

Part	Objective
Part 3: Examine sales and procurement transactions records to measure the number of animals and quantity of meat traded through various spot and alternative marketing arrangements, examine price premiums and discounts associated with the different marketing methods, and examine short-run price effects of captive supplies.	Objective 5: Measure the extent to which alternative marketing arrangements are used in the cattle, hog, lamb, and meat industries. Objective 6: Examine price differences among spot and alternative marketing arrangements and the effects that alternative marketing arrangements have on spot market prices in the short run.
Part 4: Measure and compare costs and benefits associated with the various spot and alternative marketing methods.	Objective 7: Determine what effects spot and alternative marketing arrangements have on firms' operating costs and efficiency, animal and meat quality, level and distribution of risks among market participants, and consumer demand for livestock and meat. Measure potential size economies and their sources (for example, procurement costs, operating costs, selling costs, by type of resource, such as labor costs or capital costs).
Part 5: Summarize the findings of the four parts described above and address issues associated with price discovery, thin markets, long run effects on costs and prices, competitiveness with other meats, structural change, and market power dimensions.	Objective 8: Examine the implications of alternative marketing arrangements on price discovery in cattle, hog, lamb, and meat markets. Assess how prices are likely to be determined if spot markets become thinner as use of alternative marketing arrangements increases. Objective 9: Examine what effects spot and alternative marketing arrangements have on long run costs and prices, and their implications for competitiveness with other meats, structure of the livestock industry, and structure of the meatpacking industry. Objective 10: Examine the implications of spot and alternative marketing arrangements on barriers to entry, industry concentration, and other factors that have the potential to increase market power in livestock production, meatpacking, and retailing.

We request comments from interested persons on the plan for the study as outlined above.

We anticipate that both voluntary submissions of data and data collected under GIPSA's authorities will be required for the study. As the information collection requirements are identified, we will follow the standard procedure for notice, comment, and request for approval from the Office of Management and Budget.

We plan to enter into contract(s) for the performance of most of the work involved in the study. GIPSA, through USDA's Animal and Plant Health Inspection Service, will solicit and award one or more contracts competitively for the study in accordance with Federal procurement procedures. Specifically, GIPSA plans to solicit research proposals through a formal request process. Individual contracts may cover several parts of the study. For example, one contract may cover cattle, another hogs, and a third sheep and lambs; or some other combination of the study's parts may be used. We anticipate that consulting firms and university departments of agricultural economics, economics, and business may have a particular interest in bidding on the work. Collaborative research relationships among institutions may be needed to assemble all of the expertise needed for different parts of the study.

We also intend to establish a five-to seven-member academic peer review group having outstanding research credentials in this area of research to review the researchers' technical work.

We request the public to submit names of highly qualified academicians to serve as peer reviewers.

### Conclusion

GIPSA will use \$4.5 million dollars of its 2003 fiscal year budget appropriation to conduct a study of livestock and meat marketing, addressing issues "surrounding a ban on packer ownership" of livestock. Some economic studies have been conducted on the effects of captive supplies on spot market prices of fed cattle. These studies have shown a correlation between the captive supplies and lower spot market prices, but have not shown that the captive supplies cause lower prices. There has been little research on the effects of packer feeding and other alternative marketing arrangements of hogs or other types of livestock. A few studies have surveyed hog market participants to learn why they entered into alternative marketing arrangements. Studies have not examined the role of wholesalers and retailers in alternative marketing arrangements, nor such critical issues as the long-run effects of alternative marketing arrangements on prices, efficiencies, and other economic and market factors.

We intend to address these issues in the livestock and meat marketing study described in this Notice. The GIPSA study will serve several purposes:

- It will give producers better information on which to base their decisions about whether to participate in non-traditional marketing arrangements and, if so, which types of arrangements are best suited to their needs.

- It will contribute to better public understanding of the role of alternative marketing arrangements, the extent of their use, reasons why firms enter into them, and the implications of such arrangements.

- It will help identify emerging marketing information needs of livestock producers and other market participants.

- It will make an important contribution to USDA and Congress in deciding whether restrictions on use of captive supplies are warranted.

- It will assist GIPSA in enforcing the Packers and Stockyards Act by contributing to the Agency's understanding of changing marketing practices and by identifying areas that the Agency may need to include in its investigation plans.

To provide members of the livestock and meat marketing industries as well as other interested persons with an opportunity to comment on the study, we published this Notice in the **Federal Register**. We encourage all interested persons to submit comments on the plans for the study, including its scope and objectives, and methodology; submit names and contact information for highly qualified academicians to be peer reviewers; and submit names and contact information for organizations that may be interested in receiving information to bid on the study when we begin the procurement process.

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