Agribusiness - **Industry Commentary, Debate, Analysis and Research**

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Nippon Meat Packers suspension remains

27/08/02 - Japan's agricultural ministry has said it will not lift a business suspension on Nippon Meat Packers, the company responsible for a beef-labelling scandal, until it finishes the inspection of all the beef in storage. The Ministry of Agriculture, Forestry and Fisheries said the additional probe is necessary to respond to the fierce public criticism and doubts about the safety of the company's products.

The government will not lift a suspension on Nippon Food until it finishes inspecting all its beef, totalling more than 100 tons, for which Nippon Food had requested subsidies.

Nippon Meat Packers said founder and chairman Yoshinori Okoso, vice chairman Shigeo Suzuki and one other executive will step down tomorrow. The meat processor said at last week's press conference the chairman would become an honorary chairman, and Suzuki would become supreme adviser. But the move faces growing criticism from consumers and the agriculture minister.

The ministry made public the results of its inspection between 21-25 August of Nippon Food's offices and warehouses in western Japan. The government officials confirmed evidence of disguising 3.1 tons of imported beef as domestic beef.

Nippon Meat Packers had admitted the unit sold 3.6 tons of the disguised beef to an industry body to receive subsidies under a government-run beef buyback plan aimed at helping businesses which were affected by the mad cow disease outbreak in Japan last year.

Though all the 3.6 tons of beef at Nippon Food's warehouse in western Japan were suspected of being imported beef, the inspection by the ministry officials could not determine the origin of 410 kilograms of beef that Nippon Food admitted it mislabelled.

But the ministry said some of the beef Nippon Food's other offices asked the government to buy back, contained a small amount of imported beef as well as domestic beef, which wasn't eligible for subsidies.

Nippon Food's office in central Japan told the ministry 292 kilograms of beef for which the office requested subsidies may have included 15 kilograms of imported beef. The ministry inspection confirmed those 15 kilograms were imported. It also found another nine kilograms of imported beef, which Nippon Meat Packers' internal probe failed to discover.

Another office in western Japan submitted to the industry body 148 kilograms of Japanese beef, which was not eligible for subsidies. The company told the ministry the submission occurred by mistake. Other Nippon Food offices mismeasured the amount of domestic beef, but there was no evidence of mislabelling, the ministry said.

Source - http://www.foodproductiondaily.com/news/news.asp?id=1012

Comment.

It is hard to believe that the management of Nippon Meat Packers have soiled its reputation with consumers and investors, tarnished its brands and jeopardised companies market share all for the sake of making a small gain on a fraction of its total annual turnover.

The decision to mislabel beef to take advantage of a BSE related government subsidy is yet another lesson to list in management texts. Surely if Nippon managers had thought about the possible consequences of their actions (or even done a cost benefit analysis of breaking the law) the sums would have pointed to the risk far outweighing any possible financial gain.

The quantities quoted in the story above are laughable. Effectively the companies' reputation and that of its brands has been ruined over fraudulent claims relating to a few hundred kilograms of beef.

Corn starch packaging

26/08/02 - Australian company Plantic has solved the problem of packaging waste by developing a 'plastic' packaging that is dissolvable, according to a report in the *The Australian*. The packaging is made of corn starch, making it edible, and has the consistency of plastic.

David MacInnes is the chief executive officer of Plantic, which was set up to manufacture bio-degradable plastic from plants. *"The consumer hates plastic waste. This is the first plastic you can throw out into your backyard and watch it disappear,"* MacInnes said. …*(cont. page 2)*

(From page 1) "It is recyclable, compostible, biodegradable and environmentally friendly. Every box we can tick. It's the first one that can compete head to head with plastics."

The plastic was developed over seven years at a cost of A$ 12 million (€6.7m) by scientists at the University of Queensland, Melbourne's Swinburne University and the CSIRO, working under the umbrella of the Co-operative Research Centre for International Packaging.

Its secret ingredient is a selectively bred, high-amylose corn variety with a long molecular structure suited to creating plastic.

"Its basically plastic," MacInnes said. *"It can be any colour and it can be therma-formed into trays by industry standard equipment. "The trays have been trialled successfully down high-speed manufacturing lines, so we know it's a very, very good product."*

Besides normal consumer applications, the packaging is also aimed at the agricultural sector. Instead of just throwing away the packaging, it can be ploughed back into the soil and used as compost. Currently markets are pressuring a slow move away from PVC packaging, which means that alternative materials are now in big demand.

"There's a movement away from polystyrene as well, especially in Europe, for health and safety reasons," MacInnes said.

South Africa has banned non-environmentally friendly, thin plastic shopping bags, while countries like Ireland and Germany have introduced taxes to discourage their use.

With corn starch as its source material, Plantic's plastic is also cost-competitive. MacInnes claims that corn starch bags will cut the margins for biodegradable plastic bags by four- to five-fold, making them more competitive with regular plastic bags.

Demand is not the problem. Supermarkets in Europe and the United Kingdom are desperate for Plantic's products. One British supermarket chain, "basically the size of the whole Australian market," has apparently told him they will take everything Plantic can supply.

The clamour for Plantic's product means the company aims to ramp up its production steadily. The wheels have just started whirring at its manufacturing plant at Laverton on the fringe of Melbourne.

MacInnes's plan is to begin with the Australian market, then tackle markets in northern Europe, Japan and the US. With an international plastics industry worth €1000 billion, and 40 per cent of that in packaging sales, the CEO says his only problem is not to move too fast.

Source - http://www.foodproductiondaily.com/news/news.asp?id=999

Comment.

An extraordinarily good news story that highlights several important points. Firstly the value of investment in research and development. The potential wealth generation for Australia from this technology is enormous and the figures quoted in the article above provide yet another indication of the value that can be extracted from investment into R&D. But will this be another story of technology developed in Australia that is exported for commercialisation? State and federal governments in Australia have been traditionally poor at supporting – actively or passively – the commercialisation of domestic technology, preferring to hide behind the 'we don't pick winners' excuse for doing nothing constructive to encourage the establishment of industries based on Australian developed technologies.

The second point is the problem of scale faced by Australian companies when wanting to operate in global markets. The quote from the British supermarket chain highlights an old problem, the capacity of Australian industry to really 'play' in global markets.

So how do we fix the latter problem? Well it comes down to our attitude toward industry development and commercialisation of technology. If we are to create new industries in Australia capable of meeting global demands the models that government use to encourage industry development have to change (including removing government from many areas in which they currently hinder industry development). Attracting investment and fostering innovation is the key to increasing scale and being able to compete on a cost and volume basis with companies located where large numbers of consumers reside. (For more views on this subject, go to the proceedings of the 2000 Agribusiness Congress at www.agrifood.info).

Lastly, this article points to one future use for GM technology, plants being used as a renewable source of material that currently comes from non-renewable sources (eg. oil). GM technology will play an increasingly important role in providing renewable resource solutions, but this will precipitate another problem – competition for land and water between crops for industrial use and crops for food….