

# **Study on Food Safety Crisis by Researching on Sanlu Melamine and Fake Maotai**

Junming Hua

2228 Synergy Dr, Irvine, CA, 92614, USA

\*Corresponding author e-mail: [administration@prudens.org.cn](mailto:administration@prudens.org.cn)

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**Abstract:** From several centuries ago to nowadays, food safety emerges as one of the most influential issues in our society, such as recent Melamine and fake Maotai issues. Food safety crisis have gradually entered the public domain. At the same time, Chinese Government has done a lot to mediate the situation.

## **1. Introduction**

From several centuries ago to nowadays, food safety problem is one of the most influential problems in our society of this world. From some recent research on Internet, I found out that every year there are two hundred thousand to four hundred thousand people have food poisoning in China, and what's even more shocking is that 70 percent of them come from the catering industry. Not only that, all kinds of food scandals also emerge one after another, and that causes people to panic. So, this food safety crisis has to be fixed and it is a pressing problem so we have to fix it as soon as possible. I am going to talk about two cases that shocked the whole nation and the world which were milk product scandal and fake alcohol scandal. These two cases inflict heavy losses on Chinese foodstuff.

## **2. The Current Situation of Food Safety**

### **2.1 Chinese Milk Scandal**

The Chinese milk scandal was one of the most notorious food scandals in the world at that time. The accident was caused by the discovery of kidney stones in many infants and children who had drunk milk powder produced by Sanlu Group, which was one of the largest milk product group at that time in China, and later found that the milk powder contains the chemical melamine. Melamine is a chemical that improves protein levels and can cause stones in the urinary system, bladder and kidneys, and can lead to bladder cancer if ingested over a long period of time. But the Sanlu milk product scandal is just an epitome of the contamination of China's dairy products. Later, General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China started to do tests on the melamine content of infant milk powder nationwide. The result shows that among 491 batches of products from 109 infant milk powder producers in China, found different levels of melamine in 69 batches of products from 22 enterprises. This impactive scandal seriously damaged China's reputation internationally.

In order to respond to the dilemma, Sanlu Group took emergency measures. The public relations company of Sanlu Group soon advised Sanlu Group to collaborate with Baidu, which is the largest Internet search engine in China, to help them block relevant news of the milk powder scandal. The scheme included that: Placate the consumers and keep them quiet for years; signed 3 million yuan agreement with Baidu to enjoy negative news deletion; Collect negative news about kidney stones of the competition in the industry to prepare for the future. But this secret scheme was revealed by the employee of the public relations company of Sanlu Group, and soon it was widely spread on the internet. In order to reply to the scheme, Baidu announced that they never accepted the request, and they said that Sanlu's public relations agency asked Baidu to help shield the company from recent

milk powder scandal but Baidu immediately rejected the scheme because it violated company rules and Baidu's consistent principles of fair and transparent information.

As a result of this milk product scandal, a lot of countries include Canada, England, Italy, France, started to prohibit or partially prohibit import Chinese milk products and some related products after the dairy products scandal. The government soon decided to destroy all the milk powder that contains any kind of problems, and this action was to prevent those detrimental milk powder back to the society. The government has also stepped up sampling of dairy products. Not only that, to help those families which were victims of this milk product scandal, China dairy association, after the Sanlu brand infant milk powder incident, coordinated with responsible enterprises to raise a total of 1.11 billion yuan in compensation for the infant milk powder incident.

## 2.2 Fake Alcohol

Fake alcohol is another typical example of food safety problem, and it is one of the hottest topics about food safety problem in China recent years. At present, the fake wine circulate on the market primarily contains two categories: first, small wineries in order to sell sales and counterfeit famous wine, this kind of fake wine mainly occurs in big cities or urban areas. Second, the use of industrial alcohol blending into the consumption of liquor sales, mainly in rural areas. The main purpose of those fake alcohol producers is to make huge amount of benefit. According to the statistics, the profit margin of fake alcohol can be as high as 2000 percent at very low cost. The process of making fake alcohol is unbelievable easy. First, some fake alcohol producers will buy those empty brand bottles, after that, they will clean the empty bottle with water, and then put the empty bottle on the filling machine, and put the white wine into it, then use the machine to cover, seal, label and box. In a matter of seconds, a fake bottle of branded white wine is produced. These simple steps can bring so much profit, so there are more and more cases of fake alcohol and growing numbers of people making fake alcohol. One particularly obvious place is the bar. After those customers finish drinking the alcohol, the waitress and waiters often collect those bottles, and then they mix the wine with some other ingredients and sell to other customers on another day. This phenomenon is very common in the bar. Every single year, thousands of people died or sick because of drinking fake alcohol, so, the harm of fake alcohol is self-evident. Industrial alcohol contains methanol, which is highly toxic, drinking four to six grams of methanol can cause blindness and could even cause death after drinking 10 grams of it.

Even though those famous brand companies of alcohol did not sell or manufacture counterfeit alcohol, but series of those counterfeit alcohol cases affect those famous wine company absolutely. These counterfeit alcohol scandals will affect those companies' reputation, and in some aspects will horribly affect the sales of those real alcohol produced by those companies.

One well-known example is Maotai. Maotai is the most famous wine in China, and it is known as "national drink", is brewed by its long history, unique brewing technology, excellent internal quality, profound culture, and Maotai also plays an important role in China's politics, diplomacy and economy. But because of the scarcity of Maotai, some counterfeit wine merchants make fake Maotai to meet the market demand. This causes people to be vigilant of Maotai because they worry that they may purchase the fake Maotai, and that even influences people come up with the word of fake when think about Maotai. In order to avoid the spread of fake Maotai, the company characterizes the bottles of Maotai, including trademark, bottle cap, printing code and bottle bottom. For example, the cap in the ordinary light is presented as red background with a red star logo, but if you look at it with a recognizer, you will see the background color turns light yellow and the star logo will turn gray, also, a black floating point will appear. Not only that, the company also created an app to help those customers better recognize the authenticity of Maotai. But, the problem of counterfeit alcohol is still hasn't be solved totally.

## 2.3 Group's Ethics

Now, the nation and governments are seriously cracking down on fake alcohol. According to the characteristics of large demand for alcohol in rural areas before the Spring Festival, counterfeit low-end liquor will be the focus of the crackdown. The next step is to strengthen cooperation with

administrative departments and continue to carry out special strikes.

In economics, market failure is a situation in which the allocation of goods and services by a free market is not efficient, often leading to a net social welfare loss, and the four main parts of market failure include monopoly, externalities, public goods and asymmetric information. Information asymmetry happens when the buyer or the seller in a market has some information that the other does not. The milk scandal case is a typical example of asymmetric information. From this case, chemical melamine was used by Sanlu group to produce milk powder because melamine could improve protein levels, but melamine is not a food ingredient, nor is it a food additive, which is prohibited from being added to food artificially. In this condition, without consumers' knowledge, Sanlu still used melamine to make milk powder, which is disrespectful to consumers' rights and interests. The serious implication of this incident was that Sanlu group, which once had the highest market share of 18.26%, declared bankruptcy within a year. Because of providing asymmetric information to their consumers, the company faced market failure.

The incident of contamination of dairy products can also be seen as an issue related to ethics. After 2000, due to the rapid development of China's economy, the dairy market has turned into a large market, and due to the huge consumer groups, it can be divided into three levels of consumption: high, medium and low. In order to regulate the supply and demand of the mainland market, except for importing nearly 300,000 tons of dairy products from overseas countries to meet the high consumption level, the vast majority of consumer groups in mainland China, including infants and young children, mainly consume dairy products produced by China. In this situation, Sanlu produced one kind of milk powder product and priced it at 3 dollars, this price made their product very competitive because the price was less than half of imported milk powder. But because of demand raised up, to lower the cost of producing milk powder, the company abused melamine to produce milk powder. Because of the damage of melamine, according to the released data, before September 21, 2008, a total of 39,965 infants received outpatient treatment due to the use of toxic milk powder, 12,892 infants were hospitalized, 1,579 infants had been cured and discharged, and 4 infants died. We could consider the action of Sanlu group as an action disobeyed the theory of deontology. Deontology is a theory that place special emphasis on the relationship between duty and the morality of human actions. As an influential company, before making profit, those executives of the company should focus on their duty first. As an individual with social influence, Sanlu group should take more social responsibilities, and as a food producer, it is more obliged to standardize its own product safety standards before producing products. They also have the responsibility to ensure the quality of their milk powder, because they need to ensure the health and safety of their consumers. Those customers and consumers who are willing to buy their products, also deserve the right to have safety products. But immediately after the scandal broke, what they did first was to block the information as soon as possible rather than admit their mistakes and deeply apologize to the vast majority of consumers. Depend on the principle of deontology which says that an action is considered morally good because of some characteristic of the action itself, but from Sanlu group's action, they didn't admit their actions were wrong and they try to cover up their mistakes. Egoism could also be viewed on the milk scandal case. Egoism describe the habit of valuing everything in reference to one's personal interest. Those executives of Sanlu group pursued their own self-interest, and puts self-interest in the first place instead of those infants' health who drank their milk powder. Before the scandal broke, an internet user posted a complaint about the quality of milk powder produced by Sanlu group because his daughter had an abnormal urine after drinking their milk powder, but instead of responding to the complaint, the regional manager of Sanlu group contacted the internet user and provided four boxes of new milk powder worth 2,476.8 yuan in order to ask the internet user delete his post online. The main reason of why those executives of Sanlu group didn't want people to see the post online was because of the benefit. If the post online was viewed by numerous people, people will deeply consider the quality of their milk powder and thus will cause the company suffer financial losses. So, instead of acknowledged their error, they reassured customers by providing new milk powder as compensation to costumers, and they could still make huge amount of benefit before the scandal broke. They misunderstood the

ethical meaning of egoism, on their road to pursue self-interest, I don't think the pursuit of self-interest should at a cost of other people's safety and health.

## 2.4 Chinese Government's Efforts

Through the efforts of the government and also Chinese citizens' fight against food safety problem, the problems about food safety are much better now. From 2017 China food safety incident research report, in 2017, the number of national food safety incidents reported reached 19603, with an average of 53.7 incidents per day, a slight decrease compared with 2016. Also, further analysis shows that in the ten years from 2008 to 2017, the number of national food safety incidents reported reached 408000, with an average of 111.8 incidents daily. From the report, we could conclude that although the daily food safety incidents from 2008 to 2017 decreased a significant number, the incidents are still very high. I also noticed that more and more people are seriously look over food safety problems, and their safety awareness has been strengthened. For example, in order to bring the products up to standard, now milk product companies are more careful about their milk products, that gradually attracts people to buy domestic dairy products instead of imported dairy products. Compared to 70 percent people were not willing to buy domestic dairy products from investigation, now people are more willing to buy it.

But the problem is still hasn't been solved totally even though the situation of food safety is much better than before. In the current social environment, China has revised the food safety law of the People's Republic of China in 2018. From the revised form of food safety law, the law focuses on several crucial parts to solve food safety problems. Establishment of food safety traceability system is necessary. Through the establishment of factory inspection record system, purchase inspection record system, wholesale enterprise sales record system, so that food, food additives, edible agricultural products can be traced throughout. Also, the revised law points out that strict supervision over special foods. Health food, formula food for special medical purposes and infant formula food are included in special foods, and strict supervision is exercised. Infant formula milk powder shall not be produced by packaging, and the same enterprise shall not produce infant formula milk powder of different brands with the same formula. Not only that, the penalties are increased. The start point of punishment has been raised from 2000 yuan to 50000 yuan, also, in some more serious cases, the starting point of punishment could be 100000 yuan. Those people who have been punished more than three times in one year will be mandated to stop their business and their licenses may be revoked. And for those people who know they provide places for illegal acts such as food production without permission will be punished. Although the revised food safety law of the People's Republic of China is more targeted, there are still some shortcomings. Food inspection and testing capacity is seriously inadequate, food inspection system in the transparency and supervision of a certain lack. The counterfeit alcohol case is a result of lack of supervision. Moreover, because the revised food safety law only implemented for a short period, some law enforcement mechanisms, law enforcement systems have not been timely followed up and put in place for public security officers, who are still facing some practical difficulties and problems in their work. From 2017 China food safety incident research report, the pie graph shows that 45.16% of food safety incidents were caused by production and processing link, and the food category with the largest number of food safety incidents was edible agricultural products which had 4031 cases and at 20.56 percent. To further change the situation, people's awareness of food safety problems needs to improve. Also, because the internet has a huge impact now, we could use the power of internet and media to spread the information about risks of food safety problems, and individuals, government should participate together and reduce the false information. For example, Baidu and Sina are two of the biggest internet media of China, use their social influence could better address the problem.

## 3. Conclusion

In conclusion, I am glad that our country solved a lot of food safety problems in just a few years, through those laws enacted or revised about food safety and development of people's awareness of

food safety problems, the food safety incidents decrease at a big number, also, we have a more mature system. Moreover, the food makes people feel more relieved now than before. But it doesn't mean that the food safety problems no longer exist, there are still a lot of inadequacies we need to improve and change. Before the food safety problem is eradicated, we still have a long way to go in order to create a world with safe food.

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