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## **Beef Handlers and a Mandatory Country-of-origin Beef Handlers and a Mandatory Country-of-origin Labeling Requirement Labeling Requirement (Research Report #105)**

Alvin Schupp

*Louisiana State University and Agricultural and Mechanical College*

Jeffrey Gillespie

*Louisiana State University and Agricultural and Mechanical College*

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## Beef Handlers and a Mandatory Country-of-origin Labeling Requirement

Alvin Schupp and Jeffrey Gillespie<sup>1</sup>

Beef handlers (processors, wholesalers, meat markets, grocery stores, and restaurants) are entrepreneurs who will make changes in their operations if they feel these changes will increase profits. One potential change is a mandatory country-of-origin labeling on all fresh or frozen beef sold in grocery stores and restaurants. This requirement would identify fresh or frozen beef by country of origin from the point of slaughter (domestic beef) or point of entry (imported beef) through all stages of the marketing channel. This identity would accompany the beef until it is marketed as packaged beef in grocery stores or meat markets (where an actual label would be affixed to each package) or as prepared beef entrees in restaurants (where a menu label would likely be used).

Why might this identification be desirable? Consumers have preferences for products from various countries based on perceptions of health, quality, appearance, loyalty, and other reasons. These preferences cannot be adequately expressed as long as the source of the beef remains unidentified. If these preferences are important, consumers should be willing to pay for the information on

country of origin, just as they do for other attributes of the product.

While legislation establishing this labeling requirement has not been enacted, bills have been considered by the U.S. Congress and remained on the agenda of both chambers in 1999. The Louisiana Legislature passed a law in mid-1999 requiring that all fresh beef sold unprepared to consumers be labeled as "American," "Foreign," or "Blended," the latter a beef product containing both United States and imported beef. This law (Louisiana Meat Labeling Law SB 945) became effective January 1, 2000.

### Methods and Results

Prior to passage of the Louisiana labeling law, 49 restaurants (excluding fast food), 66 grocery stores or meat markets, and 17 processors or wholesalers which handled beef were

surveyed by personnel in the Department of Agricultural Economics and Agribusiness. The telephone survey determined the reaction of responding firm spokespersons to selected issues concerning the country-of-origin labeling of fresh or frozen beef. In addition, information was collected on firm size, age, and organization. These responses provide a picture of the level of support Louisiana beef handling firms have for such a labeling requirement.

Descriptive information on the responding firms is presented in Table 1. While the number of full-time workers increased as one moved up the marketing channel, firm age declined as the consumer level was approached. All of the processors were independent operations, whereas over one-fourth of the restaurants were a part of chains or franchises.

**Table 1. Descriptive Data on Firms Sampled for Country-of-origin Labeling of Fresh or Frozen Beef, Louisiana, 1999.**

Characteristic	Processor	Grocery	Restaurant
Number of Full-time Workers			
Mean	6.8	8.2	24.2
Std. Dev	7.98	8.53	28.96
Range	0-28	1-35	1-150
Age			
Mean	31.8	19.7	15.8
Std. Dev	18.36	13.54	13.40
Range	2-64	1-75	1-59
Affiliated with Chain or Franchise			
Percentage	0.0	8.0	27.0

<sup>1</sup>Professor and assistant professor, respectively, Department of Agricultural Economics and Agribusiness, Louisiana State University Agricultural Center, Baton Rouge, LA 70803.

Table 2 presents the percentage of alternative responses to the questions by type of handler. While 39 percent of processors had knowingly handled imported beef, only a few restaurants and retailers had handled imported beef. It is highly likely that many grocery stores and restaurants have handled imported beef but were unaware of its origin at the time of purchase. Approximately three-fourths of the processor and grocery store respondents had suppliers that would tell them the source of beef if requested, but only half of the restaurants had suppliers that were this informative. Since processors had more experience with imported beef, a larger percentage (44 percent) would purchase imported beef at a 15-20 percent discount from domestic beef price levels than would grocery stores and restaurants (25-30 percent).

Buyer interest in country-of-origin labels was ascertained by asking firm spokespersons whether their buyers had requested information on the country from which the fresh or frozen beef originated. Approximately 20 percent of processors and restaurants had received these requests. However, nearly two-thirds of grocery stores had been asked this question by buyers.

The respondents were asked to state whether they agreed with four statements. The first of these statements was "There is no significant difference between imported and domestic beef in the same type of product." Only 25-30 percent of respondents agreed with this statement. The statement "A country-of-origin label would provide information of significant value to my buyers" was agreed to by 67-73 percent of the respondents. A third statement, "A

country-of-origin label requirement would merely represent unneeded interference by government in free trade and commerce" (an anti-government statement), was agreed to by 19-30 percent of the respondents. The fourth statement, "A country-of-origin label would be perceived by buyers as evidence of problems with imported beef," received highly valuable support with 56, 30, and 21 percent of processor, grocery store, and restaurant spokespersons agreeing with the statement, respectively.

A country-of-origin label would require firm expenditures for record keeping, labels, labor, and other items. Respondents were asked if they thought their costs of complying with a labeling law could be recovered by raising beef prices to the buyer. The percentage of "yes" responses varied from 39 percent for processors, 52 percent for grocery stores, and 60 percent for restaurants.

Finally, would the firm approve of a mandatory country-of-origin labeling law for fresh or frozen beef at all stages of the marketing/distribution channel? Approval rates were high, ranging from 75 percent for restaurants to 88 percent for grocery stores. These are high rates of agreement for a new requirement that would be imposed on the seller and buyer.

### Implications

This survey of beef handlers reveals the recognition at all levels of the beef marketing channel of the buyers' need to know about the product they are considering for purchase. The primary reason for acceptance of a mandatory origin label is a perception, especially among consumers, that beef originating in the United States is superior to imported beef. This acceptance by those most influenced should help the U.S. Congress in deciding whether a law imposing a label requirement would receive the public's support. ■

**Table 2. Percentages of Firm Spokespersons Responding Affirmatively to Selected Questions Pertaining to a Potential Country-of-origin Labeling Requirement on Fresh or Frozen Beef, Louisiana, 1999.**

Question	Percentage Responding Affirmatively		
	Processor	Grocery	Restaurant
Has your firm ever used fresh or frozen beef that was imported?	39	3	2
Would you (beef supplier) voluntarily indicate if beef purchases contain imported beef?	72	76	56
Would your firm purchase imported beef if priced 15-20% lower than domestic beef?	44	26	29
Have buyers requested knowledge of country-of-origin of beef?	22	64	19
There is not a significant difference between imported and domestic beef in the same type of product (% Agreeing)	33	30	25
A country-of-origin label would provide information of significant value to my buyers (% Agreeing)	67	73	67
A country-of-origin label would be perceived by buyers as evidence of problems with imported beef (% Agreeing)	56	30	21
A country-of-origin label requirement would merely represent unneeded interference by government in free trade and commerce (% Agreeing)	22	30	19
My firm could recover costs of complying with labeling law by increasing the price of beef to the buyer	39	52	60
My firm approves of mandatory country-of-origin labeling of fresh or frozen beef at all stages of the marketing channel	78	88	75