



Ethical Dilemma- CASE of Maple Leaf Foods – Listeria Outbreak

Sonam Sood; Guriqmaan Singh & Gurpreet Kaur

Abstract

This report represents the ethical problem faced by Maple leaf foods due to listeriosis outbreak in 2008 which caused 22 deaths. Listeriosis is rare but very dangerous infection caused by bacteria naming listeria monocytogenes. The accumulation of bacteria within meat slicing equipment at a Toronto maple leaf food plant lead to Canada's worst ever listeriosis outbreak. It caused many ethical and legal questions on the potential of Maple leaf foods. This report also presents the challenges faced by Michael McCain (CEO Maple Leaf Food) due to food crisis at Maple Leaf Foods. The ethical problem faced by Maple leaf foods when 22 people died and there were 57 total confirmed cases due to Listeria outbreak. The outbreak occurred in Barter road plant in Toronto when Canadian Food Inspection Agency had found listeria in some products of maple leaf foods. Maple leaf foods issued nationwide recall of packaged

contaminated meat products. There were about 220 possibly contaminated products from Barter road plant were recalled.

Product recall was challenging for maple leaf foods as the distribution of the contaminated food had spread nationwide to different outlets as McDonalds and supermarket delis. These led to Maple Leaf foods temporarily closing its meat processing plant in Toronto and conduct training session for employees n on Listeria and on cleanliness, about 320 employees had attended the training session.

The key stakeholders of the Maple foods issue were-Public, Customers, Suppliers, Competition, Shareholders, Media, Canadian Government and the CEO Michael McCain. Public and Consumers were mostly affected since they were at the risk of food fault. Shareholders faced decline in sales and profit. Media had played a important role



in making people aware about the listeria outbreak.

Maple leaf foods made major changes to its organization and operating structure after the occurrence. The disaster affected maple leaf foods much and Maple leaf faced financially brake as well. They were recovering to retain their market share and image.

Lastly there are some of the recommendations which Maple Leaf food should follow for the improvement like appointment of safety officer, providing all the updates to public, strict safety standard and regular washing and cleaning of equipments etc.

The Industry

Food industry is one of Canada's biggest manufacturing sectors and is likewise has vital share of Canada's agriculture, especially in specific regions. In 1995, Canada's food industry utilized 184,000 individuals, representing 10% of aggregate manufacturing sector business and quality included. It's Canada's third-biggest manufacturing industry. The agribusiness and food sector provide

aggregate 6% employment in Canada and more or less 4.5% of GDP. (statistics Canada, 2013)

The US is Canada's major export market with over 61.7% of exports in the food industry. The main reason behind this is the use of latest and advance technology Adoption of advanced technologies has been extensive in the industry, approx 80% reporting the adoption of at least one type of latest technology. (Food, 2010)

The biggest food transforming industry, measured by shipments and quality included, in Canada was meat handling.. A further 20% of aggregate food exports are represented by the seafood item industry, grain and oil seed processing is at the Second position with 10% aggregate food exports , followed by products of the soil handling (8.8%). (Food Weekly News, , 2013)

In recent years, a chain of interconnected improvements have changed meat industry by-products from a raw material with value into a waste product that requires disposal, at an



increased cost. Other Items made from the meat as animal feeds are now made from cheaper grains. (Seaman, 2001)

The meat industry in Canada has grown considerably in past few years and has always been among Canada's most regulated industries. Canadian Food Inspection Agency (CFIA) has laid rules for food safety and inspection. Which specified the weight and quality of meat cuts included in the pack, the quality of the barrels, and the amount of preservative required in the pickle. (statistic canada , 2013)

The Organization

Maple leaf food was founded in 1927 as a merger of several major Toronto meat packers and William Davis Company and became immediately Canada's largest food processor. Maple Leaf Foods Inc. is a prominent food processing company headquartered in Toronto, Canada. The company employs approximately 24,000 people across Canada, the U.S.A., Europe and Asia.

Maple Leaf is the second largest miller-flour in Canada with approx 26% of the local market share. It also introduced hot dogs, sliced meats and hams made with natural ingredients, all under its brand naming Schneider's.

Maple Leaf Foods has 458,800 common shares of Bread. Maple leaf has a good past ethical record. It has 13 board members to ensure that the corporation. (MAPLELEAF FOOD, 2010)

Operates in accordance with ethical and moral standards. Employees of Maple leaf foods are dedicated to food safety and customer satisfaction is the main objective. Company provide training to the employees regarding the cleanliness and other tips for food safety. Maple Leaf Food has won the CANADIAN FAMILY FOOD AWARD which is one of their greatest achievements and proves their good ethical conduct. Maple leaf also won the award for Canada's 10 Most Admired Corporate Cultures and Product of the Year Canada. (MAPLE LEAF FOOD, 2010)

On August 17, 2008, one of the worst cases of food contamination in Canadian history



naming listeriosis crisis was confirmed linked to Maple leaf foods. The accumulation of bacteria within meat slicing equipment at a Toronto maple leaf food plant lead to Canada's worst ever listeriosis outbreak (Birk-Urovitz, 2009) (agency, 2009) Maple leaf business has three major groups naming meat, bakery and agribusiness. Meat Products Group includes the value-added fresh meats, chilled and ready to cook products and packaged meats. (MAPLE LEAF FOOD, 2010)

The ethical issue/problem

In 2008 Canadian listeriosis outbreak was well-known outbreak linked to Maple leaf foods which caused 22 deaths and there were around 57 total victims. Listeriosis a disease based on the listeria monocytogenes bacteria. Listeriosis is basically a food poisoning/ infection caused due to consuming food which is spoiled with bacteria named as Listeria monocytogenes. Mostly Animal carries these bacteria, so meats and dairy products can be affected. At Maple leaf food outbreak was caused due to the infected sliced meat sold by maple leaf foods in starting of summer

2008. The company came to know slightly about the issue when four to five cases came in front in month of June. Then with the cases increased to eight which was major and before declaring Occurrence Company took genetic tests of clusters of infected listeria organism. Government officials confirmed one death and 16 more cases on mid of August. On August 5, 2008 sample of deli meats in Toronto tested positive for listeria. Canadian Food Inspection Agency had found listeria in some products of maple leaf foods. (P. A. Stanwick, 2012)

Maple leaf foods issued nationwide recollect of packaged infected meat products. More than 220 products from Toronto's Barter road plant were recollected since they were the source of the listeria. It was proven that the packaged products known as deli meats were infected with listeria monocytogenes bacterium. Maple leaf foods claimed that they had followed all the health safety measures. Maple Leaf temporarily closed its meat processing plant in Toronto and cleanup crews were looking for cause of Listeria in Barter road plant. (M.Lang, 2008)



The grandest cerebral pain on maple leaf food was to distinguish purchasers who had acquired their items and guarantee that they gave back their items. The bacterium causes affliction when processed yet can eventually bring about death for those customers with weak resistant frameworks. The bacterium does not kick the bucket throughout refrigeration, which permits it to develop rapidly in store meats. The side effects of listeriosis incorporate a high fever, extreme cerebral pains, neck firmness and sickness and the indications can consume to 90 days to show up. (Liepins, 2008)

Despite high food norms followed by maple leaf foods they faced this crisis. According to Canadian food inspection agency 36 of the cases were found in Ontario, three in British Columbia, and 12 in Quebec. There were 22 deaths and 57 serious cases of high infection due to listeria outbreak at Maple leaf foods. Maple Leaf Foods suffered a huge loss of \$50 million due to the disaster. (Nguyen, 2008)

What's to come for Maple foods relied on upon treatment of this emergency.

This incident created negative exposure of maple leaf foods influencing its market share and sales. Maple leaf foods were willing to protect public from food poisoning without caring about the losses they had suffered. Maple leafs were highly praised for this step. (PITTS, 2008)

The cost of the handling crisis was more than 50 million. The crisis had affected the Maple Leaf brand much. Maple leafs recovered 85 percent their market share within 7 months of recall. Maple Leaf Foods was praised for its openness, positive attitude and quick response,. (M.Lang, 2008).

Key stakeholders

Public-Canadian consumers feared when news of infectivity related deaths bust Share of Maple leaf went down because large percentage of consumers avoided Maple Foods products. People had not started consuming Maple leaf products until they were declared safe to eat. 90% of the public had information about the recall of product but the degree of information varies about the affected products. (CBC news, 2008)

Customers- Customers were the most affected group since there were 22 deaths and 57 total confirmed cases due to Listeria outbreak. Maple foods lost profit due to this serious issue among its customers. It was difficult for the brand to again build the trust among the customers as families suffered from the loss of lives due to the impure food. But maple foods CEO had delivered apology by uploading videos on YouTube video.

Suppliers-Maple Leaf Foods sent letters to its distributors to stop shopping for the Maple Leafs products because those products were under the investigation of Canadian Food Inspection Agency (CFIA). They were told not to distribute those products to customers until they were declared safe to eat by Canadian Food Inspection Agency.

Competition-After 220 of products were recalled in August, all the distributors of maple leaf foods reported decline in sales of Maple food products. On the other hand Tyson foods the major competitor reported increase in sales as

consumers switched to other brands. (marketing magazine, 2008)

Michael McCain (CEO) - McCain was CEO of maple foods when listeria outbreak occurred in 2008. McCain tackled the issue in corrective manner with authority and with sympathy. He knew that the cost of recollection but even than for the safety of other customer he passed order to recollect all the products and acted swiftly and positively on the issue. He closed the plant, called in the purifiers, recalled more than 200 products, apologized publicly using different media, took full responsibility himself to solve and to look into the matter and promised the public he would do everything practically possible to get back their trust.(Greenberg, J., & Elliott, C. (2009)

Media- Media played very important role during the time when this case came into the knowledge. Maple Leaf's used media (television and newspaper) to inform the public about impure products and information about recalled products. CEO use social media and upload video on YouTube. Every Canadian newspaper had headline of Maple food



product recall after August 5. There was a lot of negative news related to deaths in the event and product recall. But things changed when CEO Michael McCain apologized publically by media and took full responsibility very positively to solve the issue. (CBC News, 2008)

Canadian Government- Canadian government ordered all retailers and distributors to remove affected products from their shelves and from their menus. Government announced that all of the recollected products will be tested by CFIA first to make sure the quality of food. On September 6, 2008 the Canadian government announced the independent investigation on the listeria crisis. (Canada links Toronto plant to deadly listeriosis outbreak, 2008)

Shareholders- Shareholders experienced drop in stock prices after recall and stock price of company fell down to \$7.99 and their shares were down by 5.5%. By the end of October sales were down by 15 percent. The main reason behind the decreased sales was people stopped buying Maple food products. Maple leaf foods posted a third-quarter loss of C\$12.9 million.

Maple leaf foods shared declined because they gave preference to public safety and for that company recollected whole of the products produced in Toronto plant. Recalling of whole of products from Toronto plant caused millions of dollars in losses. (D.Flavelle, 2008)

Aftermath

After the 2008 incident, company has doubled the testing of product and also use the latest and innovative technology to check the food quality. The 2008 was the worst year in the history of maple leaf. That incident decreased the rating of company from 66 to 8 and that incident result in a 27 million lawsuit. (Guffey, 2010)

During the listeria outbreak of 2008, 22 people died and around 57 were seriously ill. This had led to recall of over 220 products and Maple Leaf Toronto plant was shut down temporarily as a shutdown measure. Maple Leaf's cost of the recall was approximately \$50 million which included refunds for returned



products and the complete plant cleanup operations.

Compensation to victims-It was projected that the 5,000 people claim the compensation and each would receive a varying level of compensation under the lawsuit. The people who claimed for compensation would receive compensation for illness, death of a family member and emotional stress.

Following compensation agreement was made-

If sufferer had died than family members would receive \$120,000 and another \$30,000 would go to the spouse, \$30,000 for the children of the sufferer and \$20,000 for the parents. If the complainant was ill for one or two day he/she would receive up to \$780. The settlement was funded by Maple Leafs liability insurance Maple Leaf Foods settled lawsuits related to listeria contamination for an estimated \$27 million. (canada newswire , 2008)

After the incident company try to found the cause of contamination and for that company shut down the plant and deep

cleansing process under the investigation of technical staff took place. To win the trust of public company launched blogs to interact with the public and welcome the suggestions from public for future. Under the different blog post Maple Leaf addressed questions and topics related to Listeria management and other food safety concerns. Company wanted to keep the public in picture. (Canada NewsWire, 2009)

After this incident company appointed a safety officer. Food safety strategy in 2009 was launched by the company under the guidance of Randall Huffman, president of the American Meat Institute Foundation. More frequent and extensive testing techniques with advanced technology adopted by the company. He would lead Maple Leaf's food-safety and quality-assurance programs. Since he is the president of American Meat Institute Foundation and America has best food safety policies in world. He would help Maple foods in having improvement in protocols, assets, and human resource strategies. (CanWest News, 2008)



Company started training sessions after incident and try to educate everyone in the food handling chain about the realities and best performs with respect to Listeria control – blog, videos, speeches, seminars, etc. 2009 was the recovery year and sales slightly went up. (Jeffrey Gandz, 2011)

During the interview the president and CEO of maple leaf Michael McCain said “If we behave responsibly, if we put consumers’ interest first and we have a substantial action plan that we execute over the ensuing months, and we can address consumers directly, talk to them directly and explain what we have done and what happened within a degree of openness and if we do those things, it maybe a leap of faith, we believe we can regain that trust.” Following action plan was set by McCain for Maple Foods-

CEO took the ownership of the problem and explain what happened, show sympathy and regret, accept liability. Recalled all the product from the distributors produced in the Toronto’s Bartor road plant and closed the plant for the cleaning process and hired a

group of third-party experts to act as technical advisors. Food safety officer was appointed in the company. CEO regularly interacted with the public to keep them in picture and explain the measures company took to fix the issues. (PITTS, 2008)

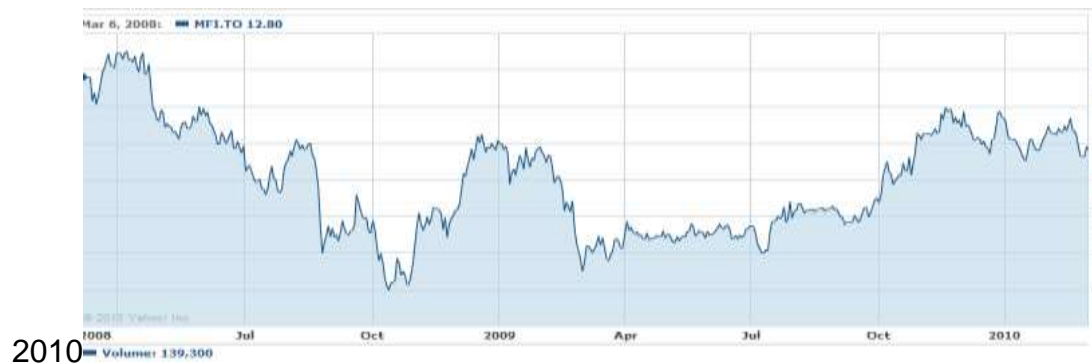
Quantitative Analysis

Maple Leaf sales were just about half after the listeria declaration. It is evaluated that the aggregate cost of the review was \$50 million. Sustenance tainting emergency had influenced the Maple Leaf mark fundamentally. China had likewise stopped the Maple leaf foods meat imports. Revenues of Maple leaf went down to \$1.29 billion (2008) from \$1.34 billion (2007).maple leaf foods meat items sales declined by 5%, and working profit declined to \$30 million contrasted with \$94 million in 2007. The decrease was because of item review which had cost \$50 to \$60 million dollars in 2008. Maple Leaf brands sales declined by up to 35 for every penny after the review, which prepared a huge net misfortune (\$12.9

million, or 10 pennies for every stake) for the second from last quarter and wiped out 94 for every penny of the meat division's quarterly working benefits. (D.Flavelle, 2008)

The balance sheet of 2008 shows the loss of \$31857 (\$000) and the price of share also fell down to 11.07 from 12.86. Share price almost fall by 32%. (Jeffrey Gandz, 2011)

Maple foods stock price from March 2008 to March



Stock price-The graph shows that stocks of Maple leaf foods were lowest when the crisis was at its peak in October 2008. Graph shows that Maple foods have been recovering from the crisis since October 2008. (Graph source :Yahoo Finance)

By the end of 2009 the organization had picked up back some trust from Canadians, the brand was all the while experiencing declining sales, declining value and certainty in their items. Since maple foods have history of great history

of moral behavior they were relied upon to recover their piece of the pie and sales income. Besides the path in which they gave this emergency was acclaimed by individuals. It is evident from the figures that Maple foods had a speedy recovery from the crisis so there is no long term financial threat to them. (J.Spears, 2010)

Recommendations

- Maple foods should regularly clean and wash the machines

used during the production or for the production from inside so that micro organism (bacteria) cannot grow inside the machines and this help the company to provide more safe food to the customers.

- USA has set the benchmark for cleansing standard. There is zero tolerance for listeria in USA. In USA companies add preservers to the food to kill the bacteria and before selling the product companies do their own complete testing. No ready to eat food products without preservers should sold in the Canada, Maple Leaf Foods ought to include sodium diacetate as an additive to its meat items to execute listeria or in any event back off its development. Since Health Canada has permitted meat-processing organizations the choice of adding sodium diacetate to killed listeria from the meat.
- Maple foods should Implement old system of Canadian food inspection agency back in which

it is mandatory for the food inspectors monitor and test the food themselves instead of letting the company test the product for them. The replaced system should have provision related to the surprise visit of officers for the food testing twice or thrice in a year. The inspectors should have more freedom to investigate any concerns related to the health and safety issues under the old system.

- Maple leaf food should appoint a food safety officer who can supervise all the food safety operations. Food safety officer can order health officials who test samples products. The main objective of Hiring of food safety officer will be to ensure high safety standards. The food officer should have ability to take corrective measures to improve and control the quality and food safety.
- Maple leaf should keep the public up to date by providing all the updates related to the occurrence

not only for the brand reputation but for the safety of public as well. If people have information about the infected product range then they will not buy that product and in this way we can save their valuable life. Maple leaf should keep their website up to date and under the news Section Company should provide the latest information to the customer.

- Future is uncertain and in business risk is always there we cannot predict what the next day will bring for us so Maple leaf should always be ready to face the challenges and the other uncertainties and for that company need a strong plan to tackle with such issues. Maple leaf should expand the Laboratories for testing with latest and advanced technology
- Maple Foods should meet a regular and enforced national standard. The existing practices should be drop and strict safety standards should be followed.

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