

Food Fraud and Trust in the Market

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Abstract

A significant amount of food fraud has been reported by the mass media in the past couple of years in Japan. This is food supplier behavior that destroys consumers' trust in the food market, leading to a lower level of efficiency. The number of preceding researches on this matter is small. In addition, they deal only with theoretical aspects and propose the necessity of organizing public (independent) monitoring, testing, and/or certifying agencies to prevent food fraud. This paper first discusses theoretical problems in food fraud by applying the concepts of asymmetric information and credence qualities in the food market. Using questionnaire responses collected recently from those who work in the food industry, it then discloses how frequently food fraud is committed in Japan. Using the same data, the main part of this paper analyzes statistically why and how fraud occurs in the food industry. The results show that firm management and culture are very important factors that generate or deter food fraud. This paper claims that establishing trust in the food market will require food suppliers to form proper organization cultures and institutions, though it goes without saying that government should set up and apply a reasonably effective legal system.