An Ounce of Prevention Is Worth a Pound of Cure

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The concern for food recalls is a long-standing issue that has plagued manufacturers and suppliers for decades. In recent years, this concern has intensified with the number of food recalls in the U.S. dramatically increasing in the last few years — jumping four-fold over the number just five years ago.

Reasons for this huge spike are plentiful, with most contributing factors relating to the increasingly global and complex food supply chain, and a few dramatic, large-scale recalls, such as the intentional shipment of salmonella-contaminated peanut products and the recall of more than a half-billion fresh eggs. Although food recalls are primarily seen as a public health concern, it’s also a significant economic issue. But what are these costs and how can companies prevent or mitigate the cost of recalls?

Impacts of Food Recalls

According to a study by the Food Marketing Institute and the Grocery Manufacturers’ Association, the average cost of a recall to a food company is $10 million[1] [1] in direct costs, which typically include notification, product retrieval, storage, destruction, unsalable product and, of course, the additional labor costs associated with these activities as well as the investigation of the root cause.

Depending on the size of the brand or company, these costs may be significantly

higher. This does not even include what could arguably be the most significant costs to the company from litigation costs, costs from any agreed or mandated governmental oversight post-incident, lost sales and the impact to the company's market value and brand reputation.

With today's 24/7 media access and updates and the power of social networking, bad news spreads quicker than ever and directly impacts consumer behavior. In a Harris Interactive poll, consumers indicated that 55 percent would switch brands temporarily following a recall, and 15 percent said they would never purchase the recalled product, with 21 percent stating they would avoid purchasing any brand made by the manufacturer of the recalled product.

In the year following the large spinach and peanut recalls, almost three quarters of consumers stopped purchasing those products out of safety concerns, dropping to one-quarter in the second year, according to a 2010 U.S. Grocery Supplier survey.

Preventing Food Recalls

While the goal of recalls is to protect public health when a specific product is known to cause a problem, there are practices that can actually be effective in preventing a recall from occurring. One is that companies should make a commitment to adhering to global food safety standards recognized by the Global Food Safety Initiative (GFSI), such as BRC, SQF and ISO 22000, which all share a common foundation in sound food safety management practices, such as good manufacturing practices (GMP), and Hazard Analysis and Critical Control Point **(**HACCP).

Certifications in these world-class standards reveal that companies have implemented and audited sound food safety principles, such as the following:

1. Make meaningful divisions to maintain batch integrity.
2. Perform frequent, thorough cleaning and sanitation processes.
3. Maintain effective HACCP programs, and learn from "near misses" as well as actual occurrences.
4. Have an established, practiced communications protocol and current, accurate escalation trees.
5. Document, document, document.
6. Validate, validate, validate.
7. Prepare, practice and drill! They train, and make sure everyone in the value chain, including OEM and 3PL partners, understand the rules and are held to the same standards.
8. Plan ahead, anticipating what information will be required by stakeholders, and keep it segregated from other records.

Advanced technology can also be implemented to address key potential sources of contamination, such as the following:

1. Supply chain security solutions that can not only track the movement of shipments and provide alerts when geo-fence boundaries are crossed, but can remotely immobilize the vehicle to prevent diversion of products.
2. Active radio frequency identification (RFID) technology that can help control access even in wide open plant areas where traditional card access technologies are impractical, protecting particularly vulnerable areas to tampering, such as mixing, or ingredient preparation from unauthorized employees, contractors and visitors.
3. Remote video auditing technology that can be deployed to view and audit practices, and send specific video clips of infractions for training purposes, thus proactively moving all plants, globally, towards full compliance with corporate operational standards.

An effective food protection strategy consists of a cohesive, proactive strategy that can prevent the potential for significant costs to the business from vulnerabilities that could prompt a recall. Although eliminating food recalls is not guaranteed, following these best practices and obtaining food safety certifications is an effective line of defense against potentially crippling food recall costs.

What's your take? Please feel free to comment below! For more information, please visit www.tycois.com *[2].*

[1] *[3]"Recall Execution Effectiveness: Collaborative Approaches to Improving Consumer Safety and Confidence,"*

Deloitte on behalf of the Food Marketing Institute ("FMI"), the Grocery Manufacturers Association ("GMA"), and GS1 U.S., June 2010

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