

GLOBAL FOOD SAFETY INITIATIVE

Background to the Development of Private Retailer Food Safety Schemes

April 2006

Global Food Safety Initiative Objectives

"Strengthening consumer confidence in the food bought in retail outlets"

GFSI aims to :

- implement and maintain a voluntary scheme to recognise and improve food safety standards (for retailer-label or "private label" products) world-wide
- facilitate mutual recognition between standard owners and
- work towards world-wide integrity and quality in the certification of standards and the accreditation of certifying bodies

A simple set of rules for standards, harmonised across countries, promoting efficiency and consistency in the supply chain

GFSI Recognised Standards

Post-Farm Gate Food Safety Management Standards

- BRC Version 4
- Dutch HACCP
- IFS Version 4
- SQF 2000 (January 2006 Version)

Pre-Farm Gate Food Safety Management Standards

- SQF 1000

Key Factors Driving The Development of Retailer Food Safety Management Schemes

- To assure product safety
- To meet legislative requirements and to ensure a margin of defence
- To provide brand protection and reputation for retailer-label products
- To promote business improvement and efficiency in the supply chain in a global context

Scope

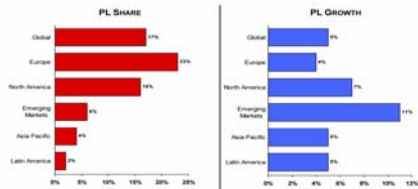
- Quality, corporate responsibility, environmental and sustainability requirements are not included in the scope – food safety only
- Developed for retailer-label products (specific legal obligations : retailer is the "producer" in this case)
- Developed to ensure appropriate food safety measures are in place and maintained (clarifies how suppliers can meet legislative requirements)
- Inclusion of other critical food safety requirements e.g. complaint handling, stock rotation and management of incidents

Characteristics

- Schemes are used on a voluntary basis
- Systematic process for the assessment of the compliance of suppliers within a defined internationally-recognised framework

Widespread Development of Retailer-Label Products

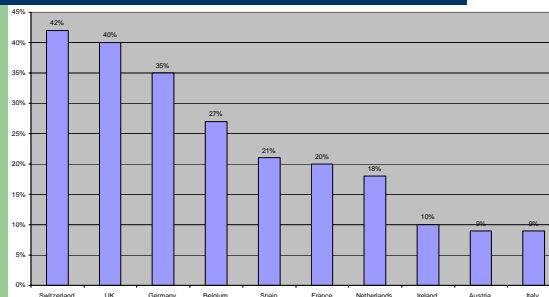
SHARE AND GROWTH RATES OF PRIVATE LABEL BY REGION (BASED ON VALUE SALES)



Source : ACNielsen Power of retailer own-brand products Study 2005

European Retailer-Label Products Market Share

Source: AC Nielsen and Citigroup Investment Research



Retailer-label products are forecast to continue to show impressive growth

A number of factors are working together to underpin the growing popularity and importance of retailer-label products to retailers:

- increasing price competition;
- the need for differentiation;
- a tool to strengthen customer loyalty;
- growing acceptance among consumers;
- worldwide sourcing opportunities;
- ability to choose from several suppliers;
- management of the supply chain.

Retailers across Europe move to third party auditing

- Continental European retailers are following the UK move towards greater market share of retailer-label products.
- Before BRC and IFS, each retailer had their own audit scheme (for retailer-label products) in place : one supplier had to pass several different retailer audits
- GFSI schemes are common audit schemes, used and recognised by many retailers instead of their own audit scheme to avoid duplication.

Principles of Private Food Safety Management Schemes

- Established to minimise duplication of evaluation, thereby minimising cost and ensuring consistency of approach
- Control and maintenance is reliant on an internationally recognised framework of accreditation
- Encourage 'local' evaluation
- Promote 'best practice' and continuous improvement
- Be open, transparent and compliant with fair trading legislation
- Direct stakeholder participation during development, continuous review and improvement of schemes

Meeting Legislative Requirements

Responsibility of the Food Business Operator under the General Food Law Regulation 178/2002 Article 17

"Food and feed business operators at all stages of production, processing and distribution within the businesses under their control **shall ensure** that foods or feeds satisfy the requirements of food law which are relevant to their activities and shall **verify that such requirements are met.**"

Meeting Legislative Requirements

Specific responsibility of retailers for “retailer-label products” under General Product Safety Directive Article 2) :

“Producer shall mean [...] any other person representing himself as the manufacturer by affixing to the product his name, trade mark or other distinctive mark”

Meeting Legislative Requirements

The UK Food Safety Act 1990

“...it shall...be a defence for the person charged to prove that he took all reasonable precautions and exercised all due diligence to avoid the commission of the offence by himself or by a person under his control”

Meeting Legislative Requirements

Imports - Responsibility of the Food Business Operator under the General Food Law Regulation 178/2002 Article 11:

“Food and feed imported to the Community for placing on the market within the Community shall comply with the relevant requirements of food law...”

Meeting Legislative Requirements

Regulation EC 852/2004 The Hygiene of Foodstuffs

Lays down the general rules for food business operators on the hygiene of foodstuffs, taking particular account of the following principles:

- a) primary responsibility for food safety rests with the food business operator
- b) general implementation of procedures based on the **HACCP principles**, together with the application of **good hygiene practices**
- c) imported foods are of at least the same hygiene standard as food produced in the Community, or are of an equivalent standard.

The Relationship Between Private Food Safety Management Schemes and Regulation

Private Food Safety Management Schemes

- Do not conflict with regulatory requirements
- Translate regulatory and enforcement requirements into clear, well-defined measures
- Enhance the understanding of legislative requirements for markets where the product is sold
- Promote uniform interpretation of legal requirements
- Are regularly updated to reflect legislative change and define best practice such as technology and knowledge advance
- Are well established and understood by suppliers

Case law dictates that a food business operator cannot rely on competent authority control measures to satisfy their legal obligations

Consumer Demand & Expectations

- Product safety, quality and consistency is essential within a highly competitive sector, irrespective of product source
- Numerous food scares (Dioxin/BSE etc) which significantly affect consumer confidence
- Highly diverse product ranges and continual new product development

Communication

- In general, when issues arise, retailers can provide competent authorities and consumers with appropriate information.
- There are no direct consumer issues as the use and implications of food safety schemes are 'invisible' to the final customer.
- Retailer schemes are exclusively BtoB tools, with no communication to the consumer – no logo on the label, no in-store or external communication.

Proliferation of Private Schemes ?

- Over the last 5 years, virtually all European retailers and many non-European retailers have moved from multiple, individual, private internal schemes to using one of four recognised schemes which provide a consistent, comparable and harmonised approach to food safety of retailer-label products.
- Gradual move towards harmonisation of food safety requirements in food safety management schemes through collaborative efforts within the food sector.

Opportunities for Suppliers through the use of Private Food Safety Schemes

- Provide benchmarked requirements for all suppliers ensuring a 'level playing field' globally
- A strong move towards harmonisation, reducing multiple and divergent schemes and audits from individual retailers
- The certification process proactively improves food safety and knowledge of legislative requirements
- Used to promote and enhance food safety
- Suppliers recognise the advantages to their operation of gaining certification

Cost of compliance

- Private schemes are a comprehensive tool to implement legal requirements providing a harmonised, consistent approach and clarity. Consequently, the cost to adhere to legal requirements through the use of these schemes cannot be perceived as additional.
- Private schemes enhance the understanding of legislative requirements in EU markets, helping operators in DCs comply with European legislation.
- Private food safety schemes have decreased audit tourism and audit costs leading to competitive consumer prices for retailer-label products.

Barriers to market or facilitating trade?

- Provide compliant suppliers with access to new markets and customers
- Figures on how many certificates actually issued in DCS over 2005 compared to 2004
- Little impact on smallholders :
 - primary producers are not directly affected by processing schemes
 - Small manufacturers are not affected by retailer-label common schemes like BRC/IFS (where specific relationships exist i.e. only one retailer client)

Opening Markets

'The picture for developing countries as a whole is not necessarily problematic and certainly less pessimistic than the mainstream "standards-as-barriers" perspective. Indeed, rising standards serve to accentuate underlying supply chain strengths and weaknesses and thus impact differently on the competitive position of individual countries and distinct market participants. Some countries and industries are even using high quality and safety standards to successfully (re-)position themselves in competitive global markets.'

Jaffe & Henson
Standards and Agro-Food Exports from Developing Countries:
Rebalancing the Debate (June 2004)