
FOOD AND BEVERAGE RECALLS

Crisis Management

Ten years of take backs

A look at Australia's food and beverage product recalls between 2008 and 2017.

Undeclared allergens and microbiological contamination are some of the threats faced by our food producers. These are difficult to control and expensive to fix – and with more processed and packaged foods hitting the shelves, the risks are very real.

Why worry about recalls?

The impact of a recall has been felt by the smallest companies right through to the largest brands in Australia.

In fact, there were a total of 626 recalls between 2008 and 2017. These affected nearly every type of food industry including dairy, meat, vegetables, fruits, seafood, bottled water – even beer.

Recalls cause significant impact on a business as costs can run into the millions. This can even occur from products with a reasonably low turnover.

The reality is that recalls can be expensive. And the two major issues companies face after recalls are a damaged reputation followed by a hit to the bottom line.

What causes recalls?

There are a wide range of reasons behind recalls including microbiological contamination, foreign matter, biotoxins, chemical contaminants, mislabeling, undeclared allergens, and the presence of disease. Commonly, these are out of the control of the manufacturer.

Food Standards Australia New Zealand reports significant growth in recalls as a result of undeclared allergens like peanuts, milk, eggs, fish, shellfish, wheat, tree nuts and soybeans. In recent years, the frequency has tripled from 10 declared recalls in 2008 to 34 in 2017, accounting for 48% of all recalls in the last three years.

These claims often arise from contaminated ingredients being supplied to manufacturers, only to be discovered when a third party has tested the products or someone has fallen ill.

What allergens are causing recalls? From 2007 to 2016 Food Standards Australia New Zealand report dairy was the most common cause, followed by peanuts, wheat/gluten and finally tree nuts.

Trending topics

Food & beverage recalls
Crisis management

Case Study: Pattie's 'frozen berry' recall 2015

Between 2005 and January 2015, there were no recorded recalls of frozen or fresh berries in Australia and prior to the recall Patties annual sales from frozen fruits was around AUD38 million.

In February 2015, Patties recalled various frozen berry products due to suspected Hepatitis A contamination attributed to berries sourced from China.

The costs associated with the recall were reported to total more than AUD9 million and consisted of the following* :

- \$3,800,000 worth of product lost in storage that was recalled and destroyed
- \$197,576 advertising the recall
- \$198,591 operating a call centre to respond to concerns
- \$136,942 public relations professional fees handling public reputation
- \$597,788 removing products from the shelves of customers and retailers
- \$4,400,000 lost earnings due to the recall

Patties exited their frozen fruits business, and sold it for \$1,800,000 at the end of 2016.

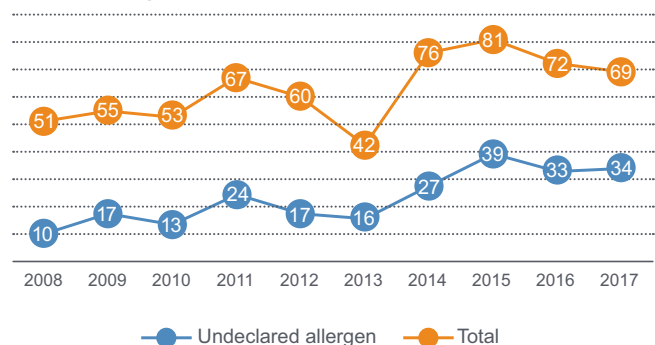


Real average: 63 recalls per year

Over the past 10 years, there have been 626 recalls of food and beverage products in Australia – making the average about 63 per year.

Over the past three years, three quarters of recalls were caused by undeclared allergens, microbial contamination and foreign matter.

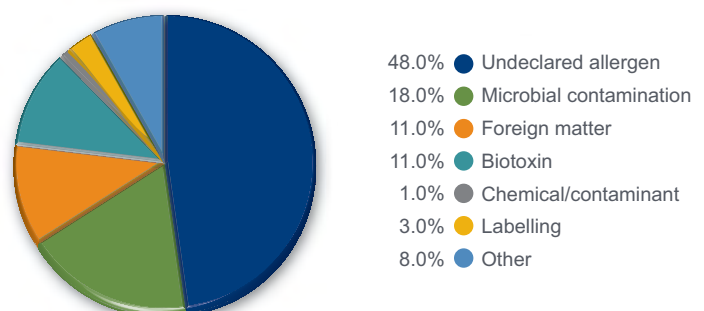
Recalls per year 2008 to 2017*



Undeclared allergens are risky business

A significant change has been the rise in recalls attributed to allergens, with the annual number rising from 10 in 2008 to 34 in 2017. Alarmingly, nearly half of all recalls were attributed to allergens in the last three years alone.

Causes of recall 2015 to 2017*

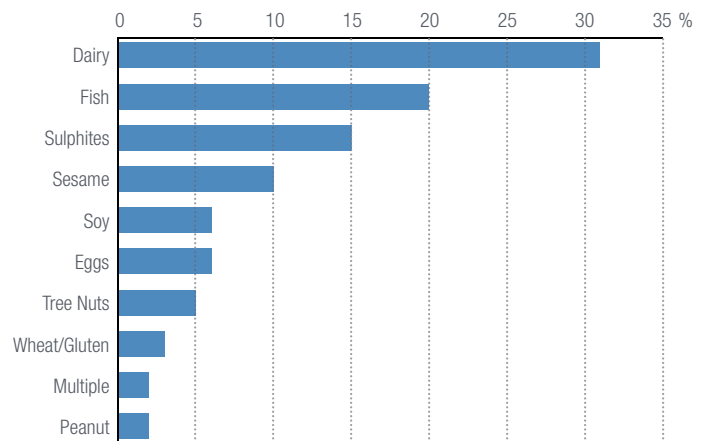


What allergens are causing recalls? From 2007 to 2016 dairy was the most common cause, followed by peanuts, wheat/gluten and finally tree nuts.

When someone has a food allergy, their immune system wrongly sees the food as hostile and the body's defence mechanism springs into action. This produces a range of symptoms which can vary from mild itching to severe breathing difficulties or even shock. These symptoms usually happen immediately after eating the food.

Read more about allergy intolerance at www.safefood.eu

Allergen recalls 2007 to 2016*

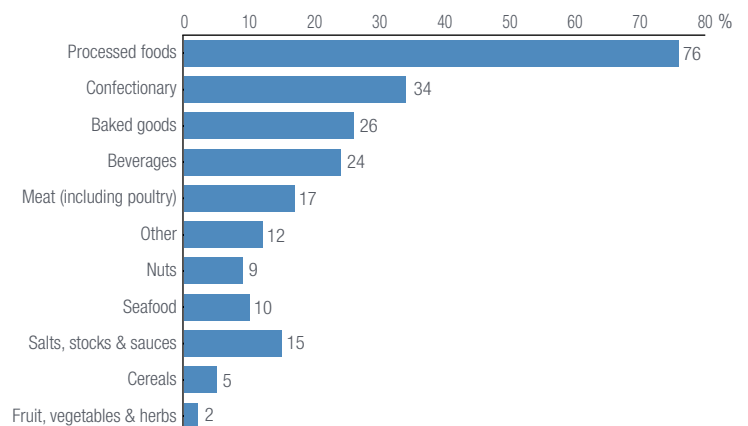


Allergen recalls are predominately coming from processed foods, confectionary and baked foods. This is no surprise considering the large number of ingredients in processed products. The more ingredients, the harder it is to ensure they are free from potential allergens.

Australian population-based research has shown that up to 10% of infants have confirmed food allergies. Around 85% of children with an early allergy to foods - including eggs, cow's milk, wheat and soy - will develop tolerance to these foods by five years of age. Allergies to peanuts and tree nuts, on the other hand, are typically lifelong.

Read more about allergy intolerance in children at data.growingupinaustralia.gov.au

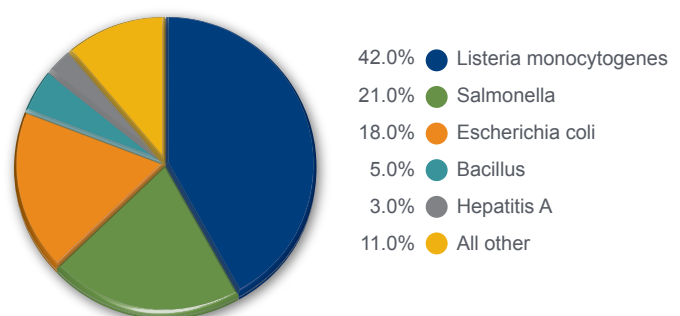
Allergen recalls – Type of product 2007 to 2016*



Contamination is the next threat

Microbiological contamination is the second largest cause of recalls. The most common of these contaminations are *Listeria monocytogenes*, *Salmonella* and *Escherichia coli* (E.coli) – combined these account for 81% of all microbiological recalls.

Causes of microbiological contamination recalls 2008 to 2017*



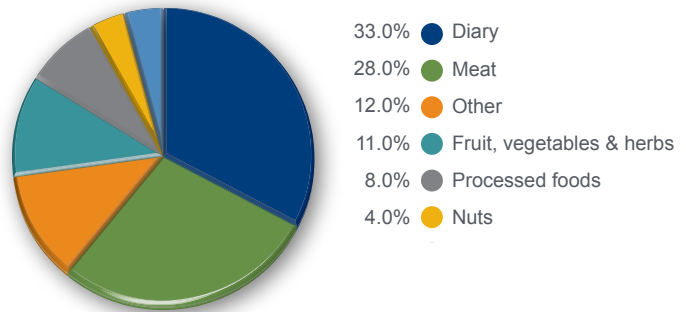
Given the right conditions, millions of bacteria can grow on common, everyday foods. These conditions are:

- **Time** – a single bacterium can multiply to over two million in just seven hours
- **Warmth** – the ‘danger zone’ temperatures at which bacteria grow best are between 5°C and 63°C
- **Food** – like any other living things, germs need food to grow. High-risk foods that bacteria love best include dairy products, meat, poultry, fish and shellfish
- **Water** – bacteria need moisture to grow. This includes moisture in ‘wet’ foods such as juicy meats, sandwich fillings, soups, sauces and dressings.

For a healthy adult the probability of getting sick from contaminated food is dependent on both the type and number of harmful microorganisms present in the food. For those who are susceptible, namely the very young, and those who are sick or pregnant, where their immune systems are less effective, lower numbers of microorganisms may be required to cause illness.

Read more about microbiological food safety risks at www.safefood.eu

Listeria, salmonella & e. coli – Products recalled 2008 to 2017*



Protecting Australia’s food and beverage manufacturers

A simple way to protect from the financial impact of a product recall is Liberty’s Contaminated Product Insurance policy.

The policy can provide cover for:

- Removing an unsafe product out of the stream of commerce, which includes advertising in local, state, and national media.
- Transport charges when products are returned from retailers and customers
- Expenses from destroying or safely disposing of any recalled products
- Payments imposed by retailers to take a product off their shelves

- The costs to replace the products and supply to customers and retailers
- Fees for public relations or crisis consultants to help manage a recall
- Loss of gross profits

Liberty’s Contaminated Products cover is a leading solution for food and beverage clients, providing innovative and cutting edge covers.

Liberty’s Retailers Withdrawal Endorsements is another great example. In addition to product recalls, which cause consumers to be sick or ill, Liberty also protects against product withdrawal for quality reasons, which won’t make people sick or ill. This is often excluded in more traditional recall covers.

Trending topics

Food & beverage recalls
Crisis management

For more information contact

Sydney

Michael Lincoln

Vice President Crisis Management Asia Pacific

Michael.Lincoln@LibertyIU.Com

+61 2 8298 595

Ashley Leszczuk

Underwriter, Crisis Management

Ashley.Leszczuk@LibertyIU.com

+61 2 8298 5985

Melbourne

Donna Niblock

Assistant Vice President Crisis Management & Victorian Branch Manager

Donna.Niblock@LibertyIU.com

+61 3 9619 9832

Keith Bostock

Underwriter, Crisis Management

Keith.Bostock@LibertyIU.com

+61 3 9619 9836

Brisbane

Bill Hardie

Underwriter, Crisis Management

Bill.Hardie@LibertyIU.com

+61 7 3235 8808

‡ Food Standards Australia New Zealand, May 2018, Food Recall Statistics, available at www.foodstandards.gov.au/industry/foodrecalls/recallstats/Pages/default.aspx

* Hatch, Patrick, "Berry supplier dragged to court over Patties' hepatitis A outbreak", 4 September 2017, Sydney Morning Herald. Available at: www.smh.com.au/business/companies/berry-supplier-dragged-to-court-of-patties-hep-a-outbreak-20170904-gya9s7.html