

Mr. Chairman and members of the Committee, good morning and thank you for the opportunity to discuss the Livestock Mandatory Reporting Act of 1999 (Act).

The Act became law on October 22, 1999, as an amendment to the Agricultural Marketing Act of 1946. The Act authorized the Secretary of Agriculture to establish a mandatory reporting program that requires large packers and importers to report to USDA the details of their transactions involving purchases of livestock, as well as sales of boxed beef, boxed lamb, lamb program on April 2, 2001.

Under this program, USDA's Agricultural Marketing Service receives and manages some 500,000 data elements each day from packers, and does so under very tight time constraints. These data are reported by USDA in over 100 daily, weekly or monthly reports that cover market transactions for fed cattle, swine, lamb, lamb meat, and beef. Currently, there are 116 packers and importers that are required to report. All reporting packers are subject to regular and ongoing audits of their records.

Prior to the Act, USDA had a livestock and meat reporting system that relied on information collected by telephone and in person from industry participants who agreed to participate on a voluntary basis. Market participants were not obligated to provide all sales or purchase information and could choose to selectively report purchases or sales that might promote their position in the market. The information gathered was predominately that of negotiated cash transactions which were, and continue to become, an increasingly smaller share of livestock and meat transactions.

The Livestock Mandatory Price Reporting Program has resulted in the release of additional information on pricing, purchasing, and supply and demand conditions for livestock and meat. We are now reporting 85-90 percent of the boxed beef market, 75 percent of the lamb meat market, 75-80 percent of the steer and heifer cattle market, 60 percent of the lamb market, and 95 percent of the hog market.

As you are aware, the statutory authority for the Livestock Mandatory Price Reporting program lapsed on October 22, 2004. Because of the possibility that Congress would reauthorize this program, AMS approached those required to report under the Act to ask for their continued reporting on a voluntary basis until the Act was reauthorized. All but eight packers agreed to do so. From our discussions with the packers that agreed to continue reporting, it was clear that they participated because of the concern that they would shut down their reporting systems only to be required to report again in the future. It also should be noted that although most of the reports were continued on a voluntary basis, a lack of participation by some packers of cow beef trimmings and cuts did prevent release of daily prices due to confidentiality constraints.

With over four years of experience with the Livestock Mandatory Price Reporting Program, USDA, the participating packers, and the users of the data being provided have had an opportunity to gauge the strengths and weaknesses of the reporting system. For our part, USDA has modified and added reports to provide information in a manner that is most helpful to those who use it. We have had a chance to learn how to manage a system of electronic data transfer that has moved hundreds of millions of data elements. We have learned how to screen and process some 500,000 data elements each day moving them into report formats for release within a single hour of receipt.

Through our experience in implementing this program, USDA has identified several areas in which program improvements and enhancements could be made. For example, providing more flexibility in packer and USDA reporting times could be considered as it might allow program reports to better reflect changing market conditions. Also, certain statutory definitions do not delineate as clearly as they might the data to be reported. In other instances, data are required to be submitted by packers even though they could easily be calculated from other data already being provided.

We are aware that industry groups have been considering possible changes to the Livestock Mandatory Price Reporting Program. Reportedly, a variety of changes have been considered, including: modifying the timing for data submissions and the issuance of reports to reduce reporting burdens and allow reports to better reflect current market conditions; separately

reporting sows from other swine as well as cows and bulls from steers and heifers; and expanding coverage to include transactions involving pork products.

The President's FY 2006 Budget includes funding for the livestock Mandatory Price Reporting Program. Currently the Program is authorized through FY 2005. USDA is currently developing a legislative proposal that would extend the Act through FY 2007, and address some of the concerns and changes that could enhance the effectiveness of the program.

During this two year extension, USDA plans to conduct an in depth analysis to evaluate whether mandatory price reporting has addressed the original purposes set forth in the Act. This analysis will provide a basis for USDA recommending any future reauthorization of the Act.

In conclusion, it is USDA's objective to provide timely, accurate, and unbiased market information to buyers and sellers of agricultural commodities - for livestock and meat as well as the many other agricultural products that we cover. Such information benefits our farmers and ranchers as well as all other participants in the marketplace. Implementation of the Livestock Mandatory Reporting Act of 1999 clearly has resulted in the release of more information which, in turn, has contributed to greater transparency in the marketplace.

Thank you again for the opportunity to appear before you today. We look forward to working with the Committee and interested industry and producers in the reauthorization process. I will be happy to answer any questions you or other Members of the Committee may have for me.