

## **07/11/2003 Entry: "Wyoming Stock Growers Support Ban On Packer Cattle Ownership"**

By: David Bowser

CODY, Wyo. — The Wyoming Stock Growers Association is supporting an amendment to the Packers and Stockyards Act of 1921. Proposed by an Iowa senator, the amendment would ban packer ownership of cattle.

At their summer meeting here, the organization adopted a resolution supporting S. 27, by Sen. Charles Grassley, D-Iowa, and co-sponsored by Sen. Mike Enzi, R-Wyoming, making it unlawful for packers to own, feed or control livestock intended for slaughter.

The Wyoming livestock organization is also supporting a bill introduced by Enzi in connection with captive supply and forward contracting, says Dallas Scholes, legal counsel for Enzi.

"Captive supply has at least three parts to it," Scholes explains.

First is direct ownership. The second is forward contracting. The third is a marketing agreement.

"Sen. Grassley is the sponsor of S. 27," Scholes says, "which is a bill that would ban packer ownership more than seven business days before slaughter."

The bill does have exceptions, Scholes notes, and "grandfathers in" some older contracts.

"Sen. Enzi's bill, S. 1044, addresses the other parts of captive supply," Scholes adds. "It does two main things. First, it requires forward contracts to contain a firm base price that may be equated to a fixed dollar amount."

Second, it requires the contract to be offered in an open and public manner by establishing criteria for the market.

"The criteria is that any buyer and seller be given the opportunity to participate," Scholes explains. "In the case of blind bids, more than one must be solicited."

Scholes says the bill does not prohibit contracts that are based on the futures market or that offer penalties and premiums based on product quality, because these factors are not packer-controlled. It also limits contract sizes to smaller amounts.

Critics of current captive supply arrangements charge that many of them tie prices to such malleable factors as the live cattle market at the time of slaughter.

The live or "spot" cattle market has shrunk, however, as these arrangements have expanded to comprise a progressively larger share of the fed cattle supply.

Critics charge that packers now control so much of the market through such non-negotiated sources that they can manipulate live prices and thus control the basis upon which their captive arrangements are priced. In essence, they say, the packers can use the very presence of those supplies to establish the price they pay for them.

"The bill, S. 1044, the Captive Supply Reform Act, is the first draft," Scholes points out. "It's the first attempt to address an issue. The language is not final."

Scholes explains that in the Senate's lawmaking process, a bill is introduced and assigned to a committee. A hearing is then conducted to solicit formal comments and information.

"We are always taking draft ideas," he says.

He encourages producers to read the bill and contact Enzi's staff if they see something they think should be changed.

"There's an old German principle that all laws need to come from the ground up," Scholes says. "They need to come from the people, not from the top down. It's been my experience that every law we've passed that came from the top down has failed."

After hearings, the bill goes through "markup," a formal change in language.

Any changes after that have to be made on the floor of the Senate in the form of amendments.

"Take the language as a draft, as a first attempt to move the issue forward," Scholes advises.

He says if changes need to be made, producers should contact Enzi's staff so that can be done.

The bill is currently before the Senate Committee on Agriculture, Nutrition and Forestry.

Co-sponsors of the bill are Sens. Kent Conrad, D-N.D.; Byron Dorgan, D-N.D.; Craig Thomas, R-Wyo.; Tom Daschle, D-S.D., and Tim Johnson, D-S.D.