



## **INQUIRY**

Midamar Corporation, Establishment 18669 M / 18669 P  
Export of Ineligible Beef to Korea

June 13, 2007

### **EXECUTIVE SUMMARY**

A shipment of beef to Korea from Midamar Corporation, Est. 18669 M / 18669 P, 1105 60<sup>th</sup> Ave. S.W., Cedar Rapids, Iowa, consisted of products packed for sale in the U.S. domestic market which were not eligible for export to Korea. An inquiry by USDA determined that Midamar export management controls failed. USDA concludes this incident was caused by Midamar errors in combination with the failure of specific government inspection personnel to confirm eligibility of product for export to Korea.

USDA has verified that all other exports of beef from the U.S. to Korea that arrived prior to June 1, 2007, were eligible products under current Korean import requirements. As stated in the June 5, 2007, letter from Under Secretary Raymond, USDA requests that NVRQS provide export certificate numbers to the U.S. Embassy Seoul for all beef shipments arriving in Korea with certificate dates of June 1, 2007, or earlier.

### **PURPOSE**

The United States Department of Agriculture (USDA) has conducted an inquiry into the operations of Midamar Corporation, Establishment 18669 M / 18669 P, 1105 60<sup>th</sup> Ave. S.W., Cedar Rapids, Iowa, to assess events surrounding its shipment of U.S. domestic beef products to Korea.

### **BACKGROUND**

The export of U.S. meat products to other countries is facilitated by the activities of three separate but interdependent entities:

- 1) the U.S. meat and poultry industry,
- 2) USDA's Food Safety and Inspection Service (FSIS), and
- 3) USDA's Agricultural Marketing Service (AMS).

The U.S. meat industry is responsible for the slaughter of healthy animals and preparation of food products that are wholesome, properly labeled, and not adulterated. In addition to meeting U.S. food safety standards, the industry must meet all requirements imposed by importing countries. Both U.S. food safety requirements and the trade requirements of importing countries must be met before a product can be certified by USDA for export from the United States. Industry exporters are responsible for informing themselves of country-specific requirements and only offering eligible products for export. These requirements are set forth in the Export Library on the FSIS web site.

FSIS is responsible for the inspection of meat and poultry products and the certification of products for export to other countries. FSIS Directive 9000.1, Revision 1, "Export Certification," published March 1, 2006, provides an in-depth description of these responsibilities. The primary regulatory role of FSIS is to make critical determinations that meat and poultry products are not adulterated and meet all U.S. food safety standards for sale in domestic or international commerce. This regulatory activity is complete when FSIS applies the USDA mark of inspection. However, additional verifications are necessary after inspection is complete in order for FSIS officials to execute certifications of product for export.

AMS is responsible for developing EV Program standards to ensure that establishments certified to export beef to certain destinations can meet the additional requirements of importing countries. These programs are approved and monitored by AMS for a fee, which is paid by participating establishments.

The combination of a USDA mark of inspection and -- for beef exports to certain destinations -- an AMS EV program provide assurance that U.S. meat and poultry products offered for export may be certified as meeting all U.S. food safety standards and importing country trade requirements.

## **RESULTS OF INQUIRY**

USDA conducted an inquiry to determine whether the procedures and actions of Midamar Corporation, Establishment 18669 M / 18669 P, complied with U.S. export certification requirements and the import requirements of Korea. Results are as follows:

### **1. Business Operations of Midamar Corporation**

- Midamar Corporation is a cold storage facility that handles intact products produced by USDA-inspected slaughter and processing establishments.
- Operations conducted in the facility include the export of intact product, such as boxed and factory-sealed beef, to international markets.
- Midamar Corporation conducts no processing operations on its own.

## **2. Role of AMS and EV Program**

- Midamar Corporation was at the time eligible to export beef to Korea. However, it did not comply with AMS EV program requirements that would have ensured product eligibility. Specifically, Midamar Corporation placed orders for beef produced by Tyson, but did not specify it be eligible for export to Korea. Additionally, Midamar Corporation did not obtain a Statement of Verification for Further Processing (SOV-FP) from the producing plants, and did not apply to AMS for a Statement of Verification (SOV) for export to Korea.
- Thus, AMS had no role in the export of these ineligible products.

## **3. Product Traceability**

- USDA trace-back analysis confirmed all boxes in the shipment were inspected and passed for U.S. domestic sale.
- These products were not prepared for export to Korea and did not meet Korean import requirements.
- The Korean importer of record was Evergreen Tourist Hotel, Suk Kyun Ri 386-9, Jaug – heung Hun, Yan Ju City, Ryung Ri Province South Korea

## **4. Inclusion of Ineligible Beef Products**

- Midamar Corporation management controls failed to prevent non-conforming product from being exported to Korea.
- Midamar Corporation purchased products that Tyson had packed for the U.S. domestic market and were clearly marked as such.
- Midamar purchased and received from J&B Group, St. Michael, Minnesota, four boxes of beef. The purchase consisted of 145.6 pounds of Beef Chuck (2 boxes) produced at Tyson Est. 245D, and 141 pounds of Beef Chuck Roll (2 boxes) produced at Tyson Est. 245L. The four boxes totaling 286.6 pounds of beef were samples of product for use by the Korean importer.

## **5. Role of FSIS inspection program personnel**

- USDA further concludes that FSIS inspection personnel failed to follow procedures established for verifying requirements and product certifications under export verification (EV) programs.
- Specifically, inspection personnel approved the application for export and signed the export certificate without ensuring that Midamar had obtained a Statement of Verification for Further Processing (SOV-FP) from the producing plants and a Statement of Verification (SOV) for export to Korea from AMS.

## **6. Relationship of this incident to other exports**

- USDA concludes this incident was caused by a breakdown of management controls within Midamar Corporation.
- USDA further concludes that FSIS inspection personnel did not follow established EV program procedures that would have detected the Midamar mistake.

### **CORRECTIVE ACTIONS**

- USDA formally notified Midamar Corporation Establishment 18669 M / 18669 P that effective June 7, 2007, it would withhold certification service for export to any country requiring a second-signature AMS EV program.
- On June 11, 2007, Midamar Corporation provided USDA a set of written corrective and preventative actions sufficient to ensure correct application of FSIS and USDA export policies and prevention of similar incidents in the future.
- Based on the June 11, 2007, submission from Midamar, the USDA has decided to hold the denial of Midamar's reimbursable voluntary inspection services for the export of all products suspension in abeyance.
- Consequently, USDA certification service for export to countries requiring a second-signature AMS EV program has been reinstated to Midamar effective June 11, 2007.

### **CONCLUSIONS**

USDA conclusions from this inquiry are as follows:

- The shipment of beef was not eligible for export to Korea.
- Midamar Corporation purchased products that Tyson had packed for the U.S. domestic market and were clearly marked as such.
- The ineligible products were inspected and passed by USDA for human consumption and were at the time of export safe and wholesome products fit for consumption in the United States.
- USDA further concludes that Tyson (Est. 245D and Est. 245L) had no knowledge that their products would be used by Midamar Corporation for export to Korea, and are in no way responsible for the export of ineligible products.
- USDA has confirmed there is not now and has never been any financial or contractual arrangement between Tyson and the Evergreen Tourist Hotel, the J&B Group, or with Midamar.

## **PREVENTIVE MEASURES**

Although USDA's investigation has concluded this was an unusual incident, additional preventive measures have been taken to ensure it remains so.

On May 30, 2007, FSIS issued a written notice to all inspection personnel reminding them of the duties and responsibilities inherent in export verifications. A key section of the notice said:

*Inspection program personnel that are asked to sign an export certificate at a third party facility (e.g., a cold storage warehouse or other facility where the products to be exported are not processed) need to be particularly aware of the verification activities that they are to perform. Third party facilities assemble and export product that they receive from other establishments or facilities, which may have been produced under an EV program. Inspection program personnel are to verify that the establishment that supplied the product to the third party facility is eligible to produce product under an EV program, and that the product is eligible to be exported to the country listed on the export certificate (see FSIS Notice 19-06).*

AMS has conducted a review of FSIS certificates for all shipments currently in Korea. USDA records were compared with the export certificate numbers NVRQS provided, and all were verified as having been produced for Korea. USDA will continue this extra review for shipments sent from the United States to Korea on or before June 1, 2007, which will include shipments currently en route to Korea.

An outreach program has been initiated to remind industry exporters—especially third party exporters who purchase meat products from packers or similar producers—that USDA takes export certifications very seriously and is committed to verify that all agreed-upon trading requirements are consistently met. USDA is also reminding exporters of their obligations to prepare and offer for export only product that fully meets the country requirements. This information was communicated to the U.S. industry in a “Dear Facility Owner” letter on June 8, 2007. A copy of the letter has been posted in the Export Library on the FSIS web site.

Finally, a USDA internal investigation has been conducted to determine the extent to which FSIS inspection personnel contributed to this incident. Appropriate actions will be taken commensurate with formal findings of fact. In the interim, USDA has suspended authority of the involved Consumer Safety Inspector and the Supervisory Public Health Veterinarian to process export applications or issue export certifications for any country.