E-Book

The future of food and beverage manufacturing

Avoid costly product recalls with technology.

Sage

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Are food and beverage product recalls increasing?

Safety is crucial for every successful food and beverage manufacturer. These businesses are responsible for producing safe products that contain the ingredients and nutrition they promise, ensuring they are entirely safe for consumption.

In addition, giving consumers accurate information allows them to make informed choices. For example, many millennials want the businesses they buy food and drink from to be socially responsible and ethical. Thus, they're asking more questions about where products are produced and how.

There should be no surprise that throughout the world there are regulatory bodies and often very strict food and beverage standards.

Legislation such as the FDA Food Safety Modernization Act in the US has given government agencies more power to intervene with a food and beverage manufacturer's operation. As a result, product recalls have become more commonplace in the food and beverage industry.

As a dominant food and beverage producer, the US can give an insight into food standard trends in different countries, and a recent analysis by US PIRG shows that there is a troubling trend which found that recalls of meat and poultry rose 66% between 2013 and 2018.

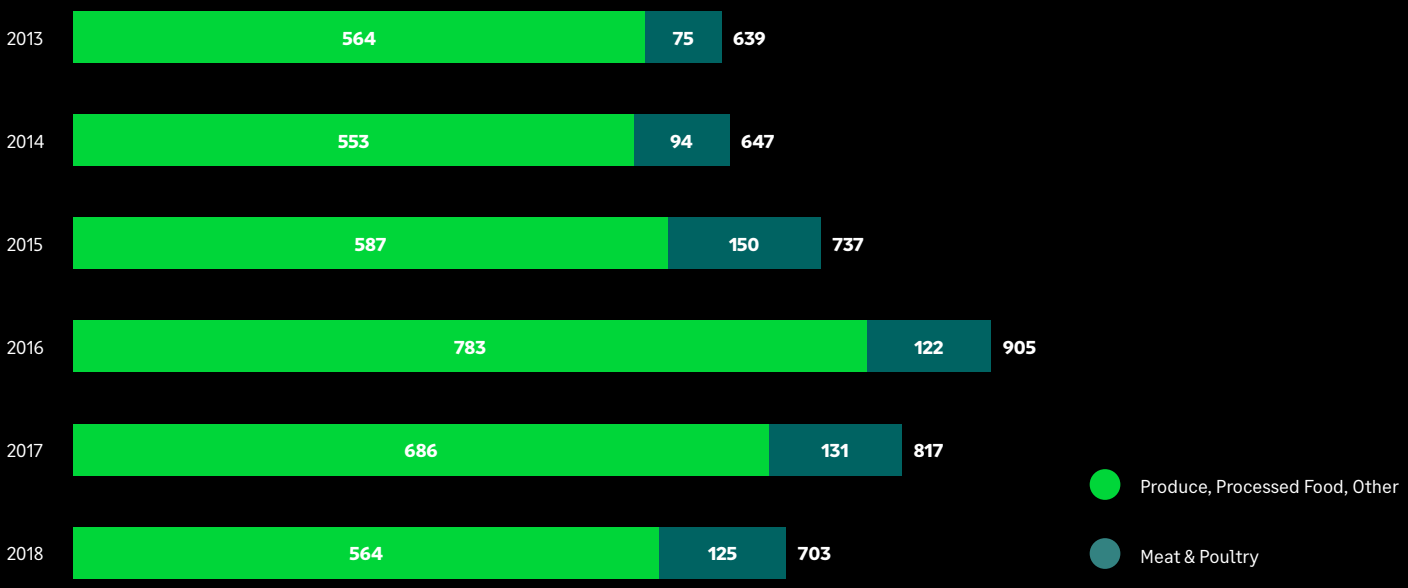
Even more worrying, the hazardous Class 1 recalls of meat and poultry (which present serious health risks such as botulinal toxins or undeclared allergens) are up 83% since 2013.

Legislative punishments can be harsh and could include seizures, product recall or destruction, fines and even criminal charges.

How safe is US food?
In 2013, there was a massive incident in Europe in which foods advertised as beef were found to contain undeclared or improperly declared horse meat—as much as 100% in some cases. The issue came to light when it was reported that horse DNA was discovered in frozen beef burgers sold in some British and Irish supermarkets.

Food and beverage businesses also have high regulatory pressure because of repercussions food contamination can bring from customers and the media.

Total number of food recalls in the US from 2013 to 2018



Source: US PIRG

How food and beverage businesses can prevent product recalls

In the food and beverage industry regulations often state the need for compliance and traceability which is designed to improve performance and product quality, minimising the threat of a recall.

Food and beverage businesses should be looking at:

- Building compliance and traceability into their processes.
- Implementing a central repository of relevant compliance laws and regulations to stay current with changes in requirements—making it accessible to employees, regulators and partners.
- Digitising the document management process to provide a timely, unified picture for decision makers.
- Implementing a business management solution that can build a foundation for process control and automation.
- Ensuring a business management solution is integrated and interoperable to eliminate data silos, particularly for solutions affecting quality and compliance.
- Keeping software tools up-to-date so they can handle new reporting requirements from regulations and avoid non-compliance.

Regulatory mandates often require compliance, and compliance requires technology fundamentals and tightly integrated and interoperable systems. A food and beverage manufacturer must have one version of the truth so that the entire business is working with the most current requirements, as well as visibility to ensure all areas are compliant.

Preventing food and beverage recalls with compliance and traceability

Traceability is crucial for food and beverage manufacturers, as it helps document and report on compliance in a way that is effective and efficient. It provides businesses the ability to trace products as they pass through the often long and complex supply chain, potentially offering alerts if any problem arises which they can look to fix as quickly as possible.

Traceability allows businesses to verify the history and location of a product through documented, recorded verification, and can help food and beverage manufacturers significantly improve their operations. Having full real-time visibility into data can give warning about any deviation from the quality product that compliance requires.

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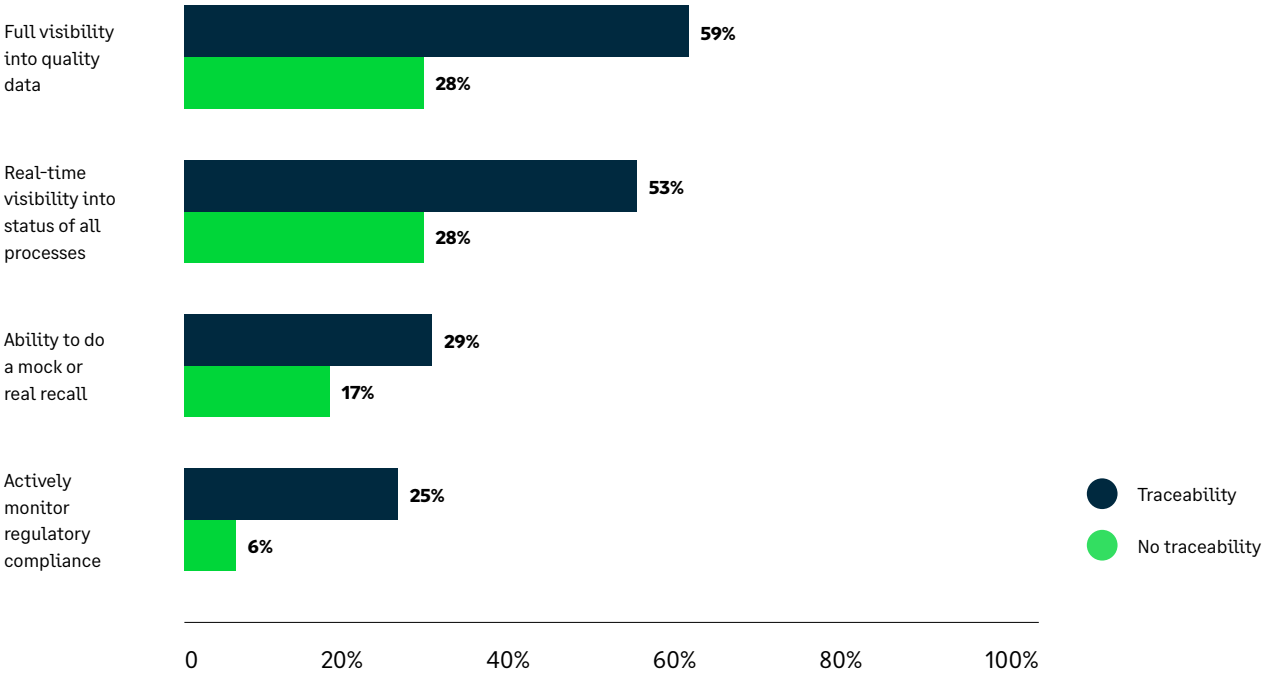
In research from Aberdeen Group in 2017, traceability offers key capabilities to food and beverage manufacturers.

The benefits of traceability to food and beverage manufacturers

- Food and beverage manufacturers with traceability are more than twice as likely as those without traceability to have full visibility of quality data, which is a huge advantage.
- Tracking and managing quality in food and beverage is a core requirement. If the issue is not discovered immediately, the situation is likely to be far more costly, especially if the product has already been consumed.
- They are also 71% more likely to have the ability to perform a mock recall compared to those without traceability. Mock recalls can be extremely valuable, as they could uncover issues which could cause serious delays and repercussions if the real thing happens.
- Additionally, they are 4x more likely than those without traceability in having the ability to actively monitor compliance. This helps food and beverage manufacturers avoid penalties and fines, ensuring that food safety and quality is under complete control.

Percentage of Respondents, n=85



Source: Aberdeen, October 2017

There is always the potential for recalls in food and beverage manufacturing, and traceability allows incidents to be resolved quickly.

Prevention is better than cure, and while it's impossible to eliminate the chance of a food and beverage recall entirely, there are additional steps to reduce its likelihood and mitigate consequences:

- Streamline and thin product lines and packing options.
- Be ultra-precise and narrow with the lot coding system.
- Hold on to samples from product batches to quickly test for defects.
- Reduce batch quantities to make it easier to isolate faulty products.
- Maintain strong communication with everyone in your supply chain.
- Continually analyse and improve supply chain processes to minimise risk.
- Monitor customer feedback, including social media, to identify defects immediately.
- Maintain a dedicated crisis management team.

What if the worst happens?

Clearly preventing a recall is better than conducting one, by incorporating safety into each step of the production process. But it's impossible to mitigate the need for a recall completely, which means food and beverage manufacturers need to have a clear plan of action.

Here are four supply chain tips for dealing with a food and beverage recall:

1. Stay on top of changing regulations
Product safety regulations are complex, vary among different countries and change frequently—almost always becoming stricter. This means that when a food and beverage business expands into different countries, compliance burdens will grow, as well as the likelihood and complexity of product recall.

2. Maintain strong, up-to-the-minute supply chain visibility
When a product is identified as defective, whether by consumers or higher up in the supply chain it's essential that you identify the potential extent of the contamination, by asking these questions:

- Which product batches were faulty?
- What raw materials were involved?
- Which other batches shared the same raw material, or passed through the same production facilities?
- Is this problem new, or has it been happening for some time?

Having up-to-the-minute data to answer these questions enables you to quickly identify exactly where the problem lies—addressing the issue with confidence whilst providing market reassurance and mitigating recall cost.

To gain data access in real time, you must store data centrally, allowing data to be tracked from the furthest reaches of the supply chain, through the production process and from customers. Sometimes food and beverage businesses don't have lot codes that are specific enough. Rather than break up production into discrete lot codes so the scope of recalls is limited, they run the same lot code for many production runs.

Regulators could expect you to connect ingredients and customers through complex, multi-production processes.

3. Be totally transparent
Information travels fast. Consumers can access potential food and beverage product problems as quickly as anybody publishes it. A badly handled product recall can damage the reputation of your business—sometimes irreparably—so you need to control the narrative.

The safest and best strategy is for your food and beverage business to communicate with authenticity so that you're in control of the situation and you have the right solutions in place. To avoid losing consumer trust, never make statements that you don't know for certain to be completely true, especially when the pressure is on during a product recall.

Having strong visibility of your supply chain is crucial here—because it allows you to be authentic about the potential extent of the problem and quickly pinpoint the cause, which is essential to protecting your reputation.

4. Have an emergency-ready crisis management plan
Time is of the essence with a food and beverage product safety issue. It's also advisable and very possibly legally necessary, to have a pre-determined crisis management plan in place to ensure you are permanently crisis ready.

An effective food and beverage crisis management plan might include some or all of these points:

- Determine the severity of the risk.
- Identify the extent of contamination, and isolate affected batches.
- Notify distributors and retailers as quickly as possible.
- Put tried-and-tested product recall procedures into action.
- Report the product issue to the relevant authority.
- Publish transparent information on the recall to customers.

Why Sage X3?

Sage X3 provides a faster, more intuitive and tailorable business management solution for your growing enterprise, delivering favourable ROI and a more personalised experience for businesses than traditional ERP systems.

Sage X3 delivers value across multiple industries for large thriving customers in over 100 countries around the world, supported by over 480 business partners and more than 1300 certified consultants.

Businesses can embrace change at speed through faster, more intuitive and better tailored solutions than conventional ERP. They can retain their competitive advantage by increasing their agility and embracing change.

X3 enables comprehensive business management capabilities from supply chain management to manufacturing, through to human resource and payroll management capabilities. This is further complemented by over 50 add-on solutions providing additional industry-specific functionality.

Along with comprehensive multinational business management, Sage X3 offers support for 18 different industry verticals ranging from food and beverage manufacturing through to industrial machinery manufacturing and FMCG distribution.

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Aptus has over 30 years of industry experience in delivering Sage solutions. Our focus is on enabling our clients to succeed and grow in their industry through Enterprise Resource Planning.

In 2021, Aptus was named Sage Select Partner of the Year for Australia and New Zealand.

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