



NATIONAL MEAT ASSOCIATION®

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August 18, 2010

**J. Dudley Butler, Administrator
Grain Inspection, Packers & Stockyards Administration
United States Department of Agriculture
Washington, DC 20250**

**By U.S.mail and Email
John.d.butler@usda.gov**

Dear Mr. Butler:

Thank you for your August 10, 2010 response to my June 18, 2010 oral and written requests for information. My written request was intended to be a follow-up, in the nature of a Freedom of Information Act request, to the question which I had posed that morning during your agency's teleconference for industry representatives. What I had expected to receive were copies of what you described as "complaints (received by GIPSA) from market participants that packer-to-packer sales may have the intended or unintended effect of manipulating market prices." This letter is a request for copies of all such complaints. Please treat this letter as a Freedom of Information Act request. Since these complaints form part of the basis for your agency's currently proposed competition regulations, please furnish these documents within the next 30 days so that the National Meat Association will have the opportunity to address this material in its comments on the proposed regulations. As you know those comments are currently required to be submitted no later than November 22, 2010.

In your August 10 letter, you made a number of observations, which raise additional questions. For example, you state that packer-to-packer acquisitions have "expanded considerably" since 2006, and that,

"GIPSA believes it to be contributing to significant price distortions. In one instance, the price distortion was almost 3 percent of the reported base price for hogs."

Please identify specifically when and where these significant price distortions occurred, how many there have been, the amount of each distortion, and whether the distortion raised or lowered the reported base price.

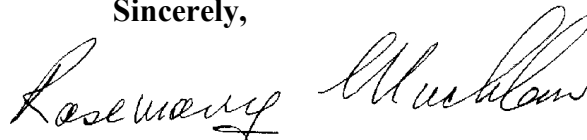
You describe how GIPSA has worked with the Agricultural Marketing Service (AMS) to reclassify certain packer-to-packer transactions from "Negotiated" to "Packer Sold" or "Packer Sold Negotiated" in AMS price reports in order to eliminate potential price distortions. Please explain why these reclassifications have not been a sufficient response to this type of transaction

Your letter states that "certain packers may be influencing negotiated hog prices through a separate procurement mechanism." What is the "separate procurement mechanism" to which you refer?

Your letter also states that statistical analysis spanning two years indicated that packer-to-packer transactions "were affecting the negotiated base price an average of \$1.31 per cwt (approximately 2 percent) over the two-year period. In some months the effect on the base price was more, and in some months it was less, but you indicate "the pattern was statistically significant." What were the amounts of these effects, on a month by month basis, for the two-year period?

Thank you for responding to this inquiry. It is important to have this information as quickly as possible, because of its relevance to the current rulemaking.

Sincerely,

A handwritten signature in cursive script that reads "Rosemary Mucklow". The signature is written in black ink and is positioned above the printed name.

**Rosemary Mucklow
NMA Director Emeritus**

cc: Congressman Jim Costa