

Case #13. IKEA and the HORSEMEAT SCANDAL

This case is a summary of an article by Sorcha Pollak that originally appear in WorldTime on February 26, 2013 entitled: „Horsemeat Scandal Spreads to Ikea Swedish Meatballs,,

Ikea, the Swedish furniture giant is the latest company to be dragged into the European horsemeat scandal that began early this year. **Ikea's** furniture stores also feature restaurants that sell typical Swedish food, including the so-called Kottbullar meatballs.

In early 2013, Czech authorities discovered horsemeat in Ikea's Swedish meatballs labeled as beef and pork. Thus, Ikea became the latest company to be dragged into the European horsemeat scandal.

The Czech State Veterinary Administration found horsemeat in 1-kg packs of the Kottbullar frozen meatballs produced in Sweden. **Ikea** confirmed on its Facebook page that it would halt sale of meatballs in Sweden and later withdrew the meat from 14 countries across Europe. The company said the batch tested had also been exported to Slovakia, Hungary, France, the U.K., Portugal, the Netherlands, Belgium, Spain, Italy, Greece, Cyprus and the Republic of Ireland, notes the BBC. Further tests found that 760 kg of meatballs contained horsemeat.

However, **the Swedish company** says other regions are not at risk and does not plan to halt shipments of its meat to the U.S. “Our global recommendation is to not recall or stop selling meatballs,” spokesperson Ylva Magnusson told the Huffington Post. She said there was no reason to halt its sales in America and that Ikea tests carried out two weeks ago on a range of frozen foods found no traces of horsemeat. Magnusson revealed that all meatballs supplied to Ikea come from **Gunnar Dafgard AB** — a family-run frozen-food company in Sweden that has yet to comment.

Meanwhile, a spokesperson for the **French Agriculture Ministry** announced on Saturday that horsemeat containing the potentially harmful drug phenylbutazone — an anti-inflammatory treatment used on horses that can cause serious blood disorders — had entered the French food chain. In response to the scandal, French President François Hollande has promised to push for mandatory labeling of meat in ready-made meals.

This is a slightly modified version of an article by Kim Hjelmgaard that originally appeared in USA TODAY February 26, 2013 entitled: „The unfolding horse-meat scandal in Europe is partly a result of a complex supply chain.,,

It appears that horse meat found in France was re-labeled as beef when it left Transylvania. The Romanian company **CarmOlimp**, which produced the meat, said it is confident that it exported 100% horse and its products were labeled as such. It denied involvement in any label switching.

European investigators from the EU Agricultural and Food Inspection Service alleged that Findus' Romanian ,horse“ became a ,cow“ when it reached the town of Breda, in the Netherlands. The Dutch are still investigating this. The horse/cow then showed up in France at the meat production operation **Spanghero**, near the border with Spain.

At Spanghero, Findus' *horse/cow* checked in as Romanian *horse* meat but it checked out as European Union *beef*. Barthélémy Aguerre, **Spanghero's** chief executive, said: "I don't apologize because I don't feel responsible. I think the responsibility lies elsewhere."

Authorities across Europe have started doing random DNA checks after traces of horse meat turned up in frozen supermarket meals such as burgers and lasagna last month.

„The 27-nation EU bloc must agree on binding origin disclosures for food product ingredients, starting with a better labelling of meat products,“ German agriculture minister Ilse Aigner said. "Consumers have every right to the greatest-possible transparency," she insisted. The EU would most likely be guided by the **EU Agricultural and Food Inspection Service** in deciding on appropriate legislation and regulations.

Austria backs the German initiative; but others countries such as Ireland say existing rules are sufficient although Europe-wide controls must be strengthened to address the problem of fraudulent labelling. The scandal has created a split between nations such as Britain, which sees further rules as a protectionist hindrance of free trade under the bloc's single market, and those calling for tougher regulation.

Processed food products -- a business segment with traditionally low margins that often leads producers to hunt for the cheapest suppliers -- often contain ingredients from multiple suppliers in different countries who themselves at time subcontract production to others, making it hard to monitor every link in the production chain.

Standardised DNA checks with meat suppliers and more stringent labelling rules will add costs that producers will most likely hand down to consumers, making food more expensive.

IKEA Investigates Horse-Meat Meatballs, Files Report Against Supplier

After the incident, IKEA filed a police report against a Swedish supplier that allegedly bought tainted meat from two Polish slaughterhouses, roughly a week after Czech authorities announced they had found traces of horse meat in IKEA Swedish meatballs.

IKEA's police report came the same day as an announcement by **Familjen Dafgard**, which produces most of IKEA's frozen meatballs in Europe. **Dafgard** said it had traced horse-meat-tainted product to the Swedish-based supplier, which has ties to slaughterhouses in Poland, according to **The Local**, an English-language Swedish news site. The supplier provides five to 10 percent of the beef used by **Dafgard**.

In a statement, IKEA stressed its dedication to resolving the matter and said that tests point to the single supplier in Sweden:

„We take this issue very seriously and apologise for the current situation. Horse meat from authorised slaughter is in itself not dangerous. However, we do not tolerate any other ingredients than the ones stipulated in our recipes or specifications. It is important to us that customers can trust the products that we sell are high quality, safe and healthy.“

Agence France-Presse writes that Ola Larsson, a **Dafgard** spokesman, said the company "[doesn't] know where in the chain the crime has been committed." The company has since handed over evidence to authorities and is working them to prevent future incidents.

These events are the latest developments in an ongoing horse meat scandal in Europe, which has touched several high-profile restaurant and grocery chains. Burger King, Taco Bell, Tesco supermarkets and others have all found various amounts of horse meat in beef products.

Questions:

- 1) Identify the property rights issues raised in the case and show how Ikea has balanced them to reach its definition of its social contract.**
- 2) Diagram the Ikea supply chain and then explain how far back in the supply chain your definition of Ikea's social contract extends—to Ikea inspection of Dafgard's Polish and other suppliers of the meat that ends up in Ikea's meatballs? If not, how far? Explain your answer in detail.**
- 3) Using a power diagram, a most probable case scenario, and public policy models for the (a) Czech State Veterinary Administration and (b) the EU Agricultural and Food Inspection Service, and (c) the EU Parliament as a basis, argue that Ikea need do no more than it does now to respond to product quality issues regarding its meatballs?**
- 4) With appropriate reference to Module 12, explain how Ikea got into this situation and how it might avoid a repeat occurrence in the future.**

This case was prepared by Gabriela Doová, a student at the Technical University of Ostrava, under the direction and with the assistance of Professor Earl Molander. It has been modified from the original.