

Scandals and Lies – or how not to manage a food company in Japan.

The integrity of the Japanese food system has been seriously compromised in recent years – mainly due to inept or corrupt company management.

The 4 articles featured below are a chronology of the latest scandal to hit the Japanese food sector.

This latest scandal has direct implications for the Australian beef sector, as Nippon Meat Packers, a major processor in Australia, has been singled out for corruption allegations.

While companies that perpetrate fraud on consumers and regulators may make short-term gains, corrupt management practice is almost always uncovered. What is the cost trying to corruptly profit from food safety?

Well in the case of Snow Brand Foods, the actual company and Nippon Meat Packers is now in serious trouble, cutting production as it sees demand for its products fall.

Consumers in developed economies are becoming more concerned over the integrity of their food system and the sort of corruption outlined in these examples continues to erode their confidence.

Why do these scandals continue?

Maybe the penalties for managers who are caught are not tough enough to act as a disincentive.

Perhaps we need to treat those who knowingly adulterate, mislabel and bypass food safety measures as the real criminals they are. Their actions impact on all the participants in the food chain.

Meat scares continue in Japan

<http://www.foodproductiondaily.com/news/news.asp?id=664>

04 July - Just when the Japanese food industry appeared to be settling down after a period dogged with food scares and consumer fears, the industry was stung on Friday by another quality-control scandal when the government accused a company of mislabelling imported beef to cash in on a mad-cow beef-buyback programme.

In true 'Snow Brand-esque' style, meat processing firm Nippon Shokuhin tried to pass off 122 tons of foreign beef tendons - worth about 136 million yen (€1.15m) - under the scam, according to Agriculture Ministry official Toshiro Kawashima.

Snow Brand Foods, a subsidiary of Snow Brand Milk Products, drew strong criticism earlier this year after revelations that it had mislabelled food and swindled the government out of money in a state-run buyback scheme to deal with mad cow disease. The case toppled the company.

Nippon Shokuhin was allegedly trying to take advantage of the same lucrative government programme to purchase local meat potentially contaminated with mad cow disease in order to get the tainted food off the market.

Kawashima said the Agriculture Ministry was still investigating Nippon Shokuhin. The Japanese government has spent billions of yen buying and disposing of local beef potentially contaminated with the bovine brain-wasting illness, which is linked to the fatal human variant Creutzfeldt-Jakob disease.

Japanese meat processors provoke questions

<http://www.foodproductiondaily.com/news/news.asp?id=876>

06 August - Did Nippon Meat Packers, Japan's biggest meat processing company, incinerate beef that might have linked the company to a plot to collect undeserved subsidies under a government beef-buyback programme? The question is on the lips of consumers and politicians alike.

According to a news report this week in *Asahi Shimbun*, the beef Nippon Meat Packers burned without clearance had been returned by an industry association that acts as an agent for the government.

The buyback plan was established to keep beef from domestic cattle infected with BSE (bovine spongiform encephalopathy) off the market before a more thorough inspection regimen was established.

In the programme, the government, through six industry organisations, would buy up domestic beef for disposal. The news report claims that the programme, which was sloppily run, encouraged beef-mislabelling schemes by big distributors such as Snow Brand Foods and Nippon Shokuhin. (*cont pg 2*)

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After concerns that the random sampling of meat submitted could invite fraud, the government switched to the labour-intensive approach of opening and checking every box of beef it received. After the 100 per cent inspection started, one of six industry associations involved, representing sausage and ham processing companies, returned some of the beef submitted by the companies for receiving subsidy, saying its own inspections had turned up meat not qualified for the programme.

The association told the Agriculture, Forestry and Fisheries Ministry it wanted to withdraw an application for government purchase of about 7.8 tons of beef from nine members, including Nippon Meat Packers, but the ministry did not acknowledge the request. Despite this fact Nippon Meat Packers burned 1.3 tons of beef returned by the association.

Japanese beef probe

<http://www.foodproductiondaily.com/news/news.asp?id=901>

09 August - Investigators have raided a subsidiary of Japan's leading meat processor to collect evidence it may have illegally profited from a government programme to buy up homegrown beef potentially contaminated with mad-cow disease, a ministry official said.

Agricultural officials searched an office of Nippon Food, a subsidiary of the Osaka-based meat processing giant Nippon Meat Packers, in the western city of Himeiji, ministry official Tatsuya Haruna said.

The ministry has said it will press criminal charges against Nippon Meat Packers if the investigation shows the company abused the program.

Junji Tanaka, a senior official at the Himeiji office which was raided, said that he had ordered workers to mislabel imported meat. *"We did it because we had so much surplus stock at one point,"* Tanaka told reporters in a report aired by public broadcaster NHK.

News of the alleged deception by Nippon Meat Packers prompted Osaka-based Hankyu, Hanshin and Daimaru department stores and convenience store operator Family Mart to pull the company's products from shelves Thursday. Several school districts, including in the major western city of Kobe, also announced they would stop using Nippon Meat Packers' products in school lunches.

Japan has spent millions of euros buying and incinerating domestic beef possibly tainted with the bovine brain-wasting disease known as bovine spongiform encephalopathy, which is believed to be linked to the fatal human variant Creutzfeldt-Jakob disease.

Two other companies have already been caught scamming the programme, which was introduced in September after authorities reported the first case of the disease in Japan the first detected outside of Europe.

Japan's sixth-largest meatpacker Snow Brand Foods has admitted abusing the government program by passing off imported beef as domestic beef. Meat processing firm Nippon Shokuhin tried to pass off 122 tons of foreign beef tendons. Both companies have since collapsed.

Nippon Meat to cut output

<http://www.foodproductiondaily.com/news/news.asp?id=922>

13 August - In Japan, Nippon Meat Packers, hit by a beef-labelling fraud scandal, will cut production of ham, sausage and other processed foods by 40 per cent for August, the major dailies Mainichi and Asahi Shimbun reported. The big cut in the production of processed foods, which comprises 40 per cent of Japan's leading ham maker's sales, will significantly damage its business base and could result in employee layoffs, the Mainichi report said.

The Asahi report, however, said that the packer has not decided on the level of production cut beyond September because it can not predict sales after then.

The decision came in the wake of a widening boycott of the company's products by Japan's major supermarket chains, such as Ito-Yokado and Seiyu.

Since the revelation of the beef-labelling scam late last month, these major retailers began withdrawing Nippon Meat's products from their shelves amid growing consumer criticism against the company.

During the last fiscal year that ended March, Nippon Meat earned Y644.8 billion (€5.53bn), of which 18 per cent came from ham and sausage sales and 23 per cent from other processed foods.

Industrial Relations Update.

The **August 2002 edition of the Workplace Corrs** has been forwarded to the Association for the benefit of members.

When the updates become available, a notice will be sent out – the current update will be available via a link from the front page of Agribusiness Online – or follow the Research link.

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