

## ***Which is the right verification program for you?***

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In the wake of headlines about tainted toys, tires and food ingredients, brand-name consumer product companies are feeling increased pressure to provide reliable traceability systems.

We have urged executives in these companies to closely examine the effectiveness of their in-house systems designed to mitigate this risk. Many have listened to our pleas and have raised the priority for their traceability programs.

Often executives find that the protection they thought they had isn't as robust as they would like, and their brand risk profile is very high indeed. Every new headline about "tainted goods" raises the stakes and pushes the consuming public and regulatory agencies closer to a tipping point that will have adverse consequences for the entire industry.

Executives in all sectors, from food and beverage to dry goods, need to adopt and operate robust, reliable traceability systems and then ensure that the systems are properly operating by participating in a credible verification program. This column presents the verification system options and discusses the range of benefits and costs for each.

A traceability system and a verification system aren't the same. The verification system is the process by which the company, its customers, consumers and regulators can know with a high degree of certainty that the traceability system is working properly. A traceability system without a verification system is only half a solution. Many companies think they have reduced their brand risk by only installing a traceability system. They haven't.

Verification systems not only reduce brand risk; they also enable companies to qualify their product for premium pricing. For example, in the beef cattle and dairy industry, there are several export programs that provide premium revenues for the meat packer who can qualify his or her product for revenue enhancement programs, such as:

- Age and source verification to show that the animal is from a known location and is 20 months of age or less so the animal's meat can be exported to Japan
- Non-hormone treated certification (NHTC) so the animal's meat can be exported to the European Union
- Feed source certification so that the product can qualify for "grass-fed" or other feeding claims
- rBST-free certification so that milk can be sold to retailers who are no longer selling dairy products from animals treated with this hormone; and
- Good animal husbandry certification so the animal can be sold as sustainably raised.

### **Choosing a program**

How do you determine what attributes you want to verify and which program to use for your verification program? There are currently at least six different approaches in the United States that can be used by consumer product companies (see box).

From the least effective to the most effective, the options include (1) doing nothing, (2) self-certifying, (3) using a third-party independent auditor who is not following any generally recognized verification protocol, (4) adopting an ISO 22005 program, (5) implementing an ISO Guide 65 program, (6) creating a QSA and (7) implementing a government-sanctioned Process Verified Program (PVP).

The least rigorous option is self certification, which is typically limited to a signed affidavit. Although most producers are honorable, the lack of third-party verification casts doubt on credibility.

Independent third party verification usually involves written best practices and procedures verified through audits. These programs offer much more credibility but lack the certification of a government backed certification or an ISO program. Thus, independent third party programs alone may not be sufficient to access premium export markets.

ISO programs provide a clear and universal standard by which processes and practices are measured. They too require verification through audit processes. ISO 22005, which is the new standard for food traceability, has yet to be tested for market acceptance.

Government-administered programs are typically delivered to industry through government certified private bodies such as information management companies, auditing firms or trade associations. The programs described herein include but are not limited to ISO Guide 65, Quality Systems Assessments (QSA), and Process Verified Programs (PVP). All of these programs are administered by the government, in these cases USDA, and are generally acceptable to meet various export requirements.

For example, producers participating in the Beef Export Program for Japan must have their animals enrolled in a PVP or QSA. Likewise, producers wanting to export product to the European Union must be certified by an accredited certifying agent under the USDA ISO Guide 65 Program. Under this program, the National Organic Program and EU 2092/91 Standards are applied.

Of these verification options, the one we find is most effective in balancing the need for market flexibility, market acceptance, data confidentiality, and cost to the implementing company is USDA's Process Verified Program (PVP) program. Other programs, especially the ISO-sponsored programs, may very well supplant the PVP as the verification tool of choice in the future, but for now the PVP is one of the best tools executives can use to reduce the risk to their manufacturing or retailing brands.

Process Verified Programs, Quality Systems Assessments, Non-Hormone Treated Cattle (NHTC), Export Verification Programs (EV), and the USDA ISO Guide 65 Program are all administered by USDA's Agriculture Marketing Service, Livestock and Seed Program, Audit Review and Compliance Branch. As such, these programs are generally accepted by a wider audience of customers, including foreign governments, because the good faith of the U.S. government stands behind them.

Accordingly, these programs may carry higher administrative costs as a result of government auditing and oversight. However, because they provide opportunity for broader market access and premium product pricing, this additional cost is well worth the investment for participating producers and processors.

Verification programs that operate without government oversight may have less overhead, but they may not meet export or label requirements for certain products and thus won't enable participants to gain lucrative market access, both domestically and abroad.

Regardless of the type of verification program selected by today's business executives, it is important to understand that the marketplace is requiring additional verification today than it has in the past. A verification program is an essential business tool, as is a reliable traceability system. Together, verification and traceability systems enable producers and processors to ensure their business reputations and gain profit-enhancing market access.

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**BOX**

	<b>PROS</b>	<b>CONS</b>
<b>PVP</b>	Based on ISO 9001:2000 Standard. Offers producers maximum marketing flexibility and confidentiality. After the foundation is built, additional claims can be added. Companies may use the USDA Shield and terminology in marketing. The system is managed and audited by USDA and widely accepted by domestic and international customers. It's easiest to interface with verification programs from other chain members.	It's expensive to develop a program from scratch, but you can hire a company that has already absorbed those up-front costs and participate in that company's PVP program, operating under its umbrella.
<b>QSA</b>	Based on ISO 9001:2000 Standard. Less expensive to develop and implement than PVP. Allows very specific marketing claims and marketing flexibility in most situations (other than proprietary). The system is managed and audited by USDA and accepted by domestic and international partners.	Prescriptive protocols and less flexibility to add new claims. Potentially less marketing flexibility when the guiding QSA is from a single packer, processor or manufacturer. Products may not interface with verification programs from other chain members.
<b>ISO Guide 65</b>	Private certifying bodies operating under USDA supervision. ISO-based guidance is used to verify ability to apply specific standards. Organic products exported to the European Union must be certified under the USDA ISO Guide 65 Program. Can interface with verification programs from other chain members	Not as widely understood and needs market acceptance beyond the organic program.
<b>ISO 22005</b>	New ISO standard for traceability systems in food and beverage industry. Provides supply chain traceability across multiple enterprises.	Very new standard, not widely adopted. Potentially exposes operational information many companies would like to keep confidential.
<b>Independent Third Party</b>	Flexible, cost effective. Third party verification of claims.	No government backed claim; may not be accepted by foreign markets. Potentially limited marketing flexibility.
<b>Second Party Verification</b>	Ensures specific customers needs are met.	Multiple reviews from multiple customers.
<b>Self Certification</b>	Simple affidavit	No government backed claim; may not be accepted by foreign markets. No independent verification