



Food-Chain Traceability Rules: Headache or Golden Opportunity?

Food and beverage exporters that are unprepared for evolving global supply chain traceability rules not only run the risk of being prevented from trading in certain geographies—they may also miss the boat on new business and marketing opportunities.

One of the biggest issues in the food and beverage industry today is that of food safety and quality. As a result of growing concerns about food contamination risks, threats of bioterrorism and other food-related health and ethical issues, tougher standards are being implemented globally that are redefining the way imports enter some countries.

Like the U.S., the EU is increasing its emphasis on food safety and quality in an attempt to guarantee the integrity of food and agribusiness supply chains. As part of these efforts, the EU introduced tougher traceability measures that became law in 2005. The new law has implications for many food and beverage producers outside the EU who generate millions of dollars of exporting to the EU each year.

Elements of the EU legislation require any food company operating within, or exporting to, the EU to be able to trace and provide details about the movement of animals, ingredients and products at every stage across its supply chain, from production and processing through to distribution, on an on-demand basis.

This is no easy task when you consider how many parties are usually involved in the production of each final product. A farmer providing fruit to a packinghouse must register all the treatments used in growing the fruit, then register the details of how and when the crop was harvested. He or she must then report where and for what period of time it was stored, and all the freight company details involved in transporting the produce to the packing shed—a great deal of information before processing has even begun!

How many companies are confident that their supply chains can react promptly enough? Certainly some food industry sectors are more advanced—particularly the meat and livestock sectors and major retailers—but many others are not yet so well developed.

Some resource-constrained businesses may consider compliance with these new traceability regulations to be too difficult or expensive, and decide to simply withdraw from the affected markets. For businesses that rely heavily on international trade, though, market withdrawal will not be a feasible option. In such cases, strict requirements to be able to retrieve information within a finite number of working hours will make a technology-based trace solution all but mandatory.



Several trace-enabling technologies are gaining increasing attention right now, including concepts such as radio frequency identity tags (RFID), which involves tagging products or containers to record logistical movements and capture information such as environmental conditions. This data is then stored in databases that can be searched via a new generation of web browser-based traceability software, such as Lawson M3 Trace Engine. Some collaborative supply chain applications—including the Lawson solution—enable disparate computer systems to deposit transactions into a single repository and provide Internet-based viewing capability that encompasses all stages in a supply chain.

While regulatory requirements are a pressing issue, they are not the only reason why tracing techniques are beginning to generate such interest. Far from being just a time- and resource-consuming compulsory exercise that diverts the attention of the business away from day-to-day concerns, enhancing traceability capabilities also offers a new marketing opportunity for businesses to establish product differentiation, boost client loyalty and ultimately improve profits.

How often have you seen supermarket shelves stacked with products promoting “free range” origins and “fat free” content? Growing consumer demand for “clean and green” products and information on food sources makes traceability a golden opportunity to build business and brand differentiators. For example, U.K. retail giant Sainsbury has introduced and promoted greater transparency across its organic food chain, enabling customers to trace the origin of all of its domestic and worldwide organic produce back to the farm on which it was grown.

Lawson believes that greater transparency across supply-side management processes can also enhance operational efficiencies across an organization. This is done by streamlining areas such as inventory management, improving access to information that can reduce the impact and costs associated with issues such as product recalls, and improving collaboration and relationships with trading partners.

There is no doubt about it—emerging regulations will place greater accountability on those companies involved in the international food chain. However, investment in more effective traceability capabilities should also be viewed as an integral part of running a successful food export business, not simply as a compliance issue and financial burden.

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