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Mandatory COOL: Still detrimental to trade, no easy solution

By **Katie Allen, Kansas State University Extension** October 29, 2014 | 11:20 am EDT

Abolish? Make further tweaks? Or perhaps, make it voluntary? On the heels of the World Trade Organization's (WTO's) latest ruling on U.S. mandatory country-of-origin labeling (COOL), debate on both sides of the issue continues. It's a debate that has spanned more than a decade, and finding a solution that will please everyone involved is likely impossible.

For the second time, the [WTO has sided with two top U.S. trading partners \(http://www.census.gov/foreign-trade/statistics/highlights/toppartners.html\)](http://www.census.gov/foreign-trade/statistics/highlights/toppartners.html)—Canada and Mexico—saying COOL has caused less favorable treatment to imported livestock from those countries compared to U.S. livestock, and furthermore, it has caused a detrimental impact on the competitive trade opportunities of imported livestock.

“(Mandatory COOL) puts Canadian and Mexican livestock producers at a disadvantage to U.S. livestock producers,” said Glynn Tonsor, K-State Research and Extension livestock economist. “As an economist who has looked at it, the additional costs that come with the more precise tracking and segregating get built into what U.S. feedyards and packing plants are willing and able to pay for animals not born in the United States.”

More precise tracking and segregating were the results of the revised and current U.S. mandatory COOL ruling implemented in May 2013 due to the WTO's first siding with Canada and Mexico.

“In 2009, we had the first implementation of mandatory COOL that led to labels such as ‘Product of U.S. and Canada’ showing up on beef steaks, for example, for an animal that might have been born in Canada, then came into the United States to a feedyard and was processed here,” Tonsor said.

“Then we had some WTO disputes, discussions and rulings,” he continued, “that led the U.S. Department of Agriculture (USDA) to change some specifics of the rule. In May 2013, we had a new rule, the most recent rule, with updated requirements.”

The current rule requires that several fresh foods, including meat sold at grocery stores, indicate the individual country or countries where the product was born, raised and slaughtered on the product's label.

“The main difference consumers saw from that rule change was meat labels, such as that on a beef steak, would now be labeled as ‘Born, Raised and Slaughtered’ in different countries,” Tonsor said. “Sticking with the same example I mentioned before, the label would now say, ‘Born in Canada, Raised and Slaughtered in the U.S.’”

[A 2010 Informa Economics study \(http://www.informaecon.com/COOLStudyUpdate2010.pdf\)](http://www.informaecon.com/COOLStudyUpdate2010.pdf) estimated mandatory COOL cost the beef supply chain roughly \$1 to \$1.2 billion in 2009. For pork that same year, the total cost was estimated at \$167 to \$228 million. This is before the 2013 ruling requiring more detail and likely more cost, Tonsor said.

The consumer perspective

Not only has mandatory COOL shown to be costly and hinder trade, concerns have also come to light questioning if U.S. consumers overall are aware of origin labels or use them to make purchasing decisions.

[In his research \(http://www.agmanager.info/livestock/policy/Tonsor_KSU_FactSheet_MCOOL_11-13-12.pdf\)](http://www.agmanager.info/livestock/policy/Tonsor_KSU_FactSheet_MCOOL_11-13-12.pdf), Tonsor said he's found no evidence of demand for origin information by the typical meat consumer in the United States. Furthermore, he's found most U.S. consumers don't know that COOL even exists.

"Nearly two years ago, we wrapped up that research after the 2009 rule was implemented," Tonsor said. "We're able to see how actual consumption patterns did or didn't change, as opposed to doing it beforehand and speculating. We found no evidence of beef demand increase following implementation of origin labeling. We found no evidence of pork demand increase. We found no evidence of poultry demand increase."

The meat products Tonsor studied were all covered products through the grocery store chain, as these products must abide by the ruling. Many products he didn't study because they are exempt from mandatory COOL, such as a food item sold in a restaurant and further processed items, such as cured bacon.

"We also did a lot of survey work that shows most of the public isn't aware of COOL, and origin information is not the most important piece to them (when buying meat products)," he added.

The advocates of COOL might say more precision and detail on labels now lends itself to enough information to actually show a consumer demand benefit, Tonsor said, but he's still skeptical if those benefits would be there if a majority of the public still isn't aware of origin labeling.

"How do they value something they don't know is there?" he questioned.

An unknown future

The U.S. Department of Agriculture and trade negotiators on behalf of the United States have yet to make statements as to whether or not they will appeal the latest WTO ruling or focus on modifying the rule for another time, Tonsor said. Many people and groups are politically involved in the issue and want different outcomes.

“The groups believing there is no consumer demand benefit and are concerned with additional costs would have a strong preference to abolish (mandatory COOL) or get as close to abolishing to the policy as possible,” he said. “The groups that are advocates of mandatory COOL are pointing out the United States has the right to label origin. Components of the WTO ruling have also said the United States has that right.”

Tonsor said he believes it would be difficult to technically redesign mandatory COOL in a way the WTO would view as giving information to consumers while not continuing to negatively affect U.S. trading partners.

“Moreover, I don’t know if it has to be a mandatory COOL policy,” he said. “Perhaps we could have developed (COOL) in a voluntary sense.”

Voluntary COOL might still be a possibility to consider, as it would allow packers and retailers the option to label the origin. Consumers could continue to shop for foods by origin preference, if the packers or retailers decided the added cost of labeling would be offset by consumer demand.

[More information about the WTO’s ruling \(http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds384_e.htm\)](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds384_e.htm) can be found online. Tonsor’s research related to COOL is located on [K-State’s Ag Manager website \(http://www.agmanager.info/livestock/policy/Tonsor_KSU_FactSheet_MCOOL_11-13-12.pdf\)](http://www.agmanager.info/livestock/policy/Tonsor_KSU_FactSheet_MCOOL_11-13-12.pdf).

A video interview with Tonsor is available on the [K-State Research and Extension YouTube page \(https://www.youtube.com/watch?v=-ubzqQQ0jeY&feature=youtu.be\)](https://www.youtube.com/watch?v=-ubzqQQ0jeY&feature=youtu.be).



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