



Highlights of [GAO-06-202](#), a report to congressional requesters

Why GAO Did This Study

Livestock producers, with gross income of \$63 billion in 2004, depend on USDA's daily, weekly, and monthly livestock market news reports. These reports provide them and others in the industry with livestock and meat prices and volumes, which are helpful as they negotiate sales of cattle, hogs, lamb and meat products. Packers also use the average prices in these reports as a basis for paying some producers with whom the packers have contracts. In 1999, the Livestock Mandatory Reporting Act was passed to substantially increase the volume of industry sales transactions covered by USDA's market news reports and thereby encourage competition in the industry. In the context of ongoing discussions about the renewal of this act, GAO reviewed (1) USDA's efforts to ensure the quality of its livestock market news reports and (2) the coordination between two USDA agencies that are responsible for promoting competition in livestock markets.

What GAO Recommends

GAO recommends, among other things, that USDA improve the transparency of its market news reports, and its auditing of packers' transactions. GAO provided a draft of this report to USDA for comment. USDA generally agreed with the report and stated it has started to implement the report's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-202.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert A. Robinson at (202) 512-3841 or robinsonr@gao.gov.

LIVESTOCK MARKET REPORTING

USDA Has Taken Some Steps to Ensure Quality, but Additional Efforts Are Needed

What GAO Found

While the U.S. Department of Agriculture (USDA) took important actions to produce quality livestock market news reports, GAO found that USDA could improve the reports' transparency. Although packers with large plants must report all of their livestock transactions to USDA, GAO found that USDA market news reporters regularly excluded some transactions as they prepared USDA's reports. For example, GAO's analysis showed that from April through June 2005, USDA reporters excluded about 9 percent of the cattle transactions that packers had reported. When USDA excluded transactions, this sometimes changed the low, high, and average prices that USDA would have otherwise reported. However, USDA has not informed its readers of the extent of this practice. Moreover, USDA's instructions for guiding its market news reporters as they prepared their reports lacked clarity and precision, leading to inconsistency in their reporting decisions.

In addition, GAO found the accuracy of USDA's livestock market news reports is not fully assured. About 64 percent of 844 USDA audits of packers—conducted over 36 months ending in April 2005—identified packers' transactions that were inaccurately reported, unsupported by documentation, or omitted from packers' reports. Moreover, some packers have not promptly corrected problems. Since 2002, USDA has sent 11 packers 21 letters urging the packers to correct longstanding problems and warning them of the consequences of delay. Twice USDA has levied \$10,000 fines on packers, but suspended the fines when these packers agreed to comply. As of September 2005, USDA had continuing issues with 2 of the 11 packers. USDA officials noted that packers' errors are relatively few compared to the large volumes of data that packers report daily. However, USDA has not (1) assessed the overall quality of packers' data, (2) used its audit results to help focus future audit efforts, and (3) ensured that follow-up promptly resolves problems.

Two USDA agencies have addressed competition in livestock markets—the Agricultural Marketing Service (AMS) and the Grain Inspection, Packers and Stockyards Administration (GIPSA). GAO found the coordination between these agencies to be limited, primarily due to the legal authority within which each operates. AMS has implemented the Livestock Mandatory Reporting Act. That act did not provide authority for AMS to share individual packer transaction data within USDA except for enforcement purposes. In two investigations, AMS provided packers' data to GIPSA. On the other hand, GIPSA enforces the Packers and Stockyards Act and is responsible for addressing unfair and anti-competitive practices in the marketing of livestock. Furthermore, GAO found that GIPSA monitors cattle and hog markets by analyzing publicly available livestock market news reports—an approach that has limitations because it lacks the company-specific information that would be useful for detecting anti-competitive behavior.