

Information Needs for Creating Incentives in Global Supply Chains

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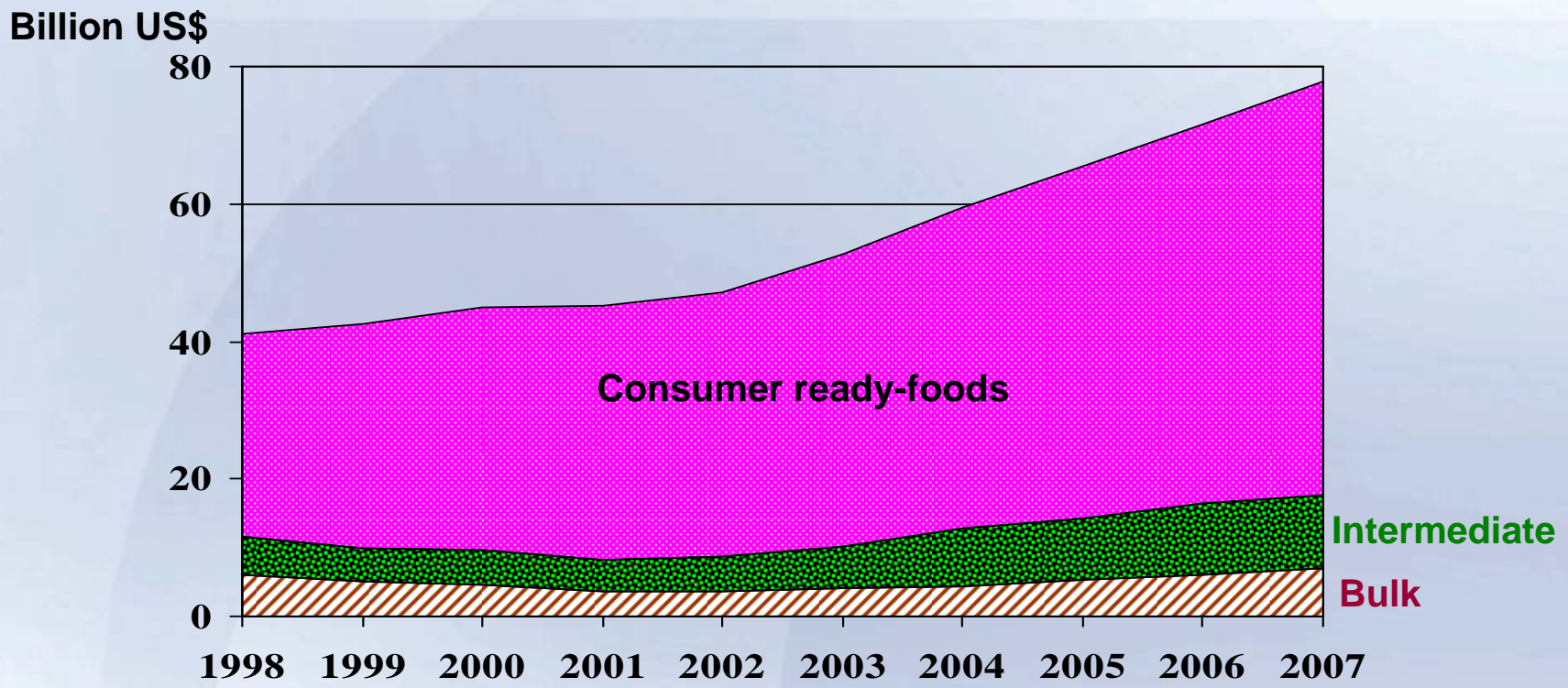


Overview

- Part One: Trade Patterns and FDA Import Refusals
- Part Two: Market Institutions that Create Incentives



US Food Imports Climb Rapidly— Consumer-Ready Grow Fastest



Source: www.fas.usda.gov/ustrade; Including only food products, products are classified as per USDABICO groups with fish and seafood added to consumer-ready products.



Import Share of U.S. Food Consumption

	Import Share		Consumption Share
	1999	2007	2007
Total food consumed in US	11.5	14.4	100.0
Animal products 1/	5.0	5.2	40.0
Red meat	11.9	12.7	5.2
Poultry and eggs	0.1	0.3	5.0
Dairy products	2.9	2.5	28.6
Fish and shellfish	68.1	85.4	0.8
Crops and products 2/	15.7	20.5	60.0
Grains	7.6	10.5	16.3
Fruits and nuts	35.2	43.7	10.1
Vegetables	11.1	16.1	20.1
Sweeteners	9.4	13.9	7.4
Tropical products 3/	111.7	111.9	0.9
Beverages 4/	29.1	41.4	1.5

Source: USDA/ERS Food Availability Database

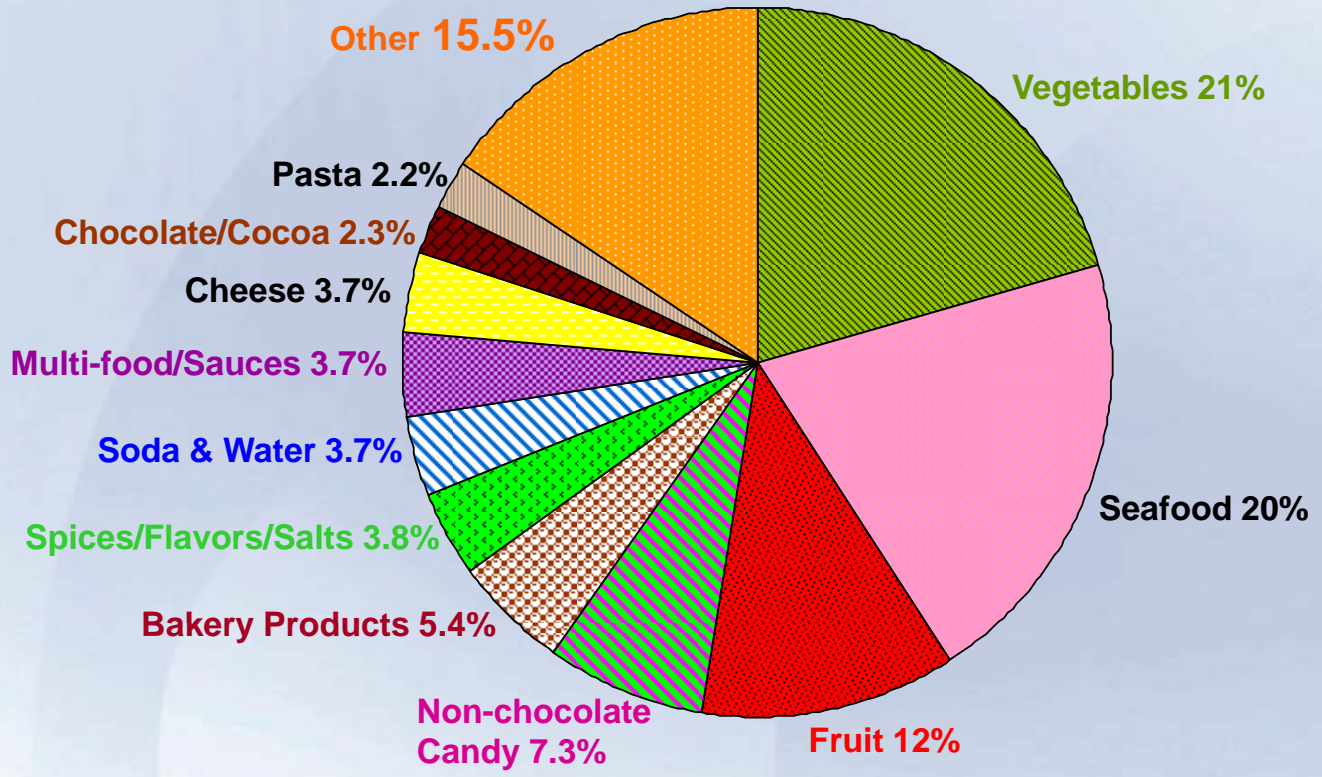


FDA Refusal Data

- Process for selecting shipments for inspection or other administrative actions is not random.
- FDA relies on risk-based criteria to guide its actions, including data on products and manufacturers with a history of violating U.S. import regulations.
- Import refusals highlight food safety problems that appear to recur in trade and where the FDA has focused its import alerts and monitoring efforts.



Most FDA Violations are in Three Consumer-Ready Product Categories

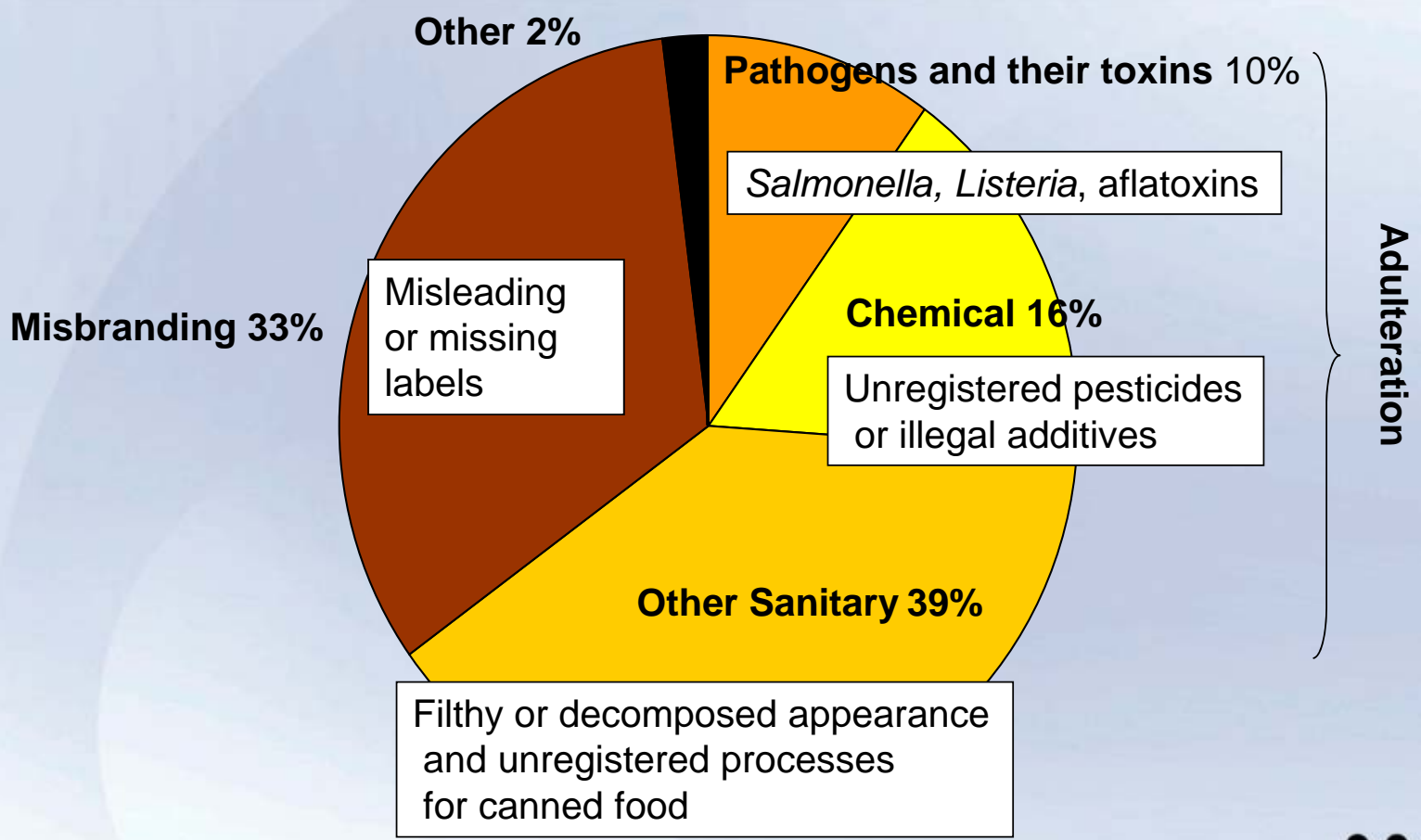


Source: ERS calculations using FDA Food-Related Import Refusal Reports, 1998-2004.

Note: Violations are for shipments that appeared to violate one or more of the laws enforced by FDA. They could be for adulterations or misbranding.



Adulteration Accounts for Roughly Two-thirds of Import Violations

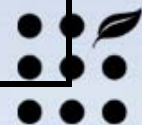


Source: ERS calculations using FDA Food-Related Import Refusal Reports, 1998-2004.

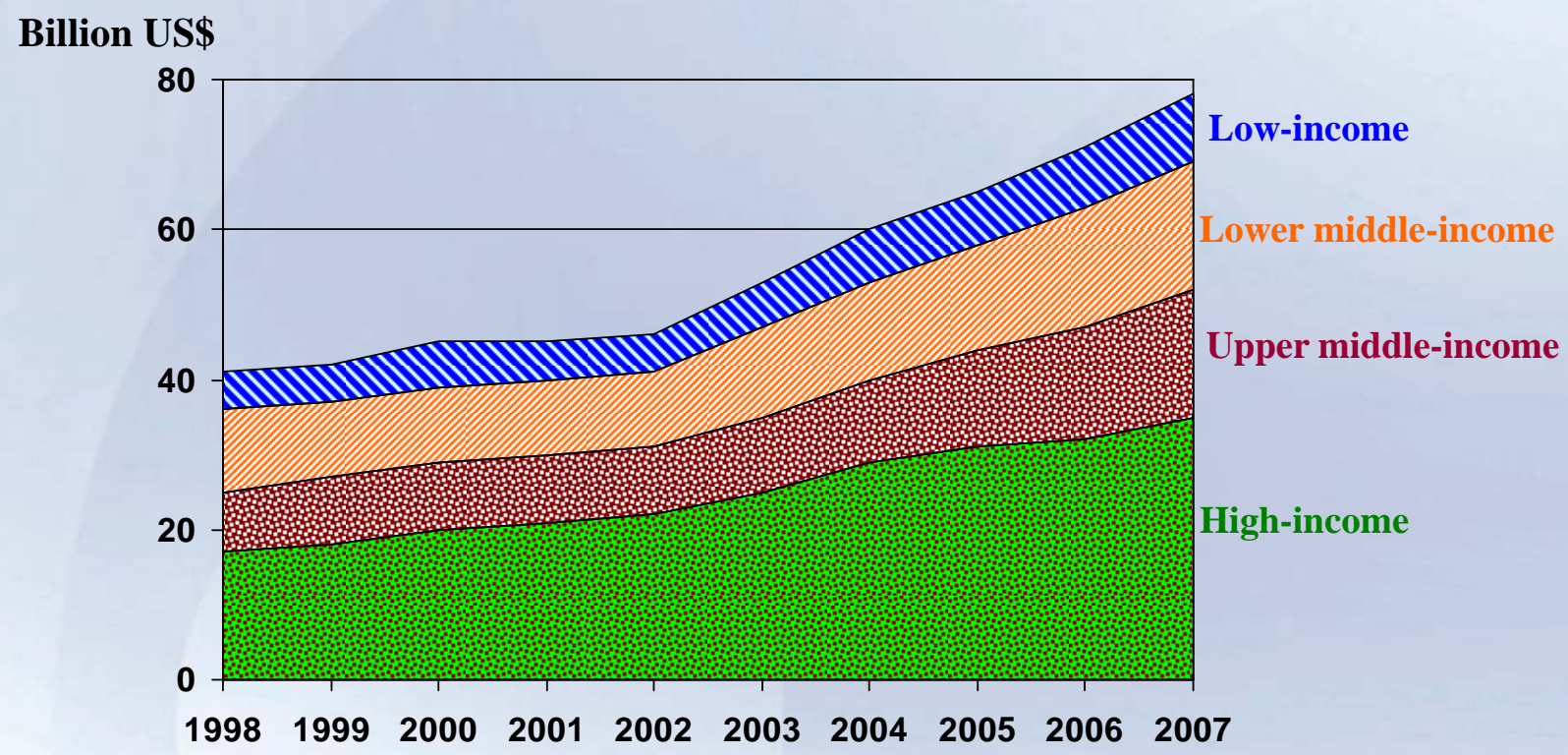


Most Common Violations in the Top Three Product Categories

Vegetables	Residues, improper process filing, filth, microbial pathogens
Fish	<i>Salmonella</i> & other pathogens, residues, filth, improper process filing
Fruit	Filth, improper process filing, unsafe color, residues, microbial pathogens



U.S. Food Imports from Developing Countries Grow



Top 2007 Sources of U.S. Food Imports And Import Growth 1998-2004

Country	% Growth 1998-2004
Canada	104
EU-15	85
Mexico	122
China	511
Chile	178
Australia	186
Brazil	160
Indonesia	111
Vietnam	725



Import Violations Per \$Billion Imports (98-04) Is Greater for Developing Countries

Country grouping	Total violations <i>Number</i>	Imports <i>Billion US\$</i>	Violations/billion\$ <i>Number</i>
Low-income	10,693	18	605
Lower middle-income	20,534	78	264
Upper middle-income	17,030	73	234
High-income	22,087	165	134

Source: FDA import violations are ERS calculations using FDA Import Refusal Reports, 1998-2004.
Import figures are ERS calculations using data from U.S. Department of Commerce, Census Bureau.



Summary

- U.S. food imports growing, in consumer-ready products and from developing countries.
- FDA import refusals
 - Primarily in three product categories of consumer-ready foods
 - Do not always occur due to acute risks
 - Higher rate for developing countries



Information Needs for a Risk-Based System

- No clear picture is available of the importance of food safety import risks or how those risks differ from domestic food sources.
- Changes in trade sources, products, suggest that risks from imported food are changing over time.



Food Safety Incentives

- Market failure: Information is inadequate
- But, information improving with
 - New testing and tracking technology
 - New institutions to monitor, enforce
- More challenging when supply chain is global



SPS as Potential Trade Barrier

- Numerous studies during the past decade have focused on reducing SPS barriers to trade
 - Strengthening LDC exporter capacities
 - International standards
- Less attention to institutions in importing countries
 - Transparent, science-based
 - Equivalence determination



U.S. Regulatory/Agency Actions that Reinforce Market Incentives

- Industry Standards
 - Setting standards through guidelines or regulation
 - Mandatory disclosure of test results
- Third Party Certification
 - Setting standards for testing and verification
 - Carrying out certification directly
- Traceability
 - Guidelines and record-keeping requirements



Information Needs

- How would a risk based system:
 - Be transparent?
 - Reinforce private incentives to control the most important risks to consumers?
 - Contribute to consumer confidence?
 - Reduce barriers to trade?



For More Information

Food Safety Briefing Room

http://www.ers.usda.gov/Briefing/FoodSafety/intl_trade.htm

FDA Refusal Report

<http://www.ers.usda.gov/publications/eib39/>

U.S. Food Import Patterns

<http://www.ers.usda.gov/Publications/FAU/2009/08Aug/FAU125/FAU125.pdf>

