



The Angus Link

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Preparing for country-of-origin labeling

Isn't it interesting how four-letter words can have such varied meanings? Take *cool*, for instance.

A dictionary might tell us that cool is defined as an adjective, meaning:

- moderately cold, lacking in warmth;
- marked by steady dispassionate calmness and self-control; or
- of a color, a hue in the range violet through blue to green.

However, sometime during the late 20th century, it took a different meaning. Cool then became pronounced "cooooooollll." In this slang usage, it was used to express approval, delight or happiness about something or someone. (For those of you who survived the 1980s, see also "radical, awesome, trippin' or far-out.")

Today, thanks to our technology-driven world of acronyms, some in the livestock business have a new definition of COOL — country-of-origin labeling.

Depending on with whom you speak about the country-of-origin labeling program, you could get feedback like the 1980s terms mentioned above, or you may get quite the contrary.

Proposed rule released

Regardless of producers' positions on country-of-origin labeling, the rules for the mandatory program have been released. Using information gleaned from a dozen listening sessions and discussions with more than 70 trade and producer groups nationwide, the U.S. Department of Agriculture (USDA) has issued the proposed rule for mandatory country-of-origin labeling, said A.J. Yates, Agricultural Marketing Service (AMS) administrator, during a media briefing that outlined the proposed rule.

The USDA posted the proposed rule to the *Federal Register* Oct. 30 for a 60-day comment period.

The proposed rule highlights the products, or covered commodities, that will be labeled at the retail level to indicate their country or countries of origin. Foodservice establishments are exempt from the proposed rule. Yates said covered commodities include muscle cuts of beef, pork and lamb; ground beef, ground pork and ground lamb; farm-raised fish and shellfish; wild fish and shellfish; perishable

agricultural commodities; and peanuts. For beef and other meat items, this includes labeling where an animal was born, raised and harvested.

Yates said processed food items are exempt from this proposed law. He defined a processed food item as "a covered commodity that has undergone a physical or chemical change and has a character that is different from that of a covered commodity."

Also exempt would be retail items derived from covered commodities that have been combined with other covered commodities. An example, Yates said, would be a shish kebab with both beef and lamb on the skewer.

Products that are covered by the rule also include commingled items. "A good example of this would be a ground beef mix," Yates said, explaining that the origins of the product must be listed alphabetically.

Economic impacts

Kenneth Clayton, AMS associate administrator, gave a brief overview of the economic analysis associated with implementing the mandatory country-of-origin law, including direct costs, benefits and economy-wide effects that go beyond those directly affected by the rule.

Direct costs include recordkeeping costs, which Clayton defined as "the need to develop systems to maintain records to pass information from one level of the marketing chain to another." He said the annual recordkeeping cost burden is estimated at \$582 million for the first year of development and operation, with an additional \$458 million for maintenance and operation of recordkeeping each year thereafter. This cost is significantly down from the USDA's first estimation of \$1.9 billion.

In addition to recordkeeping costs, Clayton included capital costs — the cost of making modifications on processing plants. "Whether it be a processing plant that's handling both imported and domestic product and will need to be able to physically segregate product movement; or a retail distribution center where, again, product for tracking purposes will have to be handled differently than it has in the past," he said, "the cost range could go up into the neighborhood of \$3.9 billion."

On the benefit side, Clayton said surveys have asked consumers if they would like to have the information country-of-origin labeling would provide. However, none of the surveys have involved consumers in the grocery store spending their own household budgets.

"Looking at all of that, we concluded that it really wasn't possible to identify,

in any quantitative sense, a benefit that might accrue from the statute and its implementation through regulations," Clayton said.

The USDA used an Economic Research Service (ERS) model to determine the impact country-of-origin labeling could have on the entire economy. Clayton said the cost of the law and regulation on the U.S. economy would probably be in the range of \$138 million to \$596 million.

Clayton said the demand for the covered commodities would have to increase by 1%-5% for the economy to break even.

Applications for producers

To assist commercial producers in recording information about the source, genetics and management of groups of marketed cattle, the American Angus Association released the AngusSource program in August 2003 (see inset for details).

Although the AngusSource program cannot guarantee that enrolled cattle will qualify for the country-of-origin labeling program, it offers producers the opportunity to document the information that is specified under the proposed rule. Plus, it compiles this information into a more useful form to market groups of feeder cattle and replacement females for higher values. In our interpretation, this information should exceed the requirements for the country-of-origin labeling, at least from the standpoint of the initial owner (cow-calf producer). Subsequent locations' information will need to be recorded by those subsequent entities.

So, whether your opinions run hot or cold on "COOL," make yourself aware of the need to accurately record information on your herd. Whether it is group management information that can be recorded on the AngusSource program, or individual production and genetic information analyzed through the Beef Record Service (BRS), this information will not only help you comply with the country-of-origin labeling program, but it also will be your best opportunity to receive premium prices for your marketed cattle.



New Development: Implementation of the proposed country-of-origin labeling law has been delayed until October 2006.

Editor's Note: For a convenient Web portal to the latest news release and information regarding country-of-origin labeling, visit www.countryoforiginlabeling.info. It is not the purpose of the Web site to take a stance on the issue, and posts don't necessarily reflect the opinions of the American Angus Association or Angus Productions Inc. (API). The purpose of the Web site is to serve as a gateway to information regarding the current interpretation of the legislation, to inform you of meeting dates that relate to country-of-origin labeling and to make you aware of current actions taken by cattlemen across the country. We will share the various viewpoints on the issues and the underlying reasons for those viewpoints. By doing so, we hope to equip you with information you need to make decisions and to conform to the law.

ANGUS SOURCE tagging program now available!

Cow-calf producers . . .

Use **AngusSource** to document the source, genetic and management process information on your Angus-influenced feeders and replacement females.

For \$1 per calf, you'll receive a customized ear tag and marketing opportunities to increase the value of your calves at sale time.

For more information, go to www.angussource.com or contact Matt Perrier at (816) 383-5118 or mperrier@angus.org.

