

## **07/16/2002 Entry: "Grassley Prepares Bill to Increase Livestock Market Competition"**

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Grassley Prepares Bill to Increase Livestock Market Competition

by Julianne Johnston

Sen. Chuck Grassley (R-Ia.) today said he is preparing legislation to increase competition in the livestock market. Grassley said the "Transparency for Independent Livestock Producers Act" would give independent producers a guaranteed share in the marketplace by making improvements to the Mandatory Price Reporting system.

Grassley's bill would require 25% of a packer's daily kill to come as a result of purchases made on the daily, open market or spot market. By requiring a 25% spot market purchase, the Mandatory Livestock Reporting system would be able to provide consistent, reliable numbers about what is being purchased from the spot market and, thereby, improve the accuracy and transparency of daily prices, Grassley said.

"This legislation would improve price transparency and bring more accurate Mandatory Price Reporting data so independent producers can have a fair marketplace to sell their livestock," Grassley said. "We must increase competition between livestock processors, develop consistency in the Mandatory Price Reporting program, and assist processors with determining prices for certain livestock market contracts."

Grassley, who has proposed a ban on packer ownership of livestock, said this bill compliments that legislation. Grassley said his new proposal would guarantee that contracts packers make to assure sufficient kill numbers at their plants are based on legitimate information.

Grassley said he will introduce the legislation before the August Congressional recess.

Following is a summary of the proposal:

Require packers to purchase a certain percentage of livestock (cattle, sheep, and hogs) on the daily open market, or a cash basis. This is termed "spot market". Spot market purchase means the purchase of livestock by a processor from a seller, if the livestock are slaughtered not more than seven days after the seller and the processor agree on a date of delivery of the livestock and the base price for purchasing the livestock is determined by an oral or written agreement between the seller and processor executed on the day the livestock are delivered for slaughter.

Packer spot market purchase requirements shall be fulfilled only by purchases from non-affiliated producers. Nonaffiliated producer means a person or entities holding less than 1% of the equity in the packer. A nonaffiliated producer also means a person who does not hold an executive position, does not sit on the board of directors or does not owe the packer a fiduciary duty. Shall apply only to packers large enough to be required to report daily live animal prices to USDA through the mandatory price reporting act.

Schedule of daily spot market purchases:

5% by January 1, 2004

15% by January 1, 2006

25% by January 1, 2008

This schedule shall be reduced for the closed cooperatives by 50% for the January 2006 and 2008 dates respectively. Closed cooperatives shall also purchase the daily spot market livestock from non-shareholders and nonaffiliated producers of the cooperative.

After the effective date of the legislation, packers purchasing at least 25% of the livestock on a daily spot market basis shall not take action to reduce the daily spot purchases percentage below 25%. After the effective date of the legislation, closed cooperative packers purchasing at least 12.5% of the livestock on a daily spot market basis shall not take action to reduce the daily spot purchases percentage below 12.5%

This legislation shall exempt single plant entities with no affiliation to larger packing entities.

This legislation does not pre-empt state law regarding packer feeding of livestock, state law may be more restrictive.