Why Audit?
What’s Changed?

Dr. David Meisinger
Director of Sales
Validus Verification Services & Praedium Ventures
Validus purchased by IMI Global dba Where Food Comes From

- September 2013
  - IMI Global, Inc. purchased 60% interest in the auditing business of Validus Ventures, LLC
  - Result
    - Combines the expertise of both companies
      - Validus—leader in on-farm certification programs
      - IMI--trusted resource for third party verification of food production practices
    - An enhanced set of services that add greater value to our customers
    - Further transparency to the food industry that consumers are demanding
Validus Ventures Divided into 2 Companies with 2 Distinct Responsibilities

Removes any question of auditing and consulting being completed with the same people within the same company.

Consulting division is now called Praedium Ventures.

Two Distinct Responsibilities Divided by Ownership & Management

Business Confidential
Company Services

Validus Verification Services
- Audits
  - Validus Proprietary Audits
    - Animal Welfare
    - Environmental
    - Worker Care
    - Traceability
  - Company Propriety Audits
  - Industry/Association Proprietary Audits
  - Animal Welfare Investigative Audits
  - Safe Quality Food (SQF)
  - Safe Feed/Safe Food

Praedium Consulting Services
- Development of standards and measureable audits or verifications
- Development of Company Sustainability Programs and Plans
- Consulting
  - HACCP plan development and training
  - Safe Quality Food plan development and training
  - Certification training for auditors in the areas of ISO auditing principles, HACCP
Validus has Conducted over 8300 Animal Welfare Audits*

*animal welfare audits growing at the rate of 1500/yr

Yearend 2015 figures
AUDIT WHAT?

• Animal Welfare
• Food Safety
Validus Certifications Set Us Apart

– Our Dairy Audit Program is USDA Process Verified.

– Our Dairy Audit Program and Pork Audit Program is Certified by the Professional Animal Auditor Certification Organization (PAACO).

ISO 17065 Accredited

The CB must also have systems in place to ensure the capability of all management, technical, and administrative personnel, and in particular the competence of auditors involved in the certification process.

Safe Quality Food Code 7.2-- An assurance that the supplier’s food safety plans have been implemented in accordance with the HACCP method and applicable regulatory requirements and that they have been verified and determined effective to manage food safety and/or quality.

- On-Farm Animal
- Egg Production
- In-Plant Production
- Feed Mills
- Milk & Cheese
- Meat Plants

The Safe Feed/Safe Food Certification Program is a voluntary, independently certified program designed for the total feed industry.
Auditor Credentials…

- About 70 Auditors, in-house & contracted
- All Validus auditors have a farm background in addition to their intensive training as auditors.
- All must have ag experience.
- All must be ISO trained.
- Minimum of B.S. degree or 15 years’ experience in specific area of expertise
- All must be trained specifically in the programs they audit to.
- All have auditor oversight.
Validus Approach to Auditing*

*All of Validus Audit Programs and Verification Processes are designed to encourage Improvement vs. Failure
Importance of Auditing Programs

Public concerns
Activist activity
Voluntary vs Regulatory
Marketing—U.S. & Export
Why Audit Programs are Needed

- What is
  - the state of the industry
  - the public’s viewpoint
  - competitiveness
  - the need for verification/proof of what you do that is requiring companies and individuals to develop a structured plan to support their claims.

- You say what you do but you need someone to verify that you do what you say!
Consumers have changed

- Fifty years ago the average consumer still had a direct “connection” to agriculture.

- The vast majority of Americans are at least four generations removed from the farm.
Not the Case Today

• According to the Census Bureau:
  – About 75% of the U.S. population is urban
  – 25% live in the 50 largest cities
  – 10% live in the 10 largest cities
  (taken from the 2010 National Census)

• Consumers have little understanding of agriculture production and a general lack of trust in many agricultural practices.
Agriculture has Changed

• 1950
  – Farmers = 12.2% of labor force.
• 2016
  – Farmers are less than 2% of U.S. population.
• Today’s farmers produce 262 percent more food with 2 percent fewer inputs (labor, seeds, feed, fertilizer, etc.), compared with 1950.
• Seven times more meat is produced than in the 1950’s.
• Today's American farmer feeds about 155 people worldwide. In 1960, that number was 25.8.
Most Consumers Still Have A Romanticized Image Of The Farm

Dairy cows grazing peacefully on green pasture

Pigs wallowing in a mud hole on a hot summer day

Chickens running freely about the farm yard
Today’s Consumers...

- Are changing their attitude towards the American farmer and agriculture:
  - Factory Farms - Genetically modified - Drug residues - Cruelty

- Are questioning agricultures’ production systems and practices:
  - Stalls - tail docking – castration – dehorning - hormones

- Consider morals and ethics the most important factor when addressing agriculture production practices.

- Can watch events around the world as they are happening, anywhere they happen to be, on their cell phones, computers, televisions.

- Can communicate almost anywhere in the world instantly.
“The one person who is in charge today, the real competitor in the market place, is the consumer. They are more empowered today than ever before and it’s because of that we are shifting into their world of demand.”

“Consumers and their demands are in charge of business.”

Frito Lay’s senior Vice President and Chief Marketing Officer at Snaxpro 2014, Dallas Texas
Importance of Addressing the Animal Care Issue

Up until the last few years, not much progress was made by activist groups in addressing animal welfare in agriculture until a vulnerable link was found....

CONSUMER BRANDS!!!
Brands are now the agents of social change
As Kert Davies, Director of Research for Greenpeace, said...

“Discovering brands was like discovering gunpowder.”

Business Confidential
Consumers are Confused!

- Of the 75,000 items on the grocery store shelf, most are manufactured or processed by ten companies: Coca Cola, Nestle, PepsiCo, General Mills, Kellogg, Associated British Foods, Mondelez Int’l, Mars, Danone, and Unilever. Since the KraftHeinz merger, they will need to be added to this list.
- This results in consumers unable to keep track of who’s behind the brand.
10 Branded Companies

- PepsiCo
- Kellogg's
- Associated British Foods plc
- Mondelez International (formerly Kraft Foods)
- Nestlé
- Coca-Cola
- Unilever
- Danone
- Mars
- Wrigley
Consumers and Producers Are on a Collision Course

Modern, Professional Ag Producers
Science-Based Approach and Answers

Modern Consumer
Demanding Brand Assurance Of Principles

Two Worlds Are Colliding In The Marketplace
Industry Options

- Do Nothing
  - Let the Humane Society of U.S. and Sierra Club speak for animal agriculture
- Self Certification
  - Company evaluates their own operation
  - Credibility issue
- Assessments
- 3rd Party Audits
So, WHY AUDIT?
Consumers & Customers Will Require Even More Detail in the Future

• Science alone will not prevail--It is not persuasive in a values-based culture.

• Socially responsible attributes are being embraced by more of the supply chain every day.

• Companies will have to provide proof that they are socially responsible.
Animal Feed Certification

- Validus provides the following feed certifications:
  - American Feed Industry Association (AFIA) Safe Feed/Safe Food (SF/SF)
  - National Renderer’s Association (NRA) Code of Practice
  - NRA’s Animal Protein & Plasma Providers (APPI).
  - Safe Quality Food (SQF) (Praedium can assist with setting up a SQF program on the farm, in the plant, or in the mill).
  - Hazard Analysis & Critical Control Points (HACCP).
  - Restricted Use Protein Products (RUPP).
  - Plasma and Hemoglobin (P&H).
Safe Quality Food (SQF)

- This is a GFSI accredited program
- We can audit to the SQF standards which exist for each and every foodstuff available
- Validus is a certifying body for SQF and our auditors can audit to 10 of the 34 food sector categories
FSMA

• Gives FDA authority
  – To promulgate new rules for preventive controls
  – To develop performance standards
  – To create new administrative detention rules
  – To conduct mandatory recalls
  – To hire more than 4000 new inspectors
Rendering Industry Experience

• Nothing new
• 30 years of experience with:
  – Salmonella education & testing
• 10 years of experience with:
  – BSE feed regulations
• Other sectors of the feed industry much more inexperienced
• As Dr. Meeker recently pointed out to colleagues in these other animal feed sectors, “Welcome to our World!”
Dr. Meeker listed these factors as indicators that the rendering industry may have an easier time with compliance:

- Long standing commitment to addressing animal feed safety
- Close working relationship with regulators & other industries
- Well prepared to comply with new regs
- Participation in rendering *Code of Practice*

I would add that most renderers are already audited for CoP and other programs.
Programs Available

- HARPC or HACCP-Q
- Code of Practice only
- SQF Category 32: Manufacture of Pet Food
- SQF Category 34: Manufacture of Animal Feed
- SQF Category 36: Safe Feed/Safe Food
- SQF Category 36: Safe Feed/Safe Food + Code of Practice
Summary

- The public is mandating more assurances of animal welfare and food safety.
- In response, government regulators are requiring more programs.
- Companies wish to provide proof that they are responsible and that they will not be the cause of breaches in food safety.
- Third-party auditing is the only way to provide this verification and proof.
Thank you for your time!

Questions???