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FOOD SAFETY IN FOOD SECURITY AND FOOD TRADE

Case Study: The Poultry Industry in Colombia

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As developing countries open their economies further to trade, their food industries are striving to raise safety and quality standards in order to compete in new markets. Such is the case with the Colombian poultry industry, which is confronting challenges arising from World Trade Organization (WTO) efforts to reduce trade barriers and from regional free trade agreements such as the Andean Community of Nations (ACN) and the Free Trade Area of the Americas. Critical questions face the Colombian poultry industry: Is it ready to compete with foreign poultry producers on price, quality, and safety? Can industry efforts to produce better quality products assure an increased share of domestic and regional markets? This brief reviews the private initiatives undertaken by the Colombian poultry industry to assure food safety in light of these questions.

THE POULTRY INDUSTRY

Poultry constitutes one of the most dynamic food industries in Colombia. In the last 20 years, domestic production has increased nearly fourfold, while chicken and egg consumption per capita has tripled. Today, poultry is the second largest source of protein, accounting for 40 percent of total meat consumption and 10.5 percent of agricultural gross domestic product.

Trade liberalization policies and participation in regional free trade agreements have substantially affected the industry. Input supply sources have expanded and input prices have fallen. While inputs may be more readily available under free trade, the market for poultry products has become more competitive. At the same time, demand in developing countries is expanding rapidly. For Colombian producers to take advantage of new markets, however, their prices must be competitive. The industry is responding with a strategy to reduce costs that includes widespread vertical integration and rapid consolidation. Significant cost reductions have been achieved in the past 10 years, yet import prices of various poultry products are still below domestic prices and the industry is striving for further efficiency. Managers believe that improved efficiency can open new markets in neighboring ACN countries such as Venezuela and Ecuador.

The industry recognizes that while cost-reduction initiatives are necessary to compete, product quality and safety are also critical. The industry has two compelling reasons to improve quality and safety. First, food safety and animal health regulations have often been used against Colombia and other Andean countries to restrict their poultry trade. As Colombian standards improve and rules are defined for the trade of fresh products under the WTO's Sanitary and Phytosanitary Standards (SPS) agreement (see Brief 5), it will become easier

to meet health and safety standards, thus facilitating trade. Second, as consumers' awareness of food safety increases, the market is likely to reward producers who meet safety standards and punish those who do not. These reasons, along with new regulations, have motivated the industry to launch a quality assurance program (QAP).

FOOD SAFETY REGULATION IN COLOMBIA

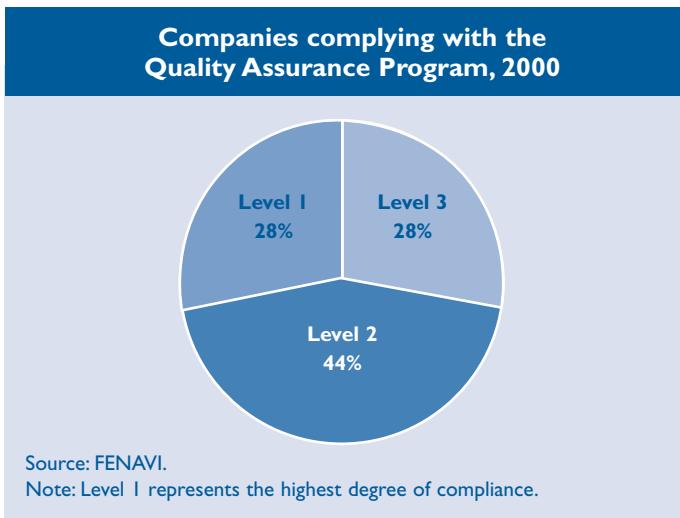
In 1997, the government approved a food safety regulation to be enforced by the newly established National Institute for Food and Drug Surveillance (INVIMA). This rule substantially increases standards for fresh products and shifts the emphasis from inspection of final product to process control. The rule requires companies to document compliance with Good Manufacturing Practices (GMPs). It also embraces the minimum standards defined by the Codex Alimentarius Commission. In 2002, the government approved a regulation that recommended adoption of Hazard Analysis Critical Control Point (HACCP), established parameters for certification of HACCP plans, and defined rules for quality assurance labels.

THE QUALITY ASSURANCE PROGRAM AND ITS IMPACT

Public regulation sets the context for private efforts. In 1998, the National Federation of Poultry Producers (FENAVI) responded to the combined challenges of increased competition, stricter regulation, and trade liberalization by launching an industry-wide QAP. Financial support comes from a FENAVI-administered fund, into which each producer pays according to its volume of production. The program, which brought together all 50 Colombian poultry processing companies, initially emphasized education about quality assurance systems and process-control approaches to food safety. In the next stage, 20 processing plants were selected to take part in a HACCP pilot plan. Each poultry processor formed a quality assurance group responsible for implementation, and FENAVI visited each plant to provide on-site training and assess the companies' GMP/HACCP plans. These assessments rated sanitary profiles, cleanliness and disinfection, training, equipment and instrument calibration, and HACCP plan implementation.

In 2000, FENAVI started the second phase of the QAP, extending participation to 32 companies. To develop a baseline for measuring program performance, these companies were divided into three levels (see figure). In 2000, Level 1 included 9 companies that had fully implemented GMPs and developed their HACCP plan. They were believed to be ready for certification within six months. Level 2 consisted of 14 companies that had implemented 85–99 percent of their GMPs, were

completing process modification investments, and were developing their HACCP plan. Finally, Level 3 included 9 companies with the lowest levels of GMP/HACCP implementation. FENAVI estimated that companies in levels 2 and 3 could achieve certification in 12 to 18 months. Meanwhile, a system to monitor progress was put in place, which included an annual visit to each company to rate its QAP.



By the end of 2002, the QAP had achieved the following goals:

- Significant progress in the implementation of GMP/HACCP: 26 companies had operating HACCP plans and had achieved at least 85 percent compliance with the recommended sanitary practices.
- Seven companies obtained HACCP certification, and INVIMA expects to certify another nine companies in 2003.
- Annual costs of the QAP were estimated at about 1 percent of the annual sales of the participating companies.
- Benefits of the program include increased durability of products in storage; adoption of new technologies that help lower production costs; fewer returns from buyers; and increased control of production processes.

REMAINING CHALLENGES

The QAP achievements are significant, yet several problems remain. First, in Colombia and other Andean countries, a large number of small poultry establishments operating in the informal economy are not regulated by the government. These companies have lower production costs and much lower food safety standards than their legally established counterparts. Therefore, one of the most important questions facing the

industry is whether HACCP should be mandatory, so that all poultry-processing establishments are inspected and competing under similar conditions. While such a mandate would require all companies to invest in food safety, it might also restructure the industry and reduce opportunities in the informal sector.

A second issue is the lack of market incentives for investments in food safety. While the QAP raises the industry's already high costs, most industry executives agree that consumers will not pay higher prices for safety. They concede, however, that consumers may increase purchases from companies with higher standards.

To increase the demand for safe, high-quality poultry, the industry needs an aggressive strategy to educate consumers about the benefits of safer and higher quality products, but it is difficult to launch an advertising campaign when not all of the companies participate in the QAP. Should the QAP be made mandatory and FENAVI empowered to conduct an advertising campaign emphasizing the safety and quality of poultry products?

A third problem is top management's moderate level of commitment to the QAP. In the absence of price premiums and demonstrated demand for food safety, quality assurance is not a priority for many companies. Consequently, many have been slow to implement their QAPs. To secure stronger management commitment, FENAVI must document the program's benefits, such as more efficient production, lower volume of returns, and increased control of production processes. Economic studies should be conducted to show how quality assurance can increase market share.

CONCLUSIONS

This case study shows how an industry in a developing country deals with the increasingly pressing issue of food safety in the context of domestic and regional markets. In the case of the Colombian poultry industry, the QAP was possible because the industry took the initiative privately and funded it cooperatively through FENAVI. Although this three-year-old program has produced substantial benefits, its ultimate success will depend on answers to these essential questions:

- Will the industry succeed in creating marketing incentives for food safety investment by educating consumers about food safety?
- Will the industry agree to make participation in the quality assurance program mandatory?
- Will industry executives view quality assurance as a long-run strategy to gain market share in domestic and regional markets? ■

For futher reading see FENAVI's website
<http://www.fenavi.org>.

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