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There are benefits to livestock contracts

It's a shame that the Register failed to note in its Feb. 24 story, "Battle Set in Congress Over Packing Contracts," that one of the benefits of livestock contracts and marketing agreements is that they are important tools producers can choose to use to manage their most volatile risks, including input costs and final price.

For example, many producers with marketing agreements limited their exposure to the difficult market prices for hogs in the late 1990s.

Agreements have helped some limit the problems attendant to the surge in the price of corn over the past 12 months. In both of these instances, the flexibility of producers to lock in market prices for hogs or feed in advance can mean the difference between seeing black or red at the end of the year.

Furthermore, farmers can enter livestock contracts to lock in a guaranteed cash flow when they're undertaking major capital investments to improve the productivity of their land or the value of their farm. Once again, these flexible agreements give producers a tool to combat the volatility of modern agriculture.

A recent report from the U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration unequivocally stated that restrictions on the uses of marketing agreements "for sale of livestock to meatpackers would have negative economic effects on livestock producers, meatpackers and consumers."

Despite the finding of this report, which was mandated by Congress, there is a move afoot in Washington to outlaw these agreements altogether.

Congress should be in the business of expanding opportunity for rural America, not putting it out of business.

- J. Patrick Boyle,

president and CEO,

American Meat Institute,

Washington, D.C.

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