Country of Origin Labeling (COOL) is a topic of great interest to cattle and hog producers this fall. The 2002 Farm Bill required the USDA to implement Mandatory COOL by September 2004. The cattle and hogs born this fall will be marketed under the guidelines for COOL. There is many studies and discussion underway right now to analyze the impact COOL will have on the U.S. agriculture industry. I will discuss the commodities covered under Cool, the voluntary guidelines, and the impacts on the different sectors involved.

**Covered Commodities**

The 2002 Farm Bill, which became public Law 107-171 has mandated that by September 30, 2004 retailers have to provide information on the country of origin for covered commodities. The covered commodities were identified as “muscle cuts of beef (including veal), lamb, and pork; ground beef, ground lamb and ground pork; farm-raised fish and shellfish; wild fish and shellfish; perishable agricultural commodities (fresh and frozen fruits and vegetables); and peanuts. Retailers also have the burden of proof for the labels. “The law defines retailer according to the Perishable Agricultural Commodities Act as a Business that sells fresh or frozen fruit and vegetables with an annual invoice value of more than $230,000 (Lambert).” This excludes butcher shops, fish markets, and small grocery stores that either purchase fruit and vegetables at a level below this dollar amount or do not purchase fruit and vegetables at all (Fed. Register).
**Voluntary Cool Guidelines**

The law required the Department of Agriculture’s Agriculture Marketing Service to issue voluntary country of origin labeling (VCOOL) guidelines. These guidelines were released on October 11, 2002, and will be used as a guide for the mandatory Country of origin labeling (MCOOL). The USDA held a series of listening and education sessions in 12 states across the country to gain more public input and provide interested parties more information between March and June 2003 (Lambert). The USDA will use the voluntary guidelines and the educational sessions to develop the mandatory guidelines.

The law excludes a covered commodity from COOL when it is an ingredient in a processed food item. However the law does not define a processed food item. The Agricultural Marketing service defines a processed food in two ways. First, a processed food item is defined as a combination of ingredients that result in a product with an identity that is different from that of the covered commodity. Second, a commodity that is materially changed to the point that its character is substantially different from that of the covered commodity is deemed to be a processed food item. Examples include salmon when combined with other ingredients to produce sushi, ready to cook beef Wellington, cooking and curing products (e.g. the addition of nitrates), any restructured meat product, and canned seafood (tuna, sardines). Ground beef, lamb, and pork are specifically covered, but any ground meat containing added water, cereal, soy derivatives, or other extenders are not covered.
Under the VCOOL guidelines “beef, lamb and pork products … may use a “United States Country of Origin” label only if the product is born, raised, and slaughtered in the United States. However in the case of beef this definitions also includes cattle exclusively born and raised in Alaska or Hawaii and transported for a period not to exceed 60 days through Canada to the United States and Slaughtered in the United States (Fed. Register).” Peanuts and perishable agricultural commodities must be exclusively produced in the United States to carry the United States Country of Origin label.

Imported products under several different federal laws are currently required to provide country of origin to the “ultimate purchaser.” The ultimate purchaser has been defined as the last U.S. person who will receive the article in the form in which it was imported. This is not necessarily the consumer, if the product is processed further or repackaged then the country of origin label does not have to be displayed. Under MCOOL the country of origin label has to be maintained and provided for the consumer. If the product is produced and processed entirely outside of the U.S. the exporting company is considered as the country of origin. If the product is of mixed origin (i.e. born in country x raised in country y and slaughtered in United States) the AMS has set forth a labeling system that describes what production occurred in a foreign country and what production occurred in the U.S. For example a hog that was born and raised in Canada and then exported as a feeder pig to the United States the label will read “from Canadian hogs raised and slaughtered in the U.S.” or Born and raised in Canada, raised and Slaughtered in the U.S.” if a covered product is born and raised in
different countries before being imported into the United States, then the applicable federal laws at the time the product arrives at the U.S. port of entry will be used for labeling purposes. For example if a calf was born in country X and raised in country Y before being imported for slaughter in the U.S. and acceptable product label under VCOOL would be “From cattle imported from country Y, Slaughtered in the U.S.” However if all the production process information is known for the product that occurred in both countries it can be included on the label. For covered products that have mixed products such as ground meats the applicable country of origin labeling for each raw material source must be included on the label of the blended retail item by order of prominence by weight.

**Impact of COOL**

Many studies have been done to find the impact of MCOOL on the different industries, in this section I will discuss some of these studies and the effects they found. According to Dermot Hayes and Steve Meyer the Secretary of Agriculture is responsible with verifying the validity of the country of origin label. The Secretary may require the retailer to maintain a verifiable recordkeeping audit trail, but may not use a mandatory identification system to verify the country of origin. The retailer only has to be able to verify that the animals came from a specific country not exactly where they came from in that country. This can be accomplished with segregation, therefore traceability is not required. To see why segregation alone is needed take a retailer that buys a load of pork of unknown and possibly mixed origin from a packer. A segregation program would only require the packer to prove that all the pork was from
U.S. born and raised pork. The retailer and packer can achieve segregation by only buying hogs that are born and raised in the U.S. (Hayes and Meyers). Whereas traceability would require evidence that this was the case and require information on each animal that contributed to the load. This does not mean traceability cannot be implemented, but that the USDA cannot enforce it. Retailers could require it from their suppliers who would pass the requirements down the chain to the farmer.

Traceability is already implemented in the EU in response BSE or mad cow disease. Hayes and Meyers estimated the cost of implementing the EU system in the U.S. using the EU’s cost of implementation. The EU had some advantages to implementing their system, like the requirement of individual animal ID’s, smaller plants with slower line speeds, and the fact that a large portion of the EU's pork industry relies on sales of half-sides to butchers or supermarkets who further process the pork into sellable portions. The U.S. pork industry relies on boxed products or retail ready packs for a large portion of their sales. The estimated increase in cost from farmer to retail is $10.22 per animal or $4.00 per hundred pounds. With a traceable system would allow price signals to pass between consumer and producer leading to a safer and consumer oriented meat system. Branded high quality meats could be brought to market and producers receive a premium for the higher quality.

A segregation system would be cheaper to implement and the majority of U.S. pork and beef animals would not be affected. The Canadian and Mexican animals would be severely impacted. The easiest way for packers to implement segregation would be to process only U.S. born and raised animals. Otherwise major renovations
would need to be done to the processing plants to insure segregation. A processor could run a full days run of imported animals but they would still need extra pen space to keep the segregation and the imported animals would have to be cheap enough to cover the extra costs. This assumes that the U.S. consumer would not pay extra for imported beef or pork. Not only would the processor have to keep segregation but the shipper and retailer would have to maintain separate facilities for each countries product. A packer interviewed for the study done by Hayes and Meyers said they would refuse to slaughter any non-U.S. hogs so as to avoid the burdens associated with maintaining two separate production and distribution systems. Under the segregation system there is no incentive to enhance quality or food safety in products brought to market.

A study done by Derrell Peel on the impact of COOL on the Mexican beef cattle industry suggested that in the long run the cattle prices would be reduced. The U.S. imports about 1 million head of cattle from Mexico per year. Assuming COOL increases the costs of segregating and managing import cattle to the point where we no longer import cattle from Mexico. This would result in increased fed beef and total cattle slaughtered in Mexico. This would results in Mexico importing fewer fed beef, but cow imports by Mexico would nearly double. The resulting loss of exported fed beef and loss of cull cow slaughter due to the cow imports by Mexico would cause U.S. calf prices to fall by $1.13 per cwt., feeder cattle prices to decrease by $0.56 per cwt., and fed cattle prices to decline by $0.35 per cwt. This report assumed that the U.S. felt the full effect of reduced Mexican imports and that nothing else was changing in the
international beef market, but if Mexico is affected by COOL Canada will also feel the effects.

A study looking at the effects of COOL on the U.S. hog industry if imports of Canadian Hogs were stopped found similar results as the Mexican beef study. This study found that about 1,000 independent hog farms would be lost in the Midwest and up to five hog packing plants and up to 8,000 jobs would be lost. They also found that hog prices would be lower by about 30% (Grier and Kohl). The loss of about 4.1 million head of pork imported from Canada would cause a great economic loss to farmers, packers, and retailers. Since these pigs are imported due to demand they will eventually be produced in the U.S., but by whom. Will the huge factory farms get bigger or will there be more of them. This seems to be good news for U.S. pork producers because the demand will increase the hog prices, but Canada now has 4.1 million head per year they can process themselves. Granted the numbers in Canada will decrease but not as much as it will increase in the U.S. Canada will now be export competition with the U.S. causing the U.S. export demand to decrease. The overall long term effect will be lower prices in North America (Grier and Kohl).

Several studies have estimated costs for the cattle/beef and hog/pork sectors at between $1-3 billion annually for implementing COOL (Collins). These costs are from the farmer to the retailer. The major question is who will bear the additional costs and is the consumer willing to pay part of this cost. If consumers were willing to pay a premium for the guarantee that a product came from a specific country someone in the industry would have tried to capture these higher prices. Premium Standard Farms only
process hogs that they raise themselves. They have met the necessary requirements for COOL but have not labeled their product as such.

Summary

The USDA has done extensive work on COOL, and they are now working on the guidelines for Mandatory COOL. Congress is still holding hearings on COOL and they are talking to representatives from all sectors affected. COOL may give the consumer more information about the food they eat it will cost more than the information is worth. The U.S. farmer will get less for the commodities they produce while the consumer will have to pay more at the retail outlet for them.
References


