Testimony of Mike Smith of Harris Ranch

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House Committee on Agriculture

Subcommittee on Livestock and Foreign Agriculture

Rep. David Rouzer – Chairman

Rep. Jim Costa – Ranking Member

Mr. Chairman, Ranking Member Costa, thank you for the opportunity to be here today to continue the discussion of mandatory, government-run country-of-origin labeling better known as COOL.

The COOL debate has plagued our industry for almost two decades. Proponents of COOL have long said that mandatory labeling would cause the U.S. consumer to actively seek out and pay more for U.S. beef. Over six years of implementation, however, has proven 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 COOL, and came away with several findings which did not surprise those of us in the beef industry. The study discovered that demand for covered meat products has not been impacted by mandatory country of origin labeling (MCOOL) implementation. In addition, typical U.S. consumers are unaware of MCOOL and do not look for meat origin labeling.

While proponents of COOL 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 COOL in their purchasing decision. Why then would we incur the costs of a program that the consumer is not demanding? As a cattle feeder and packer, Harris Ranch has experienced the costs associated with implementing COOL. From burdensome record keeping, to line sorting and segregation, and to the actual label itself, we have been paying the costs of COOL since it went into effect in October of 2008. All segments of the U.S. beef industry have been impacted by COOL.

Feeders and packers 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 COOL, 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 COOL. The cattle can have the same quality characteristics as a similar animal of domestic origin, but will be discounted because of COOL. The discounts are not just borne by Canadian and Mexican producers. U.S. cattle producers and feeders are incurring these discounts as well.

In states such as California, Arizona, New Mexico and Texas, cattle producers will bring in feeder cattle from Mexico and finish them in the United States. This takes place on U.S. ranches and feedlots utilizing U.S. labor and U.S. grown feed. This production method is seen in other states and is the primary way many cow/calf producers and cattle feeders are feeling the brunt of COOL. Again, these discounts are being realized by American beef producers thanks to a program that proponents said would help them.

Given all I've stated above, I again have to ask the question "why do we still have COOL?" That question is especially relative when you look at the World Trade Organization (WTO) case filed by Canada and Mexico against our mandatory, government-run COOL program. The WTO has ruled against the U.S. COOL program three times, most recently in October of 2014. The U.S. Government, however, has appealed this decision. We expect the WTO to rule on the current appeal on, or about, May 18th. If Canada and Mexico win their appeal for a fourth time, which we believe they will, they will be allowed to retaliate against our industry and many other industries across the United States.

Canada and Mexico have consistently been two of our top five markets for the export of U.S. beef. In 2014, Canada imported over a billion dollars in 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. If we lose a third of that, roughly $115 dollars per head will be taken out of the pocket of every U.S. cattle producer. That is a cost in addition to all we have incurred with compliance.

As I mentioned above, we have been paying the costs of COOL since 2008. Retaliation would only make our losses worse. The monetary losses are not all, though. The vigorous defense of COOL by our government does not send a pro-trade signal to the international community. The WTO keeps telling us that COOL violates our trade commitments, but our government keeps saying it doesn't, even though the very entity 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-TPA rhetoric we are hearing from this Administration. So, just who are they trying to protect with COOL?

Why would our own government want to hurt our industry for a simple marketing program that the vast majority of the industry does not want and that the consumer does not use? 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 COOL proponents in a desperate attempt to hold on to their position. 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 is already costing our industry money.

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 three times, and soon to be a fourth; 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 took NFU's advice and revised the COOL regulations. Today, we're seeing the result: a more burdensome COOL program for the meat industry; more steps in the WTO case taking us to the brink of retaliation; 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 made several public comments over the past few months, most recently at the NFU convention, that there is nothing else he can do to bring COOL into compliance and that Congress must act. On that point, we agree. We must ensure that we are not sitting here again in two years, facing another potential loss at the WTO. The solution is for Congress to repeal COOL now. Half-measures or other alterations to COOL 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. We encourage you to work with Chairman Conaway to repeal COOL before retaliation is implemented.

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