

Response to Cabinet Office Strategy Unit review of food and food policy – February 2008

Summary of key points

We congratulate you on the thorough and compelling analysis contained in your initial report 'Food: an analysis of the issues' published in January. We welcome the opportunity to contribute further to your work and believe that a number of key strategic themes for Government have emerged from that analysis, and our own experience.

In summary, they are:

1. Government needs to develop a long-term policy framework and be consistent in delivering it

Businesses need sufficient clarity about Government's approach, and certainty about how it will be implemented, to be confident in taking the investment decisions that will preserve a competitive, sustainable UK food industry. One example is a lack of consistency in Government energy policy which can deter long-term investment by food manufacturers. Equally a lack of investment by Government in the necessary infrastructure – for example the treatment infrastructure to allow FDF members to divert waste away from landfill – will inhibit industry and others from fully playing their part in delivering shared objectives. There also needs to be a much better understanding across Government of the fact that regulation remains the biggest perceived threat to the competitiveness of our industry. We have seen too many examples of poor Government approaches that have created unnecessary reputational damage for our sector and shaken our members' belief in the Government's commitment to better regulation.

2. Government should strive to build and maintain effective relationships with key delivery partners – and at the right level

Our members want to see a clearer signal from Government that it recognises the importance of the country's biggest manufacturing industry to the UK economy and that it is willing to work in partnership with our sector across all policy areas in future. We feel the way that our members have been able to work with Government and others on the environmental agenda has been extremely productive and shows what can be achieved. We believe your project provides an excellent opportunity for the Cabinet Office to explore the reasons why, as a sector, we do not appear to have a similar level of productive engagement across Government (for instance, in the health and wellbeing debate) and for you to highlight the importance of the food and drink manufacturing sector and Government working together, at the highest levels, to shape future policy developments.

3. Government's approach to the health and wellbeing debate has been neither consistent nor coherent

We have seen first hand how the Government has struggled to 'join up' its policy approaches in the area of health and wellbeing and failed to foster a genuine partnership with industry. As a result, our member companies have found themselves dealing with an array of Departments, bodies, agencies and advisory groups, often (it

seems) working to different agendas. The focus of the debate about obesity has been almost entirely on diet, rather than also on lifestyles, and the spotlight has shone mostly on packaged grocery products and supermarkets. We feel that a more rounded approach to the issue would deliver better policy outcomes – as evidenced by the positive work we have done on the environment.

4. Government needs to show leadership on difficult issues, particularly in considering the implications of new and emerging technologies and harnessing their potential benefits

There are specific challenges for our sector on GM and biofuels and we would urge Government to take a more proactive stance in these areas. In a similar vein, we are becoming concerned that there is, as yet, no leadership from Government on the emerging issue of ‘nanotechnology’ – all of us are keen to avoid a repeat of the GM debate.

5. Government must continue its efforts to understand how to influence the behaviour of individuals and to develop policy accordingly

Closing the gap between how we behave as shoppers and think as citizens will require an approach based on genuine consumer insights – rather than one based on the prejudices of vocal consumerist groups, whose messages appear to be gain traction far too readily. Whether on health or environmental issues, changing consumer perceptions and behaviours will play a critical role in delivering desired outcomes. An over-reliance on attempting to influence only the supply side – in particular, by targeting our members – will not achieve the required demand-side outcomes.

Introduction and background

The Food and Drink Federation represents the interests of the food and drink industry, which is the UK's leading manufacturing sector; one that is a vibrant, innovative and highly successful component of the country's economy.

As your report acknowledges, 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, and the amount of disposable income spent on food has halved since the 1950s¹.

This positive change has been delivered, in no small part, by the existence of a highly competitive grocery market supplied by a responsive, consumer-centric 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 environmental impacts, investing in our people and improving the communities in which our members operate.

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

A successful manufacturing sector is also important for the UK economy. All the evidence points to the fact that, given the relatively inelastic nature of food demand, our industry is little affected by the income variations of the business cycle and so acts as a stabilising force to manufacturing output and employment.

That said, there are clear concerns across our membership at the unprecedented way in which raw materials prices are soaring and the impact this is having on our industry's competitiveness (particularly when our customers are trying to keep a lid on price rises). If one of the long-term aims of UK policy-making is to ensure food remains affordable for all citizens, we would suggest there is an urgent need for there to be a strategic, senior-level discussion between industry and Government about the potential economic impact of ongoing raw material price hikes.

Our members face many challenges in what remains a highly competitive market attracting plenty of (understandable) attention from policy makers. Our goal is to work across Government to ensure that we maintain a vibrant, innovative and successful food manufacturing sector in the UK in the future.

¹ ONS, January 28 2008 – see www.statistics.gov.uk

What do you think our collective goals or aspirations for food should be?

At a consumer level, the goal for food and drink manufacturers is clear: to keep working with our customers to provide consumers with affordable, safe, nutritious food of the highest quality that meets their ever-changing demands, while ensuring that we continue to boost the sustainability of our sector by working to improve simultaneously our social, environmental and economic performance.

However, for us to achieve that goal, our members feel strongly that it is important the Government does more to recognise the fact that a healthy UK economy depends on a thriving food and drink manufacturing sector – and acts accordingly. Our perception – one that appears to be echoed within the trades union movement² – is that, despite its size and relative importance, successive administrations have taken the food and drink manufacturing sector somewhat for granted.

This was certainly a key theme to emerge from a survey of FDF members carried out by Professor Bruce Traill of the University of Reading last year. The survey found that industry leaders felt they receive limited support from Government; worse, they fear 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.

A well-publicised call from the Department of Health last October for the Food Standards Agency to assess whether trans fats should be banned is a recent example of how our industry continues to suffer reputational damage as a result of knee-jerk responses to difficult issues. The FSA has subsequently recommended that no legislative action is required, because the UK industry's efforts to reduce trans fats have generated better results than have been achieved in those countries with regulations in place³. We still await a response from DH; in reality, however, the 'PR harm' has already been done.

Likewise, the initial support reportedly given by some in Government to calls from consumerist groups for a ban on additives and food colourings in the wake of the FSA-sponsored Southampton Study showed a lack of understanding of the issues – and demonstrated no appreciation of the fact that the levers of power for this matter are actually vested in Europe. Again, this created an unhelpful sense of urgency around an issue that our industry is addressing on a voluntary basis here in the UK, within the framework of strict EU-wide legislation designed to protect the health of consumers.

On a related point, there is genuine disquiet among food and drink producers that no Government Department or agency has been prepared to defend the positive role that food additives play in the face of vocal criticism from the media and consumerist organisations. For example, sweeteners provide one solution to a key public health concern (ie: obesity). These ingredients undergo stringent testing to ensure their safety and, yet, are routinely attacked – without negative statements ever being countered by clear advice for consumers from 'official' UK bodies.

² At an FDF fringe event to explore the future competitiveness of the UK food and drink manufacturing sector, held in Bournemouth, September 2007, GMB representatives told ministers Stephen Timms and David Lammy that they felt our industry was being taken for granted.

³ See the Food Standards Agency website – www.food.gov.uk – for full details.

The biggest frustration for our members is that Government sometimes struggles to get joined up, and finds it hard to foster a genuine, partnership approach with industry to tackle the increasingly challenging concerns facing society.

It doesn't help that on many of the issues we face, our member companies find themselves dealing with an array of Government Departments, bodies, agencies and advisory groups, often working to different agendas, all of which is baffling and time-consuming for even the biggest corporation, never mind the impact it has on SMEs.

Take the ongoing debate about the health of the nation and society's valid concerns about growing obesity levels, particularly among children.

Obesity is a hugely complex issue, with many multi-factorial causes – as your initial report clearly identifies. But our members have long recognised that it's an area where industry has a positive role to play, so we have responded with groundbreaking initiatives to introduce better labelling, reformulate our products, develop 'better for you' alternatives and inform consumers about the importance of a healthy lifestyle⁴.

Post-war policy has focused on the food chain's ability to provide affordable, safe and nutritious food for all. But the emphasis by Government on the 'nutritious' side of that policy equation has only come to the fore in recent years. Despite the complexities of the science around this issue, it has become extremely politicised, very quickly. That has proved to be extremely unhelpful for our industry, which continues to deliver across all these policy areas – producing affordable (despite recent raw materials price hikes), safe and nutritious food and drink – and doing it in a way that responds to the dramatic changes in consumer lifestyles outlined in your report.

Despite all our efforts, our industry is still seen by some as being the sole cause of the obesity problem – rather than part of the solution. Our critics are too quick to forget that it is in our best interest to keep our consumers happy and healthy, thus ensuring they continue to buy our products.

Further, it appears that in the debate on obesity, the spotlight has almost entirely been placed on branded goods manufacturers and grocery retailers. As your report explains, we do need to think of this issue in the round – relating any policy approaches to the way in which consumers actually lead their lives, particularly when and where they are eating and drinking (including the calories 'hidden' in alcohol).

It is deeply discouraging that, on the health and wellbeing agenda, our members have found themselves working in an adversarial climate that has neither encouraged the fostering of true partnerships nor resulted, necessarily, in the best long-term solutions being adopted by those looking to improve the health of the nation. We remain hopeful that the newly-published Obesity Strategy will mark a change in the nature of our ongoing engagement with Government.

While the health and wellbeing debate is an example of how difficult relationships do not always generate the best results, our recent work with Defra, best practice bodies and

⁴ In fact, our members launched FDF's Food and Health Manifesto in 2004; last year, we formed a Health and Wellbeing Steering Group, comprising senior executives from member companies, to drive forward our work in this area.

others to explore ways of reducing our sector's impact on the environment shows what can be achieved⁵.

Compare and contrast, also, the balanced approach being taken to carbon labelling with the debate now happening on front-of-pack nutrition labelling. On the former, a broad coalition of stakeholders is working together to develop a consensus approach to a very complex issue; on the latter, the UK Government has tried to adopt a pseudo-regulatory approach that now puts it at odds with most of industry, the European Commission and the rest of the European Union.

Our industry increasingly finds itself on the wrong end of such regulatory creep, when policies and guidelines are brought in by national bodies and implemented as if they had legislative force.

A SWOT analysis of the industry based on Professor Traill's survey of FDF members 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 in the UK compared with other Member States.

For instance: our members want us to work closely with regulators to ensure they adopt a proportionate response to food safety issues, both in the UK and across the EU, basing their actions on the facts and, of course, on the science. Reactions that are disproportionate can be unnecessarily costly to our members and cause concern and confusion among consumers, at a time when, as your research shows, trust in the food chain has been restored after the lows of the post-BSE period.

The regulatory climate is of particular concern to smaller and medium sized food and drink producers, which make up the bulk of manufacturers in the UK by number. A recent survey carried out on our behalf by ADAS confirmed how worried SMEs were about both the cost of staying on top of ever-changing legislation *and* ensuring they remained fully compliant with the myriad of rules and regulations affecting our sector.

Access to raw materials is another potential threat to the future competitiveness of our sector – something that we discuss elsewhere in this submission.

When quizzed by Professor Traill, our members also identified another weakness that could potentially hold back our sector's future growth –our ability to keep recruiting the best talent.

All manufacturing sectors suffer from a poor image among potential recruits. And we accept that food and drink manufacturing may have a bigger image problem than other sectors, thanks primarily to the hostility directed at us in recent years by the media, NGOs and, occasionally, parts of the Government.

Clearly we acknowledge that our sector must do more to change perceptions about the food and drink industry and we are actively engaged in the work done by Improve, our

⁵ In October 2007, FDF launched its Five-fold Environmental Ambition to reduce our sector's environmental impact in the areas where we could make the biggest difference, namely carbon emissions, packaging, factory waste, water use and transport.

sector skills council, to promote food and drink manufacturing as a great career choice. Improve and Defra, for instance, are working on a joint initiative on the future of food science in England. We would back any other initiatives that would see Government working with industry and others to promote manufacturing among those at school and university.

Skills and training are also topping our agenda. Our industry relies on its people – and we have to invest in this valuable resource to remain competitive and effective. We estimate that our 20 biggest members are now providing around three million training hours each year at a cost of around £8m. With that in mind, the Government's new measures to increase the number of people taking apprenticeships in England are a welcome step forward.

However, there is a shortage of the skilled workers we need if the UK is to retain its position in the vanguard of innovation and quality – and continue to boost productivity. Latest figures from Improve show that our industry will need an additional 118,000 skilled workers by 2014 to retain its position as one of the world's most productive food and drink sectors. Tackling the skills issue will require all of us – Government, industry, unions and academia – to work together to ensure the UK continues to compete against businesses across Europe.

Given that, we remain concerned about the potential impact of new employment and social policies on our competitive position (such as the National Minimum Wage, access to labour, increasing employee benefits, extended rights for agency workers and so on). These affect all manufacturers, but anecdotal evidence suggests they appear to have a disproportionate impact on SMEs.

In summary, we feel it is vital that Government genuinely recognises the importance of our sector to the UK economy and provides the support – even if that is only moral support – that our members feel has been lacking for many years. This support could take many forms. At a basic level, it would mean an end to ill-informed policy 'announcements' made in public that cause our sector reputational harm; at a higher level, it would be the creation of the genuine partnerships between Government and industry that will be required to find *long-term* solutions to the many, highly complex issues outlined in your report.

What are the challenges that your organisation faces in dealing with the health and environmental issues associated with food, and what are the main barriers that you face in tackling them?

As we have already explained above, on the environmental side, FDF and its members are committed to making a significant contribution to improving the environment by targeting priorities where we can make the biggest difference. Working collectively, our Five-fold Environmental Ambition is to significantly reduce CO2 emissions; send zero food & packaging waste to landfill from 2015; reduce the level of packaging reaching households; achieve significant reductions in water use; and achieve fewer and friendlier food transport miles. The biggest barriers to progress in this area are, perhaps, a lack of consistency in Government energy policy which can deter long-term investment by food manufacturers – combined heat and power is a case in point – and the lack of waste treatment infrastructure to allow FDF members to divert waste away from landfill and up the waste hierarchy.

On a related, but broader sustainability point, UK and EU policy on key issues such as GM and biofuels are increasingly working against the long-term sustainability of the food and drink industry.

Our ability to access agricultural raw materials at competitive prices is the bedrock of the UK industry's economic success; we purchase more than two-thirds of UK agricultural output, for instance. However, the current tightness of supplies caused, amongst other things, by increased demand from China and India, and drought in some key supply regions, gives cause for concern (as explained elsewhere in this submission). The pressures on land use are such that the demand is rising faster than land use can adjust to it. This worrying position is exacerbated by UK and EU incentives to the biofuels industry, which enables fuel to compete for food, and EU reluctance to embrace the positive benefits of GM. As a starting point, we believe there needs to be a frank and open scientific debate to start to allay some of the existing concerns of EU citizens about the use of GM technology. FDF believes that the current political position on GM is unsustainable and would welcome the UK Government seizing the initiative here.

Separately, we are concerned that the emerging debate about the use of nanotechnologies in packaging and foods does not end up in the same 'anti-science' cul-de-sac as GM crops or irradiation, which has been rejected even though many feel this technology could have enhanced food safety, extended shelf life of products and reduced waste. The issue of nanotechnology was only touched on briefly in your report – but we do feel this deserves more attention and would welcome Government seizing the initiative here too, perhaps working with academia, industry and consumers to guide the future debate about the direction of this technology.

As we have outlined above, however, the biggest headaches for our sector stem from poor Governmental processes, non-evidence-based responses to complex issues or, more usually, a combination of both. We have articulated our frustration that on some of the important issues we face, our member companies find themselves dealing with an array of Government Departments, bodies, agencies and advisory groups, often (it seems) working to different agendas and certainly not working together to deliver common objectives.

Most of those headaches have been caused in the area of health and wellbeing.

Our recent experiences around marketing will, hopefully, demonstrate this point.

Following the 2004 Public Health White Paper, the industry found itself engaged in a lengthy consultation with independent regulator Ofcom, which eventually resulted in new rules on TV advertising coming into effect in 2007.

Our first surprise came with the initial Ofcom decision, when we discovered that after a lengthy consultation, the regulator effectively moved the goalposts by extending its restrictions to include young people up to 16 years old, rather than primary school age children. This was surprising because this issue had always been about advertising to young children and industry had responded to the consultation on that basis with a package of strong measures designed to meet the Government's objectives (as set out in its Public Health White Paper).

We were also concerned that the Ofcom rules were underpinned by the use of a nutrient profiling model that has now been widely criticised for being based on bad science and was even described by the then public health minister Caroline Flint as being the ‘best we could get’⁶. We don’t think that was good enough – given the implications of using this flawed tool and the fact that we fear it will inevitably be extended to areas outside broadcasting as a simplistic way of identifying ‘good’ and ‘bad’ foods. A lengthy review process is now underway under the auspices of the FSA. Yet from the outset, it has been made clear that this review will only look at how to modify the existing tool.

As well as going through a lengthy, rigorous and clearly independent regulatory process for TV advertising, the industry voluntarily applied *stricter* content rules for the non-broadcast advertising of food and drink, engaged in the DH Food and Drink Advertising and Promotion Forum and started looking at the editorial content of websites through initiatives such as the ISBA best practice principles. In addition, many companies individually have gone much further. As a result, the UK has in place the strictest rules in Europe regarding the advertising of food and drink products to children. The marketing landscape is changing – as evidenced by recent research from Ofcom and the ASA.

Despite all this, the signals from Government since last summer have been clear: it wants to introduce tougher legislation to restrict marketing.

To date, the only public change to the current regulatory framework has been the decision to bring forward Ofcom’s review of the TV advertising restrictions, even though they have yet to come fully into force.

From our perspective, the uncertainties created by the mixed signals from Government on this issue have undermined support for the concept of independent regulation, damaged the Government’s own commitment to provide regulatory certainty for industry (as Ofcom and the ASA have shown, our sector has moved quickly to change its marketing strategies to comply fully with these restrictions) and it has shaken our belief that Government will always back evidence-based policy responses, particularly from independent regulators.

Nevertheless, we would acknowledge that there is plenty of good work now underway to cut red tape at a national level, improve the legislative process and foster proportionate enforcement activities. However, lots of the regulation affecting our members is coming from Europe, which means it is subject to lengthy political negotiation and horse-trading and does not always result in legislation that is easy to use. It is important that the Government continues pressing for EU legislation to be better drafted in future – and, once passed, continues resisting the temptation to goldplate it here in the UK.

What do you think consumers should be doing differently, and how can this change be achieved?

The only way that we can ever hope to close the gap between how people behave as consumers and think as citizens is if we can find ways of motivating them to take more responsibility for their own actions.

⁶ The Grocer, November 11, 2006, p6. In addition, Ofcom also noted that ‘any system for differentiating between more healthy and less healthy products may have drawbacks’.

If behaviours are to be changed in the long term, Government needs to invest in the detailed consumer insight (which is *not* the same as accepting consumerist group lobbying) that will allow policy makers to identify any barriers to change and highlight how they can be overcome.

This is a huge challenge; as we explain elsewhere in this submission, the conflicting messages that appear in the media, and elsewhere, on many issues mean it can be difficult for consumers to make 'informed choices'.

However, if Government can forge the right partnerships with industry, then it will be able to tap into our marketing expertise and the strong connection our brands have with consumers (not least through our packaging) to communicate and amplify key messages and drive home the impact of joint campaigns in important areas.

What issues should the Government focus on in the future?

We have answered this question in our comments elsewhere, but in summary we would say there is a need for Government to:

1. Develop a long-term policy framework and be consistent in delivering it;
2. Build and maintain effective relationships with key delivery partners – and at the right level. In particular, Government must strive to improve the nature of the relationship it has with the country's biggest manufacturing sector, particularly around the health and wellbeing debate, building on the genuine partnership that exists on the environment;
3. Learn from past mistakes; we remain concerned that the Government's approach to health and wellbeing is neither consistent nor coherent;
4. Government needs to show leadership on difficult issues, particularly in considering the implications of new and emerging technologies and harnessing their potential benefits;
5. Government must continue its efforts to understand how to influence the behaviour of individuals and to develop policy accordingly; it's not always about trying to change the supply side of the equation in isolation.

In addition to the trends identified in our discussion paper, and your understanding of the industry and its customers, what other trends have you identified that may be of interest to us?

- In the discussion on obesity and 'lifestyle diseases', your report appears to focus solely on diet (and supply side issues) and does not try to link that to some of the basic themes identified elsewhere relating to the ways in which changing consumer lifestyles are impacting on our health (particularly our increasingly sedentary existence, the barriers we face to taking more exercise, the fact that parental fears about 'stranger danger' and traffic have curtailed unsupervised play or children walking to school; the role played by alcohol in expanding our waistlines etc).

- It would be useful to explore further why, when many consumers appear to readily grasp some of the basics of what constitutes a balanced diet and healthy lifestyle, they choose to ignore those principles. While we accept your remit is to focus on food and food policy, it is important to take a rounded view of the issue in order to assess fully where the policy holes may lie as you explore why there is an apparent gap between how we act as consumers and think as citizens.
- In addition, you should explore whether the current climate of, sometimes extreme, debate over health and wellbeing is causing consumers to 'obsess' about their diets, rather than think about them rationally or, indeed, intuitively – and whether that is the cause of a worrying rise in eating disorders (something on which you do not focus in your report). This extreme debate may also be one of the causes the consumer / citizen gap discussed above – as people adopt an increasingly nihilistic approach to their diet and lifestyles in the face of unrelenting negativity in the media. If so, what can / should Government do to redress the balance?
- Nutrition experts are concerned that this intense media coverage of the debates about obesity has resulted in mixed messages about what constitutes a healthy diet – with 'processed foods' becoming a shorthand term for 'unhealthy'. Clearly, this is nonsense – frozen vegetables, canned foods, pasta dishes and rice are important constituents of a balanced diet, for example. Given the fact that as little as 20 minutes is spent preparing the main meal of the day, convenience products such as cooking sauces and recipe kits play a key role in meeting the needs of time-poor consumers. It is unrealistic to think consumers can – or would – cook all their food from scratch. And, even if they did, it is highly unlikely it would be any healthier than many of the convenience products on shop shelves in light of the work that manufacturers have undertaken on reformulation in recent years. Clearly, it is not the Government's role to 'defend' processed foods. But Government can ensure that the messages it, and its agencies, put into the public domain do not exacerbate this situation by demonising processed foods and creating further confusion in the minds of consumers.
- On a related theme, we do think that there is evidence to suggest that consumers are increasingly leading a so-called debit / credit lifestyle in terms of how they eat, drink and exercise (super-healthy Monday to Thursday, and 'enjoying' themselves by bingeing Friday to Sunday). This could be seen as a rational response to the intense public debate on health that has played out in the media in recent years – but is more harmful than beneficial in the long run.
- It is completely right that we should focus on concerns about growing obesity levels. However, the fact remains that British citizens are still forecast by pension actuaries to live longer. So there does appear to be a need for a debate about the issues of 'quality of life' in later years – including more focus, perhaps, on the concerns about malnutrition in the elderly touched on in your report – alongside the equally important debate about the downsides of ill-health.