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Nick Hughes
The Secretariat,
Review into the Integrity and Assurance of Food Supply Networks
Room 506, Nobel House
17 Smith Square
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Friday, 2 August 2013

Dear Mr Hughes,

Aldi response to Defra Review into the Integrity and Assurance of Food Supply Networks

Aldi is very grateful for the opportunity to contribute evidence to the Review into the Integrity and Assurance of Food Supply Networks.

As a business, we are determined to do all that we can to not only guarantee food safety but also ensure consumer confidence in our business and in the retail sector more widely. Aldi's rigorous testing and quality control procedures are among the most exacting in the retail industry. Following the horsemeat fraud, we have introduced more measures to ensure food safety and consumer confidence.

It is, of course, important that retailers, suppliers and regulators work closely together to combat fraud, and our evidence includes suggestions around how this can be achieved. As requested, we have summarised our evidence below, and have then sought to answer as many questions as are relevant to our business expertise.

If you need to discuss this evidence further, we would be delighted to discuss it with you.

Yours sincerely,

David Hills
Group Buying Director

Evidence submitted on behalf of Aldi Stores

Summary of response

- Aldi believes that the food industry should retain its focus on ensuring food safety, but also develop new measures to tackle global fraud.
- Aldi's rigorous testing and quality control procedures were among the most exacting in the retail industry. But following the horsemeat fraud, we have introduced new measures to ensure food safety and consumer confidence.
- Aldi also acknowledges the need for and supports the creation of a global body to gather information, identify, risk assess and inform industry and regulators on all aspects of fraud on a global basis.
- Aldi believes that the main burden of enforcing food safety is currently placed upon the retailer. Aldi would prefer to see a change in this balance to make all members of the supply chain as accountable for delivering food safety as the retailer.
- As scientific advances are made that improve detection levels, retailers need strong guidance from an independent and authoritative body to determine whether an adulterant is deemed to be significant.

What measures need to be taken by the UK food industry and government to increase consumers trust in the integrity of the food supply systems?

1. Aldi recognises that whilst the UK food industry collectively has extremely good control systems in place to ensure the integrity of the supply chain, consumer trust in the food industry was severely undermined by the horsemeat fraud.
2. To date, the industry has been very focused on ensuring food safety, and the systems and procedures that control the supply chains have therefore been rightly focused on delivering this. However the UK is now very much part of a global market. While this brings many benefits, it also opens up the industry to global fraud.
3. The UK food industry needs to keep its focus on food safety, but also recognise, understand and develop measures to counter global fraud.

The Terms of Reference for the Review require an approach that is proportionate to the risks involved to the consumer. What does this mean in practice?

4. Aldi believes that the UK food industry has a good approach to assessing risk and taking appropriate measures to ensure that risk is managed. Currently risk is looked at not only in terms of product safety and compliance but also consumer acceptance. This means that whilst an undeclared ingredient might not pose a risk from a safety point of view it would be unacceptable from a consumer viewpoint.
5. However the control regimes at the time of the horsemeat fraud did not fully address the potential risks associated with global fraud. This needs to be addressed and taken into account in future.

6. There is a difference between adulteration by fraud and adulteration by mistake. From a scientific point of view there is no such thing as zero. As analytical techniques evolve and limits of detection become ever lower this places a difficulty upon the industry to determine when an adulterant is deemed to be not of significance. Aldi believe that each case needs to be looked at individually but that an independent and authoritative body needs to set clear guidelines.

How can government, food businesses and regulators better identify new and emerging forms of food fraud?



7. Aldi believes that there needs to be an independent and authoritative body set up that gathers information, identifies, assesses and informs industry and regulators on all aspects of fraud on a global basis. Once informed of the potential risks, industry and regulators can take measures that are proportionate in tackling the issue, either individually or collaboratively.

Food supply chains have variable economic factors impacting on price at every stage. Which factors in relation to risks of potential fraud are most influential and are there trends developing?

Have changes to the rules underpinning commodities trading and funds investment in commodities increased price volatility in the food industry? How?

How direct is the relationship between raw materials prices and retail pricing decisions?

8. The increased price volatility within commodities trading is driven by various factors not all related to the recent rule changes.
9. The price of raw materials is of course related to retail pricing decisions. There is clearly the risk of fraud when raw materials prices are increasing as unscrupulous individuals may identify ways to generate profit through misrepresenting ingredients.
10. Fluctuations within the costs of raw materials make it difficult for retailers to ensure customers can continue to enjoy the low prices they have been used to.

Do consumers fully understand the way industry describes the composition and quality of the products on sale?

11. Aldi believes that UK consumers are intelligent, discerning and fully understand what they want in terms of quality and composition of the products they buy.

Has the consumer developed unrealistic expectations of the food industry and if so, what role is there for the food industry and government in doing something about it?

12. Aldi believes that its customers have high expectations of the products they buy and also in the way they are manufactured. Aldi believes that its customers' expectations are realistic and always strives to live up to their standards.

Do government decisions about regulation and inspection get the balance right between producer, processor, retailer and consumer when it comes to food? Do further measures need to be taken by the EU or by the UK government to increase consumer trust?

13. The current regulation and inspection regimes are very focused rightly upon consumer safety. However the main burden to ensure that safety is placed upon the retailer. Aldi would prefer to see a change in this balance to make all members of the supply chain as accountable for delivering food safety as the retailer.

What impact could fraud have on the safety of food consumed in the UK?

14. Aldi believes that fraud will occur at any point where there is the potential for economic gain. However with the advent of a global supply source, a small economic gain can become a large gain due to the substantive volumes involved.
15. The industry may need to be more aware of economic fluctuations which may appear small but when coupled with high volumes may require greater evaluation. Also when ingredients are removed from the industry the potential for and risks of illegal replacement need to be evaluated.

Questions for food businesses

What control systems do food businesses have in place for assuring themselves that the food you supply is of the nature and quality they expect? How have these been tightened since the horsemeat fraud was identified?

16. Aldi believes it has a very robust product verification programme which includes, risk assessment, supplier audit through Global Food Safety Initiative approved certification, product specification and a comprehensive testing regime. Aldi also considers its traceability of products to be strong.
17. Since the horsemeat fraud was identified Aldi has instigated a number of additional measures which include:
- I. Unannounced ingredient traceability audits of meat product suppliers
 - II. Increasing the level of information requested of suppliers relating to ingredient supply
 - III. Quarterly equine speciation testing of meat products as recommended by the Food Standards Agency, which has enhanced our existing speciation testing.
 - IV. Speciation testing of first production samples of meat products.

How can large corporations relying on complex supply chains improve both information and evidence as to the traceability of food?

18. Aldi believes that the systems and procedures they operate are well known and operate very well throughout the whole business.
19. Directors and senior managers within the business fully understand the requirements of due diligence in relation to product safety, compliance and supply integrity.
20. Suppliers are made aware of their requirements relating to the supply to Aldi of safe and compliant products. Suppliers give their assurance through formal agreements with Aldi,

which also include detailed product specifications that have been signed by all parties relating to the production and supply of products.

Should there be legislative requirements for tamper proof labelling, and/or to advise competent authorities of mislabelling if it is discovered in the supply chain.

21. Aldi believes that any system of tamper proof labelling could still be subject to fraud given the resources of those willing to commit such fraud. The costs of such labelling may also prove prohibitive.
22. Aldi understands that any event giving rise to a safety issue or probable safety issue should be brought to the attention of the relevant competent authority.

Information for the public

What additional information does the public need to be offered about food content and processing techniques? How can this information be conveyed in an easy to understand manner?

23. Aldi believes that its customers have the right to expect that the products they buy are safe, compliant and labelled in a way that it makes it easily clear what they contain and how they were produced.

Whose responsibility is it to give the public assurances about the safety and quality of food?


24. Aldi believes that all stakeholders in the food industry including retailers, manufacturers, distributors, Government bodies, and regulators have a duty to accurately convey assurances about the safety and quality of food.

How should information about traceability be presented to the public? What level of public understanding is there about traceability and food adulteration?

25. Aldi believes that its customers expect that Aldi should know where each product and its constituent parts come from. They expect that food to be safe and correctly described. This information can be communicated both on food labelling and via in store messaging.

Where multiple ingredients are used in food processing to create a dish, should country of origin information be made available for them all? What do the public care most about?

26. Aldi believes that the current legislation relating to country of origin marking is understandable and robust enough to meet consumer requirements. Our customers have not given us any feedback to think otherwise.

 ***Should caterers/restaurants and those providing food ready to eat direct to the consumer be required to provide more information? For example, should an item such as 'Fish and Chips' on a menu always state which fish has been used?***

27. Aldi believes that the relevant rules that apply at point of sale should be uniform across the whole food industry.

Powers

Are there shortcomings in the inspection and enforcement tools available to the FSA and local authorities?

28. Aldi believes that the enforcement and inspection tools available to the FSA and local authorities are robust and adequate and that current penalties are sufficient. The whole food industry has rightly held a focus on safety. In future, there needs to be due regard to authenticity and the possible risk of fraud.

Can food substitution or adulteration ever be considered as 'harmless'?

29. Aldi believes that its customers want the products they buy to be safe and correctly labelled. There may be an instance where an ingredient is substituted for a higher grade or better cut of meat, for example, this would not constitute a safety issue.

Is it appropriate to base inspection and enforcement action on perceptions of risk, or should a zero tolerance approach be taken to all food fraud?

30. Aldi believes that all enforcement action should be proportionate to the risk involved.

Does current intelligence make best use of the evidence available, and take adequate account of risk factors such as commercial reputation and public confidence?

31. Aldi believes that the food industry is a global market and requires a cohesive and collaborative approach across all sectors, agencies and member states to ensure the best information gathering capability which can identify the potential risks of fraud.

Does the Five Point Plan proposed by Commissioner Borg contain the necessary levers to achieve effective change? What further actions might be needed?

32. Aldi believes that the Five Point Plan proposed by Commissioner Borg contains useful levers that if adopted fully would significantly reduce the risk of a fraud similar to the horsemeat fraud.

Is there evidence that the machinery of Government changes in 2010 for England (which led to Defra taking over responsibility for authenticity and compositional policy) have made food supply networks more vulnerable to fraud?

33. Aldi believes that the changes made in 2010 are unlikely to have made the supply networks more vulnerable to fraud.

Testing methodologies

Are there gaps in analytical approaches to support food testing, to verify authenticity and to enforce food law? Which areas in food authenticity should be prioritised for method development and validation to support testing?

34. Aldi believes that if a centralised intelligence gathering unit was established to specifically collate and information, monitor and advise the industry on potential risks of fraud and adulteration then a far better balance of testing could be achieved.

35. As scientific equipment becomes complex and expensive there will be a move to have fewer but better and bigger laboratories. Laboratory capacity will inevitably be stretched when faced with an issue as large and widespread as the horsemeat fraud.
36. Public analysts should be adequately equipped to deal with the potential risks that face the industry from fraud and adulteration.

Impact of changing current approaches

What are the cost burdens and financial benefits to food businesses of current approaches to assurance, information and regulation? What have been the financial and other impacts of recent public frauds?


37. The frequency with which regulations change can make it difficult for retailers to organise their businesses. Buyers need to be regularly updated with the latest information and it would be helpful for regulations to be amended with less frequency. There can also be a lack of clarity within regulation itself which leaves a gap for businesses to develop their own interpretation, meaning it will vary from business to business and from market to market.

What impact does increased sourcing of locally produced foods have on food authenticity and food prices? Is a shortening of supply chains likely to improve traceability?

38. Short supply chains are easier to risk assess, monitor and inspect, so traceability is easier to review. However Aldi requires all of its suppliers large or small to have full and detailed traceability of all products and ingredients.

 ***If additional testing of food products for authenticity is required across a wide range of commodities, can this be kept proportionate, relevant and timely?***

39. Aldi risk assesses each product from a safety, composition and compliance point of view; the risk assessment determines what testing is required and the frequency of testing. This is in line with the requirements of due diligence. Aldi believes this approach to be robust and proportionate.
40. Aldi currently ensures that all of its food suppliers are certified to a Global Food Safety Initiative standard and for very small regional suppliers SALSA is accepted. These schemes adopt a risk assessed approach to the frequency of inspection and costs of inspection lie with the supplier.

 ***Additional testing for food authenticity across a wide range of commodities will have a significant cost. Who should be responsible for absorbing these costs?***

41. The industry as a whole should be responsible for absorbing these costs.

Other than for allergens, how significant are the issues raised by trace contamination from carry over from equipment previously used for other food types? What can be done to reduce the level of carry over while ensuring that the response is proportionate? At what level of trace contamination is there a need to require separate production lines for different products?

42. There is a difference between adulteration by fraud and trace contamination as a result of carryover from equipment. From a scientific point of view there is no such thing as zero. As analytical techniques evolve and limits of detection become ever lower this places a difficulty upon the industry to determine when an adulterant is deemed to be not of significance. Aldi

believe that each case needs to be looked at individually but that an independent and authoritative body needs to set clear guidelines.

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