

## Regulatory Status:

Language mandating country-of-origin labeling on fresh muscle cuts of beef, lamb and pork; ground beef, ground lamb and ground pork; farm-raised fish, wild fish, perishable agricultural commodities, and peanuts was included in the Farm Bill during final conference negotiations in April 2002. The mandatory labeling becomes effective September 30, 2004, with a two-year voluntary program implemented by September 30, 2002.

The law defines U.S. meat and farm-raised fish as coming only from animals born, raised and slaughtered in the United States. The law also prohibits the United States Department of Agriculture (USDA) from imposing an animal identification system to verify the country-of-origin for any of the covered products.

USDA published guidelines outlining the program's requirements in October 2002. The Agricultural Marketing Service (AMS) will accept comments on those guidelines until April 9, 2003.

## Background:

Country-of-origin labeling is a concept advocated by a limited number of livestock producers and others who believe that products identified as American in origin will be more appealing to consumers, enhancing sales.

A voluntary country-of-origin labeling program for beef has been available through the AMS for several years, but no company has ever opted to participate in the program.

The guidelines spell out which commodities are covered, who provides notification and how and which records are required to verify the country-of-origin. Covered commodities include: muscle cuts of beef, lamb and pork; ground beef, lamb and pork; farm-raised fish; wild fish; perishable agri-

cultural commodities and peanuts. Any item listed is exempt if it qualifies as an ingredient in a "processed food item." The AMS guidelines define "processed food item" in two ways: 1.) a food that is made up of a combination of ingredients 2.) a food that is changed due to cooking, curing or restructuring.

Under the voluntary guidelines, retailers will be responsible for notifying consumers at the final point of sale by using a label, stamp, mark or signage on the product or package or on the display holding unit or bin containing the product. Those supplying the covered commodity to retailers must also provide the product's country of origin.

Under the new law, a meat product may bear the label "Product of the United States" only if the animal from which the product is derived was **born, raised and slaughtered** in the United States.

The guidelines also specify that retailers, producers, packers, processors and importers must maintain "auditable records documenting the origin of covered commodities."

Many advocates of country-of-origin labeling for meat fail to recognize the complexities involved in such labeling. Certain very common livestock production and distribution practices will present serious labeling and logistical challenges under the new law. This complicated scheme could include the following scenarios:

- Hogs born in one country, such as Canada, and raised and slaughtered in the United States would be labeled **"From Hogs Born in Canada, Raised and Slaughtered in the United States."**
- Similarly, some beef products may be labeled **"From Cattle Born in Mexico, Raised in Canada and Slaughtered in the United States."** or **"From Cattle Born in Mexico, Raised and Slaughtered in the United States."**

- Ground beef from beef blended during the grinding process must bear a label stating the applicable country in descending order of prominence by weight. For example, a label might read **“Beef From Cattle With the Following Countries of Origin: Born in Mexico, Raised and Slaughtered in the United States; New Zealand; Born, Raised and Slaughtered in the United States; and Born and Raised in Canada and Slaughtered in the United States.”** The next day, when the raw materials change, the product might read **“Beef From Cattle With the Following Countries of Origin: New Zealand; Born, Raised and Slaughtered in the United States; and Born and Raised in Canada and Slaughtered in the United States; Born in Mexico, Raised and Slaughtered in the United States”** if product formulation changes.

## Costs

*Cattle Buyer's Weekly* (CBW), an industry publication, estimates that the COOL requirements will cost the beef industry alone at least \$1.4 billion annually, and could cost as much as \$1.9 billion. CBW estimated the cost to the pork and lamb industries at \$1 billion or more.

CBW's estimates are based on the cost of an individual animal identification system for every head slaughtered. In 2001, commercial slaughter was 35.417 million head. CBW estimates it will cost \$5 per head to track those cattle from the ranch to the packing plant and another \$15 per head for packers to reconfigure their slaughter and fabrication departments to maintain the identity of cattle into boxed beef. The cost of these two steps is \$708 million.

CBW also estimates it will cost retailers 5 cents per pound of beef sold to reconfigure their meat departments to maintain product identity, to maintain required record-keeping at individual stores and to place COOL labels on every beef item in the meat case. Based on 2001's production of 26.107 billion pounds, and assuming 52% was sold at retail, that's another \$679 million. Adding the \$708 million earlier calculated means a total of \$1.387 billion.

AMS in November 2002 estimated that the recordkeeping costs to producers, packers and retailers will be \$2 billion annually.

## AMI Position

The meat industry continues to oppose country-of-origin labeling because it will be costly to industry and the government, with no real benefit to consumers. The cumulative effect will be to drive value out of meat production chain, capital investment out of rural communities, and some smaller operations out of business.

USDA's guidance for implementation of country-of-origin labeling for meat products is the most costly, cumbersome and complex labeling proposal in history. Consumers are unlikely ever to see the labels that USDA described in voluntary guidance issued in October because this program cannot be implemented.

The fact is, USDA's complicated guidelines will result in hundreds and possibly thousands of product labels that must describe where animals were raised, where they were fed and where they were slaughtered.

Consumer research by the International Food Information Council suggests that the vast majority of consumers are not seeking more information on food labels. Those who are seeking more information did not request country or origin, according to the August 2002 research.

In short, the market should dictate country-of-origin labeling: if consumers want a country-of-origin label and are willing to pay the additional costs associated with such a program, the meat industry will meet that consumer demand, as it meets consumer demands for a wide variety of products.