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MEAT TRACEABILITY IN JAPAN

A series of food safety crises, the discovery of bovine spongiform encephalopathy (BSE) in the domestic cattle herd, and a series of labeling scandals in Japan have shaken the trust of Japanese consumers in the safety of their food supply. The Japanese government has responded by implementing a series of new regulations and creating the new Food Safety Commission. The food industry has responded with assurance programs to reduce consumer anxiety over food safety and wholesomeness.

Many of these new regulations and assurance programs are based at least in part on traceability systems. So far, attempts to require traceability for imported meats have failed. Some industry experts contend that traceability will never be mandatory for imported meats. However, most experts agree that traceability will play an increasingly important role in the Japanese livestock and meat industries.

Traceability

In the livestock sector, traceability was implemented to track animal movement and identify cohorts in the event of animal diseases or food safety problems. In July 2002, the Law Relating to Special BSE Countermeasures was enacted. The law requires mandatory traceback for cattle from the feedlot to the packing plant. In a system regulated by the Japanese government, each cow is identified with an ear tag displaying an individual identification number. Producers must submit data on each animal's date of birth, sex, and breed; name and address of owner, location of fattening and date fattening commenced; and date of slaughter. These data are entered into the "family register" of the domestic herd.

In June 2003, Japan passed legislation requiring traceability from the farm through retail sale. Under the new law, processors, distributors, and retailers will be required to provide traceability information from the slaughterhouse to the retail outlet by December 1, 2004. The law will apply to beef muscle meats and will exclude offals, trimmings, ground beef, and processed products. Wholesalers and retailers can provide traceability information by individual animal or by lot numbers. Penalties for noncompliance will range from warnings to fines and making violators' names public. The government will provide assistance (low-interest loans and credits) to help companies cover the cost of the computer and labeling technologies required to implement the system.

Also in June 2003, Japan's Ministry of Agriculture, Forestry, and Fisheries announced a new Japan Agricultural Standard (JAS) program to certify the traceability of imported beef. To gain certification, exporters must be able to provide all the same information required under the Law Relating to Special BSE Countermeasures just described, plus the names of all feeds and pharmaceuticals used in producing the animal. The JAS certification is voluntary; domestic beef is also eligible for certification if its producers supply feed and pharmaceutical information. Beef certified under the program is expected to appear on the market in 2004, and a similar system is being considered for pork.

Consumer Assurance Programs

In the retail sector, traceability has emerged as a marketing tool to "make consumers feel good" about the meats they purchase. Japanese consumers have been critical of the government's role in handling the BSE crisis and other food-related problems. Supermarkets have seized the opportunity to fill the gap in consumer confidence about the government's ability to protect the safety and quality of the food supply. Traceability has been incorporated into assurance programs as a way to create trust, ease consumer anxiety, and assure consumers that "this" supermarket chain can provide the safest food. In a culture where loss of reputation is often of greater concern than is litigation, supermarkets are staking their reputations on being able to provide safe food. To supply to these supermarkets, producers must stake their reputations as well.

Japanese consumers tend to believe that if the person who produced a food product is willing to put his or her face and name on the product, then that product may be safer than a comparable product without such information. Japanese consumers equate such information with "knowing" the producer. Retailers are responding to this belief in a variety of ways.

The Aeon Company has developed one of the most comprehensive assurance systems for domestic Wagyu beef. Under this system, customers can enter a 10-digit code into a computer located in the meat sales area to obtain information about the beef they are purchasing (see Figure 1). The consumer can obtain a production record certificate that traces the meat back to the birth of the animal from which it was harvested, the BSE testing certificate, and a photograph of the livestock producer(s). This information is also accessible from the customer's home computer.

The Aeon system was wildly popular at first, but few customers use the computer now that the novelty has worn off. However, just having the system in place seems to make customers feel more comfortable because the information is available if they want it. The Aeon Company provides a similar computer system in its produce department and plans to expand these systems to cover more products.



FIGURE 1. The Aeon Company uses a 10-digit code on retail labels to trace packages of domestic Wagyu beef back to the producer

The Aeon Company also provides an assurance program for beef products imported from its Tasmanian (Australia) ranches. A posted Certificate of Assurance from the Australian Feedlot Association tells customers that the beef is produced under “management systems audited under the National Feedlot Accreditation Scheme” to ensure that the beef is “free of hormone growth promotants, therapeutic antibiotics, bone meal, and any genetically modified feed materials.” Other point-of-sale information tells the customer that the beef is from Black Angus cattle fed for more than 200 days for greater tenderness and that the consumer is assured of purchasing “a fully anxiety-free” product.

The assurance program at Ito Yokado supermarkets includes a label with a photograph of the producer(s) on each package of meat. These labels appear on packages of beef, pork, chicken, and frozen fish produced under aquaculture.

These assurance systems are not limited to the retail sector. One chain of family-style restaurants provides information about the origin and production methods of the domestic chicken, Chilean pork, U.S. beef, and Australian beef on its menus. Meat processors report that consumers are increasingly interested in knowing more about the meat used in processed products.

Product Differentiation

To date, farm-to-fork traceability systems have been implemented for high-value items such as domestic Wagyu beef, for which consumers are already paying premiums. Results from consumer focus groups indicate that Japanese consumers will pay 20 percent more for domestic foods with specific safety assurances and production information. This response is generally supported by price differences at retail outlets.

The question that must be answered is whether imported products can achieve the same premiums, given that imported meats face consumer bias favoring domestic meats. Market experts believe that exporters with fully documentable traceability systems in place might do well in Japan because no one has captured this market. However, Japanese industry participants generally agree that Japanese buyers and consumers are unlikely to pay higher prices, especially for beef. Many importers believe that the key to obtaining premiums for imported meats will be in differentiating products from those of competitors.

Providing meats for noncommodity niche markets may improve the competitiveness of imported meats, especially in high-value markets where quality and product attributes are key factors in purchasing decisions. For example, pork from U.S. animals produced without antibiotics and with non-genetically modified (GM) rations is being sold at a substantial premium to domestic product. Some Japanese importers expressed interest in purchasing noncommodity U.S. beef and pork, including antibiotic-free, non-hormone treated, produced without GM rations, and organic meat.

Who Will Supply the Meat?

Quality has long been the key factor in exporting meat to Japan, but a product that instills trust has become at least equally important. Unfortunately, many consumer assurance programs blur the distinction between assurances that food is safe and science-

based systems that enhance food safety. Japanese importers acknowledge the difficulty and cost of tracing meat cuts to individual animals and seem open to considering less extensive traceability systems. Importers also have expressed a willingness to consider alternative systems using high production and manufacturing standards scientifically linked to food safety. Documentation and the exporters' willingness to stand behind the product will be important to the success of alternative systems.

Although beef has been the main focus since BSE, many restaurants and retailers want consumer assurance programs for pork, and legislation requiring traceability is being considered for domestic pork. Japanese importers have begun initiatives with North American, Australian, and New Zealand beef suppliers and want to develop initiatives for pork as well. The goal of many importers will be to purchase meat from suppliers who can provide low-cost products with marketable assurance programs, many of which will require some degree of traceability. In the short to medium term, the bulk of Japanese imports will continue to be dominated by commodity products, but demand for higher-value, differentiated products for the retail and hotel/restaurant/institution sectors will increasingly supplant demand for commodity meats in Japan.