

# Research proves value of traceability in dairy industry

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As part of her research, Melissa developed a model for estimating the value added by traceability systems. As well as helping companies gauge the overall benefit of improving their products' traceability, the model also helps them identify the stages in the production chain where these systems have the greatest impact.

Melissa, who graduated this week with a Ph.D. in Economics, says the need for reliable product tracking systems was demonstrated by Fonterra's botulism scare in 2013, when the discovery of potentially dangerous bacteria in some of the company's products forced a major product recall.

"I worked with Fonterra on developing this model, and tested it by analysing the financial impact on Fonterra of shocks like product recalls, adverse weather events, and global demand fluctuations."

She says good traceability systems make selective recalls possible in scenarios like that faced by Fonterra, and are crucial to a firm's ability to limit the size and spread of a recall. However, adopting a new traceability [system](#) is costly, and it can be difficult to estimate the benefit of such a system, which is where her model can help.

She says that although the [model](#) was developed with the [dairy industry](#) in mind, it has broader applications.

"Understanding where your product has come from, what components or

ingredients it contains, and where it has ended up in the world is important regardless of the [industry](#).

"Traceability is essential for any supply chain, not only to help when things go wrong and a product needs recalling, but to optimise production planning and scheduling."

Melissa's Ph.D. thesis is titled "The Economics of Traceability in the New Zealand Dairy Industry."

Provided by Victoria University

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