OFFICIAL AIB STATEMENT

Setting the Record Straight

2009 Peanut Products Recall and Related Food Safety Matters

OVERVIEW OF AIB FOOD SAFETY SERVICES

Our Customer Base
Steady expansion over 60 years in North America and worldwide in inspections, audits and education. Customer base includes, among others:

- Majority of the Top 100 food processors (as identified in Food Processing magazine).
- World-leading food companies and their supply chains.
- World-leading beverage companies and their supply chains.
- National leaders in food service distribution.
- National leaders in production of food packaging.

VALUE OF THIRD PARTY INSPECTIONS AND AUDITS

What they do

- Provide an invaluable component to the safety of the food supply.
- Voluntary tools that rely on openness and full disclosure to be fully successful.
- Provide excellent training for plant personnel.
- Provide a component of a supplier approval program.
- Not regulatory and do not replace regulatory inspections.
- Provide a “new set of eyes” and enhance a facility’s self inspection program.

Comments From A Major Customer

- “The inspection/audit is only a part of a good food safety program. This should include companies using it as part of a supplier certification.
- One of the largest benefits of it is continuing education of plant personnel (if they are willing to learn and improve).
- Reemphasize your primary mission is to educate, not certify.
- Producers are ultimately responsible for the development and execution of their food safety programs.”

AIB’s GMP Inspection

- Follow detailed standards based on FDA and CODEX.
- The AIB Good Manufacturing Practices (GMP) Inspection is not a certification audit.
- The AIB GMP Inspection is not designed to get around deception.
- Conducted by inspectors with 5 or more years of experience in food safety, quality management and related services.
- Standardized, formal 8-12 week training program.
- Training continues on a year-to-year basis.
- All AIB International inspectors are full time employees.
- Most auditor/inspectors possess formal training in microbiology.
- Content-rich report:
  - average 68 comments per report
  - average 10-20 pages in length
  - over 300 elements within 5 rated categories
  - approximately 150,000 observations for improvements were identified in 2008
  - we assume that other third party audits have a comparable level of detail

“We recognize that we have a major task at hand in setting the record straight about AIB. This has already begun. It will only be successfully accomplished by our presenting to you, our customers and stakeholders, the critical facts and reasoned argument you require for your own needs and in many cases to further submit to others whom you deal with. We value your comments and feedback and look forward to hearing from you.”

James Munyon,
President & CEO, AIB International

JIM MUNYON
Official AIB Statement

THE PEANUT CORPORATION OF AMERICA (PCA) SITUATION
The Peanut Products Recall
• Jan. 2009 - Salmonella contamination was first identified and linked to Peanut Corporation of America.
• The largest food products recall in U.S. history.
• Significant impact on human health and welfare.
• The impact on PCA has been serious:
  – filed for Chapter 7 bankruptcy
  – CEO Stewart Parnell refused to testify before Congress.

MEDIA REPORTS:
SETTING THE FACTS STRAIGHT
New York Times and Others Criticize AIB
• March 6, 2009 - New York Times ran an article that was extremely critical of Mr. Eugene (Pete) Hatfield, AIB auditor, AIB and third-party audits.
• An article was also published in USA Today, and many other newspapers.
• Despite AIB’s efforts to get the facts straight, we believe that the NY Times article misrepresented the sequence of events that occurred at PCA.

AIB’s Clientele is Focused on the Entire Food Industry, Not “Bakery Dominated”
• 26% Bakeries, Milling, and Cereal Foods.
• 74% Other Food, Packaging, Ingredients, Distribution.

AIB’s Connection to PCA, Blakely in 2008
• March 2008 - AIB conducted a GMP inspection of PCA’s facility in Blakely, Georgia:
  – score of 910/1000, “Superior”, based on findings that day
• April 2008 - NSF (Cook and Thurber) audited the PCA Blakely facility:
  – score of 91/100,
  “Exceeds Expectations/Excellent”, based on findings of that audit
• AIB and NSF both expressed concerns:
  – lack of QA leadership
  – mold issues
  – maintenance issues
  – potential for cross-contamination

Quote from Atlanta Journal-Constitution
“The only time the plant was thoroughly sanitized... was before the anticipated annual inspections on behalf of Kellogg, by the American Institute of Baking.
The place did look decent for the inspector... We’d work hard to get it looking that way, but in a few weeks, things would go back to being a mess.”
A former manager of PCA, Blakely, Ga.
March 15, 2009

EVENTS TIMELINE

2006
January  GA Dept. of Ag conducts inspection; minor violations.

February AIB’s Hatfield conducts GMP inspection; issues observed.

May, Aug, and Dec. GA Dept. of Ag conducts inspection; minor violations.

2007
February GA Dept. of Ag conducts inspection; minor violations.

March AIB’s Hatfield conducts inspection; issues observed.

August GA Dept. of Ag conducts inspection; minor violations.

August GA Dept. of Ag collects samples from facility:
  – 3 samples test Salmonella negative

December GA Dept. of Ag inspects facility; no violations noted.

Late 2007 Technical Manager at the Blakely facility leaves the company.

2008
Early 2008 7 microbial tests at PCA tested positive for salmonella:
  – retest is negative, PCA shipped the product

March AIB’s Hatfield conducts inspection and noted:
  – Technical Manager left PCA; janitorial and sanitation director was the replacement
  – facility was undergoing line and layout changes requiring wall penetrations and movement of product; not expected to affect the peanut butter operations

April NSF (Cook & Thurber) conducts audit; similar issues noted in report.

June GA Dept. of Ag conducts contract inspection for the FDA:
  – “all objectionable conditions were corrected during the inspection”

June Blakely plant manager leaves PCA.

September First reports surface of illnesses connected to Salmonella by CDC.

October GA Dept. of Ag conducts inspection; minor violations.

2009
January PCA linked to Salmonella contamination.

February PCA files for Chapter 7 bankruptcy in the Western District of Virginia.
AIB FOSTERS APPROPRIATE RELATIONSHIPS WITH AUDIT CLIENTS

AIB Management Staff:
- Talk to companies about the organization’s services and programs.
- Auditor staff are rarely involved in this type of communication.

AIB Auditor Staff:
- Do not receive a commission or incentive from any business or audits they conduct.
- Maintain a professional and arms-length relationship with facility personnel.
- Build a collaborative relationship that can be cordial but must remain objective and impartial.

RECENT RELATED DEVELOPMENTS

- March 13, 2009. AIB representatives gave depositions to lawyers representing a U.S. House Energy and Commerce Committee subcommittee on the topic of food safety:
  - auditor’s qualifications were validated
  - informed the subcommittee of the value of third-party audits
  - debunked the notion that third-party audit companies are “cozy” with clients
- March 19, 2009 - the subcommittee held a public hearing with testimony from three food industry CEOs:
  - raised concerns regarding industry “coziness”/conflicts of interest
  - AIB was portrayed as the “cheapest” when a $20,000 Gold Standard Program exists
  - the Gold Standard is an AIB program, in place since 2002
  - frequent references to Nestle audit (conducted in 2002)

MISREPRESENTATION OF MR. HATFIELD’S CORRESPONDENCE WITH PCA IN LATE 2008

- December 2008 e-mail referenced by Congressional subcommittee from Mr. Hatfield to the plant manager read:
  “You lucky guy, I am your AIB auditor. So we need to get your plant set up for an audit.”
  Pete Hatfield
  “...He later gave the Georgia plant a Superior rating.”
  Congressional subcommittee member

- Mr. Hatfield’s e-mail was part of a longer communication scheduling an audit for the first quarter 2009:
  - reminding PCA about the new Standards
  - informing client of the need for increased audit length
  - inviting customer to contact him to discuss
- This audit referenced above was never performed and no rating assigned. PCA was out of business by the time of the 2009 scheduled audit.
CONTINUOUS IMPROVEMENT
OF AIB GMP INSPECTIONS PROGRAM
2007 - December 2008
• In 2007, AIB began to systematically update its Consolidated Standards for Inspection:
  – late 2008 release
2009 - January 2: Implementation of Updated Standards Begins
• Standards have expanded inspections of:
  – HACCP
  – Allergens
  – Training Requirements
  – IPM
  – Chemical Control
  – Food Defense
• In December 2008, AIB informed companies that more time would be required to conduct an inspection:
  – effective April 1, 2009, AIB inspections of facilities require a guideline minimum 2 days or longer
• A finding identified as “serious” prevents a “Superior” rating and rating drops to “Excellent”.
• A finding identified as “serious” prevents an “Excellent” rating and rating drops to “Satisfactory”.
• Unannounced and announced inspections are more prominently stated on the certificate and report.
• Audit numerical scores are stated on the certificate.
2009 - Post PCA Situation
• Auditor will ask for proof of compliance with state licensing laws.
• Certificates are now termed “Recognition of Achievement”.
• Scored audit cannot be changed to a training audit after the audit begins.
• Reinspection following a failed audit cannot occur less than 30 days later unless there is written documentation and approval by an AIB Director-level employee.
• Auditor will ask and note how and by whom the HACCP program is validated (university, regulatory, etc.).
• All reinspections will be noted as such on reports.

AIB IS COMMITTED TO THE FUTURE
• AIB is committed to the Global Food Safety Initiative and to benchmarked schemes of comparable quality and depth.
• AIB has the best team of field food safety auditors in the world and can perform a superior job conducting GFSI audits.
• AIB has a philosophy of continuous improvement. The update of the Consolidated Standards was the number one project in 2008. The Audit Quality Management System development is the number one project in 2009.
• AIB will work to bring about positive structural change to America’s food safety:
  – it is committed to a stronger FDA and new regulatory oversight, but also to leveraging the role of private third-party audit programs
  – it is committed to positive change and will be part of that change process
  – it will always represent the legitimate interests of our customers by speaking on their behalf

Contact Information

AIB International • 1213 Bakers Way • Manhattan, Kansas 66502 • 800-633-5137

www.aibonline.org