

USDA Releases Final Livestock and Meat Marketing Report

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WASHINGTON, Feb. 16, 2007 - USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) today released the "GIPSA Livestock and Meat Marketing Study," a report by RTI International on the use and impacts of marketing arrangements in the livestock and meat industries.

Overall, the report found that alternative marketing arrangements (AMAs) increase the economic efficiency of the cattle, hog, and lamb markets, and that these economic benefits are distributed to consumers, as well as to producers and packers who use AMAs.

The study, mandated by Congress in 2003, assesses the effects on the market of packer ownership of livestock more than 14 days in advance of slaughter and examines alternative methods to procure and transfer livestock from farm to retail.

GIPSA contracted with RTI International to conduct an extensive study of the economic effects of AMAs on beef, pork, and lamb marketing channels. AMAs are methods by which livestock and meat are transferred through successive stages of production and marketing, and include forward contracting, packer ownership, and marketing agreements. The final report, released today: (1) addresses the extent of AMA's use; (2) analyzes price differences and short-run market price effects of AMAs; (3) measures and compares costs and benefits associated with spot or negotiated marketing arrangements and AMAs; and (4) analyzes the implications of AMAs for the livestock and meat marketing system.

RTI International was awarded the contract as the outcome of a competitive bidding process based on the best value to the government, which included proposed costs to do the study and the technical merits of RTI International's proposal.

An interim report, released in August 2005, identified and classified AMAs and described their terms, availability, and reasons for use in beef, pork, and lamb market channels, from production to consumption. The most common marketing arrangements for livestock that are made 14 days before slaughter include lot-by-lot contracts or forward contracts, marketing agreements that are contracts for multiple lots, and equity investments by packers in feeding animals referred to as "packer ownership."

In December 2006, the report was sent to economic academics across the country for peer review purposes. Their comments have been incorporated into the report.

The interim and final reports, including peer reviewers' comments, and additional information about the study are available on [GIPSA's website](http://www.gipsa.usda.gov) (www.gipsa.usda.gov) by following the "Marketing Study" link.

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