

The National Producer

National Livestock Producers Association

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Is COOL the Answer? We think not!

By **Scott Stuart, NLPA CEO**

Country of Origin Labeling (COOL) appears to be a law we are going to have to live with...at least in some form. Passed as part of the 2002 Farm Bill, this law requires all muscle meats of beef, pork and lamb to be labeled at the retail counter as to the country (or countries) in which it was born, fed and slaughtered. In addition, the law also extends to various segments of the fish, fruit and nut industries.



Scott Stuart

Taken at face value, it may seem like this law could bring great benefits to the U.S. livestock producer as well as the consuming public. But the National Livestock Producers Association (NLPA) has, for some time, had serious concerns as to the law's intent, potential regulatory burden, and even its need!

The genesis of the law came during eleventh-hour negotiations by the 2002 Farm Bill congressional conferees trying to finalize yet another contentious piece of legislation that directs the myriad of U.S. farm programs. As a means to do away with a provision to ban meat packers from owning livestock prior to slaughter, a measure that had already been passed in the House, the conferees substituted the COOL provision in order to appease those supporting both measures. An opportunity to debate the need and consequences of COOL never was given to the congress before being made law!

So what's the big deal? Well, to begin it may be useful to look at what got northern tier states in an uproar. For the past couple of years we have had record supplies of red meat in the market place. With huge supplies of

beef and pork depressing livestock prices, and increasing supplies of poultry gaining a larger share of the consumer's dollar, it was frustrating to many to see Canadian trucks hauling slaughter-ready livestock – right through the Dakotas and Montana - to U.S. slaughter plants. On top of that, ongoing frustration with the relatively weak bargaining position feedlots seem to have with packers boiled over.

But, was enacting legislation that is protectionist, expensive with which to comply, and extremely divisive within the livestock industry the answer? NLPA says no, but again, it is now the law. To add insult to injury, poultry is exempted from the law, and meat used in restaurants, and other institutional trade does not have the same requirements as the muscle meats sold in supermarkets!

So where does that leave us as livestock marketers? Our members have already been put on notice by packers that they, and their producer members, may be subject to third-party audits in order to ensure the livestock they are representing as U.S. born and fed, are just that. Proponents of the law say the packers are just trying to scare the industry. Others agree with the packers and retailers since they are on the front lines of being fined (as much as \$10,000 per violation) if there

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are any problems. Therefore, it is NLPA's role to help its members and their producers understand what is required under the law to ensure their livestock is not discounted as a result of the process. As to what is required, that is yet to be determined through a rulemaking process that is underway.

During the fall of 2002, USDA's Agricultural Marketing Service, as directed by congress, issued proposed regulations for the "voluntary" COOL program that is in effect until the fall of 2004 at which time the program becomes mandatory. An open comment period was scheduled during which many industry participants and representative organizations, including NLPA, provided input as to the regulations.

Overall, if instituted as proposed, our marketing members will have their hands full (literally) with the required documentation to ensure a verifiable audit trail exists for every head of livestock they handle. To gain a perspective of the potential enormity of this job, let's consider the following scenario:

A cow/calf producer in Idaho sells his calves through an auction. When the truck arrives at the Producers auction in Jerome, his calves are first sorted as to sex, and then sized to make marketable packages to potential buyers.

After going through the ring, each lot is penned with the successful buyer's other

purchased calves. After the sale, they are trucked (potentially in various subsets) to the buyer's customer's backgrounding operation where they may be commingled with several hundred other calves from various states – and even Canada.

When ready to go to the feedlot, the feeders are then offered, in yet another subset, for sale on a video auction and sold to a feedlot in western Nebraska and when delivered are again sorted into various pens based on size, feeding potential, or various other factors.

Finally, when ready for slaughter, the cattle are sold as yet another subset and move to a slaughter plant in Colorado. In all, there is a minimum of six times the original group of calves have been split, creating just that many documents that must be developed and maintained to comply with COOL! (And this example doesn't even go through the slaughter plant door where they may be split several times more before reaching the supermarket case.)

There have been several studies indicating the cost to the industry could be substantial, as much as \$50 per head in the case of cattle and as much as \$10.25 per head in hogs based on a study conducted by economic research firm Sparks Companies, for a total of \$5.6 billion per year to the overall industry.

So what's the payoff? Does the U.S. livestock industry gain an advantage in the meat case? Is the U.S. consumer willing to pay more, or even the same amount for meat

labeled "U.S. Born, Fed and Slaughtered?" Good question! To date there is no good data to say they would. In fact, there has been anecdotal evidence that consumers may even prefer imported meats if you use the example of Danish Hams or New Zealand Lamb.

"It is NLPA's role to help its members and their producers understand what is required under the law to ensure their livestock is not discounted as a result of the process."

**-- Scott Stuart
NLPA, CEO**

In recent visits with Washington, D.C. lawmakers, NLPA chairman Sam Philips, NLPA legislation and communication advisory committee chairman Rick Keith, and NLPA CEO Scott Stuart were both encouraged with outrage expressed by many livestock state representatives regarding COOL, and disappointed with other representatives – purportedly representing the same livestock producers – that were blindly supporting the law with little or no potential to compromise.

It is disappointing to see sectors of the livestock industry support such an ill-conceived idea. There are many more turns this issue may take, but as it stands now, the law is the law, but the devil is in the details – or in this case the regulations that are being developed to carry out this onerous task.

NLPA Asks USDA to Be Realistic and Reasonable About COOL Guidelines

The U.S. Department of Agriculture needs to utilize current systems and work to make country of origin labeling guidelines as cost-effective and reasonable as possible, according to comments submitted on April 7th by the National Livestock Producers Association (NLPA) to USDA's Agricultural Marketing Service (AMS).

The 2002 Farm Bill included legislation requiring the USDA to implement a mandatory country of origin labeling system by October 2004. While this law's primary focus is on retailers, it will have a profound affect on the producers, marketers and processors who supply livestock to the retail industry because the law requires suppliers to provide verifiable proof of the country of origin of their livestock.

"While NLPA does not support mandatory country of origin labeling, it is very unlikely that it will be repealed because it is a part of the 2002 Farm Bill," Scott Stuart, NLPA CEO said. "NLPA is willing to work with legislators and regulators to help create a system that is cost-effective and appropriate with the dynamics of the livestock industry."

In light of the current guidelines set forth, NLPA offered the following points:

1. Record Keeping. NLPA recommended that all reasonable, currently acceptable documentation should be recognized by the USDA

as adequate for documentation for verification and audit purposes.

2. Grace Period. The USDA needs to allow a generous grace period to adequately allow an orderly transition to the new regulations. NLPA recommended that the grace period last for the life cycle of each involved species. For example, a two-year grace period for beef cattle. Also, self-verification should be allowed for breeding stock more than two years old on the day the mandatory system is implemented.

3. Identification. NLPA is committed to assisting in the creation of a sound, voluntary, industry system that will improve the industry's ability to track livestock in the event of an animal health emergency. Ideally such a system could be adapted to effectively identify an animal's country of origin as well.

As the guidelines are currently written, many livestock producers will have to incorporate costly methods to segregate their herds in order to maintain country of origin labeling standards. An effective identification system would greatly simplify this process.

4. Fines. A \$10,000 fine is too high. At minimum, the fine should be much lower during the initial years of the program to allow everyone involved to adjust to the program and to allow older animals time to exit the food chain. Or the guidelines

should use a system of fines that grow with each offense. For example, \$500 for a first offense, \$5,000 for a second offense and then \$10,000 for any subsequent infractions.

5. Verification. The current guidelines state that self-certification is not sufficient for any person engaged in the business of supplying a covered commodity to a retailer. However the guidelines do not clarify how this verification will be accomplished. NLPA suggested that the USDA use the systems that are currently in place, such as brand inspection, to make this process as reasonable as possible.

6. Educational Outreach. The USDA will need to make every effort to educate producers on appropriate record keeping and clarify the role it expects producers to play in the implementation of this system.

NLPA recognizes that this law was written with the hope of creating an opportunity to better market U.S. products and to better track imported products and the sale of imported products. It is the opinion of NLPA that the program has more potential to damage the livestock industry by reducing efficiency and unnecessarily raising the cost of doing business at a time when the industry is already losing a substantial number of producers and markets with each year. If this program proves to unduly injure livestock producers it will need to be amended or removed.

Sheep Center Achieving Goals Through Low-Interest Loans, Grants

Denver, CO (ASIA) -- Pierce Miller of Texas, who has served as chairman of the seven-member board of the National Sheep Industry Improvement Center (NSIIC) since the first board was seated in 1997, made his concluding presentation as chairman during the 2003 American Sheep Industry Convention in Washington, D.C.

Miller told ASI members that the Sheep Center, created as a revolving fund in 1996 to rebuild the infrastructure of the sheep and goat industries, including meat, fiber and dairy products, is moving forward in achieving its goals through a series of grants and low-interest loans.

The Sheep Center has three main programs, the biggest being to provide low-interest loans, currently at 5 percent, through an intermediary arrangement with the **National Livestock Producers Association**. The loans fund a diversity of projects that target infrastructure development. Since the program was introduced in 2000 there have been 51 applications received, with 23 having been funded for \$5.9 million.

The second program is the Sheep Center's involvement in implementing a portion of the 201 Lamb Marketing program. Miller said the Center transferred the funds to the USDA's Agricultural Marketing Service, which then

disbursed the dollars. As a result, 23 projects from 17 applicants have been funded for a total of \$4.8 million.

Miller, who completed two terms on the board, was succeeded Feb. 10 by NSIIC Vice Chair Linda Campbell, a dairy, meat and seedstock goat producer from Virginia's Shenandoah Valley. Joining Campbell in NSIIC leadership is Vice-Chair Chase Hibbard of Montana and Secretary-Treasurer Jeff Siddoway of Idaho. Also newly appointed to the Center's board are Glen Fisher of Texas and Paul Lewis of California.

Jay Wilson, executive director/CEO of the Sheep Center, told ASI members in Washington that the organization sought feedback during two "listening sessions" with sheep and goat industry representatives at San Angelo, Texas, in June 2001, and Colorado Springs in July 2002. These sessions identified the need for small grants, grants to complement the low-interest loan program and coordination among all segments of the sheep and goat industries.



Retiring National Sheep Industry Improvement Center Chairman and Texas sheep producer Pierce Miller is presented with an award commemorating his service by incoming chair Linda Campbell, a dairy meat and seedstock goat producer from Virginia.

From the recommendations, the Sheep Center developed a third major program in which it offers competitive grants to fund a diversity of projects that target different segments and geographies of the sheep and goat industries.

In each of the last two fiscal years the board has taken action to set aside around \$200,000 to be disbursed, with an application ceiling of \$50,000. In the first round, 56 applications were received, totalling \$2 million in requests. In the latest round, Wilson said, the program received 29 applications for projects totaling \$1.3 million. The board has approved \$300,000 for FY 2004 with applications expected to be available in June.

For more information, visit NSIIC's web site at www.nsiic.org.

Industry and USDA Working to Develop National Animal Identification System

Colorado Springs, CO (NLPA) – A key to safeguarding the national livestock herd from the deleterious effects of disease is the establishment of a national plan to identify livestock. Recognition of this need is being demonstrated through a united effort of several segments of the livestock industry, USDA, and State animal health officials.

Beginning in early 2002, the National Institute for Animal Agriculture's (NIAA) committee on Animal Identification and Information organized an NIAA task force comprising approximately 70 representatives from more than 30 stakeholder groups.

After months of work, the task force produced the National Identification Work Plan (NIWP). The plan was presented at the NIAA ID/INFO EXPO in Chicago during July 2002 and, following input, minor modifications were made. The final draft of the NIWP was then presented to the United States Animal Health Association (USAHA) at its annual meeting in October 2002. The USAHA accepted the plan with a resolution calling for USDA, APHIS, VS, to establish a National Animal Identification Development Team to develop a national plan using the NIWP as a guide.

APHIS-VS took up the charge and identified key industry leaders who have demonstrated the ability and desire to "roll up their sleeves" and get the job done. These individuals

serve as the Steering Committee of the National Animal Identification Development Team. Through the Steering Committee, subcommittees are being formed to accomplish the tasks needed to develop and implement a national plan.

Dr. John Wortman, Director of the New Mexico Livestock Board and Chairman of the USAHA Livestock Identification Committee, and Dr. Valerie Ragan, Assistant Deputy Administrator for USDA, APHIS, VS, serve as Co-Chairs of the Steering Committee.

"We are confident that the individuals on this Steering Committee can lead the effort to develop a critically needed national identification plan," Dr. Ragan said. "We are encouraged by the way the subcommittees are taking on form and function and look forward to a productive year ahead and stand ready to assist in any way possible."

Subcommittees in the areas of Communication, Transition, Standards, Governance, and Information Technology have been established to carry out the work that is essential to develop a plan of this magnitude.

"The members of the Steering Committee and Subcommittees will not be representing special interests or organizations," Dr. Wortman points out. "They will be working together as problem solvers to develop a national identification and traceability system that will

improve the ability to manage the health of the national livestock herd."

Scott Stuart, CEO of the National Livestock Producers Association, selected as Co-Chair of the Communications Subcommittee, said he feels strongly that keeping the industry informed and involved in the process is imperative.

"The goal of the Subcommittee is to prepare and implement a communications plan to 'roll out' a national identification system and develop needed educational resources and delivery systems to ensure industry understanding and support for a national identification plan," Stuart said. "The livestock marketing sector has a tremendous amount of contact with livestock producers who are the key to making a national plan successful."

Stuart said he understands there is a high degree of reluctance in the country to identification due to questions of cost, liability, and added labor, but is encouraged that, if developed and implemented in a way that will ensure producers are aware of the benefits, identification of the nation's livestock will provide an animal health monitoring system second to none in the world.

It is expected the Subcommittees will have much of the initial work done on the plan by June 2003, although there will be much more work required as the plan is implemented within the various industry segments.

NLPA Joins Environmental Management Solutions to Offer On-Farm Assessments to Livestock Producers

Livestock producers today face many environmental regulations and issues. It can be difficult for producers to determine an accurate environmental profile.

In light of this situation, the National Livestock Producers Association (NLPA) recently signed a memorandum of understanding with Environmental Management Solutions, LLC, to become a clearinghouse for the On-Farm Assessment and Environmental Review (OFAER) program.

Through this agreement, NLPA will promote OFAER program to NLPA member organizations and help the organizations promote the program to their patrons. NLPA will also distribute forms for producers to request assessments and will submit the completed forms to EMS. EMS handles the program management and administration.

The OFAER program can help producers learn what strengths and challenges face the operation, as well as offer helpful recommendations concerning these issues.

The OFAER Program provides a free, confidential assessment of animal production facilities and is available to the producer through NLPA. The program helps give producers an edge regarding the public's perception of their operation and offers cost savings by taking advantage of a third party's animal production and environmental stewardship knowledge.

A team of two assessors completes the on-site visit. Assessors for the program have participated in extensive specialized classroom and field training, which covers the assessment process, history, goals, program purpose, as well as species-specific information. They have passed written exams on the program and have conducted two assessments with program trainers prior to conducting their own assessments. Currently more than 500 professionals have been trained and tested to become certified assessors under the program.

Due to the extensive research conducted prior to the implementation, the program is able to meet the demands of the producers and offer realistic industry feedback. Issues such as manure management and odor control are discussed and practical solutions are suggested during the assessment.

Evaluation of the program from the producers has been positive. "It gave me the opportunity to learn how other producers are handling common challenges and gave me ideas on future expansion and safety suggestions." A large-scale producer continued, "The comments made

by the assessors help support the work we are already doing. This helps the employees to realize why we do things the way we do."

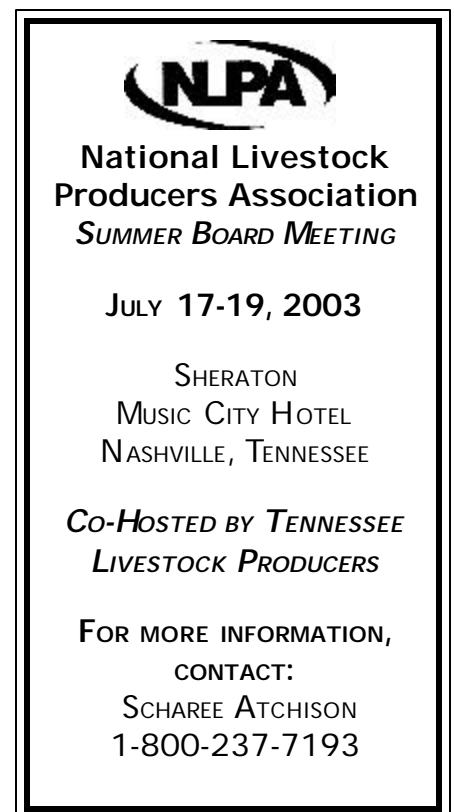
The OFAER Program is funded by the nonprofit America's Clean Water Foundation (ACWF) through Congressional appropriations. ACWF was created in 1989 to serve as a forum to promote personal and community stewardship of water resources through a better understanding of and methods for achieving clean and safe water for all Americans.

For questions on the assessment process call EMS, LLC at (515) 278-8002. To request an assessment form please contact Melissa Schneider at 307-532-7254 or via email at maschneider@nlpa.org.



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Iowa Premium Pork Buys Packing Plants

Omaha, NE (PLMA) – The Iowa Premium Pork Company has signed an asset purchase agreement to acquire most of the operating assets of Pinnacle Food Group in Des Moines, including a pork harvesting plant. The closing on this transaction is scheduled for June 2.

Majestic Food Group LLC, a wholly owned subsidiary of Iowa Premium Pork Company, will acquire the assets.

The acquired assets include the Iowa Packing Company harvest facilities

and ForeSure Transport operations, both in Des Moines, and the Rosewood Farms further processing facility in St. Joseph, Mo.

Producers Livestock Marketing Association (PLMA) will be providing coordinative and settlement processing services to the new operation.

The Iowa Packing facilities harvest approximately 3,600 butcher animals and 1,400 heavy breeding stock per day.

The Iowa Premium Pork Company will start a \$25 million equity drive in early April to raise the investment capital to implement the purchase. An option drive in 2002 raised \$1.4

million, according to Roger Coon, president of Iowa Premium Pork.

"Producers wanted us to find a value-added option and we think this is a good match."

Iowa Premium Pork Company is a 521 new generation cooperative with 1,400 independent pork producer members. It was formed in 2001 and has a goal of providing its members access to value-adding processes.

"This acquisition will allow the producer/member to become a viable participant in the food industry allowing their production to go from producer to consumer," Coon said.



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NPSC Plans Annual Commodity Futures Conference in Chicago, June 26-28

Colorado Springs, CO (NLPA) – The 2003 National Producers Service Company (NPSC) Commodity Futures Conference is scheduled for June 26 – 28 in Chicago, Ill.

This conference brings together the NPSC branch office personnel, and others interested in agricultural futures and options within the NLPA



member organizations, for education and interaction with exchange and clearing firm representatives. Visits to the Chicago Mercantile Exchange and Chicago Board of Trade trading floors are scheduled along with presentations from traders and livestock and grain analysts.

For more information on the Conference, please contact Scott Stuart or Scharee Atchison at 800-237-7193.

NCFC to Hold Washington Conference, June 9-12

The National Council of Farmer Cooperative's sixth annual Washington Conference will be held June 9-12 at the Washington Court Hotel in Washington, D.C. This event provides an excellent opportunity to bring senior management and cooperative directors together with decision makers from Congress and the Administration to begin a dialogue on the public policy needs of America's farmer cooperatives. All directors of NLPA's member organizations are welcome to attend through NLPA's affiliation with NCFC.

This year's conference includes several events for the Political Awareness & Leadership program, such as speakers, tours, programs and networking opportunities. The conference also includes NCFC updates on cooperative legislation and regulations and allows time for participants to visit their congressional leaders. The conference will close with the Farmer Cooperatives Congressional lunch and expo, which will be hosted by the Congressional Farmer Cooperative Congress. This luncheon /reception aims to raise the profile of farmer cooperatives on Capital Hill, educate members of Congress and their staff on the importance of cooperative self-help efforts by farmers and highlight what farmers are doing to help themselves through such efforts. For more information contact Randy Jones at 202-626-8700 or register online at www.ncfc.org

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