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Dairy and Products

Summer Food Safety Scares Spook Japanese

Consumers and Retailers

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Report Highlights:

It has been a difficult summer for Japanese consumers and food retailers due to several food safety crises and scares. The main crisis involved a major Japanese food processor and Japan's largest dairy processor, Snow Brand Milk Co. The incident led to more than 14,000 cases of food poisoning. Snow Brand's prominence in the dairy industry and mismanagement of the food safety crisis has unnerved consumers and led to stepped up regulatory enforcement.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

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Summer Food Safety Scares Spook Japanese Consumers and Retailers

It has been a difficult summer for Japanese consumers and food retailers due to several food safety crises and scares. Although hot weather and food safety incidents are nothing new in Japan, this year's problems are especially troublesome as they have exposed both lax safety controls by Japanese food processing companies as well as a frightening inability of those same companies to "manage" the crisis aspects of the outbreaks.

The main crisis has involved a major Japanese food processor and Japan's largest dairy processor, Snow Brand Milk Co. In late June 2000, Snow Brand distributed low-fat Japanese milk contaminated with *Staphylococcus aureus* bacteria which caused the sickness of over 14,000 people. The highly-publicized food safety incident is being called the most widespread food-poisoning outbreak since 1975, which was also attributed to a Snow Brand product. Japanese health officials ordered a total recall of Snow Brand's 59 dairy products produced from an Osaka factory, and major retailers are pulling all Snow Brand products from the store shelves.

Initially, Japan's health authorities questioned the HACCP system and considered re-evaluating its use in the dairy industry. Subsequent investigations, however, revealed that the Snow Brand milk product contamination incident probably resulted from an electrical outage during processing at an Hokkaido non-fat dry milk powder production plant. The contaminated dry milk powder was then used in milk production in an Osaka plant, and subsequently in other dairy product production facilities. In mid-August, the Hokkaido prefectural government revoked Snow Brand's operating licence of the non-fat dry milk powder milk production plant in Hokkaido. By the end of August, the same powdered milk was implicated in contaminated dairy products produced in a Nagano facility.

Snow Brand's prominence in the dairy industry and mismanagement of the food safety crisis has unnerved consumers. To make matters worse, Snow Brand could have not handled the "crisis management" aspect more poorly which began with Snow Brand delaying any action once the food poisoning became apparent. Then, they attempted to deny culpability. Subsequently, Snow Brand representatives issued a string of explanations that undermined their credibility and eroded consumer confidence. Snow Brand has also been placed under investigation for negligent or intentional violations of Japan's Food Sanitation Law.

Because of Snow Brand's prominence, the decline in consumer confidence has spilled over into other companies and other food sectors. Reports of adulterated food made to the Ministry of Health and Welfare have doubled over the summer and regulators have been involved in a string of recalls, including other milk products, non-milk beverages and various processed food products. (See table.)

Recent product recalls by food companies

Date	Manufacturers	Products	Volume	Reason
June 29 July 4	Snow Brand Milk Products Co.	Milk Products	11 million bottles	Contaminated with toxin of poisonous bacteria
July 5	Koiwai Dairy Products Co.	Milk Products	264,000 bottles	Unusual taste
July 12	Morinaga Milk Industry Co.	Milk	220,000 bottles	Chemical smell of disinfectant
July 15	Kirin Beverage Corp.	Sports drink	1.37 million bottles	Unusual taste
Aug. 8	Kirin Beverage Corp.	Tomato juice	617,000 bottles	Fly found in bottle
Aug. 12	Calbee Foods Co.	Potato chips	62,000 packages	Lizard found in package

Aug.17	Kellogg (Japan) KK	Cereal	445,000 boxes	Unusual smell
Aug. 22	Ajinomoto Co.	Frozen Foods	11,200 packages	Piece of broken plastic found in package
Aug. 23	Snow Brand Milk Products Co.	Skim milk powder	30 metric tons	Contaminated with toxin of poisonous bacteria

The loss of consumer confidence coupled with increased regulatory vigilance has created problems for Japanese food processors. In some cases, small companies cannot weather the financial impact of a food safety incident. Recently, the Keihan Milk Company closed its milk processing plants as a result of an unnecessary recall. Dairy industry representatives in Japan have stated that if recalls like those over the summer continue, the dairy sector will be forced to consolidate. The summer, and record hot weather throughout Japan, however, are almost over.

Fortunately, the specter of contaminated foreign products has not come up, and currently no U.S. products have been implicated in any outbreaks. However, should U.S. product become involved in a food safety incident, increased consumer uneasiness and stepped up regulatory attention could lead to high profile media attention. The recent Snow Brand's experience suggests that the best policy in the event of a food safety incident is a quick and honest response combined with cooperation with regulatory agencies involved and timely mitigation.