COOL Affects Continuous Supplier Performance

There have been positive, negative changes associated with COOL

by Thomas R. Cutler

Dan Rowe, product manager at JustFoodERP, suggests that since country of origin labeling (COOL) went into effect, “sales, purchase, and manufacturing documents have designated COOL requirements ensuring that the inventory transaction associated with the shipment, receipt, consumption, and output conform to that COOL.”

CF Chefs in Dallas, a custom liquid and dry sauce manufacturer that receives spices from vendors with the country of origin on the ingredients listed, asked for more, said Rowe, whose company provides software and service packages for the food industry. “They wanted to capture this at receiving more for informational purposes.”

Another company trying to determine how to use COOL information is Mastronardi Produce/Sunset. The company is a pioneer and industry leader in the gourmet greenhouse industry, which grows and markets nationally recognized brands such as the Campari Tomato, Splendido Grape Tomatoes, Kumato, and Champagne Cocktail Tomatoes, under its Sunset label.

Family owned and employee managed for more than fifty years, Mastronardi produces flavorful gourmet tomatoes, peppers, and cucumbers. Because the company does not actually manufacture—that is, alter—the product they resell or repack and sell, Mastronardi has very complex country of origin (COO) requirements. The company must identify the COO on shipping documentation, as well as reserve inventory by COO, to ensure that customer requests for specific produce from specific countries are fulfilled. This process becomes complex, for example, when a four-pack of peppers must combine multiple colored peppers from different countries.

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Technology allows employees at the CF Chefs plant in Dallas to track real-time data.

A Time Saver as Well

Michael King, customer manager for JustFoodERP, believes COOL has affected food manufacturers in other important ways, particularly by saving time. “Food manufacturers can now easily comply with industry requirements without maintaining manual procedures, … which are prone to error. It’s tough to get staff into the habit of following a new procedure; it’s a lot easier when the tools that they are using to get their day-to-day job done provide a constant reminder, or requirement, to do so.”

Rowe said there are a number of significant challenges in complying with COOL requirements, including “the ability to track multiple COOs against a single lot and report the usage of that lot into a finished good, all the while maintaining the COO of the finished good based on the component usage.”

Since its introduction several years ago, there have been many changes, both positive and negative, related to COOL. One is that customers struggle with conforming to COOL because it is transaction intensive. Typically, they must not only introduce a formal lot-tracking system to replace a paper-based system, but they must also tack the added complexity of COO onto each transaction. In addition, although customers also expect more automated tracking of COO, they soon realize that in order to achieve this goal, they must implement other processes they did not anticipate.

“We do not require production consumption to occur in advance of production output, and, therefore, after-the-fact consumption is often implemented in place of shop floor consumption,” Rowe said. “On the other hand, production output must occur in advance of shipping, so production output is handled on the shop floor. However, in order to report the COO at shipping, the output must know the COO. This situation often results in a significant disruption to the shop floor, where users are not accustomed to interacting with a computer.”

Driving Technology Development

The COOL requirements have been a prime example of industry maturity driving technology development initiatives. Food manufacturers’ need to adhere to COOL requirements have resulted in functionality within enterprise resource planning tools that allows users to track one or more COOs from receipt of raw materials through consumption, production, output, and shipping.

Increasingly, some larger retailers are mandating that suppliers adhere to specific certifications. "Many of our customers were forced to have their business practices approved from external auditors in order to maintain relationships with their largest customers," King said. "The most prevalent of these certifications that comes to mind is SQF [Safe Quality Food]. Although we were well-equipped to handle many of the SQF requirements from the get-go, some of the requirements around communication inspired changes around document management and accessibility to key traceability records from remote locations."

Food businesses often find it challenging to make the changes necessary to adhere to COOL requirements. More data entry is required, leaving more room for error and bringing with it an undeniable increase in procedural cost that the small or mid-sized food manufacturers are not always willing to accept. Technology providers have done their best to minimize the pain by making it easy to get the necessary data where it belongs and by introducing error proofing to ensure that the data is entered correctly.

Supplier Risk, Performance

Vendor or supplier performance is a key indicator that may fall outside the scope of COOL, but it is all integrated because food companies must automatically track late deliveries, short shipments, pricing discrepancies, and even quality audit results on every receipt. Every food company needs continuous records of the effectiveness—or ineffectiveness—of its vendors.

"There is value in bringing in additional data," said Gary Nowacki, CEO of TraceGains, "such as in-house or third-party lab results or receiving dock feedback to get a holistic view of the supplier and its impact on a food business. We look at this as holistic supplier management." TraceGains produces online applications that help companies manage suppliers, ingredients, and other variables.

Too often, food businesses have risks in their supply chain that they are unaware of. Risk trending shows how individual suppliers are performing, allowing companies to predict risk and take corrective action.

"The focus must be on reducing ingredient/raw material variability to help create a more consistent product that's easier and more economical to produce," Nowacki said. "The result is lowering costs while raising quality—we're looking at the supply chain, not the books of the company. While increasing procurement efficiency is an aspect of spend management, we're not looking for lower bids but greater adherence to quality specifications. Efficiencies are realized in multiple areas: quality, risk, purchasing, and strategic sourcing."

CF Chefs in Dallas, a custom liquid and dry sauce manufacturer that receives spices from vendors with the country of origin on the ingredients listed, wanted tools to capture COOL data at receiving for informational purposes.

A supply chain is a concept, and a supplier is a vendor and a business relationship with mutual responsibilities. But suppliers need management. This continuous need for supplier management necessitates a continuous, rather than a point-in-time, audit. Each inbound supplier shipment and certificate of authenticity (COA) must be checked against quality specification without increasing the workload or requiring additional full-time equivalents. Few systems achieve 100% visibility on all inbound shipments. Some systems reject a COA, while some simply have a static record and neither accept nor reject.

Systems must keep track of key supplier-dependent expiration dates, like audit expirations—such as SQF or certification expiration (often detailed in hazard analysis and critical control points)—and insurance expiration, and automatically reject shipments whenever any condition is no longer compliant.

COAs, whether in paper or digital format, contain a wealth of information. When all COAs are automatically digitized and analyzed, the data becomes actionable intelligence that helps lower costs and risk, while increasing quality and profitability. Also, for companies that must undergo British Retail Consortium audits, which are required by companies such as Wal-Mart, comparing 100% of all shipment COAs against quality specifications is a key requirement.

Whether driven by legislation such as COOL or simply assessing supplier performance on a continual basis, a full history of all shipments, their quality, and risk, allows food manufacturers to leverage upstream, manufacturing, lab, and downstream data for continuous product improvement.

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