

ASTA 2007 Annual Meeting & 100th Anniversary Celebration

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Ritz-Carlton, Laguna Niguel, Dana Point, California



The European spice trader: picking up nickels in front of a steamroller?

by Milan Shah, President, The International General Produce Association





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Picking up nickels in front of a steamroller?



- Why nickels and not dollar bills?
- Trading margins are being squeezed
- Pressure from retailers for deflationary supply chain
- Volatility of raw material spice costs
- Increased costs of raw material spices to tighter quality specifications
- Increase in other costs of trading



Increased costs of trading

- Sampling and analysis
 - Regulation 401/2006
- Shipping rates and surcharges
- Official controls high risk list
 - Article 15(5), Regulation 882/2004
- Insurance premiums
- Security amendment to Community Customs Code
 - Regulation 648/2005; TAXUD/2006/1450
- Retailer standards
 - British Retail Consortium
- Currency risk

Picking up nickels in front of a steamroller?



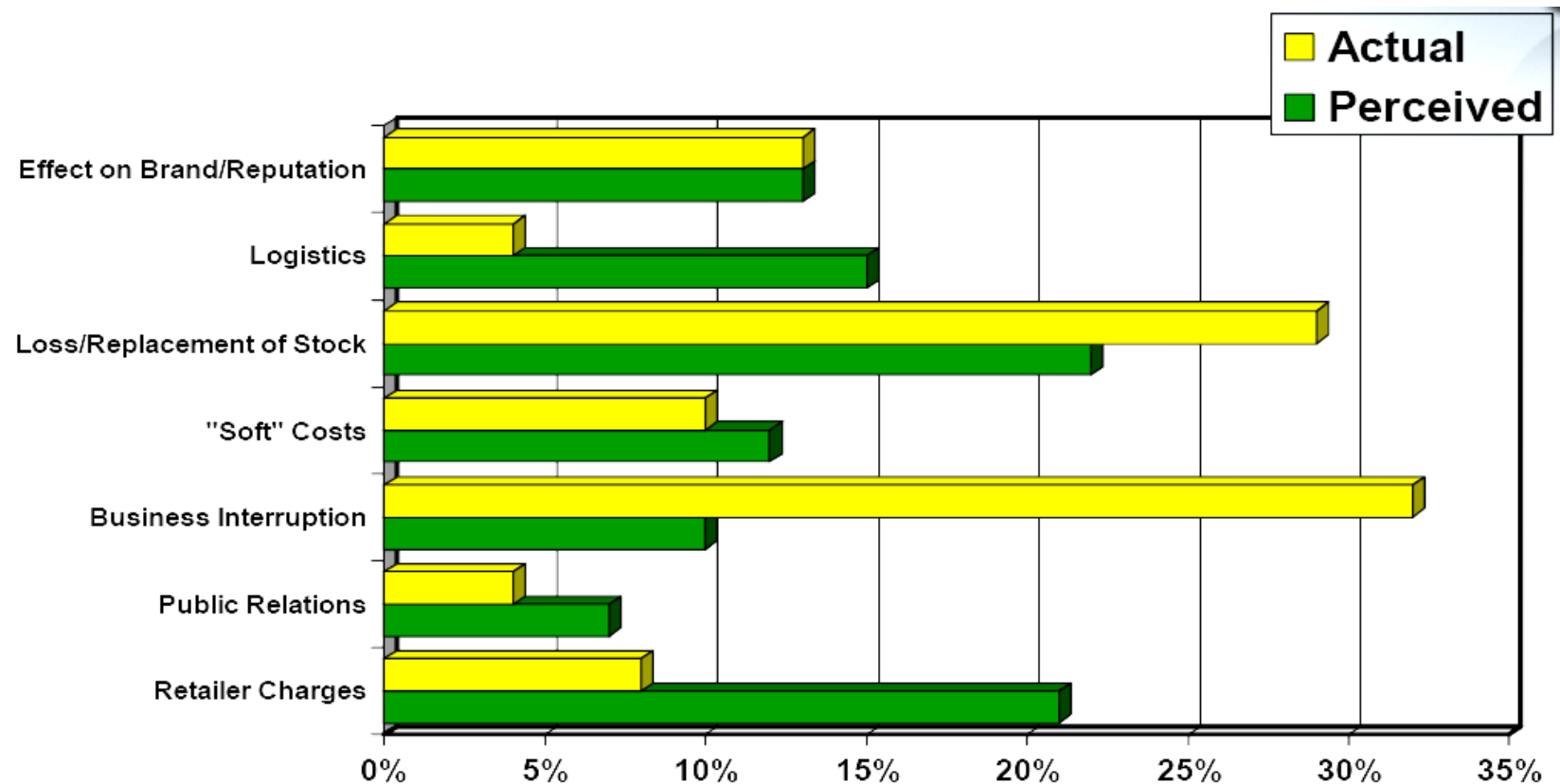
- **Pattern:** a long series of small gains, punctuated by the occasional wipe-out
- **Cause:** focus on a reliable trickle of profits, ignoring the underlying risks inherent in the position
- Key under-estimated risk: product recall liability



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Product recalls – the actual costs



Source: Sterling Reed, Ltd 2002-2004

Herbs & spices notifications

2003 Total 113

Alert 44

Information 69

2004 Total 228

Alert 103

Information 130

2005 Total 308

Alert 109

Information 199

Rapid Alert System for Food & Feed

Annual Report 2005

Alert = immediate action needs to be taken to remove product from sale

Information = action has already been taken to remove product from sale

Product recall liability

- “If a food business operator considers or has reason to believe that a food which it has imported...is **not in compliance with the food safety requirements**, it shall immediately initiate procedures to withdraw the food in question from the market...and inform the competent authorities thereof.” article 19, Regulation EC 178/2002

Withdraw = food is removed from the supply chain up to and including the retail stage

Recall = food is withdrawn from the market and consumers are asked to return or destroy the product

Principles for Preventing and Responding to Food Incidents, FSA, March 2007

Spice related recalls

To recall or not to recall?

- decisions based on:
 - false positive tests results
 - absence of explicit rejection threshold (a.l.a.r.p.)
 - differing sampling protocols or analysis methodologies
- “not in compliance with food safety requirements” – who decides?

Insurance wording...

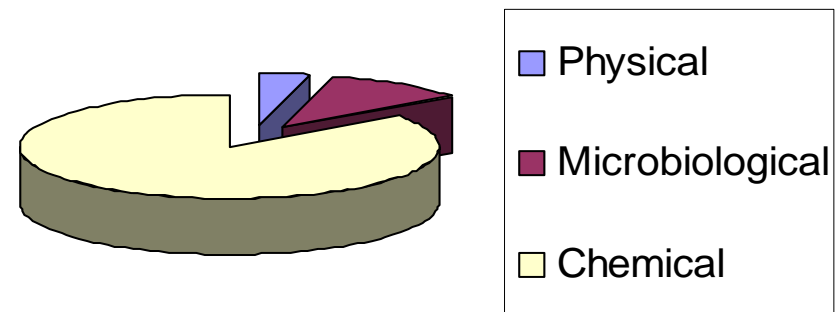
- “exclusion of “recall where forced upon the Insured by Government or Public Authority which would not have been recalled other than as a result of the intervention of Government or Public Authority”
- the precautionary principle

Spice related recalls

Insurance wording...

- Colourings (eg. Sudan I, II & IV, Para Red)
- Mycotoxins (Aflatoxin B₁, Ochratoxin A)
- accidental contamination has resulted in or would result in
- Pesticide contamination
- Irradiation (not labelled)
- clear, identifiable, internally or externally visible physical
- Coumarin
- Allergens
- symptoms of bodily injury,
- Spillage, disease or death of
- any person within 120 days of
- Bacillus Cereus
- consumption"
- Salmonella (various types)
- specific exclusion of carcinogens

Spice related notifications 2003-2007



Watch out for steamrollers!



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