

# Food Profiteering and the Counterfeit Product Threat

AAAS 2009

**Within session:** Adulteration, Counterfeiting, and Smuggling: How Safe Is Our Imported Food?  
Chicago, February 16, 2009

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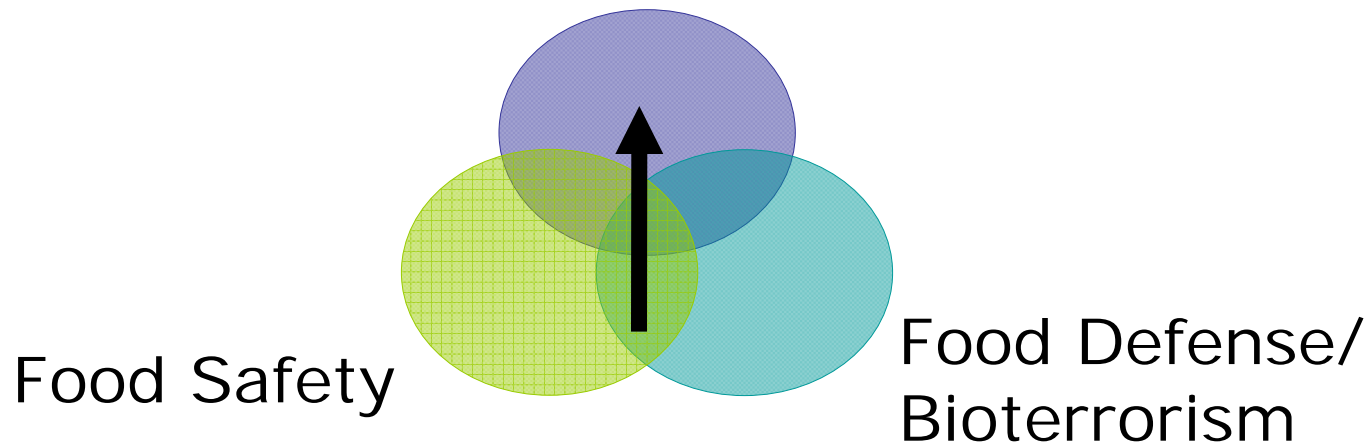
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# **Warning Note**

**Counterfeiters**  
**attend**  
**Anti-Counterfeit**  
**Conferences**

# Focus on Counterfeit & Food Safety

Counterfeit/ Economic Fraud



- Examples: melamine in pet food, species swapping, GMO as organic, expired/ refreshed, tax avoidance smuggling, country of origin labeling fraud, etc

# Extremely Interdisciplinary



# Counterfeit Preview

Unlike the warnings when purchasing stocks and bonds, past performance of counterfeiting *is* an indicator of future potential of counterfeiting.

Product counterfeiting is described as “...more profitable than trafficking heroin... easier than photo-copying... and with penalties like jay-walking.” (Illicit, Naim, 2005)

# Counterfeiting Scope

- The FBI: "...the crime of the 21st century"
- The COE: "...a silent pandemic"
- The World Customs Organization (WCO) estimates that counterfeiting was a \$512 billion market in 2004, up 100 times over the previous twenty-years, which equates to 5-7% of global trade.
- In addition, only 5-10% is in what would be considered "luxury" goods.
- 1-3% of the *US* Drug Supply...
- The global counterfeit food threat is ~\$49 billion, and the UK's Food Standards Board (FSA) estimates the UK "level of fraud" around 10%.

# Types of Counterfeiting The Imported Food Threats

- Adulterator
- Tamperer
- Thief
- Over-runs
  - Licensee-Fraud
  - Re-Manufacturing
  - Unauthorized Refill
- Diversion
  - Smuggling
  - Parallel Trade
  - Origin Laundering
- Simulation or Look-a-likes
- Counterfeiter

# Food Examples

- Product Substitution
- Product Up-labeling
- Product Adulteration
- Product Copy/ Unauthorized Refill
- Product “Freshening”



# Food Public Health Risk

- Allergens
- Pathogens
- Poison or Harmful Chemicals
- Inactive Ingredients or Preservatives
- Other Non-GMP Environment Issues
- RECALL!!!!!!

# Food Public Health Risk, Examples

- Conventional sold as organic
- Pet food with melamine
- Catfish with banned antibiotics
- Sudan Red Carcinogen Colorant
- Scallops with bacteria
- Toothpaste with diethylene glycol
- Species swapping – Grouper, etc.
- Methanol in Alcohol
- Low Nutritional Content in Infant Formula
- Cases of Red Bull energy drink

# Why Products are Selected for Counterfeiting

- Profit
- Cheap to Copy
- Easy to Copy
- Unsatisfied Market Demands
- Difficulties in Detection and Proof
- Non-Deterrent Laws or Enforcement

# Causes of Growth

- Availability and Growth of Technology
- Increased Globalization
- Low Legal Penalties
- Influence and Prevalence of Organized Crime

## "The Business Case Analysis for Anti-Counterfeit Food Research" Food Safety Policy Center, MSU, 2007

- counterfeit food is a health threat;
- as is done in Food Safety and Food Security, the most efficient and effective implementation is incorporating anti-counterfeit strategic steps into current "Standard Operating Procedures" (HACCP, GMP, etc.);
- current anti-counterfeit strategies and procedures from elsewhere in industry will be efficient and effective for the food industry; and
- the range of criminals and the range of actions will continue to be more aggressive, bolder, and more effective at infiltrating the legitimate food supply chain.

# A Strategic Solution

- Monitoring all imported product is not practical.
- Monitoring all international food manufacturing is not practical.
- Focus on the root of the risk and actions...
  - *the chemistry of the crime*: Criminal, Opportunity, and Victim
- The Strategy
  - Intelligence Gathering: the opportunity (crime), the actions (types of counterfeiting, types of counterfeiter, etc.), and the victim (consumers and retailers).
  - Create a Forum: expand the academic study of anti-counterfeit strategy, and more broadly, product protection.
  - Create a Awareness/ Harmonization: Curriculum and standards

# Discussion

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# Abstract

- From melamine in pet food to branded counterfeit toothpaste in dollar stores, economic fraud and the counterfeit product threat is growing in volume and frequency. This presentation begins with a food safety and product protection perspective of the economic and public health risks, then steps ahead with a review of the global supply chain and the criminal aspects of the fraudsters, before considering current and potential mitigating steps such including information technology, packaging components, and investigation. Economic fraud and counterfeit food, or the broader food profiteering, inhabits a unique gap between “food safety” (natural pathogens) and “food defense” (bioterrorism) since there is a specific intent to defraud but not explicitly to harm. The current risk analysis framework does not specifically address this niche economic and public health threat. Smuggling may also be economic gain but it is also to meet specific consumer demands like poultry with intestines intact. The risks are for pathogens including avian influenza virus.



# Acknowledgements

- **MSU NFSTC:** Dr. Scott Winterstein, Ms. Pattie McNeil, Mr. Trent Wakenight, Ms. Kristi Gates, Ms. Sandy Enness, Ms. Jen Sysak, to name a few critical contributors and supporters.
- **MSU Food Safety Policy Center:** Dr. Ewen Todd and Dr. Craig Harris
- **MSU School of Packaging:** Dr. Bruce Harte, Dr. Robb Clarke, Dr. Laura Bix, Dr. Paul Singh, Dr. Diana Twede, Dr. Gary Burgess, Dr. Harold Hughes, and Dr. Mark Uebersax
- **MSU Communication Arts/ Consumer Behavior:** Dr. Maria Lapinski and Dr. Nora Rifon
- **MSU Supply Chain Management:** Dr. Cheryl Speier, Dr. Ken Boyer, and Dr. David Closs
- **MSU Criminal Justice:** Dr. Robyn Mace, Dr. Jeremy Wilson, and Dr. Ed McGarrell
- **MSU College Social Science:** Dean Marietta Baba and Assoc Dean Chris Maxwell
- **MSU College of Law:** Dr. Neil Fortin and Dr. Peter Yu
- **MSU Veterinary Medicine:** Dr. Wilson Rumbelha and Dr. Dan Grooms
- **MSU Libraries:** Ms. Anita Ezzo, Ms. Nancy Lucas, and Ms. Kara Gust
- **State of Michigan's Ag & Food Protection Strategy Steering Committee:** Dr. John Tilden, Mr. Brad Deacon, and Mr. Gary Wojtala

# MSU/Related Work Groups

- Anti-Counterfeit and Product Protection (A-CAPP) Initiative at MSU
- Packaging for Food and Product Protection Initiative (P-FAPP) at MSU
- National Food Safety & Toxicology Center (NFSTC) at MSU
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