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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF AGRICULTURE

Food Safety and Inspection Service

9 CFR Parts 317 and 327

[Docket No. 00-036A]

RIN 0583-AC85

Product Labeling: Defining United States Cattle and United States Fresh Beef Products

AGENCY: Food Safety and Inspection Service, USDA.

ACTION: Advance notice of proposed rulemaking.

SUMMARY: The Food Safety and Inspection Service (FSIS) is requesting comments on the need for regulations to clarify the definition of "United States cattle" and "United States fresh beef products" for labeling purposes. FSIS also is requesting comments on whether such beef products should bear labeling claims that are different from the claims that are permitted under the Agency's current policy on beef products that are made from animals that are documented to have been born, raised, slaughtered and prepared in the United States or that have been produced in the United States. The Conference Report accompanying the Agriculture Appropriations Act for 2000 directed the Secretary to promulgate regulations defining which cattle and fresh beef products are "Products of the U.S.A." The Report stated that clarifying regulations would facilitate the development of voluntary, value-added promotion programs that benefit U.S. producers, business, industry, consumers, and commerce.

DATES: Comments must be received on or before October 9, 2001.

ADDRESSES: Submit one original and two copies of written comments to FSIS Docket Clerk, Docket #00-036A, Department of Agriculture, Food Safety and Inspection Service, Room 102 Cotton Annex Building, 300 12th Street, SW., Washington, DC 20250-3700.

FOR FURTHER INFORMATION CONTACT:

Robert C. Post, Ph.D., Director, Labeling and Consumer Protection Staff, Office of Policy, Program Development, and Evaluation, FSIS, at (202) 205-0279 or by FAX at (202) 205-3625.

SUPPLEMENTARY INFORMATION:

Background

The Conference Committee report that accompanied the Agriculture Appropriations Act of 2000¹ directed the Secretary of Agriculture, in consultation with the affected industries, to promulgate regulations to define which cattle and fresh beef products are Products of the U.S.A." The report also directed the Secretary to determine the terminology that would best reflect in labeling that such beef products are, in fact, U.S. products. The report stated that the conferees believe that there is an "absence of clarity concerning the definition of S cattle and US fresh beef products. This limitation hinders the ability of producers to promote their products as "Product of the U.S.A."

The Food Safety and Inspection Service (FSIS) of the Department of Agriculture (USDA) is responsible for ensuring that meat and meat food products are safe, wholesome, and accurately labeled. The Agency administers a regulatory program for meat and meat products under the Federal Meat Inspection Act (FMIA) (21 U.S.C. 601 *et seq.*). FSIS' regulations and program requirements also ensure that foreign countries exporting meat and meat food products to the United States impose inspection requirements that are equivalent to U. S. requirements, and that those countries fully implement their requirements.

Under the mandate of FMIA, FSIS issues regulations to ensure that labeling bearing statements about product origins, *e.g.*, "USA Beef," are truthful, accurate, and not misleading. Under FSIS regulations and policies, producers and processors wishing to make such label statements must submit documentation that verifies that the statements are truthful and accurate. The Agriculture Marketing Service (AMS) has the authority to establish voluntary programs under the

¹ Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (Public Law 106-78; October 23, 1999).

Agricultural Marketing Act (7 U.S.C. 1621-1627) to verify or certify the origin of animals that is reflected in labeling statements. Producers wishing to make such statements are not required to have their production practices verified/certified by an AMS program.

FSIS Labeling Policy

Geographic Labeling

FSIS regulations (9 CFR 317.8) permit fresh beef products to be labeled with terms such as "U.S. (Species)," "U.S.A. Beef," and "Fresh American Beef." Such terms are viewed by the Agency as geographic claims associated with animal raising and production. FSIS interprets these terms to mean that the cattle to which the terms are applied were born, raised, slaughtered, and prepared in the United States or in specific geographic locations in the United States.

Producers and processors voluntarily may label products with such geographic claims and other production claims as long as those claims are substantiated. To substantiate labeling claims, producers must provide testimonials and affidavits that include the producer's operational protocol that supports the labeling claim that the food product was derived from animals that were born, raised, slaughtered, and prepared in the United States.

Labeling to Meet Export Requirements

For many years, "Product of the U.S.A." has been applied to product that is exported to other countries to meet those countries' country-of-origin labeling requirements (9 CFR 327.14; FSIS Policy Memo 080 (April 16, 1985)). Products that meet all FSIS requirements for domestic products also may be distributed in U.S. commerce with such labeling. No further documentation is required. "Product of the U.S.A." has been applied to products that, at a minimum, have been prepared in the United States. It has never been construed by FSIS to mean that the product is derived only from animals that were born, raised, slaughtered, and prepared in the United States. The only requirement for products bearing this labeling statement is that the product has been prepared (*i.e.*, slaughtered, canned, salted, rendered, boned, etc.). No further distinction is required. In addition, there is nothing to preclude the use of

this label statement in the domestic market, which occurs, to some degree.

This term has been used on livestock products that were derived from cattle that originated in other countries and that were slaughtered and prepared in the United States. Also, the cattle could have been imported, raised in U.S. feed lots, and then slaughtered and prepared in the United States. The beef products from these cattle can be labeled as "Product of the U.S.A." for domestic and export purposes.

Labeling of Imported Beef Products

Under Section 20 of the FMIA (21 U.S.C. 620), imported beef products are to be treated as "domestic" product upon entry into the United States. However, all products imported into the United States are required to bear the name of their country of origin on the container in which they are shipped, as well as the number assigned by the foreign meat inspection system to the establishment in which they were prepared. If imported beef or beef products are intended to be sold intact to a processor, wholesaler, food service institution, grocer, or household consumer, the original packaging with the country-of-origin labeling and establishment number must remain with the product.

When an imported product has been further prepared, the labeling requirements for the resultant product are the same as for domestic product. The addition of a country-of-origin labeling statement is not required by FSIS, although the Agency would approve a label for a product with the original country-of-origin statement if the label meets all of FSIS' labeling requirements.

USDA's Agricultural Marketing Service Programs

FSIS is responsible for ensuring that meat product labels are truthful, accurate, and not misleading, and for maintaining control of product identity throughout slaughter and preparation operations. AMS' Meat Grading and Certification Branch conducts voluntary programs that verify/certify that livestock were born, raised, slaughtered, and prepared in the United States and, therefore, qualify to bear FSIS approved labeling statements that reflect this fact. No additional labeling is necessary.

One of these programs is AMS' Domestic Origin Verification Program. The primary purpose of this program is to ensure that all raw materials used to produce meat and meat products purchased by USDA for federally funded food assistance programs (e.g., the National School Lunch Program

operated by USDA's Food and Nutrition Service) are derived from U. S. produced animals, i.e., animals not imported for direct slaughter. Cattle born in another country (Mexico) but fed in the United States are eligible. The Domestic Origin Verification Program requires that slaughterers and processors identify themselves as "domestic only" or "segregation plan" facilities. "Domestic only" suppliers receive a yearly audit of their procurement records to ensure that they comply with the U. S. produced provision. "Segregation plan" suppliers, after establishing identification and record quality control systems, receive quarterly audits that include interviews with plant management and FSIS officials to ensure compliance with U. S. produced provisions. Approximately 80 contractors and suppliers annually supply raw materials to the federally funded food assistance programs. AMS performs approximately 250 audits each year at an average cost of \$450 per plant.

AMS also has a voluntary certification program. In 1998, AMS proposed program guidelines to certify that livestock, meat, and meat products are eligible to be labeled as "U.S. Beef" because they are derived from animals that were born, raised, slaughtered, and prepared in the United States. To certify U. S. origin, AMS would audit production and preparation records. As with other AMS certification programs, there would be a fee for this service, and the program is voluntary. However, the program was never implemented, and the guidelines were never finalized.

Industry Petition to AMS

In September 2000, the American Farm Bureau Federation, the National Cattlemen's Beef Association, the American Meat Institute, the National Meat Association, and the Food Marketing Institute petitioned AMS to create a voluntary process certification program and undertake rulemaking to create a process verification "Beef: Made in the USA" program. The organizations recommended that to qualify for the program, beef products must originate from cattle that are raised, fed a minimum of 100 days, and processed in the United States. AMS is responding to the petition in a separate action.

Request for Comments

FSIS is requesting comments from consumers, meat producers and processors, retail operators, food service managers, and other interested persons on how best to provide for the labeling of meat products derived from cattle that are U.S. products. The following

questions are provided to facilitate public comment on this ANPR.

(1) Should cattle finished in the United States, but born and raised for a time in another country, be considered a product of the United States for USDA labeling purposes? What effects on the domestic and international markets would be imposed by defining which U.S. cattle and fresh beef products are products of the United States?

(2) What labeling terminology would be most accurate and appropriate in conveying the idea that the product is a product of the U.S.A.? Would terms such as "U.S. Cattle" and "U.S. Fresh Beef Products" or "USA Beef" and "Fresh American Beef" be more appropriate? Are there other terms that commenters would suggest that would appropriately convey that the cattle and beef products originate in the United States?

(3) What other kinds of verification programs does FSIS need to employ to ensure that the labeling terms are truthful, accurate and not misleading? What are the estimated costs (recordkeeping, inventory management, labeling, etc.) that are associated with such programs?

(4) How can industry and FSIS aid consumers in gaining a greater understanding of the suggested terms used to identify a product of the USA? What types of information would be useful to gauge consumer response to a particular term used to market U.S. products? What factors would be influential in a consumer's decision to purchase beef labeled as a product of the USA?

Information or data on related and relevant issues is welcome, and FSIS urges that such data and information be submitted as comments on this advance notice of proposed rulemaking.

Additional Public Notification

FSIS has considered the potential civil rights impact of this advance notice of proposed rulemaking on minorities, women, and persons with disabilities. Public involvement in all segments of rulemaking and policy development is important. Consequently, in an effort to better ensure that minorities, women, and persons with disabilities are aware of this rulemaking and request for further comments, and are informed about the mechanism for providing comments, FSIS will announce it and provide copies of this **Federal Register** publication in the FSIS Constituent Update.

FSIS provides a weekly FSIS Constituent Update, which is communicated via fax to more than 300

persons and organizations. In addition, the update is available on line through the FSIS web page at <http://www.fsis.usda.gov>. The update is used to provide information regarding FSIS policies, procedures, regulations, **Federal Register** notices, FSIS meetings, recalls, and any other types of information that could affect or would be of interest to our constituents/shareholders. The constituent fax list consists of industry, trade, and farm groups, consumer interest groups, allied health professionals, scientific professionals, and others who have requested to be included. Through these various channels, FSIS is able to provide information to a much broader, more diverse audience. For more information and to be added to the constituent fax list, fax your request to the Congressional and Public Affairs Office at (202) 720-5704.

Done in Washington, DC, on: August 2, 2001.

Thomas J. Billy,
Administrator.

[FR Doc. 01-19749 Filed 8-6-01; 8:45 am]

BILLING CODE 3410-DM-P

FEDERAL TRADE COMMISSION

16 CFR Part 314

RIN 3084 AA87

Standards for Safeguarding Customer Information

AGENCY: Federal Trade Commission.

ACTION: Proposed rule; request for public comment.

SUMMARY: The Federal Trade Commission ("FTC" or "Commission") is proposing certain standards relating to administrative, technical, and physical information safeguards for financial institutions subject to the Commission's jurisdiction. The Gramm-Leach-Bliley Act ("G-L-B Act" or "Act") requires the Commission to issue these standards. They are intended to: insure the security and confidentiality of customer records and information; protect against any anticipated threats or hazards to the security or integrity of such records; and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

DATES: Comments must be received not later than October 9, 2001.

ADDRESSES: Written comments should be addressed to: Secretary, Federal Trade Commission, Room 159, 600 Pennsylvania Avenue, NW.,

Washington, DC 20580. The Commission requests that commenters submit the original plus five copies, if feasible. All comments will be posted on the Commission's Web site: www.ftc.gov. To enable prompt review and public access, paper submissions should include a version on diskette in PDF, ASCII, WordPerfect or Microsoft Word format. Diskettes should be labeled with: (1) The name of the commenter and (2) the name and version of the word processing program used to create the document. Alternatively, documents may be submitted to the following email address: GLB501Rule@ftc.gov. Parties submitting comments via email should (1) confirm receipt by consulting the postings on the Commission's Web site, www.ftc.gov; and (2) indicate whether they are also providing their comments in other formats. Individual members of the public filing comments need not submit multiple copies or comments in electronic form. All submissions should be captioned "Gramm-Leach-Bliley Act Privacy Safeguards Rule, 16 CFR Part 314—Comment."

FOR FURTHER INFORMATION CONTACT:

Laura D. Berger, Attorney, Division of Financial Practices, (202) 326-3224.

SUPPLEMENTARY INFORMATION: The contents of this preamble are listed in the following outline:

- A. Background
- B. Overview of Comments Received
- C. Section-by-Section Analysis
- D. Paperwork Reduction Act
- E. Regulatory Flexibility Act

A. Background

On November 12, 1999, President Clinton signed the G-L-B Act (Public Law 106-102) into law. The purpose of the Act was to reform and modernize the banking industry by eliminating existing barriers between banking and commerce. Under the Act, banks are now permitted to engage in a broad range of activities, including insurance and securities brokering, with new affiliated entities.

Title V of the Act, captioned "Disclosure of Nonpublic Personal Information," addresses privacy and security issues raised by these new arrangements and covers a broad range of traditional and non-traditional financial institutions. Regarding privacy, the Act limits the instances in which a financial institution may disclose nonpublic personal information about a consumer to nonaffiliated third parties; it also requires a financial institution to make certain disclosures concerning its privacy policies and practices with respect to information

sharing with both affiliates and nonaffiliated third parties. See sections 502 and 503, respectively. On May 12, 2000, the Commission issued a final rule, Privacy of Consumer Financial Information, 16 CFR Part 313, which implemented Subtitle A as it relates to these requirements (hereinafter "Privacy Rule").¹ The Privacy Rule took effect on November 13, 2000, and full compliance is required on or before July 1, 2001.

Regarding the security of financial information, the Act requires the Commission and certain other federal agencies ("the Agencies") to establish standards for financial institutions relating to administrative, technical, and physical information safeguards.² See 15 U.S.C. 6801(b), 6805(b)(2). As described in the Act, the objectives of these standards are to: (1) Insure the security and confidentiality of customer records and information; (2) protect against any anticipated threats or hazards to the security or integrity of such records; and (3) protect against unauthorized access to or use of such records or information which could result in substantial harm or inconvenience to any customer. See 15 U.S.C. 6801(b) (1)-(3). While the Act permits most of the Agencies to develop their safeguards standards by issuing guidelines, it requires the SEC and the Commission to proceed by rule.³

On September 7, 2000, the Commission published in the **Federal Register** a Notice and Request for Comment ("the Notice") on the scope and potential requirements of a Safeguards Rule for the financial institutions subject to its jurisdiction. 65 FR 54186. The Comment period for the Notice ended on October 24, 2000, and the Commission received 30 comments

¹ The rule was published in the **Federal Register** at 65 FR 33646 (May 24, 2000).

² The other agencies responsible for establishing safeguards standards are: the Office of the Comptroller of the Currency ("OCC"); the Board of Governors of the Federal Reserve System ("Board"); the Federal Deposit Insurance Corporation ("FDIC"); the Office of Thrift Supervision ("OTS"); the National Credit Union Administration ("NCUA"); the Secretary of the Treasury ("Treasury"); and the Securities and Exchange Commission ("SEC"). In addition, on December 21, 2000, Congress amended the Commodity Exchange Act to add the Commodity Futures Trading Commission ("CFTC") to the list of federal functional regulators.

³ Although section 504 of the Act required the Agencies to work together to issue consistent and comparable rules to implement the Act's privacy provisions, the Act does not require the Agencies to coordinate in developing their safeguards standards. Where appropriate, however, the Commission has sought consistency with the other agencies' standards, particularly those issued by the banking agencies (see n.5, *infra*).