

PolicyPennings by Dr. Daryll E. Ray

Is full information for consumers a protectionist measure?

Country-of-origin labeling (COOL) of meat is back in the news. Even though COOL was included in the 2002 Farm Bill, its implementation has been delayed twice and is now scheduled to begin September 30, 2008, more than a year from now.

But that starting date is not certain as the USDA has reopened the public comment period until August 30, 2007, giving opponents of the law one more time to try to derail its implementation, while supporters of COOL are working just as hard to ensure that it becomes operational.

At the same time that the Consumers Union, publishers of Consumers Reports, published the results of a survey indicating that 92 percent of US consumers want to know where the food they eat is produced, the American Meat Institute (AMI) says no they don't.

J. Patrick Boyle, president of AMI, wrote in an editorial that "a poll from the International Food Information Council shows that, when asked what they care about when looking at a food label, less than two percent of consumers responded that they cared about a product's country of origin."

In that same editorial Boyle argued that COOL was a protectionist measure writing, "The reality is that this form of COOL is an unfair, illegal non-tariff trade barrier. In fact, it's the Cadillac of trade barriers for those in the US who are afraid of foreign competition."

Between Harwood and me, we must have 60 linear feet of shelved economics books, textbooks, treatises and journals. We would indeed be willing to bet the farm that none of those references say that providing information to consumers concerning the geographical origin of a traded product in protectionist. In fact, the opposite is true.

Economic theory often begins with the assumption that all participants—each producer, each consumer, and all intermediaries—have perfect, that is, full and complete, information on anything and everything that could conceivably affect the preferences for, and economic value of, the product.

Since it is impossible to know everything—some of which has not even occurred yet such as weather-influenced yields for example—the perfect information assumption is often relaxed to one in which all participants have identical information. That is, all available information is known by all.

I have been in this business for over 35 years, and no person or institution has even tried to convince me, up to now, that actions to tear down information walls that may separate producers/processors and consumers is a protectionist measure or is a restraint of trade.

After all, this is not about preventing transactions. It is only about informed decision-making. Granted, some may not like the decisions that market participants might make when, in this case, meat consumers have the same information as processors, but that is a different issue.

Other information from the AMI may be enlightening. Dave Ray of AMI is quoted by USA Today reporter Elizabeth Weise as saying, "about 16 percent of beef is imported, much of that coming in as trimmings that go into ground beef." He goes on to say, "these aren't steaks, cuts, chops and ribs," which would be American-raised.

We know this last statement is a simplification since some of those steaks may come from steers that have been moved back and forth among the US, Mexican and Canadian producers.

But the larger question remains: Is AMI driven by fears that COOL is a Trojan Horse for protectionism or by the knowledge that their member-processors will no longer be able to secretly hide foreign beef trimmings in US-consumed hamburger?

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