



Technical Paper

Food safety and compliance

Executive summary.

In recent years, a rash of product recalls has caused significant long-term damage to many brands. These recalls cover everything from serious health and safety risks to misrepresentation of a product's performance or composition. The causes of these recalls stem from a wide variety of issues, including material tampering, improper labeling, inaccurate food-preparation instructions, cross-contamination, inadequate plant health and safety, false marketing claims, and inadequate shelf life.

Food safety and compliance keep many food company executives awake at night—and for good reason: According to the Recall Execution Effectiveness joint study by the Food Marketing Institute (FMI), the Grocery Manufacturers Association (GMA), GS1 US, and Deloitte, “the average cost of a recall to participating food and consumer product companies is \$10 million, in addition to brand damage and lost sales.”¹

Yet many companies are not willing to invest heavily in food safety and compliance, until they've had a problem. Food poisoning outbreaks are rare, for any given company; but once they occur, they harm the company for a long time. The study additionally reveals, “a company with poor recall execution processes could see declines of up to 22 percent [in their stock valuations] within two weeks after the recall announcement.”²

For instance, entire farm stocks were slaughtered—many unnecessarily—during the mad cow³ (bovine spongiform encephalopathy) disease scare in the UK in the mid-1980s, and again in the UK during the foot-and-mouth⁴ outbreak in 2001. In both instances, the UK also suffered from a dramatic drop in its meat export trade. Had better traceability been used to track the stock, many of the animals wouldn't have had to be destroyed.



1 Food Marketing Institute (FMI), the Grocery Manufacturers Association (GMA), GS1 US, and Deloitte; Recall Execution Effectiveness: Collaborative Approaches to Improving Consumer Safety and Confidence; 2010; p. 11.

2 FMI, GMA, GS1 US, and Deloitte; p. 11.

3 David Brown, “The ‘recipe for disaster’ that killed 80 and left a £5bn bill,” The Telegraph (<http://www.telegraph.co.uk/news/uknews/1371964/The-recipe-for-disaster-that-killed-80-and-left-a-5bn-bill.html>), October 27, 2000.

4 “Foot-and-mouth crisis remembered,” BBC (<http://www.bbc.co.uk/news/uk-england-12472230>), February 17, 2011



Technical Paper

Food safety and compliance

In an apparent case of life lobbying for legislation, in 2010 the largest egg recall in US history occurred just as the US Senate began studying the Food Safety Modernization Act (FSMA)⁵. This act, which was signed into law in January 2011, gives the US Food and Drug Administration (FDA) the power to enforce tough, new requirements that address food safety issues through preventative controls, inspection, compliance, ensuring imported food meets US standards, mandatory recall authority, and strengthening partnerships between food safety agencies.⁶

Safety, however, is not the only reason for potential recalls. Consumers now demand more information on the composition, origin, and handling of the food they eat. While dietary restrictions (such as peanut allergies) can also be safety issues, other issues relate to more personal preferences (such as gluten free, zero trans fat, and genetically modified ingredients). The label and any claims it makes must match what is in the product. Failure to comply might not necessarily bring government action, but it can result in lawsuits and irrevocable, bad publicity—all of which can make consumers wary.

The increase in recalls and the wide range of causes behind those recalls highlight the need for more than just internal improvements at process manufacturing companies. They also point out the need for manufacturers to be more vigilant about anything that could result in a product safety issue or recall.

With stricter food legislation being enacted around the world, the pressure to maintain food safety and compliance effectiveness can only increase. In 2011 alone, new labeling laws were passed in a number of countries and jurisdictions, including the United States, Canada, European Union, and South Africa. And the potential food safety and compliance issues that can arise from today's speedy supply chains only exacerbate the problem.

Recently passed food safety and labeling laws	
United States	Food Safety Modernization Act (FSMA)
Canada	Amendments to the Food Allergen Labelling Regulations
European Union	European Parliament and Council Regulation 1169/2011
South Africa	R146

No longer can you rely on purely reactive strategies to product safety. You need to incorporate strategies that assess risks and ensure the integrity and safety of your products. You need to adopt a master plan that makes the move toward a complete, proactive, product safety strategy as painless as possible—while you reduce risk, protect your products, reduce non-value costs, and boost profits. You need to focus on your greatest areas of risk, minimize the time it takes you to close those risks, and continually build on your existing capabilities.

Coming next week: Processes for improving food safety and recall effectiveness