PolicyPennings by Dr. Daryll E. Ray

Senate FB addresses livestock producers' concerns

While farm payments and commodity programs are garnering the bulk of the attention when it comes to the 2007 Farm Bill debate, the legislation contains a number of provisions that have the potential to benefit livestock producers as well.

Responding to complaints that the Packers and Stockyards Administration (PSA) has not paid adequate attention to problems that have resulted from the increased concentration in the packing industry, the Senate version of the 2007 Farm Bill creates a new Special Counsel for Agricultural Competition at the USDA to investigate and prosecute violations of competition laws.

Among other things, the legislation prohibits most major packers from owning or controlling livestock more than 14 days prior to slaughter. One of the questions being debated is what impact this wording will have on marketing contracts. Some are arguing that they will still be legal, but the legislative language is not clear.

Related to packer ownership is the report from www.NationalHogFarmer.com of "a requirement that packers purchase at least 25 percent of their daily supplies at each plant through negotiated purchases." Presently the number is 10 percent. The hope of advocates of this legislation is that it will strengthen price discovery and lead to higher prices.

To help with understanding the price discovery issue with regard to pork markets, the legislation requires that the Secretary of Agriculture conduct a study of wholesale pork reporting under the Livestock Mandatory Reporting Act. The legislation also alters some provisions for swine and pork reporting.

The Senate language of the farm bill also strengthens enforcement authorities over live poultry dealers under PSA.

To help protect those who have entered into contracts with integrators, amendments to the Packers and Stockyard Act requires integrators to give 90 days' notice before terminating a contract with a producer who has made a capital investment of at least $100,000 to fulfill the contract. It also requires that any contract arbitration clause be voluntary and gives producers new rights to terminate a contract early. The language under consideration also gives producers the right to discuss contract provisions with additional parties.

COOL (Country-of-Origin labeling) wording in the Senate version is similar to that contained in the legislation that passed the House. The Senate version included macadamia nuts as a covered commodity.

Given the recent rash of meat recalls, not to mention the million pounds of Cargill hamburger that was recalled in early November 2007, the Senate bill establishes a Congressional Bipartisan Food Safety Commission to study and make recommendations for modernizing food safety programs, including organizational and resource requirements which emphasize prevention and which are based on risk assessment and best available science.

As a way of benefiting small packing plants with 25 or fewer employees, the law allows for the interstate shipment of state inspected meat.

To pull all of the livestock issues together the Senate has created a new title in the farm bill—Livestock Marketing, Regulatory and Related Programs (Title X). Previously most animal provisions were under the Miscellaneous Title.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://www.agpolicy.org. Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.