

## Rt Hon Owen Paterson speech at FDF President's dinner

21 May 2013

### Introduction

I would like to thank Jim Mosley for inviting me to be here tonight. I am really pleased to be part of the celebrations for the FDF's centenary. It's a great achievement to have successfully supported and represented this enormously important sector for a hundred years.

Key milestones like this are a perfect time to reflect on what's gone well and to look forward to new opportunities.

British food has been influenced by our great trading history. Some of the things that are now most quintessentially British are imports – tea, potatoes, even curry. But on all of these we've made our mark.

We drink tea with milk. Eat our potatoes with roast beef. Curries have evolved to suit our tastes with many companies now making convenient, ready-made sauces. But we should also learn the lessons and export more ourselves. We're already exporting tea back to China – imagine all the other possibilities.

Household names like McVities, Typhoo and Warburtons, to name but a few, are striving to provide even more convenient products at competitive prices. They know what their consumers want and innovate to deliver it.

The food and drink industry is the largest manufacturing sector in the UK. In 2011 UK consumers spent £180 billion on food, drink and catering services. The sector also contributed a staggering £96.1 billion to the UK economy.

However, there are challenges that we need to face. By 2050 the world population is expected to hit 9 billion. This puts further pressures on land and creates a food security risk. But through innovation and new technology we are preparing to face these and turn them to our advantage. For example, it has been estimated that the production of a given quantity of a crop now requires 65 per cent less land than it did in 1961. This is excellent progress and with innovation both in agriculture and in manufacturing we should be able to do even more.

### **Import substitution**

British food has an excellent reputation with its high standards and rigorous traceability. We are a trading nation, part of a vibrant global food system that ensures secure food supplies. We need to compete with the global market to maximise opportunities for our home industry.

And yet, 22 per cent of the food that we import, could be produced here. The industry can grow stronger by getting more UK products onto shelves.

In the wake of the horse meat fraud, an increasing number of food businesses are bringing their supply chains closer to home. Consumers want to know where their food has come from.

We currently have a £1.2 billion trade deficit in dairy products. 30 per cent of our raw milk output goes to making cheddar cheese. But we imported nearly 95,000 tonnes

of cheddar last year. There are other sectors in the same situation. An even more competitive UK industry could fill that gap. Allowing us to add value to our raw products in order to take advantage of what consumers want. And delivering further growth across the sector.

Muller yogurt is a perfect example. They opened their Market Drayton factory in 1992 and now they are one of the biggest yogurt brands in the UK – they've gone from zero to 1.7 billion pots a year. And because consumers want low fat yogurt, there's lots of cream leftover. They used to sell this as a raw commodity, but decided it would be better to add value to it themselves. So now they're investing £17 million in a new butter plant. All this sets them up in direct competition to imported dairy products.

Muller is just one of many similar stories of companies innovating and working with British suppliers. For example Hovis have pledged to source all their wheat from within the UK. McCain work closely with their farmers to provide full traceability for all their potatoes. These companies are providing truly British products for consumers.

To help support the industry to make the most of this, I want to work with you on a new initiative to identify what the opportunities are across the food and drink sector and how to ensure that producers are in a position to take advantage of them. I will convene a meeting of representatives from across the industry to discuss how we can increase import substitution. I look forward to hearing your views and discussing this with you.

## Exports

Exports are another crucial part of continuing to grow and strengthen the industry. I'd like to commend the FDF for their partnership with us on the exports agenda. In particular I'd like to thank them for their work on the Exports Action Plan.

Markets around the world recognise that British products are high quality. Over the last decade, exports of food and drink have increased in value by nearly 50 per cent to £18.2 billion. Chocolate exports have been particularly strong – increasing by nearly 20 per cent to £524 million. Thorntons, Quaker Oats and Burton's Biscuits are some of the companies that are doing particularly well. Some of the top growth markets have been Saudi Arabia, the United Arab Emirates and China. I saw for myself in China how popular our confectionery is.

I need to hear from you about what's going well and where we can help. At a recent round table in Scotland I discussed with new and established exporters how Government and industry can work together to break down trade barriers.

I plan to visit Brazil, the USA, China and the Gulf in the next 12 months as well as persistent work with European markets.

One key way Government can help is with regulations and certifications. This is an area that UKTI can really help with. They have on the ground experience. I encourage you to get in touch with them for advice and help. I will continue to do all I can to break down barriers to trade and to promote the UK's excellent goods and services.

## **Innovation**

Part of the reason the industry is so successful is its ability to embrace new technologies – there are around 6000 new products a year. The Government recognises the importance of innovation, so we invest around £400 million annually in agriculture and food research.

The Agri-tech strategy that David Willetts, the Science Minister, and I are collaborating on will look at how we can capitalise on our world class science base by turning new ideas into practical applications. The details will be published soon. You have a key contribution to make, identifying opportunities in the market place for acceptable, new products and technologies. You know what consumers want and the raw ingredients you need to make them.

I'd like to thank the FDF and its member organisations for their commitment to deliver improvements to public health. Both as individual businesses and as an organisation, you are leading the way on helping people to eat more healthily and sustainably.

Walkers crisps have reduced their salt content, Mars are reducing saturated fat, Coca-Cola are minimising their environmental impact.

One of the key agricultural technologies is of course GM.

It's no secret that I think GM technology has the potential to be a crucial tool for helping us tackle the global challenges of food security and the sustainable intensification of agriculture. There are significant environmental benefits, like reduced spraying and diesel.

170 million hectares of GM crops were grown globally in 2012, that's over 12 per cent of the world's arable land. This represents a 100 fold increase since 1996.

GM is not a silver bullet, nor is it the only tool at our disposal – but GM has the potential to offer quicker, more precise and more cost-effective solutions to some of the problems we face – so it's vital that we try to address any unnecessary blockages to this technology.

That doesn't mean compromising on safety. All GM products should continue to be subject to robust, scientific risk assessment. But products which pass those strict safety controls should be made available on the market in the usual way.

I welcome the recent announcements by UK retailers regarding GM livestock feed in their supply chains. Those retailers were right to emphasise that this is not a food safety issue. Their decisions reflect the economic realities of food production which sees the EU farming sector reliant upon soya and other imports from overseas.

Providing information about the current and potential role of GM technology in global agriculture is vitally important. In addition to retailers, government, industry, the scientific community, civil society and the media all have a responsibility to make sure that the ongoing debate about GM is well informed and reflects scientific evidence.

15 years ago the GM debate centred on whether or not we could afford to embrace the technology. Increasingly that debate is now about whether we can afford not to.

## **Skills**

To get the high quality products and the innovation we have come to expect from the British food and drink sector, it is crucial that there are skilled people joining the industry. And there needs to be opportunities for those already in the industry to access continuous professional development.

There are over 3 million people working in the industry. There are loads of opportunities from entry to PhD level jobs.

I am delighted that the industry is taking a lead in this area. You have exceeded your target from the Food Supply Chain Skills Action plan to create 50,000 apprenticeship places by the end of 2012. This is hugely impressive.

The UK's first Food Engineering degree course, which you've collaborated on with Sheffield Hallam and the National Skills Academy for Food and Drink, will be ready for its first intake in September 2014. This is exactly the kind of thing that the industry needs; a Master's level degree which will deliver tomorrow's innovators and leaders for the food and drink manufacturing sector.

Getting people with the right skills into the industry will make sure it's ready for the future.

## **CAP Reform**

CAP Reform will have a major impact on the shape of UK farming and its competitiveness. It also impacts on the competitiveness of the post-farm gate industry.

Negotiations between 27 Member States are not easy. We all have different visions for the future of CAP. I supported the position we agreed at Council in March because it is broadly heading in the right direction. I managed to stop some of the more regressive ideas from being included.

As an example, many Member States wanted to reverse the long-standing agreement to abolish sugar quotas in 2015. Changing our minds creates uncertainty for farmers and the market. While an extension to 2017 was agreed by the Council as a compromise, the European Parliament still wants to extend them further to 2020. I do not think this is right.

The wholesale price of sugar is 35 per cent higher than it needs to be and adds 1 per cent on to the weekly shopping basket. Removing sugar quotas will enable farmers to produce to the demands of the market rather than be restricted by artificial limits. Those limits and the very high tariffs on sugar cane also do wider harm.

British cakes, biscuits and confectionery are amongst the best in the world. We should be producing more and exporting more but are held back by a distorted market for sugar. The demand for sugar in China has increased their sugar imports from around £600 million to £1.2 billion from 2010 to 2011. CAP reform needs to get the market for sugar beet and cane right.

## **Concluding Remarks**

This is a really exciting time for the food and drink sector. There are innovative new technologies coming online. There are skilled people joining the industry. There are great opportunities opening up at home and abroad. All of these mean that the industry should become even more dynamic and consumer focused.

In the last hundred years the food industry has come on a long journey and thanks to the efforts of the FDF it is well placed to take on the opportunities of the future.

I wish you all the best for the next hundred years.