



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 30, 1999

### **Livestock Mandatory Reporting Act of 1999**

*As ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry  
on July 28, 1999*

#### **SUMMARY**

This bill would amend the Agricultural Marketing Act to require certain meat packers to report on their activities to the Agriculture Department (USDA). The reports would include the prices, quantities, and terms of sale for domestic cattle, swine, lambs, and the meat products of such livestock. CBO estimates that implementing this bill would cost \$30 million over the 2000-2004 period, assuming appropriation of the necessary amounts. The bill would establish new civil penalties, so pay-as-you-go procedures would apply. However, CBO estimates that any additional penalties (which are recorded in the budget as revenues) would be negligible. The bill's provisions would be effective for five years after enactment.

This bill contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that this mandate would impose no significant costs on state, local, or tribal governments. The legislation also would impose private-sector mandates, but CBO estimates that the direct costs of those mandates would not exceed the annual threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

For the purposes of this estimate, CBO assumes that amounts necessary to administer this program will be appropriated for each fiscal year. The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 350 (agriculture).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
<b>Baseline Spending Under Current Law</b>						
Estimated Authorization Level <sup>a</sup>	9	9	10	10	10	10
Estimated Outlays	8	9	9	10	10	10
<b>Proposed Changes</b>						
Estimated Authorization Level	0	6	6	7	7	7
Estimated Outlays	0	3	6	7	7	7
<b>Spending Under The Bill</b>						
Estimated Authorization Level <sup>a</sup>	9	15	16	17	17	17
Estimated Outlays	8	12	15	17	17	17

a. The 1999 level is the amount appropriated for livestock, meat, and grain marketing services of the Agricultural Marketing Service. The estimated authorization levels for 2000 through 2004 reflect CBO baseline estimates, assuming adjustments for anticipated inflation.

## **BASIS OF ESTIMATE**

The bill would significantly expand the volume and scope of marketing information about livestock that is collected and published by USDA. Based on information from USDA, CBO estimates that implementing the bill would require additional appropriations of \$6 million in both 2000 and 2001, and about \$7 million annually over the 2002-2004 period.

The bill would require more standardized collection and reporting of information from the meat processing industry regarding the marketing of cattle, swine, lambs, and the meat products of such livestock than is currently required. Livestock processors would have to report detailed information regarding prices and quantities of various categories of livestock twice a day, which USDA would be required to make available to the public three times a day. Certain other information would be collected and disseminated weekly. The bill also would require USDA to issue export certificates for all meat and meat food products, and to compile and report on the amounts of beef, beef variety meats, and cattle that are imported.

The market news service of USDA's Agricultural Marketing Service (AMS) employs 70 livestock news reporters stationed around the country servicing 670 local livestock markets. The bill would require USDA to expand coverage to about 2,000 local markets. Based on information from AMS, CBO estimates that the expanded duties of USDA would require an additional 82 livestock news reporters, and associated automated data processing

equipment. We estimate that the expanded livestock reporting required by the bill would increase USDA's costs by \$30 million over the program's five-year authorization period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the bill would establish civil penalties for noncompliance with reporting requirements, it could lead to additional revenues. However, CBO estimates that any additional collections from such penalties would be negligible.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

The bill would prohibit state and local governments from imposing additional or conflicting requirements regarding livestock price reporting. This preemption of state and local law would be a mandate as defined in UMRA. CBO estimates, however, that this mandate would impose no significant costs on state or local governments. The bill would have no other impact on the budgets of state, local, or tribal governments.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill would impose new private-sector mandates on certain firms that pack and process beef and pork, who would be subject to new requirements for reporting prices. Based on information provided by industry sources, CBO expects that the cost of the mandates would fall well below the threshold established in UMRA (\$100 million in 1996, adjusted annually for inflation). Among the burdens that would be imposed is a pricing report required twice daily from packing firms that have slaughtered an average of 125,000 cattle or 100,000 swine in the past five years. The bill also would require those firms to submit weekly reports incorporating data on specialized contracts and merit premiums. Packing firms would be required to maintain original contracts and other records verifying the accuracy of their periodic reports. Many packers currently participate in a voluntary reporting system operated by the Department of Agriculture. A number of states already require reports, but there are significant differences between the programs of different states, which has led some packers to push for a uniform national standard for reporting. Industry experts indicate that the new mandatory program would particularly burden small and medium-size firms, who may not have the necessary systems in place to fulfill the bill's reporting requirements. The costs of the private-sector mandates in this bill could exceed \$5 million annually for beef and swine

packers to pay for the increased staffing costs to comply with new requirements. The bill would also authorize the Secretary of Agriculture to establish a similar reporting program for lamb sales, which could impose similar requirements on lamb packers if such a program were instituted. The cost of such requirements to the industry would fall well below UMRA's threshold for private-sector mandates.

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