

Global Sourcing of Ingredients

- ▶ Many challenges face manufacturers who look to source ingredients from China. Applying quality assurance and control methods is critical.
- ▶ Sourcing ingredients from China is becoming more economical. How can you purchase the best product at the best price without sacrificing quality?
- ▶ Once you have a set of potential suppliers, what are some questions you need to consider?

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In these days of escalating prices and limited resources, food product manufacturers find themselves looking for ways to optimize their purchasing power and guarantee uninterrupted supplies by looking for ingredients from sources all around the globe. This search will undoubtedly show the purchasing agents that they need to identify a reliable, safe way to source ingredients from outside their home country. As food product manufacturers, they are responsible for the finished goods that end up on the grocery shelves, making them also responsible for the ingredients going into those products. For the manufacturers of mixes, concentrates, and blends, their responsibility is very much the same. In many cases, sourcing these ingredients is a very time-consuming task. Key questions contributing to the difficulty are:

- How do we distinguish between the many options of sourcing ingredients from overseas?

- How can companies be assured of purchasing the best product for the best price without sacrificing quality?
- Who can we trust?

Some sources in the media have criticized various countries, especially China, for products that are brought into the United States and elsewhere. This negative publicity has forced many companies to adopt a “no Chinese” philosophy. Some of this negativity is warranted, but some is far from reality. Given that Chinese manufacturers are relatively new to this marketplace, there were bound to be some glitches along the way. These Chinese manufacturers and suppliers are willing and eager to make changes and improve processes to meet the quality control concerns of the buyer. This group is working hard to raise their standards of production to accepted levels around the world.

Opportunities Arise

We are in the early stages of a truly global market place. China and India are leading the way in new production with their large workforce to draw from abundant natural resources and investment dollars from the west. It seems a natural progression that we look to the east for our needs. We need to use the same qualifiers, production capacity, pricing, and quality assurance and control methods that we would use for any valued supplier, and apply these tenets to approving a source of product from overseas.

Dealing with Chinese manufacturers may present positive economic opportunities unlike any other in the world. The competitive pricing, timely shipping, and constantly improving quality control techniques make this an opportunity from which many companies would benefit. In the current economic climate, the survival

of many companies will depend on sound purchasing decisions and trustworthy information.

China is the dominant supplier of ascorbic acid, sorbic acid, and other food ingredients. Yet there are many Chinese manufacturers of food ingredients such as phosphates, hydrocolloids, and sweeteners with capabilities to meet the growing demand of the industry as well. The numbers of manufacturers keep growing rapidly.

If the quality of the products is high and the cost is more than economically viable, then why not? This is a very exciting and interesting time to be in the food ingredient business. Companies today are in need of a guide to assist them in the process of sourcing ingredients in Asia. This guide must be fully versed in good manufacturing procedures and committed to the absolute satisfaction of the customer. Many China-based companies are looking to supply the west with its need for ingredients and have gone through the process of self-evaluation and are improving steadily.

Choosing a Company

Choosing the right company with whom to work, whether it be directly with a manufacturer or through a distributor, is a very important and sometimes a very time-consuming task. One example of this is trying to source ingredient “X” from China. In starting the search, you may come across literally hundreds of manufacturers for product X. The question that needs to be answered now is, which one to choose? It could take months to sort out which manufacturers are capable of meeting or exceeding your expectations for quality along



with having sufficient volume capacity at a reasonable cost.

Working with a sourcing management company or a distributor can be an equally daunting experience when deciding which one to work with and you have to do your homework.

What benefits will they bring? Whether looking to work with a manufacturer or a sourcing company or distributor, asking this question will help you find your way.

Getting Started

Product quality is by far the most important factor in deciding on a company to work with. Addressing the questions about the quality of the products will help to narrow down the field. How to go about this search is to first and foremost approach it in the same process that you would go through to qualify a domestic producer. You will need to look at the company Quality Assurance and Quality Control along with the SOP, ISO and GMP programs. Look at any audit reports, whether they are from external or internal sources; both types of audits can be used as barometers of the company's overall quality and environment. Ask for references; e.g., what other companies have you been doing business with?, for how long?, and what are your on-time delivery statistics? You are the customer and have every right to ask your supplier these questions whether it be directly with a manufacturer or through a sourcing company/distributor.

When looking at a sourcing company, find out if the company knows the manufacturers very well, and has already gone through the process of weeding out the manufacturers that cannot meet the requirements of the customers. You may want to work with a company that provides a security network; that is, one that has their own QA/QC program to reinforce the confidence in the products you are buying and assuring they meet your company's requirements and expectations.



Quality Assurance and Quality Control

When looking for a sourcing company/distributor, you need to work with companies that have already adopted western techniques to achieve quality assurance. American companies need to identify sourcing companies/distributors that have procedures for the following: on-site audits, evaluation of sanitary, safety, and environmental issues, and monitoring of workers' quality consciousness. Chinese-based sourcing or distribution companies that have full quality assurance and quality control programs are desirable and can take some of the anxiety out of the process.

On-site audits are performed by a third party or by self-audit. The audit processes are done to determine a general overview of the manufacturing site. The audit should also provide and confirm that the manufacturer has all the proper documentation for the products they produce. The audits should make sure the information is both available and accurate. The information should be available for review. This process helps to ensure a level of confidence that the products will be of a consistent quality and that the customers will be satisfied.

Evaluation of sanitary, safety, and environmental issues verifies the production systems are kept in a sanitary condition, with

pest control, appropriate equipment, and trained personnel. The monitoring and training of personnel is an important aspect of the QA/QC process. The employees that are present at the manufacturing facility must follow the training programs and have good attitudes and respect towards these programs. The companies should have and maintain appropriate equipment including those that affect the environment.

The companies that will rise to the top of your list will be those who understand what you are looking for. Whether your product needs to meet FCC, USP, or another compendium, can the company confirm that they also have products that meet these standards?

Other Considerations

As your list of potential suppliers gets shorter, the next step in sourcing from overseas, or from China in particular, is to address more specific and technical questions. These questions should help further narrow the field of companies and help make the final determination of what company you want to "partner" with a bit easier.

Here are a set of questions that might help narrow down that long list of companies:

- How well does the supplier know your products and your company?

This question will address how knowledgeable the supplier is about the businesses and products they are working with.

- Where is the company located? Who are the representatives?

You want to know that there are representatives who will be able to address your



needs in a timely fashion and are located close to your facilities.

- Is the company just trading or do they have a base location with continuous supply?

Spot business is fine for trading companies, but when a continuous supply is crucial, a more structured type of company would be a better choice. Here, a supply management company would work well.

- How many of the necessary ingredients do they carry?

Here, a supply management company or a distributor may be the way to go.

- Does the company have warehouses that stock the product?

Warehouse locations need to be situated strategically to ensure freight rates won't hurt the products' cost and competitiveness.

- What are the procedures for ensuring product supply? What is their strategy for keeping security stock?

This is an important question to ask and it will address questions on supply.

- What type of technical support does the supplier offer?

Working with a company that has representatives who know and understand the products is a valuable asset. The support can give you added confidence in the whole supply chain system.

- Does the company have research and development capabilities to work with special projects? Can this company

provide support on certain projects and/or provide recommendations that can assist your R&D team?

This can be very important when R&D efforts are stretched so thin.

- How open or transparent is the supplier you're looking to work with? Will they sign confidentiality agreements when working on a special project?

Ask about the exchange of information and documentation. Identify a company that readily has access to this information and can provide it in a timely fashion.

Conclusion

These are a few of the challenges ahead as you look to source and qualify a supplier from China and other parts of the world. The task is not as difficult as one would think; remember, the producers from overseas are willing and able to put together process controls that can meet any product specification. You need to look for the companies that are willing to work with you to bring the highest quality and the safest materials available from overseas sources. By following the current methods you have in place for qualifying and ultimately approving an ingredient or new supplier, you will be opening a vast reservoir of opportunity for your company. As always, quality, supply, and consistency will be the keys to success for both you and your supplier.

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Thank You



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AACC International's various committees need you! Here's your chance to exchange ideas and perspectives with other volunteers through committee work. Committee options are available online. President-Elect Mary Ellen Camire has almost completed her appointments for the 2008-2009 committee year, but if you are interested, contact her by the end of October.



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