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Packer Ownership Ban Discussion Revived

In the mist of the ongoing Country of Origin Labeling (COOL) debate, other contentious issues in the beef industry, including the proposed ban on packer ownership of livestock, had been temporarily tabled. However, the Subcommittee on Livestock and Horticulture of the House Agriculture Committee renewed the issue of prohibiting packers from owning livestock more than 14 days prior to slaughter at a hearing in Grand Island, Nebraska on June 21, 2003. Two panels of livestock producers and meat packers both testified at the four hour hearing.

The panel of livestock producers was mixed in its view of the packer ownership ban. Two Nebraska feedyard managers supported the ban, indicating that it would prevent packers from strategically scheduling owned and purchased cattle to manipulate price. They called for a reduction in captive supplies to reduce thin market problems. Other livestock producers, including a North Carolina cattle producer and sale barn owner, recognized that the ownership ban may not be beneficial to all producers. A North Carolina pork producer testified that contractual arrangements with packers were necessary to manage price risk and obtain financing.

The four meat packers represented on the second panel all spoke in opposition to the ban. They argued that it was necessary to have assured quantities and qualities of livestock at processing plants (particularly in areas that produce fewer cattle or hogs than needed to operate efficiently) and that a packer ownership ban would disrupt vertical coordination that is needed to produce quality-differentiated and branded products.

There is little previous research to suggest that livestock prices would increase as a result of implementing a ban on packer ownership of livestock. The Grain Inspection, Packers and Stockyards Administration will be conducting a broad study examining marketing methods used in the livestock industries. Most of the industry representatives testifying at the Subcommittee hearing supported this effort to analyze the marketing practices of the beef and pork industries.

More information on the economic effects of the proposed ban on packer ownership of livestock is available at <http://www.feuzmarketanalysis.com/modules/Upload/uploads/Banning%20Issue-Final%20Report.pdf>.

The Markets

Last week, slaughter cattle prices were steady to \$1 lower on a live weight basis and \$1-2 lower on a dressed basis. Choice and Select boxed beef prices declined \$4.83 and \$3.00, respectively. Last week, 700-800 lb. steer prices in Kansas were about \$3 higher than the previous week. Last week's prices were steady to firm for Nebraska feeder steers and steer calves.

	Last Week	Previous Week	Last Year
Kansas Fed Steer Price, live weight (35-65% Choice)	\$73.92	\$74.27	\$63.88
Neb. Fed Steer Price, dressed weight (35-65% Choice)	\$117.08	\$117.90	\$100.79
700-800 lb. Feeder Steer Price, Kansas 4 market average	\$88.19	\$85.18	\$77.83
500-600 lb. Feeder Steer Price, Kansas 4 market average	NS	\$96.00	NS
700-800 lb. Feeder Steer Price, Neb. 7 market average	\$92.36	NS	\$82.80
500-600 lb. Feeder Steer Price, Neb. 7 market average	\$109.79	NS	\$92.50
Choice Boxed Beef Price, 600-750 lb. carcass	\$132.84	\$137.67	\$113.55
Choice-Select Spread, 600-750 lb. carcass	\$9.76	\$11.59	\$5.55