

Research Article

A Study on Food Security Problems and Business Credit Crisis in Chinese Food Enterprises

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Abstract: Food security has become a big issue in China for some big incidents occurred in recent years. happened. This study has a survey on these cases and analyzes the reasons from the aspect of enterprises and government. Some solutions are put forward to solve the problems about food security and business credit crisis in China currently. The purpose is to guide enterprises to set up a sound operation system and gain long-term profits.

Keywords: Credit crisis, enterprises, food security

INTRODUCTION

In China, there are about 500 thousand food production companies. But for many of them, a weak food value chain is the main problem. When a scandal emerges, the public interrogates not only supervisory agencies, but also blames food companies at the center of the controversy.

In recent years, food security scandals have caused nationwide concern in China for their severe threats to public health. They have resulted in a large number of diseases, disability, or even death, which arouses panic in certain areas. On 9th January 2014, "Scientific Interpretation of Food security Issues Press of 2013" was hosted in Beijing by CIFST (Chinese Institute of Food Science and Technology). In 2013, there are 30 food security issues concerned by public and media, among which the top 12 were put forward according to the vote from the media and webs (Chinese Food Security Newspaper, 2014).

As it is pointed out that pollution of raw materials and willful frauds are the key words in food security issues (Caswell *et al.*, 1998). The public is increasingly showing its worries and concerns on these problems, which is also the focus of Chinese government in the following year. The recent series of food security scandals to hit China has prompted calls for a revamp to supervision practices.

MATERIALS AND METHODS

The current situation of food security problems in China: In November 2012, it was reported that KFC took use of Instant Chicken, which chicken farmers fed

by 18 kinds of antibiotics to boost their growth. Although this kind instant chicken cannot lead to death, it is quite harmful to people's health. Besides, this incident sees other reasons, like the neglect of supervision from the government, etc. because it is easy to get a CIQ (Certificate of Inspection and Quarantine).

Another incident also exposes business credit crisis in Chinese food enterprise, which is the incident of plasticizer of Chinese Jiugui liquor. By a comprehensive tracking of liquor production process, it was found out that the process of fermentation liquor production does not produce plasticizer. Plasticizer in the liquor products was a specific transmission, which mainly shifted from the cask to the plastic, plastic transmission and wine tube. The liquor was pumped out from the latex tube, seal bottomless vat and plastic sheeting. The finished liquor was packed in plastic bags, plastic bottles and plastic pail. The CWIA (Chinese Wine Industry Associations) explained that, melting liquor was pumped into the liquor products. The most plasticizer came from the latex tube. All liquor business took use of this device. Even some companies used many times. As time goes on, the content of plasticizer in the products would be gradually increased. However, JIUGUI liquor denied that their products break limits. The reason why the enterprise was so straight was that there is no limit standard about plasticizer in China.

Although these enterprises are famous in related field, the food security incidents still take place accidentally. These behaviors in food enterprises seriously break the principle of credit. It disturbs the order of market economy and even affects the entire

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future development of food enterprises. Although technical issues play a role in the occurrence of food security incidents, the credit crisis is an important reason to the problem. If these major food security incidents occur frequently, it not only seriously damages the health of consumers, but also brings negative impact on consumers' psychology.

In 2010, a food security survey is completed by CYDSIC (China Youth Daily Social Investigation Center) which explained that the trust of consumers for any type of food security is less than 50% and 87% of consumers think the main reason that lead to frequency of food security incidents is that illegal food production enterprises are blinded and greedy by huge profits. To analyze the reasons for credit crisis of the food enterprises in China and to establish effective food quality and security mechanisms is not only the key to build a long-term food security supervision system, but also a guarantee for the development of social and economic stability (Frewer and Miles, 2002).

Credit is the cornerstone of food enterprises and the source to enhance the market competition of food enterprises. As one of the most important subjects of the market economy, the credit management of food enterprise can promote the healthy development of Chinese society and economy. As an important part of China's credit system, the credit in food enterprises is of great significance to the formation of a good social morality.

Therefore, the credit crisis of the food enterprises must draw the attention of the whole society. It is necessary to promote the credit culture in food enterprises to guarantee the food security. Therefore, it is necessary analyze reasons of credit crisis in Chinese food enterprises. And the solutions should be considered from all aspects.

Case study of food security incidents: In recent years, in order to gain higher profits, many food enterprises ignore the credit principle and produce inferior products. The following cases are the top food security incidents that are exposed in recent five years, which have tremendous influence on food industry.

Top1: On September 8, 2008, 14 babies suffered from kidney stones disease, which caused the nation's attention. In three days, 59 babies were found to be attacked by kidney stones in Gansu province. Some children had changed into renal failure and one baby died. All these babies drought Sanlu infant formula milk powder. Chinese Ministry of Health highly suspected that Sanlu infant formula milk powder was contaminated with melamine. The SAQSIQ (The State Administration for Quality Supervision and Inspection and Quarantine) inspected in infant formula milk powder. And the result showed that 69 different batches of infant formula milk powder which contained

melamine were inspected. It had bad impact on the health of children. What's more, the nation's milk powder industry was involved in these incidents. Many consumers lost trust on the domestic infant formula milk powder. The sales volume of domestic milk powder decreased sharply.

This milk powder scandal needed to arouse our deeply consideration. The enterprises leaders didn't supervise production efficiently. What's worse, when the milk powder scandal came to light, they did not take their responsibility to be a good spokesman. Even though media reported the incident, they were still blindly stubborn and escaped responsibility. As a result, consumers lost trust in the brand. What's more, according to related information, Sanlu Group focused on the content of protein rather than the quality of products. Therefore, it forced their milk suppliers to add melamine into milk powder to achieve their requirement. To a serious extent, the enterprise just pursued the high profits and ignored the health of consumers. Moreover, some government officials failed to fulfill their duties. They covered up problems and hold an indifferent attitude.

Top2: On March 15, 2011, CCTV disclosed the fact that Henan Shineway Group uses clenbuterol. Clenbuterol can increase the amount of the meat of animals to list earlier and reduce costs. From Henan to Nanjing factory, all the processes of transportation of the dangerous pork were unhindered. Normally, all the process should be inspected, but this dangerous pork still inflow into the market. This incident revealed the defect of supervision system. The clenbuterol can cause the death. And this incident inflicted heavy losses on the pig industry. The related industries were faced with the credit crisis. Even the supervisory departments were also faced with the credit crisis. The Shineway Group enjoyed high popularity in China all the time; this incident does harmful to its brand image.

The occurrence of the incident indicates that farmers, enterprises and inspection departments should bear the responsibility. In order to sell a higher price, many farmers secretly add clenbuterol into the pigs. And they know when some dealers purchase their pigs, few inspections can be done. The dealers just pay attention to the price instead of the quality. Moreover, sometimes, the enterprise also ignores the quality. And relevant inspection departments just supervise it routinely.

Top3: On October, 2011, in Jinhua City, a kind of foul smell often surrounded the villages. This smell came from a courtyard on the urban-rural interface. Police found that a large number of empty oil drums stacking on the ground with traces of oil stains. And this foul smell liked the taste of processed waste oil. In the following investigation, the police found much more waste oil dens. In March 21, 2012 six provinces under the unified command in the Ministry of Public Security

on-site public security organs focused on Zhejiang Jinhua King novel waste oil project to implement action to close the net. These Hogwash oil was sold to a large part of Anhui, Shanghai, Jiangsu, Chongqing and other places. The hogwash oil was mainly sold to food oil processing enterprises and made into materials. Hogwash oil was harmful to the health of consumers.

As everyone knows, hogwash oil can help enterprises to gain excessive profits. Some businessmen were induced by the huge profit and ignorant of their own conscience. Another reason was that the legislative system wasn't sound. For the hogwash oil incident, the Criminal Law has not provided the appropriate punishment. In addition, supervision system wasn't perfect. For the hogwash oil incidents, even though industry and commerce, quality inspection, environmental protection, public security and other departments had management authority, it was not clear which was the dominant department. Moreover, it was difficult to crack down this illegal action. In the process of fighting against "hogwash oil" action, not only its production and sales were very secret, but testing standards of the hogwash oil food weren't be carried out. And food inspection equipments weren't manufactured, which added difficulty to crack down the illegal action.

Top4: On May, 2013, it was reported that many enterprises sold rat meat to replace the mutton. In order to reduce costs, manufacturers resort to extreme measures. In addition to cheap duck, rat meat and other meat brush posing mutton sheep tail oil, some operators also added meatloaf water-retaining so as to keep water content. But excess volume of water-retaining agent did harm to absorption of calcium in the body and may cause the loss of calcium, especially for some older people, young people and pregnant women. The potential hazard was great. In all aspects from production wholesale to retail, this fake mutton can result in huge food security risk.

All these illegal behaviors not only do harmful to the health of consumers, but also can disturb the sound development of mutton market. It results in credit crisis in mutton market. The consumers' purchasing power is decreased (McElhattoy and Marshall, 2006). This fake mutton incident criticizes the morality of food enterprises again. It is worth nothing that some restaurants buy the fake mutton at a low price and gain high profits, but related relevant departments still award the food security certificate. What's more, it is difficult to supervise the fake mutton. Since the fake mutton are packed and circulated into the market, let alone public, even some experts cannot distinguish it.

RESULTS AND DISCUSSION

Reasons for the food security problems: In recent five years, the frequency of exposed food security

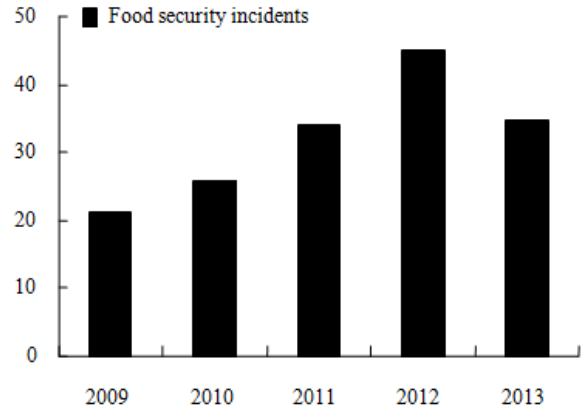


Fig. 1: Exposed food security incidents from 2009 to 2013

incidents has a rising trend, which is harmful to the economy and society. It is urgent to analyze the reasons of credit crisis and to put forward corresponding solutions.

It is shown in Fig. 1 that from 2009 to the first half year of 2013, the frequency of exposed Chinese food security incidents increased rapidly. In 2009, the number of exposed food security incidents was over 20. In 2012, the number is over 40, which is the maximum. According to the chart, in 2013, the number of exposed food security incidents is smaller than that of in 2012. However, it is a remarkable fact that the number in 2013 is just on the first half year and it has reached up to about 35. This severe phenomenon must be taken seriously.

The food security incidents mentioned show that both food enterprises and government should be to blame. Both parties should be taken into consideration. In the following part, the reasons will be thought over from the aspect of enterprises and government (Wei, 2012).

From the perspective of enterprise: If enterprises set emphasis on the credit, t incidents may be reduced. However, in order to gain short-term interests and reputation, many enterprises ignore the credit principle. In the following part, the study will analyze from two aspects:

- **Pursuing short-term interests:** In the four cases, all the enterprises ignore their credit virtue to pursue short-term interests. In order to reduce cost, these enterprises don't follow credit principle. Since the policy of reform and openness was carried out, the traditional values of credit are shocked severely by the market economy. There was a certain awareness of confusion, it mainly as follows.

The enterprise is only regarded as an economic entity, whose ultimate goal is to pursue profit

maximization. And its commitment to social responsibility is ignored. If the enterprise becomes an "economic animals", it is possible to become a "social nuisance". One-sided understanding of the market economy is the legal economy, ignoring its moral economy and credit economy. Traditional culture of credit also has some limitations. The traditional culture of credit is adapted to self-sufficient economy and the political system of absolute monarchy (Luo, 2009).

Affected by the traditional culture, many enterprises form their own standards of credit. That is much credible to the special consumers and the general consumers enjoy less; in the special period, enterprises are more credible and in general period, enterprises aren't credible. In a word, credit crisis exist in most enterprises. The lack of credit has very tight association with the food security incidents. In addition, the lack of credit can result in the knock-on effect throughout the industry expansion, from the original material suppliers to the distributors; each step may be "contaminated", which straightly leads to food crisis:

- **Pursuing immediate reputation:** The enterprise reputation is helpful to gain immediate interests. In order to improve the reputation, by using of all kinds of effective ways, many enterprises over-advertise the enterprise information and products information. In order to improve the sales volume of production, many enterprises pay less attention to the food quality. As a result, the order of market economy is disturbed; even the whole industry may be frustrated.

From the perspective of government:

- **Deficiency of quality inspection system:** Although the internal problems of enterprises are a main factor to cause credit crisis, it is also relevant to the government (John *et al.*, 2000). The defects of quality inspection are key factors that make many enterprises abandon the credit principle.

As the biggest infant milk power enterprise, Sanlu enjoy all kinds of rewards and qualifications. But in order to gain its own interests, the enterprise does harm to the health of thousands of infants.

This incident reveals deficiency of quality inspection system which influences the development of domestic infant milk powder. Supervision has drawback. And the level of specialized knowledge of some inspectors is low, which lead to some unqualified products entering into the market. Even some small enterprises haven't established inspection departments and provided professional inspectors. Moreover, supervision departments cannot efficiently fulfill their duties. Then, there are no unified food security standards. Chinese food security standards are too much messy, even mo one kind of product has more than one standard. For example, the dairy product and infant

food standards that the nation releases even reach up to over 40, only the standards of infant formula milk powder are 5 different kinds. So many standards exist simultaneously in China that can bring about inconvenience for the task of supervision departments. Meanwhile, it results in inconvenient for the producers, retailers and consumers. They are confused about these standards and cannot choose a unified standard. What's more, compared with the international standards, the level of Chinese food security standard are lower than the international index. That's why many Chinese products cannot enjoy popularity all over the world, especially the dairy products:

- **Lack of social supervision system:** It is necessary for the social organizations to supervise the production of enterprises. The dual supervision mechanism of the government and the society should be established. Meanwhile, both government and society should supervise each other.

However, the social credit evaluation system and enterprise credit file has not been established. As an emerging market economy country, China needs to establish effective credit evaluation system and the corresponding enterprise credit file. However, this system has not been effectively established. Only in Shanghai, Guangzhou, Beijing and other developed places carry out the assessment of enterprise credit. But the credit assessment is only valid locally, while in other regions is invalid. In addition, the overall level of credit assessment is not high and the market size is too narrow. And assessment agencies disorderly compete with each other. The related information isn't complete. All these problems cannot make sure that food enterprises are honest.

- **Solutions to food security problems:** Credit crisis has a bad influence on promoting the sound development of market economy and the establishment of harmonious society. It does harm to the brand image. If the credit crisis exists in much more enterprises, the social morality will be perished. More importantly, the health of consumers will be threatened. Therefore, solutions to credit crisis in Chinese food enterprises should be put forward urgently.

Enhance the management of penalty system: Penalty is an effective solution to reduce credit crisis. So it is necessary to enhance penalty system (Paster, 2007). If enterprises break the credit principle, they will be punished costly. It includes the following specific measures.

- Improve the credit legislation. The national legislature formulates a higher level of regulatory

documents and special laws as soon as possible. Particularly, the penalty system should be established as soon as possible. Through establishing the penalty system to increase the risk of the cost of dishonesty, the enterprises can be forced to be honest and law-abiding.

- Amend the existing laws and regulations related to penalty system. The law should stimulate that the compensatory punishment is changed into the punitive punishment. New regulations should increase the intensity of punishment. If food enterprises are dishonest, they are unprofitable and their images are damaged, or even go bankrupt.

Improve quality inspection system: The quality inspection system is conducive to reducing the occurrence of food security incidents. Therefore, it is indispensable to enhance quality inspection system. The publicity about food security standards should be strengthened so that all staff can be familiar with knowledge of food security. It is necessary to guide enterprises to establish enterprise food standards so that enterprises manage the production according to food standards. Meanwhile, the inspection capabilities of food security inspectors should be improved. Under the guidance of modern technology, the level of quality inspection should be enhanced. Then, food security standards should be integrated. According to current situation of Chinese food security standards, the government should develop and improve the standards which include national standards, industry standards, local standards and enterprise standards. And in the process of integrating standards, a communication platform about standard information resource should be established, which can encourage operators and consumers to make proposal for improvement of food security standards.

Establish social supervision system: According to the national situation, the government should establish and improve social credit evaluation system which includes credit rating, provision of credit status and the supervision of credit. All these cover business credit and government credit. By using of modern information technology and the advantage of the Internet, business credit file should be established. The degree of credit of the enterprise, credit rating and other relevant information should be open to the public. Business credit file will force enterprises to accept social supervision, consciously persist in credible management. Supervision authorities should collect and collate information business credit to establish enterprise credit file. Enterprises are evaluated into different ranks. From time to time, supervision authorities assess the credit of all food production enterprises. At the same time, it is an efficient way to take full advantage of the media supervision to release the enterprise credit information.

Publicize credit culture: Constructing new social credit culture is helpful to adapt to the market economy. In the process of publicizing the traditional Chinese credit culture, the following points should be done:

- Chinese excellent traditional credit culture should be promoted and carried forward and the quality of credit and the consciousness of credit of the nation also should be enhanced. At the same time, it is necessary to abandon the irrational part of traditional credit. And an equal social credit culture should be adapted to the development of market economy. Then, the people should be more open-minded and extensively absorb the advanced culture.
- Enterprises should take the social responsibility. Enterprise is an economic entity which aims at profit. It should be a moral entity as well. Enterprise should play the leading role in the process of creating new social credit culture. First of all, in order to create business credit culture, the senior operators should play an exemplary role in determining a firm ethical value. Then, the staff should be educated with credit culture. Besides, the enterprise should show the credit culture to the community by a certain mode of transmission to establish a good reputation. Enterprises should set an example. They should cultivate the moral values of credit, improve the internal management mechanism and enhance the operation of the production process. It is helpful to ensure quality of products and protecting the interests of consumers. From executives to the employees, the potential hazards of incredibility must be eliminated. Enterprises also should build internal credit mechanisms.

CONCLUSION

To be in short, social stability can not be improved without credit and honesty in business world. For the enterprises it is also the best for its long-term running, which contribute a lot to win the competition in a fair market and healthy economical environment. Anyway it is not about individuals, but about a community. It may be that through rising global market structures, inter-dependency will become more evident and flourishing through mutual care can be facilitated by an expanded understanding of care as a virtue for everyone in this world. (APPLYING CARE ETHICS TO BUSINESS, MAURICE HAMINGTON springer vol. 34 P274 2011).

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