



Audits

Concerns, new challenges, and solutions for the food manufacturing industry

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Jennifer Robinson
Horizon Milling

Audit Discussion Outline



- Background
- Concerns
- New Challenges
- Possible Solutions
- Cargill's Solution
- Conclusion

Background



- Stronger emphasis on Food Safety
 - Understand entire Supply Chain
 - Supplier Qualification Program focus
 - Protection of Brand
 - Use of 1st, 2nd, and 3rd party audits
- Audit Preparation & Duration
 - Pre-work
 - Prepare site
 - Typically 1-4 days in length
 - Written follow up to non-conformities is typical
 - On average, 3 audits/site/year

Audits – Concerns



- Marketing of audits
- One standard
- Lack of clear linkage between standard and audits
- Multiple audits per site
- Cost

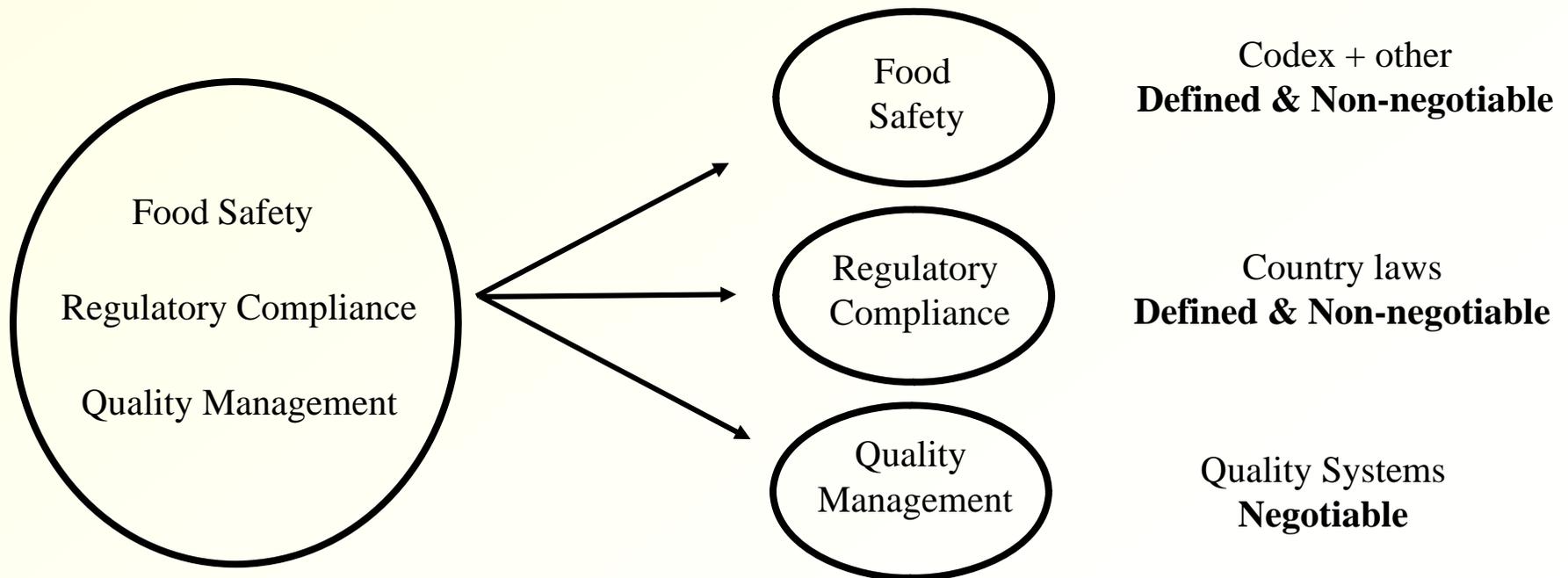
Marketing vs. Commoditizing Audits

Break Audit “Package” Into Components



Each audit strives to be different in its organization and questions, but all have 3 basic components:

To compare & commoditize we must break audits into these 3 components



Result of Marketing – Proliferation of Audits



- AIB
 - BRC
 - SQF
 - Silliker
 - ISO 22000
 - To name a few...
- FSSC 22000
 - Dutch HACCP
 - GMA-SAFE
 - IFS
 - Cook & Thurber
 - So how different are these audits from one another?

Audit Comparison Summary

91% The Same Content



Number of Criteria	CODEX <i>General Principles of Food Hygiene (Rev. 4-2003)</i>	AIB <i>Consolidated Standards for Food Safety</i>	NSF <i>Cook & Thurber Food Safety, Quality & Food Defence</i>	SAFE <i>GMA Version 11</i>	Silliker <i>GMP & Food Safety Audit System 2006</i>	ISO 22000 <i>:2005</i>	BRC <i>Version 4</i>	Dutch HAACP <i>Option B: HACCP Based Food Safety System</i>	IFS <i>Version 4</i>	SQF <i>2000 level 3</i>	GFSI <i>Guidance Document Version 5</i>
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CODEX: 37 Criteria

37	37	37	36	36	34	37	37	36	37	37	37
%	100%	100%	97%	97%	92%	100%	100%	97%	100%	100%	100%
Avg non-GFSI benchmarked audits						36	Avg GFSI benchmarked audits				37
						97%					99%

Avg All Audits
36
98%

ALL 67 KEY CRITERIA: (Food Safety, Regulatory, Quality Management)

67	37	63	62	62	56	64	62	54	63	61	61
%	55%	94%	93%	93%	84%	96%	93%	81%	94%	91%	91%
Avg non-GFSI benchmarked audits						61	Avg GFSI benchmarked audits				60
						92%					90%

Avg All Audits
61
91%

- Main differences are country specific and not substantive
- **Auditor qualifications and consistency** are more of an issue than audit brand

One Standard – Food Safety



- **Codex Alimentarius**

- General Hygiene Programs + HACCP = Codex
- 174 signatory countries = 98% of world population
- Standard provides strategy.
 - It does not provide tactical information.
- Takes 8 years to get change enacted to Codex.
- Some people/businesses not familiar with Codex.
- Many rely on other sources of information.

Lack of Clear Linkage between Standard and Audits



- Sellers of audits and standards want and benefit from differentiation of their audit and standard to grow their businesses
- Marketing > Differentiation > Frustration
- Resistance to creating clear linkage as it will commoditize the audits

Bottom line: Food Safety is an area where we should be collaborating

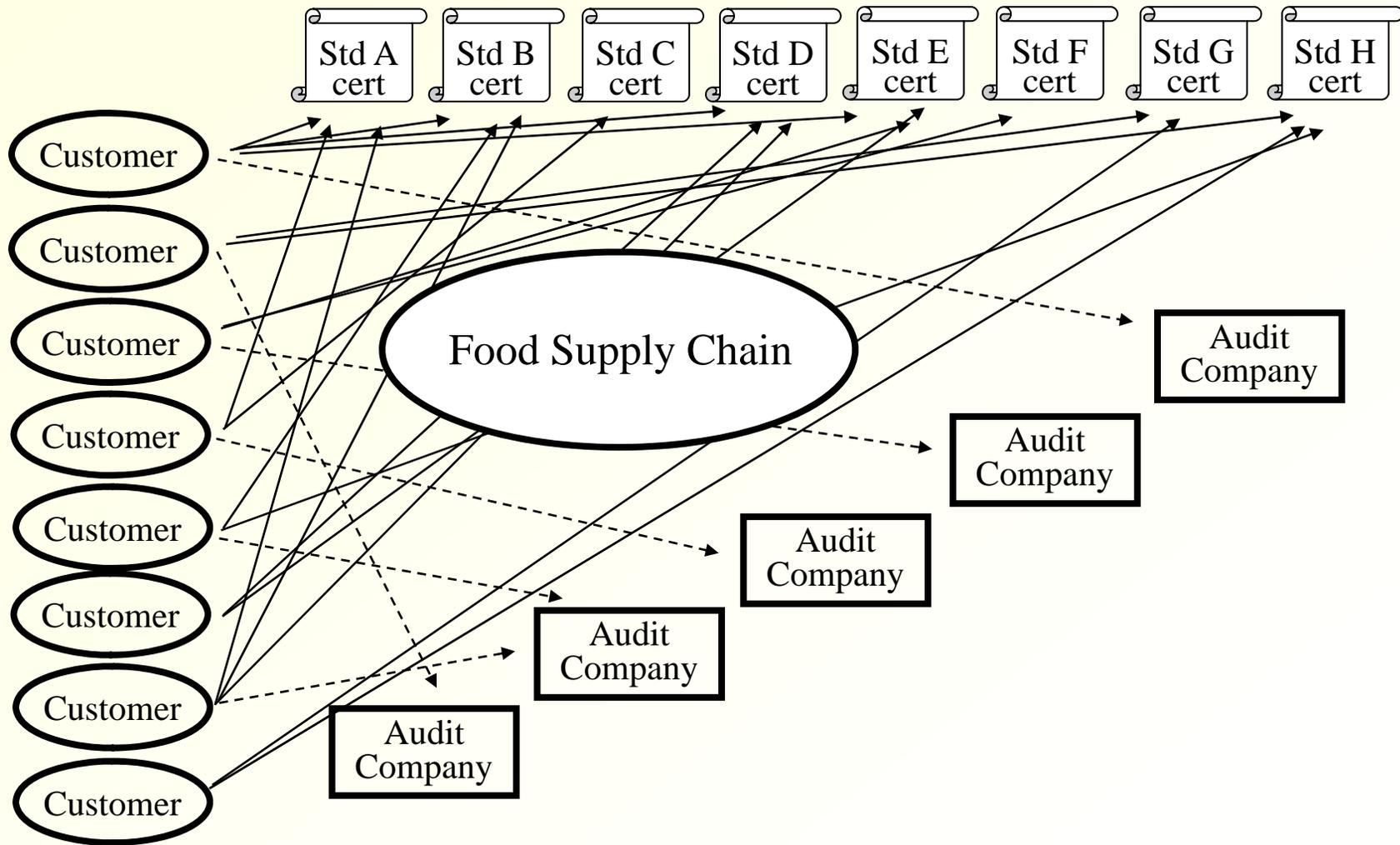
Multiple Audits Per Site



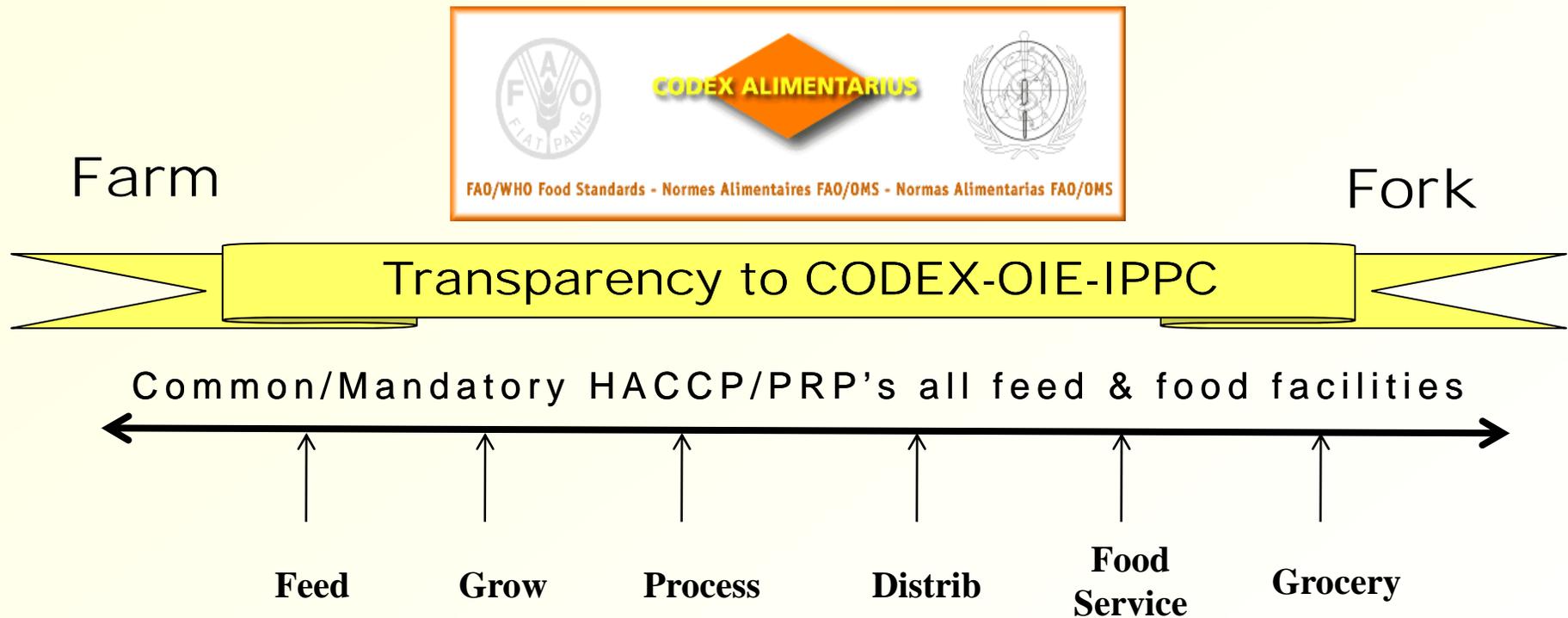
- Do Multiple Audits Improve Food Safety?
 - Average of 91% audit criteria overlap
 - Result is audit redundancy

The Old Audit Paradigm

Is Food Safety a Competitive Issue?



Transparency to *One Common Standard*



Sector specific adds build on to common HACCP/PRP's

Multiple Audits Per Site



- Do Multiple Audits Improve Food Safety?
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Answer: No

- **Rather than enhancing food safety**, this duplication is viewed as:
 - Reducing clarity of food safety goals
 - Adding confusion and costs
 - Taking valuable time/resources away from focused food safety efforts and meaningful improvements in food safety
 - Reducing time for customer solutions

Cost



Assuming an Avg audit cost and (3) audits per plant:

\$7,684 per audit per plant x 3 audits/facility = **\$23,052/plant/yr**

**Using FDA plant numbers 126k (USA) & estimated 420k
global (w/USA)**

Current Industry Audit Expense (3 audit avg/plant)

<u>Food Processors</u>	<u>Plants</u>	<u>Total Cost</u>
Globally	420k	\$9.7 billion

If we can choose one equivalent audit

<u>Food Processors</u>	<u>Plants</u>	<u>Total Cost</u>
Globally	420k	\$3.2 billion

Savings of \$6.5 billion / year!

New Challenges



- Recent failures of audits to detect problems
- Loss of consumer confidence
- Proposed Legislation
 - FDA seeking increase of funds and authority.
 - Mandatory reporting of pathogen test results from laboratories.
 - Imprisonment of CEO's for intentional and unintentional food safety illnesses.
- Current system does not address Supply Chain

Possible Solutions



- Multiple audits
- Government audits
- FDA in our plants – similar to USDA
- Mandatory HACCP / Pre-requisite programs
- Inclusion of environmental testing with audits
- Mandatory testing and reporting by 3rd party labs
- Quality Departments report to Legal
- More Global Standards
- Global Food Safety Initiative (GFSI)

Basis for Global Standards



“The Three Sisters”

CODEX

CODEX Alimentarius

- Protect the health of consumers
- Ensure fair trade

OIE

World Organization for Animal Health

- Animal health
- Food safety of animal derivatives

IPPC

International Plant Protection Convention

- Prevent the spread and introduction of plant pests

Global Authority under Sanitary Phytosanitary Agreements

Global Food Safety Initiative



- Is a retail led initiative begun in Europe
- They benchmark audits using their own technical committee and guidance document
- Approved audits meet a GFSI minimum standard of food safety
- Result is that many large retailers (and others) allow suppliers to choose any of the GFSI benchmarked audits
- Currently approved audits: BRC, IFS, SQF 1000, SQF 2000 Level 2, Dutch HACCP, FSSC 22000, GFS
- Consequence: Many suppliers, including Cargill, feeling pushed to move away from non-GFSI audits.

Cargill's Solution



- Support GFSI principles
 - Equivalent audits, auditor qualification & competency, Codex as standard, and focus on continuous improvement
- Membership on GFSI board & technical committee
 - Seek to expand beyond retail to manufacturing and rest of Supply Chain
 - Expand FSSC22000 bolt-ons to other sectors (ag, Distr, Foodserv, Retail)
 - Maintain focus on plant sanitation as review of processes intensifies
 - Link standard criteria to audit requirements
- Select One Corporate Audit
 - Build upon FSSC22000 to integrate food safety systems with supply chain
 - Move all Cargill facilities to this single audit over time
- Customer
 - Numerous discussions with customers
 - Pilot programs
 - Visits instead of audits to address additional items

Conclusion



- Focus on the standard requirements, not audit brand
 - Spend your food safety \$ on improvements, not more audits
 - Learn & share best practices across all stakeholders
 - Know your supply chain
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- Together, we can restore consumer confidence, and ensure a safe food supply.

Involvement Opportunities



- AACCI Working Groups
 - Communication & Collaboration
 - Work collaboratively across industry groups and customers
 - Common Survey
 - Customers and suppliers agree on survey format
 - Gap Assessment
 - Address audit gaps collaboratively across industry

- Contact Information
 - Barbara B. Heidolph
Principal, Food Phosphates
ICL Performance Products LP
Phone: 314 983 7940
Email Barbara.Heidolph@icl-pplp.com

Questions?

