

**BLOGS**  
Food Safety

## Is Your Supply Chain Tidy?

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Last week, McDonald's found itself in the national spotlight. However, instead of highlighting a holiday McFlurry, the hamburger giant was linked to an E. coli outbreak that spread across 13 states and caused approximately 75 illnesses and one reported death. The common link among the sickened individuals was having recently eaten the same meal at McDonald's. After investigating the incident, the CDC attributed the outbreak to slivered onions as the likely source. Due to its regimented procurement processes, McDonald's swiftly ceased the distribution of the onions, which, to date, has halted further spread of the contamination and illness.

In addition to removing the suspect food items from their menus, the internal response likely included tracking certain ingredients through its supply chain and distribution centers. Franchisors would be wise to ensure a tidy supply chain within their systems, especially those that operate in the food and beverage industry. Most restaurant brands, regardless of their number of units and average ticket size, can expect to experience incidents of food borne illness at some point in time. In 2024 alone, the FDA has issued advisories for eggs (salmonella), cucumbers (salmonella), bulk walnuts (E. coli), cheese (listeria, E. coli), and basil (salmonella), among other products.

When franchisors are faced with a food borne illness, one main area of protection is in a properly drafted Item 8 of their franchise disclosure document, which contains an opportunity for franchisors to implement a structure for their supply chain that enables the franchisor to promptly initiate its crisis management plan. Although there are a number of popular approaches to supply chain (e.g., broadline distribution, utilization of national distribution centers, so-called cost plus distribution if proprietary product specifications are involved, and full vertical integration if the franchisor aims to own the supply chain), a franchisor should ensure that the language in Item 8 provides for sufficient control over the sourcing of the goods and services that are essential to the operation of its system. In other words, Item 8 should disclose the franchisees' obligations to purchase goods (ingredients) from a specific/approved source, which may be in some cases the franchisor itself. Such disclosure is required in Item 8, but the value to the franchisor, in the face of a food borne illness, will be its ability to efficiently track the sourcing of each

### Related People

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ingredient *and* to promptly hit the brakes on further utilization and distribution of the suspect ingredient. If Item 8 lacks purchasing controls, and the franchisees are permitted to source their goods (ingredients) and services from multiple random local outlets, such as bulk-food stores or farmers markets, the inevitable task of tracing the suspect ingredients becomes much more burdensome, and may prove to be impossible, thus increasing the franchisor's risk.