

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 8/6/2013

GAIN Report Number: NZ1312

New Zealand

Post: Wellington

Bacterial Contaminant Affects NZ Dairy Company Fonterra

Report Categories:

Agriculture in the News

Approved By:

Hugh Maginnis

Prepared By:

David Lee-Jones

Report Highlights:

On August 3rd, 2013 Fonterra issued a statement saying three lots of Whey Protein Concentrate (WPC80) produced in May 2012 have been identified as potentially containing a strain of Clostridium bacteria which can cause botulism.

Fonterra: Whey Protein Concentrate Bacterial Contamination

Events to Date

On August 3rd, 2013 Fonterra issued a statement saying three lots of Whey Protein Concentrate (WPC80) produced in May 2012 have been identified as potentially containing a strain of Clostridium bacteria which can cause botulism. So far there have been no reports of any illness linked to consumption of the affected whey protein. According to reports, Fonterra produced three lots of WPC80 totaling 38 metric tons (MT). All of the lots were successfully tested for overall quality, and were shipped to eight customers. Subsequently, some of the 38 MT was shipped back to Fonterra for the manufacture of another product for a third party customer. Routine testing of the affected WPC80 prior to this manufacture in March 2013 indicated a positive finding for Clostridium bacteria. Because some clostridia strains are harmless, it became essential for further testing to be carried out to better identify the exact strain. The resulting extensive laboratory work is the likely explanation for the delay from March through July 2013.

However, the Government of New Zealand is upset because Fonterra waited two days before informing the Government, even though it knew a problem existed. The GONZ is also asking why product manufactured fourteen months ago, it has taken so long for the problem to be confirmed, and that perhaps Fonterra should have adopted a precautionary position back in March and recalled product then.

New Zealand's Response to the Issue

Fonterra's response to the issue has been to work with the eight affected ingredients customers who received the MPC80 either as a base product or as a finished product manufactured by Fonterra using the affected WPC80 as an ingredient. Of these customers, three are food companies, two are beverage companies and three are companies that manufacture animal stock feed. They are in a process of ascertaining whether the affected MPC80 has been consumed domestically, is still in stocks at retailers, or in store prior to shipping; and the methods used in any further manufacture. If the product using WPC80 has been ultra-heat treated and/or processed at a low pH it is almost certain this will have rendered the bacteria harmless.

Of the eight customers, three have issued product recalls, one has contained all affected product, and the others say the subsequent processing has removed the risk. Two of the product recalls are within New Zealand and are for infant formula and calf milk replacer. Theo Spierings, the Fonterra chief executive, has travelled to China to reassure Fonterra customers and the Chinese public that Fonterra is doing everything it can to make sure no harm is done to any consumers. In addition the GONZ through the Ministry for Primary Industries has informed the World Health Organization and trading partners. It is understood that the markets to which contaminated whey protein concentrate, or products using this ingredient, has been exported are: Australia, China, Malaysia, Saudi Arabia, Thailand and Viet Nam.

Ramifications

The ramifications are just beginning to be felt: China has imposed a ban on whey powder imports and reportedly Russia has blocked dairy product imports from New Zealand though this has not been confirmed; the New Zealand dollar has depreciated approximately two percent in response to the news. While Fonterra has worked pro-actively with its ingredients customers and is likely to retain their trust and their business, consumers in China and in other countries are likely to have a negative perception of Fonterra. This may harm the company's attempts to launch a Fonterra brand infant formula in China.

This is the third food scare in China that involves Fonterra to some extent. The first two include respectively the Melamine scandal in 2008, and the Dicyandiamide scare in 2012.

China has become a very important trading partner for New Zealand, with imports of dairy products reaching a value of \$US 2.2 billion in 2012. This represents 21 percent of New Zealand's total dairy exports. Fonterra is a 10,500 member co-operative which processes approximately 90 percent of New Zealand's total milk supply, and is New Zealand's largest company.