



INQUIRY

National Beef (California), Establishment 21488
Export of Ineligible Beef to Japan

August 13, 2008

EXECUTIVE SUMMARY

A shipment from National Beef (California), Establishment 21488, 57 East Shank Road, Brawley California to Japan included one box of bone-in short loins with an end panel label for product code 9781 (Beef Plates Yoshinoya). An inquiry by National Beef concluded the error was caused by a practice that permitted the pre-labeling of boxes prior to packing.

Corrective actions have been taken to prevent the pre-labeling of boxes for export to Japan, in summary as follows:

National Beef (California) has always had an internal procedure that boxes of product destined for export to Japan are checked for miss-packs prior to the box being sealed. As part of this procedure every box that is QA-checked receives a unique stamp on the inside lid of the box. The plant QSA program has been revised to address the root cause of the mispack (pre-labeling of boxes). The QA group will audit each area where packaging is taking place for products destined for Japan. The audit will be conducted once per hour during all production to verify that there are no pre-labeled boxes in any production areas including re-boxing areas. Employee training has been conducted verbally in a class setting with documented sign offs. Verification of training effectiveness is conducted by supervisors physically watching job task performance. Audits of the process will also verify that the training was adequate. Product for export to Japan will be checked in the following ways after boxing: 1) Final verification prior to case sealer, 2) weight range for product code at the final scale, 3) case damage and condition inspection during order staging, and 4) all cases will be double scanned to ensure that only approved codes are included.

USDA has verified the corrective actions taken by National Beef (California).

PURPOSE

The United States Department of Agriculture (USDA) has conducted an inquiry into the operations of National Beef (California), Establishment 21488, in order to assess events surrounding inclusion in a shipment to Japan of one box beef bone-in short loins incorrectly identified as Frozen Beef Plate Yoshinoya.

BACKGROUND

The export of U.S. meat products to other countries is facilitated by the activities of three separate but interdependent entities:

- 1) the U.S. meat and poultry industry,
- 2) USDA's Food Safety and Inspection Service (FSIS), and
- 3) USDA's Agricultural Marketing Service (AMS).

The U.S. meat industry is responsible for the slaughter of healthy animals and preparation of food products that are wholesome, properly labeled, and not adulterated. In addition to meeting U.S. food safety standards, the industry must meet all requirements imposed by importing countries. Both U.S. food safety requirements and the trade requirements of importing countries must be met before a product can be certified by USDA for export from the United States.

FSIS is responsible for the inspection of meat and poultry products and the certification of products for export to other countries. FSIS Directive 9000.1, Revision 1, "Export Certification," published March 1, 2006, provides an in-depth description of these responsibilities. The primary regulatory role of FSIS is to make critical determinations that meat and poultry products are not adulterated and meet all U.S. food safety standards for sale in domestic or international commerce. This regulatory activity is complete when FSIS applies the USDA mark of inspection. However, additional verifications are necessary after inspection is complete in order for FSIS officials to execute certifications of product for export.

AMS is responsible for developing Export Verification (EV) Program standards to ensure that establishments certified for export can meet the additional requirements of importing countries. These programs are approved and monitored by AMS for a fee, which is paid by participating establishments.

The combination of a USDA mark of inspection and an AMS EV Program provide assurance that U.S. meat and poultry products offered for export may be certified as meeting all U.S. food safety standards and importing country trade requirements.

EXPORT CERTIFICATION PROCESS

The export certification process for Japan is documented in FSIS Directives 9000.1 rev.1 and 9040.1 rev.3 (see Annex) as follows: An FSIS inspection program official receives an application for export (FSIS Form 9060-6) to Japan and verifies that it is complete and accurate and is signed by the applicant. The “Product as Labeled” block must show all products to be exported by their product code and description as they appear in the AMS list of approved products for the plant indicated on the application as the producing plant.

The FSIS inspection program official then compares the listed products on the unsigned application to the list of approved exportable products by the approved plant to determine product eligibility for export to Japan. If all products are found and determined to be produced after AMS approval of the plant, the inspection program official proceeds with export re-inspection as per FSIS Directive 9000.1 examining additional documentation presented with the application and a representative number of containers for condition.

If the documentation and condition of the product are acceptable, the FSIS inspection program official signs the export application, allows product to be stamped and signs the export certificates (FSIS Forms 9060-5, 9290-1 and the letterhead certificate for beef).

RESULTS OF USDA INQUIRY

USDA conducted an inquiry to determine whether the procedures and actions of National Beef (California) complied with U.S. export certification requirements and the import requirements of Japan.

Results are as follows:

1. Inclusion of ineligible beef products

- National Beef (California) management controls failed to prevent the inclusion of nonconforming product in a shipment of products otherwise eligible for export to Japan.
- National Beef (California) employees were responsible for packing boxes of beef for export to Japan in a manner that ensured packed product was consistent with box labeling.
- The mispack occurred because of a production practice that permitted pre-labeling of boxes, thus presenting an opportunity for packing error.

2. Product traceability

- USDA trace-back analysis confirmed all shipment documentation was verified during the export approval process.
- All FSIS and AMS export certifications of approved products were correctly performed.
- The one mispacked box has been verified as originating from an A40 cattle slaughter run.

3. Chronology of Events As Reported by National Beef (California)

To the best of National Beef's knowledge, following is the chronological chain of events:

- June 26, 2007 - The product was produced/ boxed at National Beef (California), Est. # 21488.
- July 27, 2007 - Product shipped to Icrest from Inland Cold Storage in Vernon CA. under MPG Certificate # 550910.
- August 4, 2007 – Product Arrived in Japan
- August 10, 2007 – MHLW/MAFF border inspections conducted
- August 28, 2007 – Shipment cleared customs
- April 19, 2008 – Product transferred to end-user processing plant
- April 22, 2008 – Non-conformance box found
- April 23, 2008 - Letter of Investigation and corrective action sent to USDA (District level as per instruction by FSIS in DC and FAS).
- April 24 - 25, 2008 USDA sent OPEER Investigator to National Beef (California) – Verbally stated that they found no issues
- May 2 , 2008 - USDA FSIS District had additional questions from OPEER Audit

RESULTS OF NATIONAL BEEF (California) INQUIRY

National Beef (California) conducted an internal review of the circumstances that resulted in the export of ineligible product to Japan. Following is a summary of that inquiry:

The root cause of a mislabeled box being exported to Japan was a National Beef (California) Fabrication Department practice of pre-labeling boxes before they were packed. That practice has ceased.

The Beef Plates were fabricated, bagged and boxed on a separate line from the short loins. National Beef (California) was not producing short loins for export to Japan. As per our QSA program the plant segregated product by grade and age coming into the fabrication floor. From there the plates and short loins go down separate boning tables. Products rejoin in a common case sealing area. Segregation is maintained in this area by a

product code label on the end panel of the box. When we produce Japan designated product for verified aged cattle, they are fabricated as a separate run on the fabrication floor. We verify that only approved labels are used product destined for Japan. As with all U.S. plants anything that is not destined for Japan is packaged and boxed in non-approved Japan codes.

This scenario happened when the employee correcting a damaged box of short loins grabbed a box and did not personally apply the product code label. This box had been pre-labeled for plates. Due to the location where this re-boxing occurred, the product did not go through the normal plant inspection process.

A trace back was conducted and all products exported with this load were verified as being eligible to export to Japan.

Since this incident, the QSA manual has been revised and an added hourly check for pre-labeled boxes is conducted in all packaging areas.

CORRECTIVE ACTIONS

National Beef (California), Establishment 21488, has taken actions to correct conditions that caused or contributed to the export of ineligible product to Japan. The corrective actions reported to USDA by National Beef (California) are as follows:

- National Beef (California) continues to use their internal procedure that boxes of product destined for export to Japan are checked for miss-packs prior to the box being sealed. Every box that is QA-checked receives a unique stamp on the inside lid of the box
- This stamp when used is applied at the end of the process. For plates, the stamp is applied in the separated room at the end of processing before the boxes go to the case sealing room. For all other export products the stamp when used is applied directly prior to the case sealer. The stamp identifies who checked the box. (Although the AMS QSA program does not require 100% box stamping as a specified product requirement, stamping of all QA inspected boxes is an internal tool used to ensure that plant QA personnel are inspecting boxes as per company expectations.)
- Although National Beef (California) does not require that every box contain a unique QA stamp every box of product that is destined for Japan is monitored/inspected by plant personnel/QA. As stated above the stamping of boxes by the QA is done as a way to help the plant ensure that the process is working.
- To further improve their process and QSA program to ensure that pre-labeling boxes for the EV Japan program does not re-occur, National Beef has revised the National Beef (California) plant QSA Program. The Plant QA group will audit each area where packaging is taking place for

products destined for Japan. The audit will be conducted once per hour during all production.

- This audit was added to the QSA Program to verify that there are no pre-labeled boxes in any production areas including re-boxing areas. Any “re-boxing” that may take place with Japan destined product is only done on the production floor. That process is monitored by plant management and QA. That product is then subject to plant/QA inspection like all Japan destined product.
- National Beef (California) added the written requirement that pre-labeling boxes is not acceptable in their program and added audit criteria to verify that they are in compliance with the revised program.
- Although National Beef (California) does not plan to use certain color boxes for all Japan destined products, the Beef Plates Yoshinoya will for the immediate future be packed in white boxes as a means to differentiate them from bone in short loins, which are packed in brown boxes. As stated earlier, the root cause for this failure was the practice of pre-labeling boxes which no longer occurs during the production of product destined for Japan. This change is reflected in the revised QSA program for the National Beef (California) plant.
- Employee training has been conducted verbally in a class setting with documented sign offs. Verification of training effectiveness is conducted by supervisors physically watching job task performance. Audits of the process will also verify that the training was adequate. (See Annex)
- With the elimination of pre-labeling boxes, employees now know what code they are physically packaging and will apply the label at the time of packaging. Export labels are not in close proximity to non-export labels.
- Product for export to Japan will be checked in the following ways after boxing: 1) Final verification prior to case sealer, 2) weight range for product code at the final scale, 3) case damage and condition inspection during order staging, and 4) all cases will be double scanned to ensure that only approved codes are included.

CONCLUSIONS

USDA conclusions from this inquiry are as follows:

- The one box of ineligible beef was not intended for export to Japan as it was produced for the domestic market.
- The ineligible product was inspected and passed by USDA for human consumption and was at the time of export a safe and wholesome product fit for consumption in the United States.
- Documentation for the shipment complies with the Specified Product Requirements under the EV Program for beef to Japan, including being from age-verified animals.
- USDA agrees with National Beef (California) that the root cause for inclusion of ineligible product in an export shipment to Japan was a plant-

specific mispacking error that occurred because the establishment was pre-labeling boxes for export.

- USDA has reviewed the corrective actions taken by National Beef (California) and finds them sufficient to address and resolve the root cause of this shipping mistake.
- In order for ensuring only eligible products be shipped to Japan, FSIS cautioned export facilities by posting a reminder in the FSIS Export Library on July 02, 2008. (See Annex)
- USDA is prepared to resume the certification of National Beef (California) Establishment 21488 products for export to Japan immediately upon acknowledgement this report is accepted by the GOJ.

ANNEX

Annex 1 FSIS Directive 9000.1 Rev. 1

Annex 2 FSIS Directive 9040.1 Rev. 3

Annex 3 Employee training

Annex 4 Export Requirements for Japan JA-144 (Jul 2, 2008)