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Analyzing Potential Impacts On the Food Industry From Proposed "Make American Healthy Again" Changes

By: Proactive Risk Solutions LLC, Joanne Bronish Owner & Sr. Consultant

The food industry is a multi-faceted process stream beginning with agriculture and farming to distribution and retail. As such, this industry relies on many interdependencies from a variety of sources. All these sources along the process stream face similar regulatory compliance issues as well as operational concerns.

Oversight of regulatory compliance in this industry is also multifaceted as both federal and state regulators play a significant role. While the Food and Drug Administration (FDA) is responsible for 80% of regulations governing imported and domestic food safety, the Food Safety and Inspection Service (FSIS) has responsibility for the remaining 20% of regulatory compliance. These two agencies are responsible for oversight and compliance with over 30 laws governing food safety.

From an economic standpoint this industry plays a significant role from both the agricultural and food processing perspective. According to the most recent data put out by the Bureau of Economic Analysis agriculture, food and related industries account for roughly $1.5 trillion of U.S. GDP. Of this, the farming sector contributes $222.6 billion. Conversely, the food industry as a whole is responsible for 10.4% of U.S . employment. Additionally, contributions of this sector to the health of the population should not be ignored. Therefore, it is crucial that any changes that may impact this sector be carefully researched, monitored, and implemented in a prudent manner. This article is intended to provide some thought provoking information on hurdles that the industry may face.

According to the MAHA website, this effort has outlined four potential areas of concern within the food industry. These are: impact of food on chronic disease epidemics, fostering regenerative agriculture practices, habitat preservation that would restore and preserve the ecosystem and finally corporations' ability to directly influence government agencies directly responsible for health and safety oversight. While it is unclear at this time which efforts may come to fruition, it is certainly an area of concern that requires food industry risk managers to be judicious in their monitoring process.

We should also keep in mind that along with any proposals that maybe forthcoming on these topics, the food industry is currently focused on identifying necessary changes across the various processing

streams to ensure compliance with the FDA's Food Traceability rules that will take effect January 1, 2026. This is an important factor to identify as they move toward the potential for major changes from MAHA that could further impact productivity, product offerings, quality, and cost.

Examining the four initiatives that could have a significant impact on the food industry and potentially the supply chain, two distinct sectors have been evaluated – farming and food processing.

Farming Industry

- Regarding foods impact on America's diet, this can have significant impact on the processing stream. Impact on the Farming/Ranching industry would be primarily felt in the area of hybrid seeds, fertilizers, and pesticides. The intent is to reduce or eliminate the need for such chemicals by shifting farming practices to a regenerative process. This is closely tide to the remaining two categories of focus: regenerative agriculture and biodiversity which are detailed below.
- Regenerative agriculture practices can have initial impacts on farm production and therefore supply chain implications. Why is this? Today farming practices rely on chemicals such as pesticides and hybrid seeds as well as the need for large quantities of water to produce significant food yields. The advantage to hybrid seeds is they can produce more and are disease resistant. But they sacrifice taste, nutrition and cost. Regenerative farming is based on soil management and restoration thus allowing farming to utilize non-hybrid seeds, less water and no pesticides while increasing production. The key is soil maintenance and restoration through such practices as cover crops, intensive rotational grazing practices, reduce chemical pesticides, utilize compost for fertilizer and create conservation buffers such as hedgerows that act as windbreaks and habitat for beneficial organisms. These practices will result in downstream consumers having reduced exposure to chemicals.
- Habitat / biodiversity preservation practices would support the ecosystems of the environment and is companion to regenerative farming. Biodiversity would ensure natural pollination, water purification resulting from reduced use of farming chemicals, and soil fertility, again companion to regenerative farming. Habitat preservation also plays a significant role as it supports biodiversity. As urban sprawl occurs and farms become larger, wildlife habitat is threatened and this brings a danger to the ecosystem balance. By providing areas for food, shelter, water and adequate space for animals we can ensure continued support for biodiversity.

As is evident in the discussion of these three factors, the food supply chain could undergo some significant changes going forward. Like any environment undergoing change, there can be risks associated with these changes. Farmers already face production risks, price/market risk, financial risk, and institutional risk related to government actions. Changes that could occur related to any MAHA activity would most likely impact all segments of farming risk. Some of the risks associated with the implementation of regenerative farming could be:

- Short term potential reduction of product – threatens current production outputs
- Resource intensive practice as it could require more land, technical and financial resources
- Knowledge gap for farmers on practices and implementation

In addition, currently there is limited evidence that the results gained by this practice would yield the expected goals – which are better productivity and crop quality resulting from better soil quality.

Should these practices be implemented, however, it would be crucial for farmers to monitor the implementation and associated risks. This would be possible through the use of a few crucial key performance indicators that would track productivity and financial data. Some of the crucial KPI's that may become helpful would be:

- Financial Indicators for Cost of Production and Gross Margin per Unit
- Resource Management & Sustainability Indicators such as Water Usage per Unit of Output and Soil Health
- Quality & Safety metrics for Crop Quality, Livestock Health & Welfare, and Food Safety Compliance

Food processing Industry

The food processing industry is one of the major contributors to GDP and the overall economy through both revenue and employment. Therefore, any significant changes to regulations affecting production could impact our economy. It is crucial that manufacturers have a proactive approach to monitoring, understanding and implementing the necessary changes. Without the proper preparedness the result could have a ripple effect over the downstream wholesalers, retailers and customers. The MAHA focus specific to this portion of the food chain has two tenants – food additives and industries influence on government agencies and policies.

- Just as in the agricultural portion of the food chain, MAHA focus is on diet and improved health. These changes will have a direct impact on the food and beverage processing industry from a production and product offering standpoint. The proposal covers such additives as sugar content, salt content, food coloring, and chemical preservatives and additives. These are the ones we currently know about, however this list could be expanded going forward. What does this mean for manufactured products? Each product formulation needs to be reviewed, and formulas adjusted to become compliant. As a result, some products could be removed if the resulting adjustments make the product less desirable for consumers. These are only the product development changes that would result. Marketing materials and packaging information would need to be reviewed and updated, and sales personnel would need to be trained on the differences as well as best approach to presenting the changes to customers. Finally, operationally, production line changes may be needed to be able to adopt to the new

formulations. Raw material needs could change, and new suppliers added as well as existing contract revisions and/or cancelations. It will be crucial for management in such an environment to have the proper risks identified and utilize key performance indicators to monitor performance against these risks.

Some of the risks associated with such a project would be:

- Inability to identify and understand regulatory requirements.
- Inadequate market research to identify customer changing expectations.
- Inadequate budget estimates related to the review and reformulation of products.
- Inadequate project management over development and product review.
- Inappropriate marketing materials that do not highlight product changes and benefits.
- Sales staff are not properly trained on new formulations and product benefits.
- Failure to identify and react to customers changing demand as product changes are pushed out.
- Failure to adjust product pricing for changes.
- Failure to timely identify raw material changes.
- Failure to adjust third party suppliers for new raw material needs.
- Failure to identify production line changes and related technology changes for new products.

These are just some of the potential issues that food processors would face should regulatory changes become effective. By utilizing existing key performance indicators across the impacted areas, management could monitor risk potential as well as project progress. Some of the metrics such as:

- Project Issue Tracking
- Missed milestones and overdue project tasks
- Customer Satisfaction Ratings
- Sales Target Attainment
- Compliance Rating for suppliers
- Suppliers' communication and responsiveness to changes in orders
- Suppliers' flexibility to changes in requirements
- Machine set-up time
- Takc Time
- Inventory turnover ratio (raw materials on hand)

These are merely a handful of metrics that can be used to monitor the transition of food processing related to MAHA potential regulatory changes.

Let's consider the second MAHA goal directly impacting the food processing industry – industries influence on government agencies and policies. This is more difficult to manage, however the first step would be to gather information on all existing interrelationships between your company and the government agencies and regulators. Review these to understand the breadth of the relationship and adjust as necessary. The primary risk related to this type of activity would be reputational risk and possibly operational as regulatory agency perform audits .

The magnitude of these changes requires companies to ensure they have appropriate processes in place across the organization to ensure success. In the end, how much of this will materialize is not known, however, monitoring and some level of initial preparedness would be prudent.