



### LMR Stakeholder Discussion Items – Pork and Swine August 8, 2017

As requested by industry stakeholders, AMS continues to conduct several data and reporting reviews to explore areas for possible LMR report improvements. Below is a summary of recent reviews, along with recommendations from AMS. For the bullets marked “**Action Item**,” AMS requests feedback from your organization.

Please refer back to the [stakeholder meeting notes](#) on the LMR website to review the detailed analysis on the discussion items listed below.

**Issue 1. Swine or Pork Market Formula Percentage Survey.** AMS will conduct a voluntary survey of packers to determine the percentage of formulas based off of the pork cutout in the Swine or Pork Market Formula purchase type.

- **Action Item:** While AMS can conduct a voluntary survey of packers, more details and direction are needed from stakeholders to ensure this is a useful tool, such as:
  - Frequency of survey?
  - Should this survey represent a snapshot in time, or be an accumulation of monthly or quarterly data (depending on the frequency)?
  - Is this an estimated average percentage?
  - Once the information is submitted to AMS, what should AMS do with the data? For example - take each company’s response and create an industry average (similar to the cutout yields)? Should there be any emphasis or weighting based on market share?
  - How should AMS verify this data?
  - Should this survey only include cutout based percentages? What about other percentages, such as percentage based off the 201 report, a regional purchase report, or the CME index?
  - What if the base price is established using only a fraction of the cutout? For example, some formulas are a percentage of the cutout, and a percentage(s) of another source.

- Example of 201 report with percentage of cutout based formulas:

LMR201 Des Moines, Iowa Fri, Jun 02, 2017 USDA Market News  
 NATIONAL DAILY DIRECT HOG PRIOR DAY REPORT – SLAUGHTERED SWINE  
 Slaughter Data for Thursday, June 1, 2017  
 Packer and Gilts (Live and Carcass Basis): 408,459

	NEGOTIATED	OTHER MARKET FORMULA	SWINE OR PORK PURCHASE FORMULA	OTHER NEGOTIATED MARKET ARGUMENT	TOTALS/ FORMULA	TOTALS/ WTD AVG
<b>PERCENTAGE-BASED OFF PORK CUTOUTS</b>						
<b>30%</b>						
Producer Sold:						
HEAD COUNT	5,384	51,309	139,273	78,398	2,016	278,940
CARCASS BASE PRICE	72.02	74.43	75.02	76.34		75.23
AVERAGE NET PRICE	74.83	77.22	77.76	78.12		77.70
LOWEST NET LOT	61.85	65.13	63.28	62.45		63.64
HIGHEST NET LOT	84.47	81.41	89.37	96.59		86.71
AVERAGE LIVE WT	282.96	280.60	281.11	281.03		280.66
AVERAGE CARCASS WT	196.10	191.87	211.82	211.69		211.49
AVERAGE SORT LOSS	-2.34	-1.50	-1.45	-0.99		-1.35
AVERAGE BACKFAT	0.61	0.64	0.65	0.68		0.65
AVG LOIN DEPTH (LD)	2.25	2.70	2.72	2.54		2.66
LD/NEVE AREA (LD Converted)	6.76	8.13	8.19	7.65		8.01
AVERAGE LEAN PERCENT (Packer Buying Programs)	54.17	56.15	56.04	55.71		55.95
Packer Sold:						
TOTALS/WTD AVG						
All Purchase Types						
HEAD COUNT	42,356					
CARCASS BASE PRICE	75.25					
AVERAGE NET PRICE	77.60					
AVERAGE OF LOWEST NET LOTS	72.00					
AVERAGE OF HIGHEST NET LOTS	89.28					
AVERAGE LIVE WT	289.47					
AVERAGE CARCASS WT	219.05					
AVERAGE SORT LOSS	-1.70					
AVERAGE BACKFAT	0.65					
AVERAGE LOIN DEPTH (LD)	2.61					
LD/NEVE AREA (LD Converted)	7.85					
AVERAGE LEAN PERCENT (Packer Buying Programs)	56.57					
Packer Owned:						
TOTALS/WTD AVG						



**Issue 2. Packer Sold and Producer Sold Query.** Using January 2016 data, AMS evaluated all producer and packer sold purchase data on the [National Daily Direct Hog Prior Day Slaughtered Swine Report \(LM\\_HG201\)](#) to determine the potential impact of alternate reporting options.

Two options were evaluated. 1. Expanding the packer sold category on the 201 report across all purchase types (it is currently reported as a comprehensive of all purchase types). 2. If option 1 was not possible due to confidentiality, AMS would evaluate combining the current packer sold category with the current producer sold category.

- **Recommendation:** AMS recommends either the continuation of current [LM\\_HG201](#) reporting practices or the combination of the producer sold and packer sold data. AMS cannot further expand the packer sold data across all purchase types due to confidentiality.
- **Action Item:** AMS requests feedback and direction from stakeholders on how to proceed. AMS evaluated slaughter data for the month of January 2016. In evaluating the packer sold purchase types, only the swine or pork market formula swine passed confidentiality on a daily basis. AMS does not expect these results to be different the rest of the year. What is the industry's recommendation for moving forward? Should AMS consider combining the producer and packer sold categories together on the LM\_HG201, or continue with the current version of the prior day slaughtered swine report?

**Issue 3. Categorizing St. Louis Ribs.** AMS will establish regular review schedules with industry to assess future reporting changes to either pork cut lines or the pork cutout. For the initial review, stakeholders requested AMS evaluate confidentiality issues and the resulting impact with categorizing St. Louis ribs into two weight categories (2.75 and down and 2.75 and up), or by piece count. Currently, this style of ribs are not published on the pork reports by weight categories.

- **Recommendation:** After evaluation of 2016 data, AMS recommends not changing the current St. Louis Rib reporting practices as data analysis suggests a reporting loss of 36% of the data volume on the daily report (about 38 million pounds or 952 loads annually).
- **Action Item:** Do stakeholders want AMS to move forward with reporting St. Louis Ribs with weight breaks or by piece count? Or, should AMS continue to report St. Louis Ribs per the current line item on the report, and leave this subject open for discussion as the industry expands in the future?

**Issue 4. Expansion of Forward Sales Report.** AMS analyzed 2016 data to review any confidentiality issues and the possibility of further expanding reported delivery codes for 11-60 days on combos, 15-60 days on boxes, and 61 days and more on combos and boxes on the National Weekly Forward Pork Reports ([LM\\_PK630](#) and [LM\\_PK631](#)). Currently the two ([FOB plant](#), [FOB Omaha](#)) weekly forward sales reports are not broken out by delivery period.



United States Department of Agriculture

The [LPS-89 reporting form](#) currently includes the following delivery periods:

Delivery Period Code (Item Number 14 ):

- 1 - 0-14 Days Box
  - 2 - 15-60 Days Box
  - 3 - 61 Days/Up Box
  - 4 - 0-10 Days Combo
  - 5 - 11-60 Days Combo
  - 6 - 61 Days/Up Combo
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- **Recommendation:** AMS recommends the continuation of current reporting practices on the National Weekly Forward Pork Reports, which is the combined reporting of all the delivery codes. There is a significant loss of reported data (18%) resulting from confidentiality issues when the 61 day and up data is broken out separately as it does not pass confidentiality on its own.
  - **Action Item:** Do stakeholders want AMS to move forward with reporting forward sales broken out by delivery period? Or, should AMS continue to report forward sales per the current format and leave this subject open for discussion as the industry expands in the future?