

COOL after the economy has had a period of ten years to adjust will have a more limited impact on the overall U.S. economy than the direct costs for the first year, alone, would suggest. Under the assumption that COOL will not change consumers' preferences for the covered commodities, USDA estimates that the overall costs to the U.S. economy of the proposed rule will, in terms of a reduction in consumers' purchasing power, range from \$138 million to \$596 million. This represents the cost to the U.S. economy after all transfers and adjustments in consumption and production patterns have occurred.

Overall costs to the U.S. economy after a decade of adjustment are significantly smaller than the first-year implementation costs to directly affected firms. This result does not imply that the implementation costs for directly affected firms have been substantially reduced from the initial estimates. While some of the increase in

their costs will be offset by reduced production and higher prices over the longer term, the suppliers of the covered commodities will still bear direct implementation costs. Prior to full economic adjustment, economic impacts on directly affected firms in the short term are expected to be larger than impacts on the economy after adjustment has taken place.

USDA estimates of the overall costs to the U.S. economy are based on our estimates of the incremental increases in operating costs to the affected firms. The model does not permit supply channels for covered commodities that require country of origin information to be separated from supply channels for the same commodities that do not require country of origin labeling. Thus, the direct cost impacts must be adjusted to accurately reflect changes in operating costs for all firms supplying covered commodities. Table 8 reports these adjusted estimates in terms of their percentage of total operating costs for

each of the directly impacted sectors. The percentages used are based on our estimate of the percentage change in operating costs for the entire supply channel and are adjusted between the various segments of each covered commodities' supply chain (producers, processors, importers, and retailers) based on USDA's estimate of how the costs of the regulation will be distributed among them. As a result, the cost changes shown in Table 8 only approximate the range of direct cost estimates previously described.

In addition, USDA assumes that domestic and foreign suppliers of the affected commodities located at the same level or segment of the supply chain face the same percentage increases in their operating costs. In reality, imported covered commodities likely would enjoy some measure of competitive advantage as a portion of those products already enter the United States with country of origin labels.

TABLE 8.—HIGH AND LOW INCREASE IN OPERATING COSTS BY SUPPLY CHAIN SEGMENT AND INDUSTRY

	Beef	Pork & lamb	Fish	Fresh produce
	Percent change			
Low Cost:				
Farm Supply:				
Domestic .....	0.50	0.25	0.25	0.25
Imported .....	0.50	0.25	0.25	0.25
Processing:				
Domestic .....	0.50	0.50	( <sup>1</sup> )	( <sup>1</sup> )
Imported .....	0.50	0.50	( <sup>1</sup> )	( <sup>1</sup> )
Retail:				
Domestic .....	0.50	0.50	0.50	0.75
Imported .....	0.50	0.50	0.50	0.75
High Cost:				
Farm Supply:				
Domestic .....	2.00	1.00	1.00	1.00
Imported .....	2.00	1.00	1.00	1.00
Processing:				
Domestic .....	2.00	2.00	( <sup>1</sup> )	( <sup>1</sup> )
Imported .....	2.00	2.00	( <sup>1</sup> )	( <sup>1</sup> )
Retail:				
Domestic .....	2.00	2.00	2.00	3.00
Imported .....	2.00	2.00	2.00	3.00

<sup>1</sup> Not applicable.

As discussed above, consumption and production patterns will change as the incremental increases in operating costs outlined above are passed on, at least partially, to consumers in the form of higher prices by the affected firms. The increases in the prices of the covered commodities will in turn cause exports and domestic consumption and ultimately domestic production to fall. The results of our analysis indicate that U.S. production of all the covered commodities combined will decline from 0.15 percent to 0.92 percent and

that the overall price level for these commodities (a weighted average index of the prices received by suppliers for their commodities) will increase by 0.06 percent to 0.64 percent.

The structure of the model does not enable changes in net revenues to suppliers of the covered commodities to be determined. Likewise, the model cannot be used to determine the extent to which the reductions in production arise from some firms going out of business or all firms cutting back on their production. To provide an

indication of what effect this will have on the suppliers of the covered commodities, USDA estimated changes in revenues using the model results. The result of this calculation shows that revenues to suppliers of the covered commodities will decline by \$175 million to \$195 million.

The costs of the proposed rule, however, will not be shared equally by all suppliers of the covered commodities. The distribution of the final costs of the rule will be determined by several factors in addition to the