

Economic Incentives for Food Processors to Adopt Enhanced Food Safety Controls: Evidence from Canadian Red Meat and Poultry Processing Sector

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This study assesses quantitatively the economic incentives for firms to adopt enhanced food safety controls, and the potential impact of a number of firm and market-specific characteristics on this behavior, focusing on the red meat and poultry-processing sector in Canada. The data from 251 firms (182 Federally-registered and 69 Provincially-licensed), which responded to a national survey consisting of 822 firms, were analyzed using Ordered Logistic regression techniques. To reflect each firm's propensity to implement food safety controls, five-ordered variables that were derived from the values obtained by an index (Food Safety Responsive Index) were included as dependent variables in the empirical model. The impacts of individual incentives (explanatory variables) were computed using Confirmatory Factor Analysis. The firm and market-specific characteristics were specified using a series of dummy variables. In contrast to the findings from the previous studies that over-emphasized the role of government regulations and the shortcomings of the market, this study suggests that market-based incentives such as perception of adopting enhanced food safety controls is a "good practice". Reputation, and procedural efficiency play a greater role than regulatory (existing and anticipated government regulations) and liability incentives. The relative effects of incentives, however, vary widely between the Federally-registered and Provincially-licensed firms. The results suggest that policy makers should move beyond traditional regulatory modes to implement a system that is sufficiently flexible to reflect differences in the incentive based individual firms, i.e. an incentive-based regulatory system.

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