



Highlights of GAO-03-780, a report to Congressional Requesters

August 2003

COUNTRY-OF-ORIGIN LABELING

Opportunities for USDA and Industry to Implement Challenging Aspects of the New Law

Why GAO Did This Study

A provision in the 2002 Farm Bill requires grocery stores to identify certain commodities—beef, pork and lamb, fish and shellfish, fruits and vegetables, and peanuts—by country of origin. This provision also requires that an initial voluntary program be followed by a mandatory program by September 30, 2004. GAO was asked to identify existing programs that might be useful to USDA in crafting the new program, to update a 1998 USDA survey of major U.S. trading partners' country-of-origin labeling practices, and to assess the reasonableness of the assumptions and methodology USDA used for estimating first year record-keeping costs.

What GAO Recommends

GAO is recommending that USDA collaborate with industry to identify alternatives for accomplishing such requirements as developing and maintaining records documenting country of origin of covered products, develop an accurate estimate for record-keeping costs, consult with the Bureau of Customs and Border Protection to develop an approach for informing the meat industry of its labeling responsibilities for imported meat under Tariff Act rules, and consider requesting Congress to make butcher shops and fish markets subject to the law through a technical amendment in order to provide a level playing field for the retail sale of meat, fish, and shellfish.

www.gao.gov/cgi-bin/getrpt?GAO-03-780.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Erin Lansburgh at 202-512-3017 or Lansburghj@gao.gov.

What GAO Found

Several existing programs may be useful to USDA as models in implementing the new country-of-origin labeling law, including USDA's school meals programs and the Department of Defense's Subsistence Prime Vendor Program, which rely on contract certifications and compliance visits to verify origin. Florida's experience with its labeling program may be useful in providing marking options and for using a state's existing enforcement infrastructure to help administer the new law. Within industry, the fee-for-service meat grading programs and origin-identity programs, such as Vidalia® onions, use affidavits from growers/producers to verify origin. However, as models, these programs have limitations because none was designed to address features of the new law that will present implementation challenges to USDA and industry, including how the law defines "domestic" meat and fish. The meat industry's practice of not routinely maintaining origin identity for imported meat presents a further challenge.

Most of the USDA attachés for 57 U.S. trading partners that we surveyed reported that their host countries require country-of-origin labeling for one or more of the commodities covered by the new law. Most countries with programs conduct routine inspections and impose fines for labeling violations. Additionally, practices also varied among the nation's larger trading partners—Canada, Mexico, and Japan. Their own practices notwithstanding, some trading partners view new U.S. identity requirements as possible trade barriers. Survey results stratified by food product and by country are included in a special publication entitled *Country-of-Origin Labeling for Certain Foods—Survey Results* (GAO-03-781SP), which is available on the Internet at <http://www.gao.gov/cgi-bin/getrpt?gao-03-781SP>.

The assumptions underlying USDA's \$1.9 billion estimate for the first-year paperwork burden on industry under the voluntary program are questionable and not well supported. They pertain to such things as the extent to which businesses were already keeping records and the cost per hour of developing and maintaining a record-keeping system. USDA has since compiled and published examples of routine records that businesses may already maintain that may be useful to verify compliance. Lastly, FDA proposes a record-keeping mechanism for nearly all food businesses to protect the food supply from intentional tampering, which may be useful for keeping origin records.

Timeline for Implementing the Country-of-Origin Labeling Law

May 13, 2002	2002 Farm Bill with Country-of-Origin Labeling Law
October 11, 2002	Voluntary Country-of-Origin Labeling Guidelines
November 21, 2002	Estimate of Paperwork Burden for Voluntary Program
Fall 2003	Proposed Final Rule to Implement Labeling Law to be issued
September 30, 2004	Final Rule to Implement Country-of-Origin Labeling required
September 30, 2004	Country-of-Origin Labeling Law takes effect in grocery stores

Source: GAO.