

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

Early on the morning of Monday, February 18, Nestlé informed authorities that it had detected more than 1% horse DNA in one sample of meat from its supplier Schypke. Immediately following this announcement, the company began to withdraw all products manufactured with meat supplied by Schypke (specifically Buitoni Beef Ravioli and Beef Tortellini, which were sold in Italy and Spain, and Lasagnes à la Bolognaise Gourmandes sold in France). At the same time, the company issued a statement on its website explaining the situation. That statement is reproduced in Exhibit 1.

"Our tests have found traces of horse DNA in two products made from beef supplied by H.J. Schypke," said Nestlé in its statement. *"The levels found are above the one percent threshold the UK's Food Safety Agency uses to indicate likely adulteration or gross negligence".*

On the same day, H.J. Schypke, a German subcontractor of Belgian-based Nestlé supplier JBS Toledo N.V., issued a statement indicating that it had not knowingly acquired horsemeat. *"We regret this incident and will intensify our efforts to provide the highest quality products,"* it said. *"As a result, we will conduct genetic tests on all raw incoming meat in the future."* Nestlé suspended all its contracts with Schypke.

¹ Case study prepared by the Research Division of Instituto Internacional San Telmo, Spain. Prepared by Professor Antonio García de Castro, Professor José Antonio Boccherini Bogert and the research assistant Mrs. Rocio Reina Paniagua from Instituto Internacional San Telmo, for use in the classroom and not as an example of the correct or incorrect management of a specific situation.

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MORE AFFECTED PRODUCTS: THIS TIME IN SPAIN

Nestlé continued with its tests and on Sunday, February 24, traces of horsemeat above the 1% threshold were detected in samples of raw meat supplied by Servocar² (Spain), which had certified the authenticity of the meat it supplied.

The next day, after the competent authorities had been informed and official statements were issued by both Nestlé's headquarters in Switzerland and Nestlé Spain (both statements are reproduced in Exhibits 2 and 3); all products containing meat supplied by Servocar³ were withdrawn. At the same time, the company announced that it would be suspending its contracts with Servocar and take the appropriate legal action.

José López explained:

"It is clear that this is a problem almost all manufacturers in the food industry now face. There is widespread fraud being committed across Europe. Despite our strict controls, despite receiving certificates and repeated guarantees from our suppliers, DNA tests have showed once again that we have been supplied with beef that is mixed with horsemeat. There is no food safety issue, but the mislabelling of products means they fail to meet the very high standards consumers expect from us.

We are removing from sale a limited number of products sold only in Spain made using meat provided by the supplier in question, Servocar. They will be replaced with products confirmed by DNA testing to be made from 100% beef.

We would like to reassure consumers that we remain vigilant. We will no longer work with the companies that supplied us with beef mixed with horsemeat. We are testing all new deliveries of beef we receive from all our suppliers. In addition, we are enhancing our quality assurance and testing procedures to ensure we don't face the same problem again in the future. The quality and safety of our products is and will always be our number one priority. "

As a precautionary measure, Nestlé withdrew not only the products found to contain horsemeat but also all products made with meat supplied by Servocar. On March 5, a statement was sent by email to all registered consumers (see Exhibit 4 for a copy of the email). In late February, Servocar stated that *"it had never distributed, purchased or sold horsemeat."*

² Servocar is a meat trading company that sells beef, lamb, pork and poultry meats. This Toledo-based SME had been a certified Nestlé for more than 25 years. During this time, the company had always successfully passed all audits required by Nestlé regarding the quality of products, manufacturing systems and best practices, among others. The last quality audit was conducted on October 24, 2012. SERVOCAR sells annually approximately 65,000 kg of beef to Nestlé, supplying only complete pieces (front boneless beef)

³ The products were six chilled and frozen products: *Fusilli boloñesa Buitoni* (chilled), *Canalones Microondas La Cocinera* (frozen), *Empanada gallega de carne La Cocinera* (frozen), *Relleno de carne La Cocinera* (chilled), *Gratén de berenjenas La Cocinera* (frozen), *Empanadillas de carne La Cocinera* (frozen).

Thereafter, Nestlé continued to perform tests to detect horse and pig DNA in all meat used for its products sold in Europe. The company stated that it would reject any batch that had been adulterated. It expected other manufacturers working with meat products to conduct similar tests.

By March 10 more than 700 tests had been performed on approximately 96% of the beef used. On April 15 the company broadened the scope of the tests to check not only for horse and pig DNA but also traces of many other species: turkey, chicken, duck, lamb, venison, ostrich, donkey, buffalo, kangaroo, emu, etc.

Nestlé's senior management issued the following statement: *"We have always had a comprehensive system of quality assurance in place, ensuring there are numerous checks throughout the value chain with a particular focus on assuring food safety and quality compliance. To do so we have in place auditing systems and quality control systems including analytical tests. However, these are insufficient. We are now adding new tests for horse and pig DNA, in all beef materials supplied to us."*

José López emphasized:

"The important thing here is not how much the tests cost but the security they provide us, our customers and consumers. We already had a comprehensive quality assurance programme and this new testing programme enhances it."

Thus, Nestlé had begun to systematically analyse the DNA in each meat product, testing for other forms of adulteration of raw materials and fraudulent labelling, in an attempt to strengthen its supplier auditing capabilities. It also introduced a comprehensive global supplier quality assurance system for meat products ("GSQA" - Global Supplier Quality Assurance), which included a tracking system that would give buyers greater control over and information on the supply chain. The system was based on a web application that gathered, stored and analysed vendor shipments and their quality.

All these initiatives were encompassed within 5 lines of action: understanding the potentially most vulnerable products (identifying priorities to be addressed according to the risk of adulteration), improve supplier specifications and identify supply chain risks, seek greater transparency and traceability, improve analytical methods and encourage greater regulation by the authorities.

Other voices

At almost the same time, the Czech authorities also confirmed that horsemeat had been detected in Swedish meatballs sold by the IKEA group, which immediately withdrew these products from the market as 13 European countries had already done in the previous month, when the first traces of unidentified meat were found in Ireland.