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The Livestock Mandatory Reporting Act: Could It Be A Mixed Blessing?

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

The Livestock Mandatory Reporting Act: Could It Be A Mixed Blessing?

Market Report	Yr Ago	4 Wks Ago	2/2/01
<u>Livestock and Products,</u> <u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$68.09	\$77.37	\$98.55
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	87.25	95.00	89.55
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	97.97	100.53	98.55
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	105.80	121.46	116.74
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	40.50	37.75	40.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	56.23	37.00	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	108.30	*	110.00
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	70.25	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	148.00	152.00	160.00
<u>Crops,</u> <u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.84	3.37	3.26
Corn, No. 2, Yellow Omaha, bu	1.90	2.02	1.86
Soybeans, No. 1, Yellow Omaha, bu	4.67	4.69	4.48
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.23	3.77	3.54
Oats, No. 2, Heavy Sioux City, IA, bu	1.24	1.21	1.35
<u>Hay,</u> <u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	82.50	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	32.50	67.50	70.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	*	100.00	105.00
* No market.			

The Livestock Mandatory Reporting Act of 1999 (the Act), which went into effect February 1, 2001, requires meat packers to report detailed price and quantity information on cattle, hogs, lambs and products to the USDA's Agricultural Marketing Service (AMS) on a daily basis. Historically, packers reported to AMS on a voluntary basis. However, "as more animals are being bought and sold under marketing arrangements where neither the arrangements nor the final purchase prices are publicly disclosed, ... it has become more difficult for producers to determine the actual prevailing purchasing price for livestock..” So, by making reports to AMS mandatory rather than voluntary, the Act aims to make livestock markets more transparent, thus “provid[ing] timely, accurate, and reliable market information, facilitat[ing] more informed marketing decisions and promot[ing] competition in the industry.”

Only packers with an annual slaughter average above 125,000 cattle, 100,000 swine and 75,000 lambs are required to report. Refusal or failure to report the information on time, or reporting information that “demonstrates a pattern of significant variance in accuracy when compared to the actual information that is reported during the same period,” results in a civil penalty of not more than \$10,000 for each violation. To protect confidentiality of individual packers, the Act stipulates that information will be published only if “it is obtained from no fewer than 3 packers, [and] represents not more than 60 percent of the information to be published.” Also, the initial AMS reports will summarize the mandatory information on a national level. The annual cost of reporting, which



includes initial startup, record keeping and data submission, is absorbed by the reporting packer.

Judging by the solicited public comments submitted to AMS before the final ruling, it seems the overwhelming concern regarding the Act focuses on the cost burden of record-keeping and reporting. Other salient concerns relate to the level of aggregation of released information, reporting time frames and reporting procedures. There has also been positive reaction to the ruling, particularly from livestock producers who believe the Act will make the market more transparent and hence more competitive. The feeling among some agricultural economists is that the Act will assure fairness to both packers and producers.

What seems to be missing from the discussion, both before and after the passage of the Act, is the potential adverse effect it may have on the livestock industry. As intuitive as the assumption that transparency leads to more competition may seem, the question is whether or not the assumption is tenable in a market dominated by a few large packers who will have access to the same AMS information available to livestock producers. If experience in other countries is any indication, there is reason to suspect that transparency may be a "mixed blessing."

reporting transaction prices charged by individual businesses, the Danish antitrust authority may have "unwittingly assisted firms in reducing the intensity of competition and thereby allowed them to increase prices." The Act in the United States will not provide information at the level of detail provided in Denmark, but packers will definitely have aggregate information that is more precise than that provided under voluntary reporting, as will livestock producers. So the question regarding the effect of mandatory reporting on the intensity of competition in livestock markets is just as germane in this country.

I have initiated a project to develop research methods for assessing the impact of the Act on the intensity of competition in the livestock market and its consequences for livestock producers. As soon as I obtain sufficient data from AMS reports, I will use those methods to analyze the data and estimate the benefits and costs to the livestock industry from increased transparency in the market.

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In Denmark, for example, analysis of ready-mixed concrete prices concluded that, by legislating price