

**THE FOOD INDUSTRY'S CHALLENGE:
Developing Brand Loyalty versus Promoting Industry Credibility**

Introduction:

Food production methodology – from farm to fishery; processor to retailer – is increasingly coming under public and government scrutiny. How we grow, harvest, and process our food generates an enormous amount of debate among consumers, in the press, as well as before regulatory, legislative and judicial deliberative forums.

Fanning the intensity of the emotion associated with concerns of food safety are a succession of highly organized and well-funded campaigns orchestrated by non-governmental organizations (NGOs) whose leadership and members espouse environmental and animal rights ideologies.

Positioned as the voice of consumers, the NGO presence is or should be the prime concern of any and every resource-reliant sector of the domestic and worldwide food industry. The themes they raise and the campaigns they wage all eventually bring a variety of economic and regulatory stressors on industry. Some can have disastrous consequences particularly when the politics of environmentalism and animal rights blend with food safety public policy.

The influence the NGO community wields over judicial, legislative and regulatory policy and enforcement cannot and should not be minimized. The brash headline grabbing extremist theme of today, in time becomes the driving force behind a sympathetic Administration's regulatory agenda for such government agencies as the U.S. Department of Agriculture, the US Food and Drug Administration and any number of bureaucratic subdivisions such as the USDA Food Safety and Inspection Service (FSIS) or its Animal Plant Health Inspection Service (APHIS).

Having cut its advocacy teeth on such animal issues as saving whales, African elephants, stopping hunting and trapping via ballot initiative, the formation of domestic and international endangered species legislation and litigation, the NGO community has focused its full attention and resources on the world's food supply. No other global topic is so vital, vulnerable, and valuable. Consequently, the increasing number and intensity of assaults on agriculture, aquaculture, fisheries, agricultural biotechnology etc. will only increase over the coming decades.

The success of the NGO community is predicated on one thing: their aligning themselves with the proposition of the "public's (consumers') right to know."

No one can or should contest the fact that the public and consumers want and have every right to know

- 1) What they are eating,
- 2) Is it safe,
- 3) What are the negatives to the environment from its production,
- 4) Has it caused cruelty to an innocent creature,
- 5) Where did it come from,
- 6) What is in it other than the raw resource,
- 7) Can They feel good about eating it, and
- 8) Will consumption of this product have a negative impact on their health or the health of their children?

Industry's Warning Signs:

Over the past few years through today, aspects of the global food industry experienced a succession of animal health problems centered primarily on a variety of viruses either fully able of or containing the potential to cross the “species barrier” from wild animals to domestic food animals to humans.

Among the most notable is Bovine Spongiform Encephalopathy (BSE or “Mad Cow”) among beef and dairy cattle. This year Avian flu wiped out millions of domestic poultry from Asia to the United States with some variants lethal to humans. Nipah virus infects swine and also has a deadly tradition among humans. Taura and White Spot Syndrome Virus (WSSV) are found in shrimp. Severe Acute Respiratory Syndrome (SARS) appears of animal origin but is also transmissible to humans via unhygienic food preparation practices.

Each incident brought its own immediate and disastrous economic set of consequences. Each also provides a potential starting point for a concerted effort by food industry critics to undermine consumer confidence in a particular food sector as well as set in motion the various bureaucratic processes from which will emerge new layers of restrictive policy regulations. That potential has not yet been fully mined by industry critics. Participants in the seafood industry can attest to that fact.

To a degree food industry critics are still experimenting with the power of various legal, legislative and regulatory weapons they can use to bring various components of the world food supply process to their knees.

The legal maneuvering by advocacy groups to bring the force of the California Attorney General office to bear against swordfish retailers under the notorious Proposition 65 – the Safe Drinking Water and Toxic Enforcement Act of 1986 – is one example. Trace amounts of methyl mercury in swordfish and tuna led two NGOs to invoke Prop. 65. A variety of critical initiatives against farm salmon because of allegations of PCB contamination follow the same pattern of the “mercury in swordfish” scare campaign.

NGO advocates are testing the legal and regulatory waters provided by Prop 65 before launching their full strength efforts engaging a variety of environmental and public health laws in court against modern farming and food animal husbandry techniques.

Once food industry critics feel they have mastered all of the fine points of challenging industry giants such as major pork producers the legal assault on food sources will be unleashed, some on a daily basis. The intensity of the NGO crusaders intend on using the legal system to “humble” food production can be seen in the zeal of Robert F. Kennedy Jr.’s pledge to sue “Big Pork” ala the tobacco industry trials.

Industry’s Self “Check-Mate” Defense & “Peace in Our Time”

Traditionally, the response of Corporate America and its colleagues around the world when faced by the challenges of food industry critics has been to try and coalesce the industry through creation of associations or galvanization of old associations and put forth a defensive posture or position as an industry-wide response.

In essence, companies that strive throughout their corporate lives to convey the perception among consumers of their independence or uniqueness from competitors in the same industry suddenly take refuge behind a posture of common rhetoric and common identity. Sometimes the industry response is legitimate. Sometimes it is not. If it is the former, fine. If it is the latter, then the sins of one or two members of the industry are perceived as being “common” throughout the industry. If one is guilty, in the eyes of the consumer, all are guilty.

Another quite predictable industry trait could be termed the “Neville Chamberlain Gambit” that seeks “Peace in our time” through various ploys to curry favor with food industry critics, animal rights and environmental NGOS.

Some companies and even industry associations try to defuse criticism or remove the problem by bringing detractors into the corporate fold through partnerships or acceding to third party certifications.

The message sent to the consumer is that industry detractors now believe the original problem is corrected and that consumers should then flock to purchase its products versus those of an unrepentant competitor. The simple act of offering an olive branch to an NGO is not seen as a gesture of solidarity. The message received by the consumer is that industry is indeed guilty of offenses charged by the NGOs.

The credibility of the “third party” or “watch-dog” organization willing to certify that the corporation is no longer engaging in sins against animals or the environment also loses credibility as it takes on the appearance of being just as much of a business as the business they attack.

Not surprisingly recent consumer and public polling has seen the credibility of industry plummet. No one should wonder at the public’s skepticism of Corporate America given

the deceptions and misrepresentations of the financial auditing industry in the Enron and Lucent Technologies fiascos, the shame of the billion dollar “miscalculations” by mortgage backer Freddie Mac, the successful law suits against the tobacco industry, the scandal over Firestone tires and Ford SUVs, Kmart’s paying its CEO a \$9.5 million golden parachute and forgiving a \$5 million loan to the same officer while filing for corporate bankruptcy, the discovery of widespread illegal growth hormone use in the veal industry. The list goes on and on.

NGO food industry critics play on this distrust by pointing out the involvement of corporations in food-related industries and the rhetoric of their campaigns. (“Industrial” fishing, farming, hog farming, etc.) In fact they are shameless in equating food producers with shady used car salesmen, and heaven forbid, even lawyers. Part of that strategy is to associate government oversight agencies as pawns pandering to the greed of Big Business. The steady flow of government officials into corporate boardrooms does nothing to dissuade this distrust.

The question of “who can you trust?” now fully justifies the public’s response: “No one”.

NGOs are carefully setting the public perception stage in conformance with their long-range strategy. On one side are food producers and processors, government agencies; even third-party certification organizations represented by very well paid corporate lawyers. On the other are “credible” nonprofit charities championing the vulnerable consumer, the abused food animals, and the ravaged environment. Their legal team is assembled from public interest storefronts. The issue of which side commands the greater consumer credibility is obvious.

A Simple Question

The simple question posed in this editorial is “Could it be possible that companies are making a huge mistake hiding behind an industry shield or by seeking forgiveness from the initial accuser?”

Hiding behind an industry association response simply exposes the individual company to the weakest link in that association. If one of the members is later found to be doing bad things then by association everyone in that association is tarred with the same brush.

The important point to learn is that individual companies are missing a huge marketing opportunity by not insisting upon ethical behavior in every aspect of their corporate culture and working to develop a level of trust and confidence between them and their customers. Throughout the “for-profit” world the quest for the repeat customer is almost as sacrosanct as Sir Lancelot’s adventures in search of the Holy Grail. Both offer a form of salvation. One is economic while the other is spiritual.

The recent example of Creekstone Farms Premium Beef making the offer to test each and every one of its cattle for BSE at their own expense in a laboratory they built on-site at

their Kansas processing plant is a wonderful example of what needs to be considered as a new view of corporate responsibility.

Corporations are concerned with the bottom line, to wit profit. But is their desire to “hide” behind an industry defense, (particularly in cases where harsh evidence exists that the industry is not ethical nor are the production procedures in place, adequate to benefit let alone protect the consumer), costing them far more than today’s closing share price?

Corporations decry the busybodies and bunny huggers that attempt to police corporate and industry behavior through exposure via the media. These NGO watchdogs are ridiculed and dismissed as “nay sayers” and rabble raisers. Industry apologists attempt to make light of the NGO efforts and fire off cynical barbs that make industry funders happy but have no effect disavowing the public of their cynicism towards industry or persuading the NGOs from pursuing their intended course of action.

Some of the acidic criticism of the NGOs may be well founded, particularly where their motivation and intentions are concerned. However, the fact remains if there were not some real factual and honest-to-goodness problems in the various industries under siege the credibility of these not-for-profit watchdogs would not be increasing while that of industry and individual corporations decreases.

The hypotheses put forth here is that perhaps it is time for individual companies to develop a corporate culture that works to inculcate ethical behavior within its business practices. It is time to consider implementing internal procedures that insure transparency throughout the length of the supply pipeline: from raw resource to finished product. How that pipeline is fed and operated is the touchstone of whether a company deserves the title of being “credible” and “ethical.”

Companies must not stand behind an industry or its collective association in which they cannot defend the actions of each individual player. Actually such a position appears a bit hypocritical given that during business hours the members of the association taut day and night via advertising that their products are far better than those of their competitors. Each company instead must stand on its own ethical practices and it can and should make legitimate efforts to enforce those practices.

There are many immediate advantages to such a paradigm shift in dealing with today’s social issues in the environmental, health, animal rights, social equity arenas, the first is to establish the brand in the public’s eye as special and unique and caring.

The obvious and standard response to this discussion when it is raised is” yes, but we as a single company cannot afford to police our industry”. The answer to that objection is obvious “Be that as it may, you as a company cannot afford NOT to police yourselves”.