

Comestibles and ethical, professional and corporate responsibility



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No industry, sector, or profession is without its share of ethical dilemmas, professional misconduct or corporate misdeeds. Given that food is an essential component of life, it is imperative that the food industry be as responsible as possible in these areas. It is unfortunate that many players in the food sector have been less than stellar in their performance.

For supply management professionals a variety of issues (some described below) in the food sector pose a strategic sourcing challenge. A handful of food suppliers can trigger a health problem and the event will ripple across the entire market. It can take several months to conduct a thorough investigation due to the complexity of the supply chain and the use of common ingredients. Food industry practices have led to the increased use of chemicals to support production. Whether the health risk

occurrences are truly preventable is doubtful.

In recent years, there have been multiple product recalls due to bacterial infections of one kind or another in meats and vegetables. In 2008, the deadly bacteria found in Maple Leaf Foods products was eventually traced to processing equipment. Again in August 2009, Maple Leaf Foods issued a precautionary product recall on a few select meat items. Criminal charges have been laid against East Asian food purveyors that knowingly used melamine in their milk products, killing many children. Based on this information, the Canadian Food Inspection Agency (CFIA) expanded a recall on some food products suspected of containing melamine.

In March 2010, CFIA recalled the flavour enhancement product, hydrolyzed vegetable

protein (HVP). HVP is made by boiling cereals in hydrochloric acid and then neutralizing the mix with sodium hydroxide to break it down into amino acids. HVP is supplied through an oligopolistic source of supply characterized by relatively few dominant sellers. CFIA continues its investigation with Canadian clients (e.g., Chemroy out of Ontario) of Basic Food Flavors, Inc. (BFF) out of Las Vegas, Nevada.

BFF assert leading quality management practices, yet something has gone awry, resulting in another tainted food problem. The US Food and Drug Administration (FDA) responded to a complaint of salmonella found in a February shipment from BFF. The FDA identified the source of the bacteria as the processing equipment at BFF. All HVP products manufactured from September 2009 are now under review. The implication is that millions of kilograms of potentially poisonous food additives have been distributed across the ready-to-eat snack-food industry, including chips and dips. The saving grace in this situation is that health risks are expected to be very low.

In a related issue, the practice of injecting poultry with saltwater to increase their weight during processing has come under challenge by US consumer advocates and the California Poultry Federation. The consumer pays for this practice in two ways – an increase in sodium intake and ~15 percent more for the cost. Health Canada, which follows US guidelines, has stated that most Canadians already consume more sodium than necessary. Additional revenues to the food industry related to the injection practice are estimated at US\$2 billion. Currently the law allows that the labels can state the chickens are “100% all natural.” A typical product label states “Enhanced with up to 15% chicken broth.” This is a very

misleading food industry practice at best and deceitful at worst – however, it is still legal.

Then there is the recent situation where four food ingredient buyers have pleaded guilty to taking bribes. This story has exposed a series of corruption practices in the food industry. The companies involved are Kraft Foods, Frito-Lay, Safeway, and B&G Foods – all US-based. *Canwest News* reporter Sarah Schmidt reported on March 6, 2010 that the annualized food additive business is projected to be US\$34 billion.

This case originated with a Kraft Food ingredient buyer who had been accepting bribes to get a supplier’s products into the Kraft supply chain. More reprehensible than the unethical behaviour of influence

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pedaling was the fact that the conspiracy allowed millions of pounds of tainted tomato products to be sold on the market. Again, this raises concerns about the quality control of food ingredients. Many companies rely on the testing of the ingredients by their suppliers and do not duplicate those tests prior to production. Tests are conducted on the finished products.

Investigators found that several people connected to one of the largest tomato processors, SK Foods, also admitted to being complicit in the scheme. Prosecutors say that SK Foods falsified documents to mask quality problems in tomato paste and puree products. Now more than 55 companies are involved creating the perception of this being a systemic problem and not circumstantial. Investigators are now reviewing allegations of collusion and price fixing. SK Foods filed for bankruptcy in 2009.

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Supply professionals agree to comply with an ethical code of conduct, either for the

organization they represent and/or to be a member in good standing with a recognized professional purchasing association. Business ethics is an important component of sustainability in a global market place. Although the food-related stories above highlight specific issues found in the United States and Canada, the ethical conduct of corporations and individuals also includes safe workplaces, a clean environment, and meeting community expectations regardless of locale. Corporate social responsibility is a growing concern with customers and consumers on a global basis. Supply professionals can advance the sustainability agenda by acknowledging that improvements can be made in all industries and sectors, and by raising ethical and performance standards.

Transparency International issues a Corruption Barometer each year. Canada and the United States are *not* the best on the list. We typically are well below perennial leaders such as Denmark, Finland and New Zealand. Many emerging countries are still susceptible to unethical practices, which is where many North American companies have been outsourcing. We can increase our vigilance of others; however, we should start by demonstrating responsible leadership at home. 

