

USDA on right track after nearly nine decades

By Mabel Dobbs

It has taken 89 years for the U.S. Department of Agriculture (USDA) to put teeth in the Packers and Stockyards Act of 1921 (P&SA). The agency has proposed new rules to level the playing field for livestock producers and restore some fairness to livestock markets.

A tiny handful of giant meatpackers and processors have been underpaying and unfairly treating livestock producers for decades. These packers control the livestock markets and their market power harms independent producers and the prosperity of rural communities.

In 1921, when Congress passed the P&SA, it was the most comprehensive antitrust legislation enacted in this country. Back then, five companies controlled between 75 and 80% of all interstate livestock slaughter. Today, the livestock packing industry is even more concentrated. Three packing companies control over 80% of all livestock slaughter and have taken control of the marketplace in beef and hogs.

These companies manipulate the market and keep the real prices they pay for hogs and cattle a secret. Packers use livestock they own and control under contract to drive down prices to livestock producers. When the cattle prices are high, packers slaughter the cattle they already own or control. When the prices are low, they slaughter my cattle.

This manipulation impedes the ability of ranchers to earn a decent price for their cattle sold on the cash market. A 2006 USDA study found that use of these “captive supplies” cost cattle producers \$69 per head and hog producers \$32 per head. In total, captive supplies cost family farmers and ranchers nearly \$2 billion in 2006—four years later those losses continue to increase.

The proposed rules prohibit packers from selling livestock to each other and end discrimination against producers based upon volume of cattle sold. The rules restrict livestock buyers from acquiring cattle for more than one packer. In addition, the rules make it easier for ranchers to sue meat packing companies accused of using deceptive trade practices or offering unfairly low prices.

The rules are a first step towards improving the livelihoods of producers and their families. However, USDA needs to do more to address the market power of the large packers. The next step is to develop an open and competitive market by requiring packers to pay a firm bid price for all livestock they procure and require them to sell in an open public market where all buyers and sellers have access.

Producers and consumers have an opportunity to review the proposed rules and send three clear messages to USDA. First, the unfair practices and market power of the packers have harmed independent producers and rural communities. Second, the agency

should adopt the proposed rules. Third, USDA must take another step and address market concentration by requiring packers to pay a firm bid price for all livestock they procure and require packers to sell in an open public market where all buyers and sellers have access.

The public can submit comments by email at comments.gipsa@usda.gov; fax to (202) 690-2173; mail to Tess Butler, GIPSA, USDA, 1400 Independence Ave. SW, Rm 1643-S, Washington, DC 20250-3604; or on the Federal e-rulemaking portal at <http://www.regulations.gov>. Comments are due August 23.

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