

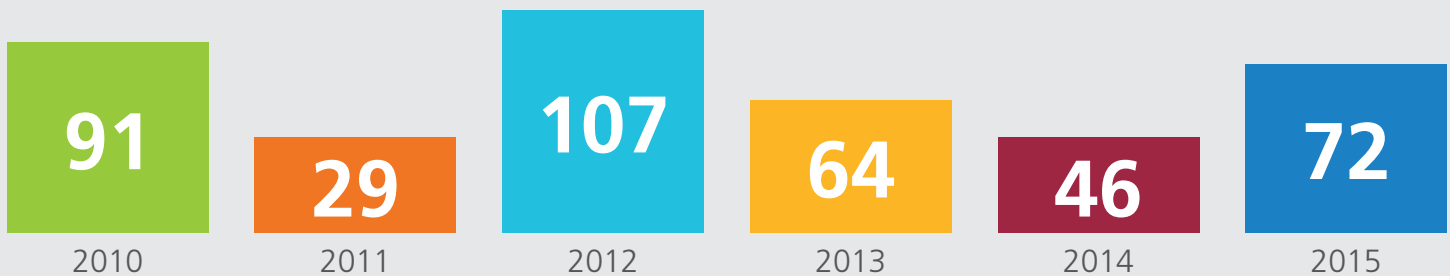
As the market grows increasingly more global, companies face a complex patchwork of regulations

Recalls are a significant issue within the nut industry. Over the last five years, there have been more than 400 recalls of nuts and nut products, affecting more than 340 companies and accounting for over 12 percent of FDA food recalls.

These recalls occur despite the number of regulations the nut industry faces, including mandatory allergen labeling of products containing tree nuts and new Food Safety Modernization Act (FSMA) regulations. Under FSMA, food manufacturers must maintain a written food safety plan, identify potential hazards, and implement preventative measures to control them. They are also required to monitor those controls closely and maintain records of regular monitoring practices.

But it isn't just guidelines within the U.S. As the market grows increasingly more global, companies face a complex patchwork of regulations. For example, sesame seeds are included in labeling requirements in Europe, Canada, and Australia – but not in the U.S., despite the fact that an estimated 500,000 Americans are allergic to the ingredient. This increasing regulatory complexity makes recall readiness more important than ever.

## Number of Nut Recalls by Year



## Top 5 Causes by Units from 2010-2015



# Crisis Prevention & Preparation

Of course, the best case scenario for any company is to prevent a crisis from ever happening. While there are no foolproof methods, following best practices can help minimize the possibility.

Companies should evaluate their procedures and how they stack up against all regulations, including FSMA. It's also crucial to examine the entire supply chain to prevent any weak link from causing a costly recall.

While crisis prevention is critical, companies should also take steps to mitigate their risk in the event a recall does occur. Developing a recall plan that designates an internal recall coordinator and testing that plan regularly can ensure any recall is managed as smoothly as possible.

Companies should consider investing in product contamination insurance to safeguard against the potentially detrimental financial damage a recall can cause. Finally, they should have copies of recall plans from partners, suppliers, and vendors on hand at all times.

## Managing an Event

Organizations that take swift action in putting their recall plan into effect are best positioned to mitigate risk and prevent irreparable brand damage.

To do that, companies must understand the regulatory environment, effectively communicate the recall to those affected, choose the right remedy, and close out the recall as quickly as possible.

Companies must alert distributors, wholesalers, retailers, customers, and other stakeholders in order to ensure affected product is no longer sold. Depending on the level of severity, a news release may also be required to notify the public. Sample press releases are available for specific recall causes, including salmonella and undeclared allergens. The FDA classifies recalls in three categories, based on the level of danger they present:

- Class I: Dangerous or defective products that predictably could cause serious health problems or death. Examples include: food found to contain botulinum toxin and food with undeclared allergens.
- Class II: Products that might cause a temporary health problem, or pose only a slight threat of a serious nature.
- Class III: Products that are unlikely to cause any adverse health reaction, but that violate FDA labeling or manufacturing laws.

Once a recall has been announced, it is important to have an effective means of responding to consumer questions, including a well-staffed contact center and a dedicated website. A third party may be required to assist with this, depending on the scope of the issue. Customers should be advised of what action they should take and informed of what the remedy will be, such as a reimbursement or refund.

Companies must also consider how they will handle returned product so it is never combined with unaffected product, inadvertently reentering the marketplace. Once products are returned, documenting and disposing of them in a sustainable and compliant manner is critical to effective recall management. Only then can companies close out the recall with regulatory bodies.

# Potential Consequences

Mismanaging a recall can have serious consequences for a company's brand and bottom line, including:

- Regulatory fines
- Civil lawsuits
- Criminal prosecutions
- Loss of customer trust and loyalty
- Charge backs and other fees incurred from retailers

With so much at stake, it is important that companies understand the most common causes of recalls within their industry, keep up-to-date with the changing regulatory environment, and prepare for the likelihood of a recall by developing a comprehensive plan.

