

When is IFS worthwhile?

ATTORNEY HELMUT MARTELL EVALUATES THE PROS AND CONS OF AN IFS CERTIFICATION FOR BAKERY BUSINESSES. NOT ONLY FIGURES HAVE THE MEANINGS FOR THIS DECISION

+ The baking industry constantly complains that IFS costs are high and the auditors' demands sometimes absurd. At the same time the IFS has been criticized due to some failures, because in a few cases in the past it certified even hygienically catastrophic factories as having a good hygiene status. Thus there is enough reason for a close examination of the pros and cons of an IFS certification for bakery businesses.

One misunderstanding needs correcting immediately: under the present trade-led marketing conditions, the cost of safe, hygienic production and secure distribution is not a "voluntary" expenditure, it is a necessary market participation expense. Even this expenditure is no longer sufficient on its own to participate in the market for deliveries to the food retail, which also needs a certificate from a third party to prove to business partners that the operating conditions are correct. Numerous major consumers such as clinics and canteens now also attach importance to this kind of certificate.

A business that distributes exclusively through its own branches does not as a rule need IFS certification. However, IFS certification could be a useful selling point for any businessman who is toying with the idea of expanding his marketing in the future to include major consumers or the food retail as well.

Statutory framework conditions

The cost-benefit assessment of the expenditure for IFS must take into account the fact that it also includes costs arising in any case for statutory reasons. This is because the EU regulations have contained the following obligations since 1st January 2006 at the latest:

- +** Pursuant to Regulation (EC) No. 852/2004, every food entrepreneur has a statutory obligation to subject his entire production and distribution operations to a risk-based assessment and to update this assessment continuously (recipe modifications, changed raw materials, new plant etc.).
- +** He has a legal obligation to put in place, document and maintain an appropriate HACCP system (Hazard Analysis and Critical Control Points).
- +** He has a legal obligation to guarantee the traceability of his raw materials and finished products ("one step back, one step forward").



Author

Attorney Helmut Martell
email: helmut@martell-de.info

- +** He has a legal obligation to instruct and/or train his employees concerning matters relevant to hygiene.

Operational motivation is the decisive factor

Whether or not IFS expenditure in excess of the legal requirements is balanced by an additional benefit depends on the basic attitude of the company management. If the primary aim is only to obtain a certificate, and the intention is merely for the business to be presentable "just in time", then in most cases the expense is too high and probably in the long term also pointless. On the other hand the expenditure is justified in most cases where it is primarily a question of:

- +** Guaranteeing safe production with safe foodstuffs (Article 14 of Regulation (EC) No. 178/2002; "EC Basis Regulation")
- +** Ensuring breakdown-free production
- +** Permanently guaranteeing hygienically faultless production
- +** Prompt identification and rejection of unsuitable raw materials
- +** Better knowledge of the actual supply chain
- +** Damage limitation in disaster situations
- +** Reducing the amount of rejects
- +** Care and value retention of machines, plant and equipment
- +** Employees having sufficient knowledge and skills for safe, hygienic production

Confirmation by a certificate is then only a secondary objective.

Striking a balance: balancing risks

The first question baking businesses should ask themselves is "Do the realistically assessed possible risks justify a higher regular QM expense?" In this respect it is necessary first of all to take into account the fact that the cost of the HACCP system, the forward and backward traceability and the employee training is prescribed by statute in any case (Regulation (EC) No. 852/2004). Commercial, operational and product-related risks come into consideration as risks. These safety risks have increased in the recent past for several reasons:

- +** More stringent statutory requirements compel a standard of hygiene that was hitherto unknown.
- +** Changed standards in the implementation of regulations are leading to much more exacting scrutiny by the authorities than was previously the case.
- +** There is a greater focus than previously on businesses where deficiencies were discovered in the past.
- +** New information and reporting obligations cause public disclosure of hygiene deficiencies ("transparency legislation", "public pillorying"). Food scandals ceased long ago to be a private matter for an individual business, and can instead embrace the market opportunities of entire sectors.
- +** This is also due to more intense scrutiny by the media, who see themselves as "consumer lawyers".

- + Due to the WTO agreements, which have practically led to the abolition of customs tariffs and quotas, increased amounts of problematic raw materials are entering the market (“introduced risks”) because hygiene standards in third world countries have not kept pace with the expansion of production.
 - + NGOs such as Foodwatch and Greenpeace act as self-appointed “watchdogs”, thus leading to a “decentralization of enforcement” that is even supported by the government. “Scandalizing the food industry” is almost a business model for a whole series of these organizations.
 - + Expanded rights of association to pursue legal action with a large public relations impact not only represent a considerable “nuisance potential” but also enable such associations to bring actions for a levy on profits in certain cases.
- Therefore, in a situation assessment, the regular IFS cost must be balanced against the possible unplanned expense arising in a crisis, which can often be several powers of ten larger than the regular cost.

Striking a balance: the probability of minimizing risk

Is it realistic to assume that greater expenditure on IFS really does lead to minimization or reduction of the crisis risks? The answer is No in two cases: either the production operation is already so safe even without the application of IFS that increased expenditure would bring only negligible improvements, or the operating conditions are so hazardous that even the IFS procedures would not provide any remedy. Both variants are equally improbable. Therefore as a rule a proper quality and hygiene management system will distinctly minimize the wide range of risks.

Criticism and suggested improvements

Despite the basic suitability of IFS to sharpen the awareness of operational situations, the food industry’s criticism is that the IFS lacks flexibility. If this is understood to mean that the systematic approach and formal monitoring systems should be replaced by a rather unsystematic procedure, such a demand for more flexibility would certainly be unjustified because it would be contrary to the system. However, insofar as it constitutes a demand for more sector-related flexibility, i.e. adaptation to the special features of a sector of the industry and to the different hazard potentials of products, then IFS really is not yet sufficiently flexible and could tolerate improvement. Certainly there is also a need to continue efforts to avoid incorrect assessments such as in Neufahrn [Müller Brot]. Here the IFS is on the right track, as is also demonstrated not least by the “Industrial Bakeries” pilot project and the new “IFS Integrity Program”, whose intention is to identify and eliminate systematic incorrect assessments by certification agencies. Despite all the progress, greater participation by manufacturers in the development and definition of the inspection criteria still remains desirable.

The benefits of money spent on IFS

However, criticism in individual cases must not cause us to lose sight of the fact that as a general rule the cost of IFS is

compensated by considerable benefits, but that the latter arise only if “IFS conformity” constitutes a permanent state and its presence is not limited to the time when the audit is carried out. The benefits can be summarized as follows:

- + Improved opportunities to participate in the market
- + Reduced vulnerability to crises
- + Good QM strengthens the case towards business partners and a (critical) public
- + Good QM creates a fund of confidence that can be decisive in crisis situations
- + Small mesh traceability leads to damage limitation
- + Improved protection of goodwill and corporate reputation
- + Better identification of “introduced” risks (imports)
- + Improved processes and procedures
- + Fewer rejects
- + Smaller insurance costs (insurance against business interruption, recalls insurance and commercial liability insurance)
- + Better preservation of the value of plant, machines and equipment (higher resale value)
- + Reduction or elimination of criminal legal risks for directors and management

Summarized in a single sentence: the cost of IFS is a question not just of figures but also of (corporate) values. +++

ADVERTISEMENT



DIOSNA - baking “with heart and soul”

The market leader for mixing solutions.

125 years of tradition and experience form the recipe of our convincing technology.

Quality and continuous inventive talent are essential characteristics of the main idea of DIOSNA - always.



BOKU DIOSNA brand for
bakery equipment

www.diosna.com