

THE HORSEMEAT CRISIS IN EUROPE AND NESTLÉ'S INITIATIVE (B)¹

On January 17, the day after the meeting in Vevey, Nestlé began investigations within the company to improve its quality assurance programme to detect adulterated meat products. Prior to the incident, Nestlé did not have any routine tests in place to identify horsemeat or pork in its products. Therefore, it first had to identify the most suitable analytical method to confirm the authenticity of meat. The company also decided to draw a complete map of all suppliers of beef-based products in order to carry out more thorough controls. Meanwhile, the health authorities continued their testing.

Once again, concerns grew when, on Monday, February 4, the UK's Food Safety Authority reported the presence of horse DNA in Findus beef lasagne. The company immediately began withdrawing these lasagne packages from the market.

Findus UK was not part of Nestlé. It was sold in 2000 and Nestlé only owned the brand in Switzerland. Nevertheless, it still had to give explanations. No Findus products in Switzerland contained such meat.

On Thursday that same week, the FSA asked companies in the sector to conduct authenticity tests on beef products to determine whether they contained significant levels of horsemeat. The presence of DNA above the 1 per cent threshold established

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by the FSA was initially treated as adulteration and no longer attributed to incidental co-mingling.

French manufacturers Comigel (a Findus supplier) and Spanghero were found to be involved. Exhibit 1 presents an analysis of the sequence of events in the supply chain of meat served by Comigel to Findus.

The next day, on Friday, February 8, José López decided that controls had to be stepped up in order to identify and minimize potential impacts for Nestlé.

After the weekend, on Monday, February 11, and once the map of Nestlé's meat suppliers had been completed, each supplier was contacted and asked to formally certify the origin and authenticity of the meat it had supplied. None of the manufacturers (Comigel, Spanghero) involved in the Findus scandal were identified as Nestlé suppliers. All of Nestlé's suppliers sent the requested certificate of authenticity, assuring that their products did not contain horsemeat. Exhibit 2 shows the system used by Nestlé to audit its suppliers.

The testing method to be used was also validated and Nestlé laboratories began using it to test meat products for horse DNA.

TESTING THE MEAT: THE EUROPEAN UNION'S INITIATIVE

Meanwhile, on Wednesday, February 13, the ministers of the countries most affected by the incident, which did not include Spain, met in Brussels to discuss a response to the situation and decided to strengthen food testing rules in response to the incident. The EU's health commissioner stated that *"the European Commission was considering strengthening EU rules on product labelling"*.

"It is evident that somewhere down the line, someone (...) has fraudulently or perhaps negligently labelled a product in a deceptive way", EU health commissioner Tonio Borg told reporters. *"All those countries through which this meat product has passed of course are under suspicion. By countries, I mean the companies in those countries which dealt with this meat product,"* he said.

The meeting would focus on strengthening existing EU rules, particularly on product testing and enforcement by national authorities, Borg said.

Britain's finance minister, George Osborne, said tougher product testing was needed to restore public confidence.

"What we want to make sure is that we have got the right checks in place so that all families know exactly what they are eating," he told Sky TV.

To this end, authorities would conduct 2,500 DNA tests on processed beef products between March 1 and 31, and a further 4,000 tests on horsemeat samples to check for

traces of phenylbutazone ("bute"), *"in all Member States"* and *"irrespective of any tests"* already initiated by individual countries.

Irish Agriculture Minister, Simon Coveney, described Borg's proposal as *"practical"* and *"sensible"*, recalling that since the scandal had become *"a European problem," "a European solution"* was needed.

The Commission argued that the European warning system had worked because *"in one day"* it had *"traced"* the path followed by the horsemeat in question within the European Union. *"This is no failure of the internal market. This is an incident inside the internal market which has to be taken very seriously in order to restore the confidence of consumers in what they eat,"* said Borg.

"So, this issue is not the result of a lack of legislation. Because you can only break the law if there is a law. And there is a law. The law is very clear. It applies to this case. If there is [horse meat in burgers or] horse meat in beef lasagne, there should have been a labelling indicating that there is horse meat in that lasagne," he said.

THE FIRST TRACES OF HORSEMEAT IN NESTLÉ

On 14 February, Paul Bulcke, CEO of Nestlé, publicly stated that Nestlé was not being affected by this problem with beef.

However, given the turn of events, and once the company had decided which type of test it would use in the analysis to detect horse meat, that same weekend, on February 16 to be precise, Nestlé began internal tests on all raw meat used by the company in Europe.

In these tests, one sample of meat analysed that had been supplied by Schypke², a Nestlé supplier in Germany, tested positive for horse DNA above the 1% threshold.

Despite the strict controls that Nestlé had implemented to guarantee the quality and safety of its products (see Exhibit 3 for details of Nestlé's Quality and Safety policy), the company had been caught up in this incident. José López had to react and decide what action to take. What should the company do after the offending meat samples had been detected? What consequences would this have for the company's business and image? What could have gone wrong in the system? What had to be improved?

² German company processing beef, chicken, pork and certain vegetable products. The company was founded in 1967 by brothers Hans and Klaus Joachim Schypke and in 2013 employed 80 people. It sells both own brand and white label products.