

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

My name is Patrick Boyle and I am president of the American Meat Institute. AMI has provided service to the nation's meat and poultry industry -- an industry that employs nearly 800,000 individuals and contributes about \$90 billion in sales to the nation's economy - for almost 100 years.

AMI members include 250 of the nation's largest and smallest meat and poultry food manufacturers. Collectively, they produce 95 percent of the beef, pork, veal and lamb food products and 75 percent of the turkey food products in the U.S.

Among AMI's member companies, 60 percent are small, family-owned businesses employing fewer than 100 individuals. These companies operate, compete, sometimes struggle and mostly thrive in what has become one of the toughest, most competitive and certainly the most scrutinized sectors of our economy: meat packing and processing.

The business practices of AMI's member companies, large and small alike, are governed nationally not only by the Sherman Act, the Clayton Act, the Robinson-Patman Act and the Uniform Commercial Code, but also by the Packers and Stockyards Act, a statute unique to our industry that clearly prohibits meat packers from engaging in unfair or deceptive business practices that disadvantage their livestock suppliers. To my knowledge, there is no other sector of the U.S. manufacturing or service economy in which the federal government plays such a watchdog role with respect to raw material suppliers.

Since long before the Livestock Mandatory Reporting Act became law, AMI has opposed this unfunded mandate due to 100% of the costs being borne at the packing and processing level, with negligible new information available that could not have already been found through voluntary or market-oriented systems. Currently, AMS has hundreds of different commodity reporting programs ranging from hundreds of fruits and vegetables, cotton, and dairy, and of those, meat and livestock are the only reporting programs that are mandatory. The viability and reliability of these voluntary commodity reporting programs, let alone the existence and active participation in public commodity exchanges, is a compelling illustration that mandatory livestock reporting is an unnecessary federal mandate. Indeed, the two most actively traded agricultural commodity contracts on the Chicago Mercantile Exchange (CME) are the live cattle and live hog contracts. Combined, they represent more than two thirds of the daily average volume of the CME's agricultural products.

Although AMI has always opposed this mandate, our organization has, to the best of our ability, worked with AMS as well as with packers and processors in the beef, pork and lamb sectors to provide guidance in complying with the law.

Last year, when the Livestock Mandatory Reporting Act expired for approximately a month, AMI immediately contacted its members and encouraged them to continue reporting information to AMS, and to the best of our knowledge every one of them continued to report voluntarily.

Throughout the first six years of Mandatory Price Reporting, companies routinely have been required to reformat or even buy new computers and software that is compatible with USDA's system, adjust invoicing procedures, cost accounting, and recordkeeping, and add personnel to comply with the mandate's numerous daily reporting times and a multitude of classifications. Even worse for packers has been a changing set of standards, formats and criteria used by the government. Simply put, regulations cost companies and consumers money and changes to those regulations cost more money.

AMI and its membership still believe that Mandatory Price Reporting is an extremely costly mandate that replaced a successful, voluntary reporting program that was widely used and provided meaningful data. However, AMI has been working with its membership, as well as with livestock producer groups, to find consensus on reauthorizing the Livestock Mandatory Reporting Act in a manner that makes the program more effective and efficient without increasing costs or regulatory burdens on the beef, pork and lamb sectors. As a result, AMI along with the National Pork Producers Council, National Cattlemen's Beef Association, American Sheep Industry Association, and the American Farm Bureau Federation support, without amendment, the consensus reauthorization language submitted recently to the House

Agriculture Committee and as noted in the letter provided to the Committee today.

This consensus legislation is the result of nearly two years of productive and thorough dialogue. AMI began discussions with the leadership of the livestock community about the pending reauthorization of the Livestock Mandatory Reporting Act in July 2003. Since then, we have had very serious dialogue to further develop this legislation.

To say that there has been a change in the way food is marketed through retailers and foodservice segments during the past six years would be a substantial understatement. The number of SKUs, branded products, and new products in the meat case have greatly expanded and equally matched by dietary changes of the American consumer. Producers and processors have responded to these changes by developing products and livestock to meet these demands. In this reauthorization, as during the initial authorization, we have been very mindful not to impede efforts of producers and processors that seek to develop these value-added, noncommodity products.

Our organizations have worked hard together on this consensus document and hope that we may continue this partnership in moving this legislation forward without amendment and free of controversy.

Thank you for the opportunity to participate in this hearing today.