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Gaining Market and Price Advantages Through Traceability

Earl Dotson

President/CEO

Validus



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- Validus is a 3rd party auditing company
- Validus Mission
 - To Provide Assessments, Audits, Planning and Consulting, Ensuring That Production Practices Meet Or Exceed Brand Expectations In The Marketplace.



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Audits Conducted

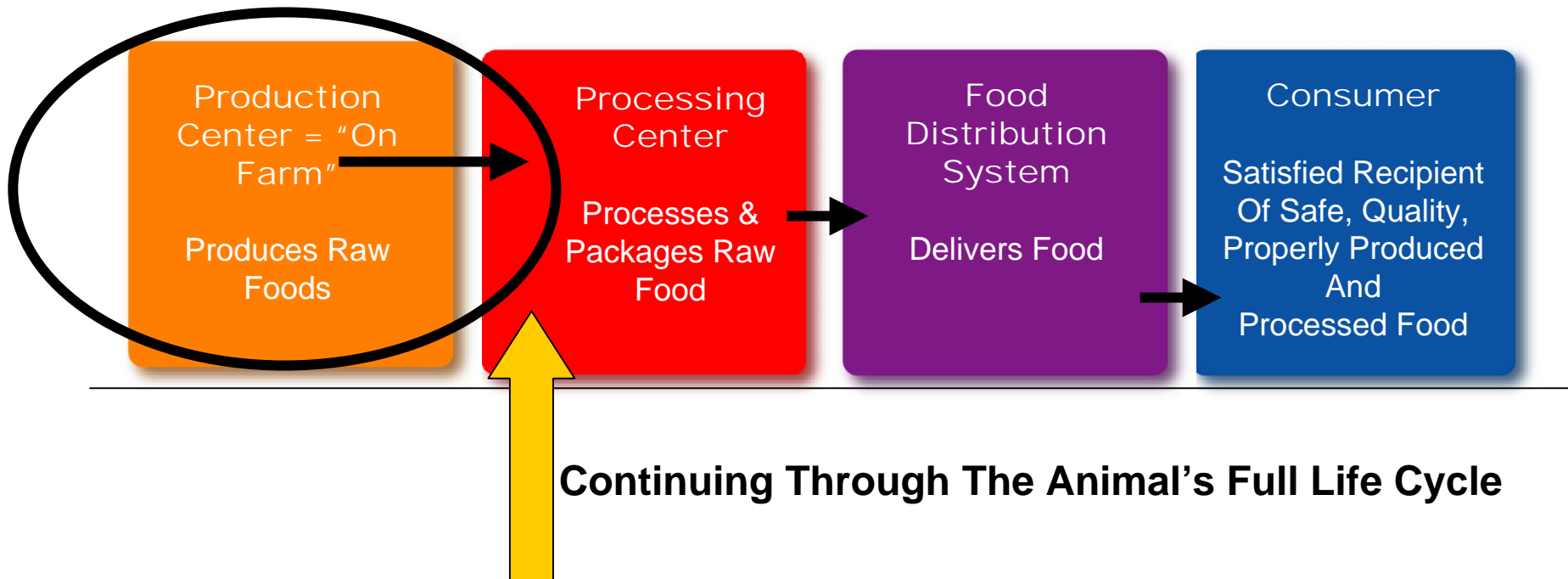
- **Environmental**
- **Animal Welfare**
- **On-Farm Security**
- **Worker Care**



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Our Core Competency And Focus Is In On-Farm Production Agriculture





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We Execute Two Types Of Audits

- Audits Developed, Owned, And Certified By Validus
- Audits Developed By A Company Or Association And Conducted By Validus



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***Creating Value
through Socially
Responsible
Production***



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Validus Vision

- Concentrate on the consumer needs
- Build a “Total Package” program
- Three Reasons to do an Audit
 - Risk Management
 - Add Value to the product
 - Increase the Market Share of the product



***Validus can do audits
but we must be able
to assure the
consumer that the
product they
purchase is covered
by the audit!***

***Traceability is
important to our
business***



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Public Trust Declining

- High Profile Recalls (from winter of 06 to summer of 07)
 - Pet Food
 - Chocolate
 - Rice
 - Lettuce
 - Spinach
 - Chicken
 - Onions
 - Mushrooms
 - Peanut Butter
 - Baby Food
 - Lead Paint on toys
 - Doggy Jerky
- ***Why wouldn't Consumers be confused and suspicious?***



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The New Consumer

- Enlightened
- Empowered
- Have a new set of drivers that influence purchasing decisions
- Skeptical of the current system



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The New Consumer Will Require More Detail in the Future

- Product and Packaging
 - Does it deliver a health benefit?
 - Does it contain trans fats?
 - Is the packaging recyclable?
- Retailer
 - Does it stock healthy products?
 - Are employees paid fairly?
 - Do I feel good shopping here?
- Company
 - Is it environmentally sensitive?
 - Is management responsible?
 - Do actions match message?
- Suppliers
 - How are animals treated?
 - Are growers paid fairly?
 - Do they care for the environment?
 - Are operations certified?



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***There is a Huge
Opportunity for
Product
Traceability to
Gain Market
Advantage
or
Add Value
to products***



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Progressive Retailers Must Protect Their Brands

- Number one goal, is to keep “The Brand” from being involved in a serious social or food safety incident
- Brands are sensitive to social pressure as more consumers are interested in non-product specific attributes like welfare, environment, animal health products and worker care issues
- Consumers will hold the brand responsible for what happens in the supply chain

Validus is working with Producers and Retail Customers to use a Traceability System that will:

- Safeguard Food Supply
- Address Socially Responsible Production and other Non-Product attributes
- Protect brands
- Provide accountability for each segment of the supply chain
- Provide trust, accountability and transparency necessary to instill consumer confidence
- Allow the consumer to “feel good” about the products they buy



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This Traceability System

- Records, certifies, and verifies all activities involving the product or ingredient including locations and owners in all the steps of the supply chain.



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Protection of Brands

- Will drive Traceability up and down the chain
- Traceability will include both product and non-product attributes
- Provide a means of supplying the consumer with more information
- And provide a means of entering a new high-value markets for both the supplier and the retailer.



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Conclusion

- We must overcome the traditional defensive posture regarding traceability
 - Risk Management
 - Disease Management
- Instead of putting all of our focus on the cost of the traceability system we need to also focus on
 - Growth opportunities for products
 - Recurring revenue
 - Added value for a product