



trace r&d | 2009

Diamond/Diamant

Canada 

Platinum/Platine



Gold/Or



Silver/Argent

Alberta



Bronze/Bronze

Alberta Farmer Express
Canadian Poultry Magazine
Canadian Wheat Board /
Commission Canadienne du blé

Consumer & Marketing Demand Network
Gallagher Canada
Grainnews
Intelliware Development Inc.

Manitoba Co-operator
On Trace
Trace it Solutions

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A Review of Country of Origin Labeling impact studies from supply chain effects to trade flow effects

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Trace R&D 2009 – Winnipeg, Manitoba

Country of Origin Labeling

- 2002/08 Farm Bills. Requirement for Retail Stores to Inform Consumers about Country of Origin for:
 - fresh fruits, vegetables and nuts
 - ground and muscle cuts of beef, pork, lamb, and chicken
- Originally differentiated mixed supply chains
 - eg. born in Canada, raised & slaughtered in U.S.
 - final rules allow multiple countries of origin



Country of Origin Labeling

- Most of the products mentioned exempted from Tariff Act. Origin required for pre-packaged for consumers unless.
 - substantial transformation
 - economically prohibitive
 - imported in substantial quantities

Source: Congressional Research Service – Becker – “Country-of-Origin Labeling for Foods”. Feb. 2009.



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COOL Motivation

- Trade Barrier?
 - Canada and Mexico call it Non-Tariff Barrier
 - U.S. Supply Chain faced largest share of costs (Food Marketing Institute)
- Food Safety?
 - CFA Mentions BSE in Brief to Congress
 - COOL has no power to control safety



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COOL Motivation

- A Major Policy for Relatively Few?
 - Consumer who care
 - Producers who think their will be new demand or higher prices



COOL Costs

- USDA
 - No Mandatory ID – But “verifiable record ...of compliance”
 - \$2-2.6 Billion/yr
 - \$300/farmer (Start up \$200/farm) records
 - \$48,219/processor-records, segregation
 - \$254,685/retailer –records/audits



COOL Costs

- VanSickle et al. (2003)
 - record keeping at the producer level is not required, costs for the rest of the supply chain to between \$69.9 and \$193.4 million.
- Sparks Companies, Inc (2003)
 - estimated the total costs (implementation as well as record keeping) to be between \$3.66 and \$5.6 billion.



COOL Costs

- Hayes and Meyer (2003)
 - \$1 billion based on trace back systems in EU.
- Grier and Kohl (2003)
 - Predicted \$4 billion in lost economic activity for the U.S. Pork Industry
- Grier, Martin and Meyer (2002)
 - Manitoba - lose 450 hog farms - \$350 M/yr



COOL Welfare and Trade

- Brewster et al (2004)
 - prices must increase of 4 to 4.5% for producers to be indifferent
- Lusk and Anderson (2004)
 - quantities must increase 2 to 3 % for net gains for producers
 - Beef hit harder than other sectors in U.S.



COOL Welfare and Trade

- Rude et al (2006)
- On Pork market only
 - U.S. Consumer and Producer worse off
 - U.S. Pork Price up 4%
 - Canadian Processors and Consumers better off
 - Canadian Hog Price down 13%
 - ROW Exports up 65%

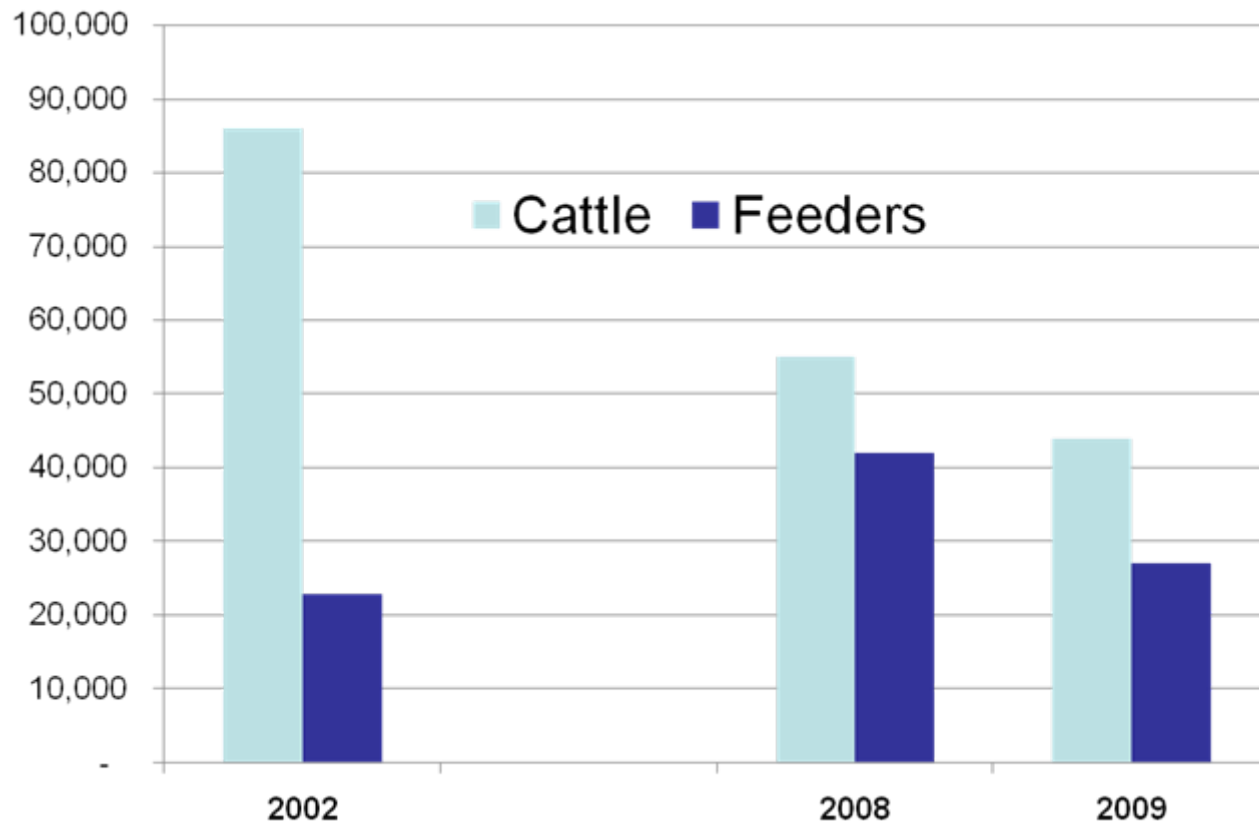


COOL So Far

- Canadian WTO action on hold after “flexible” labeling provisions
- April 2009 Trade down but significant given smaller herd
 - High Feed, CND \$ also hurting livestock
 - Grier “COOL to play less and less of a role” in comments on XL purchase of Lakeside



April Exports to U.S. - Cattle



•SOURCE: U.S.D.A, APHIS



April Exports to U.S. - Hogs



•SOURCE: U.S.D.A, APHIS



Consequences

- No Effect?
- Canadian Processors/Consumers - gains?
- ID Systems support – even in competitors
- U.S. Producers Worse Off ?
- Consumers
 - still missing origin label for 60% of covered imports
 - no new info if multiple labels



Research Priorities

- I.D. Systems Costly Estimate - Moving Targets
- Understand Political Economy of Nations – Who Pays
- Trade Implications when Consumers ask for Protection – New Rules?

