

Introduction

This report is in response to the mandate described in the Conference Report (House Report No. 106-948) that accompanied the 2001 Agricultural Appropriations Bill (Public Law 106-387) to conduct a comprehensive study on the issue of captive supply. In particular, the Secretary was instructed (1) to examine and report on whether the cattle that are procured pursuant to a captive supply arrangement by a packer's non-reporting subsidiary, affiliate and owners, officers, and employees were being included in the percentages of captive supply; and (2) to include the reasons why the Grain Inspection, Packer and Stockyards Administration's (GIPSA's) annual "Packers and Stockyards Statistical Report" frequently reported a captive supply percentage much lower than the percentages reported by other entities.

During the past decade, captive supply has become an increasingly controversial issue. In the fed cattle industry, "captive supply" nearly always refers to cattle that are available to only one packer prior to the sale of the cattle. This report addresses the issue of captive supply in the fed cattle industry, the issues raised by captive supply, and GIPSA's and other entities' reporting of captive supply. The main body of this report is organized as follows. Section 1 sets out GIPSA's definition of captive supply and reviews the history, definition, and description of GIPSA's captive supply statistics. Section 2 reviews the results of an examination of whether the cattle that are procured pursuant to a captive supply arrangement by a packer's non-reporting subsidiary, affiliate and owners, officers, and employees are included in the percentage of captive supply reported by GIPSA.

Section 3 compares GIPSA statistics with those of other entities and discusses why GIPSA's annual "Packers and Stockyard's Statistical Report" frequently reports a captive supply percentage lower than the percentages reported by other entities. Section 4 reports the results of a review of GIPSA's 1999 captive supply statistics. Section 5 identifies the actions GIPSA has taken or will take in response to this report.

Appendix A of the report provides captive supply parallels and precedents elsewhere in agriculture. It also discusses the effects that the increasing size of packing plants and cattle feedlots has had on the marketing of cattle for slaughter. Appendix B presents the arguments supporting and opposing the use of captive supplies and a brief summary of the major economic studies that address whether the use of captive supplies lowers spot market prices. Appendix C discusses the use of captive supplies and the P&S Act.