Topics

- IFT and work of the GFTC
- Recommendations of Presidential Task Force
- Implications for Seafood Industry
- Traceability ROI
IFT Perspective

- Founded 75 years ago
- Science-based, professional, non-profit society with 18,000 members from over 100 countries
- Launched Global Food Traceability Center in 2013
- Vision is to be the global resource and authoritative voice on the science of food traceability
GFTC Sponsors

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Industry Findings by GFTC

- Concept of seafood traceability is evolving, especially regarding its commercial benefit

- Distinct differences in extent to which businesses and their value chains have benefited from traceability
  - Correlation between chain type and ability to derive value

- Upstream businesses voiced more consistent (and often greater) benefits from implementing traceability vs. downstream businesses
  - Business size does not directly impact value

- The more imbedded traceability is in businesses’ practices & systems, the more challenged they are to calculate its value

- Lack of alignment in regulations/requirements drives up costs of traceability and opens door for exploitation
Consumer Findings by GFTC

- Distinct differences in consumption habits across 5 countries studied
  - These differences occur at a national level and between species of fish bought
  - Divergent tastes in types of packaging format and where eaten

- Relative importance and perceived value of traceability factors, like sustainability claims and species authentication, differ by market and species
  - Foremost concern among consumers is ‘quality’ – Seek simple surrogates
  - Species authentication is comparatively less important to consumers than verification that seafood was produced or harvested in a sustainable manner

- Sizeable opportunity to capture value: Differentiate specific products by verifying environmental sustainability attributes
Presidential Task Force

- 4 main themes for recommendations:
  1. International attention to combat IUU and fraud
  2. Strengthen enforcement and enhance existing enforcement tools
  3. Create and expand partnerships
  4. Traceability program to track seafood

- 11 of recommendations implicate or require traceability practices/systems
**Task Force Recommendations**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Traceability Implications</th>
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</thead>
<tbody>
<tr>
<td>1. Pass implementing legislation for Port State Measures Agreement.</td>
<td>N/A</td>
</tr>
<tr>
<td>2. Develop, within 1 year, best practices for catch documentation &amp; data tracking, and other measures including vessel tracking systems.</td>
<td>✓ Part of designing a seafood traceability system</td>
</tr>
<tr>
<td>3. Include IUU fishing threat analysis/monitoring in efforts to increase maritime domain awareness.</td>
<td>N/A</td>
</tr>
<tr>
<td>4. Use trade agreements to combat IUU fishing and fraud.</td>
<td>✓ Requires agreement on global traceability requirements</td>
</tr>
<tr>
<td>5. Pursue international commitments to eliminate fishery subsidies that contribute to overfishing.</td>
<td>✓ Requires sustainability metrics that will be part of a traceability system</td>
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<td>6. Coordinate with multi-lateral stakeholders to prioritize building sustainable fisheries.</td>
<td>✓ Requires sustainability metrics (standards) for traceability system</td>
</tr>
<tr>
<td>7. Combat IUU fishing and fraud as a diplomatic priority.</td>
<td>✓ Requires agreement on global traceability requirements</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Traceability Implications</td>
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<tr>
<td>8</td>
<td>Develop, within 180 days, an implementation strategy (with deadlines) to optimize collection, sharing, and analysis of information/resources.</td>
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<tr>
<td>9</td>
<td>Leverage existing and future CMAA’s to exchange relevant information and encourage foreign cooperation to combat IUU fishing and fraud.</td>
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<tr>
<td>10</td>
<td>Standardize rules on identifying species, common name, and origin of seafood.</td>
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<td>11</td>
<td>Work with state and local authorities to expand information sharing and develop tools to address IUU fishing and fraud.</td>
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<td>12</td>
<td>Broaden agency enforcement authorities (search, inspect, seize) and pursue range of other enforcement options.</td>
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<td>13</td>
<td>Establish a regular forum with industry stakeholders and NGOs to enhance collaboration and improve understanding of IUU fishing.</td>
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<td>14</td>
<td>Identify and develop, within 6 months, a list of types of data and standards needed for effective traceability program.</td>
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<td>15</td>
<td>Within 18 months, implement the first phase of traceability program.</td>
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</tbody>
</table>
What’s the Take-Away?

- Implied and direct calls for traceability and data sharing throughout the recommendations

- Task force recommendations were result of substantial stakeholder consultation
  - US regulatory action is only a part of the story
  - Multi-stakeholder collaboration is a key to progress

- Unclear how industry will weigh the ROI
Wegmans Seafood Mission

- To be the recognized choice for the highest quality, freshest affordable sustainable seafood, sold by employees knowledgeable about product, meal preparation and nutrition.

- We will achieve this through buying and displaying only product that meets our custom specifications and demonstrating respect for the product from the source to the plate.

- Our employees are empowered to be sure that we sell only product we are proud of from trusted sources.
What they’re saying….

- Total incoming comments to CA in ‘14 = 79,652
- Total incoming seafood comments in ‘14 = 1308
  - 817 complaints (foodborne illness, quality, foreign object, freshness, COOL, and then store related)
  - 388 questions (product request, COOL, food issues such as mercury and PCBs, how it’s raised/caught)
  - 95 praises (helpful service, quality, product selection, COOL)
- If you look at our mission statement and our customer concerns and comments, ‘traceability’ is never mentioned by name

- Customers don’t realize they’re asking for traceability… but they are!
“At Wegmans, we believe there needs to be a consistent approach to traceability for the food industry.”

- Colleen Wegman
  President, Wegmans Food Markets
Benefits to Wegmans

- Verifies we received what we ordered
- During a recall, traceability is critical to protect consumer health and minimize outbreaks
- Helps to minimize or eliminate fraudulent labeling of products and IUU sourcing
- Builds relationships and establishes means of exchanging data with partners
- Improves efficiency – ROI
Speaking of ROI . . .

- 2 parts to GFTC seafood traceability project:
  - Impact of traceability on
    - Business performance (financial)
    - Food waste reduction
    - Consumer perceptions & willingness to buy
  - Investment decision support tool – ‘ROI calculator’
    - Creates business case (net present value)
    - User friendly (smaller businesses) - Web-accessible
    - Identifies the costs and benefits of traceability
    - Free . . . . available at seafoodtraceability.org
General Information

Industry Segment
- Identify which industry segment(s) for which you are evaluating traceability.
  - Harvester
  - Processor
  - Distributor
  - Retailer

Seafood Revenue
- Identify the annual gross revenue for your organization related to seafood sales.
  - $10,000,000

Traceability Adoption Levels

Current Seafood Traceability
- Select the option that best describes your current level of seafood traceability:
New Markets

Traceability within an organization opens the door for expanding business volumes in existing markets or providing opportunities with new market sectors. Factors that support market expansion benefits include:

- Knowledge of product origin and processing to date
- Ability to demonstrate care in handling
- Consumer recognition of responsible processing and handling
- Increased demand for new and existing products

Potential Future Benefit

Estimate how your annual revenue may increase from new market share after implementing traceability.

3% Help me calculate this number

An increase of 3% of your annual revenue ($10,000,000) gives an annual benefit of $300,000.

Confidence level in this estimate:
- Poor
- Fair
- Good
- Very Good
- Excellent

An organization going from No Systematic Traceability to Integrated Hardware has a potential annual revenue increase of 3% due to new market share.

Continue
Handling/Quality

The handling and quality of seafood are impacted by the implementation of traceability. Both costs and benefits may be achieved by looking at areas that are affected. These areas may include:
- Product Handling
- Storage
- Stock-outs
- Transportation
- Refunds
- Labor required to maintain regulatory compliance

Current Cost Assessment
Estimate the current annual cost of product handling, storage, stockouts, transportation, refunds and compliance labor.

$ 1,000,000
Help me calculate this number

Potential Future Benefit
Estimate your anticipated annual product handling/quality cost reduction given traceability implementation.

A cost reduction of 8% of your annual product handling/quality cost ($1,000,000) gives an annual benefit of $80,000.

Confidence level in this estimate:
- Poor
- Fair
- Good
- Very Good
- Excellent
### Current Cost Assessment

Estimate the current annual cost of product handling, storage, stockouts, transportation, refunds and compliance labor.

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Value</th>
<th>Help</th>
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</thead>
<tbody>
<tr>
<td>Total annual seafood product handling labor costs:</td>
<td></td>
<td>Help me calculate this number</td>
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<tr>
<td>Total annual seafood product storage/warehousing costs:</td>
<td></td>
<td>Help me calculate this number</td>
</tr>
<tr>
<td>Total annual seafood product stockout costs:</td>
<td></td>
<td>Help me calculate this number</td>
</tr>
<tr>
<td>Total annual seafood product transportation costs:</td>
<td></td>
<td>Help me calculate this number</td>
</tr>
<tr>
<td>Total annual seafood product refund costs:</td>
<td></td>
<td>Help me calculate this number</td>
</tr>
<tr>
<td>Total annual seafood product quality compliance costs:</td>
<td></td>
<td>Help me calculate this number</td>
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</table>

Done with calculation  Clear
Results: Integrated Hardware Implementation

Organization Summary
Specified information influencing traceability calculations:

- Industry segment(s): Not specified
- Annual gross seafood revenue: $10,000,000
- Current seafood traceability level: No Systematic Traceability
- Seafood traceability goal: Integrated Hardware

Cost Benefit Summary
Conduct sensitivity analysis based on the information provided by adjusting the Discount Rate (interest rate for borrowing funds) and/or the Time Horizon to determine your Internal Rate of Return (IRR).

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<thead>
<tr>
<th>Discount Rate</th>
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<th></th>
<th></th>
<th></th>
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<tbody>
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<td>Year</td>
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<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>Costs</td>
<td>$1,600,000</td>
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<td>$300,000</td>
<td>$300,000</td>
<td>$300,000</td>
<td>$2,697,813</td>
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<td>Benefits</td>
<td>$0</td>
<td>$1,500,000</td>
<td>$1,500,000</td>
<td>$1,600,000</td>
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<td>$1,600,000</td>
<td>$1,600,000</td>
<td>$6,087,972</td>
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<tr>
<td>Net Benefits (Cash Flow)</td>
<td>$-1,500,000</td>
<td>$1,350,000</td>
<td>$1,350,000</td>
<td>$1,350,000</td>
<td>$1,350,000</td>
<td>$1,350,000</td>
<td>$3,880,159</td>
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Internal Rate of Return (IRR): 86%
Traceability Benefits

- Regulatory compliance gets the headlines

- Be strategic: Business value will drive adoption
  - Access to new markets and customers
    - Strengthen brand equity – Differentiate your brand
  - Higher supply chain efficiencies
    - Less waste
    - Lower working capital costs
  - Reduced business risks and costs

- More regulation is not the only response
Key Points to Remember

- Seafood traceability can provide **both public good and commercial benefits**

- **Whole-chain traceability is a proven tool** in other industries and in other food sectors . . . It can be implemented in the seafood industry

- **Concept of commercial transparency** is essential to addressing illegal, unreported, unregulated (IUU) fishing and seafood fraud

- GFTC welcomes the opportunity to help all stakeholders, including industry, NGOs, and government
Thank you.