



McCormick

Supplier Selection and Management

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McCormick QA Director - China

Agenda



- **McCormick quality culture**
- **Science / prevention based supplier selection criteria**
- **Supplier education/on site monitoring**
- **Supply chain surveillance and evaluation**

McCormick Quality Culture



- Quality Philosophy – Prevention
- Commitment from Top Management
- Quality is everybody's responsibility
- Continuous Improvement
- Supplier Partnership
- Quality is designed and manufactured, instead of tested into products
- Quality managed from Farm to Table

Supply Chain Quality Management



Design

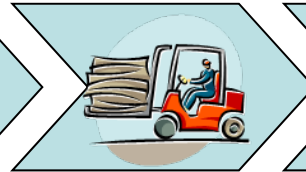
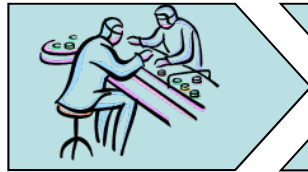
Procure

Convert

Distribution

Trade

Consumer



Specifications
 HACCP
 Local food regulations
 Relevant taste
 Nutrition/Allergens
 Supplier QA
 Plant Design
 Plant Equipment
 Process Capability

Supplier QA
 CoA

Specifications
 HACCP
 Allergens
 Innovation for improvement
 Traceability
 Sanitation
 Pest Control
 Environment
 Complaint Reduction
 Process Control
 Process Capabilities

Traceability
 Sanitation
 Pest Control
 Environment
 Warehouse controls

Complaints
 Warehouse control

Specification
 Allergens
 Consumer Response
 Complaint Handling
 Process Capabilities
 Brand trust- Communication
 Crisis Management

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Global Suppliers & Materials



- McCormick has more than 1,500 suppliers, over 8,000 raw materials; and 24,000 packaging materials.
- The procurement and quality management of the supply chain includes:
 - Core spices, herbs & related materials.
 - Processed ingredients & packaging materials.
- The key herbs and spices are managed by McCormick Global Ingredients, Ltd (MGIL).

Raw Material Categories



- **Color**
- **Concentrate - Juice**
- **Corn - Dry**
- *Capsicum**
- **Dairy**
- **Dry Soy**
- **Eggs**
- **Essential Oil**
- **Extracts**
- **Flavor**
- **Flavor Enhancer**
- **Flour**
- **Flow Agents**
- **Fruit/Vegetables**
- **Garlic**
- **HVP**
- **Meat Powders**
- **Non-Dairy Creamers-Shortening Powder**
- **Nuts**
- *Oleoresins**
- **Onion**
- **Pasta**
- **Relish**
- **Rice**
- **Salt**
- **Soy Sauce**
- *Spice & Herbs**
- **Starch**
- **Sweetener**
- **Tomato Powder**
- **Tomato Paste**
- **TVP**
- *Vanilla Beans**
- **Wheat**
- **Yeast**

* *Core Spices, Herbs & related materials*

Canada

- Caraway
- Coriander
- Mustard

U.S.A.

- Basil
- Cilantro
- Dill weed
- Marjoram
- Mint
- Onion
- Parsley
- Paprika
- Red Pepper
- Tarragon
- Garlic

Mexico

- Allspice
- Ancho Chile
- Oregano
- Vanilla beans

Guatemala/ Honduras

- Allspice

Jamaica

- Allspice

West Indies

(Granada)

- Mace
- Nutmeg

Tahiti

- Vanilla beans

Peru

- Paprika
- Turmeric

Brazil

- Arrowroot
- Cloves
- Black Pepper
- White Pepper
- Paprika

Spain

- Anise
- Paprika
- Rosemary
- Saffron
- Thyme

France

- Basil
- Chervil
- Fennel Seed
- Rosemary
- Savory
- Tarragon
- Thyme

Netherlands

- Caraway Seed
- Chervil
- Poppy Seed

Albania

- Oregano
- Rosemary
- Sage
- Savory

Croatia

- Sage

Poland

- Poppy Seed
- Thyme

Hungary

- Paprika
- Poppy Seed

Greece

- Oregano

Romania

- Coriander

Turkey

- Anise
- Bay Leaves
- Cumin Seed
- Fennel Seed
- Oregano
- Poppy Seed
- Sage

Pakistan

- Cumin Seed
- Dill Seed
- Red Pepper

China

- Celery Seed
- Chives
- Cinnamon/Cassia
- Coriander
- Cumin Seed
- Fennel Seed
- Garlic
- Ginger
- Onion
- Oregano
- Parsley
- Red Pepper
- Shallots
- Star Anise
- Szechwan Pepper
- Turmeric
- White Pepper



Vietnam

- Black Pepper
- White Pepper
- Cinnamon

Thailand

- Lemongrass
- Turmeric

Malaysia

- Cloves (Pedang)
- Black Pepper (Sarawak)
- White Pepper (Sarawak)

Tonga

- Vanilla beans

Indonesia

- Cinnamon
- Cloves
- Mace
- Nutmeg
- Vanilla Beans (Bali, Java)
- Black pepper (Lampung)
- White Pepper (Muntok)

Sri Lanka

- Cinnamon

India

- Cardamom
- Celery Seed
- Cumin Seed
- Dill Seed
- Fennel Seed
- Fenugreek
- Mace
- Nutmeg
- Red Pepper
- Vanilla Beans

***Malabar (S. India)**

- Black Pepper
- Turmeric
- Cumin
- Ginger
- Celery Seed
- White pepper

Uganda

- Vanilla beans

Egypt

- Anise
- Basil
- Caraway
- Coriander
- Dill weed
- Fennel seed
- Marjoram
- Mint flakes

Comoros

- Vanilla Beans
- Cloves

Madagascar

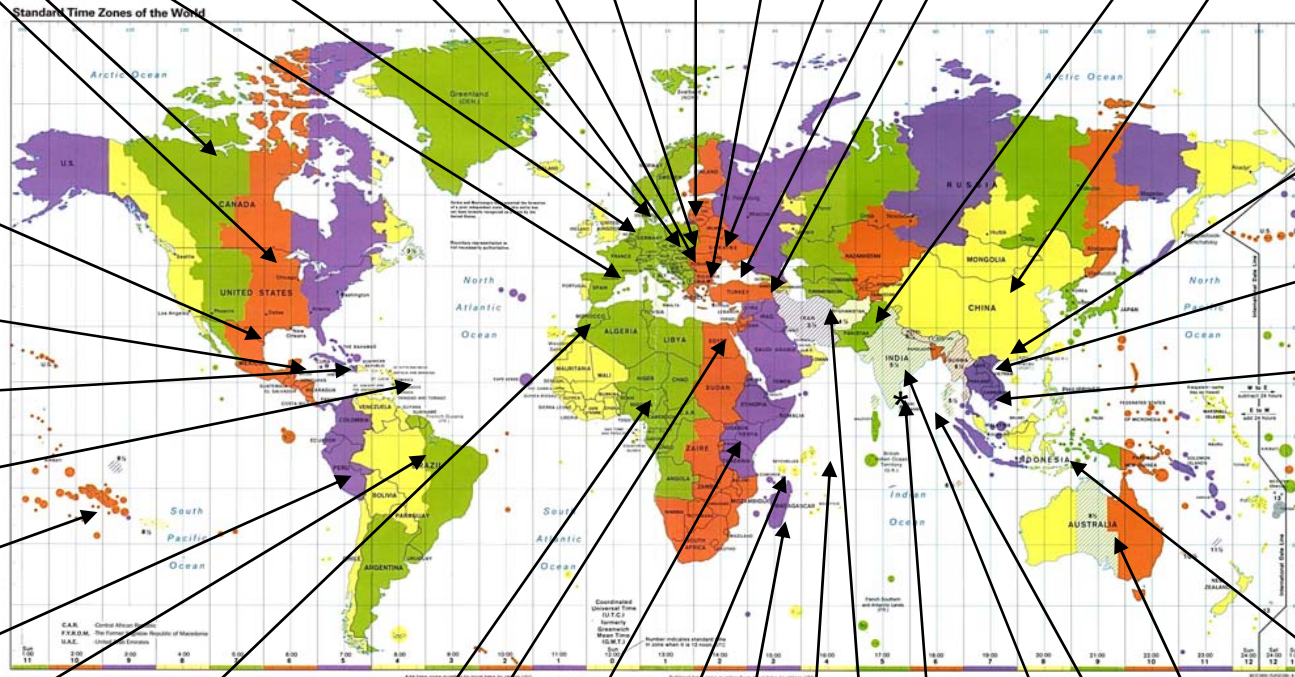
- Cloves
- Vanilla Beans

Seychelles

- Cinnamon

Nigeria

- Ginger



Spice Industry Supply Chain - Traditional

EXPORT

Farm

Collector

Processor

Shipper/Exporter

IMPORT

Agent

Importer/Dealer

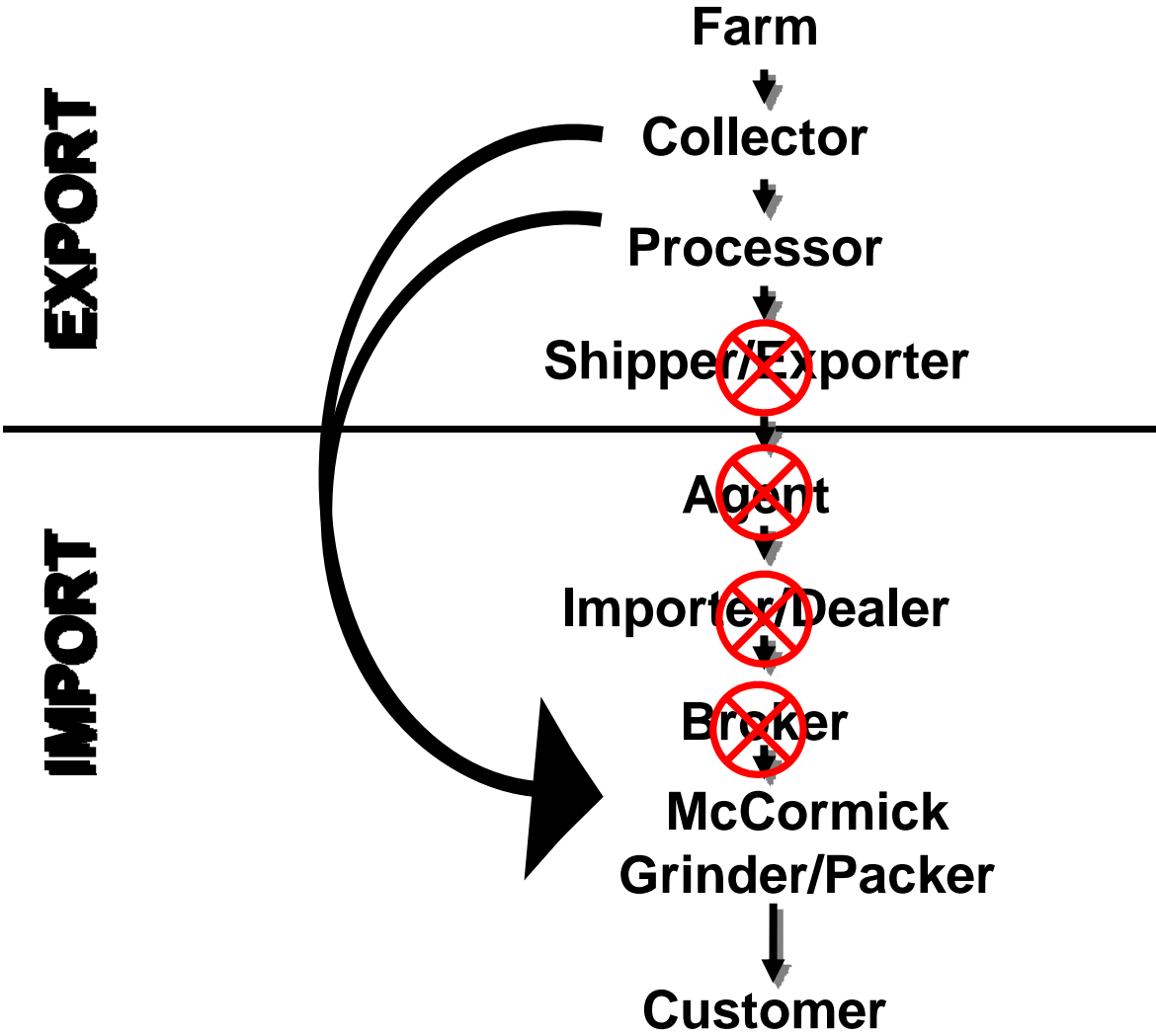
Broker

Grinder

Customer



Safe and Secure from Field to Shelf

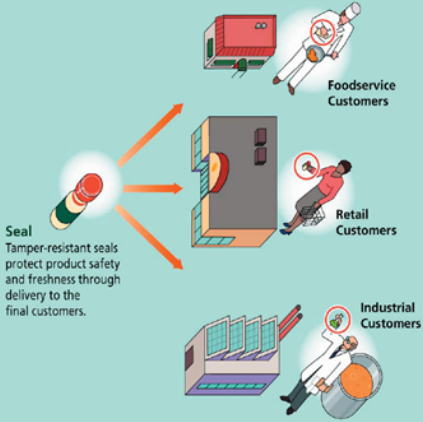


FIELD



Guidelines
Annual audits are administered to key suppliers against global sourcing quality expectations.

FINAL PRODUCT





Supplier Risk Assessment



McCormick utilizes a risk management approach and establishes a monitoring and auditing program to ensure McCormick's expectations are met.

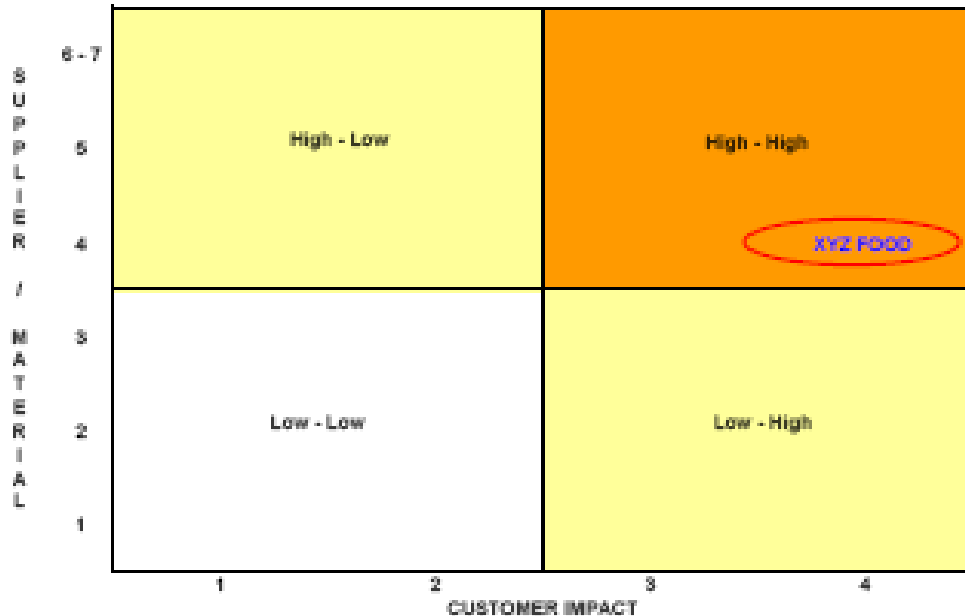
Supplier Risk Assessment



A Risk Matrix Analysis is used to provide a standardized method for reviewing and evaluating a supplier's quality and food safety programs and procedures.

It is used to objectively measure the suppliers risk level and provides a consistent method to compare suppliers.

Supplier Risk Assessment



| XYZ FOOD | | | | | |
|--------------------------|-------|--|---------------------|-------|--|
| Supplier/Material | | | Customer Impact | | |
| Item | Score | Scale | Item | Score | Scale |
| Facility (Questionnaire) | 2 | 1 = 85-100 2 = 70 - 84.9 3 = <70 | Customer volume | 3 | 1 = Bottom 20% 2 = 21% - 79% 3 = Top 20% |
| Material | 1 | 1 = Low Risk 2 = Medium Risk 3 = High Risk | Project sensitivity | 1 | -1 = Low 0 = Unknown +1 = High |
| Third party audit | 1 | -1 = Low risk 0 = Unknown +1 = High risk | | | |
| Total | 4 | | Total | 4 | |

| MATRIX CODING | |
|--|-----------------------|
| | AUDIT REQUIRED |
| | AUDIT TO BE EVALUATED |
| | AUDIT NOT NECESSARY |

COMMENTS

| | |
|--------------------------|---|
| Facility (Questionnaire) | Questionnaire sent 04/11/2008 - score 80 |
| Material | Material category risk is low category |
| Third party audit | No third party audit |
| Customer/volume | Impacts all strategic, critical, and value customers across the board. XXX primary customer. |
| Project sensitivity | Project has high sensitivity. Major supplier of this category has gone out of business and products must be replaced from other suppliers |

Supplier Risk Assessment



Ongoing Evaluation and Assessment

- High risk suppliers -> audit annually
- Medium risk -> audit every 2 years
- Low risk -> audit every 3 years or third party acceptance.
- New suppliers that don't comply with general risk assessment for category typically not approved for use.

Supplier Quality Expectations Manual



McCormick's quality standards and expectations are formalized in a document and distributed to suppliers. Suppliers are required to commit to meet or exceed the standards set forth in the manual. McCormick worldwide has a comprehensive supplier audit check list.



Supplier Selection Key Criteria



- Product traceability/recall and crisis management
- Incoming material testing and control
- Production inspection and testing
- Lab integrity
- QA audit program
- Allergen control program
- Food safety and HACCP
- Supplier performance management
- Regulatory compliance and labeling
- Facility sanitation and pest control
- Environmental pathogen monitoring
- Equipment approval for use
- Change Management

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Supplier Food Safety Forum



- Suppliers quality/food safety training was conducted annually
2009.07.23-24 Huangshan



GAP Training for Key Agricultural Suppliers



Main focus:

- Water usage
- Ground history & adjacent land use
- Agro-chemical (fertilizer & pesticide, etc.) usage
- Employee safety & hygiene
- Field sanitation
- Traceability
- Audit program at farm level

GAP In Agriculture Raw Materials



2010.02.11-
12 Kunming



Supplier on site training



On site monitoring

Chili Pepper



Tomato Paste



Strawberry



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Supply Chain Surveillance Program



Supply Chain Integrity

- Raw materials from various source countries are randomly sampled and examined for economic adulteration using proprietary in-house testing methodology.
- Screen for known adulterations, and identification of new/emerging adulterants.
- Audit program covering key global ingredients

Supply Chain Surveillance Program



Early Warning Alert System

- Daily monitoring of industry media networks.
- Acts on surveillance information received from global partners and networks.
- Designed to provide timely monitoring and strategic analysis of potential or perceived quality or food safety matters.

Suppliers Performance Review



- **Supplier Evaluation 70%**

Quality 35%

Delivery 20%

Price 15%

Customer service 10%

Sales performance 10%

Technical capability 10%

- **Supplier Audit 30%**



Thank You

