



*Addressing the Accounting,
Tax and Business Needs
of Food & Beverage
Industry Executives*

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Seafood Mislabeling – Taking the High Road

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Seafood is one of the most popular foods in the United States and while the U.S. imports more than 84% of its seafood, only 2% is currently inspected by the FDA. Recent studies have shown that seafood may be mislabeled as often as 25% to 70% of the time for popular fish species.

In fact in a recent article in the *Los Angeles Times*, Oceana, a nonprofit organization, conducted tests on seafood sold at 74 retail Los Angeles sushi bars, other restaurants and grocery stores, and found and reported that over half of the seafood on hand were not labeled correctly. Red Snapper, Dover Sole, white tuna and other fish were often different species, Oceana found.

In addition, a 2011 investigation by the Boston Globe reported that 48% of the fish it collected from Boston restaurants, grocery stores and seafood markets was sold with the wrong species name. Occurrences of food mislabeling are not new to the seafood industry.

The state of California took a step forward to combat rampant seafood fraud occurring in the state by introducing and passing SB

1486. State Senator Ted Lieu (D-Torrance) introduced SB 1486 in February 2012 to require large restaurant chains to label seafood accurately by species and country of origin and also indicate whether it is farmed or wild.

In this food newsletter, I interviewed four seafood executives to get their opinions on this subject and find out how their companies are dealing with such an important topic.

While seafood mislabeling is not new in the seafood industry, as seen in various states and most recently in California, what is your reaction to this problem?

PALMER: The seafood retailing business is light-years ahead of the food service sector with respect to monitoring and compliance. While mislabeling occurs in the retailing sector, it is a lot more prevalent in the food service space.

VOGEL: A little bit of media sensationalism. There are profiteers out there and they are looking to turn a quick buck and to

turn a profit. The issue is primarily in the restaurant industry. There will always be profiteers looking for the quick buck to make.

ANONYMOUS: There is frustration, especially since it has been going on for some time. The industry is not regulated as closely as other food (beef, chicken); it is on the honor system. I don't think the issue of food mislabeling will be going away anytime soon. Dishonesty will continue as long as there is economic incentive.

OBEL: Based on our experience, mislabeling is apparent, however not as rampant as some might think. Responsible sourcing and strong traceability records are at the core of ensuring our customer base that the product they pay for is in fact, what they serve. For Certi-Fresh, these mislabeling issues are easily averted through extensive testing and traceability documentation, which we supply directly to our customers.

"...it is way more expensive to get in trouble than it is to do it right."
Mark Palmer

What is the economic fallout that your company will see as a result of this problem? Have there been additional costs that you have incurred as a result?

VOGEL: Several years ago there was a problem back east with additional labeling costs, but now there does not seem to be a problem with additional costs. Our company has an outside lab that takes DNA samples, but we do not believe there have been additional costs to conduct these types of lab tests. Our company has been proactive about proper labeling of seafood.

ANONYMOUS: There has been more economic pressures on the company. There

have been problems with weight and volume dishonesty. There are a group of companies requesting the FDA take a more active stance with this problem, but there is only so much they can do.

OBEL: The main cost is potentially lost business and integrity. Foodservice/retail customers will steer away from companies without proper import and processing policies and the retail consumer may be more hesitant in the future to purchase seafood in general. They say, "I think I will have chicken today instead of the fish, since it may not even be the real thing."

What has been the high road that your company has taken to deal with the issue of seafood mislabeling?

PALMER: The company is utilizing detail product specification. Currently there is a color chart that assists the customer. There never is a question of what the sale is. The company audits all of the supplier plants whether domestic or foreign. This is a very expensive proposition, both domestically and foreign. The flipside is that it is way more expensive to get in trouble than it is to do it right.

VOGEL: The company has a FSSC 22000 certification, the platinum level of certification. This certification increases the level of scrutiny on our suppliers, with the intention of culling out the bad apples that are willing to take the risk of mislabeling. Very few seafood companies have this certification.

ANONYMOUS: The company belongs to GEA (Global Economic Association) that deals with producers and going green and environmentally conscious fisheries. The GEA works with people and companies to promote economic integrity of the business.

OBEL: This company does not sell on price; it sells on service, quality, and integrity. The company has too much at stake to soil its good name in the seafood industry. By coupling with top tier and vertically integrated packers overseas, we ensure that there are no breaches in the chain of custody on any product we import; not to mention extensive testing at both processing level overseas as well as private and 3rd party testing once product hits the USA. Some of our customers even use DNA testing and as a result, they expect the best quality.

Has this problem of seafood mislabeling made you change the way you conduct your business?

PALMER: Every year, customers throw new compliance issues on the company and to do business, it needs to conform. In addition, the company has its own guidelines in order to purchase product. There are always test purchases in small quantities before it rolls out. The company is seeing improvements in the government oversight and the incidents of cheating are less. However, the economic incentive to cheat is still there.

VOGEL: Mislabeling has not affected the way the company conducts business because of proactive positions that it has taken over the years. People who are dining out should be more inquiring about the nature of where their seafood is coming from. The company has put out more information on chain of origin, including specific boats for its customers to be able to further identify and prove the quality of its product.

OBEL: To an extent, yes it has. We are familiar with the articles on seafood mislabeling, but our practices in responsible sourcing have been implemented for many years now and we are confident in our packing facilities and commitment to our customers. The bad press has changed the industry more than our company; we are now required to forward packing facility information and audit results that were never requested in the past, but we were prepared. We have even had customers come back to us after a bad experience with other standard suppliers, so the industry is becoming more and more aware. &

Special thanks to the participants!

To submit future topics or provide feedback, please contact Kari Schott at kschott@greenhassonjanks.com

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