PRODUCER EXPECTATIONS FOR COUNTRY OF ORIGIN LABELING

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PRODUCER EXPECTATIONS FOR COUNTRY OF ORIGIN LABELING

R-CALF USA Represents the U.S. Live Cattle Industry

R-CALF United Stockgrowers of America (R-CALF USA) is a non-profit association representing U.S. cattle producers in the areas of trade and marketing. R-CALF USA is dedicated to ensuring the continued profitability and viability of the U.S. cattle industry. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and independent feedlot owners. It has 8400 members located in 43 states, and the organization has over 35 local and state cattle association affiliates. Various main street businesses are associate members of R-CALF USA.

COOL Means a Mandatory Program

Before addressing the general topic of expectations, it is important to differentiate between voluntary country of origin labeling and mandatory country of origin labeling.

The USDA Food Safety Inspection Service (FSIS) administers a program allowing fresh beef to be labeled as 'U.S.A. Beef' or 'Fresh American Beef' if the beef was derived from cattle that were born, raised, slaughtered, and prepared in the United States.[1] This program allows producers and processors to voluntarily label products as long as testimonials and affidavits are provided to substantiate that cattle were born, raised, slaughtered, and processed in the United States.[2] The FSIS has operated this program since 1970.[3] Thus, the United States already has a voluntary labeling program and no new legislation is required to effect voluntary country of origin labeling of United State's produced beef.

R-CALF USA recognizes that a pronouncement of support for a voluntary program is merely a call for the status quo—the current condition characterized by little or no labeling of U.S. beef products with a country of origin label. Therefore, for purposes of this presentation, all references to country of origin labeling (COOL) will mean mandatory COOL unless otherwise specified.

Benefits of COOL

1) Labeling will allow consumers to choose between U.S. beef and foreign beef. If they choose U.S. beef, demand for U.S. beef should increase causing the demand for domestic live cattle to also increase. Increased demand for domestic live cattle should translate into higher domestic live cattle prices for U.S. producers.

2) Labeling will allow U.S. producers to begin promoting, marketing, and advertising beef born, raised, and processed in the United States, thus giving U.S. producers an opportunity to further increase demand for their domestic live cattle. COOL opponents recognize this potential benefit.

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[1] Federal Register, Vol. 66, No. 152, August 7, 2001.
[2] *Id.*
[3] 9 CFR 317.8.

According to a recent article in "The Packer Online," Deborah White, regulatory counsel for the Food Marketing Institute (FMI) said of COOL, "This is about protecting the domestic industry and increasing sales."[4] Thus, critics understand that COOL will give U.S. producers market power at the retail counter.

3) U.S. producers are mandated to contribute to the Beef Check-Off program and have already invested approximately $1 billion for beef research and promotion. However, it is foolish to talk about the competitiveness of U.S. producers if they can't differentiate their production from imported products. How can U.S. producers capitalize on the unique characteristics of their domestic production if the consumer can't tell the difference between a domestic product and an imported product? COOL will enable producers to promote their product and, therefore, engage in competition.

4) If any one of the 17 countries that imported beef into the U.S. last year reports an outbreak of a meat-borne illness, labeled meat from the infected country can be immediately removed from retail shelves.[5] Without labeling, what are U.S. producers supposed to do if we hear an announcement of a food-borne illness from one of our trading partners? Consumers will want to know that the beef they're buying is not from the infected country. But U.S. producers will be left without any means of instilling consumer confidence in their product. We'll have to just shrug our shoulders while consumers quit buying beef. COOL could prevent tremendous losses to the U.S. cattle industry as U.S. consumers will have confidence that the USA labeled product is not affected by any foreign recall.

5) Cattle in foreign countries are not raised according to the same standards as in the U.S. It is common knowledge that we don't have harmonization of chemical and pesticide use among our trading partners. U.S. producers have a great story to tell to consumers. We are proud of the fact that we produce beef under the very best of conditions, and in harmony with our environment. In fact, many of our state cattle associations offer annual awards for conservation and environmental stewardship. Consumers find great value in products raised in harmony with the environment. We're tired of our product being commingled with products raised under very different circumstances and not being able to tell our story to consumers at the retail counter. With labeling, U.S. producers can capitalize on the fact that their cattle are produced under the most stringent health and environmental standards.

6) Country of Origin Labeling will empower consumers to choose the level of risk they are willing to assume when purchasing food for their families. According to data from the Foreign Agricultural Service, and as shown in Figure 1, the United States imported fresh and chilled beef & veal in 2001 from Austria, Italy, Netherlands, and Switzerland. As Figure 2 shows, the Office International des Epizooties, a worldwide agency linked from the USDA Animal Plant Health Inspection Service-USDA webpage,[6] the countries of Austria, Italy, Netherlands, and

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[4] Ben Wood, The Packer Online, Origin Labeling Draws Crowd at United Workshop, February 26, 2003.

[5] Foreign Agriculture Service-United States Department of Agriculture, FAS Agricultural Import Commodity Aggregations, obtained from the Internet at http://www.fas.usda.gov/ustrdscripts/USReport.exe, March 10, 2003.

[6] Animal Plant Health Inspection Service-USDA, Bovine Spongiform Encephalopathy (BSE), Overview, obtained from the Internet at http://www.aphis.usda.gov/lpa/issues/bse/bse-overview.html, on March 10, 2003.

Switzerland all had reported cases of BSE either in or before 2001.[7] Moreover, according to the Foreign Agricultural Services, the United States continued to import fresh and chilled beef and veal from the Netherlands and Spain in 2002, although both countries had reported cases of BSE in 2001.[8] Over a year ago, in February of 2002, R-CALF USA tried to work with USDA to either confirm or deny this data. R-CALF USA submitted two separate requests to the USDA under the Freedom of Information Act seeking clarification regarding the specific nature and amount of fresh and chilled beef and veal imported from these countries. To date, USDA remains unresponsive to these requests. The relevance of this information is obvious. Without country of origin labeling, U.S. consumers have no way of affording themselves with any more protection than is currently offered by USDA. With country of origin labeling, consumers can choose to buy beef from countries in which they, themselves, have confidence in.

Consumers Want COOL

R-CALF USA has developed strong relationships with U.S. consumer groups. Too often agriculture is viewed as comprised of only 2 percent of the population—giving the impression that very few Americans have a direct stake in its future. However, 100 percent of food-consuming Americans have a direct stake in U.S. agriculture and we're working to further involve them in issues that affect their food supply.

According to a January 2000 report on Mandatory COOL completed by the Food Safety and Inspection Service (FSIS), the NCBA publicly announced the findings of a national poll conducted in 1998 by Wirthlin Worldwide which showed that consumers overwhelmingly support the concept of putting country of origin labels on fresh meat in the supermarket. This was over 4 years ago. FSIS reported that NCBA subsequently announced the results of a March 1999 follow-up poll revealing that 86 percent of consumers agreed with a statement that the United States should require labels on meat that show country of origin.[9]

According to the Packers newspaper's Fresh Trends 2002 survey, 78 percent of respondents favored mandatory country of origin labeling.[10] According to a recently released survey by North Carolina State University, "[T]he preference for U.S. produced and processed foods holds even when the pocketbook test is posed to the sample members. Fully two-thirds (68 percent) say they would pay more for food grown in the U.S. rather than abroad."[11] Moreover, the survey revealed that Americans do trust U.S.-grown meat but they do not trust meat from other countries very much. "92 percent say they would eat meat produced in the United States. But

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[7] Office International des Epizooties, Number of Reported Cases of Bovine Spongiform Encephalapathy (BSE) Worldwide (excluding the United Kingdom), obtained from the Internet at http://www.oie.int/eng/info/en_esbmonde.htm, on March 10, 2003.
[8] *Id.*
[9] Food Safety and Inspection Service-USDA, Mandatory Country of Origin Labeling of Imported Fresh Muscle Cuts of Beef and Lamb, January 2000, Page 24, obtained from the Internet at http://www.fsis.usda.gov/oa/congress/cool.htm, on March 10, 2003.
[10] Florida Fruit and Vegetable Association, Harvester, February 2002, obtained from the Internet at http://www.ffva.com/harvr/feb02_label.shtml, on March 10, 2003.
[11] Food from Our Changing World: The Globalization of Food and How Americans Feel About It, North Carolina State University, February 24, 2003, obtained from the Internet at http://sasw.chass.ncsu.edu/global-food/foodglobal.html, on March 10, 2003.

only 21 percent say yes to eating South American meat while just 14 percent would eat meat from England and merely 10 percent would eat meat from other European countries."[12]

Cattle Producers Overwhelmingly Support COOL

In a December 2, 2001, letter sent to the United States Senate and House agriculture committee chairs and ranking members, 76 United States local, state, and national cattle associations from 27 states wrote a letter urging Congress to pass country of origin labeling containing the following elements, "1) Mandatory country of origin labeling for beef, lamb, pork, fish, fruits, vegetables, and peanuts. 2) Only meat from animals exclusively born, raised, and slaughtered in the United States shall be eligible for a USA label."[13]

A cattle producer survey commissioned by the Kansas Cattlemen's Association and conducted by RJW Research Partners, Dodge City, Kansas, was released on July 29, 2002. RJW Research Partners mailed 1,250 questionnaires to "a select target audience of what the agricultural research industry terms Class IA producers, or those with income from beef production at $100,000 or above. The list was purchased from *High Plains Journal*, using a random selection (nth names) of the target audience. *High Plains Journal* has a high quality list, due to being an entirely paid subscription publication."[14] The survey revealed that 74 percent of respondents strongly agreed that "All meat coming from outside the USA IS AN IMPORTANT THING for you, as a consumer, to know." The survey also revealed that 87 percent of respondents strongly agreed that all meat coming from outside the USA should be labeled with country of origin.[15]

State of the U.S. Cattle Industry

Cattle and beef production comprises the single largest sector of U.S. agriculture. Cattle are raised in all fifty states. Half of all U.S. farms have beef cattle as part of their operations.[16] Given its size, the cattle and beef industry is of paramount importance to the rural economy of the country.

U.S. cattle producers, and by extension America's rural communities, are experiencing a historically difficult period. While many sectors of our national economy enjoyed an extended period of expansion during the 90s, the cattle industry headed the other direction. The U.S. Department of Agriculture (USDA) forecasts that the U.S. cattle herd will undergo its seventh consecutive year of contraction in 2003.[17] USDA predicts that as of January 1, 2003, the U.S. cattle population fell to 95.6 million, its lowest number since 1959.[18] USDA estimates that this

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[12] *Id.*
[13] Letter to Chairman Harkin and Combest, Senator Lugar, and Representative Stenholm, December 2, 2002, obtained from the Internet at http://rcalf.com/COOL/27_states.htm, on March 11, 2003.
[14] RJW Research Partners, Beef Industry Producer's Questionnaire, July 29, 2002, obtained from the Internet at http://www.kansascattlemen.com/archives/00000024.htm, on March 11, 2003.
[15] *Id.*
[16] U.S. Department of Agriculture, *Where's the Beef? Small Farms Produce Majority of Cattle*, Agricultural Outlook, December 2002, at 21.
[17] U.S. Department of Agriculture, *World Beef Trade Overview*, October 17, 2002, *available at* http://www.fas.usda.gov/dlp/circular/2002/02-10LP/beefoverview.html, retrieved January 8, 2003.
[18] *Id.*

decline will continue in 2003.[19] The U.S. calf crop in 2003 is predicted to be the smallest since the mid-1950s.[20]

Alarmingly, the average returns to U.S. cow/calf producers during the 1992-2001 decade fell to *negative* $30.40 per bred cow per year.[21] Another sector of the cattle industry, cattle feeders, suffered markedly in 2002 with losses ranging from $50 to $75 per head and an estimated $2.5 billion loss in equity.[22] According to USDA, the weak state of the U.S. livestock sector has had "a dramatic impact on U.S. net farm income," which was forecast as $36.2 billion for 2002, a decrease of approximately $10 billion from 2001.[23] The USDA National Agriculture Statistics Service (NASS) reports that United States beef cow operations have declined by approximately 200,000 operations since 1987, with the steepest decline occurring from 1996 through 2001.[24] The total number of United States beef cow operations in 2001 was 814,400.[25] Approximately 27,000 United States cattle operations (beef and dairy) exited the industry in 2001.[26] In 2002 the number of beef cow operations fell to 805,100, indicating that 8,570 beef cow operations left the industry in 2002.[27]

The depressed state of the U.S. cattle sector can be attributed in large part to concentration in the U.S. beef packing industry. This industry is dominated by just four firms whose combined share of the market is 80 percent.[28] Packers are able to use imported beef and cattle to drive down prices received in the U.S. cattle market.

United States Cattle Producers Are Losing Market Share to Imports

The cattle industry is highly sensitive to changes in the volume of beef in the market, both domestic and imported, due to the disproportionate impact of changes in supply on prices. According to Chuck Lambert, Chief Economist at the National Cattlemen's Beef Association, "The rule of thumb is that a 10% increase in beef supply results in a 15% to 20% decrease in

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[19] U.S. Department of Agriculture, *Meat Production in 2003 Essentially Unchanged*, Agricultural Outlook, June-July 2002, at 3.
[20] *Id*.
[21] U.S. Cow-Calf Production Cash Costs and Returns, 1990-95; 1996-99; 2000-2001, Economic Research Service/USDA, available at http://www.ers.usda.gov/data/farmincome/CAR/DATA/Appendix/Cowcalf/US9095.xls; http://www.ers.usda.gov/data/farmincome/CAR/DATA/History/CowCalf/US9699.xls; and http://www.ers.usda.gov/data/CostsAndReturns/data/current/C-Cowc.xls, retrieved from the internet on October 18, 2002.
[22] *Feeders Find Ways to Reduce Losses*, Cattle Buyers Weekly, September 30, 2002.
[23] U.S. Department of Agriculture, *Farm Household Income Fares Better Than Farm Business*, Agricultural Outlook, December 2002, at 6.
[24] Number of All Cattle and Beef Cow Operations, United States, 1987-2001, National Agricultural Statistics Service - USDA, Cattle Graphics, available at http://www.usda.gov/nass/aggraphs/acbc_ops.htm, obtained from the internet on October 17, 2002.
[25] *Id.*
[26] *Id.*
[27] Number of All Cattle and Beef Cow Operations, United States, 1987-2002, National Agricultural Statistics Service - USDA, Cattle Graphics, available at http://www.usda.gov/nass/aggraphs/acbc_ops.htm, obtained from the internet on March 18, 2003.
[28] Richard J. Sexton, *Market consolidation poses challenges for food industry*, California Agriculture, Vol. 56, No. 5, September-October 2002, at 146.

price."[29] Even small increases in supply – as little as 2 to 3 percent – can have significant downward effects on price.[30] Thus, increased beef imports can significantly affect the price received by U.S. cattle producers.

Beef and live cattle imports have increased significantly in recent years, with beef imports increasing from 2.1 billion pounds in 1996 to 3.2 billion pounds in 2001.[31] Live cattle imports increased from 2 million head to 2.4 million head during the same period.[32] Combined, these imports caused the United States trade deficit (total beef and cattle imports minus beef and cattle exports) for cattle and beef to grow from 1.5 billion pounds in 1996 to 2.4 billion pounds in 2001. The United States is supplanting its domestic production with imported beef and live cattle at an alarming pace. As Figure 3 reveals, imports have been outpacing the decline of the U.S. cattle herd since 1996. We will probably continue to lose market share until U.S. producers can begin differentiating their domestic product from their competitor's foreign product. It is simply too easy for packers and retailers to perpetuate the misperception that beef marked by a USDA inspection or grade stamp must be of U.S. origin, even when it is not.

Federal Officials Know There's a Problem; But No Solutions are Offered

During the 1998-1999 trade investigation cases filed by R-CALF USA against the dumping of Canadian cattle into the U.S. market, then Chairman of the International Trade Commission Lynn M. Bragg said, "[R]elatively small volume of imports can have a significant effect on domestic prices."[33] Chairman Bragg also said, "The concentration of packers increases the packers' leverage relative to cattle producers, thus providing packers the ability to use imports to reduce domestic live cattle prices and/or price increases."[34]

The potential for imports to restrain prices was addressed by the Republican Commissioners of the United States Trade Deficit Review Commission in their November 14, 2000, report. The Republican Commissioners stated, "[E]asy availability of imports can limit price increases either by expanding available supply or reducing the ability of businesses to raise prices in order to

[29] Chuck Lambert, Chief Economist, NCBA, *Beef Today*, (Sept. 1997).
[30] *See* Sparks Companies Inc., "Potential Impacts of the Proposed Ban on Packer Ownership and Feeding of Livestock", A Special Study, (March 18, 2002) at 37 ("In general, prices decrease 1% for each 0.6% increase in beef production (consumption = production for beef))."
[31] 1996 beef import volumes found at Table 44, Total U.S. Beef and Veal Imports, 1971-2000, Red Meat Yearbook, Economic Research Service – USDA, available at http://jan.mannlib.cornell.edu/data-sets/livestock/94006/usimports.xls, obtained from the internet on October 23, 2002. 2001 beef import volumes found at Leland Southard, Livestock, Dairy, and Poultry Outlook, Economic Research Service – USDA, July 23, 2002.
[32] Total U.S. Cattle Imports, Table-49, Bureau of Census, Department of Commerce.
[33] Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386 (Preliminary) and 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 21, aff'd, Ranchers-Cattlemen Action Legal Foundation v. United States, 23 CIT __, Slip Op. 99-122 (November 5, 1999). See, e.g., USX Corp. v. United States, 655 F. Supp. 487, 490 (CIT 1987) ("it is the significance of a quantity of imports, and not absolute volume alone, that must guide the ITC's analysis under section 1677(7)").
[34] U.S. International Trade Commission, *Live Cattle from Canada,* Pub. 3255, (Washington, D.C., November 1999), at 50.

pass on increases in their costs."[35] In the case of live cattle producers, it is the "expanding available supply" that limits price increases.

United States Consumers Are Not Benefiting from Cattle/Beef Trade Deficit: Consumers Paying Record Retail Prices While U.S. Cattle Producers Receive Depressed Prices (Pre-1993 Prices)

Consumers have not seen a reduction in the price of retail beef that a competitive market would predict when either input costs associated with the final product are drastically reduced, i.e., cheaper imported beef, or when increased supplies are available in the market, i.e., expanded imports. As revealed by Figure 4, during the period from 1993 to 2002, live cattle prices fell from $.77 per pond to $.67 per pound, a $.10 per pound decrease. During the same period, retail beef prices climbed from $2.93 per pound to a near-record $3.32 per pound, a $.39 per pound increase. The $.10 decline in live cattle prices from 1993 to 2002 represents a reduction of producer income of 13 percent (for a 1250 lb. average steer, this is a decrease of $125 per steer). The increase in retail prices from 1993 to 2002 represents a 13 percent increase in food costs to consumers (representing a $195 increase per animal based on a live steer equivalent).[36] Again, a competitive market would not predict this outcome, especially not in the long-term. Obviously, consumers are also being harmed by the non-competitive forces influencing our markets.

COOL is the Pro-Competitive Tool U.S. Producers and Consumers Need to Restore Competitive Forces to the Marketplace

All competitive markets require information/disclosure to function properly. However, without labeling, volumes of imported beef are undifferentiated from domestic beef. Consumers, therefore, cannot choose and cannot infuse anything but a "generic" demand signal into the marketplace. Moreover, as long as consumer demand signals cannot be targeted to a particular country's product, then the retailer and meat packer become the sole determinants of where they will source their inventories to satisfy this "generic" consumer demand. Clearly, this affords tremendous and unjust market power to meat packers and retailers. Hence their current ability to sell beef at record prices while producer prices are continually depressed. COOL will empower consumers by enabling them to target their demand signals to the country or countries of their choosing. Importantly, with labeling U.S. producers will be able to market and promote their USA product with the intent of capturing an increased share of those consumer demand signals.

Powerful Forces Are Working to Repeal COOL

Several of the nation's major packers have sent letters to U.S. producers attempting to coerce them into supporting the packer's efforts to repeal COOL. These packers have disseminated false and misleading information and have threatened U.S. producers with lower prices, inability to market livestock, and packer-initiated audits. R-CALF USA filed a formal complaint against

[35] United States Trade Deficit Review Commission, Report of "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," (November 14, 2000), Chapter 2 – Republican Commissioners' Views – Causes, at 26, Obtained from the Internet at www.ustdrc.gov/reports/finalrept-contents.html.
[36] Economic Research Service-USDA, Choice Beef Values and Spreads and All-Fresh Retail Value, obtained from the Intenet at http://www.ers.usda.gov/Briefing/FoodPriceSpreads/meatpricespreads/beef.xls, on March 12, 2003.

these packers with the Packers and Stockyards Administration on March 5, 2003, alleging that these packers were in violation of the Packers and Stockyards Act by engaging in unfair, unjustly discriminatory, and deceptive practices.[37]

According to Meatnews.com, the National Cattlemen's Beef Association (NCBA) recently pledged to the four major beef importing nations that it is working to repeal COOL.[38] The March 11, 2003 article in Meatnews.com stated, "The NCBA has now directed its Washington staff to work towards a repeal of the COOL provision of the 2002 Farm Bill, and to work with the US Department of Agriculture to develop a more workable voluntary programme."[39] The National Pork Producers Council is also working to repeal COOL.[40] You must understand that this is not the voice of U.S. cattle producers. This NCBA pledge is a slap in the face to working U.S. producers and consumers who have repeatedly demonstrated their support for COOL.

R-CALF USA Proposes an Efficient, Effective, and Workable Plan for Verifying COOL

The COOL Act (ACT) separately defines beef as meat produced from cattle (including veal).[41] With respect to beef, the Act only includes muscle cuts of beef and ground beef as covered commodities.[42] The Act <u>does not</u> direct USDA to establish an audit verification system, but USDA is given discretionary authority to require any person that prepares, stores, handles, or distributes a covered commodity for retail sale to maintain a verifiable record-keeping audit trail.[43] Thus, the Act clearly does not include cattle as a covered commodity. Because cattle are not a covered commodity as defined by the Act, and because Congress excluded either "cattle producers," or "cattle or animals used to produce beef" or even "producers" or "growers" from the list of persons subject to any discretionary audit verification system, USDA has no statutory authority to impose a record keeping system for cattle.

R-CALF USA is continuing to work with USDA to establish rules that will enable the conveyance of country of origin information associated with the live animals that will subsequently be delivered to those who will transform the live animals into covered commodities. This is not a difficult task.

The United States has the authority to require country of origin markings on livestock as a prerequisite to importation into the United States.[44] By requiring such markings, persons who

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[37] Leo R. McDonnell Jr., Request for Investigation to the USDA Grain Inspection Packers and Stockyards Administration, March 5, 2003.

[38] Meatnews.com, Conference attacks mandatory country of origin labeling, Mandatory Labeling Not So COOL, March 11, 2003.

[39] *Id.*

[40] Jerry Hagstrom, Congress Daily, National Journal, Foes of Country-Of-Origin Labeling Move Against New Law, March 11, 2002, available on the Internet at http://nationaljournal.com/pubs/congressdaily/.

[41] *Id.* Sec. 281(1).

[42] *Id. Sec.*281(2)(A)(i) and (ii).

[43] *Id.* Sec. 282(d).

[44] Food Safety and Inspection Service-USDA, Mandatory Country of Origin Labeling of Imported Fresh Muscle Cuts of Beef and Lamb, January 2000, "Article IX, Marks of Origin, of the General Agreement on Tariffs and Trade (GATT) (1994) allows imported products to be labeled with their specific country of origin at the time of import so long as the marking requirement does not seriously damage the imported products, materially reduce their value, or

will subsequently transform the livestock into a covered commodity will know with certainty the country of origin of the livestock. USDA can, therefore, promulgate rules to require the retention of such marking and, further, establish that the lack or omission of said markings is proof that livestock are both born and raised in the United States. Upon the transformation of the livestock into a covered commodity, all persons who subsequently prepare, store, handle and distribute the resulting covered commodity to retailers would be subject to the USDA's audit verification system. Under this system, once the imported animals enter the United States with their respective foreign markings, the animals would be treated the same as domestic animals.[45]

U.S. Cattle Producers Should Not Be Discriminated Against When Adopting the Least Cost and Most Efficient Means of Verifying Origin

The USDA is proposing to require all United States producers and growers to maintain auditable records from birth to retail documenting the origin of covered commodities in order to be eligible for the USA label.[46] However, foreign growers and producers of imported products are not required to maintain such records in order to be eligible for their respective country's label.[47] In fact, as recently as February 10, 2003, APHIS-USDA proposed that Uruguayan beef be certified by an authorized veterinarian that the meat imported from Uruguay is from cattle that have been born, raised, and slaughtered in Uruguay.[48] APHIS imposed a similar condition on Argentina in 2000.[49] If USDA realizes the importance of accurately determining the true origins of beef imported from countries that have had contagious disease problems, and yet are proposing to require only a veterinarian certification as to origin, why is it proposing to require U.S. producers to maintain auditable records and expressly disallowing self-certification for establishing domestic origin?[50]

R-CALF USA has and continues to encourage USDA to adopt consistent treatment for U.S. producers in a least-cost, regulatory-efficient, and least-burdensome approach to verifying origin. As its preference, it has proposed that USDA adopt a regulatory presumption that all livestock is of U.S. origin with an accompanying duty to self verify livestock of foreign origin.[51] As a second preference, R-CALF USA suggests that USDA could adopt a self verification system for all livestock.[52] R-CALF USA is also investigating the feasibility of a ranch or farm certification system for the vast majority of producers that do not handle imported livestock, not

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unreasonably increase their costs." The report goes on to state that, "Whenever administratively practicable WTO member countries should permit required marks of origin to be affixed at the time of importation."

[45] Congressional Research Service Report for Congress, Country-of-Origin Labeling for Foods, 97-508 ENR, January 28, 2003, at 2, The report stated with regard to treatment of imported beef products, "[O]nce these non-retail items entered the country, they have been considered (under the federal meat inspection law, see 21 U.S.C. 620(a)) to be domestic products," indicating that such treatment is necessary wants the import enters the U.S.

[46] Federal Register, Vol. 67, No.198 (Friday, October 11, 2002) at 63374.

[47] *Id.* at 63373.

[48] Federal Register, Vol. 68, No. 27, Monday, February 10, 2002, at 6675.

[49] Federal Register, Vol. 65, at 82894.

[50] Federal Register, Vol. 67, No.198 (Friday, October 11, 2002) at 63374.

[51] Leo R. McDonnell, Jr, Notice of Request For Emergency Approval of a New Information Collection, Comments to Agricultural Marketing Service-USDA, February 21, 2003. See also Leo R. McDonnell, Jr., Comments of R-CALF United Stockgrowers of America (R-CALF USA) on the Issuance of Guidelines for Voluntary Country of Origin Labeling, August 9, 2002.

[52] *Id.*

unlike the FSIS program currently used to verify domestic origin of beef used in the national school lunch program.[53]

Conclusion

R-CALF USA strongly supports the mandatory country of origin labeling law as passed by Congress in 2002. We stand with the majority of U.S. consumers and U.S. producers in our support. We are dismayed at the tactics our opponents are using in their attempts to undermine the new law, but we understand the packing and retailing sectors opposition. They stand to lose the economic benefits they have long enjoyed by not disclosing the origin of beef sold in the United States. They stand to lose their enviable and profitable status of being able to capture consumer demand signals and subsequently satisfying those signals with products originating from the country of their choosing.

Mandatory COOL will empower both producers and consumers. It will give both consumers and producers market power at the retail counter. Producers will be able to focus their ongoing promotional investment toward their own products, not their competitor's. It will give consumers the power to determine how they want their beef produced and from where. COOL is pro-competitive.

Implementing COOL will not be a difficult task. When the COOL opponents finally surrender to the fact that the law has been passed and will be implemented on September 30, 2004, then and only then will the industry be able to collectively concentrate on a low-cost, regulatory-efficient, and least-burdensome system of implementation that does not place an undue burden on any segment of the beef supply chain. R-CALF USA looks forward to working with USDA and each segment of the industry to accomplish this important task.

Attachments: Figures 1-4

[53] Agricultural Marketing Service, Program to Verify Domestic Origin and Material Requirements of Products Destined for USDA Purchase, Obtained from the Internet at http://www.ams.usda.gov/lsg/arc/dovp.htm, on March 18, 2003.

March 11, 2003

UNITED STATES DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURAL SERVICE

FAS AGRICULTURAL IMPORT COMMODITY AGGREGATIONS

AREA/COUNTRIES OF ORIGIN AND COMMODITIES IMPORTED CONSUMPTION IMPORTS			JANUARY - DECEMBER QUANTITIES 1997	1998	1999	2000	2001	JANUARY - DECEMBER COMPARISONS 2001	2002	%CHNG
ARGENTINA	BEEF & VEAL FRS,CHIL	MT	37,044.8	32,055.0	44,590.1	36,589.4	25,218.6	25,218.6	20,696.2	-17.93
AUSTRALIA	BEEF & VEAL FRS,CHIL	MT	213,247.3	285,180.4	288,813.4	342,075.4	384,175.6	384,175.6	379,058.5	-1.33
AUSTRIA	BEEF & VEAL FRS,CHIL	MT	13.9	0.0	0.0	0.0	18.3	18.3	0.0	--
BRAZIL	BEEF & VEAL FRS,CHIL	MT	23,650.4	33,533.5	50,342.1	43,110.4	40,812.2	40,812.2	49,709.9	21.80
CANADA	BEEF & VEAL FRS,CHIL	MT	272,814.4	305,999.7	345,082.5	335,380.7	356,717.5	356,717.5	389,183.3	9.10
CHINA, PEOPLES REPUB	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	17.7	0.0	0.0	0.0	0.0	--
CHILE	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	3.5	4.1	0.0	0.0	0.0	--
CAYMAN ISLANDS	BEEF & VEAL FRS,CHIL	MT	15.8	0.0	0.0	0.0	0.0	0.0	0.0	--
COSTA RICA	BEEF & VEAL FRS,CHIL	MT	12,244.3	9,240.5	12,786.0	12,481.0	10,162.3	10,162.3	8,355.3	-17.78
DENMARK	BEEF & VEAL FRS,CHIL	MT	31.8	0.0	0.0	0.0	0.0	0.0	0.0	--
ECUADOR	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	16.3	0.0	0.0	0.0	0.0	--
IRELAND	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.6	0.6	0.0	0.0	0.0	--
GERMANY	BEEF & VEAL FRS,CHIL	MT	0.2	0.0	0.0	0.0	0.0	0.0	0.0	--
GUATEMALA	BEEF & VEAL FRS,CHIL	MT	142.5	0.0	0.0	0.0	0.0	0.0	0.0	--
HONG KONG	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	0.0	0.0	0.0	1.5	--
HONDURAS	BEEF & VEAL FRS,CHIL	MT	5,107.7	913.5	454.4	275.1	602.2	602.2	232.1	-61.46
INDONESIA	BEEF & VEAL FRS,CHIL	MT	0.6	0.0	0.0	0.0	0.0	0.0	0.0	--
ITALY	BEEF & VEAL FRS,CHIL	MT	2.4	12.5	40.0	80.6	3.9	3.9	0.0	--
JAPAN	BEEF & VEAL FRS,CHIL	MT	9.1	12.7	15.2	2.4	0.0	0.0	0.0	--
MEXICO	BEEF & VEAL FRS,CHIL	MT	3,919.0	4,073.1	4,788.0	4,852.8	6,066.4	6,066.4	6,032.2	-0.56
NIGERIA	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	1.4	0.0	0.0	0.0	--
NETHERLANDS	BEEF & VEAL FRS,CHIL	MT	281.5	1.4	0.0	0.0	52.2	52.2	75.1	43.87
NORWAY	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.1	0.0	0.0	0.0	0.0	--
NICARAGUA	BEEF & VEAL FRS,CHIL	MT	13,418.8	7,129.4	7,582.5	10,668.2	12,633.5	12,633.5	14,229.1	12.63
NEW ZEALAND	BEEF & VEAL FRS,CHIL	MT	192,023.6	197,737.2	186,942.0	213,102.2	212,417.2	212,417.2	201,179.3	-5.29
PARAGUAY	BEEF & VEAL FRS,CHIL	MT	49.0	0.0	0.0	0.0	0.0	0.0	0.0	--
POLAND	BEEF & VEAL FRS,CHIL	MT	6.6	0.8	0.0	0.0	0.0	0.0	0.0	--
PHILIPPINES	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	0.0	1.4	1.4	0.0	--
SPAIN	BEEF & VEAL FRS,CHIL	MT	11.0	0.0	0.0	0.0	0.0	0.0	0.1	--
SWEDEN	BEEF & VEAL FRS,CHIL	MT	2.1	0.0	0.0	0.0	0.0	0.0	0.0	--
SWITZERLAND	BEEF & VEAL FRS,CHIL	MT	13.5	12.5	16.1	37.9	1.1	1.1	0.0	--
UNITED ARAB EMIRATES	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	37.2	0.0	0.0	0.0	0.0	--
THAILAND	BEEF & VEAL FRS,CHIL	MT	0.0	27.0	0.0	15.6	0.0	0.0	0.0	--
TURKEY	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	0.0	0.0	0.0	18.0	--
TAIWAN	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	0.0	0.0	0.0	0.9	--
UNITED KINGDOM	BEEF & VEAL FRS,CHIL	MT	37.1	0.0	19.9	0.0	0.0	0.0	0.0	--
BURKINA	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	0.0	17.4	17.4	0.0	--
URUGUAY	BEEF & VEAL FRS,CHIL	MT	21,964.4	15,890.4	21,493.8	20,152.6	12,528.2	12,528.2	3,439.7	-72.54
VENEZUELA	BEEF & VEAL FRS,CHIL	MT	32.6	0.0	0.0	0.0	0.0	0.0	0.0	--
SOUTHERN ASIA NEC	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	0.0	0.0	0.0	97.4	--
YUGOSLAVIA	BEEF & VEAL FRS,CHIL	MT	456.9	252.9	414.7	198.4	33.3	33.3	31.7	-4.80
OTHER PACIFIC ISLAND	BEEF & VEAL FRS,CHIL	MT	0.0	0.0	0.0	16.6	0.0	0.0	0.0	--
TOTAL		MT	796,541.2	892,072.6	963,456.0	1,019,045.4	1,061,461.2	1,061,461.2	1,072,340.2	1.02

Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Figure 1

*Number of reported cases of bovine spongiform encephalopathy (BSE) worldwide**
(excluding the United Kingdom)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Austria	0	0	0	0	0	0	0	0	0	0	0	0	1	0	...
Belgium	0	0	0	0	0	0	0	0	1	6	3	9	46	38	4*(c)*
Czech Republic	0	0	0	0	0	0	0	0	0	0	0	0	2	2	...
Denmark	0	0	0	1*(b)*	0	0	0	0	0	0	0	1	6	2*(g)*	1*(c)*
Finland	0	0	0	0	0	0	0	0	0	0	0	0	1*(c)*	0	...
France	0	0	5	0	1	4	3	12	6	18	31*(a)*	161*(d)*	274*(e)*	239*(f)*	...
Germany	0	0	0	1*(b)*	0	3*(b)*	0	0	2*(b)*	0	0	7	125	106	3*(c)*
Greece	0	0	0	0	0	0	0	0	0	0	0	0	1	0	...
Ireland	15*(a)*	14*(a)*	17*(a)*	18*(a)*	16	19*(a)*	16*(a)*	73	80	83	91	149*(d)*	246*(e)*	333*(f)*	29*(c)*
Israel	0	0	0	0	0	0	0	0	0	0	0	0	0	1	...
Italy	0	0	0	0	0	2*(b)*	0	0	0	0	0	0	48	38*(a)*	...
Japan	0	0	0	0	0	0	0	0	0	0	0	0	3*(e)*	2	2*(c)*
Liechtenstein	0	0	0	0	0	0	0	0	0	2*(c)*	...	...	...	...	...
Luxembourg	0	0	0	0	0	0	0	0	1	0	0	0	0	1	0*(c)*
Netherlands	0	0	0	0	0	0	0	0	2	2	2	2	20	24	4*(c)*
Poland	0	0	0	0	0	0	0	0	0	0	0	0	0	4	*1(c)*
Portugal	0	1*(b)*	1*(b)*	1*(b)*	3*(b)*	12	15	31	30	127	159	149	110	86	...
Slovakia	0	0	0	0	0	0	0	0	0	0	0	0	5	6	...
Slovenia	0	0	0	0	0	0	0	0	0	0	0	0	1	1*(c)*	...
Spain	0	0	0	0	0	0	0	0	0	0	0	2	82	127	39*(c)*
Switzerland	0	2	8	15	29	64	68	45	38	14	50	33*(d)*	42	24	...

Figure 2

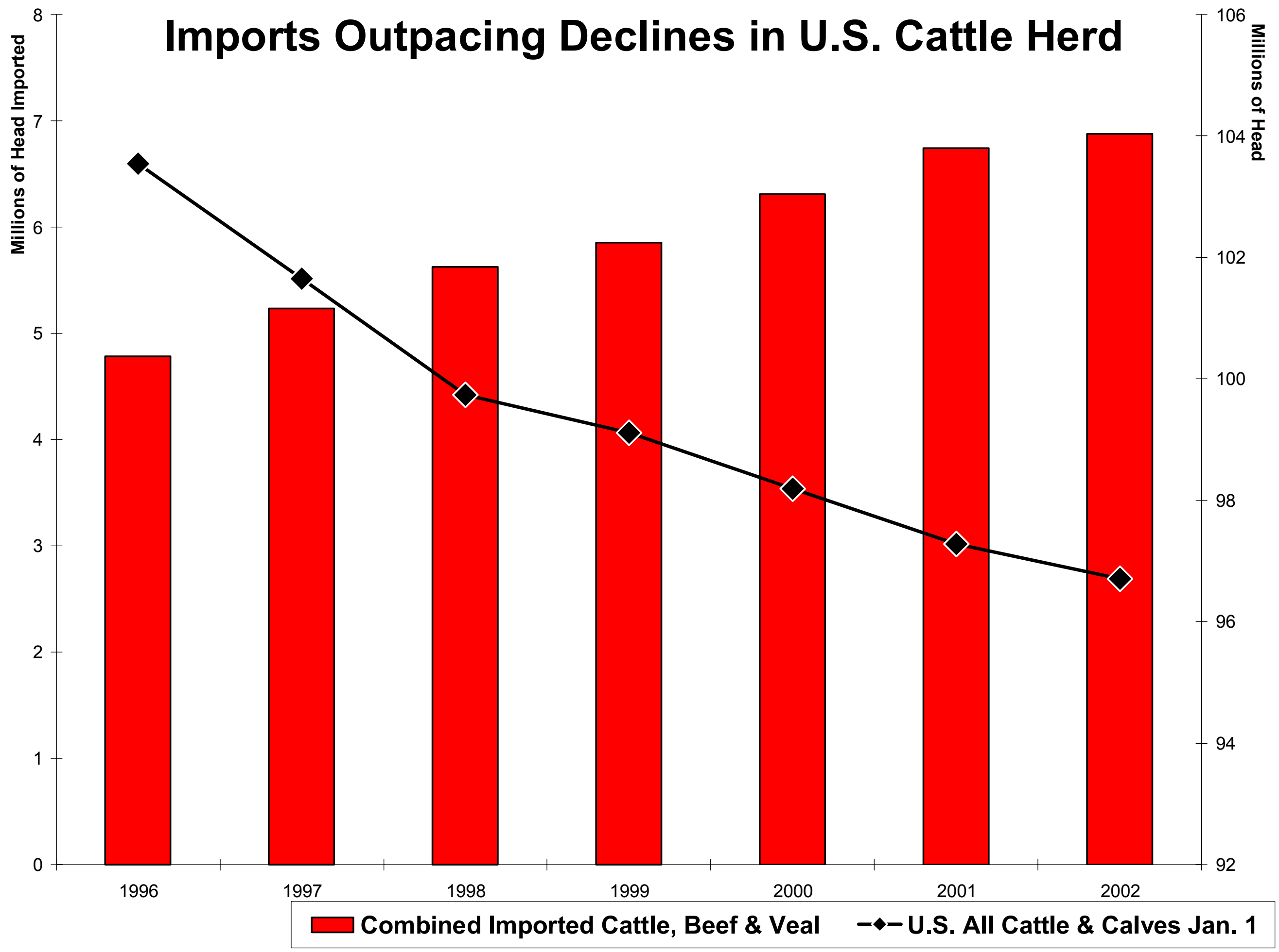
Imports Outpacing Declines in U.S. Cattle Herd
Millions of Head Imported
Millions of Head
0
1
2
3
4
5
6
7
8
92
94
96
98
100
102
104
106
1996
1997
1998
1999
2000
2001
2002
Combined Imported Cattle, Beef & Veal
U.S. All Cattle & Calves Jan. 1

Figure 3

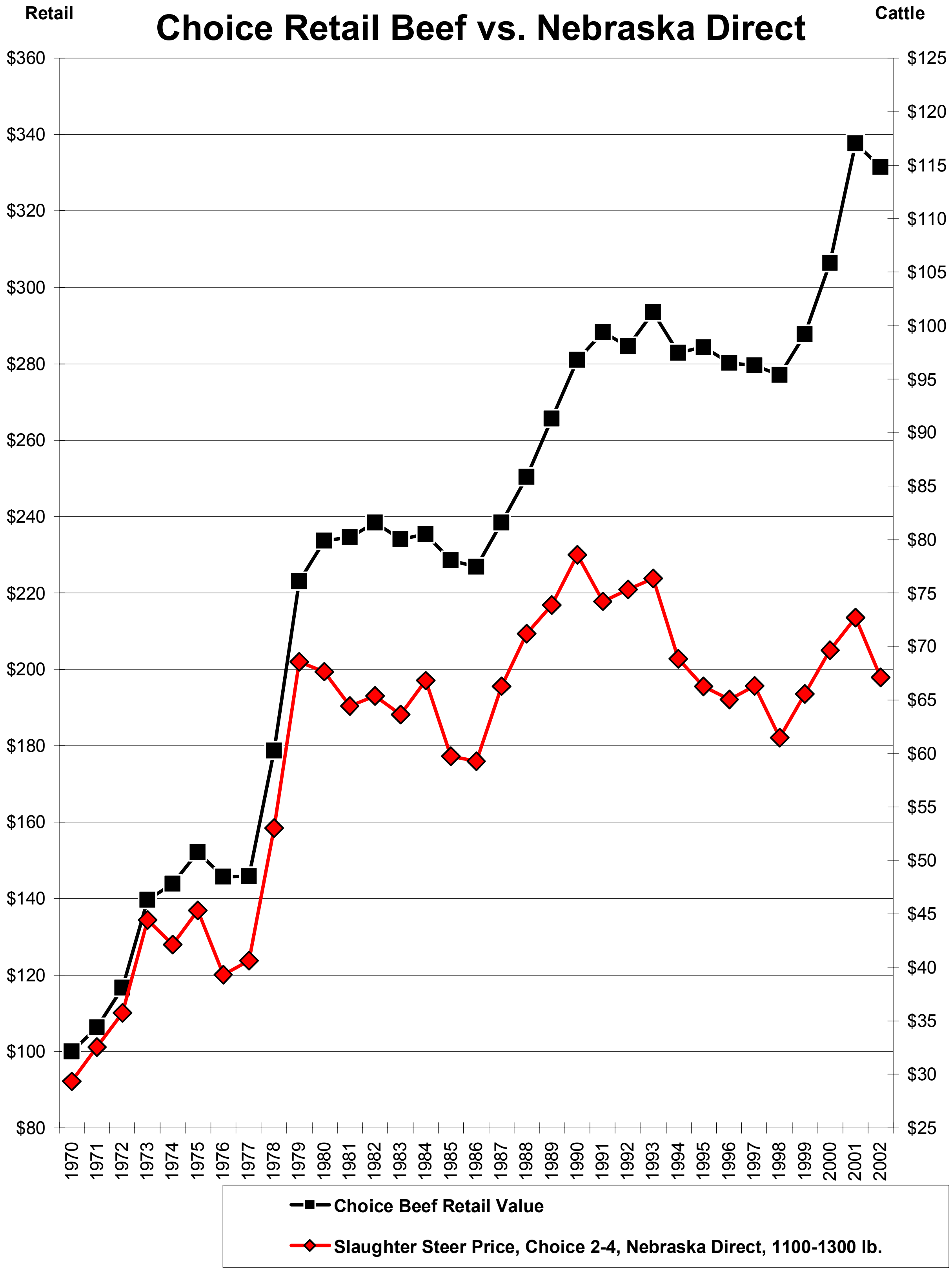
Retail
Choice Retail Beef vs. Nebraska Direct
Cattle
$360
$340
$320
$300
$280
$260
$240
$220
$200
$180
$160
$140
$120
$100
$80
$125
$120
$115
$110
$105
$100
$95
$90
$85
$80
$75
$70
$65
$60
$55
$50
$45
$40
$35
$30
$25
1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002
Choice Beef Retail Value
Slaughter Steer Price, Choice 2-4, Nebraska Direct, 1100-1300 lb.

Figure 4