



Procedures for Calculating Wholesale Pork Prices on an F.O.B. Omaha Basis For Livestock Mandatory Reporting

Purpose

The purpose of this document is to outline the methodology and procedures for calculating prices on an F.O.B. Omaha basis in dollars/hundredweight for the reporting of sales of wholesale pork in accordance with the Livestock Mandatory Reporting (LMR) regulation (§59.205(d)).

Background

AMS researched various methods for developing transportation cost information for the purpose of calculating prices on an F.O.B. Omaha basis. After working closely with industry stakeholders and collaborating on ideas, the following solution was agreed to and accepted by the pork packing industry members.

AMS will provide regional freight rate information for the continental U.S., Canada, and Mexico. AMS will utilize <http://rateindex.transcore.com/> and <http://www.truckloadrate.com/> as the information sources to calculate the regional per-loaded-mile freight rates from Omaha, Nebraska which will be updated on a quarterly basis. For delivery points close to Omaha, a minimum freight charge of \$550.00/40,000 lbs, or \$1.375/cwt, was established.

AMS will notify all of the pork processing plants and companies covered by LMR of the updated freight rates on the last business day of each quarter. The LMR pork plants will have until the 15th of the following month to update these freight rates in their computer systems. In addition, AMS will publish the quarterly freight rates on their LMR Information page of the AMS web site, which can be found at: <http://marketnews.usda.gov/portal/lg>. A map of North America will be provided to illustrate the most current freight rate data on a regional basis.

To assist pork packing companies with calculating the mileage distances from Omaha to the buyers' delivery destinations, AMS developed a software utility in Excel which is based on U.S. postal zip codes. Users can enter the zip code of the delivery point, and the program will figure the mileage distance from the Omaha 68108 zip code.

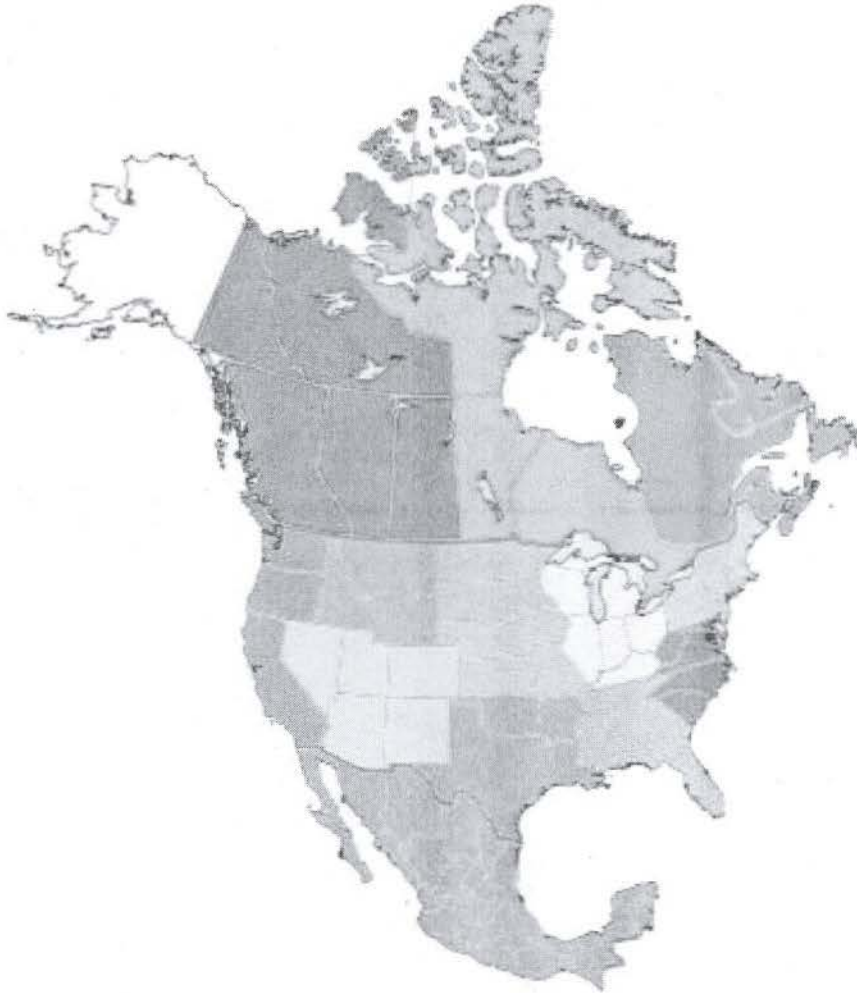


Procedures and Calculations

- Domestic Wholesale Pork Sales:

In order to determine the freight expenses needed to calculate the F.O.B. Omaha price of domestic wholesale pork sales, AMS divided the continental U.S. into the following ten regions:

- Washington, Oregon, California
- Utah, Arizona, Colorado, New Mexico, Nevada
- Idaho, Montana, Wyoming
- Pennsylvania, New Jersey, New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Maine
- South Carolina, North Carolina, Virginia, West Virginia, Maryland, Delaware, District of Columbia
- Tennessee, Mississippi, Alabama, Georgia, Florida
- Michigan, Indiana, Ohio, Kentucky, Wisconsin, Illinois
- North Dakota, South Dakota, Minnesota
- Texas, Oklahoma, Louisiana, Arkansas
- Nebraska, Iowa, Kansas, Missouri





AMS will provide a freight rate value for each of these regions on a quarterly basis. The basic formula for arriving at an F.O.B. Omaha price is:

$$\text{Delivered Price} - ((\text{Miles from Omaha} * \text{Regional Freight Rate}) / 40,000) * 100 = \text{F.O.B. Omaha Price}$$

- Step 1: Determine the distance in miles between Omaha, NE and the delivery destination.
- Step 2: Multiply the number of miles by the freight rate provided by AMS for the respective region.
- Step 3: If the value is greater than \$550, divide the value by 40,000 and multiply by 100
- Step 4: Subtract freight value from the delivered price to arrive at the F.O.B. Omaha price.

Example:

Loins delivered to Yakima, Washington (98901) at \$110.00/cwt
 Regional freight rate is \$2.06 per mile
 1,589 miles from Omaha
 $\$2.06 * 1,589 = \$3,273.34$
 $(\$3,273.34 / 40,000) * 100 = \$8.18/\text{cwt}$
 $\$110.00 - \$8.18 = \$101.82/\text{cwt}$
 F.O.B. Omaha price to be reported to AMS = \$101.82/cwt for the loins

If product is picked up at the plant by the buyer, calculate the mileage from Omaha, NE to the plant. Follow the same steps as above, but subtract freight per cwt from the F.O.B. plant price to obtain F.O.B. Omaha price.

For transactions where the freight charges are less than the minimum of \$550.00, then divide \$550.00 by 40,000 and multiply by one hundred. Subtract that number from the delivered price, or the F.O.B. plant price for picked up product, to obtain F.O.B. Omaha price.

Example:

Loins delivered Ankeny, Iowa (50021) at \$105.00/cwt
 Regional freight rate is \$3.26 per mile
 145 miles from Omaha
 $\$3.26 * 145 = \472.70 . This value is less than \$550.00; therefore, use \$550.00 as the total freight value.
 $(\$550.00 / 40,000) * 100 = \$1.375/\text{cwt}$
 $\$105.00 - \$1.375 = \$103.63/\text{cwt}$
 F.O.B. Omaha price to be reported to AMS = \$103.63/cwt for the loins.



- **NAFTA Wholesale Pork Sales:**

The F.O.B. Omaha prices for wholesale pork sales destined for NAFTA countries (Canada and Mexico) should be calculated in the same method as domestic pork sales. For all product sales to be delivered into Mexico, the same regional freight rate as Texas should be applied. Pork sales to Canada should use the applicable freight rate for one of three regions in Canada:

- British Columbia, Alberta, Saskatchewan, Yukon, Northwest Territories
- Manitoba, Ontario, Nunavut
- Quebec, New Brunswick, Nova Scotia

- **Overseas Wholesale Pork Sales:**

The method for calculating the F.O.B. price of pork sales to be shipped overseas, which includes sales to Alaska and Hawaii, may vary depending on whether the product is shipped to a U.S. destination for export or is delivered directly to an overseas destination.

- For overseas sales of product to be delivered to a U. S. destination for export, the F.O.B. Omaha price should be calculated using the delivered price to that destination and the distance between that destination and Omaha.
- For product delivered directly to an overseas location, the F.O.B. Omaha price should be calculated using the F.O.B. plant price and the distance between the shipping plant and Omaha.

Please direct all questions and concerns to the AMS Livestock and Grain Market News office in Des Moines, Iowa at 515-284-4460 or mpr.lgmn@ams.usda.gov.