

CHECK AGAINST DELIVERY

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TITLE: IMPROVING COMPETITIVENESS AND PROFITABILITY

Two things that really annoy me . . .

When people say farmers are not businesspeople – which is utter rubbish!!

And when I'm told farmers aren't interested in what's happening beyond their farm gate.

I talk with farmers virtually every week of the year . . . And what I find is:

- You want to know what's happening to your consumers and to your marketplace
- And you definitely_want to improve the profitability of your businesses.

And that's important because I'm here today to talk about improving the profitability of our livestock business.

I joined the MLC at the height of the Foot and Mouth outbreak. Quite frankly, there was little I could do to add value to what the MLC and NFU were already doing to support you through that crisis.

However, what I could_do, and did do, was to bring my business mind onto the challenge of how we could recover after the outbreak.

There were three essentials, and these are what I'm going to talk to you about today:

1. Regaining consumer confidence and market consumption
2. Recovering exports
3. And improving the long-term competitiveness and profitability of the whole red meat supply chain.

People constantly ask me how we can hold our own with the big retailers. and I tell them we must know more about our consumers than the meat buyers in those retailers.

Knowledge is power.

The MLC is right at the forefront of understanding meat consumers.

We're using cutting edge consumer tracking techniques, and we've access to the in-depth data from Fifteen thousand households.

I'm delighted to tell you, that as a result of MLC activity we've delivered on the first task of regaining consumer confidence and market consumption.

We have succeeded in improving both:

- Consumption of meat has recovered and grew still further in 2003
- and The image of meat is now the best it has been for over a decade

What's more, we've achieved this growth in British consumption at a much faster rate than our major competitors in the EU.

How have we done this?

By motivating TV chefs and food writers who influence our consumers. And we've also educated and encouraged the chefs of tomorrow by touring the catering colleges.

You've probably seen the extensive PR coverage on red meat in women's consumer magazines, popular colour supplements – and other places where it really impacts on our customers.

The power of this editorial coverage has been immense . . . we've brought red meat eating back into fashion

And of course, part of this work is the positive health and nutrition messages of red meat. Which are increasingly important as these issues move to the top of government and consumer agendas.

The MLC is also delivering on the second area – export recovery

Sheep meat and Pig meat exports are already more than double their 2001 volumes. This is well above target and exceeds all our expectations.

Now, why are Red Meat exports so vital?

As a rule of thumb –

For every 50,000 tonnes increase in annual export volumes, the producer price of sheep meat will increase 8 pence per kilogramme deadweight.

And the price of pig meat will increase 3 pence per kilogramme.

The same will be true for beef once we can get the Date Based Export Scheme dismantled.

The third, and biggest task of all, is improving the long-term competitiveness and profitability of the whole red meat supply chain.

This is where the red meat industry forum comes in.

A lot of people have asked me why we needed the forum.

It was simply, a way to engage with the whole supply chain, from farmer through to consumer.

Working together, the MLC, NFU, Defra and IGD, created a cross industry group.

We used experts from our own supply chains.

And more importantly we also went outside our own supply chains

- To the likes of Unilever and Proctor & Gamble for world class marketeers, who gave of their time freely

- and to the motor trade manufacturers for process automation ENGINEERS

We called it the Red Meat Industry Forum. And its valuable role was quickly recognised within the Curry Report on the Future of Farming and Food.

The forum has targeted a 25 per cent improvement in competitiveness.

Now i think of it in three parts:

Exchange rate, . . .

Business efficiency . . .

and product quality.

The first boost to competitiveness . . . has been delivered by the 10 per cent drop in the value of sterling against the Euro, which we forecast last year.

Another 10 per cent improvement in competitiveness can be achieved through cost savings and efficiency improvements in the area of supply chain efficiency.

We believe the final 5 per cent can be had through improvements in product quality and consistency – which we can help you deliver.

I believe the red meat industry is the cornerstone of the food business. It's worth 13 billion pounds a year . . . more than 15 per cent of our total food expenditure.

Also_ . . . farming is at the heart of delivering a sustainable rural economy

And what's more, Our Farmers and meat processors are one of the last big primary manufacturing operations still based on home soil.

We must ensure it remains here.

But, as I have said on more than one occasion, important though we are to the economy, our business is one with problems:

And this is where the Forum's work comes in. We have identified how our red meat supply chains can be made

More efficient,

More competitive

And more profitable.

We have used world class techniques and we are now bringing cutting edge expertise to improve our competitiveness.

It is working . . . the Forum is starting to initiate industry-wide change.

NOW, Let's see how this is operating at farm level.

(2.20 minute video of sheep producer Claire Parnell and Beef producer Mike Powley)

Mike and Claire, who you've just seen on the video, are here today and would be happy to talk to you later on the RMIF stand.

I know benchmarking is not new to you. I can almost hear you thinking – “we've been here before”.

But Metrics is different!

for once we have a technique that goes beyond just measuring individual business performance against a local, regional or national average.

It also helps you by providing skilled external facilitators.

Their role is absolutely vital to help each business identify and then resolve specific business performance issues.

We are looking to expand this benchmarking from its current base of 500 producers up to 5,000 before the end of March 2006 – and we need your help to reach this target.

It's no good us creating the most efficient farm sector in Europe if we don't have efficient and integrated supply chains beyond the farm gate.

So we have a raft of work Delivering change right up the supply chain.

And, importantly, they are delivering benefits where it matters, on the bottom line.

For example . . . **PROBE** is a widely used business performance tool developed by the CBI.

We're applying this to companies, ranging from marketing groups to processors.

The benefit they're experiencing is around 10 per cent cost reduction.

Masterclasses are also proving extremely popular.

These are all about applying lean business principles, originally developed for the car industry, to improve process and productivity in abattoirs and processors.

In one meat processor, this resulted in Reducing physical working areas by 47 per cent.

This is just a brief insight into some of the opportunities the Forum is providing to help the whole red meat chain.

Joanne has already referred to the Food Chain Centre who are independently validating and valuing the red meat chains that the forum is working with.

This is a good example of where the joined-up thinking of the curry report is helping us all pull together.

So who's paying for this?

The current programme of activity is funded through to March 2006, thanks largely to Government grants from Defra and the DTI. and some support from others including EBLEX, BPEX and HCC.

Will the forum's work be enough to bridge the gap in competitiveness which I referred to earlier?

Well, A saving of just one per cent would pump 130 million pounds a year back into our industry.

However, the forum's work indicates that savings of up to 10 per cent are possible.

So you can see, the potential prize is huge.

To all of you present, I assure you that I'm committed to ensuring that you get your fair share of any savings.

A question I'm asked, is can the Forum's approach be applied to other agri-food sectors?

I am convinced it can.

However, there are three lessons we've learnt:-

- The need for the whole industry to work together and be committed to making it work. Because you can't impose something like this.
- The need to have processes that have been fully piloted and tested by practical operators in real farm and industry situations.
- And the need to have help from high calibre facilitators and engineers to make sure the goods are delivered.

We have come a long way in a short time.

We are seeing good, solid achievements, and more than we could have hoped for two years ago.

But these changes must be part of a continuous business improvement process.

And a critical mass of the industry must take up the challenge of change.

I believe we have only a few years to get our act together if we are to survive in a market economy increasingly influenced by a reformed C.A.P.

I'm personally passionately committed to the UK farming sector. And I don't believe the countryside is sustainable without our contribution.

As business people – we must grasp these challenges.

And as business people – we must grasp them together.