Food Safety Shocks and Their Effect on International Competitiveness

A Case Study from the Guatemalan Raspberry Industry

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Outline

- Introduction
- Research questions
- Data and Methods
- Background
- Analysis
- Conclusions
Introduction

- Globalization of the Agro-food Systems
  - Increased risk
- Food safety crises
  - Profitability
  - Market share
- Crisis prevention vs. crisis management
Research Questions

- What are the factors currently constraining the industry’s competitiveness?

- What actions need to be implemented in order to effectively regain market share?

- What are the lessons learned for agribusiness management?
Data and Methods

- Preliminary data from a set of case studies from Guatemalan horticulture
  - Surveys and informal interviews with producers, exporters, Importers and retail firms (U.S and E.U)
- Porter’s Diamond of National Advantage
- SWOT analysis
Background

- Origin of the industry
- Seasonal complementarities
- Rate of growth
- Market share
The *Cyclospora* Issue

- *Cyclospora cayetanensis*

- Outbreak
  - 1465 people infected
  - 20 U.S states and 2 Canadian provinces
Strategic Responses

 Supply side
  - Model Plan of Excellence
    - GAPs, GMPs, SOPs, HACCP, traceability
    - PIPAA

 Demand side
  - U.S
    - Cutback in orders
    - Stricter contracts
  - E.U
    - Private standards
Effect on the Supply Chain

- Compliance costs
  - Exit of 93 percent of firms
  - Reduction of 79 percent of cultivated area
  - Elimination of producer contracts
Impact on Demand


- Domestic
- Chile
- Guatemala
- Others
Strengths

- Seasonal complementarities
- Strong network of support industries
- Institutional representativeness
- PIPAA
- Governmental trade policy
- Shared commitment with food safety
Weaknesses

- Lack of a business strategy at industry-level
- Poor coordination among firms
- Unwillingness to invest in promotional activities
- Strong “internal” rivalry
- Liability insurance
Opportunities

- Increasing demand for food safety attributes
- Food safety differentiation
- Joint ventures with US and EU retailers
- Bilateral efforts, private / public sector
- Generic promotion
Threats

- Consumer unwillingness to purchase Guatemalan raspberries
- Increase of Chilean exports
- Expansion of Mexican raspberry production
- Precautionary principle approach (U.S retailers)
Conclusions

- Vulnerability of the food industry
  - Increased consumer awareness
  - Need for preventive measures
- Crisis prevention vs. Crisis management
  - Rebuilding reputation
- Food safety differentiation
Conclusions

Effectiveness of strategic response, a function of:

- Effectiveness of food safety assurance mechanisms
- Aggressive communication strategies (in the case of highly publicized crises)
- Strong inter-firm coordination
- Close coordination Public-Private sector