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Yum says not affected by China mutton scandal



(Reuters) - Yum Brands Inc on Monday said its roughly 450 Little Sheep hot pot restaurants in China are not involved in a fake mutton scandal that is the latest tainted food saga to rock the country that is the fast-food chain's largest market.

The comments from Yum came shortly after Shanghai authorities said they were testing mislabeled mutton from a wholesaler a government website said supplied Little Sheep and other restaurants.

"There is no evidence, none whatsoever, of any adulterated product anywhere in our system," Yum spokesman Jonathan Blum told Reuters.

Little Sheep gets mutton from only two approved suppliers, which Yum regularly audits. Its company and franchised stores are only allowed to buy from those suppliers, Blum said. The wholesaler at issue is not a Yum supplier, the company said.

In an "abundance of caution," Yum will verify that nobody violated company standards, Blum said.

Acting on a tip, Shanghai food safety inspectors and police raided a wholesale market on Friday and found packages labeled "New Zealand mutton" at one supplier that had no production date or list of ingredients, according to a report on the website of the municipal food safety committee (www.spaq.sh.cn).

Invoices indicated that some of the meat had already been sold to several restaurants, including outlets of Yum-owned Little Sheep, the website said. The meat was being tested and results would be available in about a week, the report added.

"The rumor is completely inaccurate and false" with regard to Little Sheep, Blum said.

The mislabeled meat crackdown follows media reports last week that police had busted a crime ring that had passed off more than \$1 million in rat and small mammal meat as mutton. China's food industry has also been under pressure from a bird flu outbreak and other environmental concerns.

KFC parent Yum, which gets more than a half of its overall sales in China, was embroiled in a food safety scare last year after news reports and government investigations focused on chemical residue found in a small portion of its chicken supply.

Sales at its established KFC restaurants in China fell 20 percent during the first quarter and Yum warned that fears surrounding the bird flu outbreak were still hurting its struggling sales.

Most of Yum's nearly 5,300 restaurants in China are KFCs. It operates Pizza Hut restaurants in the country.

The Kentucky-based company bought a controlling interest in Little Sheep in February 2012 and now owns 93 percent of the chain.

Shares of Yum were down 63 cents at \$68.28 on the New York Stock Exchange.

(Reporting by John Ruwitch in Shanghai and Lisa Baertlein in Los Angeles; editing by Miral Fahmy, Bernard Orr)

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