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USDA Announces Country of Origin Labeling Rule

USDA released its proposed rule to implement mandatory country of origin labeling, which is scheduled to go into effect on September 30, 2004. The comment period on the proposed rule is 60 days following the rule’s publication in the Federal Register, which implies comments will be accepted until late December. The proposed rule is over 200 pages long, which precludes a detailed summary of the rule in this newsletter.

A brief review indicates that USDA concluded that the law does not allow identification and tracking of only imported products, but instead requires that origin be identified for all covered commodities sold at retail. Moreover, USDA indicated that auditable records must be available to ensure that products labeled as USA products were actually born, raised, and slaughtered in the USA. As a result, costs to implement country of origin labeling will be high. USDA’s revised estimate of first-year costs associated with country of origin labeling ranged from a low of \$582 million to a high of \$3.9 billion. Additionally, USDA also concluded that the annual loss in productivity associated with country of origin labeling will reduce purchasing power in the U.S. economy by \$138 to \$596 million per year, following a 10-year adjustment period.

Finally, USDA also reviewed available research evidence on country of origin labeling’s likely impact on demand. Upon completion of the review, USDA concluded there was little tangible evidence to support the idea that country of origin labels will result in a demand boost for commodities carrying a USA label, and that benefits associated with implementation of country of origin labeling will be small.

The Markets

Cash slaughter cattle prices backed up over \$8/cwt. last week, after setting record highs the previous week. Still, weekly Kansas slaughter cattle prices averaged \$97.91/cwt. (live weight) during the week ending 10.25.03, the second highest weekly average on record. Similarly, dressed weight slaughter steer prices in Nebraska declined \$19/cwt. compared to the previous week’s all-time record high. Cattle price weakness was tied to declining wholesale beef prices, which was driven in part by retailer resistance to record high prices. The daily light Choice cutout value fell from \$201.16/cwt. on 10/17 to \$176.75/cwt. on 10/27. The weekly light Choice-Select spread averaged \$23.35/cwt., about \$1 higher than the previous week. Feeder cattle and calf prices were flat to slightly stronger than the prior week.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight	\$97.91	\$106.68	\$66.87
Nebraska Fed Steer Price, dressed weight	\$160.17	\$179.27	\$105.05
700-800 lb. Feeder Steer Price, Kansas 4 market avg.	\$105.11	\$105.44	\$82.55
500-600 lb. Feeder Steer Price, Kansas 4 market avg.	\$110.74	\$109.00	\$88.29
700-800 lb. Feeder Steer Price, Neb. 7 market avg.	\$104.71	\$102.18	\$85.13
500-600 lb. Feeder Steer Price, Neb. 7 market avg.	\$113.91	\$112.39	\$91.17
Choice Boxed Beef Price, 600-750 lb. carcass	\$190.50	\$194.32	\$112.66
Choice-Select Spread, 600-750 lb. carcass	\$23.35	\$22.08	\$9.22