

FOOD TRACEABILITY

NOT JUST ANOTHER INDUSTRY BUZZWORD



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Food Traceability

Limited resources and constant demands from food and beverage customers, suppliers and government regulators bring new challenges to manufacturers every day. In an especially complex market, today's food and beverage manufacturers have a tool to face many of these challenges, and it addresses both regulatory reporting requirements and product recall concerns. That tool is traceability.



What is food traceability?

Food traceability is the ability to track data on a food product from each stage of production to processing and distribution so it can be traced at any point in the supply chain. Faced with stricter regulations and more demanding consumers, food and beverage businesses are making standardized efforts to reduce business liability. Traceability enables food producers to constantly monitor and quickly manage any risk incident. This is what the industry is buzzing about and for good reason.

The food and beverage industry as a whole expects excellence in traceability solutions. A single food product

can include multiple ingredients and labeling supplied by a range of ingredient suppliers. Consumers want to know the origin and journey of the food they purchase, so it's a win for everyone when a manufacturer can accurately pinpoint a food product batch, its location and processing date quickly. These critical pieces of information may be required at a moment's notice and there's nothing like a food crisis event to test the seams of your supply chain. Traceability is giving manufacturers the tools they need to remain prepared for action in the event of a crisis.

The Food and Drug Administration and other governing authorities seek to ensure the quality of products entering into consumer markets. The integration of traceability software innovations to track the food supply lets companies maintain quality and reveal patterns and trends that benefit everyone from the farm to the fork.

A strong system enables other food traceability benefits as well:



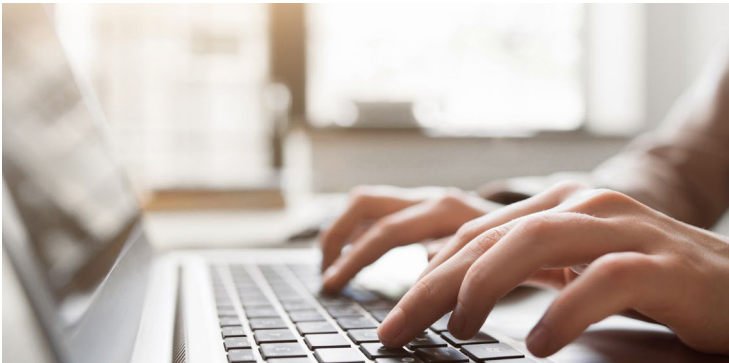
Operational benefits

Increased inventory accuracy

Decreased spoilage/waste

Improved supply chain management

Increased supply chain confidence



Market benefits

Improved brand reputation through informed decision-making

Increased consumer confidence through reporting of timely, specific product attributes

Expanded markets/new customers through minimum tracking standards



Risk management benefits

Insurance/liability cost reduction

Reduced product recall costs

Faster production recovery after a food crisis

Prepare, prevent, act

Few threats can disrupt food and beverage operations more significantly than a product recall. Each year, approximately 48 million Americans become ill or die from contaminants or mislabeled products, and numbers are on the rise. The costs of medical treatment, lost productivity and illness related mortality exceeds \$55 billion annually, while lawsuits against food and beverage manufacturers and distributors soar even higher. Taking into account losses from bad PR and brand damage after a product recall event, industry professionals are desperate to protect their organizations.

Prepare

Preparation through supply chain management is the first step in product recall planning. Food manufacturers and distributors should assert quality assurance processes into their distribution chain. Visiting supplier operations, knowing their staff and auditing them when necessary ensures suppliers are delivering on their obligations. Isolating potential problems minimizes impact and helps anticipate vulnerabilities, strengthen resiliency and reduce exposures.

Standardized labeling is an example of preparation through supply chain management and traceability. Labeling and packaging should easily integrate with other business applications to ensure access to the most accurate, up-to-date data.

How a good CAPA plan helps you prepare

Corrective Action, Preventive Action (CAPA) is well-known in the Food and Beverage Industry for a reason. The Food and Drug Administration requires strict quality and safety compliance making it imperative for businesses to have CAPA plans in place. CAPA entails preventing and addressing quality problems at a root level.

Preventative action plans seek to minimize incidents. When a problem occurs due to regulatory compliance, a customer complaint, or an internal audit, actions outlined in the corrective plan are taken. Companies with strong CAPA plans can minimize incidents and react more quickly to product recalls.

What should a food recall plan include?

Don't be caught off guard when a product recall happens. According to Chris Williamson, NexTec VP of the Sage Practice Group, "Auditors want to see what is done when different high risk scenarios take place. They want to know how an organization ensures that steps are followed for corrective, as well as preventative, measures."

If a customer calls in a complaint, here is what you'll need to know:

- » What type of complaint is it?
- » Is it related to food safety?
- » Does it require an inspection (equipment, produced good, raw material, packaging, etc.)?
- » Is a product affected?
- » Is it still in inventory?
- » Does a product recall need to be initiated?
- » What are the next steps?
- » What is the audit process?



Prevent

A product recall often catches food manufacturers and distributors by surprise, making product recall preparation an even bigger priority. A thorough CAPA plan is your key to product recall preparation, but it's also a great tool in your prevention as well. The plan reduces the risk of product recalls overall, but further reduces product recall disruption and costs when a recall does occur. It is the company's roadmap to the product recall process covering everything from submitting information to the FDA, to notifying the public, to evaluating the product recall. Much of the information the FDA requires is compiled through traceability methods.

Conducting a mock product recall is another practical way to prevent product recalls and allows you to identify weaknesses before a catastrophe occurs. In addition to mock product recall drills, conducting periodic audits is a great tool to evaluate the effectiveness of your quality checks and whether they're consistently performed.

Another prevention suggestion is adherence to the global food safety standards recognized by the Global Food

Safety Initiative (GFSI). The GFSI provides resources for ongoing progress of food safety and food safety management programs. Suggestions for food safety efforts offered by the initiative include:

- » A frequent thorough cleaning and sanitation process
- » Effective use of Hazard Analysis Critical Control Point (HACCP)
- » Superior documentation and data capture process (Traceability)
- » Better training through the supply and distribution chain

Take action

When the FDA does issue a product recall, it's time to put your CAPA plan into action. The FDA will require in-depth product information including the manufacturer's name and information, the reason for the product recall and volume of food affected. The product recall submission process is much more navigable when tracking this expanse of data (traceability) is part of regular record keeping procedures. If you have a CAPA plan in place, then you will have the data you need.

The National Center for Food Protection and Defense further recommends:

- » Planning ahead for quick response times to a crisis, including establishing a crisis, including establishing a crisis communication network to facilitate communication
- » Communicating responsibly by forming partnerships with the public, acknowledging public concern and being open and honest
- » Mitigating harm by communicating compassion and providing suggestions for self-protection, being media accessible
- » Continual evaluation and updates to crisis plans



Your first line of defense? An ERP built for food and beverage companies

For many years, “traceability” meant an organization’s use of spreadsheets and manual record-keeping practices. Since then, regulatory compliance technology and tracking capabilities have improved and Enterprise Resource Planning (ERP) systems answered the call for help. The evolution of modern food and beverage ERP systems has given real-time access to business information making regulatory compliance and reporting fully attainable. Food distributors need to demonstrate their ability to track their products so data captured at each point in the supply chain must be accurate and readily available to provide an audit trail.

Transparency and control

A major factor of regulatory compliance is a food and beverage company’s transparency of business processes at every level - from acquiring the ingredients on one end to the consumer’s table on the other. Companies are in a better position to meet compliance guidelines and track material flow with an ERP offering RFID functionality. This enables the ability to locate inventory in real time and track product movement and expiration dates.

Quality control

In today’s compliance-regulated environment, traceability is a supply chain issue as much as it is a manufacturing one. ERP systems provide a framework for managing material product flow and tracking product issues in a timely manner so quality issues are discovered and remedied more quickly.

Data security

ERP systems provide many data security features including data encryption. Data encryption is an ERP’s security feature which translates data into secure code - the most effective way to achieve data security.

Continuous customer, supplier, and regulator demands are bringing challenges for food and beverage companies in need of a reliable ERP to protect themselves and stay profitable. An effective ERP solution with traceability, integrated CAPA plans, and product recall automation will go a long way to minimize the effects of a food crisis event and prevent further damage. It’s now more important than ever to implement a robust operations ERP that prevents crippling product recalls that can shut down your business and helps you respond to new consumer trends.

Test your product recall readiness

If your company is prepared to deal with a product recall, you’ll be able to answer “yes” to questions like these:

✓	Do you have a CAPA plan in place?
✓	Is your team trained to implement the plan at a moment’s notice?
✓	Are you in compliance with current FDA regulations?
✓	Are you tracking news about new regulations in the pipeline?
✓	Do you have automated systems in place and plans to handle a possible product recall?

NEXT STEPS



See FoodBusiness ERP
in action:

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About FoodBusiness ERP by NexTec Group

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