

**APPETITE FOR ENGINEERING
MONDAY 09 FEBRUARY 2009
“ENGINEERING A SUSTAINABLE FUTURE”**

SLIDE ONE

Thanks.....

Now, we have covered a lot of ground in the past few hours, and I have certainly learnt plenty. But as we reach the end of today’s discussions, I am going to ask you step back from some of the detail to think about the bigger picture for the next twenty minutes or so.

SLIDE TWO

First: a little bit about the Food and Drink Federation. We are the key lobbying body for food and drink manufacturers. We represent companies of all sizes, making everything from organic muesli to soft drinks to ready meals. And since 2007, we have focused all our work around these three priorities.

Our mission is simple: we are in the business of trying to make a difference for your business through our lobbying, advocacy and technical work..

Second: a short health warning. I’m not for a second claiming to be a manufacturing or engineering expert. But in my role at the Food and Drink Federation I am one of those helping many of your businesses deal with some of the complex debates facing our industry in these three areas of policy.

SLIDE THREE

And if we are, truly, to engineer a sustainable future for our sector then I think one of the lessons we have collectively learnt in recent years is that the best way to respond to these often difficult debates is to adopt a leadership position, something at which we have been getting better at doing.

And as a sector this is our big challenge: how best to make progress on all three fronts to become genuinely sustainable.

So where are our most difficult conversations happening?

SLIDE FOUR

Well, this slide captures just a few of the issues that are high on our agenda at the moment. And during the course of my presentation, I hope to flesh out some of these bullets to give you a full sense of where we are being challenged as an industry – and how, I think, we are responding positively on all fronts.

Food Matters is a new vision of a sustainable food strategy, packaging waste strategy coming in a matter of weeks, a new public sector procurement strategy should be unveiled in the next couple of months.

Before getting into all of that, I think it is worth reminding ourselves what is happening with the consumer, who has arguably done most to shape our industry into what it is today.

SLIDE FIVE

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, who are spending half what they did on food in the 1950s.

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 is changing. Today, we are more likely to have 2.4 cars than 2.4 kids.

We are ageing as a society, which on one level is good news clearly – but it does mean 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.

At the same time, consumers lack the time to cook, or don't have the skills. So we are spending less time cooking the main meal of the day. And our eating habits are changing; we are moving from three clear meal times to a more flexible pattern of consuming through the day.

These changes to society have clearly altered citizen's relationships with food. All of which has created headaches for those policy makers faced with trying to find solutions to complex, multi-factorial issues such as obesity.

But we should not lose sight of the fact that our industry has been genuinely successful in responding to all of these fundamental societal changes – providing consumers with affordable, safe, nutritious food of the highest quality that meets their ever-changing demands.

So our challenge at the Food and Drink Federation 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.

One that can continue to meet the needs of very demanding British consumers. Not easy in the current economic climate with extremely demanding retail customers.

Now, to help us better understand the issues that our industry feels are undermining their ability to remain competitive, we recently asked Professor Bruce Traill of the University of Reading to conduct a survey of senior executives from across our membership.

SLIDE SIX

The survey identified many reasons to be cheerful, but it also confirmed our worst fears in 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.

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 voluntary initiatives are brought in by national bodies and implemented as if they had legislative force.

So one of our key messages this year to Government and other regulators is to remind them of the commercial pressures facing our sector – 3,000 jobs went in January alone – and explain why it's important not to pile on more quasi-regulatory burdens that will undermine our competitiveness during this difficult economic period.

As I said earlier, we continue to tell all our stakeholders that this industry must be allowed to be successful if we are to continue investing in the innovations, product developments and new engineering processes that will be necessary to

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

SLIDE SEVEN

The debate about the health of nation has proved to be a particularly difficult conversation for the industry in recent years – with a very active regulator and a succession of Government White Papers, reports and strategy documents all ensuring that issues such as obesity have been a political top priority since 2004.

Nevertheless, once you strip beneath the Daily Mail headlines, you will discover that the UK is leading the world when it comes to reformulating products, extending consumer choice with better for you variants and healthier alternatives to popular brands, and improving the nutrition labelling on packs.

SLIDE EIGHT

On labelling, industry has providing consumers with clearer on-pack information though a scheme that takes the information printed on the back of virtually all food packs here and puts it on the front in the form Guideline Daily Amount labels. We believe improving the labelling on food packs is an important way of improving the food literacy of consumers; by knowing what's inside the food they are buying, consumers can make better-informed decisions about what they are eating.

As you will be aware, not everybody agrees with this approach. But GDAs are now rolling out across the whole of Europe – and have been backed by the European Commission as the best approach to nutrition labelling in its recently published Consumer Information Regulation. Truly ground-breaking stuff.

SLIDE NINE

On reformulation, our approach has been equally impressive. A recent survey of our leading members suggests that since 2004 an impressive £26.5bn worth of products have been reformulated to have lower levels of salt, fat or sugar or have been launched in better for you variants.

SLIDE TEN

Challenges remain, of course.

This is what the Department of Health and the Food Standards Agency believe is the agenda when it comes to tackling obesity. And this work is ongoing...

Just after Christmas we had a push by the FSA on labelling calories in catering outlets; last week Alan Johnson was widely quoted in the media talking about portion sizes; and later this afternoon the FSA will launch a new consumer advertising campaign as part of its efforts to reduce saturated fat and sugar levels in popular food and drink products.

It's tricky stuff. And a lot is being expected of our industry at a time when our biggest priority, clearly, is to remain in business.

But this obesity strategy does at least attempt to start joining up Government and has, at its heart, a pledge to work in partnership with industry and others to deliver results.

SLIDE ELEVEN

This is exemplified by the Change4Life social marketing campaign unveiled by DH just after Christmas – which is an attempt to create a movement comprising Government, industry and grassroots organisations to improve the health of the nation by encouraging us all to eat a little better and to exercise more.

We certainly believe that positive approach to educating people about healthy eating and healthy lifestyles – which focuses on the importance of physical activity – is essential to improving the health of the nation. So we are pleased that it forms a core part of the Government's plan for tackling obesity – and we are equally pleased that it has been forging genuine partnerships with industry as a way of delivering change.

SLIDE TWELVE

Nearer to home, our members are committed to doing their bit on the education front – by being an exemplar for promoting healthy living within their workforces. We are now widely recognised as leading the way on this aspect of the debate too – working in partnership with Business in the Community to deliver a programme of work that is designed to make this a boardroom issue for all industries.

Don't get 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 the action we have taken has placed us right at the heart of developing new ideas – many of them world leading solutions – for doing our bit to tackle what is a complex issue for us all.

So...

I have touched briefly upon the economics of our sector and highlighted some of things that our members fear will hold back its future growth; and I have also touched upon health and wellbeing, which is surely one of the biggest social issues facing us at the moment.

SLIDE THIRTEEN

To join the sustainability circle, therefore, I am going to finish with our views on the environment – and how we think our members are showing real leadership here too, and for once their efforts are being praised by politicians, campaign groups and the media alike.

SLIDE FOURTEEN

In October 2007, FDF and its members unveiled their Five-Fold Environmental Ambition.

This is a collective commitment that builds on the outstanding work that many companies have been doing individually for many years. It focuses on the areas where we feel that we can make the biggest difference in reducing our sector's impact on the environment.

And we feel 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.

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;

We want to make a significant contribution to WRAP's work to achieve an absolute reduction in the level of packaging reaching households and provide more advice to consumers on how best to recycle or otherwise recover used packaging.

We want to achieve significant reductions in water use and contribute to an industry-wide absolute ambition to reduce water use by 20% by 2020 compared to 2007;

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 you can find out more about all this work on our website.

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 Government departments such as Defra to make this reality.

Last November, we updated stakeholders on our progress against these challenging goals. Here are the headlines from our update report – and I will touch on a few of them.

SLIDE FIFTEEN

We reported that member companies had slashed their CO₂ emissions by 17% since 1990 as part of an ambitious plan to reduce their environmental impact – the equivalent of 58,000 tonnes less CO₂ per year since 1990.

The 17% reduction in CO₂ emissions has been achieved on the back of efforts by member companies to improve energy efficiencies in their factories, boost productivity and make greater use of renewable sources of energy.

We think the results show FDF members are on target to meet their commitment to reduce CO₂ emissions by 20% by 2010, compared with 1990.

As well as reducing their CO₂ emissions, we reported that our members had made progress in other areas.

For instance, we worked with Defra to conduct the first industry ‘waste survey’ as a way of identifying what waste was arising at our members’ factories.

The survey’s main findings were that of the 835,000 tonnes of food and packaging waste produced at 236 production sites of FDF members in 2006, 82% was recycled or recovered in some way.

As part of our work to help members deal with the remaining 17%, we are working closely with WRAP on its new initiative to improve resource efficiency from the factory gate throughout the food chain to final disposal. Under this, waste prevention reviews are being carried out at 20 FDF member sites. Best practice case studies will be developed from such food chain reviews and used to raise the industry’s waste prevention performance overall.

Where waste cannot be prevented, FDF members are generally reliant upon national waste infrastructure to divert food and packaging waste from landfill.

However, national capacity for alternatives, such as anaerobic digestion, is low and not easily accessible by food and drink companies. To help improve accessibility to anaerobic digestion and composting capacity, FDF set up a joint industry and Government Waste Infrastructure Working Group. It successfully pooled information about existing and, where possible, new capacity into a single database which will be managed by NISP, the National Industrial Symbiosis Programme, to help match available capacity to food and drink industry needs.

We will now continue to encourage the Government to incentivise growth in the embryonic anaerobic digestion and composting industries.

During the year we also launched the Federation House Commitment with Envirowise. Under this landmark sector agreement, which 237 food and drink manufacturing sites across the UK are now working to improve water efficiency.

The Federation House Commitment sets out five steps to success for food and drink manufacturing companies wishing to work in a systematic way to improve water efficiency.

We hope to jointly issue with Envirowise the first annual report under the Commitment sometime in the spring 2009.

So far 32 FDF member companies have signed the Federation House Commitment. So in the year ahead we plan to continue to promote the as the primary vehicle for the food and drink manufacturing industry as a whole to achieve the industry-wide 20% reduction goal.

Sharing best practice is another priority. So later this week, for instance, we are running a workshop on water efficiency for companies that have signed the Commitment.

SLIDE SIXTEEN

All of this work has been done voluntarily by FDF and its members, partly because it is the right thing to do.

And with Government having set out a clear agenda for moving the UK towards a low carbon economy, it would be foolish not to demonstrate the sort of leadership praised by Environment Secretary Hilary Benn last year.

But we also think there is a clear business case for all of this.

The work our members are doing in each of the five pillars of our Ambition confirms our belief there are clearly business wins for those prepared to seize this agenda.

For instance, the overarching goal of the Federation House Commitment is for the industry as a whole to achieve a 20% absolute reduction in its water use outside of that embedded in products themselves. This target is significant. Achieving it would save about 140 million litres of water per day. Achieving it would also save industry about £60 million in water bills per year.

SLIDE SEVENTEEN

If you want to find out more about what we have been doing, please visit our website where you will quickly find lots of useful resources.

And as do rummage around our toolbox, I hope you will agree that the environment is another area where the industry has been showing real leadership.

SLIDE EIGHTEEN

To recap: a sustainable industry is one that is able to move forward on the three pillars of economic, social and environmental all at the same time. In today's market, that is pretty challenging to say the least – but I think our sector should be proud of what it has achieved in recent years.

SLIDE NINETEEN

Thank you for listening – and good luck with all your endeavours.