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FRESH FOOD: Produce: Tracking the Transition to Traceability

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-By Meg Major

Traceability has been a front-and-center issue for produce trading partners for the past four years. But a series of high-profile recalls, both inside and outside the produce domain, has turned traceability into one of the most significant industry issues since the birth of scanning in 1974.

While the produce sector has for the most part single-handedly led the charge, the need for harmonized traceability standards applies to far more than fruit and vegetables. The industry needs a uniform, all-encompassing system that can be easily activated in the event of a product recall, built on a platform that elevates transparency, improves operational efficiencies, enhances communication and increases trust in brands throughout the store.

The good news for the grocery industry at large is that the produce industry's leading trade groups — the United Fresh Produce Association (United Fresh), the Produce Marketing Association (PMA) and the Canadian Produce Marketing Association (CPMA) — have already expended untold amounts of time, resources and sweat equity crafting, facilitating and executing a blueprint for new traceability measures for the fresh produce supply chain via the Produce Traceability Initiative (PTI). Unveiled in October 2008, the PTI's detailed action plan aims to move the supply chain to a common standard for electronic traceability by the end of 2012.

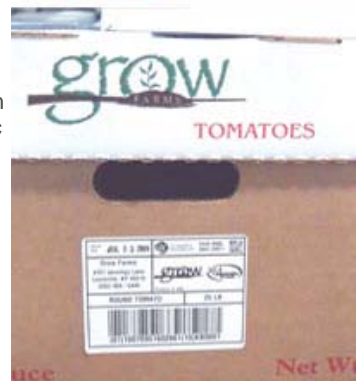
The underpinnings of the plan are a standardized system of case-level bar-coding for all produce sold in the United States, to yield an efficient means of locating an item at any point in the supply chain while pinpointing its origin and identifying any stops it might have made along the way. PTI's platform will further enable all parties along the global supply pipeline — including local, state and federal agencies — to quickly identify and, if need be, isolate specific lots of fruits or vegetables when a recall alarm bell sounds, and swiftly remove the questionable items from the distribution pipeline. The adjunct information built into a fluid traceability system will also enhance product transparency with country of origin, organic production methods and pre- and post-harvest practices — information that an increasingly large base of consumers is demanding.

Such a standardized rapid-recall system will additionally maximize the effectiveness of the industry's current traceback procedures, vastly expediting the recall process and theoretically mitigating the resulting public health and potential economic impacts.

As PMA president Bryan Silbermann noted when the PTI was first unveiled: "Our food safety system is not complete without a more robust and quicker ability to rapidly recall our products and trace their history. The issue of how to have improved produce traceability is not about the technology; it's about changing our business practices. Effective traceability must be a business imperative for everyone in our industry."

While Silbermann's last reference was directed primarily toward members of the fresh produce community, end-user retail customers, as well as other fresh food sectors, including the meat, deli and bakery categories, also have a vested interest in a successful outcome of new traceability standards.

At the epicenter of the PTI's integrated action plan are three pieces of information commonly referred to as "GS1 databar standards": (1) a Global Trade Item Number (GTIN), which will identify the brand owner of the product and the contents within the specific case; (2) the lot number; and (3) the harvest or pack date. Analogous to UPCs, the three pieces of bar-coded information will be affixed on each case and intelligible to the human eye. In the same way that a baton is passed by one runner in a relay race to the



next, the three pieces of information provide a unique identification of the products as they move through the global supply chain.

Unlike other food industries, the produce marketing chain has long been required to maintain records since the 1930 passage of the Perishable Agricultural Commodities Act (PACA). The Bioterrorism Act of 2002 added another layer of record-keeping requirements, mandating a "one step forward" and "one step backward" paper trail for produce handlers. The Food and Drug Administration (FDA) last year commissioned the Institute of Food Technologists (IFT) to study and draft its own traceability proposal, which was released last November and generally supports the direction and methodology of the PTI, notwithstanding suggestions that call for even deeper information such as lot number, product specificity and item-level traceability.

While the specter of government mandates, which may or may not take into consideration the full scope of the dynamic nature of the produce supply chain, linger in tandem with the Obama administration's Food Safety Enhancement Act that is expected to include traceability requirements, the idea that GS1 standards will make traceability systems possible on a global scale — regardless of how many companies are involved or how many borders are crossed — has provided ample impetus for several major producers, retailers and foodservice companies to throw their full support behind the PTI. (See the related sidebar below of companies that have signed on to support PTI.)

Although the plan continues to pick up steam with each passing month, it's also drawn its share of fire from some members of the produce community in light of cost concerns primarily related to the adjunct startup and maintenance expenses, bottlenecks that could arise when attempting to read and store the requisite information on all outbound/inbound cases, and potential legislation that could further alter the plan, among other issues.

Foot-draggers Beware

"While we are very supportive of food safety legislation before Congress — we've been lobbying for such legislation for a few years now — it has had the unfortunate side effect of causing some industry members to adopt a wait-and-see attitude as to how FDA will respond to the legislation's call for traceability systems," explains PMA spokeswoman Julia Stewart. "While we can't presume to know what FDA will decide, we've been urging them for several years now to look at the PTI as the model to follow: it's efficient, it's effective, and it's already in the process of being implemented across the supply chain."

What's more, she adds, "We're hearing strong interest in more [calls] for education regarding the PTI, particularly around the questions of 'Why the PTI,' 'Why now?' and 'How can we make this happen?'" To that end, Stewart says that PMA, United Fresh and CPMA are planning to present plenty of education and outreach opportunities for the trade throughout the year to further the momentum, including traceability-themed regional Fresh Connections events, traceability learning centers on the show floors of both PMA and United Fresh, and continued communication through a dedicated Web site.

In the interim, Stewart says PTI adoption "is moving along faster with some folks than with others. It is really quite amazing to see how an industry comes together to overcome challenges," which are part and parcel of a transition of this magnitude.

Much of the pushback to PTI largely centers on "what is believed to be the infrastructure or operating costs to capture every case and pallet," according to Nelson Longenecker, VP of business innovations for Ephrata, Pa.-based Four Seasons Produce, Inc. "While our company is pretty well positioned" to heed the call, "I don't think every handler of produce in the country is in the same position," he says, noting the role the economic downturn has likely had on some players' ability to devote the necessary resources to fund capital projects such as the PTI.

However, in the same vein as ignoring a nagging potential insurance risk, Longenecker believes a pay-it-forward approach is a far better — and, indeed, far safer — bet in the long run. "There are some huge benefits" that accompany standardized traceability, he explains, foremost of which is the invaluable ability to "clearly identify the source of a problem and avoid implicating broader parts of the industry."

Without that, he continues, "You've just got to hope you're not caught in the crossfire when something happens. It's just not the way we're going to survive as an industry long-term. It's almost the reverse of playing the lottery for a grower or a distributor that's hoping an outbreak doesn't hit the products they handle." But as recent history depicts, Longenecker observes, "It's just a matter of time until something crops up, and everybody is painted with the tar" of a patchwork traceback system. "While other priorities have clearly come to the fore with a slower economy," he adds, "the reality is, this isn't going away."

'A Necessary First Step'

As one of the largest independent produce wholesalers in the country, Four Seasons has been directly involved in the development of the PTI as an early adopter. "We are very proactive within an industry that is still rather fragmented in a variety of ways," says Longenecker, noting that acceptance of the PTI among Four Seasons' customer base differs from company to company. "For some, it's not a huge step, but others still haven't budged."

Four Seasons' interest in driving case-level traceability via the PTI, he continues, follows a long history of proactive industry involvement for the produce distributor, which has also striven mightily to stay on the cutting edge of change. Having made

consistent, significant investments in technology, infrastructure and talent, the company employs such features as voice-activated picking technology and sophisticated labor management systems in its high-tech warehouse that not only yield higher productivity, but also reduced costs and laser-sharp inventory management.

Armed with "a very clear identification of our processes and products, we can do an internal traceback within minutes," notes Longenecker, which in turn, shines a brilliant spotlight on "the value of being able to do it on an industrywide basis."

While the PTI represents "a necessary first-step template to work from, pending further regulatory changes," Longenecker also views the plan as a significant step toward a common industry standard, "which, in my opinion, is sorely needed. We don't have common product identifications in produce like there are in CPG industries, so that really hampers folks from 'proving their innocence' when an issue arises. The challenge is to do it in a way that doesn't incur major costs, and there are obviously a number of issues that need to be addressed, either by PTI or other groups. It's a significant investment if folks don't have a company prefix, or systems to capture and forward the data accordingly to their trading partners. Fortunately, we're in a position of working with a strong partner, ProducePro, to build a traceability platform alongside of our own database."

Having surpassed the first and second PTI milestones while continuing to refine the third, Four Seasons is committed to studying the tools and processes to implement the rest of the milestones in due course, says Longenecker, adding that the new front end checkstand registers that retailers will need to implement in the next few years to handle new coupon standards will be the same registers equipped to scan databars.

While databar tests validate their effectiveness in reducing shrink and accuracy of prices, as well as being a great tool for category management, there are still two pieces of the equation — item-level and case-level — that need to be reconciled, the latter of which Longenecker says represents a significant cost hurdle that will have to be overcome somehow.

"While I don't have all the answers, one thought I have is that if an equal amount of work can be addressed to take the case-level databar to item-level traceability, I find myself wondering at times if that isn't going to be the better investment to make before others," says Longenecker. "Item level really allows you to know where the product came from, and control where it's at in the marketplace. So having item-level control could be another way of approaching this, and I'm not sure there's been enough full discussion around this topic."

Regardless, says Longenecker, "The industry must remain proactive, because we really need a common language," which is not to say that "we should force people to go to one system. But certainly, a common numerical system is necessary to help the FDA do their job. Otherwise, cumbersome regulations might be forced on us, [which] will make it more problematic. I further fear that those who are not aboard and who are dragging their heels to avoid committing will be eventually forced to comply," or, worse yet, be out of business.

"There is a very clear mandate that has come, not only from FDA, but also from the largest players in the industry, that says, "We are committed to food safety, these are the requirements, and we will not purchase from companies that don't meet them as of a certain date," says Longenecker. Even so, he continues, "The benefits of standardized traceability, in my opinion, are vastly underestimated. It's like a big ghost out there that has people feeling that they're going to spend all this money and not gain any benefits."

Instead, he urges: "Let's focus on the great flavor and health benefits of our products vs. facing another media storm over the latest issue. I don't think folks understand how much standardized traceability can drive a higher volume of business and build better business relationships, because having a clear idea of what you're shipping, and who you're shipping it to, is just so valuable. We've seen it just from the standpoint of having better accuracy within our own operation, through some of the changes we've made, so here again, the folks that are dragging their heels are vastly underestimating both the need for, and the resulting benefits of, getting on board."

Kroger's Traceability Commitment

At presstime, debate had surfaced about a potential stall with the PTI. "However, there's actually been a great deal of progress, if you look under the hood," notes Elliott Grant, CMO and founder of Redwood City, Calif.-based YottaMark, whose PTI-compliant HarvestMark traceability solution is in place with more than 100 produce brands and over 1 billion items.

Last fall, The Kroger Co. tapped HarvestMark to help spearhead its leadership role in providing customers with an easy way to learn more about the origin of the fresh produce used in its Fresh Selections signature-brand pre-washed, ready-to-serve packaged salad line available in the produce departments of its 2,470 supermarkets in 31 states. The proprietary fresh salad line includes the HarvestMark technology on the packaging, enabling customers to learn where the produce was grown as part of the Cincinnati-based grocery chain's "Quality You Can Trace" program.

Priced from \$.99 to \$4.99, Kroger's Fresh Selections are thus far the only salad line in the nation to employ HarvestMark technology, which furnishes a unique 16-digit code on each salad bag to permit shoppers to learn more about the salad's origin, packing location, ingredients, and date and time of packing, as well as offering an outlet for online feedback at

HarvestMark.com.

With the next PTI milestone officially slated to be achieved by September 2010, several retailers are already gearing up for the sixth and seventh PTI milestones, notes Grant, adding that while they have a year or two before the compliance deadline, several are already looking at how to adapt their warehouse management systems to support the program.

Nevertheless, "It's not all plain sailing," says Grant, citing field-packing and assigning GTINs as two key roadblocks. "Applying PTI requirements to field-packed produce," which he says accounts for 10 percent to 15 percent of production by volume, "poses challenges in printing and labeling cases in the field. Adoption has been slower in this category due to the additional complexity, labor and equipment cost."

However, Grant says some growers are using this "as an opportunity to grab a bundle of in-field efficiency improvements, such as labor data collection, field input data collection, and product visibility at the same time as traceability." As an example of this, he notes the field-pack solution HarvestMark's team developed to create a commensurate platform.

Hidden complexities are also detected with GTIN assignments that Grant describes as both "confusing and frustrating. Do different brands from the same shipper need different GTINs for the same item? Does a co-packer use its GS1 prefix or the customer's? How is organic distinguished from conventional product? Is it permissible to use packaging levels 2 through 8? What's the relationship between the GTIN on the databar, and the GTIN for the case?"

These are hardly easy questions, Grant readily acknowledges, but they're hardly insurmountable.

Editor's Note: For answers to questions raised in this article and elsewhere, be sure to visit the Traceability Demo Center, expanded this year to include logistics and other supply chain solutions, on the show floor of the United Fresh 2010 event on tap for April 20 through April 23 at the Sands Expo & Convention Center in Las Vegas.

"Given the importance of food safety within the fresh produce industry, the Food Safety and Research Demo Center became a must at this year's show," said Dr. David Gombas, United Fresh SVP of food safety and technology. "Visitors to the center will be able to learn about advances in best practices, audit harmonization, pending legislation and more, all in one stop."

The Food Safety and Research Demo Center wouldn't be possible were it not for the level of success enjoyed by its traceability counterpart at last year's United Fresh show, adds United Fresh VP of supply chain management Dan Vache. Pointing to "a resounding turnout and reception at last year's center, its return in 2010 was a natural decision," says Vache, noting the continued progress the industry is making with traceability, including the fulfillment of the first three milestones of the Produce Traceability Initiative (PTI).

Other new features on tap for the upcoming installment of United Fresh 2010 include a Food Safety & Research Pavilion showcasing food safety solutions for growers and retailers, and the Global Conference on Produce Sustainability, hosted immediately after United Fresh 2010 by the association's new Center for Global Produce Sustainability.

For more information, or to register, visit www.unitedfresh.org or call 202-303-3400.