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Protecting U.S. consumers from ‘Big Cattle’

By: K. William Watson – April 4, 2013

More than eight months after losing a case at the World Trade Organization, the United States has finally begun changing its protectionist regulations for mandatory country-of-origin labels (COOL) on meat. Unfortunately, while the Obama administration claims that it is implementing the WTO’s recommendations, it is actually making the regulations more protectionist.

Congressional intervention now seems the only avenue left to defend consumer interests from the Big Cattle lobby and restore what’s left of America’s reputation in the global trading system.

Here is the back-story: Regulations now require meat from cattle or hogs slaughtered in the United States to carry labels with the country or countries involved in production. If the animal was born and raised in the United States, for example, the meat must be labeled “Product of the United States.” If the animal was born or raised outside the United States and then brought here for slaughter, the meat must carry a label revealing this and listing the countries.

^[2]Supporters often argue that labels with such information empower consumers and improve food safety. But their efforts can also be viewed as protectionist.

If consumer demand for origin information were sufficient to justify the cost of those labels, they would not need to be mandated by law. The fact that retailers don’t voluntarily provide this information shows that consumers are not willing to pay a high enough premium to justify the expense. And those costs are significant. Compliance with the current COOL regulations has been estimated to cost the beef industry more than \$1.2 billion.

Moreover, because the same safety standards apply to all meat sold in the United States, the label does nothing but tell consumers where the animal was standing as it grazed.

The labeling requirement’s real effect is the cost it imposes on meat-packers that purchase foreign-raised cattle. The law includes regulations mandating separation of livestock and meat based on the animal’s national origin. This segregation brings added costs, making Canadian livestock sales economically unfeasible. Instead, most packers now buy only U.S.-raised animals, which are already more abundant in the market.

^[3]Canada and Mexico have complained to the WTO ^[4], which ruled the current labeling regulations unlawfully discriminatory. The WTO found that providing origin information could be a legitimate policy goal, but the disparity between the amount of information

processors had to gather and that ultimately passed on to consumers revealed the rules' discriminatory nature.

Instead of easing the regulations, however, Washington responded by making the law even more onerous. On March 8 the Department of Agriculture published a proposed rule that would "end" the information disparity by requiring *even more* detailed information be provided to consumers. Labels would have to say specifically where the livestock was born, where it was raised and where it was slaughtered.

The new rule is unjustified as a matter of policy. Just because the WTO focused on the issue of disproportionate information does not mean the new regulation is consistent with all WTO obligations - particularly since it is more restrictive. As for providing consumers better information, it is unclear that U.S. consumers genuinely want to have labels on their steaks detailing the location of the cow's birth and industrialized death before they eat it.

The proposed regulation also does not settle the trade dispute between the United States and its neighbors. There is no attempt to lower the extra expense caused by forced segregation of cattle based on an economically meaningless distinction.

Canadian Agriculture Minister Gerry Ritz responded to the proposed rule by stating that that his government was "extremely disappointed" and that the new regulation "will increase the discrimination against exports of cattle and hogs from Canada and increase damages to Canadian industry."

This is not the typical reaction expected after a country implements an adverse WTO recommendation.

The White House's backhanded response to a legitimate trade dispute displays a dispiritingly cynical attitude. After similar responses in disputes over online gambling and trade remedies, this new response only furthers Washington's growing reputation as a global trade scofflaw.

Under WTO rules, Canada and Mexico can retaliate against U.S. imports if the COOL rules are still in place this summer. With the Agriculture Department favoring the interests of the cattle industry over the welfare of consumers, processors and retailers, it seems any real reform of the labeling regulations must come from Congress. Indeed, the coming farm bill debate offers the opportunity to take up the issue and make things right.