

## **GIPSA Enters Cooperative Agreements For Research On Competition Issues In Livestock And Poultry**

Washington, DC (November 12, 1999) -- The USDA Grain Inspection, Packers and Stockyards Administration recently entered into five cooperative agreements with university researchers to perform research on competition issues in livestock and poultry.

The cooperative research projects are using new analytical methods or addressing issues that have the potential to strengthen future enforcement actions and contribute to GIPSA's understanding of competitive implications of structural changes in the livestock, meatpacking and poultry industries. GIPSA initiated the following cooperative agreements:

- "A New Direction for Assessing Market Power in the Beef Packing Industry," conducted by Lynn Hunnicutt, DeeVon Bailey, and Quinn Weninger, Department of Economics, Utah State University. This project will assess possible use of market power by beef packers using a non-traditional model based on such factors as plant throughput utilization rates and examine data collected by GIPSA for a recent investigation of fed-cattle procurement in the Texas Panhandle. The project is scheduled for completion in October 2001.
- "An Analysis of the Effects of Captive Supply in Fed Cattle Marketing in the Texas Panhandle," conducted by David Bessler, Department of Agricultural Economics, Texas Agricultural Experiment Station (Texas A&M University). This project will follow up on analyses conducted by economists at the University of Nebraska and Iowa State University as part of GIPSA's recent Texas Panhandle fed-cattle investigation. It will examine whether use of existing inventories of cattle that are committed to packers through forward sales agreements (commonly referred to as captive supplies) before the animals are ready for slaughter resulted in lower spot market prices during the February 1995-May 1996 period covered by the Texas investigation. The new study will use a different methodology, directed graphs, which is an analytical tool that has not previously been used for this purpose. The project also will assess whether this new analytical tool may be used to evaluate whether captive supplies of beef cattle have a long-run effect on spot market prices. The project is scheduled for completion in June 2000.
- "Economic Effects of Regulating Broiler Contracts," conducted by Tomislav Vukina, Department of Agricultural and Resource Economics, North Carolina Agricultural

Research Service (North Carolina State University). This project will examine the economic effects on contract growers and integrators of alternative compensation methods (rather than basing payment on a grower's performance relative to other growers' performance); the distribution between growers and integrators of business risks associated with different layout times between flocks; and the effects of different asset requirements imposed on growers. This project is scheduled to be completed in September 2001.

- "The Market for Poultry Grower Services: Dimensions and Market Power Exertion," conducted by Victoria Salin and Alan Love, Department of Agricultural Economics, Texas Agricultural Experiment Station (Texas A&M University). This project will begin to examine relevant markets for broiler grower services and test for possible use of market power in the procurement of such services. The study will attempt to determine if and how competition by competing integrators influences the terms of contracts offered by an integrator in a given market area. The project is scheduled for completion in September 2001.
- "Competitive Bidding in Simulated Auction Markets," conducted by Dale J. Menkhaus and Owen R. Phillips, Department of Agricultural and Applied Economics, University of Wyoming. This project will examine possible collusive behavior in auction markets. The study will provide information about bidding behavior in a controlled setting in order to gain insights about expected behavior in actual markets. The project is scheduled for completion in September 2000.

"Taken together," said Michael V. Dunn, Under Secretary for Marketing and Regulatory Programs, "these research projects will greatly expand our knowledge of the nature of competitive forces in the markets we regulate. We will be able to make better decisions in developing new regulations that will benefit all producers."

"These studies will enable GIPSA to refine our investigative focus to target key problem areas," said GIPSA administrator James R. Baker. "The poultry studies will shed light in an area on which we want to focus more effort."

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