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Country-of-Origin Labeling and the Beef Industry

David P. Anderson and Oral Capps, Jr.

Country-of-origin labeling (COOL) was probably the most contentious issue to come out of the 2002 farm bill. This issue of *Choices* features COOL as one thematic contribution. Some agricultural and consumer advocacy groups, notably US cow-calf producer and fruit and vegetable grower and shipper associations, have argued for legislation that would require suppliers to provide consumers with country-of-origin information about food products. Opponents to COOL—in particular, US cattle feeder and hog finishing operations, meat packers, processors, and retailers, have countered that the costs of labeling, record-keeping, and operating procedures would be extremely burdensome. Congress amended the Agricultural Marketing Act of 1946 and mandated COOL for beef, lamb, pork, poultry, fish, and other agricultural commodities as part of the Farm Security and Rural Investment Act of 2002. Initially, according to this act, COOL was to be put into operation by September 30, 2004. However, in response to much criticism, Congress agreed to delay the implementation of COOL until 2006. This delay applied to meats, produce, and peanuts, but not to farm-raised and wild-caught fish. Arguments over its implementation and start-up dates continue at this time, keeping COOL a hot issue.

Interestingly enough, the economic impacts of COOL for the affected commodities had been studied very little, if at all. There was no information on the benefits of COOL; it was not clear whether consumers would pay a premium for the information. It was assumed by proponents that, of course, consumers were clamoring for that information and would pay more for it. There were no estimates of COOL costs, but costs are heavily dependent on implementation requirements, which were not known until the USDA released a final rule. Cost estimates that surfaced after the farm bill was passed depended on assumptions about how to interpret the law. COOL may be a good example of supporting and passing a law that

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sounded good at the time without really knowing what the benefits and costs were going to be. Given the continued controversy surrounding COOL, this issue of *Choices* pulls together current research on costs, benefits, demand shifts, willingness-to-pay (WTP) issues, and a look ahead at potential industry changes.

In this issue of *Choices*, we examine who will bear the costs of COOL in the beef, pork, and poultry sectors; the demand shifts needed for those engaged in the beef industry to be no worse off under COOL; the premium, if any, consumers are willing to pay for COOL-labeled meat; and the potential impact of COOL on the vertical coordination/vertical integration strategies in the beef industry. Emphasis is placed on the impacts of COOL associated with the beef industry. Contributors to this theme are Gary Brester, John Marsh, Joseph Atwood, John Anderson, Wendy Umberger, Ernie Davis, Dan Hanselka, David Anderson, and Oral Capps, Jr., respectively. We also wish to recognize the following reviewers whose comments greatly improved the content and readability of each of the papers: Dillon M. Feuz, Chris Bastian, Janet Perry, Clem Ward, Ted Schroeder, and John VanSickle. Any remaining omissions or errors are the sole responsibility of the contributors and editors.