

Testimony of Barry Carpenter

On Behalf of the North American Meat Institute

Regarding Mandatory Country-of-Origin Labeling

Thursday, June 25, 2015

Senate Committee on Agriculture, Nutrition, & Forestry

Senator Pat Roberts – Chairman

Good morning Chairman Roberts, Ranking Member Stabenow, and Members of the Committee. My name is Barry Carpenter and I am President and Chief Executive Officer of the North American Meat Institute. The Meat Institute came into being on January 1st of this year as a result of the merger of the American Meat Institute and the North American Meat Association. We are the successor to a line of organizations that have been representing the nation's meat and poultry industries for more than 100 years.

The Meat Institute's members include 374 meat and poultry food manufacturers, ranging from the nation's largest to the smallest. Collectively, they produce 95 percent of the beef, pork, veal, and lamb products and 75 percent of the turkey products in the U.S. Among the Meat Institute's member companies, 80 percent are small, family-owned businesses employing fewer than 300 people. These companies operate, compete, sometimes struggle, and mostly thrive in one of the toughest, most competitive, and most scrutinized sectors of our economy: meat packing and processing.

The Meat Institute's involvement in mandatory country-of-origin labeling, COOL, goes back many years. While the law applies to retailers, it is the Meat Institute's members who bear a lion's share of the regulatory burden that falls upon producers, packers, processors and retailers. And, make no mistake, the Meat Institute has opposed mandatory COOL legislation since it was originally debated in Congress in 2001 and through this very day. That opposition has been founded on the fact that mandatory COOL for beef, pork, and chicken is a non-tariff trade barrier that adds unnecessary costs to the food supply, while providing little, if any, benefit to consumers, livestock producers, or the meat packing industry. Through the entire debate, the U.S. Department of Agriculture has repeatedly stated that COOL is not a food safety program,ⁱ and all credible parties have agreed.

That mandatory COOL is costly and burdensome is beyond dispute. USDA has repeatedly said, including in the January 2009 final COOL rule, "the economic benefits will be small and will accrue mainly to those consumers who desire country of origin information." On the other hand, USDA's calculations about the costs of COOL have been specific – with implementation costs for the beef and pork industries of more than \$1.5 billion and lost productivity exceeding \$200 million annually.

In an April 2015 Economic Analysis of COOL, USDA's Chief Economist reiterated there was "little to no evidence of a measurable increase in consumer demand for beef or pork as a result of COOL requirements" and that the economic losses incurred by the beef and pork industries over a 10 year period were in the billions of dollars. USDA's report reflects the findings of previous consumer research conducted by Kansas State University. The Kansas State study showed no evidence of a demand increase for meat products after the labels went into effect, and found the majority of U.S. consumers are not aware of COOL for meat.

As we stated when COOL was first considered, COOL does not comply with World Trade Organization (WTO) requirements. Not once, not twice, not three times, but in four separate decisions the WTO has ruled against the United States concerning COOL, putting the United States on the brink of having two of its most important trading partners, Canada and Mexico, impose retaliatory tariffs in excess of \$3 billion on American made products exported to those countries.

Let's be candid. When the COOL debate began, the most vocal proponents of COOL for meat had a single objective: to block the importation of livestock from Canada and Mexico. Despite the current arguments offered by COOL proponents, the law has never been about distinguishing meat products in the market by country-of-origin – the Federal Meat Inspection Act has always required the labeling of imported meat. COOL is simply a protectionist measure intended to exclude or diminish the presence of Canadian and Mexican livestock from the U.S. market. It is and always has been a non-tariff trade barrier. Anyone ignoring this fact is not a serious participant in this discussion.

Moreover, COOL means that for meat derived from animals that were slaughtered or processed in American plants, by American workers, under the watchful eye of USDA inspectors, if the animals were born in either Canada or Mexico, then meat from those animals can't be labeled as "Product of the U.S." This is ludicrous, and I don't understand the antipathy for products coming from American meat packing and processing businesses. It is time to put aside the goal of injuring our North American neighbors and recognize the good work of our employees in American packing and processing plants by allowing their work to be labeled as the American products they truly are.

It is time to face facts: COOL is a failed experiment that has already cost the American livestock, packing, and processing industries billions of dollars and countless jobs – American jobs, in American packing and processing plants. COOL for beef, pork, and chicken must be repealed now to immediately bring the U.S. into compliance with its trade obligations, and put an end to this protectionist nonsense. Three hundred Members of the House of Representatives recently did just that when they voted to repeal COOL.

It is critical to understand that at this stage in the WTO process, if the U.S. Congress amends the COOL statute, Canada and Mexico must agree that the amendment brings the U.S. law into compliance with our nation's WTO obligations; otherwise, retaliation will occur. The U.S. has run out of opportunities to try to "fix"

COOL. We are no longer talking among ourselves to address COOL, in fact we are talking with the Canadian and Mexican governments. To do otherwise is a fool's errand. Canada and Mexico have said that they support repeal of COOL, making repeal the one, guaranteed path to prevent retaliation.

As I mentioned, the House of Representatives recognized the reality and gravity of the situation when 300 Members of that body voted on a bipartisan basis to repeal COOL for beef, pork, and chicken. The United States' credibility as a reliable international trading partner is at stake. The U.S. is outspoken and aggressive when we face unfair trade barriers that violate the WTO rules, but COOL proponents have clung to this problematic law for years and USDA's claimed "fixes" to the implementing regulations have only made the situation worse. It's simple, the United States cannot just talk the trade talk, we must walk the trade walk.

It's time to repeal mandatory COOL for beef, pork, and chicken before Canada and Mexico levy a \$3 billion annual retaliatory penalty that will cost jobs across multiple sectors of the economy in virtually every State. We urge the Senate to move quickly and vote for repeal so the President can sign the bill and put this failed experiment behind us.

Thank you for the opportunity to participate in this hearing. I would be pleased to answer questions.

¹ See 74 Fed. Reg. 2658 (Jan. 15, 2009):

"The COOL program is not a food safety program." Page 2670

"COOL is a retail labeling program and as such does not provide a basis for addressing food safety. Food products, both imported and domestic, must meet the food safety standards of the FDA and FSIS and are subject to any recall requirements imposed by those agencies." Page 2677-78

"As previously stated, the COOL program is neither a food safety or traceability program, but rather a consumer information program. Food products, both imported and domestic, must meet the food safety standards of the FDA and FSIS. Food safety and traceability are not the stated intent of the rule and the COOL program does not replace any other established regulatory programs that related to food safety or traceability." Page 2679

"As was the case in the interim final rule for fish and shellfish, a few commenters suggested that mandatory COOL would provide food safety benefits to consumers. As discussed in the IRIA, mandatory COOL does not address food safety issues." Page 2683

See 78 FR 31370 (May 24, 2013):

“The Agency considers that this rule brings the United States into compliance with its international trade obligations. In the COOL dispute, the WTO affirmed that WTO Members have the right to adopt country of origin labeling requirements, in that providing such information to consumers about the products they buy is a legitimate government objective. However, the WTO had concerns with specific aspects of the current COOL requirements. In particular, the WTO considered that the current COOL requirements imposed record keeping costs that appeared disproportionate to the information conveyed by the labels. This final rule addresses those concerns of the WTO.”