Less is More for Small Food Manufacturers

By Thomas R. Cutler, President & CEO, TR Cutler Inc.

Small food manufacturers make up more than 90% of the total food processing marketplace. From pasta to sauces, these companies have fewer than 250 employees and average annual revenues often under $10 million annually. These are companies that are not using Oracle or SAP. These are frequently users of Quickbooks. They still need solutions that address some of the same issues faced by large food conglomerates.

According to Ian Benoleil, President & CEO of NumberCruncher, "Small food manufacturers need vital inventory and order management features to effectively track inventory quantities, production, and order customers. From Bill of Materials (BOM)'s for recipes to tracking expiration dates, these firms have the same compliance and operational requirements as larger companies. They need much, but not all, of the functional technology solutions."

Bill of Materials (BOM)'s for recipes

The food industry has multiple components/ingredients needed and used to make the end product that will be purchased by the consumer at a local grocery store or retailer. It is imperative that they keep track and chain of custody of what comes in, what is used, and what is yielded. Section 306 of the Bioterrorism Act mandates strict record-keeping requirements for manufacturing, processing, packing, transporting, distributing, receiving, holding or importing food to the United States. In December 2004, FDA published a final rule requiring food firms to establish and maintain records that would allow inspectors to conduct a trace investigation to protect the food and animal feed supply. FDA estimated that about 420,000 food facilities were required to register under the act, and increasingly QA managers are looking to technology resources (existing in-house or acquirable) that will assist in meeting this compliance requirement. Most of these food companies had less than 100 employees.

According to Benoleil, "Compliance with the Bioterrorism Act means full tracking of raw material lots through manufacturing and of finished goods lots through shipment to customer. Complete reporting on lot genealogy, showing all usage of lots from vendor to manufacturing to end user is also a must. The system should also provide the ability to query end-user sales orders and see all raw materials and finished good lots used for specific shipment; evaluate lots from vendors or manufacturers to see all the end-users who receive shipments; and track lot properties with allowable "criteria" for each lot."

There are other functionalities that support food manufacturing audits and quality assurance concerns without being a direct response to Bioterrorism Act compliance. Those functionalities include automatic quality assurance of incoming products; various product grades with or without usage/holds; tracking of original country for raw materials; and complete data warehouse for 24/7 ad hoc reporting.

"Recipe management through BOM management enables the small food manufacturer to conduct nutritional and laboratory analysis with recipe revisions. Again, a valid and useful function for food software, yet not specific to compliance with the Bioterrorism Act," according to the NumberCruncher founder.

Other functionality critical in technology selection for a small food firm

- Process manufacturing requires that work orders are streamlined, easy to use, and able manipulate data.
- Expiring date-tracking capabilities for recall functions/reports is essential
- Lot number and tracking capabilities
- Unit of measure
- Sales orders
- Purchase orders

The biggest impact of the Bioterrorism Act may be the recognition of the decision-influencing role of QA manager in technology selection; while costly ERP vendors market to this audience because of mandated regulatory compliance requirements, it is the less costly solutions providers that have given the fundamental requirements to the food companies at a four digit price (under $10,000) that are sweeping the vast majority of the marketplace.

Recently Debbie Borzini, CFO of Fioredi Pasta, purchased a 10 user license from NumberCruncher just a couple days after a demo of the product. She had never heard of the company and now said everyone in food sector needs to know about the cost-effective solution. More than 25 years have passed since Fiore Di Pasta, Inc. founders, Panfilo and Benedetta Primavera mastered the art of making pasta in their native lands of Abruzzo, Italy. Today, from Fiore Di Pasta's headquarters in the bountiful valley of Fresno, California, the Primaveras, along with their sons Joseph, Anthony, and Panfilo Jr., use the freshest ingredients available to produce superior quality specialty pastas, sauces, entrees, and organic foods to meet the growing needs of today's wholesale consumer in search of...
products that are convenient to prepare and are exquisite in taste. This is the type of company profile for so many family owned small food firms.

Indeed less is more for companies like Fioredi Paste. Small food manufacturers cannot invest heavily in ERP systems that claim to address every aspect of Bioterrorism Act compliance. Benoliel expressed understanding for small food manufacturers noting that, "Striking a balance between effective data management and tools for Bioterrorism Act and other regulatory requirements is not easy. Finding a balance between food manufacturing sector idiosyncrasies and a solid technology system is even more challenging when the budget is closer to $5000 than $250,000."

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