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## Fonterra's botulism scare highlights supply chain lessons

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The recent botulism scare that triggered no fewer than four inquiries into processes and procedures at the world's largest dairy exporter holds important lessons for other New Zealand exporters, says a leading supply chain specialist.

David Robb, Professor of Operations and Supply Chain Management at The University of Auckland Business School and China Studies Centre Director with the New Zealand Asia Institute, says sectors here need to acknowledge the complexity of international supply chains and the importance of traceability.

"Traceability, particularly, is often not understood by New Zealand companies, and we are not exploiting that to our advantage in China. I am often astounded by New Zealand companies that could offer full traceability back to the farm, but don't use it in things like radio frequency identification tags and QR codes linked to websites for assuring consumers of authenticity," says Professor Robb.

He says downstream traceability – knowing where a product is sold and how it is used and disposed of by customers – can be as important as upstream traceability.

"Even when full traceability isn't possible or feasible, knowing more about your customers' customers – and your suppliers' suppliers – and their processes can be really helpful in these types of crises."

Food quality is a very sensitive subject in China, and New Zealand companies need to be aware of the level and diversity of communication between people via social media, as well as between the government and its people over the issue, says Robb.

And New Zealand exporters should remember that some Chinese consumers have already switched to non-New Zealand brands as a result of earlier food quality issues.

The head of Fonterra's New Zealand milk products business, Gary Romano, resigned less than two weeks after the company announced the potential contamination which saw a "precautionary recall" of implicated products in China, Malaysia, Australia and New Zealand. Earlier, Fonterra's chief executive, Theo Spierings, flew to China to brief Chinese biosecurity officials on the contamination incident and reassure regulators about the measures being taken to ensure product safety.

Robb says the recent crisis, along with the detection of small traces of the nitrate inhibitor dicyandiamide (DCD) in some Fonterra milk products earlier this year, suggests to many Chinese that New Zealand has not got its quality control right.

False claims by some New Zealand honey exporters about the health benefits of their products has further damaged New Zealand's reputation in overseas markets. When UK-based Littleover Apiaries was ordered to destroy 40,000 labels that made false claims for its New Zealand-sourced "active 15+" manuka honey, the company's chair, Tony Spacey, hit out at "absolutely crass, amateurish and stupid" New Zealand producers for the industry's problems.

Robb says Spacey has a point, with research by the manuka honey industry body UMFHA showing global sales of honey bearing the manuka label are several times global production.

"There are all kinds of issues over standards. Comvita, the world's largest supplier of UMF honey, has been trying for years to get industry agreement on this."

Such incidents are wakeup calls for exporters, says Robb.

"All enterprises in the supply chain need to acknowledge and appropriately respond to uncertainty and imperfections in processes – including quality control."

Robb recommends that all firms develop quality management plans covering quality control and crisis handling – from recalls to communication. He believes that at any point before, during, and after a crisis there is always at least one way to do what is right – a way that both complies with regulations and is consistent with the brand.

While we shouldn't impose rules and regulations on companies that could destroy entire industries, says Robb, neither should we become complacent.

"Reputations are too valuable to squander through neglect."



David Robb, Professor of Operations and Supply Chain Management

[« Back](#)