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Analysis: Economic benefits of COOL don't pan out

By CAROL RYAN DUMAS
Capital Press

An analysis by university ag economists contracted by USDA has found that the economic benefits of mandatory country of origin labeling would be insufficient to offset the cost of the requirements.

Although consumers desiring COOL information benefit from its provisions, there is insufficient evidence to conclude such benefits translate into measurable increases in consumer demand for beef, pork or chicken, the economists reported.

In addition, economic models indicate consumers over the long run face higher beef and pork prices, leading to fewer purchases, due to the increased cost of production resulting from COOL implementation, they reported.

The increased costs of complying with mandatory COOL "results in economic losses to producers, packers, retailers, and consumers and leads to a smaller overall industry with higher consumer prices and less product available," the economists stated.

The analysis was done to meet a congressional directive in the 2014 Farm Bill that USDA conduct an economic analysis of its 2009 and 2013 COOL rules and report back to Congress.

The analysis was performed by Glynn Tonsor and Ted Schroeder of Kansas State University and Joe Parcell of the University of Mississippi.

The economists' findings are consistent with USDA's prior analyses that measurable benefits from mandatory COOL would be small despite substantial interest in COOL and consumers' right to know.

COOL requirements apply to retailers and their immediate suppliers, but the information must flow down the entire production and marketing chain starting with farmers and ranchers. Thus, livestock producers face costs for implementing the labeling requirement even though cattle and hogs are not COOL covered commodities.

USDA's analysis of the 2009 COOL rule estimated incremental implementation costs to producers, packers and retailers at $1.3 billion for beef, $300 million for pork and $183 million for chicken.

Consumers fared no better, with those costs shifting to their grocery bill.

The agency estimated implementation costs for all covered commodities — which include other meats, fish, fruits, vegetable, ginseng and some nuts — at $2.6 billion. USDA found the long-run impact of cost shifts to the consumer would result in a $212 million reduction in consumer purchasing power in the 10th year following implementation.

The university economists found those cost shifts resulted in economic welfare losses totaling $8.07 billion for the U.S. beef industry and $1.31 billion for the pork industry from net present values.

The poultry industry, however, which was assumed to have no COOL implementation costs and expected to benefit by substitution for higher-cost beef and pork, would see an increase of an estimated $753 million in economic welfare, the economists reported.

Impacts of the 2013 COOL amendments for labeling beef and pork muscle cuts, at an industry cost of $53 million to $192 million, would also result in welfare losses.

Those losses were estimated at $494 million for the beef industry and $403 million for the pork industry over the first 10 years. The poultry industry was expected to gain an estimated $67 million.

Again, consumers fared no better with welfare losses totaling $378 million for beef and $428 for pork over the first 10 years, resulting from higher retail prices and lower volumes, the economists reported.

More butter imports needed, Japanese dairy group says

By RICHARD SMITH
For the Capital Press

TOKYO — The Japanese government has not yet decided to import more frozen butter this year, but the Japan Dairy Association — known as J Milk — said the imports will be necessary.

In the Uruguay Round that led to the creation of the World Trade Organization, Japan committed to "minimum access" import purchases for designated dairy commodities of up to 137,000 tons in milk equivalent.

The commodities include butter, non-fat dry milk, edible whey, butter oil and dairy spreads. Japan purchases the products through its Agriculture Livestock and Industry Corporation.

Japan's Ministry of Agriculture, Forestry and Fisheries makes decisions to import over the minimum access commitment.

Last year, Japan made a total of 7,000 tons of extra butter imports. New Zealand got the lion's share, with 4,602.4 tons. The Netherlands came out second with 1,892.8 tons.

Other countries winning bids were Australia with 238.8 tons, Germany with 216 tons and the United States and Belgium with 25 tons each.

Japan also imported 4,178 tons of non-fat dry milk under its minimum access commitment.

MAFF decided on the move to stabilize prices amid a domestic shortage of the product.

The ministry's milk and dairy products division deputy director Yasue Fujioka said based on supply and demand, a temporary decision to not import butter or milk products was made in January.

The decision will be revisited next month and in September, Fujioka said.

"A (final) decision has not yet been made whether to import or not (over the minimum access commitment in this fiscal year), nor of timing or volumes of imports," she said.

However, J Milk managing director Tetsuo Ishihara said extra imports will certainly be necessary.

Ishihara said that as dairy farmers are quitting farming, the number of dairy cows in use is getting smaller, reducing milk production.

And with a rising milk consumption trend, milk becomes more difficult to source, Ishihara said.

"So as sufficient supplies of raw milk cannot be secured, butter and NFDM production is lower than demand," he said.

The milk shortage amounts to about 150,000 tons, Ishihara said.

MAFF decided to import a total of 10,000 tons under the minimum access program in this fiscal year.

"If volumes could be a little higher, we think we could ensure sufficient stocks with a margin," Ishihara said.

April milk production up by 1.7 percent

By LEE MIELKE
For the Capital Press

Dairy Markets

Lee Mielke

Improving weather in the spring flush and moderate feed prices are keeping U.S. milk production above year-ago levels, according to preliminary data in Tuesday's April Milk Production report.

The Agriculture Department estimates output in the top 23 producing states at 16.6 billion pounds, up 1.7 percent from April 2014. The 50-state total, at 17.8 billion pounds, was also up 1.7 percent from a year ago.

Revisions added 30 million pounds to the original March 23-state estimate, now reported at 16.9 billion pounds, up 1.3 percent from a year ago.

April cow numbers in the 23 states, at 8.62 million head, were up 2,000 head from March and 77,000 more than a year ago. The 50-State count, at 9.3 million head, was up 1,000 from March and 65,000 more than a year ago.

April output per cow in the 23 states averaged 1,928 pounds, up 16 pounds from April 2014, and the highest production per cow for the month of April since the 23 State series began in 2003.

California milk production remains below year-ago levels, down 2.1 percent in April from a year ago, thanks to a 40-pound drop per cow and 2,000 fewer cows. Wisconsin poured it on, up 4.0 percent, on a 60-pound gain per cow and 9,000 more cows.

Idaho was up 2.4 percent, on an extra 12,000 cows and a 5-pound gain per cow. New York was up 1.9 percent on a 30-pound per cow gain and 2,000 more cows. Pennsylvania was up 2.8 percent on 1,000 fewer cows but output per cow was up 50 pounds. Minnesota was up 2.7 percent, thanks to a 50-pound gain per cow, though cow numbers were down 1,000 head.

South Dakota again recorded the biggest gain, up 9.8 percent, followed by Kansas, up 6.5 percent. Michigan was up 6.5 percent, thanks to a 25-pound gain per cow and 20,000 more cows than a year ago. Colorado was next, up 6.1 percent.

The biggest loss was in California, followed by New Mexico, down 1.4 percent, due to a 30-pound drop per cow. Oregon was the only other state showing a decline, off 0.9 percent, due to a 20-pound loss per cow.

Looking at one other state of interest, Texas was up 0.9 percent on a 10-pound drop per cow and 2,000 more cows. Washington State was up 0.5 percent despite a 25-pound drop per cow, but cow numbers were up 5,000 head.

Groups divided over whether COOL law should be repealed or repaired

By CAROL RYAN DUMAS
Capital Press

Andrew Harnik/Associated Press

Meat labels are seen at a grocery store in Washington on May 19. Labels on packaged steaks and other cuts of meat in the United States that say where the animals were born, raised and slaughtered will have to be dropped or revised after a World Trade Organization ruling.

The World Trade Organization's ruling against U.S. country of origin labeling rules has divided farm and ranch interests on whether the rules should be repealed or only tweaked.

Monday's ruling is the fourth time WTO has decided COOL violates trade obligations, discriminating against imported cattle and hogs from Canada and imported cattle from Mexico.

The rule requires meat sold in the U.S. to be labeled as to where it originated, where it was raised and where it was slaughtered.

The WTO appellate body reiterated the October ruling by the WTO compliance panel that USDA's 2013 amendment to its original 2009 COOL rule increased the detrimental impact on competitive opportunities of imported livestock in U.S. markets.

With Canadian and Mexican retaliatory trade measures waiting in the wings, organizations representing U.S. farm and ranch interests are divided on whether the rules should fixed or repealed.

The National Cattlemen's Beef Association, National Pork Producers Council and North American Meat Institute are calling for repeal, reiterating their positions that the rule is costly and burdensome to livestock producers, meat packers and processors.

The National Farmers Union, American Farm Bureau Federation and U.S. Cattlemen's Association support changes to COOL that will bring it into compliance while allowing the labeling program to provide consumers with relevant information.

The groups stated their positions in a flurry of press releases Monday morning.

In addition to violating U.S. international trade obligations, the labeling is costly, burdensome and generally ignored by consumers, said Philip Ellis, NCBA president and a Chugwater, Wyo., cattleman.

"Now that the WTO has ruled for a fourth time that this rule discriminates against Canadian and Mexican livestock, the next step is retaliation by Canada and Mexico," he said.

That will irreparably harm the U.S. economy and relationships with its top trading partners and send a signal to the world that the U.S. doesn't play by the rules," he said.

After years of grappling with the onerous rule, it is clear that repealing the statute is the best step forward, said NAMI President and CEO Barry Carpenter.

"Any action less than repeal invites retaliation from Canada and Mexico that could cost the U.S. billions of dollars," he said.

USDA's own economic analysis shows it's a burden with no consumer benefit. Data from the International Food Information Council Foundation shows COOL holds a ninth-place spot in the list of food labeling information consumers use and its use is declining, he said.

The WTO decision paves the way for Canada and Mexico to place tariffs on imports of U.S. foods, a death sentence for U.S jobs and exports, said NPPC President Ron Prestage, a Camden, S.C., veterinarian and pork producer.

Retaliation is only relevant if the parties cannot reach agreement on how to move forward and then only after an arbitration process, NFU President Roger Johnson said.

There is still ample opportunity for the administration, Mexico and Canada to negotiate an acceptable path forward, he said.

Congress may well have a role to play if a statutory modification is deemed warranted. But those who find value in greater information to consumers want to see a resolution not a retreat from information that helps consumers make informed purchasing decisions, he said.

WTO's ruling is a disappointment and contradicts the growing trend by other countries moving to implement COOL programs, USCA Director Emeritus Leo McDonnell said.

COOL provides consumers a choice and U.S. cattle producers the ability to differentiate their product, he said.

Congress required the labels in 2002 and 2008 farm laws, mostly at the behest of ranchers in the northern United States who compete with the Canadian cattle industry. Originally, the U.S. Department of Agriculture allowed the labels to say simply "Product of U.S." or "Product of U.S. and Canada," but the WTO rejected that approach in 2012.

So USDA made the labels more specific in an attempt to win WTO approval. Now the labels say, for example, that the animal that produced the meat was "born in Mexico, raised and slaughtered in the United States" or "born, raised and slaughtered in the United States."

The Associated Press contributed to this story.

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