



Country of Origin Labeling Draft Best Management Practices for Suppliers and Retailers

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Country of origin labeling is an issue currently affecting all segments of the supply chain. With new legislation included in the 2008 farm bill that reforms country of origin labeling law from the 2002 farm bill, subsequent regulations pending from the U.S. Department of Agriculture, and a September 30, 2008 country of origin labeling implementation date looming, the Produce Marketing Association and Western Growers Association formed a task force to develop best practices for country of origin labeling. The task force consisted of representatives from the grower, packer, wholesaler, importer, and retailer sectors of the distribution channel.

The PMA/WGA Country of Origin Task Force was led by co-chairs Tom D. Deardorff II, Deardorff Family Farms and Mike O'Brien, Schnuck Markets, Inc. Also serving on the task force were:

- Matt Amaral, D'Arrigo Bros. of California
- Bill Brophy, Stop & Shop
- Katie Conrad, Earthbound Farms
- Jim Corby, Food Lion
- Tony DiMare, DiMare Ruskin
- Valerie Hannig, The Oppenheimer Group
- Dan Johnson, The Kroger Company
- Ed Kershaw, Domex/SuperFresh Growers
- Mike Martin, Rio Queen Citrus
- Mike Maxwell, Procacci Brothers
- Mike McGee, L&M Companies
- Dave Murphy, Boskovich Farms
- Alan Newton, Duda Farm Fresh Foods
- Bill Pool, Wegmans
- John Powell, Peter Rabbit Farms
- Alan Taylor, Taylor Produce

The task force met weekly via conference call. Representing PMA on the calls were Vice President of Government Relations and Public Affairs Kathy Means, Government Relations Manager Lee Mannering, Government Relations Coordinator Cynthia Clifton, and PMA's Washington, DC representation Tom O'Brien. Representing Western Growers Association was Executive Vice President Matt McInerney.

Objectives of Draft COOL Best Management Practices

As the PMA/WGA task force began its work, it was agreed that the outcome of this initiative would be to provide the industry with guidance that will drive country of origin labeling costs out of the system, reduce unnecessary expenses throughout the entire supply chain, and implement country of origin at the least total cost - particularly during an economic time of multiple inflationary pressures.

This draft document is intended to provide a framework for supply chain partners to work together to provide country of origin labeling to consumers. It will be adapted to meet the forthcoming USDA regulations upon their release, which is expected in July.

Although our industry does not yet know how quickly after the September 30, 2008 origin labeling deadline USDA will begin in-store compliance checks, it is generally believed that the agency will allow a phase-in period (possibly ranging from six months to a year).

It is intended that these draft best management practices be implemented as soon as practically possible by all supply chain partners during the phase-in period and that full compliance be achieved on or before the end of the phase-in period.

As the task force began developing draft country of origin labeling best management practices, the following marketplace realities were kept in mind to guide the group's discussions:

- Eighty percent of produce already carries a labeling mechanism of some type – i.e. a PLU sticker, a rubber band, a bag tag, a twist-tie, etc. – that would be adaptable to convey country of origin labeling.
- Sixty percent of produce already bears country of origin labeling.

COOL Best Management Practices for Suppliers Labeling

The goal of supplier labeling practices is to have suppliers provide country of origin labeling as close to the first shipping point as possible. For produce grown within the United States, the country of origin label requirement will be satisfied by naming the country, state or region in which the produce was grown. For produce grown outside the United States, the country of origin label requirement will be satisfied only by stating the country in which the produce was grown.

The following best management practices should be followed by suppliers with respect to labeling:

1. Suppliers should use existing industry labeling vehicles (e.g. the Price Look Up sticker, band, twist tie, clamshells, bags, or other labels on individual packages) to convey country of origin wherever such vehicles are being used.
However, some produce items (e.g. loose green beans), due to their physical nature or how they are merchandised at retail, cannot use these labeling vehicles and, therefore, it will be the responsibility of the retailer to generate signage at store level.
2. Suppliers should also provide origin (country, U.S. state or region) on master shipping cartons.

3. Suppliers are encouraged to work with their vendors and retail customers to establish more opportunities to individually label produce with country of origin.

Any suppliers that are unable to implement these practices immediately due to the existence of large inventories of packaging materials that do not have proper designations should work directly with their retail customers to ensure alternative country of origin labeling designations are in place at retail to assure proper labeling and information transfer regarding country of origin labeling.

Recordkeeping

The goal of supplier recordkeeping is for country of origin to be documented in a manner consistent with existing recordkeeping requirements contained in the Perishable Agricultural Commodities Act (PACA). The following best management practices should be followed by suppliers with respect to recordkeeping:

1. Suppliers should maintain country of origin records for products for the same duration of time and in the same manner as required by the PACA and the regulations promulgated for recordkeeping.
2. Suppliers should provide customers with the origin (country, U.S. state or region) on the bill of lading.

COOL Best Management Practices for Retailers

Labeling and Signage

The goal of retailer labeling and signage practices is to provide country of origin information at the point of purchase for the consumer of products covered by the COOL law. The following best management practices should be followed by retailers with respect to labeling and signing:

1. Retailers should rely on existing supplier-applied industry labeling practices (e.g. the PLU sticker, band, twist tie, clamshells, bags, or label on package) as a means to provide consumers with country of origin labeling at point of sale. However, some produce items (e.g. loose green beans), due to their physical nature or how they are merchandised at retail, cannot use these labeling vehicles and so labeling for these items should be the responsibility of the retailer at point of sale.
2. In the event that produce cannot be reasonably or economically labeled, or if a retailer chooses to market the produce in bulk, it will be the retailer's responsibility to provide signage at point of sale in order to convey the produce's country of origin to the consumer.
3. Retailers may rely on master shipping cartons and containers that bear the origin (country, or U.S. state or region) of the produce contained therein for their signage decisions.
4. For produce that is in seasonal transition from one growing region to another (foreign to domestic or vice versa), retailers should provide reasonable and accurate signage at point of sale. This may include one, or more than one, origin sign to disclose multiple origins on bulk displays.
5. To help suppliers whose packaging inventory may not presently convey country, U.S. state, or region for purposes of origin labeling, retailers should provide origin labeling at point of sale via signage until the supplier has a reasonable opportunity to exhaust inventory and provide updated packaging to their customers that provides origin designation. Not to exceed one year.

6. Retailers are encouraged to work with their suppliers to establish more opportunities to individually label produce with country, U.S. state, or region of origin.

Recordkeeping

The goal of retailer recordkeeping is for country of origin labels to be documented in a manner consistent with the existing recordkeeping requirements contained in the Perishable Agricultural Commodities Act (PACA). Given what USDA has proposed in the past, the following best management practices should be followed by retailers with respect to record keeping:

Corporate Level COOL Recordkeeping

1. At the corporate level, retailers should rely on suppliers' bills of lading (which would document country of origin) as a record of their purchase and proof of origin.
2. Retailers should keep suppliers' bills of lading for as long as required under PACA as a record of their purchase and proof of origin.

Store-level Recordkeeping

1. At the store level, retailers should rely on supplier-applied labeling vehicles (e.g. the PLU sticker, band, twist tie, clamshells, bags, or label on package) as the primary means of conveying country of origin to consumers at point of sale. These labeling vehicles will provide a store-level record trail until the produce is purchased by the consumer.
2. Bulk produce that does not carry country of origin via a supplier-applied labeling vehicle (e.g. the PLU sticker, band, twist tie, clamshells, bags, or label on package) must be completed at point of sale with accurate signage to designate origin.
3. Retailers may rely on master shipping cartons and containers to bear the origin (country, or U.S. state or region) of the produce contained therein. The master shipping cartons and containers may serve as the store-level record trail until the produce is purchased by the consumer. Retailers are not required to keep empty boxes at store level.
4. In the event that during a USDA compliance check a master carton or container is unavailable to verify the produce's origin, retailers will be provided reasonable time to obtain origin records from their corporate office or distribution center and provide the appropriate documentation upon request in a timely fashion (via e-mail, fax or hard copy) to the USDA inspector.

Questions concerning these draft best management practices can be directed to WGA Executive Vice President Matt McInerney (mmcinerney@wga.com) or PMA Vice President of Government Relations and Public Affairs Kathy Means (kmeans@pma.com).