FOOD SAFETY
MANAGING RISKS IN TURBULENT TIMES
IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY17, we delivered a record $19.3 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity.

IFC has 15 years of experience providing Food Safety Advisory Services to agribusiness and retail clients in Europe and Central Asia. This work has helped more than 150 IFC clients attract $290 million in investments and generate over $230 million in new sales. Clients also benefit from improved efficiencies and cost savings, contributing to stronger brand value. IFC is now applying this experience in other regions through its IFC Global Food Safety Program. The program is funded by donors: Austria, Slovakia, and Japan.
Growing demand for food has made a safe, reliable and efficient global food supply an urgent development priority. For more than a decade, IFC has helped regional food companies participate in modern food value chains and protect consumer health with advisory programs for implementation of international food safety standards.

The 6th IFC International Food Safety Forum brought together executives representing over 160 food producers and retailers in Kiev, Ukraine, to hear from experts and government officials about the latest developments in Agribusiness. The event brought together many clients of the IFC Global Food Safety Program, an advisory program funded in part with support from Austria, Slovakia and Japan.

Over the course of two days, participants networked for new business opportunities and shared experiences of how investment in food safety improve efficiencies, cut costs, and contribute to stronger brand value. Breakout sessions delved deeper into the latest trends in risk mitigation and tools for adapting to evolving food safety requirements.

This electronic publication captures just a small fraction of the rich content shared by speakers. If you were not able to attend, we hope to see you at the next forum in Vietnam on November 28, 2018.

Sarah Ockman
IFC Global Food Safety Program Lead
The 6th IFC International Food Safety Forum brought together executives representing over 160 food producers and retailers.
For decades, food productivity has been able to outpace population growth. Still, an estimated 795 million people today don’t get enough to eat. Global agriculture must fundamentally change if it is to narrow this gap and feed a growing and increasingly urban population at a time when available productive land is becoming more scarce and weather patterns are changing. For agribusiness producers in emerging markets, especially those located in countries with favorable growing conditions, several trends are merging to create opportunities for growth.
Ukraine, the location of the 6th IFC International Food Safety Forum, has many examples of low-cost food producers, which are accessing new markets by adopting international quality and food safety standards.
Rising middle classes in developing countries are demanding more diverse diets, including more animal protein. Increasingly sophisticated consumers are aware of environmental and social issues and insist on knowing where their food is produced and how their food is produced. Food producers which can demonstrate sustainability of supply chains will have an edge over competitors and access to new markets.

Ukraine, the location of the 6th IFC International Food Safety Forum, has many examples of low-cost food producers which are accessing new markets by adopting international quality and food safety standards. Ukrainian officials attending the conference representing Ministries for Agrarian Policy and European Integration and the Food Safety and Consumer Protection Service outlined steps the government had taken to support this evolution in Ukrainian food standards and future plans for the new Food Safety Law coming into effect including some mandatory HACCP.
Food producers, which can demonstrate sustainability of supply chains will have an edge over competitors and access to new markets.
In the realms of finance and food safety, it is tempting to view sudden risks as unforeseeable, the unpredictable black swans of popular business literature. In reality, almost every major food safety breakdown is a grey rhino—a recognized issue that was ignored until it erupted suddenly and progressed quickly. For emerging market food producers and processors seeking to participate in global food supply chains, business success depends on their ability to build a culture of food safety grounded in people, processes and technology.

The business case for investing in food safety is strong. Producers can enter new export markets and gain access to major retailers and multinational restaurant chains. More discipline and control of production can reduce costs through lower losses, fewer recalls and audits, in addition to better worker productivity and retention. Higher food safety improves brand, builds consumer trust and ensures more sustainable and reliable business relationships.

Yet building a food safety strategy where people confront potential risks head-on can be challenging. It requires a resilient supply chain framework characterized by visibility, flexibility, collaboration and control. Lapses in any of these four elements of the framework explain several recent high profile food-safety disasters.
REAL TIME VISIBILITY OF SUPPLY CHAIN:
A MATTER OF LIFE AND DEATH

In 2008, six infants died, an estimated 54,000 babies were hospitalized, and as many as 300,000 people were sickened by melamine and urea contamination in China’s milk supply. Suppliers added chemicals to milk to make it appear to have a higher protein content. China’s top baby formula manufacturer, Sanlu, eventually went bankrupt, and dozens of executives in the company and milk industry were criminally prosecuted. Two people were executed.

In the U.S. in 2015, Chipotle, a large U.S. Mexican restaurant chain experienced unknown causes of E.coli, norovirus, and salmonella in a series of events at restaurants in multiple states. The loss of consumer trust drove year-over-year sales down $600 million from 2015 to 2016.

Both these disasters were foreseeable and possible to prevent—grey rhinos instead of black swans. In the case of China, industry executives had complained that competitors were adding chemicals to milk and media had reported surging rates of kidney disease in babies in certain regions. For the American restaurant, the enhancement of food safety management systems is ongoing.
**FLEXIBILITY OF SUPPLY ENABLES RAPID RESPONSE**

Food processors and distributors which build relationships with multiple suppliers help ensure problems with one supplier do not disrupt business. In 2010, an electrical fault caused a plant fire at a meat processing beef processing plant in Kaliningrad, Russia, resulting in the largest insurance payout in Russian history at that time—$83 million. The plant remained offline for almost two years, and its clients had to find alternate supply of about 60,000 tons of meat products annually.

**THE SHARED EXPECTATIONS APPROACH**

Collaboration between all supply chain partners can help all avoid business interruptions. Symbiotic, trust-based relationships are built on a foundation of common and shared goals, demand planning and profitability.

Shared Expectations is a best-practice process and is an investment in the future of business relationships. It involves a collaborative decision making process between customers and suppliers wherein each shares their expectations of the other party. The process involves open-dialogue, joint problem solving and action plans which are measured and mutually managed. The Shared Expectations
Most food safety disasters are foreseeable and possible to prevent—grey rhinos instead of black swans
approach is not just for large companies. On a smaller scale in Africa, Braliwra, Rwanda, an IFC client, managed to increase maize sourcing from 300 farmers to 5,000 farmers, by setting common shared goals and providing training that enabled its suppliers to comply with Good Agricultural Practice, and implement traceability.

**CULTURE EATS STRATEGY FOR BREAKFAST**

In risk management and food safety, this phrase is true. Culture is a pattern of ways of thought and behavior. These patterns embody an organisation’s foundation core values and practices including leadership, management visibility, employee empowerment and accountability, and best practices.

A company should have a culture of responsibility and care for its products throughout the entire supply chain. As an example, if goods are packaged by a third party, companies continue to hold duty of care to ensure products are safe. A company should not believe that it can simply outsource all of its responsibilities. People need the incentives, the knowledge and the recognition to ensure an organisation’s culture supports the implementation of food safety strategies and risk management in their supply chains. People may not know about approaching black swans but they know that grey rhinos abound.
It is tempting to view sudden risks as unforeseeable, the unpredictable black swans of popular business literature. In reality, almost every major food safety breakdown is a grey rhino—a recognized issue that was ignored until it erupted suddenly and progressed quickly.
“If you haven’t taken the right steps at the very beginning, you are going to struggle”
Brand and reputation are more important to many consumers than price, especially for the food industry. In this interconnected digital age, an adverse incident can quickly become a crisis spreading through social and traditional media. Bad publicity, loss of consumer confidence and reputation, can hurt sales and employee morale and threaten a company’s survival.

Shane Russell, an expert with RED24, a U.K.-based crisis communications consultancy, explained the importance of planning ahead and having a framework in place for making the rapid decisions required to prevent an incident from becoming a crisis.

“If you haven’t taken the right steps at the very beginning, you are going to struggle,” Russell told forum participants.

She discussed how to form a crisis management committee that can activate quickly and take action to successfully resolve a crisis. It is important that members have relevant skills, training, and authority, and be supported with strong internal communications and senior management. A plan should lay out roles and responsibilities, protocols and checklists.

Russell stressed that recovery from crisis begins with the very first decision after an issue arises. Every action should be publicly justifiable and documented. Identify the key audience and get messages directly to it. Base decisions on facts, rather than speculation and always reevaluate media strategy as new information is available.
In this interconnected digital age, an adverse incident can quickly become a crisis spreading through social and traditional media.
Practical benefits and challenges of implementing food safety systems were explored by IFC clients, who were guided by IFC advisory services in this journey. Panelists also reflected on how their attitudes towards ensuring food safety evolved from seeing it as an obstacle to considering it a key ingredient in growing their businesses and gaining trust of customers and investors. “In six years, the conversation has changed. Our clients are no longer wondering if they should invest and adopt food safety standards, but are now talking about big data sets, new technology and traceability,” said Olga Sherbina, Head of IFC office in Belarus.

Akmal Asadov, CEO of Korzinka, recalled how the urgent need for integrating food safety in all business processes became clear when his food retail business began to expand. Having implemented food safety standards in Korzinka’s operations he is now working with suppliers helping them adopt these standards too.
SPEAKERS

Nadezhda Abramovych
Head of Standardization Department, Globino Meat Processing Plant, Ukraine

Akmal Asadov
CEO, Korzinka.uz, Uzbekistan

Anastasia Bazarevskaya
Quality Manager, Turov Cheese, Belarus

Iryna Lyalina
Food Safety Manager, SGS Ukraine

MODERATOR

Olga Sherbina
Head of IFC Office in Belarus
The shift in attitudes and market demands is also evident to the certifying agencies. “Several years ago, most certifications we used to do were on basic quality management. Today, most of them are on advanced food safety systems,” shared Iryna Lyalina, Food Safety Manager at SGS Ukraine.

Instigating and nurturing food safety culture in personnel and all business practices is both critical and ever challenging. “Food safety is constantly evolving, you can never be done with it, you have to continuously improve and get better at it,” explained Nadezhda Abramovych, Head of Standardization Department at Globino Meat Processing Plant.

Putting food safety in the center of the business strategy paid off for Turov Cheese, said Anastasia Bazarevskaya, quality manager of the dairy company in Belarus. Having food safety systems in place makes certification painless and straightforward. In 2013 the company started with certifying 2 products followed by 15 products in 2014-15 and 100 products this year. “Food safety certification helped us get our products on the shelves of large retailers with ease,” concluded Anastasia.
“Food safety certification helped us get our products on the shelves of large retailers with ease.”

ANASTASIA BAZAREVSKAYA

“Most of certifications we used to do were on basic quality management. Today, most of them are on advanced food safety systems. The market shift is apparent.”

IRYNA LYALINA

“Food safety is constantly evolving, you can never be done with it, you have to continuously improve and get better at it.”

NADEZHDA ABRAMOVYCH
STRATEGIES TO SUCCEED ON THE GLOBAL STAGE

Food safety standards are often the trampoline a business needs to access larger and more sophisticated markets. This was the consensus among panelists who know that from their own experience.

Volodymyr Zavadovsky, CEO of Lilak, a juice producer in Ukraine, compared his export-oriented company with a provincial soccer club that managed to enter an international championship. “Thanks to IFC advisory team, who helped us implement a food safety system, our products are present in eleven countries in Europe, plus United States, Canada and Israel.”

Vahe Ghazaryan, CEO of Euroterm, a juice and canned fruit producer in Armenia, recalled how a conversation with a representative of a multinational company back in 2012 made him realize that implementing food safety is a key prerequisite for the partnership he was seeking. “To grow, we needed to speak the language of the big customers, and that language was standards. IFC helped us learn this language,” said Vahe.
SPEAKERS

Vahe Ghazaryan
CEO, Euroterm, Armenia

Olena Kosyuk
Department Head, Technology, Quality & Safety, MHP, Ukraine

Olga Matova
Head of Purchasing Department, Auchan Ukraine

Volodymyr Zavadovsky
CEO, Lilak, Ukraine

MODERATOR

Elena Voloshina
Head of IFC Operations in Ukraine
The exponential growth of MHP, an integrated poultry producer in Ukraine, demonstrates how sustainability and traceability of supply chains can give an edge over competitors and access to new markets. “We know parents and grandparents of each chicken hatched in our facilities. Traceability is key for ensuring trust of our investors, our financiers, and our consumers,” shared Olena Kosyuk, Head of Technology, Quality & Safety at MHP.

Developing local suppliers is a matter of importance and pride for Auchan, an international retail chain, that partnered with IFC advisory to reach small suppliers in Ukraine. “The smaller the producer, the higher the risk, but we can develop local production by working with those willing to adopt higher standards,” asserted Olga Matova, Head of Purchasing Department at Auchan Ukraine.

Just like its clients IFC food safety advisory is also heading to other countries expanding its offering and meeting the growing demand for better food safety standards in emerging markets. “For six years Ukraine has been a laboratory where IFC piloted its food safety advisory. Now, the success of this program prompts us to roll it out to other markets,” concluded Elena Voloshina, Head of IFC Operations in Ukraine.
OLENA KOSYUK
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OLGA MATOVA
“The smaller the producer, the higher the risk, but we can develop local production by working with those willing to adopt higher standards.”
Consumers want safe food, and some studies have shown that they are even willing to pay more for an assurance that people and the environment are not harmed by their consumption. But not too much more. Fortunately for producers and retailers, technology is providing new cost-effective tools for traceability and managing risks in the supply chain.

Leontien Hasselman-Plugge, Managing Director with SIM Supply Chain Management, based in the Netherlands, described to forum participants how her firm can help map supply chains and pull information from multiple sources, such as commodity certification programs, GAP or IFS. GPS tracking can help reduce data demanded from farmers and make it possible to tag food products to a pinpoint location where harvested.
Much like Uber and Airbnb have shown how technology can help build trust, an open economic platform in the food sector is possible to create.
Today, much of the work in gathering this information is manual, but automation is a rapidly growing trend. Looking forward, distributed ledger schemes, such as blockchain, could greatly expand the amount of information available by enabling decentralized data-sharing.

“Supply chain partners may not trust each other to share information. Much like Uber and Airbnb have shown how technology can help build trust, I think it is possible for us to create an open economic platform in the food sector,” she said.

Standardized approaches can also reduce costs of information gathering, noted Diane Taillard, Director of Consumer Safety and Traceability with GS1, a Belgium-based non-profit company which develops global standards for identification as well as for capturing, converting to bar code and sharing data. Two million companies across a range of industries worldwide use GS1 standards. She described several examples of GS1 member companies which reduced the cost of required information reporting, or increased sales through introduction of traceability technology.

**Technology is providing new cost-effective tools for traceability and managing risks in the supply chain**
HOW IFC’S FOOD SAFETY TOOLKIT CAN GET YOU STARTED

Food Safety Specialists from IFC, Oksana Dorofeeva and Alyona Bulavina demonstrated how the IFC Food Safety Toolkit can help businesses incorporate food safety standards and practices into their operations. This self-guided instructional manual can guide management as it evaluates and improves systems to adhere to international best practices.

Pilot companies in the Balkans, Ukraine, Belarus, and Georgia have become better positioned to enter new markets, raised their profitability, and increased customer trust and confidence.

The IFC Food Safety Toolkit is designed to enable companies in developing markets reduce a key risk in growing a sustainable food business: meeting the ever-increasing demands, needs, expectations and trust of customers, wholesalers, retailers, government food safety regulators, and ultimately, consumers.

The Toolkit was developed by IFC with food industry help and expertise. It is based on HACCP principles of foodstuff hygiene (European Union food hygiene legislation: Regulations (EC) No 852/2004, 853/2004 and 854/2004), and best industry practices and standards.

The Toolkit provides companies with the know-how to develop, implement and maintain a modern food safety management system based on the principles of the Hazard Analysis Critical Control Points system (HACCP). HACCP is a systematic approach to identifying and controlling hazards (whether microbiological, chemical or physical) which pose potential hazards in the preparation of safe food. HACCP aims to proactively identify and prevent potential problems that could put food safety at risk. In simple terms, that means controlling the safety of ingredients and supplies coming into a food business and correctly handling...
them thereafter. The Toolkit helps companies to identify gaps in their existing practices and develop more efficient food safety system. Specifically companies can:

- Apply the Toolkit in any process regardless of production facility size, location and food safety sophistication;
- Develop systemic science-based approaches to food safety management;
- Benchmark their own food safety system against the best international practices;
- Use the Toolkit as simple and practical self-service tool, replicating it to all production lines as necessary;
- Tailor the templates in accordance with their needs.

The Toolkit consists of seven modules. It serves as a ‘roadmap’ to help companies manage their food safety systems in a clear, informative manner.

Get a copy at www.ifc.org/foodsafety
Implementing food safety is no longer a matter of choice for food producers in Ukraine. Over two years ago, HACCP (Hazard Analysis Critical Control Point) management system has been institutionalized by law as a mandatory requirement for all companies in the sector. Given that HACCP compliance requires investment of time and money, modifications to infrastructure and, most importantly, change of culture, the law was waived for several years to give food producers time to prepare. As the waiver soon approaching its expiry, the issue of HACCP implementation often becomes a topic of heated discussions.

The panel unpacked the challenges of achieving HACCP compliance and shared practical advice on where to seek help and guidance on implementing food safety standards. The topic instigated lively exchanges between the panel, policy experts, certification bodies and food producers in the audience.
SPEAKERS

Olexander Baldyniuk
President of the Association of confectionery, food concentrates, coffee and starch industries of Ukraine UkrKondProm

Vitaliy Bashinskiy
FAO National Expert

Vladyslava Rutytska
Senior Advisor to the president of Bleyzer Foundation

MODERATOR

Kateryna Onul
Advisor on Food Safety Legislation, Trade and Competitiveness, World Bank Group
IFC has 15 years of experience advising agribusiness and retail clients in Europe and Central Asia on food safety. It is now applying this experience in other emerging markets of the world through its IFC Global Food Safety Program.

Through its annual food safety forums, IFC brings together its clients and food safety experts for an incredible learning and networking experience.

**IFC Food Safety Forums:**
November 2018 | Vietnam
April 2017 | Ukraine
March 2016 | Kazakhstan
April 2015 | Kyrgyzstan
December 2013 | Belarus
December 2012 | Georgia
November 2011 | Ukraine
We hope to see you at the next forum in Vietnam on November 28, 2018!