

CONTAMINATION AND PRODUCT RECALL



PROTECTING EUROPE'S €1TRILLION FOOD AND DRINK INDUSTRY

In the same way that the kitchen is often thought of as the 'heart' of the home, Europe's food and drink (F&D) industry sits at the centre of the continent's economic success.

It is the leading manufacturing sector in terms of turnover, value added and employment. Across the continent, more than four million people are employed in the F&D sector, totalling 15% of Europe's manufacturing workforce and making it the EU's leading employer.

Their industry and expertise has helped the EU double its F&D exports over the past decade, reaching €98billion and contributing to a positive trade surplus in food of more than €25billion.

The combined turnovers of European companies involved in the F&D sector exceed €1trillion. But this is not an area dominated by global giants. SMEs comprise the overwhelming majority of the circa 300,000 F&D companies and are responsible for half of the turnover.

So from Lisbon to Limassol, and all points in between, there are firms whose business could potentially be negatively impacted upon by product recalls. Since so many are smaller companies, the potential consequences of a product recall - in terms of their cash flow and ability to trade and maintain staffing levels - could be even more severe.

SMEs are also often more challenged in terms of finances, time and manpower to devote to effective risk management that could lessen the risk of contamination and eventual product recall.

KEY POINTS ON PRODUCT CONTAMINATION

The F&D industry is a real European success story but, as we demonstrate here, the issues of contamination and product recall present unique challenges to all of us within this vibrant and growing sector.

What is a product contamination risk?	> Unexpected substances
What is a product recall?	> Removal and/or correction of a defective product
What is affecting the number of cases of product contamination recalls?	> Regulation, alert systems, globalisation
How it affects business?	> Financial loss, loss of market share, serious damage to brand image
What to do if it happens?	> Prepared and tested recall plans and crisis management
How to prevent it in the future?	> Risk management, expand controls and traceability, supply chain monitoring

WHAT IS A PRODUCT CONTAMINATION RISK? > UNEXPECTED SUBSTANCES

Food contaminants are substances that have been accidentally, or sometimes maliciously, added to food during the course of the production chain;

Agriculture > Storage > Transportation > Food processor > Storage > Retailer > Consumer

The most common types of food contaminant are:

- Bacteria such as listeria, E. coli, bacillus and salmonella
- Chemical substances such as agrochemicals (insecticides, herbicides, fungicides, fertilisers, rodenticides) and persistent organic pollutants ('POPs')
- Processing contaminants – these occur during the processing of foods via heating, cooking, and fermentation. Chemical reactions occur between natural and/or added food constituents when heat interacts with the ingredients in the compounds in the foods – such as acrylamide
- Animal drugs and hormone residues – such as recombinant bovine growth hormone (RBGH)
- Heavy metals – such as lead, mercury and cadmium
- Genetically modified organisms (GMOs)
- Foreign bodies, such as metal scrap, pieces of glass, insects and moulds.



WHAT IS A PRODUCT RECALL?

> REMOVAL AND/OR CORRECTION OF A DEFECTIVE PRODUCT

By definition, a 'recall' is the withdrawal or removal of a product from the market because it is either defective or potentially harmful, in order to be checked and corrected or eventually destroyed.

The decision to recall a product is usually made by the manufacturer when the defect is reported. It can also be a decision from a distributor, an importer, a retailer or a public authority.

In Europe, Regulation (EC) No 178/2002 lays down the general principles and requirements of food law (General Food Law Regulation). Part of the key obligations of food and feed business operators is that they shall immediately withdraw food or feed from the market if they have a reason to believe that it is not safe.

WHAT IS AFFECTING THE NUMBER OF CASES OF PRODUCT CONTAMINATION RECALLS? ➤ REGULATION, ALERT SYSTEMS, GLOBALISATION

As detailed in the RASFF 2015 annual report, the number of notifications of 'alert' since 2011 increased by +3.4%.

In 2015, the top five notifying countries are 1/ Italy (512 notifications), 2/ United Kingdom (337 notifications), 3/ Germany (276 notifications), 4/ The Netherlands (259 notifications) and 5/ France (236 notifications).

The alert system has been implemented and developed worldwide since 2007. Awareness and participation of non-member countries in RASFF have increased.

The number of cases is affected by a combination of factors such as regulations, importing/exporting, economic downturn, technology, supply chains and reporting system.



WHAT ARE THE MAIN TYPES AND CAUSES OF FOOD CONTAMINATION LOSSES?

> EXAMPLES AND DATA

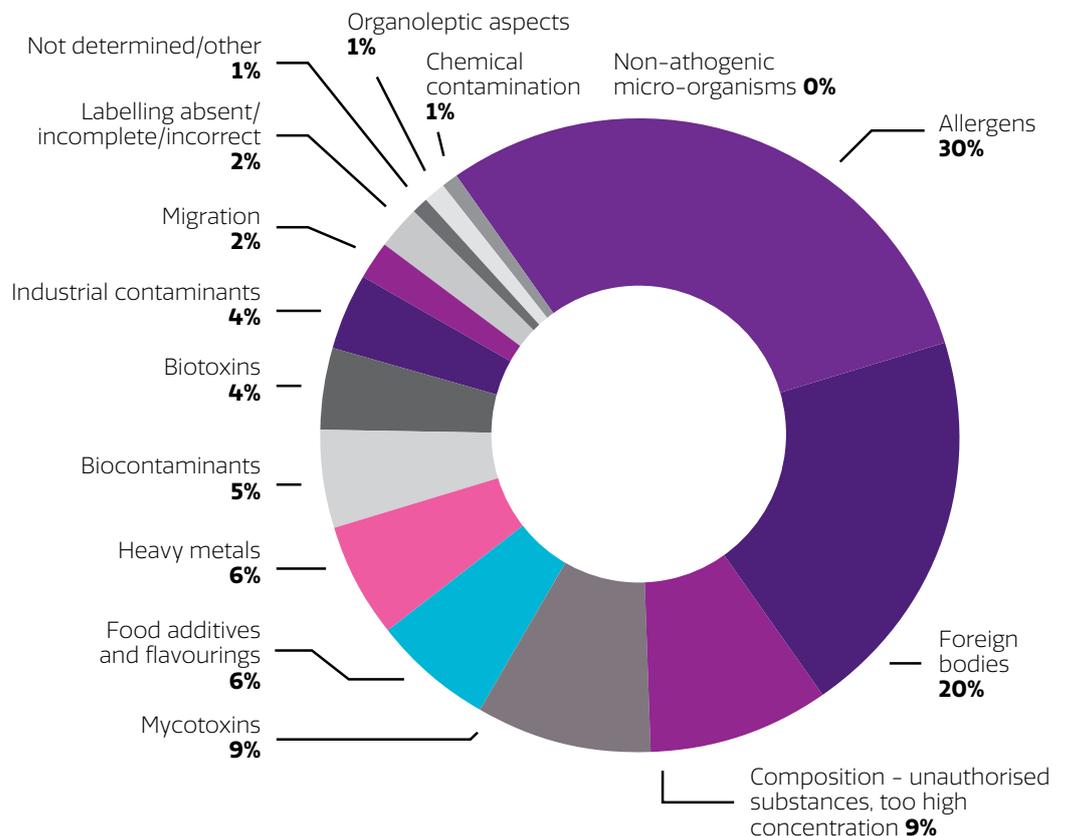
When contamination cases attract the attention of the media, they can quickly become headline news as was the case in the examples below:

- February 2016 – A massive preventive recall of chocolate bars exported in 55 countries, caused by a piece of plastic found in a product. A precautionary recall was initiated by the manufacturer
- February 2013 – The 'horsemeat scandal' arose after horsemeat was used in processed beef products
- February-March 2013 – European aflatoxin contamination: several European countries reported nationwide contamination of milk for human consumption (and possibly of derivative products) with aflatoxins
- July 2008 – Chinese baby-milk powder scandal: powdered milk and infant formula along with other food materials and components were adulterated with melamine.

China reported an estimated 300,000 victims in total. Six infants died from kidney stones and other kidney damage with an estimated 54,000 babies being hospitalised.

The issue raised concerns about food safety in China and damaged the reputation of China's food exports. At least 11 countries stopped all imports of Chinese dairy products. The World Health Organisation referred to the incident as one of the largest food safety events it has had to deal with in recent years.

However, many more cases of food contamination stay out of the limelight. In Europe, over the past five years the Rapid Alert for Food and Feed (RAFF) registered a total of 2,461 notifications of 'recall from consumers' actions, of which 662 are risk classified as 'alert' with a risk decision criteria as 'serious'. The main contamination hazards are shown in the graph below:



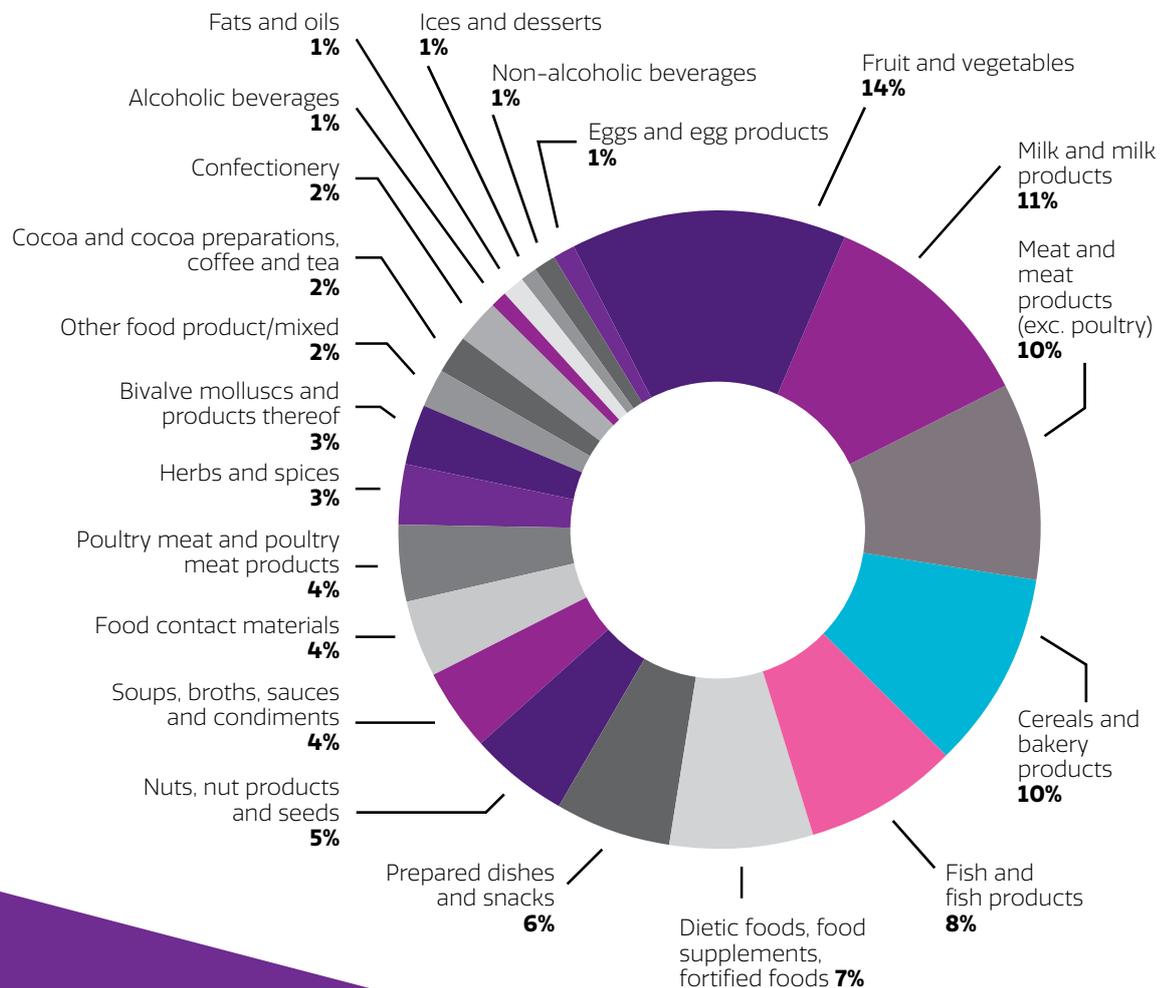
An average of 500 product recalls are initiated every year in Europe, of which approximately 130 can be classified as 'severe' as per the RAFF system statistics.

The main causes of these recalls are contamination of the products with allergens (30%), foreign bodies (20%), unauthorised substances (9%), mycotoxins (9%), food additives and flavouring (9%), heavy metals (6%), biocontaminants (5%), biotoxins (4%) and industrial contaminants (4%).

The products of concerns are fruits and vegetables (14%), milk and milk products (11%), meat and meat products (10%), cereals and bakery (10%), fish and fish products (8%), dietetic foods/food supplements/fortified food (7%), prepared dishes and snacks (6%).

The same trend is identified in North American territories.

According to RAFF statistics, the type of products impacted by recall are:



HOW IT AFFECTS BUSINESS?

> FINANCIAL LOSS, LOSS OF MARKET SHARE, SERIOUS DAMAGE TO BRAND IMAGE

Food and drink safety is a prime public concern. Any potential issue can rapidly turn into a widespread public affair – particularly given the widespread use of social media by consumers to share their experiences.

Despite all the regulatory requirements around food contamination risk management, contaminated food still ends up on consumers' plates. This is the worst case scenario for a company – especially if injuries arise.

TANGIBLE FINANCIAL IMPACT:

Product recall can result in multi-million euro costs and, in some rare instances, lawsuits.

Product contamination insurance can partly cover the losses generated by the contaminated products.

In some cases, for large firms the product loss may just have a short-term effect on the public and then on their brand image. These companies are often very well organised to manage the loss to limit its extent and perception during the time – as they have implemented and tested recall plan and crisis management systems.

BRAND IMAGE:

The impact on the brand image and producer's reputation can be far more damaging than the immediate costs to remedy or recall a defective product. Voluntary preventive recall or improvement measures with appropriate communication campaigns may have a more positive impact than post-loss actions or disputed claims.



WHAT TO DO IF IT HAPPENS?

> PREPARED AND TESTED RECALL PLANS AND CRISIS MANAGEMENT

RECALL PLAN:

It is important to be prepared for a recall well before the problem occurs, with detailed recall plans and procedures integrated into the company management and operational teams.

While liability insurance might cover a portion of the losses due to recall, it will not cover all the expense of product retrieval. Most importantly, liability insurance will not help the company regain customer trust.

Despite the undesirable nature of a recall event, it is in the best interest of the manufacturing company to complete the recall quickly. Because the manufacturer is responsible for all of the costs involved in this process, it is critical to have a plan to cover recall expenses, to expedite the process without creating negative public opinion, and to prevent down time. How this all happens should be well-thought-out ahead of time because, when crisis hits, it is too late to work on the recall plan. In general, recall events should be included in a company's crisis management and emergency contingency programme.

The following actions are generally necessary in order to be ready to implement a recall:

- Select a recall coordinator and establish a recall committee
- Prepare a recall action plan
- Keep the contact information in the recall plan up-to-date
- Test the effectiveness and promptness of the recall plan
- Revise the recall plan based on the test
- Establish a product identification and traceability/tracking system
- Conduct timely stock rotations, and maintain good records for the supplied products, invoices, and bills for purchased and sold products.

CRISIS MANAGEMENT PLAN:

The purpose of a crisis management plan (CMP) is to prevent or reduce loss in a crisis situation.

Crisis management is the 'set of procedures applied in the handling, containment, and resolution of an emergency in planned and coordinated steps'.

These steps include:

- Crisis preparation and communication checklist
- Understand the crisis
- Crisis communications team
- Assess the situation
- Identify actions
- Develop response.

Specialist consultants can assist companies to develop and implement recall and crisis management plans relating to contaminated food product recall.

HOW TO PREVENT IT IN THE FUTURE?

› RISK MANAGEMENT, EXPAND CONTROLS AND TRACEABILITY, SUPPLY CHAIN MONITORING

Food contamination risk management is key and is generally well regulated and controlled in Europe.

A good application and controls of food industry regulations and standards, such as the British Retail Consortium rules, international featured standards (IFS), ISO 22000, FSSC 22000, are recognised means of prevention.

The overall supply chain is more complex today than it was in the past. The increasing number of suppliers and sub-contractors with relatively limited quality controls on the provider can lead to issues around the quality of the product. Even if leading to additional costs, larger quality control samples and a larger spectrum of contaminants analyses are a suitable option to decrease the probability of occurrence of a large product contamination recall.



CONCLUSION

It is clear that the increasing complexity of supply chains and evolving challenges surrounding product recall regulation present a significant and growing risk to food and drink businesses across Europe.

The potential consequences of product recall include significant financial loss, a drop in market share and serious long-term damage to brand image.

These would be damaging for businesses of any size but for SMEs, which comprise the majority of firms involved in the sector, such an outcome could be ruinous and endanger the business, putting jobs at risk.

Europe's food and drink sector is thriving and the companies – and the people – that have built that success deserve the protection and security that product recall insurance provides.

Information sources

<http://ec.europa.eu/food/safety/>

Rapid Alert for Food and Feed:

http://ec.europa.eu/food/safety/rasff_en

For recall from consumers:

<https://webgate.ec.europa.eu/rasff-window/portal/?event=searchResultList&StartRow=2401>

European Food Safety Authority:

<http://www.efsa.europa.eu/>

UK Food Standards Agency:

<https://www.food.gov.uk/>

Maximum levels for certain contaminants in food (European law):

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:l21290>