

Traceability: practical definitions, and creating mainstream value

When you buy a used car, in addition to the Blue Book and consumer reports are you likely to ask for...the CARFAX ? If you bought this car from a friend or a dealer that you'd dealt with many times would you still check the CARFAX ? If your like me, you would especially if the information was accurate, low cost, and available...just like clicking the Trace now function when you are looking for your package on the UPS or Fedex website, traceability has become a ubiquitous part of our business and consumer lives.

So why are you betting your food and beverage companies future on sourcing and buying the old fashion way with email, plane tickets, contracts and long term partnership agreements...the so called go Direct method. Isn't it time you add some new tools for food and beverage, call it FOODFAX, and have full transparency into how your product was grown, harvested, how long the crop spent in the warehouse, when it was shipped and received in port of destination. Simply put, in the world we live you can't afford to operate without knowing where your ingredients come from, how they were grown, produced, and shipped to you and your customers. I am not suggesting that transparency replaces trust in a business relationship, but in a modern agricultural system transparency is needed to manage risks and respond to external issues like declining production and quality, scarcity and increased scrutiny from regulators, NGO's and customers.

How much transparency do I need to feel secure with my business model? Most modern food safety programs have an Internal Control System (ICS) that link code standards to areas of the farm and how the crops being grown. In the SUSTAINABLE INNOVATIONS program this internal traceability system measures the aspects of Code of Conduct practices that drive quality and productivity and enable the farm to deliver against social and environmental standards. The ICS operates as an internal traceability system, so smallholder groups and estates alike, can link crops to the fields or terroir where the crops are grown. Independent auditors can report on farm measurements such as the productivity per tree, fertilizer and water use per hectare, the number and revenue per farmer. These measurements can be aggregated for members, roasters, and brands for different geographies in their supply chains to show input usage, production and revenue generated. Accurate measurement of income requires tracking of crop premiums paid based on the level of processing of the commodity. Traceability systems should also control the harvest period to avoid inventory carry over from previous years.

But the producer level is only the beginning of supply chain traceability. This is where companies must determine the level of traceability that fits their supply chain, go to market strategy and scale of operation. Identity Preserved (IP), the tracking of unique farm crops in supply chain, works best for high quality specialty brands but has prohibitive costs and operational burdens at larger scale. We can see significant advantages in marketing and incentivizing specialty producers, using ever more tailored technologies like RFID, Pre-financed credit futures linked to traceability systems. Business success in IP models requires higher investment, prices and margins, and does not always suit high volume supply chains. Segregation (S) or Mixed IP, which up-scales IP with separate varieties/qualities into dedicated silos, and works best for medium size volume operators...but why not offset these "hard" investments as you grow by asking more out of your supply chain partners ? Mass Balance (MB), a new form of traceability pioneered by SUSTAINABLE INNOVATIONS facilitates mixing of origins to your specification in the supply chain while maintaining certified content and source identification*. It provides wholesalers, value added processors, and mainstream traders

the ability to trade crops, and transform them in offsite facilities that are linked to the supply chain. This reduces the need for dedicated facilities and supply chains, and the cost and complexity that comes with them, while keeping the brand or end processor in control of the activities.

So back to my automotive example earlier, why not have the dashboard and seats come separately, and have them attached to the chassis at the automotive plant while you maintain complete control and visibility of the process? Why not leverage an agricultural supply chain by processing Fruits, Vegetables, Sugar , Soy in the chain and sending them to a central packaging facility for final blending and packaging? Why not extend the traceability system to 34 different countries, track your recipe and certified content centrally and standardize the manufacturing process for a consistent global food or beverage product ? These are some of the strategic and process advantages in addition to: risk management, pro-active planning, and quick response time to a regulators compliance question, a Traceability system can bring ! Furthermore, these traceability tools can be linked to Life Cycle Analysis (LCA) or Carbon Measurement Systems to understand the carbon, water, and energy use and internalizing these costs of operation to justify more energy efficient technologies, recycling and re-use.

Obviously sustainable programs and supply chain software companies cannot do this alone. We need companies to see value in leveraging and partnering with their supply chains linked by standards and systems. The financial benefits in terms of avoided segregation investments, risk management, pro-active supply chain planning, compliance with regulation, increasing sustainable content in a scalable and credible system, can offer large food companies significant ROI, vs the licensing, chain of custody, package logo control companies are offered today. We need companies to say “Show me the FOOD FAX” and we also need IT partnerships to help link and make traceability part of the buying and ERP systems in medium and large companies.

Graham Mitchell, Sustainable Innovations Inc. July 2010