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# Addressing USDA regulations

By: J. Patrick Boyle
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President Barack Obama said the right words for millions of businesses when he pledged a government that regulates and protects consumers without smothering economic growth.

The president's recent Executive Order directs a government-wide review "to remove outdated regulations that stifle job creation and make our economy less competitive." When you consider that, each year since 1981, new government regulations cost the economy anywhere from $5 billion to $20 billion annually, there is work ahead.

Indeed, this executive order may be just in the nick of time. Though the number of government regulations has soared in the last two decades, their annual cost in the past two years could top them all — reaching a staggering $26.5 billion, according to recent Heritage Foundation data.

But the administration may fall short of its goal to create a "21st century regulatory system" if it fails to look at proposed regulations. There are nearly 200 on the docket, including a little-known – yet significant – proposed rule by a little-known Agriculture Department agency, the Grain Inspection, Packers and Stockyards Administration.

This rule, while obscure, could effectively dismantle the business models used by livestock producers, meat packers and poultry processors – setting the industry back decades in its customer-driven evolution toward value-added products. It was introduced by an Agriculture Department official, who was formerly a trial attorney.

Over the last several decades, livestock producers and meat companies have

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increasingly entered into marketing agreements for their mutual benefit. Under these, livestock producers provide livestock that have certain characteristics to support a brand or package claim. It's these partnerships that have created meat and poultry products that suit consumers' needs and preferences — including options like "Free Range," "No Added Hormones" and "Certified Natural."

Under the proposed rule, these agreements would become more "legally risky," and subject to challenge by livestock producers who aren't part of the agreement. This would discourage use of such agreements, forcing a return to the days of relying on the "spot market" — and ultimately reduce the options available to consumers.

The proposed rule would impose other burdensome new requirements, like prohibiting packers from selling livestock to other packers. This provision won't solve s mall producers' real challenges — from rising feed costs to a declining economy and increasingly demanding consumers.

The rule also threatens to make the U.S. industry less competitive globally, because international competitors wouldn't need to comply with these rules. The net result could be an increased trade deficit, elimination of domestic jobs and reduced government revenues — when severe austerity measures are already in place.

Many large beef importers, like Japan, impose strict requirements, and marketing agreements help ensure that our Japanese customers are satisfied. The new rule would hamstring packers' ability to do this, even a s our biggest global competitors in Canada, Australia, Brazil and Argentina would remain unencumbered. This matters because in 2009, export markets were worth more than $16 billion.

The USDA rule is a perfect example of what

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Obama called "regulations that stifle job creation and make our economy less competitive." This "little" rule would have staggering negative economic consequences. It could eliminate 104,000 U.S. jobs, according to a John Dunham and Associates recent study, reduce national gross domestic product by $14 billion and cost $1.36 billion in lost revenues to the federal, state and local governments.

Under the new government regulatory paradigm, USDA should withdraw the proposed rule, because it threatens to dismantle the supply chain in one of the most dynamic and competitive sectors of U. S. agriculture.

Though the president contends that the regulatory system of future should "use disclosure as a tool to inform consumers of choices rather than restricting their choices," USDA is now pushing a regulation that is likely to do just the opposite — reducing choices for consumers here and abroad.

It would be ironic, and unfortunate, that in its quest to eliminate economically stifling regulations, the administration missed rules its agencies were introducing right under its nose.

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