

# Explanation: Protection against feed fraud

## 1 Introduction

A case of fraud can result in significant financial losses for a company. Although there are no concrete figures, the number of fraud cases in the feed industry seems to be at increase. This can quickly lead to a scandal that not only inflicts severe damage on fraud victims, but also negatively affects the entire industry:

- The **feed safety** is no longer guaranteed when prohibited substances were added to the feed. This can have consequences on animal and human health.
- **Economic consequences** can seriously damage the company, e.g. due to the loss of customers and decline in turnover.
- **Reputation and image injuries** can damage a company or an entire industry.

For example:

The truck with the raw material arrives Friday afternoon, as usual. In contrast to previous deliveries, the seal on the transport container is damaged. The forwarder has no explanation for this. The company manager has known the forwarder for a long time and does not dig deeper. The goods are therefore unloaded<sup>1</sup>.

This kind of signs may be an indication of fraud. If it has been agreed with the supplier that the products must be delivered sealed, it is the supplier's duty to fulfil the agreement. Otherwise, appropriate measures must be taken (e.g. reject the goods)<sup>2</sup>.

## 2 Forms of feed fraud

Feed fraud occurs when feed, feed ingredients, feed packaging, labels or product information are intentionally replaced, added, manipulated or misrepresented or when false or misleading claims about a product take place. This is usually carried out for economic reasons and with criminal energy. The boundary to negligence is often blurred.

Feed fraud and examples<sup>3</sup>:

Forms of feed fraud	Definition	Examples (amongst others RASFF) <sup>4</sup>
<b>Dilution</b>	A product of inferior quality is added to the high-quality feed.	<ul style="list-style-type: none"> <li>• Dilution of sunflower oil with mineral oil (2008)</li> <li>• Dilution of crude sunflower oil with refined animal fats (oils) (2015)</li> </ul>
<b>Substitution</b>	The high-quality feed or certain high-quality components are replaced by a product of inferior quality.	<ul style="list-style-type: none"> <li>• Replacement of fish meal by feather meal (2013)</li> </ul>
<b>Concealment</b>	The feed quality is inferior to that agreed in the contract and this is not communicated to the customer.	<ul style="list-style-type: none"> <li>• Absence of L-lysine in additives (2011)</li> <li>• Absence of choline chloride (2011)</li> </ul>
<b>Mislabelling</b>	The information regarding the feed's composition or origin has been wrongly declared or does not fulfil the legal requirements.	<ul style="list-style-type: none"> <li>• Unauthorized use of the QS certification mark (no certification available)</li> <li>• Mislabelling of geographical origin, type of origin, botanical origin or breed; e.g. origin of fishmeal: Latvia wrongly declared as country of origin (2015)</li> <li>• Technical casein labelled as feed grade casein (2007)</li> </ul>
<b>Unapproved addition</b>	Non-approved substances are added to the feed.	<ul style="list-style-type: none"> <li>• Addition of melamine to soya flour (2008)</li> <li>• Addition of urea to yeast (2016)</li> </ul>
<b>Falsification</b>	The brand name, the packaging concept, the recipe, the processing method etc. of feed are imitated/copied.	

### 3 Detecting feed fraud

Of course, a mistake is not always an indication of fraud. And not every fraud reaches European proportions. Nevertheless, companies should remain vigilant all the time.

There are different signs that can indicate a feed fraud. These are mainly related to the characteristics of the feed in question, the supply chain, the importance of the feed in the company or the organisational culture in general (e.g. willingness to communicate).

This analysis allows companies to determine whether and in which area there is a higher risk of becoming a victim of feed fraud. For this purpose, employees from different parts of the company should be involved.

Initially, the following points about the company should be analysed<sup>5</sup>:

- Are the responsibilities in your company clearly defined? (Note: uncertainties can be the result of, for example, staff changes or insufficient information for all employees.)
- Are the communication channels in your company clearly regulated?
- Do all employees in your company know whom to contact if they notice something unusual?
- Does your company offer employees or external persons the possibility to anonymously report about any issues or suspicion?
- Do you use in your company external sources of information on feed quality for (e.g. the RASFF, magazines or through membership in associations)?
- Do you consider that the legal requirements and official monitoring in your industry is sufficient?

If your answer was "no" for several questions, there might be an increased risk of becoming a victim of fraud. It is usually enough to answer the questions only once and to take them into consideration, e.g. in the annual management evaluation. However, if the company is restructured, the responsibilities are redistributed, etc., it is recommendable to repeat the analysis.

Furthermore, the fraud susceptibility of every purchased product should also be analysed. A **questionnaire** for this purpose has been attached to this supporting document. The questions on the product have been conceived into three categories: some should be only answered once (without marking), some should be regularly answered (marked with yellow) and the rest should be answered for every delivery (marked with orange). The following also applies in this case: the more "no" answers, the higher the likelihood of fraud risk.

## 4 Protection against feed fraud

QS-certified companies have already an infrastructure in place for crisis situations, as every company has established an incident and crisis management system on the one hand, and a system for the evaluation and control of suppliers and products on the other. This infrastructure can also be used for the timely detection of fraud cases. Therefore, we recommend including the topic of protection against feed fraud in the following areas:

- Crisis committee
- **open organisational culture**, clear definition of **responsibilities** and information channels
- **specifications** (e.g. required composition, sensory properties such as smell and colour of the raw material), as deviations can only be detected if the standard is known.
- Definition of **parameters/ingredients**, which can provide an indication of possible fraud (e.g. chemical, microbiological, physical properties) and regular **analyses** of the feed for these parameters.
- **Supplier evaluation** (for both the supplier's product and process, as well as the supplier's financial situation if applicable, involvement in past cases of fraud), including review of delivering transport companies and supplier audits if required.
- **Control** of delivered raw materials (sensory control of the product and packaging, delivery notes, sampling)
- **Creation of batches** (the smaller the batches, the easier it is to narrow a case of fraud down, if required)
- Obtaining **relevant information** (e.g. RASFF notifications, standard owners' warnings, media reports) and assessment of this information by competent persons.

## 5 Behaviour in case of fraud

The following steps should be clarified as soon as you suspect of a case of fraud that may affect the feed safety:

- How to deal with the affected product: reject, block, recall?
- Who should be immediately informed? Customers and suppliers, authorities and QS are particularly relevant here. Note: QS has established a comprehensive crisis management system that supports you actively in the event of an incident or crisis.
- Must the case be reported to the authorities?

## 6 Questionnaire: Questions on the product

This table can help you to define which of the purchased products present a higher risk of fraud. If you answer "no" to several of the questions for a product, this may indicate that the product is at increased risk of fraud or that measures should be taken to detect fraud.

The questions have been classified into three categories: some should be clarified only once (without marking), some recurrently (e.g. every time there is a new supplier or new analysis methods available, marked with yellow) or for every delivery (marked with orange).

Suppliers:	Employee/signature:
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Questions on the product	Answer ("No" indicates a risk of fraud)	How to deal with the hazard	Own comments
<b>Raw material or manufactured feed</b>			
Is the product composition always the same?			
Is it a solid product? <i>Note: the falsification of liquids is easier than for solids</i>			
Is it a product with large grain size? <i>Note: the smaller the grain size, the easier it is to falsify the product</i>			
Is it a product with few ingredients? <i>Note: the more ingredients a product contains, the easier it is to falsify the product</i>			
Is it possible to easily detect a modified composition of the product (e.g. are there suitable methods available)?			
Are all product data sheets for the product available?			
Does the product originate from a manufacturing process that is			

always the same and is not easily accessible from the outside?

Is the product only available in the desired quality?

*Note: if the product is also available as feed of inferior quality, e.g. from regions with higher mycotoxin contamination or as "non-feed"/technical product, there is a higher risk of fraud*

Is this or a similar product so far free from any fraud allegations?

## Labelling

Is all relevant information available on the product label?

Does the labelling of the product fulfil the legal requirements?

Is the labelling regarding GMO plausible? *Note: Especially for processing products, for which an analytical proof of GMOs is not possible, high attention is necessary. You can find information on the worldwide spread of GMO-cultivation on the Website of Transparenz Gentechnik. Also the Association Food without Genetic Engineering (VLOG) offers an assessment aid for risk feed.*

## Market and suppliers

Is the product being offered at a lower price than usual on the market?

*Note: expensive products have a higher risk of fraud*

Has the product's price been relatively stable over a longer period of time? *Note: this may change due to below-average harvests, export/import restrictions or natural disasters; suspicious price jumps may be an indication of fraud*

<p>Do you purchase the product from suppliers you know or with whom you already have business relationships?</p>			
<p>Is it possible for you to carry out a comprehensive supplier evaluation for the suppliers of the product?</p>			
<p>Are the suppliers of the product certified according to a quality management system?</p>			
<p>Do you use a short supply chain to purchase the product? <i>Note: the longer the supply chain and the more intermediaries, the higher the risk of fraud</i></p>			
<p>Are the suppliers of the product so far free of fraud allegations?</p>			
<p>Are the suppliers of the product exclusively manufacturing, trading, storing or transporting animal feed? <i>Note: suppliers that also offer "non-feed" present a higher risk of fraud</i></p>			
<p>Are the suppliers of the product in a stable financial position and located in countries with a good economic situation?</p>			
<p><b>Packaging and delivery</b></p>			
<p>Is the product already packaged during transport?</p>			
<p>Is the product well protected and not easily accessible during transport/storage?</p>			
<p>If the product has to be delivered sealed: is the seal intact?</p>			
<p><b>Reception and analyses</b></p>			
<p>Do the employees in the incoming goods department know the product and are familiar with the way it should look like, which</p>			

<p>requirements apply to the delivering transporter and which criteria have to be checked before the product can be received/accepted?</p>			
<p>Has the product in previous analyses been free of unwanted or prohibited ingredients/substances?</p>			
<p>Does your own company carry out analyses on the product, taking all relevant parameters into account?</p>			
<p>Are there any analysis results of products from this suppliers available?</p>			
<p>Are the sensory properties such as colour and smell satisfactory?</p>			

## 7 Sources

- <sup>1</sup> GMP+ Messages from 19-10-2017
- <sup>2</sup> GMP+ D1.3 Feed fraud information document ([www.gmpplus.org](http://www.gmpplus.org))
- <sup>3</sup> Consumer Product Fraud: Deterrence and Detection, Grocery Manufacturers Association, 2010
- <sup>4</sup> RASFF – Rapid Alert System for Food and Feed (<https://webgate.ec.europa.eu/rasff-window/portal/>)
- <sup>5</sup> SSAFE Tool for the Food Fraud Vulnerability Assessment ([www.ssafe-food.org](http://www.ssafe-food.org))