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Ms. Tess Butler
GIPSA, USDA
1400 Independence Avenue, SW
Room 1647-S
Washington, D.C. 20250-3604

VIA FACSIMILE: 202-690-2755
VIA Email: comments.gipsa@usda.gov

Dear Ms. Butler:

These comments are provided in response to the Federal Register notice regarding the Livestock and Meat Marketing Study (FR 32455 Vol. 68, No. 104, May 30, 2003).

The Kansas Livestock Association (KLA) is a nonprofit trade association representing nearly 6,000 livestock producers. KLA represents all sizes and types of cattle operations, including cow-calf producers, stocker operations, and commercial confined cattle feeding operations. KLA also represents the interests of a few swine and dairy operations.

The KLA is very interested in the development, conduct, and outcome of the livestock and meat marketing study. Over a year ago, the leadership of KLA joined with its counterpart in Texas, the Texas Cattle Feeders Association, to discuss and develop ideas for addressing ongoing and contentious marketing issues facing cattle producers.

KLA members stressed the need for producers throughout the industry to have sound economic data to fully understand the North American meat production complex and to have solutions proposed to assist producers in marketing their products effectively. In short, our members want the facts. They strongly supported the idea of an independent economic analysis of the meat-producing industry to gather this sorely needed data.

Our producer members want an INDEPENDENT, comprehensive study. There have been numerous studies conducted by various "experts" in the industry. For a variety of reasons, these studies have been disregarded as either biased or limited in scope. KLA strongly encourages USDA to contract with economic and marketing professionals who are experienced in the analysis of total industry markets. The Appropriations Committee noted the study should "utilize expertise beyond traditional agricultural economics, including, but not limited to, industrial organizations expertise and business school or business consulting expertise." KLA recommends Dr. Martin A. Asher, Director, Joseph Wharton Scholars Program, Adjunct Associate Professor of Finance, Wharton School, University of Pennsylvania, and his colleagues

to perform the work. These professionals have performed similar industry analysis throughout the world. Given the importance of livestock to the United States agricultural economy, this level of analysis by these types of professionals is warranted. KLA strongly encourages USDA to ensure that every aspect of the industry is analyzed, not a single segment, region, or product type. This will ensure the completeness of the study.

The comments in the Federal Register appear to place a great deal of emphasis on “packer ownership issues”. While this language was included in the Congressional Record, there were references made to broader topics by House Agriculture Appropriations Subcommittee Chairman Henry Bonilla to Secretary Veneman during budget discussions. The other topics to be studied mentioned by Chairman Bonilla included: an examination of alternative procurement and transfer methods for livestock producers; livestock and grain prices; and the quality and consistency of meat products and livestock under a ban of packer ownership of cattle.

KLA strongly encourages USDA to look at these issues and critically analyze the markets before limiting the scope of the study to packer ownership issues.

In addition, our members have outlined two primary questions they want addressed:

1. Are there points in the beef production and marketing system where price discovery and/or proper market signals fail to function adequately? If so, why?
2. Are there points in the beef production and marketing system where the potential exists for price manipulation? If so, what are the possible solutions?

In developing the scope of the study, and in selection of contractors for the work, KLA strongly encourages USDA to address the questions outlined. These are the issues our producer members want answered. Livestock producers want to fully understand their markets and what they can do to survive in evolving market conditions.

It appears that USDA’s proposal in Parts 1-3 and Objectives 1-5 are designed to paint a picture of the industry. We support this type of system analysis work. Again, we are hopeful the contractors performing this work will be very thorough. Conducting an extensive systems analysis type review is critical to identifying the positive and negative aspects of the industry. It is unclear from the objectives whether the retail sector would be included in this review. KLA encourages that this review be done from the producer to the consumer so no segment of the industry is overlooked.

Part 4 and Objectives 7-10 are the most critical aspects of this study. It appears these objectives are again narrowly focused. It is our hope that USDA will look not only at micro markets but also the macroeconomic factors. In short, it will be of no benefit to the industry if USDA focuses on the minute and does not analyze the full picture. We are not certain from the objectives outlined that the critical industry questions our members asked will be answered. It seems that the objectives outlined by USDA may provide a narrative, but not the analysis needed. Without critical analysis, industry and government will not be able to identify solutions to problems.

We encourage USDA to consider the following broader issues at each point of the study:

- a. The Cattle Cycle: Previous research indicates a combination of biological and economic factors cause the industry to experience periodic shortages and surpluses of cattle resulting in dramatic swings in cattle prices and income to producers. This study should analyze these market and economic factors at every stage of the beef industry.
- b. Futures Markets: Producers want information regarding the influences of futures markets on the cash market, and the use of the futures markets as an effective risk management tool. Producers want factual information as to whether the futures market can be manipulated to the benefit of packers. KLA encourages USDA to include an analysis of the futures market and its role in the pricing of cattle and meat products.
- c. Packer Supply Management: KLA encourages USDA to include an analysis of the methods packers use to manage supplies of meat. The study should analyze how these packer practices affect cattle weights, quantity of beef in the market, and market price. The study also should include an analysis of whether market concentration confers market power that permits packers to manipulate supply and price.
- d. Retail Markets: KLA encourages USDA to include an analysis of retail sector issues including market concentration; purchasing methods; the effects of competing protein markets on beef; and the farm-to-retail price spreads for beef.
- e. International Trade: KLA encourages USDA to consider current international trade arrangements in its analysis to ensure a complete picture of the market place.

Finally, KLA encourages USDA to seek solutions to problems identified by the study. This report will be of no use to the industry if it fails to thoroughly and professionally analyze the complete market for proteins. This report will be of no use if it fails to identify the weaknesses of current marketing systems and offer solutions for producers and lawmakers.

Again, KLA strongly supports this study and encourages USDA to broaden the analysis to be performed to ensure the issues and topics outlined are considered. Producers want data and answers, not another report for the shelf.

Sincerely,



Mr. Dee Likes
Executive Vice President