

GAO Highlights

Highlights of [GAO-18-296](#), a report to congressional requesters

Why GAO Did This Study

The U.S. cattle industry accounted for about \$64 billion in receipts in 2016, according to USDA. The price of fed cattle has fluctuated widely from 2013 through 2016 and experienced a sharp downturn beginning in late 2015, raising concerns about the market and questions about USDA's oversight.

GAO was asked to review issues related to the U.S. cattle market. This report (1) describes key factors that affected changes in fed cattle prices from 2013 through 2016; (2) describes what CFTC found about possible trading irregularities in the futures market for fed cattle in 2015 and any changes to the futures contract for fed cattle since 2015; and (3) examines factors that may affect USDA's routine monitoring to ensure against discriminatory or anticompetitive practices in the fed cattle market. GAO reviewed economic data and USDA and CFTC documentation; analyzed transaction data on beef packer purchases from 2013 through 2015; and interviewed recognized experts, cattle industry stakeholders such as feedlot operators and packers, and agency officials.

What GAO Recommends

GAO is making two recommendations, including that USDA review the extent to which, under statute, the price reporting group can share daily transaction data with P&SP, and if USDA determines the statute does not permit such sharing and it is advisable, submit to Congress a proposal to allow such sharing. USDA agreed and subsequently determined that the act does not allow for such sharing and it would not be advisable citing concerns about the public's trust in the program.

View [GAO-18-296](#). For more information, contact Steve Morris at (202) 512-3841 or morrisss@gao.gov, or Oliver Richard at (202) 512-2700 or richardo@gao.gov.

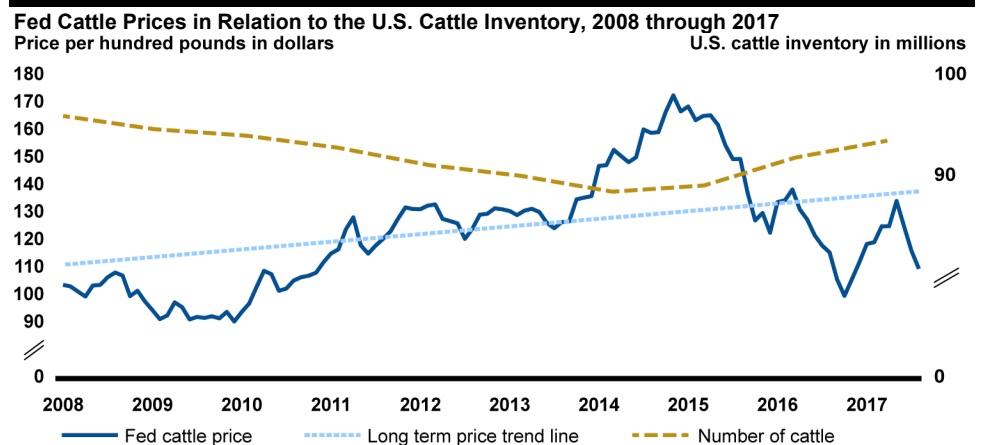
April 2018

U.S. DEPARTMENT OF AGRICULTURE

Additional Data Analysis Could Enhance Monitoring of U.S. Cattle Market

What GAO Found

Supply and demand factors, such as a drought that affected the price of cattle feed, affected changes in prices of fed cattle—those ready for slaughter from 2013 through 2016. According to industry experts and GAO's analysis, a drought from late 2010 to early 2013 led the cattle inventory to fall and rise and, in turn, fed cattle prices to fluctuate (see figure). GAO's analysis of cattle market data from the U.S. Department of Agriculture (USDA) also indicated that competition levels among packers that slaughter and process fed cattle did not appear to affect the national price changes in the fed cattle market in 2015 but that areas of the country with less competition among packers had lower cattle prices.



Source: GAO analysis of data from the U.S. Department of Agriculture. | GAO-18-296

The Commodity Futures Trading Commission (CFTC)—an agency that regulates cattle futures markets where participants buy and sell standardized agreements for cattle at an agreed-upon price at a specified date in the future—did not find evidence of trading irregularities in the cattle futures market in 2015. However, to better align futures contracts with the actual fed cattle market, CFTC reviewed changes to contract terms and will continue to monitor those changes.

The Packers & Stockyards Program (P&SP), which oversees the cattle industry within USDA's Agricultural Marketing Service (AMS), does not have routine access to daily data for transactions between feedlot operators, which produce fed cattle, and packers. Those data are collected by AMS's price reporting group, which does not routinely share them with P&SP because officials said it is prohibited by statute from doing so. The Livestock Mandatory Reporting Act of 1999 specifies that the Secretary of Agriculture may authorize the sharing of these data for enforcement purposes, which USDA interprets as an ongoing investigation, not market monitoring. In November 2017, USDA reorganized P&SP under AMS and officials said it was too early in the reorganization to determine whether AMS would view routine sharing of these data any differently. Reviewing the extent to which these data can be shared with P&SP provides an opportunity to enhance P&SP's oversight of the fed cattle market. Determining whether it is advisable to request additional exceptions from information disclosure restrictions from Congress would help USDA strengthen its oversight.