



REPRESENTING THE RESTAURANT INDUSTRY

The Cornerstone of the Economy, Career Opportunities and Community Involvement

Written Testimony

of

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for the hearing

Impact of Food Recalls on Small Businesses

before the

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Committee on Small Business
Subcommittee on Regulations and Healthcare

on behalf of the

National Restaurant Association

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Chairwoman Dahlkemper, Ranking Member Westmoreland, and members of the Subcommittee on Regulations and Healthcare; on behalf of the National Restaurant Association, thank you for the opportunity to testify before you on the impact of food product recalls on restaurants.

My name is Ken Conrad, and I am currently Chairman of the Board of Libby Hill Seafood Restaurants, Inc., a seafood restaurant first opened by my father Luke Conrad back in 1953. I represent North Carolina on the Board of Directors of the National Restaurant Association and currently serve as Chair of the North Carolina Restaurant and Lodging Association. I am also active in the seafood industry, where I serve as Vice Chair of the National Fisheries Institute.

My family continues to own and operate Libby Hill Restaurants and I'm proud to say my son Justin is the third generation of Conrads in the business. Our first restaurant is still located within the city limits of Greensboro, North Carolina with 12 other locations scattered across North Carolina and Virginia. We cook some of the best seafood in the area, and you know that every Libby Hill Restaurant is a family-friendly kind of place.

Introduction

The National Restaurant Association, founded in 1919, is the leading business association for the restaurant industry, which is comprised of 945,000 foodservice locations and 13 million employees, generating estimated sales of \$566 billion in 2009 – and a total economic impact exceeding \$1.5 trillion. Nationwide, the industry serves 130 million guests everyday, and every \$1 million in restaurant industry sales creates 33 jobs in the economy. Seven out of ten restaurants are single-unit operators, with 91 percent of eating-and-drinking places having fewer than 50 employees – we are truly an industry of small businesses!

Not only are restaurants the cornerstone of the economy, they are also the cornerstone of career opportunities and community involvement. Nearly half of all American adults have worked in a restaurant and 32 percent of adults got their first job experience in a restaurant. Nine out of 10 salaried employees at table service restaurants — including owners, operators and managers — started as hourly employees. We are also a diverse industry, with eating-and-drinking places employing more minority managers than any other industry. Ownership opportunities for minorities are also growing with 25 percent of eating-and-drinking places being owned by women, 15 percent Asian-owned, 8 percent Hispanic owned, and 4 percent African-American owned. In the most recent 5-year period available, the number of African-American owned restaurants jumped 77 percent, and Hispanic-owned firms increased 30 percent. The restaurant industry is one of the nation's largest employers, representing more than 9 percent of the job-base. We are an engine of job growth; projected to add 1.8 million new jobs by 2019.

Furthermore, restaurateurs are active in the lives of their communities with more than nine out of 10 restaurants involved in some type of charitable activity on a local, state or national level – from sponsoring a youth sports team, to raising money for charities, to providing meals to those in need. In fact, our community involvement is important to our

guests too as 52 percent of adults surveyed said they chose a restaurant based on how much a restaurant supports charitable activities and the local community.

The Importance of Food Safety

Food safety is of the utmost importance to the restaurant industry. Restaurants have taken the lead in ensuring food safety within the four walls of our restaurants. The National Restaurant Association and our members are making multi-billion-dollar investments to continuously improve food safety and develop state-of-the-art food safety education programs. We are especially proud of ServSafe, the food safety education program that sets the standard for our industry. We began our efforts with ServSafe in 1988. Since then, more than 3 million foodservice professionals have been certified through our ServSafe Food Protection Manager Certification exam. The industry's leading suppliers, distributors and academic institutions also use ServSafe both online and in classrooms, and our exams and certification meet or exceed regulations in all 50 states. Our newest edition – which debuted early in 2008 – is the strongest we have produced. Recognizing the demands of a changing workforce, the product is accessible, understandable and industry-leading.

Trust is absolutely essential to what we do. Our nation's 945,000 restaurants feed approximately 130 million Americans each day, and our guests entrust us with serving them food that is safe. It is a big responsibility and one which we take very seriously. There is no room for error. That is why America's restaurateurs support an even stronger and more effective food safety program.

Restaurants also depend heavily on food safety systems of suppliers and manufacturers throughout the foodservice supply chain. The fact is, we are also major consumers in the food marketplace. Last year, restaurants spent more than \$200 billion purchasing food and beverages to serve our guests. The National Restaurant Association and its members are increasingly involved in driving changes all the way back through the supply chain, to take on a more influential role across the entire life cycle of food.

On behalf of our members, we support risk-based and thoughtful efforts to increase food safety throughout the food chain so that the food received by U.S. restaurants continues to be among the safest in the world.

Impact of recalls on restaurants

Lapses in the management of the food supply can create negative consequences to consumer confidence as recent outbreaks and recalls have shown. Most recalls are due to mislabeling mistakes, but very large outbreaks and recalls due to adulteration or contamination indicate more could be done both in the supply chain and with improvements in the federal and state food regulatory approach. Since 2006, the United States has dealt with the impact of foodborne illness outbreaks and recalls resulting from contamination of tomatoes, serrano peppers, chicken and turkey pot pies, ground beef, chili sauce, spinach, lettuce, and peanut butter.

Currently, we are continuing to cope with peanut and peanut butter related recalls resulting from a Salmonellosis outbreak involving thousands. This outbreak is likely to become one of the nation's most infamous outbreaks of foodborne disease. Companies that used potentially adulterated peanut products from two locations of the Peanut Corporation of America are recalling manufactured products dating back to January 2007. The challenges of recalling products over a two year time period are apparent. In speaking with member companies, we learn of a growing recall fatigue in the supply chain and the negative impact on customer trust.

When a foodborne-illness outbreak occurs, the first priority is to identify the affected product and immediately remove it from the food supply. Restaurant companies, small and large, often use an abundance of caution when learning of an outbreak and may choose to replace it with another similar product or remove all such products from their menus. In the case where a specific restaurant is involved in an outbreak investigation, that company works with federal, state, and local public health and food safety officials to provide them the necessary information to trace and identify the source of the foodborne illness in a timely manner.

Traceback investigations to determine the source of outbreaks can require extensive resources and can result in irreparable damage to food firms. Therefore, it is critical that each piece of the investigation is thorough, complete, and accurate.

The food industry should take an active role in developing and implementing systems to trace products from farm to table. Changes to current industry practices must be supported by science, be effective, and affordable. The restaurant industry supports improving the capability to trace back foods to their source, and any traceability system, should enable USDA, FDA and the industry to quickly contain foodborne illness outbreaks and help identify the causes of food contamination. Traceback systems must be cost-effective and complement current business operations—from small to large operations. A quick and accurate traceback system that can identify implicated products can minimize the impact to the industry by potentially reducing the amount of product that may need to be recalled.

Finally, we must remember that traceback investigations and recalls are reactive measures. We should not neglect the importance of preventing contamination to ensure food safety and to reduce or mitigate the need to recall or withdraw products.

Food safety reform recommendations

Foodborne-illness outbreaks of the last several years have highlighted the need to re-evaluate our food safety system and implement needed improvements. The U.S. Government Accountability Office released a report last year listing urgent issues the Obama Administration should address and we agree with their recommendations. In addition, there are several areas where we think food safety efforts can move forward: our food safety agencies need adequate funding, most especially the Food and Drug Administration, to ensure staffing and expertise; improved collaboration and communication between government and industry during the investigation of a complex

outbreak; better communication and education strategies to effectively inform consumers in the event of an outbreak or recall; stronger standards and practices for fresh produce; and additional tools in the form of recall authority, traceability, improved epidemiological investigations, and private sector certification. These must be focused on both domestic and imported food.

The food supply chain has been transformed in a very few years. The federal food safety agencies, such as Food and Drug Administration (FDA) and Department of Agriculture (USDA), are facing new and broader demands precisely because the food supply chain is more complex and global. Food safety requires vigilance, surveying the food supply environment and keeping education and practice ahead of the changes we see.

We build confidence by showing people that we are always ready – always vigilant. We want to identify key areas that can advance our food safety efforts:

- Adequate funding to food safety agencies at both the state and federal levels to ensure appropriate staffing and expertise;
- Improved collaboration and communication between government and industry during the investigation of a complex outbreak;
- Communication and education strategies to effectively inform consumers in the event of an outbreak or recall;
- Stronger standards and practices for fresh produce;
- Additional tools such as recall authority, traceability, and improved epidemiological investigations.

Conclusion

The safety of the food supply must and will continue to be the top priority for the restaurant industry. We simply **MUST** do better. This means taking a new look at our food safety system to be sure we have a comprehensive farm-to-table strategy. We must look for ways for the government at all levels and the private sector can work together to improve our food safety system. Together we can provide greater protection for public health and in doing so mitigate the impact of recalls and outbreak by reducing their number.

Food safety is a collective responsibility. If we are to maintain the bond of trust with our guests, it requires every segment of the food industry to collaborate. As an important partner along the food chain, we pledge our best efforts and look forward to working together with all involved to ensure the safety of our food supply chain. We stand ready to work with Congress, the Administration and our food chain partners to improve food safety and make the needed reforms.

Thank you for the opportunity to testify on behalf America's restaurant industry.