



IAMECON CASE STUDY

How We Helped The
Center for Food Safety
Evaluate AMS' Organic
Livestock & Poultry Practices
Economic Analysis Report



BACKGROUND

In 2017, the Agricultural Marketing Service (AMS) issued the Final Regulatory Impact Analysis (fRIA) and the Organic Livestock and Poultry Practices (OLPP) Rule. However, many errors emerged from these reports, which called for a Withdrawal RIA to be produced. The Organic Trade Association (OTA) then filed a motion for summary judgement of these reports, which led to the discovery of additional mistakes made in both reports.



THE GOAL

CONDUCT AN AUDIT OF
AMS' ECONOMIC
ANALYSIS REPORTS



INTELLIGENT
ANALYTICS
& MODELING

OUR FINDINGS

Customer's Willingness to Pay (WTP) for eggs is underestimated due to sample bias; in fact, the true WTP for existing organic customers is evidently

2-4.5x higher



The OLPP overall growth rate of 12.7% underestimates the new entry rates; there are new economic incentives (higher profits) to farmers to enter the organic sub-market compared to before.

Lack of standardized labeling practices decreases customer's trust in the labels, and leads to decreases in WTP and in consumption. It is more efficient (for producers & consumers) to operate in a standardized market with no information asymmetries (major indicator of market failure).

Total benefits of welfare improvements on the broiler submarket are vastly underestimated in all of the reports due to only including costs to the producers.

USDA's own study reports up to 30% WTP increases for broiler meat with lower stocking density, which would translate into ~\$55 million in benefits annually.

When producers cannot efficiently signal their quality to their customers, it disincentivizes them from investing in capital improvements knowing that they are not able to collect the benefits of their investments. This could lead to an outcome of reduced product quality in the marketplace.



The current regulatory decision for defining "small" producers is disproportionately large to represent the organic egg industry. This gives the spurious conclusion that the effects of the OLPP are the small producers' burden.



CONCLUSIONS

We currently observe a market failure in the absence of the OLPP rule for two reasons:

- Information asymmetry is a fundamental problem that leads to market failures
- The inability of producers to signal quality to their customers prevents them from investing in capital improvements

It is our conclusion that the OLPP rule is designed to make the markets operate more efficiently, & would satisfy customer's unmet demand for enhanced welfare animal products at the same time.

In addition, there are significant errors and omissions in the calculation of benefits in the existing economic analysis reports, and the conclusion that costs outweigh the benefits is unfounded.

