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The livestock industry generally is thought to be competitive--an industry free of government intervention. While in many respects this viewpoint is correct, several government programs do affect livestock. Some of these programs are discussed in this newsletter.

Direct Programs

Policy programs which affect the livestock industry directly attempt to do three things: (1) improve the operation of the pricing mechanism; (2) regulate or supervise livestock production or marketing; and (3) control or stabilize price.

Improving the Operation of the Pricing Mechanism-At least two programs have as part of their goals the improvement of the free market pricing mechanism--grading and market information programs. A high percentage of the meat sold in this country either is graded by federal graders or is graded by private concerns who rely on federal grade standards for at least part of the criteria they use. Currently, there is some pressure to change beef-grading standards, mainly to put standards more in line with both consumer demands and feedlot performance.

Marketing information programs are provided by federal, federal-state and state agencies. Included under market information are programs of the Cooperative Extension Service, periodic reports from the USDA and public market information services. In general, these programs are accepted by the livestock industry and are believed to be necessary for a healthy industry.

Regulatory or Supervisory Programs-Generally, regulatory or supervisory programs operate as safeguards against the spread of animal disease, the sale of products unfit for human consumption or unfair trade practices. Disease control programs, such as current regulations on brucellosis and scabies, are good examples of the first type. Meat inspection laws have, as their major purpose, protection of domestic health. A high percentage of all meat sold in this country is subject to federal and state meat inspection. Activities of the Packers and Stockyards Division of the USDA are examples of attempts to promote fair trade practices.

Direct Attempts to Control or Stabilize Price-Direct attempts to affect livestock prices have been used in the U.S., although less frequently than in other sectors of the agricultural economy. Price controls (freezes) were used on beef in 1973. A form of price supports is provided when the government purchases dairy products in an effort to maintain milk prices at a specified percentage of parity. Purchases of meat for school lunch programs and the Food Stamp Program also could be viewed as food price support measures.

Livestock price subsidies seldom have been used, with the wool payment plan an exception. Wool incentive payments are provided in an attempt to increase production of quality wool in the U.S. Protectionist policies involving marketing quotas or other means to protect domestic producers from foreign competitors also are being used, with beef restrictions probably the most well-known example. Beef legislation allows imports up to certain predetermined levels before quotas are imposed.

There probably will be few changes in upcoming legislation that will drastically change the direct policy programs for livestock. Possible changes might involve the following--the Food Stamp Program may be switched from the USDA to another agency; dairy price support programs may be looked at closely; and there is pressure to change the grading and marketing information programs. Even then, changes will probably be minor. Since many people seem to view the direct livestock policy programs as generally conducive to both producer and consumer interests, longer-term major changes are also not likely.

Indirect Livestock Policy

Two major policy programs, while not specifically directed at livestock, do affect the industry, namely, those dealing with feed-grains and land-use. The interdependence of feed-grain and livestock production and the high land requirements for many livestock enterprises are the principal links between these programs and the livestock industry.

When feed-grain and restrictive land-use programs result in lower feed supplies, or if grain prices are supported above free-market levels, feed costs to livestock producers are increased. Eventually, higher feed costs result in lower livestock production, higher livestock prices, or both. Also, when land-use restrictions on grain have been used, both the feed-grain and livestock industries have been affected. That is, while the land-use programs were enacted to restrict the use of land for grain, they did not allow the use of that land for livestock except under emergency conditions.

Given that most U.S. and world grain supplies currently are at relatively low levels, upcoming policy programs for feed-grains and land-use likely will be less restrictive than if there were surpluses of grain. This means that the livestock sector probably will not be adversely affected by the indirect programs mentioned above.

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