Proposed USDA plan would hurt Oklahoma, economist says

BY JOHN DUNHAM Leave a comment
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An obscure bureaucratic regulation is being proposed by U.S. Department of Agriculture's Grain Inspection, Packers and Stockyards Administration. If enacted, it could have a significant impact in Oklahoma by dismantling widely used business models between livestock producers and meat packers.

According to industry legal experts, the regulation would, among other things, adversely affect meat packers' and their suppliers' willingness to use marketing agreements. The proposed rule increases the risk associated with using marketing agreements because it would change long-standing judicial precedent and make it easier for a disgruntled supplier to sue and win in a lawsuit. In doing so, the proposed rule creates a disincentive for packers to use such agreements.

The American Meat Institute recently commissioned me to conduct a study on the economic impact of the proposed rule. My findings indicate that, if enacted, the rule will cost Oklahoma 2,200 jobs, with lost wages totaling almost $56 million and the total economic impact surpassing the $258 million mark.

Nationwide, if the rule moves forward, the United States will lose 104,000 jobs, along with approximately $14 billion in total revenue, much of which is spent in small towns and rural areas. As our analysis shows, these are not just jobs in meat packing or livestock production, but in nearly every sector of the American economy.

It's hard to imagine how a rule that imposes additional costs on rural America could help the farm economy in any way. In fact, it is hard to fathom why the federal government would promulgate a policy that would cost this country any jobs given the current state of the economy.

USDA's own economic data from 2007 reveals that altering the status quo in the manner proposed by the new rule could cost consumers and producers $60 billion over the next 10 years. Oklahoma residents, specifically, would end up paying almost three and a half percent more (totaling $25.6 million) for their meat products.

From an economic and practical viewpoint, when I look at the scope of the proposed rule and the amount of damage it will inflict on America's meat and poultry industry, which generates $832.4 billion annually to the U.S. economy, or roughly 6 percent of the entire gross domestic product, it convinces me that the rule should not be implemented. Oklahoma simply cannot afford to lose more jobs and more tax revenues.

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