

06/24/2003 Entry: "Farm Bureau Urges Ban on Packers Owning Livestock"

GRAND ISLAND – Nebraska Farm Bureau strongly supports banning packer ownership of livestock which would decrease the possibility of packers manipulating the market and reducing pricing opportunities for producers. At a meeting here Thursday (June 19), and in preparation for a House Agriculture hearing Saturday (June 21), the Farm Bureau Board of Directors affirmed its opposition in a letter submitted to USDA and the House Ag Subcommittee (GIPSA)

The 2002 Farm Bill authorized USDA's Grain Inspection, Packers and Stockyard Administration to conduct a \$4.3 million study on livestock markets and it is seeking comments on the scope of the study through June 30. Nebraska Rep. Tom Osborne, a member of the House Ag Committee, is sponsoring the hearing to obtain input on livestock markets, which may lead to legislation.

"The marketplace in the livestock sector is shifting and producers are really struggling to get a fair valuation for the animals they produce," Nebraska Farm Bureau President Keith Olsen said. "Producers continue to lose more of the consumer dollar paid at the retail counter, and the challenge for them is to develop innovative ways to recapture some of that retail dollar. The challenge for the livestock industry is to assure a competitive market system for livestock producers in an industry that is undergoing a huge structural change," he said.

Nebraska Farm Bureau strongly supports banning packer ownership because it gives packers the opportunity to manipulate the market, and places an indirect ceiling on the market that minimizes pricing opportunities for producers, Olsen said.

"Packer ownership is a very emotional issue with our members, but we think the larger issue that needs to be addressed in the changing market place for livestock is how we can price livestock contracts in a competitive fashion. The GIPSA study should suggest alternatives for the industry so that contract prices are discovered on competitive market conditions rather than on the thinner and thinner cash market that has resulted from captive supplies of livestock," he said. "We need to define what captive supplies are and then suggest certain standards for livestock contracts to avoid the pitfalls associated with captive supplies."

Nebraska Farm Bureau believes that captive supplies should be defined as packer-owned livestock and livestock that have been contracted and committed to only one buyer. Eliminating the ability of packers to own livestock would be the first step in dealing with the negative side of captive supplies, Olsen said.

GIPSA should analyze the various types of livestock contracts in the market place now and determine to what degree these contracts reflect economic

conditions that affect market prices, he said. "We think the GIPSA study should examine market impacts on whether or not livestock contracts need to have a negotiated base price before animals are committed for delivery."

Retail pricing of red meats continues to have more and more impact on the prices producers receive, Olsen said. "The GIPSA study should analyze the consolidation of the food retail industry and the effect this has on price discovery and prices received by livestock producers," he said.

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