



DATE: January 15, 2006

TO: [REDACTED], North York, Purchasing
 [REDACTED], Glendale, Purchasing
 [REDACTED], Director Quality Management, Prepared Foods Division
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 [REDACTED], North York, Ice Cream
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CC: [REDACTED] Director Central Audit
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Audit Team Members
 Other Auditor(s)

Peanut Corporation of America

Stewart Parnell, President
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 Jim Booher, Plant Manager
 Stan Januta, QC Manager

From:	[REDACTED]@us.nestle.com
Audit Type:	NQS Level 1 – Food Safety Audit Report
Name of Facility:	Peanut Corporation of America
Audit Date:	January 5, 2006

Holding Company:	Peanut Corporation of America	
Address:	PO Box 10037 Lynchburg, Virginia 24506	Phone: [REDACTED] FAX #: [REDACTED]

Facility Type:	Raw Material Supplier	
Address:	3601 North I-27 Plainview, Texas 79072	Phone: [REDACTED] FAX #: (xxx) xxx-xxxx

Other locations manufacturing for Nestlé. [Reference Supplier Co-manufacturer Quality Survey]

Status:	<input type="checkbox"/> Active <input checked="" type="checkbox"/> Potential		
Nestlé Factory Locations Supplied:	London		
Product(s):	Diced or granulated peanuts		
Application(s):	Drumstick Ball Top Cones		
Risk Level Assigned:	High		
Nestlé Businesses:	Nestlé USA: <input type="checkbox"/> Beverage <input type="checkbox"/> Confection & Snacks <input type="checkbox"/> PetCare <input type="checkbox"/> Prepared Foods <input type="checkbox"/> Food Services <input type="checkbox"/> Nutrition <input type="checkbox"/> Foreign Trade <input type="checkbox"/> Nestlé-USA Distribution Co	Nestlé Canada: <input type="checkbox"/> Beverage <input type="checkbox"/> Confection & Snacks <input type="checkbox"/> PetCare <input checked="" type="checkbox"/> Prepared Foods <input type="checkbox"/> Food Services <input type="checkbox"/> Nutrition <input type="checkbox"/> Foreign Trade <input type="checkbox"/> Nestlé-USA Distribution Co	Other Market (s): List the other Nestlé Markets supplied by this facility. <input type="checkbox"/> Beverage <input type="checkbox"/> Confection & Snacks <input type="checkbox"/> PetCare <input type="checkbox"/> Prepared Foods <input type="checkbox"/> Food Services <input type="checkbox"/> Nutrition <input type="checkbox"/> Foreign Trade <input type="checkbox"/> Nestlé-USA Distribution Co

Final Assessment

	Complying	Complying with Major Improvement Needed	Not Complying
NQS Level 1 – Food Safety	<input type="checkbox"/>	<input type="checkbox"/> Improvement required within ___ days.	<input type="checkbox"/> Disqualified Manufacture of Nestlé product / material is suspended until corrective action measures have been fully implemented, and verified by Nestlé.
Corrective Action / Follow-up Plan Due Date:	Facility is not approved at this time. Response to concerns noted with action plans and timetable should be sent to Dennis Cline by February 10, 2006		

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NQS Audit Conclusion:

An audit of the Peanut Corporation of America (PCA) facility, in Plainview, Texas was completed on January 5, 2006. The facility does not currently meet NQS Level 1 requirements and would not be qualified from a plant audit standpoint to supply chopped peanut pieces to Nestlé. It was communicated to PCA that a follow up audit by Nestlé would be necessary to verify completion of items requested needing corrective actions.

The key food safety issues noted during this audit are the weakness of the pest control program, the lack of any pathogen environmental monitoring program, and concerns noted in the handling raw and further processed (roasted, blanched) peanuts in a common processing area. Without physical isolation and proper airflow for the post-roasted and roasted peanut operations, there is a potential for microbiological cross contamination.

The audit conditions and deficiencies are outlined in the Key Findings and Key Issues Summary sections of this report. PCA management expressed an understanding and recognition of identified issues, and agreed that each item needed to be brought to closure as soon as possible. It is noted that the gaps identified in the audit should be relatively easy for PCA personnel to resolve and none are beyond their capability to resolve. None of the items identified would require significant capital investment to resolve. It is requested that the facility respond in writing to this report within the timetable as listed below. The response should address all issues identified in the Key Findings and Key issues Summary of this report. The response must address the root cause, identify corrective actions, and provide timelines for correction. The plant is asked to complete the "NQS Audit Corrective Action Response or CAR" Excel spreadsheet at the end of this report and send electronically to the auditor per the above timetable.

It appears as if PCA employees and management have an understanding and commitment to quality, food safety, and customer satisfaction. Plant management staff was very open and cooperative during the audit and expressed a desire to work with customers such as Nestlé to meet expectations.

NQS Level 1 Food Safety Elements	Complying	Complying with Major Improvement Needed	Not Complying
Training	<input checked="" type="checkbox"/>		
Documentation	<input checked="" type="checkbox"/>		
GMP – Housekeeping	<input checked="" type="checkbox"/>		
GMP – Sanitation	<input checked="" type="checkbox"/>		
GMP – Pest Control			<input checked="" type="checkbox"/>
GMP – Other		<input checked="" type="checkbox"/>	
Allergen	<input checked="" type="checkbox"/>		
Bio-Security		<input checked="" type="checkbox"/>	
HACCP		<input checked="" type="checkbox"/>	
QMS	<input checked="" type="checkbox"/>		
Pathogen Monitoring of the Production Environment			<input checked="" type="checkbox"/>
Formal Release / Status Control System		<input checked="" type="checkbox"/>	
Lot Traceability, Lot Identification, Coding / Recall & Crisis Management		<input checked="" type="checkbox"/>	
Instrument Calibration / Laboratories and Test Method		<input checked="" type="checkbox"/>	

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Background Information:

Size of Facility:	About 48,000 square feet	Number of employees:	About 35
Age of Facility:	About 45 years	Number of production lines:	1

A Nestlé Quality System Level 1 audit was conducted at the Peanut Corporation of America (PCA), facility in Plainview, Texas, on January 5, 2006 by Dennis Cline. Stewart Parnell, President, Stewart Adams, Technical Director, Danny Kilgore S.E. Operations Manager, Jim Booher, Plant Manager, and Stan Januta, QC Manager, accompanied the auditor throughout the audit.

The purpose of this audit was potential qualification of the Plainview facility to supply chopped roasted peanut pieces initially to the Nestlé London plant, and then eventually to other Nestlé facilities. The Plainview facility consists of a shelled peanut receiving operation whose end product is dry roasted chopped peanut pieces or blanched peanut pieces for the institutional domestic markets. For the purposes of this audit, the entire facility and operation were audited were reviewed.

PCA is part of the Peanut Corporation of America company, Lynchburg, Virginia, and currently supplies peanut products produced in one of three plants (Tidewater, Virginia, Blakely, Georgia, and Plainview, Texas) to the domestic industrial and retail markets.

PCA has supplied product to Nestlé in the past with product processed in the Blakely, Georgia facility,

The Plainview facility was originally constructed in the late 1960's and operated as a Jimmy Dean hog slaughter and processing operation. The facility was later sold to the Sara Lee Company, and then Bean Time (pinto bean processor), and then sat idle for about 5 years until PCA purchased the building and property and began renovations just over 1 year ago. Microbiological and environmental studies were conducted in the building and the grounds as part of the purchase negotiation requirements by PCA. The results of these studies were not reviewed as part of this audit, but it was understood that there were no issues noted. The facility is located in Plainview, Texas, a rural area about 40 miles north of Lubbock, Texas. There is easy access to major highway from this location. The plant currently processes on a 16 hour 5 to 6 days a week schedule. Cleaning operations are conducted during the non-processing hours. The plant only processes roasted and / or blanched peanut products,

The facility has been inspected by the Texas Department of Agriculture (TDA) for organic certification, United States Department of Agriculture (USDA) for blancher approval, and kosher. There have been no independent 3rd party audits of this facility.

The general processing steps for processing of dry roasted chopped peanut pieces are below. Shelled peanuts, which are primarily grown in the local southwest region, are received from one of two shellers (Golden or Birdsong). Peanuts are received via truck in 100# burlap bags, cardboard totes, or supersacks. It was understood that the receiving containers were all one-way containers and they are not returned to the shellers to be re-filled.

1. Shelled peanuts are received (supersacks, cardboard totes, or 100# burlap bags)
2. Destoning (Roka de-stoner system)
3. Holding bins
4. Dry roasting (oven) – used if roasting (Aeroglide oven system)
5. Blanching – skin removal
6. Sorting (optical sorting using Sortex 9000)
7. Inspection (visual)
8. Sizing / fines removal
9. Metal detection
10. Pack off into super sacks if for granulation product
11. Short term storage

If granulated, then next steps apply

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12. Holding bins
13. Granulation / chopping
14. Sizing
15. Fines removal
16. Packaging
17. Case Metal detection (not yet installed)
18. Palletizing
19. Storage
20. Distribution

There are currently no specifications for products produced for Nestlé. The plant does have PCA specifications for all products produced.

This auditor would like to thank the facility for their cooperation and positive attitude displayed throughout the audit.

NQS First Priority Level - Key Findings Summary:

Training
Complying

Although training practices are in place, there is no overall documented written training plan, which summarizes the training programs and plant training requirements. A formal written training plan containing plant / company training requirements should be written.

New employee training includes Good Manufacturing Practices (GMP) (program reviewed was dated December 29, 2005), general and job related safety, general HACCP, general allergen, product sampling, and basic plant security information. To acknowledge attendance and participation in training session, each employee and the trainer sign off on a form after the training has been completed.

The GMP training includes hygiene, sanitation; process, and product integrity; receiving and shipping areas; food security; training; and record retention. Training is conducted using video and verbal presentations, and GMP training is conducted in English. All records reviewed in regards to training indicated that the company is following the established procedures.

A temporary employee-training program is followed for the training of any temporary prior to working in the plant. Temporary employees are trained on the same Good Manufacturing Practices as regular full-time plant personal. The temporary employees sign off on a sheet indicating they completed the training.

On going training consists of monthly meeting where topics about GMP and safety are reviewed (same as new hire training). The management team also discusses any incidents / concerns that may have occurred at the plant as a means of continuous improvement.

It is recommended that the plant implement a process by which learning effectiveness is measured. This can be completed by use of short tests following each training session.

Contractors are given GMP and general safety training before entering the plant. The plant GMP and safety rules are reviewed prior to entering the manufacturing areas and a sign off sheet agreeing to these is completed. Contractors, depending on their role, may not be escorted while on site (pest control operator, vending machines, etc.), but all contractors are monitored while on site.

Quality control employees and operators using laboratory equipment are given specific training on how to operate the test equipment.

Overall, employees receive about 8 hours of training annually, with training being spread out over the year. The training starts as a newly hired employee joins the company and continues throughout their employment. The information used for training was reviewed and found to contain sufficient information needed to adequately training employees on safe food handling techniques. All documents and information reviewed was current through today's date.

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employees observed were following the plant established GMP's.

Documentation
Complying

The following documentation was reviewed: employee training, manufacturing guidelines and specifications, plant quality manual, HACCP plan, operating procedures, hold guidelines, receiving / shipping inspection forms, processing checklists, lab equipment calibration records, inspection checklists, start up checklists, pest control service log and schematics, recall program, master sanitation program, sanitation procedures, traceability guidelines, and glass and brittle plastics policy. Documents exist for recording processing and quality checks completed during processing.

A glass and brittle plastics control policy is documented (dated December 29, 2005). It includes requirements for glass and brittle plastics. The program includes procedures for the shielding and protection of light bulbs as well as the exclusion of glass in the plant, an inventory of glass and brittle plastics, and a daily audit of these same items. This procedure clearly defines cleaning and inspection requirements for broken glass incidents.

A customer complaint procedure is documented (dated December 29, 2005). The president, operations manager, and quality manager review complaint issues.

The plant has a document control practice with most all documents being maintained in a paper format. There is no formal written document control procedure. Each document is titled, numbered, and has a date of issue. Most all documentation has been taken from the sister plant in Blakely, Georgia, and is being adjusted to meet the needs of the Plainview facility. The Plant Manager is the final authority for approval of all documents. It was understood that all documents in the document control program are reviewed at least one time per year. An effort needs to be made to make the final transitions of documentation to meet the needs of the local plant.

The plant should create a written Change Management policy that defines steps to be followed for changes that might take place in manufacturing and documentation.

Forms used to record processing conditions and quality data are also included in the document control system and are used on the production floor as paper copies. These documents are collected following processing and are stored in the quality control or accounting office. These forms are reviewed during and after processing by the production supervision and quality management. All forms reviewed during this audit were found to be in the designated format and were current. Good documentation practices were being followed to complete the forms. For each document and form reviewed, there were no cross outs, no scratch outs or re-writes, no pencil usage on the production floor, and no pre-completed information. Pencils were being utilized in the quality control areas. The facility should put forth an effort to eliminate pencils and use blue or black pens in all areas. The processing and quality data is reviewed during and after operations by production and quality personnel.

All documents reviewed were easy to understand, well formatted, and are utilized by the workforce. Plant personnel followed good documentation practices. A copy of the recently developed quality / food safety manual was given to this auditor.

The processing paperwork reviewed in the plant was complete and satisfactory. The records are current through today's date.

GMPs – Housekeeping
Complying with Major Improvement Needed

There was no housekeeping issues noted in the receiving / shipping, processing, chopping / packaging, and storage areas of the plant. There were small amounts of peanut pieces along the south wall and behind electrical panels in the re-clean room. The chemical storage room, maintenance shop, immediate exterior areas around the north and east sides of the plant, employee break room, and bathrooms were also clean and organized.

The exterior areas on the south and west sides of the plant had large amount of dirt and product debris (skins) scattered in depths for about ¼ inch to about 8 inches.