

National Meat Association

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Chief, Livestock and Grain Market News Branch,
Docket No. LS-07-01,
1400 Independence Ave., SW., Room 2619-S,
Washington D.C. 20250-0252

Re: Docket No. AMS-LS-07-0106; LS-07-01
RIN 0581-AC67
Federal Register, Wednesday, August 8, 2007
Vol. 72, No. 152
Pages 44671-44722

Gentlemen:

On behalf of the members of National Meat Association (NMA), we respectfully submit the following comments in response to the *Federal Register* Proposed Rule entitled, "Livestock Mandatory Reporting; Reestablishment and Revision of the Reporting Regulation for Swine, Cattle, Lamb, and Boxed Beef."

Organized in 1946, NMA represents the interests of meat packers and processors throughout the United States. With approximately 300 general member companies, all of which could feel the ramifications of the "livestock mandatory reporting; reestablishment and revision of the reporting regulation for swine, cattle, lamb, and boxed beef," NMA has a great interest in this *Federal Register* Proposed Rule.

The National Meat Association supports most of the proposed changes in the regulation. Although practically all of the changes will result in a cost to reprogram current systems, several of the changes will eliminate the requirement to submit and retain records of information that is of little or no value. Further, minimizing the submission of information should make the USDA audit process more efficient and lessen the burden on packers.

Recordkeeping

NMA supports the change that eliminates the requirement on lamb importers to report the time of day of a sale.

Definitions

Many of the modifications proffered in this section of the proposed rule seem reasonable. With that said, NMA does not concur with the proposed modification of “the definitions of the terms ‘negotiated purchased’ and ‘negotiated sale’ by removing the language ‘and agreement on a delivery day.’” The stated reason for making this change is that it would provide for timelier price reporting. Although this may be true, NMA believes it forces the packer to make several assumptions and speculations that may turn out to be inaccurate. Remember, a transaction is viewed as final between a buyer and seller when the price and delivery dates are established. In addition, AMS tries to match the slaughter transaction with the purchase transaction, thus the proposed rule would be more burdensome for AMS. Reporting the price before a delivery date is known assumes a date will be agreed upon, and the sale will be finalized. Also, the packer would have to speculate that the delivery date will be within 14 days in order to report the transaction as a negotiated purchase or negotiated sale. In short, NMA believes accuracy is more critical than timeliness. Further, with such a modification, there will be unnecessary reprogramming costs placed on the packers. For these reasons, NMA feels the delivery day should not be omitted from the definitions of the terms “negotiated purchased” and “negotiated sale.”

Cattle

The proposed rule proposes to separate the reporting requirements for cows and bulls from that of steers and heifers. NMA has previously supported this change to, as the rule states, “minimize the reporting burden on cow and bull packers where possible and to make the information published for cows and bulls and the resulting meat products more meaningful to the industry.” This change takes into account the industry’s burdens associated with reporting and makes them more manageable. In addition, cow and bull reporting would be on a “day prior” basis, as opposed to twice per day. This change should save time for cow and bull packers and relates better to the difference in marketing for this class of product and thereby the usefulness of the reported information.

Although not proposed by the Agency, NMA suggests changing the current method of collecting quantity information on delivered cattle. As currently collected, this information provides little to no value and creates a significant amount of record keeping.

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If the Agency believes there is value in this information, they should consider a method similar to the “prior day reporting for swine.”

In addition, the Agency proposed “to modify the definition of the term ‘boxed beef’ to remove references to age limitations on products and to require packers to report transactions for frozen primals, subprimals, and cuts in addition to the current requirement for packers to submit information on frozen beef trimmings and boneless processing beef.” The National Meat Association concurs with elimination of product age restrictions; however, we feel that at some point the age of the product (shelf life) is a marketing factor that may need to be considered. Without any information on product age, the USDA market reporters may feel compelled to speculate whether a low price is a function of a down market or product that has reached the end of its shelf life. We recommend that before modifying current reports, the Agency closely evaluate the new information collected and make sure it does not distort the market. The changes that could occur in the various reports, such as the cutout report, could affect current marketing practices, such as forward contracts and formula pricing.

The Agency has also made modifications to the definition of the “carlot-based,” which for cows and bull boxed beef items would include any transaction between the seller and buyer consisting of 5,000 pounds or more of one or more individual items, where all products in the transaction must be reported. NMA is concerned that certain high value cow cuts such as tenderloins may be trading in substantial volume as individual items in less than 5,000 pounds sales, which may preclude the reporting of a significant number of transactions. Further, it is unclear if and/or how the Agency will use “less than “carlot-based” transactions” that may be voluntarily reported. NMA feels the Agency should clarify this issue before proceeding to the Final Rule.

Additionally, NMA supports the proposed modification of the definition of the “terms of trade” to clarify that the requirement to report the terms of trade applies only to steers and heifers to coincide with proposed separation of reporting requirements for cows and bulls from steers and heifers. “Terms of trade” has been modified to require packers to distinguish between negotiated transactions that are scheduled for delivery not later than 14 days and those negotiated transactions that are scheduled for delivery more than 14 days, yet fewer than 30 days. Though the proposed modifications would not require packers to submit additional transactions, it would allow AMS to separately identify these types of transactions.

Finally, NMA agrees with packers being required to report the quantity of cattle purchased on a negotiated basis and on a negotiated grid basis that were slaughtered in addition to the current requirement to report the number of cattle purchased through forward contracts, formula marketing arrangements and the quantity and carcass characteristics of the packer-owned cattle that were slaughtered. Also, packers would be required to provide the basis-level month and delivery year for all cattle purchased

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through forward contracts in addition to the current requirement to report the basis-level and delivery month. As these changes are deemed necessary to make the information published in AMS market reports more meaningful and useable by industry by providing a complete picture of the prior week's slaughter with respect to the numbers of cattle harvested under each purchase type, we advocate the Agency's efforts.

Swine

NMA concurs with all the changes on swine reporting. The changes should enable the Agency to publish more meaningful reports while lessening the burden on packers.

Lamb

Though adding to lamb packers reporting requirements, NMA feels the modifications made in the proposed rule for lamb packers should be beneficial. We encourage the Agency to learn from experiences on cattle and swine reporting requirements and minimize the collection of information that does not add value to the published reports. NMA feels it is reasonable to require packers to submit information on their carcass purchases in addition to the current requirement to report carcass sales. In addition, by requiring packers to also report their carcass purchases, the Agency will be capable of making more complete and meaningful information available in their AMS market reports.

Conclusion

Though NMA agrees with most of the changes in the Proposed Rule, exceptions noted above, we are very concerned with the implementation process and the changes to existing USDA reports. The USDA market reports are a vital part of the marketing process for livestock and meat. NMA strongly encourages the Agency to closely evaluate the impact on the marketplace of any modified or new reports. Consistent with the Agency's past practices on voluntary market reporting, we trust the Agency will work closely with the industry and consider our input as new or modified reports are developed. Further, we stress the importance of allowing appropriate time for implementation and appropriate beta testing of changes to assure a smooth transition.

Thank you for providing this opportunity to comment.

Sincerely,

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Director Emeritus

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Associate Director Regulatory

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