



There is a growing trend in the liquor industry for imported products to have their lot codes removed. Importers are taking note and retailers should follow.

By the **Allen Consulting Group**.

Over the past year, a number of liquor importers and distributors (Foster's Group, Diageo, Pernod Ricard, Suntory & Brown-Forman) have worked together to investigate the practice of product 'decoding'. To decode is to intentionally remove lot codes from products to hide their origin and to compromise brand owners' ability to trace products through supply chains. In some cases, the 'use by' or 'best before' dates are also decoded.

Decoding requires printed product information to be forcibly removed from bottles. This is considered a form of product tampering. In the spirits area, as some codes are printed behind product labels, the practice of decoding may require the removal of the entire product label to expose the code to be removed, before the original label is stuck back onto the bottle. This can compromise the look and integrity of the product before it reaches the retail market.

The act of decoding may not appear to have a significant impact at first glance. However, it has the potential to significantly compromise consumer safety and levels of product integrity. Investigatory work undertaken through a recent study into issues associated with decoding, undertaken by the Allen Consulting Group, found that decoded stock is untraceable and restricts the ability of brand owners to run efficient targeted recalls, should they be required, including for reasons of public safety.



What is a lot code?

Manufacturers' lot codes play an important brand protection role for product owners, allowing producers and importers to keep track of their products through national or global supply chains. Lot codes are small markings, printed on bottles to signify the production batch. Where the lot code is known, manufacturers are able to provide further product information, should this be requested, such as ingredients and their source, production location and production date. Where no code is present, this information is not possible to ascertain.

A sample lot code is shown below. The code may be printed along with a best-before date, which provides further information to specify the production time. The lot code is linked to information held by the manufacturer and allows the origins of the product to be easily traced by producers in the case of arising product safety issues.

By contrast, the picture below shows a product that has been decoded. Following the act of decoding, the area formerly containing the lot code is transformed into a panel of scratched or tarnished glass. While this impacts on the appearance of the bottle, it also has the potential to impact on the overall integrity of the product.

Product recalls

Decoded stock becomes risky in the marketplace after it has been sold to consumers. Where a product defect is identified, such as a significant quality defect which could impact consumers, the primary risk is that the decoded stock is unable to be included in a targeted recall. The benefits of targeted recalls are that they limit both the reputation damage for brand owners/importers/retailers and limit the impost on consumers by requiring a much smaller number of products to be recalled.

By contrast, where products that do not contain lot codes are found to be defective, entire product lines may need to be withdrawn from the shelves and recalled, at far greater expense and inconvenience to owners/importers/retailers and consumers.

Product recalls can and do arise in the beverage sector. In Australia, there have been 32 recalls of drink products between 1998 and July 2011, equating to over two each year. This included 14 recalls of alcoholic beverages.

The benefit of lot codes for recall were emphasised by the Australian Competition and Consumer Commission (ACCC) in the 2010 Review of the Australian product safety recall system. The review noted that:

“the ability to trace products into the hands of consumers will improve recall effectiveness by enabling suppliers to undertake more targeted and therefore cost-efficient recalls of defective products, and assuring regulators that the risk posed by the product will be addressed as quickly and effectively as possible”

It is therefore imperative that producers take every step to ensure that all products for which they have brand responsibility are protected.

What is required under the regulations?

Importers and retailers are responsible for ensuring that all imported food and beverage products comply with the Australia New Zealand Food Standards Code prior to sale. For alcoholic products, this means that product labels must contain:

- Lot identification details;
- Importer information;
- The 'best before' or 'use-by' date;
- The number of standard drinks;
- The beverage's alcoholic percentage.

Under the Code, a lot is defined as a quantity of food prepared or packaged under essentially the same conditions, usually from a particular preparation or packaging unit and usually within a 24 hour period.

Each Australian State and Territory has responsibility for enforcing the Food Code. All subscribe to the terms of the Food Code, with significant penalties for non-compliance in many States. For instance, in Western Australia, individuals may be fined up to \$50,000 for selling food that does not comply while body corporates may be fined up to \$250,000.

What can you do?

Prevention remains the best remedy to preserve consumer safety. It is in the interests of importers and retailers to check that products' codes are intact at the point of sale. Importers and retailers should be wary of selling any products that do not contain their original lot codes. Where breaches are identified, food safety inspectors should be notified through relevant State and Territory food regulators.