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June 9, 2023

Ms. Rachael Edelstein

Assistant Administrator

Office of Policy and Program Development

U.S. Department of Agriculture, Food Safety and Inspection Service

1400 Independence Avenue SW, Mailstop 3758

Washington, D.C. 20250-3700

Re: Docket Number: FSIS 2022–0015

Comments by the U.S. Meat Export Federation Regarding Voluntary Labeling of FSIS-Regulated Products With U.S.-Origin Claims

The U.S. Meat Export Federation (USMEF) appreciates the opportunity to submit comments concerning the potential trade-related impacts of the proposed Product of USA labeling rule. USMEF is a non-profit trade association that represents the export interests of the U.S. beef, pork, and lamb industries through its network of offices and representatives in foreign markets. USMEF's membership includes a broad cross-section of American agriculture: farmers; meat packers, processors, purveyors and traders; agribusinesses with an interest in U.S. meat exports; and other agricultural organizations. USMEF also works closely with the United States Department of Agriculture and is a long-standing partner of the Foreign Agricultural Service through the Foreign Market Development Program and Market Access Program.

Despite numerous headwinds including shipping, logistical and economic constraints, U.S. beef and pork exports reached a record combined $19.4 billion in 2022. The U.S. is the number two exporter of both beef and pork globally, following Brazil in beef and the combined EU-27 in pork. Exports accounted for a record 15% of U.S. beef and variety meat production and accounted for 28% of U.S. pork and variety meat production.

Based on USDA/ERS trade multipliers*, U.S. beef and pork exports of $19.4 billion in 2022 contributed additional export activity of $35.44 billion for combined total economic output of $54.8 billion. Total jobs related to meat exports are estimated at more than 170,000. **2021 multipliers applied to 2022 export data*

Exports are critical to the entire production chain because they add value to every animal produced and in turn increase demand for U.S. corn, soybeans, cattle and pigs. Especially at times of record production costs and economic uncertainty, exports are critical because they enable producers to sell to the consumer most willing and able to pay for each unique cut and variety meat item. Customers around the world are impacted differently by the evolving economic situation and have differing tastes and preferences, thus Japan's demand for the majority of U.S. beef tongue and Mexico's appetite for the majority of U.S. bone-in ham and pork shoulder exports. The economic benefits of U.S. red meat exports are far-reaching.

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The U.S. is unique among the major exporters: we have a strong domestic market and production of beef and pork is heavily geared towards the domestic market. Exports help to maximize the value and that value maximization is most effective when export product doesn't have to meet separate requirements. Importantly, specific cuts and variety meats are heavily exported, thus production of animals is for both the domestic and international markets. For example, most tongues, feet, and other variety meats are exported as are beef short plate and chuck short ribs and pork bone-in hams and picnics, while the middle cuts are more often sold in the U.S. market.

The U.S. is also unique due to our integrated market, where cattle, hogs, beef and pork flow relatively seamlessly between our USMCA partners, Mexico and Canada. The integration in the North American market helps us to be more competitive in the global marketplace and benefits U.S. consumers because we can more efficiently and consistently produce high quality beef and pork. U.S. imports of cattle from Mexico and Canada have averaged just 6% of U.S. cattle slaughter over the past ten years and imports of hogs from Canada have averaged just 5% of U.S. hog slaughter. While making up a small portion of total U.S. inventory, imported livestock are essential to the survival of feeders, finishers and packers in the northern and southern U.S. They also help to smooth drought cycles and other supply variations and contribute to increased demand for U.S. corn and soybeans. Mexico and Canada are also top trading partners for U.S. red meat exports. In 2022, Mexico was the number one export market for U.S. pork and number four for U.S. beef. Canada was the fourth largest export market for U.S. pork and fifth for beef.

With these points in mind, USMEF is concerned that the Product of USA label will cause damage to the U.S. industry on a few fronts:

Export product must be labeled with Product of the USA* and this Product of the USA label is currently consistent with the WTO's last substantial transformation, allowing the Product of the USA label based on an HS code chapter change. Imported cattle for example are in HS Chapter 01, when transformed into beef, they are in HS Chapter 02 and thus Product of the USA. Under the proposed labeling rule, Product of the USA would be limited to that derived from cattle or hogs born, raised and processed in the U.S. The Product of the USA label would no longer be allowed on boxes of beef and pork circulating in the domestic market, unless the meat was derived from animals born, raised, and processed in the U.S.

Packers would then be required to sort specifically for Product of the USA, requiring only domestic livestock for product that will circulate in the domestic market but might be bound for export.

The intent of the rule was to not impact exports, but the opposite is true because the proposed rule contradicts current Product of the USA labeling that is mandatory for export, which would lead to the need for product segregation. At the time of production it is often unknown whether product will be sold on the domestic or international market. It is therefore not feasible to have different labeling schemes for domestic and export boxes.

When segregation is required, the voluntary rule acts as mandatory and there will be discounts on hogs and cattle of Canadian origin and cattle of Mexican origin. Canada and

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Mexico already won a WTO case against the U.S. mandatory country of origin labeling because the born, raised and processed requirement contradicts WTO rules.

There is a risk of trade retaliation by Mexico and Canada, as well as the damages from added costs and complexities of birth origin traceability, sorting, segregating, additional product codes, etc. and overall restricted available supplies for the U.S. and international markets.

The proposed rule also discussed qualified claims. If these more complicated claims appear on boxes, it is unclear how U.S. trading partners will react. As referenced below, some trading partners explicitly state that multiple origins are not allowed on the label.

The Economic Impact Analysis in the proposed rule does not include costs associated with segregation or related potential negative impacts on U.S. red meat exports due to conflicting domestic labeling requirements and those of importing countries. The added costs and limited opportunities would be felt across the entire supply chain. The added burden would especially land on smaller packers, processors and exporters. Some of these companies are reliant on imported livestock and would be forced to drastically change their business due to the inability to segregate for the domestic and export markets.

There is great variation in the U.S. livestock supply chain. In some fully integrated systems, these livestock origin claims for the proposed Product of USA label can be documented with minimal cost and complexity. In other non-integrated supply chains (such as the vast majority of the beef supply chain), the amount of product that would be eligible for a Product of USA claim would be dramatically reduced. Most of the cattle in the U.S. beef supply chain would yield product eligible for this claim. However, because there is no widely used animal identification system from birth to harvest, any supply and segregation of beef cattle eligible for this claim will come at an increased cost to the consumer. Identification and segregation of beef cattle eligible for this claim will require additional supply chain cost and complexity, and dramatically reduce the number of cattle eligible for this claim to a small portion of the animals that have in fact been born, raised and processed in the USA. These added costs will also be passed back to the cow/calf producer and shared along the chain and eventually to the end consumer.

As noted in the FSIS consumer survey, there is wide misunderstanding of origin labeling claims but also little notice of such claims. Dr. Glynn Tonsor's Meat Demand Monitor shows origin claims are at the bottom of the list of importance in purchasing decisions, along with environmental impact. "Taste, Freshness, Price, and Safety remain most important when purchasing protein", from the May 2023 Meat Demand Monitor. Thus the added costs to the industry and the consumer; and the damage to U.S. exports and to international consumers will in no way be offset by a perceived benefit to Americans.

In summary, Product of the USA labeling is required for export. Exports with Product of the USA labeling are based on the current FSIS generic labeling and the WTO's last substantial transformation as the requirement for origin. Having a domestic labeling requirement that contradicts the trade requirement will mean segregation for export and will limit the added value and opportunity from export. It will add costs and complexities across the supply chain and will also put the industry at risk for retaliation from our neighboring trading partners.

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Thank you again for the opportunity to submit comments on the Product of USA proposed rule. Please do not hesitate to contact us if you have questions about any of the information in our comments.

Sincerely,

Dan V. Halstrom

Dan V. Halstrom
President and CEO

*Examples of Product of USA necessary for export, as stated in the FSIS Export Library:

Korea: The country of origin must be indicated on the outside carton for all products. Meat products with multiple country origins on the label are prohibited and will cause the product to be rejected.

Mexico: For fresh/frozen meat and poultry:
Country of origin (Spanish/English)

Canada: The country of origin. The lettering "Product of USA" must be on the immediate container (the label containing the common name). Note: Mixed origin labeling (e.g. "Product of U.S., Canada, or Mexico") on product exported to Canada is not allowed. Imported meat is prohibited unless processed in the U.S.