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Country of Origin Labeling: An Update

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Country of Origin Labeling: An Update

Market Report	Yr Ago	4 Wks Ago	11/7/03
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$68.18	\$99.15	\$105.66
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	84.09	*	102.82
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	85.64	*	108.45
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	102.92	154.99	163.06
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	29.00	38.00	35.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	29.50	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	81.21	96.09	90.20
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	89.12	89.00
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	158.81	180.79	181.28
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	4.39	3.25	3.63
Corn, No. 2, Yellow Omaha, bu	2.26	2.01	2.23
Soybeans, No. 1, Yellow Omaha, bu	5.45	6.95	7.30
Grain Sorghum, No. 2, Yellow Kansas City, cwt	4.47	3.95	4.42
Oats, No. 2, Heavy Minneapolis, MN, bu	2.11	1.58	1.62
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	150.00	130.00	130.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	80.00	65.00	62.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	115.00	*	*
* No market.			

Another step in the multi-year development and implementation of Country of Origin Labeling (COOL) was completed at the end of October when USDA's Agricultural Marketing Service (AMS) published proposed rules for mandatory COOL. These proposed rules, published in the Federal Register on October 30, 2003, provided AMS's requirements for compliance with COOL and clarification of some issues raised through public comment on the voluntary COOL guidelines released last year. Additionally, AMS offered a summary of research identifying costs and benefits of the program and its own cost assessment.

Publication of the proposed rules for mandatory COOL follows publication of the rules for voluntary COOL on October 11, 2002, and a lengthy public comment period and industry debate on the program's costs and benefits. Voluntary and mandatory COOL were statutorily created by the Farm Security and Rural Investment (FSRI) Act of 2002. The voluntary COOL program, available from October 2002 through September 30, 2004, was intended to be a way to "phase in" mandatory COOL. Although the voluntary COOL guidelines have provided the industry with useful information to prepare for mandatory COOL, the voluntary program has largely been unused due to the logical difficulties throughout the supply chains to comply with the program's requirements in a short time period.

Mandatory COOL requires covered commodities sold at certain retail establishments to be labeled as to the country(ies) of origin by September 30, 2004. Covered commodities include beef, pork and lamb muscle cuts, and ground product, farm raised and wild fish, peanuts and fresh and frozen fruits and vegetables. However, the covered commodities are exempt from COOL if they are sold in food service establishments, retail stores with less than \$230,000/year in fruit and vegetable sales or are used as ingredients in other food products. For meat products to be labeled as U.S. origin, they must be derived exclusively from animals born, raised and slaughtered in the U.S. Because the FSRI Act specifically prohibited USDA from



creating a national mandatory identification system, the industry will use an auditable certification system to document COOL information displayed on labels. Such a system will be created by industry, in conformance with AMS performance standards, to utilize existing and new record keeping practices and likely affidavits accompanying sales transactions that 1) specify the necessary COOL information, 2) provide assurance that sellers' records can document/verify the COOL information, and 3) the buyer can access the sellers' records for audits.

Few substantial changes were made in the proposed rules for mandatory COOL relative to the voluntary COOL guidelines. However, AMS did propose some changes in mandatory COOL based on public comments:

- The requirement that origin be listed in order of prominence by weight on products of mixed or blended origin (e.g., ground beef originating from U.S. and other countries) was changed to allow the label to list the origins alphabetically. This simplifies the process of labeling mixed/blended origin product because less tracking will need to be done and fewer labels created to comply with this regulation.
- Notification of origin requirements for Internet sales were changed to allow notification to be made at time of delivery instead of time of purchase.
- Retailers would not be liable for mislabeling violations if the violation was caused by suppliers and the retailers could not reasonably be expected to know of the violation.
- The COOL regulation requires that origin-documenting records be retained for 2 years. The proposed rules clarified that retailers did not have to keep the records on site at individual stores for two years, but instead a more central record storage system may be used.

In addition to these changes, the proposed rules clarified that livestock (e.g., cattle, hogs and sheep) are not covered commodities and are thus not covered under the COOL law. However, the proposed rules state that "any person engaged in the business of supplying a covered commodity to a retailer, whether directly or indirectly, would be required to maintain records to establish and identify the immediate previous source and immediate subsequent recipient of a covered commodity." Thus, as indirect suppliers of retailers, livestock producers are specifically required to provide COOL documentation to processors and/or retailers.

For livestock producers, this may mean documenting the birth location along with other birth records (e.g., date, weight, dam/sire) and maintaining records that substantiate the production process on the farm (e.g., feed expenses, etc.). It is also likely to include signing an affidavit that indicates the origin and that records exist to document the origin claim being made.

What didn't the proposed rules change for mandatory COOL? USDA-AMS received numerous comments proposing to adopt a presumption of U.S. origin for all products unless they crossed the border from another country. AMS did not adopt presumption of U.S. origin, citing that the statute in the FSRI Act is specific in its requirement that *all* covered commodities be labeled. Because accuracy of labels on retail products would need to be verifiable, certification of both domestic and imported product would be necessary. Further, the requirement that labels for meat products include where the animal from which it was derived was born, raised and slaughtered also would require that the veracity of each of the "born, raised and slaughtered" components be verifiable.

What's the next step? USDA-AMS is inviting comment on the proposed rules for mandatory COOL until December 29, 2003 (60-day public comment period). Details are provided in the proposed rule (available through the website below) for submitting comments. Currently, attempts are being made to legislatively reduce, eliminate or not fund enforcement of COOL. However, given a recent "sense of the Senate" vote, the current prospects of implementing and enforcing COOL in a form similar to that proposed appear likely. Thus, livestock producers should begin to document origin of any livestock purchased or born on their farm that could conceivably be sold in retail outlets after September 30, 2003.

For More Information, Visit NU Cooperative Extension's COOL Website at:

<http://agecon.unl.edu/mark/COOL/index.htm>

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