

QUALITY MANAGEMENT IN THE COUNTRY OF ORIGIN

“For Quality cannot go far enough”

You will find endless quality certifications for food in Germany. Consumers trust and pay attention to these certifications when food shopping. The whole food industry respects this fact. Why do we often experience the contrary when dealing with imported raw material? Fact is: a low price cannot be an indicator for high-quality raw material and its finished products. Pumpkin seeds are often used as snacks, and they are an important and profitable raw material for the baking industry. The price for “special” bread rolls with pumpkin seeds is 2 to 3 times higher than that of regular rolls. Additionally bakers benefit from the healthy image and consumers’ appreciation of the raw material.



Pumpkin seeds Grown Without Shell (GWS), 2016 harvest started in Xingjiang © Specialty Brokers

D Traders of tea leaves visit the growing regions in India, China and Sri Lanka once a year.

On-site they examine plantations, talk to local shippers and negotiate prices. Most important for them is the manual labour when it comes to picking leaves. Two leaves and a bud‘ is the ultimate challenge. What applies to tea should also apply to other imported raw materials. One person who operates accordingly is Sascha Hönig, managing director of Specialty Brokers. Visiting China for several times since 1997. As

commodity broker based in Hamburg he is travelling the countries of origin since 2010. Only this extensive itinerary offers a clear and differentiated picture about the situation in these countries. Over the last years he visited China's growing regions for pumpkin seeds more than 10 times. Totally he spent more than four months only in China. This is a report of his last visit from September 2016:

Already in April 2016 we went to China, auditing five shippers for pumpkin seeds together with external specialists. These shippers are based in four different growing areas in the regions Xingjiang and Heilongjiang. We tried to get a comprehensive overview of the new harvest and the current market situation. One aspect was the financial situation of the local farmers and the export industry. Further on we were interested in the advancement of cleaning technology and processes in particular plants. All this against the background of the discussion about pesticides, currently a hot topic in Europe.



Pumpkins (GWS) in a field in Xingjiang. © Specialty Brokers

Breaking open a pumpkin in a field in Xingjiang geöffnet. © Specialty Brokers





Typical farmers' family in a village in the mountains of Heilongjiang
© Specialty Brokers

Sascha Hönig, managing director of Specialty Brokers in a field of Shine Skin pumpkins in the mountains of Heilongjiang. © Specialty Brokers



reduce the use of pesticides already in the growing regions to a minimum. In parallel two of our shipper are currently in a trial phase developing new seeds. Noticeable is the increasing number of pumpkin fields with grass, a clear indicator for manual weeding and lack of pesticides.

Only looking behind the scenes guarantees quality

What we have seen during our visits in the countries of origin are advertised quality certifications that do not sustain when objectively evaluated on-site. We inspected an alleged BRC certified shipper in Xingjiang. Here we found no sufficient pre-cleaning process

To a large extent due to our many visits over the last years our Chinese partners have seriously invested in cleaning technology and are still investing large sums. The objective of all our projects is to minimize contamination with foreign matters and plant residues and to



Rain-damaged material with mould © Specialty Brokers

Shine Skin pumpkin seeds on a grid in the mountains of Heilongjiang © Specialty Brokers

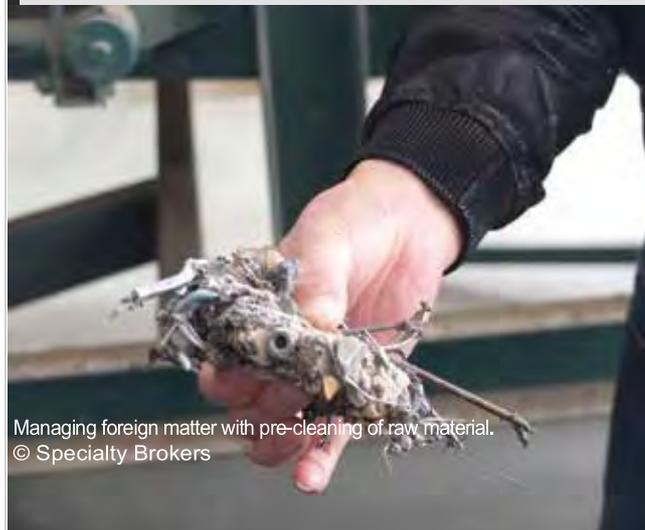


Plant residue; extracted after pre-cleaning directly at the shippers in Heilongjiang © Specialty Brokers

without any magnets. We were presented with a X- ray scanner without tester, so functionality could not be checked and nothing could be documented. In case of a claim there would be no traceability.

11 years – low for raw materials

Due to the significant increase in price for raw materials since September 2015 exporters stocked up on goods. In January 2016 prices started plummeting to an 11 years-low. This development had a dramatic impact. Exporters have no or very little financial reserves left and are reluctant when approaching the new harvest and concrete offers. They cannot afford to offer another “favourable” harvest, whilst prices for raw materials might increase to a “normal” level. The situation for the local farmers is difficult as well.



Managing foreign matter with pre-cleaning of raw material. © Specialty Brokers



Machinery for pre-cleaning of raw material in Heilongjiang (here Shine Skin) © Specialty Brokers



Drying raw material after hulling and before further cleaning processes in Heilongjiang. © Specialty Brokers



Plant residue e.g. skins et cetera after drying. © Specialty Brokers



For a monthly income of 500 USD sales prices would need to be at RMB 15.000. Currently farmers cannot receive the cost price of RMB 13.000, but a merely RMB 8.000. One can imagine the impact on farmers' income.



Manual sorting after colour sorting and before X-ray. © Specialty Brokers



Grid for extracting foreign matter. © Specialty Brokers



Interim storage of semi-finished raw material. © Specialty Brokers



Quality control (final check) of finished Shine Skin pumpkin seeds harvest 2016. Prior loading and completing documents according BRC specifications. © Specialty Brokers

— Considering the labour-intensive process between harvest, drying process and cleaning, these conditions are unacceptable. This price pressure also applies for Chinese shippers: for all the steps such as cleaning, hulling, packaging, and shipping to Europe only 300 USD/ton of pumpkin seeds can be generated.



Manual sorting; after colour sorting and before X-ray.
© Specialty Brokers

Foundation of new NGO

In August 2016 Chinese exporters founded a new 'Non-Governmental Organization' (NGO) for pumpkin seeds. 30 exporters are stakeholders of the organization called China Chamber of Commerce of Foodstuff and Native Produce Pumpkin Seeds Sub Chamber (CCCFN). The top 10 exporters - representing 80 percent of the total export volume - are members of the CCCFN and have one seat each in the executive committee. Their objective is to publish the business attitude of market participants. In case a Chinese exporter fails an agreement, the German importer can call on the NGO. This applies well vice versa.

Should the importer not fulfill the agreed international contract term, he will find himself on a "black list".

Summary

Giving and taking is always part of the relationship between exporters and importers. Quality control also includes the appreciation of the raw materials and the work of producers in the regions. This regard is expressed by regular visits to get a better picture of the actual situation. Then, and only then are we able to reach mutual trust and



Delivery of raw materials at the shippers' in Heilongjiang. © Specialty Brokers



Shine Skin pumpkin seeds with skin on a grid. © Specialty Brokers

A second indicator – equally important – is not to drive down the prices for raw material to the lowest possible level. A low price does not match with a high-quality product. We need to learn to appreciate the labour in our growing regions.

Sascha Hönig und Anja Schlüse

keep the close contact to our partners. How else would one get an overview of processes which are so critical for quality control? Only this way irregularities can be discovered and rectified. Which company would risk a damage to their image due to lack of quality control regarding their raw materials? Many companies in Germany reclean their imported materials because they face problems with foreign matter such as skins or plant residues. Why not buying materials where you can be certain that it has been cleaned sufficiently. Or take the example of pesticides: Only on site one can evaluate whether pesticides are used. Or as we say: "Paper doesn't blush".