Q11

Case study. A Reputed food product company based in India developed a food product for the international market and started exporting the same after getting necessary approvals. The company announced this achievement and also indicated that soon the product will be made available for domestic consumers with almost sane quality and health benefits. Accordingly, the company got its product approved by the domestic competent authority and launched the product in the Indian market. The company could increase its market share over a period of time and earned substantial profit both domestically and internationally. However, the random sample test conducted by the inspecting team found the product being sold domestically in variance with the approval obtained from the competent authority. On further investigation, it was also discovered that the food company was not only selling products that were not meeting the health standard of the country but also selling the rejected export products in the domestic market. This episode adversely affected the reputation and profitability of the food company. - What action do you visualize should be taken by the competent authority against the food company for violating the laid down domestic food standard and selling rejected export products in domestic market? - What course of action is available with the food company to resolve the crisis and bring back its lost reputation? - Examine the ethical dilemma involved in the case.

UPSC Civil Services Mains 2021 · GS IV · 20 marks · Ethics Case Studies

Case Studies on above issues.

Core demand of the question

- An Indian food company developed a product for export, then sold a 'same quality' version at home. Random tests found the domestic product at variance with approval. Investigation showed rejected export lots were being sold in India. Reputation and profit collapsed
- (a) Action by the competent authority
- (b) Course for the company to resolve the crisis and recover reputation
- (c) Ethical dilemma. No greenwashing; no dumping of export-reject on poorer domestic consumers

Revision summary

The firm sold a domestic product that failed its own approval and included rejected export lots.

The authority must recall, seize, publicise, penalise, and consider criminal FSSA action, plus a ban on reject-dumping.

The company must recall fully, audit independently, compensate, fire the designers of the dual stream, and apologise without greenwash.

The dilemma is profit versus the right to health of poorer Indian buyers.

There is no honest dual human being, export-grade and home-grade.

Introduction

Europe's reject is not India's diet. The company announced one quality and sold another. The competent authority should recall and punish, not negotiate a quiet relabel. The firm's path is full recall and truth, not a green CSR campaign over a poisoned shelf.

Body

Stakeholders

- Domestic consumers, especially poorer buyers of the cheaper home SKU.
- Overseas buyers and the foreign regulator who already rejected lots.
- The company's workers, shareholders, and honest quality staff if any.
- FSSAI and State food authorities.
- The public who heard the "same quality" advertisement.

(a) Action by the competent authority

- Immediate stop-sale and recall of the non-conforming domestic lots under the Food Safety and Standards Act, 2006.
- Seize samples, seal stocks, and map distribution so kirana shelves are not left as the dump.
- Penalty and, where injury or knowing sale of unsafe food is made out, criminal process under the FSSA - not a token compounding that teaches dumping.
- Ban the practice of export-reject diversion to the home market; treat it as a separate aggravating fact, not as inventory management.
- Public notice in plain language, not a buried gazette, so the poorest consumer hears.
- Audit other SKUs of the same company; a dual standard is rarely a single SKU.
- If advertisements claimed identical health benefits, proceed for misleading claim under food law and consumer law - Consumer Protection Act, 2019.
- No hush meeting with the brand for a "voluntary" silence. Reputation pain is part of deterrence.
- Coordinate with customs and export inspection so the next reject is destroyed or reprocessed under watch, not trucked inland.
- Protect a whistle-blowing chemist inside the plant; the next file may come from them.

(b) Course for the company

- Full recall, not a quiet city-only pull. Independent laboratory audit of process, not an in-house certificate.

• Compensate identified harm and offer refunds without a humiliation form.

• Fire or prosecute internally the managers who designed the dual stream; do not sacrifice only a contract packer.

• **Public apology that names the facts:** variance from approval, sale of rejected export product. No greenwashing plantation photograph as substitute.

• **Change the business model:** one safety floor for every market; a cheaper SKU only if it is still lawful and honestly labelled, never a reject.

• Cooperate with FSSAI; hiding truck data is a second offence.

• **Workers:** keep the plant's honest jobs by rework and destruction funded by the brand, not by lobbying to sell the reject as "seconds" in a village.

• Reputation returns, if at all, through years of clean tests, not a celebrity advertisement the next quarter.

(c) Ethical dilemma

• Profit and export-led growth versus the right to health of poorer domestic consumers.

• Loyalty to shareholders versus loyalty to the advertisement's promise of "almost same quality".

• Cost of destruction versus the temptation to recover value from a failed lot.

• Home-market price sensitivity versus the fact that an Indian body is not a cheaper laboratory.

• Jobs in the plant versus a shutdown during recall.

• The dilemma is real as pressure. It is not real as a permission. Health is not a residual after foreign buyers have picked.

• **Dual standards also insult Article 14 in the marketplace:** two qualities of citizen, export-safe and home-unsafe.

• The ethical resolution is the same floor of safety, honest labelling, and loss taken on the reject - the path already named for the Europe-rejected shoes in spirit.

Flow diagram

Export-reject sold at home -> Recall penalty possible crime

Export-reject sold at home -> Full recall independent audit

Full recall independent audit -> One safety floor apology

CSR photo without recall -> Greenwash

Recover value from reject -> Poorer consumers

Conclusion

FSSAI should recall, penalise, and where needed prosecute; export-reject dumping is an aggravating fraud. The company should recall, audit, compensate, remove the responsible, and apologise without greenwash. Profit versus poor consumers' health is the dilemma; health wins.

Facts & figures

Food Safety and Standards Act, 2006

The Union statute for unsafe food, misbranding, recall, penalties and criminal liability of companies and persons in charge.

FSSAI

The Food Safety and Standards Authority of India; the competent domestic approver whose variance finding starts this case.

Consumer Protection Act, 2019

Misleading advertisements and product liability for a 'same quality' claim that was false.

Export inspection versus domestic dump

A foreign reject is information about risk; diverting it inland is a knowing two-tier market, not a logistics leftover.

Right to health

Article 21 jurisprudence and public-health ethics treat unsafe food as an injury to the poorer consumer who cannot buy an import-grade SKU.

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