Struggling to manage a food recall crisis

Tony Jaques examines how a company at the centre of a food recall crisis in Australia found itself fatally entangled in a quagmire of public panic and political opportunism.

Contamination incidents are one of the most obvious natural crises that threaten any food company. But an association between frozen berries from China and a Hepatitis A outbreak in Australia triggered political outrage and a national health scare that brought the organisation in question to its knees.

In January and early February 2015, multiple cases of Hepatitis A in Victoria and other Australian states led health authorities to link the illness to packets of Nanna's Frozen Mixed Berries, which were grown in Chile and China and processed in China. Brand owner Patties Foods argued that there was no direct link to its product, but immediately recalled its Nanna's and Creative Gourmet brands of mixed berries. The number of cases linked to the allegedly contaminated fruit eventually rose to 31, and produced national headlines questioning the safety of imported food and the adequacy of product labelling. The ensuing outcry led to the company selling off its frozen berries business and, ultimately, to the sale of the entire enterprise.

While contamination incidents are a familiar risk in the food industry, this case was driven by three distinguishing factors that were effectively outside the scope of conventional crisis response, and left the company struggling to gain influence.

The first of these factors was the serious disconnect between the media and public perception of the case and the proven scientific facts. The second was the public misinterpretation of the risk of Hepatitis A, and the third factor was the blatant misappropriation of the incident by politicians and industry lobby groups to drive an unrelated political/industry agenda.

In a crisis, facts don’t necessarily make a difference. When the Victorian Department of Health and Human Services (DHHS) announced the health alert it was at a press conference, where Doctor Finn Romaines dramatically opened the distinctive purple Nanna’s package, tipped the frozen contents out in front of the cameras, and advised the public to throw the product away. DHHS advised that two samples had proved positive for Hepatitis A. One was in an opened packet recovered from a consumer who had contracted the virus, though it was conceded contamination could have occurred after opening. The other was a “trace amount” of the virus detected in one of eight unopened packages from supermarkets.

DHHS said quantification at such a low level was not precise, and it was not possible to determine whether the virus was alive and could cause infection. However, its experts concluded that evidence for the association between the berries and the outbreak was very strong.

For its part, Patties Foods emphasised that there was no proven direct link between its berries and individual cases of infection, but they were: “Guided by the epidemiology provided by DHHS,” and immediately ordered a voluntary, precautionary recall. Not unexpectedly the word ‘precautionary’ was quickly lost in the blizzard of publicity. As one headline reported it: “Hep A scare: Buy local to avoid virus-faced berries.”

Predictably, the link to frozen berries quickly became a fact as far as the news media were concerned, with unqualified assertions that the berries had caused the outbreak. As panic spread, scores of schools and other institutions rushed to take frozen berries off the menu and the Red Cross Blood Service temporarily banned donations from people who had eaten them. Investors shunned Patties Foods, and its share fell by almost eight per cent in a day, slitting about A$14 ($10.7; €9.7) million off the company’s value.

Facing a major crisis, CEO Steven Chaur followed a conventional crisis response. He announced the company was sending samples to specialist testing laboratories in Italy and the United States. He posted a very detailed statement setting out the company’s testing regime throughout the supply chain, which he said met and exceeded all required standards. He also confirmed the company had terminated the contract with the Chinese processing plant and had increased testing to cover 100 per cent of imported containers, not only from China but from all sources.

But no amount of ‘key messages’ could have slowed the crisis. Indeed, one newspaper commented that the brands were: “Trapped in the chute of a PR disaster … and falling.”

It soon got even worse. Mr Chaur initially said the overseas test results were expected in two weeks, yet it was two long months before he finally announced that all the new tests had proved negative, by which time any findings were too late to make a difference and the media was not interested in good news. For example, the national broadcaster

Crisis Response Journal 12:2 | December 2016
> (ABC) headlined its report: “Further tests of frozen berries negative for Hepatitis A, though health department says ‘very strong evidence’ Nanna’s brand was the cause.”

Even the Federal Minister of Industry Ian MacFarlane conceded to a reporter there had been no final conclusion: “In fact they never actually found other berries with that contamination in all the recalls they did,” he said. “So we’re not 100 per cent sure, but that’s one of the mysteries.”

By this time however, the company—which began as a family cake shop and grew to what was claimed to be the world’s biggest pie maker—was critically wounded.

Panic flourishes when risk is misunderstood. The second key factor in the case was a lack of public understanding of the risk posed by Hepatitis A. In other words, how scary was the health scare?

Health experts agree that Hepatitis A is uncommon and is usually not life threatening. Most people recover quickly, and gain lifelong immunity. In fact many infected people, especially children, never show any symptoms.

With regard to Hepatitis A infection specifically from ready-to-eat berries, Food Standards Australia and New Zealand (FSANZ) classified the risk of such an outbreak as extremely low. Indeed, prior to the case under discussion, there had been no outbreak in Australia related to berries for at least 20 years.

To put the Nanna’s episode into context, a total of 31 cases of Hepatitis A were linked to the berries. This compares with a typical incidence of about 200 notified cases annually across the country from all causes, about half in people returning from overseas. In fact the total reported infections in the year of the crisis was actually lower than in the previous year—and none of these were fatal. Contrast that with deadly risks such as Listeria, Salmonella and Campylobacter, which contribute to more than 30,000 hospitalisations a year in Australia—resulting in more than 80 deaths—from all foodborne illnesses.

The problem in the present case lies with the frequent confusion between Hepatitis A and Hepatitis B and C, which are all caused by different and distinct viruses. Unlike the A variant, chronic viral Hepatitis B and C are major illnesses which, every year, claim hundreds of thousands of lives around the world, mainly from liver cirrhosis and liver cancer. Indeed, the local health group, Hepatitis Australia, says liver cancer is the fastest growing cause of cancer deaths in the country—with more than 1,400 dying each year—and untreated viral hepatitis is the leading cause.

Given such information, public concern about Hepatitis A during the berries health scare was understandable, albeit unwarranted. Unfortunately, the news media did little to help the situation. A review of media coverage at the time shows most reports correctly specified Hepatitis A, but some contributed to the confusion by simply using ‘hepatitis’ as shorthand to define the health alert.

**Misrepresentation**

Typical of the misrepresentation of risk was Victorian housewife Trudie Sims, who posed for the camera with swollen yellow eyes, a bag of berries and the blender she used to make fruit smoothies. She became the most public case, and even vomited live on air during a radio interview. It was only later revealed that tests showed she never had the disease.

In response to such panic, health authorities carefully defined the risk of Hepatitis A, but failed to achieve any real perspective on the risk. Melanie Eagle, CEO of Hepatitis Victoria, was reported saying that far too much was made of what is usually a non-fatal disease. She later concluded: “The media was at times irresponsible as it did not seek to understand the real risk, in terms of lack of severity of the condition, lack of chance of contracting it, and of there being good health monitoring and containment systems in place.” Most importantly, she said, it was a missed opportunity to educate the public about the real health burden associated with viral Hepatitis B and C, and the fact that four people each week die of the effects of viral hepatitis in the state of Victoria alone.
However, the midst of a crisis is hardly the right place for a public education campaign, and misunderstanding of such worrying statistics could easily have made the situation even worse. Naturally, none of the health risk aspects were within the capacity of Patties Foods to influence, though they undoubtedly exaggerated the level of public concern and raised the intensity of the crisis.

Confected outrage makes any crisis unmanageable. The third factor which distinguishes this case was also largely outside the capacity of the company, namely the way in which the crisis was hijacked to drive an unrelated political/industry agenda.

Food producers used the Hepatitis A health alert to urge consumers to buy local, despite the fact that there is no large scale domestic frozen berry industry and local fresh fruit sells for up to five times more. In fact the CEO of the Raspberry and Blackberry growers' association admitted: "We can’t compete on price and we don’t even have the volume to justify setting up a processing plant."

Yet the buy local campaign was unstoppable as politicians and industry organisations broadened criticism of imported food. Typical was the Federal Minister of Agriculture, Barnaby Joyce, who advised: "There is a good way you can avoid all of this and that is to make sure you eat Australian products."

At the same time, the berry crisis triggered a political push to strengthen country-of-origin labelling. Government MP Sharman Stone, a long-time champion of protection for her local fruit processors, described the outbreak as a wakeup call for the whole country, and she called for transparent country-of-origin labelling and more rigorous testing of imported goods.

Just two weeks after the initial health alert, Prime Minister Tony Abbott pledged to change food labelling regulations to better identify country of origin. Most unfortunately, one major news outlet chose to illustrate his announcement with a photograph of Nanna’s brand ‘suspect berries’, ignoring the fact that the package in question was clearly labelled "Product of China."

When new country-of-origin labelling requirements were released a few months later, in July 2015, many news reports linked the move to demands for clearer labelling after the Hepatitis A scare caused by imported berries.

After reporting an 88 per cent drop in profits, and with the battered Patties Foods share price stalled, the frozen berry business—a 14,000 tonne, A$140 million ($107.6 million) million a year operation—was quietly sold off to a small company, Patties Foods said it wanted to concentrate on its core business of pies and other bakery goods.

However the company remained vulnerable to takeover, and just over a year after the health scare, it was sold cheaply to a private equity company for what one investment fund shareholder called a: “Low ball offer.”

This incident provides many lessons for crisis managers. No company can develop a detailed crisis response for every possible eventuality. One answer is to focus initially on the ‘natural’ crises. They don’t always result from natural disasters. They are often critical to the organisation: they are most likely, predictable scenarios that should be clear priorities. For a food producer there could be no more obvious crisis risk than a contamination scare, and Patties Foods should have been better prepared.

But given the circumstances of the case, it may be that nothing Patties Foods said or did would make a difference.

The company largely followed a conventional crisis response, with focused actions and key messages. However, while identifying and communicating the facts is critical in any crisis, the company appeared to over-rely on the facts in the face of emotion; it misunderstood that securing independent analysis would not help change the crisis; and it underestimated the fatal impact of adverse external forces.

Looking back, CEO Steven Chaur described the crisis as a case of: "Guilty until proven innocent." In reality it was a case where guilt or innocence, or dogged pursuit of the facts, didn’t stand a chance in the face of epidemiology, opportunistic politicians, and a persistent news media.