

TABLE 3.—LOWER RANGE ESTIMATES OF FIRST-YEAR IMPLEMENTATION COSTS PER AFFECTED INDUSTRY SEGMENT
[In millions of dollars]

	Beef	Lamb	Pork	Fish	F & V	Peanut	Multi	Total
Producer	196	13	12	9	5	1	235
Intermediary	(1)	(1)	(1)	8	23	0	91	123
Retailer	(1)	(1)	(1)	(1)	(1)	(1)	224	224
Total	2 196	2 13	2 12	2 16	2 28	2 2	315	582

¹ These costs are included in the "Multi" column.

² This figure represents a partial total for this covered commodity, with remaining costs included in the "Multi" column.

As shown in Table 3, USDA estimates that the direct, incremental cost for firms to implement this proposed rule will total at least \$582 million in the first year. This is the estimated incremental or marginal cost for firms to comply with the new recordkeeping requirements for mandatory country of origin labeling. Costs to producers are estimated at \$235 million, costs to intermediaries such as handlers, processors and wholesalers are estimated at \$123 million, and costs to retailers are estimated at \$224 million. USDA believes, however, that there likely will be additional operational costs incurred as a result of this proposed rule.

To estimate upper range costs of this proposed rule, we focus on units of

production that are impacted rather than entities that are affected. The main reason for doing so is that available studies of the potential costs of mandatory country of origin labeling mainly estimate costs per unit. Thus, determining the appropriate number of units is an important step and provides a basis for comparing estimates from different sources.

The upper range cost estimates developed by USDA represent the likely high end of costs to implement fully the proposed rule in the first year. The upper range cost estimates do not represent the absolute maximum cost estimates reported in available studies or in comments submitted to USDA. Rather, the upper range cost estimates represent USDA's assessment of

available information on implementation costs and the reasonableness of estimated costs at the upper end of the spectrum.

For livestock producers the relevant unit of production is an animal because there will be costs associated with maintaining country of origin information on each animal. These costs may include recordkeeping and ear tagging, segregation, and related means of identification on either an individual animal or lot basis. Annual domestic slaughter numbers are used to estimate the flow of animals through the live animal production segment of the supply chain. Table 4 shows annual slaughter numbers for cattle, hogs, and sheep and lambs (Ref. 22).

TABLE 4.—ESTIMATED ANNUAL UNITS OF PRODUCTION AFFECTED BY MANDATORY COUNTRY OF ORIGIN LABELING

	Beef	Pork	Lamb	Fish	F & V	Peanuts
Producer	Million Head			Million Pounds		
	36.8	100.3	3.3	7,707	97,083	4,239
	Million Pounds					
Intermediary	26,914	18,375	367	4,112	115,982	713
Retailer	7,800	2,214	135	1,702	48,017	222

For fish producers, production is measured by round weight (live weight) pounds of fish, except mollusks, which excludes the weight of the shell. Wild-caught fish and shellfish production is measured by U.S. domestic landings for fresh and frozen human food, which was estimated at 6,691 million pounds for 2001 (Ref. 23). USDA assumes that fish harvesters generally know whether their catch is destined for fresh and frozen markets, canning, or industrial use. Overall production numbers for aquaculture or farm-raised fish are estimated from United Nations Food and Agriculture Organization data. In 2001, U.S. aquacultural production was estimated at 1,016 million pounds (Ref. 24). USDA thus estimates the total production of wild and farm-raised fish and shellfish at 7.7 billion pounds.

For fruits and vegetables, USDA assumes that essentially all production is predestined for fresh or processing use. That is, growers know before the crop is produced whether it will be sold for fresh consumption or for processing. However, USDA assumes that producers do not know whether their products ultimately will be sold to retailers, foodservice firms, or exporters. Therefore, USDA assumes that all fresh fruit and vegetable production and production destined for frozen processors at the producer level will be impacted by this proposed rule. The total production figure thus represents an estimate of volume of fresh and frozen production impacted by the proposed rule. Table 4 presents production estimates for 2001 for fruits and vegetables (Ref. 25).

As with livestock production, USDA assumes that all peanut production will be impacted by this proposed rule. Peanut producers generally do not know what end uses or marketing channels their production will follow. Depending on qualities and grades produced, a given peanut producer's harvest could end up in a variety of product forms sold through several marketing outlets. U.S. peanut production for 2001 is shown in Table 4 (Ref. 25).

USDA assumes that all sales by intermediaries such as handlers, packers, processors, wholesalers, and importers will be impacted by the proposed rule. Although some product is destined exclusively for foodservice or other channels of distribution not subject to the proposed rule, USDA assumes that these intermediaries will