

Media Release

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ALISON WATKINS DELIVERS 2018 FAIRLEY LA TROBE LECTURE

A transcript of the speech delivered at La Trobe University, Shepparton Campus on Wednesday 18 July 2018

Thanks Andrew for that kind introduction, and for the invitation to be part of this year's Sir Andrew & Lady Fairley Foundation Lecture. Congratulations on the formation of the Greater Shepparton Foundation.

- Professor Dewar,
- Our representatives from Federal State and local government,
- Friends and supporters of the Fairley Foundation, La Trobe University and the Shepparton Art Museum Foundation Committee
- Friends and colleagues from our immediate and extended SPC family
- Ladies and gentlemen

I acknowledge the traditional custodians of the land, the Yorta Yorta nation, and pay my respects to their elders past and present.

I hope to do three things. First, to celebrate the achievements of Sir Andrew Fairley. Second, to celebrate rural Australia and its contribution to local and global markets.

And third, for me to offer what I hope are some optimistic views on the nature of Australian consumers, and to use SPC and Coca-Cola Amatil to provide examples of how the food and beverage industry is responding to their changing desires.

In relation to food and beverages, we see this change manifest as – “I want it fresher, I want it healthier and I want it now.” And by the way “I’m not quite sure if I actually trust you to do this” - especially if you are a big brand or a big company.

Country Australia is a topic close to my heart. I grew up on a farm in Tasmania, helping dad in the shearing shed, and driving the tractor. I acquired an enduring connection with farms and farming, met a lot of “characters and hard cases” as my dad would describe them, and also got interested in economics and politics. Dad kept an eye on markets and business and tried to instil that interest in us kids as well. One year his birthday gift to me was a parcel of shares. Another year it was a shotgun. I’ll leave you to work out which was most useful in preparing for my current career.

After school I studied accounting, and moved to ‘the mainland’ with Rod, leaving my dreams of marrying a farmer behind. I know at the time it felt like I was heading for a big-city life. There’s no doubt that because of my background, I’ve gravitated to roles connected to rural Australia. These roles have created opportunities to get involved in shaping policy and investment decisions which hopefully benefit rural Australia.

But whatever the contribution of ordinary Australians such as myself, it pales against the passionate focus on rural advancement that we’ve seen from the Fairley Foundation, and from the Fairley family stretching back to Sir Andrew Fairley, whose family owned what’s been described as a “large emporium” here in Shepparton a hundred years ago, and who were so instrumental in the early days of the Shepparton Preserving Company.

I think most people here would be aware of the role SPC has played in Shepparton’s history. The founding of SPC was hailed across the nation as a sign of rural vitality and optimism. *The Age* newspaper described the new SPC cannery as a triumph of decentralisation – the first of its kind to be located near the growers and not in a major urban centre. It featured American-built can-making equipment – an Australian first.

This was at a time when commercial canning was in its infancy and household can-openers were a recent innovation.

Even in those first formative years SPC aimed high on quality. A good-natured poem was penned to that effect and published in *The Age*. It’s possibly the only poem ever written about tinned fruit sorting, and is from the perspective of an anxious grower delivering supplies to the SPC cannery:

*As he sits upon his lorry
Waiting to approach the door
Where his fruit has been rejected,
He is trembling to the core.*

*And his nervous strain is painful
As he prays to the Unseen
Lord in mercy I beseech thee
Be it neither marked nor green.*

*"Take that load home to your orchard
For it cannot enter here!"
So he drives away in silence
Shedding one salt bitter tear.*

The early years for SPC contained plenty of challenges. Even back in the 1920s SPC was fighting the battle against cheap imports. It was not Italian tomatoes or Chinese fruit back then – rather a flood of cheap, badly-preserved American produce that undercut SPC's sales and damaged the reputation of tinned fruit as a household staple.

After extended losses, the company sought a business manager, and attracted Mr Andrew Fairley, a shareholder and part owner of the local department store. After much persuasion, the board convinced Andrew Fairley to advise on finances at SPC; Mr Fairley stipulating that he would do so on the condition that he not be paid for his advice.

By 1923 he was chairman and managing director and, as has been mentioned, he refocused the business so that it returned to profitability within two years. Under his leadership this business, with a starting capital of just 24,000 pounds in 1917, returned a yearly profit of 42,000 pounds in 1924.

A contemporary, describing Andrew Fairley, said anyone not satisfied with his efforts at SPC "must be of that breed of Scotsman who died and found himself in paradise, where he straight away began to find fault with his halo."

I wonder if, at the time, Andrew Fairley knew how important he would be to SPC, and how important SPC would become to him. Despite taking important roles including Commissioner of the State Electricity Commission for twenty years, the cannery and the people were a constant in his life and a deep expertise in fruit canning and Australian primary industry he developed.

In 1951, Andrew Fairley was knighted in recognition of this expertise and dedication.

By the time he died at the age of 81 – and still serving as the company’s leader – Sir Andrew Fairley had turned a modest factory in a weatherboard shed into a cannery with an international reputation.

This year, SPC celebrates 100 years – or as I would like to think - Australia celebrates SPC’s 100-year achievement.

Now, aside from the 1960’s when peaches and ice cream were at the peak of their popularity things were often a long way from peachy at SPC. From a profitability and growth perspective the iconic and popular brand has coped with a litany of political, environmental and social challenges, including the constantly changing consumer.

And definitely some of the toughest times the organisation has faced have been over the last eight years under own ownership, as demand for processed fruit fell dramatically as a result of changes in consumer tastes and a market flooded by cheap imports.

In early 2014 it was clear that to keep SPC had to transform if it was going to stay a part of Australian culture for another 100 years. With this in mind Coca-Cola Amatil and the Victorian Government embraced the spirit of Sir Andrew Fairley and committed \$100 million to invest in facilities here at Shepparton. This significantly strengthened the prospects for SPC as one of the last remaining major fruit and vegetable processors in Australia and helped support around 2,500 jobs in the Goulburn Valley region. I thank and commend the Victorian Government for understanding the importance of food processing for the State.

Today, Business Victoria’s Regional Manufacturing Clusters initiative is supporting manufacturers of any size to innovate, develop capability and grow – which will grow jobs

and boost investment in the State. Together with new government funding for developing regional Victoria, including \$174 million for the La Trobe Valley, regional centres in Victoria can be optimistic about delivering on the changing needs of consumers.

Since 2014, SPC has embraced the opportunity to transform into the business that it needs to be for the future. While our much-loved Goulburn Valley peaches and pears, Ardmona tomatoes and SPC baked beans and spaghetti are still core to who we are, there are new and innovative products like ProVital and most of our old favourites have received a substantial 'make-over'.

SPC's 100-year milestone is a massive achievement in the face of many battles over the years. SPC is the Aussie battler that digs deep and keeps reinventing itself for the future.

We have heard the 'Fresher, Healthier, Now' mantra of consumers and we are responding, both at SPC and across all of Amatil's portfolio.

Delivering what Aussies demand – Fresher, Healthier, Now

So what does this ever-increasing demand from consumers mean for businesses like Amatil and SPC.

'I want it fresher'...

Our expectations of how we shop and what is available when we shop has changed. Increasingly the long weekly or fortnightly shop for most households has gone and has been replaced by the nightly, just-in-time purchase of that evenings ingredients for dinner.

We consistently look for assurance that our food is fresh and high quality. Even with processed foods, consumers want more 'natural' processed options such as fermented products, or cold brew tea and coffee.

Notwithstanding occasional issues such as we've seen recently with berries and rockmelon, Australia has never had the serious food scares of other countries – such as mad cow disease, or widespread outbreaks of salmonella or bird flu. Many of us in this

room grew up with processed foods which were seen as reliable and safe. In my family I remember very clearly the annual Fowlers Vacola ritual of bottling all the surplus fruit from the orchard. Manufacturers like SPC made it possible for everyone to enjoy great quality fruit all year round by doing what my Mum did in the kitchen on enormous scale and with high efficiency. In fact back in those days consumers saw “fresh” as a pejorative - equating to “perishable” and having variable quality.

But the paradigm has changed. “Fresh enough” has become “never fresh enough” and “preserved” and “processed” are things that make us wary. The Nielsen Global Health and Wellness Survey in 2015, conducted in 60 countries and involving 30,000 participants, found the most desirable modern food attributes were freshness, naturalness and minimal processing.¹

Food safety remains an issue but is no longer beneficially associated with preserving and processing – indeed the public now sometimes associate processing with *lower* food safety compared with “fresh” alternatives.

That’s a challenge for everyone in food and beverage processing.

I’ve seen first-hand the incredible, immediate freshness of SPC fruit and vegetables as they enter our Shepparton plant and are professionally and lovingly prepared and packed for distribution. In its first century, SPC emphasised quality, reliability, consistency, and built one of Australia’s longest-lasting manufacturing operations on fulfilment of those claims. The challenge for the next hundred years – in SPC and in food and beverage manufacture in general - is how to convey the “orchard-to-table” goodness and practical benefits of our comparatively long-life products.

It’s a tough new standard. We might wish for the magic touch of the late Sir Andrew Fairley in attaining it. But I’m an optimist that it can be done., I need only point to the way SPC is reshaping itself through innovative fruit-based offers like Perfect Fruit – our healthy frozen soft serve, ProVital – perfectly designed for health and aged care, and the way we introduced premium fruit products in China.

¹ Roman et al., “The importance of food naturalness.”

Within our core range there's a renewed focus on highlighting our provenance. Consumers want to know how and where their food and beverages are produced -and SPC is delivering with country-of-origin campaigns and even GPS markers on our beautiful Goulburn Valley packaging that pinpoint the orchard where their fruit was grown.

Consumers also want to know that their fresh food is environmentally sustainable, and SPC is again at the fore – witness the recent improvements in water efficiency at the Shepparton plant with a reduction last year equivalent to 135 Olympic swimming pools of water.

These are just some examples. Overall, SPC is well placed to meet the focus on “fresh”, while still delivering the benefits that we stand for as Shepparton Preserving Company. I think it's an approach that is being replicated across country Australia, and across our food and beverage sectors. There's good reason to be optimistic that Australia, by virtue of our “clean, green” image and willingness to reshape the way we work, can build another century of success with a focus on new consumer trends.

'I want it healthier'...

Of course freshness isn't everything. Insights from market research also finds that good health is a consideration for 62 per cent of people when they are grocery shopping

At Coca-Cola Amatil, we have been moving over a number of years to match this trend to offer choices in both portion sizes and variety of beverages, through a wider portfolio. This is driving innovation across our beverage range as we reduce sugar in our beverages, increase the functionality and 'better for you' attributes of some of our products.

We have definitely heard the message from consumers on the need for a focus on sugar and wellbeing. And we're also engaged in a process of myth-busting, as the “good health” debate is occasionally hijacked by some hysterical commentary.

For example a recent current affairs program featured claims that sugar consumption was akin to smoking – part of a campaign in support of soft drink taxes as a “quick fix” to obesity. It made a catchy news piece, but it was wildly inaccurate. There is simply no comparison between sugar

and tobacco. Tobacco in and of itself is harmful – in any quantity. Our beverages are not. They can be enjoyed as part of a balanced, active and healthy lifestyle.

The argument for a soft drinks tax itself is also misleading. Just two per cent of the average Australian's kilojoule intake comes from soft drinks.² And that proportion is falling – in 2017 the Australian Bureau of Statistics reported consumption of added sugar has declined since 1995, driven by a 6% drop in adult consumption, and a staggering 23% drop for children.³

That's a credit to vigilant mums and dads around Australia, who are succeeding in changing the habits of the consumers of the future by cutting back on the daily intake of sugar in everything from breakfast cereals, milkshakes, soft drinks and ice cream. It also reflects efforts by the Australian food industry, which is producing more low- and no-sugar options in everyday foods.

But despite these gains, the news is negative on consumer obesity. Sugar consumption is down on twenty years ago, but obesity rose from 19% to 26% of Australians over the same period. United States data is similar – US obesity rates have more than doubled since 1990 and 2015, while sugar intake fell. Clearly neither sugar, nor drinks sweetened with sugar, were the major cause of this obesity rise. Obesity contributors are complex, yet the debate remains locked on sugar taxes.

So if sugar taxes aren't the answer as we see it, what are we doing to play our part?

Four years ago, we made commitments to help address overweight and obesity in Australia⁴ - increasing the availability of smaller packs, offering more low kilojoule options and providing more transparent nutrition information. More recently we also committed to reducing sugar content across our portfolio by 20% by 2025 – an ambitious target for which we are determined to hold ourselves accountable.

We are making good progress against these commitments, but we know we need to do more, particularly in some specific groups such as indigenous communities. We aim to work very closely with our customers in remote indigenous communities, on the four 'P's of price, product, promotions and partnership. On price, we work with customers to reduce the price of bottled

² Australian Health Survey: Nutrition First Results – Foods and Nutrients, 2011–12 — Australia, Tables 9.1 and 9.2, released May 2014 (accessed 18 May 2015)

³ 4364.0.55.011 – Australia Health Survey: Consumption of added sugars, 2011-12: Children leading the way in falling sugar consumption. Australian Bureau of Statistics, 13 December 2017.

⁴ <http://www.coca-colajourney.com.au/announcing-our-commitments-to-help-address-obesity>

water and low- or no-sugar drinks, compared to full sugar choices. On product we make sure that low- and no-sugar options are available and given prominence in stores. On promotions we encourage culturally appropriate marketing materials – ones that respect the history and identity of the communities where we operate – that also promote healthier beverage choices.

And on partnerships, we work with local retailers to change purchase decisions via the layout of stores. For example, in many remote indigenous communities we partner with retailers to keep the low- and no-sugar beverages chilled while others are sold on-shelf; we've also made sure the large pack sizes are all low- or no-sugar, and we've delivered health messages in local languages and in proper cultural context.

At SPC our syrups no longer contain sugar and instead use natural fruit juice and coconut water.

These are useful steps, but of course there's a lot more to be done.

I should add it isn't just the product that consumers are demanding have healthier attributes, they want to know that the producer or manufacturer is sustainable in every way. More and more the consumer purchasing is taking into account issues such as ethical sourcing and environmental impacts.

At Amatil we are challenging ourselves to work towards a future where we will ensure that for every bottle or can we make one will be collected and recycled. This will involve changes to how we design our packaging, improved collection infrastructure in the countries where we operate and increase recycling facilities globally.

Over Christmas last year, Coca-Cola Amatil joined with ANZ, Telstra and others to pre-purchase the output of what will be Victoria's largest wind farm – Murra Warra, near Horsham - not only committing ourselves to renewable energy but obtaining that forward supply at rates below those currently available through standard commercial means.

If we as companies and as a nation can create shared value through innovations both good for national "health" *and* commercially advantageous, then we are competitive relative to the rest of the world.

'I want it now'...

Lastly, "I want it now."

About ten years ago the concept of same day delivery was non-existent for anything other than a pizza. With improved technology we've seen a rise in on-demand services, infiltrating more and more areas of life.

While at first you might blame millennials – I have four kids and know all too well how tempting that can be - the convenience economy isn't only about the young and well-off. I recently read that more than 52 per cent of the on-demand consumers are over the age of 35 years.

Currently the biggest sectors for on-demand include market places like EBay, transportation like Uber, food deliveries, home services and beauty. On-demand apps are permeating more and more categories. A survey by McKinsey found that almost a quarter of consumers were willing to pay a premium for same-day delivery.

Businesses as diverse as The Iconic, Amazon and Dan Murphy's are perfecting the art of 'the last mile' to consumers through easy to use platforms, added convenience and the delight of instant gratification.

We're also playing our part, including through the ready convenience of multiple pack sizes to suit immediate consumer needs. Since 2015 the sales of our smaller packs sizes, the 250mL and 200mL sparkling beverages, have grown by more than 100% as consumers choose the beverage that's right for them, at the time that they seek it.

Together the consumer demand for "I want it fresher, I want it healthier and I want it now" has had and will continue to have a transformative impact on the operations of Australian food and beverage manufacturing. The demand for innovation, the highest quality of product, all-natural ingredients, improved methods of packaging and faster supply of the ideal product will continue. Australian manufacturers must to strive maintain this pace of change. Every day we need to earn and re-earn consumer trust, because trust is everything when it comes to food and beverages. We're all born with tastes, likes, and

warning signals for what to trust. And we're most of us pretty good at judging what's okay for us or our families, even if we don't always follow our internal advice.

The information overload of social media has had a genuine effect in changing people's views. Big brands used to be a proxy for trust and reliability: increasingly they're portrayed as out of touch and sometimes dangerous to your health. Small local brands can enjoy a sudden cachet as the "latest and best," but trust requires time, and these brands come and go. Social media can amplify genuine quality problems in one part of a market, into a general distrust for all of it.

In these circumstances, a trusted brand like SPC is a very precious thing. Some of you might remember the #SPCSunday social media campaign in 2014 when there was a chance that SPC may have to close its Shepparton factory. This community led campaign generated several thousand tweets, 15 million impressions and 3,000 new SPC friends. Over four days shelves were emptied and sales boomed as families across Australia sat around their tables on #SPCSunday, rekindling their love for a proudly Aussie brand – be it, spaghetti, peaches or tomatoes.

I wish I could say that continued. I guess consumers weren't buying into SPC, as much as they were buying into hope and nostalgia. But it is a good demonstration of the connection that brands can create and the trust that builds up over decades of consistent delivery.

I think there's a couple of things that companies and brands must continue to do. One is to do as you say, and be upfront about challenges and obstacles facing the business. That was Sir Andrew Fairley's approach when he was persuaded to take on SPC. It was our approach in 2014 when we highlighted the financial issues facing the company and committed to the reinvestment plan with the Victorian Government.

Another way to build trust is simply to recognise the importance of stakeholders beyond shareholders. Getting tomorrow right means doing the right thing by the communities we operate in, understanding and mitigating our environmental impact, playing our part in reducing obesity, keeping our people safe and well.

These demands from consumers and their uncompromising expectation that they are met, sit at the heart of our social licence to operate. Andrew Fairley and the founders of SPC 100 years ago can be proud of their legacy.

So can Australian manufacturing deliver against all these expectations?

Well, I am an optimist with a passionate belief in our agribusiness and food and beverage manufacturing capability, so my answer of course is yes.

Give or take a few years, SPC, Coca-Cola Amatil, and the Federation of Australia are roughly the same age. We have all grown up together and we have changed together.

The Australia of today isn't Henry Parkes' Australia. Our progress as a nation, our position in the global economy and the aspirations of contemporary Australians are something to celebrate.

The SPC of today isn't 90 women making 36,000 dozen cans of fruit for Australian households for the year. It is ProVital to Australian health facilities, premium exports to China and Moroccan flavoured bean snacks to Australians.

And Coca-Cola Amatil is a very different organisation to what it was over 100 years as we have evolved from tobacco, to printing, to Ethiopian Stamps, chicken and now beverages.

During this time all three of us have had our challenges, but we're still here because of our ability to change and adapt. For SPC and Amatil we've done this by staying close to consumers and working our absolute hardest to make sure we deliver. I believe this will drive us for years to come.

Thank you.

ABOUT COCA-COLA AMATIL

Coca-Cola Amatil is one of the largest manufacturers and distributors of ready-to-drink non-alcohol and alcohol beverages, coffee and ready-to-eat food snacks in the Asia Pacific region. Coca-Cola Amatil is also the authorised manufacturer and distributor of The Coca-Cola Company's beverage brands in Australia, New Zealand, Fiji, Indonesia, Papua New Guinea and Samoa. Coca-Cola Amatil directly employs around 14,000 people and indirectly creates thousands more jobs across the supply chain, partnering with key suppliers to manufacture, package, sell and distribute its products. With access to more than 270 million potential consumers through more than 850,000 active customers Coca-Cola Amatil is committed to leading through innovation and building a sustainable future and delivering long-term value to shareholders.

For more information, visit www.ccamatil.com