ourselves of the broader political context in which we are debating this issue and the recent challenges from Government, which has made tackling obesity one of its top priorities.

Two recent Government reports – from the Cabinet Office Strategy Unit in January and Foresight last October – have both painted a pretty grim picture of the future impact of growing obesity levels, associated health problems and rising costs to society of so-called lifestyle diseases.

Significantly, the reports have also pointed out that when it comes to tackling issues such as obesity there are no magic bullets that can be fired. All of us – industry, Government, concerned citizens – have a role to play if we are to reverse the worrying trends that have been identified.

That said, I do fear that because ours is a big industry we remain an easy target for those critics who still want to point a gun loaded with magic bullets in our direction.

## SLIDE SEVEN

The other significant political development came in January with publication of the Government's new Obesity Strategy, which picks up on the themes of the Foresight report and targets five core areas: 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.

One of the key headlines for industry in all this is the idea of finalising a Healthy Food Code of Good Practice in partnership with the food and drink industry.

The Healthy Food Code has seven pillars covering

- Food labelling
- Portion sizes
- Marketing

- Reformulation, particularly 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 is going to be tricky – and I have to tell you the work has not yet started in earnest.

But this strategy does at least attempt to start joining up Government and a pledge to work in partnership with industry and others to deliver results has to be good news

#### SLIDE EIGHT

That joining-up thing is really important. Here I have attempted to map out the main organisations dealing with the issue of childhood obesity. As you can see, it remains as complex as the issue itself, which means you need more than compass to navigate your way around it.

But then a key part of what we do is working with our members to navigate through such choppy waters.

For us at FDF, the health and wellbeing debate is not new. Our members have been focusing on their own action plan since 2004 when we set out our groundbreaking industry Food and Health Manifesto.

Our Health and Wellbeing Steering Group is building on those commitments, directing our work in areas such as front-of-pack nutrition labelling, reformulation, marketing and workplace wellbeing. And our decision to put this emphasis on health and wellbeing reflects the fact that our industry is absolutely committed to playing a positive role in this debate – which is clearly not just about obesity.

So what has industry actually done?

#### SLIDE NINE

Well, to start here's my pyramid of recent achievements on the reformulation and innovation front.

A 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, we found that a further £11.5 billion worth of products have been launched in lower salt, fat or sugar variants.

Earlier this year, 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 scrutiny categories – crisps, breakfast cereals, bread, home cooking and canned goods – shoppers are purchasing the equivalent of 2,000 tonnes less salt in those products than 12 months ago. And don't forget this is on top of all the work undertaken by industry for many years.

We also hear a lot about trans fats – usually in the more lurid tabloid headlines. But you will all be aware that retailers and manufacturers have been taking action here too. Just before Christmas, the Food Standards Agency came to the conclusion that our voluntary measures to reduce trans fats have resulted in low consumer intakes of just 1% of food energy; which is half the recommended maximum.

Better still, our members have also committed to taking out trans fats in a way that does not increase saturated fat levels in foods – an important point, often overlooked.

There are other significant developments underway, such as the growth in functional foods that we have witnessed in recent years which have come from nowhere to be worth anything up to £1.7bn a year.

Add in the fact that independent researchers Mintel say the biggest trend in grocery is the voluntary move by retailers and manufacturers to develop products that are free of artificial additives or colourings and you start to get a real sense of the scale of our work as industry right across the health and wellbeing agenda. All of it evidence of how industry is innovating to meet consumer demands.

Challenges remain, of course. The Food Standards Agency has unveiled its Saturated Fat and Energy Programme, one strand of which is encouraging 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. But we're pleased that FSA appears to have recognised the importance of building constructive working relationships across industry as the best way of generating positive outcomes.

As we keep reminding the officials at Aviation House, industry's biggest challenge is reformulating mainstream lines in a way that does not adversely affect their appearance, taste, texture or mouthfeel; otherwise consumers will stop buying them. In the case of salt, that sometimes meant re-educating consumer palates over many years. We have also had to think carefully when developing alternatives as many consumers don't want products that are perceived to be more processed – that trend towards so-called naturalness touched on by Mintel's research.

We are also awaiting clarification as to how the FSA plans to conduct a consumer campaign to raise awareness of the issues around saturated fat – and we clearly hope it will not involve gratuitous scare tactics.

## SLIDE TEN

Now, as well as reformulating products, the industry has an additional responsibility to make it easier for consumers to opt for the healthier choices when they want by providing them with clearer on-pack information.

Industry's response has been to develop a scheme that takes the information that has been printed on the back of virtually all food packs here in the UK for more than a decade and puts it on the front in the form of 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, we believe consumers can make better-informed decisions about what they are eating.

GDA's are based on sound science and the GDA values were drawn up by a group of experts drawn from a wide variety of stakeholders, not just industry.

To date, more than 60 manufacturers, retailers and foodservice companies have adopted GDA nutritional labelling in a consistent way on the front of something like 20,000 product lines here in the UK.

## SLIDE ELEVEN

And the labelling scheme is proving to be big hit with consumers. Independent research carried out recently by the Mirror newspaper among its readers, most of whom are busy C2DE mums, has found very high levels of awareness and understanding. Significantly, almost two-thirds of its readers said they had used the labels to check for a specific nutrient, to pick products with a lower amount on a specific nutrient or to compare two products in the same category.

Interestingly, one benefit of the move towards GDA front-of pack labelling is that it is helping drive reformulation in the industry.

We hear from our retail colleagues that they are setting new internal benchmarks, based on the GDA labelling, that is guiding all their product development work. And we know that the GDA scheme is focusing the minds of manufacturers on the nutritional content of their foods. After all, nobody wants to be on shelf with products with the highest calorie or salt content.

On the back of the success here in the UK, the GDA approach is also gaining acceptance among retailers and manufacturers right across Europe, and the labelling scheme has been the German Government, which is another really positive development.

A GDA-style approach to nutrition labelling has also been backed by the European Commission in its proposed Consumer Information Regulation, which will be negotiated over the course of the coming months and, probably, years.

Much has been made in the media, and elsewhere, of the differences between our promotion of the GDA scheme and the Food Standards Agency's promotion of its traffic light scheme.

But the sometimes rather shrill criticism directed our way loses sight of one important fact: just four years ago, nobody was talking about front of pack labelling; today, all of us share a common goal of helping consumers better understand what constitutes a healthy, balanced diet.

Don't forget: this is truly ground-breaking stuff in what is a very complex area. So there are understandably going to be differences in opinion as to the best approach to achieve our shared goal of improving the food literacy of consumers.

And as we negotiate the way ahead, I think it is only right that industry stands up for what it believes in, particularly when all the evidence we have gathered clearly shows that our GDA approach is working.

Now, let's be under no illusions, the work the industry is doing to reformulate its products to provide greater choice and 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.

As the all of the recent reports from Government have explained in pretty stark terms, the causes of obesity are complex, multi-factorial and have evolved over a number of generations.

Given all that, we certainly believe that education about healthy eating and healthy lifestyles – which includes an understanding of the importance of physical activity – will be an essential part of any strategy to improve the health of the nation. Which is why we are pleased that it forms 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.

Most of our leading members now have in place workplace schemes that promote healthier lifestyles. And we are keen to encourage more of our members – particularly smaller firms – to develop their own activities. We are also a key partner in a major initiative unveiled by Business in the Community to make workplace wellbeing a boardroom issue for all industries.

And after years of apparent inaction on the part of Government, it's pleasing to see that this area is moving up the political agenda, on the back of the Foresight report and the Obesity Strategy. Something that we clearly welcome.

Don't 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 leading the world on many issues in this complex arena.

Leadership is also at the heart of our response to the growing debate about the wellbeing of the planet. And for once our members' efforts in this area are being praised by politicians, campaign groups and the media.

#### SLIDE THIRTEEN

Last year, FDF launched its Five-Fold Environmental Ambition as a collective commitment that builds on the outstanding work that many companies have been doing individually for many years. The Ambition focuses on the areas where we feel that we can make the biggest difference in reducing our sector's impact on the environment. 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 CO2 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, which is challenging when you consider that the sector as a whole currently 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 hope to 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. More on this in a moment.

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 we are now focusing our efforts on turning the Ambition into a reality – and you can go to our website to find out more about all this work, our progress, the knowledge sharing events we running and, perhaps, find out how you can get involved.

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 in January when we unveiled our water commitment developed in partnership with resource efficiency experts Envirowise.

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.

#### SLIDE FIFTEEN

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](http://www.fhc2020.co.uk)

#### SLIDE SIXTEEN

So to recap: a sustainable industry is one that is able to move forward on the economic, social and environmental pillars all at the same time.

As I hope I have highlighted this morning, our sector is not only responding to society's concerns in areas such as the health of the nation and the wellbeing of the planet, we are also showing real leadership of which we can all be proud.

But that progress depends on the economic success of our sector as this provides the foundations on which companies have been able to build over many years – investing in product reformulation and innovation to meet consumer demands, address society's concerns, invest in our people and improve the communities in which our companies operate.

That's why one of the main roles of organisations such as FDF is lobbying hard to ensure that we can sustain healthy, profitable businesses in the UK.

#### SLIDE SEVENTEEN

Where are we focusing? Well, these are just some of the key areas of concern for us at the moment, and they are the ones highlighted in my presentation. They all impact on our sector and, potentially, on your businesses, so I would urge you all to stay very close to developments in these five areas.

I hope my presentation has provided you with some food for thought. But if nothing else, I hope it has reminded you of some of the reasons why we should all be proud we work for the UK's most important manufacturing sector. A sector that I believe continues to show real leadership on the issues that matter most.

#### SLIDE EIGHTEEN

Thank you for listening.