

02/28/2003 Entry: "Comments from the Kansas Cattlemen's Association on the Issuance of Guidelines for Voluntary Country of Origin Labeling"

February 19, 2003

From:

Kansas Cattlemen's Association
P.O. Box 251
Brewster, Kansas 67732

To: U.S. Department of Agriculture
Agriculture Marketing Service
Country of Origin Labeling Program
USDA STOP 0249,
1400 Independence Ave. SW
Washington, DC 20250-0299

USDA Country of Origin Labeling Staff:

Re: Comments from the Kansas Cattlemen's Association on the Issuance of Guidelines for Voluntary Country of Origin Labeling

The Kansas Cattlemen's Association (KCA) is pleased to offer and provide comments on the issuance of guidelines for the voluntary implementation of the mandatory country of origin labeling law (Act). KCA appreciates USDA's solicitation of public input in its efforts to maintain continuity between implementation of both voluntary and mandatory labeling.

KCA is a non-profit state cattle/beef producer association. KCA is an affiliate member and fully supports R-CALF USA for national representation. Our KCA members are located in 24 states representing over 1300 producers who have ownership or control of well over 1 million head of cattle in the U.S.A.. KCA has seen a rapid growth in membership in 2002 increasing by 65% and supporting revenues are up by 349%. This is unmatched in the industry! KCA's main interest is on restoring competitive markets and fair trade matters of interest to cow-calf operators, backgrounders, independent feedlot operators as well as restoring profitability back to the rural communities together with the farmer and rancher.

KCA also wants to help by having provided as an attachment a current and non-biased study whereby showing the producer and consumer support in Country of Origin Labeling (See the Attachment: Beef Study). This study had a 40% response by a private company doing the work and expense. KCA's only influence was to provide the idea for a study in that we now have information available that is accurate and credible on issues in agriculture. The study only accessed and used what they thought would be a non-supporting group, being those with incomes of over \$100,000.00.

We would like to point out those systems already in place will ease the transition to mandatory country of origin labeling. For example, beef bound for the school lunch program is already certified for domestic origin, slaughter plants already segregate beef by grade, and those grade labels already follow products to the grocery store meat counter. In addition, imported meats and produce are already required to be labeled by country of origin at their port of entry and those labels follow products to retail outlets.

Remembering that several states already require retail country of origin labeling for various food products and the cost of these programs has been very modest.

Cost of implementing Country of Origin Labeling will be nothing in comparison as to what we as U.S.A. producers will receive by fair labeling laws and competing in a global market allowing everyone to differentiate product from those who import. Remembering those who import into the U.S.A. are allowed access to the best market in the world and have an unfair advantage since they do not have to label their product whereby allowing imports to be sold currently in the United States as United States born, fed and slaughtered cattle and beef.

KCA also fully understands the current market power and dominance of the few BIG retailers in the food retail industry involved in this process. For a precise understanding about grocery retailing market power and dominance go to www.friendsforfairness.com by Charlie McVean from Memphis, TN.

The USDA has had a voluntary geographic labeling program since at least the early 70s, though the program was not widely used. The reason for this appears to be that unless all segments of the beef industry jointly participate to affect a geographic label, any one of the distinct industry segments can disqualify a product's eligibility by simply declining to participate in the program. In other words, labeling under the program would only occur if the live cattle producer voluntarily substantiated that the animal's origin was a specific geographic region; the processor voluntarily agreed to segregate the product to maintain the integrity of the geographic substantiation throughout the processing phase; and the retailer voluntarily agreed to affix the appropriate geographic label on the product. The new voluntary labeling program will require this degree of inter-industry cooperation in order to be successful.

To accomplish this heightened level of cooperation, USDA must provide an incentive to encourage each of the three industry segments to participate in the voluntary program. Lacking a more creative solution to impart such needed incentives within the present industry structure, and given the fact that country of origin labeling is scheduled to become mandatory in two years, KCA supports R-CALF USA in guidance in that they recommend that USDA adopt interim rules with which to implement mandatory labeling from the outset. However, pending the September 30, 2004, implementation date for mandatory labeling, the

retailer's decision regarding whether to retain the country of origin label upon final sale of the product would be left voluntary. In support of this recommendation, it should be noted that the mandate for labeling is a mandate on the retailer of the covered commodity, but the retailer is necessarily dependent upon the product's origin identification and segregation by the two principle upstream suppliers – packers and producers.

KCA accepts and supports the following comments and statements by R-CALF USA:

R-CALF USA, therefore, offers the following comments with an eye toward the establishment of comprehensive country of origin labeling rules to allow any retailer, inclusive of exporters and food service establishments, the opportunity to label beef and ground beef at their discretion, beginning September 30, 2002. R-CALF USA's specific comments include only beef and cattle but could be applied to lamb and lambs and pork and hogs. It views the process of establishing guidelines to accommodate beef and cattle as necessitating the following four distinct categories.

Part I: Determining Eligibility of Beef Derived From Live Cattle Slaughtered in the United States for the United States Label

Part II: Segregating Domestic and Imported Beef During the Processing/Slaughtering Phase To Retain the Proper Country of Origin Label

Part III: Communicating Information Regarding the Origin of Beef from Packer to Retailer, Maintaining an Auditable Trail of that Communication, and Achieving Compliance Through Enforcement and Fines

Part IV: Labeling Beef with Multiple Countries of Origin, Including Live Cattle Transshipped from a Third Country

R-CALF USA previously submitted comments on Part I to USDA on May 31, 2002. R-CALF USA will summarize its May 31, 2002, submission here and will thereafter address Part II through Part IV.

PART I: Summary of R-CALF USA's May 31, 2002, Submission on Determining the Eligibility of Beef Derived From Live Cattle Slaughtered in the United States for the United States Label

The preponderance of live cattle slaughtered in the United States are born, raised, and slaughtered in the United States and, therefore, eligible for the United States label. It is only through the physical act of importing a live animal from a foreign country that causes a disqualification for the United States label.

This single disqualifying factor for eligibility for the United States label is already tracked by USDA-APHIS for other purposes, principally safety, through health certificates. These health certificates can be combined with the issuance of a certificate of importation to provide clear evidence that an animal has been imported. Moreover, these health certificates and the proposed Certificate of Importation would identify the importing country. In addition, the practice of physically identifying imported live animals is currently accomplished with

permanent ear tags affixed to Mexican live cattle imports, cattle tested for Brucellosis, as well as U.S. cattle exported to Canada, and this practice could readily be expanded to include imports from all countries.

To accomplish the objective of determining eligibility of live cattle slaughtered in the United States for the United States label, R-CALF USA recommends:

1. USDA should require all importers of cattle to obtain an import permit. Each permit holder would be required to file an annual report. All subsequent buyers of imported cattle should also be required to obtain a permit and would be subject to reporting requirements.

2. USDA should require that all animals imported into the United States be affixed with a permanent ear tag similar to the tag used on Mexican cattle, the tag required by the Canadian Food Inspection Agency (CFIA) and approved by the Canadian Cattle Identification Agency (CCIA), or the Brucellosis tag used in the United States. Color-coded ear tags could be used to denote the country of import. Imported fat cattle destined for slaughter and transported in sealed trucks could be exempted from this requirement, provided these cattle were accompanied by proper import documentation. [Note addition of CCIA since original submission]

3. USDA should issue a "Certificate of Importation" for all imported cattle, with each certificate referencing the original USDA-APHIS health certificate accompanying the imported cattle.

4. The copy of the Certificate of Importation should be required to remain with any of the imported cattle that are transferred to any new owner at the time of resale, or to the packer at time of slaughter. [Note addition of a "copy" of the certificate to remain with any imported cattle. This is a revision to the original submission.]

5. At the time of transfer from the permit holder to another buyer, the permit holder would report the sale to USDA and the buyer would have a reasonable time period with which to obtain a permit. If the transfer were to a packer, the packer would additionally submit a report of slaughter of the transferred cattle to USDA.

6. Packers should be required to file quarterly reports of all imported cattle slaughtered during the year. [Note change in reporting frequency. Original submission suggested annual reports.]

USDA should conduct annual audits of both permit holders and packers to ensure proper disclosure of all live cattle ineligible for the United States label upon delivery to the packer. [Note change in audit frequency. Original submission suggested periodic audits.]

R-CALF USA believes this proposal represents a reasonable, efficient and low-cost means of determining the eligibility for a United States label, or a label denoting the country from which the cattle were imported. In the event that USDA finds it necessary to verify the origins of domestic cattle, R-CALF USA recommends that a system of affidavits be used similar to that presently used by producers to certify that they have not fed ruminant byproducts to their cattle.

A complete copy of R-CALF USA's May 31, 2002, submission of Part I is attached.

PART II: Segregating Domestic and Imported Beef During the Processing/Slaughtering Phase To Retain the Proper Country of Origin Label

According to the official listing of USDA domestic product suppliers dated July 19, 2002, there are 49 U.S. beef packing plants eligible to provide meat products to the Federal Purchase Program. USDA approves these plants as either Domestic Only facilities or facilities with approved Segregation Plans. In addition to many smaller packers, included on the list are plants owned by the nation's four largest packers: ConAgra, Excel, IBP, and National Beef. This model can be applied to all other U.S. packing and processing facilities following certain modifications needed to accommodate the Act.

Packers, processors, wholesalers and retailers have demonstrated their ability to segregate separately labeled products as exemplified by the numerous branded beef products in the market place today. The segregation of products to enable the proper labeling of muscle cuts of beef and ground beef can be readily accomplished using the industry's present models and technology.

A. USDA should mandate that meat processors that process both domestic and imported live cattle and beef implement an approved segregation plan.

USDA should modify the current model employed by the audit and approval program presently used in the Domestic Origin Verification Program of the Audit, Review, and Compliance Branch for establishing processor eligibility to supply meat and meat products to the Federal Purchase Program as contractors and/or subcontractors. The program would require slight revisions to comport with the new country of origin labeling law. The revisions would include:

1. The "Domestic Origin Verification Program" should be renamed "Country of Origin Verification Program."
2. The proposed Country of Origin Verification Program should be made mandatory under interim rules beginning on September 30, 2002.
3. Revise the definition of domestic product to include only products manufactured from livestock exclusively born, raised, and slaughtered in the

United States. There should be no change in the USDA's treatment of United States territories and possessions.

4. The current Segregation Plan under the Domestic Origin Verification Program should be revised to include:

- i. A plan to segregate and to retain the identity of meat derived from cattle exclusively born, raised, and slaughtered in the United States, and
- ii. a plan to segregate animals transported from an importing country directly to a United States slaughter plant and to retain the identity of the importing country on the resulting beef (to accommodate fed cattle arriving in sealed trucks without ear tags), and
- iii. a plan to segregate and to retain the identity of beef derived from cattle ineligible for the United States label by virtue of spending a portion of their life cycle in a foreign country.
- iv. a plan to segregate and to retain the origin designation of imported beef or beef products intended either for further processing or for purposes of commingling with either domestic beef or beef products or beef or beef products from yet another importing country.

5. Revise both the annual compliance audit and quarterly surveillance audit to include each of the plans listed in 4. i. through iv. above.

B. USDA should mandate that meat processors which exclusively process animals exclusively from livestock born, raised, and slaughtered in the United States to register with the proposed Country of Origin Verification Program and to immediately report if its domestic only status is changed.

Packing and processing facilities that do not currently handle imported cattle, beef, or beef products should register with the Country of Origin Verification Program as a Domestic Only facility. If the Domestic Only facility plans to begin handling imported cattle or beef products, it must first obtain approval of a Segregation Plan as discussed in A above prior to handling any imported cattle or beef.

PART III: Communicating Information Regarding the Origin of Beef from Packer to Retailer, Maintaining an Auditable Trail of that Communication, and Achieving Compliance Through Enforcement and Fines

A. Communicating Information Regarding Origin of Beef from Packer to Retailer

The procedures for monitoring compliance and enforcement should not and need not be onerous. The determination and conveyance of origin designation from the live cattle producer, backgrounder, feeder, and importer to the packer, along

with establishing an auditable trail for ensuring compliance was discussed in Part I. The determination and conveyance of origin designation for imported beef carcasses, beef, and beef products from an importing country to a U.S. packer, processor, wholesaler, or retailer in their original shipping container is achieved under the current trade law administered by the USDA Food Safety Inspection Service (FSIS). It is only the actions subsequent to the removal of the products from their original shipping container that the USDA must address in connection with the Act.

The discussion in Part II above describes an approved Segregation Plan that packers and processors must adopt and USDA must approve if they are recipients of imported beef or beef products. The requisite approval by USDA of the Segregation Plans contemplated in Part II includes approval of the procedure to be used to retain the origin designation throughout the slaughter and processing stage, not unlike the current practice presently used for the current Federal Purchase Program.

Retailers must rely upon the accurate conveyance of a product's origin designation from either the imported product's original shipping container, a wholesaler (who may receive the product in its original shipping container or from a packer or processor), a processor (who may receive the imported product in its original container or from a packer), or a packer (who may also receive an imported product in its original container, from a live cattle producer, or from their own live cattle inventories). In all cases, the retailer's ability to accurately label a product is dependent upon the accuracy of information communicated by upstream suppliers. Therefore, USDA's plan for monitoring compliance and for enforcement beyond the reporting requirements for phase of live cattle suppliers (Part I) and the implementation of a Segregation Plan (Part II) should focus on the accurate conveyance between the retailer and the packer/processor supplying the product.

B. Maintaining an Auditable Trail of the Communication Regarding Country of Origin

In addition to the reporting of imported cattle discussed in Part I, and the Segregation Plan Audits discussed in Part II, USDA should require reporting from all persons who supply imported beef carcasses, beef and beef products (beef importers) to U.S. processors, wholesalers, and retailers. Such reporting should include the volume and nature of imports along with the name of the purchaser. This reporting will enable USDA to ensure that imports arriving in the form of beef carcasses, beef, and beef products are funneled into the same food distribution system as are products derived from imported live cattle, all of which would be subject to USDA's oversight. In the case of retailers and wholesalers, conventional documentation accompanying purchases that identifies product sources would suffice for maintaining an auditable trail.

C. Achieving Compliance through Enforcement and Fines

Monitoring compliance at the retail level could be accomplished with a cooperative agreement between USDA and each state's food safety inspection programs. In establishing such a program, USDA should review the program instituted by the state of Florida to implement its state's preexisting labeling law. It is R-CALF USA's understanding that the Florida model for monitoring compliance is relatively streamlined and involves periodic spot checks of retail stores conducted by state employed inspectors.

Monitoring compliance at the packer/processor level could be accomplished with a cooperative agreement with state programs that inspect state inspected plants, and by USDA inspectors that already inspect USDA inspected plants. Again, a periodic spot check of the accuracy of the labels could be conducted on products leaving the plant.

If USDA receives a complaint regarding inaccurate labeling or if periodic spot checks reveal discrepancies, USDA should conduct an investigation to identify the party or parties responsible for the non-compliance.

Truth in labeling should not be taken lightly. The U.S. cattle industry has spent nearly \$1 billion under a government-mandated program for research, promotion, and education, in part to strengthen consumer confidence in beef. The U.S. cattle industry was also a global leader in pursuing regulations to ban the feeding of ruminant byproducts to prevent outbreaks of BSE. Country of origin labeling is the best tool U.S. producers have to maintain consumer confidence in beef derived from the U.S. cattle herd if a disease such as BSE is ever detected in imported beef products. Therefore, R-CALF USA recommends a stringent and progressive penalty schedule for individuals who violate the Act.

During the initial and voluntary phase of the Act's implementation, fines should be sufficient to act as a meaningful deterrent to inaccurate labeling, but also realistic in recognition of unforeseen difficulties that may arise during start-up. Therefore, R-CALF USA recommends that fines be progressive with the first finding of a party willfully affixing an inaccurate label during the first year of voluntary labeling leading to a written warning. Fines sufficient to discourage violations should apply to subsequent violations and repeated offenders should face a suspension from handling imported cattle, beef, and beef products.

PART IV: Labeling Beef with Multiple Countries of Origin, Including Live Cattle Transshipped from a Third Country

The Act establishes a standard for determining a United States origin from birth to slaughter, but does not include further processing of beef as a criterion for determining such origin. Therefore, if imported beef carcasses, beef, or beef products are further processed, i.e., removed from their container or packages and cut up, and/or repackaged by a United States processor, the final product

shall retain the original country of origin label of the country from which the derivative beef carcasses, beef, or beef products was imported and the “United States” shall not be included on the label.

With respect to criterion that is included in the Act, there are two options USDA may want to consider regarding the contents of a label associated with muscle cuts of beef or ground beef at the retailer, including exporter, level. R-CALF USA believes Congress made it very clear about what muscle cuts of beef may have a United States label and that ground beef must be labeled with its country of origin. Given Congress’s mandate, R-CALF USA recommends that USDA implement the first option, Option A, below as an interim rule. Option A meets Congress’s mandate and does not require any additional level of international harmonization than what currently exists in order to be nondiscriminatory.

Option A

The United States label shall be reserved exclusively for beef derived exclusively from cattle born, raised, and slaughtered in the United States. Muscle cuts of beef and ground beef either imported or derived from imported cattle shall bear the label of the country from which the beef or cattle were imported, regardless of the length of time the cattle spent in the importing country or in the United States during any phase of its production cycle. The single exception would be the provision within the Act concerning the transport of cattle from Alaska and Hawaii. A ground beef label, however, would include each country from which any of the commingled beef or beef product originated, i.e., either listing each country included in the specific ground beef product or each country from which the grinder sources its beef for grinding. The “United States,” however, should only be listed on the ground beef label if beef derived exclusively from cattle born, raised, and slaughtered in the United States was commingled in the final ground beef product.

Under current international harmonization of country of origin labeling, Option A is an appropriate means of implementing the labeling requirements of the Act. Lacking further international harmonization, any variation of Option A would be discriminatory toward any imported beef or beef product derived from animals not slaughtered in the United States. Such imported beef or beef products would be relegated by current international standards to bear only the label of the country in which it was either slaughtered or transformed. Therefore, should the United States attempt to afford muscle cuts of beef or ground beef derived from cattle slaughtered in the United States with a multi-country label based on where the cattle spent its distinct production phases, e.g., born in the United States, raised in Canada, and slaughtered in the United States, such beef from imported cattle slaughtered in the United States would receive preferential treatment by having a more descriptive label.

In addition, any deviation from Option A, i.e., a multiple label for animals born in one country and perhaps fed and slaughtered in another, would require the United States to track the various production phases of cattle while they reside in a foreign country or countries in order to afford the resulting muscle cut of beef or ground beef with a more descriptive label depicting where the animal spent its various production phases. Because the United States does not have the authority to require such tracking of imported animals in foreign jurisdictions, another mechanism must be instituted if a multiple label denoting where cattle that produced the imported beef was born, raised, and slaughtered.

Option B

If the United States and its foreign trading partners were to harmonize international standards for labeling to allow the delineation of where cattle were born, raised, and slaughtered, Option B, would be available for USDA's consideration.

Under this option, USDA would further define the individual terms: born, raised, and slaughtered. Once these individual terms are defined, beef could be eligible for a multi-country label reflecting the respective countries in which the animal underwent its various production stages. For example, beef derived from an animal born in the United States, fed in Canada, and slaughtered in the United States could be labeled "Born in the United States, Fed in Canada, and Slaughtered in the United States." Similarly, beef carcasses, beef, and beef products imported into the United States would bear labels denoting the country or countries in which the derivative spent its various production stages. Thus, all cattle, beef, and beef products would be treated equitably with respect to labeling regardless of the country in which the cattle were slaughtered or processed, and the consuming public would be afforded more descriptive information regarding the specific origin of the beef they purchase.

This option would also help to identify the true origin of cattle that had been transshipped into an importing country from a third country prior to arriving in the United States, provided the definition of the term "raised" contemplated such transshipments.

CONCLUSION

Some have spread fear about the cost of country of origin labeling and more recently the Agriculture Department has ignored government regulations and industry practices that already cover most of the expenses associated with country of origin labeling. In a meeting in which USDA representatives have conceded the controversial \$1.9 billion government estimate is very preliminary.

"It doesn't mean that that number is the ultimate number," said Agricultural Marketing Service Director A.J. Yates. Yates and others made two major

concessions about the USDA estimate in the meeting:

- It should be reduced to reflect those who do not supply the retail market.
- It should be reduced to reflect country of origin records already being kept by producers, industry, and government.

These two changes would bring down the USDA estimate substantially, Americans for Country of Origin Labeling said in its letter. The release of these unsupported cost estimates could mislead members of Congress and undermine support for labeling. "We at KCA would like for USDA to integrate country of origin labeling into pre-existing systems currently used in the food and agriculture sector, to require that a competent study be performed by third party researchers on costs and benefits, and to use the "Beef Study" to minimize the burden on the American food producer to the greatest extent practicable."

KCA also wants to encourage that the burden and cost of Origin be given to the importer of product and we know it works both ways in trade but in the U.S.A., foreign imports are about 8% of the market. We have allowed importers U.S. market access at no cost and reduced our U.S. Cattle industry cow herd to now at a level of less than 95 million head. We as producers care about fair competition and we have produced a safer product with the regulations in doing business in the U.S.A. The bottom line is our Beef checkoff has collected over 1.1 Billion dollars to promote beef which should have been used to "promote USA Born Fed and Slaughtered Beef" that this is the reason for Country of Origin Labeling.

Another issue is a time frame for compliance, being a recommendation for the U.S. producer we should take into consideration a 12 month period for cattle/beef to be labeled as U.S.A. origin and only those purchased or raised prior to this set date will be grandfathered into the program.

KCA appreciates the opportunity to submit these comments and looks forward to working with USDA as it proceeds to first establish and implement voluntary guidelines and then to promulgate final rules for the implementation of mandatory country of origin labeling. If you have any questions please feel free to contact our office at 877-694-2906 Monday thru Friday 8:00a.m. – 5:00p.m..

Respectfully submitted,

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Kansas Cattlemen's Association