



COUNTRY-OF-ORIGIN LABELING

Nothing Cool About It

The real losers from the country-of-origin labeling movement are the growers who see it as a panacea.

BY JIM PREVOR

Much attention is being paid to the mandatory country-of-origin labeling law that is due to become effective October 1, 2004. The meat industry has gotten the House Agricultural Appropriations Subcommittee to strip funding for implementation of the mandatory labeling on that end of the food business, and PMA, United and a host of other produce groups have been working hard to influence the shape of the rules.

Indeed the devil is always in the details, and the rules can be made onerous or relatively easy. Will a fresh-cut processor have to identify every specific product and what country it comes from, listing the countries in the order of the weight of the products – which would mean severely restricting procurement or changing labels every day based on purchase patterns? Or can a processor simply use a generic “May contain products of Argentina, Brazil and Chile”? Will the representation of a shipper be sufficient to indemnify a retailer from liability? Or will the retailer have to make a good faith effort to ascertain the truth by, for example, requiring third party audits.

One could go on and on with various ways to create better rules and, since the future is uncertain, it is only prudent that the industry associations do their best to influence the ultimate rules. We shouldn't kid ourselves, however: Either the rules will water down the law as to make the law inconsequential, or the law will be a terrible thing. In either case, this law should be repealed.

Few laws are dictated strictly by public policy interests. It is in the nature of this great continental scale republic that interest groups – or, as the founders would have said, “factions” – contest to have laws passed for their particular interests.

So it is neither shocking nor particularly evil to know that this law was passed at the behest of many grower groups who seized on the post-9/11 environment of concern over food safety as an opportunity to create an advantage for themselves.

If neither shocking nor evil, the law remains deeply trouble-

some. From a public policy standpoint, it entails expense with no compensating benefit; from an industry perspective, it diverts attention and resources from serving consumers; and even from the perspective of its proponents, the law seems like a grasping, almost pathetic thing that the law cannot possibly deliver anyway.

DO CONSUMERS REALLY CARE?

Start with the obvious: Consumers don't much care about where their products come from. As foreign cars have entered the U.S. market, consumers were content to buy from the best suppliers. There is simply no reason to think that food is an exception. Oh sure, in all our consumer research, consumers will say they would like to know country of origin, but they also want to know the name of every pesticide, fungicide and fertilizer used in raising the produce. It is sort of a truism in this kind of consumer research that consumers never want to appear ignorant or lazy and so will say they want all information.

But in practice they have no use for it. First, if they really wanted it, retailers would be reporting countless requests for such information. But the requests to sell butter next to the sweet corn far exceed the requests for country-of-origin information.

Second, few consumers have any ability to evaluate such information. Imagine a hypothetical display with grapes clearly marked as being from California, Chile, Italy, Namibia, Mexico and Australia. What would a consumer do with this information? Well, certainly we all have our preferences. Perhaps an American of Italian decent might choose to buy some grapes from the old country in the way that some Jewish people might choose to buy oranges from Israel to support the country. But we don't need a law for this purpose. Waldbaum's knows how to put up a sign in its stores near areas with a large Jewish population saying “Bring some Jaffa Oranges home for the Jewish Holidays.”

What then is the purpose of the law? Its proponents would say consumers need to know country-of-origin information to

make an informed choice about food safety. Yet this is a peculiar argument. Are products coming in from some country unsafe? If they are, there are already lots of mechanisms for banning unsafe product.

The truth is that proponents of country-of-origin labeling have no information to indicate that imported product is unsafe, and consumers certainly have no ability to evaluate the food safety practices in various nations. So the law's proponents want to use innuendo and rely on prejudice to get consumers to buy American produce.

And the prejudice does exist in all kinds of odd ways. PRODUCE BUSINESS once did a survey that contrasted consumer attitudes on peaches from Chile as opposed to those from New Zealand. The New Zealand product won overwhelmingly. Consumers reported the fruit was juicier, sweeter, more attractive, grown with fewer pesticides and with purer water.

The interesting thing about this study, of course, is that few of the Americans who reported these results had ever seen or tasted even one single New Zealand peach. None of those surveyed had any information at all on the irrigation systems used in Chile and New Zealand. It was really an expression of American prejudice against presumably brown-skinned Latin Americans versus those nice clean English-speaking white people with the charming accents over in New Zealand.

And to call a spade a spade, the country-of-origin labeling law is contemptible precisely because it relies not on educating people about the quality of American-grown produce but relies instead on the hope that the prejudices of the common man can be hijacked to enrich U.S. growers.

NOT HELPFUL TO GROWERS

Of course even on that narrow criteria, the law is likely to fail and may not help U.S. growers at all. Imagine that some percentage of consumers do decide to not buy produce from a certain country or region. If consumers decide they don't want Chilean grapes, the counter-

seasonal nature of the market means it won't really help California grape growers very much. Then, of course, the consumers who were going to buy those grapes might buy candy instead and the whole thing could be a loss to the produce industry.

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Even if the plan works like a charm and consumers buy more U.S.-grown produce, how long would it take before production swamps the new demand? Profitability for U.S. producers is not only determined by demand, but also by supply. As long as there

are no meaningful barriers to entry, it has to be expected that an increased level of profitability in any commodity will lead to new production of that commodity, thus returning the whole system to a level at which profitability is so low that the commodity no longer attracts new investment in its production.

Much of the retail critique of the country-of-origin labeling law has focused on its unfairness and its expense. Its unfairness comes about because on most products it is the producer who is responsible and liable for the labeling of the product. Coca-Cola has to properly label Coke and if it doesn't, nobody tries to hold the retailer liable. This law holds the retailer liable.

Talk about the law of unintended consequences! This law might as well be called the anti-small, independent grower act. Big retailers that might be held liable will only deal with suppliers with the financial strength to indemnify the retailer and hold the retailer harmless against any claims.

I've been involved in projects with mid-size chains where we had to piece together networks over 100 growers just to get enough quantity for a locally grown sweet corn promotion. But nobody is going to trust 100 strangers to provide accurate affidavits as to country of origin. No retailer will want that liability. Every produce director in the country will imagine himself sitting on the witness stand having to acknowledge

that he didn't really do his due diligence on the suppliers, so it is no shock that someone misled him and labeled some foreign produce as being from the U.S.A.

Retailers also critique the cost of record keeping and audit trails, etc. They point out, correctly, that all this stuff shifts the retailer's focus and the industry's focus from selling product to record keeping.

But the real losers from the country-of-origin labeling movement are the growers who see it as a panacea. What a distraction. What a chimera of false hope.

We live in a world in which technology makes national borders more pregnable. Sure there are wars and problems that disrupt the trend, but fundamentally, better refrigeration, advances in areas like irradiation and genetically modified organisms all mean that, in the absence of political chaos, inevitably, trade will expand.

The contemporary consumer, exposed to more foreign products and companies, is more likely to see that world-class producers have to meet world-class standards wherever they may be located.

So growers who are hurting need to address many specific issues, from supply restraint to production quality, to varietal choice to projecting a quality image. All these things require an enormous amount of work, and they test the ability of individuals and the industry as a whole to innovate, to do things in a manner different and better than in the past.

How much easier it is to convince oneself that all that is required is a law that will ensure consumers know that their products are from the U.S.A., and then profitable sales will come automatically?

Beware the letdown to come. When the law is in place and the world is

spending its precious resources to tell everyone where everything came from, the truth will become evident: It is all for

naught. It was just a waste of human potential that could have been directed elsewhere, just an excuse for growers to stall on needed reforms.

The power of words is great, and one reason proponents were able to get the law passed is they seized on the acronym COOL to represent the legislation. Since so many more people pay attention to the headline than the news story, the catchy slogan helped build momentum to pass the bill. But there is nothing cool about it.

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