Country Of Origin Labeling: Analysis of Select Amendments

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Ever wonder where your food comes from?

- Beef from Argentina
- Strawberries from South America
- Lettuce from California
- Belgian Chocolate

People need to know where their food comes from!!

Labeling has been around for a long time!

In 2002:

- Congress amended the Agricultural Marketing Act of 1946
- Birth of COOL – Country of Origin Labeling
- Incorporating COOL into the Farm Security and Rural Investment Act of 2002

COOL Timeline

- May 2002 - Mandatory COOL passed as part of Farm Bill
  - Scheduled for implementation on Sep. 30, 2004
- January 2004 - PL 108-199 delays MCOOL until Sep. 30, 2006
  - Except on fish and shellfish
- June 2004 - Goodlatte and Stenholm introduce voluntary COOL legislation
  - Would eliminate MCOOL and replace with voluntary system
  - 13 co-sponsors

Revisions:

After many delays and revisions finally on September 30, 2008 Country of Origin Labeling requirement finally went into effect.

The United States Department of Agriculture implementing mandatory COOL now required retailers and packers to label their products.

Clarity to the Bill:

The two biggest clarities in the bill are the definition of:

- *Raised* the clarity to the production steps, born, raised and slaughtered. It defines how the origin of covered commodities shall be labeled.
- *United States Country of Origin* was added to help address the issue of the lack of origin information on some animals which were currently residing in the United States.

Key Questions:

- Is this really necessary?
- What are the benefits of COOL?
- How much will COOL cost?
- What are the standards for verification and/or tractability?
- Does this address food safety/quality concerns?
- What are the implications for world trade?
- Will COOL affect all producers, processors, and retailers equally?

Requirements:

- Requires retailers legibly identify the country of origin on:
  - Beef, lamb, pork, fish and shellfish, fresh and frozen fruits and vegetables
  - All covered commodities which include muscle cuts of beef, lamb, and pork; ground beef, lamb, and pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agriculture commodities; and peanuts

The Label:

- Retailers may use:
  - A label
  - Stamp
  - Mark
  - Place Card
  - Sign
  - Sticker
  - Band/twist tie
  - Or other clear and visible sign on the product

What will COOL look like?

- "The information…may be provided to consumers by means of a label, stamp, mark, placard, or other clear and visible sign on the covered commodity or on the package, display, holding unit, or bin containing the commodity…"

§283(c) Retailers are subject to a fine of up to $10,000 per offense for willful violations

§283(a) Suppliers are subject to a fine of up to $10,000 per offense for violations

- Program administered by USDA Agricultural Marketing Service

Recording keeping

2008 Farm Bill made changes to the record keeping to help reduce the record keeping burden. Any person engaged in the business supplying product must have:

- Animal health papers
- Import or customs documents
- Producer affidavits
- Records would only be kept for one year

Assessing COOL Costs

- Two types of costs
  - Record-keeping costs
  - Operational costs (segregating foreign and domestic product)
- Cost estimates depend on assumptions related to
  - Amount of additional record-keeping required
  - Operational costs (mostly for intermediate firms)
- USDA has consistently argued that the law requires an auditable paper trail
  - Proposed rule incorporates this requirement
  - Arguments for 'assumption of U.S. origin' have been rejected

Opponents of COOL

- Consumers are not willing to pay more for products
- A significant pricing difference may exist
- Effect on exports

Proponents of COOL

- Enhances food safety and quality
- Improve the welfare of domestic livestock producers
- Helps consumers with additional information

What are the benefits of COOL?

- Increased demand (willingness to pay) for US product
  - Evidence for this effect does exist but is debatable (W. Umberger et al.)
  - Offsetting costs of implementation may not require large increases in demand (Lusk and Anderson; Brester)
  - Even if large percentage of consumers expresses a preference for domestic product, premiums will not necessarily result (Plain and Grimes)
- Provide additional information to consumers
  - Similar to food ingredient and nutrition labels (which were opposed by industry as well)
  - See transcripts of USDA listening sessions on COOL

How much will COOL cost?

- Early estimates varied widely
  - <$200 million (J. VanSickle et al.)
  - $2 billion (USDA-AMS - preliminary)
  - $3.6 - $5.6 billion (Sparks Co., Inc.)
  - $9 billion (E. Davis)
- Even latest USDA estimate based on proposed rule is somewhat vague
  - $582 million - $3.88 billion for first year of implementation
  - After implementation costs were way over forecasted by nearly a billion dollars

The Current Problem:

• COOL has been successfully implemented and has a strong working basis but facing a problem

• There is a current problem with processors labeling meats of multi-origin labels which defies the use of the label

• The only to completely take care of this problem is to amend the law of COOL prohibiting the multi-country label

Analysis:

•Currently processors are labeling a variety of meats with multi-country origins which does not label meats of their origin

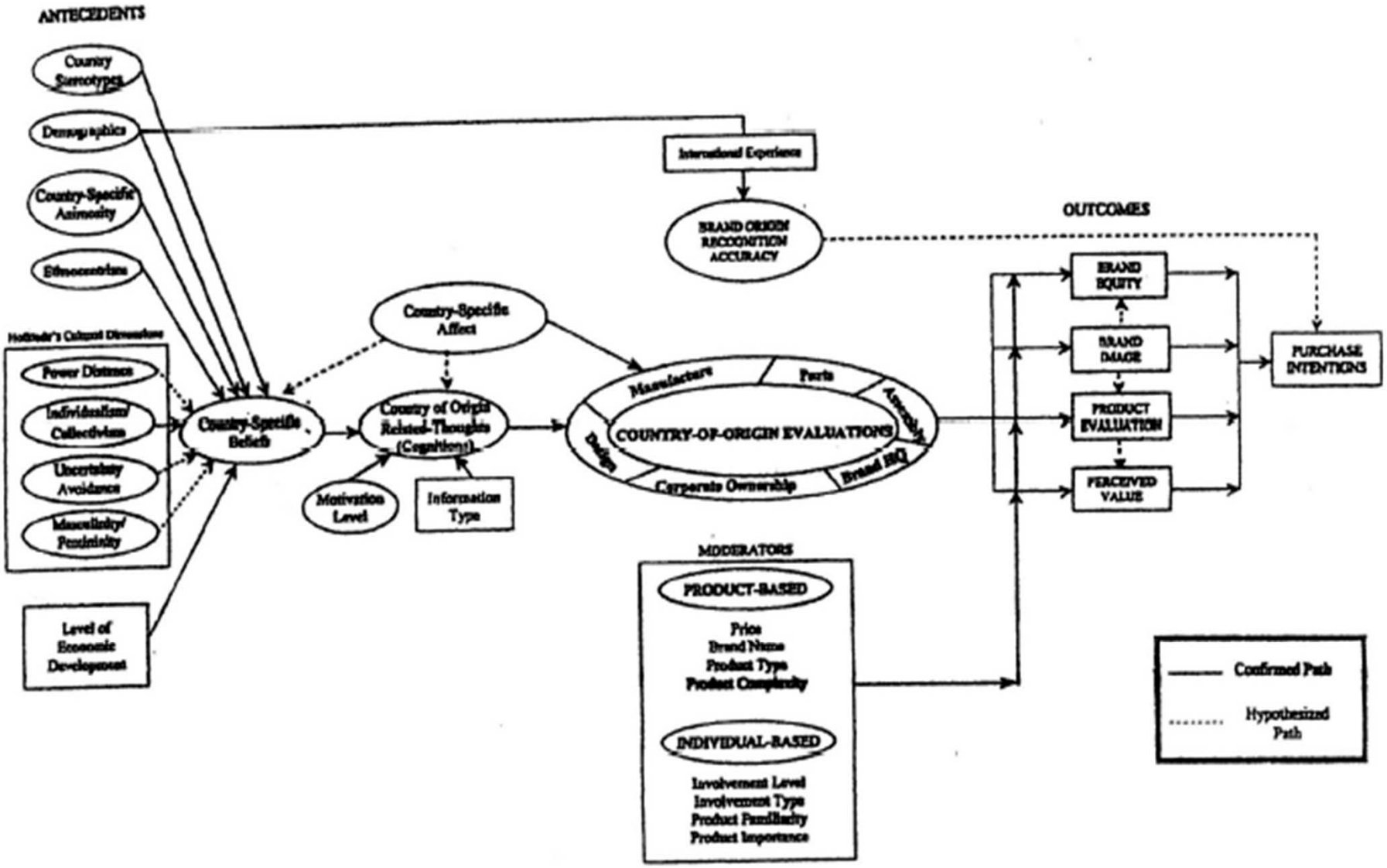
•To fix this I'm proposing an amendment of COOL to stop the co-mingling label

•With the use of this multi-origin label there is no benefit to the consumer on where product is from

•Looking at consumer preferences and willingness to pay to see if the amendment is worth while

•Willingness to pay

FIGURE 1
A HOLISTIC MODEL OF COUNTRY-OF-ORIGIN INFLUENCE: ANTECEDENTS, MODERATORS, AND OUTCOMES



Results:

- COOL is already implemented and running, and now with the new amendment its at full potential

- With COOL labeling the meats of exact origin consumers can now see the exact place their beef is from

- All studies reviewed showed that consumers were willing to pay over the extra costs for origin labeled beef

- The amendment is a successful addition to the COOL law to bring out its full potential to consumers

QUESTIONS?

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