Mandatory Regulations Posted

The proposed rule for mandatory country-of-origin labeling was released Oct. 30.

by ***Stephanie Veldman***

Using information gleaned from a dozen listening sessions and discussions with more than 70 trade and producer groups nationwide, the U.S. Department of Agriculture (USDA) has issued the proposed rule for mandatory country-of-origin labeling (often referred to as COOL or COL), said A.J. Yates, Agricultural Marketing Service (AMS) administrator, during a media briefing that outlined the proposed rule.

The USDA posted the proposed rule to the *Federal Register* Oct. 30 for a 60-day comment period. During the comment period, reactions to the rule may be sent via e-mail to cool@usda.gov.

The proposed rule highlights the products, or covered commodities, that will be labeled at the retail level to indicate their country of origin. Foodservice establishments are exempt from the proposed rule. Yates said covered commodities include muscle cuts of beef, pork and lamb; ground beef, ground pork and ground lamb; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities; and peanuts. For beef and other meat items, this includes labeling where an animal was born, raised and harvested.

Yates said processed food items are exempt from this proposed law. He defined a processed food item as "a covered commodity that has undergone a physical or chemical change and has a character that is different from that of a covered commodity."

Also exempt would be retail items derived from covered commodities that have been combined with other covered commodities. An example, Yates said, would be a shish kebab with both beef and lamb on the skewer.

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Economic impacts

Kenneth Clayton, AMS associate administrator, gave a brief overview of the economic analysis associated with implementing the mandatory country-of-origin law, including direct costs, benefits and economy-wide effects that go beyond those directly affected by the rule.

Direct costs include recordkeeping costs, which Clayton defined as "the need to develop systems to maintain records to pass information from one level of the marketing chain to another." He said the annual recordkeeping cost burden is estimated at $582 million for the first year of development and operation, with an additional $458 million for maintenance and operation of recordkeeping each year thereafter. This cost is significantly down from the USDA's first estimation of $1.9 billion.

In addition to recordkeeping costs, Clayton included capital costs — the cost of making modifications on processing plants. "Whether it be a processing plant that's handling both imported and domestic product and will need to be able to physically segregate product movement; or a retail distribution center where, again, product for tracking purposes will have to be handled differently than it has in the past," he said. "The cost range could go up into the neighborhood of $3.9 billion."

On the benefit side, Clayton said surveys have asked consumers if they would like to have the information country-of-origin labeling would provide.

But none of the surveys have involved consumers in the grocery store spending their own household budgets.

"Looking at all of that, we concluded that it really wasn't possible to identify, in any quantitative sense, a benefit that might accrue from the statute and its implementation through regulations," Clayton said.

The USDA used an Economic Research Service (ERS) model to determine the impact country-of-origin labeling could have on the entire economy. Clayton said the cost of the law and regulation on the U.S. economy would probably be in the range of $138 million to $596 million.

Clayton said the demand for the covered commodities would have to increase by 1%-5% for the economy to break even.

Split viewpoints

Trade groups on both sides of the issue have weighed in with their viewpoints about the proposed regulations.

The National Cattlemen's Beef Association (NCBA) and the National Pork Producer's Council (NPPC) held a joint teleconference to express their disappointment in the proposal.

John Caspers, president of NPPC, said country-of-origin labeling is "all cost and no benefits.

"This is going to destroy our exports," he said, adding that the USDA-released costs don't include the long-term effects on the pork industry's export markets.

Terry Stokes, chief executive officer (CEO) of NCBA, added that NCBA's members are hoping Congress can rework the law to help, not hinder, cattle producers and the rest of the beef industry.

Representatives from the National Farmers Union (NFU), the Organization for Competitive Markets (OCM) and the Ranchers-Cattlemen Action Legal Fund United Stockgrowers of America (R-CALF USA) said they believe significant progress has been made since the voluntary country-of-origin labeling guidelines were published last November.

Leo McDonnell, president of R-CALF USA, said, "For the most part, the process is working as USDA has clarified and corrected a number of deficiencies contained in its first draft."

For more information on the proposed mandatory country-of-origin labeling rule, visit *www.countryoforiginlabeling.info.* For a full transcript of the AMS media briefing visit *www.ams.usda.gov/cool.*

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