



MANDATORY COUNTRY OF ORIGIN LABELING (MCOOL)

FARM BUREAU INVOLVEMENT — Farm Bureau has supported country of origin labeling for a variety of agricultural products. AFBF supported the U.S. Trade Representative's efforts to defend U.S. law in the World Trade Organization case brought by Canada and Mexico. As a result of the negative decision, Congress acted to remove beef and pork from the mandatory COOL program and preserved the program for other agricultural products.

BACKGROUND

MCOOL provisions were enacted in the 2002 farm bill to take effect on Sept. 30, 2004. After several delays, the final implementation rule took effect on March 16, 2009. The MCOOL rule required most retail food stores to inform consumers about the country of origin of fresh fruits and vegetables, fish, shellfish, peanuts, pecans, macadamia nuts, ginseng, and ground and muscle cuts of beef, pork, lamb, chicken and goat.

Before the MCOOL provisions even came into effect, Canada and Mexico held consultations with the United States. Despite these consultations, the U.S., Canada and Mexico were unable to resolve their differences, resulting in Canada and Mexico requesting the establishment of a WTO dispute settlement panel in October 2009.

The WTO DS panel in November 2011 concluded that some features of U.S. MCOOL discriminated against foreign livestock and were not consistent with the U.S.'s WTO obligations. The U.S., Canada and Mexico all appealed the panel's finding, but ultimately the United States was left with a compliance deadline of May 23, 2013. In order to meet the deadline, USDA issued a revised MCOOL rule requiring that

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3. We support voluntary Country of Origin Labeling (COOL) that conforms with COOL parameters and meets WTO requirements.
4. USDA should administer rules and regulations for certification. The implementation of COOL should not impose undue compliance costs, liability, recordkeeping and verification requirements on farmers and ranchers.
5. We support the inclusion of all dairy products in COOL legislation.
6. We recommend implementation of COOL to include all peanut products, raw and processed.
7. We support congressional funding for the implementation of COOL.
8. We support the inclusion of honey and dry beans in COOL.

labels show where each production step (born, raised, slaughtered) occurred and prohibited the commingling of muscle-cut meat from different origins.

Despite the labeling changes, Canada and Mexico still found MCOOL to be discriminatory against foreign cattle and hogs, as did a WTO compliance panel. A U.S. appeal of the compliance panel report proved unsuccessful, leading Canada and Mexico to request arbitration proceedings. In December 2015, the arbitration panel granted a retaliation level for Canada at CA\$1.055 billion (US\$781 million) and for Mexico at US\$228 million. Following this finding, on Dec. 18, 2015, the Consolidated Appropriations Act, 2016 repealed MCOOL for muscle cuts of beef and pork and ground beef and pork. After the repeal by Congress, USDA halted enforcement of MCOOL for beef and pork. Finally, on March 2, 2016, USDA amended the MCOOL regulations to reflect the repeal of the MCOOL law for muscle cuts of beef and pork, and ground beef and pork.

THE MEAT OF THE PROBLEM

The MCOOL law prohibited USDA from using a mandatory animal identification system, but the original 2002 version stated that the Agriculture secretary “may require that any person that prepares, stores, handles, or distributes a covered commodity for retail sale maintain a verifiable recordkeeping audit trail that will permit the secretary to verify compliance.” Verification immediately became one of the most contentious issues, particularly for livestock producers, in part because of the potential complications and costs of tracking animals and their products from birth through retail sale.

The meat labeling requirements in MCOOL proved to be among the most complex and controversial of rulemakings, in large part because of the steps that U.S. feeding operations and packing plants had to adopt to segregate, hold and slaughter foreign-origin livestock.

The WTO panel found that the MCOOL’s legitimacy was undermined because a large amount of beef and pork was exempt, putting imported livestock at a competitive disadvantage to domestic livestock for no reason. The panel noted between 57.7% and 66.7% of beef and 83.5% and 84.1% of pork did not provide origin information to consumers.

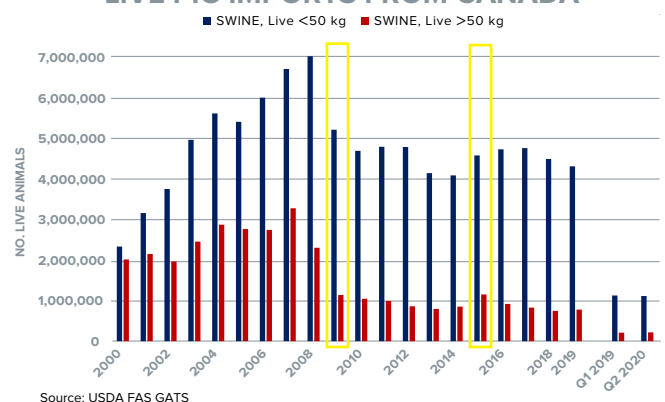
MCOOL had a number of statutory and regulatory exemptions that resulted in a significant share of beef and pork that did not convey origin information to consumers. Chiefly, MCOOL:

- exempted items from labeling requirements if they were an ingredient in a processed food;
- covered only those retailers that annually purchase at least \$230,000 of perishable agricultural commodities; and
- exempted restaurants, cafeterias, bars and similar facilities that prepare and sell foods to the public from these labeling requirements.

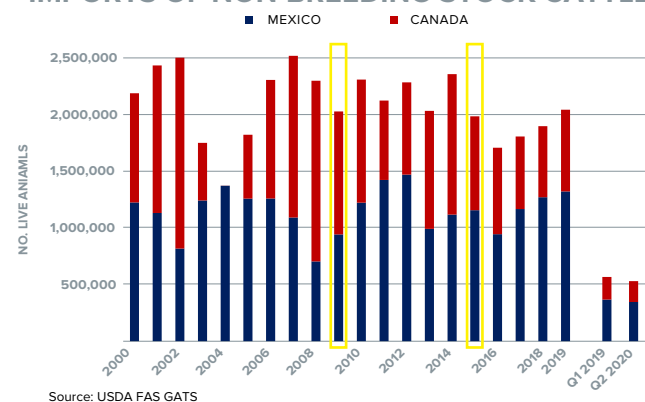
ECONOMIC IMPACT OF MCOOL

A requirement of the 2014 farm bill was to quantify the market impacts of MCOOL. USDA assigned the research to a team of agricultural economists from Kansas State University and the University of Missouri. The report, released in 2015, found no evidence of meat demand increases for MCOOL covered products, but found considerable evidence of increased compliance costs. Ultimately, the report found that MCOOL cost the meat industry and consumers billions.

LIVE PIG IMPORTS FROM CANADA



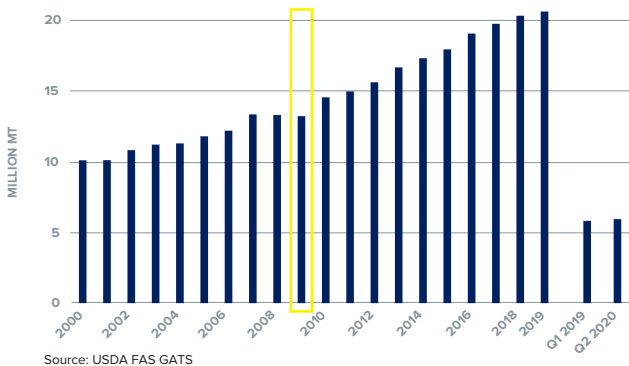
IMPORTS OF NON-BREEDING STOCK CATTLE



LIVE CATTLE AND PIG TRADE

Almost all U.S. live cattle imports come from Canada and Mexico and almost all live hog imports come from Canada. The graphs below track live pig and cattle imports to the U.S. from 2000-2019. The years during which MCOOL was in effect, 2009-2015, are highlighted in yellow. January through March 2019 and January through March 2020 imports are also included. Compared to the same period in 2019, January through March 2020 imports of live pigs under 50 kg are down 1%, while imports of live pigs over 50 kg are up 3%. In January through March 2020, live cattle imports from Mexico and Canada are down 6% and 8%, respectively, compared to the same period in 2019.

U.S. FRESH FRUIT AND VEGETABLE IMPORTS



MCOOL BEYOND BEEF AND PORK

While repealed for muscle cuts of beef and pork and ground beef and pork in 2016, MCOOL remains in place for fresh fruits and vegetables, fish, shellfish, peanuts, pecans, macadamia nuts, ginseng, and ground and muscle cuts of lamb, chicken and goat. Despite the hope that MCOOL would make consumers more likely to purchase U.S.-produced goods, trade data suggests that consumer demand for imported goods remains high. For example, imports of fresh fruits and vegetables were 56% higher in 2019 than 2009, despite the presence of a strong U.S. industry and increasing “buy local” trends.

For more information please contact:

David Salmonsens
Senior Director,
Congressional Relations
davids@fb.org

Veronica Nigh
Economist
veronican@fb.org

