

At a minimum, mandatory COOL will entail the transfer of information through the respective supply chains, from production through retail sales. While information currently flows through the system as products move through the supply chains, there is little evidence that country of origin information typically is a component of this information flow. Thus, we believe that transfer and maintenance of records to establish COOL claims will be accomplished through modification of the current recordkeeping and systems used for accounting, purchasing, sales, production, and related operations.

VanSickle, *et al.* (Ref. 5) address the recordkeeping cost to producers in their critique of USDA's estimate of the recordkeeping burden for the voluntary COOL guidelines. This study notes that producers currently maintain a variety of records for taxes, health rules, and other programs and they conclude that producers would require no new recordkeeping. As part of their critique of USDA's recordkeeping burden estimates, VanSickle, *et al.* recalculated the recordkeeping burden using different producer numbers and different labor costs. Although the study does not separately show calculations for each type of producer, the report permits such calculations to be made. Table 2 shows the results of these calculations, with the estimated recordkeeping for producers of each covered commodity calculated separately.

VanSickle, *et al.* used the National Agricultural Statistics Service (NASS) data to determine the number of producers, and although in disagreement with the assumption, they used USDA's assumption that producers would require 8 hours to establish a recordkeeping system and 12 hours annually to maintain it. They then applied Bureau of Labor Statistics (BLS) data showing that the median value of farm labor is \$7.67 per hour. Using these procedures, VanSickle, *et al.* estimated that the recordkeeping burden for cattle producers would be \$63.2 million to establish a mandatory COOL recordkeeping system and \$94.8 million to maintain it. Thus, the total first-year cost to cattle producers would be \$158 million. Table 2 shows the results of similar calculations for lamb, pork, fruit, vegetable, and peanut producers, as well

as processors and retailers. As discussed previously, however, recordkeeping costs are not the only costs that we anticipate will be incurred by many market participants when implementing the proposed rule. In addition, Vansickle, *et al.* did not adjust labor rates to account for benefits and other labor costs such as social security, unemployment insurance, and workers compensation. Thus, we believe that these estimated recordkeeping costs underestimate the total costs for affected entities to implement mandatory COOL.

Sparks Companies, Inc., and Cattle Buyers Weekly (Sparks/CBW) submitted to USDA a study that provides estimated costs of mandatory COOL for the beef, pork, fish, and perishable agricultural commodity supply chains (Ref. 19). For each supply chain, the study identifies cost estimates for producers, packers/processors, retail distributors, and retailers.

The Sparks/CBW study identifies additional cost factors expected to be incurred to implement mandatory COOL. For example, at the cow/calf rancher and backgrounder production level of the beef supply chain, the Sparks/CBW study identifies additional costs for animal identification tags/chips, data input and recordkeeping, and scanner hardware and software to read electronic tags. This study provides estimated costs for these processes, although supporting documentation for the cost estimates is not extensive. USDA concludes that most industry participants will likely incur the types of costs identified in the Sparks/CBW study. Based on comments received and knowledge of the affected industries, USDA further believes that the Sparks/CBW estimates represent the types of costs likely to be incurred as the affected entities implement the provisions of the proposed rule.

Hayes and Meyer developed cost estimates for the pork supply chain to implement mandatory COOL (Ref. 20). The study estimated the cost for the pork industry to adopt a traceback system similar to the system implemented in the European Union. While USDA expects some firms to adopt such a system, we do not believe that a full traceback system on an individual animal basis will be required to implement the proposed rule. Other less costly approaches likely will meet

the requirements of the proposed rule. For example, group identification of animals and pork products may suffice to establish country of origin claims. Therefore, USDA concludes that the Hayes and Meyer study presents a cost estimate that is at the upper end of the estimated costs needed to implement mandatory COOL.

Davis developed cost estimates for the beef supply chain to implement mandatory COOL (Ref. 21). The study identifies factors anticipated to increase costs as a result of mandatory COOL, such as permanent animal identification, third party audit, and product segregation. The total estimated costs presented in the study are substantially higher than other studies suggest, and USDA concludes that actual costs for implementing the proposed rule likely will be lower.

Incremental cost impacts on affected entities: USDA believes that at a minimum, affected entities will need to modify their existing recordkeeping systems to accommodate this proposed rule. Comments received on the voluntary COOL guidelines and on this rulemaking, USDA's knowledge of the affected industries, and visits to establishments of affected firms indicate that few existing recordkeeping systems currently provide the information that will be needed to substantiate COOL claims throughout the supply chain. We concur, however, with the many comments received on the voluntary guidelines and on the mandatory COOL rulemaking that many entities in the supply chains for the covered commodities already maintain the types of records that will be needed to implement the proposed rule. Thus, the marginal impact of adapting existing recordkeeping systems is expected to be relatively small. The large number of affected entities, particularly producers, leads to larger aggregate recordkeeping costs even with relatively low costs per entity. USDA's estimates of these costs are detailed in the PRA analysis, which describes the anticipated recordkeeping burden associated with this proposed rule. Table 3 summarizes these estimated recordkeeping costs for the first year of implementation, which USDA assumes to be the lower range of potential implementation costs for this proposed rule because costs other than recordkeeping are not included.