



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

OCT 27 2003

Honorable William T. Hawks
Under Secretary for Marketing
and Regulatory Programs
United States Department of Agriculture
1400 Independence Avenue, S.W.
Suite 228W
Washington D.C. 20250-0109

Dear Mr. Hawks:

On October 24, the Office of Information and Regulatory Affairs (OIRA) concluded review of a Department of Agriculture (USDA) proposed rule on Country of Origin Labeling (COOL) mandated by the Farm Security and Rural Investment Act of 2002 (Farm Bill). The rule would require retailers to label covered commodities as to their country of origin. While we recognize that the statute severely restricts USDA's discretion in crafting this rule, we remain very concerned that this program will impose enormous costs on consumers that are substantially in excess of any benefits.

In its economic analysis, USDA concluded that there is little evidence to support the position that mandatory country of origin labeling will provide valuable information to consumers, nor will it lead to increases in demand for covered commodities bearing the U.S. origin label. On the other hand, USDA concluded that the proposed rule would impose substantial costs ranging from \$500 million to \$4 billion in the first year, and continuing costs of between \$100 million and \$600 million per year after the program has been in place for ten years. These figures indicate that this is one of the most burdensome rules to be reviewed by this Administration.

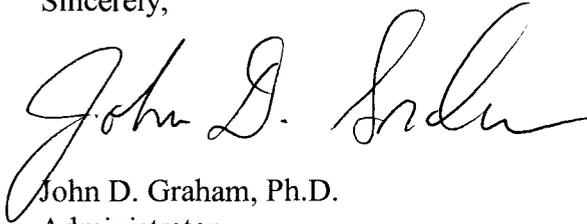
OIRA recognizes that the Farm Bill mandates a rule such that USDA cannot avoid these huge costs. The statute specifies the covered commodities subject to labeling and defines covered retailers. We also appreciate that this regulation has been difficult to craft and that USDA is operating under a statutory time constraint to issue a final rule by September 30, 2004. Even if a final rule isn't promulgated by September 30, 2004, the statute still would require retailers to begin labeling covered commodities by that date.

In the proposed rule, USDA incorporated several alternatives in accordance with the limited discretion afforded by the statute. OIRA commends the Department for seeking public comment on these alternatives and urges the Department to evaluate all public comments carefully prior to development of the final rule. Given the substantial negative net benefits

associated with this proposal, USDA should carefully analyze any provisions not specifically mandated by the statute.

Given the prescriptive nature of the statute and the best available data on the impacts of mandatory country of origin labeling, we are concerned that any final rule that comports with the statute would impose substantial net costs on the public. In light of the adverse effects of this rulemaking, we would appreciate Departmental views on whether the Administration should seek legislative relief to mitigate these impacts. Our staff is available to meet with you on the concerns that have been raised in this letter.

Sincerely,

A handwritten signature in black ink, reading "John D. Graham". The signature is written in a cursive style with a large, looping initial "J".

John D. Graham, Ph.D.
Administrator