

# EXECUTIVE SUMMARY



Transparency and trust in global food chains have emerged as growing concerns for regulators, consumers, and food businesses alike due to recurring incidents of food fraud. In 2013, a scandal unfolded across Europe where products labelled as “beef” were found to contain up to 100% horse meat. This fraudulent labelling is a reminder that effective regulatory-based deterrents, modern science-based identification methods, and food fraud prosecution are required to maintain integrity and trust in national food control systems.<sup>1,2</sup> A 2019 survey of Canadian food business operators highlighted that fifty-six percent of respondents were confident they could address food fraud vulnerabilities, but only thirty-three percent indicated their business was safe from food fraud.<sup>3</sup> Another survey of UK-based food and beverage firms reported that price reduction pressures contributed to an increase in demand for lower cost and lower quality ingredients.<sup>3,4</sup> Despite prior recommendations, 32% of firms could not verify the authenticity of the ingredients they purchased.<sup>2</sup>

On a global scale, the United Nations Food and Agriculture Organization (UNFAO) commissioned a report to understand the extent of global fish fraud.<sup>5</sup> The report noted: “the scale of mislabelling and species substitution in the global fish marketing chain is a cause for concern and occurs in many countries.” It highlighted 200 published studies from 55 countries, and found that on average, 20% of fish is mislabelled. Subsequently, the UNFAO called for the strengthening of national food control systems and regulatory programs, and the development of science-based traceability and identification methods. Most recently, the COVID-19 pandemic disrupted global food supply chains, leading to an inevitable rise in food fraud according to food authenticity experts.<sup>6,7</sup>

The illicit nature of food fraud and the scarcity of scholarly publications quantifying the problem complicates the accurate assessment of its global economic burden.<sup>8</sup> Despite this, a 2010 report by the U.S. Grocery Manufacturing Association (GMA) suggested the cost of food fraud is in the range of \$10–15 billion USD.<sup>9</sup> However, a more recent estimate by global consulting firm PwC suggests it could be as high as \$65 billion USD annually.<sup>10</sup> The globalized nature and opacity in food supply chains, combined with a low probability of being detected, creates a perfect storm for food fraud to exist and thrive in Canada. For instance, the UNFAO-commissioned report on fish fraud highlights research from Oceana which alleges almost 50% of the samples tested in Canadian grocery stores and restaurants were mislabelled.<sup>5,11</sup>

Food fraud is often perceived as an economically motivated and victimless deception. However, such reports of significant food fraud in our domestic market can damage “Brand Canada.” Moreover, it can negatively impact the reputation and economic interests of legitimate Canadian businesses and pose a significant risk to public health and safety. Many countries have established specialized food fraud units comprising experienced police officers, customs agents, and other specialists to strengthen national food control systems, professionalize their investigative capabilities, and enhance their enforcement and prosecution capabilities.<sup>2,5</sup>

Globalization, urbanization, and other factors—including consumer purchasing trends for foods that align with social beliefs, lifestyle, faith, and ethical values—may provide some insights as to why food fraud is growing. Specific consumer segments are willing to pay a premium for a growing range of credence claims such as antibiotic-free, grass- or grain-fed, cage-free, organic, halal, kosher, or certified humane.<sup>12</sup> On the one hand, credence claims can be very beneficial to differentiate a brand, but costly for the producer to implement and independently certify. On the other hand, if the credence claim sends a strong trust signal to consumers and achieves market acceptance with premium pricing, a fraud opportunity quickly opens. More broadly, globalization creates longer food supply chains to meet the growing demands of urban populations. Global food chains include food that passes through many hands, including disparate cultures and languages and strong and weak regulatory systems. Economic motivations will continue to drive the involvement of organized crime activity since opacity and anonymity are often characteristics of these global food supply chains.<sup>5</sup>

While food safety has always been a top concern for the food industry, food fraud is more difficult to identify. This is due, in part, to the lack of specific data detailing the scope of the issue and the different rules and regulations between countries. Food fraud presents certain risks to the Canadian agri-food sector at the consumer and industry levels. A proactive, comprehensive, and collaborative approach to identifying solutions through deterrence, identification, and prosecution (DIP) will contribute to Canada’s voice and role as a global leader in safe and trusted food supply systems.

This discussion paper details the importance of identifying food fraud incidents in order to protect and further elevate Canadian brands domestically and globally.