

Adviser

Irish Pork Recall

December 2008



On Sunday 7th December, the Irish Government announced that it is recalling all pork products made in the Irish Republic since September 2008 after dioxins were found in slaughtered pigs that are thought to have eaten contaminated feed. This latest recall highlights the risk in the global food chain and emphasises the need for a robust product recall strategy.

Following the announcement that all Irish pork produced since September this year is to be recalled, reports suggest that Irish pig producers are facing costs in excess of 100 million euros. This large scale food recall highlights the risks in an increasingly global food chain. The facts:

- The Food Safety Authority of Ireland (FSAI) has announced the recall from the market of all Irish pork products produced from pigs slaughtered in the Republic of Ireland since 1st September 2008. The recall was triggered by the discovery of dioxins in the meat at between 80 and 200 times the safe limit. This recall includes all raw and cooked pork and bacon products such as sausages, ham, pate and gammon steaks.
- The Foods Standards Agency in the UK has advised consumers not to eat pork or pork products from both the Republic of Ireland and Northern Ireland. The FSA is investigating the extent of the contamination in the UK.
- Dioxins are toxic chemicals that can cause cancer in humans. However the human health risk from this contamination is believed to be low as adverse health effects are only likely if people are exposed to relatively high levels of dioxins for long periods of time (up to 30 to 40 years).
- Initial reports have traced the contamination to an animal feed producer which converts unused bakery products into pig meal. This recall is a precautionary measure due to the possible extent of the contamination. During the next few days and weeks product will be released onto the market by the Irish authorities if it can be shown that it comes from pigs not fed with contaminated feed.
- Some of the latest reports suggest that a small number of cattle farms are also affected. The cattle at these farms are believed to have tested positive for dioxins but currently at a very low level.

Product recalls are extremely costly and the damage can be devastating to a company's reputation and profitability. To minimise potential liability and financial damage, organisations need to be proactive and have systems in place to protect their consumers. Companies need to manage food safety risks across their supply chain.

Recommended action

Product risk checklist

Marsh recommends that companies consider the following key elements when developing best practice recall strategy (based on a Marsh proprietary approach to recall readiness):

Product Recall Procedures:

Having written and tested recall procedures available for use during an incident will ensure speed and efficiency in handling the fast-moving situation. In a survey conducted by Marsh in the summer of 2008 approximately two-thirds of the respondents had no crisis or recall procedures in place. The remaining one third had not tested or reviewed their procedures in over six months.

Consider

- do you have written product recall procedures in place?
- have the procedures been reviewed by a third party or their effectiveness tested via a mock recall simulation?

For those companies affected by this recall the procedures should already be in operation and Marsh recommends that a post-mortem should be carried out after the recall to assess their effectiveness and implement any lessons.

Traceability:

Rapid and effective detection of affected products can significantly reduce the impact of any incident due to being able to locate and isolate only affected product, possibly prior to leaving the manufacturers' control.

Consider

- do you have appropriate systems in place to enable rapid detection of both components and finished products upstream and downstream in your supply chain?

Marsh recommends that all organisations using or selling pork products should review production and sales records to establish if any affected product has been used or sold by them. If product is identified then this must be recalled and isolated immediately.

Product Disposal:

In the event of an incident it is critical that all affected product is isolated and disposed of within legal requirements to guarantee that potentially unsafe product does not end up back in the consumers' hands.

Consider

- how do you ensure that all contaminated product is isolated and disposed of to prevent re-entry to the supply chain?

For organisations with affected product they should follow guidelines provided by the Irish government and regulatory authorities for safe disposal. Environmental Health Officers (EHOs) are assisting with the withdrawal process.

Testing:

The existence of validated and appropriate levels of product safety and quality testing is essential to prevent unsafe or inferior quality products reaching the end-consumer. Approximately 60% of the respondents in the survey had experienced potential quality and safety issues of products in the market and many of these issues may have been caught earlier if appropriate testing methodology had been adopted.

Consider

- what testing regimes are used both during standard operation and in the event of an incident for raw materials and finished product?
- how do you ensure that tests for potential new contaminants are incorporated into the standard regime?

Issue Escalation:

Once an issue has been identified, information needs to be gathered and transferred to the appropriate person as quickly as possible to ensure decisions are made to protect consumers and ultimately the company reputation. According to the survey only 40% of respondents had dedicated resource to manage product risk or a recall taskforce in place with pre-identified roles and responsibilities.

Consider

- how do you ensure that the time between the discovery of an issue and making of a decision is optimised for the protection of your consumers?

Contaminated product insurance

Food and beverage contamination insurance is available to organisations to cover both the direct and indirect costs of a recall. This is first party insurance triggered by either accidental or malicious contamination leading to or causing the possibility of bodily injury. This will cover costs such as the physical recall of the product, product replacement, loss of sales revenue up to 12 months, brand rehabilitation expenses and costs of crisis consultants.

However the terms of the insurance are that the product must make somebody sick or damage property within 120 days from the point of consumption. There is also an exclusion clause for contamination by a carcinogen. Therefore the nature of the Irish Pork recall would not be covered by an insurance policy.

Supply chain risk assessment

This recall has emphasised the importance of understanding the risks not only in the immediate supply chain but also those of suppliers and their suppliers. Initial reports suggest that the origin of the contamination has been traced to a single animal feed producer who supplied up to 40 farms across Ireland with the contaminated feed subsequently eaten by the pigs and transformed into products which may have been shipped to 25 countries across Europe.

In order to understand the full extent and impact that single events can have on supply chains Marsh recommends that organisations use a structured approach to identify the vulnerabilities throughout key suppliers, logistics partners and other constituents of the supply chain.

Consider

- who are your key suppliers and who are their key suppliers?
- what methods do you use to approve and manage supplier performance?
- what are the risk exposures within the supply chain and what treatment options are available?

How Marsh can help

Marsh can help clients to prevent product recalls and liability claims through developing best practice product risk management including the implementation of comprehensive product recall strategy incorporating an effective recall plan in addition to procedures to minimise the likelihood and scope of a recall. Our close synergy with the Supply Chain team and our Reputational Risk and Crisis Management team means that we can help our clients to identify vulnerabilities and key exposures throughout the supply chain and to protect and preserve their reputation and brand at times of a crisis.

For further information on how Marsh advises clients in effective product recall strategy or supply chain risk assessment please contact your client executive or speak directly to:

Hester Shaw
Consultant
Product Risk
0207 357 5652

Will Bruce
Principal Consultant
Supply Chain Risk Management
0207 357 2429

The information contained in this publication provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues.

This document or any portion of the information it contains may not be copied or reproduced in any form without the permission of Marsh Ltd, except that clients of Marsh Ltd need not obtain such permission when using this report for their internal purposes.

Marsh Ltd
Registered Number: 01507274 England
Registered Office: 1 Tower Place West, Tower Place, London, EC3R 5BU

Marsh Ltd is authorised and regulated by the Financial Services Authority for insurance mediation activities only.

© Copyright 2008 Marsh Ltd All rights reserved