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Country of Origin Labeling Requirements for Imported Meat and Other Food Products

Statement of
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Before the
Subcommittee on Trade
Committee on Ways and Means
House of Representatives

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the merits of extending country-of-origin labeling requirements for imported meat and other food products beyond those requirements currently existing. With some exceptions, current law requires that every imported article or its container be conspicuously marked with its country of origin. These country-of-origin markings are to remain clear to the ultimate purchaser in the United States. As now defined, the "ultimate purchaser" is generally the last person in the United States who will purchase the article in the same form in which it was imported. The extension of these requirements that you are now considering would revise current law by extending country-of-origin marking requirements to all imported meat and meat food products to more parts of the food distribution chain, perhaps even requiring signs in eating establishments and notices on menus indicating that imported meat is served.

My statement today is based on a report we issued last year in response to a mandate contained in the Food Security Act of 1985.[1] Our report included an analysis of the imported meat labeling issues you are now exploring. Of course, in preparation for this hearing the information from our report has been updated where necessary. Further, while our work in this area focused on imported meat and meat food products, we believe that the conclusions drawn from our analysis are applicable to other food products as well.

RESULTS IN BRIEF

In short, Mr. Chairman, we believe extending country-of-origin labeling requirements to imported meat or other food products

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[1] Imported Meat and Livestock: Chemical Residue Detection and the Issue of Labeling, GAO/RCED-87-142, Sept. 30, 1987.

beyond current law is not a good idea. After carefully reviewing available information on both sides of this issue, we concluded that the costs of implementing, monitoring and enforcing extended country-of-origin requirements outweigh the benefits derived by having them.

In addition, to extend country-of-origin labeling requirements farther down the food distribution chain could violate U.S. trade obligations under the General Agreement on Tariffs and Trade (GATT). Under GATT, countries are prohibited from applying regulations to internal sales that would afford protection to domestic products. Some industry representatives and others believe that import-labeling requirements could convey the impression that imported meat is not as safe as domestic meat, thus creating a nontariff trade barrier.

Before providing you with the details of our analysis, let me briefly provide some overall comments on the labeling of imported meat and meat food products.

BACKGROUND

Imported meats are purchased and used domestically by, among others, brokers, packers, processors, wholesalers, restaurants, food manufacturers, and large chain supermarkets. Food industry representatives told us that they purchase imported meat for a variety of reasons including its (1) availability in needed amounts, (2) low bacterial count, (3) quality and (4) low cost.

During calendar year 1987 the U.S. imported considerable amounts of beef, pork, and lamb. Specifically, we imported 1.5 billion pounds of beef, 681 million pounds of pork, 268 million pounds of canned hams, and 37 million pounds of fresh and frozen lamb. Other imported meats included canned corned beef, and preserved meat products.

Our primary foreign sources of beef and lamb were Australia and New Zealand. Our primary foreign sources of pork were Canada and Denmark. Most of the meat is manufacturing grade, which is further processed. Thereby altering the taste, consistency, or appearance of the meat. Imported meat is frequently mixed with domestic meat to produce such items as sausage or hamburger patties or may become an ingredient in canned or frozen foods such as soup or TV dinners. The ratio of imported to domestic meat in any domestically processed product depends on a variety of factors, including availability, cost, and product specifications.

In 1987 the United States imported about 9 percent of its red meat consumption.

The issue of extending country-of-origin labeling requirements is not new. Over the past 20 years or so, interested parties in this country have expressed their views on extending country-of-origin labeling of meat and meat food products farther down the food chain. Generally, livestock producers and their trade associations have favored the concept, while meat importers, processors, food service operators, other users of meat, and their trade associations have opposed it. Proponents of the idea assert that the consumers have a "right to know" the country of origin of the meat they are purchasing. Opponents of the idea have taken the position that such requirements are unnecessary and likely to be costly. These increased costs would eventually be paid by consumers. Another point made by opponents is that such requirements would act as a disruptive nontariff trade barrier that would create a commercial disadvantage for imported meat by raising the costs for those who would otherwise handle or use it.

LITTLE EVIDENCE TO SUPPORT "RIGHT TO KNOW" ARGUMENT

Since 1963 various bills have been introduced in the Congress that would have extended current country-of-origin labeling requirements farther down the food distribution chain. However, none of the bills have become law. Over the years, the arguments in favor of enacting such legislation have centered on the consumers "right to know." The position taken by the National Cattleman's Association (NCA) typifies the proponents' position on this issue. The NCA believes that the consumers should be fully informed about what they are purchasing so that they can better compare and evaluate their food purchases. Accordingly, the NCA believes extending country-of-origin requirements will help accomplish this. In addition, when we were preparing our report on extending labeling requirements, the American Sheep Producers Council told us that it favored extending country-of-origin labeling requirements because it believes that some consumers find imported cuts of lamb inferior in quality to domestic cuts. Under current requirements, once a lamb carcass is dismantled after reaching the United States, imported lamb cuts are not required to bear country-of-origin labels. Hence, consumers are often unable to distinguish between imported and domestic lamb at the grocery store.

During our work on this issue, we attempted to identify evidence that would shed some light on consumers' views on labeling imported meats or meat food products. However, we were unable to find meaningful studies on this topic. In addition, USDA officials and representatives from various components of the food industry told us that they were unaware of any studies in this area. In doing our work, however, we did obtain opposing points of view on the need to extend country-of-origin labeling requirements.

In preparing our 1987 report, most food industry representatives we talked with strongly opposed extending current imported-meat labeling requirements. In their view, imported meat does not pose health or safety problems because it cannot be introduced into domestic commerce until it passes inspection. Thus, they viewed such labeling requirements to be of no redeeming value or benefit to consumers. In their opinion, consumers were more interested in purchasing a wholesome, quality product at a reasonable cost. Further, some food industry representatives told us that they believed that extended labeling of meat was discriminatory. Essentially, their point was that these requirements would be targeting those in the meat handling and processing industry without targeting those who incorporate imported food articles other than meat with domestic commodities in food processing, such as mixing imported cocoa with domestic sugar in making chocolate candy. In this regard, representatives of food manufacturing companies believe that extending country-of-origin labeling to meat and meat food products would encourage additional legislation requiring similar labeling for other imported food items like vegetables and spices.

COSTS OF REQUIRING EXTENDED LABELING

Compliance with and enforcement of extended country-of-origin labeling requirements would result in additional expenses for the food industry and the federal government. While we could find no specific studies on the overall costs to implement and/or enforce extended labeling requirements, it is clear that additional costs would be associated with implementing, monitoring, and enforcing such requirements. These costs would be passed on to consumers and taxpayers.

Currently, all containers of fresh, frozen, or chilled imported meat are required to indicate the country of origin.

After such containers are federally inspected and passed for entry into the United States, the products lose their identity and are treated as domestic products if they change form or are removed from labeled containers.

If country-of-origin labeling of imported meat were required up to the point of final consumption, each component of the food distribution chain, including consumers, would be affected. Users of imported meat throughout the industry would likely incur additional operating costs, logistical problems, and increased recordkeeping in order to maintain country-of-origin identity throughout the food distribution chain. The industry would experience initial costs to implement the requirements and additional, recurring costs to carry out the requirements.

For example, costs would rise for meat processing operations and food manufacturers which often mix supplies of imported meat with domestic meat. Under extended labeling requirements, they would have to separate their production lines or production runs to isolate items containing only domestic meats from items containing both domestic and imported meats or imported meats only. Further, if the labeling requirements were extended to the ultimate consumer, additional labels would be needed according to whether or not a product contained imported meat. Printing costs and the costs of maintaining label inventories would rise. Overhead costs would be higher to the extent that production would have to be stopped each time labels were changed.

In 1985, USDA estimated that it would cost meat processors and food manufacturers from $18.2 million to $27.6 million in the first year of extended country-of-origin labeling. USDA also estimated that after the first year annual compliance costs could be between $750,000 and $1.2 million. Of course, our previous example highlights only one part of the food distribution chain. Depending on how far country-of-origin labeling requirements were extended, comparable kinds of implementation problems could be expected for all the other links in the chain--specifically meat importers, feedlots, slaughter plants, packing plants, wholesalers, retailers, and restaurants.

In addition to industry costs, enacting extended labeling requirements would bring with it new enforcement needs and costs. USDA has stated that enforcing these requirements would be costly and difficult. For example, in addition to developing new regulations, USDA inspectors located in livestock slaughter and processing plants would have to take on new responsibilities like (1) monitoring the incoming product to identify imported meat, and (2) ensuring that appropriate labels designating the country-of-origin were on the final product if imported meat were an ingredient.

Further, if country-of-origin labeling were extended to the retail level, USDA would have to expand its enforcement efforts. Because there are no known tests available for identifying unmarked meat as to its origin, detailed monitoring systems would be required to check that the identity of the meat's originating country was retained throughout the food distribution chain. Currently, meat and meat products for sale in retail outlets or restaurants are inspected by local health officials. USDA now has only a limited enforcement role in reviewing the activities of retail stores and restaurants. Although the costs of this kind of expanded enforcement would depend on the level of enforcement chosen, the cost of enforcing extended country-of-origin labeling requirements at the more than 500,000 U.S. retail stores and restaurants would be substantial. Further, current laws require that all costs of federal meat inspectors, except for overtime and holiday work, be borne by USDA, which means that the taxpayer would ultimately pay these costs through taxation.

POSSIBLE TRADE IMPACT
OF EXTENDED LABELING

Legislation requiring country-of-origin labeling of meat and meat food products beyond that currently required could adversely affect this country's trade position. According to industry representatives, extended labeling requirements could be viewed as a trade barrier. The Congressional Research Service (CRS) also made this point in a 1985 study on imported meat.[2] Specifically, CRS stated that a labeling requirement may violate U.S. obligations under GATT which requires imported products to be treated no less favorably than domestic products. GATT specifically prohibits countries from applying regulations to internal sales that would afford protection to domestic products. According to CRS, labeling could convey the impression that imported meat is not as safe as domestic meat, thus creating a nontariff trade barrier.

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In our opinion, insufficient evidence exists that the benefits gained by extending country-of-origin labeling throughout the food distribution chain, would justify the cost of implementing, monitoring, and enforcing such a requirement. In addition, such a requirement may violate trade obligations under GATT. Accordingly, we do not recommend a change to the labeling requirements on imported meat and meat food products.

This concludes my statement. I will be happy to answer any questions.

[2] Import Restrictions on Meat--History and Current Issues, 85-956ENR Sept. 19, 1985.