



J. Patrick Boyle
President and CEO

June 13, 2007

Mr. Bill Bullard
CEO
RCALF
P.O. Box 30715
Billings, MT 59107

Dear Bill:

Federal law requires that country-of-origin labeling (COL) appear on certain “covered commodities” sold by grocery retailers effective September 30, 2008.^[1] The American Meat Institute (AMI) adamantly opposes mandatory COL because it is a costly, burdensome law that will not benefit consumers, producers or packers. Indeed, mandatory COL will only place meat products at a competitive disadvantage with respect to other protein sources, as well as in our export markets.

Nonetheless, absent Congressional action, in approximately 15 months mandatory COL will become effective and the meatpacking industry’s retail customers have begun advising us of their expectations concerning mandatory COL. To that end, this letter is intended to advise you that your members soon will begin receiving correspondence from packers outlining what will be expected from producers to ensure compliance with mandatory COL.

The Agricultural Marketing Service (AMS or the agency), the agency within the United States Department of Agriculture that administers the COL law, published in the *Federal Register* on October 30, 2003, a proposed rule, as well as other guidance, concerning how the agency likely will view the statutory and regulatory obligations of those involved in selling or providing covered commodities. Importantly, the proposed rule would, if promulgated as a final rule, establish an affirmative obligation on meatpackers that slaughter livestock either 1) to have in their possession records verifying the country-of-origin of the covered commodities supplied to retailers or 2) to have “legal access” to such records if they are retained by those persons who supply livestock to the packer. In that regard, because a meatpacker is the covered commodity supplier responsible for initiating a country-of-origin declaration, the packer must

^[1] For purposes of this letter, the relevant “covered commodities” include fresh muscle cuts of beef, pork, and lamb, and ground beef, ground pork, and ground lamb.

“possess or have legal access to records that substantiate that claim.”^[2] This requirement would mean that the packer must be able to substantiate the country-of-origin of the livestock it purchased, which is the only way the packer can provide accurate information as to the country-of-origin of the meat it sells as a covered commodity.

Should such a provision be adopted in a final rule, as seems likely to ensure the integrity of label declarations, packers will be forced to require that their livestock suppliers deliver COL records when the livestock are delivered. An alternative is to insist, as a condition of purchase of livestock, that the packer have access to the COL records in the livestock supplier’s possession. Failure by a packer to meet one of those two regulatory options could constitute a violation of the law and subject the packer to civil penalties.

The meatpacking industry is committed to complying with the law’s requirements if mandatory COL becomes effective. Considering the substantial penalties that could be levied against our members if they provide inaccurate COL information to their customers, I am taking this opportunity to advise you what AMI is recommending its members demand from their livestock suppliers.^[3] In order to meet both the law’s and the retail customers’ requirements, livestock producers will need to provide packers with verifiable information regarding the location or locations as to where animals that were sold were born and raised.

Significantly, AMS has indicated that self-certification by a supplier as to where livestock were born and raised will not satisfy the COL requirements, nor will AMS certify where livestock were born or raised. In addition, a number of retailers have indicated that they will require verifiable records and they too will not accept self-certification. Livestock suppliers must be able to provide evidence of the record-keeping programs that allow them to collect and maintain this important information. Only the livestock supplier can document and verify where the livestock they sell were born and where they were raised and those suppliers will be responsible for maintaining that recordkeeping system, as well as possibly bearing the costs of audits to ensure the accuracy of the information you provide to us.

AMI is recommending to its members the following. To enable packers to comply with the law’s requirements and to satisfy the demands of retail customers, packers should demand the following from livestock suppliers:

1. Provide verified documentation of where the livestock purchased were born and raised;
2. Provide an affidavit or declaration with each load of livestock purchases stating that there is a verifiable audit trail in place that identifies where the livestock in each load were born and raised;

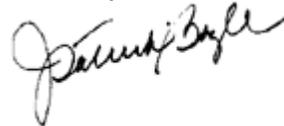
^[2] Unclear is whether meat processors that receive meat trimmings and convert them into ground beef would also be “initiating” suppliers because they are the first entity in that circumstance to create a covered commodity, *i.e.*, ground beef.

^[3] The law provides for civil penalties of up to \$10,000 per violation.

3. Provide access to records so that the packer can perform audits as necessary to satisfy retail customers, ensuring that an accurate record-keeping system exists and that it has been or is being verified by an acceptable third-party; and
4. Indemnify the packer for liability incurred that results from inaccurate information provided to the packer.

AMI believes a voluntary COL program is better than a mandatory program because of the unnecessary burdens and costs on packers and producers that mandatory COL will impose. However, given the current circumstances, the meat industry as a whole must begin to prepare for mandatory COL. If you have any questions about anything in this letter or anything else regarding mandatory country-of-origin labeling, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Patrick Boyle". The signature is written in a cursive style with a large initial "J" and "B".

J. Patrick Boyle