

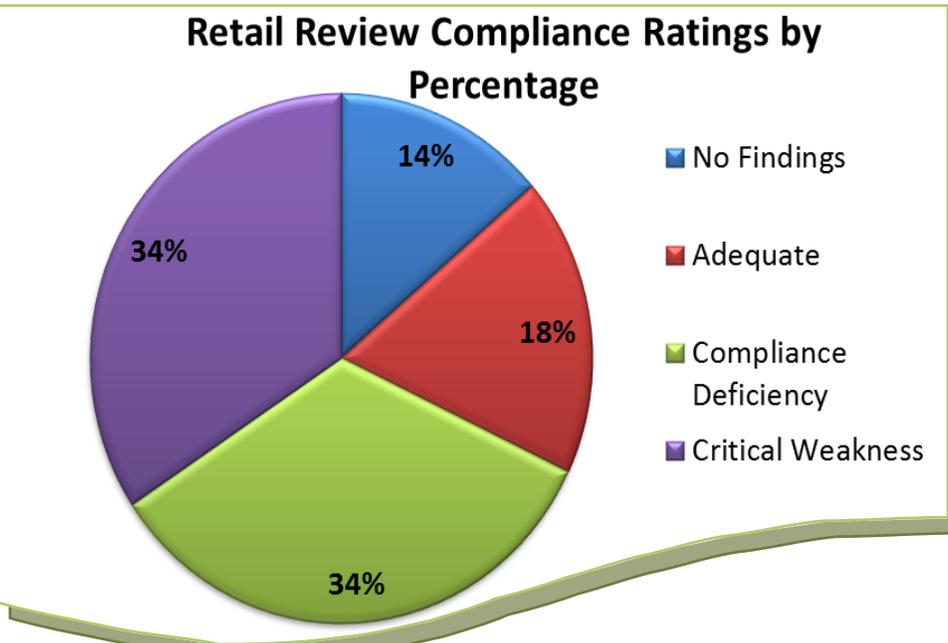


COUNTRY OF ORIGIN LABELING

December 2015

Retail Compliance - Fiscal Year 2014

In 2014, Country of Origin Labeling (COOL) initial surveillance reviews were conducted in 2,966 retail stores located in all 50 states. Nearly 40% of the retailers reviewed this year were small, regional, or independently owned stores, which presented an opportunity for education and outreach to a segment of the industry that historically has had weaker COOL compliance trends. Of the total stores reviewed, 951 retail stores, or 32%, had no findings or adequate compliance. Sixty-eight percent of the stores reviewed were cited with at least 4 non-compliances (NC) or the number of NCs as a percentage of all covered commodities sold was greater than or equal to 5%. Retailers were required to submit written corrective actions to USDA for reviews rated as compliance deficiency and critical weakness. The following graphs illustrate COOL compliance during FY 2014 in more detail.



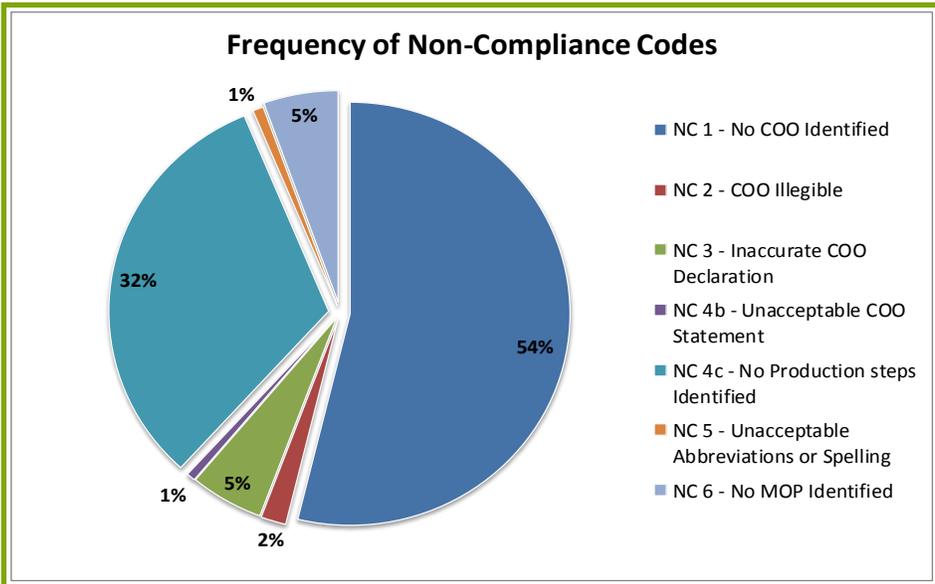
Graph 1: Describes the number of retail stores that were reviewed for labeling compliance in FY 2014. In all, these 2,966 stores sold 965,178 covered commodities. 93% of commodity items were properly labeled with country of origin information.

Question: What Foods Are Covered by COOL?

Answer: COOL applies to specific food products, referred to as “covered commodities”, that are defined in 7 CFR Parts 60 and 65. They include:

- Wild and farm-raised fish and shellfish;
- Muscle cut and ground meats (beef, veal, pork, lamb, goat and chicken).
- Fresh and frozen fruits;
- Fresh and frozen vegetables;
- Peanuts, pecans, and macadamia nuts and;
- Ginseng



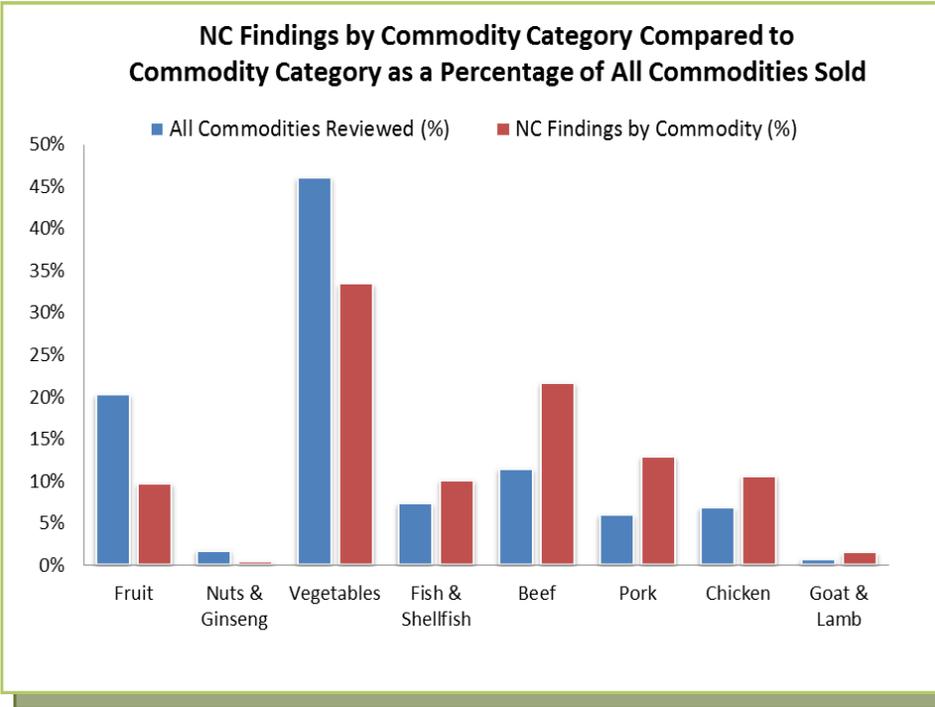


Graph 2: Describes the total number of non-compliance (NC) codes cited during FY 2014. The most frequent noncompliance was for the absence of COOL labeling, (NC 1—53%). The second most common nonconformance was lack of production steps (the location where livestock were born, raised, and harvested) on meat muscle cuts, (NC4—32%).



Question: Why are raw shrimp labeled with COOL information, but cooked shrimp excluded from COOL?

Answer: Fish and Shellfish covered commodities are required to be labeled with country of origin and method of production (farm-raised or wild caught) at the retail. Processed foods are excluded from COOL requirements. Specific processing such as a change of character (cooked, cured, smoked, re-structured) or a combination with other substantial food components render a covered commodity to be a processed food. The Agricultural Marketing Act excluded processed food items from COOL requirements.

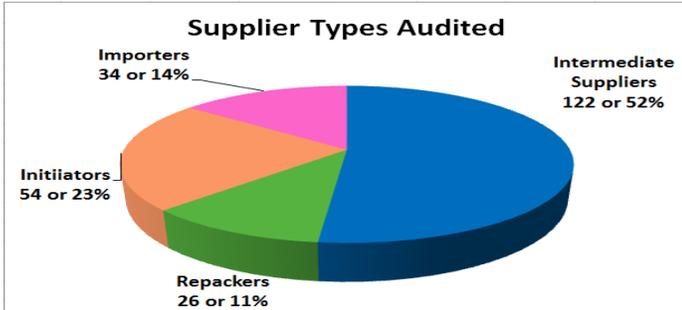


Graph 3: The measure of non-compliance findings (red bars) in comparison to the percentage that each category represents of commodities sold (blue bars) reveals the commodity categories that perform better or worse than expected. Vegetables and fruits are the most numerous commodities sold. Retailer compliance in the fruit, vegetable and nut categories was higher in proportion to the quantities of these commodities sold. Meat items revealed a higher percentage of non-compliance in proportion to their quantities sold. The most frequent non-compliance for meat labeling was the absence of production step (born, raised, harvested) information at retail. Fish and shellfish covered commodities typically have greater non-compliance in proportion to because method of production is also required in addition to country of origin information at the retail point of sale.

Country of Origin Labeling

2014 Supplier Traceback Audit Summary

The objective of COOL supplier traceback audits is to verify the accuracy of the country of origin and method of production information provided to retailers by their suppliers. Covered commodity items subject to supplier tracebacks audits in fiscal year 2015 were selected from records verification information of individual items collected during retail store COOL compliance reviews conducted during fiscal year 2014. These Supplier Traceback Audits included 97 covered commodities. Six items were selected because they were identified as misbranded at retail sale (supplier information provided to the retailer was not consistent) and 91 items were randomly selected. By targeting those items identified at retail sale with conflicting supplier information, auditors focus their attention on commodity items most likely to reveal a weakness in suppliers' COOL compliance systems to convey accurate COOL information.



Supplier Types Audited

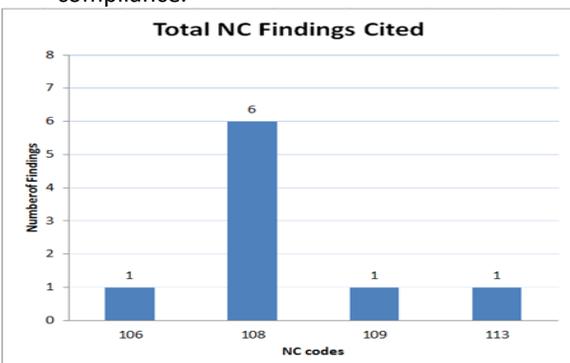
There were 236 suppliers audited to determine maintenance of records and accuracy of COOL claims for the 97 covered commodities. Suppliers were identified with the following roles: 122 Intermediate Suppliers; 26 Re-Packers; 54 Initiators; and 34 Importers. Of these 236 firms, 9 were cited for non-compliance. Eight cited firms were intermediate suppliers and one was an importer.



The fruits and nuts categories had the highest (16.7%) levels of non-compliance observed and vegetables had the lowest (3.0%) as a percentage of covered commodities audited in each category (see Table 1). No meat items (beef, pork, lamb, goat or chicken) were selected for supplier traceback audits because of ongoing domestic and international legal challenges to COOL meat labeling requirements.

- ◆ 97 COOL Supplier Traceback Audits conducted.
- ◆ (24 Fruits, 33 Vegetables, 28 Fish and Shellfish, & 12 Nuts)
- ◆ 236 suppliers were audited.
- ◆ The majority of the firms audited were intermediate suppliers: Any person (e.g. broker, warehouse, trader or broker, and distributor) who purchases a covered commodity and then sells the product without any further processing or handling (including, but not limited, to repacking, processing, and further processing).
- ◆ 9 COOL Supplier Traceback Audits had findings of non-compliance.

Commodity	Number of Commodity Items Audited	Number of Supplier TB Audits Cited	NC as Percent of Commodity Item Audited
Fruits	24	4	16.7
Vegetables	33	2	3.0
Fish & Shellfish	28	1	7.1
Nuts	12	2	16.7
Meat Covered Commodities were not audited in FY15.			



Non-Compliant (NC) Code Findings

The bar graph illustrates the findings of non-compliances cited for the Supplier Traceback audits conducted in 2015. Nine suppliers were cited for COOL non-compliance. Six suppliers were cited for NC 108 – inaccurate country of origin information provided to the immediate subsequent recipient of the covered commodity. One supplier was cited for each finding: NC 106 – supplier did not provide the country of origin information to the immediate subsequent recipient of the covered commodity; NC 109 – the method of production was not conveyed accurately; and NC 113 – import records did not accurately identify the country of origin.



COOL Supplier Certification Program

Program Description

The COOL Supplier Certification (CSC) Program is a voluntary program for which supply firms of COOL covered commodities are audited to determine whether systems and procedures are in place to comply with COOL regulatory requirements, and determine whether firms are following their procedures to adequately identify and convey accurate COOL information to their recipients. This is accomplished through extensive communication with the supplier and an on-site visit.

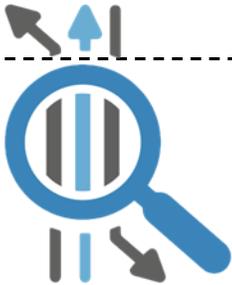
Firms will be selected to participate in this program based on their current business process and retail relationships as it pertains to COOL covered commodities. Firms such as initiators, importers, distributors, repackers, and further processors will be encouraged to take part in the program.



Benefits

A favorable audit will qualify the firm for a COOL Supplier Certification, indicating their system and procedures comply with COOL requirements.

The 3-year certification will reduce the burden on the supplier, as Certified firms will not be required to produce additional documentation if it is involved in supplying, either directly or indirectly, a covered commodity item subject to a future COOL desk audit.



Audit Process

◆ COOL auditors will contact firms by telephone to discuss their interest in participating in the voluntary program and explain the scope of the audit and the procedures used to conduct it.

- ◆ Firms will submit operational documents which describe and govern the supplier's COOL compliance practices and other documents related to their COOL compliance procedures.
- ◆ COOL Auditors will review all documents for compliance to COOL requirements. Firms are expected to have a COOL compliance strategy in place and be implementing procedures to follow their internal guidelines.
- ◆ COOL Auditors will request an organizational chart and a list of key contacts to determine who is responsible for COOL compliance and to determine who to contact to arrange for an on-site audit at the firm's facility(ies).
- ◆ COOL Auditors will conduct an on-site visit to the firm, tour the facility, and review the active processes (as written) to determine compliance.

Recent Strides

The CSC program was implemented as a pilot program in 2015. Three firms/facilities have achieved a 3-year certificate for COOL compliance:

- ◆ Associated Wholesale Grocers—Kansas City, KS
- ◆ Beaver Street Fisheries—Jacksonville, FL
- ◆ Pinnacle Foods Group LLC—Cherry Hill, NJ

Interested?

Suppliers may contact the COOL Division by e-mail at coolsupplieraudit@ams.usda.gov or by phone at (202) 720-4486.

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