A Conversation with Colin Woodall

Trade Advocates, Cattlemen Have Beef with Meat Labeling Rules

Texas, as the nation's top cattle producer, has a stake in regulations governing beef sales. Besides meat products, federal Country of Origin Labeling (COOL) rules cover labeling of fresh fish, fruits, vegetables and nuts. Colin Woodall, National Cattlemen's Beef Association senior vice president of government affairs, discusses requirements for labeling designed, in part, to provide consumers with information about the source of foods they prepare.

Q. What is COOL and how long has it been in effect?

Under the federal COOL program, beef must be labeled with the locations where the animal, from which the beef was processed, was born, raised and slaughtered. COOL proponents see it as a marketing program that promotes U.S. beef to customers.

COOL was originally passed by Congress as part of the 2002 farm bill, but implementation was delayed. After the 2006 congressional elections, COOL was included in the 2008 farm bill. This time, the program was implemented and USDA began enforcement in March 2009. The National Cattlemen's Beef Association has not supported COOL. While the measure's supporters have suggested food safety is involved, we believe in the reliability of the preexisting food safety program that has ensured that all beef served in the United States, regardless of its origin, is safe to eat.

Q. Labeling seems like a good thing—consumers get more information and can make better choices. Why do the beef producers and meatpackers that you represent want to repeal COOL?

Labeling is a tremendous marketing tool, but not necessarily when it involves the government. The basic fundamentals of marketing tell you to take your product, develop a brand and label that grabs the consumer's eye and deliver such a high-quality eating experience that the consumer remembers your brand/label and actively seeks it out in the future.

With COOL, we just get small black print on a label that is already crowded with information. It does little to actually brand our product or make it stand out to the consumer. This is why we don't believe COOL has worked as a marketing program. In a recent study conducted by Kansas State University, over 70 percent of the respondents didn't know that COOL is currently found on packages of beef.[1]

There are some groups that continue to cite polls showing Americans want to know where their beef comes from. Still, we need more than a simple poll question on which to base federal policy. The Kansas State study also found that although consumers may say they want to know the origin of their beef, their behavior and priorities change once they actually reach the meat case and buy steaks or ground beef. At that point, price becomes the focus. Cattle producers are shrewd businessmen and women who expect a return on their investment. They view COOL as costing money without boosting revenue.

Q. How are the costs of regulation split? How is production from farm to market affected?

Different segments of the beef industry are bearing the costs of COOL. At the retail level, investments have to be made in new or modified scale printers and the recordkeeping tools to prove compliance. At the packer level, processing lines have been modified to ensure that cattle from the United States, Canada and Mexico are each processed separately.

Processors must also invest in recordkeeping tools. Cattle feeders must show origin, and they must sort their cattle to ensure the different origins are accounted for. Cow/calf producers must prove the origin of every animal they market. All of these actions add costs to our system. Given all the costs, one would expect beef prices to increase, but they haven't due to COOL alone. The costs are being borne by the production chain.

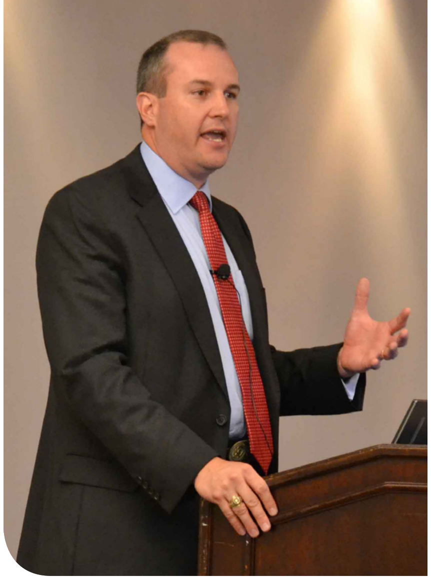
Q. Does labeling apply just to beef products sold in grocery stores? What about restaurants or processed food?

COOL only applies to unprocessed beef sold in a retail grocery store. It does not apply to food service, restaurants or processed beef. Although COOL is supposed to satisfy consumers' right to know, there is a problem when more than half of the beef sold in this country isn't covered.

Additionally, processed beef is exempt from COOL. Let's take a steer that is processed into individual cuts of beef. On each side of the spine you will find a tenderloin. Take one of those tenderloins, vacuum pack it and put it in the retail meat case. Take the other one, roll it in peppercorns or other seasoning and put it in the retail meat case. Even though those tenderloins came from the same animal, the one with the additional seasoning is considered processed and exempt from COOL. Another thing to note is that most of the imported beef is sold through food service or restaurants.

Q. How big is the U.S. beef industry and what states are the biggest beef producers? How much is exported?

The U.S. beef industry has an economic impact of $66 billion. This figure represents sales of beef cattle and cattle



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and calves from feedlots as reported in the U.S. Department of Agriculture's *Census of Agriculture*. We have approximately 90 million head of cattle in the country, and Texas is consistently the top state in cattle production, with Nebraska, Missouri, Oklahoma and South Dakota rounding out the top five. International trade is a priority focus for our industry as we try to get more U.S. beef to the 96 percent of the world's population that resides outside of our country.

The middle class in many countries is increasing. With this comes more disposable income, and when people have more money to spend, they usually like to eat better. Eating better means an increase in the consumption of protein, and we want that protein of choice to be U.S. beef. We currently export approximately 14 percent of our total beef production. The value associated with that trade adds $350 to the value of each marketed beef animal. Our top five export markets are Japan, Mexico, Hong Kong, Canada and South Korea.

Q. What are the implications of COOL for Texas, the nation's largest beef producer?

Because of the business model many Texas cattle producers use, they are particularly adversely affected by COOL. Many producers across the state will buy feeder cattle (animals destined for feedlots for fattening prior to slaughter) from Mexico and bring them into Texas. When those cattle cross the border, they are not ready to be processed at a packing plant. These cattle need to be fattened up and finished on ranches and feedlots from the Rio Grande to the Panhandle. Because of COOL, though, these animals have to be sorted out and handled differently than U.S.-born cattle to be in compliance.

After these cattle have been finished in Texas, many of them match the quality of cattle born and raised solely in the state. When they are marketed, however, they fetch a lower price because of their origin. Such discounts range from $35 to $60 per head.

Q. How do you reconcile COOL with the free-trade agreements the U.S. has with its trading partners, particularly Mexico and Canada?

Mexico and Canada filed a complaint against the U.S. COOL program with the World Trade Organization (WTO). So far, the WTO has ruled four times that COOL violates U.S. trade commitments. [The most recent decision, released May 18, was in response to a complaint from Canada.] What does that ultimately mean and why do we care about the WTO? We care because the WTO can authorize retaliation against the United States by Canada and Mexico.

Retaliation can be in the form of closing the border to the import of our product or the addition of a tariff. Canada and Mexico, as two of our top five cattle export markets, constitute approximately one-third of our total exports. Loss of access to those markets could cost America's cattle producers approximately $115 to $120 per head.

Q. If labeling beef products "Made in the USA" helps sales, why don't U.S. producers voluntarily label their beef products?

Labeling beef as "Made in the USA" doesn't help sales. If there was true consumer demand for an origin label, coupled with a willingness to pay for it, our industry would have voluntarily added that label years ago. The demand for that label just is not there, and we think our experience with COOL over the past six years proves it. There is a place for voluntary labels in our industry. We currently have several USDA-approved labels or branded programs that are voluntary and based on consumer demand and market forces.

While these labels don't always include an origin, they cover things such as the breed of cattle, whether the product is natural or organic beef and if the beef was produced without antibiotics or hormones.

There are also many state and regional programs that have been hugely successful and have resulted in premiums being paid to producers who participate in them. These labeling tools give consumers the information they truly desire and are willing to pay for. I would argue that beef labeled with the Texas Department of Agriculture's "Go Texan" label has meaning for consumers.

Note

[1] See "Mandatory Country of Origin Labeling: Consumer Demand Impact," by Glynn T. Tonsor, Jayson L. Lusk, Ted C. Schroeder and Mykel R. Taylor, Department of Agricultural Economics, Kansas State University, November 2012.