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FSIS Stakeholder meeting on listeria

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My goal in this brief presentation is to describe to you some of the economic components of food safety issues as they relate to listeria- induced disease.

Listeriosis although less common than other foodborne diseases such as those caused by salmonella, has a mortality rate of 25%. This, of course, raises medical concern and means that the economic costs per case of listeriosis are high. A 1996 study by USDA's Economic Research Service puts the medical costs and productivity losses due to Listeriosis at \$200 to 300 million a year. To compare, the more common E coli 0157:H7 costs society between \$200-600 million annually. Furthermore, the high mortality rate of listeriosis also causes significant economic losses to the food industry.

The risk of listeriosis, like all foodborne diseases, is affected by the actions of the food industry in producing and marketing food, actions by consumers in storing and preparing food for home consumption, and by the public health sector's regulation and enforcement that set the ground rules for food production and preparation. Either a foodborne disease outbreak or a chronic contamination problem can impose economic costs on all three groups as we have recently seen.

The current food safety problem is largely one of weak economic incentives because of hidden information about pathogen levels. If purchasers could see pathogens, the marketplace could adjust as purchasers planning on cooking the product thoroughly might choose low levels of listeria, whereas those desiring lightly-cooked products could pay a premium price for near-zero levels. The information problem keeps purchasers from being able to differentiate between "safer" and less-safe products. Thus, industry cannot earn a price premium for "safer" products and food producers have little incentive to conduct research and development that might enhance safety.

The economic incentives to reduce the incidence of foodborne disease such as listeriosis could be strengthened by the following actions:

1. Publishing more information on the inspection history and pathogen levels by plant.
2. Creating a consumer label for use on products produced meeting superior "pathogen control standards." This could be implemented by a joint industry-government body that oversees approval and enforcement.
3. Creating special tax breaks for industry investing in new food safety inventions, or adoption.

4. Increasing funding of epidemiological research to discover the risks associated with various production and consumption practices and behaviors.
5. Creating a mechanism for industry to have an incentive to share food safety information with researchers. This might be done through an insurance mechanism that protects industry from the costs associated with an outbreak. Plants that share auditing information and pathogen test results with researchers could participate in the insurance program at a lower cost than plants that do not share information.
6. And finally, increasing enforcement, fines, and/or pathogen testing may increase the economic incentives to reduce the incidence of foodborne disease.

Let me be clear that these suggestions need to be fully developed and evaluated -- preferably by an interdisciplinary team of researchers and stakeholders representing industry, consumers, academics, and government. The team should assess the benefits and costs of each option, the impact on public and private economic incentives for food safety at each stage of innovation (invention, commercial scale-up, and industry adoption), and the short run versus the long run impact of these and other options on economic incentives.

In closing I would like to strongly encourage the Department of Agriculture to initiate research along the lines described here on economic incentives and other market oriented approaches as USDA develops a strategy for better controlling this pathogen.