Evaluating Food/Feed Ingredient Suppliers – How We Do Business in the Supply Chain

Rosalind Zils, Land O Lakes, Inc September 30, 2015
Land O’Lakes, Inc. - Today

- ~10,000 employees
- 3,674 direct producer-members and 826 member-cooperatives
- Serve +300,000 agricultural producers
- 300+ facilities in the U.S.

- 3 diversified businesses
- Annual revenue $15 billion
- Goal to double revenues and increase international growth in the next 10 years
Our mission and values

Our Mission
We are a market- and customer-driven cooperative committed to optimizing the value of our Members’ dairy, crop and livestock production.

Our Values
People, Performance, Customer Commitment, Quality, Integrity
An operating company with three diversified businesses

LAND O’LAKES, INC.

Agriculture services, crop inputs

Animal nutrition and feed

Dairy foods

WinField

PURINA

LAND O’LAKES, INC.
Farm-to-market insights and innovation connect farmers and consumers together

Production

Consumer

Seed
Crop Inputs & Insights
Animal Nutrition
Milk Quality
Primary Processing
Pricing
R&D/Mfg.
B2B/Industrial Sales
Retail Presence
Highly Branded Goods Mktg./Sales

FARMER-OWNED
Global Supply Chain Complexity...we are part of this!
# Today’s Food & Feed Industry: Signs of Change

| **Increased Regulatory Scrutiny** | • Food Safety Modernization Act (FSMA)  
• Lot Trace, Know Your Suppliers, Food Safety Registry  
• Increased capability, sensitivity and frequency of testing |
|-----------------------------------|--------------------------------------------------------------------------|
| **Larger, More Demanding Customers** | • Questioning program effectiveness  
• Seeking evidence of ongoing control |
| **End Users Becoming More Sophisticated** | • Internet access/communication enhances speed of news  
• Higher awareness of good/bad news  
• less tolerance for failures |
| **Increased Emphasis Throughout the Food Chain** | • Industry wide Initiatives & Collaboration by stakeholders  
• Risk assessments, Supplier Quality Assurance, etc. |
| **Brand Protection** | • A strong product safety & quality culture is a significant point of difference  
• Negative impact of events in the media can have lasting impact |
As the Global Supply Chain continues to develop...

We recognize that Quality and Safety are more important than ever as critical drivers of consumer trust and confidence.
Internal Supply Chain Quality
The Land O’Lakes Journey

Quality Systems Continuum

Quality System Maturity (Sophistication)

- Commodity approach. Dairy Foods redesigned QMS journey begins 2003
- Food Industry 3rd Party Audits
- Re-issued Food Safety & Quality Policy (2012)
- Food Industry Leaders – GFSI (Global Food Safety Initiative)
- Feed QMS System journey re-launched 2006
- Mature QMS System (LOL in 2008)
- Striving for World Class (e.g. PAS 222)

Time →
Product Safety goes beyond regulatory compliance

Responsible companies invest in Product Safety and Quality to:

- Assure consumer/animal safety
- Build trust and brand loyalty
- Reduce risk & liability within the industry
- Reduce cost of failure
- Enable business growth and market access
  - Global customer base
  - Marketplace differentiation
- Engage employees to enhance product safety culture
What is a Product Safety Culture?

A product safety culture is how and what the employees in an organization think about product safety. It’s the behaviors that they routinely practice and demonstrate.

“Culture is the way we do things around here ... when no one is looking”

Adapted from Frank Yiannas--Vice President of Food Safety and Health, Wal-Mart Stores USA
External Supply Chain Quality
Start with a Vision and Mission

External Supply Chain Quality

Global Industry. Leaders known for collaboration with our supply chain partners, championing product safety and quality culture.

Vision:

To deliver external supply chain product safety and quality, protecting our consumers by mitigating risk to facilities and brands.

Mission:

To deliver external supply chain product safety and quality, protecting our consumers by mitigating risk to facilities and brands.
Establish Standards and Expectations

- **Land O’Lakes, INC.**
  - Purina Animal Nutrition LLC
  - Feed Division Quality Expectations
  - For: Contract Manufacturers, Ingredient Suppliers, Joint Ventures, Feed Licensee Manufacturing

- **Land O’Lakes, INC.**
  - Growing Together
  - Contracted Warehouse (3PL) Quality Expectations

- **Land O’Lakes**
  - Purina Feed LLC
  - Feed Division Quality Expectations
  - For: Grain Ingredient Suppliers
Assess Risk

Assessing risk of a feed ingredient

Assessing risk of your supplier(s)

Supplier Risk

Material Risk
What are the inherent biological, chemical and physical hazards associated with a feed ingredient?
What hazards may be more relevant based on a supplier’s operation?
It's amazing what can come with your ingredients!
Risk Assessment- Supplier

You should know your suppliers and have a program for how you approve them

- Supplier questionnaire
- Conversation with the responsible Quality personnel
- Document review
- Company (business) review – financial stability, history
- Agreement to a written set of expectations
- Audit of the manufacturing facility
Risk Assessment

- Based on your risk assessment of feed ingredients, develop an approach to supplier approval that adequately addresses risk
- Higher risk suppliers may require more information and diligence for approval
What hazards can you adequately control in your facility?
Training and Education

Global - GFSI Benchmarked
Schemes include HACCP/GMP

Global/Domestic
HACCP Certification
Certification through Schemes which include HACCP & GMPs

Domestic Focus
Feed Safety Program Audits which drive continuous improvement and maturity

Regulatory and/or FSMA Compliance

Continuous Improvement
Increasing Maturity and Feed Safety Rigor

Required By All
Create a Relationship

“On the Internet, nobody knows you’re a dog.”

Published in The New Yorker 7/5/1993
by Peter Steiner
Fostering a collaborative approach as we continue on our continuous improvement journey

What does your management expect?

Build the Relationship with your suppliers
Live your Vision and Mission

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Mission:
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External Supply Chain Quality

- Standards
- Culture
- Metrics
- Training & Education
- Risk Assessment
- Collaboration
- Specifications
- Relationships