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Foreign fast-food chains face China disruption

By Lucy Hornby in Beijing



Foreign fast-food chains in China could see their supply chains disrupted as authorities step up checks on a key meat supplier, following allegations that it was passing off expired products as fresh.

China's State Food and Drug Administration on Tuesday ordered checks on all eight mainland processing plants owned by Illinois-based OSI Group, after an undercover investigation by a local television station found that meat past its sell-by date was being relabelled as fresh in Shanghai.

It also ordered checks on all clients of the Shanghai plant, Shanghai Husi Food, which has been closed by local regulators.

The more extensive checks are so far limited to OSI subsidiaries rather than China's meat processing industry as a whole.

OSI said it was "appalled" by the food safety issue and "sincerely apologised" to both its clients and any consumers affected. "Our company management believes this to be an isolated event," it said.

[Starbucks](#) on Tuesday joined [Yum Brands'](#) KFC and Pizza Hut as well as [McDonald's](#) in pulling products from the plant, although the US coffee chain said its only affected product was a chicken and apple panini sandwich. Ikea said on its Weibo account that it had previously sourced meat from Husi, but stopped last September.

The Husi processing plant primarily supplied foreign fast-food chains in Shanghai and the surrounding region, but it also provided McDonald's in Japan with about one-fifth of its Chicken McNuggets. McDonald's said it was re-routing McNuggets from other Chinese processing plants as well as from Thailand.

Fast-food chains tend to rely on food processing companies that can supply standardised products at volume, making it difficult to switch suppliers at short notice.

"A large company normally has more than one supplier, never just one. But the question is, can the alternates replace the volume that has been displaced? That's where it gets tougher," said Matthieu David of Daxue Consulting.

Foreign fast-food chains generally have a better reputation among Chinese consumers than do their domestic rivals, but food safety is a constant concern as supply chains have had to scale up quickly while still meeting global standards.

Many have tended to rely on foreign-owned processors in an effort to better control quality, especially in the wake of a 2008 scandal in which Chinese milk supplies were found to be deliberately contaminated with melamine, a chemical byproduct of coal, in an effort to fool quality tests.

At least six babies died and 50,000 were hospitalised after drinking infant formula laced with melamine.

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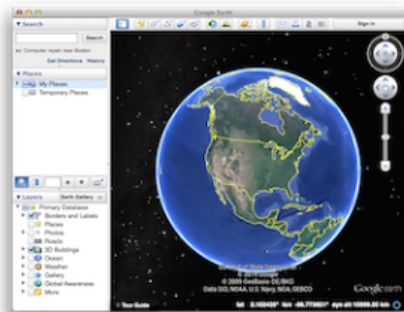
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