IFST SPRING CONFERENCE – 04 APRIL 2008

SLIDE ONE

Thank you______________________

I'm delighted to be here at this year's Spring conference to give our perspective on how the industry has been responding to the society's concerns about health, diet and lifestyles.

I firmly believe that our industry's track record as a good corporate citizen – and our close relationship with consumers through our brands – makes us acutely aware of the positive role we must play in all the challenging issues we now face.

So my job today is to highlight a few of the ways in which manufacturers have already been doing just that.

SLIDE TWO

To start, 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 THREE

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 FOUR

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.

Of course, the health and wellbeing debate is not new. As I will explain in a moment, our members have been focusing on their own action plan since 2004.

SLIDE FIVE

And when the Deloitte management consultancy last year asked senior executives at leading UK food and beverage businesses what they thought were the major consumer trends currently affecting their companies, health came out as a clear number one.

So if health is such an important issue for us, what has the UK industry been doing?

To help explain that I want first to give a little bit of background to the Food and Drink Federation.

SLIDE SIX

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.

Last year, FDF 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.

Now, the Health and Wellbeing Steering Group is directing our work in areas such as front-of-pack nutrition labelling, reformulation, marketing and workplace wellbeing.

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 I must stress is not just about obesity, it covers more issues.

But as I have mentioned a minute ago, our commitment is longstanding; the work of our Steering Group builds on the commitments we set out in our groundbreaking industry Food and Health Manifesto, which we launched way back in 2004.

SLIDE SEVEN

A key role for FDF is reminding stakeholders of some facts about our industry, which is today the UK's largest manufacturing sector.

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.

Put another way: that's about 3,000 people on average in every constituency.

We are also an important partner for British farmers: buying about two-thirds of all the UK's agricultural produce.

All this vital economic activity is carried out by 6,500 food and drink manufacturing enterprises across the country. Of these, the overwhelming majority are small, medium or micro businesses (employing less than 10 people)

And let's not forget 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: the food and drink sector is a great British success story.

And I make no apology for reminding you of these facts.

Because we need to 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 in the years ahead.

And we have already responded in ways that I believe allows us to argue, with some justification, that the UK is leading the world in terms of reformulating products, extending consumer choice with better for you variants, healthier alternatives and functional products, as well as improving the nutrition labelling on packs.

SLIDE EIGHT

And here's my pyramid of recent achievements on the reformulation 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.

SLIDE NINE

This data is from Mintel and gives an independent view of our work, by showing how many products have been launched since 2003 on a health proposition such as lower in fat, salt or sugar.

In fact, since 2003, Mintel says more than 5,200 products have been launched on such a proposition, which is almost a quarter of all products launched in the grocery market in that time.

Add in the fact that Mintel says a further 3,000 products have been developed to be free of artificial additives or colourings over the same time period – another key consumer trend – and you start to get a real sense of the scale of our work as industry right across the health and wellbeing agenda.

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. Another sign of industry innovating to meet a real consumer need.

I think it is important to keep reminding ourselves of some facts about the work that industry has done. We should all be proud of what has been achieved.

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 our FSA colleagues recognise the importance of building constructive working relationships with industry as the best way of generating positive outcomes.

SLIDE TEN

And sometimes we get recognition for our work in the strangest of places!!!

Now I don’t need to tell any of you that reformulation, the development of new variants of popular brands and the creation of whole new categories of products with a health positioning, have all required a great deal of innovation, technological development and investment on the part of manufacturers.

Effecting such change has also required a really deep understanding of consumers – and particularly what turns them on and what turns them off.

And our biggest challenge reformulating mainstream lines in a way that does not adversely affect their appearance, taste 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.

But the is plenty of evidence in the sales data to suggest that consumers are listening to the debate about food and health, are embracing the new choices on the market and are changing their purchasing habits. In many categories, it's the products with a healthier proposition that tend to be among those out-performing the market.

SLIDE ELEVEN

To prove that change is happening, here's one random piece of evidence contained in Defra's Family Food report, which says that we saw a 7.7 percent increase in purchased quantities of fruit and vegetables last year – the highest ever increase for 20 years.

At around 2,500 grams per person per week, this suggests consumers are now eating almost four portions a day compared with the 5-a-day target.

An encouraging development. But let's not forget that the very simple 5-a-day message has been promoted tirelessly by Government, retailers and some manufacturers for years and we have yet to reach that elusive target.

As I said at the beginning the health and wellbeing debate is highly complex – and none of us should lose sight of the fact that it in many areas it is difficult to change consumer behaviours. But not impossible.

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.

SLIDE TWELVE

Industry's response has been to develop a scheme that takes the information printed on the back of virtually all food packs here in the UK for years 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.

GDAs are not new – they have been appearing on the back of food packs for a decade; they 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.

And research conducted by leading independent market researchers Millward Brown since the launch shows that 80 per cent of consumers are aware of GDA labels, 84 per cent think they are quick to read and easy to use and, significantly, 54% say they have already used the labels to make healthier choices.

SLIDE THIRTEEN

And that research is backed up by a recent survey conducted by the Mirror Newspaper among its readers, most of whom are C2DEs, which found similarly high levels of awareness and understanding. And 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.

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.

By the end of last year, GDA labels were appearing in all 27 EU member states. We estimate that the same, consistent labelling was appearing on more than 1,000 brands and 8,000 product lines – and this does not include the roll out plans of leading retailers including Aldi, Co-op Switzerland, Tesco, Delhaize, Edeka, Lidl, Metro, Monoprix and Rewe.

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 in 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.

While it is only right that industry stands up for what it believes in, I think it's worth stressing that we have never seen this as a battle.

And I think 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.

But 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.

So why not go with the scheme developed by the FSA from day one? Well, there are plenty of reasons:

We felt any scheme had to be universal, it could not be designed just to apply to a handful of categories;

Further, some important categories would be all red. No amount of reformulation would ever change that.

Any scheme had to be designed to meet all consumer concerns – and that meant it had to incorporate calories if it was ever to be meaningful or useful to the vast majority of consumers;

A fundamental belief that consumers don't respond well to people telling them what to do; but do like to be empowered to make better informed choices. And the proof of any scheme will be its ability to drive sustained behavioural change;

GDAs give facts about foods; colour coding offers and opinion

Any scheme should be simple, not simplistic. By that I mean it should play a positive role in the process of improving the food literacy of consumers, allowing all of them to take more responsibility for what they put in their mouths;

A recognition that any scheme that bases its benchmarking criteria on a standard 100g measurement, rather than on the amount eaten in a typical portion, creates real anomalies in classifying those products that are usually eaten in amounts significantly less than 100g or significantly more than 100g.

But there's no doubting the fact that we have reached an interesting point in the development of labelling, with the developments in Europe and the research being commissioned by the Food Standards Agency to evaluate the ways in which the schemes in market are changing consumer behaviours for the long term.

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.

SLIDE FOURTEEN

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.

And let's not forget that society has changed out of all recognition in the past 50 years, and so has our relationship with food and our ability to lead a healthy lifestyle.

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 has disappeared.

We are ageing as a society as well. In 1948, just 11% of the population was 65 or older. Today, its 16% and by 2028 it will be 20%. As we get older, so 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.

Meanwhile, many consumers lack the time to cook, or don't have the skills, and have a complicated and often contradictory relationship with food.

So we are spending less time cooking the main meal of the day. And our eating habits are changing.

Our society has moved from one where the problem was lack of food in the early post-war era, when we spent more than a third of our disposable income on food and drink, to one where food is readily available, with more choice and better quality than ever, and all of it costing us less in real terms than ever.

And we roughly consume the same as we did 50 years ago but expend far fewer calories in our daily activities than we did back then. Addressing – indeed reversing – this fundamental move towards a more inactive and sedentary lifestyle is going to be a key part of any solution to the obesity issue in particular.

All of which presents huge challenges – for policy makers as well as for industry.

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 FIFTEEN

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.

Now, for those of you who think such initiatives don't sound terribly exciting, consider the size of our industry. Remember: we directly employ 470,000 people – and some schemes enjoy employee take up rates of up to 50% - so you can see how big and how positive an impact these sorts of activities can have on a sizeable part of the manufacturing workforce. And that's just our sector.

So, we feel that's another important piece in the jigsaw. And I hope that the overall picture I have pieced together today gives you a real sense that the industry here in the UK has been using its NPD ability and marketing nouse to lead the way on health and wellbeing. I haven't been able to touch on every issue, but when it comes to important areas such as reformulation, extending consumer choice, boosting the nutrition information we carry on our packs and improving the wellbeing of the people who work in our factories, fantastic progress has been made. And there's a real commitment on our part to do more.

SLIDE SIXTEEN

Thank you