

Study This

**By Lee Pitts Livestock Market Digest
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In October the USDA issued interim Voluntary Country of Origin Labeling guidelines for certain commodities as required in the 2002 Farm Bill. Mandatory country of origin labeling for beef is set to become effective two years later, that is unless the meat lobby is able to study it to death in the meantime.

Producers felt they had won a rare victory over multinational meat packers by getting country of origin labeling included in the Farm Bill. Ranchers have high hopes it will slow down the flow of foreign meat into this country. And who knows, maybe with reduced inflows of foreign meat packers would then be forced to bid a little more enthusiastically for domestically produced cattle? Oh well, we can hope can't we?

When Congress made country of origin labeling part of the Farm Bill ranchers thought their battle was over. Little did they know it was just beginning. "That's What Journalists Do"

The USDA has asked for public comment until April 2003 as to what shape the final rules for mandatory labeling should take. In response The Sparks Companies, Inc. teamed up with Steve Kay, author of Cattle Buyers Weekly, to form a consortium of "stakeholders in the livestock and meat industry" that will organize a team of analysts and policy experts who will: "1) Develop background information, research and analysis on country of origin labeling (COOL). 2) Conduct an economic impact analysis of COOL. 3) Conduct an economic impact analysis of COOL for US and foreign trading companies and trade partners. 4) Establish a monitoring system to track the "regulatory rules" process as voluntary COOL goes into effect. 5) Conduct a benefit/cost analysis of the voluntary system expected to evolve. 6) Develop a body of factual information that can be utilized by industry participants in developing their individual strategies for future COOL lobbying purposes."

Future lobbying purposes? You see, the battle for country of origin labeling is about to begin in earnest.

At the Digest we were surprised that a journalist would team up with Sparks on such a study. Call us old fashioned but asking "stakeholders" for money to finance an "objective study" is a little like a wife asking her husband if she looks fat. You kind of already know what he's going to say in advance if he knows what's good for him.

Steve Kay told the Digest that he had been actively reporting on country of origin labeling for five years and during that time he became deeply concerned that not enough

research had gone into the matter. He feels that the cattle industry does not understand the implications that mandatory labeling laws will have. He's also disappointed that no one stepped forward to do the kind of research he feels the subject demands. "It became apparent in aftermath that other people weren't stepping up to do analysis," said Kay. He called the six page USDA report "very basic."

As a member of the consortium Kay agreed to assist Sparks by helping contact 40 to 50 organizations that might be interested in participating in the study. Kay also agreed to act as a facilitator in consortium meetings.

To become part of the consortium Kay said that a potential member would have to pay \$10,000 over three years. While he said that membership was open to anybody he referred us to Sparks as to whether groups like R-CALF were extended an invitation to participate. When asked if it was improper for a study group to seek funds for such research Kay replied, "Well, we're not going to do it for free."

He advised those who have been critical of his participation, "Get over it. Don't shoot the messenger," he said. "For me this is just extension of the way I cover the industry. This needs to be done and done by an entity with the resources to do it."

"This is one of the things journalists do," said Kay, "to provide better analysis so people can make more informed decisions."

So that's what journalists do! I wish someone had told me sooner. Fair enough. Let's study the company that is going to be doing the studying. A Vital Force

You may recall that Sparks was paid by the NCBA and National Pork Producers Council, both defenders of the big packers, to write a study that the NCBA and Congress used as their excuse to kill the producer supported ban on packer ownership. Evidently NCBA was so pleased with those results that Willard Sparks, of Sparks Commodities, has been nominated for the Beef Industry "Vision" award.

According to their literature, The Sparks Consulting Group has been providing economic and management consulting services to organizations in the agriculture, food processing and food service sectors since 1977. Clients include corporations, cooperatives, trade associations and government agencies worldwide. From its headquarters in Memphis, Tennessee, the company serves more than 750 firms and institutions worldwide.

Their mission... "To be a Vital Force in the Success of Food and Agricultural Interests around the World." Sparks has offices in Washington DC, Winnipeg, Buenos Aires as well as a joint venture with the Chinese ministry of Agriculture in Beijing, China.

Might we suggest at this point in our research that a company with clients around the world might not be the most objective group to do a study on country of origin labeling? Sparks also has commodity trading arm and a large cattle feeding operation that supplies cattle to IBP under a captive supply arrangement. The Sparks Consulting Group conducts

analysis of government policies and regulations and consults with government agencies, non-government organizations, multinational organizations and agri-businesses regarding the impacts of policies and regulations on ag markets and industries. Additionally, Sparks provides expert testimony for legal cases and government hearings. A Foreign Flavor

Sparks also does studies. One study they're currently working on is titled "Global Livestock, Meat and Poultry Competition: Potential Impacts on North American Production and Trade." In a letter to potential investors in the research, Bruce Scherr, Sparks President and CEO said, "You are invited to participate in this study." The fees for participating are US\$16,500 for current Sparks clients and US\$21,500 for non-clients. (I suppose it was necessary to point out that costs were in U.S. dollars for the sake of foreign clients.)

For their money subscribers will receive the comprehensive report and be invited to attend the study kickoff meeting and group presentation. "The costs of participant's travel to the kickoff meeting and post-study seminar, as well as the expenses for the Sparks' staff travel to companies' offices for individual presentations are not included in the study fees indicated above."

Who actually conducts the research? Many Sparks employees come from government service, major trade associations, land grant universities and agribusiness companies. For example, the study team they put together for the Global study included: Dr. W.C Motes, Senior Vice President and head of Spark's Washington office formerly head of USDA's policy analysis in the Office of the Secretary and Senior Staff member of the Senate Committee on Agriculture and Forestry.

Dr. Richard Andersen, prior to joining Sparks, was a regional extension economist for the Alberta Agriculture Dept. and policy advisor to Alberta Minister of Ag. Dr. Rob Murphy was an economist in the research department of the Chicago Mercantile Exchange where he was responsible for maintenance of the CME's live cattle futures contract.

Ronald Gietz came to Sparks from Alberta Agriculture where he was a provincial livestock market analyst. He holds degrees from University of Alberta

Dennis McGivern came to Sparks via XL Foods Ltd. of Calgary, Alberta. Prior to that he spent three years as a market analyst for CANFAX (like our Cattle Fax) He holds a Masters degree from the University of Calgary

Sparks Senior Argentina Staff is also participating actively in the project. Dr. Walter Cellario, formerly a director of AgroEconomica Consultora, a market research firm in Argentina, brings to the table his expertise in the South American meat trade and a PhD from Southern University of Argentina.

We mention these staff members in passing to illustrate the international makeup of the company. With its heavy Canadian influence I wonder what conclusions such a committee might come to regarding country of origin labeling in the U.S.?

Although Steve Kay feels that any work done by Sparks will be totally objective one has to wonder when you see some of the studies and clients Sparks has worked for in the past. Some of these include: An evaluation of selected sites for the development of elevators in Western Canada; A competitiveness study for Transport Canada assessing the relative competitiveness of Canadian ports to American ports for the export of Canadian grain; Analysis of export marketing opportunities for processors of Egyptian fruits, vegetables and other processed food items; Examination of the competitive position of the Mexican sugar industry and the financial position of all sugar mills, on behalf of the Mexican government; Commodity procurement strategy for one of the world's largest food retailers, focusing on the raw material supply outlook and market structure in 21 countries; Financial feasibility study of establishing a corn wet-milling facility in a developing region of Brazil. In addition, according to their own web site Sparks has lent technical assistance in management and business planning to agribusiness firms in the European Union, Poland, Bulgaria, Croatia, Japan, Indonesia, Australia, Ghana, Morocco, Mexico, Argentina, Guatemala, Nicaragua, Trinidad, Haiti, Honduras and Ecuador.

One wonders if any of these clients will also put up cash to fund a study examining country of origin labeling? You think? An Ax Job Rick Andersen, a vice president for Sparks, said the country of origin labeling consortium will be launched in early December. He said Sparks was not attempting to judge whether labeling was good or bad, but he said "it is certainly going to be a significant cost to the beef and pork supply chains."

Sparks may contend they are not going into the study with any preconceived notions but on the Sparks web site there are two quotes that might suggest otherwise. They quote officials of the Food Marketing Institute: "USDA's new country-of-origin labeling guidelines for fresh and frozen produce, meat, seafood and peanuts will only generate an endless paper trail, require massive labels that may cover an entire package of meat, and create confusion for consumers without providing them any real benefit. In addition to being extraordinarily difficult to implement, adhering to the guidelines will be extremely expensive for food producers, which will ultimately increase the cost of food for consumers."

Sparks also quotes The American Meat Institute: "USDA's guidance for implementation of mandatory country-of-origin labeling for meat products is the most costly, cumbersome and complex labeling proposal in history. Consumers are unlikely to ever see the labels that USDA described in voluntary guidance issued today because this program cannot be implemented." We'd be willing to bet that AMI, the voice of the packers, ponies up the cash to become part of the consortium. Will NCBA as well?

Some people don't think Sparks will be able to remain objective. "This study is a thinly disguised ax job," said Fred Stokes, President of the Organization for Competitive Markets, which lobbied for country-of-origin labeling. Stokes says Sparks and Kay are known opponents of country-of-origin labeling. "They are putting together a little club that is going to hire Sparks as a fast gun to do this thing for them."

"Surveys show that 90% of consumers want to know where their food is grown and processed, just as they now are informed as to where their clothes are made," said Stokes. "USDA's cost estimates of country of origin labeling, which are probably far too high, show that consumers will pay only thirteen cents per week for that knowledge."

"Unfortunately, USDA only estimated the cost of the program while failing to address the benefits, which is a key econometric error," said Steve Cady, OCM executive director.

It is interesting to this reporter that Sparks, the USDA and Steve Kay are estimating the costs of country of origin labeling when the program has not even been designed or implemented yet. But then we probably have not studied the matter sufficiently. We'd ask for contributions to convene a consortium to develop our own report but somehow it seems that might taint the process. Even if that is what journalists do.