Sears' business processes. Thus, 82% of their current business partners – primarily small businesses – were deemed non-critical. As a triage approach to looking at work prioritization and resource allocation in addressing potential Y2K problems is necessary, this same approach is being applied by larger business as they assess Y2K related risk associated with their vendors. Once a vendor has not passed muster in this context, it is possible it will lose the business relationship permanently resulting in a devastating impact on its business.

PHARMACEUTICALS

While generally considered to be one of the leaders in the Y2K remediation effort, pharmaceuticals are caught in the classic squeeze of dependency on suppliers and distributors. Because of FDA regulations intended to protect the public, pharmaceutical companies must have a pre-approved ingredient supplier whose product is registered upon arrival for a particular drug product batch. This means that a constant supply source is critical to the drug manufacturing process. On the sales/distribution side, the companies sell 80% of their product through wholesale drug firms, thus requiring minimal direct sales. It is essential for success that both sides of the equation function effectively through this Y2K window of risk. The pharmaceutical companies are encouraging their col-

leagues in allied businesses to be Y2K prepared.

FOOD INDUSTRY

A $25 billion (U.S. $) international food retailer with chain stores in the U.S., Europe, Latin America, and Asia described a Y2K experiment that was conducted in one of its stores. It set the date for the store's computers to Y2K. The effect was "the computers shut down the store in 5 minutes. Everything was shut down. The security systems, the temperature controls, the safes, the front end. Everything."

The Food Marketing Institute published a Y2K white paper that further illustrated possible consequences of failure to act:

- ordering systems will ship the wrong products and incorrect quantities due to date errors in complex calculation routines,

- point-of-sale systems will have wrong prices because the host system selects the wrong item maintenance records,

- customers will be frustrated by frequent shopper systems that don't provide expected rewards due to failures in purchase history date calculations,

- credit cards will be rejected if their expiration dates are beyond Y2K,

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- food manufacturers will label products with incorrectly calculated "sell by" dates, causing potential illness,

- pharmacy systems will cancel prescription benefits due to date problems and

- security systems will allow suspicious activity to continue due to date tracking errors.

Any interruption within the farm-to-fork chain can result in a direct loss to those who supply food, likely translating into food shortages and price increases. As is the case with many businesses, food suppliers are increasingly dependent on computerized processing and information exchange. For example, farmers and ranchers use electronic equipment irrigation systems, animal feed systems and transport systems. Processors rely on automated systems that help prepare and package consumer-ready products. Distributors, wholesalers and retailers depend on computer-driven equipment to transport, deliver, store, display and sell food products, and inventory and accounting systems. They rely further on equipment with time-dependent embedded computer chips, such as harvesting equipment; grain elevators; plant, warehouse and truck refrigeration systems; store and plant security systems; and heating, ventilation and air conditioning (HVAC) systems.

Committee efforts to coordinate interviews as well as to secure witnesses for hearings met significant resistance. This resistance and non-responsiveness came from both industry trade organizations/associations as well as major corporations within the retail and manufacturing sides of the food industry. Both food retailers and manufacturers cited numerous reasons for their resistance.

As of the 105th Congress, the general preparedness of the food industry is not clear. The reluctance to provide public witness is certainly disturbing. Put in the context of the Gartner Group's assessment of the food processing and farming/agriculture status, it is possibly alarming. Gartner predicts there is a better than 66% chance of at least one mission-critical failure within each of these industries (see figure 3). In testimony, Gartner's Marcoccio stated, "An industry highly overlooked is agriculture (farming, food processing, transportation/ distribution, and import and export of foods and food bi-products). Several agriculture sub-industries are lagging far behind."

CHEMICAL MANUFACTURING

Overview:

Virtually every consumer product is critically dependent on the chemical manufacturing industry. Cars and trucks, for instance, depend on thousands of chemicals – from polyurethane seat cushions and neoprene