

Good morning, Chairman Chambliss, Senator Harkin and members of the Committee.

My name is Harold Hommes and I am the Marketing Bureau Chief at the Iowa Department of Agriculture and Land Stewardship. We sincerely appreciate your seeking our input into this important discussion.

My responsibilities at the Department include the reporting of cash grain and livestock markets for the State of Iowa. We do this through a formal cooperative agreement with the Market News Branch of the USDA-Agricultural Marketing Service (AMS). The Livestock Mandatory Price Reporting Act of 1999 (MPR) is however, a uniquely federal (USDA) responsibility in which we at the state level have no direct involvement.

We believe that the Act has contributed significantly to better and more visibly market information for producers and may even be a contributing factor in the relatively less volatile market conditions that now exist for livestock producers. However, from our discussions with various producers and producer groups, we have come to believe that some significant changes to the Act are warranted.

Allow me to highlight some of our specific concerns.

Inability to Confirm a Trade is Reported

A primary concern is the inability of an individual producer to confirm or verify that his or her livestock transaction was indeed reported and reported correctly to AMS. During recent communications with the AMS staff at the St. Joseph, Missouri office, I was informed that even if a producer were to share his or her actual settlement sheets with the AMS, they would not be able to confirm that the sale was reported and/or reported correctly. The personnel in that office explained to me that they and USDA counsel believe that they do not have the authority under the existing law to share that information, even with the producer. If they are indeed correct in their interpretation of the law, I believe we need to consider changes to the law.

Involving producers in the verification process could be a vital link to accurate price reporting and enforcement. Short of this, we should consider implementation of a user ID number or code that would give the producer access to his/her transaction in the dataset that would verify which report(s) were submitted to the USDA and in which public report(s) they are contained.

Transparency:

Some time ago I asked the Des Moines office of the AMS-Market News Branch for a list of those packers required to submit under the law. I was told this was confidential. Bear in mind, I was not asking for any firms specific slaughter numbers, only whether they were subject to the law.

More recently I asked for a copy of the list of scheduled offences that AMS uses to determine what is considered a minor or major violation. As I understand it there are five levels with a class one being the more serious in nature and class five being relatively minor. I asked for the information because we were concerned that the earlier referenced transaction may have been

reported incorrectly or may not have been reported at all. A representative of the St. Joseph office had informed me that if a given violation was serious in nature there could be legal consequences but if it was something more minor, "they just work it out with the packer." Obviously, this concerns me.

Enforcement Lacking

There appears to be no mechanism that lends public transparency to the reporting and enforcement process. This is a fundamental component of nearly every law created at the State or Federal level.

To date, I have yet to hear, or see any evidence of a single fine levied. Under the current framework there are no provisions for public dissemination of information about violations so we would likely never know if a fine was levied. Enforcement is a key element in any regulated industry. The MPR Act does have provisions for enforcement and fines, but it appears that no one is actively engaged in enforcement of the law. One option would be to implement scheduled fines for specific violations. This would insure impartial enforcement of the law. Another option would be to shift some of the enforcement responsibilities to the Packers and Stockyards Administration (P & S).

It would be helpful to know if AMS auditors are finding any violations and how the Market News Branch then deals with such violations. At present we simply do not know and the Market News Branch seems unwilling to share this fundamental information. We would suggest that an annual independent and "out of house" audit be conducted and made public. Alternatively, some form of an oversight committee should be employed.

Inclusion of Wholesale Pork Cuts

For the past five years we have remained concerned about the lack of inclusion of pork market reporting in the existing law. Six years ago during the initial debate of the new legislation, we sought to have wholesale pork cuts as opposed to just swine included in the daily reporting format. We were joined in this call by the Iowa Pork Producers Association, the largest state pork association in the nation and several other groups.

We would ask your support to have pork primals, sub-primals and case ready pork products included immediately in any new or updated version of the Mandatory Price Reporting Act regardless of the extension period authorized.

Ongoing Investigation

There is now an ongoing Government Accountability Office (GAO) investigation of the Livestock Mandatory Price Reporting Program. It is my understanding that a final report will be provided later this year. We would urge you to give the findings of that report due consideration. We are hopeful that the GAO report will provide some insight into some of the concerns we have raised here today.

The MPR Act is now in the middle of a one year extension that was provided earlier this fiscal year by the Congress because there was little time then to properly address all of the needed changes to the program. Some groups are now advocating a five year extension to the existing law. It is our recommendation however, that the authorization be extended for only one year so as to insure the valuable input of the GAO. It seems that moving forward without that input would be nothing short of a waste of taxpayer dollars.

By waiting one year we would all be in a more informed position and we would likely be much more successful in framing an improved program.

As with many laws there is often a need to periodically modify or change them. The Mandatory Price Reporting Act of 1999 is no exception. We believe that some fundamental changes are needed and that the law can be improved.

We do not support or understand the need to rush on changes to the Act without knowing all the facts and especially prior to gaining the GAO's input or recommendations. Nor do we understand why we would now extend the Act for another five (5) years without the benefit of the report.

Summary

In conclusion I would like to reiterate our ongoing support for the Livestock Mandatory Price Reporting Act of 1999. We are here today to seek some modest changes in the law. Primarily, our concerns lie with the issues surrounding transparency, enforcement, the inclusion of wholesale pork cuts and some specifics of the existing law. Rather than extending the Act for a longer period of time we urge patience and we are willing to wait another year in the hope that the GAO will provide some additional guidance.

I am hopeful that the House Agriculture Committee will join you in seeking the valuable input of the GAO prior to any long term extension of the Act.

Thank you again for this opportunity. I will yield for questions or input from others.