

ENGLISH FARMING AND FOOD PARTNERSHIPS' LAUNCH OF THE MISSING LINK

- Callton Young, FDF Director of Sustainability and Competitiveness -

Good afternoon ladies and gentlemen. It is always unnerving for any speaker to take to the platform at a conference called the 'Missing Link'! The first personal challenge must be to avoid being photographed under the conference title, through fear of inviting misunderstanding. Inevitably such a photograph would be published by some mischievous journalist with an invitation to readers to take part in a caption competition. I dread to think what the captions would be for me and Peter. Personally, I shan't be taking any chances today!

More seriously, I would like to start by saying a little bit about the Food and Drink Federation and the UK food and drink manufacturing sector whose interests I represent. The first little known fact is that food and drink manufacturing sector is the UK's largest manufacturing sector. Its gross annual output is over £70 billion per annum. This is equal to about 15% of all manufacturing turnover in the UK.

Another little known fact is that the food and drink manufacturing sector employs about 420,000 people, that is about 13% of the UK workforce. It also exports about £10 billion worth of food and drink products each year. It contributes 7% to GDP and, of course, meets consumer demand for good quality food at competitive prices.

Another fact, and one not said often enough, is that the food and drink sector is a great UK success story. It is one of which we should all be proud and a sector with which I, for one, am pleased to be involved.

The Food and Drink Federation's mission is to be the voice of the food and drink manufacturing industry. Our membership accounts for over 80% of food and drink produced in the UK. It covers a range of interests, spanning from large multinationals, responsible for well established household brands, to SMEs which account for a large proportion of companies operating in the sector and which contribute immensely to the rural economy.

We have recently restructured the Food and Drink Federation so that its activities focus more clearly on our top three priorities: 1. Food Safety; 2. Health and Well-being; and 3. Sustainability and Competitiveness. Food and drink manufacturers have long been playing their part in the sustainability

agenda. We have, for example, reduced our carbon emissions by 15.4% since 1990. Not many sectors can claim to have made so much progress with regards tackling climate change, the planet's single biggest challenge. To give another example of our long standing commitment to sustainability, the Food and Drink Federation was first off the mark developing a sector specific sustainability plan. This approach has subsequently been adopted and extended in the Food Industry Sustainability Strategy launched by Defra last spring for all food and drink sectors beyond the farm gate.

Food and Drink Federation members are keen to do more. We are embracing all three pillars of sustainability: environmental, social and economic. And in so doing, we are looking for balance. We are looking, whenever possible, for win-wins, where progress can be made on more than one pillar of sustainability at the same time.

The Federation ran a brain storming session just before Christmas to generate ideas which we have fed into the Defra's FISS Champion's Groups which are advising ministers on the measures needed to make progress in a number of priority areas for sustainability.

The Federation is organising, with the London Technology Network, WRAP, Envirowise, Forum for the Future and other partners, a waste best practice workshop. This will be held at the Institute of Physics in London on 25 April. Entry is free of charge. If you are a food manufacturer and are interested in avoiding waste and saving on your financial bottom line you should attend. You can find out more by visiting the Federation's website at www.fdf.org.uk.

The Federation also has plans for additional best practice workshops on energy, water, and food transportation for later in the year. We are therefore working with the Carbon Trust and others to ensure that their knowledge and understanding of best practice is transferred into the workplace where it can yield tangible benefits for businesses and the environment.

One of EFFF's clearly stated and key aims is to increase the number of market focussed, professionally run, Farmer Controlled Businesses in England in order to improve the agriculture sector's profitability, competitiveness and sustainability. This aim fits most closely with the notion of making progress under the economic pillar of sustainability. It is about improving domestic food chain efficiency in a global market place and is a pre-emptive response to the market realities being driven by CAP reform. It is also about the UK agriculture sector being able to respond to the market realities of trade liberalisation under the Doha Development Round, if world leaders find a way through the political complexities of the negotiation.

UK food and drink manufacturers are welcoming of CAP reform and trade liberalisation. Improved trading conditions provide better access for manufacturers - to both agricultural raw materials at competitive prices and to consumer markets for processed products. However, everyone can benefit from reform and liberalisation, not least UK farmers, if they organise themselves well to compete in a global market in terms of quality, availability, service and price.

EFFP's research on these issues is timely. It acknowledges that UK food and drink manufacturers currently purchase over two thirds of UK agricultural raw materials. As UK farming's most important customer base, the feedback from UK manufacturers recorded in The Missing Link report should prove invaluable for informing future business decisions within the farming sector.

The feedback in the report with regards quality is clear enough. 77% of respondents ranked quality as most important for their businesses. Expressed in qualitative terms, the report records that manufacturers are saying we will buy British but only if farmers ensure that the quality right.

The feedback in the report with regards availability is also clear. The report tells us that 65% of the food processors and manufacturers who participated in the survey consider availability to be a priority, along with traceability. So meeting the quality specification on its own is not enough, quantity is also very important.

The feedback in the report with regards regarding price is mixed. Only 43% of survey respondents ranked it as a most important factor. On the other hand, when answering questions about the attributes of suppliers, 80% of respondents said that price is either important or very important. I think this second finding must be closer to the mark in practice. Particularly when one reflects on the findings of recent research by the European food and drink trade association, CIAA, which shows that the costs of agricultural raw materials represents between 30-75% of a food and drink manufacturer's operating costs. I tend, therefore, to agree with the report's conclusion that price is a major influence on purchasing decisions for processors and manufacturers. And that contracts will, indeed, be won or lost based upon it.

The feedback contained in the report regarding sourcing preference provides a clear opening to British farmers which they could exploit to their advantage if they rise to the challenge. It is that 80% of the processors and manufacturers surveyed would prefer to source agricultural raw materials locally and only one third are actually doing so already. This implies scope for increased competition domestically as well as in relation to imported agricultural raw materials. However, at the same time the report shows that UK processors and manufacturers are overwhelmingly satisfied with the level of service that they

receive from existing suppliers. To win new business, therefore, potential new suppliers must aspire to be up with the very best on all of the criteria covered by the report: quality, availability and price. Potential new suppliers must aspire to excellence.

So in summary, the food chain is facing change in the form of increased competition whether through CAP reform or, we can hope, trade liberalisation under the Doha Development Round. For processors and manufacturers, the main customers of the farming sector, change offers the opportunities for improved access to agricultural raw materials at competitive prices. This is essential given that raw materials represent between 30-75% of manufacturers' operating costs. Change also offers the prospects of greater access to markets for processed products, which has to be welcome. UK farming currently meets two thirds of UK food manufacturing needs. There is, as such, scope for this to grow as markets become more open. However, quality, availability, price and quality of service must be at the forefront of every farmer's thinking. 'Excellence' should be the watchword of every UK farm business if it is to compete successfully in a liberalised global market place.

I would like to end by thanking EFFF for preparing 'The Missing Link' research report which has led to this conference. I wish the organisation well in its aim to increase the number of market focussed, professionally run, Farmer Controlled Businesses. I hope the research published today will inform the achievement of that objective. FDF, for its part, will continue to assist EFFF to achieve its goals by providing a helping hand. The crucial thing is that Farmer Controlled Businesses, and the partnerships being suggested in respect of them, should sell themselves to food processors and manufacturers. Partnerships must not be set up for altruistic reasons but because they makes good business sense in a competitive global economy.

Clearly, the proof of the pudding will be in the eating, measured by the extent to which effective partnerships are achieved on the ground. I therefore look forward to seeing the case studies to be presented to us later today which should illustrate to food processors and manufacturers what is possible through collaborative action. Moreover, how that can work to businesses' advantage: farmers, processors and manufacturers alike.

Thank you.