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CRISIS MANAGEMENT //
CONTAMINATED PRODUCTS

Food and beverage recalls: a growing trend

NOVEMBER 2022

TRENDING
TOPICS

ASIA PACIFIC

A look at Australia's food and beverage product recalls between 2012 and 2021.

Undeclared allergens and microbiological contamination are some of the major threats faced by our food producers. These are difficult to control and recalls can be expensive. With more processed and packaged foods hitting the shelves, the risks are very real.

Recalls cause significant impact on a business as costs can run into the millions

Why worry about recalls?

The impact of a recall has been felt by the smallest companies right through to the largest brands in Australia.

In fact, there were a total of 776 recalls between 2012 and 2021. These affected nearly every type of food product including dairy, meat, vegetables, fruits, seafood, bottled water – even beer.

Recalls cause significant impact on a business as costs can run into the millions. This can even occur for manufacturers with a reasonably low turnover.

The reality is that recalls can be expensive. And the two major issues companies face after recalls are a damaged reputation followed by a hit to the bottom line.

What causes recalls?

There are a wide range of reasons behind recalls including microbiological contamination, foreign matter, biotoxins, chemical contaminants, mislabeling, undeclared allergens, and the presence of disease. Commonly, these are out of the control of the manufacturer.

Food Standards Australia New Zealand reports significant growth in recalls as a result of undeclared allergens like peanuts, milk, eggs, fish, shellfish, wheat, tree nuts and soybeans. In recent years, the frequency has nearly tripled from 18 declared recalls in 2012 to 38 in 2021, accounting for 44% recalls in the last three years.

These claims often arise from contaminated ingredients being supplied to manufacturers, only to be discovered when a third party has tested the products or someone has fallen ill.

What allergens are causing recalls?

From 2012 to 2021 Food Standards Australia New Zealand report dairy was the most common cause, followed by peanuts, tree nuts and finally wheat/gluten.





Case Study: Pattie's 'frozen berry' recall 2015

Between 2005 and January 2015, there were no recorded recalls of frozen or fresh berries in Australia and prior to the recall Patties annual sales from frozen fruits was around AUD38 million.

In February 2015, Patties recalled various frozen berry products due to suspected Hepatitis A contamination attributed to berries sourced from China.

The costs associated with the recall were reported to total more than A\$9m and consisted of the following*:

- ▶ \$3,800,000 worth of product lost in storage that was recalled and destroyed

- ▶ \$197,576 advertising the recall
- ▶ \$198,591 operating a call centre to respond to concerns
- ▶ \$136,942 public relations professional fees handling public reputation
- ▶ \$597,788 removing products from the shelves of customers and retailers
- ▶ \$4,400,000 lost earnings due to the recall

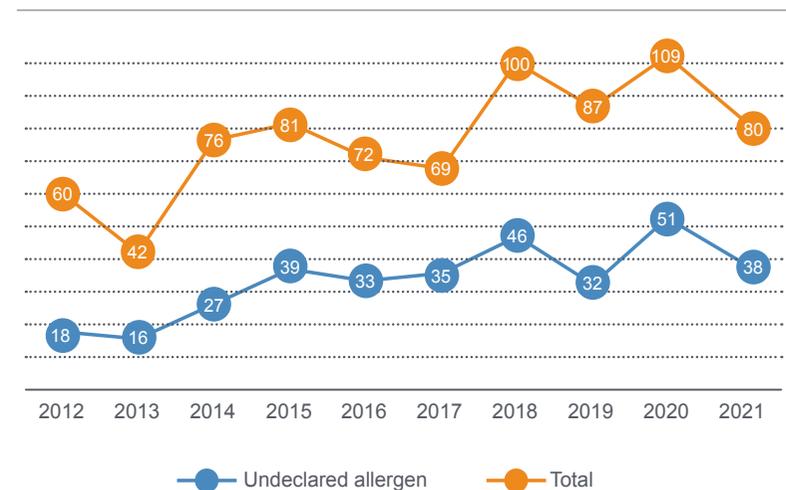
Patties exited their frozen fruits business, and sold it for \$1,800,000 at the end of 2016.

Real average: 86 recalls per year

Over the past 9 years, there have been 776 recalls of food and beverage product in Australia – making the average 86 per year.

Undeclared allergens are the leading cause of all food and beverage recalls in Australia.

Recalls per year 2012 to 2021



Undeclared allergens are risky business

A significant change has been the rise in recalls attributed to allergens, with the annual number rising from 13 in 2012 to 38 in 2022. Alarmingly, 335 recalls were attributed to allergens in the past nine years.

What allergens are causing recalls? From 2012 to 2021 dairy was the most common cause, followed by peanuts, tree nuts and finally wheat/gluten.

When someone has a food allergy, their immune system wrongly sees the food as hostile and the body's defence mechanism

Allergen recalls are predominately coming from processed foods, confectionary and baked foods. This is no surprise considering the large number of ingredients in processed products. The more ingredients, the harder it is to ensure they are free from potential allergens.

Australian population-based research has shown that up to 10% of infants have

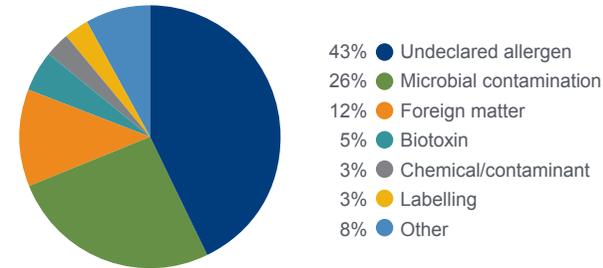
springs into action. This produces a range of symptoms which can vary from mild itching to severe breathing difficulties or even shock. These symptoms usually happen immediately after eating the food.

Read more about allergy intolerance at www.safefood.eu

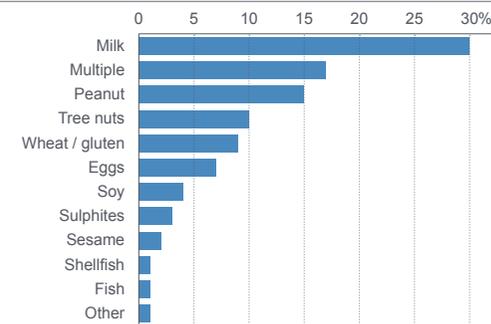
confirmed food allergies. Around 85% of children with an early allergy to foods – including eggs, cow's milk, wheat and soy – will develop tolerance to these foods by five years of age. Allergies to peanuts and tree nuts, on the other hand, are typically lifelong.

Read more about allergy intolerance in children at data.growingupinaustralia.gov.au

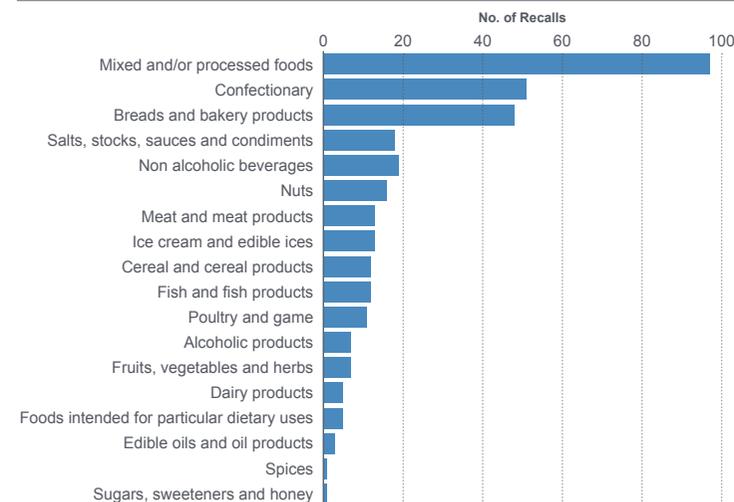
Causes of recall 2012 to 2022



Allergen recalls 2012 to 2021

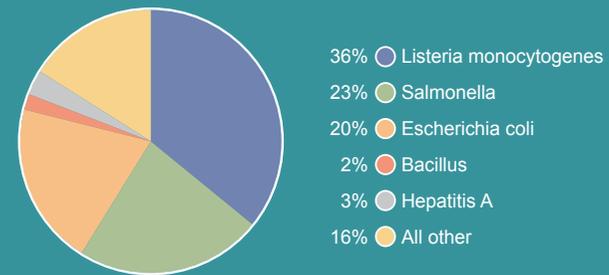


Allergen recalls – Type of product 2012 to 2021





Causes of microbiological contamination recalls 2012 to 2022*



Contamination is the next threat

Microbiological contamination is the second largest cause of recalls. The most common of these contaminations are *Listeria monocytogenes*, *Salmonella* and *Escherichia coli* (E.coli) – combined these account for 79% of all microbiological recalls.

Given the right conditions, millions of bacteria can grow on common, everyday foods. These conditions are:

Time – a single bacterium can multiply to over two million in just seven hours

Warmth – the ‘danger zone’ temperatures at which bacteria grow best are between 5°C and 63°C

Food – like any other living things, germs need food to grow. High-risk foods that

bacteria love best include dairy products, meat, poultry, fish and shellfish

Water – bacteria need moisture to grow. This includes moisture in ‘wet’ foods such as juicy meats, sandwich fillings, soups, sauces and dressings.

For a healthy adult the probability of getting sick from contaminated food is dependent on both the type and number of harmful microorganisms present in the food. For those who are susceptible, namely the very young, and those who are sick or pregnant, where their immune systems are less effective, lower numbers of microorganisms may be required to cause illness.

Read more about microbiological food safety risks at www.safefood.eu

Protecting Australia's food and beverage manufacturers

A simple way to protect from the financial impact of a product recall is Liberty's Contaminated Product Insurance policy.

The policy can provide cover for:

- ▶ Removing an unsafe product out of the stream of commerce, which includes advertising in local, state, and national media.
- ▶ Transport charges when products are returned from retailers and customers
- ▶ Expenses from destroying or safely disposing of any recalled products
- ▶ Payments imposed by retailers to take a product off their shelves
- ▶ The costs to replace the products and supply to customers and retailers

- ▶ Fees for public relations or crisis consultants to help manage a recall
- ▶ Loss of gross profits

Liberty's Contaminated Products cover is a leading solution for food and beverage clients, providing innovative and cutting edge covers.

Liberty's Retailers Withdrawal Endorsements is another great example. In addition to product recalls, which cause consumers to be sick or ill, Liberty also protects against product withdrawal for quality reasons, which won't make people sick or ill. This is often excluded in more traditional recall covers.

‡ Food Standards Australia New Zealand, Food Recall Statistics, January 2020, available at <https://www.foodstandards.gov.au/industry/foodrecalls/recallstats/Pages/default.aspx>

* Hatch, Patrick, "Berry supplier dragged to court over Patties' hepatitis A outbreak", 4 September 2017, Sydney Morning Herald. Available at: www.smh.com.au/business/companies/berry-supplier-dragged-to-court-of-patties-hep-a-outbreak-20170904-gya9s7.html





For Mutual Advantage

A relationship that protects what you value most

Distinct, complex and constantly evolving – every business is as unique as their insurance needs.

To confidently progress in the face of risk and uncertainty requires a level of security you can only achieve through working with specialists.

As a global insurer and reinsurer backed by Liberty Mutual, this is what we promise.

We partner with insurance brokers to bring value and solutions to the world's most significant business and government organisations – helping them protect what they earn, build and own.

Contact us

If you're looking for more information on contaminated products, please get in touch with our specialist Crisis Management underwriters.

Michael Lincoln

Vice President
Crisis Management
Asia Pacific
T +61 2 8298 5958
E michael.lincoln@libertyglobalgroup.com

Donna Niblock

Assistant Vice President
Crisis Management & Victorian Branch Manager
T +61 3 9619 9832
E donna.niblock@libertyglobalgroup.com

Our full team is listed on our websites.

 Meet our Crisis Management team members

libertyspecialtymarketsap.com

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