

Time to stop taking us for granted

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Introduction

Good evening ladies and gentlemen and welcome to the annual Food and Drink Federation President's Dinner. It is good to see so many of you here this evening – friends from member companies as well as from Government, regulators, academia and the media.

[Clearly, with the Election only weeks away, we are gathering at a fascinating time for the country and, ultimately, for the industry – and I am sure that you are all delighted that we have arranged tonight so as not to clash with tomorrow's TV debate between the three party leaders...or not!]

When we came together for last year's Dinner, I talked about how the worsening economic situation, continued volatility in raw materials prices and weakening consumer confidence were all impacting our sector.

Although things were clearly tough – and getting tougher – I also predicted that food and drink manufacturers would rise to the challenges they were facing – demonstrate their resilience – and retain their place as the most dynamic and successful component of British manufacturing. I contrasted our resilience with one or two other sectors, I recall. (aviation, anybody)

We will hear within a matter of days whether or not the UK has emerged properly from recession when the ONS publishes its latest statistics on the economy – and tonight's guest speaker, Dennis Turner Chief Economist at HSBC, will give us an expert view of what is happening in the economy and the implications for the next Government.

Food and drink weathers the storm

While food and drink manufacturers have clearly weathered the economic storm better than most, we've not been completely insulated from the downturn.

Nevertheless, I can tonight confirm my prediction from last year: throughout this recession, the UK's biggest manufacturing sector has continued its excellent

track record of maintaining strong output, providing employment opportunities nationwide and generating wealth for the nation.

One piece of evidence of our resilience is our export performance.

Many pundits have been talking about the importance for the UK of an export-led recovery in manufacturing – but I would argue that only one sector can truly claim to have made any tangible progress on this front. And it's ours.

UK food and non-alcoholic drink exports were up by 4.4% in 2009 to £9.7bn. This was a fourth consecutive year of record growth, built in part on the back of strong performances in added-value product areas such as soft drinks, breakfast cereals, biscuits, sauces and condiments. Put another way: we have added £2bn to our export figures since 2007 when the term 'credit crunch' sadly became part of our business lexicon.

Compare our performance with the 12% drop in all UK exports during 2009 and you can see that our sector is outperforming manufacturing as a whole. Manufacturing output fell by 11% during the recession – at the worst we were down less than 3%.

And this matters to the UK because our food and drink is not only the country's biggest manufacturing industry, it is a high value sector offering world class capabilities in areas of production, logistics, sales, marketing and innovation. You'd be surprised how many Minister and Shadow Ministers didn't know that – until we told them.

And it is truly a great British success story. That is partly down to our ingenuity and innovation skills .

An innovative industry

Innovation is the lifeblood of our sector. It underpins our success in both the domestic and export markets. The recession has clearly created new consumer and customer pressures on pricing and discounting to which our members have had to respond. Despite those recessionary challenges, our sector launched an incredible seven and a half thousand products onto the UK grocery market in 2009, according to data from researchers Mintel.

Seven-and-a-half thousand products.

In a recession.

I defy anybody to find another sector doing as much for consumers.

Now, innovation comes in many forms. But there remains strong consumer appetite for new ideas in the area of health – where manufacturers are justifiably proud of the ways in which they have applied their marketing nous and R&D expertise to put the UK industry at the forefront of global developments.

I'm not just talking here in terms of the new food and drink products that have been launched, but also the ways in which companies have been changing the recipes of much-loved British brands so that they are lower in fats, salt or energy.

It's a complex task – and needs to be done in a way that does not impact taste, quality or price. Just moving calories around from one ingredient to another, whilst pandering to the issue of the moment isn't the right thing to do. So every new product or recipe development poses very significant technical, financial and consumer challenges that companies have to overcome – many of which were detailed in our Recipe for Success report published last year.

Inevitably, the recession forced companies to reprioritise their investments – particularly as consumers focused more than ever on price. But I am proud of the fact that our members have remained totally committed to delivering the best possible products for consumers and that has ensured the importance of healthier recipes has not slipped off their agendas.

In January, for instance, FDF announced the results of independent research showing that the salt content of the food bought in UK supermarkets has reduced by the equivalent of nearly 8,000 tonnes in the past two years alone.

Some of you will be aware that the New York City Health Department has recently published voluntary salt reduction targets, as part of a national initiative to reduce population level intakes by 20%. In most categories the targets being set are less stringent than those being asked of UK industry – a further sign of how far ahead manufacturers are in this country when it comes to salt reduction initiatives.

Salt reduction is just one of the ways in which we are making a real difference for consumers.

And I hope our success in this area also explains why we believe that in responding to concerns about the health of the nation, Government should always look to develop policy approaches that build on the power of industry to invest, innovate and understand consumers' needs.

I want to say a few words now about our industry's Environmental obligations and responsibility

Given our sector's relative size and economic importance, we recognise that the food and drink industry also has a responsibility to reduce its environmental impact and we support efforts to move towards a low-carbon future here in the UK.

We're also showing real leadership in these debates.

Our members are making a real difference to the environment, reducing their impacts under the auspices of our Five-fold Environmental Ambition.

We are making significant progress against the commitments in all five pillars of our Ambition: carbon, water, waste, packaging and transport.

On packaging waste, FDF has been working closely with WRAP on the development of a successor to the Courtauld Commitment which was unveiled last month.

The discussions around the successor arrangements were extremely complex, given WRAP's objective of moving from weight-based reductions in packaging to carbon emission reductions for products themselves.

But thanks to FDF's efforts – working with members and with WRAP – the new proposals recognise the complexities and were felt to be pragmatic enough for 12 member companies to become founding signatories.

FDF looks forward to supporting WRAP's efforts to achieve the very demanding targets it has set for itself.

In carbon our members have set themselves equally stretching targets to reduce CO2 emissions by 20% by 2010 and by 30% by 2020, compared with 1990.

The ambitious targets reflect our recognition that UK food and drink manufacturing overall accounts for some 12 million tonnes of greenhouse gas emissions each year. This represents 11% of UK food chain emissions and just under 2% of UK total emissions from all sources.

Just before Christmas, we announced that members had reduced their carbon emissions by 19% since 1990 – the equivalent of one million tonnes of CO2 –

thanks to their investments in new processing technologies, renewables and energy efficiency.

Impressive stuff.

Turning vision into strategy

But all of this work – and our efforts to improve the health of the nation – are built on the back of having a successful and competitive food and drink manufacturing sector here in the UK.

We have long argued that Government must put our sector at the heart of its economic thinking – particularly as policy makers look to rebalance the UK economy away from an over-reliance on financial services. More than that, we believe firmly that national policy must reflect the key strategic role food and drink manufacturers will play in ensuring the nation's future food security against the combined effects of climate change, higher global demand and increasing pressure on finite resources.

Policy makers appear to have woken up to these challenges and I am pleased to report that since last year's Dinner we have seen Government take some encouraging first steps towards developing a more strategic approach to our sector with the launch of Defra's Food 2030 vision.

In his introduction to Food 2030, Gordon Brown said that he was proud of the UK food sector and rightly acknowledged that Government must play its part in ensuring that the UK food chain can "thrive as an innovative, competitive and resilient sector".

All of which is to be applauded.

But it now time to turn fine words into some meaningful action through a cross-Whitehall strategy that will safeguard the future success of UK food and drink manufacturing. We have lots of ideas about how to do that – and we are eager to work in genuine partnership with key Departments to develop an action plan as soon as the dust has settled on the Election result.

It is only by having a clear strategy in place that we can be confident that food producers will be able to continue supplying consumers with food that is safe, nutritious and affordable – with the lowest possible environmental impacts – while still making a positive contribution to the economy itself.

Stop taking us for granted

So what do we want to see from a future Government?

A clearer, more coherent and consistent approach to food policy right across Departments would be a good start.

What do we mean by that? Well, in my sector for instance, those of us bakers who have invested heavily to meet the Food Standards Agency's salt targets were not exactly impressed when a rival company, who is an outlier brand when it comes to sodium content, received regional development support to build a new bakery. Joined-up government? We didn't think so.

FDF also wants an appropriate regulatory environment here in the UK so that our industry can remain competitive – particularly against other European food manufacturers.

Take energy policy. Manufacturers are faced with a plethora of policies, strategies and regulatory initiatives: carbon budgets, climate change levy, climate change agreements, the carbon reduction commitment, feed-in tariffs, the renewable heat incentive, the renewable energy strategy, the low carbon industrial strategy, the low carbon transport strategy. I could go on, but I think you get my point. Lots of sticking plasters are being applied to this policy area and the complexity causes everyone to lose sight of the original objectives – how do we green industry without undermining its competitiveness?

And just when we have got to grips with a regulation – it changes, usually to our detriment, as happened with the recent changes to our sector's climate change agreement. A move that will cost our sector alone £8m in higher green taxes. Hardly a positive signal from Government that it is serious about supporting positive behaviour changes by industry.

We have another more basic demand: given our economic, strategic and social importance, we believe it's high time that Government stopped taking the food industry for granted.

We are not alone in thinking this way.

The Government's own Council of Food Policy Advisors made a similar point in its recent report, and it urged Ministers to include the country's biggest manufacturing sector in their strategic thinking about Britain's economic future.

I was particularly struck by the Council's call for Government to do more to celebrate our sector's successes; recognise our contribution to the economy and employment; and promote what is best about our food here and abroad.

All of which is music to our ears.

And we hope these important messages do not fall on deaf ears after May the sixth.

FDF in good shape too

But I know that FDF will not let that happen.

Since our last Dinner, Melanie Leech and her team have been working hard to raise FDF's profile as an organisation representing a hugely important business sector and they have ensured that our industry's importance to the overall economy is being recognised across Government. The Conservatives have also been very receptive to this message and, we are pleased to say, increasingly recognise the strategic role played by our sector.

While talking about the work of FDF, I would also like to thank my colleagues from industry who give their time to act as the officers of FDF and to chair our steering groups – Fiona Dawson of Mars Chocolate UK; Jim Moseley of General Mills; John Sutcliffe of Associated British Foods; Nick Bunker of Kraft; Paul Freeston of apetito; and Jonathan Bye of Vimto. They give willingly of their time and expertise and their support is greatly appreciated not only by me, but by the staff at Federation House.

This year we have made real progress in getting inside the heads of those in Whitehall.

One of FDF's biggest wins has been securing an explicit recognition of the importance of the manufacturing sector in Government's Food 2030 vision. In truth, we have been on something of a journey of discovery with officials for the past two years – starting with those who wrote the Cabinet Office Food Matters report who, to their credit, recognised early on that we are the key link in the UK food chain.

We now want to see the same level of appreciation across Government – particularly in BIS – and are confident that it will not take another two years for the penny to drop!

FDF has been working hard to build relationships within the Business Department [and we are delighted to see two senior representatives here tonight] – building on our close collaboration with other employers’ organisations to support our industry’s competitiveness, particularly when it comes to employment legislation where, somewhat frustratingly, business continues to be impacted by a growing list of new regulatory burdens. As part those efforts, we supported the creation of an ombudsman to oversee and enforce the new Grocery Supply Code of Practice – something we feel will help smaller companies in particular – and are delighted that both the current Government and the Conservatives have accepted the need for an ombudsman.

Conclusions

So to conclude...

My priority as President is to ensure that FDF is focused on delivering the best possible value to our member companies. And I trust members agree that FDF is in good shape to respond to the many challenges facing our industry – working closely with key stakeholders, regulators and Government departments to deliver tangible results for our sector.

But I also want us to remember everything that our sector has achieved in recent years – coming through some pretty tough economic circumstances, while responding positively to societal concerns about the health of the nation as well as the health of the planet. We truly are a great British Success story – and all of us should be proud to work for the food and drink manufacturing sector.

That’s why my big ask of the next Government is pretty simple: stop taking us for granted.

No matter who wins on May the sixth, we know that the next few years are going to get pretty bumpy for the UK economy. So it seems to me to be a complete no-brainer that the next Government should actively support one of the UK’s few manufacturing success stories – and FDF looks forward to working across Whitehall to ensure our sector gets the prominence its deserves in future economic thinking and industrial strategies.

Thank you.

It's now my pleasure to introduce tonight's guest speaker, Dennis Turner – who is Chief Economist at HSBC Bank, where he has worked for more than 30 years. He has an unparalleled knowledge of economic trends – and hopefully he will be able to help us make more sense of the challenges facing the UK economy at the moment.

In his spare time Dennis has also written the definitive history of Fulham football club – which, many of you know, is on the verge of European glory – so no guesses at what he will be watching on television tomorrow night instead of the next debate between the leaders of our three main political parties!

Dennis – over to you.