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Food Safety Shocks and Their Effect on International Competitiveness



A Case Study from the Guatemalan Raspberry Industry

Presented at the 2002 WCC-72 Meeting in Las Vegas, NV

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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

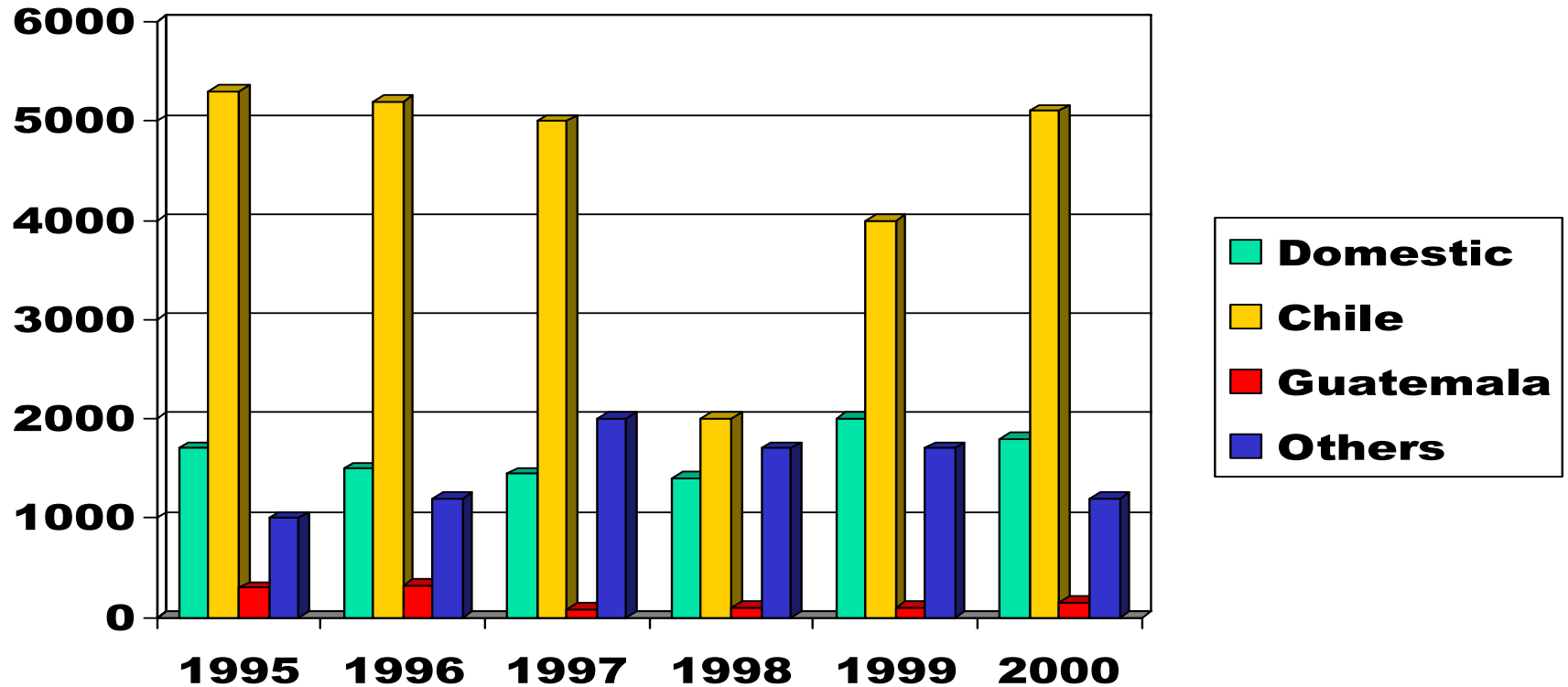


Effect on the Supply Chain

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

Impact on Demand

U.S Raspberry Supply 1995-2000 (MT)





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