

## In The Cattle Markets

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### Mandatory Country of Origin Labeling Update ...

Few things have been more contentious in recent years within the U.S. meat and livestock industry than mandatory country of origin labeling (MCOOL). The debates around MCOOL have a long history now encompassing the originally implemented rule in 2009, the modified rule of 2013, and multiple rounds of WTO (World Trade Organization) assessment regarding international trade appropriateness. The on-going dispute has centered in large part around diverse views on underlying economic impacts on stakeholders throughout the meat and livestock supply chain.

The U.S. filed an appeal this past week to WTO's recent ruling against MCOOL which in turn re-ignites interest in information providing insight into the impacts of MCOOL. Given this update, it is useful to take note of a November 2014 survey coordinated at Oklahoma State University.<sup>1</sup> This survey provides the only known academic research on consumer awareness and response of details specific to the 2013 MCOOL rule.

To assess if stated consumer willingness-to-pay (WTP) varies across products with labels that changed in the 2013 MCOOL rule, survey respondents were randomly assigned to one of four treatments that differed in presented labeled products. One fourth of participants were asked: "What is the most you would be willing to pay for a 12oz boneless rib eye beef steak that was labelled as: *Born, Raised, and Slaughtered in the U.S.*?" Other respondents answered similar questions except the labels were changed to: *Born in Canada, Raised and Slaughtered in U.S.*; *Born and Raised in Canada, Slaughtered in the U.S.*; or *Product of Canada and the U.S.* Point estimates of WTP were highest on *Born, Raised, and Slaughtered in the U.S.* product consistent with past stated preference research.

A deeper assessment of whether WTP values across labels are statistically different is important. Results show consumers do not distinguish between beef from animals born in Canada (then raised and processed in the US) and beef from cattle born and raised in Canada (then processed in the US). Respondents also did not place different values on these two labeled products than ribeyes labeled as *Product of Canada and the U.S.* This lack of statistical difference in WTP is critical given the 2013 MCOOL rule led to the *Product of Canada and the U.S.* label being replaced with beef labels including *Born in Canada, Raised and Slaughtered in U.S.* and *Born and Raised in Canada, Slaughtered in the U.S.* That is specific impacts of the 2013 MCOOL rule, relative to the existing 2009 rule, included introduction of born, raised, and slaughtered specificity and a removal of labels such as *Product of Canada and the U.S.*

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<sup>1</sup> The Food Demand Survey is available online at:  
[http://www.agecon.okstate.edu/agecon\\_research.asp](http://www.agecon.okstate.edu/agecon_research.asp).

The November survey also found that only 22%, 28%, and 24% of respondents were aware that grocery stores are required by law to label fresh meat products with the country where the animal was born, raised, and slaughtered (respectively). Finding the largest share of respondents indicating they did not know about these requirements is consistent with an earlier study and should be appreciated in analyses of demand benefits of MCOOL<sup>2</sup>. This limited awareness related to current MCOOL specific details is consistent with several studies finding the origin of meat products to be less important to U.S. consumers than several other values including price, safety, taste, and nutrition<sup>3</sup>.

It is hard to predict the future of any policy, making it difficult to assess the end-game following the U.S. announcement to appeal WTO’s recent decision. The aim of this short article is to aide in highlighting recent academic research germane to the broader MCOOL issue.

### The Markets

Cattle prices last week generally declined from prior week levels. The 5-area fed cattle price for the week was down at \$166.61/cwt live weight, while Nebraska yearlings traded steady at \$293.77. Corn prices were up for the week trading at \$3.34 in Omaha.

<i>Data Source: USDA-AMS Market News</i>		<b>Week of 11/7/14</b>	<b>Week of 10/31/14</b>	<b>Week of 11/8/13</b>
<b>5-Area Fed Steer</b>	all grades, live weight, \$/cwt	\$166.61	\$167.46	\$130.93
	all grades, dressed weight, \$/cwt	\$261.86	\$263.23	\$206.44
<b>Boxed Beef</b>	Choice Price, 600-900 lb., \$/cwt	\$250.35	\$251.79	\$204.47
	Choice-Select Spread, \$/cwt	\$12.08	\$13.21	\$14.48
<b>700-800 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$227.26	\$245.95	\$158.97
	Nebraska 7-market average, \$/cwt	\$244.18	\$248.01	\$171.73
	Oklahoma 8-market average, \$/cwt	\$238.12	\$237.37	\$167.42
<b>500-600 lb. Feeder Steer Price</b>	Montana 3-market average, \$/cwt	\$280.68	\$281.42	\$182.92
	Nebraska 7-market average, \$/cwt	\$293.77	\$293.72	\$193.52
	Oklahoma 8-market average, \$/cwt	\$286.56	\$281.65	\$184.53
<b>Feed Grains</b>	Corn, Omaha, NE, \$/bu (Thursday)	\$3.34	\$3.31	\$4.15
	DDGS Price, Nebraska, \$/ton	\$113.30	\$111.80	\$202.80

<sup>2</sup> A fact sheet and three journal articles from past work conducted at Kansas State University and Oklahoma State University are available at: <http://www.agmanager.info/livestock/policy/default.asp>.

<sup>3</sup> For instance, see the ongoing assessment of “Consumer Values” captured by the monthly Food Demand Survey at: [http://www.agecon.okstate.edu/agecon\\_research.asp](http://www.agecon.okstate.edu/agecon_research.asp).