Summary of Proposal

- Reduce regulation for certain low risk operations.
- Simplify license late fees.
- Increase industry fees for the first time in 15 years by $2.5M over three years. Fees for small food facilities would move from $67 to $183 and large food facilities from $167 to $468. Industry would move from paying 26 percent of costs to just 37 percent.

Summary of Need

MDARD is at a point where it can no longer meet the demand for business compliance assistance for new and growing food businesses and also evaluate food establishments often enough to assure the public’s food safety.

Example of Need

Even in low-risk establishments, such as this Kalamazoo neighborhood market, food safety and sanitation can go badly wrong. This evaluation took place on 10/3/14 and these problems emerged in the 16 months between MDARD evaluations. MDARD has 6,000+ evaluations due each year that we don’t have the staff to complete.

<table>
<thead>
<tr>
<th>Mouse Infestation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gnawed food packages, dead mice and droppings too numerous to count.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Moldy Ice Machine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outdated infant food, cheese, lunch meat, etc., also being sold.</td>
</tr>
<tr>
<td>Food was seized and discarded. Facility cleaned up within 3 days of MDARD visit.</td>
</tr>
</tbody>
</table>
**Objective**

Prevent business disruption due to contamination incidents and illnesses.

**Impact of Actual Food Safety Incidents in Michigan.**

<table>
<thead>
<tr>
<th>Incident 1</th>
<th>Incident 2</th>
<th>Incident 3</th>
<th>Incident 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Category</td>
<td>Frozen Fruit</td>
<td>Soy Flour and Grits</td>
<td>Cheese</td>
</tr>
<tr>
<td>Employees Out of Work</td>
<td>50</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>Amount of Downtime</td>
<td>12 Weeks</td>
<td>Permanent</td>
<td>2+ Years – Cheese Line Only</td>
</tr>
<tr>
<td>Impact to Company</td>
<td>$7-$8 million in product loss, facility improvements and lost wages</td>
<td>Closed</td>
<td>$250,000+ loss from lost production, facility improvements, and lost wages</td>
</tr>
<tr>
<td>Where</td>
<td>Southwest Michigan</td>
<td>East Michigan</td>
<td>Southeast Michigan</td>
</tr>
<tr>
<td>Contaminant</td>
<td>Listeria M</td>
<td>Salmonella</td>
<td>Listeria M</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Clostridium Botulinum</td>
</tr>
</tbody>
</table>

Food safety inspectors provide skilled evaluation of food establishments for early detection and identify conditions that may contribute to food contamination and possible recalls.

Food evaluations are especially important to smaller businesses who may have limited resources to monitor their food processes. These highly trained food inspectors are sometimes a business’ last line of defense against the high cost of foodborne illness and recalls. They provide an unbiased review of the flow of food, and provide guidance for effective control of food operations.
Benefits to Industry

The value of a food license to Michigan food businesses:

- Local Stationed Food Safety Consultant
- 24/7/365 Emergency Response and On-Site Assistance
- Exceptional Customer Service
- Food Establishment
- Export Certificates

**MDARD Consultant-Provided Services**

<table>
<thead>
<tr>
<th>Locally Stationed Food Safety Consultant</th>
<th>24/7/365 Emergency Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Compliance reviews - find small problems and eliminate them before they grow.</td>
<td>- Customer illnesses</td>
</tr>
<tr>
<td>- Business growth consulting.</td>
<td>- Disasters</td>
</tr>
<tr>
<td>- Opening evaluations scheduled to expedite licensing and ability to obtain bridge card and liquor license approvals.</td>
<td>- Food Recalls</td>
</tr>
<tr>
<td>- Plan reviews.</td>
<td>- Contamination incidents</td>
</tr>
<tr>
<td>- Product label reviews.</td>
<td></td>
</tr>
</tbody>
</table>
**Government vs. Industry Costs with Proposed Fees**

* Many MDARD services are not available from private consultants. Private consultant costs based on $50/hour.

**Inspector Workload vs. Industry Compliance**

As food establishment evaluation frequency goes down:

- Industry Compliance Drops
- Foodborne Outbreaks Rise

- MDARD Dairy 95% compliance with ≤6 month frequency
- Local Health Food Service 65% compliance with 6 month frequency
- MDARD Food 58% compliance with 12+ month frequency
In the last 15 years MDARD has lost 4 inspector positions (8 percent reduction) while adding 2,200 licensed establishments (15 percent increase), with the largest growth in complex food processors. MDARD also reduced management and support staff and closed regional offices during this period.

Evaluations have also gotten more complex
How Increased Investment Benefits Business

Compliance Reviews on a responsible schedule

Fewer Costly Illnesses, Outbreaks and Food Recalls.

Risk Reduction
- Lower recall costs
- Avoid brand damage

Decreased Liability
- License and good evaluations show responsibility and best effort. Reduce likelihood of court judgement.

Enhanced Customer Service

Lower Business Operating Costs

Recall Insurance Savings
- Organized proactive firms doing everything right save dollars.

Food Product Recalls Can be Extremely Costly

According to industry publication, Food Production Daily:

“In the U.S. alone, according to a New Jersey PIRG study, food recalls and foodborne illnesses bear an annual price tag of approximately $77 billion (including discarded product, revenue, healthcare costs, lost wages and litigation and other expenditures). The damage to a company’s reputation, while harder to measure, can be even more devastating.”

Food recalls cost billions each year, by Jenni Spinner+, 11-Sep-2013,

http://www.foodproductiondaily.com/Safety-Regulation/Food-recalls-cost-billions-each-year
4 Year Plan to Improve Efficiency and Save Industry $

While technology and process improvements help, some additional staff is also needed.

Investments to Date:

- $1.2M from legislature to balance budget, improve technology and add staff.
- $6M from legislature for MDARD department-wide evaluation and licensing system to provide long-term savings and efficiency.
- Technology and process improvements are anticipated to increase staff efficiency by at least 25 percent.

Proposed:

- $2.5M industry fee package to complete hiring of needed staff. Proportional increases using current fee structure.
- All fees stay within the program. Any carry-forward is deposited into a restricted, interest bearing “Food and Dairy Safety Fund”.
- Conduct 6000+ more evaluations annually.
- Improve timeliness to assist businesses.

With passage of fees:

Industry – 37 percent
Tax dollars – 63 percent

Staff hiring focused on field services and quality assurance:

Food Inspectors - 11
Inspector Supervisor - 1
Auditor - 1
Adm. Support - 1

Inspectors and field supervisors live in their assigned areas and work from home with state car and mobile office. MDARD has no regional offices.
Inspectors Help Michigan Food Businesses Grow

Each food inspector:

- Is working with 9 food businesses at any one time.
- Helps start or grow 20 significant food businesses a year.
- Connects with other business consultants at MDARD, MSU Product Center, Incubator Kitchens, etc.

Artisan Agrifood Processing and Food Safety Regulation: A Study of Handcrafting Processors and Inspectors in Michigan. Jennifer Buckley, PhD, MSU, June 2013

I would like to convey the critical role that MDARD Food & Dairy Division inspectors play in encouraging small-scale food entrepreneurship. My research was on food safety inspections of small-scale food processors in Michigan. I was interested in how the small-scale processing sector could grow and what some of the barriers were to that growth. Of course, I knew the conventional wisdom -- that regulations and inspectors get in the way of business development. I worked with small-scale farmers and food makers in Minnesota for almost 15 years before I came to Michigan, and I was familiar with the anecdotal evidence. So I wanted to learn more about regulation, specifically food safety inspections. During my research, I spoke at length, and confidentially, with 27 small bread, cheese, and jam processors across the state and 19 MDARD Food and Dairy Division inspectors, and I observed 12 food safety inspections.

Very early in the study, it became clear that many inspectors actually play an important and positive business development role for small food processors. A lot of small processors rely on inspectors for technical assistance, quality assurance, and other matters directly and indirectly related to regulations. I saw inspectors who had been trained to provide assistance and who spent a great deal of time speaking with the processors, learning about their operations, and explaining the rationales for specific requirements.

In my private conversations with them, small food processors credited their inspectors with helping them make sound operational decisions to improve food safety and product quality. (Even processors who did not want the government “in their business” told me that they had come to respect and trust their inspectors.) Processors valued inspectors as “a fresh set of eyes” who noticed risks that they might have otherwise missed. For example, one baker told me about an episode in which his inspector required him to replace the bakery’s ceiling lights with shatter resistant bulbs by a certain date. And he told me just how expensive the new bulbs were. Yet, he said, “That was the best thing ever…I think it was three months later that I hit a light bulb [with a long handle], and it didn’t shatter in a million pieces and go into all our dough and all our product. It stayed contained.”
Service that Makes a Real Difference

Business Growth

To: Quaine, Erin (MDA)
Subject: BIG Thank You!
From: Deborah Kidder
Sent: Friday, January 16, 2015 12:50 PM

Hello, Thank you for your time and all your wonderful help with our project. We appreciate your helpfulness and knowledge. Erin, please forward this email on to Barb.

Barb, what a treat to meet you; it is always so obvious when you meet a fellow animal lover! You and Erin put in a long day; thank you for all your time and expertise. Erin has been very informative and helpful; we find it very easy to work with her. If you are ever in the area stop by; I would love to share with you our "big" vision and show you around (perhaps when things are green again :-)
Top of the Day
Debi

Training

From: Mary Servia
Sent: Tuesday, January 13, 2015 11:28 AM
To: Schiavo, Jon (MDA)
Subject: Northwoods Coffeehouse

HI Jon-I signed up for the 4 day course. Thank you. Even if I don't do acidified foods, it will be good for me to have some insight. I'll already have the costs for travel anyway, so I might as well go. Thank you for all your help. You are a lot like John Cox. I could call him to ask for guidance and he was more than happy to come and make suggestions, tell me what I might be doing wrong, or at least help so that I could do it right.

Thanks for all your help.
Sincerely,
Mary Servia

Food Recall

Sent: Friday, November 21, 2014 8:14 AM
To: Settimo, Ken (MDA)
Cc: Cindy Baswell; Don Swanson
Subject: Many Thanks.....

Ken....
I would be remiss if I didn't take the opportunity to Thank-You for your guidance, education, and support during our recent recall. Your knowledge and ability to clarify in lay terms for us resulted in a smooth transition with minimal disruption to our campus. Please extend our thanks to all from who were involved. Looking forward to our continuing partnership with you and your team.

Marta M. Mittermaier
Manager, RHS Support Services
Associate Director, Culinary Services
Michigan State University