Food Safety Ranking Club Platform (FSRP)

Developed by Global Food Safety Forum (GFSF)
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Section – 1 Introduction

About FSRP

• FSRP offers an opportunity for suppliers to be ranked and eligible for competitive loans, insurance premiums and potential investment financing.

• GFSF (Global Food Safety Forum) is host of the platform. Crisis24 (www.worldaware.com) is the Ranking Agency.
Despite a growing recognition of the fundamental role food safety plays in achieving the Sustainable Development Goals (SDGs), efforts to strengthen capacities for food safety remain fragmented and the gains, particularly in many developing countries, have been well below expectations.

The safety campaigns of consumers and NGOs alike have pressured governments and companies in the developed world to expand and enforce standards and regulations in the food supply chain. As a result, governments in the United States and Europe have invested billions of dollars in food safety regulations and process control systems to deal with carcinogenic chemicals, hormones and antibiotics.
Section – 1 Introduction
Potential Risks of Food Safety

• Political Risks: Trade frictions and geopolitical tensions
For example, the trade tensions among the US and China have disrupted the global supply chain structures of many large and small companies. In 2018, both countries implemented a 25% extra tax on each other. Many agribusiness supply chains were harmed deeply by the increased tariffs. Certain geopolitical tensions could also add uncertainty in the free flow of goods and services across national borders.

• Natural Hazards: Natural disasters and public health emergencies
A typical illustration is the outbreak of COVID-19 pandemic, which has affected both the demand for and worldwide commerce in inputs as well as final goods. It has become an unforeseen global disruptor for global supply chains. Also, it is creating new challenges for international, regional and national food safety standards and enforcement to it.

Chart 1: COVID-19 outbreak leads to a sharp decline of net trade in major economies
Section – 1  Introduction
Importance of Food Safety

• It is no secret that there has been significant media exposure, a public health impact and a decrease in consumer confidence in recent years due to some significant food safety incidents. This has increased focus on food safety by consumers, the industry, lawmakers, and regulatory agencies. Improved food safety can yield economic and social benefits:

- Reduced loss of income and health care costs for the affected individual
- Improved productivity and a safer food supply from farm to table
- Reduced burden on the country’s healthcare system through improved public health
- Consumer confidence in the U.S. food supply, leading to economic stability through the food sector
Section – 1 Introduction

FSRP Goals

- Provide a tool for food safety performance improvement and the means to monitor and measure food safety performance effectively.

- Facilitate reductions in product waste, product reworking, and product recall.

- Ensure supplier compliance to guarantee the quality and safety of food products and provide motivation for companies to improve food quality.

- Lower the financing costs for companies.
The food safety ratings and data model could clearly define rules for assessing and rating companies. The output is a data tool that is quantitative, rather than qualitative company research reports.
Section – 2
Advantages & Methodology of FSRP

How and why beneficial to build FSRP framework?
From a sustainability perspective, we can look at food safety as a key component that connects social issues and environmental issues and provides a platform for making positive change in each area.

For Example, Biosecurity as an ESG Concern. The clearest and most effective method of dealing with biosecurity issues is prevention. Moreover, a failed response to an avian flu outbreak would directly impact not only consumer health, but also the financial health of the companies involved.
Section – 2 Advantages & Methodology of FSRP
Linking Food Safety Rating to Sustainability

As the most important part of food security, food safety plays a fundamental role in achieving the Sustainable Development Goals (SDGs) and the main objectives of the UN Decade on Action on Nutrition. Efforts to strengthen capacities for food safety remain fragmented and the gains, particularly in many developing countries, have been well below expectations.

Food safety is now becoming more important in SDGs. Enhancing food safety could help in achieving SDGs and improve sustainable development.

Food safety is integral to attaining:
• SDG2: Zero Hunger
• SDG3: Good Health and Well-being
• SDG12: Responsible Consumption and Production
## Section – 2 Advantages & Methodology of FSRP

### Linking Food Safety Rating to Business

<table>
<thead>
<tr>
<th>VALUATION CHANNEL</th>
<th>High food safety rating -&gt; Lower systematic risk -&gt; Lower discount rate -&gt; Higher DCF Valuation</th>
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<tbody>
<tr>
<td>MOMENTUM CHANNEL</td>
<td>Change in food safety rating -&gt; Change in systematic risk -&gt; Lower discount rate -&gt; Change in valuation</td>
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<tr>
<td>PROFITABILITY CHANNEL</td>
<td>High food safety rating -&gt; More competitive -&gt; Higher profitability -&gt; Higher margins</td>
</tr>
<tr>
<td>IDIOSYNCRATIC RISK CHANNEL</td>
<td>High food safety rating -&gt; Better risk management -&gt; Fewer incidents -&gt; Lower idiosyncratic risk</td>
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Section – 2 Advantages & Methodology of FSRP
Linking Food Safety Rating to Business

1. Enhance Transparency On Food Safety Issue
2. Integrate Food Safety Issue In Business

Regulators  Civil Society  $$ Investors  Customers
Section – 2 Advantages & Methodology of FSRP

Benefits of a membership

Access to capital on favorable terms

Same for premiums for food safety liability insurance

Reduce food safety risks and concerns
Section – 2 Advantages & Methodology of FSRP

Assessment Steps

• Analyze **current and future regulatory requirements** in the industry

• Canvas latest food safety **monitoring, operating and supply chain technologies**

• **Track food safety records** (no food safety recalls, FDA or APHIS penalties)

• Incorporate regulatory criteria and available technology to construct a practical and comprehensive **FSRP framework**

• Leverage machine learning and nature language processing in building **quantitative rating models**

• Conduct **due diligence inspections** and assign food safety ratings to firms
Section – 2 Advantages & Methodology of FSRP Assessment Criteria

Food Safety Hazards

Physical Risks
- Objects in food that can cause harm when eaten, such as glass or metal fragments

Chemical Risks
- Compounds that can cause illness or injury due to immediate or long-term exposure

Biological Risks
- Harmful bacteria, viruses or parasites such as salmonella, hepatitis A and trichinella
Section – 2 Advantages & Methodology of FSRP

SWOT Analysis

**Strengths**
- Serving as a market mover for ESG in food safety
- Providing tangible benefits to firms in discounted insurance premiums and interest rates

**Weaknesses**
- Building quantifiable and verifiable metrics
- Gaining industry’s cooperation
- Securing participation from insurance companies and financial institutions

**Opportunities**
- Timely incentivizing good food safety practices in these sensitive times
- Expanding into new markets, products, and production systems
- Employing cutting-edge inspection and tracing technologies

**Threats**
- Dealing with potentially disrupted supply chains in the virus aftermath
- Encountering counterproductive regulatory interventions
Section – 3
Potential Opportunities
What are the potentials in food safety rating?
Section – 3 Potential Opportunities
Emerging Markets

• In developing countries, however, governments are not always as vigilant. Although most initiatives to strengthen the food supply chain are initiated by advanced economies, food safety concerns continue to be a major issue in developing nations.

• With fast-growing economies, a burgeoning middle class and complex supply chains, the countries in Asia face a growing array of food safety challenges. These are giving rise to innovative solutions and collaborative initiatives by governments and the private sector, governments and the private sector across the entire region.
Section – 3 Potential Opportunities

Global Supply Chain

• Today’s food supply chain stretches across borders and oceans. As it grows longer and more complex, the need for proper food sanitation and foodborne illness prevention increases. In addition, an ever-increasing complex global food and ingredient supply has introduced further opportunities for contamination to be incorporated into food products.

• Building FSRP provides potential opportunities in protecting products, brand and supply chain partners through the following ways:

  • Detecting possible hazards across supply chain
  • Creating mitigation strategies that supply chain partners have in place
  • Monitoring the supply chain to ensure the systems are contemporary with the emerging food safety issues as they arise
Section – 3 Potential Opportunities

Several markets that FSRP would apply

1. Flavoring Market

According to the current analysis of Reports and Data, the global Food Flavors market was valued at $13.31bn in 2018 and is expected to reach $19.72bn by year 2026, at a CAGR of 5%. This industry is growing at a CAGR of 7% in Asia Pacific followed by Europe and North America, with 4.9% and 4.8% CAGR, respectively. As of 2018, Natural Flavors is the dominating segment in this industry, which holds 52.2% of the global share. According to Forbes magazine, from 2007-2017, in the U.S., the farmers market grew by 100%. Thus, the supply chain that plays a major role in this industry is enhanced over time.
**Section – 3 Potential Opportunities**

**Several markets that FSRP would apply**

2. **Snack Market**

American people love snack, and the slant has definitely skewed towards healthier options that offer nutritional benefits. According to the IRI data by 2018, the Salty Snacks category posted a healthy 4.95% yearly growth, bringing $27bn in revenue. Within that category, the potato chips industry grabbed the headlines with 2.68% growth and $7.57bn in revenue.

Nevertheless, there is no stopping the growth of the healthy snack market---globally valued at $21.1bn and expected to grow at a 5.1% CAGR between 2018-2025, according to Grand View Research. The Breakfast Cereal Bar is the leading product in the healthy snack market and expected to account for the largest share. **By applying the FSPR** in the rapidly growing healthy snack market, consumers’ demand for food safety will be well satisfied and the quality of snack will be promoted. The disease caused by unhealthy snack such as diabetes, obesity could be significantly decreased.
Section – 3 Potential Opportunities

Several markets that FSRP would apply

3. Fish&Seafood Market
The market size of US seafood market is $2.9bn in 2020, indicating a 0.9% growth than the previous year and the revenue of $5bn. The average growth rate of the market volume is 1.5% from 2015 to 2020. This market also has a promising future its size is expected to grow by CAGR 3.4% till 2025. The whole North American market is projected to a higher CAGR in the years to come.

With consumers’ increasing demand of freshness and safety, the application of the FSRP could make the whole market more transparent and efficient.
Terms for Club Membership Benefits

Initial Food Safety Ranking: remote, data-driven authentication @ $500

GFSF/FSRP Club Membership: $500

Club Ranking: Additional fee for Crisis24 comprehensive food safety review; access to transaction room

Transaction Room: Insurance premium and financing discounts; accelerated reviews for food safety impact investment
Contact Us

• Thank you for your interest! Please contact GIC Group for more information:

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