

# Report on Supply Chain Compliance Volume 3, Number 9. April 30, 2020

## Food supply chains are in shock

---

By Sascha Matuszak

Food supply chains around the world have experienced the impact of the pandemic. A combination of factors has triggered food surplus,<sup>[1]</sup> bottlenecks<sup>[2]</sup> and other logistics challenges and scarcity.

The primary factor is the dramatic shift in demand: Restaurants, hotels, cafeterias and other wholesale buyers have reduced orders while consumers have not only increased demand for groceries, but also adapted to conditions by moving online to purchase what they need. Additionally, people struggling with food insecurity who are normally served by food banks have also been affected by the pandemic<sup>[3]</sup>

Attempting to meet this shift has revealed the “divided supply chain” — one serving customers and the other serving businesses. According to *The Wall Street Journal*,

Experts say the gap between the industrial and consumer supply chains grows larger at virtually every step of the process. Erasing the differences, they say, would require expensive investment with little promise of a payoff over the long term. Wholesalers that sell to both retail and food-service customers can try and leverage existing relationships with grocers to offload some bulk products. But stores configured to sell consumer-size goods may not have space to store and display hefty sacks of rice and giant jars of mayonnaise.<sup>[4]</sup>

Supply chains create rigid contracts in order to maintain certainty and continuity. The massive disruption due to the pandemic — from logistics to distribution to manufacturing—coupled with big shifts in demand and supply are straining food supply chains. Companies must assess whether it’s worth retooling or restructuring their supply chains in the long term and, if so, how exactly it should be done.

### Food safety: The Smithfield case

The case of Smithfield Foods<sup>[5]</sup> demonstrates how serious the pandemic is, how leadership can attempt to manage the situation and still fail, and the impact failure to maintain food safety can have on a national supply chain. Smithfield tried to withhold the fact that some employees had COVID-19 symptoms and that at least one employee had tested positive, but the news about the infected employee broke via an article in the local newspaper, the Argus Leader,<sup>[6]</sup> on March 26. Despite other positive cases and information that pointed to an outbreak, Smithfield chose to not close its plant. When the company was finally forced to close the plant on April 15, it had become the top hot spot in the U.S.

The damage—both reputational and operational—to the company is already great, but the damage done to the community and the employees—and perhaps the entire supply chain—has the potential to be far more serious.

### Guidance and tools to avoid Smithfield’s fate

---

In an interview<sup>[7]</sup> published on the United States Food and Drug Administration's website, FDA Deputy Commissioner for Food Policy and Response Frank Yiannas addressed questions regarding food safety and the state of the food supply chain. In it, Yiannas explains that the food supply chain is adjusting to the shock of a dramatic shift in demand: "These shortages are temporary because of unprecedented consumer demand, not a lack of the food system's ability to produce, process and deliver food."

In terms of food safety, Yiannas points to the Food Safety Modernization Act (FSMA)<sup>[8]</sup> and the requirements under that bill that have been going into effect one by one over the last five years:

"Most of the compliance dates have arrived for the major FSMA rules that put science and risk-based controls in place for the growing, production, packing, holding, transporting and importing of the foods that American consumers serve their families and feed their animals," Yiannas said. "Some inspections are temporarily on hold, but the food industry is still required to meet these requirements – that has not changed."

The FSMA is part of an overarching plan to modernize and digitize food supply chains in the United States in order to achieve transparency, traceability and flexibility. That effort was encoded in a blueprint, set to be released in March, called the New Era of Smarter Food Safety.<sup>[9]</sup> The FDA has delayed that release due to the pandemic, but the ideas in the blueprint — traceability, safety and transparency leveraging technological solutions<sup>[10]</sup> — seem more timely now than ever.

## Takeaways

- Food supply chains have experienced a significant shock as a dramatic shift in demand has required distributors and producers to forge new links.
- Programs already underway at the Food and Drug Administration, including the implementation of the Food Safety Modernization Act, are needed now more than ever as the pandemic reveals the need for traceability, transparency and flexibility in national and global food supply chains.

<sup>1</sup> David Yaffe-Bellany and Michael Corkery, "Dumped Milk, Smashed Eggs, Plowed Vegetables: Food Waste of the Pandemic," *The New York Times*, April 11, 2020, <https://nyti.ms/2S3WQx1>.

<sup>2</sup> Emma Cosgrove, "Transportation bottlenecks snarl inputs to food supply chains," *Supply Chain Dive*, April 7, 2020, <https://bit.ly/3cKZGiz>.

<sup>3</sup> Eileen Abbott, "Food banks hit with double whammy by coronavirus," *The Hill*, April 6, 2020, <https://bit.ly/2VuWkdI>.

<sup>4</sup> Jennifer Smith, "Divided Supply Chains Are Challenging Producers, Retailers," *The Wall Street Journal*, April 15, 2020, <https://on.wsj.com/2VRbloV>.

<sup>5</sup> Jessica Lussenhop, "Coronavirus at Smithfield pork plant: The untold story of America's biggest outbreak," BBC, April 17, 2020, <https://bbc.in/2zi5l0U>.

<sup>6</sup> Trevor J. Mitchell, "Smithfield Foods employee tests positive for coronavirus," *Argus Leader*, March 26, 2020, <https://bit.ly/3bx48RD>.

<sup>7</sup> "FDA's Perspective on Food Safety and Availability During and Beyond COVID-19," FDA, April 16, 2020, <https://bit.ly/2RWWhVW>.

<sup>8</sup> Sascha Matuszak, "US food industry moves to comply with sweeping food safety legislation," *Report on Supply Chain Compliance* 2, no. 6 (April 04, 2019), <http://bit.ly/2pxyOyU>.

**9** “New Era of Smarter Food Safety,” FDA, November 19, 2019, <https://bit.ly/3eH1gne>.

**10** Sascha Matuszak, “Food supply chains under increasing scrutiny,” *Report on Supply Chain Compliance* 2, no. 20, October 24, 2019, <http://bit.ly/3644lcJ>.

This publication is only available to subscribers. To view all documents, please log in or purchase access.

[Purchase Login](#)