

MCOOL: History, Status, and Next Steps

Glynn Tonsor

Dept. of Agricultural, Food, and Resource Economics
Michigan State University

Great Lakes Professional Cattle Feeding & Marketing Shortcourse
February 10-12, 2009

History of COOL in the U.S.

- Became law in 2002 Farm Bill
- Delayed in 2004 until Sept. 2006
- Delayed in 2006 until Sept. 2008
- May 2008 law was modified
- July 2008 interim final rule issued
- Jan 2009 Pres. Obama freezes rule
 - “... give USDA an opportunity to tighten up the rule.” Bloomberg
 - Tonsor: freezes adds additional uncertainty to a touchy situation

Current Status of MCOOL

- Froze, but 2009 implementation expected
 - *Product of the U.S.*
 - Meat from animals born, raised, and slaughtered in U.S.; or animals in U.S. prior to 6/15/2008
 - *Product of the U.S., Country X*
 - Meat from animals born in country X, raised & slaughtered in U.S.
 - i.e., Mexican born feeder cattle, fed/slaughtered in U.S.
 - *Product of Country X, U.S.*
 - Meat from animals imported into the U.S. for immediate slaughter
 - i.e., Canadian finished cattle imported for slaughter
 - *Product of Country X*
 - Meat imported into the U.S.

COOL Labeling Options

- “The declaration must be legible and placed in a conspicuous location, so as to render it likely to be read and understood under normal conditions of purchase.” – USDA
 - Highly subjective terminology

Example label:

**Product of
U.S., CANADA,
MEXICO**

Example label:

**Product of
U.S., CANADA,
~~MEXICO~~**

Impacts: Research Suggestions in Advance of Implementation

- COOL increases costs of researching, certifying, and trusting source information (Anderson & Hudson 2004)
- Increase pressure for contracting & vertical integration
 - Pressure maybe reduced by NAIS, but not likely given current voluntary status

Impacts: Research Suggestions in Advance of Implementation

- Geographic indicators are unlikely to be successful at the country level (Carter, Krissoff, and Zwane, 2006)
 - Success depends on volume control
 - Difficult at country level; only probable if industry possesses and exerts market power
 - Examples:
 - Organic & specialty growers have entered WA – making Washington apples unsuccessful
 - Narrow group of growers have funded promotion (i.e. coordination) for Vidalia onions & prosecuted fraudulent claims of Vidalia regional origination

Impacts: Research Suggestions in Advance of Implementation

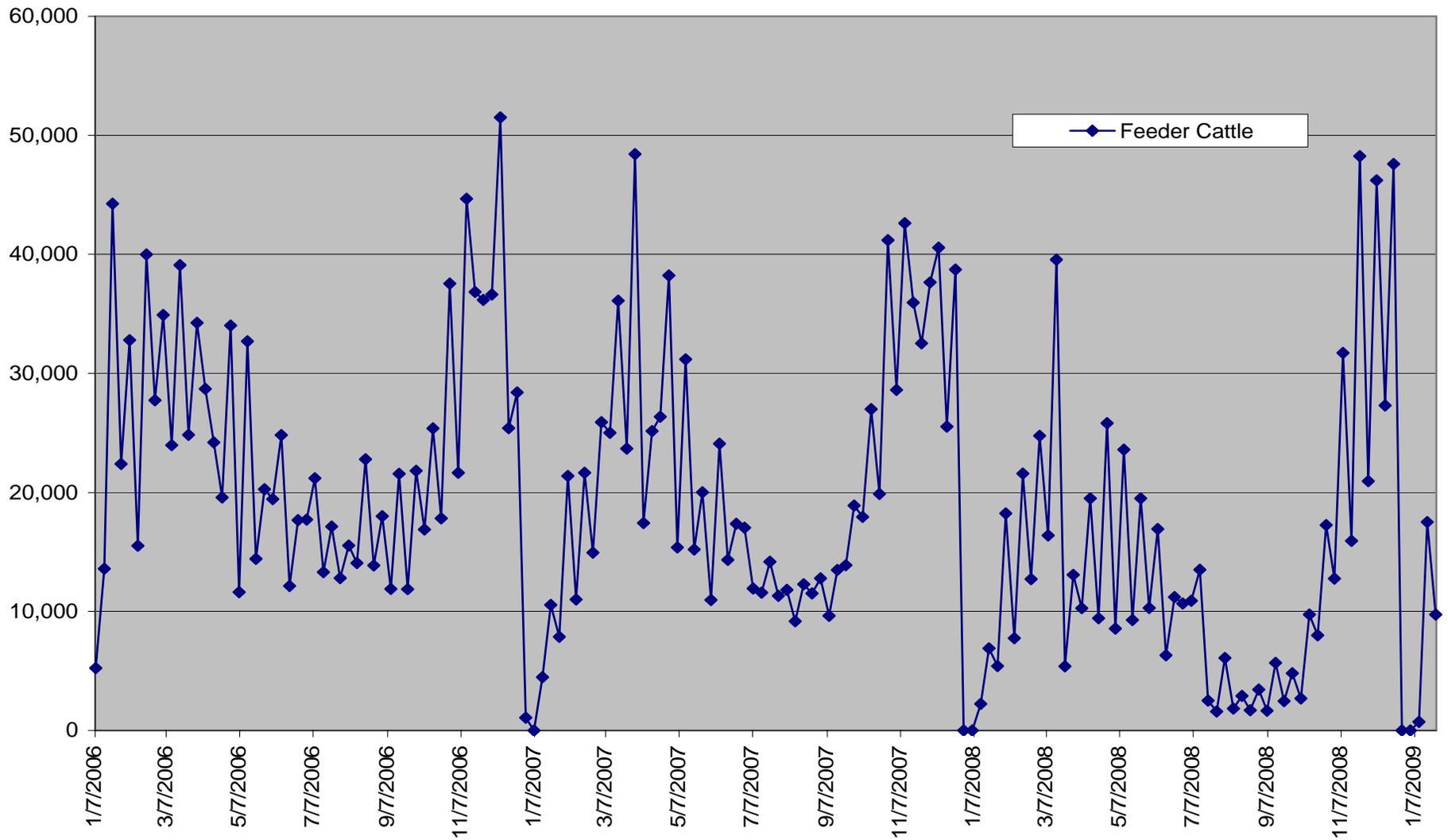
- Aggregate consumer demand increase of 2-3% may offset producer welfare losses due to COOL costs (Lusk and Anderson, 2004)
 - Doesn't consider:
 - foreign producer impacts
 - consumer impacts of non-meat changes
 - WTO and other implications

Impacts: Research Suggestions in Advance of Implementation

- Retail beef and pork demand increases of 4.05 & 4.45% needed to offset producer welfare losses over 10-year period (Brester, Marsh, & Atwood, 2004)
 - Doesn't consider:
 - foreign producer impacts
 - consumer impacts of non-meat changes
 - WTO and other implications

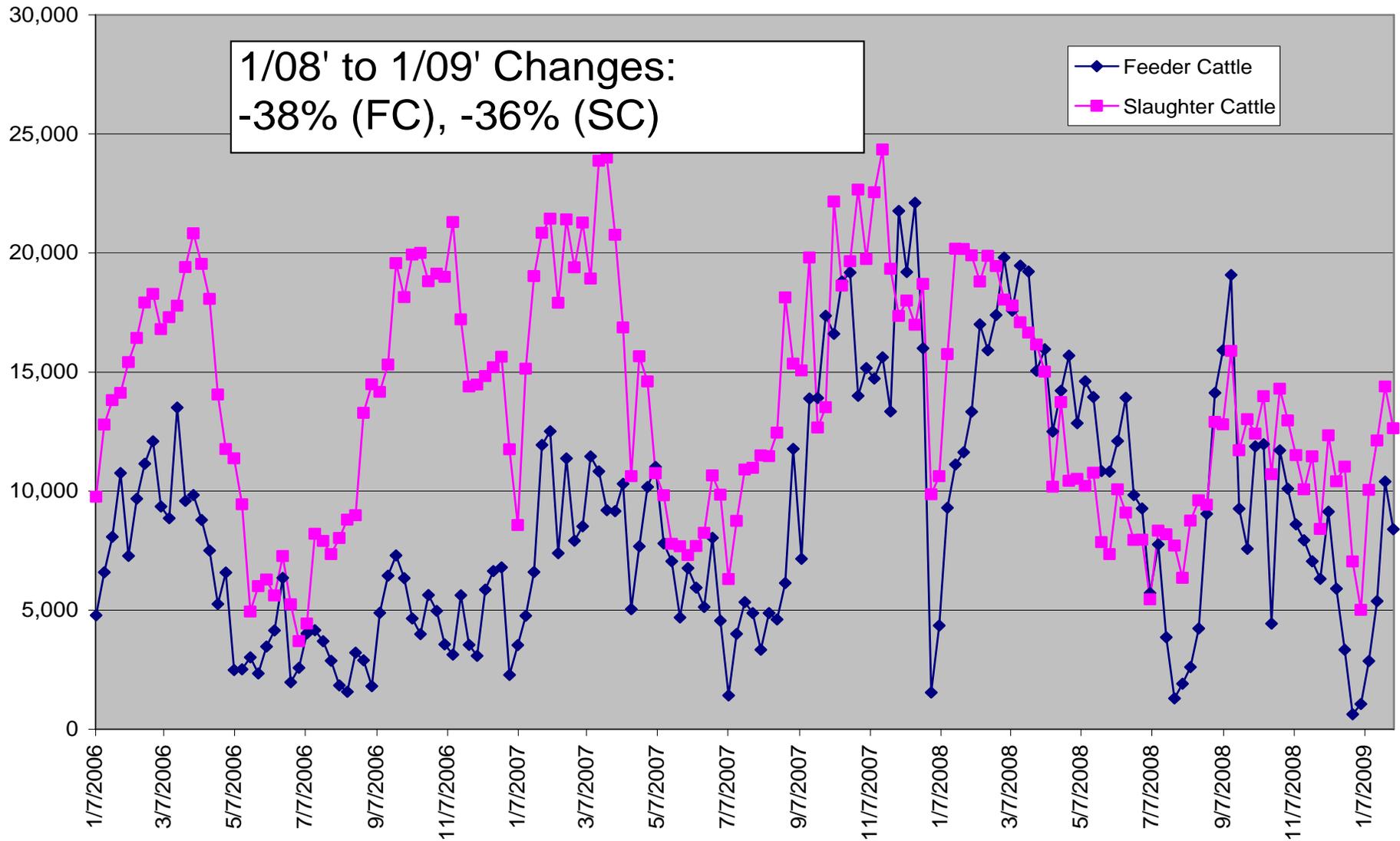
MCOOL Impacts: Adjustments To-Date

Mexican Imports: Feeder Cattle



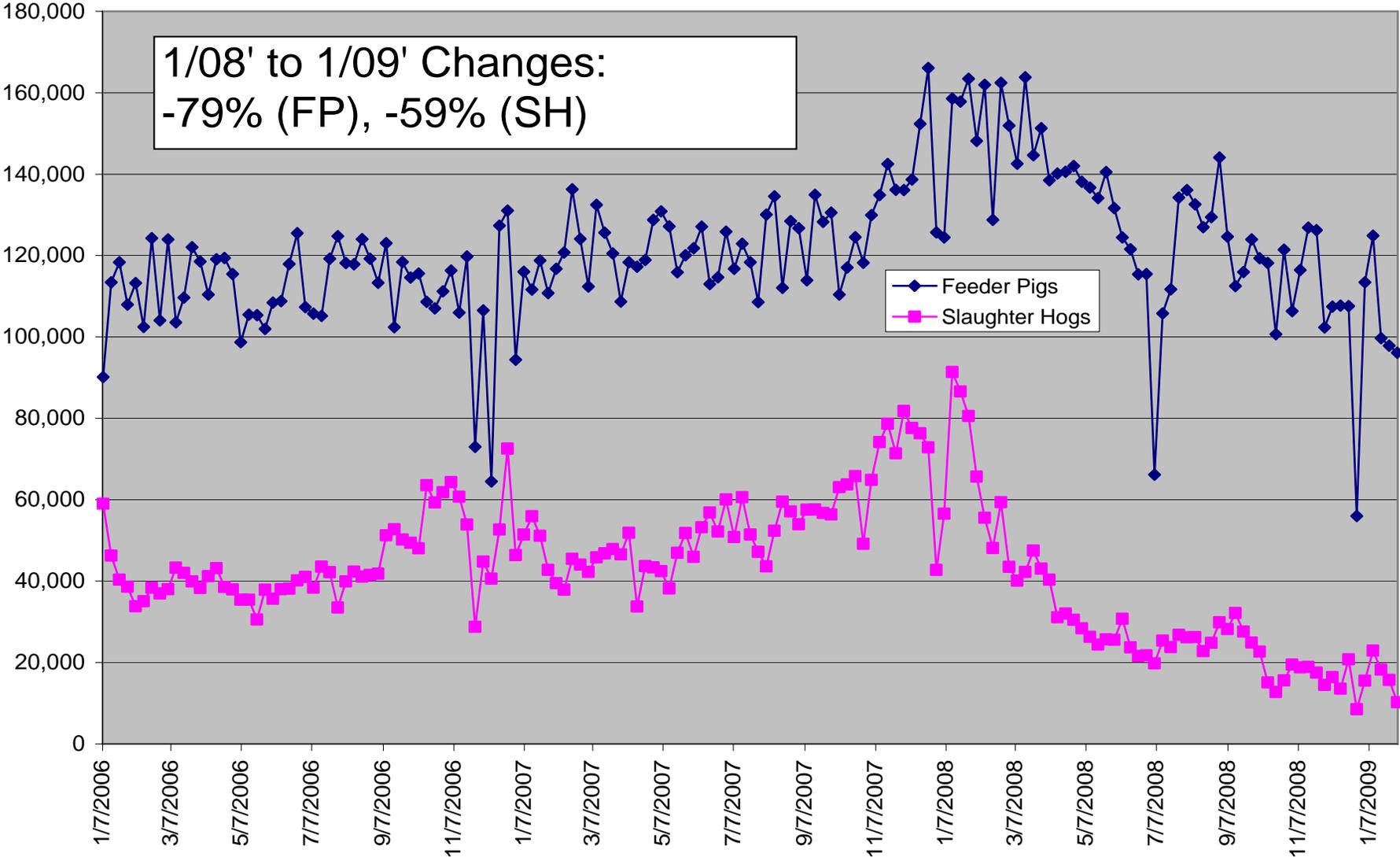
MCOOL Impacts: Adjustments To-Date

Canadian Imports: Cattle



MCOOL Impacts: Adjustments To-Date

Canadian Imports: Swine



MCOOL Impacts: Possible Responses/Retaliations

- Dec. 2008 – Canada & Mexico initiated WTO dispute settlement process
 - Can't end MCOOL, but can allow imposition of "sanctions of equal measure against the U.S."
- Canada & Mexico are 1st and 3rd largest current export markets
 - In 2002, Canada was leading export market for 30 U.S. states

MCOOL Impacts: Possible Responses/Retaliations

- Note scale of U.S. exports:
 - 1/3rd of U.S. crop acreage
 - 49% of Wheat, 37% of Soybeans
 - 28% of farm cash receipts
- International response is likely to include more than “meat retaliations”
- Related issues:
 - “Buy American” clauses in stimulus package drafts (EU threatens retaliation)
 - U.S. steel is vocal supporter
 - GE, Boeing, and Caterpillar are opponents

Possible “Unintended Benefits”

- Enhanced quality & viability of U.S. meat/livestock industry
 - Increased adoption of NAIS, participation in USDA PVPs, etc.
 - Improves traceability & information transfer
 - Closer interaction within supply chain enhances market signals

Accepted COOL Verification

(per 2.5.09 USDA-AMS [website](#))

- Producer Affidavits
- Purchase/Receiving Records
- Animal Health Records
- National Animal Identification System (NAIS)
- Production/Harvest Records
- Bills of Lading/Invoices

Recordkeeping

- “Retailers and their suppliers have recordkeeping responsibilities. Upon request by USDA representatives, records shall be provided to substantiate claims.”
- “Records used in the normal conduct of business that are legible and maintained either in hard copy format or electronic are acceptable for verification of origin claims.” – USDA
 - Establishes minimal starting points
 - Actual market transactions may well require more specific records and verification

PRODUCER AFFIDAVIT

Continuous Affidavit of Country of Origin of Livestock

This affidavit should be completed by the rancher and provided to the buyer to keep on file. All animals received from the rancher are from the listed country of origin unless noted.

As an affidavit is deemed by USDA as an official record of Country of Origin, I attest through first-hand knowledge, normal business records, or producer affidavit(s) that all livestock referenced by this document or other communications specific to the transaction and transferred are of _____ origin. Should the origin of my livestock become other than that described above, I agree to notify the buyer/agent when this occurs.

This affidavit/declaration shall remain in effect until revoked in writing by the undersigned and is delivered to _____ (agent/buyer).

Company/Ranch Name

Address

Signature

City, State, Zip

Print Name

Office Phone

Date

Suggestions for Feedlot Operators

- 'Over invest' to protect yourself
 - Uncertain, changing world requires new, possibly "more painful" practices than status quo
- Incoming Animals
 - Gather as much info. as possible as a term of purchase (affidavits, eID information, etc.)
 - Consider mandating NAIS or PVP participation by suppliers
- Outgoing Animals
 - Protect yourself by documenting all outgoing stock
 - Willingness to provide info. may not garnish direct benefits (\$/head in quote), but may yield indirect benefits (place on phone call list)
 - Call ahead of time regarding buyer's requirements
- On-farm records
 - USDA requires 1 year's records; Tonsor suggests multiple
 - Think of "the worst case" and keep records accordingly

Example Affidavits

- http://www.beefusa.org/uDocs/count_ryoforiginaffidavit453.pdf
- <http://www.thecattlemagazine.com/COOL/COOLAffidavits.htm>
- <http://www.meatami.com/ht/a/GetDocumentAction/i/40253>

USDA-AMS Materials:

■ Example Records

- (<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&navID=ExamplesofRecordsforCOOLverification&rightNav1=ExamplesofRecordsforCOOLverification&topNav=&leftNav=CommodityAreas&page=ExamplesofRecords&resultType=&acct=cntryoforgnlbl>)

■ Email notification of updates

- (<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&navID=SubscribetoListserv&rightNav1=SubscribetoListserv&topNav=&leftNav=CommodityAreas&page=COOLlistserve&resultType=&acct=cntryoforgnlbl>)

■ Final Rule (Jan. 12, 2009)

- (http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB/.cmd/ad/.ar/sa.retrievecontent/.c/6_2_1UH/.ce/7_2_5JM/.p/5_2_4TQ/.d/1/_th/J_2_9D/_s.7_0_A/7_0_1OB?PC_7_2_5JM_contentid=2009%2F01%2F0006.xml&PC_7_2_5JM_parentnav=LATEST_RELEASES&PC_7_2_5JM_navid=NEWS_RELEASE#7_2_5JM)

References

- Anderson, J.D. and D. Hudson. "Potential Impact of Country-of-Origin Labeling on Beef Industry Structure." *Choices* 2004.
- Carter, C., B. Krissoff, and A.P. Zwane. "Can Country-of-Origin Labeling Succeed as a Marketing Tool for Produced? Lessons from Three Case Studies." *Canadian Journal of Agricultural Economics*. 54: (2006)513-530

References

- Lusk, J.L. and J.D. Anderson. "Effects of Country-of-Origin Labeling on Meat Producers and Consumers." *Journal of Agricultural and Resource Economics*. 29:(2004)185-205.
- Brester, G.W., J.M. Marsh, and J.A. Atwood. "Distributional Impacts of Country-of-Origin Labeling in the U.S. Meat Industry." *Journal of Agricultural and Resource Economics*. 29:(2004)206-227.

QUESTIONS

- Tonsor's website (includes presentation):
 - <http://www.msu.edu/user/gtonsor/>