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Report to Congressional Requesters

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PACKERS AND STOCKYARDS PROGRAMS

USDA's Response to Studies on Concentration in the Livestock Industry

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Resources, Community, and
Economic Development Division

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The Honorable Jeff Bingaman
The Honorable Kent Conrad
The Honorable Byron L. Dorgan
The Honorable Bob Kerrey
The Honorable Paul Wellstone
United States Senate

The effects of concentration in the meatpacking industry have been a subject of concern since the turn of the century. At that time, five firms controlled 55 percent of the market. This concern eventually led to the passage of the Packers and Stockyards Act in 1921. Among other things, the 1921 act was intended to ensure fairness and competitiveness in the meatpacking industry and created the Packers and Stockyards Administration, now part of the Grain Inspection, Packers and Stockyards Administration (GIPSA)[1] within the U.S. Department of Agriculture (USDA). The agency's mission is to ensure fair business transactions, such as prompt and accurate payment, and to detect and prevent anticompetitive practices. In the latter case, the definition of market boundaries is important to GIPSA for analyzing the effects of concentration on prices and monitoring for anticompetitive behavior.

In 1991,[2] we reported that the industry had become more concentrated than it was in 1921—four firms controlled 70 percent of the meatpacking industry.[3] As we reported, greater concentration may increase opportunities for buyers to use anticompetitive practices that could lower the prices paid to producers to below the level that would be set in a competitive market. We recommended that the Secretary of Agriculture direct GIPSA to determine a feasible and practical approach for monitoring the activity in regional livestock procurement markets[4] to address the questions of anticompetitive behavior. While generally national in nature, the livestock procurement market is made up of many smaller, regional

[1]For purposes of this report, we use GIPSA to refer to the Packers and Stockyards Administration.

[2]Packers and Stockyards Administration: Oversight of Livestock Market Competitiveness Needs to Be Enhanced (GAO/RCED-92-36, Oct. 16, 1991).

[3]This level of control refers to steer and heifer cattle that were grass-fed as well as grain-fed. The practice of fattening cattle with grain did not become widespread until the 1960s. USDA began collecting data on "fed cattle" in 1969. (App. I presents an overview of the livestock and meatpacking industries.)

[4]In this report, the livestock procurement market refers to the purchase of grain-fed cattle for slaughter and processing.

markets. However, at the time of our 1991 report, relevant market boundaries for monitoring anticompetitive behavior had not been defined.

In response to our report and congressional concerns about the increased concentration in the livestock procurement market, the Congress directed USDA to study this issue. As a result, GIPSA commissioned seven research projects that resulted in a report entitled Concentration in the Red Meat Packing Industry, issued in February 1996.

Since our 1991 report, the industry has become even more concentrated; four firms controlled 81 percent of the meatpacking industry in 1995.[5] Consequently, you asked that we (1) determine whether USDA's report on concentration in the red-meatpacking industry identified the geographic boundaries of livestock procurement markets; (2) determine whether the report provided guidance on how to monitor these markets; (3) determine whether, as a result of this report, USDA had identified additional data that GIPSA could use to enhance its monitoring of these markets; and (4) describe what actions GIPSA plans to take as a result of this report. You also asked us to describe the views of the Department of Justice on the usefulness of GIPSA's data for conducting its regulatory responsibilities in the livestock procurement markets.

Results in Brief

The February 1996 concentration report commissioned by the Grain Inspection, Packers and Stockyards Administration indicated that the relevant boundaries of the livestock procurement market are not fixed. Instead, these boundaries vary, depending on the economic issue being considered. For example, when examining the basis for pricing fed cattle, the relevant market boundaries are generally national; when a proposed merger is being evaluated, the relevant market boundaries are generally regional.

While the concentration report did not provide specific guidance for monitoring markets, it did provide extensive data that can serve as a baseline for future monitoring and analysis. These data, which are for nearly all fed-cattle slaughter plants nationwide, include, among other things, the types and volume of livestock slaughtered and the prices paid to producers. Most of these data existed previously only in aggregate form.

[5]This figure refers to concentration among firms that slaughter steer and heifer cattle. The slaughter of steer and heifer cattle represents nearly 81 percent of all cattle slaughtered for beef consumption. In 1995, the four-firm concentration level for all types of cattle—steer, heifer, cow, and bull—slaughtered was 67 percent.

The concentration report did not identify the specific data that need to be collected for better market monitoring. However, an advisory committee, convened by the Secretary of Agriculture and established prior to the publication of the concentration report, used the report's results to examine market concentration. In its own report, issued in June 1996, this committee recommended that additional data—such as information on the number of cattle contracted for future sale—be routinely collected on various elements of the livestock procurement market to provide a better understanding of how that market functions. The U.S. Department of Agriculture has begun to collect and disseminate these data.

The concentration report was considered by the advisory committee in its recommendation that the Department review its surveillance, investigation, and enforcement practices within the livestock procurement market. As a result of this review, the Department has begun reallocating its resources to place more emphasis on detecting anticompetitive violations. Because the Grain Inspection, Packers and Stockyards Administration's resources are limited, this shift in focus will come at the expense of its efforts to carry out other responsibilities, such as ensuring that financial transactions among market participants are conducted fairly and honestly.

Department of Justice officials told us that Justice collects its own data when investigating issues that are under its regulatory purview. According to these officials, the Department of Agriculture regularly shares information with them on an informal basis. This information is useful to Justice as a background for its own investigations.

Background

Livestock production can be divided into four principal stages according to the growth phase of the cattle: (1) cow-calf production, (2) stocker feeding, (3) cattle feeding, and (4) fed-cattle slaughter, or beef packing. Cow-calf "operators" breed cows for the production and sale of young steers and heifers. Stocker/feeders nurture calves until they mature. Cattle-feeding operators then take over the primary feeding (or fattening) of the cattle for several months until they are ready for slaughter. Highly specialized commercial feedlots with capacities of more than a thousand head of cattle per year handle most of the cattle feeding. Feedlot operators may either purchase the cattle they feed or custom-feed the cattle for others, such as cow-calf producers or beef-packing firms. Since the 1940s and 1950s, commercial cattle feeding has evolved rapidly as producers have sought to increase the output of their herds by increasing the weight of the cattle. At the end of the feeding stage, the cattle owners sell the fed cattle either directly to a beef-packing firm or to an agent acting on behalf of the beef-packing firm. Most of the large firms both slaughter the fed cattle and cut the carcasses into major sections, which are then packaged into large boxes for shipping—known as boxed beef.

For the livestock procurement market, GIPSA has two primary responsibilities: (1) to monitor for anticompetitive practices, such as colluding to manipulate prices, and (2) to ensure that sales transactions are conducted fairly and honestly. GIPSA's authority is limited to individuals and firms that buy and sell livestock and live poultry as well as those processing or marketing meat and meat products. GIPSA's authority generally does not extend to retailers or to firms that market poultry products.

Two other federal agencies are also involved in regulating the meatpacking industry. Justice's Antitrust Division is responsible for reviewing all proposed mergers and acquisitions in the meatpacking industry. Unlike GIPSA, which has significant regulatory authority, Justice does not enforce the Packers and Stockyards Act, nor does it enforce potential violations of that act. GIPSA may, however, refer certain activity to Justice's Antitrust Division for possible enforcement under the antitrust laws if it appears that a violation has occurred. According to officials at GIPSA, several suspected antitrust violations are forwarded to Justice each year.

The Federal Trade Commission (FTC) also has enforcement authority for antitrust laws as they apply to the livestock industry. However, according to FTC officials, the Commission's jurisdiction is limited to the retail segment of the meat industry in most situations. While both FTC and Justice are responsible for reviewing mergers, Justice has taken the lead on livestock mergers in recent years. According to officials at both agencies, this situation is a result of the fact that Justice has more experience and institutional knowledge on livestock issues. FTC maintains a cooperative working relationship with USDA through a liaison agreement, dating back to 1963, that is intended to resolve any jurisdictional questions between the two agencies. FTC officials stated, however, that there is very little need for the sharing of information between USDA and FTC.

In describing concentration in the meatpacking industry, we concluded in our 1991 report that the industry had become more concentrated—four firms controlled 70 percent of the fed-cattle market—than it was when the

Packers and Stockyards Act was enacted. We concluded that GIPSA had not (1) adequately modified its monitoring process to keep pace with the changes in the industry and (2) defined regional livestock procurement markets, which in turn hindered its ability to monitor those markets for anticompetitive behavior. In response to our report and to congressional concerns about the increased concentration in the livestock procurement market, the Congress appropriated funds to USDA for further study of this issue.

To respond to the Congress's directive, GIPSA commissioned seven research projects; six were contracted out to teams of researchers, while USDA's Economic Research Service conducted the seventh. The projects selected address concerns identified by the Congress as well as topics identified in our 1991 report. One of these projects examined livestock procurement markets within the continental United States. This project consisted of three separate studies. Our work focuses on the information found in these three studies—each seeking to define relevant markets for livestock procurement.

In addition to the work conducted at the Congress's direction, several weeks before the concentration report was made public, the Secretary of Agriculture announced the formation of an Advisory Committee on Agricultural Concentration. While the committee was charged with investigating concentration in virtually all segments of the agricultural economy, it focused its efforts on the meatpacking industry. The committee based its subsequent findings and recommendations on the concentration report commissioned by GIPSA, information from trade associations and other industry experts, and the advice of farmers and others who testified in a public hearing. This committee's findings and recommendations were summarized in a June 1996 report to the Secretary of Agriculture.[6]

Studies Indicated That Relevant Market Boundaries Differ Depending on the Issues Analyzed

The three studies contained in the GIPSA-commissioned concentration report that attempt to define livestock procurement markets did not explicitly state whether geographic boundaries for the markets were distinctly regional or national in nature. Nevertheless, the economists we spoke with generally agreed that these studies provided new insights into the nature of market boundaries. In particular, the studies showed that boundaries are not fixed and that their precise delineation varies

[6]Concentration in Agriculture: A Report of the USDA Advisory Committee on Agricultural Concentration (June 1996).

depending upon the aspect of the market under analysis. For example, these economists told us that when monitoring pricing information for potential anticompetitive behavior, it may be essential to examine the data presented on a national basis because the study results indicate that the prices paid for livestock are integrated nationwide. In other cases, such as assessing the impact of a proposed merger, more specific data from the regions affected by the potential merger may be more appropriate.

Studies Provided Baseline Information for Future Monitoring

The three studies did not provide specific guidance to GIPSA on monitoring markets. However, they did provide extensive data that can serve as a baseline for future monitoring and analysis. These data, which cover nearly all fed-cattle slaughter plants nationwide, include, among other things, the types and volume of livestock slaughtered and the prices paid to producers. According to GIPSA officials, these data are not standardized among packing plants and are voluminous. As a result, routinely collecting such data would be extremely resource-intensive and costly to both GIPSA and meatpackers. GIPSA officials told us that while the meatpacking firms voluntarily supplied the data for the concentration report, they would be less willing to do so on a regular basis. Most of these data existed previously only in aggregate form.

USDA Has Identified Additional Market Data to Enhance GIPSA's Monitoring and Provide Information to Market Participants

The three studies did not identify the specific data that need to be collected for better monitoring of the market. However, the Advisory Committee on Agricultural Concentration recommended to the Secretary of Agriculture, among other things, a policy to support and improve market information as a vital component of a competitive marketplace. Specifically, it recommended that USDA more frequently collect data on the volume and types of cattle committed for sale at future dates—known as forward contracting—within the livestock procurement market. These data include information on the formula used to arrive at a price—including any premiums or discounts—specified in the contract between the buyer and seller. Other data that the advisory committee recommended be collected include information on the volume of cattle exported and imported and a report showing the distribution of cattle for slaughter by grade and by yield. The advisory committee recommended that these data be made available to market participants to improve competition within the marketplace. (App. II contains further details on the recommendations and their current status.)

USDA has begun to implement the advisory committee's recommendations. For example, USDA's Agricultural Marketing Service (AMS) began collecting and reporting more comprehensive data on boxed beef in September 1996. The following month, AMS began collecting and reporting data on premiums and discounts, and partial data on forward contracts. In February 1997, AMS began collecting and reporting additional data—specifically, the regional distribution of cattle by grade and by yield. Even more data, such as information on the volume of cattle imported into the United States, require additional coordination with other USDA agencies. The procedures for collecting and reporting this information have only recently been worked out among the contributing agencies—reporting began on March 31, 1997.

GIPSA officials stated that the new data being collected would be particularly useful in conducting detailed investigations of market competition. In addition, they said that these data could better inform market participants about activities within the livestock procurement market, thus creating a level playing field. They said that these aggregate data can be used to provide a snapshot of the livestock procurement market for a specific day or week.

The chairman of the Secretary's advisory committee said that the new data being collected and disseminated will help to ensure fair competition in the marketplace because all participants in the livestock procurement industry will have the same information. He added, however, that the information deemed most important by the committee—information on the profits made by individual packing firms and individual feedlots and the costs incurred by packers and feedlots—is not being collected by USDA. GIPSA officials said that these more detailed data are not publicly available and would be extremely difficult for USDA to report.

GIPSA Plans to Place Greater Emphasis on Monitoring for Anticompetitive Activities

Relying in part on the concentration report, the advisory committee recommended that the Secretary of Agriculture review GIPSA's current practices to enforce the Packers and Stockyards Act. At the request of the Secretary of Agriculture, USDA's Office of the Inspector General (OIG) recently completed a review of GIPSA's surveillance, investigation, and enforcement practices.[7] As a result of this review, GIPSA has begun drafting plans to restructure its organization within the constraints of its current resources. At the time we completed our report, GIPSA had under way four

[7]Grain Inspection, Packers and Stockyards Administration: Evaluation of Agency Efforts to Monitor and Investigate Anticompetitive Practices in the Meatpacking Industry (Evaluation Report No. 30801-0001-Ch, Feb. 1997).

intensive regional investigations to monitor for potential anticompetitive practices and a fifth one planned for later in the year. However, GIPSA officials told us that this change in focus has curtailed the agency's efforts to ensure that sales transactions are conducted fairly and honestly. As a result, they said, sellers would receive less financial protection.

The OIG review concluded that GIPSA's resources are not adequate to ensure proper monitoring of the livestock procurement market for anticompetitive behavior. As a result of this review, several recommendations were made to GIPSA suggesting ways to allocate its current resources to better monitor the market for anticompetitive behavior. These included (1) reorganizing the agency's national and regional offices, (2) integrating its economics staff into the investigations of anticompetitive practices, and (3) developing procedures to consult with USDA's Office of General Counsel prior to initiating and during investigations of anticompetitive practices. Further recommendations included that the Congress consider transferring USDA's responsibilities for performing anticompetitive practices investigations to the Department of Justice.

GIPSA officials told us that with the exception of the recommendation to transfer investigative authority to Justice, the OIG recommendations provide GIPSA with a framework for how the agency should be structured and where the agency should direct its resources in the future. GIPSA officials have begun to formulate a plan that will address these recommendations.

At the time of our review, GIPSA's plans included a restructured organization that will emphasize monitoring for anticompetitive practices. This emphasis will come at the expense of GIPSA's efforts to ensure fair business transactions within the livestock procurement market. As required under the Packers and Stockyards Act, these efforts include checking for compliance with the requirements for prompt payment and solvency, bonding, maintaining certain bank accounts known as custodial accounts, holding livestock purchases by meatpackers in trust to protect against their failure to pay, and accurately weighing livestock. GIPSA's Packers and Stockyards Program currently has 180 employees.[8] Most of these employees—135—are located in its 11 field offices. Until 1997, when GIPSA began focusing on intensive regional investigations, most of its

[8]The proposed fiscal year 1998 budget gives GIPSA's Packers and Stockyards programs an additional 30 staff.

employees monitored the livestock procurement market for potential unfair business transactions rather than for market competitiveness.

During fiscal year 1996, GIPSA conducted 2,265 investigations of alleged unfair business practices and identified over 800 violations of the Packers and Stockyards Act. These included, for example, payment or price manipulation, the manipulation of the weights of livestock or carcasses, the manipulation of grades on carcasses, and commercial bribery. GIPSA requested formal actions, alleging deceptive and unfair practices, in 84 cases and issued 62 complaints to bring firms into compliance with the act. Administrative decisions and orders were issued in 49 cases; however, most violations were corrected on a voluntary basis, and several resulted in livestock and poultry producers' receiving additional funds from purchasers for the sale of their product.

In keeping with its new efforts to emphasize monitoring for anticompetitive practices, GIPSA has recently undertaken several initiatives to increase enforcement against potential anticompetitive activities among the nation's largest meatpackers. In 1996, GIPSA completed a major investigation of fed-cattle procurement practices in Kansas. The investigation examined over 15,000 purchase transactions and 2 million head of cattle. According to GIPSA, the results did not indicate any anticompetitive practices. Rather, supply and demand factors appear to have been the primary causes of price declines during 1995. In addition, an investigation currently under way will examine over 37,000 purchase transactions in Texas and over 6 million head of cattle sold during 1995 and 1996. GIPSA also plans several additional investigations into market competition, including a third investigation of potential anticompetitive practices in the Nebraska beef procurement market later in the year.

Department of Justice Does Not Rely on GIPSA's Data to Carry Out Its Regulatory Responsibilities

Department of Justice officials told us that they rely primarily on their own data, rather than on GIPSA's data, to carry out most of their responsibilities for evaluating proposed mergers and the extent of anticompetitive behavior. Justice and GIPSA officials told us that, on occasion, Justice requests and receives data from GIPSA as a starting point for its own investigations. They stated that the data available from GIPSA, such as aggregate data on the number of cattle slaughtered each year, are useful in providing background information. However, they collect much more detailed data, such as proprietary data specific to the individual firms being examined, in conducting their investigations.

Agency Comments

We provided USDA with a draft copy of this report for review and comment. We met with USDA officials, including the Administrator for GIPSA and the acting Deputy Administrator for Packers and Stockyards Programs, who agreed with the facts presented and provided technical comments that we incorporated into the report where appropriate.

We performed our work from October 1996 through March 1997 in accordance with generally accepted government auditing standards. Appendix III contains detailed information on our objectives, scope, and methodology.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from the date of this letter. At that time, we will send copies of this report to the House and Senate Committees on Agriculture, other interested congressional committees, the Secretary of Agriculture, and other interested parties. We will also make copies available upon request.

If you have any questions about this report, I can be reached at (202) 512-5138. Major contributors to this report are listed in appendix IV.

Robert A. Robinson
Director, Food and
Agriculture Issues

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Abbreviations

AMS	Agricultural Marketing Service
CFTC	Commodity Futures Trading Commission
CME	Chicago Mercantile Exchange
FTC	Federal Trade Commission
GIPSA	Grain Inspection, Packers and Stockyards Administration
OIG	Office of the Inspector General
P&SA	Packers and Stockyards Administration
USDA	U.S. Department of Agriculture

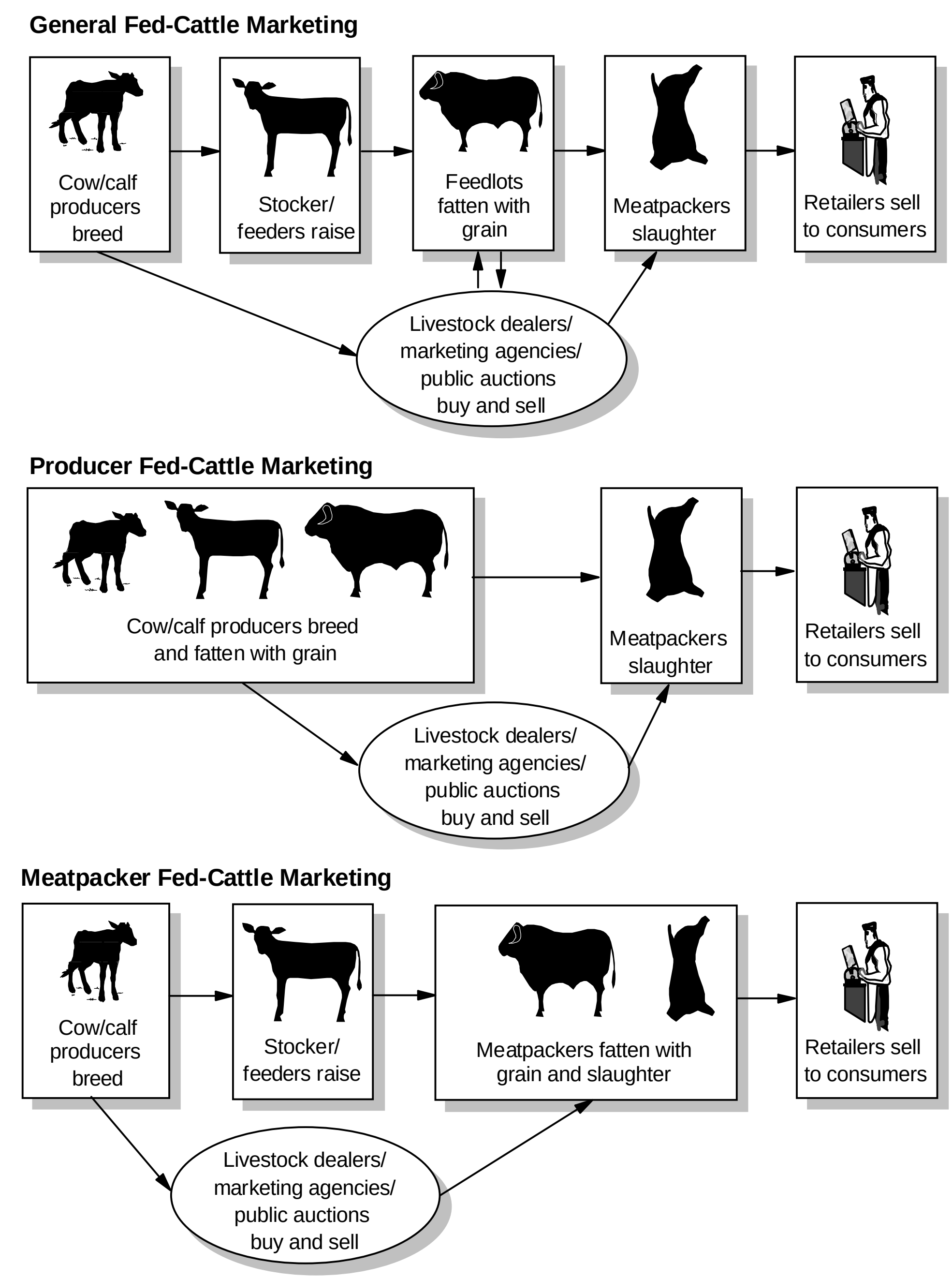
Overview of the Livestock and Meatpacking Industries

This appendix describes changes in the livestock and meatpacking industries and concerns about concentration in the red-meatpacking industry.

The Livestock Industry

Livestock production consists of four stages—breeding, stocker/feeding, feeding (or fattening), and slaughtering (packing). Livestock may be marketed before slaughter through a variety of channels. Breeders/producers (also known as cow/calf producers) may sell to stocker/feeders where the calves mature before they are sold to feeding operations (feedlots) that fatten the cattle for slaughter; in turn, feedlots may sell directly to packers; breeders who fatten their livestock may also sell their animals directly to packers. In addition, individuals referred to as market agencies and livestock dealers may serve as intermediaries in the marketing of livestock between the breeding, feeding, and slaughtering stages. Market agencies, which chiefly include public auction facilities that buy and sell livestock on a commission basis, and livestock dealers may purchase animals from either breeders or feeding operations. Market agencies and dealers may also buy and sell livestock among themselves prior to the eventual sale. Figure I.1 illustrates the livestock production stages and various marketing channels.

Figure I.1: Stages of Livestock Production and Marketing Channels



Location of Livestock Procurement Markets Has Changed Over Time

The meatpacking industry in the United States has evolved over the last 150 years in response to technological changes—moving from small, local butchers to central terminal stockyards to slaughterhouses located far from the nation's urban areas. Prior to the 1880s, the meatpacking industry primarily slaughtered pork because beef tended to spoil before it could be transported to consumers and retailers, even with the advent of the railroad. As a result, packing houses were situated close to consumers in small towns and cities throughout the eastern United States. With the advent of the refrigerated railcar, cattle carcasses could be slaughtered centrally and shipped to the consumer. By the 1880s, meatpacking had shifted from the East to central terminal markets in the Midwest, most notably the Chicago Stockyards. At this time, concentration in the meatpacking industry first gained national attention.

Around World War II, improvements in the trucking industry, the creation of a national highway system, and the widespread use of the radio made central terminal markets obsolete. The truck and the paved highway made decentralization of the handling of carcass meat physically possible, and the increased use of the radio made that decentralization economically feasible by widely disseminating market news. In step with this decentralization, USDA expanded its news reporting system, using the press, the telegraph, the telephone, the radio, and most recently, the Internet. By 1970, the Chicago Stockyards had closed and slaughterhouses had relocated near the feedlots in the western High Plains.

Livestock Procurement Practices Have Changed

In obtaining fed cattle for slaughter, packers choose among several alternative methods of procurement and pricing. The most common methods used are buying cattle on the open or spot (cash) market; establishing marketing agreements—that is, long-term purchasing agreements in which the packer agrees to purchase a specified number of cattle in a specified time period; forward contracting with individual feedlots; and buying directly from cow/calf operators and putting the cattle in packer-owned feedlots. The most common pricing methods are pricing based on the animal's live weight; pricing based on the animal's carcass weight; and formula pricing based on the packer's weekly averaged prices paid, or on an average of two or more publicized price reports.

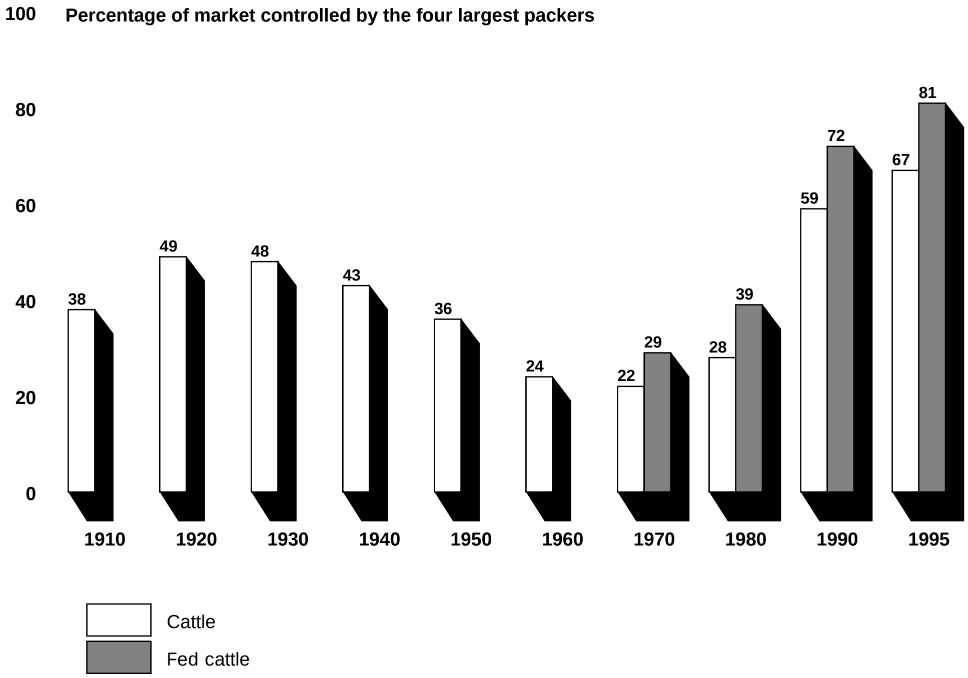
Forward contracting and futures trading began in the mid- to late 1960s by the Chicago Mercantile Exchange (CME). Futures contracts on live cattle provide a way for producers to hedge their production and feeding operations and thereby remove some of the price uncertainty that normally exists. Historically, futures markets have been used by dealers and processors rather than farmers. These markets typically have been used to provide price protection on purchases of products for shipment, storage, or processing. They offer a way of removing much of the uncertainty resulting from price changes during production—the feeding period for cattle.

The decentralization of the cattle procurement market required the standardization of grading and weighing and caused the centralization, or nationalization, of selling and buying over the telephone. It required the standardization of grades so that buyers and sellers could accurately describe the lots of cattle. It also required the centralization of price and demand and supply information, since it is the supply and demand over the country that determines the price.

USDA's Role in Monitoring for Anticompetitive Practices in the Livestock Industry

Competition in the livestock procurement market has been a source of public concern since it became technologically viable to transport cattle across the country. Figure I.2 depicts the rise of concentration in the red-meatpacking industry since the turn of the century.

Figure I.2: Concentration in the Cattle Slaughter Industry Since 1910



Notes: 1910 represents the percent controlled by the five largest meatpackers. “Fed cattle” are steers and heifers fattened with grain prior to slaughter—a practice that became widespread in the 1960s. “Cattle” include grass-fed and grain-fed cattle. USDA began collecting data on fed cattle 1969.

As early as 1888, the federal government authorized an investigation into the business practices of the largest meatpacking firms, which were accused of colluding to (1) fix beef prices to consumers and (2) apportion territories for livestock purchases and meat sales. The results of the investigation were partly responsible for the enactment of the Sherman Antitrust Act of 1890, which made any such agreements or combination in restraint of trade illegal. To circumvent the Sherman Antitrust Act, several packers formed a nationwide holding company in 1903—the “Beef Trust”—that expanded their interests to affiliated businesses, such as those engaged in transporting and retailing meat, groceries, and livestock by-products. Further investigations ensued, culminating in the passage of the Packers and Stockyards Act of 1921.

The Packers and Stockyards Act was enacted to ensure fairness and competitiveness in the livestock, meatpacking, and poultry industries by preventing fraudulent, discriminatory, or monopolistic practices. Although antitrust laws, including the Sherman Antitrust Act, already prohibited monopolistic practices, the Congress provided the Secretary of Agriculture with the authority to more closely regulate the livestock and meatpacking industries. The Packers and Stockyards Act has been amended several times since 1921 in an effort to enhance the Packers and Stockyards Administration's (P&SA) ability to regulate the changing structure and nature of these industries. For example, amendments increased the agency's authority to protect livestock producers financially by requiring that buyers pay promptly and that they be adequately bonded.

In 1994, P&SA was merged with the Federal Grain Inspection Service to form the Grain Inspection, Packers and Stockyards Administration (GIPSA). Packers and Stockyards programs within GIPSA have an annual budget of over $12 million and a staff of approximately 180 full-time employees.

USDA's Actions Taken in Response to Advisory Committee's Recommendations on Improvements to Fed-Cattle Data

Recommended action	Report issued/action taken	Frequency of report	Agency responsible	Geographic basis of report
Forward contracting				
Improve forward-contracting price reporting to include formula trading information collected for regional markets.	New report, Forward Contract Slaughter Cattle Summary, first issued in October 1996. Includes price information on cattle traded on the basis of the futures market.	Weekly	AMS	National
Provide timely, accurate information on the numbers (volume) of forward-contracted cattle committed for delivery in all out months.	New report, Forward Contract Slaughter Cattle Summary, first issued in October 1996. Includes information on the volume of cattle traded on the futures market.	Weekly	AMS	National
Provide timely, accurate information on all captive supplies committed for delivery at the start of each week to assist producers in estimating demand.	AMS has stated that it cannot collect this information from packers and suggests using Forward Contract Slaughter Cattle Summary instead.			
Encourage the development of a close-trimmed boxed beef futures contract as an additional means of price discovery.	The Chicago Mercantile Exchange (CME) has submitted a proposal for a Boneless Beef Futures Contract report to the Commodity Futures Trading Commission (CFTC) for approval, with planned issuance date of June 1997.	2 times daily (proposed)	CFTC/CME	National (proposed)
Premiums and discounts				
Improve premiums and discounts price reporting to reflect quality factors based on carcass merit.	New report, National Carcass Premiums and Discounts for Slaughter Steers and Heifers, first issued in October 1996. Includes quality factors on yield grade, weight discounts, and dark cutters.	Weekly	AMS	National
Develop a standardized list of premium or discount categories for carcass merit purchasing and an additional list of premium or discount categories based on marketing agreements and forward contracts. Consider reporting range as well as averages for each appropriate premium/discount category for livestock.	New report, National Carcass Premiums and Discounts for Slaughter Steers and Heifers, first issued in October 1996. Includes range as well as averages for premium/discount categories for livestock. AMS has stated that it cannot standardize because of variations in quality, nor can it report on the additional lists of marketing agreements or contracts. There is no standard marketing agreement or contract.	Weekly	AMS	National

(continued)

Recommended action	Report issued/action taken	Frequency of report	Agency responsible	Geographic basis of report
Create a computerized value matrix grid for pricing to help producers compare price bids among packers in different geographic regions.	AMS states that it cannot develop a value matrix because the base price is different for each feedlot. Suggests using National Carcass Premiums and Discounts for Slaughter Steers and Heifers.			
Cash market				
Provide timely, accurate information on the number of cattle purchased in the cash market on a daily basis.	Direct Slaughter Cattle Report revised by AMS in October 1996 by expanding their collection and reporting efforts to include additional packers.	1-3 times daily	AMS	Regional/ state
Improve reporting of the numbers and prices of cattle slaughtered on a daily basis to better reflect actual grades.	New report, National Summary of Meats Graded, first issued in February 1997. Provides grading percentages of cattle slaughtered by quality and yield.	Weekly	AMS	National and regional
Increase volume of boxed beef reporting beyond the current 36% of total steer and heifer boxed beef reported by AMS in 1995. Include reporting of forward sales beyond the 10-day delivery period already reported, branded products, sales delivered as price basis to a futures contract, sales of less than car-lot volume, and formulated sales.	USDA Central U.S. Boxed Beef Report revised September 1996 to include 45% of boxed beef volume, extended delivery period to 15 days. Includes information on branded products and sales of less than car-lot value. AMS stated that it cannot obtain information on formulated sales or price basis to futures contracts.	1-2 times daily	AMS	National
Report differential for USDA Prime and upper two-thirds of USDA Choice	AMS has stated that these data are not obtainable from packers because much of the high-quality product goes to export and exporters are unwilling to share proprietary information. In addition, AMS states that Prime represents less than 2 percent of cattle carcasses in a given week.			
Exports and imports				
Provide timely, accurate information at the start of each week on the prices and volume of Canadian or Mexican cattle contracted for delivery for that week.	AMS has stated that it cannot collect this information from packers.			
Provide broad access to current export sales data on packer meat exports on a weekly basis.	USDA is in the process of determining if such a report is feasible given the current available data.			

(continued)

Recommended action	Report issued/action taken	Frequency of report	Agency responsible	Geographic basis of report
Improve timeliness and accuracy of information on exports of meat and products thereof, similar to the daily reports on grain export sales.	Foreign Agricultural Service developed report to provide information on export commitments of meat and products thereof. The agency submitted proposal to Secretary of Agriculture for approval.	Weekly (proposed)	Foreign Agricultural Service	Global (proposed)
USDA should report on price and volume of imports and exports of livestock.	Report on the volume of imports and exports of livestock first issued March 31, 1997. AMS has stated that it cannot report on prices.	Weekly (proposed)	AMS/Animal and Plant Health Inspection Service	National (proposed)
Other				
USDA should report on line-of-business profits for packers and feedyards.	USDA is issuing a request for proposal for a research project on the implications of collecting line-of-business cost and profit data.	No report planned	USDA	
USDA should develop better retail price reporting in order to more accurately reflect the farm-to-retail price spread.	Economic Research Service stated that it is working with Bureau of Labor Statistics to develop an average retail price of meat based on retail sales weight and plans to include the new data in its Livestock, Dairy, and Poultry Monthly report around January 1998.	Monthly (proposed)	Economic Research Service/Bureau of Labor Statistics	National (proposed)

Objectives, Scope, and Methodology

On October 3, 1996, five Senators requested that we follow up on a recommendation we made in a 1991 report.[9] After discussions with the requesters' offices, we agreed to (1) determine whether the U.S. Department of Agriculture's (USDA) February 1996 report on concentration in the red-meatpacking industry identified the geographic boundaries of livestock procurement markets; (2) determine whether the report provided guidance on how to monitor these markets; (3) determine whether, as a result of this report, USDA has identified additional data that GIPSA could use to enhance its monitoring of these markets; and (4) describe what actions GIPSA plans to take as a result of this report. We also agreed to describe the views of the Department of Justice on the usefulness of GIPSA's data in carrying out its regulatory responsibilities in the livestock procurement markets.

To respond to this request, we met with staff from GIPSA to obtain an overall perspective on the steps that agency has taken to respond to our 1991 recommendation. We reviewed the congressionally requested report entitled Concentration in the Red Meat Packing Industry as well as the report prepared by the Secretary of Agriculture's Advisory Committee on Concentration in Agriculture. In addition, we met with economists from USDA's Economic Research Service, the Commodity Futures Trading Commission, and the National Cattleman's Beef Association. We also met with representatives from the Department of Justice's Antitrust Division and the Federal Trade Commission. Finally, we interviewed the authors of the three studies on regional market definition and seven of the reviewers from the Interagency Working group charged with providing technical support and comments to USDA on those studies.

To address the first and second objectives, we reviewed the three studies from the Concentration in the Red Meat Packing Industry report that were to define the regional cattle procurement markets in order to determine if they were conclusive on the delineation of market boundaries and if they provided any guidance to GIPSA for monitoring. We also met with GIPSA officials to obtain their interpretations of the studies' results. In addition, we reviewed written comments provided to GIPSA by members of a committee formed to review the objective, methodology, and results of all the studies contained in report. Finally, we interviewed the authors of the three studies as well as seven of the reviewers.

[9] Packers and Stockyards Administration: Oversight of Livestock Market Competitiveness Needs to Be Enhanced (GAO/RCED-92-36, Oct. 16, 1991).

To determine whether USDA has identified additional data that GIPSA could use to enhance its monitoring of these markets, we reviewed the report prepared by the Secretary of Agriculture's Advisory Committee on Concentration in Agriculture to identify recommended data. In addition, we met with representatives of the response team—including USDA's Chief Economist and Deputy Assistant Secretary for Marketing and Regulatory Programs—established by the Secretary to implement the recommendations of the advisory committee. We also met with officials from USDA's Agricultural Marketing Service, National Agricultural Statistical Service, and Economic Research Service to obtain details on the types of data each of these organizations gathers and disseminates and to discuss new efforts to collect and report additional data on livestock procurement practices. Finally, we met with GIPSA officials to determine if and how these new data would be used in its monitoring of the livestock procurement industry.

To describe what actions GIPSA plans to take as a result of this report, we met with GIPSA officials and members of the response team. In addition, we met with staff from USDA's Office of the Inspector General to discuss that office's recent review of GIPSA's investigative, surveillance, and enforcement activities.

Finally, to describe the views of Department of Justice officials on the usefulness of GIPSA's data in carrying out Justice's regulatory responsibilities in the livestock procurement markets, we interviewed staff from Justice's Antitrust Division. In addition, we met with an attorney from USDA's Office of General Counsel to obtain information on how cases are coordinated between USDA and Justice. We also met with officials from the Federal Trade Commission to discuss how they coordinate data and antitrust enforcement activities with Justice and USDA.

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