



# ***The American Voice 2004: A Pocket Guide to Issues and Allegations***

## ***Issues and Allegations: Country of Origin Labeling***

- **Background**
- **Conservative Perspective**
- **Liberal Perspective**
- **Notes and Sources**

### ***Background***

Since 1930 most goods imported into the United States—including foods—have had to bear a label informing the “ultimate purchaser” of their country of origin.[1]

The law exempted some articles “economically prohibitive” to label: livestock, vegetables, fruits, nuts, live or dead animals, and fish. However, the “immediate containers” in which fruits and vegetables are packed must be labeled. Thus cartons containing limes from Chile or mangoes from Mexico have to be labeled while individual limes or mangoes from those cartons are exempted.[2]

The 2002 Farm Bill made Country of Origin Labeling (COOL) mandatory for beef, lamb, pork, fish, fresh and frozen fruits and vegetables, and peanuts.[3] Congress directed the U.S. Department of Agriculture to issue rules to enable the mandatory program to go into effect by September 2004. The USDA issued draft Rules in October 2003.[4]

In January 2004 Congress voted to delay the implementation of COOL until September 2006 with the exception of a seafood-labeling program.[5] A coalition of food processors, wholesalers and retailers is seeking to repeal mandatory Country-of-Origin Labeling (COOL) requirements for foods.

### ***The question***

Should country-of-origin labeling be mandatory?

### ***The conservative perspective***

Conservatives support a voluntary COOL system operated by the private sector. Some describe this as the “Best Buddy” versus the “Big Brother” approach.[6]

Conservatives maintain that a mandatory COOL would impose burdensome and expensive paperwork requirements on American farmers and business. That in turn would raise food prices and, if Americans are unwilling to pay a premium for domestic foods, could make American farm products less competitive with imports.

Conservatives note that food producers and suppliers can already voluntarily inform consumers where their products come from. Some do so (e.g. New Zealand lamb, Vidalia onions, Idaho potatoes) but only because consumers view products with these geographic associations as higher quality. Thus the label is a marketing tool, not simply an informational device. They maintain there is little empirical evidence that the geographic origin of a product influences consumer buying. Other factors such as price, quality, and freshness are far more important.

Under the 2002 Farm Bill, COOL is offered as a voluntary program until such time as it becomes mandatory. To date no grocery store or major food supplier has participated in the voluntary program. This indicates that firms do not perceive sufficient market benefits to offset the costs.

In its analysis of the impact of the proposed COOL rules, the USDA conceded that surveys find consumers want information about the country-of-origin of their food but found “little evidence to support the notion that consumers' stated preferences for country of origin labeling will lead to increased demands for covered commodities bearing the U.S.-origin label.” USDA analysts disputed studies that found consumers willing to pay more for labeled products. “Measures of willingness to pay do not necessarily translate directly into measures of what consumers would actually pay when faced with marketplace decisions... Current evidence on country of origin labeling...does not suggest that U.S. producers will receive sufficiently

### ***At a Glance...***

#### ***The conservative view:***

- Food producers and suppliers can already voluntarily inform consumers where their products come from.
- Mandatory COOL will prove costly to American farmers, food processors, distributors, and retailers while bringing few benefits to consumers.
- COOL will cause food prices to rise.
- The costs of labeling imported food products will be lower than the cost of labeling domestic food products. This could cause American products to become less competitive with imports.
- In the livestock sector many animals are imported and then raised to maturity or processed in the U.S. The paperwork involved in tracking these “mixed origin” products will encourage more value-added processing to take place in Canada or Mexico.
- For fast growing restaurant and institutional markets not covered by COOL less expensive unlabelled foreign products will displace labeled domestic food products.
- COOL is a protectionist strategy likely to be challenged under international trade rules.

#### ***The liberal view:***

- Surveys consistently show that American consumers want to know where their food is coming from.
- The cost of implementing COOL can be very low especially if regulators use the presumptive standard whereby the product is presumed to be of U.S. origin unless otherwise marked.
- Several federal laws, such as the National School Lunch Program, already require all foods to be raised and processed domestically.
- Eight U.S. states have COOL laws. In Florida such a law has been in operation for more than a decade without burdening retailers or raising food prices.

higher farm prices for U.S.-labeled products to cover the costs of labeling. Moreover, it is even possible that producers could face lower farm prices as a result of labeling costs being passed back from retailers and processors.”[7]

The USDA concluded, “the estimated benefits associated with this rule are likely to be negligible.”

The USDA estimated the costs of implementing a mandatory COOL program to be very high. First year costs for growers, producers, processors, wholesalers, and retailers would range from \$582 million to \$3.9 billion with the most probable cost being near the higher end of this estimate. Using USDA’s estimates, economist William Kerr calculated the price of fruits and vegetables would increase by at least 11 percent and the price of fish by a minimum of 15 percent. At the high end of USDA’s estimates, the price of fruits and vegetables would soar 43 percent. The price of beef and lamb would go up 24 percent and the price of pork by 26 percent.[8]

*Cattle Buyer’s Weekly* (CBW), a trade journal, estimated that COOL would cost the beef industry alone at least \$1.4 billion annually and possibly as much as \$1.9 billion.[9] The American Meat Institute predicted these added costs would “drive value out of [the] meat production chain, capital investment out of rural communities, and some smaller operations out of business.”[10]

Agricultural economists Dermot J. Hayes and Steve R. Meyer predicted that if the additional costs of a traceback verification system were passed onto the consumers in the form of higher prices, domestic pork consumption would decline 7 percent. Canadian feeder pigs, now imported by American hog “finishing” operations, would instead be fed and slaughtered in Canada. America could become a net importer of pork.[11]

William Kerr explains that for beef products COOL would have three categories of labels. If the animal was born, raised and processed in the U.S. it could carry the label, “Product of USA.” If it were imported it would be labeled, “Product of Country X.” The problem, he maintains, occurs with the third label where the animal has mixed origins. In that case the label might read, “Born and raised in County X, processed in the USA”. “It is these mixed country of origin supply chains that will be most affected by MCOOL (mandatory country or origin labeling), particularly in the short run.”

Kerr maintains that the relative cost of COOL regulations for beef and pork will be less for Canadian and Mexican products than for U.S. products. The reason is that Canada and Mexico producers will only have to label the product when it leaves the processing plant, Product of Mexico or Product of Canada. They won’t have to track it any further. But meat products originating from animals that were fed or processed in the U.S. would need a verification label and audit trail identifying the supply chain origins.

Thus Kerr concludes that foreign unlabelled products will be less expensive than domestic labeled products. The former will be purchased by hotel, restaurant and institutional(HRI) sectors that are not required to label the foods and where consumption is growing faster than home consumption markets. Thus table ready cuts will become the preferred export product from these countries. That in turn means that more stages of production and processing will take place in those countries.

The Government Accounting Office proposed that COOL could burden retailers in three ways. First, they would have to display the same produce items from different countries separately if each individual item is not marked. That means there would be partially filled bins. Consumers find these bins less appealing and are less likely to buy from them. Second, retailers may not have sufficient display space to separate produce and still stock all the different varieties consumers want. A large grocery store may carry over 200 produce items. Third, the origin of produce shipments may vary each week. Thus retailers may have to change store signs and labels frequently.[12]

Conservatives believe that, through the World Trade Organization, COOL could be challenged as a protectionist measure. They note that the 1930 Act that required country-of-origin labeling, known as the Smoot-Hawley Act, was a highly protectionist law that some economists believe aggravated the economic depression. The United States Chamber of Commerce maintains, “Country-of-origin labeling is protectionist and is primarily intended to restrain imports. Mandatory labeling could create significant trade barriers and undermine ongoing U.S. efforts to reduce other countries’ trade barriers.”[13]

The World Trade Organization (WTO) allows country of origin labeling so long as the marking requirement does not seriously damage the imported products, materially reduce their value, or unreasonably increase their cost.[14] These conditions have never been tested in a WTO proceeding. But says the GAO “because the United States is such a large importer and exporter of fresh produce, officials with USDA and the Department of State pointed out that a U.S. labeling law is more likely to be formally challenged than are other countries’ laws.”[15]

## ***The liberal perspective***

Proponents of mandatory country of origin labeling maintain that American consumers want this information, that the additional costs estimated by USDA are highly inflated and that most of our trading partners and several U.S. states already have country or origin labeling programs that have caused little if any problems.

Liberals maintain, “Every survey relevant to the labeling of food has revealed overwhelming consumer support for such labeling and significant concern for information as to where their food is produced.”[16]

A GAO investigation in 1999 cited a number of studies that supported this conclusion. One found that 74-83 percent of consumers favor mandatory COOL for fresh produce. Another study found that about half said they would be willing to pay “a little more to get U.S. produce”[17]

Liberals believe the USDA analysis of the cost of COOL was wildly inflated. They note that the General Accounting Office itself found that USDA’s assumption “are questionable and not well supported”.[18] A study by several economists noted that to estimate the cost of the paperwork involved the USDA had used a \$25 an hour cost for farmers and ranchers while the median wage of farm labor is \$7.76 an hour. For food handlers, processors, packers, importers, wholesalers and distributors the USDA estimated a cost of \$50 per hour, but the median salary in those sectors is \$13.60. For retailers the USDA also used the \$50 per hour figure while the median wage in the grocery sector is \$9 per hour.[19]

Liberals contend that country of origin labeling is acceptable under current international trade rules. The National Farmers Union (NFU) points out, "The U.S. country-of-origin labeling requirements apply to the enumerated commodities regardless of whether they are of domestic or foreign origin, satisfying the "national treatment" requirements of international trade agreements. In addition, there are no provisions in the law that would modify our current import tariff and quota commitments. In fact, foreign products are already labeled as to country of origin at the point they pass through U.S. customs. However, country of origin information is lost once these products enter the U.S. and undergo additional processing and blending in this country as a result of U.S. labeling decisions made years ago. The new law will correct this problem in a way that is totally within our rights under existing trade agreements.[20]

The NFU notes, "36 other nations already require some form of country-of-origin labeling on imported food products, and U.S. exporters of those products regularly comply with those labeling regulations." The GAO surveyed 57 U.S. trading partner countries and found that 48 require country of origin labeling for one or more of the commodities covered by the new law.

The European Union imposes country of origin labeling regulations for fruits and vegetables, fish and shellfish and beef. Japan requires country of origin labeling for all foods covered by the US law. [21]

Eight states have COOL laws.[22] Florida's program mainly covers fresh produce. It has been operating for more than 10 years as an extension of its food safety inspection regulations. Two to three times a year inspectors visit Florida grocery stores to check cleanliness, food storage temperatures, meat handling procedures and country of origin labeling. The COOL requirement takes about 15 minutes. The inspectors check the shipping boxes and packagers in the store against the display signs or labels. Florida does not require a verifiable audit trail and only requires imported products to be labeled.

Liberals argue that a number of federal programs already require suppliers to maintain records on the country of origin of their products. For example, for the National School Lunch and Breakfast Programs the USDA requires that fresh fruits and vegetables purchased be domestically grown, processed and packed and that meats be from domestic livestock. Under its Subsistence Prime Vendor Program the Department of Defense requires that food purchased for US troops must be grown or raised domestically.[23]

Liberals note that for animals a far more invasive identification program is already occurring. Under the requirements of the Bioterrorism Act of 2002, the USDA has issued a Notice of Proposed Rulemaking to require the establishment and maintenance of records by nearly all businesses in the food industry.[24] This would allow the FDA to quickly identify the immediate previous source in case of an outbreak of disease.[25]

A key question in the rules regarding COOL is the level of record keeping required. What is meant by a "verifiable recordkeeping audit trail"? Will third party verification, such as is required for organic certification, be needed or could such verification be demanded by buyers further up the supply chain (e.g. slaughter houses, grocery stores.)?

Liberals argue that under the North American Free Trade Agreement's Country of Origin Marking rules "Each Party shall, in adopting, maintaining and applying any measure relating to country of origin marking, minimize the difficulties, cost and inconveniences that the measure may cause to the commerce and industries of the other parties." [26] One way of accomplishing this is to presume that commodities are of US origin as the default position.

Under this regulatory reporting scheme all products are presumed to be of U.S. origin unless they carry a mark from another country. VanSickle, et. al. maintain, "The least cost alternative regulatory scheme that complies with existing law is to presume that all covered commodities are of U.S. origins while tracking existing marks of origin on imported products."

Proponents of the presumptive standard note that many small processors, packers and other handlers would be de facto exempt from any paperwork because they do not engage in the trade of imported product. They note that the General Agreement on Tariffs and Trade (GATT) provides that "(w)henever it is administratively practicable to do so, contracting parties should permit required marks of origin to be affixed at the time of importation". [27]

Several federal laws already require most imports, including food items, to bear labels or other information designating the country of origin. All swine imported from Canada, for example, must have a health certificate.

R-CALF, an association of cattle producers, notes that the Farm Bill says the USDA may use existing models to design the program and the presumptive standard is already used in some these, such as the National School Lunch Act. [28]

---

## Notes and Sources

### ■ A note on internet citations

[1] Tariff Act of 1930. PL 71-361The "ultimate purchaser" is the last person in the United States who receives the article in the form in which it was imported. "Country of origin" is defined as the country of manufacture, production, or growth of any article of foreign origin entering the United States.

[2] Dan Ikerson, "Uncool Rules: Second Thoughts on Mandatory Country of Origin Labeling." *Free Trade Bulletin*. January 16, 2004. Center for Trade Policy Studies. CATO Institute.

[3] Farm Security and Rural Investment Act of 2002. The vote to include COOL in the House was 296-121. Republicans supported the provision 119-92. Democrats supported it 175-29.

[4] United States Department of Agriculture. Agricultural Marketing Service. **Mandatory Country of Origin Labeling of Beef, Lamb Pork, Fish, Perishable Agricultural Commodities, and Peanuts; Proposed Rule**. 7 CFR Part 60. October 30, 2003. PDF file

[5] The provision was an amendment to an Omnibus spending bill. The vote to cut off debate on COOL gained the support of 61 Senators (60 are needed). Republicans voted 45-3 for cloture. Democrats voted 27-16 against.

[6] Jack C. Whittier, "**Traceback, Verification and Animal Identification on the Ranch: "Big Brother or Best Buddy?"** *Range Beef Cow Symposium XVIII*. December 9 - 11, 2003. Scotts Bluff County Fairgrounds Events Center, Mitchell, NE. .

[7] USDA. **Mandatory Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities, and Peanuts; Proposed Rule**. Op. Cit. PDF file

[8] William Kerr. **The Free Traders Win the Debates But the Protectionists Win the Elections: The Curious Case of MCOOL in the U.S. 2002 Farm Bill**, Presented at the Policy Disputes Information Consortium, Montreal, April 23-26, 2003.

[9] **COOL Cost Assessment**. Sparks/Cattle Buyers Weekly Consortium, Sparks Companies Inc. April 2003. PDF file

[10] **Issue Backgrounder: Country-of-Origin Labeling**. American Meat Institute. February 2004. PDF file

[11] Hayes, Dermot J. and Steve R. Meyer. **Impact of Mandatory Country of Origin Labeling on U.S. Pork Exports**. National Pork Producers Council. February 2003. PDF file

[12] United States General Accounting Office. **Fresh Produce: Potential Consequences of Country-of-Origin Labeling**. Report to Congressional Committees. April 1999. GAO/RCED-99-112. PDF file

[13] United States Chamber of Commerce. **Country-of-Origin Labeling**. November 2002.

[14] Article IX, Marks of Origin of General Agreement Tariffs and Trade 1994

[15] GAO 1999, Op. Cit.

[16] J. VanSickle, R. McEowen, C.R.Taylor, N. Harl and J. Connor,. **Country of Origin Labeling: A Legal and Economic Analysis**. International Agricultural Trade and Policy Center. University of Florida. PBTC 03-05. May 2003. For example, Fresh Trends 2002 found that 86 percent of consumer respondents in a national survey favor country of origin labeling. Fresh Trends 2002. *The Packer Magazine*. Shawnee Mission, KS. The Florida Department of Agriculture and consumer Services surveyed consumers in January 2003 and found that 62 percent would purchase US produce if it had an identifying mark. See <http://www.doacs.state.fl.us/press/01302003.html>

[17]GAO. 1999. Op. Cit.

[18]United States General Accounting Office. **Country-of-Origin Labeling: Opportunities for USDA and Industry to Implement Challenging Aspects of the New Law**. August 2003. GAO-03-780. PDF file

[19] Vansickle, et al. Op. Cit.

[20] National Farmers Union. **Country of Origin Labeling: Informing America's Consumers**. April 4, 2003.

[21] GAO 2003. Op. Cit.

[22] Alabama, Arkansas, Florida, Louisiana, Maine, Mississippi, North Dakota Wyoming.

[23] GAO 1999, Op. Cit. Fifty large wholesale suppliers known as prime vendors certify in their contracts that they and subcontractors will provide only domestic food. Compliance audits are performed at least annually although they primarily focus on food quality.

[24] Public Health Security and Bioterrorism Preparedness and Response Act of 2002. P.L. 107-188.

[25] A plan is being developed to enable a National Identification Development Team to identify all premises and animals that had direct contract with foreign animal disease within 48 hours of discovery. See [www.usaip.info](http://www.usaip.info).

[26] North American Free Trade Agreement. Annex 311(4)

[27] General Agreement on Tariffs and Trade. Article IX:3

[28] R-CALF. **Blueprint for Maximizing the Benefits of Mandatory Country of Origin Labeling While Minimizing Costs to Producers and Unnecessary Government and Industry Regulation**.. August 2003. PDF file



[Home](#) - [Search](#) - [Issues and Allegations](#) - [Ask Dr. Dave](#) - [Just the Facts](#) - [What's New](#) - [About Us](#)

© 2004, The American Voice 2004 - [www.AmericanVoice2004.org](http://www.AmericanVoice2004.org)  
The bedrock of good government is an informed citizenry. We strive to get behind the sound bites and sloganeering to identify the real differences.