

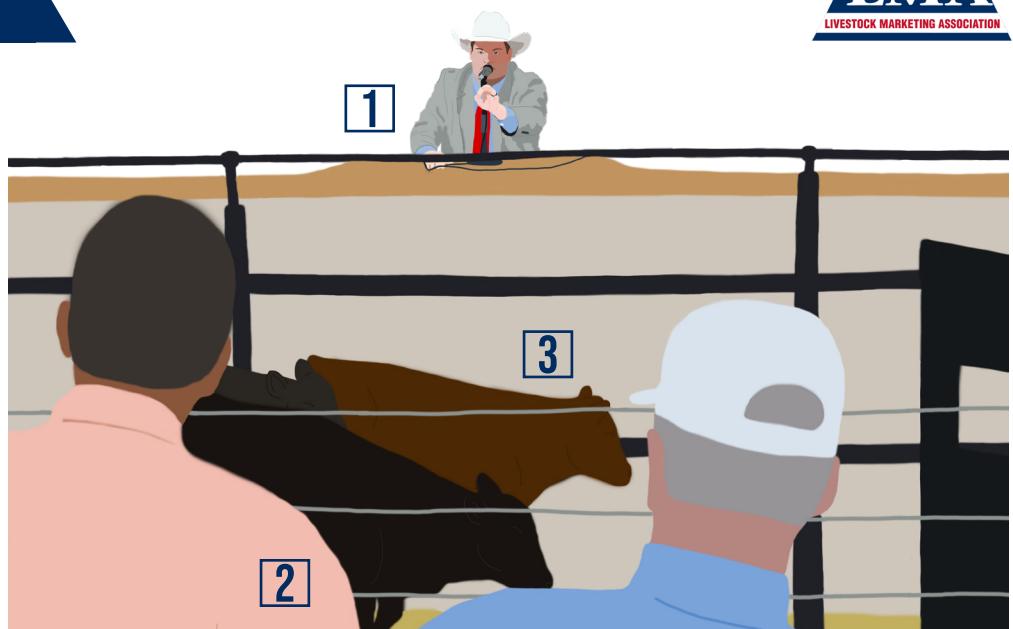
TRANSPARENCY THRIVES

in an auction environment



WHAT IS A LIVESTOCK AUCTION?

Livestock auction markets, sometimes called sale barns, serve as the junction between buyers and sellers. They sell livestock on a commission basis, through a competitive bidding process, to gain the highest price. Markets act as agents of the farmers and ranchers (producers), who depend on them to help generate the greatest value for the livestock they raise. Livestock auctions are a critical component of the beef supply chain, moving cattle between segments as they head toward consumers' plates.



1 THE AUCTIONEER

It is the job of the auctioneer to get the most money possible for livestock sold. They lead the sale with their chant, increasing the price as they capture bids from competing buyers in the seats.

2 COMPETING BIDDERS

A bidder is the person at the auction who is making an offer to buy. Two or more bidders creates competition, driving the highest value of what an animal is worth. Bidders at auctions include dealers, order buyers, packers, cattle feeders and other producers.

3 LIVESTOCK SOLD

Livestock auctions see a variety of animals through their sale rings, with the majority being cattle. According to the 2020 P&S report, 32.5 million head of cattle are sold at auction annually. The livestock are owned by a variety of sellers.

HOW ARE THEY REGULATED?

The public nature and competitive environment of a livestock auction makes procurement of cattle through the auction from a transparency perspective.

Unlike the terminal stockyards of days gone by, sales at a livestock auction occur in a sale ring with an auctioneer driving competition between competing bidders. Sellers and buyers both attend the livestock auction and can raise concerns if they do not like the way the sale is conducted. In many cases, these auctions are also broadcast online for viewers and recorded.

In addition to the natural openness an auction environment brings, Packers & Stockyards (P&S) Act regulations further promote transparency. For example, P&S requires livestock auctions sell consigned livestock openly, at the highest bid (9 CFR 201.56). The same regulation also requires disclosure to the seller when someone affiliated with the auction buys livestock out of the sale.

MARKETS PROHIBITED FROM INVESTING IN MEAT PACKERS

Congress and the cattle industry agree we need to increase the U.S. beef packing capacity, ideally by adding new competitors to the marketplace.

Unfortunately, an outdated regulation prohibits livestock auction owners from owning or investing in meat packing businesses (9 CFR 201.67).

This is an antiquated rule that predates the current, transparent method of selling livestock at an open auction to the highest bidder, incentivizing transparency and competition. There is also disclosure when the buyer has a relationship with the livestock auction.

In today's environment, where the cattle industry desires more packers to compete for livestock, we should be encouraging investment in packing businesses, not prohibiting it.

Under the **APLUS Act**, a **threshold cutoff** of 2,000 head of cattle/day or 700,000 head of cattle/year **will prevent large packers from operating livestock auctions.**

The **Amplifying Processing of Livestock in the United States (A-PLUS) Act (H.R. 530)** would increase participation by allowing markets to own or invest in small and regional packers.

This bill is supported by Livestock Marketing Association (LMA), National Cattlemen's Beef Association (NCBA), United States Cattlemen's Association (USCA), National Pork Producers Council (NPPC), and American Sheep Industry Association (ASI).

At the same time, very large packers (slaughtering more than 2,000 head/day or 700,000 head/year of cattle) would still be prohibited from owning a livestock auction. This prohibits the 10 largest beef packers from owning or investing in livestock auctions.



"We know of several auction owners, including LMA members, that would be interested in being part of a packing facility. It doesn't seem right that we (auctions) are allowed to sell the cattle, but aren't allowed to invest in something to further help our producers. Investing in packers should be promoted, not prohibited."

MARK BARNETT, LMA PRESIDENT



ABOUT LIVESTOCK MARKETING ASSOCIATION

The Livestock Marketing Association (LMA) is North America's leading trade association, dedicated to serving its members in the open and competitive auction method of marketing livestock. LMA has more than 800 member businesses and represents over 80% of regularly selling livestock auctions. LMA remains invested in both the livestock and livestock marketing industries through support, representation and communication efforts.

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