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# Food Safety Shocks and Their Effect on International Competitiveness



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## A Case Study from the Guatemalan Raspberry Industry

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

Juan M. Estrada-Valle  
MICHIGAN STATE UNIVERSITY



# Outline

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



# Introduction

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



# Research Questions

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- 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

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- 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

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- Origin of the industry
- Seasonal complementarities
- Rate of growth
- Market share



# The *Cyclospora* Issue

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- *Cyclospora cayetanensis*
- Outbreak
  - 1465 people infected
  - 20 U.S states and 2 Canadian provinces





# Strategic Responses

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- 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



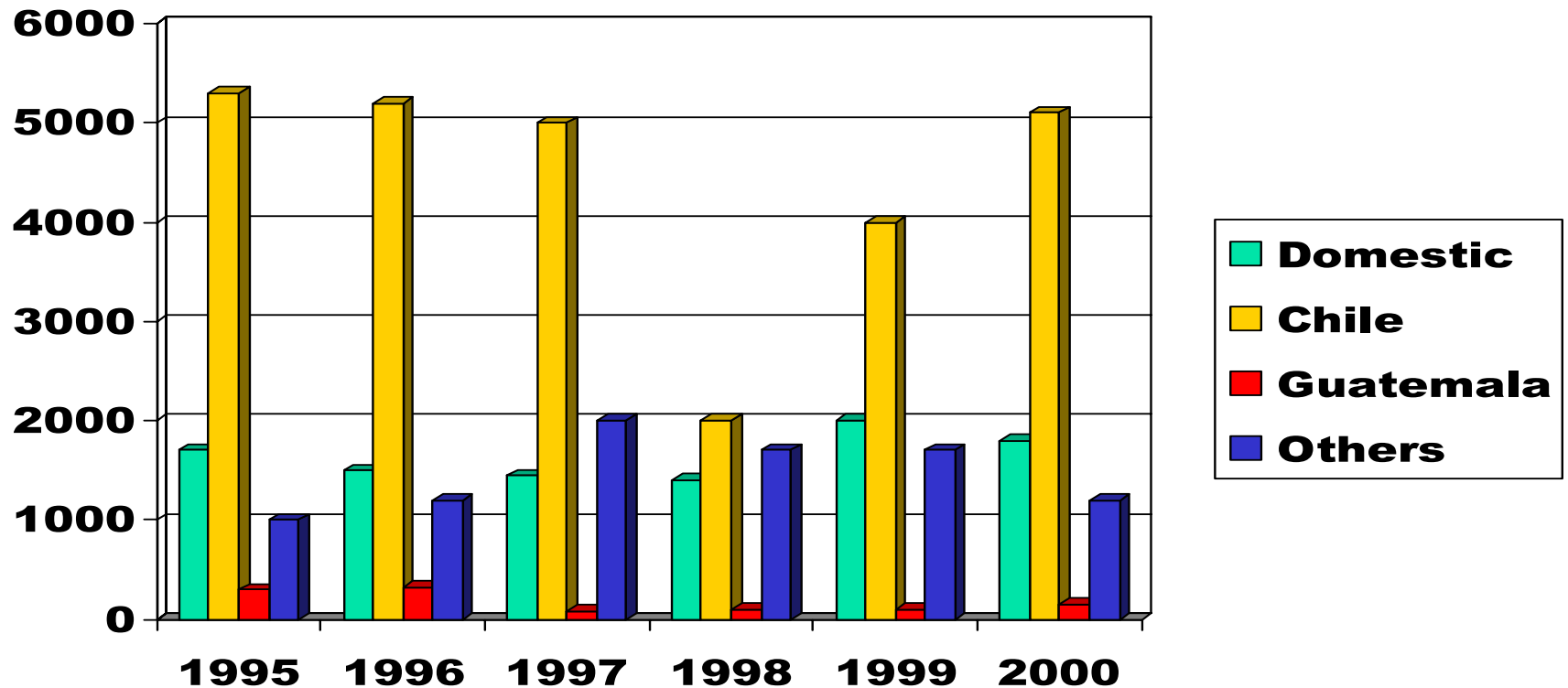
# Effect on the Supply Chain

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- 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

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



# Weaknesses

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



# Opportunities

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



# Threats

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



# Conclusions

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





# Conclusions

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- 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