

The Country-of-origin Labeling of Fresh Beef - Its Present and Future

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Findings

- The supporters of mandatory country-of-origin labeling of fresh beef in grocery stores and restaurants include consumers, U.S. beef producers, and some beef handling firms.
- Those groups that would be less supportive of mandatory country-of-origin labeling of fresh beef in grocery stores and restaurants include most restaurants, chain or franchised meat handling firms and the federal agencies charged with enforcing compliance with the labeling requirement.

Introduction

The country-of-origin labeling of agricultural products at the retail level has become a highly controversial issue, especially at the national level. A number of states have, through the years, established country-of-origin or import labeling laws for different agricultural products. With minor exceptions, many of these state laws have been rescinded or are not now enforced.

In 1981, Louisiana passed a country-of-origin labeling law for fresh beef sold in food stores and, in 1982, an official hearing on the law was called by the USDA. Resistance to the law was expressed by USDA representatives, citing some constitutionality problems. The Louisiana Department of Agriculture and Forestry didn't complete the rules and regulations under which the law would be enforced. Therefore, the law essentially became null and void.

In 1998, the U.S. Congress considered and nearly enacted into law a mandatory country-of-origin labeling bill for fresh meats at the retail grocery level. Large increases in live slaughter cattle imports from Canada and large supplies of domestic beef caused beef pricing problems, increasing interest in the bill. Opponents to this legislation stressed two major problems with the proposed law: (1) high costs of enforcing compliance with the labeling law were expected and (2) negative responses of other countries to such a requirement were expected. These countries would likely argue that the law was a non tariff trade

barrier. Supporting the law were the National Cattlemen's Beef Association (NCBA) and its many state affiliates, including the Louisiana Cattlemen's Association (LCA).

Experimental Approach

Louisiana Research. Shortly after both the NCBA and the LCA passed annual resolutions calling for the enactment of state and/or federal country-of-origin labeling legislation for fresh beef, LSU AgCenter researchers surveyed a sample of Louisiana meat processors, meat wholesalers, specialized meat markets, food stores and restaurants to ascertain their opinions toward the mandatory country-of-origin labeling of fresh or frozen beef. Phone surveys were conducted in early 1999. No previous estimates of the preferences of beef handling firms toward mandatory country-of-origin labeling of fresh beef had been found at the national or state levels. Several months later, a mail survey of 2,000 Louisiana households was conducted to ascertain consumer acceptance or rejection of a mandatory country-of-origin labeling law for fresh beef in food stores and food service outlets. An earlier (1998) survey of 1,000 U.S. households, conducted by Wirthlin Worldwide, had found that 76% of households approved of the mandatory country-of-origin labeling of fresh beef in food stores and food service outlets.

Results and Discussion

Handling Firm Results. Responding to the meat handler phone survey were 48 restaurants, 66 grocery retailers, and 18 other types of firms. About 82 percent of these firms approved of the labeling requirement, with restaurant respondents expressing lower support than the other types of firms. Firms that were members of chains (franchises) or that had experience handling imported beef also were less inclined to approve of the label. Individuals with the attitude that the law would represent only another example of government interference with the free market were negative. Firms that believed their customers would react positively to the label were generally positive to the label.

When the firm was asked if it could recover the costs of complying with a mandatory country-of-origin labeling law by increasing the prices of beef to

buyers, 53% replied yes, 29% said no, and the remaining 18% were uncertain.

Household Responses. About 18.3% of the surveyed households responded to the mail survey. Nearly 93% of the respondents approved of a mandatory country-of-origin label on all fresh or frozen beef sold in grocery stores, and 88% of respondents wanted restaurants to identify the source of the beef served to customers. Eighty-six percent of the households rated U.S.-produced beef as superior to imported meat; the remaining 14% rated them as being equal (Table 1). Individuals who reacted more positively to the label being required in grocery stores were those who had a general preference for U.S.-produced over imported durable goods, rated U.S.-produced beef as superior to imported beef, and had no relationship with farming.

Of the respondents choosing to require the label's use in restaurants: 54% indicated they would eat only U.S. produced beef in restaurants serving imported beef, 31% indicated they would boycott restaurants serving imported beef, 5% percent reported they would patronize exclusively restaurants serving imported beef, and 10% indicated they would follow another strategy (Table 1). Individuals who reacted more negatively to the label being required in restaurants were males, older respondents, single household heads and households with children. Individuals who reacted more positively to the label being required in restaurants were those who had a general preference for U.S.-produced over imported durable goods and those who rated U.S.- produced beef over imported beef. Males reacted more negatively to the label being required in restaurants than did females.

The Future. In 1999, the Louisiana Legislature passed an import labeling law for fresh meat sold in Louisiana grocery stores. This was after the LSU AgCenter study had been initiated. The law was scheduled to take effect January 1, 2000; however, as this article was being prepared, the rules and regulations required to implement the law had not been established by the Louisiana Department of Agriculture and Forestry. A spokesman for the Weights and Measures Division of the Department, which is responsible for creating the rules and regulations, indicated that the constitutionality of the law is being researched by Division lawyers and that any further action as to its implementation awaits the lawyers' ruling.

In September 2000, the NCBA, in cooperation with the American Farm Bureau Federation, the American Meat Institute, and the Food Marketing Institute, requested that the USDA establish a volun-

tary certification program to enable U.S. cattle producers to contribute to the value of retail beef products. Specifically, they requested that the USDA prepare regulations to create a process for certifying a product labeled "Beef: Made in the USA." Beef qualifying for this label must originate from cattle that are raised and fed a minimum of 100 days and processed within the United States. Beef producers and processors who want to make process verification marketing claims under the "Beef: Made in the USA" program must develop a written certification system that requires cattle feeders, beef packers, and retailers to maintain adequate systems and records to qualify for this voluntary program. Several U.S. supermarket chains (including Albertson's, Safeway and Wal-Mart) expressed an interest in this program. The costs would be passed on to the consumer in higher beef prices. The USDA has not yet responded formally to the petition.

Where are we today relative to federal legislation on the country-of-origin labeling of fresh beef in grocery stores or restaurants? All studies indicate a positive response by most consumers to the mandatory labeling of fresh beef as to its origin in grocery stores. Consumer support for restaurant labeling is somewhat less enthusiastic. The willingness of consumers to pay the costs incurred by handler firms to maintain the identity of the source of fresh beef as it moves through the marketing system is less positive. Most respondents to the LSU AgCenter consumer survey left the question of funding the label unanswered. The assumption of most consumers is that the marketing system would bear the labeling costs.

Beef handling firms look upon the decision to label or not label fresh beef as to origin in the same way they look at other economic decisions: Will the label expand the demand for fresh beef in my store (restaurant)? History has shown that these firms have answered this question negatively in the past because there has been no movement to voluntarily label fresh beef by source. Chains more likely to use imported beef (those located close to Canada, in particular) would be very hesitant to voluntarily label the source of the beef they were selling.

The players that are likely to continue to resist the mandatory country-of-origin labeling of fresh beef in food stores and restaurants are the USDA and other state or federal agencies that would be charged with the responsibility to enforce compliance with the label requirement. It may behoove the U.S. beef industry to show that these compliance costs would be low, because the existence of the law would likely

result in all imported beef being sold in a few selected locations where the demand for imported foods is, in general, high. Or the beef industry needs to show that consumers could be expected to fund the costs of the label to help ensure the safety of the beef they were

purchasing. Any increase in the incidence of BSE (Mad Cow Disease) in Europe or other countries eligible to export beef to the United States could increase the consumers' willingness to fund the country-of-origin labeling of fresh beef.

Table 1. Reasons for consumers rating United States (US) beef superior or equal to imported beef and for restaurants being required to label, 1999.

Reason	Percentage
US Beef Rated Superior to Imported Beef	86.0
Concern with purity of imported beef	18.5
Concern with safety of imported beef	21.3
Concern with imported beef carrying disease	19.1
US beef of higher quality	41.1
US Beef Rated Equal to Imported Beef	14.0
US and imported beef often mixed	23.9
Both US and imported beef of equal quality	13.0
US Gov't assures wholesomeness of both	63.0
Restaurant Beef Should be Labeled by Country-of-Origin	87.9
Won't patronize restaurants handling imported beef	31.0
Will eat only US beef on the menu	54.2
Would patronize restaurants handling imported beef	5.3
Other	9.5

