

	Costs per plant, manual	Costs per plant, electronic monthly reports	Total costs if packers use manual methods for all 53 plants <sup>1</sup>	Total costs if packers use elec- tronic meth- ods for monthly re- ports for all 53 plants <sup>1</sup>
<b>Start-Up Costs:</b>				
Contract Library:				
Review contracts, identify example contracts (4 hours x \$20.00/hr) .....	\$80.00	\$80.00	\$4,240.00	\$4,240.00
Collect and submit example contracts <sup>2</sup> (10 examples x 0.5 hr. x \$20.00 per hour) .....	\$100.00	\$100.00	\$5,300.00	\$5,300.00
Monthly Report:				
Set up database or spreadsheet (1 hour x \$50.00) .....	N/A	\$50.00	N/A	\$2,650.00
Development of transmission methods (2 hours x \$50.00) .....	N/A	\$100.00	N/A	\$5,300.00
<b>Total Start-Up Costs</b> .....	<b>\$180.00</b>	<b>\$330.00</b>	<b>\$9,540.00</b>	<b>\$17,490.00</b>
<b>Annual Recurring Costs:</b>				
Contract Library: Collect and submit example contracts (5 examples x 0.5 hr. x \$20.00 per hour) .....	\$50.00	\$50.00	\$2,650.00	\$2,650.00
Monthly Report: Enter data into database or spreadsheet, or tabulate on paper, and compile totals:				
(Electronic: 1 hour per month x 12 x \$20.00) .....	N/A	\$240.00	N/A	\$12,720.00
(Manual: 2 hours per month x 12 x \$20.00) .....	\$480.00	N/A	\$25,440.00	N/A
<b>Total Annual Recurring Costs</b> .....	<b>\$530.00</b>	<b>\$290.00</b>	<b>\$28,090.00</b>	<b>\$15,370.00</b>
<b>Total 1st Year Cost (Start-up costs plus annual recurring costs)</b> .....	<b>\$710.00</b>	<b>\$620.00</b>	<b>\$37,630.00</b>	<b>\$32,860.00</b>

<sup>1</sup> Although we believe it is likely that most packers will use electronic methods, we do not have a basis for estimating the actual number of packers that will choose to use electronic versus manual methods. Thus, estimates are shown for the alternatives of all manual submissions versus all electronic submissions to provide a range of the likely total costs to packers.

<sup>2</sup> We are not assuming any electronic submission of contracts for purposes of this analysis because it is likely that many of the plants will submit the information directly and the plants may not have the electronic version of the contracts.

GIPSA will incur costs of operating the swine contract library, analyzing the monthly reports submitted by packers, ensuring that packers are in compliance, and making the information available at the P&SP regional office and on the GIPSA Web site. We estimate that GIPSA will incur total costs of \$400,000 per year for all activities, specified below, associated with implementing the swine contract library. We will monitor and review contracts submitted for the contract library and monthly reports filed by packers to assure completeness, consistency, and accuracy. In addition, we will conduct ongoing analyses of the data and information obtained from packers, and will explore ways to increase the usefulness of the published data and information. Our projected costs include communication costs, travel expense for plant visits to monitor compliance with the swine contract library sections of the P&S Act and regulations, costs for office supplies, computer hardware and software acquisition and maintenance.

We anticipate that our costs for providing assistance to packers and maintaining the contract library will decrease over time. As a packer becomes familiar with the regulations, it will need less assistance from us. Once the analysis of the initial submission of

contracts is complete, there will be fewer contracts received for analysis.

#### Summary of Benefits

The primary economic benefit of the contract library to producers will be to alleviate some of the current imbalance in information between producers and packers by increasing the amount of information available to producers and to provide producers the potential to improve overall production planning and marketing efficiency. Many producers report that they cannot currently obtain the information needed to compare contracts available from different packers. Producers may have very limited information, especially about contracts and contracting practices, since producers are parties to fewer contracts and have fewer resources for searching out this information than do packers. Based on GIPSA's contacts with producers, we believe that most producers currently do not search out contract terms among competing packers. Rather, they tend to contract with and deliver their hogs to a single packer. Producers have indicated to GIPSA that they do not have enough knowledge about contract terms available to them to encourage them to search out more favorable terms.

This rule will make information about the variety and types of contract terms available in the marketplace, as well as the number of swine committed under contract by region, readily and easily available from a single source. Availability of information from example contracts and monthly reports will serve to lower the search costs for producers and enable producers to be more informed before entering the marketplace.

This increased information will be beneficial to producers in making production plans and determining how to market swine. The increased information about which contract types and contract terms are available will enable producers to understand the particular terms that are available. For example, different packers often have different requirements for swine with given carcass characteristics, and the packers' premiums and discounts reflect the unique requirements.<sup>14</sup> The information from the contracts will make producers aware of contract terms that better match the characteristics of

<sup>14</sup> For example, one analysis found that net prices paid by different packers for the same quality of hogs varied by up to \$2.00 per hundredweight. ("Factors That Influence Prices Producers Receive for Hogs: Statistical Analysis of Kill Sheet and Survey Data," John D. Lawrence, Staff Paper No. 279, Iowa State University. March 1996.)