

OSI Meat Scandal in China Causes Yum Brands to Terminate Deal

Associated Press

NEW YORK (AP) — It isn't a household name, but the company at the center of a food scandal in China helps make some of the world's most popular foods, including the Big Macs and Quarter Pounders served at McDonald's locations.

OSI Group, a privately-held company based in Aurora, Illinois, was thrust into the spotlight this weekend when a Chinese TV station reported that one of its Shanghai plants repackaged old beef and chicken and slapped new expiration dates on them. The scare has ensnared chains including McDonald's, KFC, Burger King and Starbucks, all of which got ingredients from a unit of OSI (pronounced OH-see) in the region called Husi FoodCo.

The controversy deepened Wednesday when five workers for Husi, were detained by police. An official with China's food safety agency told the Xinhua News Agency that some of the illegal conduct it uncovered was an arrangement "organized" by Husi.

None of OSI's more than 50 other plants around the world have been implicated and the company noted in a statement that it was "appalled by the report and is dealing with the issue directly and quickly."

A representative for OSI in the U.S. declined to provide comment beyond the statement.

The scandal is a blemish for OSI, which began as a family-run meat market in 1909 and prides itself on its high standards. The company notes on its website that it has a "strong heritage of quality and service" and that food safety and quality assurance are "guiding principles."

Its business took off after Ray Kroc tapped it in the 1950s to be a beef supplier for McDonald's Corp. OSI grew alongside McDonald's as the hamburger chain expanded around the world, and even helped create the McRib.

OSI doesn't have to report financial information, but according to PrivCo, which researches privately-held companies, it had \$6.13 billion in sales last year. OSI doesn't publicly disclose all of its clients either, but it supplies numerous big-name chains including Chipotle Mexican Grill Inc., for which it cooks some beans and carnitas and barbacoa meats.

In the U.S., OSI has said it has systems in place to ensure products can be located and taken out of the system within two hours if any issues arise. Executives have said they work with an outside public relations agency to periodically stage mock

OSI Meat Scandal in China Causes Yum Brands to Terminate Deal

Published on Food Manufacturing (<http://www.foodmanufacturing.com>)

crises to be prepared for real-life controversies.

Richard Adams, a former owner of McDonald's restaurants in Southern California who now runs a consulting firm for franchisees, said OSI closely oversees its production process in the U.S. and that he didn't know how the lapses in China occurred.

"They wouldn't be a McDonald's vendor if they weren't producing quality products," Adams said.

It's unknown how much of OSI's revenue come from China or whether it has similar safety checks there, but the company is already dealing with fallout from the controversy at its Shanghai plant.

Yum Brands Inc. said Wednesday it was terminating all supply agreements with OSI in China and elsewhere, including in Australia and the U.S., where it supplied Pizza Hut and Taco Bell "with just a few items each." The company, based in Louisville, Kentucky, also said it reserves the right to take legal action against OSI, depending on results of the investigation.

A representative for Yum, Virginia Ferguson, noted that OSI wasn't a major supplier for the company.

Over at McDonald's, the impact on the menu seemed to be greater. A spokeswoman, Heidi Barker Sa Shekhem, said the Shanghai plant supplied products including sausage patties, ham patties, beef patties and chicken nuggets. Globally, she declined to specify how much meat and other items OSI provides McDonald's, citing competitive reasons.

Without providing details, McDonald's CEO Don Thompson said Tuesday the company would deal with the matter "effectively, swiftly and appropriately" if the allegations prove to be true.

"We do feel we were a bit deceived," he said.

Source URL (retrieved on 03/31/2015 - 8:04pm):

<http://www.foodmanufacturing.com/news/2014/07/osi-meat-scandal-china-causes-yum-brands-terminate-deal>