

Price Discovery and Competition in Markets for Fed Cattle

The U.S. Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) issued *Price Discovery and Competition in Markets for Fed Cattle*, an Advance Notice of Proposed Rulemaking (ANPR). AMS is seeking comment on several possible interventions to develop new benchmarks as Alternative Marketing Agreements (AMA) base prices, and approaches to trading when using benchmarks.

USDA has fielded concerns from producers around beef packers using reported regional cash or spot prices as base prices for fed cattle formula pricing AMAs. Thin spot markets are common in concentrated markets where contracting is frequently used for procurement. These issues have become especially prominent in fed cattle markets as the share of cattle purchased by beef packers using AMAs increased to more than 70% while the average share of cattle sold in the negotiated cash spot market fell below 20% nationally.

The ANPR requests comment on a range of targeted options designed to ensure that base prices in fed cattle AMAs are broadly representative of general market conditions and are not vulnerable to distortion or strategic behavior that could cause prices to shift for reasons other than changes in supply and demand.

Options presented for consideration include:

- A 50% cap on the use of a regional cash negotiated benchmark unless the regional benchmark meets regulatory standards for depth and reliability.
- Limitations on meat packers' exclusivity agreements or exclusivity trade practices.
- Prohibitions to prevent meat packers from engaging in certain trade practices that provide the opportunity for them to manipulate the base price in these agreements.
- A prohibition on meat packers from delaying the pick-up of live cattle that they have purchased.
- Written documentation requirements for meat packers to assess contributions to price discovery and to determine compliance with any regulations adopted, etc.
- A number of the interventions reference the potential for using exchange trading as a potential tool and ask questions about the value of doing so.

These options are intended to mitigate the negative price effects of AMAs on the spot market and preferential behavior for producers selling fed cattle under AMAs that underly the complaints USDA has received over the years.

Public Comments:

Interested persons are invited to submit comments concerning this notice by using the electronic process available at [Regulations.gov](https://www.regulations.gov). All comments should reference the document number and the date and page number of this issue of the [Federal Register](https://www.federalregister.gov). All comments submitted in response to this notice will be posted without change, including any personal information provided, at [Regulations.gov](https://www.regulations.gov) and will be included in the record and made available to the public.

Get Involved: For more information visit the Price Discovery and Competition in Markets for Fed Cattle ANPR [webpage](#).