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**Autumn Conference
Proceedings
2016**

British Society of Baking
Affiliated to the American Society of Baking

British Society of Baking Conference 2016

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Tuesday 11th & Wednesday 12th October 2016

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THE BRITISH SOCIETY OF BAKING
Affiliated to the American Society of Baking

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2016 AUTUMN CONFERENCE

Paul Turner, Chairman

Good morning and a very warm welcome to the 2016 British Society of Baking conference in this new venue in Leamington Spa. A special welcome to our guests from other organisations: Janet Carr, President, Craft Bakers Association; Craig McPhie, President and Alan Clarke Chief Executive, Scottish Bakers; Ivor Mc Kane, President, ABST; and Daniel Carr, President, London and SE Region, CBA. You are all most welcome and thank you all for finding the time to join us today.

I must take this opportunity to thank Mike Bagshaw for not only taking care of the BSB over the last 2 years as Chairman but also for handing over the baton to me at the AGM last night for the next two years. Let's hope that was the right decision and I look forward to building on Mike's success during his period in office. Thanks also to Jane Tyler for agreeing to be the Vice Chairman over the next 2 years. Based upon what we have achieved over the last couple of months, with the full support of the Executive committee, I know our partnership will work well and be a big benefit to the BSB, its members and to conference attendees.



New BSB Chairman Paul Turner presents Mike Bagshaw with his Past Chairman's badge at the 2016 AGM

Following many hours of lively debate at BSB Executive Committee meetings over the last 12 months, we have agreed to start making a few subtle but nevertheless important changes to the BSB. I believe Brailsford's Team GB Cycling refers to this process as marginal gain (maybe not such a good example in light of recent revelations... but anyway!)

One very important discussion we have undertaken involved modifying the purpose of the BSB - who are we and what do we stand for? If you take a look at the recently updated BSB website you will now notice a very clear positioning on the Home page: the BSB is a non-profit organisation dedicated to providing a forum for learning within the bakery industry.

What has BSB achieved over the last 12 months?

- updated the BSB's appearance,
- we are working hard on the BSB branding,
- we are trying to be more attractive to younger members, which is not easy when you're my age!

- we have been, and still are, in the process of recruiting younger members to the Executive Committee
- we are adopting more modern ways of communication using social media to both promote and communicate our activities
- we would like to be more attractive to high profile speakers
- we want to continue organising 'must go to' conferences, with this conference being 'sold out'



Chairman Paul Turner and Vice Chairman Jane Tyler

Using social media successfully relies upon the accuracy of the contact details we hold for our members, retired members, and conference delegates. etc. I hope my colleagues from the Executive Committee managed to extract as much information as possible from you as you all arrived this morning in order to keep our records updated. Any supporting information in this process from our members and conference delegates will be very welcome.

We recently attended the BIA awards dinner in London, again trying to increase the BSB's profile. Those of you who Tweet must have seen some of the BSB's activities over the course of the evening and many thanks to Jane Tyler for her Tweeting skills!

We are all increasingly 'time poor' these days and justifying these Conferences means the content, organisation, implementation and appeal must be very good and the BSB really do appreciate everyone's time and involvement in the Society to make this happen.

As mentioned earlier, only a few weeks ago we introduced more improvements to the BSB's website. We modernised the appearance, improved the usability and introduced Google tracking which will prove very useful as we start to track what visitors to the site are actually doing, allowing us to modify and enhance their experiences going forward!

Supporters Some of you will have noticed we have a number of pull up banners around the conference facility today representing both Conference and BSB supporters. Please let me assure you that the BSB is not 'going Commercial' and that we remain a non-profit making organisation. The monies received from our Supporters

have contributed considerably towards the BSB helping 16 bakery students and 2 lecturers join us today from University College Birmingham. I give a warm BSB welcome to lecturers Richard Wood and Sam Dowle, and 16 Final Year B.Sc. Bakery & Patisserie Technology students, who will play a key role in today's Conference. I have already seen their contribution and I am confident you will find their participation enjoyable. We have assigned 'buddies' to take care of the students over the course of today and most of the tables for the new Conference format should have at least one student in attendance. Recognition and support for the next generation of the industry is a big part of our mission and we're incredibly pleased to have such a talented group of students presenting at this year's conference. It would really help me if you take a moment to introduce yourselves to the Students and make them all feel welcome. Any surplus Supporter's funding remaining post Conference will be used for future student and college funding. May I now take this opportunity to thank our conference Supporters: International Taste Solutions Ltd; Bakels; Zeelandia; RedBlack Software; AB Mauri; DuPont; and Muntions plc. Thanks also to CSM, Südzucker UK Ltd and Ingram Bothers for their ongoing support of the BSB website.

We have enjoyed collaboration in planning and promoting this Conference with: BAKO North Western Group (Mark Tomlinson); the CBA (Karen Dear and Janet Carr); Scottish Bakers (Alan Clarke & Craig McPhie); and London Bread & Cake (David Hall), and thank them all for input and contribution.

I must also recognise the support of the Society's Executive Committee, remembering that we are mainly all volunteers with day jobs. Thank you all in advance for your ongoing support over the next 2 years and I am looking forward to what we can achieve over this period. That's more than enough from me at this stage and I will now hand you over to Suzanne Galbraith to read the BSB creed. *(Creed read by Suzanne)*

Thank you Suzanne. Before the conference presentations start I would like Sara Autton to join me to make an announcement.



Suzanne Read the BSB Creed

Sara Autton, Past Chairman Anyone who has attended BSB conferences previously will know that they are largely organised by Jim Brown, the BSB's Conference Coordinator. Jim has been hugely vital to the success of our conferences over many years, as well as being vital to the success of this one so far. We would therefore like to



Sara presents Jim with a silver salver

recognise Jim's long standing and faithful service to the British Society of Baking over the last 42 years. Jim, please

join me on the stage. "It is a great privilege for me Jim to present you with this small token of our appreciation of your great and faithful service to the BSB over so many years. *(Sara presented Jim with an inscribed silver salver)*. Jim Brown: "That's wonderful Sara, thank you very much." *(Standing ovation)*. NB Jim was too overwhelmed to say anything else at the time but would now like to thank the BSB Executive Committee for this kind gesture and to say how immensely proud he is to have received this award, and what a great pleasure it has been to serve the British Society of Baking in a wide range of capacities since joining the Society in 1974, including being Chairman in 1988/89.



Jim Brown with his silver salver

Paul Turner It is now my pleasure to introduce you to this morning's Session Chairman, Alan Clarke. Alan joined Scottish Bakers in July 2010 and since then has led the modernisation of the organisation. This has led to significant growth in Scottish Bakers' activities based around their strategy of Profile, Policy, People and Professionalism. The association has been through a major period of growth, with membership rising in Scotland and the SAMB's training brand now providing learners with opportunities to gain food and drink qualifications in Scotland, England, Wales and both Northern Ireland and the Republic of Ireland. Previously Alan's career included a 10 year spell as Chief Executive of The Wholesale & Retail Training Council in Northern Ireland and five years as National Director NI for Lifelong Learning UK. Alan has an MBA from the University of Ulster, and is a Chartered Member of the Chartered Institute of Personnel & Development, a Fellow of the Chartered Management Institute and a member of the British Society of Baking.



Alan Clarke

Alan Clarke, Session Chairman

Good morning everybody. First of all, can I say a big well done to Jim Brown? Wasn't that award so well deserved? As some of you will know, Jim is also a member of the Scottish Bakers organising committee for conferences and events. We are 125 years old this year and one of the things we did was make a short multimedia video celebrating the 125 years of Scottish Bakers and Jim was one of the main contributors to it, helping us chronicle the history of Scottish Bakers. We showed the video at our 125th Anniversary Banquet a few weeks ago and if you want to view it, go onto our website <http://scottishbakers.org>. It's 125 years of Scottish Bakers in seven minutes - fantastic!

Give me a show of hands, who is here for the first time? Oh my goodness, didn't you do well. Who's here for the

second time? Who's here more than five times? So we've got a really nice mix of new and old. One of the things I'll say to you is, if you take one thing away from it today that you can apply, either in your personal life or your business life, then it's worth attending and if you do, tell your friends and colleagues about it and come back next year.

So without any further ado, I would now like to introduce our first speaker. David Garman is Senior Independent Director with John Menzies and owner of the Oakwood Partnership. David has 45 years' experience in executive management, including 20 years with United Biscuits and seven years as Chief Executive of Allied Bakeries. During the last seven years, David has developed a variety of interests, including holding directorships in both quoted and private equity businesses. He's also advised a wide variety of companies on how to develop growth strategies during this period of economic slowdown and rapid change. Ladies and gentlemen, please welcome David Garman.



David Garman

Growing A Business Today by David Garman

Good morning everybody. It's great to see all these young people here but it does create an additional source of alarm for me. My sense of alarm has been growing since the start because one of the earlier introducers said you were expecting both enlightenment and inspiration and I've just heard it's got to be action packed as well! All these young people remind me that when I joined United Biscuits from university I was in the graduate brochure every year for the first few years, detailing the progress that I was making. Then the HR people – they were called personnel in my day – came to see me when I was 28 and rather shamefacedly said, "we hope you won't mind but you're not going to be in the brochure this year because now you've reached this age the new graduate trainees can't relate to you anymore!"

Objective My objective today is to share a few thoughts with you about how to develop growth strategies in the difficult economic conditions that we currently face. I will cover strategy and its importance in getting growth for your business and how it can increase the value of your business at the same time. Incidentally, I have another high bar setting to achieve in my talk because I was sitting next to the CBA President Janet Carr at dinner last night and she told me that she was having a strategy day with the CBA this Thursday. I promised that I would say something that would be influential in how she handles the strategy day and she promised to let me know at lunchtime whether I have been successful in this or have missed out.

The Wrong Way There are of course correct and incorrect ways of dealing with strategy, which reminds me of a story that I thought was worth sharing with you before I get into the meat of what I've got to say. A number of Chief Executives I've known have approached new positions something like

the following. They get their first job as a Chief Executive and, particularly if they're going into a tough environment where the previous CEO had to stand down because the performance hasn't been very good, they can find it difficult to cope. I knew a young Chief Executive whose first job was like that and the chap who was standing down said to him, "I am leaving you three envelopes. You can open the first one when you've been here a week, the second one when you've been here six months, and the third one when you've been here for a year."

So this young gun, late thirties, keen as mustard to do well, could hardly wait to get to the end of his first week to open his first envelope. When he does, it just has one line: 'blame the past.' So he sets about actively saying how rubbish everything had been before he arrived and that he'd been brought in to sort it out, forgetting of course that the past was all around him in the management team that remained! They of course didn't react well to his comments and results continued to go in the wrong direction.

He was getting a bit desperate and it got to the end of six month period and he thought, "there had better be something really good in the second envelope". So he opens it and there's another one liner, 'reorganise the management.' He is pretty receptive to this because he is fed up with all the negativity he's getting from the people from the past he has been blaming for the company's problems. So he reorganises the management team, still with no strategy of course, which a lot of executives do. If they're not sure what to do, they decide 'let's move all the deckchairs around'.

However over the next six months the company is still not making any progress and the Board members are getting a bit restless. He can't wait for the year to finish so he can open his third envelope. It gets to the appointed day and he rushes to open the envelope. It is another one liner which just says, 'I guess it's about time to write three envelopes!' So blaming the past and reorganising the management team without having a specific strategy to follow is not in my view the way run a business.

Why do I think strategy is important? How many people in the room are happy to put their hand up and say getting double digit growth at the moment is really easy; any takers for that proposition? If that is a struggle for you, as it was for me in my business career, then my advice to you is to do proper work on strategy. If not you will go on doing what you've always done and I can guarantee that you will go on getting the same growth you've always got.

In the days before the financial crisis of 2008, some Chief Executives and senior management teams could get away with it because world economies were growing faster and, therefore, the syndrome of all boats go up on a rising tide tended to work. So even if you didn't have a very good strategy, you could benefit from that general growth momentum. We haven't had that for a few years and in my estimation, most of the risks facing you for the next few years are, on balance, to the downside. There's probably, for those of you who export, going to be a bit of a boost from the recent drop in the pound which, in my opinion, is likely to continue a bit further yet. I think we can probably anticipate getting to \$1.10 to the pound, which will help exporters. However for the majority of people in the room with UK based trading businesses, you're going to

see the reverse effect, which is that the raw materials you need are going to become more expensive. We can't be that far away from interest rates having to go north – they can't really go any further south, can they? It's obvious the current low interest rates are unbalancing the economy, so I think it's only a matter of time before they start to go in the other direction.

So for the above reasons, applying your mind to strategy is a very worthwhile thing to do and my first suggestion would be to bury your natural scepticism, since most executive management teams these days tend to be a bit sceptical about strategy. If I'm being brutally blunt, this is because many management teams are not very good at it and there's a natural tendency not to want to get involved in something you're not very good at because it isn't likely to lead to a great result. Many management teams also try to do strategy on their own and that is one of the reasons why something like three-quarters of all strategic initiatives fail, or have limited success, which in turn reinforces the scepticism.

Strategy methods You can do strategy in three ways:

- a) The management team do it themselves. In companies I have Chaired, or been the Chief Executive, I have always insisted that we don't do this.
- b) The second option is to get consultants to do the strategy for you. In my opinion, that's an equally bad idea, because the consultants own the outcome of the process, not the company. The consultants write a smart report, which usually makes a good read but it then gathers dust on the shelf!
- c) In my opinion, the best way is for your management team to do it but you must get an outsider in to help. Get somebody who you trust, somebody who can help you with methodology, somebody who can facilitate, and particularly somebody who can challenge the management's thinking, because one of the problems with companies doing the strategy work yourselves is there are too many preconceived notions within the management team and you get caught up in what I call the dominant logic of your industry. So let's think of a couple of examples of dominant logic of industry.

Hotels The dominant logic of the hotel industry is that the day starts at 2.30pm and it finishes at 11.00am. Well, the day clearly doesn't start and finish at these times but 2.30pm is the time they let you book in, and 11am time is the time they throw you out, which doesn't necessarily bear any relation to the service that you want. You would think that in today's high technology era, it would not be difficult to plan a service for preparing the rooms that was geared to the guests' arrival times, rather than to the needs of the hotel. But that dominant logic has existed in the hotel industry for years.

Plant Bakeries When I went to run Allied Bakeries, there was a dominant logic that all deliveries of bakery products took place on fixed routes. In a fixed route delivery system, the volume of products going through the system over the week varies significantly, from high days to low days, and is plainly nonsensical in my opinion. The plant baking industry was crying out for dynamic routing, where deliveries are related to delivery days and product volume on specific days.

Do you think I could get dynamic routing to be considered? The management team were preoccupied with giving me all the reasons why it had to be fixed route deliveries. So beware of the dominant logic of your industry.

Business planning Beware of confusing business planning with strategy, since it is not the same thing. One of the problems with the word 'strategy' is you get different definitions of what it means, but what it isn't, is business planning. Business planning, in my view, is next year's budget rolled forward for three years. If you do your strategy work on that basis, you are tying yourself to what I call 'forward from the past.' You're starting in the present with what you've got. Your thinking is conditioned by what's gone before and in terms of deciding where the growth's going to come from, you give all the parts of your business an equal shout. So the people working for you who are in charge of different parts of the business, all want their share of the growth strategy. So business planning is then just a recipe for increasing more of the same.

If you're going to do strategy, my advice is you must start in the future. This is a 'back from the future' exercise. You need to start in the future with a grand design, a big game, something exciting, something that people will get out of bed in the morning for. They won't be energised and enthused by a set of business plans projecting 2.75% growth compound year upon year, they need a much bigger idea than that.

In terms of a successful bakery business, and given my Allied Bakeries' heritage it grieves me a bit to say so, but if you look at Warburton's, that business has been built on the idea that "we're going to bake the best bread in the country" and that is what they consistently say on their website. I am not qualified to say whether or not their bread IS the best in the country but many consumers believes it is, which is near as makes no difference, the same thing. So they've been able to make a family business one of the biggest brands in the whole grocery industry, on the back of that big idea.

If I return to my hotels analogy, the Four Seasons hotel chain has built a very successful business offering a high quality holiday experience on the back of the strong ethic of personal service. A friend of mine has been staying regularly at Four Seasons hotels for 15 years. The first time he stayed in one of their hotels he was asked what he likes to drink when he arrived and he said, 'I do like a bottle of Stella.' For the 15 years he's been going to Four Seasons hotels there are always three bottles of Stella in the fridge in his room anywhere in the world, and they've never missed doing it. Now making that happen is not difficult in terms of buying a software application off-the-shelf that would enable the hotel staff to do it but how many hotel chains would make it happen? The answer is, not very many!

So from that perspective the place to start on strategy is having a big idea that has your staff thinking that they're doing something special and worthwhile. So if we've got to that point, we're three/four years in the future. We know what our big ambition and aspiration for the business are and it's more ambitious than you'd get with business planning. Your three-year business plan usually has a straight line graph, whereas your 'back from the future' strategy plan usually has a steep line graph, being much more ambitious and inspirational.

Strategy Stages So what are the stages that you need to go through? In the first instance, you need to select your growth engines, as I call them, which are the propositions and initiatives from where you are you going to get the growth. In order to decide what they are, you need to create a list of options to pursue. That's likely to include all of the existing parts of your business and it may include aspects of your business you don't currently have! You now need to do some rigorous analysis and this means lots of numbers. Strategy development is a predominantly an analytical process. Whereas strategy execution, which I'll come to in a moment, is a predominantly behavioural and motivational process and is a completely different exercise.

I worked on strategy in the three companies I was Chief Executive for, and with 25 or 30 other companies since as an advisor. Being so involved with strategy you tend to notice patterns in things. When I advise management groups to do their data collection and analysis, they usually come back with a lot information you don't need and there's never enough numbers. They tell you how hard it is to get information on the competition and about the customers. That's the point at which I usually get rebellion from the some of the management team. "This is too hard, it's all very well for you to ask, you haven't got to do it." Usually the company's Chief Executive has the good sense to tell them "we should know this guys, so let's get back out there and make our brains hurt until we get the answers".

So based on the above, a question I would pose to you is – when was the last time you did some serious customer research, serious customer opinion surveys and used somebody independent to do the interviews? When was the last time you did the same exercise with your employees as well, because they usually have something to contribute to this whole process? So when you've got that information, instead of making your choices about your growth engines on the basis of everybody's personal preferences and what people would like to do, you can actually make these choices for hard-nosed business reasons. Another piece of advice here would be to make a small number of choices. If strategy is about anything, it is about choosing your priorities and what you don't want is too many. What tends to happen is managements don't do this front end work thoroughly enough, so they place their bets on too many growth engines on a 'hit and hope' basis. If I place my bets on ten growth engines, surely three of them will work? My advice to you is choose the correct three in the first place and then really get behind those but you must make sure you do it on the basis of having clear evidence for it.

An example of where I've seen this work is with the Soreen brand. Hands up if you have heard of Soreen? More or less everybody. About five years ago Soreen was one of the best known brands in the country but with the reputation that nobody bought a Soreen product more frequently than once every three months. It was regularly on BOGOF with retailers. This was the problem with Soreen and it was making a very small profit on just short of £20 million turnover. The value of the business would have been a relatively low seven figure number.

However in the space of four years the Soreen management embraced the need for strategic change. They made the clear choice that the current range of Soreen malt breads needed to be replaced with snacking products. There

needed to be a drive for innovation, which Tesco applauded and supported. There needed to be some engagement with some top quality marketing agencies to start getting some ideas about how we could handle the marketing communications element of this. I and an associate of mine were involved. We weren't at all responsible for the successful execution, I'm making no claims there, but we did help with changing the thinking away from dominant logic of the past of more of the same, to something much more transformational. The Soreen business was sold about a year or so ago. If you'd asked me five years ago whether the Soreen brand, with all of the product limitations it had, was capable of realising a value ten times more than it was at that time, I wouldn't have believed it, even as positive as I am about strategy!

Propositions I've already touched upon an element that goes very clearly with the choice of growth engines in terms of strategy development; the development of compelling propositions. Most propositions get dangerously close to being generic and to being motherhood and apple pie. Think about your proposition, whatever it is. Is it rooted in the measurable benefit it is going to provide to your customer?

I think the food industry is a bit better at this than the service industry, which is useless at it. I very rarely go onto a service industry website when I don't see descriptions of how this company's been in existence since 1895 and we're great at service and quality. If you want to impress customers and give them a compelling reason to buy from you, they've got to see a benefit to them for doing so and it's got to be measurable. Almost all propositions are completely lacking in numbers.

There are businesses that have accounting data coming out of their ears but if you look for numbers and date being put into place to communicate why a proposition gives its customers compelling reasons to buy from it, you won't come across that very often. So when you've chosen your growth engines remember that getting a winning position in your chosen markets for them requires customers to believe there are compelling reasons to come to you. This nearly always means that they have give up were doing before in terms of an existing supplier, product or service, you really have to give them a compelling reason to make the change.

Strategy execution So that was a few thoughts on strategy development. Let's move on to talk about strategy execution, wherein lies all the value. You can do all the strategy development work in the world but there is no value in it until you put it into execution. There are a few guiding rules on this to keep in mind.

One of them is to remember to resource the execution properly. If you resource it by getting the existing management, who have done the piece of strategy development work with you, to do it on their own, it will not be resourced properly. It will end up being in a position I found myself in several times, because I had to learn this lesson the hard way. In most companies, strategic priorities are things managers do in their spare time, of which they have very little, if any. They come to monthly, or whenever, meetings to give an update on the work they've been doing on strategy execution because it on the agenda. They start thinking about what they are going to say the night

before the meeting, because nothing has happened in the meantime on strategy execution because of all the other day to day stuff they are doing that crowd it out. This has got worse in the last few years, not better because of the e-mail traffic, most of which is transient, irrelevant and not much use, and we all now spend two or three hours a day dealing with it. This, of course, gets in the way of strategy execution. So do make sure that you resource it properly, to ensure that whoever is doing it has the knowledge, skill and most importantly, the available time to do it properly.

Secondly, make sure you get your business model and your operating model lined up. People talk about business models as if they're overarching. In my view, they're not. Business models drive revenue and margin. Operating models drive delivery on the ground of great products and great service. So do try and remember to keep these two things lined up.

Execution is going to require you to get good at the things that will deliver on the proposition promise and you get good at things by deciding what you're going to get good at. So before you get stuck into execution, you want to weigh up your core competencies and capabilities and I would urge you to do that realistically. Do it very realistically. Most management teams don't. They write down the list of all the things they think they do well without considering properly whether or not they can achieve them.

Well, I'm going to set the bar really high for you. For you to call it a core competency, you need to do it 20% better than anybody else. Most people's lists start to shrink as soon as you set the bar that high but if you're going to do strategy work, you either need to be that good at the things that are going to be really important in delivering your strategy, or you need to know how you can get to being that good. I am afraid that you have also to remember you mustn't drop below a qualifying standard on the other things you do.

Ryanair fell into this trap because their CEO Michael O'Leary, who can never be accused of being modest, got a little bit carried away with himself. He started to glory in telling us that Ryanair was cheap and on time but he was going to give us a bad time on everything else. We would have to queue for our seats unless we paid extra; there would be a limit on the size of case we could take on the plane; he even considered reducing the number of toilets on board; and we would pay through the nose for luggage that went into the hold. He really made it clear that we were only getting this cheap and on time service because he is doing all these other things to save money. This gave Easyjet the opportunity to say "we're cheap and on time too but we're also quite nice to our customers." It was soon after that that Mr O'Leary had to eat humble pie and get his organisation up to a qualifying standard on those other things.

Just to say a little bit about leadership and culture because we've kind of had the analytical bit. When it comes to execution of a proposition, leadership and culture are very important. If Gordon doesn't mind me saying, look at what's happening in Tesco right now. Another of my examples of execution being done well is the story of McCambridge's (now Bright Blue Foods) deep-filled, high quality mince (mincemeat) pies. Because the bakery management thought they needed to fill all their available

production capacity throughout the year, given how seasonal mincemeat pies are, McCambridge lost its way on this part of its business by launching a load of other bakery products. Product variety can typically be the refuge of failed marketing and it was in this case. They launched many no hope products at low margins, which filled up the production capacity but got in the way of the focus on mince pies. What sorted the business out and got it back into the right place, was getting into a proper dialogue with Tesco. They said to Tesco that to do the job properly we need to be making the high quality mince pies throughout the year. Tesco, in its new form and under its new leadership, agreed to help That's why I commend and applaud the quality of leadership that that Tesco is now getting from Dave Lewis, and I am not saying this just because Gordon's here. The Bright Blue Food website states that overall, they currently supply over 48 million mince pies per annum.

So leadership and quality of leadership are all important and the more you want change in the company, the more your senior management need to be role models. If you want any cultural change in business, the people who have to change the most are the people at the top and they are normally the most reluctant to do so. The top management team can bring a little bit of humility into the staff situation. If we want to, for example, move the business from the bought market to the sold market – the bought market being where the customer comes to you, the sold market being where you need to drive sales - this needs a big cultural change in the business, with different staff behaviours being required and reinforced, and that needs to start with the top management. The advantage of doing a proper piece of strategy work is that you end up with real strategic clarity on what growth engines you require, with sharper propositions, and better performance management.

Key Performance Indicators (KPIs). Are any of you here into KPIs? If you are, ask yourself this question when you go back, 'are your KPIs like most of the ones that I've come across?' The answers on some KPIs are the result of management having first taken out the numbers they don't like because they show them in a bad light. When I was running TDG Ltd, a transport, distribution, warehousing and storage company, the KPI that was reported to me every month showed 70% transport utilisation. In fact, real transport utilisation in this country is about 25%!

So correct strategy gives you get better performance management and organisational alignment. I hope I've at least said one or two things that have convinced you that strategy work can end up with something that's both intellectually exciting and emotionally compelling. Thanks for listening.

Alan Clarke A very, very thought provoking presentation David. I'm conscious of our time but we can take at least one question.

Question – Jenny Conner, Buckinghamshire Can give me your definition of what success is please?

David Garman That's easy. Success is what you say it is, and that does give you an advantage. In a strategic context, one of the things I would suggest that you log down is that when you come to write the implementation plan and, of course, you do need to put some numbers with it, try and define what a winning position looks like. If you've chosen some

growth engines and you've got some decent propositions, what's a winning position going to look like? One that you think will give you a strong position in the market, increase the value of the company, give you sustainable growth. If you can define a winning position, then first of all it helps you to check out whether you've done enough to convince yourself you can get there and if you have, that should then determine the numbers that you write into the plan.

Question – Peter Baker I thought your talk was very good David, thank you. One of the questions I always stumble across is that in a three to four years period of time, a lot of things change. So what sort of review periods would you be looking at for a business? Would you do it systematically every six months or every year? Alternatively would you wait for changes in the marketplace or changes to your own business to prompt a review? This is something I've always found very difficult to judge.

David Garman Very good question because Peter's absolutely right. With the rapid pace of change that we've got in the economic environment today, the chances of a strategy plan staying as it is for even a three to four year period is very low. So I definitely believe they want updating every year and going back to first principles every year to do that. You need to be willing to get people together if there is any very significant change in external conditions that you think would have influenced what you've decided. If something happens that really is material to the plan, then there's absolutely no reason why you shouldn't get the project team that you've worked with back round the table even more rapidly than that.

One of the objections that I sometimes hear regarding strategy is people saying: "you're an entrepreneur, you get to be successful by being opportunistic". For me one of the advantages of having a proper strategy, and something with some definition and some shape and some structure to it, is that you at least know when you're being opportunistic. If the people that work for you are doing things that are on strategy, then the review process should be pretty short. Anything on strategy, let's get on with it. If somebody comes up with a really cracking opportunity that's off strategy, the only rule should be it has to come back to you and the team before anybody starts doing any work on it. But I don't think my commitment to strategy means the ruling out of taking advantage of really decent opportunities when they come along. Just beware people pretending that they're decent opportunities when they're just not very decent hobbyhorses!

Alan Clarke Thank you very much David for a fantastic presentation. (Applause)



Gordon Gaffa

Session Chairman Alan Clarke Our next speaker is Gordon Gafa, Category Director for Bakery at Tesco. He also leads the development of the Commodities and Packaging buying stream for Tesco's own brand, as well as directing Tesco's Wholesale business. Before starting this role in March 2015, he had been the Sourcing Director for

commodities and packaging in Tesco's Group Food since February 2013 and he was also involved in poultry and bakery sourcing. Gordon has been with Tesco since 2011. Prior to that, he held senior management positions for commodities, ingredients and packaging, both in Malta and the UK. His experience includes working with Associated British Foods as their global category leader, working with ex-Unilever subsidiary Foster Clark, with a global buying remit, and a senior buying role when he was with Burton's Biscuits.

Tesco Bakery Products by Gordon Gafa

Good morning everyone. There's quite a few of you in the room who supply Tesco day-in day-out, so you know the importance of bakery products for our customers. I am going to give an update on Tesco under the headings:

- Significant progress
- Our priorities
- Looking ahead

Does anyone recognise the following image as a Tesco instore bakery?



New Tesco ISB Format

I thought you wouldn't. Believe me, it is one of ours. This is our new bakery in Maldon Extra in Essex. Just keep the image in your mind because I am going to talk quite a bit about it and our strategy. We are putting a lot of attention, care, and love back into our instore bakeries and this is our very first example of our new bakery. We opened it 22 weeks ago, not that I am counting, and we are closely monitoring it. It is my pride and joy. Please keep in mind the picture – there is a customer and a colleague in the picture and there is great Tesco bakery product quality. My talk will run across this theme as it unfolds.

I will talk about what I define as a significant progress in Tesco Bakery and hopefully you'll agree. I will do a little bit of looking ahead, thinking of what our CEO Dave Lewis said to the City this week as we delivered our half yearly update. A broad based improvement is how we define it.

When I took over Bakery 18 months ago, it's fair to say the category was not in the best of shape. The business was struggling, as you know and well documented. We went through management change. We went through strategy change and are still going through a big turnaround. However we did set out quite dramatically to put the love back into Bakery and focused a lot on what we could do to drive volume through our doors, not just in Bakery but across Tesco. A volume led recovery is what you'll often hear

us talk about. And we have been generating volume in what everybody refers to as a declining bakery market. Between half one of 2015/16 when I took over the job and half one of 2016/17, which we've just reported on, we registered volume growth of +0.6%.

Our IRI market outperformance from a volume perspective was good too. In half one 2015/16 we were at 1.6%, and in the half just finished we are outperforming the IRI market by 3.3%, which we are delighted with.

We have done all this while getting cheaper for customers. We have deflated our prices between what they were at in March 2015 to August 2016 by 5% in Bakery and we needed to do that to make sure that we continue to close the gap versus the discounters.

Additional Highlights

Happy Suppliers We do an annual survey in which we ask suppliers what they think about dealing with Tesco: - how satisfied are you in working with Tesco bakery? (It is not just bakery by the way but my total remit - bakery, commodities and wholesale). From the latest survey 94% of my suppliers said that they are satisfied, or very satisfied with dealing with Tesco. It did not use to be that great, as you can imagine. We are absolutely delighted that we have improved the response to 94%. The views of our internal colleagues on working for Tesco are also sought and in my team we came in with 90% of them saying that Tesco is a great place to work. Again it didn't used to be that great. So we are delighted by the progress that we are making.

Price promotions we've reduced our reliance on promotion within the bakery category, so we are selling less on deal. That means that we are much more stable with regard to pricing.

New Product Development (NPD) I was asked to talk a little bit about NPD. In February we did a big range reset in Bakery, This was because we were over-ranged and over-spaced, making the shopping trip too complicated for customers. If you look at the contribution to growth in the diagram, the core ranges stayed at 0.6% but NPD outperformed the core range with a growth contribution of 1.4% and we are absolutely delighted by that.



Figure 1 Grocery Award

We have been voted Britain's favourite supermarket, by the Grocer's judging panel asking for the views of thousands of customers. Jason Tarry, our CPO, went to collect the award and it was a very proud moment for him on behalf of colleagues. To have thousands of customers vote Tesco as Britain's favourite supermarket, despite the tough competition, is a great achievement.

I am now going to talk about **priorities in bakery**, see diagram following.



Priorities

I am talking about bakery because you are a bakery audience but it is not too dissimilar across fresh foods. 2015/16 was phase one of our turnaround, during which what we had to do was focus quite dogmatically on how we stabilise and reset the business, since the business wasn't going in the right direction. We restructured, we changed management, as we were too slow. Unfortunately we lost a lot of colleagues in the restructure but it had to be done. We reset our ranges and customers started to respond. This year and the next is all about simplifying the business and differentiating our offer. I've highlighted in the diagram three priorities for my Bakery team which are: how we transform our in-store bakeries: how we maximise the mix within our ranges and our optimisation over various channels that we operate in; and the continuation of our rebuild on trust and transparency, with customers, colleagues, suppliers and shareholders. Then year three of that plan is about how, having simplified and differentiated, we really engrain it, integrate it and sustain it throughout the business.

Motivation The reason we get out of bed in the morning at Tesco is to serve Britain's shoppers a little better every day. This is our core purpose and all I am going to talk about is underpinned by that. It's the reason why I and my team get out of bed in the morning. We are passionate about this because it's about service, it's about our bakery theme, it's about our customers, Britain's shoppers, and it's about the little improvements that we can deliver every day to customers shopping that we believe can make a massive difference, and that's what we are about.



Motivation – happy Tesco customers and staff

Good but uninspiring ISB!

Does the below ISB look a bit more familiar? When I talk about in-store bakeries, you'll recognise this as one of many of Tesco's in-store bakeries. We did a lot of market research, holding hundreds of interviews with customers to get their views on our instore bakeries and what we found in general is that they thought that: the Tesco in-store bakery is good; it does its job; it fits a purpose; but, it's a bit uninspiring; it's not quite what they imagine an in-



Old Tesco ISB Format

store bakery should be! So we have embarked on a project listening to the insights and comments of customers in order to transform in-store bakeries completely to match our customers' requirements.

The picture following is of our latest instore bakery in our Southampton superstore. It was created after months of hard work following our core purpose to rebuild Tesco bakery. It is about heroing bread, heroing freshness, and being obsessive about product quality.



The transformation of Tesco's ISB proposition

The bakery personnel in each new store is being trained around what we want them to do regarding quality, procedures and routines. We've moved the baking window and completely re-merchandised the instore bakery area, changing the layout and improving the equipment. Hopefully you'll agree that it's quite a transformation. The new layout is in 30 stores at the moment, so we are steadily changing stores to the new design as we go along. I am personally very proud of it, not just because my team and I have done it but also because it's starting to pay off with a great sales impact.

For Maldon Tesco Extra, the first store with the new instore bakery format that we launched in June 2016. It achieved a double digit ISB sales uplift for that store and it also delivered a total bakery uplift of 6.6%, so it's benefited our plant bakery suppliers as well. Retail can be very straightforward. If your prices, service and products are right, and whatever your customers want is available, you can make it happen.

It's been a cross-functional effort. There's still more work to do but this is the end product of a lot of cross-functional, cross-category work. And what customers have told us, again through external agencies and hundreds of interviews, is summed up in one word – wow! Nine out of

ten customers we asked had noticed the change, which the external agency said is remarkable in itself. When we've done refreshes in the past customers have not noticed half the time because they're so focused on their shopping trip.



Customer recognition

The statistic on the diagram that we are very pleased with is that two out of three customers said that we now have the best ISB in the market. So that's priority number one, which as you can imagine, has taken up quite a bit of our time. I can now talk about priority number two – channel/mix optimisation.

Channel / Mix optimisation

Using our formats to serve Britain's shoppers better

Our customer Range



The family types of Tesco customers

The statistics for Tesco are of great scale. We are still the world's largest online grocer and we have a large convenience business. I am not going to go through them individually but a statistic I will mention is that if you look at our convenience store business on its own, it is the fifth largest retailer in the UK. Collectively we sometimes forget about this and range for the big stores and then think, oh, we need to do something for convenience. As a business it is bigger than Waitrose. So the reason why I mention this is not to be boasting about scale but purely because we are asking our teams, our suppliers, our stakeholders to focus on the mix, on the channels. The mix is fundamental for us and at the moment very relevant to plant bakery, and one that is a big priority for the business going forward.

Another diagram that many of you who supply Tesco will be quite familiar with is what we refer to as the 'value equation'. If you have a brand in Bakery or in any other part of the Tesco business, we have Tesco's brand guarantee where we promise customers they get their money back at the till if we are not competitive on price. This has been a real game changer. The way we differentiate for customers is all about our own brands and being at the right price on brands.

Channel / Mix optimisation



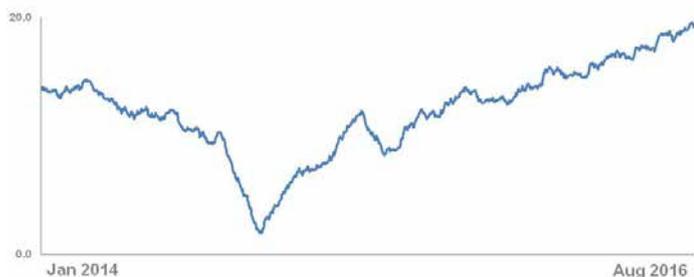
TESCO
Every little helps

Value equation

What's really important however, is a unique Tesco offering - reasons for customers to come to Tesco that are not available anywhere else. You can do that through great own label, great bakeries and you can also do that through unique co-creation with suppliers. With Premier Foods last year for example, we co-created branded products exclusively for Tesco and customers have responded positively. It's a reason to come to Tesco, a reason to go left rather than right, which you will often hear in retail. Fairly straightforward stuff I guess but pretty important for how we run the business at the moment.

Rebuilding Trust and Transparency

Brand Index Score – an overall measure of brand health



Brand Score Index

Third and final priority is rebuilding trust and transparency and continuing the improvement. The above graph is the YouGov brand index, so it's not a Tesco measure, it's an independent one. No surprise, September 2014 is where we were at the bottom. Our brand was not in a good place. Since then we've been pretty dogmatic in chasing and rebuilding equity for the brand. It doesn't mean its job done; far from it. If I go back to 2010 our brand index was higher, so we've still got a long way to go. We still have a lot of engagement to do with customers, around how they perceive and see the Tesco brand but I hope you agree that we are on the right trajectory. The other point I will make, which I was reminded of last night during some discussions over dinner, is that it is also about trust and transparency with suppliers. One of the reasons why I joined Tesco five and a half years ago from working on procurement in FMCG businesses, was to introduce fairer,

more transparent buying models and that is what I continue to champion now.

Currently it is a very volatile world and people are starting to talk about inflation. We have been through significant deflation and how we buy with transparent models that can risk manage that volatility is fundamental to how we operate, not just in bakery but also in fresh foods and other areas of the business.

Six strategic drivers for Tesco

1. A differentiated brand
2. Reduce operating costs by a further £1.5bn
3. Generate £9bn cash from operations
4. Maximise the mix to achieve a 3.5 – 4.0% Group margin
5. Maximise value from property
6. Innovation

The above I unashamedly took from the slides Dave Lewis' showed to the City last week. We hadn't deliberately gone public with the six strategic drivers even though we have been working towards these for a while. We have been working on differentiating the Tesco brand ever since the restructure and ever since we set out the business priorities, but I was pleased to see it shared with the analysts and the shareholders. I am pleased to now share it with you, to give you an insight into what is important for Tesco going forward. So we want to have a great brand. We want to be cheaper and there's a lot of work to do on that. We are still too complicated and over-ranged and there is more work to do on this too. We need to generate more cash from our operations and further reduce our indebtedness, even though we've done a lot to reduce it already. At the moment we make about 2% operating margin and we would love to get it to 3.5% - 4%.

Property The information I gave you on bakery transformation is really all about maximising the value of our property. We are a big property owner and although we lease some property, the power of the property estate that we have is monumental and maximising its value is paramount.

Innovation It will not have surprised anyone for me to have said earlier that innovation through NPD is still a major driver for us, be it through products and be it through propositions that customers want to come back to.

Summary

- Broad-based improvement
- A clear plan to get behind
- Investment in ISB is succeeding
- Six strategic drivers
- Delivering value for our key stakeholders
- Confident despite a tough market environment

So, in summary, I hope you agree that we have improved quite a bit and we are pleased about that. We have a clear plan that we are getting behind. The investment in in-store bakery is succeeding and meeting expectations. Clear six strategic drivers. We are now delivering value for our stakeholders and we are quite confident that this will continue despite what is still a very tough market.

So my final slide – I asked you to keep it in mind – it's all about giving customers propositions they want to come back to time and time again. This for me is a great picture,

seeing customers interact with the staff and the sampling table that we have introduced where we are heroing some of our speciality breads that we re-launched in the range reset in February. We are encouraging and enabling the bakers to come out more on the shop floor and interact



Customers sample products in the new ISB format.

with customers. It's fantastic when you see that happening and you can see the power of bakery in action at Tesco. So thank you for listening and hopefully it all made sense.

Alan Clarke Thank you very much indeed Gordon for a very informative presentation. We can now take questions for Gordon.

Craig McPhie, Glasgow Thank you for that excellent presentation Gordon. I really like the new Tesco look and hearing about your trials on the way forward, which I think are excellent. I was however wondering if you could tell us how this compares to the avenue you took with the Euphorium arm of the business? I haven't seen them both to compare but you obviously put a lot of development into Euphorium and have now decided that it is not for Tesco. Could you say something about this?

Gordon Gafa Euphorium was set up separately, before my time in bakery and was a small part of the business. I know that in the baking industry it got a lot of publicity. It struck me coming into my current role the importance that was put on Euphorium in the industry.

What we've learned from Euphorium is very similar to what we learned from Harris and Hoole and from Giraffe, which is that we are not restaurateurs, we are not coffee chain operators and we are not best placed at running external bakeries, and we don't want to run them. We are delighted that Samworth Brothers have decided to buy the Euphorium bakery at Weybridge. Samworth Brothers are one of our major product partners in terms of supply into Tesco, and we are delighted that they've picked the Weybridge bakery up because I think they can do a better job than we'd have done with the bakery.

In terms of look and feel, Euphorium had a delivered-in product model, in comparison to baking in-store and having the baking activity visible for customers as much as possible. I have my bakery colleague Mike Coslett with me who will correct me if I get it wrong, but we needed more for our customers than Euphorium could provide. Customers tell us all the time that they want to see baking in-store, and with Euphorium they didn't get that.

Question - Craig McPhie Is Euphorium completely out of Tesco's now?

Gordon Gafa It will be on 20th October when we finalise the sale. The four high street shops and the original Islington bakery move to Soho Coffee and Samworth Brothers buy the Weybridge bakery.

Question – Richard Smith, East Midlands It is always interesting to hear you speak Gordon. Based on your figures on the success of the Maldon store, are you seeing these sort of numbers reflected across the remaining 29? Are you also able to shed some light on what the roll-out plan is, based on that success?

Gordon Gafa I cannot give details of the roll-out plan yet since it is a bit sensitive. But we've done 30 refits to date with more to come, and I include the Euphorium stores in that, because they are also being converted to the new Tesco instore bakery look and feel. We are converting Euphorium stores at the rate of five a week at the moment, so our property team is pretty busy.

In terms of sales increases, Maldon was where we've gone probably the most extreme in terms of what we wanted to do and it's been the most successful. The other stores have all had strong increases as well but we have experimented around a lot with the other stores.

Alan Clarke Gordon, many thanks for your excellent presentation and replies to the questions. *(Applause)*

Alan Clarke, Session Chairman Our last speaker before coffee is Matthew Verity, the Business Unit Director at Kantar Worldpanel. With over ten years' experience in market research, Matthew's passion lies in working closely with manufacturers to help them uncover insights and opportunities for business growth. Matthew has a wide experience of working within the bakery industry and lies across FMCG panels and understanding market dynamics and consumer behaviour, and he uses this to help his clients in building their strategy and delivering strong and relevant trade arguments for growth.

Bakery Market Trends by Matthew Verity

Thank you for that warm introduction Alan and it's an absolute pleasure to be speaking to you all today. I want to approach my presentation in two ways. First of all I will take you through where we are today from a grocery point of view. Many of you will have seen Kantar Worldpanel data before, in which we talk about the same consistent themes and trends, and comment on where and how they are likely to develop. I will then focus on the bakery market itself.



Matthew Verity

In terms of who we are and what we do, for anyone who hasn't seen Kantar Worldpanel data before, it's a continuous consumer panel of 30,000 shoppers, slide 1, the largest in the country and geographically and demographically representative of the population of GB. It reports on everything that the panel members buy, representing the purchasing behaviour of shoppers, with the data being retrieved automatically on a weekly cycle, slide 2.

Slide 1 KANTAR WORLDPANEL SERVICE AND METHODOLOGY



Slide 2, KANTAR WORLDPANEL SERVICE AND METHODOLOGY



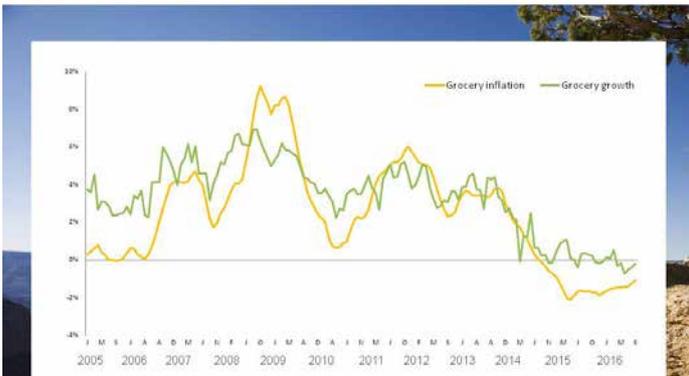
We analyse the data collected and then work with clients to get to the root of what consumers are buying and what are the key trends and insights we need to extract from this information?

I will cover the following in my presentation:

1. Bakery in Context: Key Trends in Grocery
2. Understanding the Performance of Bakery
3. Where next for the Bakery Category

We have had a very tough economic climate over the last few years, with the grocery market in decline, but when you look at the total FMCG arena, we're now back in growth.

Slide 3 DEFLATION HAS SLOWED BUT REMAINS NOW AT -1.1%

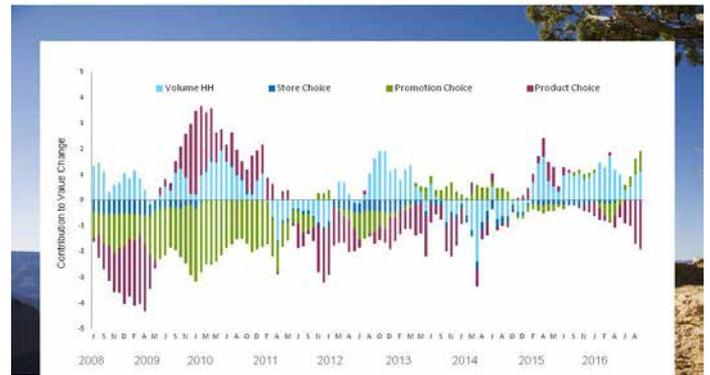


We have seen a period of deflation. The slide 3 graph is tracking grocery inflation and grocery growth. You can see the yellow line below the zero vertical axis, which shows market deflation and won't be a surprise to you. We get asked a lot of questions about Brexit and what's going to happen to the market because of it. We see a reduced rate of deflation and, certainly we expect towards the end of

the year, away from deflation and probably at a zero rate. So deflation's certainly slowed but still remains a key part of the market at -1.1%. When we look at the difference between growth and deflation, if we just did nothing and just tracked along at what inflation was doing, we would just simply grow or decline at deflation.

I earlier said that the grocery market is moving to growth, yet we are having deflation - why? The reason is that shoppers can use four key ways to manage inflation and higher prices: buy a higher volume to get a lower unit price; purchase products in less expensive stores; buy products that are on promotion; buy cheaper, lower quality, products.

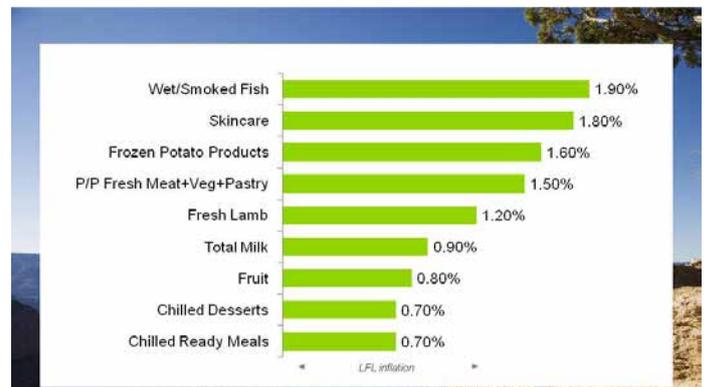
Slide 4 RETURN TO CHEAPER PRODUCTS AND VOLUME GROWTH



We've seen over time that when we have a deep recession, we also have quite high inflation and we see people buying more volume. We see in the blue period of the chart in slide 4, that shoppers are buying more volume. So we've got a period of deflation still, albeit slowing but shoppers buy more volume and, as a result, they are pushing the market back into growth.

It's a question of waiting to see what's going to happen off the back of Brexit. Certainly when you think that 40% of the food market is imported and you look at what's going on with the pound, we expect to see some natural inflation. You'd expect some categories like fruit to be the first to go and certainly some stable markets are going up in price, slide 5. I think it's far too early to say we can attribute anything like this to Brexit.

Slide 5 SOME STAPLE MARKETS GOING UP IN PRICE



We haven't even come into Brexit yet but we are seeing a few stable markets go up in price. Consequently we're still seeing some very key things, such as vegetables, butter, poultry, still in decline, slide 6. So there's not a huge movement on price away from that.

Slide 6 VEGETABLES, BUTTER, PORK & POULTRY STILL DECLINE



The second key point often spoken around is the movement in sales between the big retailers and other retailers. We see a big movement of spend going into online and particularly going into the discounters.

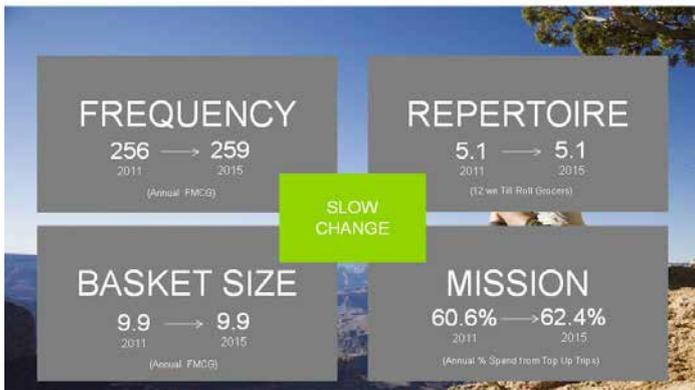
Shopping Habits There has been slow change in how we shop in the UK, see slide 7 and following:

Frequency of shopping We look at how many times consumers, on average, go shopping for FMCG in a year. In 2011 it was 256 times and in 2015 it was 259 times, so slightly more but not a dramatic change.

Repertoire - the number of different stores, on average, consumers visit in a 12 week period. It was 5.1 times for 2011 and for 2015, so shoppers are not shopping in more stores than normal, although discounters getting more of a share of the overall market.

Basket Size The same is true of basket size, which is the number of items bought per visit, with no change between 2011 and 2015.

Slide 7 SOME CHANGE IN SHOPPING HABITS BUT SLOW CHANGE



Mission – the reason the shopper makes the shopping trip, which can be a main shopping trip or a top-up shopping trip. This data looks at the % of overall spend that comes from a top-up trip and there's two things here. First of all, the idea of a weekly shop is a myth since in general, consumers don't do a weekly main shop. They generally do a two weekly main shop, with the main spend coming from the top-up shopping trips in-between. A top-up trip is where the consumer goes to a store to buy specific products, and this accounted for 60.60% of the total spend in 2011 and 62.4% in 2015, so shoppers are spending more on top-ups but it is not a dramatic change.

Product Promotion Deals The third tipping point is product promotion, with some promotion deals being crazy high.

There was a significant increase in selling promotions from 2008 up to 2013 and then it started to peter off. We know that Sainsbury's have completely pulled back on the multi-buy promotion activity and other retailers are following, and consequently we are seeing a downward shift in promotions and in BOGOFs.

Slide 8 ALDI & LIDL MARKET SHARE



The Discounters There's no escaping the increasing position of the discounters in the market. Slide 8 shows that Aldi and Lidl's combined share of the grocery market in 2006 was 3.8%, and it now stands at 10.8%, so it has changed radically in the last 10 years. A lot of Aldi and Lidl's success has been store led and there is still huge store expansions coming along. Their growth has slowed but it's still spectacular double digit growth over the last ten years and they continue to gain market share from the major UK retailers. Aldi and Lidl's position in the market has also changed. They are no longer seen as low market, quick top-up retailers anymore and are now trading within the mainstream. I think the question of the tipping point comes because they have been gradually increasing their customer basket size. So while they've won a lot of new shoppers, opened a lot of stores and won market share from the big four, they are also starting to get an increased average spend from their customers. However they have only got a certain amount of store space for products, and there's only so much you can do in their stores, and that seems to have slowed down the increase in their average spend a bit. But we're still seeing very spectacular growth and a lot of big plans for expansion.

Slide 9 TOTAL BAKERY IS WORTH ALMOST £6BN BUT DECLINES

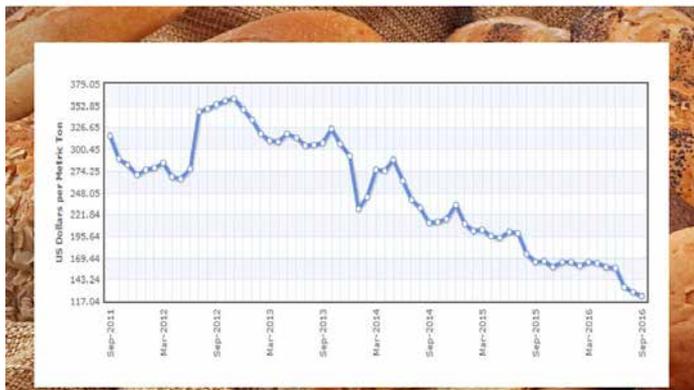


So that's the top line view of some of the key trends in grocery. I want to now move on and focus on how we put that into the performance of the bakery arena. If we move straight onto the bakery market, we see in slide 9 that it was a £5.9 billion market in the last year but declining. It is

down by 0.8% for latest 52 weeks period. So it continues to have long term decline as a category and we know it is a tough market but a massively important market one. Bakery is 5.6% of entire grocery market, meaning that 5.6% of everything we spend on food and drink in retailers comes from the bakery arena. Bakery also appears in 40% of shoppers'

baskets, so four out of ten shopping trips will include a bakery product and on average, shoppers purchase bakery 107 times in the year.

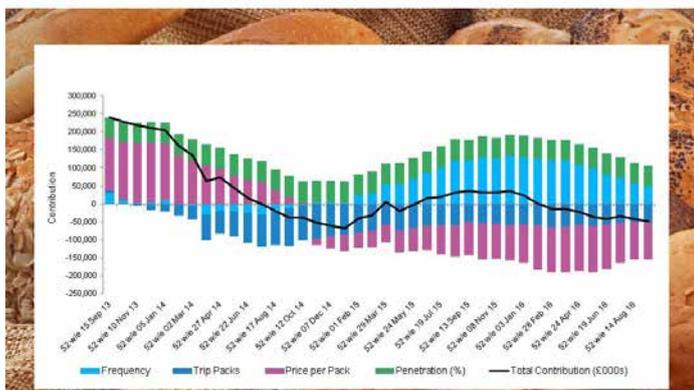
Slide 10 THE AVERAGE PRICE OF WHEAT HAS CONTINUED TO FALL



Commodity Prices From speaking to a few of you earlier, you won't need me to tell you about the effect of variations in the prices of commodities, ingredients wheat, etc on your business. For example from, 2011 to 2016 there has been a reduction in the average cost of wheat as a commodity price, slide 10. Of course there are a lot of other factors that come into play in the final cost of wheat - energy cost, transportation costs, etc but the basic wheat price has continued to come down. In terms of Brexit, there have been a lot of questions asked about its effect on ingredient prices and many of you will be monitoring this carefully in the coming months, particularly in terms of its effect on your product margins.

When we look at the bakery category as a whole and break down its performance in slide 11, we can see this black line which has been down, pepped up a bit and declined, and this signalling a decline in the market, and the graph breaks down what is driving this.

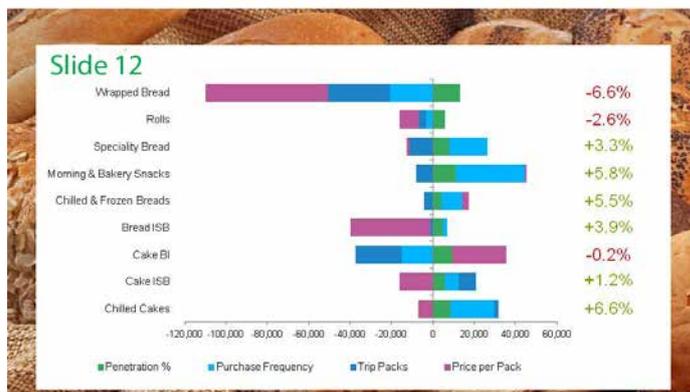
Slide 11 LOWER AVERAGE PRICES PAID THWART MARKET GROWTH



How do we get to the bottom of why the market is in decline? The pink area of the graph is the key driver of the decline in market value, which is a lower average price being paid by shoppers. This can be down to: promotions; product mix; the price wars between retailers; or just lower prices. There is a little boost in value from penetration and

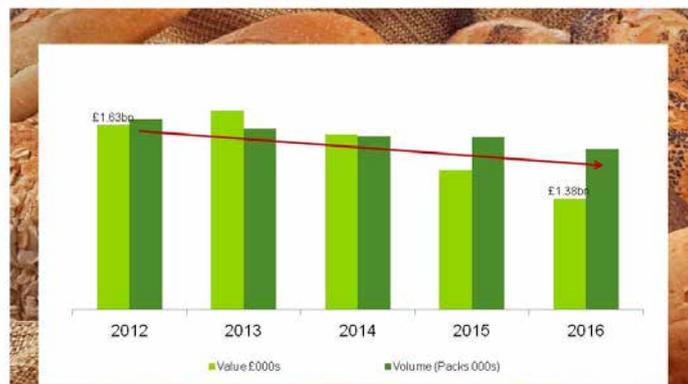
more frequent purchasing but it is the low prices that are pulling the market down.

WRAPPED BREAD CONTINUES TO SEE SIGNIFICANT DECLINE



Breaking down to the core sectors of bakery in slide 12, which are wrapped bread; rolls; speciality bread (bagels, wraps, etc); morning and bakery snacks (morning goods, teacakes, crumpets, etc); chilled and frozen bread, bread ISB, cake BI (bought in); cake ISB; and chilled cakes, we produce a similar sort of picture. At the top you can see a significant decline in the wrapped bread market of 6.6%, but which is still a large part of the bakery category overall. You can see in the pink part of the bar the impact of average prices falling. We also see slightly less volume, slightly lower frequency coming through. We see a small decline in sales for rolls but on the flipside of that, we see that morning and bakery snacks are in growth. Specialty bread is also in growth but it is wrapped bread that pulls the market back.

Slide 13 WITH VOLUME SALES DOWN OVER THE PAST FIVE YEARS



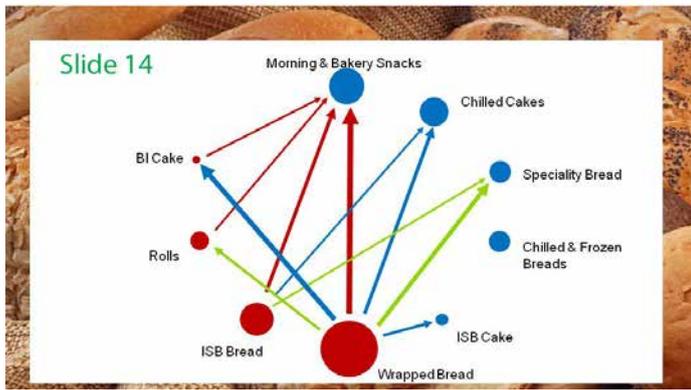
Looking at the last five years in slide 13, the light green bar shows the value of sales of wrapped bread over the last five years and the dark green bar shows the volume of bread sold in the same period. There has been five years of volume and value decline in the wrapped bread market.

I showed you the product switching analysis earlier, which we look at a lot, assessing where the major movements are in customer spending on bakery products, slide 14 Red lines represent a major shift of spend to Morning & bakery Snacks with the blue line showing the key spend movements to Cake and green to Speciality Bread.

There has been a big shift in spend from wrapped bread to morning goods and bakery snacks, and a lesser shift but still significant to rolls and speciality breads. We see other movements as well, from rolls to morning goods and bakery snacks, ISB bread to speciality bread, but it's very much that trend of morning and bakery that's becoming

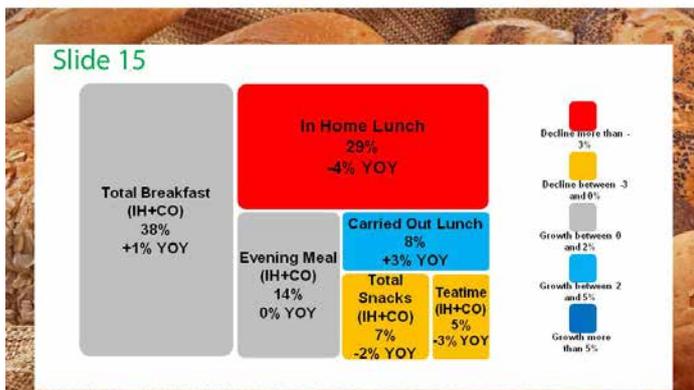
more and more important, becoming more a part of the consumers' regimes.

INCREASINGLY SHOPPERS MOVE TO MORNING & SPECIALITY



Whilst the big spend movement is from Wrapped Bread to Morning Goods there remains a trend of spend also switching from traditional bread to Speciality Bread. So this is where things like wraps, sandwich thins, bagels, etc. are stealing spend from wrapped bread.

BREAKFAST AND LUNCH KEY TO BAKERY AND INDEED BREAD



The best way to approach this change in purchasing habits is to understand what is behind it? As well as our main consumer panel, we also have a consumer usage panel which looks at the in-home occasions when food is eaten, and derives from this what the occasions are when bakery products are consumed, the result of which is shown in slide 15. Consumers can eat bakery pretty much all day: breakfast; in-home lunch; carry out lunch; snacks; teatime; and evening meals.

First of all, it is obvious how important breakfast is for bakery, with 38% of bakery occasions being at breakfast, and likewise lunch, 29% of bakery occasions being at lunch, although it is declining. Some varying factors come into play here. In-home lunch is in significant decline at 4% per year. The reason for some of this is lifestyle, with more people being at work and less people being at home during the day; so the in-home lunch is struggling. From a breakfast point of view, we do see strong growth there, so it still remains a really important bakery occasion. Then we see this growth with carried out lunches – very much again a trend. There are more people on the go, more people who are time-poor, and they are eating on the go more. It's very much changing the environment that people are working in.

I have already stressed the importance of breakfast to bakery and that it is growing slightly. But breakfast itself is changing, with a health trend evident, slide 16 showing

increases in fresh fruit, eggs, dried fruit, nuts, yoghurt, mineral water, bacon (cooked breakfast), croissants/Danish pastries, coffee and herbal teas. If you look at the slide you can see the growth for these items in terms of occasions at breakfast when these items are consumed. Health is very much back on the agenda and breakfast is evolving.

Slide 16 YET BREAKFAST IS CHANGING WITH HEALTH TREND EVIDENT



The traditional breakfast items, bread (toast), orange juice, instant coffee, milk, jam and marmalade, tea and cereals, are still big but declining, see slide 17. We're a long, long way from bread and toast not being important at breakfast and they remain a big part of breakfast. However there are significant declines shown on the slide for some of the current core breakfast items, including bread. I think that this reflects the changing make-up of the UK consumer. This is in part down to the changing habits of younger generations which differ to older consumers who regularly had a traditional breakfast each morning with toast.

There are very different breakfast trends coming through and these are hitting the wrapped bread market.

Slide 17 TRADITIONAL ITEMS STILL THE BIGGEST BUT SUFFERING



Slide 18 shows that the decline in the in-home lunch has really hit sales of sandwiches. The graph is looking at the number of occasions sandwiches have been eaten for in-home lunch by consumers on the panel. Sandwiches have been very much a key part of the in-home lunch but we've seen the decline in that. This is countered somewhat by a big increase in terms of the occasions of sandwich alternatives as wraps, bagels and thins have all seen strong long term recent growth

I just want to finish off with a couple of key trends. The first is that health is very much back on the agenda, although for anyone working in bakery over it's probably never been off the agenda! However we see resurgence in health being the reason why consumers choose food products, slide 19.

WHILST THE DECLINE OF IN HOME LUNCH HITS SANDWICHES



However it is a clear shift to their holistic needs, being less about dieting, calorie control and low salt and sugar and more about wholesome aspects of the food, being natural and not processed, not feeling over full after eating the product, including a portion of fruit and vegetables, and having time for a healthier meal. This is something that a lot of the food industry has started to tap into and I think it's the way to be focusing.

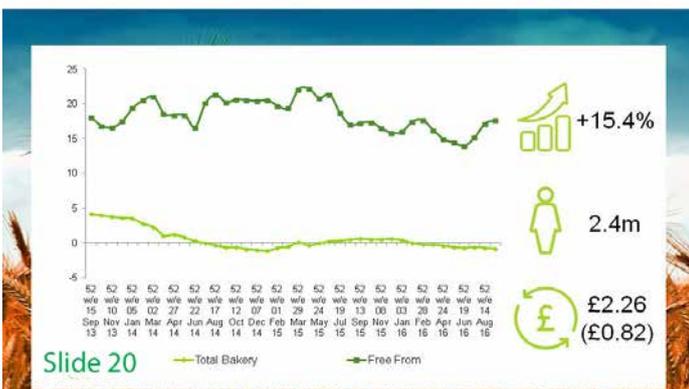
RESURGENCE IN HEALTH BUT NEEDS TO BE HOLISTIC NEEDS



KANTAR W^{LR}LD^{PANEL}

Slide 20 looks at free from remaining a big growth area in the overall bakery market and I think that this builds on the health perception. The light green line shows that the overall bakery market slipped into a slight decline at the end of the period September 2013 to August 2016. However the dark green line shows that sales of free-from products were increasing at 15.4% at the end of the same period, an absolutely phenomenal growth!

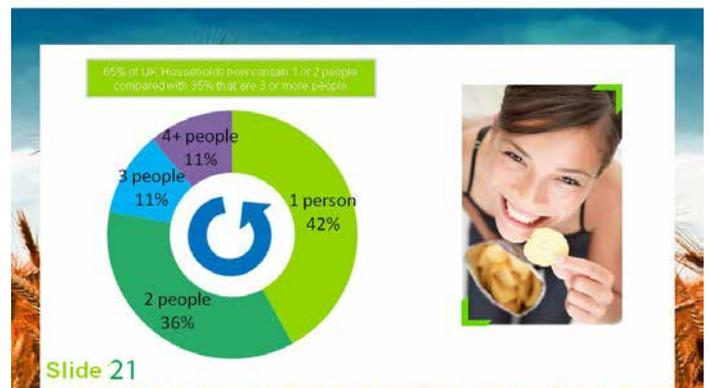
FREE FROM REMAINS A BIG GROWTH AREA – POSITIVE HEALTH



Free from is being seen as a very positive health area. We have done a lot of research looking at why people buy gluten

free. Our panellists for this research are split between a) those that are coeliacs, or have other medical conditions which mean they have to avoid gluten in their diet or they become ill and b) those that do not have to avoid gluten in their diet but choose gluten free because they believe that it is a benefit to their health. The vast majority of people, 2.4 million, who purchase gluten free, do so purely for perceived health benefit and not for medical reasons! They just feel it's better for them and make a lifestyle choice of eating gluten free products. Because of the extra cost of ingredients and lower production volumes, gluten free products are much more expensive than equivalent standard bakery products, the average price for a gluten free loaf of bread, for example, being £2.26 compared to a standard loaf at £0.82. Despite this gluten free and free from is a market that is seen in a very positive light at the moment and offers a real incremental opportunity for sales.

FOCUS ON ONE PERSON OCCASIONS – BIGGEST OPPORTUNITY



Slide 21 indicates how many people are present in all food and drink occasions in a UK household. It states that 65% of UK households now contain 1 or 2 people, with the other 35% containing 3 or more people. With regard to eating occasions 42% of food eating occasions are for 1 person; 36% are for 2 people; 11% are for 3 people; and 11% are for 4 people. So 42% of food occasions will have one person present and this is a really important marketing factor.

With 65% of UK households now containing only one or two people, and with a lot of us time poor, it shouldn't be a huge surprise that so many eating occasions are for one person. Previously, bakeries played a very big role with family food occasions, when there were more people at home and more family time together. As a result, bakery does very much under-trade in these one person eating occasions. So this is a real challenge for bakers - how can you market products for this single person eating occasion trend?

Slide 22 REMEMBER THE OVER 55's – THERE ARE A LOT OF THEM



Slide 22 In the diagram we have split consumers into: average; children; then through the generations to; over 65s, essentially looking at the age of shoppers and their weekly frequency of buying bakery. In this respect please note the following:

- An accelerating growth in the importance of the over 55 age group
- One in 6 people in the UK are over 65, 26 fold increase in the past century.
- Most population growth will come from the over 65's – 3,000,000 more in the next decade

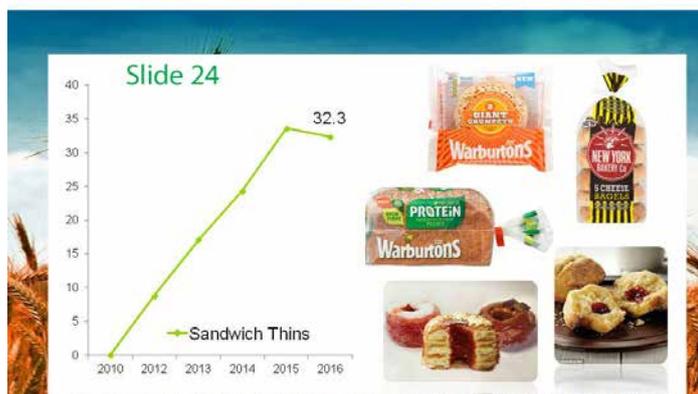
We talk a lot about the changing needs of the consumer, the way we're behaving differently, the younger people are operating very differently at breakfast, very much we think a lot of them will take their habits with them but we cannot forget it's a core group. When we look at how often each of these groups consumes bakery, on average we're consuming bakery 5.7 times a week. The older we get, the more likely we are to consume bakery, so it's still a huge area that we need to focus on – 7.6 times in a week, the matorists we've called them, will consume bakery.

Slide 23 OUT OF HOME AND 'ON THE GO' BOOMING



At Kantar we've just launched a new service tracking the out-of-home market and I would like to share the information in slide 23 with you. Out-of-home is a £45 billion market which has been growing at 4% - 5% for quite some time, in contrast to a grocery market that's been in decline. It is a real growth area, a large proportion of which comes from sandwiches and snack foods. I think as we've adopted that café culture, fast foods, all sorts coming through, it's a real key area I think to tap into.

KEEP THE NPD PIPELINE FOCUSED ON CONSUMER NEEDS



Finally I want to touch on the NPD, slide 24, and keeping the NPD line focused and on consumer need. I think the

one thing I could say today that you'd leave with is do not lose sight of that consumer need. The only way you will grow the bakery market and generally make a shift is by getting new people to come into your category or into your brand and by meeting a new need or a new occasion, and it can be done. So we've seen with sandwich thins there, we've just seen in 2010 they didn't exist in the market. They've come into the market and within a matter of a couple of years now, a third of the population are buying sandwich thins. So it's something that tapped into health, convenience, adaptability, new occasions – it hit those consumer needs and it's worked really well. We've seen with their giant crumpets, Warburtons have tried to do that. Can you get more in your crumpets? Can you use crumpets in a different way? We can't underestimate the changing mix of, I guess, the make-up of Great Britain.

Flavours are coming through, with ethnic flavours doing very well. I spoke a lot about wholeness and we've seen the launch of Warburton's protein, it's too early to see how that's going to do but again that's really tapping in to that positive health trend and what people are looking for, and trying to compensate for the decline of wrapped bread. Then just finally, we've got all sorts of other innovations, trying to excite the consumer out there. So these are cronuts and duffins, so a combination between donuts and muffins.

But I think the key thing I'd leave you there with is, it's too early to overreact to Brexit. When we look back and see what happened before we've been through recession, the food and drink industry, the FMCG market held strong all the way through that. We saw volume growth.

Generally speaking, it's fairly unilateral. We have to eat and drink and we tend to see the declining importance of food and drink as a percentage of our overall spend as we are now much more hit by mortgages and utility bills etc...and we have seen previously tend to cut back on eating out first. And secondly stay really close to the consumer. It is changing and we've got to understand what their needs are, what those occasions are, what needs to be met and to really excite them again. Thank you very much.

Alan Clarke Unfortunately we do not have time for questions but Matthew will be here for the rest of today and will be very happy to answer any questions you wish to ask him. In the meantime many thanks Matthew for an excellent presentation. *(Applause)*

Alan Clarke A key role of the BSB is its relationship with bakery education, which includes working in partnership with colleges, universities and training advisors and organisations. With respect to this it gives me great pleasure to introduce Sam (Samantha) Dowle, Senior Curriculum Leader Bakery at University College Birmingham (UCB). Sam has been in this role for five years and in education overall for 15 years. Her background covers bakery, patisserie, retail, restaurants and hotels, including the Hilton Hotel. Sam has a real interest in and passion for food and seeks to be an inspiration for her students. She also told me quietly that she loves chocolate! Please welcome Sam Doyle.

UCB Bakery Division by Sam Doyle and students

University College Birmingham is at the heart of the city with a young and diverse culture and a long history, and we

are known as the college of food. We have a range of chef and bakery programmes and we are the largest provider of bakery courses in the country. Increasing student enrolment numbers over the last 10 years for our further education courses and responding to the baking industry's needs, have led us to develop a degree programme which meets these needs. The Foundation degree course, and now the BSc (Hons) degree Technology of Bakery and Patisserie course, have been designed to develop students awareness and understanding of research, innovation, production, science, quality control and technical disciplines in bakery production. Students develop their technical and managerial skills during the courses but we will hear more from them shortly. Firstly I would like to show you a video of our bakery department. *(An excellent video was then shown featuring training activities and the operation of equipment in the UCB bakery department. A copy of the video can be downloaded from the Conference and Events page of the BSB website.)*



Sam Dowle

Sam Dowle I hope you enjoyed the video. The 16 students here today graduated a few weeks ago for their Foundation degree in Bakery and Patisserie Technology. They are now in the final year of their studies for a Bakery and Patisserie Technology BSc (Hons) degree. Thanks to the help from Paul, Jane and Mike, we would very much like to ensure our

graduates gain the best possible employment opportunities by strengthening collaboration with employers in the bakery industry. I am proud to present the following student videos by our pioneers of the Bakery and Patisserie Technology BSc (Hons) course. Each student will say a little about themselves and about the course. *NB The videos were shown and the following are transcripts of what each student said in the videos.*

Will Bowen I am a third year student at UCB, studying Bakery and Patisserie Technology. I hope to write my dissertation on how environmental factors affect gluten forming proteins in wheat flour, especially looking into ingredient functionality and how it works around the world.

Natalie Narey I am studying a Bakery and Patisserie Technology course. For my dissertation I want to look at substitute ingredients for specialised diets such as gluten free and vegan, or just for a healthier lifestyle, and also looking at the sustainability that that may cause. When I leave UCB, I am hoping to look at a more product development line, or the practical aspect of bakery.

Sean Brown I have been studying bakery for five years at UCB. I am currently going into my sixth year of Bakery and Patisserie Technology. After I have qualified I want to open my own bakery, specialising in artisan breads and handcrafted cakes.

Nathaniel Copson I am studying Bakery and Patisserie Technology. My main interests are the nutritional aspects of baked goods and when I finish my degree course I want to go into new product development.

Gwenno Griffiths I am currently studying for a BSc in Bakery and Patisserie Technology. I am extremely interested in the patisserie side of baking. Therefore I would like to concentrate my dissertation on mass produced bakery products and compare them against small bakery products. When I leave UCB my career goal is to open an independent wedding and celebration cake shop, which also specialises in patisserie products.

Lindsey Gallagher I am studying Bakery and Patisserie Technology at UCB. I have learned from the course that I prefer working with chocolate. Therefore for my dissertation I would like to focus it on creating a sugar free chocolate bar. When I finish UCB I would like to be a chocolatier.

Hannah Parry I am currently studying Bakery and Patisserie Technology at UCB. Over the last year I have also been working in a medium scale bakery as a technical QA assistant, assisting with audits and managing production staff. For my dissertation I would like to research Government legislation on salt in bakery products and how and why they plan on reducing salt levels further. In the future I would like to work within the bakery ingredient manufacturing industry in a NPD or technical role.



Top row: Will Bowen; Natalie Narey; Sean Brown; & Nathaniel Copson. Bottom: Gwenno Griffiths; Lindsey Gallagher; Hannah Parry & Laura Gibbons

Laura Gibbons I am currently studying Bakery and Patisserie Technology at UCB. For my dissertation I would like to try to produce nut-free macarons, as I feel that today allergens are becoming more and more important. For the past year, I have been working at an artisan bakery, helping to manage staff and helping with HACCP issues on a small scale. I am currently working at Dawn Foods as a student ambassador for their 2017 project "New Traditions". I would like to do new product development for future projects.

Laura Underwood I am currently studying Bakery and Patisserie Technology at UCB. Since before starting this course I have had a passion for patisserie and cake decorating and worked at a cake shop for two years as a cake assistant. At the same time I worked at Waitrose in a supervisory role. I have decided to base my dissertation on allergies and how they are affecting the bakery industry, as allergens have become a big issue in recent years. I am interested in management roles for the future but also in the practical side of bakery, cake decorating and patisserie.

Sam Clayton I am currently studying Bakery and Patisserie Technology at UCB. In the last year I have also worked in a small wholesale bakery, generally helping out where I was

needed. I am interested in the flour confectionery and cake decorating side of bakery and in the future, I hope to own my own cake shop or bakery.

Rohima Malik I am currently studying Bakery and Patisserie Technology at UCB. This is my final year studying bakery after six years of being here. I have decided to do my dissertation on the harmful effects of folic acid increasing in flour. My future aspirations are to travel around the world and gain knowledge and skills of other cultures and methods.

Maysoona Raja I am studying Bakery and Patisserie Technology at UCB. This is my final year and for my dissertation I will be researching alternatives to sugar, both natural and synthetic, and also the effects they have on health when consumed. Once I finish at UCB I would love to open my own bakery, selling both sweet and savoury products.

Elaine Chan This is my sixth and last year at UCB studying Bakery and Patisserie Technology. When I finish at UCB I would like to continue my career in patisserie and chocolate products.

Jemma Shattel I am studying Bakery and Patisserie Technology at UCB. I am interested in nutrition and I will be basing my dissertation on this. When I finish my degree I am hoping to go into a career which involves nutrition.



Top row: Laura Underwood; Sam Clayton; Rohima Malik; Maysoona Raja. Bottom: Elaine Chan; Jemma Shattel; Jackson Ho; & Emily Hughes

Jackson Ho I am from Malaysia and currently I am studying for a Bakery and Patisserie degree at UCB. I have had a few work experiences – working in a hotel for six months; as a bakery chef for three months, as a pastry chef for three months, and I have worked in a factory as well. After I graduate I would like to work as a pastry chef.

Emily Hughes I am a third year student at UCB studying for a Bakery and Patisserie Technology degree. I am interested in the nutritional aspects of baking and I will be focusing on this for my dissertation. Over the summer I had placements at Fine Lady Bakery and Bakels, and this year I hope to gain more experience within the industry, in particular within the technical and production areas.

Alan Clarke Will all the students who took part in these videos please stand up! *((Applause))*. It is fantastic to see the pride and passion that each of these students has clearly demonstrated in the videos regarding their degree bakery course.

We're now going to move into a short question and answer session and I would like to invite three of the students you

saw on the video - Hannah Parry, Emily Hughes and Will Bowen, to join Sam Dowle and me on the stage. Thank you very much indeed for joining us. Just before we open it up to the audience, I would like each of you to tell us a bit more about what you enjoy most about doing the course at the UCB?

Hannah Parry The fact that the course is so well-rounded. There isn't just one specific aspect of it that I like. Each module gives us something different and will allow us to go into all aspects of bakery when we graduate, which is obviously very useful for employability and our career prospects.

Emily Hughes I enjoy the practical side of the course. I think we have around five hours of practical work a week within our 16 hour timetable; so we learn and develop a lot of practical skills. We also learn lots of other things, such as aspects of running a business. We're doing food technology at the moment and we have already covered product development, so lots of areas are covered in the course, which is good.

Will Bowen I have to agree with the above comments and I also feel that the course is well-rounded. Personally I prefer the lab work, looking into things like ingredient manufacture and functionality, and how all aspects of it affect the final bakery products.

Alan Clarke Staying with you, Will, I've got one more question for our three students before we open it to everybody. What would you like to do after you finish the course?

Will Bowen I think I'd like to continue the work I am doing for my dissertation, looking into how flour type and quality can affect bakery products throughout the world, since flour is the one ingredient used in just about every bakery product. So looking at how can we get more consistent flours for bread and cakes?

Alan Clarke Our next speaker Julius Deane might have something to say about that Will! Emily, same question to you, what would you like to do next?

Emily Hughes I think it will be just getting as much experience in different areas of the baking industry as possible and eventually opening my own bakery.



From left: Sam Dowle; Hannah Parry; Emily Hughes and Will Bowen

Hannah Parry I'd like to go into the bakery ingredients manufacturing industry. Even though I understand some

people don't like premixes and things like them, I find them really interesting, particularly how their individual components affect overall product quality.

Alan Clarke I'm going to throw a question at Sam. You are obviously very passionate about what you do. Are there any key messages you want to give to your three students on the stage and to the other 17 students in the audience?

Sam Dowle Always pass something back to others. When you have opportunity to do so, pass on what you've learned from us over the years to younger people starting in the industry. Be inspiring to them as well.

Alan Clarke Really good advice Sam. I'm now going to take questions from the floor.

Daniel Carr, Warings Bakery What was the key driver for you choosing to come into the baking industry when there are so many creative industries to choose from?

Emily Hughes It was two of my aunts basically. One does catering at Bradford College and the other makes wedding cakes and other things from her home. So from being really little, I was kind of brought up around food products. I also enjoyed food technology at GCSE level and decided to continue with it and looked into bakery education, I'm from Leeds originally, and decided to do Level 2 and 3 diplomas at Leeds City College. That was basically to see if it was what I wanted to go into, because I hadn't had the industrial experience before then. So it was interesting to go there and see if it was something I wanted to continue with, which it was. So I went to UCB to continue my studies and did work experience and things like that as well.

Hannah Parry My reasons for choosing bakery are kind of similar, with just seeing family members baking. Both my grandmothers baked a lot and it was always a hobby of mine throughout my teens. I debated doing catering for my GCSEs but I chose a more academic route. I then went into the wrong work area for a few years which I was not enjoying. I thought 'what do I enjoy the most' and decided to make a career out of the hobby that I love doing, which was baking. So I started at UCB, did a Level 1 diploma and then started the degree the next year.

Will Bowen Again, it's got to be my personal reasons. My mother and my grandfather were both bakers and chefs, so they've come through into this and then they also trained at UCB. I've come from an A Level background, so I wanted to look more into the science side of baking. So that's why I chose the degree course rather than going down a craft route into baking.

Sara Autton I really think it's great that you are all here from the UCB. Sam, you have a room full of industrial bakery people here. What can we offer you that would make your job of teaching bakery students at UCB easier?

Sam Dowle Support from the industry in general. Tours around ingredient manufacturing firms are big for us. On our surveys students say that they would like more visits to bakeries and to ingredient factories but we find that it is quite a challenge to arrange more visits. We currently have 16 students on Level 6, 50 at Level 4 and 45 at Level 5, so 100 bakery degree students in total. We also have 160 further education students and outside apprentices as well. So the more insights through visits our students

can get into baking industry the better. We can have guest speakers coming into the college to give presentations to the students as well. So if any of you would like to let us arrange a visit to your factory, or would like to visit the college to give a talk, we would be delighted to hear from you.

Alan Clarke So the challenge is there; what's the call to action, how can they contact you?

Samantha Dowle I can be contacted at the following e-mail address: S.Dowle@ucb.ac.uk

Alan Clarke Please take this up because it is something that is really important. It is about putting something back into this industry and seeing the passion of the young people here is fantastic.

Sylvia Macdonald Two questions if I may: How much do you think the Great British Bake-Off has influenced attendance at bakery colleges? Have you all done recipe costings and if so, at what stage in the course do you do it?

Alan Clarke Let us take them as separate questions. Firstly the Great British Bake-Off effect on enrolment?

Hannah Parry Not at UCB but when I was at Leeds City College I found a lot of people were enrolling because they'd watched the Great British Bake-Off and thought the bakery course was going to be similar. They then saw we were using a 16 kilo bag of flour at times and got a bit worried! So a lot of them only lasted a few months before realising it wasn't what they expected, being much more industrial and not a pre-recorded thing where you have a little kitchen mixer. Because of this many of them did not complete the course.

Emily Hughes I think it probably had quite a big contribution to a higher intake of students, since it sort of glamorises baking. However doing our diploma course is hard work and is different to how baking is portrayed on the Great British Bake-Off, which is more in a hobby sense. So the people who apply for bakery courses because of it do find the course work very different.

Will Bowen I think it has affected enrolment and what people think about baking. I'm pretty sure the Great British Bake-Off represents what my friends think I do all day at college! They might ask 'have you made bread today?' I reply: 'Yes, but I have done lots of other things as well. The course is very much more than just making bread and cakes all day.

Alan Clarke Have you done costings of recipes and if so, when did you do it as part of your course?

Will Bowen So as part of our degree course we do two years of confectionery. This includes having a portfolio which details every step we've gone through, including recipes, each of which has to have a costing. The costing includes every ingredient, down to each gram of chocolate that it may contain, every little bit of ginger or anything else that may be spilled on the floor, that to all be included on the costing sheet. Sam's got a keen eye for this.

Hannah Parry There are two business modules included in the course, one in first year and one in the second year, both of which we had to basically come up with a

business plan, which all of us did for bakeries. This included everything that affected costs: employee costs; rent and rates, ingredient costs; production losses - everything to basically produce and sell bakery products. So everything was costed twice, in first year and second year and included bread and confectionery products.

Emily Hughes We also did a product development module over six weeks where we had to come up with a new confectionery product or a snacking bar. We had to cost our products at each development stage until the final product, and the final costing was submitted as part of the assignment.

Sylvia Macdonald I do hope that if you're thinking of working in a family bakery or starting up your own patisserie, you first try to find a placement for a couple of weeks at a large cake producer like Finsbury Foods, so you see the other side of the business. And if you're interested in the science of bread or cakes, try and work with a flour miller. There are many good contacts here at the conference, so if you have cards with you or contact details, do pass them on. Some companies may be able to sponsor you but don't just concentrate on your own little field. The baking industry is a very big wide world offering lots of opportunities and you might find that you're the most skilled flour salesman on the planet.

Brian Jones, Blackpool I was a student like yourselves and I just wanted to let you know that through your degree course, you are becoming the specialists the baking industry urgently needs. You are becoming like gold to the industry. I just want to know from the college perspective what career advice you give the students. In her earlier remarks Sylvia spoke about the broad spectrum of opportunities there are within the baking industry.

Sam Dowle All our students complete a 120 hour work placement in their first two years and our students have also been taking up internships and placements offers. We are members of the Alliance for Bakery Students and Trainees (ABST) and go to the ABST conference every year. One of our students, Sean Brown, went to Norway for six weeks and worked in an artisan bakery. We had one student at Tromp Engineering in Amsterdam for two weeks in August. Emily and Elaine went to Bakels and Rohima went to CSM. So we do have students going into industry but the more places we've got available, the better it is for our students.

Brian Jones So you need a lot of help from industry?

Samantha Dowle Yes, we do.

Alan Clarke I think that's a very important message to leave it with. There are people in this room who can influence it and make a difference. I said a second ago that this is the call to action – please contact Sam. Ladies and gentlemen, please join me in thanking everyone from UCB. *(Applause)*

Alan Clarke, Session Chairman The final speaker this morning is Julius Deane, Wheat Director at Carrs Flour. After completing an agricultural degree at Reading University, Julius spent five years as a grain trader with Cargill, five years as a wheat buyer with Allied Mills in Manchester, and then eight years with West Mill Foods buying rice, spices and vegetable oils. As Wheat Director for Carrs Flour Mills he is responsible for all purchasing, shipping and much of the flour sales with large customers.

Wheat Markets – Ensuring Consistent Quality in a Volatile World by Julius Deane

Thank you very much for the invitation to talk to such a hallowed audience of bakers, retailers, ingredient and equipment suppliers and even flour reps. I will start by talking about the building blocks, shown below of what controls wheat markets.



Julius Deane

- Supply & Demand
- Quality
- Foreign Exchange
- Logistics
- Politics
- UK Wheat

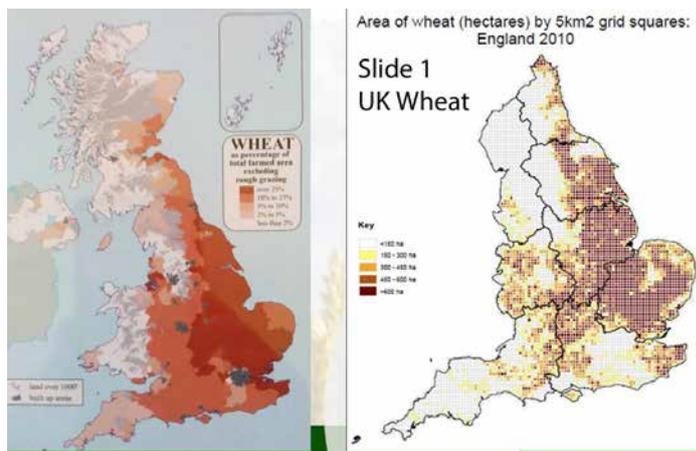
Supply and demand is the key factor for any commodity market: how much is available; how much is needed; the long or shortfall between the two; and what effect these have on prices. I will discuss this in more detail later.

Quality Wheat is not grown in a greenhouse with constant atmospheric conditions. It is grown in fields under a range of climatic conditions and therefore its quality can be variable and inconsistent. As millers our job is to make consistent grades of flour for our customers from this inconsistent raw material.

Foreign exchange Foreign exchange is pertinent at the moment and we'll look at it in more detail later.

Logistics Basically where the mill is situated in relation to where the wheat it uses comes from, and where the mill's customers are, since both factors can affect transport costs and availability.

Politics At the start of my career in the grain trade in 1990, there was large political involvement, with EU Grain Mountains being the norm, which are sadly all gone now. We have had some years of relative political stability since then, apart from the Russian export ban on wheat in 2010. So politics hasn't really influenced the grain markets for some time but I fear that in the next two to three years with Brexit, the spectre of political influence in grain markets may come back to haunt us!



UK Wheat

The UK map shows the concentration of where wheat is grown in the UK. The darker blocks are the main wheat growing areas of England and going up into Scotland. We have a mill at Maldon in East Anglia, which is very much the wheat bread basket area of England. The highest hours of sunshine are found in the South Essex and Kent wheat growing area, so it is no surprise to find that the best UK bread wheats are grown there.

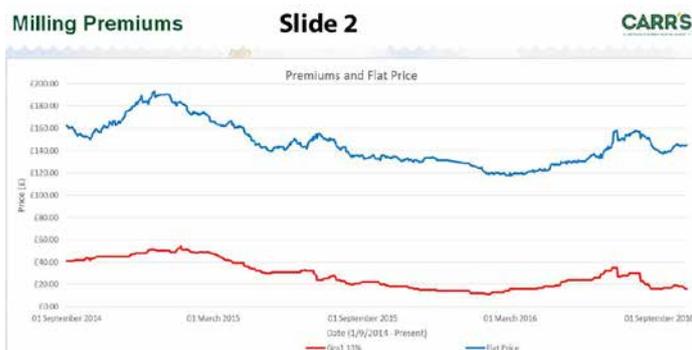
We also have a mill at Silloth in Cumbria, an area with virtually no wheat growing there but access to wheat is just across the country to the grain belts of the North East and the Borders. We have another mill at Kirkcaldy in Fife, an area where a lot of excellent soft biscuit flour wheat is grown, the Kirkcaldy mill supplying this type of flour to well known shortbread and biscuit manufacturers.

We have ports at Silloth and Kirkcaldy and ship good quality bread and other wheat to these mills from southern England, other European countries such as France & Germany, and high quality spring wheat from Canada & America.

Wheat price indicators and wheat futures You will hear many people in flour milling talking about wheat price graphs and in his presentation Matthew Verity of Kantar showed an Index Mundi wheat price in dollars graph. These are financial market indicators that give you an idea of the current base wheat price and how it is changing, which is also covered by wheat futures, but what is a wheat future?

A London Wheat Future is a certificate that entitles the bearer to 100 tonnes of feed wheat sitting in a store somewhere, these stores being spread all over the country. If you own a London Wheat Future Lot and take it to its expiry date, you then have the right to pick up 100 tonnes of wheat from somewhere in the UK. You may be a flour miller in the south of England and the future might be 100 tonnes of wheat in a store in Elgin, but that's the vagaries of how the futures market works. These are financial instruments generally used as a hedging tool, and therefore bought and sold before physical delivery is required.

Wheat futures generally reflect the area of greatest production and least consumption and an example of this in simple terms is Banbury. This is simply the place with the highest local production and lowest local demand, and furthest from the main exporting ports of Tilbury, the Wash, Southampton, Hull, and Immingham. So this is the sort of epicentre of supply being high and demand being low. This morning, 12/10/16, November wheat futures were £131.50, so broadly speaking a tonne of feed wheat in Banbury would be worth around £131.50.

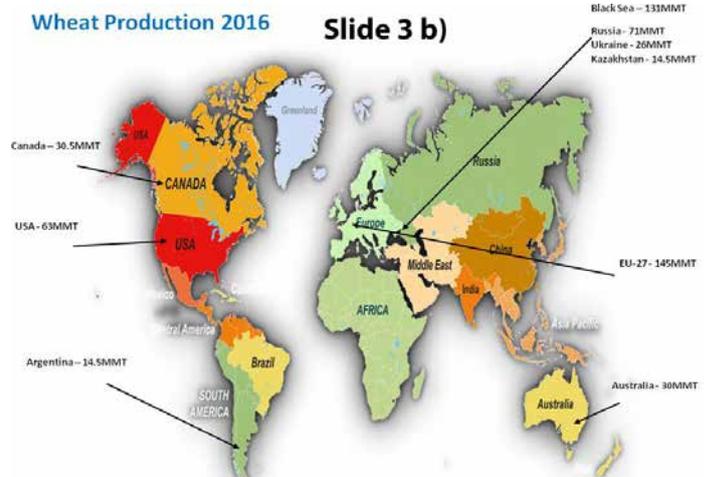
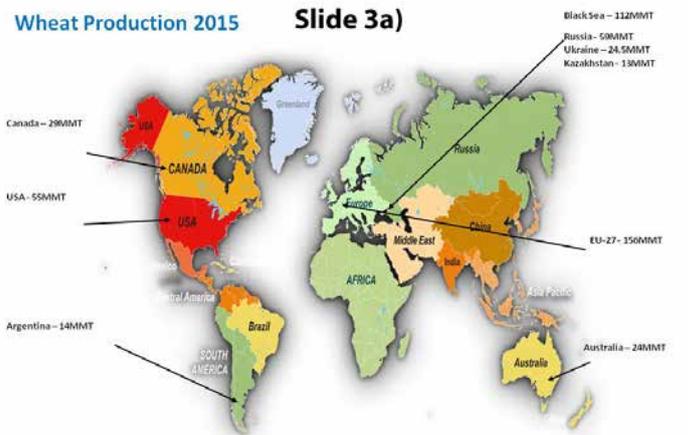


Premiums Some large flour consumers have costing models with us, and are always very excited about premiums. A premium over the feed wheat price isn't, as farmers might think, a thank you for them growing the sort of crop that you want! It is a balancing figure that is adjusting the logistics of where your mill is compared to where the wheat is, and the relative supply and demand there for that quality of wheat.

Premiums are not fixed, they move according to regional supply and demand factors. Put the premium and the futures price for the wheat together and we have what we call a flat price. Slide 2 is looking at the last two years, September 2014 to September 2016. The red line is the premium for Group 1, 13% bread wheat into our Maldon mill, which is added to the futures price for the wheat at the time, giving the flat price shown by the blue line. The flat price is what I will pay for one tonne of wheat delivered to the mill.

So what controls wheat markets and prices?

Wheat Production 2015 & 2016



Slides 3a (2015) & 3b (2016) show wheat production throughout the world. I will pick out some key points, comparing last year to this year. Around 80% to 85% of wheat in the world is grown in the Northern Hemisphere, with Australia and Argentina being the key wheat exporters in the Southern Hemisphere. Harvest starts in about May/June in the Middle East, moving up to September/early October in Canada. So today, the 12th October, the harvest is broadly finished in the Northern Hemisphere. The Argentinean and Australian harvests are more like December/January and that's wheat production for this year over and done with.

The following comments will not include China and India. China is the biggest wheat producer in the world but also the biggest wheat consumer. It does not normally import or export wheat and just looks after its own requirements. India sometimes has a wheat deficit and sometimes a surplus of four or five million tonnes. In importing terms therefore, India and China aren't important to us, unless one of them has a drought or another type of supply problem, which would put a strain on world supplies if they had to import wheat.

This year we have had some changes to production volume from last year, the key fact being that a higher quantity of wheat was produced in the world this year compared to last year but where did the increase come from? Unfortunately Europe produced 156 million tonnes of wheat last year but only 145 million tonnes this year, thus losing 11 million tonnes of wheat production, which is important to us whilst we're still in Europe. France is Europe's biggest wheat exporter but its 2016 harvest was a nightmare. This was due to bad weather during the growing season and the harvest.

In fact the whole of Europe and a lot of the rest of the world had low solar radiation, (sunshine), in the crucial April to June period. Wheat leaves are solar panels which absorb solar radiation from the sun, and with many farmers now having photovoltaic installations, this radiation is regularly measured & reported. In April to June 2016 the levels of solar radiation were very poor, resulting in lower wheat yields.

France also had rain at harvest time – their harvest starts late June, early July, further reducing yield. Last year's wheat crop in France was 41 million tonnes and this year it was 28 million tonnes and not only was it a drop in quantity, it was a drop in quality as well! The 2015 crop of 41 million tonnes was in fact abnormal, France's normal wheat crop being around 35 million tonnes. Even against a norm of 35 million tonnes, a drop this year to 28 million tonnes is still a significant reduction in output, particularly when it affects quality as well. With regard to our supply of French wheat, luckily we do a lot of baguette flour and the wheat for it was contracted pre-harvest to be from a certain region of France which has, fingers crossed, been fully satisfactory.

Germany is Europe's second biggest wheat exporter and Southern Germany was similar to France for this year's wheat harvest, being poor in quantity and quality. The wheat crop in central Germany was a bit mixed in quality but the quality of wheat from northern Germany was satisfactory. We source quite a bit of wheat from Germany since shipping from ports in the Baltic area in the north of Germany to Kirkcaldy is only about 2.5 days, so that works well for us.

So we have a shortfall of wheat production in Europe but an increase in wheat production from last year from: Russia, + 12 MT; Ukraine, +2.5 MT; and Kazakhstan, + 1.5 MT. So the overall balance is that the world has the same amount of wheat as last year but it's in different places. It is interesting that this year, countries like Switzerland and Austria, which normally get French and German wheat going eastwards, are getting Bulgarian and Hungarian wheat this year going westwards. It is using the same barges, they are just going in a different direction!

Quality I've mentioned wheat quality already and slide 4 gives more information on it throughout the world.



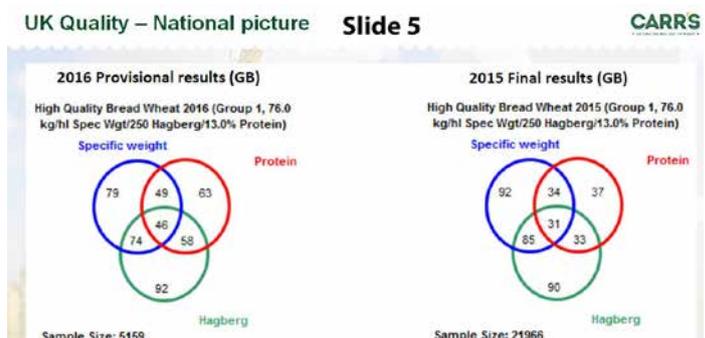
There's a massive variation across Europe, with production losses in France and Germany made up from other parts of Europe. Russia produced a large quantity of wheat but it is of variable quality. There has been a significant change in Russian wheat since I started my career in the grain trade with Cargill in 1990. Then you would be lucky to get Russian wheat in the first place, and if you did get a shipment, all you knew was that, in general, it would be wheat, with no information on its quality. In recent years there has been a lot of investment from Western countries in the Russian wheat supply chain, with storage silos, trains, trucks, wheat varieties, and modern fertilisers & chemicals. So Russia, Ukraine and Kazakhstan are very significant exporters of quality wheat as well, although little to the EU due to high import tariffs.

USA Quality and availability of wheat relatively good, so no issues there.

Canada I will specifically discuss Canadian wheat later since its supply is important to us.

Australia It is looking like a bumper wheat crop. Australia does variation – a bad crop, eight million tonnes, a good crop 30 million tonnes and they're on the upper side of that at the moment. Unfortunately there has been a lot of rain in Australia over the last month or two with it just coming up to the harvest time, so there's a bit of question on final yield and quality.

Slide 5 UK Wheat Quality - National Picture



Let's now look at the UK wheat quality, slide 5. The figures above came out yesterday from AHDB (Agriculture and Horticulture Development Board), formerly known as HGCA (Home Grown Cereals Authority), and is the statistics bureau of DEFRA. AHDB have analysed all the samples of the 2016 crop they have received to date and you may be familiar with these diagrams. This is picking the Group 1 bread wheats that our mainline bread flours would be made from and comparing last year with this year. The three

parameters we're looking at are falling number, protein and specific weight:

Hagberg falling number - a measurement of the alpha-amylase enzyme content of the sample, the lower the number the greater the enzyme activity. If it's a wet harvest, the flour alpha-amylase enzyme activity will increase and can cause significant problems in the bakery. However there are no real differences in the results between 2015 and 2016. We had a dry harvest and a 92% pass this year, with a 90% pass last year. So no alpha amylase issues this year, thank goodness.

Protein – 37% of the Group 1 wheats in the UK passed the 13% protein level last year. This year 63% of the group one wheats passed, so we've had a significant increase in protein which is great.

Specific weight – a measurement of the boldness of the grain. We want the wheat grains to be bold because it makes it easier to remove endosperm from the rest of the grain during milling and produce white flour of consistent quality. If it's a scrawny grain, it is harder to mill it into flour and the extraction rate of white flour from it is significantly reduced.

UK Quality - Our Mill Data

UK Quality – our Mill data Slide 6

Wheat Type	2015		2016	
	Protein	Specific Weight	Protein	Specific Weight
Group 1 13%	13.2	78.2	13.5	76.2
Group 1/2 12%	12.3	77.6	12.6	76.7
Soft Biscuit	11.2	74.8	11.3	74.0
Hard Biscuit	11.6	77.2	11.6	74.6
Canadian	15.6	81.1	16.2	80.1
German E	13.8	80.0	14.3	79.0
French	11.1	78.9	11.4	77.5

Slide 6 looks at the results for protein and specific weight we have on average in our own mill, which are based on our Maldon mill. The average for protein for every tonne of Group 1 wheat we took in last year was 13.2%, and this year it is 13.5%, so we have had a slight increase in protein which is good.

Protein is lower in the lower grade 1/2 bread wheats, which we would use for pizza flours, flat bread flours and products like that.

Biscuit wheats – again slightly better than last year but specific weights are all down a couple of kilos and that will mean lower extraction, so we'll be getting less white flour and more wheatfeed.

Visual grain issue this year This is a discolouration of the germ end of the grain which is called black point or black tip, something that I have not seen for quite a few years. It is the scars of the fungus *Alternaria* or *Cladosporium* which has infested the grain. The important thing to stress is that it is not a food safety issue. The discoloration doesn't affect the colour of white flour produced from the grain but it does mean that some of our wholemeal flours this year might be slightly darker looking than last year, but you would have to look closely at them to see a difference. Customers buying wholemeal bread expect it to be brown and will be unlikely

to see a colour difference. So it is not a product quality or food safety issue, just one that gave us a little concern at harvest time.

Not a very good picture in slide 7 but this is a sample of wheat from the south coast that we shipped up to Kirkcaldy last week which contains a lot of small grains. You can see scrawny rice-like grains in the picture and these are grains that have suffered from lack of sunshine in April to June.

UK Quality cont. Slide 7



We were in fact very lucky this year. The sun came out from the second week of July onwards, the final of Wimbledon week, and that was such a crucial time for the last four weeks of the 2016 harvest. If we hadn't had that sunshine in the last three weeks of July and first week of August then I would have been talking to you about an absolute disaster for the UK wheat harvest. So the four weeks of sunshine completed the development of the wheat crop off but it left us with some of these small grains that have given us some milling problems.

Nabim Variety Working Party



Samples of wheat testing bread await assessment

Carrs are members of the **nabim** Variety Working Party. We've been part of this for six years now, other members being Whitworth's, Rank Hovis, Allied Mills, Heygates and Campden BRI. Seed breeders produce tens of thousands of new varieties every year but we want them to focus on varieties that are suitable for the farmer to grow and for the miller to be able produce good quality flour from them for bakery customers. So every year we assess around 50 samples of new wheat varieties and we examine them for three years. They are tested in the first year when they are just a number, and then again in the second year, just to check that what we found in the first year is the same in the second year. They are grown and tested again in the third year, and if a wheat variety has given consistent results for three years, we know it is hopefully going to be of consistent quality and useful for farmers to grow and for millers to produce flour from, and it will be considered further.

We have come to an agreement with the wheat breeders that if a variety looks like a potential good breadmaking wheat after the third year, in order for it to go on the recommended list as a fully recommended bread wheat, they have to provide two truckloads of wheat that the working party members can mill commercially and test the flour produced at the mills and with a lot of their bakery customers. This is to prove that it's a good breadmaking wheat before it becomes commercially available. This is important since there have been wheats in the past that have been approved on test mill samples but were not successful commercially. We are then faced with the problem of having stocks of unsatisfactory wheat that may have to be processed as animal feed!

We have had successful new varieties of bread wheat in recent years, Skyfall being the first, followed by Trinity and Illustrious. They have all passed the tests and the proportion of UK bread wheat being grown is increasing, which is good for the millers, bakers and the UK consumers.

At Working Party meetings at *nabim* we typically have to assess all the loaves shown in the photograph in figure 3. I guess it's something that bakery students and test bakery technologists do every day but it is very interesting for me to have to do the assessment. However being good zero landfill people, we do recycle the bread afterwards. You will see a picture of some of my cattle, who are very pleased after I have been assessing bread and come back with some of it as animal feed. The thing Alan didn't mention in his introduction is that apart from my full time job in a flour mill, I have a full time job running my own farm as well and my cattle do like bread!

There is zero waste from a flour mill. Wheatfeed is the residue left after the milling process is complete and is sold for cattle feed and other animal feeds, figure 2.



Wheatfeed is used for animal feed, as can surplus bread.

Canadian Wheat and Flour Canada has a high reputation the bakery fraternity for producing high quality strong breadmaking wheat, especially in Scotland where the high protein strong flour produced from it is used to produce delicious morning rolls. A well fired Scottish morning roll, filled with Lorne sausage and brown sauce, is something to die for and is one of the reasons why I visit Carr's Kirkcaldy mill every week! However flour from Canadian wheat has been a key ingredient in British baked goods since the time of the repeal of the Corn Laws in 1846, which was fought for by many people, including a certain Mr Carr, who set up Carrs Flour Mills.

NB The Corn Laws were measures enforced by the United Kingdom government between 1815 and 1846 which imposed restrictions and tariffs on imported grain. They were designed to keep grain prices high in favour of domestic producers.

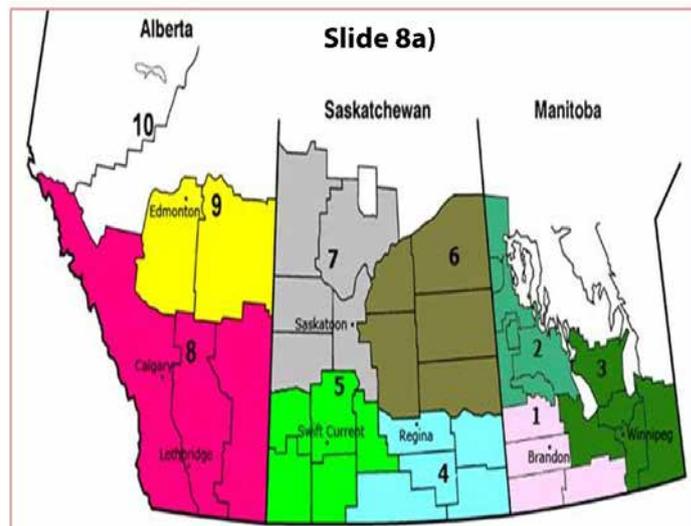
Growing and Exporting Canadian Wheat Canada has vast prairie acres where farmers can afford to grow low yielding spring wheats that have a high quality and a high quantity of protein. We have tried in the past to grow these varieties of wheat, known as red wheats, in the UK but with our land prices at £10-12,000 an acre, farmers cannot afford to take yields of three-quarters of a tonne of wheat an acre. In Canada, where land is £1,000 an acre, you can afford to farm 10,000 acres and grow low yielding spring wheats but they don't really work anywhere else.

Canada produces a lot more wheat than its domestic requirements and is therefore a big exporter of wheat. Its main customers are Alaska, the USA, South America, and Europe is very important, with some Canadian wheat going to China and a lot to the Philippines and Japan.

Canadian Wheat Quality

- Exports significant tonnage of high protein milling wheat annually
- Produces around 27MMT, considerable variation (20MMT – 38MMT) in recent years
- Pre-harvest reports for 2016 suggested yield and quality would be good
- Reality - weather has slowed harvest and considerably damaged quality

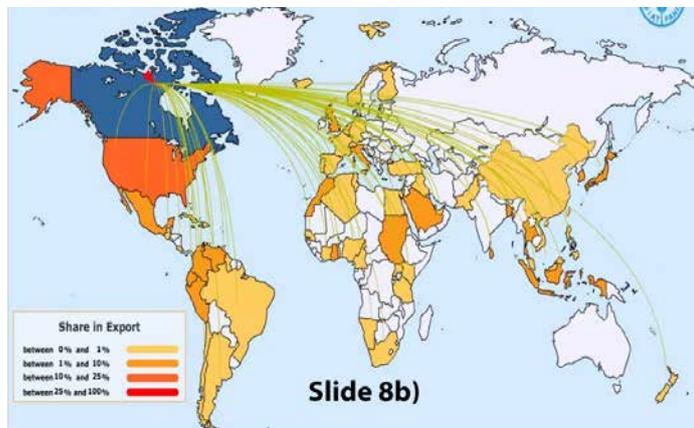
Looking at the grain areas of Canada, slides 8a & 8b, it's more on the west side of Canada – Manitoba, Saskatchewan and Alberta. Saskatchewan is the main growing area. Anything this side going west goes on a boat out of Vancouver and goes to Japan and the Philippines, etc.



Anything for Europe is more this side of Saskatchewan and Manitoba, that comes into the Great Lakes system and the Saint Lawrence Seaway across to us.

The 2016 Canadian wheat harvest started late August, a week or two early and we had people out there in the first weeks saying it's great, it's great quality, it's great yield, everything's wonderful. Then it went downhill from there. It stated raining and kept raining, followed by hail and snow, and they've had a very difficult harvest ever since.

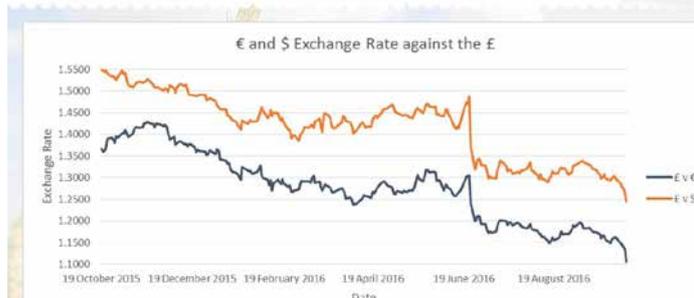
The Canadian Wheat Board was disbanded five years ago but the Canadian Grain Commission still grades all their wheat. They grade it as CWRs and Canadian Western Red Spring 1, 2, 3, 4 and 5. We only use Western Red Spring 1 or 2, as do most of the UK millers, Western Red Spring 3 and 4 and 5 being lower quality grades. Last year nearly 70% of the Canadian wheat was graded as Western Red Spring 1 or 2 but this year it is under 50%, so we've already lost around 25% of availability.



Mycotoxins Mycotoxins are fungus attacks on the grain that are brought about by bad weather at the wheat flowering time. The Canadians had a problem this year with mycotoxins and only half of the quantity of Western Red Spring 1 and 2 that would normally come to Europe can be supplied, because the rest of it is too high in mycotoxins. So from last year, when we probably had 80% of the Canadian wheat crop available to us, this year it's probably more likely to be 20-30%. This is just something to watch and its going to take some sorting out in Canada!

Slide 9 Foreign Exchange – over the last 12 months

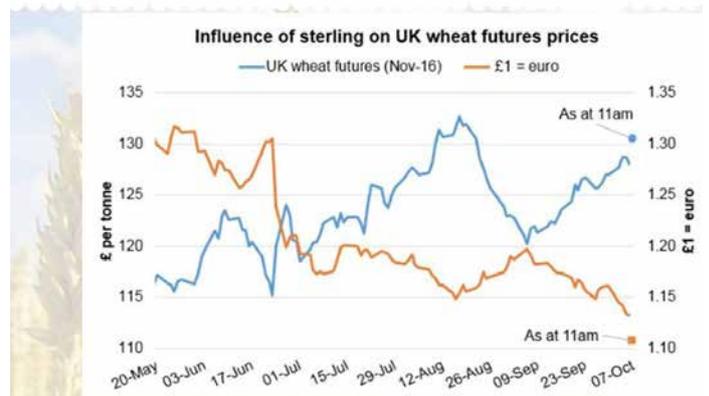
Foreign Exchange – over the last 12 months Slide 9



Foreign exchange You can guess what date was Thursday 23rd June when the slide 9 graphs dipped alarmingly above June 2016? When I tuned into the Today programme on the Friday morning after the EU referendum, my wife wondered what had happened with the amount of expletives coming out of the kitchen! What effect will Brexit have on wheat prices? Well, we are an importing and an exporting nation. We have lots of ports and we produce more wheat than we need. Therefore the price we get for the export surplus governs the price that we get back home. It's quite a difficult to explain to a farmer in Maldon, bringing his wheat to our mill five miles from his farm, that what is happening in Kazakhstan, or to the exchange rate, does affect the price he gets for his wheat. 'But you're paying me in Pounds.' 'Yes, but it all depends on whether your wheat is worth more going to Tilbury or to Algeria, etc.'

Slide 10 FX Wheat Price

FX / wheat price Slide 10



In simple terms however, you can see from slide 10 that the price of wheat futures has gone up in parallel, or the exact opposite to, the currency going down. So currency is therefore very important.

It is interesting, if you take the currency out of it, that the world buyers - the Algerian, Moroccans, Egypt, etc., don't buy wheat in pounds sterling, they buy it in Euros or dollars. If you take our famous London Wheat Futures, slide 11, and convert them from £ into €, you can see broadly that the wheat price in € hasn't really changed over the last 9 months, apart from a few ups and downs here. So taking the currency effect out of it, another way of looking at it, November wheat futures are today at £131, convert that today to €152. But if we were at the same currency exchange as this time last year, this €152 converts back to only £104. So although as customers you might feel that prices are expensive at the moment, in terms as they were before taking the currency out, they are not.

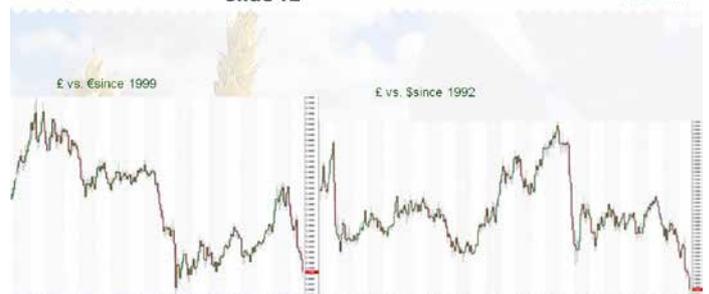
LIFFE in € - last 12 months Slide 11



Rushing through currency now, slide 12 is looking at the Pound versus the Euro since 1999 when the Euro was created, and the Pound versus the dollar since 1992. You can see we have been all over the place.

Slide 12 Long Term FX, £ verses euro and £ verses dollar

Long Term FX Slide 12



Trying to pick trends in there is not easy. Looking at the dollar over the last 25 years, I'm going to say the opposite to David Garman earlier, who thought that the pound would go down. I am optimistic on that. I can see a level here and if you take the average of the last 25 years, it's dangerous to do so, it's about 1.64 and here we are at 1.23 dollars to the £ today. To me, it feels that the weakness of the Pound has been overdone and if Trump gets in, we'll be back up here on November 9th.

Brexit I'm not going to spend long on this because I don't understand it either. What effects can we see so far on wheat and flour?

Brexit implications on wheat & flour

- Weak currency – prices up for wheat & energy
- Export restrictions on wheat and flour?
- Ireland/France/Holland
- Import duties on wheat & flour?
- Staff

Weak currency has pushed prices up and I'm afraid that is an unavoidable thing. We can hedge as much as we like. Did I on June 23rd go and buy huge amounts of Dollars and Euros just in case? No, I didn't. What would have been the reason to do so? We were covered against contracts for the next six months, 12 months. Was I going to speculate for the next five years? I can't do that, I'm not a gambler. So wheat currency is where we are at the moment. Will that change? You have your own views on that and we can talk about it over lunch.

Export restrictions on wheat and flour – our main customers for wheat and flour exports out of the UK are into mainland Europe. Will there be export restrictions on those? At current rates, yes there could be. I mentioned import duties here at the moment. So if we were out tomorrow and we were exporting flour to Ireland – Ireland is a net consumer of flour and an exporter back to England of baked products – there would be import duties into Europe for wheat at 95 Euros a tonne and flour at 172 Euros a tonne. You can look at our accounts, we don't make much money, we couldn't afford to subsidise at 172 Euros a tonne. So as things stand at the moment, there will need to be some trade deals because those tariff barriers are absolutely massive. So that's one to watch. Staffing is something that I know affects a lot of your businesses as well as ours and that's there as well.

UK Supply and Demand

UK Supply and Demand Slide 13

	2015/2016 (,000 tonnes)	2016/2017 - estimate (,000 tonnes)
Opening Stocks	2,419	2,579
Production	16,444	14,467
Imports	1,450	1,100
Total Available	20,313	18,146
Human and Industrial Consumption	7,500	7,530
Usage as Animal Feed	7,013	7,083
Seed	289	289
Other	82	82
Total Domestic Consumption	14,884	14,984
Balance	5,429	3,162
Exports	2,850	1,200
Closing Stocks	2,579	1,962

Slide 13 is a snapshot of UK supply and demand, and of knowing what's left at the end of the season. The season is

globally from 1st July through to 30th June the following year. Last season, 2015/16, we started with 2.4 million tonnes, since we need about 1.8 million tonnes in store on the 1st July to last until the harvest, which is six weeks away. So we had surplus already in stock, then a massive production of 16.5 million tonnes and imports of 1.450 million tonnes. Taking off domestic usage and exports, we had a surplus of 2.579 million tonnes available at the start of the 2016/17 season and when you have a surplus prices come down. However the harvest this year was 14.5 million tonnes, a shortfall of 2 million tonnes from last year. So we have got two million tonnes less wheat in the UK this year and the consumption is going to be broadly the same! So we have less available for export and the export figure is 1.2 million tonnes. This leaves just under 2 million tonnes available for the start of next season.

Wheat currency helps us to export and we had a very busy July and August, exporting 457,000 tonnes of the 1.2 million tonnes we had available for export. So we are heading for a much tighter wheat stock situation in the UK this year than we have had in previous years.

While the above wheat supply figures for UK are slightly concerning, the world situation is quite comfortable, see slide 14. The supply has been increasing every year, apart from 2012, when we saw price spikes. So we're up to 986 million tonnes supply in the world, which is a record high and we've got good ending stock. So we have the volume in the world of wheat but do we have the quality? That's my biggest question.

Slide 14 World S&D over last 5 years and forecast

Slide 14 CA

World S&D over last 5 years and forecast

Per MMT	11/12	12/13	13/14	14/15	15/16	16/17
Opening Stocks	199	197	177	194	216	241
Production	697	658	715	728	735	745
Supply Total	896	855	892	922	951	986
Exports/Imports	158	137	166	164	172	173
Food & Seed	550	542	572	574	574	589
Feed & Residual	146	137	172	132	136	148
Use Total	697	679	699	706	710	737
Ending Stocks	199	176	194	216	241	249

Where will markets go? I'm not going to totally predict but let's have a look.

Slide 15: Short Term (3 months) LIFFE (London International Financial Futures and Options Exchange)



We had a steady rise, slide 15, from late July when it was becoming clear that the EU's biggest wheat producer

France, was having a challenging harvest. We had a welcome short term dip, then a return back to those levels as export demand kicked in.

Slide 16 Long Term (3 years) LIFFE



Slide 16 shows London futures over the last three years. You can see that they have come down from the highs of 160 plus, to a very low level and then a currency induced rally from there. However sometimes you have to a step back and look at it over a much longer term than that.

Back in the noughties, 2000 to 2007, we had a very stable wheat market, with a futures average £60 / £70 a tonne. I can say that we won't get back to these levels. That was when we had all the 35 million tonnes of wheat from intervention. There are no grain mountains left and therefore we have price spikes due to commodity rallies, Russian harvest problems, etc, and we have had a spike recently due to currency. In the big picture however, we are generally on the lower side of where the market has been.

Slide 17 Long Term (15 years) LIFFE



Cautions ahead

- EU Maize crop not all in yet
- Dry start to planting season across EU (England Sept 82% LTA)
- Have "plenty" of wheat quantity, but restrictions on quality this season
- Crude Oil market well off bottom (a rising tide lifts all boats....)
- Currency?
- Markets.....

A few cautions above for the coming year.

Maize We are hoping for a big EU maize crop. Maize is important, not for us as millers because we don't mill maize but it's an important feed grain. It is also used for animal feed, which is good for us because if the animals weren't

eating maize they might be eating our wheat! With another three to four weeks before it is all in, the maize crop is still suffering from some adverse weather concerns, so that's just a caution.

Wheat Crop The crop is in the ground now for most of the Northern Hemisphere but we've had a pretty dry start. In September England had 82% of the long term average rainfall. East Anglia, which is important as the bread basket of the UK, had only 77%. As a seedling, wheat needs plenty of water, so a dry start is not ideal. The Ukraine, a very important wheat exporter to the UK, has also had a dry start to the growing season. So the above are concerns for next year.

Wheat Quality There is plenty of wheat available quantity wise but with France, Germany, and Canada having quality problems, and the UK a specific weight, small grains problem, I am painting a picture of plenty of quantity but with a question-mark on quality.

Vegetable Oil Commodity markets move together and the vegetable oil market has hit the bottom and is now going up.

Currency Who knows?

Markets Markets can behave in strange ways so don't take them for granted. You have to do in the market what is right for your business and for your customers, with the aim of Carrs and other millers, being consistent flour at a reasonable price. Thank you very much.

Alan Clarke Thank you very much indeed, Julius. If anybody has a burning question, please put your hand up now. Julius, you're going to stay with us for lunch and I'm assuming you'll be happy to take any questions then. Please show your appreciation for an excellent presentation. ((Applause))

Alan Clarke We promised you an action packed morning, and we certainly got it. Just to finish off, I would like to thank all of the speakers and just leave you with some of their key takeaway messages. We started with David Garman looking at strategy, both for growth and for increasing value of your business. He talked about bringing in someone with an outside view so the dominant logic of your industry doesn't focus you and make you do what you've always done. He talked about identifying new ideas and using growth engines to drive your business forward. Tesco's Gordon Gafa spoke about their investment in and changes to, their in-store bakery format, their relationships with suppliers, engagement with their teams, listening to their customers, and the impact that all this is now having on sales and customer confidence. Matthew Verity of Kantar covered changes in the retail grocery sector, the impact of Aldi and Lidl, the growth of online shopping, and that breakfast and lunch is still key to the bakery sector. We had the passion of the lecturers and students from the UCB, with the students' speaking about their ambitions for the future and the motivation that made them decide to make a career within the bakery sector, which was fantastic. Our last speaker Julius Deane gave us a full and fantastic insight into the wheat market covering harvest, production, exports and quality. (Applause)

Paul Turner, BSB Chairman

Thank you all for rejoining the conference promptly this afternoon and I trust you all enjoyed a good lunch. We

have again really interesting papers this afternoon, so allow me to introduce our Session Chairman Mark Young.

Mark is Sales Director at his family business Ingram Bros. and has worked in the baking industry for 40 years. He served on the Scottish Bakers' Conference Technical Sessions Committee for more than 30 years and is involved with the Glasgow Incorporation of Bakers, following his father as Deacon in 1991 and 1992. Mark says that being a member of the BSB has been a real pleasure, having met so many great people over the years who have a tremendous passion for our industry. Please join me in welcoming Mark.



Mark Young

Mark Young, Session Chairman

Good afternoon everyone. It gives me great pleasure to introduce Roz Cuschieri for our first paper this afternoon. After graduating from Aberdeen University with a Pure Science degree, Roz started her commercial career with United Biscuits. Based in Scotland and then London, she held both account management and marketing roles. She also spent 12 years with Warburton's, seven of them as Commercial Director. In 2010 Roz moved to Genius Foods and was appointed CEO in Jan 2012.



Roz Cuschieri

To introduce Roz I would just like to say that we look forward to hearing about the rise and rise of Genius gluten-free breads!

7 Years, 7 Sites – the Genius Gluten Free Journey by Roz Cuschieri

I would like to talk you through the journey that has been Genius. Some of you will already know something about Genius but the following is a bit of context for those that don't. The business was formed seven years ago and I would describe us, for anyone who is Scottish, as being in primary three. We are still in short trousers, we think we know a bit but we've got an awful lot to learn. The lady in the red dress in the photograph is Lucinda Bruce-Gardyne. She formed the business seven years ago as a direct result of two of her sons having very serious food allergies and intolerances, one to gluten and one to dairy. Lucinda was a chef by training but couldn't at that time find the kind of gluten free foods that she wanted to serve to her boys. Being a very tenacious lady, she set about creating something that didn't exist at that time, which was a gluten free loaf that was fresh, soft, had a great crumb and crust and was enjoyable to eat. While taking her children to school she met up on the school run with the gentleman in the photograph, our Chairman, Sir Bill Gammell. Bill founded Cairn Energy,

a big oil and gas company. He had been diagnosed as a coeliac at 46 years old and like Lucinda for her boys, couldn't find gluten free food that he wanted to eat. So her idea for gluten free bread and his resources collided at the school gates, as often great business stories do, and the rest is of history!



Lucinda Bruce-Gardyne and Sir Bill Gammell

I'm very proud to be part of the Genius story because in the UK we have such a wonderful history and record with start-ups. We are very entrepreneurial in the UK and last year there were 608,000 business start-ups. The challenge for Start-Ups is how best to scale up production and sales and I would like to share how Genius has scaled up over the past seven years.

THE GENIUS BUSINESS Slide 1

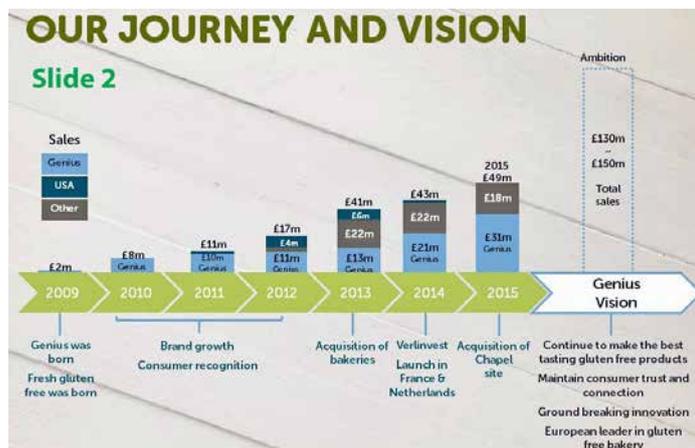
- BRC Grade A bakery sites in Bathgate, Hull and Scunthorpe
- 5 Industry awards for innovation and quality
- Largest ever R&D grant from Scottish Enterprise
- Winner of Sunday Times Fast Track Ones To Watch 2015
- Investment:
 - £4M UK Brand Marketing Spent
 - £3M UK Bakery Improvement
- Growing global presence with sales in over 15 countries
- Part of the Verlinvest portfolio of brands

This is our business and some of you who are suppliers to us will know some of the characters in the business. We have two bread bakeries, one in Bathgate and the other in Hull, and we bought a gluten free pie business in Scunthorpe in November 2015; all are BRC Grade A sites. We have received 5 Industry awards for innovation and quality, and were the Winner of the Sunday Times Fast Track 'Ones to Watch' 2015. We are also proud to have received a grant of £2.3 million from Scottish Enterprise in July of this year to support our Research and Development projects. It would be really easy for me to stand up here and bang on about how brilliant Genius is and how we have done some things really well. We have also done some things not so well and research and development into how we can produce consistently high quality products to make Mr Gafa happy at Tesco and to make all our consumers happy,

is absolutely critical to what we do and to the continuing success of Genius. So R&D support is very important to a small business like ours.

We have spent £4 million in the last 12 months promoting and supporting the Genius brand in the UK, We also have a £3 million programme of renovation and improvement for our three bakeries.

We sell globally, with sales in 15 countries and we are now part of the Verinvest portfolio of brands. Verinvest is a private Belgian equity fund and they are the principal investors behind AB-InBev, one of the largest brewers in the world.



This is what our last seven years have looked like. Lucinda created Genius's category bursting products way back in 2009 and at that time our products were being produced by Finsbury Foods, who were baking Genius at their Hull and Bathgate bakeries. I joined the business at the beginning of 2011 as employee number nine – and became Chief Executive in 2012. Over time it became apparent to us that if we wanted to have control of our innovation, bakery investment, export and marketing plans, plus be able to face retailers directly and sit in meetings with people like Gordon Gafa, then we needed to have a different structure to the business. So in February 2013 we set about buying the two bakeries which produced Genius products from Finsbury. As you will see in the 'Our Journey and Vision' slide, at that time we were selling £13 million of the Genius range in the UK and £6 million in America, where we had a co-manufacturing partner baking Genius for us.

So in 2013 we took control of the bakeries and our marketing, development and innovation agendas. As many of you who have been part of fast growing businesses will understand, we then found ourselves at a strategic crossroads. Gluten free is hot, it's sexy, and there was a lot of global interest in the Genius fresh and soft gluten free bread. We had interest from America, where, as mentioned earlier, we were working with a co-manufacturer. We had a big programme of expansion that we wanted to deliver in the UK and we also were attracted by the opportunity that mainland Europe offered for increased sales of Genius products.

So it was at that point in 2013 that we took the decision to stop our development in the US market and focus very much on our UK business. We chose to do that in 2013. In 2014 our private equity investor Verinvest came in, saw the potential and invested in it. They are a very brand

driven business with an enviable black book of contacts in Europe, so we made the decision to launch the Genius brand into France and the Netherlands.

We have continued to stretch the Genius brand into products that are difficult for the gluten free consumer to make at home, hence us buying the Chapel gluten free pie business in Scunthorpe last year. Our ambition is to make a range of great gluten free bakery products which consumers find very difficult to make at home; that ultimately will lead to the business having £130-£150 million sales revenue.

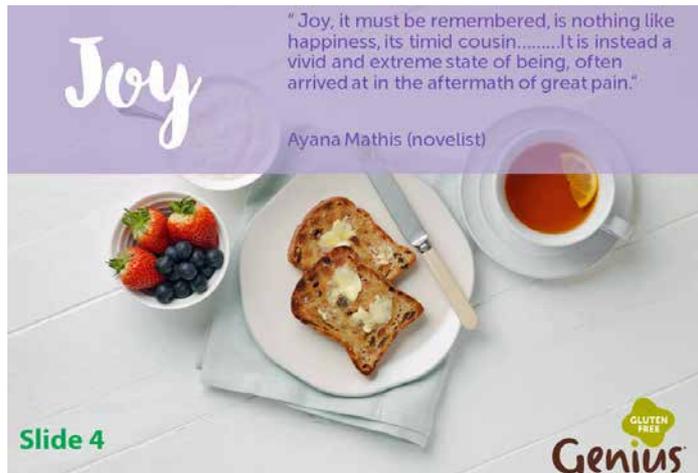
I will say a little bit more now on where we are today in terms of seven years, seven sites. We've got three bakeries and we have what we describe as four commercial hubs. We are far too democratic to say we've got a head office but we do have a head office in Edinburgh. We have three other sales sites, one in France, one in the Netherlands and one in Germany. Our experience in gluten free has let us help educate the countries, the consumers and the customers about fresh gluten free Genius products. It is important that our people share our values and our passion for gluten free and extend that dialogue into those countries. When we bought the bakeries from Finsbury Foods we went overnight from having 21 employees to having 450, and we are now at around 600 employees spread across the seven sites, and we work with a lot of very interesting customers.



Just a bit now about where we stand in the UK today on market share. We have the dominant position within the total bakery market at 26.5%. We have nearly 50% of pre-packed gluten free bread and morning goods sales. We heard about the growth in the standard morning goods market earlier in Matthew Verity's paper and are seeing an interesting amount of innovation in the morning goods sector in gluten free. Consumers are looking for different foods and the development of gluten free morning goods is an area we have been actively working on over the last couple of years.

We have 1.4 million buyers of our products but it is still a relatively small market. The gluten free bakery market in the UK is worth £100 million but one of the things the Genius brand does is bring the most new consumers into the gluten free market. Once they decide to include gluten free products in their diet we hope they will continue to buy Genius. They may also choose to buy some of Gordon's private label gluten free products under the Tesco brand, or to buy other brands. What is important is that we are driving penetration into the important category of gluten free.

The BSB creed read by Suzanne at the start of the conference includes the line: "To remember that I am concerned with the production of one of the most important of all foods". I've worked in bakery for 18 years now and I feel very passionately about what it is we are trying to do for the consumer.



I use the above definition of joy regularly in our business because I've seen it first hand through consumers that are touched by free-from bakery. I think consumers are touched by all of bakery. The products that many of us work hard day in, day out to produce, bring joy to consumers. I saw an extreme case of this when I first started with Genius. I was at the Allergy and Gluten Free Show and a woman came to the Stand and asked me to introduce her to Lucinda. So I did and the woman started to cry! I thought, "What have we done?" However she put her arms around Lucinda and she said, 'I just wanted to say how grateful I am for the gluten free bread you've created because my daughter can now take a normal packed lunch into school and not be bullied.' There is something incredibly compelling about why and what we do for our coeliac consumers.

Some of the things we produce are shown on the Our Products slide. When the business was first created, we were purely making bread, probably the most difficult of the products we make. Over the seven years that we've been trading and manufacturing, we have stretched into breads of the world, sweet treats, and laminated pastries such as pain au chocolat and croissants, which are pretty challenging to produce in gluten free. Latterly we moved into gluten free block pastry, filled pies and other savoury products.



Fastest Growing Category Building a little more on the information Matthew and some others have presented

today, Free-From is the fastest growing category in food today, worth at least two billion pounds globally. You need only look at what some of the major multiples have done in the UK with gluten free products, such as Tesco, and the amount of extended space that's been allocated and devoted to the free-from category in totality in the UK. We are seeing the same beginning to happen in mainland Europe and it has been happening in the States for about five years longer than it has in the UK. Necessarily, because there is a premium attached to gluten free products but also because of the kind of products that the free-from shopper buys, the average basket spend of a free-from shopper is about 22% higher than that of the non-free-from shopper.

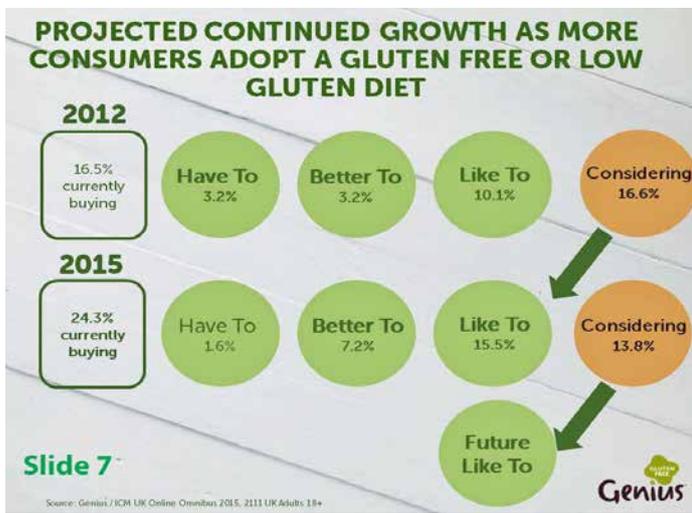


A little bit now about consumer groups and how the gluten free and low gluten market is developing. Our consumers can be broken down into the following categories:

- Have to**, are consumers we would describe as being diagnosed coeliac and must eat gluten free foods.
- Better to**, are consumers who tend to be self-diagnosed but have some gluten intolerance which can cause nasty side effects related to gluten - e.g. IBS, etc.
- Like to**, are those consumers that have chosen to reduce or remove gluten from their diet for lifestyle reasons.
- Considering to**, are consumers who over the next 12 months are considering coming into the gluten free market.

We have carried out two large consumer segmentation studies, the results of which are shown in the diagram below. In the first one back in 2012, we found that 16.5% of all adults were buying free-from and gluten free and this broke down into the following group percentages: Have to: 3.2%; Better to: 3.2%; Like to: 10.1%; Considering to: 16.6%.

We repeated that exercise in 2015 and it's interesting to see how the consumer grouping percentages have changed. 24.3% of all adults were buying free-from and gluten free, and this broke down into the following group percentages: Have to: 1.6%; Better to: 7.2%; Like to: 15.5%; Considering to: 13.8%.



The above shows significant increases in the number of adults purchasing gluten free products, and in the proportion of 'like to' consumers who are consuming gluten free for lifestyle reasons.

Current consumers segment into two groups, 'gluten free enthusiasts' and 'food for vitality', see following:

Gluten Free Enthusiasts - make it exciting'

- 'Get' gluten free
- Younger
- Foodies
- Holistic approach to health
- Prefer fresh & natural

Profile: 37% Buying home; 60% Couples; 29% Single; 46% Work fulltime; ?% Nest builders; 18% have £50k in bank; 50% Split male and female.

These are our gluten free enthusiasts who 'get' gluten free. They understand a little bit more about gluten – it's still poorly understood – and have a sense that they will feel better reducing the amount of gluten in their lives; not necessarily removing it but reducing the amount of gluten they eat.

Food for Vitality - make it healthy'

- 'Discovering' gluten free
- Older
- Foodies
- Holistic approach to health
- Prefer fresh & natural

Profile: 38% Own their home; 64% Married; 32% Retired; 25% Empty nesters; 17% £50k in bank; 55% Female.

We call the newer group above our 'food for vitality' consumer. These are a group of older consumers, who are discovering gluten free and experimenting with different products within the gluten free range.

At this point Roz showed a short film showing some of marketing activity that Genius is carrying out in their European markets to promote gluten free.

The other area that we are looking at, particularly in mainland Europe, is where in supermarkets we are able to merchandise gluten free products. The in-store bakery sales area is where our retailers in continental Europe have chosen to merchandise and sell their gluten free ranges.

Our Journey

The importance of I P

- Creating

- Protecting
 - Innovating to "deepen the moat"
- The importance of trusted and aligned partners
- Manufacturers
 - Distributors
 - Ingredient suppliers
 - Equipment suppliers

In summary, what have we learned through our journey with Genius? Free from is a highly competitive market and there is still much for the industry to learn with regard to: ingredients and combinations of ingredients; recipes; processing; and continually seeking to improve and develop the products better. This is of critical importance. I know that we have a number of suppliers to Genius in the room today and we are very keen to work with trusted and aligned partners who are with us on the journey. We have huge aspirations and ambitions for Genius the consistency of that relationship and the complex cocktail of ingredients that are required for gluten free, are things that we are very keen to work harder and further on.



I'll just leave you with something that's very important to me and that's the importance of people. I joined the business as employee number nine and we now have over 600 employees. I'm very proud of the multicultural and diverse employee base we have and we are a richer business for it. It was so enlightening and heartening to hear the presentations from the UCB bakery students, because the training of skilled people for our industry is absolutely critical.

Gluten free is not for the faint hearted. I don't think that bakery in general is for the faint hearted. Gluten free is particularly challenging. This is what we look for when we look to hire new staff– an entrepreneurial mindset, flexibility and resilience – and we very much hire staff on our values, as well as looking for core technical competencies. I am heartened to see how many interesting and interested young people we have in the room who are passionate about great baking, and that's wonderful.

One of the last things I have done at Genius as CEO is to recruit my successor! We have a new Chief Executive starting with Genius called Jeremy Bradley and he is fantastic and a great operator. He's going to allow me, after five years as CEO, to move into a non-executive role with the business which is something I am really looking forward to. I hope that's given you an insight into the journey that has been Genius. Thank you very much.

Mark Young Many thanks for an excellent and thought provoking presentation Roz. A very simple question to start – is free-from yet another fad, even though it's a large one? And what do you see in the future for the sector?

Roz Cuschieri We get asked that question a lot and dependent on which month you decide to read the Daily Mail, you can get: it's an absolute fad; It's not a fad; or it's the new norm. I don't know whether anybody watched the BBC News this morning but there was a really interesting piece saying that the number of hospital admissions for allergies has increased by 33% on the year, and average hospital admissions have increased by 8%. So we are becoming more allergic to food ingredients and other things and I don't think that foods that compensate for allergies, such as gluten free, dairy free, etc, are fads. The independently verified market statistics on the gluten free market that were presented earlier by Matthew Verity of Kantar suggest that it is not a fad.

Sylvia Macdonald What are the most challenging bakery products to make as gluten free? I once sat in a tasting panel and someone said "if only there was a gluten free fried doughnut".

Roz Cuschieri We have a big doughnut fryer in the Bathgate bakery and we have experimented with producing a gluten free version of a cronut. In the end however we decided for various reasons not to proceed with it!

We are the only gluten free manufacturer that produces gluten free laminated pastry products, which are particularly difficult to do well.

Gordon Gafa Just linking in with the Kantar presentation earlier on and the mention of health aspects of gluten free products. Where are you on the journey to making free-from products in Genius healthier? There is a big debate across bakery on it and it is a big challenge for free-from manufacturers as well I guess.

Roz Cuschieri Yes, and it's a good point. When you look at those two consumer groups I spoke about earlier, they're foodies but health is very high up on their agenda. So what we've done is: removed artificial preservatives from our products. If you remove gluten from bread you have to replace its functional properties with other ingredients. So gluten free products tend to contain a higher level of fat than standard bread, plus specialist starches and ingredients with binding properties and we are working to see how we can address fat levels. Salt is added to improve flavour and we are addressing its level. Our consumers are looking for gluten free bread with good eating qualities and flavour.

Our products are high in fibre and rich in omegas, so there are some great things health-wise that we can shout about for our products and there are some other areas that still need some work.

Mark Young Thank you so much Roz, absolutely superb. *(Applause)*

Mark Young, Session Chairman I am delighted to welcome our next speaker Justine Fosh, Chief Executive of the National Skills Academy for Food and Drink. Justine established the National Skills Academy for Food and Drink in 2007 and oversaw its merger with Improve. Justine is a graduate of Strathclyde University, where she studied Marketing

and Industrial Relations. Justine will discuss the new industry approved Trailblazer Apprenticeship Programmes and we all look forward to her presentation.

Trailblazers Bakery Apprenticeship Scheme
by Justine Fosh



Justine Fosh

Thank you very much for the kind invitation to come and talk to you today. It's a bit weird however, because part of my talk will be about the work that you as an industry have done on the Trailblazers Bakery Apprenticeship Scheme, so I'm merely here as a sort of facilitator and interpreter of the work that a number of you in the room will have been involved in.

The agenda of skills training is interesting and is something that politicians like to meddle in. So why are skills so important to politicians?

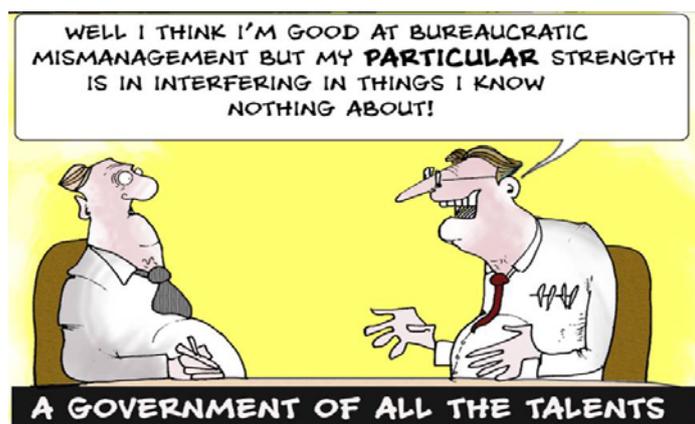
- Social Mobility
- Economic Impact
- Competitiveness
- Productivity

As seen above, they touch on aspects that are important to all Governments. If individuals are better skilled, they'll earn more money and that drives social mobility. If the country has the right level of skills and its people are well skilled, this can impact on the question of immigration, [reducing the need to import skills from other countries](#). If the UK has a highly skilled workforce we will be more competitive, our exports will be higher and we will be in a better global position.

The Government is obsessed with productivity at present and many of you will be aware that there is a Government plan in place to improve productivity in the UK. If you are geeky enough like me to read about these things, they do explain many of the decisions that the Government makes and how they are meant to combine to make us a more productive country. The government cites improving productivity as being the biggest challenge the UK faces for a number of reasons, the most important one being the general UK statistic of only having had around 0.5% growth in productivity in the past five years. What has delighted me in contrast, is that the UK food and drink industry has shown an 11% productivity gain, so the industry is obviously doing something right. However that link between skills and productivity means that the Government likes to get involved in order to try to shape the landscape in which skills are delivered into companies and the way that individuals are able to access those skills. They may have an interest in it but it doesn't always mean that they always get it right, or have a clear direction of travel!

The Government are very keen at present on something called 'open policy making' and if you have had experience of this you will know that it is also called 'making it up as they go along,' and we are very much experiencing this at present. Normally when Government has a direction of

travel, it sets it out very clearly and people have a very clear line of sight. Whereas we have been on the receiving end of probably three years of 'making it up as they go along', with various twists and turns, so it's been quite a frustrating period of time.



Let me now talk about apprenticeships and how the Government over the past two years have sought to look at and change them. I have to make it clear that, apart from one part, this presentation only covers the apprenticeship situation in England. The exception is the Apprenticeship Levy, which I will cover shortly. So what are the drivers for change that the government considered in the world of apprenticeship training?

Firstly, they considered that one of the reasons why the UK is not productive enough is because:

- UK industry doesn't invest enough in skills;
- young people don't have enough opportunities to get the skills they need to progress in their jobs;
- there is an insufficient number of people doing apprenticeships.

Secondly, according to the feedback they've had from extensive consultation with industry, (I've yet to find anyone in industry who has responded to these consultations), apprenticeships haven't been good enough in the past and need to be much more rigorous and of a higher quality.

So these are two big policy drivers that are changing apprenticeship schemes. In 2014 nothing had changed in the world of apprenticeships for probably about ten years but the Government embarked on the single biggest change we've seen for a long, long time with the introduction of high quality apprenticeships based on new standards, or Trailblazers, see below.

Apprenticeship Policy Drivers

- High quality apprenticeships based on new standards or 'Trailblazers'
 - These describe the knowledge, skills and behaviour required to be achieved at the end of the apprenticeship
 - Employers will lead and develop these standards
- Apprenticeships are now about transferability & occupational profile rather than being job specific
- Apprentices are independently tested at the end of their training against this standard
- Option to include grading as part of the assessment
- Government 'opening up' the training market to encourage new providers.

This government set a target of having three million new apprenticeship starts in the first five years of their Government, which is about a 30% increase from where we've been. What they learned from the previous Government encouraging everybody to go to university is that, if you're going to do that, you need to be able to afford it. So they realised that Government budgets couldn't sustain that level of increased investment for the new apprenticeship schemes. So being introduced in April of next year is the Apprenticeship Levy and this is the bit that applies to the whole of the UK. So all companies with a salary bill of more than £3 million are from April 2017 being taxed at 0.5% of their salary bill and that money is being spent on apprenticeships in England. If you pay the levy through your taxes you get a digital account set up and the money is given back to you, plus 10%, for you to spend on apprenticeships. We are not sure yet what is happening to the money raised through the tax in Scotland, Wales and Northern Ireland. There has been some consultations in Scotland but none in Wales and Northern Ireland as far as I'm aware but I stand to be corrected on that. So we have yet to see what the devolved nations are going to do with the apprenticeship money raised by the levy.

The third element the government considered was that apprenticeships need to be fit for purpose. So the big change with the Trailblazer apprenticeship scheme is that it is the employers who are leading the design and changes to the apprenticeship schemes. Government is trying not to stipulate too many conditions and is encouraging employers to design the apprenticeship schemes. Instead of it being a learning programme that somebody goes through, how apprenticeships are being designed now is a standard that a person doing an occupation has to achieve by the end of their training. So it doesn't describe the type of training that you do, it describes the standard that you have to achieve at the end of it.

So high quality apprenticeships are based on standards and these describe the knowledge, the skills and the behaviours that are expected of employees once they've completed their apprenticeship. In the olden days, and indeed still in Scotland, Wales and Northern Ireland, apprentices are trained for the job in a particular company, but the new system is more flexible and you can do a range of training units. Apprenticeships in England will now be about a transferable occupation with one standard. There will not be multiple standards for people in different types of job roles doing a similar occupation, there will be one standard.

Another reason the Government gave for changing apprenticeships is that there was not enough rigour in the previous system. In the past, the people who trained the apprentices could also sign them off as being competent at the end of the training. The new approach is that the apprentices have to be assessed by an independent assessment organisation at the end of their training to see if they have reached the required standard. They can also be graded to standards of pass, merit and distinction, which is useful for future talent identification.

The Government also thought that there was not enough innovation in the marketplace for apprenticeship training and is trying to open it up to encourage new training providers to come in to allow new and different ways of training to take place.

One of the interesting observations about the UK skills system is that since the end of the Second World War we've had something like 35 changes to our vocational system, compared to places in Europe, like Germany which has had around three! Constant change is unfortunately a feature of where we are in the UK.

To explore the new apprenticeship system in more detail the following is my simplistic condensation of about 52 pages of guidance.



Here is the apprentice and here is the standard of competence he has to achieve. The standard details the skills, the knowledge, and behaviour he needs and the individual gets the required training to achieve it. After training the apprentice hops over the broken line and is assessed against an assessment plan and can be given a pass, merit or distinction - or a fail of course, which hopefully will be rare if the training element is of the correct standard! What's interesting about the training is that the Government isn't bothered too much about how somebody gets trained as long as the apprentice can pass the standard at the end of it. But the Government is very concerned that at least 20% of the training must be done off the job, which is about making sure that to reach the occupational level required, the apprentice is getting some strong off the job learning.

How has the bakery industry responded to the introduction of the new apprenticeship scheme?

Industry response

- Creation of bakery group – Bakery Industry Skills Partnership of employers
- Development of the Occupational Standard for a baker
- Widespread consultation
- Approved and Published

An integral part of Trailblazers is that it is the employers and employers' groups who set the standards for the apprenticeship training and assessment, see following:

1. The employer group bids to become a Trailblazer to develop the new standard.
2. Green light given to Group to develop the new standard.
3. Trailblazer Group develops the standard, working with training providers, professional bodies, etc.
4. Approval of the standard and assignment of indicative funding cap.
5. Trailblazer Group develops the assessment plan, working with training providers and others on delivery.
6. Approval of the assessment plan and assignment of final funding cap.

Because the UK baking industry is very diverse, with lots of different types of bakers, the Bakery Industry Skills Partnership of employer bakery groups was set up and represents craft bakers, plant bakers, supermarket instore bakers, and ingredient manufacturers and suppliers, with the Chairman of the Group being George Fuller, the owner of Fullers Bakery, Goole and Chairman of the Craft Bakers Association. This Group started to develop the new apprenticeship standard for bakers and also to consider what occupations needed to be developed. For example, is there more than one type of baker and what defines a baker? This is, by the way, a question I asked about eight years ago at a similar meeting to this and there was uproar! I sneaked out while the people present were still debating what makes you a baker and what doesn't make you a baker. Therefore the first job that needed to be done by the Group was to identify the knowledge, skills and behaviours required to achieve the standard required to be a baker. Then to consult widely on that, so you get the broadest input of views and decisions. The new standard is subsequently published by Government and that is the one standard that everybody will train bakers to in England for the next few years.

Developing the new standards was not something that was going to be easy to do. One of the things that helped the situation is that for the past few years in regular meetings, a number of bakery organisations, including the BSB, have been looking at the whole area of professional standards for bakers, their different roles and how you assess a range of bakery skills. That work was really useful in terms of forming some of the early thinking around what standards and assessment methods we should have for an apprentice baker.

What we've ended up with from the work of the across employers Bakery Group, are two standards, a Level 2 baker and an advanced baker at Level 3, with the advanced baker knowing more about some of the technical aspects of baking. The apprenticeship training ensures that when somebody comes into the industry and wants to train to be a baker, he or she acquires the right level of knowledge, skills and behaviours that are required. Every apprenticeship standard has: an occupational profile which tells a young person a bit about the industry; the core knowledge required; the skills required; and the behaviours required.

Apprenticeship Standard for Bakery

Section 1: Occupational Profile

Bakers work in one of the largest, most dynamic and fastest growing sectors of the food and drink industry. Every day bakers make and sell millions of loaves of bread and baked goods, such as cakes, pies, pastries and biscuits to customers in the UK and around the world. Bakers are passionate about their industry and the products they make and take great pride in their work.

There are many varied employment and career opportunities in the bakery industry. Bakers may be employed in a traditional craft bakery or in a large automated processing plant; a specialist retail shop or supermarket. Many bakers opt to set up and manage their own businesses.

Whichever environment bakers choose to work in, by the end of their programme, they will have developed a set of

core skills, knowledge and behaviours to prepare them for an exciting and rewarding career in the baking industry. On completion of the programme, bakers will be able to make a wide range of breads and baked goods, using a range of traditional craft and mechanical processing methods. They will work safely and hygienically, following recipes and specifications, to ensure the quality and standards of products meet customer requirements.

After completion of the programme, individuals will be ready to enter an industry offering them many ongoing career development opportunities to suit their own particular interests, whether they aspire to being a manager of the future, a specialist baker, product designer or retail bakery expert.

Basically the above is the occupational profile that tells people about what it means to be a baker.

Section 2: Bakery – The Essential Core Knowledge, Skills and Behaviours

Core Knowledge

At the end of their apprenticeship, bakers will have gained the following core knowledge, and will understand:

- The history of bread making: the size and structure of the bakery sector; how and why production methods have evolved.
- Theories of baking.
- Basic recipe formulation.
- The methods and processes used in bakery, both by hand and using equipment, including: weighing, mixing, proving, dividing, shaping, scaling, blocking, baking, cooling and finishing for a range of bakery products.
- How to use different types of equipment, including mixers and ovens.
- How to use different types of knives for different purposes
- Ingredients used in bakery: how to store, handle and transport the main ingredients used in baking such as flour, yeast, salt, sugar, fats, improvers, water, eggs.
- Principles of ingredients: including their origins, properties: purposes and uses; grades and quality; and how they interact.
- Principles of making dough: including changes in physical properties during processing, types of dough for different products.
- Finished baked products: how to source, store, handle, package, label and transport types of finished baked products.
- The importance of minimising waste and maximising product yield and profit, including pricing and costing.
- How to deal with waste products and the importance of recycling to a bakery business.
- Legislation and regulations in the food industry, including: health and safety, food safety, allergens, hygiene, cleaning, labelling, and environmental.
- The impact of consumer trends and requirements on the baking industry.
- How to fry off products and use hotplates.
- How to use problem solving skills to find the root cause of faults.
- How innovation and New Product Development (NPD) benefit bakery.

- How to use and apply quality assurance and monitoring processes.

In terms of core knowledge, the above breaks down the key elements of knowledge that all bakers need. It doesn't matter whether you work in a craft bakery, a plant bakery, an instore bakery, or if you are setting up your own business and want to be a baker, all bakers need to have these elements of core knowledge.

Section 2: Bakery – The Essential Core Knowledge, Skills and Behaviours

Core Skills

At the end of their apprenticeship, bakers will demonstrate the following core skills, and will be able to:

- Produce a loaf by hand with no mechanical aids, using only flour, salt, water and yeast.
- Produce bread and cake products to specification, using both manual baking processes and mechanical processes.
- Produce a range of pastries to specification, including sweet and savoury.
- Produce a range of enriched doughs to specification.
- Finish bakery products to specification.
- Source, handle and store ingredients and finished goods.
- Use knives, equipment and machinery.
- Comply with legislation, regulations and organisational requirements for health and safety, food safety and hygiene.
- Maintain quality by carrying out product sampling and testing against organisational and customer specifications.
- Communicate effectively with colleagues, suppliers and customers.
- Work as part of a team and individually in a commercial baking environment.
- Use problem solving skills to find the root cause of faults.
- Manage own time effectively to meet production schedules.

We often hear complaints that some bakers do not have enough technical knowledge and that someone can call himself a baker but not know how to make a loaf of bread. When look at the new standard's skills and the behaviours, the first skill required to be called a baker is to be able to produce a loaf of bread by hand, with no mechanical aids, using only flour, salt, water and yeast. That answers one of the very first questions I asked: "do you have to be able to bake a loaf of bread to be called a baker?" The answer is "yes you do". It doesn't matter if you're working in a plant bakery and never make bread by hand; you still have to be able to do it, because that is one of the things that define you as a baker.

Section 2: Bakery – The Essential Core Knowledge, Skills and Behaviours

Core Behaviours

At the end of their apprenticeship, bakers will demonstrate the following core behaviours:

- Safe Working: ensures safety of self and others and addresses safety issues and concerns.
- Ownership of work: accepts responsibility and is proactive.

- Pride in work: integrity, aims for excellence, punctual and reliable.
- Self-development: seeks learning and development opportunities.
- Integrity and respect: for all colleagues.
- Working in a team: builds good relationships with others.
- Problem solving: identifies and participates in problem solving.
- Responsiveness to change: flexibility to changing environment and demands. Company/industry perspective: desire to learn about own company and food industry, acts as an ambassador.
- Effective Communication: with others, listens effectively, receives feedback.

Some of the required behaviours are interesting. It's not just about having knowledge and skills. It's also about how the apprentice carries out his work. The behaviours include safe working, which is critical. They are about having pride in your work, integrity and respect, and being able to communicate effectively with colleagues. These are the kind of behaviours that learners need to develop to become valuable team members at work.

Section 3: Bakery – Additional Essential Knowledge and Skills for Craft, In Store and Automated Bakery

In addition to the core skills, knowledge and behaviours, bakers will demonstrate specialist additional skills and knowledge from one of the following craft, in store and automated bakery options. All apprentices must complete the core plus one of the options.

Craft bakers will be able to:

- Produce individual dough based bread products.
- Produce individual confectionery products.
- Hand deposit, pipe and sheet.
- Produce and finish cakes by hand.
- Understand when and how to use specialised ingredients, including chocolate, fruit, icing, jelly.

In Store bakers will be able to:

- Provide excellent service to meet requirements of customers in store.
- Check, rotate and replenish stock in the bakery area of the store.
- Process part-bake goods ready for sale.
- Finish a range of products ready for sale.
- Understand how and manage stock in an in-store environment.
- Understand and use packaging in an instore environment.

Automated bakers will be able to:

- Produce a range of bakery goods in an automated bakery.
- Understand automated and mechanical processing methods.
- Understand batch processing.
- Understand mixing methods, including Chorleywood bread process.
- Understand the principles of Large Scale production.
- Understand Ingredient management in large scale production.
- Understand how to use programmable logic controllers (PLCs).

- Understand principles of auditing requirements.

So we have, in addition to the essential Core Knowledge, Skills and Behaviours, three further sets of requirements for bakery apprentices depending on where they end up working, which can be in a craft, instore, or plant bakery. So they will all be checked on Core Knowledge, Skills and Behaviours, with further individual checks depending on where they work.

As I mentioned earlier, government don't seem to care too much about how an apprentice is trained since they are trying to make it as flexible as possible. There is not a lot of guidance from government on what kind of training is acceptable. It doesn't have to be based on national occupational standards, which is what the Scottish, Welsh and Northern Ireland system is based on. However whatever training method is used, it must be designed to give the apprentice the skills and knowledge required to pass the final assessment.

Off the job training There is 20% off the job training built into the standards and a lot of concern was raised on this by the across-employers bakery group led by George Fuller which designed the standards. The Group was concerned that because of the off the job training element, apprentices would be just trained to pass the assessment, with no real quality training taking place. So the group decided to develop a new qualification to cover the standards, which is a diploma in baking. It will have 13 units to deliver the core knowledge, plus four to five additional units, the content of which depends on the pathway in baking the candidate has chosen. This sets out the detail what is expected of each apprentice at the end of their training. So when we say, 'be able to bake a loaf of bread', it details to what standard and how often to this standard does this mean; just once or consistently? So being able to articulate some of the detail of the standards and show what the expectation will be at the end of the training, see summary below:

Industry Approved Apprenticeship Programme

- The industry employers group have designed a package of delivery
 - Designed a brand new qualification
 - OAL Diploma in Baking (13 units) + 4-5 additional units
 - Set minimum standards for delivery
 - Selected providers who can deliver to these standards

The second aspect of Trailblazers was to help providers who are interested in delivering the training. This is a very different proposition from the old apprenticeship scheme, which could be delivered more easily on the job. This is a huge amount of off the job training required to get somebody to the level of competence required in the standard. So helping providers to set a minimum standard for good training delivery and helping them with learning materials and other resources is required. Colleges in particular are keen to have donation of bakery equipment for off the job training, so if you have any spare equipment your local college would be pleased to hear from you.

As mentioned already, the cross bakery employers group have said that they want a proper apprenticeship qualification, even though Government doesn't stipulate it.

If you went to university but were told “you are not getting a degree, we are just going to say after you have passed your exams therefore you are competent”, you would consider that you were being short changed. The same goes for an apprentice – “come and do an apprenticeship and you will get a certificate to meet the standard required but not a qualification”! For attracting the young talent that are needed in the baking industry, it was felt to be important to develop a new qualification and put it into the apprenticeship programme.

How much does it cost?

Between now and April 2017 the cost is £9,000

- Govt. funds £6,000 & employer pays £3,000

Proposed from April 2017

- Employer pays £9,000 from levy (if they pay it)
- Employer pays £900 if not a levy payer
- Small Business (under 50 employees) pays nothing

This is something that in the past, you’d rarely have found out because Government funding was a mysterious thing and some providers would say “it doesn’t cost you anything”, and some would say “it costs you a contribution, which depends on how many learners we have”. Now the Government have set a rate for each of the standards. So each apprenticeship has a rate that is the maximum that that standard, they believe, should cost to deliver.

Levy This is a bit geeky and complicated but when the levy comes in August 2017, if you’re a large company, your levy will be expected to pay 100% of the cost of an apprenticeship. There’s no extra Government funding, other than for English and Maths. So that contribution that you pay in through your taxes and then get back in a digital account, you will pay for all of your apprenticeship out of that. But before that happens, the Government have got this weird scenario where they will fund two thirds of the cost and you, as an employer, will pay a third. So if you wanted to take on a bakery apprentice to do this standard right now, the Government would pay £6,000 and you would pay £3,000. From April next year, if you’re a levy paying company, you’ll be paying £9,000. If you are not a levy payer you will only pay £900 because Government are proposing that they will pay 90% of the cost of an apprenticeship if you’re not a levy paying company and you, as a company, will pay 10%. For small businesses, under 50 staff, they’re proposing to pay the whole lot. That’s just proposals and it will be confirmed at the end of October if that’s their final decision.

However the idea is that, as astute business people, you might be able negotiate a reduced price with the training provider and that’s what they’re trying to encourage in this innovative marketplace. You can negotiate with your training provider for a reduction in the £9000 fee or have added value training for the same fee. If there’s more things that you want apprentices trained in you can negotiate this with the training provider.

In terms of next steps for the across bakery employers group, who are all extremely busy people, as I am sure your Past Chairman Sara Autton, who is a member of the Group will agree, the standard for the Level 2 has been designed and the assessment plan that articulates how the bakery apprentices are going to be tested is being finalised and submitted. The next standard is going to be

the Level 3 advanced baker, which will almost certainly not have any pathways. It will be one apprenticeship standard which will have a far greater level of technical capability. In the past the advanced level apprenticeships have been more about, management skills but this one, as far as I’m aware from the group, is much more about technical level of understanding of bakery. See summary below:

- Finalise development
- Level 2 and 3
- Support training providers with CPD and securing equipment
- Promote apprenticeships to businesses and to young people

The next activity for the group is to develop the assessment plan for the apprenticeship and a qualification, so that it is all in place. Then to support the training providers with more CPD and securing the equipment required, as I’ve mentioned before.

The final thing that the group is keen to do is to start promoting apprenticeships, both to businesses who might want to take on apprentices, but also to young people who haven’t thought of becoming a bakery apprentice in the past. We’re going to support this through <http://tastycareers.org.uk/>, our Tasty Careers website, where we put up job vacancies and young people come and look for opportunities to work as apprentices, or graduate trainees. So we will be promoting that promotion.



We have a number of companies coming to the Skills Show in Birmingham, 17-19 November, 2016, where we are actively promoting apprenticeships to all the young people who come to the show. I understand that it is the biggest skills show in the whole of the UK, and it is mostly aimed at secondary schools. There will be around ten food companies at the show promoting their vacancies for apprentices. Therefore lots of promotion of apprenticeships being done now, and in the future. NB If you missed this year’s ‘skills show’ look out for it in 2017.

How can you get involved?

- Take on an apprentice
- Train up internal staff as apprentices
- Use Industry Approved Programmes and providers
- Support the development of the next level(s) by joining the group
- Support providers by helping with redundant kit, support, etc.

If you want to be involved in the development of apprenticeships, join the cross bakery group. The group is completely open to any employer who wants to join it to help shape the future of apprenticeships.

The last thing I wanted to mention is that not all of your employees will be bakers. We have a whole range of standards being designed by other industry groups and some of these could fit in with the training requirements of your non-baker employees. Calling an employee a

baker when they just work on a production line may be an exaggeration of their skills. They may however be very good technical operators, in which case, there's either a Level 2 operator apprenticeship or a skilled or technical operator apprenticeship for them. These are the different apprenticeship routes that are being developed right now by various groups. There are apprenticeships for engineers; food technologists; skilled and technical operators; supply chain technicians, which is all about planning, forecasting, procurement, and logistics. In addition we are looking at some higher level and degree level apprenticeships in food science; advanced food technologist; operations management; and engineering degrees as well.

Finally, from a route point of view, as well as bakers, there are also Trailblazer apprenticeships being developed for butchers, fishmongers and dairy technologists. So you can see that Trailblazers is a massive change in apprenticeships and a holistic approach to them.

Mark Young Many thanks, Justine. We will now take questions.

Unidentified Questioner People First are holding a meeting with higher education institutes and employers. Are NSA planning to do the same?

Justine Fosh It's interesting. We are very much driven by what the employer group wants to do. So right now, the absolute focus of that group is to do the Level 2 and Level 3. I would be very surprised if there isn't an ambition also to look at some degree level and an offering; for example, the opportunity to offer what you have for full time students as an apprenticeship would be really, really appealing I'm sure. So it's all about how much can one group take on at one moment in time, but I'm almost certain that it'll be something that's on the agenda of that group to look at.

Alan Clarke Thanks very much, Justine, that was really interesting. Two questions, if I'm allowed. Interesting what you were saying about the new assessment method that's coming in and I think that's very good. Will it still be assessed against the same level? So the Level 2 and the Level 3, is that the same as somebody currently finishing off an apprenticeship, so the new assessment method, they'll still be qualified to the same level?

My second question is a bit like the first one. Now that the devolved administrations have responsibility for National Occupational Standards, we're working with Skills Development Scotland to look at an apprenticeship at SVQ Level 4, so it'll be a work based apprenticeship at Level 4, not a degree. Are there any plans for this going forward?

Justine Fosh The first question was about the standards. Level 2 is equivalent to five GCSEs at A to C, and Level 3 is equivalent to three A Levels and that is the same level as it was before. So if you did a Level 2 old style apprenticeship, then it's the same level as it is now. The assessments will be different. The assessment for Level 2 will be against that standard and the assessment for Level 3 will be against the higher standard, so that will be linked.

In terms of the development beyond Level 3 into Level 4, degrees, etc., it's a very fascinating time just now because the skills system, up until about two years ago, was very linked. So everything was developed by National Occupational Standards, everything had a qualification

in it, you had to standardise. Because skills are so linked to politics, and devolved nations are flexing massively in terms of the levers that they can have to influence the performance economically around the whole of the UK, we are seeing a massive fragmentation in the system. So it's very, very different now. I think what we're seeing more and more is that each nation will develop its own thing. In Wales, for example, we're looking at technical apprenticeships and higher level apprenticeships. In Scotland they've chosen not to look at those this year but to potentially look at them in the future. We're seeing a quite difficult picture for those companies who have operations across different parts of the UK and potentially different apprenticeship training and assessment situations. One of the things that we're trying to do behind the scenes, is to make sure that we can support and help businesses translate what they're doing in one place to something as close as possible to what they're doing in another place, so that there can be some level of consistency.

Mark Young Many thanks for an excellent presentation Justine. *(Applause)*

Mark Young, Session Chairman

I am delighted to welcome Daniel Carr, Public Relations Manager for his family business Warings Bakery of Tilehurst, Reading and current President of the CBA's London and South East Region. Daniel and I have three things in common – we are both fourth generation in our family businesses; neither of us are bakers; and we are both passionate about what we do in the baking industry. Recently Warings picked up the prestigious award of England's most loved bakery during the inaugural Craft Bakers Week's Tasty Tour. This included a nomination from a customer that's been shopping with Warings for over 70 years, which is quite an endorsement! So it's a great pleasure to welcome Daniel Carr.

Using Social Media to Increase Sales by Daniel Carr

Good afternoon everyone. In talking about social media this afternoon I am sure you've all heard about the 'selfie' photograph. There is also a selfie video and I thought it would be a good idea to take a selfie video of you all and Tweet and post it after I finish today, to help to promote the BSB. So please get on your feet to cheer, clap your hands, stamp your feet and bang on the tables, and I will take a five second panoramic video of you and Tweet it afterwards. In fact, no matter how poor my presentation is, I will post the video and say that you gave me a standing ovation! NB See Daniel's selfie video on the BSB website, <http://britishsocietyofbaking.org.uk/category/news/>



Daniel Carr

The Magic Formula

I'd love to be able to tell you that by the end of my presentation you are going to have the magic formula, figure 1, for the best social media campaign ever. The truth

is, unfortunately, that I can't. What I can do is share with you how we use social media to benefit our business and by sharing that knowledge, can give you some ideas and an understanding of how it can benefit your business. So how can I best describe our social media?

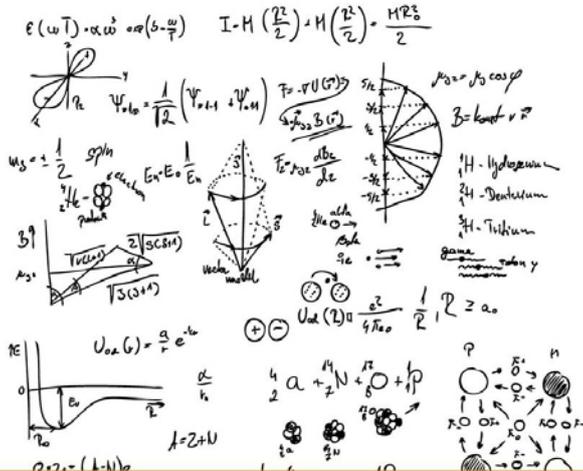


Figure 1 The magic formula!

I suppose it's a bit like a message in a bottle. It's a glimpse of what's inside our business. It's an invitation to come and discover us and find out what we do. You hope that they look at the messages we deliver and then visit us to find



out what we have to offer. It's worth pointing out from the start that social media is not about the hard sell. It's not about that knockout punch and delivering great social media on every Tweet status

and update. It's more about building a connection with your followers and the people that are online, to give them confidence in your brand. If you bombard them constantly with 'come in and buy-buy-buy-buy,' they will just switch off from that. Nobody likes the hard sell.

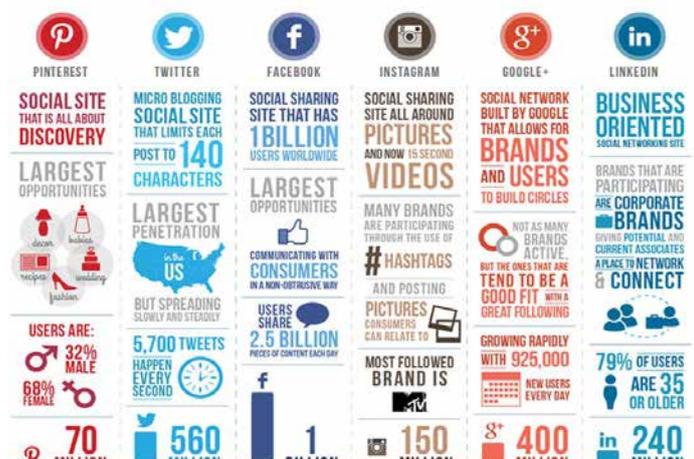


Figure 2 Which one?

Which social media do we use? There's a plethora of social media accounts to choose from, figure 2, and everybody has their favourites, me included. I've tried them all at one stage or another but for our business; we still find that Facebook and Twitter give us the most benefit. They're

the ones from which we get the most interaction with, and feedback from, our customers. Due to its growing popularity we tried Instagram recently and we're working on using it more, because our business and products are visual, and Instagram works extremely well with visual media.



Figure 3

So why social media? I think the picture in figure 3, sums it up. This was taken at a 40th birthday party and as you can see, everyone is on their mobile phones and not talking to each other. Ironically we all seem to spend so much of our real lives updating our virtual lives, trying to convince everybody else online how good our real lives are when, if we just switched off, we'd probably just get on and enjoy ourselves. Combine this with the fact that we're a nation of nosy people. We're spying on the ex, who's going out with who, who's sleeping with who, are my kids better than your kids? And we want the gossip and believe it or not, we love to spread the gossip as well. So once we get a story we share it on social media and because of this, social media is mainstream, it's everywhere and it's continuing to grow. We all thought that the social media bubble was going to burst but it just keeps reinventing itself. It keeps moving forwards and it's intrusive. Going back to the picture, there were around 60 people at that party and almost all of us were using social media at one point or another during the evening, which has become socially acceptable. Many of you in the audience will be Tweeting and checking your social media accounts and e-mails at some point during the day when you have some free time. It's become the norm for people to get their phones out and use them during gatherings of friends and family and my brother is a great example of this – whenever we go out for a meal he's always got his phone out. Like I say, it has become socially acceptable, although some people consider it rude.

So how does social media fit in to our business? Well, it allows us to connect with customers. We know that our customers are already online and using social media and we want them to have our voice. So we're using our platforms to talk to them. I believe that social media has become a fantastic avenue for customer service. It was already mentioned earlier that everyone today is time poor and because of this, social media has become the perfect platform for customers to find out more about your business. They're using social media to:

- Ask questions
- Research our business
- See what we do

- Express their opinions
- Give us the opportunity to respond

We also look at our social media as being personal. It can be the first impression of your business. So we make sure:

- We don't ignore our followers
- We get involved and be a part of their experience
- Maintain our accounts and constantly monitor them
- Are responsive to comments, suggestions & ideas
- Ensure it is run by passionate people who know our business

We ensure that it is run by someone who is passionate and knows our business, and there's only one person who gets this job and it's me! But that is a bonus because I am within our business, I know what our business is capable of, and I can answer specific questions. We could outsource our social media, and I now get inundated with companies offering to do it, but how do they answer a customer specific question about our products and business? They just can't do it. They would only have generic information about our business and that is not enough. So for me, it's really important that social media stays in-house.

So who are these people that are on social media? We can't pigeonhole them, figure 4. Just like our shops, it's varied and diverse and that means the content of our social media has to be the same. We've got everybody from schoolboy Jack, who spends his school money on the way home, to little old Doris, who had her social media account set up by her grandson, because she wants to be online silver surfing. They're all using social media in talking to us.



Figure 4 Who?

What are people trying to get from your social media? There's a plethora of surveys out there that you can look at but they all seem to come back with roughly the following:

The top five reasons that consumers are following you online are:

1. To receive offers and competitions
2. Keep up to date with the latest news about them
3. As a mark of loyalty
4. They just like the content
5. To show other people I like them

So how do you get your foot in the door and start talking to these people online? Well, it's quite easy. If you search for

it, you'll find a) something going on at any time of the year that is connected with the baking industry and b) that there are people online who are talking about what is going on. The current one we all know about is the Great British Bake-Off. You'll find that every Wednesday evening when it's on Twitter and Facebook are alive with people talking about it. You just have to be rude and start interrupting and joining in the conversation.

A prime example for us from the Great British Bake-Off was when it was bread week for the contestants on the show. I made sure that I was live online that night. I could see people Tweeting about the competition and asking questions about how to make bread. We joined in with tips on breadmaking techniques and then very, very casually added: "did you know that Warings run a bread Masterclass and if you really want to learn how to make bread, just give me a call on this number and I can get you booked in to one of our courses". So you can be in there and steering customers in the right direction to your door nice and gently and tapping into what's the current trend.

The other way to get involved in conversations is by following other people's social media accounts, figure 5, and this can give you a wealth of knowledge. All these people are sharing what's going on, their experiences, what they're seeing as trends that are developing. These can give you leads, stories and ideas to join in. Look to follow bakery suppliers and bakery organisations that are relevant to your business and this can again give you a wealth of knowledge.

The social media accounts of celebrities are also good to follow and celebrity endorsements are not to be underestimated. Jonathan Ross is a prime example – he quite often Tweets when he shops at a bakery near to his house in London.



Figure 5 Joining the conversation?

Every time he Tweets a picture of a product he's bought from the bakery the sales go up tenfold and they sell out. However you can piggyback this success. Not everybody lives near enough Jonathan Ross in London to be able to go to that bakery, so if it is a product that you make, you can say: "we also make that product and if you're local to us, why not visit our shop to buy it?"

Conversation sparks imagination - Follow

- Suppliers
- Celebrities
- Retailers

- TV shows
- Food Channels
- Leisure & Restaurant
- Equivalent/competitors

Complementary retailers Apart from our bakery products, we also sell soft drinks, crisps and other sundry items that we buy in. We tend to follow all of the manufacturers of these products online because we can then communicate with them, re-tweet their news and say that we stock their products. Walkers are running a multimillion pound campaign at the moment about their new sandwich-flavour crisps. We've got them in all our shops, so it is easy to piggyback on the Walkers campaign.

TV shows I've already mentioned. They're great, everybody talks about TV shows. Follow their accounts online and you're almost guaranteed that every TV show about food has got a live social media account. There are other food channels online that have people talking specifically about food. They'll be Tweeting about new trends, perhaps from their travels, and what they like and dislike. These people tend to have a lot of followers.

Leisure and restaurants I find are also good to follow. They're always looking at new product developments and trends and tastes and they might be local to you. You might have products that are complementary to them and you can possibly work together. And look at your competitors. I follow the social media accounts of a lot of other bakeries. They're a fantastic wealth of knowledge. They might be seeing a new trend or product developing before I do. It may be something that I can then copy and get on our shelves. A new bakery product may have cost a fortune in product development for a large manufacturer but I may be able to develop a similar product in 48 hours and have it on my shelves - you can do that in our small business. I always play fairly however and if I think something looks good and is a good idea, I re-Tweet and share it, and compliment the bakery on the product. Likewise, they tend to reciprocate the compliments and sharing it with 10/15,000 followers that I don't have, which means that my message is getting further afield.

When we're not being rude and interrupting the on-line conversations of other people, we're making our own conversations and social media is a great way of promoting your company in the following ways:

- History & Heritage – tell the story
- Visual – still, moving or video
- Add value to your product
- Call to action
- Promotions & new products
- Competitions
- Company news
- Opening times
- It's good to share

Add value to your products. Talk about the provenance of it, where's it come from, what was the development process, what's specifically good about it, is it low in salt, low in sugar, high in fibre? All of those can add value to your product that your consumers and followers might not know about.

There's a call to action element to it. So we use social media to tell people about: late availability on the Masterclass

course; scope to be able to take an order for a celebration cake; buffets for a Christmas party buffet in the office; and things like that so we can directly call to action and look at availability.

Promotions and new products – it's a great way to channel that out to our consumers. We are telling them about our new Halloween range that's on our shelves at the moment and then we are straight into Christmas and the New Year. We'll also be promoting the healthy elements of our bakery products. So there are plenty of opportunities to promote your business.

Everybody loves a competition and if you can give something away for free on your social media, you will get a lot bigger reach than you will on anything else. Our reach generally is about 150 followers when we do a generic status update. A couple of weeks ago we did a promotion to celebrate our recent win at the Reading Retail Awards, which was to give away a free doughnut to all our followers. However that Tweet and Facebook update reached nearly 4,000 people, so I panicked at the thought of giving away 4,000 doughnuts, particularly since I knew we don't make 4,000 doughnuts! It reached that many people because people had added friends to the post, re-Tweeted it and shared it. In the end I only gave away 15 doughnuts but the message is now out there to a great many potential customers. So it was a cheap promotion for me and we got a lot of new followers on social media.



Bragging rights - Warings Bakery wins Retailer of the Year 2016 at the 7th annual Reading Retail Awards at a packed Hilton Hotel, Reading

Company news – great to keep your followers

- Provide valuable customer service
- Restore confidence
- Shows we care and are interested
- Ensures we're delivering the best possible shopping experience
- Engage with our customers and effect change

The above can cover anything from recruitment, through to new shops, to new equipment. Back to this idea of people being nosy about what's happening. You can keep your customers informed about opening times and holidays. Some customers don't realise that we don't open on Sundays and on Bank Holidays but sometimes they think we do, especially over the Christmas period. So little nuggets of information on the business make this a valuable experience for your followers. Sharing information

is brilliant, so if you see something online that you think is good and it complements your business, share it on social media.

Social media is also brilliant for bragging rights and you can indulge occasionally, not too often because followers switch off after a while. However most of the people that follow you online don't mind you bragging occasionally about an award or trophy you might have won for a product, or a shop display, or something similar, because they want to be associated with your brand and they'll often endorse what you've won. Endorsements from customers are powerful since their friends see them and think: "I need to visit this business to find out for myself why they're doing so well and they're getting these awards. So that is great for the bragging rights.

Most people that follow your social media account will be happy but some will make a complaint on it and this has to be managed and dealt with. The thing is, if something is wrong that has resulted in a customer complaint, you should want to know about it? I can't be in my business 24/7. I can't be in every shop in every location all of the time, so we see this as a really valuable resource. It gives me an opportunity to provide valuable customer service. If something hasn't gone quite right and someone's saying to me on social media, "the bread wasn't at its usual standard this morning", I have a point of contact to reply to the complaint. They have not just told their friends, and their friends are telling their friends "don't bother going to Warings because their bread is rubbish". What they've done is come to me and said, "it's not that good, what are you going to do about it? And I know about it and I can work with that." I can start to restore confidence. I can say, yes, you're quite right, it wasn't that good today and I am really sorry that you didn't get the experience that you wanted while you were in our shops, but we will put it right! This shows that we care and are interested, and all those other people that are looking in on your business on social media can see this interaction and they're starting to understand that we are a business that cares and a business that I wouldn't mind giving them a bit of my hard earned cash because I know they're going to appreciate it. It ensures we're delivering the best possible shopping experience. "It's okay, you might have been a bit dissatisfied but we've put it right. The next time you come back, we can ensure that that situation is not going to happen again". We've restored the confidence. The next time they come back in, they're getting the shopping experience that they expect. Most importantly, by engaging with our customers, we can effect change. Let us improve our business through this feedback and a little bit like the strategy, talking to your customers about exactly what do they want, social media can tell you what they want and what you should be doing.

So just quickly summarise – you should love social media, it's here to stay.

- Love your social media
- Join the conversation
- Listen to your customers
- Keep it current and active or remove it
- Take the rough with the smooth and use it to effect change
- Treat it as an extension of your business & customer service

Use it if you can, join the conversations, talk to the people that are out there, look for the trends. Listen to your customers, they're your biggest critic. Keep it current and active or remove it. If any of you have set up a social media account and you've just left it and you're not using it, remove it because all you're doing is consumers will still Tweet and write to your social media account and if you're not replying, the only image you're sending is I don't care. So if you're not using it, remove it. If you've got it, use it to the best of your ability. Take the rough with the smooth. It's never always going to be perfect but use it to effect change.

And always, always treat it as an extension of your business and customer service. These people might be online but they're coming in your store and you need to treat them online exactly the same way as you would do in your store. Their desires and needs are no different. So look after them and they'll look after you. And that is my social media in a nutshell. It can get a lot more in-depth than that but I appreciate to go into it in great detail would be a lot longer than we've got, but I am happy to answer any questions now or anything that somebody wants to send me over on email, I can make sure that my details are available.

Mark Young Thank you very much, Daniel. Since we don't have any questions from the floor here's one I prepared earlier – how about the bizarre situations that can occur on social media?

Daniel Carr As I said, when social media's going well, it's going really well. You do get the odd complaint and suggestion but just occasionally it gets very bizarre. A few months ago I had a gentleman that Tweeted us in on a Tweet that he was sending to a very well-known bakery complaining about the quality of their sausage rolls and saying that they were nowhere near as good as ours. I joined the conversation, as I would do any time, I kept it very civil and I didn't criticize the other bakery. Then for about the next four to five days he stalked me constantly online. Every time I was online, he asked if I would like to come and meet me? And he kept sending me dates and times of where to meet him and I don't know how many times I politely said "no thank you very much". For once I was pleased I was sat behind a PC and not physically in one of the shops. So there are extremes on social media and you just have to play the game.

Mark Young Thank you so much, Daniel. *(Applause)* I'd just like to thank the afternoon team for their great presentations. Thank you, Roz, Justine, Daniel. I know we're under pressure so I am going to let our Chairman finish the day's proceedings.

Paul Turner I am going to steal a comment from Gordon's earlier speech because I think it's extremely relevant at this stage in the conference; in a word, 'wow'! It really has been a conference to remember and I thank everyone for attending, staying over, joining us, finding the time to attend – heaven knows, it's not easy for any of us these days.

A big thank you to Alan Clarke and Mark Young for taking the session chairmen roles – great jobs both of you, thank you very much and great recovery over the course of this afternoon because we're going to be about 15 minutes late which is okay. A big thank you to all the speakers, all really interesting, inspiring and thought provoking papers, thank you all very much.
(Applause)

CONFERENCE PHOTOGRAPHS



A Fantastic Attendance at the 2016 Conference



Presidents Janet Carr, CBA and Craig McPhie, Scottish Bakers.



UCB lollipops with Daniel Carr in background.



Chairman Paul Turner



Michael Adams and Humberto Karam



Brian Jones, Sean Quinn and Christian Pelisson



Andy Flounders, Claire Gibbs, Bart Schmal and Suzanne Galbraith



Henry Jefferies and Sylvia Macdonald



Georgina Smart Stanton, Sandra Ogden and Neil Woods



John Prendergast, who helped promote the conference

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