Testimony of Jaret Moyer

On behalf of the Kansas Livestock Association

Regarding Country-of-Origin Labeling (COOL)

Thursday, June 25th, 2015

Senate Committee on Agriculture, Nutrition, and Forestry

Sen. Pat Roberts – Chairman

Mr. Chairman, thank you for the opportunity to be here today to continue the discussion of mandatory country-of-origin labeling better known as mCOOL. I appreciate your leadership on this issue. In my opinion, mCOOL is a failure and the best solution is full repeal of the mandatory program.

Along with my wife Shawna, I grow lightweight calves using a combination of our backgrounding facility and Flint Hills pastures. I also serve as President of Citizens State Bank and Trust Company with locations in Woodbine, Bremen, Gypsum and Reading.

I am President of the Kansas Livestock Association (KLA), a 5,200 member trade association representing all segments of the cattle industry, dairy producers and landowners. KLA members long have supported voluntary labeling programs, while opposing mCOOL. KLA members recognized the costs likely would outweigh any benefits of mCOOL. When combined with the potential damage to trade relationships, it was clear to our members mCOOL only would bring harm to U.S. producers. If only our members could as accurately predict the cattle market.

The mCOOL debate has plagued our industry for almost two decades. Proponents of mCOOL have long said mandatory labeling would cause the U.S. consumer to actively seek out and pay more for U.S. beef. Six years into implementation it is clear this is not the case. Kansas State University published a study titled "Mandatory Country of Origin Labeling: Consumer Demand Impact" in November of 2012. Their study utilized multiple methods to gauge consumer perception and use of mCOOL, and came away with several findings which did not surprise many of us in the beef industry. The study determined demand for covered meat products has not been positively impacted by mCOOL implementation. In addition, typical U.S. consumers are unaware of mCOOL and do not look for meat origin labeling. USDA's own economic analysis provided to you in May supports these findings.

While proponents of mCOOL say they have surveys that show Americans want to know where their beef comes from, the K-State study actually measured how Americans vote. Americans vote with their pocketbook by purchasing beef, and as stated above, the vast majority don't consider mCOOL in their purchasing decision. Why then would we incur the costs of a program that the consumer is not demanding? From burdensome record keeping, to line sorting and segregation, and to the actual label itself, all segments of the beef industry have been paying the costs of mCOOL since it went into effect in October 2008. All segments of the U.S. beef industry have been impacted negatively by mCOOL.

Cattle producers across the country, and of all sizes, are experiencing the same issues with compliance costs and discounts. As a result of the costs associated with the implementation of mCOOL, we have seen discounts paid on cattle which originate in either Canada or Mexico. Those discounts have ranged from $35 to $60 per head. These discounts are incurred for no other reason than mCOOL. The cattle can have the same quality characteristics as a similar animal of domestic origin, but will be discounted because of mCOOL. The discounts are not just borne by Canadian and Mexican producers. U.S. cattle producers and feeders are incurring these discounts as well.

Cattle producers routinely import feeder cattle from Mexico and finish them in the United States. We do this in Kansas. In fact, in the Flint Hills where I reside, many producers graze Mexican steers on the native tallgrass prairie. At the end of the grazing season, the cattle then move to a Kansas feedyard for finishing. Kansas producers are able to add significant value to these cattle using their labor and feed. This system is disrupted by mCOOL because of the record keeping burden and segregation requirements.

For a Kansas perspective, we sought input from Glynn Tonsor, Associate Professor of Agricultural Economics at Kansas State University and a primary author of several studies on mCOOL. In the April 2015 report to Congress titled *Economic Analysis of Country of Origin Labeling*, Dr. Tonsor and his colleagues identified the impact of both the 2009 and 2013 mCOOL rules. Across all industry segments, they found costs totaled over $8 billion for the 2009 rule and an additional $495 million due to the 2013 rule.

We asked Dr. Tonsor to determine the impact of the rules on Kansas. Dr. Tonsor used relative population and industry prevalence in Kansas to assign the national aggregate values to determine the state impact. While this assignment exercise is far from perfect, it does provide a useful context of how Kansas has been impacted by both the 2009 and 2013 mCOOL rules. The sum of the adverse impacts from both rules on all segments is nearly $500 million. That's $500 million out of the pockets of Kansas producers, processors and consumers for a program providing no value.

Given all I've stated above, I again have to ask the question "why do we still have mCOOL?" That question is especially relevant when you look at the World Trade Organization (WTO) case filed by Canada and Mexico against our mCOOL program. The WTO has ruled against the U.S. mCOOL program four times. The next step is for Canada and Mexico to retaliate. We continue to hear some pro-COOL groups and members of Congress suggest that the process is not over and therefore it is too early to act. We disagree. We have two options, repeal or face retaliation. Both countries have been very clear about this. The only outstanding question is at what monetary level Canada and Mexico will be able to retaliate.

Canada and Mexico consistently have been two of our top five markets for the export of U.S. beef. In 2014, Canada imported over a billion dollars of U.S. beef and Mexico imported almost $1.2 billion. That is big money for our industry. In fact, it equates to approximately one third of our total beef export value. If we lose access to those markets, or have tariffs placed on them, it will have a negative impact on U.S. producers. All of our current global market access equates to approximately $350 per marketed head. Retaliatory tariffs certainly will target beef, reducing the current value of our exports. That is a cost in addition to all we have incurred with compliance.

As I mentioned above, we have been paying the costs of mCOOL domestically since 2008. Retaliation against our exports only would make our losses worse. The monetary losses are not all, though. The vigorous defense of mCOOL by our government does not send a pro-trade signal to the international community. The WTO keeps telling us that mCOOL violates our trade commitments, but our government keeps saying it doesn't, even though the majority of the industry regulated does not support the program. Future trading partners will look at this closely and use it before they ink any trade deals with us. We would do the same if we saw that behavior from any of our trade partners. This anti-trade stance is contrary to the very pro-Trade Promotion Authority rhetoric we are hearing from this Administration and from here in the Senate.

Mandatory COOL is all about marketing and has absolutely nothing to do with food safety. Those who use that argument know nothing about the food safety protocols in this country. This is a red herring used by mCOOL proponents in a desperate attempt to hold on to their position. Mandatory COOL is a farce and its proponents obviously have no idea how modern beef production in the United States actually works. They have a simple and short-sighted view which already is costing our industry billions of dollars.

Mandatory COOL is a failed experiment. It has added costs to the production of beef and resulted in discounts borne by American ranchers; the U.S. has been found out of compliance with our WTO trade obligations four times; and our two closest trading partners are potentially months away from instituting retaliatory tariffs against multiple industries, damaging our economy and costing jobs. All of these negative consequences result from a program that the typical consumer does not even look for when buying their steaks or ground beef.

After the WTO ruled against the U.S. in 2012, USDA revised the mCOOL regulations. Today, we're seeing the result: a more burdensome mCOOL program for the meat industry; additional damages when calculating retaliation levels; uncertainty for U.S. exporters in multiple industries; and a label even less useful or meaningful to the consumer. This must stop. The Secretary of Agriculture has stated repeatedly there is nothing else USDA can do to fix this and that Congress must act. He also reported to you in a letter in May that repeal is a way to prevent retaliation. On both of these points, we agree. The solution is for Congress to repeal mCOOL now. Half-measures or other alterations to mCOOL will only bring more uncertainty and possible WTO challenges. That is unacceptable to the meat industry, as well as to the other industries forced to look over their shoulders, worried about potential retaliatory tariffs from Canada and Mexico. Three hundred House members demonstrated in a strong bi-partisan vote the time has come to stop this madness. We encourage the Senate to exhibit the courage to do the same.

Mr. Chairman, thanks for the opportunity to be here today.